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The jobs and effects of migrant workers in Italy - Three essays

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Foreword

The following studies were elaborated under the auspices of the ILO's Migration for Employment Programme at the request of the Spanish Ministry of Social Affairs. They were originally presented at the *Universidad Internacional Menéndez y Pelayo*, Santander, July 1995, on the occasion of the Seminar on "Immigration, employment and social integration", which was co-directed by the Ministry of Social Affairs and the ILO. The papers themselves were slightly revised in the light of the discussions.

The studies had the purpose of reviewing the scientific discussion in Italy concerning the labour market, social and economic impact of the employment of non-national workers. They were to focus on workers who are employed with limited-time contracts and on the much larger number of foreigners who enter illegally or who enter legally as tourists or students and then search for employment even though they are not authorized to work in Italy. In effect, they bring together a great deal of dispersed information in condensed form.

L. Frey and R. Livraghi explore several hypotheses on the causes of job refusals by Italians and butress their presentation with a range of data, including hitherto unexploited data collected by the Bank of Italy at the beginning of the 1990s.

A. Venturini focuses on the related question whether competition or complementarity prevails between Italian workers, on the one hand, and legally or illegally employed foreigners on the other. In the absence of data that go to the heart of the matter, she sifts through a variety of empirical inforamtion and arrives at clear but cautious conclusions.

A. Righi and L. Tronti look at the broader question of the impact of migrant workers on wages, employment, income, growth and public goods, drawing on the most advanced European and American research for inspiration as well as on different scenarios about future numbers of migrants in Italy.

In toto, these three studies provide a "state of the art" introduction to the key - and most controversial - economic and social questions surrounding foreign labour in this recent country of immigration. Whereas some of the impacts are still relatively easy to identify because massive family reunification has not yet blurred the picture, others are more difficult to exemplify because the very recency of the phenomenon has not yet given rise to a body of data of sufficient depth and spread.

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A. JOBS REFUSED BY NATIONALS, WITH SPECIAL REFERENCE TO ITALY

by

L. Frey and R. Livraghi

1. Introduction

Analysis of the potential migration from Central and Eastern Europe to western European labour markets laid bare the effects which contradictions in the Italian labour market have (see Frey, 1991). These find expression in the coexistence of a labour supply unable to satisfy the demand for it in given labour markets, on the one hand, with an excess of labour supply potentially available in those same markets, on the other. These contradictions may be traced to labour demand and supply variables. They may ultimately produce effects of considerable importance on the factors determining immigration in the countries affected by these contradictions.

In this report we discuss how far:

a) the contradictions referred to can be briefly identified and defined. To that end we make use of the concept of *relative labour shortages* in certain sectors or in groups of workers by occupation;

b) these contradictions depend on attitudes of present and/or potential workers residing in given areas;

c) these attitudes comprise a refusal to take available jobs;

d) rejection of some jobs is evinced even by those continually on the lookout for work;

e) there may be implications for economic and social policies.

Though bearing fully in mind suggestions taken from the vast amount of literature at present available on the experience gained in many industrialized countries, attention will here be concentrated on that acquired in Italy.

2. The concept of relative labour shortages

The concept of relative labour shortages in given sectors or occupations is usually defined as *shortages that exist even though there would appear to be a quantitatively sufficient supply of economically active nationals*.

This definition relates to a given domestic economic system, presumably comprising a variety of labour markets, differentiated on the labour demand side by sector and occupation and in which the stock of labour supply available at system level, while considerable in quantity, may not, from the standpoint of quality, fit the needs of employers in each market.

If we express this definition in quantitative terms, use could be made of analyses on what are known as "mismatches" in labour markets. A mismatch, which has attracted the attention of economists concerned with explaining unemployment (see Padoa Schioppa, 1991) is defined

as supply being unable to match the demand in a certain type of work to such an extent that unemployment and vacancies occur simultaneously (see Layard, Nickell and Jackman, 1991). Empirical use of the concept of mismatch presumes that jobs and workers can be differentiated according to certain characteristics, particularly skills and geographical location. Geographical mismatches occur where there is a limited amount of mobility among workers.

In the case of migration movements, the skill mismatch assumes special importance since it is found where certain jobs cannot be taken by people lacking specific skill, where workers are unable to acquire fresh ability in a short time or where workers are reluctant to take jobs needing some skill which they do not possess. To identify and measure a skill mismatch is no easy matter. Specific "micromarkets" would have to be singled out where work may be considered homogeneous from the aspects of skills required by employers and where workers of a given capacity seek work. Neither is it easy to relate workers available to a certain job since each one may be able to do different tasks and therefore look for work in a variety of micromarkets.

But the concept of relative shortage of labour goes beyond this. In the first place it relates to the occupation rather than to the skill, and it may be said that elements of job mismatch tie up with others of regional mismatch. The definition given at the beginning refers to coexistence in certain occupations of labour shortages with a quantitatively sufficient economically active population. Workers can only be referred to a given occupation if located in a given area, with potential availability to cover several jobs. In a given region, there may be a labour shortage in certain occupations together with an excess of supply for all the occupations that can be located in the region. This leads to a concept of relative labour shortages.

So we have, at the regional level, vacancies alongside unemployment which can be measured at that level in terms of vacancies and unemployment. This is a coexistence which may be considered as temporary if it is assumed that the potentially active but unemployed population is willing to acquire the level of qualification needed to cover the vacancies and/or if migration movements are noted that make up for labour shortages in specific occupations; in this second case, however, unemployment may not diminish at all and may even increase.

3. Hypotheses on the causes of relative shortages

To explain the existence of relative labour shortages we must first of all assume that there is a differentiation among labour markets by occupation and by region. This differentiation might, in the first instance, be attributed to imperfections in the labour markets that hinder mobility (making it difficult and costly) or in any case appreciably interfere with the operation of market mechanisms as already widely believed by pre-Keynesian economists (see Casson, 1983), or else it might be attributed, still following neoclassical thought, to qualitative differences that make the work heterogeneous. An up-to-date explanation of these differences could refer to theoretical assumptions on human capital (see Rosen, 1989) which, from the employers' point of view, make qualitative differences among workers depend on the level of their education and experience.

If we assume that relative labour shortages concern most or even all types of labour markets under review, it becomes necessary to make a clean break with traditional neoclassical ideas of general economic equilibrium. One way forward is that of hypotheses which explain the coexistence of vacancies and unemployment by resorting to the so-called *Beveridge curves*. These are explored in a neo-Keynesian perspective (see Hansen, 1993; Blanchard and Diamond, 1989; Drèze and

Bean, 1990) which has introduced the family of Beveridge curves with reference to the differing incidence of structural factors that appear to hinder operation of the labour markets, or in a perspective of adjusted neoclassical theory (see Jackman, Layard and Pissarides, 1989). However, even if this line is both interesting and useful for analysing how immigration by foreign workers can affect the *Beveridge curves* (see Hansen, 1993), apart from the difficulties of applying these concepts to countries such as Italy (see Sestito, 1988), doubts may arise as to how these hypotheses can explain the existence and possible changes in relative shortages of labour. Taken as a whole, explanations of coexistence of vacancies and unemployment in fact assume that both are heterogeneous because of exogenous factors and that both the employers and the workers are involved in search processes for an employment contract profitable to both sides, where variables such as wages, prices and productivity would play an important part. These variables seem of some significance in explaining important changes in the geographical mobility of workers in Germany and France (see Franz, 1991; Attanasio and Padoa Schioppa, 1991). Empirical checks on the *Beveridge curves* and on factors which may have affected the duration and entry flows into vacancies and unemployment in the United States and in Germany (see Schettkat, 1992), seem to show that changes in the *Beveridge curves* may be attributable generically to exogenous structural factors.

