

Migration, trade, and development: Comparing Mexico-US and Turkey-Europe

PHILIP L. MARTIN *

Abstract

Migration was the major relationship between Mexico and the US and Turkey and Western Europe for most of the past half century. Changes in both migrant-sending and –receiving countries aimed to substitute trade for migration. Mexico and Turkey have had roller-coaster economic growth trajectories, sometimes growing faster than other OECD countries and sometimes shrinking faster. There have been significant changes in Mexico and Turkey but, until more formal-sector jobs are created, especially young people leaving agriculture or joining the labour market may be candidates for migration.

Keywords: Migration, trade, development, Mexico, US, Turkey, Europe.

Introduction: From migration to trade

For most of the past half century, migration has been the major relationship between Mexico and the US as well as between Turkey and most western European countries. Mexican workers were recruited to fill jobs in agriculture in the US, and Turkish workers to fill construction and manufacturing jobs in Austria, Germany, and other EU countries. The US admitted a peak 455,000 Mexican Braceros in 1956, and halted Bracero recruitment in 1964. The now EU-15 countries admitted a peak 150,000 Turkish guest workers in 1971, and most halted the recruitment of Turkish guest workers in 1973-74.¹

There was not a sudden uptick in Mexico-US or Turkish EU migration after these recruitment stops. The US in the late 1960s had a growing economy and falling unemployment (the unemployment rate was below five per cent between 1965 and 1970). Despite sharp jumps in wages in the occupations that had employed Braceros (the United Farm Workers won a 40 per cent wage increase with table grape growers in 1966), legal and illegal Mexican-US migration remained relatively low (apprehensions of unauthorized Mexicans just inside the Mexico-US border doubled from less than 100,000 a year in the early 1960s to over 200,000 a year in the late 1960s). Rising farm worker wages and the widespread belief that Mexico-US migration would not resume stimulated labour-saving mechanization in agriculture, as exemplified by the development and diffusion of the processing tomato harvester, which harvested the tomatoes used to make tomato sauce in one pass through the fields (Martin and Olmstead, 1985).

* Philip L. Martin is Professor of Economics, Department of Agricultural Economics, University of California, Davis, USA. Email: plmartin@ucdavis.edu.

¹ Austria continued to recruit Turks, Yugoslavs, and guest workers from other countries until the late 1980s.



The aftermath of guest worker recruitment in Europe was different. Unemployment rates in western European countries, which had been very low during the late 1960s and early 1970s, jumped in the mid- to late-1970s as economies underwent structural changes in response to higher oil prices. However, most Turks and other guest workers in Western Europe were probationary immigrants who had earned the right to permanent residence, not strictly temporary workers who had to leave when they lost their jobs. Structural changes in western European economies changed Turks and other guest workers from being associated with employment to being associated with unemployment, as unemployment rates for guest workers were often double the rates of natives.

Most guest workers who had gained permanent residence rights stayed and hoped for a quick economic recovery, since economies in Turkey and other migrant-sending countries were also reeling from oil-price hikes. Many of the jobs for which guest workers were recruited did not reappear, but many migrants formed or unified families, resulting in a sharp change in the dependency ratio. Two-thirds of foreigners in Germany were employed in 1973, but only a third of 4.5 million foreigners in Germany were employed in the early 1980s (Martin, 2004).²

Mexico-US migration

12

The US government had an attitude of benign neglect toward Mexico-US migration for the two decades after the end of the Bracero program. Congress largely ignored rising unauthorized migration in the 1970s and early 1980s as Mexico suffered from a debt crisis that led to sharp devaluations of the peso and made working in the US more attractive.

There were efforts in Congress, strongly supported by Cesar Chavez and the UFW, to impose federal sanctions or fines on US employers who knowingly hired unauthorized foreign workers in an effort to “close the labour market door to unauthorized workers.” The House, at the behest of Rep Peter Rodino (D-NJ) several times approved employer sanctions laws in the 1970s that would have imposed federal fines on US employers who hired unauthorized workers. However, conservative southerners such as Senator James Eastland (D-MS) blocked employer sanctions in the Senate at the behest of agricultural employers.

