

## THE ECONOMIC IMPACT OF LABOUR MIGRATION ON THE TURKISH ECONOMY\*

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### Abstract

This study is mainly designed to provide a better understanding of the economic impact of international labour migration on the Turkish Economy. Following the introduction and a brief review of causes of increasing temporary migration during the last 4 decades, complexity of measuring beneficial and detrimental effects of international labour migration is analyzed from the scope of both exporting and importing countries in order to get better insight to the main topic.

During the 1970's, remittances had been used to finance a growing share of Turkey's imports. Without remittances, Turkey would not have achieved higher economic growth rate, and increase in its exports capacities.

The Turkish experience shows that the spending patterns of migrant workers tend to be highly affected by change in national economic policies notably in foreign exchange rates and interest rate policies. This study clearly explains that in most migration literature, inflationary impact of remittances are exaggerated, and the contribution of durable goods and housing sectors to economic development and growth is under-estimated.

### Özet

#### *İşçi Göçünün Türk Ekonomisi Üzerindeki Etkisi*

Bu çalışma uluslararası işçi göçünün Türk Ekonomisi üzerine ekonomik etkilerinin daha iyi anlaşılması için ele alınmıştır. Uluslararası işçi göçünün son 40 yıldaki sebeplerinin bir özeti ve giriş kısmından sonra, esas konuyu daha iyi anlayabilmek için, işçi göçünün faydalı ve sakıncalı etkileri ve bu etkilerin karmaşıklığı hem işçi ihraç eden ve hem de işçi ithal eden ülkeler açısından incelenmiştir.

1970'lerde Türkiye'nin ithalatının büyük bir kısmı, artan bir şekilde işçi dövizleri ile finanse edilmiştir. Bu dönemde işçi dövizleri olmadan

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Anahtar sözcükler: Uluslararası İşçi Göçü, Türkiye Ekonomisi

Türkiye'nin elde ettiği yüksek büyüme hızlarının ve ihracat kapasitesinin artırılmasının gerçekleştirilmesi mümkün değildir.

Türk tecrübesi göstermektedir ki, göçmen işçilerin harcama yapısı ülkede uygulanmakta olan iktisat politikaları ve özellikle döviz kuru ve faiz politikaları değişmelerinden büyük ölçüde etkilenmiştir. Göç ile ilgili birçok yayında işçi dövizlerinin enflasyonist etkilerinin abartıldığını ve bu dövizlerin daha çok inşaat sektörü ile dayanıklı tüketim mallarına harcanmasının iktisadi kalkınmaya ve büyümeye etkilerinin yeterince anlaşılmadığını, bu araştırma açık bir şekilde ortaya koymaktadır.

### *Introduction*

One of the world's most important socio-economic events during the past four decades has been the international migration of labour. The main feature of this movement has to be its temporary character. This type of migratory movement was directed not just toward Europe and the Middle East, but also spilled over into some African, South American and, more recently, to South-East Asian States.

Before 1974, most temporary labour migration was directed towards Western European countries. With the increase in oil prices after 1973, labour migration to oil-rich Arab countries of the Middle East and North Africa, increased significantly.

According to World Bank's World Development Report of 1995 (p.65), today at least 125 million people live outside their country of origin. From 1965 to 1985 this figure increased from 76 million to 105.5 million. In 1985 foreign born population reached 23 million in Europe, 20,4 million in North Africa, 13,4 million in Middle East and North Africa (MENA) Region, 26,7 million in South and South-East Asia, and 11,3 million in Sub-Saharan Africa.

Migrants today increasingly go from less to more developed countries and their length of stay in the host countries is becoming shorter, because they are temporary migrants. This is due to the fact that the majority of them is whether illegal migrants or seasonal workers or contract workers.

However, a few countries such as Gulf countries, Libya and Switzerland have succeeded in keeping workers temporarily, but more often such schemes have tended to become permanent as they have in France and Germany.

### *(a) Scope and Purpose*

This study, covering the period from 1961-1995, is designed to provide a better understanding of the economic impact of this international labour migration on the Turkish Economy. The research focuses mostly on macro-economic aspects and impacts rather than micro-analysis.

### *(b) Method and Problems*

Quantitative analysis of economic impact of international labour migration is severely limited for the following reasons: Firstly, there is lack of adequate data on the subject, Secondly, the migratory movement has not only static and first-order effects, but dynamic and second-order effects as well. Quantitative measurement of costs and benefits of dynamic and second-order effects is presently beyond the capabilities of the social sciences. Our study, then, is based on qualitative assessment, which require certain assumptions and involve value judgements especially in the interpretation of the available data.

The economic analysis of manpower involves a number of disciplines including international economics, labour economics and financial economic analysis. Ideally, the subject requires an inter-disciplinary approach: a comprehensive view would require at least an economic, technological, sociological, demographic and political study. A more modest undertaking is attempted here, the primary focus is that of a political economist.

In this study, after brief introduction of objectives, method and problems of this research, Section 1 includes the definition of temporary migrant workers, as well as a discussion on pull and push factors.

Section 2 provides a provisional framework for enumerating the potential costs and benefits of international manpower migration from various points of view. Favourable and adverse effects of labour migration on labour importing and exporting nations, on private firms and on individuals are studied.

