Summary

About 10 percent of persons born in Mexico, 12 million, are in the US, and five percent of persons born in Turkey (or born in Europe to Turkish parents), four million, are in the EU-15 countries. Migration was the major relationship between Mexico and the US and Turkey and western Europe for most of the past half century.

In the past two decades, economic liberalization has aimed to substitute investment, trade, and job creation in Mexico and Turkey for migration to the US and Europe. Mexico’s economy expanded by almost two percent a year between 2000 and 2009, and Turkey’s economy almost four percent a year.¹

Mexico and Turkey attracted significant FDI and expanded trade over the past two decades, but there has also been displacement and outmigration, especially from Mexico to the US. Over 500,000 Mexicans moved to the US each year between 2004 and 2007, and most were unauthorized. There is far less Turkish migration to western Europe, but worries about the integration of Turks and their children living in western Europe and more Turkish migration have complicated Turkey-EU accession negotiations.²

¹World Bank Indicators, annual change in GDP growth in constant 2000 dollars. Mexico’s economy expanded almost seven percent in 2000, and Turkey’s economy expanded by over eight percent in 2004-05.
²The so-called EU-15 countries were allowed to restrict migration from the A8 Eastern European countries that joined the EU in 2004 for seven years. If Turkey were to join the EU by 2015, and labor migration were restricted for 10 years, Turkish population and labor force growth would have slowed significantly before there was freedom of
What is the migration potential in Mexico and Turkey? In most OECD countries, the unemployment rate provides a measure of labor market slack. This is not the case in Mexico and Turkey, where unemployment rates are relatively low. However, labor force participation rates are also low, and there are relatively few formal wage and salary jobs, especially for women, young university graduates, and older men. Mexico and Turkey include significant numbers of potential migrants because of they have relatively few formal-sector wage and salary jobs.

In most OECD countries, half of the population is in the labor force. In Mexico 42 percent of residents are in the labor force and in Turkey a third of residents are employed or looking for work (Turkey’s labor force has been stable at 25 million over the past five years because women leaving agriculture often move from being considered employed in rural areas to out of the labor force in urban areas). In most OECD countries, over 80 percent of those in the labor force are wage and salary employees, versus 63 percent of workers in the Mexican labor force and 54 percent in Turkey.

If half of the residents of Mexico and Turkey were in the labor force, and if 82 percent of these expanded labor forces were wage and salary employees as in other OECD countries, Mexico would have 16 million more wage and salary employees and Turkey 17 million more.

Mexico and Turkey have had roller-coaster economic growth trajectories over the past quarter century, sometimes growing faster than other OECD countries and sometimes shrinking faster. According to the OECD, Mexican wage and salary employment rose by 600,000 a year between 2004 and 2009, while Turkish wage and salary employment rose by 420,000 a year. Over these years, the Mexican labor force expanded by 720,000 a year, according to OECD, while the Turkish labor force was stable.

Few people with formal wage and salary jobs migrate. Mexico and Turkey rank high on employment protection indexes, creating insider-outsider labor markets. Workers inside protected labor markets enjoy extensive labor market protections that may slow job creation. In both Mexico and Turkey, international organizations have urged labor law reforms to reduce work-related benefits such as severance pay and the cost of work-related benefits. Until more formal-sector jobs are created in Mexico and Turkey, especially young people leaving agriculture or joining the labor market may be candidates for migration.

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movement. Flam (2005, 345) projected that the Turkish immigrant population of Germany would rise from 2.2 million in 2000 to 3.5 million in 2030 if Turks got freedom of movement rights with EU accession.

3Turkish women and Turkish men 55 and older have very low labor force participation rates compared with LFPRs for women and older men in western European countries.
Introduction: From Migration to Trade

For most of the past half century, migration has been the major relationship between Mexico and the US as well as between Turkey and most western European countries. Mexican workers were recruited to fill jobs in agriculture in the US, and Turkish workers to fill construction and manufacturing jobs in Austria, Germany, and other EU countries. The US admitted a peak 455,000 Mexican Braceros in 1956, and halted Bracero recruitment in 1964. EU countries admitted a peak 150,000 Turkish guest workers in 1971, and most halted the recruitment of Turkish guest workers in 1973-74 (Austria continued to recruit Turks, Yugoslavs, and guest workers from other countries until the late 1980s).