The Immigration Reform and Control Act (IRCA) was enacted in 1986, when a record 1.8 million unauthorized foreigners were appended just inside the US border with Mexico. IRCA represented a grand bargain between restrictionists who believed that priority should be placed on deterring the entry

² Some of the increase in the number of Turks in the early 1980s reflected the arrival of asylum seekers. Germany and some other European countries did not require visas of Turks until a military coup in Turkey in 1980 sent over 50,000 Turkish asylum seekers to Germany. Germany imposed visa requirements on Turks, and the number of Turkish asylum seekers dropped.

and employment of unauthorized foreigners and admissionists who believed that priority should be on legalizing unauthorized foreigners. Some opposed IRCA's employer sanctions for fear they would prompt US employers to discriminate against Hispanics to avoid fines.

The major feature of IRCA that shaped Mexico-US migration flows over the past quarter century were two legalization programs. One granted legal status to unauthorized foreigners in the US before 1982, and the other program legalized unauthorized farm workers who did at least 90 days of farm work in 1985-86. The two programs legalized 2.7 million people, 85 per cent Mexicans, and especially the farm worker program set the stage for more Mexico-US migration. A sixth of the adult men in rural Mexico in the mid-1980s became legal immigrants under the so-called Special Agricultural Worker (SAW) program, but the families of these SAWs were not legalized under the theory that newly legalized Mexican farm workers wanted to maximize the value of their US earnings by keeping their families in lower-cost Mexico. This theory proved false.

Illegal Mexico-US migration rose in the 1990s due to SAW family unification and because there was little effective enforcement of employer sanctions laws. In a bid to curb discrimination against minorities, IRCA required employers to check the identity and right to work of each new worker hired. However, employers did not have to verify the authenticity of the documents presented by workers, which allowed unauthorized workers to present false documents or documents belonging to legal workers to get hired and allow employers to say they did not know the worker's documents were false. Employers could still lose unauthorized workers and production in the event of workplace raids, but there were relatively few enforcement raids.

A combination of legalization, ineffective enforcement, and a US economic boom in the late 1990s spread unauthorized workers, primarily Mexicans, throughout the US. Many newly arrived unauthorized Mexicans bypassed farm jobs, their traditional port of entry into the US labour market, and went directly into US construction, manufacturing, and service jobs.

There was a brief slowdown in illegal Mexico-US migration in 2001-02 in the wake of the recession and the September 11, 2001 terrorist attacks, but unauthorized entries rose sharply during the 2003-07 US economic boom. Both Mexican President Vicente Fox (2000-06) and US President George W Bush (2000-2008) endorsed proposals to legalize unauthorized Mexicans in the US and create new guest worker programs. However, restrictionists and admissionists in Congress disagreed on the key elements of immigration reform, enforcement and legalization. The House in December 2005 approved an enforcement-only bill aimed at reducing unauthorized entries and employment, while the Senate approved a comprehensive bill in 2006 that included more enforcement as well as legalization of unauthorized foreigners and new guest worker programs. Unlike with IRCA in 1986, restrictionists

and admissionists were unable to compromise, and immigration reform died in the Senate in 2007.

The number of unauthorized foreigners, almost 60 per cent Mexicans, peaked in 2008 at 12 million. Since then, the number has fallen by a million, reflecting the impacts of the 2008-09 recession, which more than doubled the US unemployment rate from less than five per cent to almost 10 per cent. Unauthorized workers were concentrated in some of the industries that lost many jobs in 2008-09, including construction, but relatively few appear to have returned to their countries of origin. Instead, most unauthorized workers remained in the US, so the declining stock was due to fewer new entries and some unauthorized becoming legal immigrants (about 60 per cent of legal immigrants are in the US when they obtain immigrant visas).

An estimated 40 per cent of Mexican residents had at least one US relative in 2010, and the share of Mexicans with US relatives is even higher in the major areas of origin for US-bound migrants, west-central and southern Mexico. If the US economy rebounds in 2011-12, unauthorized migration will provide a test for regulations versus markets. Will Mexicans seek to enter the US and find jobs despite 21,000 Border Patrol agents and 700 miles of fencing on the Mexico-US border? Will more audits of the I-9 forms that US employers are required to complete for each new hire deter unauthorized workers from seeking entry or simply circulate them from one employer to another, that is, have workers who are fired from one employer get new documents and move to another?