Another non-neoclassical line that more openly considers the decisive (structural) factors of the heterogeneous nature of jobs and workers, is found in the set of theories on *segmentation of labour markets*. Theories close to a neoclassical perspective distinguish two labour markets within an economic system: a primary market with, among other things, high wage and productivity levels, and a secondary market with lower levels of wages and productivity. Economic growth and the consequent improvement of living conditions appear to concentrate supply and demand of labour in the first sector and incur a shortage of labour in the second, where wage (and price) structures remain off-balance compared with the conditions of equilibrium proposed by the supply side of the labour market. An assumption of this kind has been used, for example, by V. Lutz for analysing migration movements in Italy (see Lutz, 1962) and for explaining the immigration of workers at low wages and productivity in Switzerland (see Lutz, 1963). This simple, excessively neoclassical distinction between primary and secondary labour markets has met with criticism which may be shared (see, for example, Böhning, 1984). A more soundly based analytical and empirical distinction, which also concerns Italy (see, for example, Fuà, 1976), considers the system of production as divided into two sectors: a primary oligopolistic core with a high ratio of capital per employed person, a high level of trade union representation, high profitability, high productivity and high wages; and a secondary sector including small firms in competition with each other, low trade union representation, low productivity and low wage levels.

This distinction, however, is too simplistic and of little use for an analysis of workers' behaviour. In the light of the complexity of migration problems in Italy, more convincing appear the explanations of segmentation of the labour market (see Taubman and Wachter, 1986) in support of hypotheses concerning the *internal labour market* (see Doeringer and Piore, 1971; Piore, 1979). These take into account the important part played by institutional factors in relation to labour markets. Recent explanations of immigration in Italy (see Bruni, 1994) started out from a three tier labour market that distinguishes an internal primary market within firms (work of a professional nature where employment is stable) from the secondary internal market (generically professional with little chance of promotion and uncertainty of continued employment) and from the secondary external market outside the system of firms. Expressed in terms of wages and other conditions which tend to attract and hold labour that possesses skills from the standpoint of production and market strategies, it appears that the existence of a primary labour market in certain companies is determined by their strategies, while technology, organization and the demand for products is

decisive for a separation of this primary market from firms operating in the secondary market (firms little interested in innovation, organized mainly on the Ford model, producing for markets that deal in products not very subject to change) and from the secondary market outside this system (characterized by activities which to a great extent fall within the so-called underground economy, with a low level of technology and efficiency, limited access to product markets and offering unfavourable working conditions). Technology and organization, and the changes within them, can greatly influence jobs available in technologically advanced labour markets (see Castells and Aoyama, 1994). In particular these factors can help to explain the creation of labour shortages of highly skilled workers, especially in the primary markets, producing relative labour shortages at least at the level of domestic economic systems and attracting immigrants who possess the requisite qualifications away from other systems (see Salt and Findlay, 1989; Todisco, 1993).

Dickens and Lang (1992) have recently stated that theories of labour market segmentation have two crucial elements in common:

> "the labour market can be usefully thought of as being made up of several distinct segments with different rules for wage determination and employment policies", and
>
> "access to jobs in at least some sectors at the same time is limited in the sense that more people want jobs than there are jobs offered ... Thus there may be queuing for these jobs either in the form of unemployment or job queues among employed workers, or both".

Therefore, segmentation theories would not appear to offer a useful basis for the explanation of labour shortages and, most of all, of relative labour shortages. It must be noted, however, that although labour market segmentation theories - which emphasize the role of technological and socio-institutional factors in determining production structures - are essentially labour-demand oriented, consideration is also given to the effect that the socio-institutional factors may have on the behaviour of employers. This supports hypotheses on the incidence of *social status* on groups of workers - particularly on immigrants - already formulated in the past by Piore for example (Piore, 1979), and lately taken up and developed by various authors (Simon, 1989; Borjas, 1990; Abowd and Freeman, 1991). Amongst other things, these hypotheses assume that there are groups of workers, especially immigrants, who (because of their social status and more generally because of social and institutional factors) are willing to accept the conditions of work offered by secondary labour markets to a degree that makes possible the existence, permanence or even development of these markets. Hypotheses such as these can help to explain how and why there can be a sufficient supply of workers to cover the jobs available in the secondary labour markets, but they cannot explain labour shortages and, particularly, the coexistence of unemployment and vacancies in the markets, namely relative labour shortages.

According to neoclassical theory, accepting a job depends (at least within certain limits and expressing due caution) on the wage. Some improvements to dynamic theories on the labour market made in the last quarter of a century, based on imperfect market conditions and on adoption of probabilities, have introduced the concept of the *reservation wage* below which the worker would not agree to take a job even if unemployed (see Frey, 1990). According to these hypotheses the labour shortage in a certain market is caused either in general terms by a wage being too low compared with the income desired and the exchange of free time or, instead, by the wage being so low as to destroy any incentive to accepting it.

Fresh hypotheses on behaviour of workers unwilling to work in secondary markets will be needed in order to make progress in this field.

4. Hypotheses on the behaviour of workers and the refusal to take jobs in given markets

Developments in labour economics and in the other social disciplines that help to explain and suggest hypotheses of solutions to labour problems have shown that workers' choices are made through complex decision processes. Developments in labour economics (see Pencavel, 1986; Killingsworth and Heckman, 1986; Leoni, 1987) have clearly brought out that *decisions on labour supply tend to involve the family rather than the individual* and depend only to a small extent on the level and variations in the wage rate. Developments of family economics (see Livraghi, 1986 and 1994) have led to emphasis of the role which various aspects of the living conditions of members of the family, in addition to family income, can have in determining their modes of behaviour. Developments in labour economics (see Frey, 1995), that also take account of teachings from sociology, psychology and labour law, make it clear that the behaviour on the part of workers is determined by conditions of work (monetary as well as non-monetary) of which the present wage rate is only one particular monetary condition and not necessarily the most important one. Taking these developments as our starting point, we can assume that workers' behaviour may lead them to choose (or to refrain from choosing, which amounts to rejection) a job that offers monetary and non-monetary conditions considered to be (un)satisfactory.

If the majority of the workers present in given local markets do not consider the jobs satisfactory, these jobs may be defined as *bad*, others therefore being, by contrast, *good* jobs.

Neoclassical analysis deals very simply with the definition of *bad* jobs: these are the jobs offered at a wage rate such as most of the workers in the labour markets concerned would not accept. The debate on *good* and *bad* jobs which, especially in the US, has been going on for over fifty years (see Ginzberg, 1951) has moved toward a study of much wider and more complex working conditions than just the wage paid per working unit.

It must first of all be noted that the definition of a job has been considered with greater precision by social disciplines that have thoroughly studied problems relating to the organization of work. Jobs appear to be placed in an organizational system with reference to a set of tasks that workers must carry out, receiving in exchange certain monetary and non-monetary rewards. *Bad* jobs imply an overall evaluation of the conditions of work that place them below a certain limit which workers prevalently establish. Of importance among these conditions are prospects of promotion (which will affect the worker's future wage expectations); pensions on retirement (that affect what is called the deferred wage); security and whether or not the job is a steady one; the possibility of gaining knowledge and experience that raise the worker's position in the labour market; risks to health; relations with foremen and with the other workers; the extent to which the work is independent, etc. (see, for example, Luciano, Folli and others, 1989). Research in sociology and social psychology has also taught us that an important condition is the prestige attached to the job. Of decisive importance in evaluating prestige is the social environment in which the work is done, as well as the cultural, historical and institutional circumstances that condition that environment. This research admits that, apart from the aspect of pay, it is no easy matter to measure the "quality" of a job. It is even harder to judge specific "qualities" and to estimate the significance of changes in them from a standpoint of comparing jobs over a period of time.