Section 3 focuses on the general trend in remittances and the effect of remitted earnings on the balances of payment, investment, industrial growth, and the level of prices in Turkey. At the end of this section, a summary of major findings and conclusions are also presented.

## *1- An Overview*

### *(a) Temporary Migrant Workers*

From the individual worker's viewpoint, labour migration can be seen as a temporary emigration, even though, as a phenomenon, the practice of migration may continue for many years. Information concerning the migrant workers' average duration of stay in labour importing countries is scanty. But, temporary migrants may stay as long as 5 to 10 or even 20 years, and more. For example, it was estimated, in 1975, in Kuwait, the averaged duration of stay for the Palestinian -Jordanian migrants was 7.8 years (S.E. Ibrahim 1982, p.25). According to our observations, the length of stay for migrant workers in host countries depends upon the country of destination, the social background of the individual migrant and his nationality. For example, length of stay of Turkish workers in European countries varies from 10 to 25 years or more, but in the MENA region only a few years.

Usually, a migrant worker tends to increase his stay in the labour importing country beyond his original intention, after arrival. Even if true intentions were known at the beginning of emigration, the worker, employer or nations involved may change their minds and policies (M.P. Miracle and S.S. Berry 1970, p.88).

Initially, a worker arrives with a set of demands, expectations and preferences. These change as he settles into his new environment and becomes accustomed to relatively higher wages. There are many factors, like these, which contribute to the migrant workers' tendency to prolong their length of stay abroad. Whatever the motivation, there is no doubt that many workers stay on longer than originally intended.

As can be seen from the above figures, the type of migration included in this study is a new type of emigration, which is different from the traditional migration. Traditional migration involved movements from rural areas to urban centers or from Europe to North America in the 19th, and early 20th century. However, economic motivation and increased mobility are two salient features of the temporary migration in the last four decades. The temporary migrant can be defined here as a worker not possessing the citizenship of the country in which he is employed.

### *(b) The Pull-Push Factors and Labour Markets.*

#### *(aa) The Pull Factors*

The major pull factor for the migrant worker is determined by the wage he will receive in the host country. The nominal wage differential between

labour exporting and importing countries may be enormous, usually five to ten times. The second factor is the relatively easy immigration policy which was in effect by European countries until 1974 and in the Middle Eastern countries until 1980. Other factors, such as the freedom of speech and press in European countries can be viewed as pull factors. It has been stated that even the availability of low priced consumer durable goods may be a pull factor.

### *(bb) Push Factors*

Economic motivation is one of the major push factors to emigrate; predominantly unemployment and underemployment, overpopulation and sometimes political instability also are key factors in the decision to emigrate. However, many empirical studies of international labour migration indicate that the single most important push factor is the wage difference between the labour exporting and importing countries.

### *(cc) Structure of Labour Market*

Even though pull and push factors are known, in reality, the structure of the labour market is far from competitive. In other words, the international migratory movement appears to be a one-sided "buyers' market."

During the 1961-1973 period, Turkish migrant workers are chosen through a set of strict health and skill requirements established by the physicians and professional employment evaluators who are from the host countries' public and private sectors.

## *2- Complexity of Measuring Beneficial and Detrimental Impacts of Labour Migration*

In some cases, the number of migrants, their skill composition, and their nationalities has been changing rapidly. For example, the demand for temporary migrant workers in the Gulf countries increased sharply during the 1970-1982 period. In addition, after the 1991 Gulf War the migrant population in the Gulf States changed drastically. Because, one million Egyptians left Iraq, 800.000 Yemenis left Saudi Arabia and about 500.000 Palestinian and Jordanian workers were replaced by Asians and Egyptians in Kuwait (World Bank, 1995 p.65). In order to understand and analyze these changes, this subject also requires constant updating as to its effects.

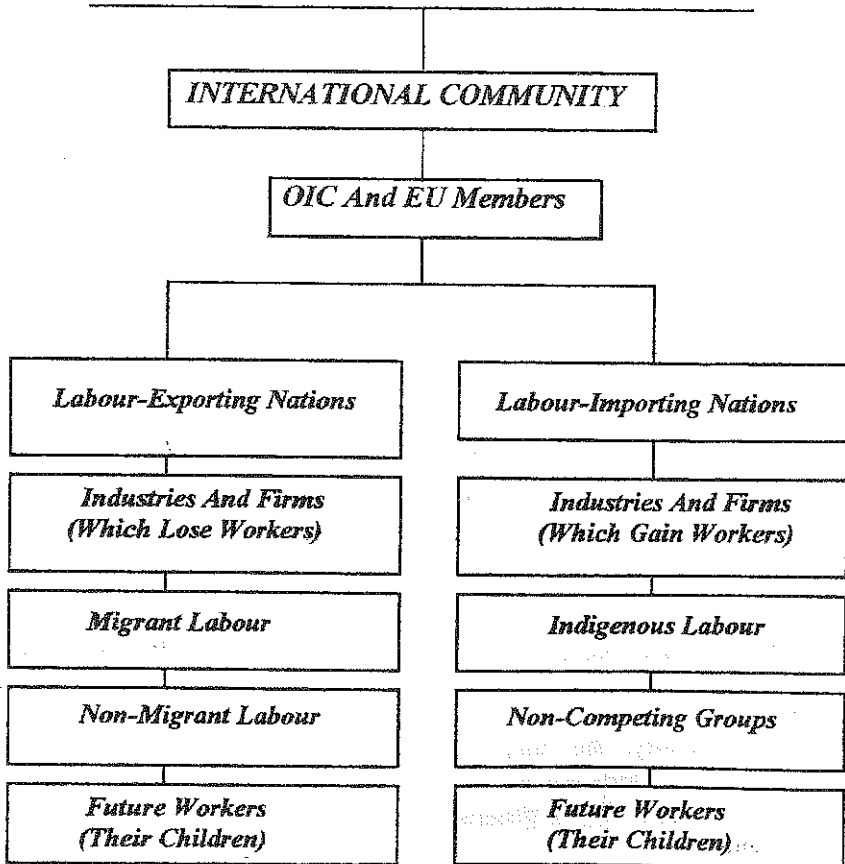
Generally, the "temporary" nature of migration can be defined as the worker who leaves his family for work in another country. His departure to this new country arises, in general, not to adopt a new country, but because of his

