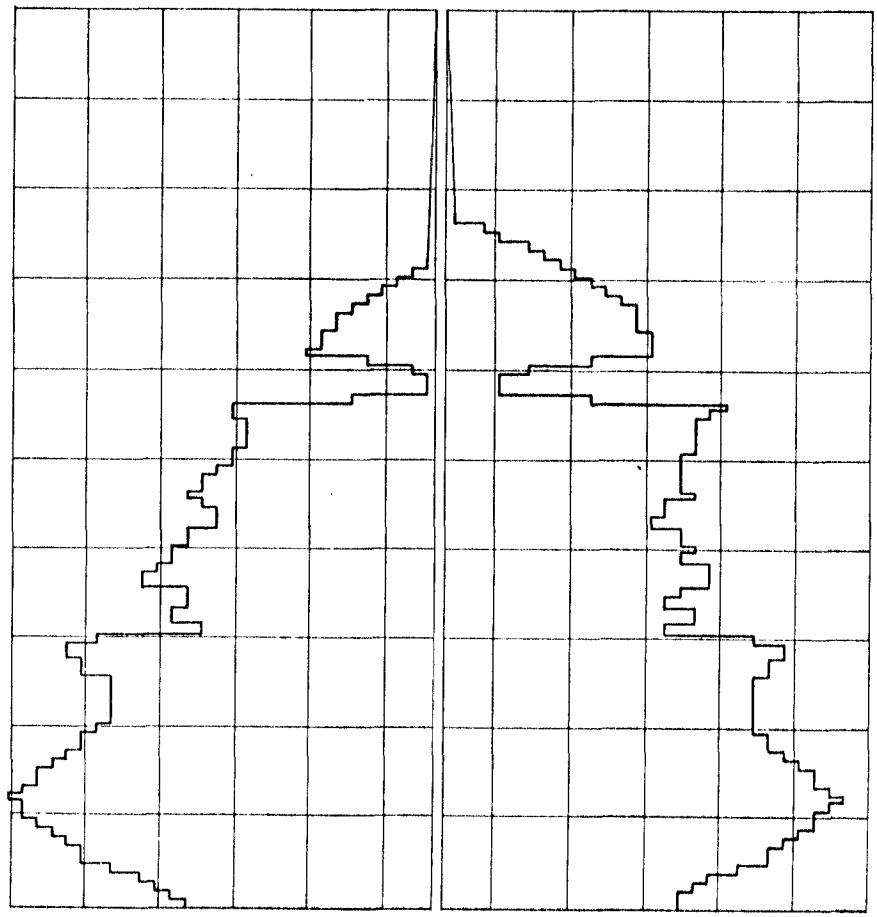
COMMISSION OF THE EUROPEAN COMMUNITIES
Directorate-General for Economic and Financial Affairs

BRUSSELS – JUNE 1978

The economic implications of demographic change in the European Community: 1975 – 1995

Part 1: Report



This report has been prepared by a group of independent experts set up by the Commission in the context of its studies on Medium-Term Economic Assessments.

The opinions expressed in this report must not be considered to be or interpreted as the view of the Commission and its services.

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COMMISSION
OF THE
EUROPEAN COMMUNITIES

DIRECTORATE-GENERAL
FOR ECONOMIC AND FINANCIAL AFFAIRS

Brussels, June 1978

STUDY GROUP ON MEDIUM-TERM ECONOMIC ASSESSMENTS

The Economic Implications of Demographic Change in the Community 1975-1995

Part 1: REPORT

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PREFACE

The Study Group for Medium-Term Economic Assessments was asked by the Commission of the European Communities to undertake a study during 1977 of the economic implications of demographic change in the Community. This project was entrusted to a small group of experts under the chairmanship of Professor A. Kervyn de Lettenhove, President of the Study Group. The other members were:

Prof. G. Calot, Director of the Institut National d'Etudes Demographiques, Paris.

Prof. H. Gerfin, University of Konstanz, Germany.

Mr. R. Tarling, Department of Applied Economics, University of Cambridge, England.

Mr. A. Mayhew and Mr. M. Noyce of the Directorate General for Economic and Financial Affairs made up the secretariat of the group.

Introduction

Each time that there is a pronounced change in the trend of fertility, studies are started to look at the economic implications of these new developments. There were several attempts in the 1930s when it seemed, at least in some European countries, that fertility would stay below that necessary to assure the reproduction of the population. Today with the same prospect, economists have again become interested in the demographic problem.

The present study was made in response to the question raised in the Fourth Medium-Term Economic Policy Programme of the Commission. (IVth Programme). The IVth Programme pointed to the possible difficulties on the European labour market arising from a considerable increase in young people reaching working age during a period of relative recession; this period to be followed by one during which there would be a sharp fall in those reaching 16 years of age.

A major demographic change will undoubtedly have far-reaching long-term effects on the economy. The whole growth process will be affected, there will be important sectoral demand shifts, there will be changes in the available labour force and public expenditure will also not be left unaffected. The group concentrated on the potential labour force, which was the problem raised by the IVth Programme. A short analysis of the possible changes in public finance is included in Annex 10, but this is a subject being treated in far more detail elsewhere in the Commission.

The report is divided into three main parts : the population forecasts (Chapter 1), forecasts of activity rates and the resulting labour force estimates without migration (Chapter 2 and 3) and an analysis of labour force migration (Chapter 4). Technical annexes and the main tables are presented in two separate volumes.

The population forecasts are not official figures but were prepared solely for the purposes of this group. They have the great advantage of being based on assumptions which are consistent between countries.

The activity rate forecasts are interesting particularly for the methodology used to predict changes in female rates. The work started here is also being pursued within the Commission.

The analysis of past migration flows, so important for the European labour market, and the future outlook completes the study. This chapter concludes that at least in the medium term, the scope for migration is very limited. The labour force projections presented here include therefore the assumption that future net migration will be zero, both between Member States and between the EEC and third countries.

This report was conceived as a first contribution to a long-term study of the European economy. For this reason we have produced forecasts for potential labour supply. Although there is a short analysis of medium-term labour demand, it must be stressed that great caution should be used in deducing any results for future unemployment levels from the figures presented in this report.

CHAPTER 1

Population projections for the Member countries of the European Economic Community

Most of the Member countries had recent demographic projections available when the Working Party began its work. However, this was not the case for all countries: the most recent French and Italian projections were largely out of date, especially from the point of view of fertility (base years 1968 and 1971 respectively), and, in the case of Ireland, there were no projections; the results varied in their presentation, with different base years and different projection periods; projection years were generally taken to start on January 1st, but for the United Kingdom July 1st, was used; for almost all the countries, the projections covered the total resident population, but the projections for the Federal Republic of Germany only covered the population of German nationality. Furthermore, each country had adopted its own hypotheses concerning the factors affecting future population trends (mortality and fertility alone, since all the forecasts were drawn up with zero external migration): some countries assumed that these factors would be constant (continuation of the age-specific rates observed most recently), while others allowed for the fact that they might continue to change (especially as regards mortality). But above all, as far as fertility was concerned, it seemed desirable to assume developments which were , in our view, more comparable and probably more plausible, between the countries.

Consequently, the Working Party decided that new projections should be drawn up which would be homogeneous for the nine Member countries. This homogeneity was to be based on both the material presentation of results (total population by sex and annual age group on 1st January of each year, regrouping into five-year age groups and into the major age groups in terms of absolute numbers and proportions) and the choice of hypotheses for the future trend of fertility.

As regards mortality, the same hypotheses were used as those applied by the countries themselves in their own projections. This was because it was not felt necessary to undertake a detailed study of past mortality trends in Europe and to establish homogeneous extrapolations. Firstly, the European countries now have a low level of mortality; secondly, it is unlikely that mortality will change significantly over the years ahead - barring some major medical breakthrough, particularly in the field of degenerative diseases. Moreover, population projections are not much affected by slight variations in mortality. The method used to programme the mortality parameters by sex and age used by the countries in their own projections will be described below.

As regards fertility, however, different hypotheses were used than those applied by the countries. On the basis of a previous comparative study of past and recent fertility trends in Europe, using both generations ("longitudinal" study) and observation years ("cross-sectional" study), hypotheses on future trends were selected in two successive stages: extrapolation of the curve of lifetime fertility per generation, with the assumption that in twenty years' time ultimate family size would stabilize at a given level for each country considered (excepting the very special case of Ireland, where the very high level of fertility is expected to decline over a longer period before stabilizing in the years after 2000); determination of age-specific fertility rates associated with the final level thus arrived at; linking up of the most recently observed age-specific fertility rates to the final fertility rates chosen, while at the same time endeavouring to maintain both cross-sectional and longitudinal continuity in future trends.

The calculations were then carried out along conventional lines, on the basis of successive age pyramids, mortality tables and the fertility rates chosen. The projection period was made unusually long, extending to 2100, with the results presented for each year up to the end of the present

century, for each year ending in 0 or 5 up to the middle of the next century, and for years ending in 0 up to the end of the next century. Certainly, the end of the next century is a remote horizon for an economic and even a demographic projection; nevertheless, it was felt it would be useful to extend the projection over a longer period for two reasons: firstly, the effects of the new fertility trends will in some cases not become evident until a very long period has elapsed (let us not forget that life expectancy in Europe is about 70 years); secondly, the characteristics of the stable pattern resulting from the fertility and mortality hypotheses can be easily deduced from projections covering a number of successive years, provided that the years in question are sufficiently far removed from the base date.

1. Outlook for the trend of fertility

1.1. Methods used to measure fertility

Each year, registry office statistics provide a breakdown of live births according to the age of the mother. Taking these together with the distribution of the female population by age (provided by updating the most recent census) gives the age-specific fertility rates. This produces 35 fertility rates for each year, for women from 15 to 49 years of age.

In order to describe the chronological trend of fertility, these rates can be summarized in two ways, one longitudinal, the other cross-sectional.

Longitudinal synthesis consists in adding successive fertility rates for the same generation, i.e. all the women born in a given year. For example, one would add the fertility rate at 15 years of age observed in 1915, the fertility rate at 16 years of age observed in 1916, and so on up to the fertility rate at 49 years of age observed in 1949.

The total thus obtained will give the lifetime fertility rate of the generation in question, i.e. the average number of children per woman in that generation (1). This measurement of the average fertility rate is the only one which is fully meaningful. Its disadvantage is that we have to know the age-specific fertility rates over a long period (35 years strictly speaking), which poses difficult problems in estimating fertility rates for generations whose fertile life coincides with the war years or where women have gone to live in other countries; another disadvantage is that final family size can be established accurately only for generations now over 50 and that calculations become increasingly inaccurate for more recent generations, those below 35 years of age: the lifetime fertility curve is not known at present for generations born after about 1940.

Cross-sectional synthesis consists in combining age-specific fertility rates recorded in the same year as if the rates related to the same generation. This produces the average lifetime fertility of an imaginary cohort which, at the various annual stages of its fertile life, would have the same fertility as that observed, at the same age, during the year in question.

This synthesis procedure, which provides a short-term indicator of fertility and is expressed in terms of the average number of children per woman, is basically the same as the procedure for establishing annual indicators of mortality such as life expectancy at various ages. However, in contrast to what happens with regard to mortality, there is no independence between the fertility patterns of one and the same generation over successive years: a rise in fertility rates at a given age does not necessarily mean an increase in lifetime fertility,(2) but may mean that the timing of childbearing has been brought forward (for example, because the age of marriage has come down or because the interval between successive births has been shortened) and will be offset by a fall in the number of births later on.

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(1) Under the assumption of nil mortality between 15 and 50 years of age and nil external migration, the ultimate family size thus calculated coincides with the average of replies which would be obtained in a survey asking women of 50 years of age how many children they had had altogether (not counting still births).

(2) While, broadly speaking at least, people who have not died during a period due to a mortality decline seem to obey the same mortality patterns as the rest of the population during the following period.

It is for this reason that cross-sectional synthesis, known as the period fertility index, whose twin advantages are that it provides a fertility measurement which is not dependent on the age structure of women of child-bearing age and that it relates to each year of the observation period (it can therefore be determined very quickly), presents a major disadvantage which makes its interpretation questionable: the trend it shows is not only sensitive to variations in the lifetime fertility of generations of child-bearing age, but also to variations in the timing of child-bearing.

There are many examples where both the level and the trend of the period fertility index give a distorted picture of lifetime fertility. For example, in France between the two world wars, the period fertility index declined while lifetime fertility continued to grow between the generations born in 1895 and those born in 1930. Similarly, from 1946 to 1967, a period of over twenty years, the period fertility index remained continuously above 2.7 children per women, though no generation born since 1870 has had such a high fertility level.

It can be seen, therefore, that, in establishing a projection, the "freezing" of fertility rates by age and thus the period fertility index is highly debatable, whereas one is justified in assuming the constancy of (or at any rate only slight variations in) mortality rates by age , as explained above.

1.2. The past trend of fertility in Europe

The trend of ultimate family size in the countries in western Europe (apart from Ireland and Italy) has been very similar over the past century.

Though the long-term decline in fertility began at different stages from country to country (late 18th century in France, about 1850 in England, late 19th century in Germany and later still in central and southern Europe) and though the levels reached by the generations born towards 1870 are rather different (France: 2.7, England and Wales: 3.4, Sweden 3.7, Germany: 4.3), the downward trend continued in almost all the countries

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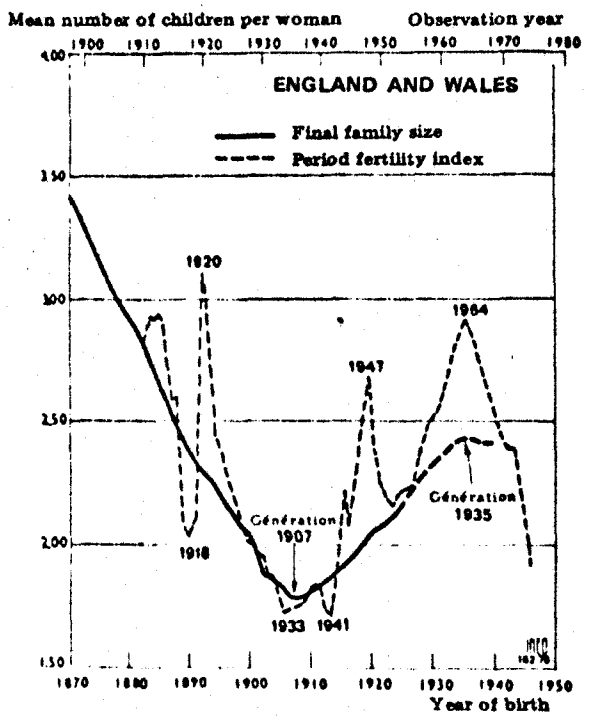
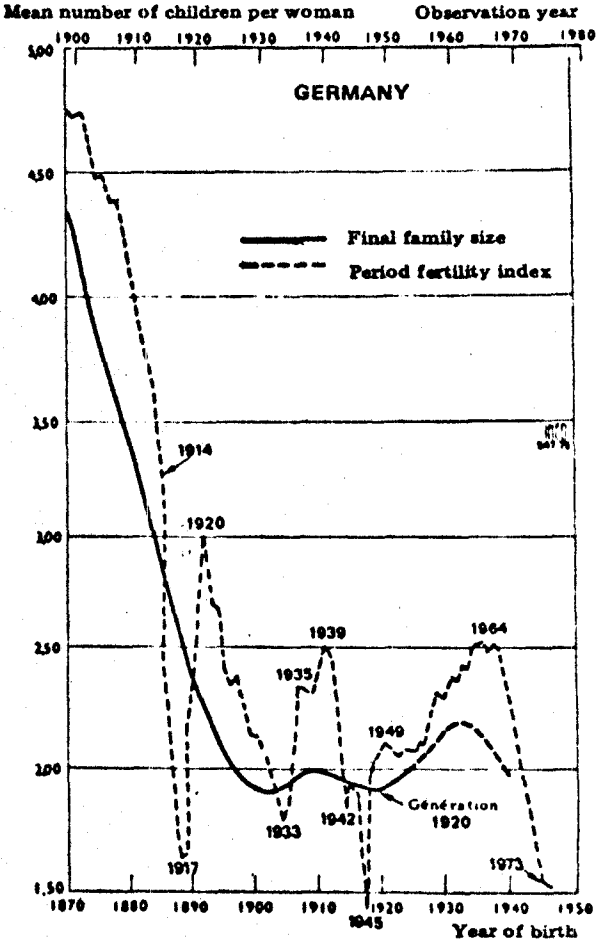
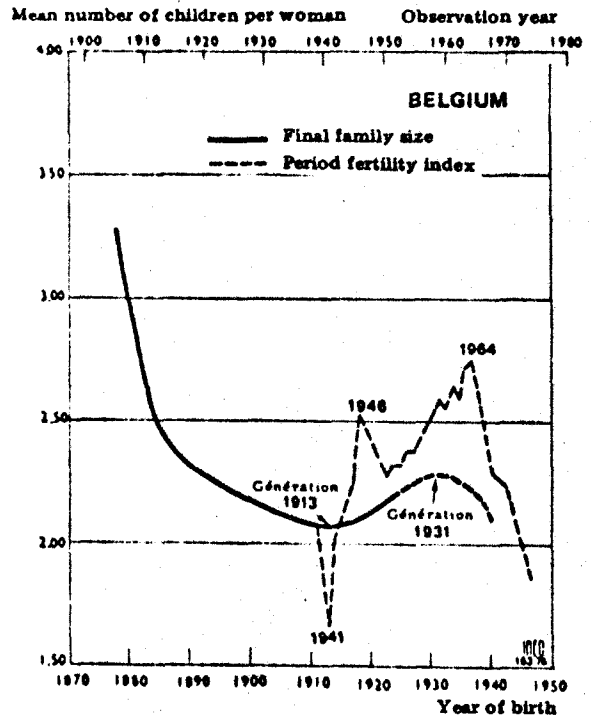
THE TREND OF FERTILITY IN SELECTED MEMBER STATES OF THE C.E.E.







Source : Natalité et politique démographique 1976. Cahier N° 76 de l'INED.

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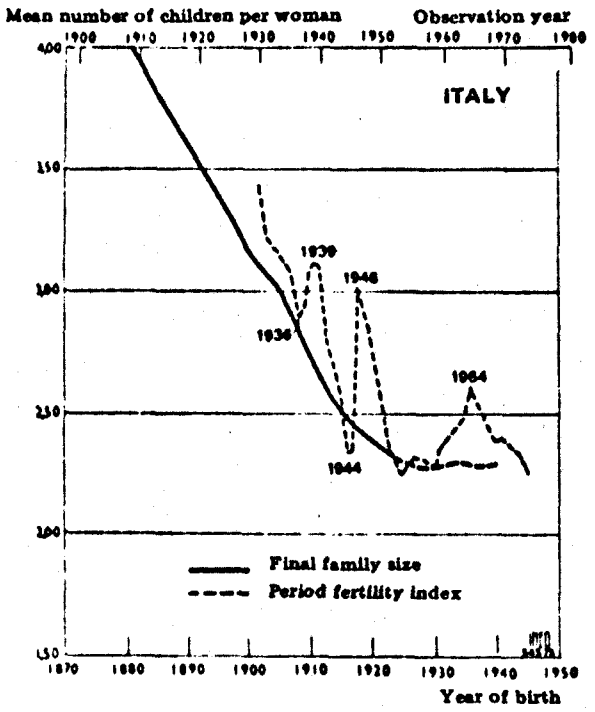

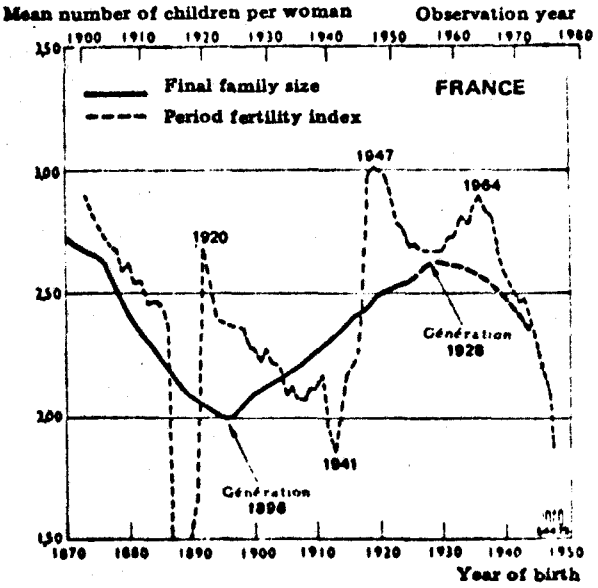

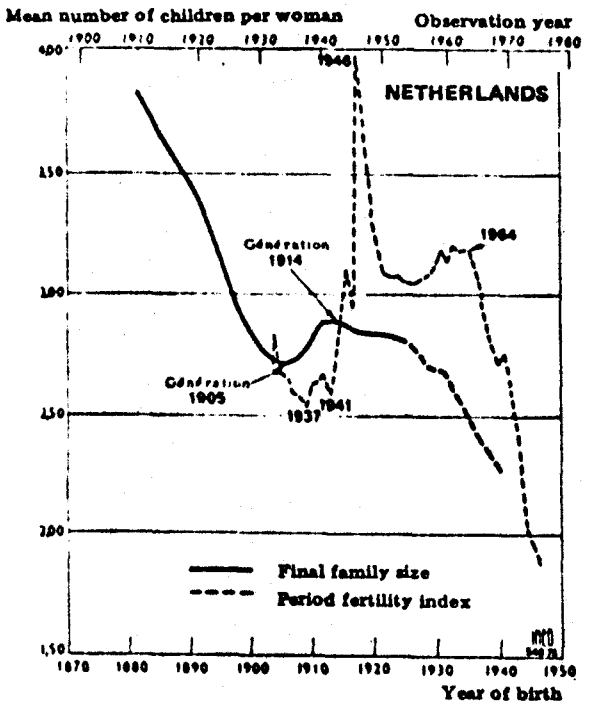

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up to the generations born towards the end of the century. The minimum levels recorded are similar and relate to fairly contemporary generations (France: 2.0 for the generation of 1896, England and Wales: 1.8 for the generation of 1907, Sweden: 1.8 for the generation of 1904).

This is followed by a revival in fertility rates, which continued over about thirty generations. The peaks recorded at the end of this upward trend are again similar from one country to another and relate to fairly contemporary generations (France: 2.6 for the generation of 1928, England and Wales: 2.4 for the generation of 1935, Germany and Sweden: 2.2 for the generation of 1932).

With the generations born about 1930, a downward trend began again, of which we can only observe the beginnings. The generations born about 1940 should be close to the level of generation replacement (2.1 children per woman) in Germany, Belgium and Sweden, and below this level in Finland (1.8), but well above this level in England and Wales (2.4), France (2.5) and the Netherlands (2.3). If the decline in final family size continues, the generations born towards 1950 almost everywhere in western Europe would not ensure their own replacement.

This general pattern for western Europe comprises two exceptions within the EEC: firstly, Italy where the long-term decline in fertility began much later and where there were no peaks and troughs, but a steady level of 2.3 children per woman for the generations born between about 1925 and 1935; secondly, Ireland where the generations born towards 1930 continued to have a fertility rate of 3.5 children per woman.

The trend of the period fertility index over the last forty years is marked in general by an increase after the war (the "baby-boom"), a decrease after this period of recuperation, which does however raise the short-term indicator to values above those of the pre-war period, an increase from

1955 to 1964 (due for example in France to the fall in the age of marriage), then a very considerable decline from 1964-1965 onwards, which has only shown signs of easing off between 1973 and 1976. The levels reached by most of the western European countries are without precedent in time of peace. In 1976, for example, the following figures were recorded: the Federal Republic of Germany 1.44 children per woman, Luxembourg 1.46, Switzerland 1.54, Netherlands 1.65, Sweden 1.69, England and Wales 1.72, Denmark 1.75, France 1.83, Italy 2.04. Ireland remains the exception with 3.50 children per woman (1).

This spectacular and general decline in the short-term indicators is without doubt due to two sets of factors: the first is an actual decline in lifetime fertility for generations following those born about 1930; the second is due to the ending of the period when child-bearing followed more rapidly upon marriage or when birth intervals between successive children were shorter; and the opposite trend began to emerge (age at marriage, long gap between marriage and the birth of the first child and between subsequent births).