While Congress remains deadlocked on immigration reform, many state and local governments are trying to discourage unauthorized foreigners from living and working in their jurisdictions with laws that require employers to use the federal government's voluntary *E-Verify* system to check the legal status of new hires, require police to determine the legal status of those they encounter or arrest, and require landlords to check the legal status of renters. These attrition-through-enforcement laws, symbolized by Arizona's SB 1070 enacted in April 2010, have not yet been implemented because of court injunctions. If the authority of state and local governments to enact restrictive immigration laws is upheld, the US could develop a patchwork of laws aimed at reducing unauthorized migration.³

Turkey-EU migration

Turkish-EU migration peaked in the early 1970s at over 150,000 a year; today, fewer than 50,000 Turks a year migrate to EU-15 countries, mostly for family unification. The two major issues in most EU countries with Turkish-born

³ Over 1,500 bills related to immigration were introduced in state legislatures in the first quarter of 2011, and about 10 per cent were enacted into law. Most imposed restrictions on unauthorized foreigners. Obama, Arizona, Georgia. 2011. *Migration News*. Vol 18, No. 3, July. <http://migration.ucdavis.edu/>

and ethnic Turkish residents involve (1) integrating especially 2nd and 3rd generation youth and (2) assessing how many Turks might move to EU countries if Turkey were an EU member and Turks had freedom of movement rights.⁴

Organized Turkish labour migration to western European countries began with an October 1961 agreement between Turkey and Germany that allowed German employers to recruit Turkish guest workers; Turkey subsequently signed labour-recruitment agreements with Austria, Belgium, France, the Netherlands, and Sweden. European labour-recruiting governments and the Turkish government made assumptions about this labour migration that were not fulfilled. Germany and other migrant-receiving governments assumed that Turkish and other guest workers would rotate in and out of their labour markets, and Turkey assumed that remittances and the return of workers with newly acquired skills would speed its economic and job growth. These rotation and economic development assumptions undergirded the Ankara Association Agreement of 1963 and the Additional Protocol of 1973 that promised Turkey a steady reciprocal lowering of tariff and migration barriers. Turks were to have "free access" to the then-EC labour market by December 1986.

Turks did not gain free access to EC labour markets in 1986, but Turkey applied to join the EC in 1987. Turkey switched from an inward-looking and statist-oriented economic model to an outward- and market-oriented model in the early 1980s, which increased EC investment in Turkey and Turkish trade with EC countries. Turkey's 1987 EC application was rebuffed, as was another Turkish accession bid in 1997, but EU leaders put Turkey on a list of countries eligible for future EU entry in December 1999. Turkey reapplied, and Turkish-EU accession negotiations began in 2005.

Turkey-EU accession negotiations have been slow. Between 2005 and 2010, only a few of the 35 chapters of the EU *Acquis* were accepted by Turkey or accepted with exceptions agreed to by the EU and Turkey.⁵ Prime Minister Recep Tayyip Erdogan says that Turkey's "goal is full membership" in the EU, but the leaders of France, Germany, and some other EU member states argue that there should be some form of "special relationship" with Turkey rather than full EU membership.

One reason some EU leaders fear Turkey's EU membership is the potential for more Turkish out-migration. The Turkish government in the 1960s saw labour migration to Western Europe as opening a window that would speed economic development. Otherwise unemployed or underemployed workers, they reasoned, could go abroad to earn wages and learn skills that would speed economic and job growth in Turkey when they returned. Expectations were high, and there was disappointment when labour migration did

⁴ Freedom of movement means that a worker from an EU member state may enter another, remain for up to 3 months in search of a job and, if the migrant finds employment, the host country must grant any necessary work and residence permits.

⁵ The Economist in March 2011 reported that only the *Acquis* chapter dealing with science had been concluded, and that there were no negotiations on 18 chapters.

not turn out to be a panacea in a Turkey still largely closed to trade and investment and suffering from periodic economic and political crises.