desire for a better life (a new home, better education for his children, etc.) through higher wages. Of course, this definition is only true from the individual migrant's point of view. As can be seen from the Chart-I, for the purpose of this study, the "temporary" nature of the flow of manpower involves other factors: the coincidence of wants and desires of the individual workers; the foreign employer; the competing groups in the receiving country; and, most importantly, the effects of migration on the importing and exporting countries.

There are many relationships involved in these human labour flows. Chart-I shows twelve major individuals, groups and institutions, including international, national and local communities which are affected.

### CHART I

#### *Some Persons and Institutions Affected by International Manpower Migration*



*(a) Effects of Labour Migration on the Labour-Exporting Nations and Firms*

*(aa) Benefits*

Migration generally leads to important gains for the labour exporting country, mainly through remittances. As in the cases of Jordan, Yemen, the West Bank and Gaza remittances represent between 10 to 50 percent of GNP; ratios of remittances to exports can reach as high as 25 to 50 percent in Bangladesh, Egypt, Greece, Morocco, Pakistan, Portugal, Sudan and Turkey. Remittances can increase investment in rural areas and construction sector in the sending countries and thereby boosting the demand for unskilled workers. In addition, the major part of national currency counterpart of the remittances is the only workers' income that has been spent on durable goods. This type of consumption pattern of migrants cannot be considered harmful, because it has been useful in creating demand for local industry.

*bb) Costs*

An assessment of the costs of emigration should begin with the loss of human resources on a seasonal, temporary, or permanent basis. Whether or not, there is a net loss of production at home which depends upon the ease of substitution or replacement.

If a replacement can be readily found from the ranks of the unemployed or from persons whose jobs could promptly be filled from a pool of unemployed persons, there would be no necessary decline in production. Nevertheless, any loss of skilled workers creates high labour turnover costs for enterprises. If skilled workers migrate for higher pay, replacements may be only imperfect substitutes characterized by lower marginal physical productivity. Then, labour costs per unit of output increase as the quality of labour inputs decreases.

In fact, majority of semi-skilled and skilled workers have gained their skills largely through on-the-job training in an apprentice capacity. For example, tailors, mechanics, welders, carpenters, masons, plumbers, drivers, typists, cooks, etc. have learned their skills in short periods. It takes a few months for an unskilled worker to become semi-skilled, and about two years to become fully skilled. Therefore, the continuation of semi-skilled and skilled workers' migration is not likely to create any significant supply bottlenecks for a majority of labour exporting countries, when outflow is not sudden and large. In fact, the

stock of temporary emigrants is still only a small fraction of the total labour forces of major sending countries.

*(b) Effect of the Labour Importing Nation and Firm*

*(aa) Benefits*

From the second half of 1950s in Northern European countries, and since 1973 in the oil-rich Arab countries manpower constraints became a critical issue for rapid economic development. In both regions, the majority of expatriates were involved in the construction and production industries. However, capital-rich Arab States have been faced not only with quantitative manpower shortages, but also with the lack of skilled workers.

Both in Europe and Middle Eastern labour-receiving countries, a large percentage of migrant workers are employed in low-skilled jobs throughout industry, especially in assembly-line jobs, construction labour and cleaning jobs which are usually not acceptable to national workers. Therefore, migrant workers perform tasks which would otherwise not be done by indigenous workers.

*(bb) Costs*

The biggest risk, perhaps, to labour receiving nations seems to be their increasing reliance on foreign labour and the concomitant (and growing) outflow of foreign exchange earnings by migrant workers. Increasing reliance on expatriate labour might also create social and political tensions.

In balance, however, the acceptance of large numbers of foreign migrant workers by firms in labour receiving nations shows that they will receive net gains from such employment.