Thus, in contrast to the practice for some countries in drawing up their demographic projections, it seems impossible in our view to envisage age-specific fertility rates remaining at their present very low levels. This would be equivalent to saying that real generations could have final family sizes of as low as 1.4 or 1.5 children per woman, which has never been recorded in any country (lowest historical levels always above 1.8 in all countries).
In selecting age-specific fertility rates for the future, a final fertility rate was set country by country: starting from a
given generation, all the following generations are assumed to follow the

(1) It should be recalled that at the time of the baby-boom the conjunctural indicator was only 3 children per woman in France and 2.9 in England and Wales.

same pattern of fertility. The following final family sizes were adopted:

Federal Republic of Germany	1.6 children per woman
Luxembourg	1.7
Netherlands	1.8
Belgium	1.9
England and Wales	1.95
Denmark	2.0
France	2.0
Italy	2.0

This pattern is assumed to start in general following the generations born about 1955, but later for Ireland.

Sets of specific fertility rates by age consistent with these final family sizes were then selected. Subsequently, the fertility rates recorded in the past were linked up with the limiting values thus obtained, observing both cross-sectional continuity (chronological trend of rates at the same age and also their sum) and longitudinal continuity (trend of final family sizes).

In the case of Ireland, ultimate family size was assumed to decline from the present level (3.5) to stabilize at 2.25 for cohorts born after 1980.

For the United Kingdom, the fertility rates for England and Wales were used. It was only in drawing up the projection of births that the rates were increased by factors ranging from 1.5% to 1.1% to give figures for the United Kingdom as a whole (1).

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(1) The coefficients 1.5 to 1.1% were taken from the 1974-2014 projection carried out by OPCS.

Apart from the United Kingdom, the fertility rates used were those for the whole of the resident population (female population irrespective of nationality).

Annex 1 gives the values of the period fertility index used in the projections. As from the year marked with an arrow, the period fertility index is projected constant.

2. Outlook for the trend of mortality

As stated earlier, the mortality hypotheses used by the countries in their own projections were left untouched. Since there were no recent projections available for France, Ireland and Italy, mortality tables were selected directly.

A computer programme was written to work out the future mortality quotients (from 0-100 years) from 21 of them (1): ${}^{N}q$, ${}^{4}q_{0}$, ${}^{5}q_{4}$, ${}^{5}q_{9}$, ..., ${}^{5}q_{94}$. Through parabolic smoothing of the logarithms of these basic quotients, and at the same time respecting the constraints linking the annual quotients to the multiannual quotients (2), one obtains the series of the 100 future quotients ${}^{N}q$, ${}^{1}q_{0}$, ..., ${}^{1}q_{98}$, ${}^{q}_{99}$.

The basic quotients were worked out from the projections carried out by the countries by comparing the survivors of a given generation on 1st January in two different years (since these projections assumed real net migration). Two mortality tables were thus determined for each country and for the two sexes, the first table relating to approximately 1979 and the second to approximately 1989. This showed which countries assumed that mortality rates would be constant and which countries assumed that they would be variable. For the former countries, the same mortality table was used throughout

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(1) ${}_{y}q_{x}$ is used to designate the mortality quotient at age x over y years: it is the probability that persons of x years of age on 1st January of year n will die before 1st January of year n+y. Quotient ${}_{N}q$ is the probability that a child born in a given calendar year will die before the end of the same year.

(2) For example: $(1 - {}_{1}q_{4})\ (1 - {}_{1}q_{5})\ (1 - {}_{1}q_{6})\ (1 - {}_{1}q_{7})\ (1 - {}_{1}q_{8}) = 1 - {}_{5}q_{4}$.

the projection period; for the latter countries, variable tables were used, with each quotient developing linearly to reach the values given below for 1979 and 1989, and then remaining constant as from the beginning of the next century.

For the countries which had not drawn up recent projections, the most recent mortality tables available were extrapolated as best one could.

Annex 2 gives the life expectancy values at birth calculated from the annual mortality quotients used for the projections.

Annex - Table 1.1. Period total fertility rate in the Member countries of the EEC: real values 1970-75 and assumed ones for the projections.

Year	B	DK	F	IRL	I	L	NL	D	U.K. (England & Wales (*)
1970	*2,24*	*1,95*	*2,47*	*3,84*	*2,39*	*1,96*	*2,58*	*2,01*	*2,43*
1971	*2,19*	*2,06*	*2,48*	*3,96*	*2,38*	*1,95*	*2,38*	*1,92*	*2,40*
1972	*2,08*	*2,06*	*2,41*	*3,88*	*2,36*	*1,74*	*2,17*	*1,71*	*2,20*
1973	*1,96*	*1,94*	*2,30*	*3,78*	*2,31*	*1,58*	*1,92*	*1,64*	*2,03*
1974	*1,83*	*1,90*	*2,10*	*3,74*	*2,30*	*1,58*	*1,79*	*1,51*	*1,91*
1975	*1,76*	*1,92*	*1,91*	*3,57*	*2,17*	*1,53*	*1,66*	*1,45*	*1,79*
1976	1,70	1,92	1,78	3,54	2,18	1,71	1,69	1,50	1,76
1977	1,75	1,93	1,84	3,48	2,14	1,72	1,70	1,50	1,78
1978	1,79	1,95	1,92	3,42	2,10	1,72	1,72	1,49	1,81
1979	1,83	1,96	1,99	3,36	2,06	1,73	1,74	1,51	1,84
1980	1,88	1,97	2,03	3,30	2,03	1,73	1,75	1,52	1,86
1981	1,90	1,98	2,05	3,24	2,00	1,74	1,76	1,53	1,88
1982	1,92	1,99	2,04	3,20	1,98	1,74	1,77	1,55	1,89
1983	1,93	1,99	2,02	3,17	1,97	1,73	1,78	1,56	1,91
1984	1,93	2,00	2,01	3,13	1,96	1,72	1,79	1,57	1,92
1985	1,93	↓	2,01	3,10	1,96	1,71	1,79	1,58	1,93
1986	1,93		2,00	3,06	1,96	1,70	1,80	1,59	1,94
1987	1,93		↓	3,03	1,96	↓	1,80	1,59	1,94
1988	1,93			2,99	1,96		1,80	1,60	1,94
1989	1,92			2,96	1,97		1,81	↓	1,95
1990	1,92			2,92	1,98		↓		↓
1991	1,91			2,88	1,98				
1992	1,91			2,84	1,99				
1993	1,91			2,81	1,99				
1994	1,90			2,79	2,00				
1995	↓			2,75	↓				
1996				2,71					
1997				2,69					
1998				2,65					
1999				2,61					
2000				2,58					
2001				2,55					
2002				2,53					
2003				2,49					
2004				2,46					
				(2,30 en 2020)					

(*) As stated in the text, the fertility rates for England and Wales were extrapolated, and before applying them to the United Kingdom population, the number of births obtained was increased by a coefficient of the order of 1.01.

Annex Table 1.2

Life expectancies at birth in 1980 and 2000 used in the projections

	B	DK	F	IRL	I	L	NL	D	UK
1980									
Males	68,3	71,4	69,3	69,5	69,9	67,9	71,7	68,7	69,9
Females	74,4	76,7	77,1	74,6	75,8	74,3	77,7	75,5	76,0
2000									
Males	68,3	71,7	69,7	70,4	70,7	67,9	72,0	68,8	71,1
Females	74,4	77,0	78,1	76,4	76,8	74,3	78,3	75,7	77,2

B. Population growth since the War (tables 1.3 and 1.4)

The growth of population in Europe since the war has been very variable according to country and time period. The rate of growth over the whole period 1950-75 for the Community was 0.6% p.a., with Member States' growth rates varying from 1.02% p.a. to -0.03%. The most rapid period of growth for the EEC as a whole was between 1955 and 1965 with an annual rate of almost 0.9%.

This pattern is determined not only by varying fertility levels, but above all by large scale migrations (see chapter 4). The very rapid population increases in Germany in the nineteen-fifties were produced by migration on a large scale from East Germany, whilst without the arrival of millions of foreign workers in the sixties, the German population would not have increased significantly. In France the rapid increase in the early nineteen-sixties reflects the migration of well over a million French citizens from Algeria. In the case of Ireland the emigration of young workers led to annual falls in the population up to the mid nineteen-sixties.

The growth rate of the population of working age over the period 1950-1975 was considerably lower than the growth rate of the total population. Again it varied greatly from country to country and from period to period. During the period 1950-1960 for instance, it was rising by over 1% p.a. in Germany and falling at almost the same rate in Ireland.

The population of working age as a proportion of the total population fell throughout the period 1950 to 1975 for the Community as a whole. This was the case also, with minor exceptions, in the Member States individually. This was the result of a high rate of growth of the population of less than 15 years of age (1950-70 +0,8% p.a.) and a very large rise in the retirement age population (+1.9% p.a.).

Table 1.3

TOTAL POPULATION (000)

COUNTRY	1950	1955	1960	1965	1970	1975
GERMANY	49989	52382	55433	58619	60651	61991
FRANCE	41978	43428	45684	48758	50760	52643
ITALY	47516	48789	50198	51987	53661	55627
NETHLDS	10114	10751	11486	12295	13039	13599
BELGIUM	8639	8868	9119	9448	9638	9788
LUX	297	306	315	331	340	357
U.K.	50550	51221	52559	54378	55522	56042
IRELAND	2969	2921	2832	2876	2950	3162
DENMARK	4271	4439	4581	4760	4929	5056
E.E.C.	216323	223105	232207	243452	251498	258266

ANNUAL GROWTH RATE OF THE POPULATION

COUNTRY	1975/50	1960/50	1965/55	1970/60	1975/65
GERMANY	.78	1.04	1.13	.90	.56
FRANCE	.76	.85	1.16	1.06	.77
ITALY	.49	.55	.64	.67	.68
NETHLDS	1.02	1.28	1.35	1.28	1.01
BELGIUM	.44	.54	.64	.56	.35
LUX	.54	.59	.79	.77	.76
U.K.	.38	.39	.60	.55	.30
IRELAND	.03	.47	.16	.41	.95
DENMARK	.57	.70	.70	.73	.61
E.E.C.	.60	.71	.88	.80	.59

Table 1.4

WORKING AGE POPULATION (15-64 YEARS) (1000)

COUNTRY	1950	1955	1960	1965	1970	1975
GERMANY	33620	36086	37596	38350	38602	39641
FRANCE	27720	27789	28319	30368	31666	32938
ITALY	31083	32380	33044	34240	34880	35479
NETHLDS	6368	6635	7009	7639	8155	8656
BELGIUM	5867	5895	5886	5999	6073	6274
LUX	208	211	214	219	222	239
U.K.	33695	33756	34195	35106	34948	35140
IRELAND	1801	1733	1642	1657	1699	1827
DENMARK	2756	2824	2941	3086	3176	3239
E.E.C.	143118	147309	150846	156664	159421	163433

ANNUAL GROWTH RATE OF THE WORKING AGE POPULATION

COUNTRY	1975/50	1960/50	1965/55	1970/60	1975/65
GERMANY	.55	1.12	.61	.26	.33
FRANCE	.53	.21	.89	1.12	.82
ITALY	.46	.61	.56	.54	.36
NETHLDS	.99	.96	1.42	1.53	1.26
BELGIUM	.14	.03	.18	.31	.45
LUX	.26	.28	.37	.37	.88
U.K.	.15	.15	.39	.22	.01
IRELAND	-.23	-.92	-.45	.34	.98
DENMARK	.57	.65	.89	.77	.49
E.E.C.	.43	.53	.62	.55	.42

PROPORTION OF THE WORKING AGE POPULATION IN TOTAL POPULATION

COUNTRY	1950	1955	1960	1965	1970	1975
GERMANY	67.25	68.89	67.82	65.42	63.65	63.95
FRANCE	66.03	63.99	61.99	62.28	62.37	62.57
ITALY	65.42	66.37	65.83	65.86	65.00	63.78
NETHLDS	62.96	61.72	61.02	62.13	62.54	63.65
BELGIUM	67.91	66.47	64.55	63.49	63.01	64.10
LUX	70.03	68.95	67.94	66.16	65.29	66.95
U.K.	66.66	65.90	65.06	64.56	62.94	62.70
IRELAND	60.66	59.33	57.98	57.61	57.59	57.78
DENMARK	64.53	63.62	64.20	64.83	64.43	64.06
E.E.C.	66.16	66.03	64.96	64.35	63.39	63.28

C. The results of the projection

The projections resulting from the application of this methodology to the most recent available population data by annual age group are reproduced in summary form in the annex. The annual age group projections have been grouped into 5 year age groups, and only the years 1975, 1980, 1985, 1990, 1995, 2015 and 2050 are listed. The base year 1975 used in the calculation of the labour supply in Chapter 3 is a projection in the case of Italy, the Netherlands, Luxembourg and Ireland. In the case of the other states it is data taken from national sources.

I. The period 1975 to 1995

i) the growth of population

Rates of natural population growth are going to be lower in all the Member States over the next twenty years than they were in the previous twenty years. In the period 1950-1970 population in the Community rose by 0.75% p.a. on average. Over the forecast period 1975-1995 it will rise by somewhat less than 0.2% p.a.

The annual growth rate of the population remains remarkably constant throughout the forecast period. For the whole period it is of the order of 0.18% p.a., ranging from 0.15% in the first quinquennial period to a peak of 0.21% in the period 1985-1990. The rise in the male population is marginally higher than that in the female population.

There are however large divergences from this Community mean in the individual Member States. Two of them, namely Germany and Luxembourg have declining populations throughout the period up to 1995. The rate of decline in each accelerates towards the end of the period. Germany is a special case in the sense of there being a significant difference in the rate of decline of the male and female populations. The large female excedent in the older age groups explains this difference.

Belgium and the United Kingdom have a rate of population growth which is also below the Community mean. The rate of increase in Belgium is only of the order of 0.08% p.a., whereas that of the United Kingdom is around 0.14%. For the remaining Member States, the rate of increase is above the Community average, not much above for Denmark, but substantially for the others. It is Ireland

which will have the greatest natural increase in population, with well over 1% per year for the whole twenty year period. In the past it was only migration which held down population growth or made it negative; the high rate of natural increase is not a new phenomenon. The Netherlands with a rate of natural increase only marginally under 0.5% p.a. is also well above the average, but this rate of growth marks a very clear fall compared with the previous twenty year period, when it was over 1% p.a. The same is true for France (+0.36 per year) and Italy (+0.33). By the end of the projection period the rate of natural growth of the population in all member states will be falling.

ii) The age and sex structure of the population

As explained in the section on methodology, the main cause of the demographic change discussed above is the fall in fertility compared with earlier periods, mortality changing relatively little. This fact leads to considerable changes in the age structure of the population. The assumption that sex specific mortality and fertility ratios are the "natural" ones (i.e. no wars and no, predominantly, male migration) means also that there will be some shift in the sex composition of the population as the effects of previous "accidents" which have disturbed this natural ratio are eliminated from the population structure.

a) The population aged 0 - 14 years (table 1.5)

As a result of the assumed fertility rates, the population aged 0 - 14 years falls over the period in all countries of the Community, except Ireland (table 1.5). In most Member States however there is a slight rise in numbers towards the end of the period (with the exception of Luxembourg) as the children born in the "baby boom" years around 1960 reach parenthood.

The rate of annual decline in this age group over the first decade of the projection period is extremely high. In Germany for instance there is a fall of some 3% per year over these ten years, and in the United Kingdom and the Netherlands of about 1.5%. It is only in Ireland that the increase in absolute numbers in this age group continues throughout the period. For the Community as a whole there is a fall from 1975 to 1990 but an increase over the last five year period of about 0.7% per year. The projection suggests that there will be over 8 million less children in 1990 than there were in 1975, with an increase of 1½ million over the last five year period to 1995.

TABLE 1.5

POPULATION BETWEEN 0 AND 14 YEARS

COUNTRY	1975	1980	1985	1990	1995	2015	2050
GERMANY	13483800	11303088	9737733	9927457	10326782	7711208	5653511
FRANCE	12687779	12112077	11962886	11826742	12213440	11555612	11087586
ITALY	13453800	12920220	12220875	11914160	12042406	11643284	11045820
NETHLDS	3483600	3169941	2949160	2922965	3039276	2585158	2241143
BELGIUM	2194401	2013788	1969047	2008729	2070512	1811767	1612954
LUX	72202	67365	64547	65081	63305	52150	39356
U.K.	13075000	12032171	11268161	11299667	11931800	10826070	10325023
IRELAND	991600	1013929	1074417	1153763	1229400	1280426	1460923
DENMARK	1146484	1111100	1076288	1084444	1097146	1044560	1002946
E.E.C.	60588666	55743679	52323114	52203008	54014067	48510235	44469262

ANNUAL GROWTH RATE OF POPULATION 0-14YRS.

COUNTRY	1980/75	1985/80	1990/85	1995/90	2015/1995	2050/15
GERMANY	-3.47	-2.94	.39	.79	-1.45	-.88
FRANCE	-.92	-.25	-.23	.65	-.28	-.12
ITALY	-.81	-1.11	-.51	.21	-.17	-.15
NETHLDS	-1.87	-1.43	-.18	.78	-.81	-.41
BELGIUM	-1.70	-.45	.40	.61	-.67	-.33
LUX	-1.38	-.85	.16	-.55	-.96	-.80
U.K.	-1.65	-1.30	.06	1.09	-.49	-.14
IRELAND	.45	1.17	1.44	1.28	.20	.38
DENMARK	-.63	-.63	.15	.23	-.25	-.12
E.E.C.	-1.65	-1.26	-.05	.68	-.54	-.25

table 1.6

RETIREMENT AGE POPULATION 65YRS. AND OVER

COUNTRY	1975	1980	1985	1990	1995	2015	2050
GERMANY	8866200	9416818	8576166	8743982	8875016	9840169	7965686
FRANCE	7017649	7333600	6613713	7080849	7487720	8753817	9968762
ITALY	6693800	7494316	7252962	7918234	8407671	9463425	10093614
NETHLDS	1459200	1590144	1669029	1802714	1886904	2454115	2653225
BELGIUM	1359529	1373936	1241096	1295751	1332924	1372447	1421720
LUX	46422	48410	45472	45711	48565	53249	45358
U.K.	7827700	8217351	8160685	8452631	8383900	8768556	9407537
IRELAND	343500	357045	365012	374665	374627	411619	837084
DENMARK	670007	728527	751774	774745	765037	872490	895971
E.E.C.	34284007	36560147	34675909	36489282	37562364	41989887	43288957

ANNUAL GROWTH RATE OF RETIREMENT AGE POPULATION

COUNTRY	1980/75	1985/80	1990/85	1995/90	2015/1995	2050/15
GERMANY	1.21	-1.85	.39	.30	.52	-.60
FRANCE	.88	-2.05	1.37	1.12	.78	.37
ITALY	2.28	-.65	1.77	1.21	.59	.18
NETHLDS	1.73	.97	1.55	.92	1.32	.22
BELGIUM	.21	-2.01	.87	.57	.15	.10
LUX	.84	-1.24	.10	1.22	.46	-.46
U.K.	.98	-.14	.71	-.16	.22	.20
IRELAND	.78	.44	.52	-.00	.47	2.05
DENMARK	1.69	.63	.60	-.25	.66	.08
E.E.C.	1.29	-1.05	1.02	.58	.56	.09

As a proportion of the total population of the Community, this age group declines from 23.45% in 1975 to only 19.67% in 1990, though it increases again slightly to reach 20.17% in 1995. Between Member States there are considerable differences in the age structure of the population, so that some deviations from the Community mean are considerable. On the one extreme, as one would expect, Ireland is a very "young" country, with around 30% of the population in this age group and no significant change in the percentage up to 1995. At the other extreme are Germany and Luxembourg, the only two countries where the proportion of 0 to 14 year olds is persistently lower than the Community average. In Germany the proportion declines from 21.75% in 1975 to only 16.07% in 1985; in Luxembourg from 20.2% to 18.13%. For Luxembourg after a brief rise in the proportion to 1990 it begins to fall again in the last five year period. The remaining states are fairly close to the Community average, with the Netherlands, France and Italy being consistently slightly above the Community average, while Belgium is marginally below.

b) The retirement age population, 65+ (table 1.6)

Within the Community the population aged over 65 years increases over the projection period, though irregularly, from 34.3 million in 1975 to 37.6 million in 1995. Over the first five year period there is a sharp rise, followed by a fall to 1985 as the small generation born in the first world war reaches retirement age. From 1985 the numbers climb again steeply to 1995. These figures are again reflected in the figures for the proportion of pensioners in the total population, which rises from 13.28% in 1975 to 14.02% in 1995 with a peak at 14.05% in 1980.

Two countries stand out as having a particularly small proportion of old people, Ireland and the Netherlands. Ireland in fact has a declining proportion of old people over the projection period. At the other extreme again lies Germany, which by 1995 will have almost 15% of its population over 65. By the end of the period Great Britain and Denmark also have a larger proportion of older people than the Community as a whole.

c) The population of working age, 15-64 years (table 1.7)

The population of working age rises rapidly to 1985, more slowly from 1985 to 1990 and falls very slightly over the last five year period. The total increase from 1975 to 1985 is of the order of 12 million. This compares with an increase

Table 1.7

POPULATION OF WORKING AGE, 15-64 YRS.

COUNTRY	1975	1980	1985	1990	1995	2015	2050
GERMANY	39641400	40410630	42299391	41529809	40380687	35912595	24808685
FRANCE	32938043	34048778	36013680	36715530	36904655	38618136	36395894
ITALY	35479200	36461777	38283000	38744089	38937932	39474773	37131513
NETHLDS	8655900	9170706	9666360	9912564	10029154	10191383	8451496
BELGIUM	6234318	6406926	6643757	6620605	6560277	6617479	5710228
LUX	238776	241074	245996	242969	237822	214494	159653
U.K.	35139600	35878516	37036250	37273783	37306356	38686766	35488514
IRELAND	1826500	1945699	2100876	2266182	2453259	3377319	4191415
DENMARK	3239445	3294059	3379082	3414556	3467046	3515297	3327526
E.E.C.	163393182	167858165	175668392	176720087	176277188	176608242	155664924

ANNUAL GROWTH RATE OF WORKING POPULATION

COUNTRY	1980/75	1985/80	1990/85	1995/90	2015/1995	2050/15
GERMANY	.39	.92	-.37	-.56	-.58	-1.05
FRANCE	.67	1.13	.39	.10	.23	-.17
ITALY	.55	.98	.24	.10	.07	-.17
NETHLDS	1.16	1.06	.50	.23	.08	-.53
BELGIUM	.55	.73	-.07	-.18	.04	-.42
LUX	.19	.41	-.25	-.43	-.51	-.84
U.K.	.42	.64	.13	.02	.18	-.25
IRELAND	1.27	1.55	1.53	1.60	1.61	.62
DENMARK	.33	.51	.21	.31	.07	-.16
E.E.C.	.54	.91	.12	-.05	.01	-.36

of only 7 million during the preceding ten year period, 1965-1975. As a proportion of the total population, the working age population rises from 63.3% in 1975 to 65.8% in 1995, reaching a peak in 1985 of 66.9%.

In three Member States the working age population falls after 1985, Germany, Belgium and Luxembourg. For the remaining states it increases throughout the period; indeed for Ireland the rate of increase is around 1.5% per annum. Ireland also has a far smaller proportion of the total population of working age than the other Member States, though the proportion is rising throughout the period. Germany and Luxembourg are the countries which by the end of the period have the highest proportions of working population to total population, both as a result of the drastic reduction in the number of young people already indicated above.

d) The crude dependency ratio (table 1.8)

The ratio of the non-active population (aged 0-14 and 65 and over) to the population of working age falls dramatically over the projection period in the Community. In 1975 this ratio is around 58%, it falls to only 49.5% in 1985 and rises slowly to 52% by 1995. As was evident in the above sections, Germany and Luxembourg stand out with very low ratios, several percentage points below the Community average. On the other hand Ireland remains with a very high non-active population.