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

The aftermath of the guest worker era in Europe was different. Unemployment rates in western European countries, which had been very low during the late 1960s and early 1970s, jumped in the mid- to late-1970s as economies adjusted to higher oil prices. Turks and other guest workers in western Europe changed from being associated with employment to being associated with unemployment; unemployment rates for guest workers were often double the rates of natives.

 Newly arrived guest workers who lost their jobs had to leave, but those who had been in Germany and other western European countries a year or more were generally not required to leave even if unemployed. Most stayed and hoped for a quick economic recovery, since economies in Turkey and other migrant-sending countries were also reeling from oil-price hikes. Many of the jobs for which guest workers were recruited did not reappear after the restructuring of European industries in the 1970s, but many migrants stayed, making family formation and unification were more common than returns. The result was a sharp change in the dependency ratio. Two-thirds of foreigners in Germany were employed in 1973, but only a third of 4.5 million foreigners in Germany were employed in the early 1980s (Martin, 2004).4

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

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

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

The Immigration Reform and Control Act (IRCA) was enacted in 1986, when a record 1.8 million unauthorized foreigners were appended just inside the US border with Mexico. IRCA represented a grand bargain between restrictionists who believed that priority should be placed on deterring the entry and employment of unauthorized foreigners and admissionists who believed that priority should to legalize unauthorized foreigners. Some opposed IRCA’s employer sanctions for fear that they would prompt US employers to discriminate against Hispanics to avoid fines.

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

Illegal Mexico-US migration rose in the 1990s due to SAW family unification and because there was little effective enforcement of employer sanctions laws. In a bid to curb discrimination against minorities, IRCA required employers to check the identity and right to work of each new worker hired, but employers did not have to verify the authenticity of the documents presented by workers. This allowed unauthorized workers to present false documents or documents belonging to legal workers to get hired, with little risk of fines on employers, who could say they did not know the worker’s documents were false. Employers could still lose unauthorized workers and production in the event of workplace raids, but there were relatively few enforcement raids.
A combination of legalization, ineffective enforcement, and a US economic boom in the late 1990s spread unauthorized workers, primarily Mexicans, throughout the US. Many newly arrived unauthorized Mexicans bypassed farm jobs, the traditional port of entry into the US labor market, and went directly into US construction, manufacturing, and service jobs.

There was a brief slowdown in illegal Mexico-US migration in 2001-02 in the wake of the recession and the September 11, 2001 terrorist attacks, but unauthorized entries rose sharply during the 2003-07 US economic boom. Both Mexican President Vincente Fox (2000-06) and US President George W Bush (2000-2008) endorsed proposals to legalize unauthorized Mexicans in the US and create new guest worker programs. However, restrictionists and admissionists in Congress disagreed on the key elements of immigration reform. The House in December 2005 approved an enforcement-only bill aimed at reducing unauthorized entries and employment, while the Senate approved a comprehensive bill in 2006 that included more enforcement as well as legalization and new guest worker programs. Unlike with IRCA in 1986, restrictionists and admissionists were unable to compromise, and immigration reform died in the Senate in 2007.

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

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

While the federal government remains deadlocked on immigration reform, many state and local governments are trying to discourage unauthorized foreigners from living and working in their jurisdictions with laws that require employers to use the federal government’s voluntary E-Verify system to check the legal status of new hires, require police to determine the legal status of those they encounter or arrest, and require landlords to check the legal status of renters. These attrition-through-enforcement laws, symbolized by Arizona’s SB 1070 law enacted in April 2010, have not yet been implemented because of court
injunctions; nonetheless, Utah and Georgia enacted similar attrition-through-enforcement laws in March-April 2011. If the authority of state and local governments to enact restrictive immigration laws is upheld, the US could develop a patchwork of laws aimed at reducing unauthorized migration.

**Turkey-EU Migration**

Turkish-EU migration peaked in the early 1970s at over 150,000 a year; today, fewer than 50,000 Turks a year migrate to EU-15 countries, mostly for family unification. The two major issues in most EU countries with Turkish-born and ethnic Turkish residents involve (1) integrating especially 2nd and 3rd generation youth and (2) assessing how many Turks might move to EU countries if Turkey were an EU member and Turks had freedom of movement rights, the right to move to any other EU country and compete on an equal basis with nationals for jobs.

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

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

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

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5 The Economist in March 2011 reported that only the Acquis chapter dealing with science had been concluded, and that there were no negotiations on 18 chapters.
be some form of "special relationship" with Turkey rather than full EU membership.