Instead using their newly-acquired skills in Turkish factories, most returning Turkish workers built or improved housing, bought land, and created small service businesses for themselves and their families. Migrating abroad helped individuals to improve their economic status, but did not lead to stay-at-home development in emigration areas; in some areas, emigration pressures may have risen rather than fallen (Abadan-Unat *et al.*, 1976). Just after the 1973-74 recruitment stops, the ILO echoed pessimism by concluding:

“The main economic benefits of emigration are far less certain that has been maintained hitherto. They may possibly be negative in the aggregate ... sending countries need to keep their policies under close examination ... The worst but not the most unlikely effect is that emigration breeds the emigrating sub-proletariat of tomorrow” (ILO, 1974: 98-99).

Between 1961 and 1973, a million Turkish workers went to Western European nations. Many stayed more than a year, so the stock of Turkish workers in Western Europe reached 1.3 million in 1973, including three-fourths in Germany (Gitmez, 1989: 7). In 1973, when Turkey's labour force was 15 million, including 10 million employed in agriculture, a sixth of Turks with non-farm jobs were in Western Europe, and their remittances were five per cent of Turkish GDP. There were over 1.5 million Turkish workers on waiting lists to go abroad in 1973.

16

The peak years of Turkish labour migration were between 1968 and 1973, when the Turkish Employment Service (TES) handled the exit of about 525,000 workers, 80 per cent of whom went to Germany. Other Turks went on their own to Western Europe, found jobs, and received work permits.⁶ Especially at the beginning of Turkish-EU migration, most guest workers were from the western and more modernized parts of Turkey rather than the more rural east, and at least a third were classified as skilled by the TES, even though most filled unskilled jobs in Western Europe (Akgunduz, 2008).⁷ About 80 per cent of Turkish migrants were men between the ages of 20 and 40.

In November 1973, the German government banned the entry of low-skilled foreign workers expected to be employed 90 days or more. When jobless guest workers began to unify families abroad rather than return in the mid-1970s, the German government discouraged family unification, including making spouses wait several years before they could get work permits and designating German cities with more than six per cent foreigners "overburdened" and off-limits to new foreigners seeking residence permits. In 1982,

⁶ The TES registered Turks wanting to work abroad, and German or other foreign employers selected the workers they wanted to hire from TES recruitment lists. Over time, foreign employers were more likely to specify the Turkish workers they wanted to hire by name.

⁷ Despite protests from some Turkish employers, the Turkish government restricted only the emigration of Zonguldak miners (Abadan-Unat, 1986: 361-2).

the newly elected CDU-CSU-FDP government, whose motto was “Germany is not a country of immigration,” offered return bonuses to jobless guest workers who gave up their work and residence permits, reducing the number of foreign residents by about 250,000.

Turks were the largest group of foreigners in Germany in the 1980s, and family unification and births added to their number. After a 1980 coup in Turkey, some Turks applied for asylum in Germany and other European countries, producing an “asylum crisis” that was largely solved by requiring Turks to obtain visas. There was another asylum “crisis” in Europe in the early 1990s that included Turks but was dominated by nationals of the ex-Yugoslavia, and it was defused by first-safe country and safe-third country rules that limited access to the asylum system.⁸

Unlike the rising path of new Mexico-US labour migration, Turkish-EU labour migration has been on a declining trajectory. Turkey has been a net immigration country since the mid-1990s. Migrants from Turkish-speaking CIS countries and those transiting Turkey from North Africa and the Middle East far outnumber Turks emigrating to join relatives or seek asylum in EU-15 countries. There is still some labour out-migration from Turkey, as up to 100,000 Turks a year leave to work primarily in Middle Eastern countries or in the CIS countries, often as employees of Turkish construction companies.

The major migration-related issues involving Turks in Western European nations are integration and future migration. Turks, who were associated with employment in the early 1970s, are today more often associated with non-work, as exemplified by low labour force participation rates and high unemployment rates. Fears of an evolving underclass prompted the German government in 2000 to introduce birthright citizenship to children born to legal parents in Germany; they must choose German citizenship by age 23 or lose it.⁹ In 2005, Germany implemented its first-ever regulated immigration system aimed at attracting highly skilled foreigners and investors, but also added requirements that foreigners seeking to renew their residence permits had to take German language and culture classes; since 2007, there are similar tests for foreigners seeking to join settled family members in Germany. Similar *jus solis* policies and “integration contracts” and language tests are becoming more common in European countries that recruited Turkish guest workers and worry about integration.