*(c) Effects on Migrant and Non-migrant Labour and Their Dependents*

*(aa) Socio-economic Benefits*

As can be seen from the Section-1 of this study, economic motivations dominate the decisions of the bulk of recent temporary migrations. In addition to net disposable income, there are other economic gains which include the experience, the acquisition of skills and language, the understanding of different societies and cultures, and insights into new ways of living. Explicit and implicit gains, both monetary and psychic, are difficult to measure. It is also possible that much of the knowledge and skills gained abroad might have little direct value at home in the future.



The worker hopes to protect his savings from the ravages of inflation by investing them in real estate and family-operated commercial and industrial shops. Many returning migrants bring back automobiles, and durable consumer goods with the intent to resell them for wealth accumulation. In these ways the returnee hopes to increase his socio-economic position. The returnee gains prestige among his neighbours by virtue of his newly acquired wealth and retirement security. He has a better financial base from which he can finance educational and business opportunities for his children and relatives.

#### *(bb) Non-migrant Workers*

Emigration creates external economies and diseconomies for non-migrant workers who are left behind in the home country. Jobs are left vacant by the migration labour. If unemployed or underemployed workers can be upgraded to fill these vacancies, income will increase for those gaining useful employment. The capital available for the reduced labour force increases the possible productivity of those left behind. The relative reduction in the labour pool might also push up wages if there is relatively little unemployment among those in the same line of work. For example in many labour exporting countries, real wages of skilled workers in certain occupations have been increased rapidly as a result of external migration.

#### *(cc) Socio-economic and Psychic Costs*

Migrant workers often suffer great losses and hardships. While abroad they suffer loss of national and communal social status and separation from their own environment and families. Divorce rates generally increase. Children lack their parents' attention and care, although this problem is less severe in extended family cultures which prevail in much of the developing world.

So far, we have tried to analyze both the beneficial and detrimental aspects of labour migration. However, the dynamics of the phenomenon cannot be calculated quantitatively with any accuracy, because there are so many changing factors involved. Short-term stabilizing factors can quickly become destabilizing as the socio-economic rate of change quickens or as the environment within both labour importing and exporting countries transforms.<sup>1</sup>

### *3- The Turkish Case*

Turkish labour migration started after the recruitment agreements which were signed with the Western European countries during the first half of 1960's. Turkey signed these agreements with the Federal Republic of Germany

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<sup>1</sup> For further evaluation of Chart-1, See E. Çankıçı 1975, pp. 40-69.

in 1961, with Austria, Belgium and the Netherlands in 1964, with France in 1965 and with Sweden in 1967 (A. Gökdere, 1978, p.275). As a result of these agreements, until 1974, Turkish labour emigration rapidly increased to Western European Countries, mainly to West Germany.

Second wave of Turkish migration was to the Middle East and North Africa (MENA region) during the 1980's as a result of rise in activities of Turkish construction companies in this region.

Third phase of migration started in early 1990's and going on to CIS (Commonwealth of Independent States) countries due to activities of Turkish construction companies shifted from MENA region to CIS countries, mainly to Russia and Central Asian Turkish Republics.

*(a) Flows and Stocks of Turkish Migrants by Countries*

The actual number of Turkish workers in both Europe and the MENA region is unknown. This is due to the fact that the calculation is complicated by the lack of information about returnees. Often returnees re-emigrate after using up their savings. Very often their aspirations have changed during their first tour abroad. Of course, the largest gap in official statistics concerns "illegal" migrants or workers abroad who have only tourists passports. Some of the second or third generation of migrants in Europe or those people who have emigrated might not be recorded officially.

*Table-1*  
*Turkish Labour Emigration To Western European Countries For The Years 1961-1995*

Years	Germany	France	Austria	Netherlands	Belgium	Switzerland	Total
1961-1967	176.190	88	5.547	6.646	13917	719	203.107
1968	41.409	-	673	875	-	97	43.054
1969	98.142	191	973	3.404	-	183	102.893
1970	96.936	9.036	10.622	4.843	431	1.598	123.466
1971	65.684	7.897	4.620	4.853	583	1.342	84.979
1972	65.875	10.610	4.472	744	113	1.312	83.126
1973	103.793	17.544	7.083	1.994	265	1.109	131.788
1974	1.128	10.577	2.501	1.503	555	770	17.134
1975-1991	8.907	181	3.783	503	329	3.451	17.134
1992	1.685	21	239	21	7	52	2.025
1993	1.999	8	82	12	2	32	2.135
1994	2.032	17	10	12	1	13	2.085
1995	2.246	13	16	13	1	18	2.307
TOTAL							
1961-1995	686.126	56.183	40.601	25.423	16.204	16.696	816.253

Sources: Documents Of Turkish Employment (TES) and Turkish Ministry Of Labour and Social Security; Y.Z. Irbec, (29th October 1993) P.11.

Despite these difficulties, official Turkish figures have proved reliable data on the outflow of migrate workers. The last column of Table 1 shows that the peak years of Turkish migration to Europe were 1969, 1970 and 1973 when 102,893; 123,466; 131,788 workers emigrated to Western European countries, notably to West Germany. These numbers declined to 17,134 in 1974 and around 2000 during the first half of the 1990's. Table also shows that during the 1975-1991 period only 17,134 workers emigrated to Europe.