Table 1.8

NON-ACTIVE POPULATION AS PROPORTION OF WORKING POPULATION

COUNTRY	1975	1980	1985	1990	1995	2015	2050
GERMANY	56.38	51.27	43.30	44.96	47.55	48.87	54.90
FRANCE	59.83	57.11	51.58	51.50	53.38	52.59	57.85
ITALY	56.79	55.99	50.87	51.19	52.52	53.47	56.93
NETHLDS	57.10	51.91	47.78	47.67	49.12	49.45	57.91
BELGIUM	57.01	52.88	48.32	49.91	51.88	48.12	53.14
LUX	49.68	48.02	44.72	45.60	47.04	49.14	53.06
U.K.	59.48	56.44	52.46	52.99	54.46	50.65	55.60
IRELAND	73.10	70.46	68.52	67.45	65.38	50.10	54.83
DENMARK	56.07	55.85	54.10	54.45	53.71	54.53	57.07
E.E.C.	58.07	54.99	49.52	50.19	51.95	51.24	56.38

II. The period 1995 to 2050

Although the projection period of this report is considered to end in 1995, as far as the demographic projections are concerned it is interesting to look further ahead to the period when the important changes in fertility begin to make themselves felt in the overall growth rate of the population and in its age structure.

i) The population in 2015

Twenty years after the end of the projection period in 2015 the population of the Community would be almost exactly the same as in 1995 if the assumptions about long-term fertility rates were to prove true. There would however be considerable variations in the individual Member States and shifts in the age structure of the population. For the Community as a whole, the working age population would not have changed very much, though within this group there would be rather more people in the upper age range than in 1995. On the other hand the proportion of the population made up of young people under the age of 15 years would have fallen sharply from 20.2% to 18.2% (a decline in absolute figures of 5⅓ million) while the old age population over 65 years would have increased from 14% to 15.7% (an absolute increase of 4⅓ million).

The population of Germany would have fallen from 59.6 million in 1995 to only 53.5 million in 2015, while in Luxembourg it would have dropped from 350,000 to 320,000. There also would have been a slight decline in Belgium. These changes would not affect the proportion of the population of working age very significantly, but they would result in a very considerable increase in the number of retired people in the countries concerned. In Germany this part of the population would reach almost 18½% of the total, with the Community average only being just over 15⅓%. For Germany this means an increase of 1 million old people over a period where the total population falls by 6 million. Young people under 15 would then only make up 14⅓% of the total. Between 1995 and 2015 this group would fall by 2⅓ millions.

In most of the other states there would be a continuing though very small increase in the total population over this twenty year period. The alarming exception would be Ireland, which would grow from 4 millions in 1995 to 5 millions in 2015, with a massive increase in the population of working age. Ireland is also the only country in which the proportion of the population in the over 65 age group would continue to fall.

ii) The population in 2050

By the middle of the next century the change to lower levels of fertility in Europe would have worked their way through the whole population to arrive once again at a more balanced structure. Of course the lifetime fertility rates chosen would lead to a steady decline in the population of all countries except Ireland in the long term, and there is therefore a tendency for the younger age groups to be always very slightly smaller than the older age groups once this new more balanced situation has been reached.

By 2050 the population of the Community would have fallen back to only 243 millions the working age population would have slumped by over 20 millions to only 64% of the total population and the proportion of old people would have increased to 18%. It should be noted that as a proportion of the total population, the working age population would still be higher in 2050 than in 1975. The main shift from the beginning of the projection period to 2050 would have been a fall in the proportion of young people and a rise in that of old people. The new "stable" situation of 2050 splits the population into these three age groups as follows; 18.3% young people, 64% working age and 17.7% old. The corresponding 1975 figures were 23.4, 63.3% and 13.3%.

In 2050 the German population would have slumped to only 38.4 millions, with over 20% old people, but by then all Member States, except Ireland, would have a declining population. By then Ireland would be reaching the sort of population levels reached before the start of large scale migration, though even in Ireland the pace of the increase would be slowing. France and Italy would both have populations still considerably in excess of those in 1975, while that of the United Kingdom would only be slightly less. The population of Denmark would have fallen considerably below that of Ireland, while Luxembourg would have been reduced to a mere 244,000.

These long term results are interesting in demonstrating the balanced situation which would result if current trends in fertility were to continue (in fact if current period index levels were to become long-term lifetime fertility levels, the population of the EEC would have been reduced by a far larger amount by 2050 than suggested by the rather higher levels assumed for this study). However, as it is certain that both the important parameters of population growth as well as economic structures will change considerably over the very long term, no further consideration will be given to the economic consequences of these changes.

Forecasts of activity rates in the EEC member states, 1975-1995

1. Introduction

The main purpose of this chapter is to provide a forecast of activity rates up to 1995, as a part of the study into the economic effects of demographic change. The period for which forecasts are required exceeds the usual medium term horizon of five or ten years and thus we should question the feasibility of adopting the conventional method of extrapolating trends. Trends are only linear over short periods by approximation and, in a long term view, the levels must be expected to tend towards some upper limit characterised by many factors, economic, demographic, sociological and institutional. In this paper, forecasts are prepared on the basis of a new method, which is necessarily not fully worked out but which has been constructed to set a framework in which the relevant factors can be incorporated in the appropriate manner.

The method is constructed around the notion that activity rates alter as a result of several processes of change. Activity rates are aggregate measures of the average propensity to work and any change in the aggregate rate is the result of changes in this propensity for some or all of the population. In general, the incidence of response at any one time, that is that proportion of the population who will change their propensity to work at any one time as a result of changed conditions, has a distribution through time which is approximately normal. The cumulative effect on activity rates is to raise or lower activity rates from an initial to a final level, the pattern of change in activity rates through time being an S-shaped curve.

There are many factors which affect activity rates and can generate these processes of change. Changes in educational systems, in the attitude towards retirement, and in the social security provisions affect male and

female activity rates. There are other factors, such as changes in the propensity to continue work after marriage or to return to work after having children, which tend to alter female activity rates. The forecasts constructed in this paper are based on the following long term assumptions; the school leaving ages in member states will all move towards 16 years, state retirement ages will decline to 60 years for males, the work continuation rate at marriage and the propensity to return to work among married women will converge towards the high levels already observed in some countries, and fertility rates (measured for final descent) will move in line with the assumptions embodied in the population projections.

As a consequence of these assumptions, activity rates in educational age groups are not expected to change very much in the future but those in retirement age groups are expected to show further significant falls. Among women, in those countries where activity rates are already high, such as UK and Denmark, future increases are expected to be more modest than recent increases. In other countries (Belgium, Germany, France) which have recently experienced rapid increases in activity rates for younger age groups, future increases occur mainly as a result of a greater return to work. In all of these countries, final 'maximum' levels of activity rates by age group are expected to be achieved early in the next century and, by 1995, are expected to be quite close to these levels. The remaining countries (Italy, Netherlands, Luxemburg and Ireland) have so far experienced relatively little increase in female activity rates. It is expected that there will be a surge of activity rate increases in each of these countries at some time during the next 20 years, earlier for the Netherlands and later for Ireland.

All of these processes resulting from changes in economic, demographic, social and institutional factors affect 'potential', or 'trend', activity rates, that is those activity rates which would be observed at a constant (high) pressure of demand.[1] It is necessary both to make an adjustment to

1) See Annex 1 for a discussion of conceptual definition of activity rates.

recent observations of actual levels and to comment on how future likely actual levels might diverge from their potential levels.

The outline of this chapter is as follows: section 2 contains a brief description of the method, section 3 points out the shortcomings of the simplified method actually adopted, section 4 describes some of the factors which underly changes in activity rates, section 5 is a summary of the position in 1975, section 6 indicates the kinds of changes which might be expected in the future. Trend projections of activity rates, and a discussion of likely actual levels of activity rates in the next decade are contained in Chapter 3. This chapter is necessarily restricted in length but is based on a number of working papers. These papers were circulated to the Study group and, whilst it is hoped that most of the main points are reiterated in this paper, a detailed description of the method and justification of the estimates is provided in those papers. *)

2. Method

In a working paper presented to the Study Group, a comparison was made for each country between the various sources of estimates of activity rates. A reasonable correspondence was found between Community estimates and estimates from National Censuses of Population; where the correspondence was poor, there was generally a suspicion of country differences in definitions. The view adopted in this report is that the Community Survey estimates are comparable as between countries and with Census of Population estimates in most countries. Thus most of the basic data used in the analysis is drawn from Community sources and is supplemented by National Censuses for early periods. Administrative totals of employed and unemployed do not, for a variety of reasons, represent good proxies for activity rates in some countries but have nevertheless been accepted as adequate for the purpose of assessing the extent of cyclical variation in activity rates in most countries.

*) Most of the working papers are reproduced in the annexes which form Part 2 of this report.

Activity rates may change during the cycle as a result of variations in the pressure of demand, whilst changes in economic, demographic, social and institutional factors determine the trend. Two theories summarise the activity rate responses in the short run; firstly, the 'discouraged worker' hypothesis suggests that, as the demand for labour decreases, the unemployed give up their job search and leave the labour force, and, second, the 'added worker' hypothesis suggests that when heads of household become unemployed other household members join the labour market to supplement household income. Historically, the evidence has favoured the view that the 'discouraged worker' hypothesis is numerically larger because activity rates appear to move pro-cyclically. Indeed, the empirical evidence for variations in aggregate female activity rates considered in Annex 2 shows that there is some evidence for Italy, Germany, Ireland and the UK of a significant response of activity rates to variations in an indicator of the pressure of demand(1). As a result of this analysis, activity rates for females in 1975 were adjusted by more than ½ percentage point in Germany, Belgium, Ireland, Netherlands and the UK.(2) Thus the increases in trend activity rates between 1968 and 1975, the period spanned by comparable Community Labour Force Surveys, were greater than the increases actually observed.

After activity rates have been adjusted to a trend basis it is possible to examine trend changes, that is, changes independent of the variations of the pressure of demand.(3) The central assumption of this paper is that the activity rates change systematically through time in response to changes in exogenous factors, the pattern of change with respect to each factor being an S-shaped curve. A number of factors may generate different processes of change simultaneously, so that at any point in time activity rates will be at a different point on each of the S-shaped curves representing each process

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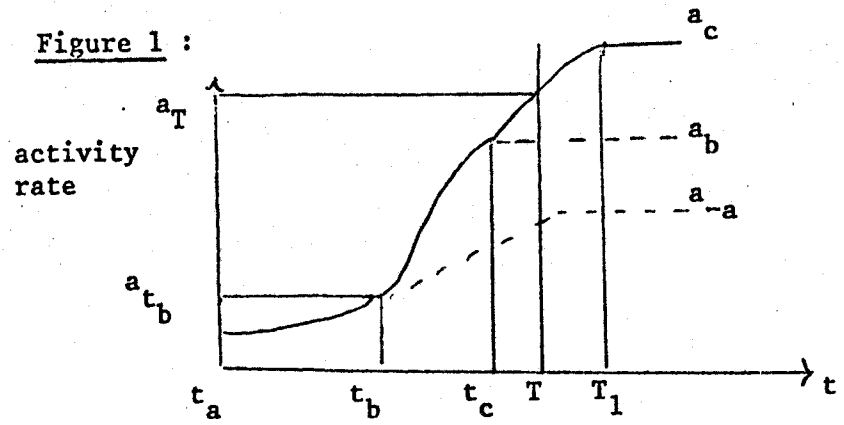
(1) Unemployment was used where possible. But, for some countries, migration flows were significant and affect the unemployment measure as a proxy for the pressure of demand for labour. In these countries, deviations of industrial production from trend were used.

(2) In the case of Belgium the evidence for the adjustment was conflicting and alternative estimates based on unadjusted figures appear in Annex 8.

(3) Alternative methods of analysis are discussed in § 6 to 11 of Annex 1.

of change : figure 1 illustrates.

Figure 1 :



At time T , activity rates are changing as a result of three processes a,b,c which began at times t_a, t_b, t_c respectively. Processes a and b are nearly complete, that is the average propensity to work is nearly fully adjusted to the changed conditions, whereas process c has only just begun and is expected to give a further acceleration in activity rates in the period $T - T_1$.

There are three key parameters of the curve; the 'traditional' or starting level (e.g. a_{t_b}), the 'saturation' or final level (e.g. a_b), and the rate at which the process occurs. In the case of a single process, given a traditional level α and a saturation level β, the measure $S = \ln(\frac{a-\alpha}{\beta-a})$ describes the maturity of the process, that is the stage reached. If S is positive, the process is more than half complete. In a pure logistic curve, the parameter S is a linear function of time so that the exponential rate of change for the process is given by

$$\frac{S_2 - S_1}{t_2 - t_1}$$

where t_1, t_2 are the dates at which the parameters S_1 and S_2 are estimated.

It is evident from figure 1 that it is of crucial importance to obtain estimates of the traditional and saturation levels as well as to identify what processes are underway. In Annex 3 some of the reasons underlying the various processes are discussed against a background of historical evidence. These factors are discussed in section 4. Given traditional and saturation levels, and the rate at which the processes are occurring, the underlying current trend movement of activity rates can be approximated by a single S-shaped curve, with traditional levels characterised by inter-war activity rates (assumed prior to the commencement of any current process), saturation levels at activity rates consistent with completed processes, and a rate of development of the process estimated from the activity rate changes between 1968 and 1975.

Projections of activity rates can be made by making judgements about the expected rates of change in the processes. It is not necessary for this purpose to assume a single process, although for each country and/or each age group a single process is likely to dominate. Using the evidence from the period 1968-75 as a guide, and taking into account the similarities across countries in each age group and across age groups within each country, country and age specific effects can be assessed qualitatively and incorporated into forecasts. Furthermore, where it is believed that the rate of change of the overall process is not constant, either because there is more than one factor changing or because a major change is imminent, the rate of change in the future may be allowed to differ from that observed for the period 1968-75.

3. Shortcomings of the method

The problem that more than one process of change may be affecting activity rates simultaneously is perhaps the most difficult to resolve. The overlapping of the processes, which may of course be affecting activity rates in opposite directions, creates the presumption that actual changes in activity rates will not conform to a simple S-shaped pattern. There are

two age/sex groups where the problem is very obvious. Among females aged 15-19, the activity rate declines as more females enter further education but, of those who leave the education system, a higher proportion are able to find jobs with the expansion of opportunities for women in employment. Historical evidence points to the dominance of the rising participation in further education in most countries but it is evident that expansion of job opportunities has in other countries led to rising, rather than falling, activity rates. The other age group for which activity rates show a pattern of change which is not S-shaped is the one for females aged 60-64. In this age group in recent years, in some countries more women have returned to work after their children have grown up and thus the activity rate has tended to rise even after the state-retirement age is passed. But the trend towards earlier retirement is counteracting this upward change and the resultant pattern of change looks more like an inverted U-shape than an S-shaped curve.

The problem is not however insurmountable. In a more detailed study, it would be quite easy to allow for overlapping processes of change. Geographers have a fairly extensive literature concerning the application of mixed S-shaped processes to data and it would be a relatively simple matter to incorporate the technique into this framework. That does not unfortunately solve the immediate question. But a cursory glance at the literature suggests that a qualitative assessment of the relative importance of different processes can produce a reasonably appropriate estimate of the pattern of change. As a process nears completion, its weight in determining future changes in activity rates declines rapidly. Thus, in cases where there are overlapping processes, it is necessary to bear in mind the relative maturity of each process when assessing changes in activity rates.

With the central assumption of the method that each pattern of change is an S-shaped curve, considerable weight is thrown on the traditional and saturation levels of each process. The saturation levels establish ceilings beyond which activity rates are not allowed to rise (or fall). In an analysis

which seeks to predict activity rates 20 years ahead to 1995, these ceilings are extremely important since most of the processes currently underway can be expected to be completed some time around the turn of the century. But these levels also play another role. Taken together with the traditional levels, these parameters are sufficient to determine the stage which the processes have reached at the present time. Thus both traditional and saturation levels must be chosen with regard to an assessment of how far each time series of activity rates can be said to have 'matured'. Furthermore, the current stage of maturity is an important element of the estimate of the rate of change of the process. If the traditional and saturation levels are chosen to reflect a belief that the process is halfway towards completion, then future changes in activity rates will be slower than in the past; if on the other hand they are chosen to reflect the assumption that the process is only just beginning, there will be a rapid increase in activity rates predicted for the future.

This is not necessarily a criticism of the method since most of the difficulties can be overcome by a qualitative assessment of the data and some considerable evidence drawn from past activity rates. But there is no doubt that a proper analysis of differences in activity rates, both between countries and across age groups, would greatly improve the application of the method. For example, female activity rates may depend on current household composition and intended completed family size (or final descent fertility). If a quantitative relationship had been established, it would be a relatively simple matter to set traditional and (more importantly) saturation levels on the basis of known or expected values for the variables. In particular, there would then be a direct relationship between female activity rates set for the future and the assumptions for final descent fertility incorporated into the population projections.

Whilst these problems remain, there must be some doubt about the value of the predictions for the 1990's. But predictions for the next decade

need not be qualified to the same extent. Because the method adopted takes a recent (relatively short) period, 1968-75, as the basis for estimating changes, the short-period predictions are unlikely to differ very markedly from conventionally derived forecasts based on trend extrapolation. Nevertheless there will be some improvements; a definite curvature is introduced into the future pattern of change and the rate at which future processes can 'take off' can be restricted to be in accord with changes actually observed in other countries, independent of the actual level of activity rates.

4. Some important factors affecting activity rates :

There are many factors which have, at some time or another, been thought to exert an influence on activity rates, particularly for females. Some of the more important factors are discussed below, with reference to the historical perspective, the current position and future trends.,

(i) education : the impact of changes in education participation on activity rates in the post-war period has received much comment. But, historically, it is likely that other factors have been more important for the age group 15-19. In the 1930's, activity rates for males aged 15-19 were between 80 and 90% for most countries, up to 30% higher than in recent years. In Ireland, however, the activity rate was only 71%, suggesting that the extent of industrialisation, and the associated urban concentration of population, may be important as a factor tending to raise activity rates. Among females, activity rates are further affected by the attitudes towards women at work, being generally below male activity rates.

There is some correlation between male and female activity rates for the age group 15-19 for the group of 9 countries. This suggests that the dispersion among activity rates for the different countries may be explained partly by differences in educational systems. In the long term, it is expected that compulsory education until age 16 will be

established in all countries and that there will be increasingly similar demands for places in higher education. However, differences between countries in the enforcement of entry qualification standards are likely to persist so that supply constraints are the main factor determining participation in higher education.

In the long term there is scope for adjusting the level of educational participation in the different member states. Whereas in France approximately 48 % of the 14 to 24 year old age group were in full-time education in 1973, the equivalent figure for the United Kingdom was 38 %.[1] There is therefore room for more rapid increases in educational participation in this age group in some countries. In addition, increases in educational participation among females are likely to continue for longer than for males.

(ii) rural/urban migration:

To some extent, this factor is relevant in all countries. Urban (or suburban) concentration of population tends to be associated with higher female activity rates because of the ease of securing service jobs; rural concentration leads to lower activity rates (as in Ireland and Italy) as jobs in agriculture disappear. Generally high population density can raise activity rates as it is easier for manufacturing industry to relocate its new plant, particularly if it is willing to employ women.

Changes in these factors are unlikely to have a dramatic impact on aggregate activity rates in most countries. Ireland and Italy are the exceptions. Rapid (eventual) industrialisation on a wider spatial scale, for example, resulting from effective regional policies, could have a substantial impact in the long run.

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(1)EEC Labour Force Sample Survey 1973.

(iii) Activity rates over age 65:

Historically, the extent of activity in agriculture was a major factor explaining activity over age 65. In the 1930's, the rank correlation between countries for the share of employment in agriculture and the over 65's activity rates was 0.74 for females and 0.40 for males. Self-employment, especially in small businesses or shops, is also associated with higher activity rates over the age of 65 and probably explains why the rank correlation is lower for males.

But both agricultural activity and self-employment are declining. The reason for these factors being important is that they lead to continued activity beyond normal retirement age because of a personal commitment:

people own their agricultural holdings, shops and businesses, have frequently built them up in their lifetime, and wish at least to remain actively involved. But agricultural holdings have increased in size as small holdings have been absorbed (a process dependent on the death rate among the owners of smallholdings); the same absorption process has affected small shops and businesses.

The consequences of industrialisation will be very similar in most countries so that the reasons for continued participation will diminish in all countries and, as they have done since 1930, show some considerable convergence. Small differences, reflecting the relative importance of agriculture, may persist but in general activity rates should become very similar in all countries.

Traditionally, however, it is difficult to assert what activity levels were appropriate. Not only was the extent and structure of agriculture quite different, and the extent of entrepreneurial ownership different (that is, different stages of industrialisation) but also there were very limited schemes for provision for retirement. However, because of the higher mortality rates for the age group, retirement age is regarded as a minor factor and traditional levels are set according to past levels of agricultural activity; in addition, the earlier the industrialisation began the larger is the effect of small businesses assumed to be.

(iv) Retirement ages:

As implied above, no effect has been assumed for retirement age on activity rates for those aged over 65, neither traditionally nor in the future. But there has been a considerable amount of earlier retirement in the 1960's and 1970's.

In the UK, the establishment of the National Insurance Scheme in 1948 created a class of employees (known as late-age entrants) who opted to join the scheme for

10 years in order to obtain a state pension; this group lead to a short term increase in activity rates among older people between 1948 and 1958 but who had nearly all disappeared by 1963. Since then, the increase in certain public sector occupations for instance, the police force and firemen, has increased the amount of early retirement (these occupational retirement ages are at around 50-55 years) but, offsetting this, there has been reduced early retirement from the Armed Forces as a result of the reduction in total numbers. The major trend in the UK has been towards a large increase in the number of occupational pension schemes run by private companies, many of which have options for retirement at the age of 60.

The statistics for recent years show that the UK is significantly behind most countries in the reduction in the retirement age. In many other European countries, retirement ages for eligibility for state benefits have already been reduced to somewhere between the age of 60 and 65 and, although occupational pension schemes are rare, private insurance is proving to be a realistic alternative.

It has been assumed that a reasonable future level for the age at which people qualify for state retirement benefits is 60 years for males, and uniform across country. In addition, a significant impact of early retirement is allowed for in the age group 55-59. Whilst it is clearly possible, and perhaps in some countries quite likely, that retirement ages will fall even more, the implied dependency rates would lead to a public sector burden of higher pension payments in total, and lower per capita periods of contribution, which may well appear to be not feasible. In addition to changes in the retirement age itself, the burden is likely to change as a result of variations in the numbers reaching that age. 1)

For whatever reason, female retirement ages are generally lower than for males (perhaps, as suggested, due to the age difference in marriage). However, there are two reasons for thinking that this may be eliminated or

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1) Footnote: see page 34a.

1) At constant 1975 activity rates for single year ages, the pattern of change in activity rates for the age group 60-64 in Germany would be U-shaped:

1975	1976	1977	1978	1979	1980	1985
62.4	60.5	59.6	59.5	63.2	65.9	63.1

This occurs because the numbers of men born between 1911 and 1915 were so much lower than in other years that the survivor population in 1975 for these age groups is as little as 50% of the "expected" level. As can be seen, the population age composition can accelerate the fall in activity rates between 1975 and 1977/8 by 3 percentage points and then slow it down by 6 points between 1978 and 1980. A further accelerated reduction of 3 points occurs between 1980 and 1985, by which time the population age composition has returned to "normal".

If we assume a continued reduction in activity rates in this age group, but no sharp discontinuous reduction in the effective age of retirement, then an activity rate of about 55% would be expected in 1980; with a reduction in the effective age of retirement to 60 by 1980, an activity rate of 49% would be more likely. By 1985, the activity rate is expected to be below 40%.

Estimates for 1980 are therefore likely to be above trend because of the age composition shift by about 2½ points and to fall more rapidly than trend between 1980 and 1985. The effect of deferring a lowering of the effective age of retirement until after 1980 is likely to be to raise the 1980 activity rate by a further 6 points above trend.

The time pattern of the population projections for the age group as a whole suggests that the age composition shift will give a positive bias to activity rates for the age group but not until after 1980. A revised estimate for Germany would be between 52½ % and 55%.