⁸ Foreigners seeking asylum were required to apply in the first-safe country they reached, and its decision was binding on other countries, and foreigners from “safe-countries” were deemed generally not in need of protection.

⁹ Babies born in Germany to at least one foreign parent who has been legally resident in Germany for at least eight years are considered German citizens at birth. These children have dual citizenship until age 23, when they must decide whether to retain German or their parents' citizenship. In practice, some of those electing German citizenship will be able to keep their parents' citizenship as well.

Mexico and Turkey: Demography and employment

Do Americans and Europeans wrongly fear “mass migration” from Mexico and Turkey? Mexico and Turkey have opened their economies to foreign investment and trade in the past three decades, shrunk the role of state-owned enterprises, and undergone political transformations. Are these changes sufficient to believe that the era of mass out-migration is nearing an end in Mexico and is unlikely to resume in Turkey?

Mexico had 111 million and Turkey 74 million residents in 2010 (PRB).¹⁰ Although fertility rates have dropped substantially, the Mexican fertility rate of 2.2 in 2010 and the Turkish rate of 2.1 are higher than rates in the major (potential) destinations for their migrants, the US (2) and Germany (1.3).¹¹ The demographic issue is not so much migration pressure after 2025, when the Mexican and Turkish populations are projected to be 123 and 85 million, respectively, but how to manage migration and integration until demographic and other inequalities narrow.

The key challenge for both Mexico and Turkey is to create enough good jobs to keep potential migrants at home. In most OECD countries, half of the population is in the labour force, for example, the US population was 310 million and the labour force was 154 million in 2010.¹² The share of the population that is in the labour force is lower in Mexico, about 42 per cent, and even lower in Turkey, about 31 per cent. Labour force participation rates (LFPRs), the share of work-eligible persons employed or looking for work, are also lower. LFPRs are typically about 65 per cent in OECD countries, and are 60 per cent in Mexico and 50 per cent in Turkey. Women are half of the labour force in most OECD countries, but the female share of the labour force is only 37 per cent in Mexico and 31 per cent in Turkey.

Among those in the labour force, under-employment is more prevalent in Mexico and Turkey than in other OECD countries and a higher share of workers in Mexico and Turkey are employed in agriculture. Workers in informal jobs and employed in agriculture may include potential migrants. In both Mexico and Turkey, unemployment rates are similar to those in the major destination countries, but under-employment rates are much higher. In Mexico, for example, the number of full-time, private-sector jobs covered by the Social Security system (IMSS) has been stable at about 12 million for the past

¹⁰ The OECD puts the 2009 population of Mexico at 108 million and of Turkey at 71 million; PRB (www.prb.org) puts the 2010 population of Mexico at 111 million, and increasing by 1.5 million a year, and the population of Turkey at 74 million and increasing by 890,000 a year. About 29 per cent of Mexicans are under 15, and 26 per cent of Turks are under 15.

¹¹ Most Mexicans migrate to the US, which had 310 million residents in 2010, a population growing by 1.9 million a year, and 20 per cent of residents under 15. Germany, the EU country with the most Turkish and Turkish-origin residents, had a 2010 population of 82 million shrinking by 160,000 a year; 14 per cent of residents are under 15. Austria had a stable 8.4 million residents, and 15 per cent were under 15.

¹² In all OECD countries including Mexico and Turkey, employment in 2009 was 540 million, including 26 million in agriculture.

decade, even though the labour force rose by seven million. In Turkey, a third of workers in urban areas and three-fourths in rural areas were not registered with the social security system (SGK) that provides health insurance and pensions in 2005 (World Bank, 2006: iii).¹³

Many of the underemployed Mexicans and Turks are in agriculture, which included eight million Mexicans and 8.5 million Turks in 2008. The value added by those employed full-time in agriculture is relatively low, about \$3,300 in both Mexico and Turkey in 2008, suggesting that many farmers and farm workers would move to higher wage nonfarm jobs if they could. The share of employment in agriculture fell sharply in Mexico over the past two decades, from a quarter to an eighth of workers, and in Turkey from almost half to a quarter of workers.¹⁴ However, the roughly eight million workers still employed in agriculture in each country include, with family members, 25 to 30 million people.