One way of attempting to overcome these difficulties, at least partially, is to observe specific local labour markets "in the field" and, noting the attitudes and behaviour of workers present, to collect

indicators considered significant for an evaluation of jobs filled or available. If it is found that some jobs are frequently refused or accepted only as a temporary measure by the workers present, it must be assumed that the workers consider these to be *bad* jobs. At this point an attempt may be made to find out from them which job characteristics are considered important for more or less explicitly expressed rejection. If it is found that there are vacancies for certain jobs alongside unemployment and if an inquiry at production units (or at local job centres) shows that the vacancies are not due to workers being inadequately skilled for employers' needs, there are grounds for assuming that such jobs have been refused.

If there is a lack of information on vacancies and/or behaviour by firms, *an indirect ex-post indicator of probable rejection of jobs might be the coexistence, in a given local labour market, of unemployment with immigration from outside the country*, especially where there are relatively low wages, low skills and so on. The possibility of there being good grounds for using this indicator is supported by hypotheses formulated, especially in the '60s and '70s (see Kindleberger, 1967; Tapinos, 1974; Reyneri, 1979). In discussing experiences in various industrialized countries, these authors maintain that economic growth in those countries tended to be accompanied by a lack of labour supply at national level which, because of a general reduction in the labour force and growing preference by the natives for better-paying, satisfying and prestigious jobs, was concentrated in the low-paying, low-skilled, low-status jobs, without any improvement in conditions governing the *bad* jobs where it had been possible to fill them with immigrants who, at least temporarily, were willing to accept existing conditions.

In this light, one feature of *bad* jobs accompanied by immigration is that of being "demanded", namely determined by the short-run demand for labour in the market concerned. This characteristic cannot, however, be considered sufficient for a definition of *bad* jobs. As has clearly appeared from the contradictions mentioned with regard to Italy and also found in other European countries (see OECD, 1991 and 1992; EC Commission, 1991; Salt, Singleton and Hogarth, 1994), relative shortages of labour are in fact also present in the case of a skilled or highly-skilled job, so that it becomes difficult to maintain (according to observation of labour market situations in technologically advanced countries) that these are *bad* jobs refused by the workers present in given labour markets. Therefore, qualitative characteristics must emerge of the job that put it in a less satisfactory position from the standpoint of the prevailing preferences shown by the workers present.

In the recent literature on migration movements (see Abella and Park, 1995; Böhning, 1995) three qualitative characteristics have been defined that begin with the letter D (standing for dirty, dangerous, demanding), the Japanese original of which is 3K (kitanai, kiken, kitsui). Careful consideration of the set of working conditions previously mentioned raises serious doubts that the sole consideration of the 3Ds can be adequate for defining the jobs that attract immigrants because of refusal to take them by the workers present in given local labour markets. The fact that the production processes of services in technologically advanced countries which have occurred in the last thirty years, together with far-reaching technological and organizational changes that have profoundly altered many job characteristics, suggests that we need to make reference to a range of conditions of work that are wider and more flexible than those characterized as 3D.

A possible hypothesis, therefore, is that the behaviour of workers present for some considerable time in given local labour markets (particularly as regards refusal of jobs considered unsatisfactory because of the poor conditions offered) has influenced and continues to influence the relative labour shortages noted in Italy, thereby contributing to flows of immigration. This hypothesis can now be examined in respect of Italy.

5. Refusal of jobs and relative shortages of labour in Italy

Problems over refusal of jobs by young people began to make themselves felt in Italy during the '70s. Research on the labour market in the Lombard Po Valley (see Frey, 1974) had shown that even as early as the '60s many young people living in rural areas were refusing to work in agriculture and were instead seeking jobs in industry located elsewhere. This was due to the non-monetary conditions attached to agricultural work (long hours, working environment) and also because living conditions were considered unsatisfactory both by the young people themselves and by some members of their families. Research on female labour carried out during the '60s and early '70s (see Frey, 1972; Frey, Livraghi, Mottura and Salvati, 1976; Paci, 1973) also brought to light the fact that young women living in towns in Italy were to an increasing extent refusing jobs as domestic servants, because of the hard conditions (hours, having to cope with masters and mistresses, lack of professional prospects, see Turrini, 1977) and because of the low social status implied (that of "servant") which their own social and institutional environments attributed to this work. Refusal to take certain jobs assumed importance as an explanation of labour shortages when unemployment among young people, as revealed by official statistics, began to reach alarming proportions.

Research shows that the refusal of jobs by young people is expressed in two forms. The first consists in *acceptance of any job but in a fortuitous and temporary manner and without personal involvement*, in the belief that the accessible jobs do not entail a working identity, contrary to the conviction formerly held by adults, even those working in industry (see Annunziata and Moscati, 1978). According to some authors (such as Romagnoli, 1984) it is not in this case a question of actual refusal but rather a lack of any feeling for the value of work.

The second form is seen in a *preference by many young people of both sexes - especially those who benefited from better education early in the '60s - for non-manual work and for jobs mainly in services* (see Frey, 1980). Manual work, in addition to generally commanding lower wages than brain work, is believed to offer few chances of self-realization, a condition which surveys on young people (see Table 1) showed as being of considerable importance in the first half of the '80s, especially by those coming from fairly well-off families. Though it is doubtful whether young people are more inclined to reject manual work than their fathers were (see Botta, 1981), their preferences seemed to find expression in a refusal to take jobs with working conditions they believed to be inadequate.

At the beginning of the '90s (see Tables 2, 3, and 4) a survey of about 10,000 workers of all ages carried out by the Bank of Italy's Studies Service brought to light the fact that workers who refused available jobs were mainly young or in their middle ages, with medium or high levels of education and who lived in northern Italy. This survey showed that the workers who refused jobs attached much importance to occupational status, distance of work from home, low wages and job security.

Among the jobs refused by many young people, especially girls, are jobs in *domestic work*. These are of special importance from the standpoint of relative labour shortages in a situation where female labour is the only supply component to exhibit decisive growth. A recent survey (see Table 5) on 717 home helps (over 90 per cent of whom are women) has shown that the presence of Italian girls is fairly low and limited to those possessing a very poor education, while foreign domestic helpers now exceed one third of the total and among them one can find a considerable number with a good level of schooling. This might be considered an indirect indication that willingness to do

domestic work is substantially limited to Italian girls with very little education and for whom, in any case, there would be no chance of better employment.

Such girls could be considered as a *marginal segment* of the young female labour supply. Others in this category would ignore such work and aim for jobs at different conditions offering a better social status. As mentioned earlier, debates on the distinction between *good* and *bad* jobs would consider those available for this marginal segment as *bad* jobs (see Valori, 1989). Further marginal segments of labour supply can be detected not only for young people but also for adults (especially those with a very poor level of education) who are able to find only certain jobs. These include a considerable (and often increasing) proportion of immigrants. In Italy too, therefore, this proportion (or rather its concentration) in specific occupations may be used as an indirect indication of *bad* jobs.

Research on immigration into Italy has first and foremost brought to light *a sectoral concentration of immigrants*. Apart from the high proportion of domestic helpers and some peculiarities associated with marked territorial differences, agricultural labourers and street pedlars are notably over-represented (see Table 6). Research confirms the existence of several "Italies" (see Mottura and Pugliese, 1992). In particular we have to distinguish northern from southern Italy. Another distinction has to be made between town and country.