One reason some EU leaders fear Turkey’s EU membership is the potential for more Turkish out-migration. The Turkish government in the 1960s saw labor migration to western Europe as a window to faster economic development. Otherwise unemployed or underemployed workers could go abroad to earn wages and learn skills that would speed economic and job growth in Turkey when they returned. Expectations were high, and there was disappointment when labor migration did not turn out to be a panacea in a Turkey still largely closed to trade and investment and suffering from periodic economic and political crises.

Instead using their newly-acquired skills in Turkish factories, most returning Turkish workers built or improved housing, bought land, and created small service businesses for themselves and their families. Migrating abroad helped individuals to improve their economic status, but did not lead to stay-at-home development in emigration areas; in some areas, emigration pressures may have risen rather than fallen (Abadan-Unat, et al, 1976). Just after the 1973-74 recruitment stops, the ILO echoed this pessimism about the development effects of out-migration by concluding: “the main economic benefits of emigration are far less certain that has been maintained hitherto. They may possibly be negative in the aggregate ...sending countries need to keep their policies under close examination... The worst but not the most unlikely effect is that emigration breeds the emigrating subproletariat of tomorrow.” (ILO, 1974, 98-99)

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

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

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6 The TES registered Turks wanting to work abroad, and German or other foreign employers selected the workers they wanted to hire from TES recruitment lists. Over time, foreign employers were more likely to specify the Turkish workers they wanted to hire by name.
unskilled jobs in Western Europe (Akgunduz, 2008). About 80 percent of Turkish migrants were men between the ages of 20 and 40.

In November 1973, the German government banned the entry of low-skilled foreign workers expected to be employed 90 days or more. When jobless guest workers began to unify families rather than return in the mid-1970s, the German government discouraged family unification, including making spouses wait several years before they could get work permits and designating German cities with more than six percent foreigners “overburdened” and off-limits to new foreigners seeking residence permits. In 1982, the newly elected CDU-CSU-FDP government, whose motto was “Germany is not a country of immigration,” offered return bonuses to jobless guest workers who gave up their work and residence permits, reducing the number of foreign residents by about 250,000.

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

Unlike the rising path of new Mexico-US labor migration since the early 1980s, Turkish-EU labor migration has been on a declining trajectory. Turkey has been a net immigration country since the mid-1990s. Migrants from Turkish-speaking CIS countries and those transiting Turkey from North Africa and the Middle East far outnumber Turks emigrating to join relatives or seek asylum in EU-15 countries. There is still some labor out-migration from Turkey, as up to 100,000 Turks a year leave to work primarily in Middle Eastern countries or in the CIS countries, often as employees of Turkish construction companies.

The major migration-related issues involving Turks in Western European nations is integration and future migration. Turks, who were associated with employment in the early 1970s, are today more often associated with non-work, as exemplified by low labor force participation rates and high unemployment rates. Fears of an evolving underclass prompted the German government in 2000 to introduce of birthright citizenship to children born to legal parents in Germany; they must choose German citizenship by age 23 or lose it. In 2005, Germany implemented its first-ever regulated immigration system aimed at attracting highly skilled foreigners and investors, but also added requirements that foreigners seeking to renew their residence permits had to take German

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7 Despite protests from some Turkish employers, the Turkish government restricted only the emigration of Zonguldak miners (Abadan-Unat, 1986, 361-2).
8 Foreigners seeking asylum were required to apply in the first-safe country they reached, and its decision was binding on other countries, and foreigners from “safe-countries” were deemed generally not in need of protection.
language and culture classes; since 2007, there are similar tests for foreigners seeking to join settled family members in Germany. Such jus solis policies and “integration contracts” and language tests are becoming more common in European countries that recruited Turkish guest workers and worry about integration.

**Mexico and Turkey: Demography and Employment**

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

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

The key challenge for both Mexico and Turkey is creating good jobs that keep potential migrants at home. In most OECD countries, half of the population is in the labor force, for example, the US population was 310 million and the labor force was 154 million in 2010. The share of the population that is in the labor force is lower in Mexico, about 42 percent, and even lower Turkey, about 31 percent. Labor force participation rates (LFPRs), the share of work-eligible persons employed or looking for work, are also lower. LFPRs are typically about 65 percent (64 percent in the US in 2010) in OECD countries, and are 60 percent in Mexico and 50 percent in Turkey. Women are half of the labor force in most OECD countries, but the female share of the labor force is only 37 percent in Mexico and 31 percent in Turkey.