Table 1: Mexico and Turkey, Agriculture, 2005-2008

	2005	2006	2007	2008
Rural Pop (%)				
Mexico	24	23	23	23
Turkey	33	32	32	31
Employ-Ag (mils)				
Mexico	8.3	8.3	8.1	7.9
Turkey	9.0	8.9	8.7	8.6
Employ-Ag ⁰ %				
Mexico	15	14	14	
Turkey	30	27	26	26
Ag Value added(\$)				
Mexico	2,902	3,005	3,160	3,306
Turkey	3,224	3,299	3,146	3,326

Source: World Bank Indicators (data.worldbank.org/indicator) Accessed 1/3/2011.

In most OECD countries, the unemployment rate provides a measure of labour market slack and potential internal and international migrants. This is not the case in Mexico and Turkey, where labour force participation rates are low, there are relatively few formal-sector wage and salary jobs, and there is a large informal sector. Especially in Turkey, female labour force participation

¹³ More recent data suggest that 9.4 million of the 21.1 million Turkish workers in 2009 were not registered with the SGK.

¹⁴ World Bank (2006: v) reported that total employment in Turkey rose from 16 million to 22 million between 1980 and 2004; employment in agriculture fell from 8.4 million to 7.4 million during these years.

has been declining despite an expanding service sector and more women completing secondary and higher education.

Table 2: Mexico and Turkey, Population and Labour Force, 2005-2009

	2005	2006	2007	2008	2009
<i>Population(Mils)</i>					
Mexico	104	105	106	107	108
Turkey	69	69	70	71	72
<i>Labour Force (Mils)</i>					
Mexico	42	43	44	45	45
Turkey	25	25	23	24	
<i>Labour Force/Population (%)</i>					
Mexico	40%	41%	42%	42%	42%
Turkey	37%	36%	33%	33%	
<i>Employee Share of Labour Force(%)</i>					
Mexico	60%	63%	63%	64%	63%
Turkey	45%	47%	54%	54%	
<i>W&S Employees (mils)</i>					
Mexico	25	27	28	29	29
Turkey	11	12	13	13	13
<i>If LF/Pop Shares were 50 per cent, LF (mils)</i>					
Mexico	52	53	53	54	54
Turkey	34	35	35	36	36
<i>If 82 per cent of persons in LF were W&S employees (mils)</i>					
Mexico	43	43	43	44	44
Turkey	28	28	29	29	29
<i>Difference: Potential W&S employees minus actual (mils)</i>					
Mexico	18	16	16	15	16
Turkey	17	16	16	16	17

Source: OECD, *Labor Force Statistics 1989-2009*.

Few people with formal wage and salary jobs migrate, so the keys to reducing migration pressure are reducing underemployment in agriculture and creating wage and salary jobs. The labour forces of Mexico and Turkey are a smaller share of residents than the OECD average, where half of the population is in the labour force. In Mexico, only 42 per cent of residents are in the labour force and in Turkey only a third. In most OECD countries, over 80 per cent of those in the labour force are wage and salary employees,¹⁵ but only

¹⁵ According to the OECD, 84 per cent of the 154 million-strong US labour force were wage and salary employees in 2009, 84 per cent, while 81 per cent of the 42 million strong German labour force were wage and salary employees, 81 per cent.

63 per cent of workers in the Mexican labour force are wage and salary employees and 54 per cent in Turkey. If half of the residents of Mexico and Turkey were in the labour force, and if 82 per cent of workers were wage and salary employees, Mexico would have 16 million more wage and salary employees and Turkey 17 million more.¹⁶

Mexico and Turkey: Growth and employment

Mexico and Turkey have had roller-coaster economic growth trajectories over the past quarter century.¹⁷ In some years they had the fastest-growing economies in the OECD, while in other years Mexico and Turkey suffered severe recessions and currency devaluations. Throughout these economic fluctuations, both Mexico and Turkey have been marked by high ratios of economic to labour force growth and even higher ratios of economic to wage and salary growth, indicators of so-called jobless growth.

Sustained economic growth and formal sector job creation are the keys to stay-at-home development. Between 2005 and 2009, Mexico's economy expanded an average 1.3 per cent a year and Turkey's 3.2 per cent a year. Mexico's labour force expanded faster, an average 1.7 per cent a year, while Turkey's labour force was stable at about 25 million. Wage and salary employee growth was strong in both Mexico and Turkey, but creating an average 600,000 wage and salary jobs a year in Mexico, and 420,000 a year in Turkey,¹⁸ is not sufficient to absorb new job seekers and workers who now have informal jobs as unpaid family workers on farms and in small businesses.