Note that this should not be much lower than 76/77 estimates because the age composition effects in the first two years after 1975 give a downward bias to the estimates which is subsequently reversed by 1980. A likely time pattern would be

(Relative to 1975)	1975	1976	1977	1978	1979	1980	
Age composition effect	-	-2.0	-3.0	-3.0	0	+2.5	
Change in single year activity rates	-	-2.0	-4.0	-6.0	-8.0	-10.0	(linear approx)
Change since 1975	-	-4.0	-7.0	-9.0	-8.0	- 7.5	
Activity rate	62.4	58.4	55.4	53.4	54.4	54.9	

at least reduced.[1] Firstly, the average age difference in marriages has been falling in most countries; it still exists but is now generally significantly less than 5 years[2]. Second there is quite a strong indication that at least a part of the increase in female participation is the result of a return to work after child-rearing, say over age 45. With this desired return to work, there is not that much scope for reduced retirement age and expecting a very strong effect on activity rates.

(v) Marriage and fertility rates :

In economies with relatively high activity rates among single women below the age of 35, marriage frequently is associated with some departure from the labour force; that is, the activity rates of married women without children are lower than for single women of the same age (again less than 35 years old). Thus higher marriage ratios, particularly among younger age groups, would (cet.par.) be associated with lower total female activity rates for these age groups. Similarly fertility and family size is also associated with lower activity rates.

Table2.1shows the activity rates in 1930's for females aged 20-64, together with various vital statistics. Marriage ratios (the proportion of each age group married) do not differ markedly between the countries, except for Ireland where they are low, reflecting the much later average age at marriage. These do not contribute much to the explanation, although the late age of marriage in Ireland is perhaps an explanation of the apparently high activity rate. The crude birth rate and final descent fertility (included to give an indication of family size and dependency) were relatively high for Italy and the Netherlands, both countries in which activity rates were low; but there are clear contradictions in other countries.

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(1) This ignores the short-run pressure of excess labour supply.

(2) To estimate the effect by 1990, one would need age differences for marriages among those born around 1930, compared say to those born in 1910 and more recent cohorts.

Table 2.1: Female activity rates, marriage ratios and fertility rates in the 1930's

	Activity rate age group 20-64	Marriage ratio age group 30-39	Marriage ratio age group 20-64	Fertility rates Crude birth rate (1) 1930-34	Final descent fertility (2) 1920	Final descent fertility (2) 1930
Germany	44.1	72	64	16.3	1.9	2.2
France	49.2	79	(70)	17.0	2.5	2.6
Italy	23.2	75	63	24.5	2.4	2.3
Belgium	30.4	81	70	17.3	2.1	2.3
Netherlands	24.5	78	66	21.7	2.9	2.7
Denmark	44.1	79	69	18.0	..	..
Ireland	32.7	58	49	19.5	..	..
U.K.(G.B.)	31.9	74	62	15.3(3)	2.0(3)	2.3(3)

(1) Source : 'European Historical Statistics, 1750-1970', B.R. Mitchell, Macmillan, 1975.

(2) Source : 'Natalité et Politique Démographique', G. Calot, A. Girard and H. Leridon, Institut National d'Études Démographiques, Presses Universitaires de France, 1976.

(3) England and Wales.

The one factor not shown in the table is the activity rate in agriculture. There is a rank correlation coefficient between the 20-64 year olds activity rate and agricultural activity rates of 0.51, suggesting that this may be a major part of the explanation of differences. On this basis it can be concluded that neither marriage rates nor fertility rates had much impact on activity rates in this period. Traditional levels of activity rates among women are therefore assumed to be governed by industrialisation, with the exception of Ireland, Italy and the Netherlands.

For the future, agricultural activity is assumed to play very little part in the determination of activity rates. The dominant factors are assumed to be marriage ratios and fertility rates. In 'equilibrium', the population projections incorporate the following assumptions for final descent fertility :

Table 2.2	1975	Future steady state assumption
Germany	1.5	1.6
France	1.9	2.0
Italy	2.2	2.0
Belgium	1.8	1.9
Netherlands	1.7	1.8
Denmark	2.0	2.0
Ireland	3.8	3.65
UK	1.7	2.0
Luxemburg	1.55	1.7

These final descent fertility rates are all considerably lower than those observed (or constructed) for the 1920's and 1930's. On that basis, we would expect higher participation rates. But the effect of changing marriage and fertility rates differs between countries. There is differential provision of creche and nursery facilities, and differential opportunities for part-time employment. In addition, for these and other reasons, there are different rates of leaving the labour force at marriage or confinement in the different countries.

In setting future levels of activity rates for women, it will be assumed that marriage ratios will converge in the future. In particular, it is assumed that industrialisation in Ireland, by freeing the male from the need to wait for his inheritance of an agricultural holding and reducing emigration in recent years, has been associated with a falling age at marriage.

The effect that different fertility rates across countries will have on activity rates in the age group 20-45 will depend on differences in child-care facilities, such as nursery/creche facilities and also on the proportion of women who leave employment at their first and later maternities.

(vi) Women leaving employment and those returning to work :

If a woman takes up employment on completing her full-time education, then she may choose to retire either when she gets married or at her first or later maternity. In the UK, a survey of women in employment (by Audrey Hunt, carried out in 1965) showed that 35 % of women left at marriage, 70 % at first maternity and 90 % at later maternities. But there are evidently marked differences between countries. For example, a higher proportion appear to leave at marriage in Ireland, Italy and the Netherlands. Social attitudes in these countries have their origins in the religious ethic, placing greater emphasis on the family and increasing the leaving rate at marriage.

In most other countries, there is no guarantee of re-employment when a woman leaves to have children, although measures to allow paid maternity leave are already being considered in some of the countries and have already been introduced in France. Such measures tend to reduce the number who leave at first maternity but, because of inadequate child-care facilities, the leaving rate rises rapidly with further maternities.

Thus the age at marriage and number of children per family are the main determinants of low activity rates in the fertility age groups, with the number of single children households having a smaller effect in some countries

than in others. Beyond the age of 45, child dependency rates are much lower and many mothers are able to seek work if they wish. The extent to which they do depends on the prevailing social attitudes and the willingness among employers to hire relatively old but inexperienced staff. In some countries, mothers may return to work when their children reach school age because employers have adjusted to employing women on a part-time basis or are prepared to offer play-facilities to children of mothers employed full-time. Thus the rate of return to work among mothers depends not only on social attitudes but also on the overhead labour costs to the employer.

(vii) Other factors affecting female activity rates:

Two other factors of some importance are the nature of the social security systems and the extent of part-time working. These two are partly related; in particular, the UK system currently favours part-time employment. In the future, the employee's option to opt out of the National Insurance scheme is to be removed, but the generous threshold levels for contribution liability and the maintenance of an earnings-related contribution system are likely to lead to continued incentives towards part-time employment.

The 1975 Community Survey contained the following information on part-time employment, showing the percentage of those women who worked in the reference week whose main occupation was part-time :

Germany	France	Italy	Belg.	Neth.	Lux.	UK.	Denmark	Ireland
22.8	14.0	9.9	18.6	11.6	15.4	40.9	40.3	9.9

It is assumed that (cet.par.) the UK and Denmark will have higher activity rates, measured in terms of persons, than the other countries, for whom differences are not regarded as significant, particularly as regards the age

of return to work.

(viii) Inactivity among prime age males:

The only remaining group for which no discussion has been offered is the prime age group for males. Historically, activity rates in this age group have been remarkably stable, with the sole exception of the Netherlands in recent years. The explanation of the change in the Netherlands appears to be recent legislation permitting substantial benefits in cases of declared 'unfitness for work'. If this is the case, then this is a once and for all effect, but one which might be expected to occur in other countries. The residual (inactive) category has historically comprised the institutionalised population, those in prison, mental homes and the long-term sick and disabled. Because of the experience in the Netherlands, some lowering of activity rates in these age groups (particularly the older ones) is considered likely at some time in the future, although the reductions are only likely to be very small.

(ix) Real wages :

Many models of activity rate change include the real wage as an explanatory factor. Either wages enter as a part of the supply decision of the individual through a trade-off between leisure and work or through the relativity of female to male wages in models of female activity rates. In the model adopted for this study, the short-run impact of real wage variation is assumed away by relying on the motion of "potential" activity rates. (1) But, in the long run, that is in terms of trend changes, there are two ways in which real wage change may be relevant. First, differential growth of real wages between countries may explain intercountry differences in activity rate changes and, second, the level of real wages may be a factor affecting the saturation levels of activity rates.

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(1) It is nonetheless relevant to point out that cyclical adjustments discussed earlier would, in a full model, need to take account of real wage variations where appropriate.

Real wage changes, especially when seen as indicators of real household incomes, may increase the incentive to work among lower income households but may also reduce the incentive to work among richer households. Given the variation in household income, and its interrelation with other factors already mentioned (such as the pattern of fertility, rural/urban population concentration), it is unreasonable to assign any independent role to the real wage changes. But it may be seen as a factor slowing down future increases in activity rates, particularly among women, as the marginal utility of income falls with the increasing standard of living.

5. Activity rates in 1975

As discussed in Annex 2, activity rates are apparently subject to variations with respect to changes in the pressure of demand in some countries. The relatively high levels of unemployment in 1975 therefore suggest that in those countries activity rates were generally below their trend levels; the possibility that there may have been an unusually strong 'added worker' effect on female activity rates offsetting the normal discouragement effect has not been allowed for. The adjustments are made entirely to female activity rates, particularly those for age groups 15-24 and 40 and over.

(i) trend activity rates for males:

In the age group 15-29, activity rates have been generally declining in the post-war period as a result of the expansion of further education,

and as a result capacity constraints (in the form of higher entry qualification standards, etc.) are operating in most countries. The two countries where activity rates still appear high (i.e. education participation low) are UK and Ireland.

Among prime ages, 30-54, activity rates have been relatively stable at some level over 90% for half a century and no dramatic changes are currently taking place except in the Netherlands. There, it appears that recent statutory conditions on unfitness to work have led to declines of up to 5 percentage points in the past few years.

The retirement age groups (55 and over) have had declining activity rates for many years. But the three most recent member states, UK, Denmark and Ireland, have experienced relatively slow declines in activity rates in these age groups, particularly 55-59. The predominant effect in Denmark and Ireland is the extent of agricultural activity; in the UK, it is generally the lack of financial provision for retirement below state-pensionable age. In the age group 60-64, the differences in state-pensionable ages between countries are apparent. Beyond age 65, there are now relatively small differences between countries, although UK, Denmark and Ireland still appear relatively high.

(ii) trend activity rates for females:

Among females, Italy, Netherlands, Luxembourg and Ireland all have markedly lower activity rates than the other countries in nearly all age groups. But there are also some consistent differences between the other countries. In the fertility age range 25-40, activity rates are generally quite high in the 5 remaining countries but, in the age range 40-60, the UK and Denmark have very much higher activity rates. This finding ties up with the relatively high proportion of part-time working in these two countries.

In terms of the method adopted in this paper, we can classify countries and age groups into the stages of maturity reached in the general process of

rising female labour force participation. The more positive is the measure s the more advanced is the process[1].

Table 2.3 Maturity of the process of rising activity rates among females in various age ranges and countries

	age range 25-39		40-59
Denmark	+ 2.3		+ 0.8
UK	+ 0.6		+ 1.9
France	+ 1.9		- 0.1
Belgium	+ 1.3		- 1.7
Germany	+ 0.5		- 0.6
Italy	- 0.3	(>)	- 3.1
Ireland	- 0.8		- 2.8
Luxembourg	- 0.8	(>)	- 3.0
Netherlands	-1.4	(>)	- 2.8

The effects of leaving at marriage and maternities provides a wide spectrum of measures for the age group 25-39; the more beneficial social security systems of France and Belgium (particularly relative to the UK) are also apparent for this age group. But perhaps the most surprising result is the picture provided by the second column. In the age group 40-59, only Denmark and the UK are more than halfway through the process of rising activity rates, although France and Germany are nearly halfway. Thus future increases can be expected on quite a rapid scale for most countries.

Summary

In table (2.4), the proportion of the process which has been completed by 1975 is shown for each sex/age group in each country. The assumptions needed to construct this table are described in annex 4. The table shows that the process of increasing participation in further education is generally more than half complete, whilst there is some considerable variety between countries in their experience of early retirement. Among those males above national state retirement ages, the changing structure of agriculture and small businesses has already led to major falls in activity rates for those ages. Among females, changing marrige and fertility patterns in the post-war period have led to significant changes already, but among middle-aged women there is scope for considerable change in the near future. in all

1) See Annex 4 for a more detailed exposition and analysis.

countries except the UK and Denmark. As in the case of males, activity rates fo females
aged 65 + have mostly completed two-thirds of the expected change by 1975.

Table (2.4) : Proportion of the process elapsed by 1975 (%)

	Ger.	Fr.	It.	Neth.	Belg.	Lux.	UK	Denm.	Irl.
MALES									
20 - 24	64	42	64	64	83	81	44	56	0
25 - 29	58	42	56	46	64	62	47	57	36
55 - 59	50	65	100	78	63	72	35	48	37
60 - 64	48	52	63	46	49	53	28	39	35
65 +	79	73	82	82	100	73	64	62	56
FEMALES									
20 - 29	56	72	47	38	75	49	46	78	52
30 - 34	56	71	49	38	61	40	52	72	42
35 - 39	54	64	45	32	54	38	69	69	34
40 - 44	48	54	28	31	43	32	64	64	26
45 - 49	46	50	26	28	38	19	83	61	23
50 - 54	41	45	0	20	31	19	63	51	23
55 - 59	40	46	0	0	19	0	65	56	16
65 +	66	63	83	83	73	39	62	63	60

6. Changes in activity rates, 1968-75 and the future:

In the previous section, we described the stage of maturity in processes of change for different countries. In this section, the stage of maturity in 1975 is compared with the estimate for 1968. The annual change in the

measure is in fact an exponential (constant) rate of change for the process, although not for the activity rates themselves[1]. Regarding the process of change in each time series as conforming to an S-shaped curve, the estimates shown in the table below for the rate of development of the process should be seen as indicating simply whether the process is a rapid one or not. Note that these rates of development are positive, irrespective of whether activity rates have been rising or falling.

Table 2.5 Rates of development[3] of processes for changes in activity rates by age group and country

	Males, aged		Females aged[2]			
	20-29	55-65+	20-24	25-39	40-59	65+
Denmark	0.18	0.16	0.14	0.36	0.22	0.07
Netherlands	0.25	0.38	0.02	0.26	0.09	0.15
Belgium	0.02	0.17	0.06	0.29	0.10	0.02
UK	0.10	0.11	0.04	0.19	0.24	0.02
Germany	0.22	0.22	0	0.16	0.08	0.15
France	0.10	0.09	0.04	0.28	0.04	0.09
Luxembourg	0	0.09	0.11	0.21	0.02	-
Ireland	0	0.03	0.29	0.10	0.17	0.09
Italy	0.25	0.09	0	0.05	0	0.19

In Denmark, Germany and Italy, the process of increased educational participation has been rapid, in part associated with institutional changes. For Belgium, activity rates are already low whilst they have yet to begin the process of decrease in Luxembourg and Ireland. There is a fairly rapid move towards earlier retirement among males in most countries, with the noticeable exception of Ireland. For both young and old in the Netherlands, recent changes seem to have been enhanced by the new regulations for unfitness for work which has removed a number of people from the labour force.

(1) Changes in activity rates are most rapid when the process reaches its halfway stage - see annex 4.
(2) See page 43a.
(3) Annual change in the parameter S.

2) In annex 3, it is indicated that the age group 60-64 could not be treated in the same way as other age groups because of the fact that the pattern of activity rate change was obviously not S-shaped. The pattern is the outcome of at least two processes: firstly, the general increase in female job opportunities provides an upward impetus to activity rates when there is greater return to work after having children and, secondly, the reductions in the average age at retirement tend to lower activity rates.

Traditional levels in the various countries range between 12½ % in Luxembourg to 25% in Germany, France and the UK. Activity rates in 1975 are more dispersed than this ranging from 7½ % in Italy to 31 % in the UK. The four countries with currently low activity rates (Italy, Netherlands, Belgium and Luxembourg) are those in which the process of a greater return to work has been slow to get underway. The recent trends are negative in the first three countries, most so in Italy where rural concentration and reductions in agricultural jobs add to the pressure. In the UK and Denmark, where activity rates are highest, trends are upwards. The three remaining countries have downward trends. Thus the broad pattern apparent from recent trends is for further increases in dispersion. A summary is given in table 2.6.

However, this in unlikely to happen. In the UK and Denmark the process of greater return to work is working itself out and is unlikely to contribute significantly to further increases, whilst there will be increasing pressure for earlier retirement. The four countries with lowest activity rates are those in which the process of greater return to work has yet to get underway and hence can expect to experience rises in activity rates. These factors are, in the long run, expected to lead to convergence and to reflect that the same saturation level of 20% has been chosen for all countries.

Table 2.6
Summary table of female activity levels and changes, age group 60-64

	D	F	I	NL	B	L	UK	DK	IRL
Traditional level	25	25	20	15	15	12.5	25	22.5	20
Saturation level	20	20	20	20	20	20	20	20	20
1975 level	17.8	28.3	7.4	8.9	8.8	13.3	30.9	29.2	18.6
Changes (% p.a.)									
1968-75	-0.3	-1.0	-0.8	-0.4	-0.2	+0.2	+0.2	+0.5	-0.1
(% over 5 years)									
1975-80	0	-2.3	0	0	0	0.5	0	0	0
1980-85	0.5	-2.0	0.5	0	0.5	0.5	-0.5	-0.5	0.5
1985-90	1.0	-1.5	1.0	0.5	1.0	1.0	-1.0	-1.0	1.0
1990-95	0.5	-1.0	1.5	1.0	1.5	1.5	-2.0	-2.0	0.9

The immediate future is perhaps of some concern. For those countries where current activity rates are above the long run level, and hence are expected to fall, falls are expected to be rapid if recent trends are downward or, if recent trends are positive, then no immediate change in activity rates is anticipated. Activity rates, in those countries where they are expected to rise in the long run, are not expected to increase in the next few years because the pressure towards earlier retirement as a result of excess supply; in addition, the future rises in activity rates have to be timed to coincide with the general take-off of female activity rates in Italy, Netherlands, Belgium and Ireland.

For females aged 20-24, that is in the marriage and early fertility age group, activity rates have not in general been subject to rapid processes of change; Ireland, with high fertility rates and older ages at marriage, has experienced an unusually rapid process, perhaps associated with successful regional and tourism policies. The most rapid processes are found in the age group 25-39 where falling fertility rates have reinforced the effect of changing social attitudes in generating higher activity rates. Italy clearly lags behind, with the process apparently not yet underway; it is also slow in Ireland, and it is significant that these two countries should both have severe regional problems combined with high fertility. In the age group 40-59, where the pattern of return to work is likely to be the major factor, Denmark and the UK have very rapid processes, associated again with the more common acceptance of part-time employment; the process in Ireland also seems unusually rapid.

In general, these processes are expected to continue to develop at their present rates. But there are three important exceptions. The expansion of education participation is likely to be more restricted in the future than in the past as education systems reach capacity, governments are unwilling to allocate resources to expansion, and young people attach less importance (both subjectively, and objectively in terms of expected reward) to educational achievement. Among females at age 20-24, the processes are expected to begin to develop more rapidly as fertility rates fall. Similarly, the lower final descent fertility rates assumed for the future mean that the process associated with return to work will be accelerated as family size falls and average age of children per family rises.

Summary

Some appreciation of the relevance of the speed with which the processes are developing can be obtained from table (2.7) which shows how long must elapse before 90% of the process is completed. Projections are to be made over a 20-year period from 1975 to 1995: it can be seen from the table that most of the male retirement age groups and female age groups of high fertility will have activity rates near to their maxima by 1995 but that the processes of increasing educational participation and changing patterns of "return to work" should last well into the next century at current (and expected) rates of development.

Table 2.7 Period from 1975 before 90 % of the process in completed (years)

	Ger.	Fr.	It.	Neth.	Bel.	Lux.	UK	Den.	Irel.
MALES									
20 - 24	20	92	11	16	61	54	42	32	45
25 - 29	26	92	17	26	56	148	38	32	27
55 - 59	18	28	-	6	11	18	69	28	36
60 - 64	19	42	21	22	16	35	66	34	37
65 +	10	18	6	4	-	17	24	19	23
FEMALES									
25 - 29	21	6	21	20	5	20	23	3	19
30 - 34	21	7	20	20	10	24	20	5	24
35 - 39	23	9	22	22	13	25	11	6	28
40 - 44	31	35	36	34	24	73	10	13	29
45 - 49	32	38	37	36	26	86	3	15	30
50 - 54	36	42	45	40	30	86	11	20	30
55 - 59	36	42	45	45	36	95	10	17	34
65 +	16	27	4	5	86	303	140	38	30

7. Projections of activity rates to 1995 [1)]

There is expected to be very little increase, particularly after 1980, in educational participation in the future, especially for males. For most countries, big increases in female activity rates will continue to

1) Sensivity analysis for an average case is given in Annex 7

occur up until 1985 but by 1995 the activity rates will be near their maximum levels. But in Italy, Netherlands, Luxembourg and Ireland, where female activity rates have not yet risen dramatically, the most rapid increases are not expected until after 1985. Falls in activity rates due to accelerated retirement and reductions in agricultural employment are expected to be largest in the next 10 years but to remain appreciable even after then. The statistical annex contains the projections for each country by age group for each year 1980, 1985, 1990 and 1995.

CHAPTER 3

Interpretation and analysis of the forecasts of potential labour force

(The results of applying the forecasts of activity rates (chapter 2) to the population forecasts (chapter 1) are presented in table form in the statistical annex.)

1. The growth of the labour force since 1950

To put the forecast which follows in perspective, it is useful to briefly analyse the growth of the labour force in the recent past. The forecast and the past data are not compatible, because the former measures potential whereas all that is available for the past are figures for registered employed and unemployed.

The average rate of growth of the labour force between 1955 and 1975 in the Community was slightly over 0,3% per year. The average rate fell off however during the late sixties and seventies, in spite of massive migration from third countries. Again the growth rate varied extensively between Member States, being negative in Ireland and Italy but well above average in the Netherlands, Luxembourg, Denmark and Germany.

An interesting point to note is the difference between the registered labour force in 1975 and the potential labour force as calculated in this study. This difference is of the order of 1.3 million and could be considered as some indication of the unused potential.

2. Status of the forecast

Activity rates normally depend in part on the pressure of demand for labour. This present study does not contain any predictions of future levels of demand and therefore the levels of forecast activity rates are consistent with the pressure of demand assumed in the base year. Since all activity rates in the base year were adjusted to a consistent high pressure of demand (see Annex 2) the levels forecast are therefore potential activity rates.

3. Community forecast

The potential labour force in the Community as a whole will rise throughout the period up to 1995 (Table 3.1). This increase will be of the order of 0.8% per annum between 1975 and 1990 but the rate of increase over the final years of the period will fall to less than 0.4% per annum. This represents a total increase over the twenty year period of over 15 million persons, of which increase approximately 9.6 million occurs in the first ten years (Table 3.2).

The rate of increase of the male labour force will be very modest, amounting to only 4.5 million over the period, or approximately 0.3% per year. After the late nineteen-eighties there is for all practical purposes no increase in male labour supply. On the other hand the rise in the potential female labour supply over the same twenty year period amounts to over 11 million or over 1.3% p.a. (1975-1990 1.5% p.a.). (Tables 3.2, 3.3, 3.4).

The increase in the male labour force over the period is entirely a demographic aspect, the activity rate component of labour force change being negative in each five year period up to 1995 (1). The demographic component of male labour force growth between 1975 and 1985 amounts to 5.5 million. For the same period the activity rate component is negative to the extent of about 2.6 million. After 1985 the demographic component remains positive but less markedly so, while the activity rate component remains negative but also at a low level. (Tables 3.2 and 3.5).

(1) Unless expressly stated to be cumulated, the activity rate and demographic components have been calculated for five year periods with rebasing each period. The addition of a component over two or more periods is only an approximation (though generally a close one) to the cumulated component for the whole period, because of the change in base.