Table 1. Most important working conditions for a sample of 2,000 Italian young people in Italy, 1984 (per cent)

	Wage	Possibility of self-accomplishment	Other working conditions	No reply
Total	48.1	32.6	16.6	2.7
Males	49.3	30.4	17.5	2.8
Females	47.1	34.7	15.6	2.6
Age				
15-17	48.4	29.8	19.0	2.9
18-20	44.4	35.7	16.8	3.1
21-24	51.2	32.4	14.2	2.4
Area in Italy				
North-West	44.4	38.5	16.2	1.0
North-East	44.0	36.3	19.4	0.3
Centre	43.7	36.9	18.9	0.5
South and Islands	52.9	26.9	15.2	5.0
Socio-economic status				
Low	61.0	17.2	19.3	2.5
Middle-low	52.4	25.0	19.6	3.0
Medium	44.8	35.0	18.4	1.8
Middle-high	46.7	36.4	12.9	4.0

High	34.6	52.5	10.6	2.3

Source: *IARD, 1984.*

In the *North* the situation appears somewhat similar to that of Germany. There is a considerable concentration of immigrants in manufacturing, especially in low-skill occupations and with particularly unfavourable working conditions. The cases of foundry workers, other branches of engineering, plastic materials, some sections of the food industry and of the building trade recall the 3Ds referred to earlier (see Livraghi and Tagliaferri, 1992; Minardi and Cifiello, 1991; Ambrosini, 1992; Borzaga, Cotri and Renzetti, 1993; Bruni, 1994).

In the case of northern Italy, another key feature must be added to the jobs which so many immigrants take, namely *flexibility*. By this is meant both a flexible use of the job according to the organizational needs of a firm (flexible working hours, willingness to do any kind of work etc.) and flexibility in relation to the local labour markets (workers taken on and laid off quickly and easily, temporary nature of the job, facility of regional and occupational mobility etc.). This flexibility appears to be important in defining *bad* jobs, together with the 3Ds, especially insofar as it concerns work of an irregular kind, as is amply proved in a survey made by the Lombardy Regional Research Institute (IRER) on a sample of about 700 immigrants in the provinces of Milano and Brescia (see Table 7).

Table 2. Qualitative characteristics of workers who refused jobs (per cent by qualitative characteristic of the total of workers who refused jobs)

Characteristic	Workers who refused the last available job	Occupational status of workers who refused the last available job			
		Employed workers who are looking for a new job	Not employed workers who are looking for a job	Employed workers who are not looking for a job	Not employed workers who are not looking for a job
Sex					
males	66.5	58.2	49.4	71.2	64.3
females	33.5	41.8	50.6	28.8	35.7
Age					
up to 30 years	40.4	49.1	74.7	32.1	50.0
from 31 to 40 years	32.0	27.3	17.7	35.6	28.6
from 41 to 50 years	18.6	20.0	6.3	21.6	-
from 51 to 65 years	8.6	3.6	1.3	10.5	14.3
over 65 years	0.4	-	-	0.3	7.1
Educational level					
no school	0.5	-	2.5	0.3	-
elementary school	10.2	10.9	7.6	10.5	14.3
lower secondary school	30.0	32.7	31.6	29.3	28.6
upper secondary school	43.3	29.1	48.1	44.1	50.0
university degree	14.8	27.3	8.9	14.3	7.1
post-graduate degree	1.1	-	1.3	1.3	-
Geographical area					
North	56.9	58.2	30.4	61.9	57.1
Centre	18.8	12.7	22.8	18.5	28.6
South	24.3	29.1	46.8	19.5	14.3

Our processing of Bank of Italy's data (Banca d'Italia, 1993)

In the *larger cities* of central and northern Italy concentrations of immigrants are found not only in domestic service but also in other low-tech services, especially in restaurants and cleaning where the work is mainly precarious and temporary (see Pugliese, 1990). In the main city areas of northern, central and southern Italy a considerable number of immigrants (mainly engaged in unregistered and apparently independent activity) are employed in temporary and precarious work in street selling. These are definitely *marginal* workers. Their numbers are second only to those in domestic work (see Table 6). The latter's jobs cannot be considered *bad* compared with conditions prevailing in other jobs, even if their position is anomalous with respect to that in the hypothesis framed in economic analysis that seeks to explain immigration within the sphere of the informal economy (see Dell'Aringa and Neri, 1987; Venturini, 1990).

Table 3. Ratio between workers who refused jobs and the total of workers classified by specified qualitative characteristics (per cent)

Qualitative characteristics of workers	Workers who refused the last available job	Occupational status of workers who refused the last available job			
		Employed workers who are looking for a new job	Not employed workers who are looking for a job	Employed workers who are not looking for a job	Not employed workers who are not looking for a job
Sex					
males	5.57	13.11	4.84	5.30	6.92
females	4.76	13.37	4.96	4.14	5.49
Age					
up to 30 years	6.28	12.74	4.73	6.45	9.59
from 31 to 40 years	6.77	12.93	6.34	6.23	12.50
from 41 to 50 years	4.13	17.74	5.1	3.78	-
from 51 to 65 years	2.71	8.0	2.22	2.66	2.47
over 65 years	2.60	-	-	1.39	25.0
Educational level					
no school	2.07	-	7.14	0.94	-
elementary school	2.97	9.09	2.88	2.72	3.03
lower secondary school	4.56	12.77	3.69	4.31	6.45
upper secondary school	13.69	10.52	6.30	6.16	8.97
university degree	7.79	30.0	7.69	6.52	10.0
post-graduate degree	23.08	-	25.0	23.81	-
Geographical area					
North	7.19	18.39	6.18	6.77	7.02
Centre	5.07	11.47	8.26	4.32	10.0
South	3.31	8.84	3.68	2.82	2.98

Our processing of Bank of Italy's data (Banca d'Italia, 1993)

The classification of jobs taken by immigrants as *bad* is perfectly correct in relation to what is generally found in *southern Italy*. Surveys carried out in the South, particularly in Campania and Naples (see Calvanese and Pugliese, 1991; Rebeggiani, 1989) have shown how immigrants become part of a tradition of *underground work* (precarious, temporary, lacking any of the protection given by regulations and contracts) in the footwear, clothing, leather tanning and building trades, in commerce and in agriculture. It has also been noted that "where there is a habitual demand for underground labour, an ability to mobilize the greatest possible supply is of particular importance" (Mottura and Pugliese, 1992, p. 111).

Although *underground* work is also fairly rife in the North and Centre of the country, in the South its presence - and most of all the characteristically *bad* job conditions associated with it - may well be favoured by the existence of a high labour potential in unregistered

Table 4. Reasons why workers refused available jobs in Italy in 1991 (per cent of specified reason)

Reason for the refusal	Workers who refused the last available job	Occupational status of workers who refused the last ava			
		Employed workers who are looking for a new job	Not employed workers who are looking for a job	Employed workers who are not looking for a job	Not employed workers who are not looking for a job
First reason					
inappropriate occupational level occupational	20.2	27.3	23.7	18.9	7.1
unacceptable working time	9.9	7.3	10.5	10.2	7.1
job far away from home	16.3	18.2	19.7	15.5	14.3
inappropriate career prospects	7.6	5.5	2.6	9.2	-
low wage	10.3	12.7	17.1	8.4	14.3
precarious or discontinuous job	8.6	9.1	7.9	8.9	-
dangerous or unsafe job	1.5	1.8	6.6	0.5	-
too laborious job	2.3	1.8	2.6	2.1	7.1
undesired sector (private)	3.8	1.8	-	5.0	-
undesired sector (public administration)	3.4	-	1.3	4.5	-
other factors	16.2	14.5	7.9	16.8	50.0
Second reason					
inappropriate occupational level	-	-	-	-	-
unacceptable working time	6.5	-	-	10.1	-
job far away from home	17.0	14.3	9.1	20.2	-
inappropriate career prospects	16.3	33.9	12.1	14.1	-
low wage	21.6	23.8	30.3	18.2	-
precarious or discontinuous job	11.8	14.3	12.1	11.1	-
dangerous or unsafe job	4.6	4.8	3.0	5.1	-
too laborious job	5.9	4.8	12.1	4.0	-
undesired sector (private)	10.5	4.8	21.2	8.1	-
undesired sector (public administration)	3.3	-	-	5.1	-
other factors	2.6	-	-	4.0	-
Third reason					
inappropriate occupational level	-	-	-	-	-
unacceptable working time	-	-	-	-	-
job far away from home	7.0	-	-	12.5	-
inappropriate career prospects	2.3	-	-	4.2	-
low wage	23.3	33.3	7.7	29.2	-
precarious or discontinuous job	23.3	16.7	38.5	16.7	-
dangerous or unsafe job	2.3	-	7.7	-	-
too laborious job	14.0	16.7	15.4	12.5	-
undesired sector (private)	23.3	33.3	23.1	20.8	-
undesired sector (public administration)	4.7	-	7.7	4.2	-
other factors	-	-	-	-	-

