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Emigration: An Economist's Perspective

by

Brendan Walsh

Policy Paper No. PP88/3

August 1988

Address given to the Patrick MacGill Summer School, Glenties, Co. Donegal, August 14, 1988.

The Policy Paper series of the Centre for Economic Research consists of preliminary reports on policy-oriented research carried out by members or associates of the Department of Political Economy, University College Dublin. All opinions expressed are those of the contributors and do not necessarily reflect the views of other members of the Department. A complete list of other publications of the Centre is available on request.
I. INTRODUCTION

Emigration is a topic that arouses strong emotions in an Irish audience. This is understandable but it can have regrettable consequences for the quality of the analysis of a very important feature of our economic and social life. For example, the current discussion of emigration should be better informed by the lessons of our long history of emigration and less concerned with denouncing convenient scapegoats and searching for easy solutions to Ireland's economic under-performance.

In this brief paper I would like to present some background statistics on the current emigration situation and then to review the forces behind emigration from Ireland and assess the prospects for the level of emigration in the immediate future. Finally I shall look at a range of costs and benefits associated with emigration.

II. BACKGROUND DATA

For more than two centuries now Ireland has been a large exporter of people. No other country has been so affected by emigration. In fact it is doubtful if any sub-national region of the same size as Ireland has experienced persistent emigration at the rate recorded in Ireland. The corollary of this, of course, is that through emigration the Irish have had an impact on world

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*I am grateful to Cormac O Grada for helpful comments on an earlier draft of this paper.
history far out of proportion to that of the Irish nation itself.

In **Chart 1** I show the annual rate of net emigration from Ireland in each inter-censal period since 1926. On average we have lost about 0.5 per cent of our population through net emigration over these 60 years. There were, however, two exceptional sub-periods, namely, the 1950s and the 1970s. In the 1950s the emigration rate soared to 1.5 per cent of the population, rate of outflow that was previously surpassed only in the 1840s and 1880s. It represented a crisis in the sense that it led to a sharp fall in population, despite the relatively high rate of natural increase. Only the self-styled German Democratic Republic (East Germany) experienced a comparable decline in population due to emigration in these years, and this was halted when they built a wall to force their people to remain at home!

The 1970s were also exceptional because of the sustained net inflow of population that was recorded. This was the only period when such an inflow occurred and it boosted Ireland’s rate of population growth to 1.5% a year, the highest in Europe. The contrast with the stagnant 1950s could not have been greater.

The rate of emigration during the period 1981-86 was below the average for the sixty years since Independence. However, if we look at this period in more detail (**Chart 2**) we see that starting from a low level at the beginning of the decade, the rate
of outflow rose to a level in 1986/87 that was not far short of that recorded during the 1950s. Taken in conjunction with the lower rate of natural increase now prevailing, the outflow over the most recent past has been sufficient to offset all the natural increase of the population so that, after the remarkable spurt of growth in the 1970s, we are once again facing the prospect of a declining population.

III. THE CAUSES OF EMIGRATION

Emigration from Ireland is readily understood as the rational response of individual Irish men and women to the economic incentives and opportunities they face. Ireland is a poor country relative to her neighbours both to the east and to the west. In the past we had a large, overpopulated agricultural sector. A considerable labour surplus is still retained on small, unproductive farms. In the absence of emigration the non-agricultural labour force would grow very rapidly. The economy has not tended to develop in the labour intensive manner that would generate a buoyant demand for labour. Against this background, with open access and low transport costs to Britain and America it was inevitable that over the years significant numbers would be drawn from Ireland to the rapidly expanding urban centres in these countries. Once a tradition of emigration was started, it was reinforced as information and support flowed back to prospective migrants in Ireland from abroad. The rate of outflow fluctuated year by year depending on the balance between economic conditions at home and abroad. During periods of world-
wide recession, such as the 1930s, the outflow from Ireland fell to a low level. In those pre-Welfare State days it was preferable to eke out a living on an Irish farm than to face the hardship of unemployment in a foreign city. But if the Irish economy goes into recession when other western economies are booming, the inevitable result is an upsurge in emigration from Ireland. Thus, for example, during the 1950s large numbers were drawn from a depressed Irish economy by the opportunities presented in full employment Britain.