Among those in the labor force, un- and under-employment is more prevalent in Mexico and Turkey than in other OECD countries, and a higher share of workers

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

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

11 In all OECD countries including Mexico and Turkey, employment in 2009 was 540 million, including 26 million in agriculture.
in Mexico and Turkey are employed in agriculture. Workers in informal jobs and employed in agriculture may include potential migrants. In both Mexico and Turkey, unemployment rates are similar to those in the major destination countries, but under-employment rates are much higher. In Mexico, for example, the number of full-time, private-sector jobs covered by the Social Security system (IMSS) has been stable at about 12 million for the past decade, even though the labor force rose by seven million. In Turkey, a third of workers in urban areas and three-fourths in rural areas were not registered with the social security system (SGK) that provides health insurance and pensions in 2005 (World Bank, 2006, iii).

Many of the underemployed Mexicans and Turks are in agriculture, which included eight million Mexicans and 8.5 million Turks in 2008 according to World Bank Indicators. The value added by those employed full-time in agriculture is relatively low, about $3,300 in both Mexico and Turkey in 2008, suggesting that many farmers and farm workers would move to higher wage nonfarm jobs if they could.

Agriculture in both countries is shrinking. The share of employment in agriculture fell sharply in Mexico over the past two decades, from a quarter to an eighth of workers, and in Turkey from almost half to a quarter of workers. However, the roughly eight million workers still employed in agriculture in each country include, with family members, 25 to 30 million people.

Table 1. Mexico and Turkey, Agriculture, 2005-08

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tbody>
<tr>
<td>Rural Pop (%)</td>
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<td></td>
<td></td>
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<tr>
<td>Mexico</td>
<td>24</td>
<td>23</td>
<td>23</td>
<td>23</td>
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<tr>
<td>Turkey</td>
<td>33</td>
<td>32</td>
<td>32</td>
<td>31</td>
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<tr>
<td>Employ-Ag (mils)</td>
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</tr>
<tr>
<td>Mexico</td>
<td>8.3</td>
<td>8.3</td>
<td>8.1</td>
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<tr>
<td>Turkey</td>
<td>9.0</td>
<td>8.9</td>
<td>8.7</td>
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<tr>
<td>Employ-Ag%</td>
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<td></td>
<td></td>
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<tr>
<td>Mexico</td>
<td>15</td>
<td>14</td>
<td>14</td>
<td></td>
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<tr>
<td>Turkey</td>
<td>30</td>
<td>27</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>Ag Value added($)</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Mexico</td>
<td>2,902</td>
<td>3,005</td>
<td>3,160</td>
<td>3,306</td>
</tr>
<tr>
<td>Turkey</td>
<td>3,224</td>
<td>3,299</td>
<td>3,146</td>
<td>3,326</td>
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</table>

http://data.worldbank.org/indicator

Under the so-called Lewis (1954) model of economic growth, agriculture includes an excess supply of labor that can be provided to the modern

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12 More recent data suggest that 9.4 million of the 21.1 million Turkish workers in 2009 were not registered with the SGK.
13 World Bank (2006, v) reported that total employment in Turkey rose from 16 million to 22 million between 1980 and 2004; employment in agriculture fell from 8.4 million to 7.4 million during these years.
industrial sector, holding down wages and raising profits and spurring industrial development. Eventually, excess farm labor is absorbed in nonfarm jobs, putting upward pressure on wages in both agriculture and industry.

In fact, migration from agriculture in globalizing economies experiencing rural-urban migration often fuels a dualistic urban economy and an informal labor market. On the demand side, privatization and global competition often slow the creation of formal-sector jobs, while rural-urban migrants provide a supply of workers willing to accept informal jobs, often in smaller, family-owned trade, construction, and transport businesses that do not register their workers to avoid payroll taxes and labor law protections.\textsuperscript{14}

Most studies find that formal-sector workers earn 50 to 100 percent more than informal sector workers, work fewer hours, and have work-related benefits and protections. However, many experienced informal-sector workers often lack the credentials to move to formal-sector jobs, where employers often prefer young graduates. Instead of the Lewis two-sector model, globalizing economies that are privatizing state-owned firms while experiencing labor force growth and rural-urban migration can have three sectors, formal, informal, and agriculture, with candidates for migration abroad in the informal and agricultural sectors.