Our processing of Bank of Italy's data (Banca d'Italia, 1993)

Table 5. Servants in Italy by sex, age and educational level, 1991/93 (per cent)

	Male	Female	Total		
			Italian	Foreign	Total
Total	7.3 66.0	92.7 34.0		100.0	
Age					
up to 18 years	1.9	2.4	2.7	1.6	2.4
from 19 to 25 years	19.2	14.4	12.9	18.4	14.8
from 26 to 30 years	23.1	18.6	11.6	33.2	19.0
from 31 to 40 years	30.8	21.4	19.7	26.6	22.0
from 41 to 50 years	9.6	20.9	24.1	12.3	20.1
from 51 to 60 years	11.5	16.7	21.8	5.7	16.3
over 60 years	3.8	4.5	6.1	1.2	4.5
No reply- 1.1 1.1 0.8 1.0					
Educational level					
without elementary education			6.1	3.3	5.2
elementary school level			44.2	13.5	33.8
lower secondary school			33.4	25.0	30.5
training qualification			5.5	10.7	7.3
high school attendance			3.4	14.3	7.1
high school degree			6.1	20.5	11.0
attendance at university			0.6	4.9	2.1
university degree			0.4	5.3	2.1
foreign degree			-	2.0	0.7
no reply			0.2	0.4	0.3

Source: *Alemanni and Fasoli,1994*. Sample of 717 people interviewed by Acli-Colf/Iref.

Table 6. Main occupations of employed immigrants in Italy interviewed by CENSIS, 1990 (per cent)

Farm labourer	10.4
Pedlar	15.9
Craftsman	5.1
Workman in manufacturing industry	8.6
Workman in building industry	4.9
Workman in mining industry	-
Workman in hotels and restaurant	14.0
Workman in other services (caretaker, cleaner, transporter, etc.)	9.4
Servant	25.4
Fisherman	0.3
Clerk	2.8

Other occupations	3.2
Total	100.0

Source: *Censis, 1991.*

Table 7. Occupational status of immigrants in the provinces of Milano and Brescia, 1990/91 (per cent)

Occupational status	Milano	Brescia
Unemployed	22.7	18.8
Housewife	1.2	0.5
Irregular and precarious employment	16.0	5.9
Irregular and stable employment	8.8	7.9
Student	11.2	16.9
Regular employment at fixed time	7.6	9.9
Regular part-time employment	9.8	9.9
Regular and stable employee	19.7	26.7
Independent and professional worker	2.8	3.5

Source: *Ambrosini, 1992*. IRER survey.

employment. In particular the relatively large rural areas have made the South more exposed to *underground* work or, in any case, to *marginal* work in agriculture.

In considering the presence of non-European Union immigrants in Italian agriculture, the fact that there is so much *underground* work or at any rate so many occasional, temporary or seasonal jobs, makes it difficult to arrive at a quantitative estimation of their presence. Mottura (1992) has made such an attempt in rural areas in different parts of Italy where the agricultural structure differs and where there is a varying amount of this work done locally. A general classification by occupation leads us to place most of these immigrants among the agricultural labourers. Mottura's more analytical classification identifies the following:

a) workers permanently employed at farms and especially on intensive agriculture in both the North and the South where cultivation is under glass or highly noxious plastic and where, though wages are fairly good, the working conditions are judged as decidedly discouraging by the resident workers;

b) workers employed at more than one farm in a given local labour market (especially in the North) doing various unskilled jobs that in the main are refused by resident workers, such as jobs with cattle or pigs;

c) seasonal workers employed (especially in the South) on harvesting crops of vegetables, olives and grapes, paid on a piece-work basis (a low rate) to the point where they refer to it as "a sub-wage of a sub-wage" (Pugliese, 1990, pp. 83-84) and, in spite of this, in conflict (though decreasingly so) with resident workers;

d) rural "jacks of all trades" who move from building or seasonal processing of agricultural products or services of various kinds to work such as watering crops, cleaning out ditches, spreading manure, etc., i.e. work that is rejected by resident workers;

e) temporary workers in agriculture, of the kind done by seasonal workers or "jacks of all trades" but doing so while awaiting jobs in other lines of activity;

f) occasional workers, these were once Italian students wishing to earn something during harvesting time but they are today almost entirely replaced (even in the South) by foreign students and commuters.

It is therefore fairly clear that immigrants into Italy, especially in the South, are mainly engaged in *bad* jobs. But to find out how far the existence of *bad* jobs has discouraged workers present in local labour markets to the point where relative labour shortages are created in such a way as to boost immigration, from the labour demand side, *the existence of these shortages must be demonstrated*.

In some parts of northern Italy the manufacturers' associations (for example, Assolombarda, 1994) have for several years been making surveys on labour demand as it has been in the recent past and as it is expected in the immediate future, by groups of professions. In this way possible labour shortages in specific occupations can be detected and some guide given to vocational training. In recent years these surveys have shown the existence of shortages of technicians in production, sales and maintenance, but they have not indicated any great demand for unskilled or low-skilled labour.

A survey lately conducted by experts in the province of Bologna (see Bruni, 1994) has brought to light a more complex situation. It seems that numerous firms (see Table 8) have been seeking workers; many have tried to find specialized but also unskilled workers, and a fair number have been unable to get the workers they wanted (particularly the specialized workers, though also the unskilled). More than half of these firms were able to recruit immigrants from outside the European Union, about half as utility workers and the rest for work of any kind. The reasons that drove them to recruit these workers included clear indications of a lack of labour supply, followed by willingness on the part of immigrants to accept conditions rejected by the resident workers.

Passing from general to *relative shortages* we need, however, to identify coexistence of a lack of labour supply with an excess of local labour supply, particularly concerning the occupational groups so indicated. We can see from the 1990 Labour Force Survey (see Table 9) that all regions suffer unemployment to a considerable extent including unemployment among young people between 14 and 29 years of age, above all those holding medium-level and relatively high-level education certificates. Insofar as these data indicate labour shortages for jobs that require, in addition to other things, education of medium to high levels, one can justifiably put forward the hypothesis that considerable relative shortages exist in regions which include the areas experiencing labour shortages for jobs of fairly high quality. With due caution this hypothesis may be extended to cover most of the country, also with reference to labour markets for jobs of relatively low quality, insofar as one can assume (see Calza Bini, 1992, for a synthetic collection of different points of view) that young Italians holding diplomas and degrees have little desire to take jobs that involve conditions they consider unsatisfactory, unless merely as a stop-gap and in areas where unemployment is particularly severe.