Our recent experience has been very much in keeping with the historical response to the push and pull forces of migration. The Irish economy went into recession more or less in phase with the rest of the OECD economies in 1979/80, but has been the slowest of all to recover during the 1980s. Since 1984 the gap between the performance of the Irish labour market and those of the United States, Britain and many other western countries has widened. Chart 3 shows how the level of employment began to recover in Britain after 1983 (and even earlier in the United States) while it continued to decline in Ireland until 1985. It was during these crucial years that large-scale emigration got underway again. Despite the persistence of a high level of unemployment in parts of Britain and the U.S., large numbers of young Irish people emigrated to benefit from the opportunities becoming available there to qualified young people with the motivation to move in search of work. The widening gap between the after-tax rewards for comparable types of work in Ireland and abroad provides an
additional incentive to emigrate that has assumed growing importance in recent years.

The reasons for the Irish economy's relative under-performance during the 1980s cannot be discussed in detail here. It is widely accepted that much of the blame lies with the mismanagement of economic policy during the 1970s and in particular with the reckless fiscal expansion that occurred following the General Election of 1977. In the context of the current discussion of how we should respond to the resumption of large-scale emigration, it is very important to recall that this failed experiment in economic policy was undertaken to achieve the goal of "full employment". The inappropriate way in which this target was defined in the late 1970s contains a lesson that has to be kept in mind when we try to assess how to respond to the current level of emigration.

While the fiscal stimulus of the late 1970s generated some additional growth in the short term, it necessitated a painful economic contraction during the 1980s. Moreover, we pursued a slow and gradual correction, rather than the short, sharp shock that was administered in Britain. This slow correction of the imbalance in the public finances prolonged the recession in Ireland for some years after recovery began in the rest of Europe and in America.

It is important to stress the contribution of misguided
macroeconomic policy to the recent upsurge in emigration as a corrective to the tendency to ascribe it to some vaguer causes such a flaw in our national character or a lack of collective will to "do something" to prevent it. In fact, as noted above, the misguided measures taken to achieve the target of "full employment" in the 1970s contributed to the present high rate of emigration. Irish labour market policy needs to be formulated with reference to a carefully defined concept of what "full employment" means in terms of rates of emigration and measured unemployment. ²

IV. FUTURE PROSPECTS

Future migration trends are extremely difficult to anticipate. Our expectations tend to be dominated by the experience of the recent past. During the 1960s, for example, we completely failed to anticipate the significant inflow of population that occurred during the 1970s. After the onset of world recession at the end of the 1970s it was widely believed that emigration could no longer act as a safety value as it had in the past. With unemployment increasing in all countries, many commentators claimed that there would be nowhere for our young people to go. The recurrence of large-scale emigration by 1984 was at variance with predictions that were being made only a few

²For example, it difficult to relate the aspiration of "redistributing the benefits of economic growth...to ensure viable employment for all who are willing and able to avail of it", set out in the Economic and Social Research Institute's publication Employment and Unemployment Policy for Ireland (Conniffe and Kennedy, eds., 1984, p. 299), to the measured rate of unemployment.
years earlier. There was a general lack of awareness of the flexibility of our migrant population and the importance of the rate of change rather than the level of employment and unemployment in the host countries as a determinant of emigration from Ireland.

The current consensus, which is reflected in the population projections that have been published recently by private and public agencies, is that a significant rate of net outflow will continue until the end of this century.

There certainly are compelling reasons for expecting that the rate of emigration will in fact remain high. A list of the most important ones would include:

DEMographic Pressure. Despite the fall in our birth rate since 1980, the potential increase in the population of working age will be high for some years to come. Demographic impetus will persist in Ireland when many of the large economies of Europe are experiencing sharp reductions in the numbers entering their labour force, so that the demographic push will be reinforced by a pull from abroad.

Migratory Networks. The pool of Irish residents abroad has been replenished by the inflow of over 100,000 people during the 1980s. They will provide information and support to more emigrants from Ireland. Moreover, the departure of a large part of a generation makes it less attractive for the others to remain at home.

Low Employment Intensity of Growth. For a variety of reasons that have been discussed in detail by economists, Irish economic growth has not tended to be very employment-intensive. It displays this characteristic of European (as opposed to American) growth to a exaggerated degree. As a consequence, even if our growth rate accelerates, the rate at which new
jobs will be created may continue to lag behind that which would absorb the growth of the labour force.