Table 3.0

REGISTERED CIVILIAN LABOUR FORCE (*000)

COUNTRY	1950	1955	1960	1965	1970	1975*
GERMANY	23022	25236	26225	26565	26319	25372
FRANCE	-	19048	18951	19313	20750	21670
ITALY	-	19780	20338	17530	19123	19472
NETHLDS	3745	3853	4069	4410	4641	4741
BELGIUM	3597	3655	3564	3684	3735	3915
LUX	-	130	132	133	135	150
U.K.	22829	23738	23980	25075	24923	25459
IRELAND	1254	1198	1109	1112	1110	1128
DENMARK	1977	2060	2016	2204	2332	2453
E.E.C.	-	98598	100384	102534	103072	104868

* REGISTERED LABOUR FORCE IN 1975 - DOES NOT CORRESPOND TO POTENTIAL LABOUR FORCE

ANNUAL GROWTH RATE OF THE CIVILIAN LABOUR FORCE

COUNTRY	1975/50	1960/50	1965/55	1970/60	1975/65
GERMANY	.54	1.31	.51	.04	-.26
FRANCE	.65**	-.10***	.39	.91	.90
ITALY	-.08**	.56***	-.13	-.61	-.03
NETHLDS	.86	.83	1.38	1.32	.71
BELGIUM	.15	-.09	.36	.47	.61
LUX	.72**	.31***	.23	.22	1.21
U.K.	.35	.49	.55	.39	.15
IRELAND	-.49	-1.22	-.74	.01	.14
DENMARK	.66	.20	.68	1.47	1.09
E.E.C.	.31**	.36***	.39	.26	.23

** 1975/1955
*** 1960/1955

RATIO OF CIVILIAN LABOUR FORCE TO TOTAL POPULATION

COUNTRY	1950	1955	1960	1965	1970	1975*
GERMANY	46.05	48.18	47.31	45.32	43.39	41.74
FRANCE	-	43.86	41.48	40.64	40.87	41.18
ITALY	-	40.54	40.52	37.57	35.64	35.00
NETHLDS	37.03	35.84	35.43	35.93	35.59	34.86
BELGIUM	41.64	40.09	39.08	38.99	38.75	40.00
LUX	-	42.48	41.90	40.18	39.71	42.02
U.K.	45.16	46.34	45.62	46.11	44.90	45.43
IRELAND	42.24	41.01	39.16	38.66	37.63	35.67
DENMARK	46.29	46.41	44.01	46.30	47.31	48.52
E.E.C.	-	44.19	43.23	42.12	40.98	40.60

* REGISTERED LABOUR FORCE IN 1975 - DOES NOT CORRESPOND TO POTENTIAL LABOUR FORCE

Table 3.1. Annual Growth Rate of the Labour Force (%)

		1995/75	1980/75	1985/80	1990/85	1995/90
Germany	Total	0.37	0.65	0.78	0.35	-0.28
	Male	0.08	0.25	0.51	0.02	-0.46
	Female	0.85	1.34	1.22	0.86	-0.01
France	Total	0.72	0.98	0.84	0.59	0.45
	Male	0.49	0.69	0.64	0.35	0.26
	Female	1.09	1.47	1.16	0.96	0.75
Italy	Total	1.06	1.03	1.11	1.11	0.99
	Male	0.39	0.2	0.57	0.44	0.35
	Female	2.6	3.24	2.38	2.55	2.23
NL	Total	1.6	1.60	1.90	1.67	1.21
	Male	0.75	0.68	0.99	0.84	0.5
	Female	3.57	4.22	4.08	3.41	2.55
Belgium	Total	0.80	1.13	0.78	0.78	0.51
	Male	0.29	0.48	0.39	0.22	0.06
	Female	1.72	2.43	1.5	1.74	1.23
Luxembourg	Total	0.3	0.79	0.63	0.08	-0.29
	Male	-0.09	0.27	0.21	-0.27	-0.56
	Female	1.19	2.07	1.59	0.83	0.26
U.K.	Total	0.5	0.65	0.74	0.42	0.17
	Male	0.23	0.11	0.48	0.24	0.1
	Female	0.9	1.5	1.14	0.67	0.27
Ireland	Total	1.79	1.24	1.9	2.0	2.0
	Male	1.14	0.53	1.14	1.36	1.53
	Female	3.23	3.08	3.64	3.31	2.89
Denmark	Total	0.42	0.43	0.52	0.39	0.32
	Male	0.1	-0.25	0.16	0.22	0.27
	Female	0.87	1.47	1.01	0.61	0.4
Community	Total	0.69	0.85	0.9	0.66	0.37
	Male	0.32	0.32	0.56	0.3	0.1
	Female	1.06	1.82	1.49	1.26	0.81

Table 3.2

LABOUR FORCE: LEVELS AND CHANGES, 1975-1995

COMMUNITY.TOTAL

AGE GROUP	1975	1975-80	1980-85	1985-90	1990-95	1995
15 24	19654757	490703	1010697	-960919	-2308228	17887010
25 44	49787244	3452163	2815175	3996862	1849406	61900850
45 59	28531823	2871918	801885	1359867	3041873	36607372
60100	8146193	-2221644	463630	-536650	-349674	5501856
TOTAL:	106120017	4593141*	5091388	3859160	2233382	121897088

ACTIVITY RATE COMPONENT

	1975	1975-80	1980-85	1985-90	1990-95	1995
15 24	0	-351169	-70223	120840	101457	0
25 44	0	1604095	1253948	967796	563692	0
45 59	0	605076	502543	1072326	1149647	0
60100	0	-906064	-817618	-477397	-343508	0
TOTAL:	0	951938	868650	1683564	1471287	0

DEMOGRAPHIC COMPONENT

	1975	1975-80	1980-85	1985-90	1990-95	1995
15 24	0	805605	1094496	-1062398	-2422651	0
25 44	0	1891214	1595511	3095619	1296064	0
45 59	0	2274786	288991	285599	1933864	0
60100	0	-1179211	1134017	-66875	-3961	0
TOTAL:	0	3792394	4113015	2251936	808313	0

Table 3.3

LABOUR FORCE; LEVELS AND CHANGES, 1975-1995

COMMUNITY.MALES

AGE GROUP	1975	1975-80	1980-85	1985-90	1990-95	1995
15 24	11103939	-27198	453729	-635894	-1344556	9550020
25 44	33851092	1065310	891091	1812155	754521	38374170
45 59	18811112	1738441	465481	277984	1177554	22470572
60100	5784026	-1654871	202187	-371442	-236409	3723492
TOTAL:	69550169	1121682	2012488	1082804	351111	74118253

ACTIVITY RATE COMPONENT

	1975	1975-80	1980-85	1985-90	1990-95	1995
15 24	0	-480256	-170915	-83965	-55853	0
25 44	0	-167189	-49856	-38540	-31700	0
45 59	0	-137781	-67534	-47360	-39769	0
60100	0	-684916	-678903	-403035	-282126	0
TOTAL:	0	-1470143	-967209	-572899	-409448	0

DEMOGRAPHIC COMPONENT

	1975	1975-80	1980-85	1985-90	1990-95	1995
15 24	0	419897	622465	-542575	-1285038	0
25 44	0	1232317	940189	1847626	786521	0
45 59	0	1838808	530142	325684	1215549	0
60100	0	-832331	734235	27649	17009	0
TOTAL:	0	2658690	2827031	1658385	764041	0

Table 3.4

LABOUR FORCE: LEVELS AND CHANGES, 1975-1995

COMMUNITY.FEMALES

AGE GROUP	1975	1975-80	1980-85	1985-90	1990-95	1995
15 24	8550819	517901	556968	-325025	-963673	8336990
25 44	15936151	2386853	1924084	2184707	1094885	23526681
45 59	9720711	1133478	336404	1081883	1864324	14136800
60100	2362167	-566773	261444	-165209	-113265	1778364
TOTAL:	36569848	3471459	3078900	2776356	1882272	47778836

ACTIVITY RATE COMPONENT

	1975	1975-80	1980-85	1985-90	1990-95	1995
15 24	0	129087	100693	204804	157310	0
25 44	0	1771284	1303804	1006336	595392	0
45 59	0	742857	570077	1119685	1189416	0
60100	0	-221148	-138715	-74362	-61382	0
TOTAL:	0	2422081	1835860	2256464	1880735	0

DEMOGRAPHIC COMPONENT

	1975	1975-80	1980-85	1985-90	1990-95	1995
15 24	0	385709	472031	-519823	-1137614	0
25 44	0	658897	655322	1247993	509544	0
45 59	0	435978	-241151	-40095	723312	0
60100	0	-346880	399782	-94524	-50971	0
TOTAL:	0	1133704	1285984	593551	44272	0

Table 3.5 CUMULATED ACTIVITY RATE COMPONENT ('000)

MALES

	1975-80	1975-85	1975-90	1975-95
Germany	- 429	- 821	- 965	-1042
France	- 183	- 388	- 512	- 610
Italy	- 365	- 539	- 611	- 645
Netherlands	- 115	- 172	- 199	- 218
Belgium	- 34	- 85	- 90	- 90
Luxembourg	- 1	- 2	- 3	- 3
United Kingdom	- 265	- 473	- 656	- 811
Ireland	- 30	- 55	- 72	- 84
Denmark	- 48	- 79	- 98	- 108
EEC	-1470	-2614	-3206	-3611

FEMALES

	1975-80	1975-85	1975-90	1975-95
Germany	434	838	1488	1917
France	278	447	715	938
Italy	725	1300	2102	2956
Netherlands	207	464	759	1057
Belgium	104	176	306	424
Luxembourg	4	8	11	13
United Kingdom	596	935	1159	1245
Ireland	21	61	114	167
Denmark	52	79	91	99
EEC	2421	4308	6745	8816

Table 3.6 CUMULATED DEMOGRAPHIC COMPONENT ('000)

MALES

	1975-80	1975-85	1975-90	1975-95
Germany	649	1437	1582	1237
France	701	1339	1719	2009
Italy	538	1054	1436	1738
Netherlands	234	461	647	758
Belgium	87	171	208	218
Luxembourg	3	4	4	1
United Kingdom	347	926	1315	1588
Ireland	51	126	206	295
Denmark	30	71	107	139
EEC	2640	5589	7224	7983

FEMALES

	1975-80	1975-85	1975-90	1975-95
Germany	219	473	400	14
France	388	776	998	1202
Italy	166	357	522	645
Netherlands	77	185	280	352
Belgium	43	84	92	89
Luxembourg	1	1	0	-1
United Kingdom	184	473	697	816
Ireland	30	65	100	146
Denmark	17	40	64	84
EEC	1125	2454	3153	3347

The activity rate component for the female labour force in the Community is highly positive throughout the period, as is the demographic component of labour force change. The activity rate component for females increases by 4.3 million between 1975 and 1985 and 8.8 million over the whole period. To this enormous increase is added 2.5 million between 1975 and 1985 and 0.6 million between 1985 and 1995 of demographic increase (Tables 3.4 and 3.5).

The main increase in the labour force comes in the age groups 25-44 years and 45-59 years. It is in these age groups in the female population that the increases in activity rates are so marked. The potential female labour force in the age group 25 to 44 years is estimated to increase at only slightly less than 2% per year over the twenty year period.

The increase in the demand for jobs by women will of course be much less than indicated above if measured in man/hours. Many of the women joining the labour force, especially married women between 25 and 55 years of age, will be seeking part-time work. In the 1975 labour force sample survey, the percentage of women in the United Kingdom and Denmark who worked part-time was over 40% of the total of employed women (see chapter 2). If as a hypothesis it is assumed that 50% of all additional women in the labour force seek part-time work and that this is equal to 50% of the hours worked by a full-time worker, then the forecast change in the female labour force could be adjusted as follows:

forcecast change ('000)	1975-80 3471	1980-85 3079
50% full time	1735	1540
full-time equivalent of part time work	868	770
Total full-time equivalent	2603	2310

This adjustment has the effect of reducing the potential labour force increase between 1975 and 1985 from 9.7 millions to 8.8 millions.

4. Country variations from the Community average

Almost all the Member States follow the pattern of the Community average, though there are major variations in the amplitude of the changes. Almost everywhere the rate of growth of the potential labour force rises up to 1985 after which it decreases, in one or two countries being negative over the final five year period. It is only in Ireland that this pattern does not apply. Here there is an increasing rate of growth of the labour supply up to the end of the period, though here too the growth rate over the last two five year periods remains more or less constant (but very high at 2%).

In Ireland it is the demographic component of change which is dominant throughout the period, though for females the projected rapid rise in activity rates means that this component, for females, is almost as important as the demographic one. The enormous increase in the Irish labour force means that according to these projections it will be more than 40% greater in 1995 than it was in 1975.

Germany, Luxembourg, the United Kingdom and Denmark all have patterns of growth similar to the Community average, though the rate of growth over the whole period is distinctly below the average. In Germany with an overall increase of less than 0.4% per annum, the size of the male labour force in 1995 will not be substantially higher than that in 1975. The decline at the end of the period however hides the fact that the male labour force will increase by some 650,000 between 1975 and 1985. Over the twenty year period the female labour force increases by around 0.8% per year and most of this increase occurs in the first ten years (1975-1985 an increase of some 1.3 million). Over the last five year period up to 1995 a fall in the total labour supply is predicted, with the female labour supply almost stationary. The increase in the first ten years is predominantly due to the demographic increase, whereas by the end of the period the demographic component has become negative. Luxembourg presents a pattern very similar to that of Germany, with a slightly lower annual increase in the total labour force, and with the male labour force actually declining between 1975 and 1995. At the end of the period there are considerable losses due principally to the demographic developments.

The United Kingdom and Denmark were seen in the last chapter to have much in common as far as female activity rates and part-time working are concerned. They demonstrate certain similarities in the overall development of their labour markets over the next twenty years as well. The total increase in both countries is somewhat higher than in Germany (UK 0.5%, Denmark 0.42%) and in both the increase in the female labour force should be around 0.9% per annum. In Denmark the growth of the male labour force is far smaller than in the United Kingdom, and in fact declines over the first five year period. In both countries the activity rate component of the male labour force increase is negative over the whole period, while for women the activity rate component is significant only over the first few years, reflecting the high female activity rates in the base year of the projection.

The remaining four countries, the Netherlands, Italy, Belgium and France all show increases above that for the Community as a whole, though France shows a pattern almost exactly the same as the Community average. The Netherlands has growth rates over the period similar in level to those of Ireland, but the time profile of growth is rather more similar to those of the other Member States. In the Netherlands both the change to lower fertility levels and to much higher female activity rates has proceeded rapidly over recent years and the transition to a labour supply structure more typical of its neighbouring countries is likely to be more rapid than in the case of Ireland. In the projections both the high fertility levels in the past and the change from the traditionally low levels of female activity produce substantially positive activity rate and demographic components over the whole period (though the activity rate component for males is negative). The overall increase in the labour force of 1.6% p.a. is only slightly less than that in Ireland and implies an increase over the twenty year period of 37%. However, the rise in the male labour force is only likely to be of the order of 0.75% per year, considerably lower than that in Ireland.

Italy is also a country with traditionally low levels of female participation in the labour force. The change to higher levels accounts for most of the increase in the total labour force, the rise in male labour supply being less than 0.4% per annum. The total rise over the first ten years amounts to 2.1 millions of which 1.4 millions are due to demographic factors. The rise in the overall labour supply between 1975 and 1995 amounts to just over 23%, slightly in excess of 1% p.a.

Belgium shows a rate of growth of the total labour supply (0.8% / year) only slightly above that of the Community as a whole, but is distinguished from the average by a very high rate of growth of females workers (1.7%) and a low growth amongst men (0.25%). France shows patterns and levels of growth very similar to the Community average, with an overall increase of 0.7% p.a., the male increase being of the order of 0.5% p.a., the females just over 1%. In the case of France most of the growth comes in the first decade when the absolute increase in the potential labour supply should exceed 2.1 millions, almost all of which is due to the demographic component, and of which some 45% are men. In the second decade of the forecast period the total increase will only amount to 1.3 millions of which

over 80% is due to demographic changes and of which only 35% are men.

5. The age structure of the labour force

Over the forecast period there will be some slight shifts in the age structure of the labour force. There will be a lower percentage of both workers under 35 years of age and over 50 in the workforce in 1995 than in 1975. For the Community as a whole the shifts are relatively minor, but for some Member States they will be more significant and not without importance. Workers below 35 will decrease as a percentage of the workforce from 43.0% in 1975 to 41.2% in 1995; those above 50 from 23.9% to 22.6%. There is little difference between the pattern displayed by men and women, though given the rapidly increasing activity rates among middle-aged women, the share of the younger age groups in the working population declines rather more steeply than for men.

Of the larger member countries it is Germany where the ageing of the working population is most clear cut. The labour force of less than 35 years declines both absolutely and as a share of the total (from 11.4 millions or 42.9% in 1975 to 11 millions or 38.7% in 1995).

On the other hand there is a large increase in the working population over 50 years of age (5.8 millions or 21.7% of the total in 1975 and 7.6 millions or 26.8% in 1995). The under-35 age group in France also declines over the period as a share of the total labour force but increases in absolute numbers (1975 - 10.2 millions or 45.3%, 1995 - 10.7 millions or 41.4%). But in France in contrast to Germany the over fifties decline as a share of the total. In both Italy and the United Kingdom there will be a large increase in both shares and absolute figures in the under 35 age group in the labour force over the period (Italy from 8 million or 41.9% to 10.1 million or 42.5%; in the United Kingdom from 10.3 millions or 39.7% to 12 million or 42%).

The significance of such shifts in the age structure of the working population is not clear. It is often said that the ageing of the workforce implies a lower degree of flexibility in the economy, because it is assumed that young workers can adapt better to the necessary and continuous structural changes in the production pattern. Other factors, such as the

proportion of skilled workers, the level and type of education and attitudes towards work are however probably of far more importance in determining the flexibility of the labour force. In some societies the young prove to be inflexible to the changing demands for skills, whilst in others older workers gladly accept the possibilities offered by retraining schemes. It would be dangerous therefore to draw any firm conclusions on the effect which the differences in age structure revealed above will have on future economic growth.

6. The main assumptions of the forecast and their effects

i) Educational age groups

It was assumed that the minimum school leaving age in all the countries would move towards sixteen. The extent of further education beyond this age is expected to become rather similar in the different Member states. This will be reflected in increased participation in full-time education for those in the age group 20-24. It is also assumed that participation by females in the 15-19 age group in education will continue to rise more quickly and that, with the exception of Italy and Ireland, there will be a fall in the labour supply in the age group 15-24 between 1975 and 1995. In the Community as a whole this fall will amount to 1.8 millions of which Germany contributes 1.5 millions. This fall is however unevenly distributed through time. During the first decade of the forecast period a rise of some 1.5 millions is to be expected, followed by a fall of 3.3 millions over the second decade. The bottom half of table 3.7 shows that these movements are largely explained by demographic changes. The activity rate component of the labour force change is close to zero, except during the first five year period when it is heavily negative. The activity rate component for males however is negative throughout the period and especially so during the first five years. This explains why, although the demographic component for males over the first decade is larger than that for females, males only contribute about one third of the total labour force increase in this age group over the first decade.

Given the high level of unemployment in the base year and the doubts about the medium-term growth path, the increase in the size of this age group in the labour force is preoccupying for most of the Member states, and especially so for Germany, Italy, the United Kingdom and Ireland where the increases are very large. Only in France and Luxembourg should there be a decrease in the first decade, although in Belgium there will only be a negligible increase.

TABLE 3.7

Labour Force Contribution of the 15-24 year age group

('000)

	1995/1975	1980/1975	1985/80	1990/85	1995/90
Germany	-1491	154	277	-688	-1234
France	-297	-148	26	-22	-153
Italy	341	105	305	54	-123
Netherlands	-130	13	32	-46	-129
Belgium	-94	35	-22	-51	-56
Luxembourg	-8	-1	-1	-3	-3
United Kingdom	-133	305	358	-200	-596
Ireland	67	35	20	1	11
Denmark	-22	-7	16	-5	-26
EEC	-1767	488	1011	-961	-2308
	of which the demographic component				
Germany	-1203	344	339	-654	-1232
France	-278	-146	47	-29	-150
Italy	198	174	286	-44	-218
Netherlands	-106	36	35	-46	-131
Belgium	-91	29	-4	-57	-59
Luxembourg	-8	-1	-1	-3	-3
United Kingdom	-169	327	349	-228	-617
Ireland	93	45	29	5	14
Denmark	-18	-2	15	-5	-26
EEC	-1582	806	1095	-1061	-2422

The fall in the numbers of this age group in the labour force over the second decade of the period is also extremely important. With this fall in mind, the authorities must be careful to cater for the large influx of young people in the first decade in a flexible way which allows for the redeployment of facilities and structures created in the first ten years to other purposes in the latter part of the period.

Again Italy and Ireland are exceptions, with the increase in this age group continuing to the end of the period in Ireland and to 1990 in Italy.

ii) The retirement age groups

It has been assumed that the retirement age in all countries will become sixty at some time during the period of the forecast.[1] This necessarily implies a more radical change for some countries, such as the United Kingdom where it is currently 65, than others such as Germany or Italy where already considerable progress in this direction has been made. In addition it is expected that the activity rates of the age group 55 to 59 will also fall as a result of continued and probably increasing provision for early retirement.

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1) As a result of the reduction in the age difference between husband and wife and the increased participation assumed for older women, it is expected that the existing differential between retirement ages for the two sexes will be eliminated.

TABLE 3.8 i

Retirement Age Groups - Males

i) Levels and changes 1975-1995 ('000)

		1975	1980/75	1985/80	1990/85	1995/90	1995
Germany	A	851	380	167	43	360	1801
	B	917	-427	12	11	-8	505
France	A	664	524	-7	6	-75	1112
	B	684	-315	223	-57	-40	495
Italy	A	864	419	17	9	22	1331
	B	702	-342	141	-22	-13	466
NL	A	239	36	-4	14	15	300
	B	184	-43	-13	-20	-3	104
Belgium	A	158	79	-9	-2	-17	210
	B	144	-71	17	-10	-3	78
Luxembourg	A	6	1	2	0	0	9
	B	5	-2	0	1	0	4
U.K.	A	1365	189	-170	-82	3	1304
	B	1254	-212	102	-204	-144	797
Ireland	A	68	-2	-7	-2	0	57
	B	57	-8	-6	-9	-5	30
Denmark	A	116	3	-13	-5	7	108
	B	101	-16	-8	-16	-8	53
EEC	A	4332	1628	-24	-20	317	6233
	B	4048	-1435	468	-377	-224	2530

A - age group 55-59 years
B - age group 60-64 years

TABLE 3.8 ii

Retirement Age Groups - Males

ii) Activity rate component of change ('000)

		1995/75	1980/75	1985/80	1990/85	1995/90
Germany	A	-111	-52	-36	-16	-7
	B	-414	-76	-237	-72	-29
France	A	-31	-12	-9	-6	-4
	B	-225	-46	-75	-59	-45
Italy	A	-32	-32	0	0	0
	B	-212	-120	-48	-28	-16
Netherlands	A	-3	-2	-1	0	0
	B	-104	-40	-36	-19	-9
Belgium	A	-5	-4	-1	0	0
	B	-60	-28	-22	-8	-2
Luxembourg	A	0	0	0	0	0
	B	0	0	0	0	0
United Kingdom	A	-77	-12	-17	-22	-26
	B	-323	-47	-77	-94	-105
Ireland	A	-6	-1	-2	-2	-1
	B	-21	-5	-6	-6	-4
Denmark	A	-8	-3	-2	-2	-1
	B	-38	-10	-12	-10	-6
EEC	A	-273	-118	-68	-48	-39
	B	-1397	-372	-53	-296	-216

A - age group 55-59 years

B - age group 60-64 years

TABLE 3.8 iii

Retirement Age Groups - Females

i) Levels and changes 1975-1995 ('000)

		1975	1980/75	1985/80	1990/85	1995/90	1995
Germany	A	534	324	-38	43	317	1180
	B	376	-138	131	-22	-16	331
France	A	378	330	21	57	-22	764
	B	397	-172	144	-30	-26	313
Italy	A	194	190	1	53	117	555
	B	118	-34	53	13	26	176
Netherlands	A	46	14	1	12	25	99
	B	28	-1	5	1	4	37
Belgium	A	45	27	2	17	18	109
	B	25	-7	11	2	4	34
Luxembourg	A	2	1	0	0	0	2
	B	1	0	0	0	0	1
U.K.	A	857	178	-97	-52	8	894
	B	522	-67	61	-73	-55	388
Ireland	A	16	2	3	5	8	35
	B	13	0	1	0	-1	13
Denmark	A	67	14	-3	-1	5	82
	B	41	-6	6	-5	-4	32
EEC	A	2138	1081	-110	134	476	3720
	B	1521	- 425	411	-114	-68	1325

A - age group 55-59 years

B - age group 60-64 years

TABLE 3.8 iv

Retirement age groups - Females

ii) Activity rate component of change ('000)

		1995/75	1980/75	1985/80	1990/85	1995/90
Germany	A	314	55	55	101	103
	B	36	0	10	18	8
France	A	183	35	36	65	47
	B	-96	-20	-31	-23	-22
Italy	A	260	89	12	51	108
	B	51	0	9	17	25
Netherlands	A	46	7	3	12	24
	B	5	0	0	2	3
Belgium	A	51	3	5	18	25
	B	8	0	1	3	4
Luxembourg	A	0	0	0	0	0
	B	0	0	0	0	0
U.K.	A	96	66	21	6	3
	B	-51	0	-8	-15	-28
Ireland	A	20	2	4	7	7
	B	0	0	0	0	0
Denmark	A	18	10	5	2	1
	B	-3	-4	4	-1	-2
EEC	A	988	267	141	262	318
	B	-50	-24	-15	1	-12

A - age group 55-59 years

B - age group 60-64 years

The forecast for the Community shows an increase over the whole period for the labour force aged 55-59 and a marked decrease for the 60 to 64 age group (Table 3.8). Overall these figures are dominated by the changes which take place in the first five year period. In this latter period the activity rate effect is swamped by the effects of demographic change; the result of the low birth rate during the first world war. For males there is an increase of over 1.6 millions in the 55-59 year age group after which changes are not very significant until the end of the period. On the other hand the 60-64 year age group loses over 1.4 millions in the first five years. For women the respective figures are 1.1 millions and 0.4 million. The significance of these demographic fluctuations for the problem of employment was mentioned earlier in connection with the arrival on the labour market of increased numbers of young people.