The last row of Table 1 shows that from 1991 to 1995 more than 815 thousand Turkish workers officially emigrated to European countries. Out of this total about 82 percent (666 thousand) emigrated to West Germany, 7 percent to France, 5 percent to Austria, 3.2 percent to the Netherlands, 2 percent to Belgium and only 1.4 percent to Switzerland.

Turkish migration to the MENA region started during the second half of 1970's and accelerated in the 1980's, but sharply declined in the 1990's. The acceleration of labour migration from Turkey to this region during the 1980's was mainly caused by the increase in Turkish construction companies' activities, primarily in Libya and Saudi Arabia.

As can be seen from Table-2, from 1981 to 1992, each year 40 thousand to 55 thousand Turkish workers emigrated to MENA region, mostly to Saudi Arabia. After the Gulf War of 1991 Turkish migration to Iraq disappeared, labor movement from Turkey to Libya and Saudi Arabia also rapidly decreased during the last 3-4 years.

From 1980 to 1983, the number of Turkish construction companies working in Libya increased from 34 to 105 and in Saudi Arabia from 13 to 109. Their contracts value have increased from 3.5 billion to 14 billion dollars during the four years period (E.,Çarıkcı, 1987, p.16)

In general, Turkish companies prefer to employ Turkish workers abroad. In the early 1980's, on the average, more than 65 percent of all Turkish migrants in the Middle East were employed by contracting companies operating in Libya and Saudi Arabia. Today, they hold contracts valued at less than 3 billion dollars. As a result, Turkish migration to these countries declined during the recent years.

For this reason, Turkish labour migration to both European countries and to MENA region is declining. But, in European case, Turkish migrant population and Turkish workers continue to increase. Even though, after 1974, direct migration from Turkey to European countries almost stopped, indirect migration or so-called second or third generation migration continued. This type of emigration almost neutralized the number of returned migrants. For

example, in 1981, 123,852 resident foreigners in West Germany were issued work permits for first employment. Out of this total 40,456 or 48,8 percent were Turkish nationals, who started to work for the first time in that country (SOPEMI 1982, p.68).

*Table-2*  
*Turkish Labour Emigration To Irak And Saudi Arabia For The Years*  
*1967-1995*

YEARS	IRAQ	LIBYA	SAUDI ARABIA	TOTAL
1967-1979	-	34.286	21.603	55.889
1980	-	15.090	5.643	20.733
1981	10.467	30.667	14.379	55.513
1982	8.906	26.686	12.325	47.917
1983	7.367	23.292	20.239	50.897
1984	2.430	16.410	25.985	44.825
1985	1.612	9.680	35.067	46.359
1986	2.160	8.381	23.771	34.312
1987	1.729	10.986	27.109	39.824
1988	3.717	13.194	34.645	51.556
1989	2.549	12.608	32.319	47.476
1990	1.274	8.606	33.077	42.957
1991	-	4.728	40.782	45.510
1992	-	2.432	46.467	48.899
1993	-	2.549	35.826	38.375
1994	-	1.869	13.050	14.919
1995	-	1.753	14.529	16.282
TOTAL				
1967-1995	42.211	223.217	436.615	702.243

Source: Documents Of Turkish Employment (TES) and Turkish Ministry Of Labour and Social Security; Y.Z. Irbeç, (29th October 1993) P.9.

As of May 31, 1984 in West Germany, the number of Turkish workers were 542.5 thousand. Including their family members, this number reached to 623.7 thousand. The total Turkish population in West Germany was at that time one million and 552 thousand. (E.,Çarıkçı, 1987, Table 11 on p.32).

From May 1984 to September 1996 in Germany the number of Turkish workers increased from 542.5 thousand to 742.6 thousand, and the number of Turkish citizens increased from 1.5 million on to about 2 million (See Table-3). This means that, the number of returned migrants is more than balanced by second or third generation migrants.

As can be seen from last row of Table-3, today, there are over 1.3 million Turkish workers abroad (this number was only one million in May, 1984). Together with their family members, the number of Turkish citizens residing abroad is close to 3.4 million (This number was 2.4 million in May 1984).

First column of the Table shows that, in September 1996, close to 2,9 million Turkish citizens resided in EU countries, and close to 3 million in European countries (close to 2 million in Germany), 145 thousand in MENA region, 170 thousand in North America, 40 thousand and 50 thousand in CIS countries and Australia respectively.

*Table-3*  
Destination And Stock Of Turkish Citizens And Migrant Workers  
By Countries September 1996