In most OECD countries, the unemployment rate provides a measure of labor market slack and potential internal and international migrants. This is not the case in Mexico and Turkey, where labor force participation rates are low, there are relatively few formal-sector wage and salary jobs, and there is a large informal sector. Especially in Turkey, female labor force participation has been declining despite an expanding service sector and more women completing secondary and higher education.

Few people with formal wage and salary jobs migrate, so the keys to reducing migration pressure are reducing underemployment in agriculture and creating wage and salary jobs. The labor forces of Mexico and Turkey are smaller than the OECD average, which is that half of the population is in the labor force. In Mexico, only 42 percent of residents are in the labor force and in Turkey only a third. In most OECD countries, over 80 percent of those in the labor force are wage and salary employees,\textsuperscript{15} but only 63 percent of workers in the Mexican labor force are wage and salary employees and 54 percent in Turkey. If half of the residents of Mexico and Turkey were in the labor force, and if 82 percent of

\textsuperscript{14}The status of the worker, registered with social security or not, is clearer than the size of the business (small is often defined as less than 10 employees), since even a large business with registered “regular” workers can turn to subcontractors who use unregistered workers to perform some tasks. In the late 1990s it was estimated that 95 percent of Turkish manufacturing enterprises had less than 10 employees and they accounted for 35 percent of formal employees.

\textsuperscript{15}According to the OECD, 84 percent of the 154 million-strong US labor force were wage and salary employees in 2009, 84 percent, while 81 percent of the 42 million strong German labor force were wage and salary employees, 81 percent.
workers were wage and salary employees, Mexico would have 16 million more wage and salary employees and Turkey 17 million more.\textsuperscript{16}

Table 2. Mexico and Turkey, Population and Labor Force, 2005-09

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>Population (Mils)</td>
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<tr>
<td>Mexico</td>
<td>104</td>
<td>105</td>
<td>106</td>
<td>107</td>
<td>108</td>
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<tr>
<td>Turkey</td>
<td>69</td>
<td>69</td>
<td>70</td>
<td>71</td>
<td>72</td>
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<tr>
<td>Labor Force (Mils)</td>
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<tr>
<td>Mexico</td>
<td>42</td>
<td>43</td>
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<td>45</td>
<td>45</td>
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<tr>
<td>Turkey</td>
<td>25</td>
<td>25</td>
<td>23</td>
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<tr>
<td>Labor Force/Population (%)</td>
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<tr>
<td>Mexico</td>
<td>40%</td>
<td>41%</td>
<td>42%</td>
<td>42%</td>
<td>42%</td>
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<tr>
<td>Turkey</td>
<td>37%</td>
<td>36%</td>
<td>33%</td>
<td>33%</td>
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<tr>
<td>Employee Share of Labor Force (%)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>60%</td>
<td>63%</td>
<td>63%</td>
<td>64%</td>
<td>63%</td>
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<tr>
<td>Turkey</td>
<td>45%</td>
<td>47%</td>
<td>54%</td>
<td>54%</td>
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<tr>
<td>W&amp;S Employees (mils)</td>
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<td>If LF/Pop Shares were 50 percent, LF (mils)</td>
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<td>If 82 percent of persons in LF were W&amp;S employees (mils)</td>
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<td>Difference: Potential W&amp;S employees minus actual (mils)</td>
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Mexico and Turkey: Growth and Employment

Mexico and Turkey have had roller-coaster economic growth trajectories over the past quarter century.\textsuperscript{17} In some years they had the fastest-growing economies in the OECD, while in other years Mexico and Turkey suffered severe recessions and currency devaluations. Throughout these economic fluctuations, both Mexico and Turkey have been marked by high ratios of economic to labor force

\textsuperscript{16} With half of the population in the labor force, the Mexican labor force would have been 54 million rather than 45 million in 2009, and the Turkish labor force would have been 36 million rather than 24 million in 2008 (both numbers would be higher using PRB population data).

Applying 82 percent wage and salary workers to the enlarged 54 million Mexican labor force would mean 44 million wage and salary employees, 16 million more, and applying 82 percent to the enlarged 36 million Turkish labor force would mean 29 million wage and salary employees instead of 13 million, 17 million more (rounding)

\textsuperscript{17} Volatility in economic growth and inflation are associated with slower growth in jobs and per capita GDP growth.
growth and even higher ratios of economic to wage and salary growth, indicators of so-called jobless growth.