Campania and Sicily stand out among the regions of Italy where there is a particularly high extent of revealed unemployment among young people of low educational level and large numbers of both registered and unregistered immigrants (see Table 10). A comparison of

Table 8. Search for personnel by 197 firms in the province of Bologna, 1992 (per cent)

	Searching	Not searching	Total
Total	66.0	34.0	100.0
Sectors of firms' activities			
Mining and chemical industries	88.3	11.7	100.0
Metal/mechanical industries	76.1	23.9	100.0
Other manufacturing industries	51.1	48.9	100.0
Building industry	76.7	23.3	100.0
Hotels, restaurants etc.	63.6	36.4	100.0
Transport	67.5	32.5	100.0
Clearing and personal services	56.2	43.8	100.0
Firms of all sectors			
Searching managers	4.4	95.6	100.0
(hiring managers)	(3.3)	-	(3.3)
Searching clerks	22.4	77.6	100.0
(hiring clerks)	(19.2)	-	(19.2)
Searching qualified workers	54.9	45.1	100.0
(hiring qualified workers)	(35.9)	-	(35.9)
Searching unqualified workers	62.9	37.1	100.0
(hiring unqualified workers)	(52.3)	-	(52.3)

Source: *Bruni, 1994*.

figures on immigration with those on unemployment where the level of education is very low (the low-to-intermediate level in the case of young people) confirms what has already been emphasized concerning Campania and the of presence of immigrants in agriculture in the southern regions. For that region good grounds exist for framing a hypothesis of relative shortages for jobs available for workers with a comparatively low level of schooling and qualifications, to some extent refused by resident workers - because of the conditions of work that accompany them - in the local labour market, but accepted by immigrants even if the immigrants' educational level is not low.

Table 9. Unemployment in Italy by region, sex, age and educational level, 1990
(in thousands)

Region	Males and Females				Females				Youth, both sexes 14-29 years			
	(a)	(b)	(c)	Total	(a)	(b)	(c)	Total	(a)	(b)	(c)	Total
Piemonte	24	65	42	131	16	47	27	90	6	48	35	88
Valle d'Aoste	-	1	-	2	-	1	-	1	-	1	-	1
Lombardia	30	79	49	159	17	52	34	103	7	59	38	104
Trentino Alto Adige	2	7	3	12	1	5	2	8	-	5	3	8
Veneto	17	45	30	92	10	29	21	60	2	32	24	58
Friuli Venezia Giulia	5	16	11	33	3	11	7	21	1	12	9	21
Liguria	8	32	24	64	5	17	16	38	2	25	19	46
Emilia Romagna	17	35	31	83	11	22	22	54	3	23	24	49
Toscana	24	56	46	126	16	36	33	84	4	41	35	80
Umbria	4	12	14	31	2	8	9	19	-	8	11	20
Marche	7	15	20	42	4	10	13	28	1	10	16	27
Lazio	30	109	123	262	14	58	79	151	11	83	96	190
Abruzzo	7	20	27	54	3	12	19	34	2	15	21	38
Molise	3	8	7	19	1	5	5	11	1	6	5	13
Campania	87	198	177	462	39	95	103	237	47	154	145	347
Puglia	49	101	89	240	25	44	57	126	17	81	75	173
Basilicata	11	19	19	49	6	11	13	30	2	15	16	33
Calabria	41	79	83	203	20	41	46	107	12	64	64	140
Sicilia	94	177	158	429	42	97	102	241	34	135	119	288
Sardegna	28	67	35	129	12	38	26	76	11	52	29	91
Total	489	1,141	991	2,621	248	638	633	1,519	163	869	785	1,816

(a) Elementary level of education or less

(b) Low-to-intermediate level of education

(c) High school and university level

Source: *ISTAT, 1993*.

Table 10. Immigration from non-EU countries into southern regions of Italy, 1991

Regions	Registered immigrants (a)	Irregular immigrants			Regular and irregular immigrants, 1991
		ISTAT estimate 1989	Regularized immigrants at 30/6/91	New estimate 1991	
Abruzzo	9 676	4 000	2 600	1 400	11 100
Molise	1 295	1 000	300	700	2 000
Campania	45 221	49 000	11 900	37 100	82 300
Puglia	23 628	22 000	5 800	16 200	40 000
Basilicata	1 748	1 000	900	100	1 850
Calabria	8 533	9 000	4 000	5 000	13 500
Sicilia	59 494	101 000	31 000	70 000	129 500
Sardegna	7 243	8 000	4 500	3 500	10 750
South of Italy	156 841	195 000	61 000	134 000	29 100
South as % of Italy	21.0	33.6	27.6	37.3	26.2
North-Centre	590 469	385 000	160 000	225 000	815 500
Italy	747 310	580 000	221 000	359 000	1 106 500

(a) Ministry of Internal Affairs, end of 1991.
Source: *SVIMEZ*, 1992.

6. Conclusions

The fact that the immigrant workers will accept working conditions refused by workers residing in the local labour markets may be considered positive from the economic standpoint, insofar as it provides some way of overcoming labour shortages (that hinder full exploitation of capacities for growth and productivity) and also of limiting structural imbalances in a production system undergoing change. It further constitutes a response to preferences which the immigrant worker expresses (differently from the resident worker) as regards working conditions. Much of the literature has however shown how immigration may cause conflict and inefficiency in labour markets (see, for example, Greenwood and McDowell, 1986; Borjas, 1990; Venturini, 1990 and 1993; Ascoli, 1991; Gesano, 1992; Natale and Strozza, 1993), or that it may have contradictory effects on economic growth and on economic or social questions (see, for example, Sassen, 1988; Simon, 1989; Abowd and Freeman, 1991; Hollifield, 1992; Birindelli and Bonifazi, 1993).

From the point of view of possible conflicts arising among immigrant and resident workers in local labour markets, it must be noted that immigrants do not necessarily take jobs refused by residents and that the ceaseless changes in production structures due to technological and organizational innovation, can alter the characteristics of jobs as well as the behaviour of workers in relation to the various kinds of jobs. With regard to labour markets such as those in Italy, the following matrix

offers a useful basis for understanding the possible areas of conflict between immigrant and resident workers in local markets.

Immigrants	Local workers		
	Unemployed marginal workers	Employed regular wage-earners	Independent regular workers (commerce, craftmanships)
Unemployed workers	Active competition	Passive competition	Open conflict
Employed in regular independent activities	Active competition	Indifference	Indifference
Regular employed wage-earners	Open conflict	Solidarity	Indifference
Irregular workers employed in the underground economy	Hidden conflict	Passive competition	Open conflict

Source: Furcht, 1991.

Apart from a potential (hidden) source of conflict among local marginal workers and unregistered immigrants and the probable competition between unemployed persons in both groups, the greatest cause of conflict may be that between resident unemployed or underemployed and immigrant workers in regular employment, as well as among resident independent workers (in business, small industry, etc.) and the unemployed or unregistered immigrants who may engage in unfair competition as itinerant or occasional traders. Conflicts such as these lead to difficult problems for workers' unions and for devising economic and social policies (see Schmidt, Stilz and Zimmermann, 1994).

These areas of conflict can be widened by changes in the behaviour of immigrants when they have been present in certain labour markets for some time, also bearing in mind that, in view of their relatively high level of schooling (see Gargiulo, 1991), many immigrants in Italy may be only temporarily willing to take jobs refused by resident workers. Changes in immigrant behaviour may equally be favoured by policies of integration intentionally undertaken to limit and reduce discrimination against them at economic and social levels, in pursuit of aims of justice and equity for all persons present in national and local systems (see Cagiano de Azevedo *et al.*, 1994).