COUNTRIES	NUMBER OF CITIZENS	NUMBER OF WORKERS (*)	UNEMPLOYED WORKERS
a) EU Countries			
Germany	1.956.577	742.568	171.229
France	268.000	102.900	27.088
Netherlands	264.763	84.500	34.584
Austria	150.000	51.297	5.904
Belgium	85.303	26.764	10.578
Sweden	35.948	24.800	-
United Kingdom	51.390	15.746	-
Denmark	34.967	14.445	7.330
Italy	15.000	5.000	-
Finland	1.800	1.400	-
Spain	848	500	-
Luxembourg	220	60	-
EU TOTAL	2.873.816	1.069.978	256.713
b) Other European			
Switzerland	78.615	35.828	6.824
Norway	10.000	6.000	-
Liechtenstein	528	306	-
Other European TOTAL	89.143	42.134	6.824
EUROPEAN TOTAL	2.962.959	1.112.112	263.537
c) MIDDLE EAST AND NORTH AFRICA (MENA REGION)			
Saudi Arabia	130.000	120.000	-
Libya	6.236	5.802	-
Kuwait	3.500	3.300	-
Jordan	1.591	200	-
Qatar	400	400	-
Northern Cyprus		6.308	634
Israel	4.114	4.114	-
MENA TOTAL	145.841	140.124	634
d) Other Countries			
USA	135.000	-	-
Canada	35.000	-	-
CIS (Russia and Others)	40.000	40.000	-
Australia	49.375	31.000	4.042
South African Republic	500	250	-
Other Total	259.875	71.250	4.042
Overall Total	3.368.675	1.323.486	268.213

(\*) Including Unemployed Workers

Source: Unpublished Data, Provided by The Ministry Of Labour and Social Security in October 1996.

As mentioned, today, number of Turkish workers abroad reached to 1,3 million. Out of this total, over 1.1 million work in European countries (743 thousands in Germany) 140 thousand in MENA region (120 thousand in Saudi Arabia), 40 thousands in CIS, 31 thousands in Australia and 71 thousands in other countries. Table also indicates that Turkish workers in CIS countries, in Saudi Arabia and in Libya are working almost without their families.

Table-4 clearly shows that in 1990's, Saudi Arabia and CIS countries have been the major labour importing countries for the Turkish workers with reference to the last five years.

*Table -4*  
Annual Flow Of Turkish Labour Emigration And Their Destination  
During The Period Of 1991-1995

COUNTRIES	1991	1992	1993	1994	1995	TOTAL
GERMANY	49	1.685	1.999	2.032	2.246	8.011
AUSTRALIA	303	208	166	139	248	1.064
AUSTRIA	315	239	82	10	16	662
BELGIUM	2	7	2	1	1	13
FRANCE	33	21	8	17	13	92
NETHERLANDS	22	21	12	12	13	80
SWITZERLAND	66	52	32	13	16	179
SAUDI ARABIA	40.782	46.467	35.826	13.050	14.529	150.624
LIBYA	4.728	2.432	2.549	1.850	1.753	13.312
CIS ( Russia and others)	4.695	6.708	21.323	41.837	35.731	110.294
Others	2.020	2.180	1.265	2.165	4.915	12.525
TOTAL	53.015	60.000	63.264	61.126	59.481	296.886

Source: Unpublished Data Provided by The Ministry Of Labour and Social Security in October 1996.

The Table also shows that, during the 1991-1995 period, annual flow of Turkish migrants was around 60 thousand and total number reached to 300 thousand. But, out of this total 50 percent emigrated to Saudi Arabia, and almost one-third to CIS countries.

### *(b) Skill Composition of the Turkish Migrants*

#### *(aa) European Destinations*

As we have mentioned before, the annual Turkish immigration to European countries reached its highest level in 1973 with 80 percent of those

Turkish workers being employed in West Germany that same year. The majority of all Turkish workers in West Germany were employed in the iron and metal producing industries (37 percent), and in manufacturing and processing industries. Only 15 percent of all Turkish workers were employed in the construction industry and 12 percent in services. (E. Çankı, 1975, pp.19-22).

Since the majority of Turkish migrants were employed in the mass-production sectors, their qualifications were mostly unskilled or semi-skilled. For example, a 1972 German Labour Survey showed that only 13 percent of Turkish workers were doing skilled work, 47 percent were classified as filling semi-skilled jobs and 40 percent were as unskilled labourers. (BfA, 1973, p.68). However, migrant workers are often underemployed in jobs which could be filled by unskilled labour. Because of higher wage rates in labour importing countries and the selectivity of the migration process, many skilled workers have been employed as unskilled labour in these countries. Because of these practices, in general we can state that close to 50 percent of Turkish migrants are skilled workers in Europe.

#### *(bb) Middle Eastern Destinations*

Turkish Companies employed more skilled labour in the Middle Eastern countries. For example, according to the unpublished but official estimates of the Turkish Employment Service (TES), in 1982, 48,515 workers officially immigrated to the Middle Eastern countries. Out of this total 32,390 Turkish workers have been employed by Turkish companies, whereas 15,516 or one-third were employed in foreign companies. Again, out of this total, 70 percent were skilled, 27 percent unskilled, 2 percent were professional (engineers and technicians), and only one percent were semi-skilled labourers (TES, 1983, p.63).

The skilled composition of the 1983 Turkish migrants within European is very low (24.7 percent), whereas in the Middle Eastern countries it is very high (65.9 percent).

The differences in the characteristics of Turkish migrants in European and Middle Eastern countries can be summarized as follows. In the European countries, Turkish migrants continue to be made up of mostly semi-skilled and unskilled workers, leaving Turkey with their families for an indefinite period. However in the Arab countries 66 percent are skilled workers, almost all of them men, and recruited for a short period of time (TES, 1983, p.64).