Economic growth can be associated with employment growth, productivity growth, or both. Mexico and many Latin American countries have relatively high ratios of economic to employment growth that some attribute to slow productivity growth, while Korea is often cited as an example of an economy that achieved a triple play, that is, high economic, employment, and productivity growth.

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

Table 3. Mexico and Turkey, Economic and Job Growth, 2005-09

<table>
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<tr>
<th></th>
<th>2005</th>
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<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Average</th>
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<td>Labor force growth (%)</td>
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<td>W&amp;S Employees Growth (%)</td>
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<td>Ratio: Economic growth to W&amp;S employees</td>
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<td>1.1</td>
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<td>6.1</td>
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</table>

Sources: Economic growth, World Bank; W&S employees, OECD
Economic growth is the annual percentage growth rate of GDP at market prices based on constant local currency

Both Mexico and Turkey need sustained economic and formal-sector job growth to reduce out-migration and reassure the US and Western European countries that there will not be significant out-migration. The issue is how to achieve faster economic and wage and salary job growth. The usual recommendation is to

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18OECD labor force data suggest that Turkey’s labor force was stable between 2004 and 2009 at about 25 million, but the number of wage and salary employees rose from 11 million to 13 million.
adopt the Scandinavian flexicurity approach to labor markets that protects workers rather than jobs, that is, make it easy for employers to hire and fire and provide generous unemployment and retraining benefits to laid-off workers.

This is the opposite of the practice in Mexico and Turkey, which rank among the most restrictive OECD countries in employment protections (with Portugal). These restrictions help to explain why formal sector job growth is slow during periods of economic growth, and why the number of formal jobs does not fall significantly in recessions. Such employment behavior is typically of insider-outsider labor markets (Lindbeck and Snower, 1989), where workers employed by government and in private jobs subject to effective government regulation, such as large firms and multinationals, have extensive work-related benefits and protections.

There have been many analyses of labor market inflexibilities in Mexico and Turkey. The World Bank (2006, i) emphasized Turkey’s high severance pay, restrictions on temporary employment, and high UI premiums as examples of policies that protect insiders with jobs but discourage formal-sector job creation. One result is that hours worked in Turkish manufacturing averaged 52 a week in 2004, more than the 45 a week in Mexico and the 38 a week in the EU-15 countries (World Bank, 2006, ix), suggesting that manufacturers would rather pay overtime than hire more workers. Three groups of workers were singled out as hurt by Turkish policies that protect insiders: women who migrate from rural-to-urban areas and drop out of the labor force (they were considered employed in agriculture), young university graduates who have trouble finding jobs, and men 55 and older.

Mexico and Turkey: Political Economy

Mexico and Turkey share several similarities. Mexico is the third most populous country in the Western Hemisphere, after the US and Brazil; Turkey is the third most populous country in Europe, after Russia and Germany. After economic crises in the 1980s, both Mexico and Turkey changed from inward-looking and state-centered economic policies to polices that increased trade and investment; the hope was that foreign investment would create jobs and stimulate exports.

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

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

21 Employer pension contributions are based on days rather than hours worked, another factor encouraging long hours of work.
Both Mexico and Turkey experienced significant political changes in the past decade. Mexico’s dominant political party lost the presidency for the first time in 70 years in 2000, and leaders who were previously banned from politics in Turkey won elections and appear poised to be re-elected for the third time in June 2011. Mexico and Turkey have relatively poor indigenous groups and minorities concentrated in the south and east, respectively. Both emphasize secularism despite strong religious traditions. Finally, both Mexico and Turkey have shown that history does not have to repeat itself. Mexico did not have an economic crisis during its presidential succession in 2000, and Turkey has not had a “once-a-decade” military intervention.

The US attitude toward Mexico and Mexican migration encapsulated in NAFTA was to promote trade and investment, but not provide aid and or promise the free movement of labor. The EU attitude toward Turkey has been a case of promoting economic integration in a bid to speed development while delaying free movement of workers for fear of more Turkish migrants. The US government in 2011 will spend far more on border control than on aid for Mexico, while Turkish-EU accession negotiations appear frozen even as Turkey-EU economic integration deepens.