Both Mexico and Turkey need sustained economic and formal-sector job growth to reduce out-migration and reassure the US and Western European countries that there will not be significant out-migration. The issue is how to achieve faster economic and wage and salary job growth. The usual recommendation is to adopt the Scandinavian flexicurity approach to labour markets that protects workers rather than jobs, that is, makes it easy for employers to hire and fire and provide generous unemployment and retraining benefits to laid-off workers.

This is the opposite of the practice in Mexico and Turkey, which rank among the most restrictive OECD countries in employment protections (with

¹⁶ With half of the population in the labour force, the Mexican labour force would have been 54 million rather than 45 million in 2009, and the Turkish labour force would have been 36 million rather than 24 million in 2008 (both numbers would be higher using PRB population data). Applying 82 per cent wage and salary workers to the enlarged 54 million Mexican labour force would mean 44 million wage and salary employees, 16 million more, and applying 82 per cent to the enlarged 36 million Turkish labour force would mean 29 million wage and salary employees instead of 13 million, 17 million more (rounding)

¹⁷ Volatility in economic growth and inflation are associated with slower growth in jobs and per capita GDP growth.

¹⁸ OECD labour force data suggest that Turkey's labour force was stable between 2004 and 2009 at about 25 million, but the number of wage and salary employees rose from 11 million to 13 million.

Portugal). These restrictions help to explain why formal sector job growth is slow during periods of economic growth, and why the number of formal jobs does not fall significantly in recessions. Such employment behaviour is typically of insider-outsider labour markets (Lindbeck and Snower, 1989), where workers employed by government and in private jobs subject to effective government regulation, such as large firms and multinationals, have extensive work-related benefits and protections.

Table 3: Mexico and Turkey, Economic and Job Growth, 2005-2009

	2005	2006	2007	2008	2009	Average
<i>Economic growth(%)</i>						
Mexico	3.2	4.9	3.3	1.5	-6.5	1.3
Turkey	8.4	6.9	4.7	0.7	-4.7	3.2
<i>Labour force growth (%)</i>						
Mexico	0.5	3.1	1.9	2.5	0.7	1.7
Turkey	1.6	0.8	-8.7	3.0		0.6
<i>Ratio: Economic growth to W&S employees</i>						
Mexico	6.7	1.6	1.8	0.6	-9.8	
Turkey	5.2	8.7	-0.5	0.2		
<i>W&S Employees Growth (%)</i>						
Mexico	2.4	5.0	1.8	3.2	-1.0	2.3
Turkey	6.5	5.3	4.2	3.2	-0.8	3.7
<i>Ratio: Economic growth to W&S employees</i>						
Mexico	1.4	1.0	1.8	0.5	6.2	
Turkey	1.3	1.3	1.1	0.2	6.1	

Sources: *Economic growth*, World Bank; *W&S employees*, OECD.

Economic growth is the annual percentage growth rate of GDP at market prices based on constant local currency.

There have been many analyses of labour market inflexibilities in Mexico and Turkey. The World Bank (2006: i) emphasized Turkey's high severance pay,¹⁹ restrictions on temporary employment,²⁰ and high UI premiums as examples of policies that protect insiders with jobs but discourage formal-sector job creation. One result is that hours worked in Turkish manufacturing aver-

¹⁹ Turkish workers with 20 years of employment are entitled to 20 months of severance pay, versus an average six months in OECD countries (World Bank, 2006: x). However, not all workers who should receive severance pay in fact receive such pay, including requiring new hires to sign undated resignation letters and negotiating with workers to pay them a fraction of the severance pay due; public sector workers and those employed in the largest firms normally receive stipulated severance pay. Employer-employee benefit costs averaged 36 per cent of wages in 2005.