The period after 1980 is marked by a comparatively important activity rate induced fall in male labour, though demographic factors outweigh the effect of activity rate changes in the 1985/1980 period for the older age group and in the period 1995/1990 for the 55-59 age group. For women, as previously indicated, the activity rate component of change in the 55-59 group is very positive, with an increase of 1 million over the whole period. Because of demographic factors the rise in the labour force in this group is far higher at 1.6 millions. This contrast with the situation amongst men illustrates the closing of the difference in activity rates between men and women in the higher age group which results from a general lowering of the retirement age to 60. For females between 60 and 64 the activity rate component is also negative, though again it is swamped by demographic factors.

Again Germany contributes to the fluctuations more than the other Member States, making up more than 46% of the total growth in the labour force in the age group 55-59 years in the Community for instance. In Germany the effect of the changes is to produce a very large rise in the number of older workers (over 1.1 millions over the period). In France and Italy too the growth in these age groups is also important, the labour force increasing by respectively 25 and 35% over the period. Of the large countries it is only

in the United Kingdom that there is a fall, though it should be made clear that in the United Kingdom these groups contributed a far higher proportion of the work force in the base year than in any other country. By the end of the period this proportion has shrunk to be more in line with the situation in other Member States.

In the Member States which had a high participation rate for women in the 60-64 age group in the base year there is generally a fall in female employment over the period (Denmark, the United Kingdom and France). On the other hand in countries where the activity rate was very low in the base year, the effect of generally rising female activity rates leads to a rise in the numbers (the Netherlands, Italy and Belgium). Overall the figures presented here for both females and males in this age group point to the gradual elimination of the group from the labour market.

iii) Female activity rates and the convergence of social attitudes

Historically married female activity rates in Britain and Denmark have been considerably higher than in other Member States. This is in part explained by greater provision of part-time employment and associated with this a greater willingness of married women to return to work after completing their families. In some countries such as the Netherlands and Ireland, these activity rates have been extremely low, since participation in the labour market generally ceased after marriage.

For countries other than the United Kingdom and Denmark attainment of high activity rates among married women requires two major changes in social attitudes: a more flexible attitude of the employer and more social acceptability of the idea of married women working. It is evident that in many Member States these changes are already taking place.

Increased female employment also has a multiplier effect. As more women go out to work so more women are needed to look after children and to help with house-work. The size of the multiplier effect will obviously vary considerably depending on the general level of income and the state provision of services, amongst other things.

TABLE 3.9 i

Female Employment

i) Level and changes ('000)

		1975	1980/75	1985/80	1990/85	1995/90	1995
Germany	A	4182	457	148	342	381	5510
	B	2535	274	284	496	225	3814
France	A	3764	441	377	429	51	5062
	B	2070	390	16	76	417	2969
Italy	A	2401	539	446	534	342	4262
	B	1180	258	90	253	497	2278
Netherlands	A	440	219	265	224	108	1256
	B	191	30	28	111	223	583
Belgium	A	617	94	83	92	21	907
	B	255	48	22	62	102	488
Luxembourg	A	16	4	4	3	1	28
	B	7	1	0	0	1	9
United Kingdom	A	3988	554	533	504	162	5741
	B	3195	101	-132	24	317	3505
Ireland	A	91	28	43	47	36	245
	B	53	9	19	30	36	147
Denmark	A	437	50	26	10	-8	515
	B	234	25	11	29	46	345
EEC	A	15936	2387	1925	2185	1094	23526
	B	9721	1133	338	1081	1864	14138

A - women aged 25-44

B - women aged 45-59

TABLE 3.10

Female Employment

ii) Activity rate component of change

		1995/75	1980/75	1985/80	1990/85	1995/90
Germany	A	902	356	242	191	113
	B	1089	187	205	399	298
France	A	375	178	76	73	48
	B	619	124	120	206	169
Italy	A	1556	537	423	360	236
	B	986	167	87	282	450
Netherlands	A	671	186	214	171	100
	B	307	24	29	97	157
Belgium	A	157	68	35	35	19
	B	228	29	44	74	81
Luxembourg	A	11	4	4	2	1
	B	2	0	0	1	1
United Kingdom	A	895	398	281	151	65
	B	247	170	56	17	4
Ireland	A	73	18	22	20	13
	B	83	10	20	28	25
Denmark	A	36	26	7	2	1
	B	61	32	17	8	4
EEC	A	4675	1771	1304	1005	596
	B	3622	743	578	1112	1189

A - women aged 25-44

B - women aged 45-59

Table 3.9 shows the changes in the female labour force over the period 1975-1995 accompanied by the size of the activity rate component of the change. The rates of growth are extremely high in those countries where the traditional activity rate level for married females is very low in the base period: the Netherlands, Ireland and Italy especially. The very rapid increases over the past ten years in the activity rates of the younger female age groups in these countries gives some indication of the potential which might become available over the forecasting period. In spite of the high rate of growth, the process of change is not completed during the period under consideration and the level of saturation is not reached until well after the year 2000.

Even in those countries with a traditionally high rate of female activity such as the United Kingdom, Denmark and France, there is still seen to be scope for considerable increases in the female labour force. According to these forecasts the United Kingdom female labour force between the ages of 25 and 59 will be 28% higher in 1995 than in 1975.

As about two thirds of the total increase revealed in table 3.4 is composed of the activity rate component, the forecast presupposes considerable changes in the structure of the labour market and in some Member States changes in social organisation, as mentioned above. It is certain that a part of this increased demand for work by women will be a demand for part-time employment, which would require greater flexibility to be shown by employers and social security systems.

7. The Medium-Term Forecast 1975 - 1985.

It must be emphasized once again that the projections of this report are projections of the potential labour supply - the amount of labour that would be available given a constant high pressure of demand. It is clear that the economic growth achieved in 1976-77 together with the forecast growth up to 1985 will probably be lower than that necessary to accomodate both the stock of unemployed and the increase in the potential labour supply. The effect of lower growth will be felt partly in higher unemployment and partly in lower activity rates than the potential rates forecast. This is equivalent to saying that some people who would like to work will not find jobs and will withdraw from the labour force (or not enter it) rather than registering as unemployed. If one is interested in under-employment rather than registered unemployment however, the potential activity rates of this report should be used, irrespective of the growth rate actually achieved.

Most of the adjustment from potential to actual activity rates will be borne by female rates. There is already evidence that female activity rates amongst the age group 20 - 34 have been increasing partly as a result of reductions in fertility rates observed over the last decade. The presence of these women in the labour market, who would have previously withdrawn from it to bring up families, absorbs a higher proportion of available female jobs and thus makes it more difficult for older women to return to work. The prospect in the medium-term is that demand for labour will rise relatively slowly and to the extent that excess supply of labour is met by lower levels of recruitments, there will be increased unemployment among young people and concealed unemployment among women.

The main cause of this is demographic change rather than activity rate change. In fact, the short-term impact on activity rates is likely to help to reduce apparent unemployment. Most of the expected increases in activity rates are among females, whose response to labour market conditions is the more elastic. It is quite likely that some of the expected trend increases will be postponed with the continuing high levels of unemployment as women are less willing and able to spend time on job search, employers less willing to accomodate the desire for restricted hours of work and member governments offering incentives to aid the employment (or reduce redundancy) of primary workers and school leavers.

An addtional factor operating to reduce the actual increase in supply of female labour is likely to be the reductions in the rate of expansion in the public sector, particularly in health and education. Both of these services are female intensive in their employment, and particularly so at the margin.

Perhaps the most significant problem however is the nature of future changes in social security systems. If there was a general trend towards flat rate contributions, this would militate against the employment of women, full-time as well as part-time. In the United Kingdom recent changes have been directed towards earnings-related contributions thus favouring marginal employment.

i) Two scenarios of medium-term labour demand

In spite of the emphasis on the potential labour supply, an indication should be given of the possible medium-term labour demand. In the very superficial and summary analysis which follows, two macro-economic growth hypothesis for the period 1976 - 1985 are made, one of 3 % annual average growth and one of 4.6 %. The analysis has been done at the level of five sectors taking into account possible sectoral shifts in value added over this period.

a) Growth rate of Gross Value Added :

The first step is to make assumptions about the overall growth rate for the six member states for which data is readily available.(1) The following annual average rates for 1976 - 85 were chosen :

Table 3.11. Annual average growth rate of value added

		1976 - 1985	
	% 1960-73 *	low growth	high growth
Germany	4.4	3.3	4.7
France	5.7	3.5	4.9
Italy	5.3	2.8	5.1
Netherlands	5.1	2.5	4.5
Belgium	4.7 **	3.0	4.9
United Kingdom	2.6 ***	2.0	3.5
EEC			

* 1970 prices

** 1965-1974

*** gross value added at factor cost

(1) The principal source for data on productivity, employment and value added used here is : "Sectoral change in the European Economies from 1960 to the recession". Report of the Commission of the European Communities, Brussels, January 1978.

This macro-economic growth rate was then "shared out" between industries approximately according to the following assumptions.

a) Agriculture will go on declining at a similar rate to that of the recent past and this rate will be invariant between both growth scenarios.

b) The construction industry will grow less fast than in the past for a number of reasons. Demographic change means that there will be little need for continued school building, while hospital capacity is also often adequate. Owing to restrictions on public finance, road construction and public housing will not grow as in the past. However the need to rejuvenate whole quarters of our cities should not be a negligible demand on the construction industry over the coming decade, so future growth prospects should not perhaps be assumed to be as bad as sometimes suggested. The construction industry is obviously dependent on the overall growth rate of the economy and consequently two different assumptions have been chosen.

c) Non-market services are made up essentially of central and local government services, and in this area output and productivity are largely determined by convention. As there were no available forecasts for government consumption at the time of writing, there was little data on which to base assumptions. It was assumed that employment would rise somewhat more slowly up to 1985 than over the period 1960 - 1973. While it was further assumed

that under the slow growth hypothesis, growth of employment in non-market services would be slower than under the fast growth hypothesis, under slow growth its share of employment in total employment is higher than under fast growth.

d) Manufacturing industry and energy : slow growth was considered to mean a marked shift from industry to market services, whereas faster growth, fuelled by expanding industry, would lead to a higher share of value added being accounted for by manufacturing in 1985 than 1976. In the slow growth hypothesis, a rate of growth of value added well below the trend and the assumed macro-economic growth rate was assumed. For faster growth, a rate somewhat above that of the economy as a whole and only slightly below trend was assumed (above trend for Germany and the U.K.).

e) Market services over the period 1960 - 1973 grew almost as fast as manufacturing (and in the U.K. faster), and over the period 1970 - 1976 in all countries grew far faster than manufacturing. While the relative trend was used as a guide, it was assumed that market services would expanded relatively faster than other industries in slow growth and at about the same rate in fast growth. The two sectors, market services and manufacturing industry are obviously closely linked and their growth rates are not independent of each other.

Table 3.12

Assumption on the share of value added

	Share of value added 1976					Share of value added in 1985									
						Slow growth (3 %)					Fast growth (4.6 %)				
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Germany	2,7	41,7	7,7	34,8	13,2	2,4	40,7	7,3	36,4	13,1	2,1	42,4	7,3	35,4	12,9
France	5,1	32,1	8,2	41,6	13,0	4,8	32,2	7,9	43,6	11,5	4,1	33,8	8,0	43,7	10,4
Italy	7,8	43,8	7,5	39,1	10,8	7,2	35,0	7,2	40,7	9,9	5,9	37,6	6,7	40,8	8,8
Netherlands*	5,3	33,2	7,8	39,6	14,1	5,6	32,9	7,4	40,3	13,8	4,8	34,2	7,5	39,7	13,7
Belgium *	2,9	34,2	7,7	42,2	13,0	2,2	33,9	7,3	43,4	13,2	2,0	37,8	7,0	41,0	12,2
United Kingdom	2,7	30,6	7,0	43,8	16	2,9	30,5	6,8	45,4	14,4	2,6	31,2	6,8	46,6	12,9

1. Agriculture
2. Manufacturing and energy
3. Construction
4. Market services
5. Non-market services

* 1973

Table 3.13 Assumptions on the Growth of Value Added

	Growth of Value Added 1960-1973					Growth of Value Added 1976-1985									
						Slow Growth (3 %)					Fast Growth (4,6%)				
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Germany	1,4	4,7	4,4	4,3	4,4	1,9	3,0	2,7	3,8	3,2	1,9	4,9	4,0	4,9	4,4
France	1,9	6,7	6,8	5,9	3,0	2,4	3,5	3,1	4,0	2,1	2,4	5,5	4,6	5,5	2,3
Italy	1,9	7,0	2,7	6,2	2,8	1,9	2,8	2,3	3,3	1,8	1,9	6,0	3,8	5,6	2,8
Netherlands	3,0	6,3	4,9	4,6	4,7	3,1	2,4	2,0	2,7	2,2	3,1	4,8	4,1	4,5	4,2
Belgium *	1,2	6,7	3,2	3,5	5,1	0,7	2,9	2,4	3,3	3,2	0,7	6,2	3,7	4,6	4,2
United Kingdom **	2,7	2,8	2,6	3,0	0,7	2,6	2,0	1,6	2,4	0,8	2,6	3,7	3,2	4,2	1,1

1 Agriculture
2 Manufacturing and Energy
3 CConstruction
4 Market Services
5 Non-market services

* 1965-1974

** Gross value added at factor cost

b) Growth rate of productivity :

It was assumed that under slow growth, the apparent productivity of labour would fall considerably below trend but not to the same extent as value added. Under fast growth it is assumed that productivity will increase to slightly below trend, reflecting the slightly lower than trend growth rates of value added and perhaps some reductions in hours worked. In agriculture productivity is assumed to be unrelated to growth and to decline at the trend rate, while as mentioned earlier, in non-market services productivity is a conventional measure.

Table 3.14

Average annual growth rate of labour productivity
1960-1973

	Agriculture	Manufacturing	Construction	Mkt.Services	Non-Mkt.Services	Total
D	6.3	4.6	3.9	3.4	1.8	4.2
F	6.3	6.0	4.9	3.0	0.9	4.9
I	6.9	5.5	2.9	4.4	-	5.2
NL	6.2	7.5	3.3	2.2	3.4	4.3
B	5.3	6.2	2.8	2.4	3.1	4.2
UK	6.9	3.1	2.2	1.6	-	2.2

Table 3.15

Growth assumptions for labour productivity

1976-85

	Slow Growth (3%)						Fast Growth (4.6%)					
	1	2	3	4	5	Total	1	2	3	4	5	Total
Germany	6.3	4.0	3.0	2.5	1.5	3.2	6.3	4.6	3.9	3.5	1.8	3.9
France	6.3	4.5	3.9	2.6	0.7	3.4	6.3	5.5	4.9	3.0	0.9	4.1
Italy	6.9	4.0	2.0	3.3	0.4	3.5	6.9	5.3	2.9	4.0	0.4	4.5
Netherlands	6.2	4.0	2.5	2.2	2.2	2.7	6.2	5.0	3.3	2.8	3.4	3.5
Belgium	5.3	4.5	2.3	2.3	3.0	2.8	5.3	5.7	2.8	2.8	3.3	4.0
U.K.	6.9	2.5	1.6	1.5	0.4	1.8	6.9	3.3	2.5	2.2	0.4	2.3

c) Employment

Employment is deduced from the growth rates of value added and productivity.

Again in agriculture employment declines more or less as the long-run trend and is indifferent to the growth rate of the general economy.

In the slow growth case employment in manufacturing declines very rapidly and construction also shows major losses (apart from in Italy and Belgium). On the other hand services show gains in most countries. In fast growth there are moderate gains in manufacturing but very fast growth in services.

Table 3 . 16

Annual Growth of Employment 1960 - 73

	Agriculture	Manuf.	Constr.	Mkt.Services	Non Mkt. S.	Total
Germany	- 4,6	0,3	0,3	0,9	2,5	0
France	- 3,9	0,6	1,8	2,9	2,1	0,9
Italy	- 5,3	1,3	- 0,1	1,2	2,8	- 0,4
Netherlands	- 3,1	0,9	1,4	2,4	1,2	0,9
Belgium	- 5,8	- 0,7	1,2	1,1	2,4	0,7
U.K.	3,6	0,1	- 0,7	1,4	1,6	0,2

Table 3 : 17

Annual Growth Rate of Employment

1976 - 85

	Slow Growth (3%)						Fast Growth (4,6%)					
	Agr.	Manuf.	Const.	Mkt.S.	N.Mkt.S.	Total	Agr.	Manuf.	Const.	Mkt.S.	N.Mkt.S.	Total
Germany	- 4,4	- 1,0	- 0,3	1,3	1,7	0,1	- 4,4	0,3	0,1	1,4	2,6	0,8
France	- 3,9	- 1,0	- 0,8	1,4	1,4	0,1	- 3,9	0	- 0,3	2,5	1,4	0,8
Italy	- 5,0	- 1,2	0,3	0	1,4	- 0,7	- 5,0	0,7	0,9	1,6	2,4	0,6
Netherlands	- 3,1	- 1,6	- 0,5	0,5	0	- 0,3	- 3,1	- 0,2	0,8	1,7	0,8	0,8
Belgium	- 4,6	- 1,6	0,1	1,0	0,2	0,2	- 4,6	0,4	0,9	1,8	0,9	0,9
U.K.	- 4,3	- 0,5	0	0,9	0,4	0,2	- 4,3	0,4	0,7	2,0	0,7	1,0
EEC (6 above)						- 0,05						0,8

Table 3. 18

Share of employment between industries

	Share of Employment 1976					Share of Employment 1976-1985									
						Slow Growth (3%)					Fast Growth (4,6 %)				
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Germany	6,9	37,2	7,0	32,0	16,9	4,6	33,7	6,7	35,5	19,5	4,3	35,6	6,4	33,8	19,9
France	10,2	27,6	8,7	37,2	16,2	7,0	25,0	8,0	41,8	18,2	6,6	25,7	7,3	43,3	17,1
Italy	14,6	29,1	8,6	32,8	14,9	9,8	27,8	9,4	35,0	18,0	8,7	29,3	9,0	35,6	17,4
Netherlands	6,4	23,6	9,4	44,9	15,8	4,9	21,0	9,3	48,5	16,3	4,5	21,7	9,1	48,8	15,9
Belgium*	3,6	31,7	8,4	40,0	18,1	2,4	27,3	8,5	43,5	18,3	2,1	29,6	8,2	42,3	17,7
United Kingdom	2,6	31,0	6,7	37,9	21,8	1,8	29,0	6,6	40,4	22,2	1,6	29,3	6,5	41,4	21,2

* 1975

The result of this small exercise is that under slow growth (3%) employment in the six countries as a whole would remain more or less constant between 1976 and 1985, while under fast growth (4,6%) it could rise by around 0,8% per annum.

d) The medium-term labour supply

The growth in the labour supply discussed in the earlier part of this chapter should be corrected, as suggested previously, for part-time working, in as far as this will be more generalized than in the past. The trend decline in hours worked is already taken account of in the productivity assumptions.

Table 3.19

Growth of the potential labour supply in the Community 1976-1985

	Potential labour supply growth	Reduction for part-time working	Net increase
Males	0,45 %	-	0,45 %
Females	1,8 %	- 0,45 %	1,35 %
Total	0,9 %	- 0,15 %	0,75 %

Of course the net increase in the labour force could be further reduced by supposing that over this period the decline in hours worked would be faster than the trend (i.e. more than approximately 1%/year).

Table 3.20 Potential labour supply and scenarios of demand in the Community 1976-85

	% growth 1976-85 / year
Potential labour supply	0,75 %
Reduction of existing unemployment to 2½ % of labour force in 1985	0,25 %
Total growth of labour supply	1,00 %
Employment growth under	
a) slow growth (3 %)	0
b) fast growth (4,6 %)	0,8 %

The fast growth scenario therefore points to only a slow reduction of unemployment if the whole of the potential labour supply increase is realised. The slow growth scenario on the other hand leads to a very rapid rise in underemployment.

It is impossible to quantify the actual amount of registered unemployment which each growth scenario would produce in 1985. It is certain that under slow growth activity rates would rise considerably more slowly than predicted and hours worked would fall more quickly. The level of unemployment would rise though not necessarily very fast. On the other hand, the full working capacity of the population would be far from being fully utilized.

The above example is only intended to give an idea of the possible employment effects of two separate growth paths. The reality will certainly be very different. The numbers used in no way constitute a forecast. The results should not be considered to have any relevance outside of this study.

8. The long-term prospect (1985-1995)

In the long term, the structure of the labour market may well change to accomodate basic new social demands. If in the long-term demand does not rise sufficiently to use labour potential in the existing labour market structure, it is probable that the adjustment will be made in the apparent productivity of the labour force (not in productivity per man hour.). This means concretely a reduction in the average hours worked per head of the working population. This would be achieved not only by a general shortening of the working week, but also a great increase in the flexibility of female employment, with more part-time and half-time working. During the present employment crisis one important change over previous depressions has been obvious - female labour is today far less marginal than it was previously. This is evidenced by the very high level of female unemployment and the fact that female activity rates have not in general fallen as unemployment has risen.

The relative employment prospects depend to some extent on the composition of the growth of demand. If the growth sectors of the economy are mainly in the services and the relative decline of industry continues, one would expect a higher proportion of the jobs created to be female jobs and a higher number of the jobs lost to be male jobs. Against this however there may well be a change of attitude in the long term to what is women's work and men's work. Non-discrimination laws are already in effect in many countries and there are signs that attitudes are changing. In this case it is difficult to predict the implications of a shift in the composition of demand.

In the long term there will be a distinct slowing of the rate of increase of the labour force at the Community level. This will affect the male labour force more than the female, but the statement is true for both. After 1995 the labour force should even decline slightly, given that the process of change in female activity rates will almost have reached saturation level and that there will be little demographic increase. In some Member States there will even be a marked fall in the domestic labour supply at the end of the forecast period (Germany and Luxembourg). Seen from the present situation of high unemployment, it would appear unlikely that this slowing of the rate of growth will constrain the rate of growth of the economy, but rather that it will be a fortunate lessening of pressure from the labour supply side. In the long run however it is not clear that this

will be necessarily the case. The rate of growth of the labour supply in Germany in the twenty years 1950-1970 was higher than it is likely to be over the next twenty and full-employment prevailed. It is conceivable, though the conditions for growth today seem infinitely more difficult than during the previous period, that the available labour supply can be employed. Alternatively it may be that reductions in hours worked will prove substantial and irreversible, in which case again for the long run there could be a situation of labour shortage.