There are also outlook differences. Mexico, whose economy grew 5.5 percent in 2010, is sometimes portrayed in the US media as a country in the midst of drug wars that have resulted in about 35,000 deaths between 2006 and 2010. There is a danger that drug violence could reduce foreign investment and tourism just as government revenue from Pemex begins falling, which would restrict the ability of the government to finance the education and infrastructure needed for sustained economic growth. Mexican observers emphasize that political changes and reforms have increased democracy and made the Mexican president and federal government weaker at a time when the government must confront tough choices, including opening the oil sector to foreign investment, reforming the labor market to speed formal-sector job creation, and dealing with poor people and lagging regions.

Over 75 percent of Mexicans live in urban areas, but most of Mexico’s poor people, and most Mexicans who migrate to the US, are from rural areas. NAFTA opened Mexico to trade in farm commodities, but Mexican government subsidies for agriculture (Procampo) do not help many poor farmers to change crops, make the transition to larger farms, or move to nonfarm jobs. Instead, the Mexican government is trying to break the cycle of poverty by making cash payments to poor mothers whose children attend school and receive regular health checks. Some urge further expansion of this conditional-cash transfer Opportunidades program, while others argue that Opportunidades payments

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22 Turkey had major devaluations in 1980, 1994 and 2000-01.
23 Crude oil production is expected to decline from 2.6 million barrels a day in 2010 to 2.1 million in 2015.
24 Mexican health, pension, housing and other social programs are financed by employment-related taxes, which increases the non-wage cost of hiring formal sector workers. Efforts to reform labor laws in 2010 stalled.
“buy off” the poor and reduce the urgency of the fundamental reforms needed to ensure faster economic growth.

Political gridlock slows labor market and business reforms that could speed up formal sector job growth. Mexico has internationally competitive multinationals ranging from Bimbo (bread) to Cemex (cement) that face little competition at home, so that prices for the products produced by Mexican multinationals may be higher in Mexico than abroad. If there were more competition in Mexico, prices for Mexican consumers may drop, reducing the cost of living and providing an opening for smaller firms to compete, which could spur job creation. Presidential elections in July 2012 may result in a continuation of political gridlock.

Turkey has had five financial crises and recessions in the past three decades, beginning with a foreign debt crisis in 1979 followed by economic reforms in the early 1980s, another crisis in 1994, another in 1998-99 in the wake of the Russian financial crisis, and another in 2001. Most of these crises were resolved with IMF support that was to be accompanied by structural reforms that emphasized privatization of state enterprises and reductions in government activities, and during the 2002-07 period, Turkey attracted significant FDI that generated rapid economic growth. The 2008-09 global economic crisis affected Turkey, but Turkey’s economy bounced back quickly, so that by 2011 Turkey was expected to have the fastest-growing economy in the OECD.

Turkish voters are likely to re-elect the ruling AKP party for the third time in June 2011, giving Turkey its third consecutive single-party government. There is tension between the AKP and the secular-nationalists in the military and judiciary, but constitutional reforms approved by voters in September 2010 are likely to reduce the influence of the military and reform the judiciary over time (the chief prosecutor of the Supreme Court of Appeals sued to outlaw the AKP in 2008).

There is a significant backlog of economic reforms, including tax and labor market reform. Turkey runs a current account deficit that is financed by capital inflows, which can accentuate inflation and, if foreign capital leaves quickly, lead to a sharp devaluation. Turkey has a particular problem generating enough good jobs for urban women and for youth, including youth with education.26

25 Rodrik (2009, 22-23) argues that Turkish economic growth should be fueled by domestic savings rather than FDI, since FDI increases the current account deficit and the exchange rate. Rodrik argues that Brazil, which also has high real interest rates, is the appropriate model for Turkey, which should reduce government spending in order to allow the central bank to reduce interest rates and stimulate domestic investment. Rodrik believes that Turkey must keep its current account deficit at three percent or less, raise the domestic savings rate from 16 to 28 percent, and intervene to prevent the lira from becoming overvalued.

26 One reason for difficult school-to-work transitions for young men is military conscription, which is generally 15 months (12 months for university graduates). Most employers do not offer formal jobs to young men until they have completed their military service. Some argue that conscription contributes to the brain drain from
Conclusions: Creating Jobs, Managing Migration

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

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

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

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

Bibliography


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Turkey. Turkey, a country with less than a fourth the US population, has over 500,000 active military personnel, compared with fewer than 1.4 million in the US.