²⁰ The 2003 Labor Code allows temp agencies to operate, but restricts employers to using temp workers only when "objective" reasons exist, such as for seasonal work (World Bank, 2006: xi).

aged 52 a week in 2004,²¹ more than the 45 a week in Mexico and the 38 a week in the EU-15 countries (World Bank, 2006: ix), suggesting that manufacturers would rather pay overtime than hire more workers. Three groups of workers were singled out as hurt by Turkish policies that protect insiders: women who migrate from rural-to-urban areas and drop out of the labour force (they were considered employed in agriculture), young university graduates who have trouble finding jobs, and men 55 and older.

Conclusions: Creating jobs, managing migration

Mexico and Turkey are upper middle income developing countries, poised to grow faster as a result of globalization and closer economic integration than the richer countries that have been destinations for their workers. However, their growth paths are not stable, and both countries have a large share of workers employed in agriculture and in the informal sector.

Few workers with formal sector jobs migrate. The challenge facing the Mexican and Turkish governments, and the US and EU governments in dealing with Mexico-US migration and potential Turkey-EU migration, is how to speed up stay-at-home development. This requires steady economic growth and the creation of enough good jobs to employ new labour force entrants, those leaving agriculture, and those employed in the informal sector and not now in the labour force.

Mexico and Turkey have some of the strongest employment protection laws and lowest levels of formal sector jobs among OECD countries. One result is relatively low levels of labour force participation and relatively few wage and salary jobs. If Mexico and Turkey had levels of labour force participation and wage and salary jobs equivalent to the average for OECD countries, Mexico would have 16 million more wage and salary employees and Turkey 17 million more.

The policy challenge is to move from the current insider-outsider labour market to a labour market that offers formal sector jobs, perhaps with fewer protections, to more workers. Until then, Mexico and Turkey may find efforts to forge closer links with major economic partners blocked by fears of actual or potential migrants, that is, one argument for liberalizing labour market regulations at home is to lower barriers to migration abroad. The migration management goal is a world of few migration barriers and little unwanted migration, which can be achieved if emigration pressures ease.

²¹Employer pension contributions are based on days rather than hours worked, another factor encouraging long hours of work.

References

- Abadan-Unat, N. (Ed.) (1976). *Turkish Workers in Europe*. Leiden: EJ Brill.
- Abadan-Unat, N. (1986). Turkish Migration to Europe and the Middle East. In: L. Michalak and J. Salacuse. (Eds.) *Social Legislation in the Contemporary Middle East*. UC Berkeley. Institute of International Studies.
- Akgunduz, Ahmet (2008). *Labour Migration from Turkey to Western Europe, 1960–1974: A Multidisciplinary Analysis*. Aldershot: Ashgate.
- Gitmez, Ali (1989). Turkish experience with work emigration. *Yapi Kredi Economic Review*. 3(4): 3-27.
- International Labor Organization (1974). Some growing employment problems in Europe. Report II. Second European Regional Conference. Geneva.
- Lewis, W. (1954). Economic development with unlimited supply of labour. *The Manchester School*. 22 (2): 139-91.
- Lindbeck Assar and Dennis Snower (1989). *The Insider-Outsider Theory of Employment and Unemployment*. MIT Press, MA, USA.
- Martin, Philip (2004). Germany: Managing migration in the 21st century. In: Cornelius, Wayne A., Takeyuki Tsuda, Philip L. Martin, and James F. Hollifield. (Eds.) *Controlling Immigration. A Global Perspective*. Stanford University Press, CA, USA. pp. 221-252.
- Martin, Philip (1993). *Trade and Migration: NAFTA and Agriculture*. Washington: DC: Institute for International Economics. October.
- Martin, Philip L. (1991). *The Unfinished Story: Turkish Labor Migration to Western Europe, With Special Reference to the Federal Republic of Germany*. Geneva: ILO.
- Martin, Philip and Alan Olmstead (1985). The agricultural mechanization controversy. *Science*, 227(4687): 601-606.
- PRB (Population Reference Bureau) (2010). *World Population Data Sheet*. Available at <http://www.prb.org/Publications/Datasheets/2010/2010wpds.aspx>.
- Rodrik, Dani (2009). The Turkish economy after the crisis. *Turkish Economic Association DP*, No. 2009/9. Available at: <http://www.tek.org.tr>. Also at <http://www.hks.harvard.edu/fs/drodrik/>
- World Bank (2006). *Turkey Labor Market Study*. Report No. 33254-TR, April 14, Washington, DC: World Bank.