Areas of conflict may be widened still further by the effects of technological and social change on the occupational structure of employment and demand for labour, as well as on job systems. Medium-term forecasts drawn up in various OECD member countries suggest that there is a tendency of a rapid increase in demand for professional, technical, administrative and managerial occupations "providing favourable job opportunities for those with post-secondary education and high level skills" (OECD, 1994, p.71). The forecasts also indicate employment growth of "some lower-skilled occupations such as sales assistants" (ibid.). As regards Italy, this may, on the one hand, accentuate contradictions in labour markets, especially if the quality of post-secondary education does not fulfil the needs of professional competence which the labour demand expresses for guiding and implementing technological and organizational changes. On the other hand, it may aggravate conflicts concerning the volume of regular work, for the low-skilled jobs of the kind indicated, between locally resident workers of low to intermediate educational level and immigrants, especially as one may assume that migration pressure would continue, and even increase, in the future (see Bruni and Venturini, 1992).

In the long term, however, jobs are expected to undergo radical changes. Declining job stability in the US and in other countries (see Swinnerton and Wial, 1995) and an increasingly wider use of atypical types of work contracts may meet with further distrust on the part of locally resident workers and therefore give greater room for immigrants. Some (such as Bridges, 1994) go as far as foreseeing a future of the "workplace without jobs" in which far-reaching changes in the organization of production through the "Second Great Job Shift" will entail a greater proportion of independent work relations with shorter hours or, more generally, such flexibility between employees and the production structure as to go beyond the traditional concept of a job, described as "those boxes on the organization chart, with regular duties, hours and salaries", that will lead towards "a field of work to be done".

In this context we may wonder what motivations will inspire choices and what role immigrants in technologically advanced countries may have - a complementary or substitutive one.

In this connection, the Italian experience in integrated systems of small and medium-sized firms at local level, such as for example in parts of north-eastern and central Italy, lately open to immigration from non-European Community countries, may well offer particularly interesting items for thought and analysis.

B. EXTENT OF COMPETITION BETWEEN AND COMPLEMENTARITY AMONG NATIONAL AND THIRD-WORLD MIGRANT WORKERS IN THE LABOUR MARKET: AN EXPLORATION OF THE ITALIAN CASE

by

A. Venturini

1. Introduction[1]

Southern European countries - Italy, Spain, Greece and Portugal - have become, almost unconsciously, in the last ten years countries of immigration. Before, during and after the adoption of new immigration laws[2] and during the implementation of legalizations, political debate has focused on the role played by migrants in the national labour market, i.e. whether it is competitive or complementary to native workers.

The subject is quite complex, but right from the start the debate was characterized by the adoption of radical positions with arguments on either side based more on an impressionistic than a scientific approach. The adherents of the idea that *competition* prevails - also referred to as substitution or displacement - base their argument on three underlying assumptions. First of all, the stock of jobs in the labour market is fixed, which implies that immigrants do not produce any growth; secondly that nationals and foreigners are perfect substitutes; and thirdly that immigrants offer "cost-conscious employers a certain set of skills at a lower price" (see Borjas, 1990). The conclusion, bearing in mind these three unlikely assumptions, is that immigration will decrease the number of jobs available and the wages paid to nationals.

The supporters of the *complementary* view base their argument on the assumption of a complete segmentation of the labour market, without possible negative interactions between the two segments of the labour market.

The present paper opens with a clarifying section containing a definition and possible cases of complementarity and competition. This is followed by empirical tests of the role played by foreigners in the labour market. Then the light is trained on the Italian case in which standard empirical tests cannot be performed due to lack of data and more qualitative and inductive implications are therefore derived. The final section sums up the conclusions reached and examines possible future changes.

2. Defining competition and complementarity

To be of value the definition of the role played by foreigners has to be testable. The one on which there is a general agreement among economists is that if the effect of immigrants on native employment or wages is negative their role is called "competitive or substitutive", if instead the effect is positive their role is called "complementary" (Borjas, 1990). I would call the latter "direct complementarity".

[1] I would like to thanks D. Bonini and L. Tronti for references provided.

[2] The first Italian new immigration law (no. 943) was promulgated in 1986 and revised in 1990 (law no. 39). In Spain the first new immigration law was established in 1985 and revised in 1991. All of them included a legalization procedure. More recently Greece revised its immigration law in 1992 without a legalization procedure.

The argument can be more clearly explained by referring to figures 1, 2 and 3. The traditional demand and supply analysis is used for a specific kind of worker i. A type of segmentation is introduced right from the beginning because analysis of the aggregate labour market is not appropriate in this case. Figures 1a, 2a and 3a show a wage elastic native labour supply (Sni), figures 1b, 2b and 3b a wage rigid labour supply. Labour demand (Di) is indifferent in the choice between native and foreigner given that the two accept the same wage. The real wage is flexible and adjusts the labour market to changes in supply or demand.

Consider **figures 1a and 1b**, where natives (Ni) are employed at wage W°/P, and the labour market equilibrium is at point A on both graphs. Imagine an inflow of migrant workers, Mi, thus increasing the total labour supply (Sni+Mi). If the labour demand does not change, the final equilibrium of the labour market is point B (in 1a and 1b). In this case, immigrants *compete* with natives. If the labour supply is rigid (1b), i.e. if native workers are ready to accept a real wage reduction, this results in a lower wage (W°/P >W1/P) and an increase in total employment (Ei=Ni+Mi).

In case 1a, the natives are sensitive to wage reduction and thus the new equilibrium is reached at a lower wage level but also at a new employment level (E'i=N'i+Mi). This includes the total immigrant inflow (Mi), the segment CB, plus a new lower national employment level (N'i), segment GC. The segment CD, the difference between Ni-N'i, represents the displacement of native workers. The more the native labour supply is wage elastic, the larger the displacement effect will be.

Competition results in a reduction of the welfare of native workers, which is given by the area CGFANiN'i in Fig.1a and FGCA in Fig.1b.