*c- Workers' Remittances, Balance of Payment and Industrial Growth*

During the 1970's and first part of 1980's foreign exchange bottleneck have become the most acute constraint on sustained economic growth for many developing countries. During those years the world witnessed two recessions in 1974-1975 and 1980-1983 as a result of the first and second oil shocks of 1973 and 1979-1980. Neo-protectionist policies in industrialized countries resulted in slower growth of export earnings for developing countries.

Because of limitations to growth of foreign exchange earnings through exports, foreign borrowing, and capital inflow, many developing nations have abandoned planned high growth rates in order to reduce their trade deficits. However, Turkey was able to increase its import capacities through workers' remittances during that period.

Increase in imports is needed not only for investment purposes but also for the production of goods which require imported items. The import component of exports goods forces each nation's import to grow.

As we have seen in Table-1, the migratory movement from Turkey toward the European countries reached both its annual and cumulative peak in 1973. Turkish workers' remittances also increased accordingly. This figure rose dramatically from the late sixties' level of around US\$ 100 million to 273 million in 1970, 740 million in 1972 and 1.5 billion in 1974.

After 1970, remittances showed a sharp rise, and imports which were strictly controlled by the government were allowed to expand. In Turkey, consumer goods were held to 5 percent or less of the total imports for the first half of the 1970's. During this period, 95 percent of all export earnings was spent on investment goods and raw materials. In terms of fixed prices of 1968, industrial production rose by 11.7 percent in 1972, 13.4 percent in 1973 and 8.1 percent in 1974. As a result, the export capacity of Turkey was increased from 588 million in 1970 to over \$1.5 billion in 1974.

The influence of workers' remittances on Turkish import and export capacities and on industrial growth was relatively more important during the 1970's than it has been in the 1980's and first half of 1990's. In the 1970's the size of remittances was close to the size of commodity export earnings.

As can be seen from the last two columns of the Table-5, during the 1972-1975 period, ratio of remittances to exports and trade deficit increased substantially. The main reason for the decline in remittances (R) and these



ratios from 1976 to 1978 was the overvaluation of the Turkish lira. During this period some part of R were transferred through unofficial channels.

In January 1980 Turkish industrialization policy shifted from import substitution to export oriented policies. Main devices of this policy were implementation of realistic exchange rate and interest rate policies and liberalization of foreign trade regime continuously. As a result, Turkish exports (X) earnings increased very rapidly from 2.9 billion dollars in 1980 to 13.6 billion in 1990 and about 22 billion dollars in 1995. Worker R have also reached to around 3 billion dollar during the first part of 1990's, but importance of R has declined substantially by lowering R/X ratio to less than 20 percent during the 1993-1995 period.

*Table-5*  
*Official Remittances And Turkish Balance Of Trade Items (Million \$ and %)*

YEAR	Remittances (1)	Imports (2)	Exports (3)	Trade Deficits (4)	(1)/(4) (%)	(1)/(4) (%)
1964	9	-537	411	-126	2.2	7.1
1965	70	-572	464	-108	15.1	64.8
1966	115	-718	490	-228	23.5	50.4
1967	93	-685	523	-162	17.8	57.4
1968	107	-764	496	-268	21.6	39.9
1969	141	-801	537	-264	26.3	53.4
1970	273	-948	588	-360	45.4	75.8
1971	471	-1171	677	-494	69.6	95.3
1972	740	-1563	886	-678	83.6	109.1
1973	1183	-2086	1317	-769	83.8	153.8
1974	1426	-3777	1532	-2245	93.1	68.5
1975	1313	-4739	1401	-3338	93.7	39.3
1976	983	-5128	1960	-3168	50.2	31.0
1977	982	-5796	1753	-4043	56.0	24.3
1978	983	-4599	2288	-2311	43.0	42.5
1979	1694	-5069	2261	-2808	74.9	60.3
1980	2071	-7909	2910	-4999	71.2	41.4
1981	2490	-8933	4703	-4230	52.9	58.8
1982	2140	-8518	5890	-2628	36.3	81.4
1983	1513	-8885	5905	-2990	25.6	50.6
1984	1807	-10331	7389	-2942	24.5	61.4
1985	1714	-11230	8256	-2975	20.8	57.6
1986	1634	-10664	7583	-3081	21.6	53.0
1987	2021	-13551	10322	-3229	19.6	62.3
1988	1776	-13706	11829	-1777	14.9	99.9
1989	3040	-15999	11780	-4219	25.8	72.1
1990	3246	-22561	13626	-8866	23.8	36.2
1991	2819	-20998	13672	-7326	20.8	20.2
1992	3008	-23082	14891	-8191	20.2	36.7
1993	2919	-29772	15610	-14162	18.7	20.6
1994	2627	-22806	18390	-4216	14.5	62.3
1995	3327	-35187	21975	-13212	15.1	25.2
TOTAL	48735			Average	42.8	66.4

Source: A.Gökçere, 1995 SOPEMI Report Turkey, P.37, and SPO, Main Economic Indicators, September 1996.

However, the last row of the Table shows that, from 1964 to 1995 officially transferred remittances totaled as 48.7 billion dollars. Before 1980, some part of R were transferred through unofficial channels. This means that actual figure must be more than 60 billion dollars.