CHAPTER 4

Migration and the labour market in the European Community

I. Introduction

Population trends in the Community countries have in the past been determined not only by natural demographic movements but also, in some cases to a very considerable extent, by international migration. Immigration from countries outside the Community has been a much more important factor in this process than migration between member countries.

The original Community recorded net immigration of about 4.6 million people in the period from 1963 to 1973, accounting for almost a third of the total increase in its resident population. Most immigrants were wage and salary earners, though gainfully employable persons tended to decline as a proportion of total immigration.

Immigration brought about not only a considerable increase in the resident population and labour potential, but also led to significant changes in the population structure according to sex and age. This and the increasing tendency to bring families into the host country and to stay there for longer periods also meant that the growing immigrant population had a gradual but marked influence on natural demographic movements with additional effects as to levels and structure. The demographic effects of net immigration into the original Community were consequently much greater than the actual figures show.

With enlargement of the Community to nine member countries, total net immigration declined, though the decrease was rather modest.

In the early seventies, it was still generally expected, both in the receiving countries within the Community and in the source countries outside the Community, that while migration would diminish somewhat in the medium and longer term, the basic tendencies would continue. This view is reflected in official forecasts made at the time.[1)]

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1) See for example OECD, Demographic Trends 1970-1985 in OECD Member Countries, Paris 1974.

The development of the world recession caused the main receiving countries to halt the recruitment of foreign labour abruptly between the end of 1973 and mid-1974. While this did not bring about a complete halt in migration flows, not even immigration from non-Community countries into member countries, it did, however, mark a radical turning point in the volume and structure of migration.

Despite the many uncertainties attaching to migration forecasts, a return to the patterns of the 1960's and early 1970's can be ruled out, at least in the medium term. Realistically, it must be supposed that the next ten years will be marked by highly restrictive immigration policies. Whether labour markets will subsequently be opened up again is a question about which we can only speculate at present.

At all events, demographic trends will for the foreseeable future be affected not only by marked changes in natural components - the most important of which are the structural effects of distortions in population pyramids, caused (directly and indirectly) by the two world wars, and the drastic decline in birth rates since the mid-1960's - but also by equally marked changes in the components of migration.

The overall development of migration in the European Community is the result of flows of totally different types in the various Member States. Germany and France, which account for the bulk of the EC net immigration, have relatively large annual turnovers of immigrant workers and therefore important variations in numbers in either direction can occur over short periods. In Britain, which has in the recent past experienced net emigration, the migrant flows in both directions are of a more permanent nature. The two main labour exporting countries in the past, Italy and Ireland, differed in that while Italian workers were employed in several member and non-member states, Irish emigration was very largely concentrated on the United Kingdom.

All in all, we are faced with a highly complex subject, theoretical analysis of which has not yet progressed very far. In addition, statistical documentation of migration processes is far from complete, often rather imprecise and in some cases varies in concept from country to country. These problems cannot be gone into individually here. However, it should be stressed that the available data provide only an approximate picture and are of limited comparibility, particularly in international terms, and that they must therefore be interpreted with caution.

II. Total migration up to 1973

Table 1 shows net migration in the Community countries and some of the major non-Community source countries during the peak period of migration (1).

Within the Community of Six, all the countries except Italy experienced net immigration. Column 4 shows the extent of net immigration as a component of the increase in population. Luxembourg is highest with 0.63% annually, followed by Germany (0.52%) and France (0.28%); lowest are Belgium (0.17%) and the Netherlands (0.12%). The share in total population growth was over two-thirds in Germany, about one-third in France and Belgium, and just under a tenth in the Netherlands.

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(1) There were to some extent substantial migration flows even before 1963. The choice of 1963 as the base year seems appropriate so as to exclude the inflow of refugees from the DDR into the Federal Republic of Germany and repatriation from North Africa to France (1962).

Table 4.1

Total migration balance and population changes due to migration [1] 1963-73

COUNTRY	NET MIGRATION 1963 - 73		POPULATION CHANGES DUE TO MIGRATION - annual average -
	1000		[2]
EEC recipient States			
Belgium	197	3,7	0,17
Germany	3 386	63,8	0,52
France	1 531	28,8	0,28
Luxembourg	23	0,4	0,63
Netherlands	137	2,6	0,12
Denmark	33	0,6	0,06
Total	5 307	100,0	0,35
EEC Source States for migrants			
Italy	- 638	46,6	- 0,11
Ireland	- 111	8,1	- 0,33
United Kingdom	- 621	45,3	- 0,10
Total	- 1370	100,0	- 0,12
EEC 6	4636	.	0,25
EEC 9	3937	.	0,16
Non-EEC Sources of Migrants			
Spain	- 657	.	- 0,18
Greece	- 336	.	- 0,35
Portugal [3]	-1122	.	- 1,30
Turkey [4]	- 793	.	- 0,21

Source: Calculated from OECD, Labour force statistics and Statistical Yearbook of the Federal Republic of Germany - Internationale Übersichten.

1) excluding excess of births over deaths in the migrant population.
2) annual average net migration, in relation to the average resident population.
3) excluding 1970.
4) gross emigration.

During the period, net immigration decreased slightly in France and (up to 1970) markedly in Belgium, while in Germany especially, though also in the Netherlands, it increased strongly (up to 1971). In all the countries, there was in 1967 a more or less marked decline due to the recession.

If one looks at the process not from the viewpoint of its influence on national population trends, but of the distribution of net immigration on the recipient countries (column 3 of table 1), it can be seen that about 93% is concentrated on Germany (64%) and France (29%). Thus, in overall quantitative terms, the immigration policies of these two countries are crucial to migratory relationships with the source countries lying outside the Community.

Italy's net emigration too was concentrated on these two recipient countries, though to a lesser degree. It should be pointed out, however, that emigration from Italy declined drastically after the mid-1960's. As from 1972, Italy had indeed net immigration.

Of the new Member States, Denmark can be left aside from the point of view of immigration.

Ireland has traditionally been a country of emigration, which has played a significant role in its national demographic development. However, the volume of emigration from Ireland is hardly significant within the overall framework of migration in the Community. It is also atypical in its concentration on one specific recipient country (though the USA was formerly a large scale recipient

The United Kingdom is also a special case.

Despite all the weaknesses and peculiarities of British migration statistics, a number of important features are evident. The United Kingdom remains an immigration country for aliens, but is at the same time an emigration country for nationals. Between 1964 and 1973, almost half a million non-British immigrated into the United Kingdom (1). At the same time, British emigration was about 850,000, so that there was an annual average net emigration of about 40,000 persons (2). Legislative restrictions produced a marked fall in immigration after 1967; simultaneously, however, there was a drop in emigration by British nationals, so that the total net amount scarcely changed. Besides this juxtaposition of opposite migratory movements, a further feature of the United Kingdom is an usually high rate of fluctuations in migration patterns. This is true not only of aliens, but also of British nationals. These and other characteristics of UK migration patterns mark them off from the pattern in continental Community countries.

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(1) Just under half from Commonwealth countries.
(2) These figures are taken from the International Passenger Survey. They include only persons of 15 years of age and over and in other respects too are not wholly consistent with the figures in Table 1.

In assessing the consequences the halt in immigration has had on the traditional source countries outside the Community, an important question is the extent to which emigration has provided them with a means of relieving pressure of their labour markets. The lower part of Table 4.1 gives figures for four of the major source countries (1).

The case of Portugal is particularly spectacular. As an annual average, net emigration was 1.3% of the resident population; it thus exceeded the natural population increase (which was itself fairly high compared with other countries), so that the resident population as a whole was declining. Because of the disproportionately large share of gainfully employable persons emigrating, the labour potential available in the country declined even more markedly. In addition, emigration tended to increase during the period.

In Greece, emigration was 0.35% of the resident population as an annual average, which was equivalent to almost half the natural increase. The trend of the net emigration flow remained roughly constant.

In Spain, annual average net emigration was 0.18% of the resident population. This was equal to about one sixth of the natural increase. Here too there were no signification variations in trend.

In the case of Turkey, the effect of emigration has perhaps sometimes been overestimated. The absolute figures were substantial, but in relation to the total population (-0.21% per annum) and in particular to natural population growth (just under one tenth) they were fairly modest. However, net emigration increased markedly over the period.

In all cases it must be borne in mind that the relative effects on the labour potential were greater than the effects on the total resident population. Considerable difficulties were posed by the fact that the change of policies in the recipient countries came abruptly without much warning. The emigration countries, which had expected a continuation of the existing situation, were confronted more or less overnight with a completely different set of conditions and did not have any opportunity to introduce measures to offset the changes domestically. The effects have probably not yet been overcome. Most of the source countries are pressing for speedy re-liberalization. Only Greece no longer regards itself officially as a labour-exporting country.

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(1) Three of these countries have applied to join the Community, and the fourth (Turkey) is seeking as broad an agreement as possible with the Community regarding freedom of movement.

III. Trend of the number of foreign workers in the Community countries up to 1973

The main cause of the migration boom was substantial excess demand on labour markets in the mid-European Community countries. For a long time, immigration consisted mainly of gainfully employable persons without their families. In Germany, for example, gainfully employable persons accounted for 80% of immigrants in 1965 and still 76% in 1970. It was only subsequently that a significant change began to take place (1973: about 58%). The change in trend is also very clearly reflected in the proportion of women in net immigration (1965: 33%, 1970: 34%, 1972: 42%).

Foreign gainfully employable persons and especially foreign employed wage and salary earners are thus overrepresented measured in terms of the total proportion of foreigners in the resident population of the recipient countries. Table 2 shows the trend of the ratio of foreigners in Germany and France since 1963. The figures show that the immigration of foreigners began earlier in France than in Germany, but that, as indicated previously, it proceeded at a slower rate. In 1973, the two countries had practically the same ratios of foreign gainfully employable persons and foreign wage and salary earners (about 11%). The proportion of foreigners in the total resident population was, however, significantly higher in France - that is to say, persons not gainfully active, particularly dependents, immigrated into France at an earlier stage and on a larger scale. The trend towards the bringing of families into the host country is particularly evident after 1973 in both countries: while the proportion of foreigners in the labour force was declining considerably, the proportion of foreigners in the resident population continued to rise (slightly) (1). An additional factor here was of course the relatively high birth rate of foreigners.

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(1) The most recent data for France (OECD, SOPEMI Report 1976 and Draft Report 1977) show that the proportion of foreigners in the resident population had already exceeded their proportion in the labour force at the beginning of 1976. However, the latest SOPEMI statistics do not appear to be wholly consistent in themselves and with the statistics for earlier years.

TABLE 4.2

The share of foreigners in the total population of Germany and France, 1963-1976

COUNTRY YEAR	Percentage of foreigners in the		
	resident population	labour force	wage and salary earners
GERMANY [1]			
1963	2,0	2,8	3,6
1969	3,3	5,2	6,3
1973	6,1	9,2	11,1
1976 [2]	6,2	8,2	9,1
FRANCE [3]			
1963	3,8	.	7,3
1969	5,2	.	9,6
1974	7,3	9,0	11,2
1976 [2]	7,7	7,3	

Source: Mitteilungen aus der Arbeitsmarket und Berufsforschung 1/1977
Sachverständigenrat - Jahresgutachten 1976/77
OECD Labour force statistics
OECD SOPEMI Report 1976 and draft report 1977
Beiträge zur Arbeits- und Berufsforschung Nr. 11

1) mean annual data

2) provisional

3) 1st January.

As shown in Table 4.3 (1), there were in 1973 about 6.5 million employed foreign wage and salary earners in the nine member countries of the Community. This corresponds to an average proportion of foreigners of 7.8%. If one excludes Luxembourg, the highest figures are in Germany and France, each with about 11% (as stated above), and the United Kingdom with 7.4% (column 3). These three countries accounted for the overwhelming majority (about 93%) of foreign workers (column 4).

Despite the freedom of movement for labour within the Community, on average only every fourth foreign worker originated from another Community country. Leaving aside the exceptional case of Luxembourg, the proportion of foreigners from Community countries as a percentage of employed persons ranged from 0.2% (Italy and Ireland) to 3.9% (Belgium (2)). Above the average of 2.1% were the United Kingdom (2.8% (3)) and Germany (2.6% (4)). Next came France (1.8% (5)) and the Netherlands (1.4%).

It should be noted that from the mid-1960's the ratio of Community immigrants in the number of persons employed in the Community of Six showed only a fairly slight increase. In Germany, it rose from 2.1% to 2.6%, in Italy from 0.1% to 0.2%, and in the Netherlands from 0.7% to 1.4%. By contrast, it fell in Belgium from 4.3% to 3.9%. In France, the level remained constant, though it was substantially lower than the levels recorded at the end of 1950's.

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(1) The figures for Germany and France differ slightly from Table 2.

(2) Mainly Italians.

(3) Predominantly Irish.

(4) Mainly Italians.

(5) Mainly Italians.

Table 4.3

Wage and salary earners in the EEC, 1973

COUNTRY	TOTAL			of which							
				from EEC Member States				from non-EEC Member-States			
	'000	%(1)	%(2)	'000	%(1)	%(2)	%(3)	'000	%(1)	%(2)	%(4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Belgium	211	6,8	3,2	120	3,9	6,9	56,9	91	2,9	1,9	43,1
Germany	2519	11,4	38,4	574	2,6	33,1	22,8	1945	8,8	40,4	77,2
France	1900	11,0	29,0	300	1,8	17,3	15,8	1600	9,2	33,2	84,2
Italy	55	0,4	0,8	22	0,2	1,3	40,0	33	0,2	0,7	60,0
Luxembourg	43	35,0	0,7	29	24,0	1,7	67,4	14	11,0	0,3	32,6
Netherlands	121	3,2	1,8	51	1,4	2,9	42,2	70	1,8	1,4	57,8
Denmark	36	1,9	0,6	8	0,4	0,5	22,2	28	1,5	0,6	77,8
Ireland	2	0,3	0,0	1	0,2	0,1	50,0	1	0,1	0,0	50,0
United Kingdom	1665	7,4	25,4	632	2,8	36,4	38,0	1033	4,6	21,4	62,0
EEC	6552	7,8	100,0	1737	2,1	100,0	26,5	4815	5,7	100,0	73,5

Source: Calculated from EEC doc. V/264/76-E (draft) page 5: see notes on page 6.

(1) Share of total employed population of host countries
(2) Share of total employed foreign labour in the EEC
(3) Share of foreign workers from other EEC-countries
(4) Share of foreign workers from non-EEC countries

The massive increase in foreign workers thus came mainly from non-Community countries. Table 4 shows the absolute and percentage change in foreign employment between 1965 and 1973, broken down according to Community and non-Community countries.

Table 4.4

Increase in employment of foreign workers in the Community of Six, 1965-73

COUNTRY	TOTAL		from EC-countries		from non-EC countries	
	'000	%	'000	%	'000	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Belgium	(+ 40)	+ 24	0	0	(+ 40)	(+ 80)
Germany	+ 1355	+116	+ 121	+ 27	+ 1234	+174
France	(+900)	(+ 90)	+ 38	+ 14	(+862)	(+115)
Italy	+ 27	+ 96	+ 14	+175	+ 13	+ 65
Luxembourg	+ 15	+ 54	+ 5	+ 21	+ 10	+250
Netherlands	+ 59	+ 95	+ 28	+122	+ 31	+ 79
TOTAL	(2396)	(99)	+ 206	+ 23	(+2190)	(+135)

Source: Calculated from EC document V/264/76-E (draft) page 5
(in brackets: own estimates).

While the total number of foreign workers doubled, immigrant workers from Community countries increased by an average of only 23% compared with about 135% for workers from non-Community countries. The greatest discrepancies (excepting Luxembourg) were in Germany and France.

The origin of immigrant workers varies widely between individual host countries in the Community. In Germany some 71% come from four countries - Turkey (27%), Yugoslavia (20%), Italy (14%) and Greece (10%). In France, about 74% come from four countries - Portugal (25%), Algeria (23%), Spain (14%) and Italy (12%). In the case of the United Kingdom, none of these source countries plays a major role. The main sources are Commonwealth countries (38%) and Ireland (27%).

Table 5 gives a more detailed survey, including the other Community countries (1).

Since the early 1960's, there have been considerable changes in the source structure of immigrants. Especially noteworthy are the general decline in the proportion of Italians and the marked increase in Turks in Germany and Portuguese in France.

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(1) The figures relate to 1975, so as to maintain statistical consistency with Tables 3 and 4. Source structures changed only slightly between 1973 and 1975.

TABLE 4.5

Foreign workers in the EEC by nationality, 1975 (%)

Country in which employed / Nationality	Belgium (1)	Germany (2)	France (4)	Italy (4)	Luxembourg (2)	Netherlands (6)	Denmark (7)	Ireland (8)	United Kingdom (9)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
EEC Total	56,5	21,0	15,8	40,5	64,3	41,0	31,2	42,3	38,0
of which									
Ireland	0,1	0,1	0,1	0,3	.	0,2	1,0	--	27,2
Italy	39,1	14,3	12,1	--	22,9	7,9	2,0	11,2	4,3
Non-EEC Total	43,5	79,0	84,2	59,5	35,7	59,0	68,8	57,7	62,0
of which									
Spain	14,8	6,1	14,0	3,9	4,1	7,1	1,7	0,9	2,2
Greece	2,6	9,6	0,3	1,7	.	0,7	1,1	0,3	3,0
Portugal	1,7	3,4	25,0	2,5	26,7	2,4	0,5	0,6	0,6
Turkey	4,4	26,6	1,3	0,6	.	20,1	13,7	2,1	0,2
Jugoslavia	1,3	20,4	2,6	7,4	1,3	7,0	11,2	0,2	0,3
Algeria	1,3	0,1	23,2	.	.	.	0,4	.	0,0
Marocco	13,0	0,8	6,8	.	.	10,3	2,0	..	0,1
Tunisia	0,9	0,5	3,7	.	.	0,7	0,2	.	0,0
Other non-EEC countries	3,5	11,6 3)	7,4 5)	43,4	3,6	10,7	37,8	53,6	55,6 (10)

Source: EEC Doc. V/264/76-E (draft), p. 7 and OECD SOPEMI Reports

1) excluding cross-frontier workers, including unemployed
2) with cross-frontier workers, excluding unemployed
3) approx. 50% Austrians
4) excluding cross-frontier workers and unemployed
5) mainly from West-African countries
6) including German and Belgian cross-frontier workers
7) excluding cross-frontier workers and Scandinavian workers
8) excluding British nationals
9) active foreign population, born abroad, 1971
10) of which two-thirds from Commonwealth countries

Within the recipient countries, foreign workers are heavily concentrated in the industrial conurbations. In addition, particularly in France and Belgium, the various nationalities tend to concentrate in different areas, a phenomenon which is largely due to various geographical, socio-cultural and linguistic differences and to self-perpetuating trends (for whatever reason they may have arisen).

From a sectoral point of view, there are also a number of concentration patterns. Foreign workers tend to find employment in individual industries in the manufacturing sector, in building and construction and in certain areas of the services sector, e.g. hotels and restaurants.

These are jobs not held in high regard by nationals and/or jobs in unpopular industries, mainly manual jobs requiring few qualifications in unattractive conditions and with relatively low rates of pay etc.

All these structural aspects of the question of foreign workers have played a key role in recent discussions on immigration policy. There follows an outline of the quantitative effects of the ban on immigration.

IV. Migration, total numbers of foreign workers and foreign employment since 1974

Information on total migration within the Community countries since 1973 is incomplete and also inconsistent internationally and, in some cases, between periods. The OECD draws the following conclusion from the available data: "In one way or another the measures suspending recruitment of foreign workers have quite suddenly dried up the migratory flows that had become customary since the early sixties. More precisely, they have stabilized such flows at a very low level in comparison with the pre-1974 period".(1)

Table 6 shows the trend in Germany. The total migration balance, which showed a surplus of almost 400.000 before the halt on recruitment, showed a slight minus balance in 1974 and a deficit of about 200 000 in 1975, with this level apparently continuing in 1976.

This change is predominantly due to the decline in the influx of persons seeking employment: in 1975, there were still about 200.000 new arrivals of such persons, but this was 70% lower than the figure for 1973. By contrast, departures of gainfully employed persons did not increase, but remained the same as the average of the previous ten years (2). Because of the decline in the volume of new arrivals, there was a negative balance of migration of gainfully employed persons of about 130.000 in 1974 and 180.000 in 1975.

Influxes of persons not gainfully active only began to decline in 1975 and then to a considerably smaller extent. Departures among this group began to increase steadily long before the recession. This continued after 1973 at an unchanged rate. Thus, in 1975 there was also slight net emigration of persons not gainfully active.

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(1) OECD, SOPEMI, Draft Report for 1977, page 3.

(2) In the 1966/67 recession, departures of gainfully employed persons had increased substantially, but this was offset again in the following two years by below-average emigrations. On the whole, this migration component shows only fairly slight fluctuations around a constant trend.

Table 4.6 Migration to and from the Federal Republic of Germany, 1972-1976 ('000)

YEAR	TOTAL			In the labour force			Not in the labour force		
	Arrivals	Departures	Total	Arrivals	Departures	Total	Arrivals	Departures	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(1o)
1972	9o3	572	+331	55o	385	+165	353	187	+166
1973	968	584	+384	592	369	+223	376	215	+161
1974	63o	639	- 9	26o	388	-128	37o	251	+119
1975	456	655	-199	18o	361	-181	276	294	- 18
first 6 months									
1975	214	293	- 79						
1976	21o	268	- 57						

Source: Statistisches Bundesamt, Statistical Yearbooks; as well as special series A, R3

The foreign resident population, which up to and including 1974 had still been increasing, has since decreased, though because of the excess of births over deaths this decline has not been as great as the net emigration. The number of foreign gainfully employable persons has declined more sharply, but mainly because of the growing number of young foreigners coming on to the labour market, this decrease too has been less marked than the net emigration.

In contrast to Germany, not all the migration flows in France are covered on a continuous statistical basis. Only immigration is regularly covered (1), with a breakdown by permanently gainfully employed persons (2) and dependents. Table 7 shows that the halt on the recruitment of foreign workers introduced in mid-1974 began to produce effects in that year and that its effects were even more evident in 1975. The basic trend is largely the same as in Germany, with a decline of about 80% from 1973 to 1975 and subsequently stabilization at a low level.

The number of immigrant dependents has since 1975 been considerably higher than the number of persons seeking employment, although it too shows a downward trend. All in all, immigration now amounts to only 80 - 90.000 a year, compared with an average of 200.000 in previous years. Using the total migration balance published by the OECD up to 1974, it is possible

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(1) These figures too are probably more inaccurate than the figures for Germany because of some degree of unorganized and uncontrolled immigration and occasional "regularisations".

(2) Seasonal workers, for which statistics also exist, are left out of account here.

Table 4.7 Migration to and from France, 1971-1976 ('000)

YEAR	Immigration			Emigration 1)	Net migration
	Permanent labour	Dependents 2)	TOTAL		
(1)	(2)	(3)	(4)	(5)	(6)
1971	136	81	217	71	+ 146
1972	98	75	173	65	+ 108
1973	132	73	205	85	+ 120
1974	64	68	132	77	+ 55
1975	26	57 3)	83 3)	.	.
1976	27	62 3)	89 3)	.	.

Source: OECD SOPEMI, Reports 1975-77 and Labour Force Statistics
EEC Commission Doc. V/264/76-E (draft)

1) derived as the residual from columns 4 and 6

2) including dependents of workers from EEC States

3) estimate of EEC family dependents (5 p.a. as in the previous years)

to calculate emigration up to that year (1) (columns 6 and 5). If one assumes that emigration continued on a similar scale in 1975 and 1976, these two years would show only minimal net immigration.

In France, mainly because of the excess of births over deaths, the foreign resident population has continued to rise significantly. Since 1973, the number of foreign gainfully employed persons has been constant.

In contrast to Germany and France, the world recession was not reflected in immigration flows into the United Kingdom, reflecting the socio-political nature of these flows into the U.K.