Low After-Tax Incomes. Even if our economic performance improves relative to that of the rest of the OECD, it is unlikely that after-tax incomes in Ireland will match those available to qualified people abroad for the foreseeable future. Even if employment prospects improve, this gap will continue to act as a strong incentive to emigration for qualified people.

All these considerations suggest that we shall continue to experience a high rate of emigration. However, just as we failed to anticipate changes in the trend of emigration in the past, it is possible that at present our expectations are too closely based on the experience of the last few years. It is therefore worth mentioning some factors that could result in a much lower rate of emigration in the 1990s than that recorded in the 1980s.

The most important is that the decline in employment has now levelled off and we may soon see the numbers at work in Ireland begin to increase again. Even modest growth would be a major reversal of trends, bearing in mind that the numbers at work declined by almost 10 per cent between 1981 and 1985. Any net growth in employment would be accompanied by a larger increase in entry-level jobs, which would improve the prospects for school-leavers searching for employment in Ireland significantly. Growth in more senior-level jobs could stimulate a significant return flow from the sizeable population of recently-emigrated Irish people living abroad. By the early 1990s many of these will be in their thirties, married with young children and having acquired experience and skills and saved some capital since leaving Ireland. These are people who could easily be attracted back to
Ireland under favourable circumstances. Significant return migration is not ruled out even if high levels of unemployment and a rapid increase in the population of working age persist. As we saw in the case of the outflow from Ireland during the past few years, migrants' are more willing to move in search of jobs (and to take the jobs that are available) than is the native population. They are also likely to have more relevant experience and qualifications than many less mobile job seekers. These factors were behind the large return flow to Ireland during the 1970s.

However, even though I think it is important to emphasize the unpredictability of migration flows, and to list the reasons why we might see a lower rate of emigration in the 1990s than in the 1980s, it is only realistic to assume that the factors listed above will result in a significant net outflow of population from Ireland for some years yet. It is therefore important to attempt some assessment of the costs and benefits of this phenomenon.

V. COSTS AND BENEFITS OF MIGRATION

It is useful to look at this issue in terms of three populations: the emigrants, the population left behind in Ireland and the population of the receiving country.

The welfare of the emigrants is the most emotional issue in this whole debate. A great deal of attention is paid to the emotional costs associated with migration, and these should not be
lightly dismissed. They have, however, undoubtedly diminished dramatically in recent years with the fall in the costs of international transport and communications. Moreover, these costs are not unique to international migration. They are incurred to some degree by those moving within Ireland as well as by those leaving the country. In an assessment of the costs and benefits of emigration the relevant question is whether the emigrants are better off leaving than staying, taking account of all aspects of their welfare in this calculation.

In making this calculation, the first point to be borne in mind is that those who leave are by and large responsible people who freely choose to go and if they remain abroad there is a presumption that they are better off than they would be had they remained in, or returned to, Ireland. It is clear that those who move from unemployment in Ireland to employment abroad, or from a low wage job here to a better paying one abroad, are likely to improve their lot by enough to compensate them for the emotional costs of emigration. Furthermore, it is important when considering the alternatives to emigration to recall that the level of social benefits in Ireland now compares favourably with that in the countries to which our emigrants go. (This point has been made more relevant by recent changes in the British social welfare system.) This is a major change from the situation that prevailed during the 1950s, when Irish social welfare payments were very low both in absolute terms and relative to those available in Britain and the harsh regime prevailing here was a major push factor in
the emigration equation.

Of course, this is not to say that emigration is for the best in the best of all possible worlds. It goes without saying that it is desirable that more of each generation of Irish school-leavers should choose not to leave this country, particularly that fewer of them should feel they have option but to leave due to the absence of opportunities here. We might even aspire to being a magnet for immigrants from poorer countries: accommodating an inflow from the Third World would be an effective form of foreign aid. But in the world in which we live emigration is part of the price our emigrants and their families and friends pay for our relative poverty, our locational disadvantages and our past mistakes of economic policy. My belief is, however, that by and large those most keenly affected by emigration regard the opportunities it opens as good value at this price.