In addition, during the 1964 to 1995 period, on the average, workers' remittances financed 56.4 percent of Turkish Balance of Trade Deficits and reached to 42.8 percent of Turkish export earnings.

After 1980 Turkish workers were able to open the "foreign exchange deposits account with credit letter" (FEDA-CL) in the Turkish Central Bank or in the name of the Central Bank. These FEDA-CL deposits allow for the retention of foreign exchange savings or the free transfer of funds into or outside of Turkey. In addition, they receive nearly two to four percent premium over LIBOR rates. The inflow of workers' foreign exchange savings to these accounts was 433 million dollars in 1983, but climbed to around 10 billion dollars in October 1996.

Even though they have been recorded as a short-term capital inflow to the Turkish balance of payments, we can easily consider them as a different form of workers' remittances. In reality, FEDA-CL accounts will sooner or later be converted to Turkish Lira by their depositors. If we add these savings to the last 15 years' figures, actual remittances would have been much more than officially recorded. In October 1996, one of the Turkish Central Bank authority told me that "through this account Turkish Government is gaining about one billion dollars of fresh foreign exchange each year. This means that annual contribution of Turkish migrants to the Balance of Payments is not less than 4 billion dollars during the mid-1990's.

#### *d- Workers' Remittances, Housing Construction and Inflation*

In addition to beneficial aspects of workers' remittances, it has been claimed that remittances have had an inflationary effect on national economies. Since workers' remittances create additional demand in the country for durable consumer goods, they tend to pull up price levels or create demand-pull inflation. Moreover, speculation in land and housing tend to create demands on resources which might better be devoted to new and more productive investment (Serageldin and Sinclair 1983, pp.87-90; Birks and Sinclair, 1980pp. 102-104; P.L Martin, 1991, p.5).

If the purchases of durable goods and the increase in housing construction are considered unproductive spending, then such expenditures add little to the country's capacity to produce an increased supply of goods in the future. In this

regard, the main impact of such expenditures can be considered as unproductive and inflationary. However, are these assumptions true? In every country, especially in a developing one, the car and housing industries have a substantial amount of backward and forward linkage effects on internal (domestic) economic development.

Construction serves as an engine of growth in the least (relatively less) developed countries. Because, this sector absorbs larger numbers of unskilled, semi-skilled workers, and serves as a "port of entry" for the rural labour force to the industrial labour force. It can also provide on-the-job training. It has also been concluded that one unit increase in the final demand for housing can lead to at least two units of aggregate output in the economy as a whole, because this type of construction creates demand for the production of building and furniture materials. (Shaw, 1983, p.45)

During the 1970's, Turkish authorities and academicians believed that housing construction was unproductive. But as the result of decline in housing construction economic growth has been declined and unemployment rate increased. Then it was realized that activities in the housing sector had been affecting more than 100 segments of the economy which provided inputs to the construction of buildings and their furnishing. (E.Çankı, 1987, p.53)

In Turkey, during the last decade speculation on land and housing almost disappeared. Remittances have been kept mostly in the form of time deposits in national currency or foreign currency. Part of workers' remittances continue to be spent on housing, but this time not for speculation but for migrants' family needs. The main stimulate for the change in spending patterns were the implementation of the realistic exchange and interest rate policies during the period.

In order to evaluate the economic impact of remittances, we must pay attention not only to the spending patterns of migrants or returned migrants, but also to how remittances have been used by individual governments. It appears to me, no writer has fully investigated the dual role played by remittances for both the labour-sending nation and the migrant. Earnings officially remitted can be spent twice on the first round. The government has the foreign exchange which can be rationed for scarce imports necessary for investment growth, and the migrant can use his national currency account or banknotes for his own domestic spending.

## *Conclusions*

The study on the economic impact of temporary labour migration involves the analysis and better understanding of a multiplicity of complex relationships in the social, economic and political structures of the labour exporting and importing nations. A major obstacle to a comprehensive analysis of manpower flows and involved relationships is the lack of standard and adequate data.

A temporary migrant worker is defined as a migrant who does not possess the citizenship of the country in which he is employed. The aim of the migrant is to stay in the host country. As a result of changes in their expectations and aspirations while living in the host countries, the overwhelming majority of migrant workers have been staying longer than originally expected.

The common major pull and push factor of the temporary migration is identified as the wage differential between the two countries. Other push factors are shown to be unemployment, underemployment, overpopulation, and political instability. The structure of international labour markets can be classified as a one-sided "buyers' market".

During the 1970's, size of the workers' remittances was close to the size of the commodity export earnings of Turkey. During this period, remittances had been used to finance a growing share of its imports. Without these substantial remittances, Turkey would not have achieved higher economic growth rates, and increase in its exports capacities.

In addition to the beneficial aspect of remittances, it has been claimed that remittances have inflationary effects. This study shows that the validity of this assertion is questionable. The Turkish experience shows that the spending patterns of migrant workers tend to be highly affected by change in national economic policies, notably in foreign exchange rates and interest rate policies.

Finally, this study concludes that in most migration literature, inflationary impact of remittances are exaggerated, and the contribution of durable goods and housing sectors to economic development is under-estimated.

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