Table 4.8 Total migration flows to and from the United Kingdom 1973-1976 (in thousands)

Year	Arrivals	Departures	Balance
(1)	(2)	(3)	(4)
1973	193	246	-53
1974	184	269	-85
1975	197	238	-41
1976	180	210	-30

Source: OECD, SOPEMI Reports, 1976 and 1977 (draft)

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(1) It is not possible to check whether the series on immigration and migration balances for France are wholly consistent. For Germany, there are no inconsistencies between the OECD figures and national statistics.

Departures have decreased somewhat, so that the net migration deficit has tended to decline. The trends are very similar for most of the countries with which the UK has close migratory links (1).

The trend since the recession confirms the assessment made above that the cause and mechanisms of migration processes from and to the UK are fundamentally different from those in the continental Community countries (including Belgium and the Netherlands).

Between 1973 and 1975, the number of foreign workers employed in the Community countries fell by about half a million. This was equivalent to a decrease of about 8%.

As Table 4.9 shows it was by no means only workers from non-Community countries who were affected; indeed, the number of foreign workers from Community countries fell more sharply than those from outside the Community (-10% as against -7%). With a decrease of 18%, Italians came second only just behind Jugoslavs (-19%), followed by Greeks (-17%) and Spaniards (-12%). However, changes in the origin structure of employed foreigner workers remained on the whole small.

It is estimated that in France, the Netherlands and the UK the number of employed foreign workers has stayed constant. Nearly all the decrease is accounted for by the Federal Republic of Germany, where the decline is equivalent to about a fifth of the total number in 1973.

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(1) OECD, SOPEMI, Draft Report for 1977, pp 5 et seq.

Table 4.9

Wage and salary earners in the EEC by country of origin, 1973 and 1975 [1]

Country of origin	1973		1975		Change 1973-75
	'000	%	'000	%	%
(1)	(2)	(3)	(4)	(5)	(6)
EEC total	1792	27	1605	26	-10
of which					
Italy	660	13	705	12	-18
Ireland	454	7	455	7	0
Non-EEC total	4845	73	4492	74	- 7
of which					
Spain	539	8	474	8	-12
Greece	324	5	260	4	-19
Portugal	588	9	574	9	- 2
Turkey	672	10	610	10	- 9
Jugoslavia	667	9	490	8	-26
Algeria	486	7	445	7	0
Marocco	178	3	191	3	+ 7 [2]
Tunisia	85	1	83	1	- 2
Other non-EEC countries	1417	21	1365	22	- 4
TOTAL	6637	100	6096	100	- 8

1) Source: calculated from EEC-Commission document V/264/76-E (draft), pp. 7f (see notes in that document)

2) increase probably due to regularisation of illegal immigration in Belgium.

However, the far-reaching changes emerge much more clearly if, instead of changes in total numbers, one looks at changes in the number of arrivals of foreign workers. Table 10 shows that the gross influx into the nine Community countries declined from 668 000 persons in 1973, to 266 000 in 1974 and 158 000 in 1975, i.e. to less than a quarter inside two years. For foreigners from Community countries, there was a fall of some 60% (1), and for foreigners from non-Community countries a fall of more than 80%. The decrease was almost entirely concentrated on Germany and France (together about 97%). In these two countries, the fall was about the same in percentage terms - in contrast to the trend of the total number of employed foreign workers. This difference (in so far as it is not based on inconsistent estimates) must be mainly due to different re-migration patterns.

In 1976, as already mentioned, immigration stabilized at a very low level. The overall picture is not uniform however. Alongside a slight increase in arrivals from Community countries (especially Italians immigrating into Germany), there was a further, though less marked, decline in arrivals from non-Community countries (especially into the United Kingdom).

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(1) Mainly in Germany and in that country predominantly, though not exclusively, Italians.

Table 4.10

COMMUNITY

PLACINGS OF FOREIGN WORKERS

- New arrivals of permanent workers (1) in the nine Member Countries -

- 1973 to 1975 -

	1973	1974	1975	1976 ++)
Total	668 000 +)	266 000 +)	158 000 +)	162 000 ++)
EEC	158 000 +)	98 000 +)	65 000 +)	79 000 ++)
of which Italians	110 000 +)	55 000 +)	32 000 +)	47 000 ++)
Non-member countries	510 000 +)	168 000 +)	93 000 +)	83 000 ++)
	Breakdown by country of employment			
Belgium	5 892	6 129	4 100	4 156
Denmark	..	..	..	..
Germany	450 000 +)	120 000 +)	62 000	80 000 ++)
France	132 055	64 461	25 591	26 949
Ireland	1 190	1 472	1 321	1 754
Italy	9 773	9 104	7 315	4 000 ++)
Luxembourg	6 708	6 773	4 546	2 500 ++)
Netherlands	21 966	22 913	18 000 +)	18 000 ++)
United Kingdom	39 241	38 814	34 758	24 410
Grand Total	668 000 +)	266 000 +)	158 000 +)	162 000 ++)
	EEC Workers in			
Belgium	(a)	(a)	(a)	(a)
Denmark	..	..	..	..
Germany (b)	130 000 +)	70 000 +)	40 000 +)	56 000 ++)
France	9 939	11 026	9 832	9 696
Ireland	650 +)	558	571	578
Italy	1 371 c)	706 c)	681 c)	700 ++)
Luxembourg	3 222	2 054	1 848	1 300 ++)
Netherlands	6 665	7 010	7 353	6 935
United Kingdom	6 402	5 769	4 680	3 940
EEC workers	158 000 +)	98 000 +)	65 000	79 000 ++)
	Italian workers in			
Belgium	(a)	(a)	(a)	(a)
Denmark	..	..	..	..
Germany (b)	100 000 +)	45 000 +)	25 000 +)	40 000
France	4 827	5 414	4 113	4 204
Ireland	200 +)	200 +)	216	200
Luxembourg	551	326	274	200 ++)
Netherlands	904	853	587	651
United Kingdom	2 239	2 144	1 764	1 440
Total Italian workers	110 000 +)	55 000 +)	32 000 +)	47 000

See footnotes on following page.

COMMUNITY

(Table 4.10 cont.)

(1) includes:

* for Italy	seasonal workers
* for Luxembourg	intra-Benelux movements, frontier and seasonal workers
* for Netherlands	seasonal workers and intra-Benelux movements

+) estimation made by the European Office of Coordination

++) first estimate by the European Office of Coordination

(a) Belgium: Following discontinuation of the issue of work permits, this country is not yet in a position to record the new arrivals of Community workers.

(b) Germany: Following the discontinuation of work permits for nationals of Member States the new arrivals of these workers were counted during the years 1970 to 1972 on the basis of firms' records of engagements. Starting from January 1973, data concerning new arrivals of Community workers is no longer available due to the fact that the new system of recording information transmitted to the social security services from the Bundesanstalt für Arbeit does not allow enumeration of placings.

The services of the Commission estimate that the number of Community workers newly arrived in Germany rose by 130.000 in 1973, 100.000 being Italians: by 70.000 in 1974 (45.000 Italians) and 40.000 in 1975 (25.000 Italians);these estimates were made on the basis of information concerning the arrival of the foreign active population recorded by the Statistisches Bundesamt and published in "Fachserie A - Bevölkerung und Kultur - Reihe 3".

(c) Italy: The figures for 1973 to 1975 concerning Community workers do not include nationals of the three new Member States.

In the various sectors in the developed economies, the changes in foreign employment differed quite considerably. The OECD (1) summarizes these tendencies as follows: "The reduction in the number of foreign workers in building and manufacturing may be large or small according to the country, whereas stability is generally the rule in the services sector." Germany is one of the countries with a very sharp decline in foreign employment in manufacturing and building, while France is one of the countries with a slight decline in these two sectors. In these two countries, the trend in the services sector has been slightly upward.

Though the recession has not led to any significant acceleration in re-migration of foreign workers to their home countries (2) and though some countries have given priority to the employment of nationals, there has been no dramatic rise in unemployment rate among foreign workers.

In Germany, up to and including 1973, the foreign unemployment rate remained well below (usually under half) the average unemployment rate, which was itself low. Subsequently, there was a significant change. In 1974 and especially 1975, foreign unemployment exceeded unemployment among nationals (1975 (3): 5.8% as against 4.2%). Since then, the gap has disappeared again: though foreign unemployment is no longer as earlier disproportionately small, it is not above average either. However, a new phenomenon is the emergence of considerable masked unemployment among foreigners.

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(1) SOPEMI, Draft Report for 1977, page 6.

(2) Though in Germany, as mentioned, there was a substantial decline in the total number of foreign workers because of the marked decrease in new arrivals.

(3) Annual average.

In the case of France, it is more difficult to give exact statistics on the employment situation of foreign workers. According to OECD surveys (1), the rate of unemployed persons and job-seekers among foreigners was, despite their concentration in industries particularly sensitive to cyclical influences and their lower level of qualification (2), lower than that among French nationals up to 1975 (3). Only in 1976 and early 1977 did the situation worsen for foreign workers. As in Germany, they are more frequently jobless than nationals, though on average for shorter periods than the latter.

In other Community countries (Belgium and the Netherlands), the employment situation for foreigners, compared with that of nationals, has developed considerably less favourably. Nevertheless, experience during the recession shows that foreign workers do not merely fulfill a buffer function to balance requirements on the labour market. "Even though in most of the countries the unemployment rate at the height of the recession was generally greater among foreigners than among nationals, and even though return flows, without being massive, may have been a significant relief to their labour markets, it is increasingly evident that the role played by foreign workers in the Western industrial economies makes them essential in the jobs they do". (4)

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(1) SOPEMI Reports, 1976 and 1977 (draft)

(2) These characteristics are also common to foreign workers in Germany.

(3) There are wide differences by nationality. North Africans are much more affected than Spaniards, Italians and especially Portuguese.

(4) OECD, SOPEMI Report 1976, page 7.

V. Migration policy and its determination

The period of large-scale migration is often described as the period of "freedom of movement for labour". This description is, from an international viewpoint, highly inaccurate. International freedom of movement existed only for nationals of member countries within the area of the European Community. Such migrants accounted for only a small proportion of total migration, and they have not been affected by the restrictive measures recently introduced. In looking at migration policy, migration within the Community can be left out of account.

The broad mass of immigrants were from countries outside the Community. With the exception of Algeria (since 1972), the governments of these countries placed no restrictions on members of their populations wishing to emigrate. However, the recipient countries did not allow free access, but regulated the volume and composition of immigrant flows according to their national "requirements". Migration was thus determined unilaterally, especially since the importing countries, because of income differentials in relation to the exporting countries and the high levels of under-employment there, enjoyed almost complete elasticity of labour supply at the going wage rate.

Up to 1973/74, the recipient countries basically pursued immigration policies which suited the recruitment needs of their own industries. The period was thus characterized by the fact that the highly developed countries (with the help of international recruitment agreements with the source countries and backed up by administrative support and the active intervention of labour departments) were able to draw freely on foreign labour potential and not by the fact that foreign workers enjoyed free access to Community countries.

Detailed aspects of the arrangements governing recruitment and the total number of immigrants differed from one recipient country to another, and the degree of centralized organization and control varied widely. In Germany, for example, the effective monopoly of the Federal Labour Institute in the recruitment process ensured that immigration was always kept uniformly in line with the agreed rules and regulations, while in France the Office National d'Immigration had no such controlling influence and was sometimes circumvented in practice by individual firms. These particular aspects need not be gone into in detail here. More important was the recipient countries' basically similar approach to foreign immigration: their main concern was to close the

gap between domestic labour requirements and national industrial potential, a gap which tended to widen steadily during the 1960's and early 1970's. The result was the situation outlined above in which there was a more or less continuous, but accelerating, redistribution of labour from countries with a labour surplus to countries (and regions) with a labour shortage.

At first, this immigration did not appear to present any problems. The flows were still relatively modest, socio-cultural friction mostly slight and the length of individual stays (whether intentional or actual) short. This situation suited the interests of all concerned. Immigrant workers left their countries and families behind for a limited period, and with very few problems of adjustment, were able to accumulate enough capital to start their own businesses back home. The source countries eased the strain on their own labour markets, without incurring any serious brain drain, and through the money and perhaps technical training their nationals acquired abroad, helped to speed up their own development process. Firms employing immigrant workers were able to bridge labour shortages without increasing their wage costs, enhance their labour market position by improving promotion prospects for nationals, and increase their competitiveness on markets by reducing their costs in relative terms. The recipient countries achieved higher real growth without significant inflation, an above-average rise in per capita income for their nationals, increased domestic factor mobility etc. together with flexible and controllable effective labour supply and no significant additional social costs. In this situation where the interests of all parties coincided, the fact that migration processes were determined unilaterally by the recipient countries did not have any negative effect (or only a very gradual one) on the source countries.

With continuing net immigration and a continuous increase in the average length of stay (caused partly by persistent economic differentials between the two groups of countries, but also by assimilation processes), which in turn increased the desire of immigrants to bring their families across, a factor which in its turn further increased the desire of immigrants to remain in the host country, the total number of immigrants in the Community rose rapidly (see Chap. IV). Because of these factors and the regional and sectoral concentration of immigrants, cost-benefit relationships began to deteriorate gradually for the recipient countries. Immigrant demand for infrastructure facilities increased steadily (housing, schools, hospital beds etc),

social security benefits had to be provided on an increasing scale, and the propensity of immigrants to save began increasingly to follow the pattern of nationals of the host country, thus reducing anti-inflationary effects. In addition, there was growing concern, particularly in Germany, that the influx of foreign workers was holding back desirable structural change and, within sectors and the economy as a whole, curbing capital intensiveness and technical progress, thus posing a long-term threat to necessary structural adjustments and increased efficiency in production processes. Dependence on foreign labour in certain jobs and industries was also increasingly regarded as a matter for concern, and, finally, there were growing social strains between nationals and immigrants, especially in areas where immigrants were particularly highly concentrated.

These and other related factors, which to some extent one must regard as harmful from the viewpoint of the source countries as well, began to take on increasing importance in the political debate even before the development of the world-wide recession. At the beginning of the 1970's, it was still generally considered that there was a net advantage in immigration, but opposition was clearly on the increase. It was therefore anticipated that while in the medium-term immigration would continue, there would be a significant slowdown and structural regulation would increase, for example with regard to regional distribution within the recipient countries.

This view was also based on the fact that in the major recipient countries, fundamental demographic changes were taking place or about to take place, with reversals in trend in the natural growth rate of populations and domestic labour potential. This was most evident in the main host country, Germany, where the total population (excluding migration) had stopped growing and had even begun to decline, while at the same time, mainly for reasons of age structure, the number of gainfully employable persons, which had fallen steadily and appreciably for two decades, was expected to rise again sharply up to about 1990. The chronic labour shortage would therefore diminish, an important factor since earlier large-scale inflows of foreign workers had not increased the total labour potential, but merely offset the decline in the domestic labour force. At the same time, because of the decline in the resident German population, continuing net immigration on the same scale as before would have led to rising immigrant ratios and growing social strain. In short, factors relating to immigration had already changed considerably (with differences between individual countries) when the crisis began.1)

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1) In Germany, the existing recruitment charge paid by employers was substantially increased in the summer of 1973 with a view to curbing the inflow of immigrants.

Despite the changes outlined above, it cannot be said that the recession was immediately seized on by the recipient countries as a more or less welcome and face-saving pretext for introducing new, severely restrictive immigration policies. There were no carefully thought-out policies designed to take account of changed circumstances and longer-term goals. The halt on immigration from non-member countries imposed by Germany in November 1973, by France in July 1974 and by the other labour-importing countries at about the same period [1] was originally an ad hoc reaction to the sharp rise in unemployment in the respective countries. The measure was expressly described as a "temporary suspension" in France and as "applying temporarily" in Germany.

The halt on immigration has now been in force for three and a half to four years. There is some debate as to the main reason why it has not been lifted and whether the continuing seriousness of the labour market situation, other economic reasons, or social factors are mainly to blame. It can safely be assumed that all three sets of reasons have played, and continue to play, a role. They probably differ in relative importance from one country to another. It is not possible, however, to determine their relative importance empirically in the various countries, particularly as the different factors are undoubtedly interrelated. This speculative question will be dealt with in the final paragraphs in connection with the consequences of continuing restrictions and the possible future outlook on migration processes, after the interim development of immigration policies in the main recipient countries has been outlined.

In France, the "temporary suspension" of immigration was backed up by a government action programme introduced in October 1974[2]. It contained a number of exemption arrangements for cases where job vacancies could not be filled by French nationals, provided for the improvements of housing conditions and vocational training for foreign workers and set up negotiations with the main individual source countries. All these measures were aimed at providing stricter control and better protection for foreign workers. They were tailored to meet the crisis situation on the labour market, but also fitted in with the general longer-term objectives of the VII. Plan (begun in 1974), which aimed at the gradual replacement of some of the foreign labour force by French nationals. It was anticipated that net immigration into France in the medium term would be 0 - 80.000 annually, but the possibility was left open of relaxing restrictions to allow limited and controlled immigration based on a quota system agreed with the source countries.

1) This was supplemented by the withdrawal of work permits in certain cases, the refusal of work permits for children of immigrants in certain circumstances etc.

2) see OECD, SOPEMI, Report 1975, p. 25

In 1975 (1), the right of immigrants' families to enter the country was reinstated, restrictions were relaxed and job opportunities for unemployed immigrants improved (all without any significant quantitative effect), but thought began to be given to ways of providing financial incentives and training to encourage immigrants to return voluntarily to their own countries. A programme along these lines was partially implemented in 1977.

Despite considerable domestic demand for foreign workers at a time when shortages of immigrant labour are beginning to emerge, the VII Plan in its final form for the period 1975-80 lays down that future demand must in principle be met entirely by the population already resident in France. Immigration and emigration are to be kept in balance during the period, so that any growth in the foreign population is to be limited to natural demographic factors. The resumption of uncontrolled inflows is to be prevented, but at the same time the non-voluntary return of immigrants to their own country is to be avoided.

In Germany, the initial objective in halting foreign immigration, namely easing pressure on the labour market, was soon supplemented by another goal, improved social integration of the immigrant population. However, it took some time (early 1977) before a concrete and detailed overall policy on immigration was worked out from these general guidelines and approved by the Federal Government and the Länder. The new policy reaffirms the basic position that the Federal Republic of Germany is not a country with net immigration. It also confirms that the recruitment of new foreign immigrants is to halt completely for an indefinite period. In addition, immigrants are to be encouraged and enabled to return home, but on a voluntary basis and without the inducement of a system of financial incentives. Finally, German nationals are to continue to be given preference in filling job vacancies, and regional concentration of immigrants is to continue to be restricted.

At the same time, the policy comprises a broad range of measures designed to promote social integration. They include extension of the right of residence of foreign workers and their families (unlimited residence permit

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(1) See OECD, SOPEMI Report 1976, pp. 37 et seq.

after five years' residence and legal right to remain after eight years), greater coordination in the granting of residence and work permits, the granting of work permits to children of foreign workers who joined their parents before 1 January 1977, and the gradual introduction of the possibility of participation in certain matters. They also provide for improvements in, for example, housing and linguistic and vocational training, especially for second-generation immigrants. All in all, the policy is intended to gradually reduce the social burdens and strains on both the German and foreign population by removing legal and de facto barriers - though it does not take account of the ultimate consequences of permanent immigration (i.e. the naturalization of immigrants in large numbers).

Migration into the United Kingdom has been mainly of two types; movements between the Republic of Ireland and the UK and immigration from Commonwealth countries, especially the West Indies and the Indian Subcontinent. The free movement of Irish nationals into the UK has been guaranteed since the creation of the Republic and they are not therefore subjected to controls used for other nationals. The movement is supported by the existence of well established Irish Communities and many businesses run by Irishmen in Britain, as well as the ease of integration with the local population. Although there can be no restriction on the movement of Irish labour, the unemployment situation in Britain has had a deterrent effect on it, even to the extent that there has been a reversal of the flow.

Commonwealth immigration is of a different nature. Some of these workers are holders of British passports and hose who are not have often the right to British citizenship. Very few of the immigrants have the intention of returning to their homes and there is no turn-over which would mean that legislation to control immigration would lead to a fall in the stock of foreign workers. On the other hand the UK acted early to slow down the immigration of non-EEC nationals, including those from the Commonwealth. In 1962 the first measures were taken to reduce the inflow of immigrants; other measures were passed, regularly up to the Immigration Act of 1971 and the 1973 guidelines relating to this act.

These measures together with subsequent regulations mean that any renewal of immigration on a large scale is unlikely. It is also unlikely that there will be any major fall in the number of migrant workers within the country.

VI. Outlook

The main legislative arrangements and basic approach in the major recipient countries (an approach which was broadly similar to that adopted in the smaller recipient countries) have thus been clearly directed towards maintaining a restrictive line in immigration policy. However, the question of possible future developments remains to be looked at. As stated earlier, this must inevitably be limited to speculative examination of arguments and expectations, and the conclusions drawn must equally inevitably be tentative.

It can probably be stated without contention that no government can afford to re-open its frontiers to immigrants to any significant degree, unless there is a fundamental improvement in the domestic employment situation. Attempts to reduce unemployment have so far remained largely unsuccessful. Future growth prospects are viewed pessimistically in all quarters. Furthermore, there are particularly large age-groups coming or about to come on to the labour market, which means that domestic labour potential will increase substantially in the medium term. Nevertheless, one cannot rule out the possibility that the labour market situation will develop more favourably than is generally expected and that, as a result, a high level of employment will relatively quickly be re-established. If this were to be achieved, the necessary basis for rethinking the principles of immigration policy would exist.

The chances of achieving this in the coming ten or twelve years are of course smaller than in the years thereafter, as the domestic labour force in some potential recipient countries will then start to decline for demographic reasons. However, even if labour should rapidly become scarce again, it seems unlikely that recruitment of new foreign workers will immediately be resumed to any large extent. It is more probable that the programmes to integrate the existing immigrant labour force, which will take time to implement fully, will continue to receive priority. Such programmes would no doubt be hindered by additional influxes of immigrants, to whom the same rights and material conditions would have to be granted.

It is often argued that a return to full employment or even to surplus demand for labour is not a necessary condition for the existence of marked demand for additional foreign labour, since immigrant workers alone are prepared to carry out a number of important jobs which the local population is unwilling to perform. This is indeed a problem to some extent, but one which is probably overestimated, as a number of factors tend to show. In the first place, since the system of fixed exchange rates was abandoned, there has been a tendency for the relative proportion of immigrant-intensive industries in production as a whole to decline, a process which will in all probability continue. Secondly, even for nationals, unemployment mainly affects unskilled or poorly qualified workers, who are increasingly prepared, under pressure of the continuing lack of job openings, to accept jobs which they formerly shunned and left to immigrants to perform. This has also, at least in Germany, been partly due to changes in the wage structure which have upgraded the most unpleasant or arduous jobs, and this in turn (the third point) has speeded up the substitution of capital for labour in these areas. Endogenous adjustment mechanisms have undoubtedly led to a clear reduction in specific demand for foreign labour, and they are still continuing to have an effect. Fourthly, there are substantial numbers of unemployed immigrants in the recipient countries who can be employed in sectors where there are bottlenecks. Finally, there is a gradual but marked increase in the number of second-generation immigrants, whose qualifications are scarcely higher than those of their parents and who are seeking jobs in the same areas of employment.

It may be that structural bottlenecks will induce a partial easing in immigration restrictions, but it is unlikely that this will entail a fundamental review of immigration policies.

All in all, it is most probable that, for the present and in the medium term, the policy of consolidation and integration of the existing immigrant labour force will continue. If there is an unexpected improvement in the labour market in the recipient countries, economic cost-benefit relationships may change enough to allow limited and selective entry of immigrants to be resumed. However, a resumption of immigration flows on pre-1974 scale can be ruled out.

From about 1990, the prospects of renewed net immigration seem likely to increase, for several reasons such as the decline in domestic labour potential, improved integration of immigrants and spare infrastructure capacities. At the same time, however, it is impossible to forecast demand trends so far in advance, so that immigration trends are equally difficult to predict with any certainty.

However that may be, the medium-term expectation of a gradual easing of immigration policies makes it incumbent on the recipient countries, in conjunction with the source countries (who have had some of the costs of the recession passed on to them because of the one sided nature of the decisions involved), to seek alternative ways of providing support.