The effects of emigration from Ireland on the countries that receive our emigrants are on balance very positive. There is a transfer of human capital when a school-leaver or college graduate arrives into the labour force of a country that did not bear the costs of rearing and educating him or her. Furthermore, even the less educated migrants tend to be highly motivated to work and save, and are probably more entrepreneurial than the run of the population. They move to areas and sectors where their skills are needed, thereby alleviating bottlenecks and facilitating accelerated economic growth. Contrary to popular prejudice, most
migrants are law-abiding and make relatively few demands on the social services. They rapidly become net contributors to their host country's exchequer. It is important to bear in mind too that despite its importance from an Irish perspective, Irish emigration is a marginal phenomenon relative to the aggregate labour markets of Europe and America.

The desire to limit immigration, even in areas where there is a serious shortage of labour (for example, most regions in the United States and the south-eastern regions of Britain at present) is accounted for by a variety of factors. In the first place, the richer countries of the world, in a modern-day version of the "yellow peril" vision of Kaiser Wilhelm, fear that a tidal wave of poor aliens could overwhelm them and reduce their standard of living to that prevailing in India or China. Whatever the truth of this view, a majority of people in host countries probably believe that they are harmed by immigration. There are pressures to restrict entry from organised labour, whose monopoly rents are undermined by the flexible working habits of immigrants. There is a fear of the social consequences of the growth of large immigrant communities, arising from the belief that immigrants cause an upsurge in crime to a concern for the preservation of traditional ways of life. When unemployment increases the view gains ground that immigrants are taking jobs away from natives. For all these reasons, obstacles will continue to be placed in the way of large-scale international migration. The Irish, however, will be relatively unaffected by these obstacles because of freedom of
movement within the EC (and the freedom to enter Britain, which of course predates the formation of the Community) and because of the relative ease with which we can still enter (legally or illegally) the United States and other New World countries.

The most difficult issue to analyse is the effects of emigration on the population of the country of origin. On an emotional level, it is easy to understand the lese-majesty felt by a country whose young people reject it in such numbers that there is a decline in population despite a healthy rate of natural increase. It is also argued that emigration acts as a safety valve, releasing social pressures that would otherwise help transform society.3 Looking at the experience of developing countries with rapidly growing population shows, however, that there is no guarantee that such a desirable transformation will occur.

It may be argued in a more precise manner that if emigration results in the receiving country gaining a free gift of human capital, the sending country must be losing an equal amount. However, this simple equation may not be valid. In the absence of emigration, unemployment would probably rise and wage rates fall. This reflects a dearth of complementary factors of production (especially high quality labour, including entrepreneurship, and

3In a Reservation to the Report of the Commission on Emigration and Other Population Problems, 1948-54, Alexis Fitzgerald stated that "High emigration, granted a population excess, releases social tensions which would otherwise explode and makes possible a stability of manners and customs which would otherwise be the subject of radical change" (p. 222).
capital) in the country from which there is emigration. By tending to equalize the relative abundance of the factors of production, migration helps to redeploy human resources more productively. Moreover, the sending countries also gain through a return flow of remittances and ethnic tourism, which are significant sources of foreign exchange earnings in Ireland. Thus, it is possible that both the sending and receiving countries gain through the migration process.

But despite the generally favourable view of the migration process taken by theorists, it should be acknowledged that the empirical evidence does not reveal a strong tendency for living standards to become more equal between regions that enjoy free movement of labour. Ireland's own experience is an important piece of evidence in this debate. The fact is that despite emigration on an unprecedented scale over the past century and a half, the gap between our standard of living and that of most of the rest of the western world remains very substantial. While this says nothing about how the situation would have evolved in the absence of the opportunity to emigrate, it does not provide any prima facie evidence in favour of the theory that emigration tends to equalise living standards between regions.

Indeed it is possible to argue that our high rate of emigration is a fundamental cause of Ireland's relative backwardness, rather than a reflection of this backwardness. It is, however, very difficult to assess the plausibility of
"counterfactual" histories of an Ireland without emigration. It seems to me that Ireland would not have raised the standard of living of its population as rapidly it has done over the past 150 years had there been no emigration. If there had been no net outflow since 1840 we would now have something like four times our present population. The possible adverse effects of this population growth on our standard of living should not be underestimated in the light of economic disadvantages we face. Furthermore, we should not dismiss the effect of a higher population density on the quality of life in this country in the light of our poor record of environmental management despite having the lowest population density in Europe. I tend to the view that if restriction of emigration opportunities during the nineteenth and twentieth centuries had caused our population to rise to 14 million, Ireland would now be a poorer and uglier country than the one we know today.

But it could be argued that in the absence of the possibility of large-scale emigration the pressure of rapid population growth, combined with the benefits of retaining the brightest and best of each generation in the country, would have transformed the Irish economy and society. According to this view, we would have been forced to become a north-western European version of the Dutch or the Taiwanese. It is very difficult to find evidence with which to

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This is a crude calculation which ignores the likely impact of rapid population growth on marriage and fertility patterns.
test this hypothesis." Such evidence as is available is not favourable to it. The experience of the 1930s, when in some years there was a net return flow to Ireland, offers little support for the view that a restriction on emigration would stimulate indigenous growth. The experience of the 1970s is more relevant. During those years our population growth averaged 1.5% a year, a rapid rate of increase even by world standards. The inflow of population to Ireland during this decade was a consequence of rapid economic growth. It does not seem that this spurt of population growth contributed in any lasting way to increasing the long-run economic performance of the country."

It is, however, fair to say that the emigration option has allowed Irish people to avoid the harsh discipline that has laid the foundations of prosperity in some countries with few natural resources and high population density. In this sense, emigration has offered a "soft" option, both for those who leave and those who remained behind. However, we should be slow to criticise people for accepting a soft option, when it is available!

"For a discussion of the view that rapid population is a cause of economic progress see my review of Julian Simon, The Economics of Population Growth, forthcoming in Regional Studies, Vol. 22 (1988).

"The most immediate impact of the fluctuations in the rate of population growth is on the age structure of the population. As a consequence of the spurt of growth during the 1970s, the country now has an abnormal concentration of population in the cohort that was aged 15-24 during the 1970s. There have been no studies of the relative earnings and unemployment rates of this cohort.

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</tr>
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<td>1980</td>
<td>235</td>
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VI. SOME SPECIFIC POLICY ISSUES

Of more immediate policy relevance than these large issues are questions such as how we should adapt our educational system and its financing to take account of the prospect that many of its graduates will emigrate. There are two important issues here. First, our educational system should prepare those who are likely to leave the country to take advantage of the opportunities that will be available to them in their new environment. Despite all the criticisms that are levelled at it, I believe that the Irish educational system performs this task quite well. In fact it could be criticised, in the past at least, for being too "export oriented" in the sense that tended to concentrate on preparing students for the types of jobs that were more abroad than at home. There is, however, a minority of people who leave the system without being adequately prepared for the harsh realities of the labour market at home or abroad. Effective measures are required to minimise the numbers in this vulnerable category. In the light of the high rate of unemployment experienced in Ireland by those who leave the educational system without any formal qualifications, this recommendation would be relevant even if there were no emigration from the country.

A high rate of emigration raises important issues at the other end of the educational spectrum due to the current evidence that emigration rates are very high among many professional and other graduates. A very large subsidy is provided by taxpayers to
these graduates, whose lifetime earnings usually far exceed those of the average Irish taxpayer. The equity of subsidies of this type is being increasingly questioned in other countries, where emigration of graduates is not a serious issue. There is all the more reason for questioning it in a country such as Ireland where the prospect is that high rates of emigration among graduates will persist over the medium term future. It makes little sense for a relatively poor country to levy taxes on the population in general to finance the education of a relatively privileged group of students in professional courses if they are likely to emigrate to greener pastures when they graduate.

VII. CONCLUSION

In the course of these brief remarks I hope I have provided some background information on the nature of the emigration problem and a framework within which the economic issues it raises can be analysed. The importance of emigration to Ireland in the past can hardly be overstated. It looks as if it will continue to play a major role in our lives into the twenty-first century. It is obvious that we should pursue the economic policies that will help to reduce this outflow of population. We should examine critically those aspects of our educational policy that are difficult to justify in the light of our endemic pattern of emigration. Our aim should be to take advantage of the unique opportunities offered to us by the possibility of large scale emigration to a wide range of destinations, while at the same time
minimising the damage caused to the long-run development of this country and its people by the outflow of population from the country. In the longer run, let us hope that a combination of decreasing demographic pressure and improved economic performance will render the emigration option redundant.
Chart 1

ANNUAL AVERAGE NET EMIGRATION RATE

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Chart 3
EMPLOYMENT IN IRELAND AND BRITAIN

Index (1980=100)

Year


IRELAND

BRITAIN
Centre for Economic Research
University College Dublin

Working Papers


Policy Papers