Figure 1A

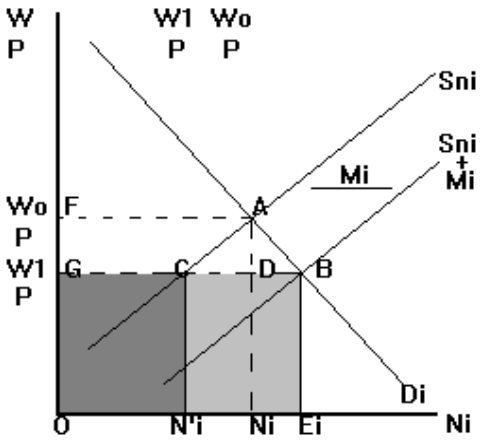


Figure 1B

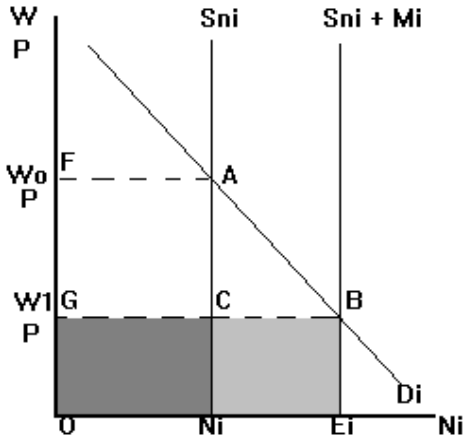


Figure 2A

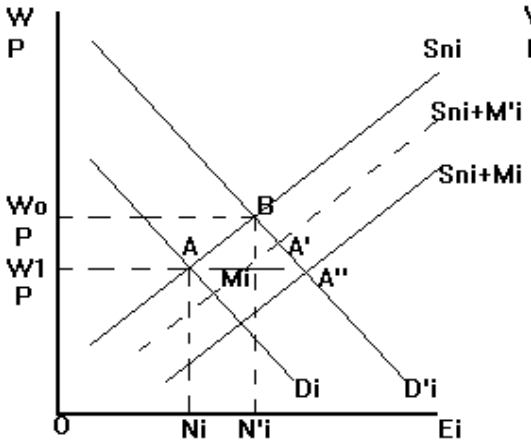


Figure 2B

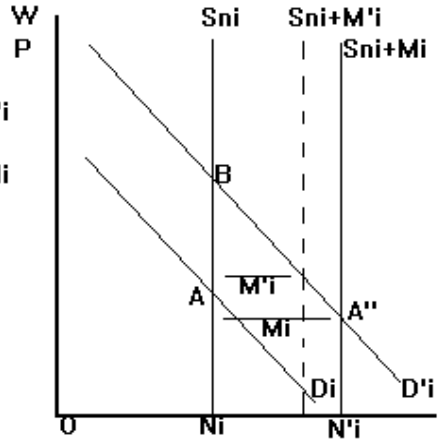


Figure 3A

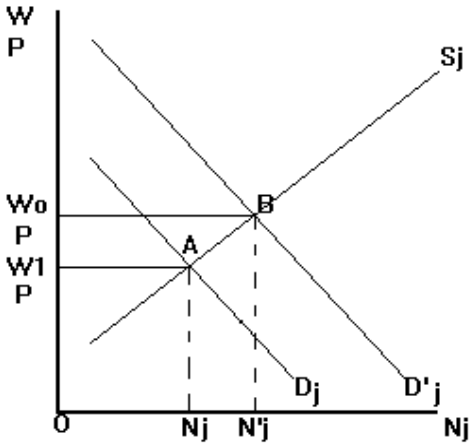
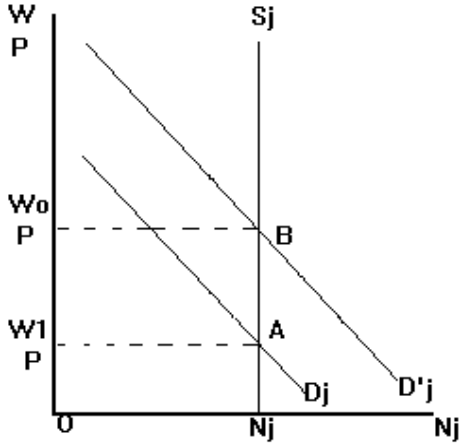


Figure 3B



Figures 2a and 2b depict a different situation because there are simultaneous increases in supply due to immigration and in labour demand. The final new equilibrium therefore moves from A to A' or A" with a wage rate higher than or equal to the previous level W°/P, and total employment (Ei=Ni+Mi) does not cause any reduction among natives. In this case, the increase in demand may be the result of the economic dynamism due to immigration, or it may be the result of an excess demand that in a closed labour market would have brought the economy to equilibrium B, with higher wages for natives and, in case 2a, also higher employment N'i. This process, however, will probably be accompanied by price rises which will reduce the equilibrium real wage increase. The higher costs will probably slow down the growth process.

It is difficult to distinguish the hypothetical sequence of all the relationships owing to the numerous economic interactions. A macro model would be needed. The only possible empirically testable effect on native wages and employment is the final one, which is *complementary*. Without a macro simulation model, it is difficult to study the potential reduction in welfare suffered by natives in the event that immigrants are not allowed to enter. Even then it is problematic to forecast the economic interactions caused by the inflow of immigrants because they can induce additional economic changes.

Figures 3a and 3b represent the simplest scenario. Native workers whose qualifications differ (higher or lower) from those of foreigners will enjoy both a higher wage and increased employment. They are *complementary* to immigrants. The size of the increase in demand for complementary workers is the result of the technology used in production.

Given the low qualification of immigrant inflows to Southern European countries the three cases represented could be broadly compared with three different labour markets: the third case with the labour market for qualified workers; the second with the legal unqualified employment in an expanding sector;[1] and the first with the legal unqualified employment in a recessive labour market or with employment in the underground economy where the lack of rules pushes down the competitive wage.

If, in the relevant labour markets, there are wage rigidities or institutionally set wages, the effect of immigrant inflows will be focused entirely on the employment side and its dimension will depend on the rate of marginal substitution between the two types of labour force.

The only way to obtain a definite answer regarding the role played by migrants in a domestic labour market is to make an empirical analysis using econometric tests.

3. Problems of empirical tests of competition or complementarity

3.1. Standard tests

The empirical test regarding the effect that immigration has on native wages follows the neoclassical paradigm using a production function under the assumption of constant returns to scale and perfect substitution within labour categories and imperfect substitution amongst categories. The tests were mainly performed in the US and a few North European countries.
Some of the results are summed up in Table 1 derived from the OECD study carried out by G. Tapinos and A. de Rugy (SOPEMI, 1993). Other results for European cases are pre-

[1] Which would correspond to the situation in France and the Federal Republic of Germany in the 1960s.

Table 1 about here

presented in Table 2. The results are quite surprisingly uniform. In the US, the competitive effect of immigrants on comparable native workers is very small, but it is stronger on earlier immigrants. In Europe, competition is quite strong between foreigners and nationals possessing the same qualifications.

These results need some explanation. Let us start with the American case. The US labour market is renowned for its flexibility and American workers for their mobility, which is favoured by the low cost of housing. If a local labour market receives a large inflow of immigrants, the native American workers can opt to move away. The fact that "they can vote with their feet" is frequently mentioned. This process creates a local and frequently even an occupational monopoly by foreigners. Thus, the empirical test of the effect of foreigners on the native wages and employment - if this process has already started - is minimal and can only be perceived in terms of the wages of the previous generation of migrants who are locally and professionally concentrated.

This adjustment process is smaller in Europe where the less flexible labour market and the less mobile workforce reduce the native workers' inclination to vote with their feet, above all in periods of recession when job opportunities are lacking.

This may be the reason for the strong negative effect of an increase in foreign employment on the wages of Germans (1 per cent foreigners = -4.1 per cent acording to Zimmermann [1994], -7.1 per cent according to Hatizious [1194]). Such a negative effect was also found by Gang and Rivera-Batiz (1993), who used a different test procedure and data; and by Hund (1992) for the inflow of Algerians into France. The Austrian case also reveals a wage reduction effect, which reinforces the interpretation that during the '80s - and therefore in a recession period - foreigners (a) strongly competed with comparable nationals and (b) their wage-dampening effect was mediated through internal mobility. One would expect the opposite result for the '60s when western Europe enjoyed strong excess demand for labour and the foreigners stimulated economic growth and thereby the wages of nationals.

3.2. Comments on data and assumptions

Let us focus first on the type of data used for the empirical tests and the particular aspects the test can reveal. Three types of data are generally used: census data, special surveys on migrants and natives, or individual panel data which cover both groups. In the case of southern Europe's new immigration countries, the lack of census data with wage information and the absence of appropriate surveys and panel data make it impossible to perform tests. Most of the empirical research is local and focused exclusively on migrants' employment, job search, lodgings etc. Moreover, the migrant phenomena change rapidly, i.e. new nationalities replace the previous ones, who then return or migrate to other states, with the result that local studies are very rapidly out of date.

Table 2. Summary of econometric researches

Source	Data	Function	Categories of Labour	Endogenous		Results
				labour	capital	
Hunt 1992	Census 1962, 1968	Statistical regression analysis	Repatriate from Algeria skilled labour	No	No	Effect of a 1% rise in total number of repatriate from Algeria on non-repatriates is: on wage -1.3% (aggregate) with -5.7% in the province of Var (highest proportion of repatriates), and on unemployment +0.3% (aggregate) to +1.4% in Var.
Gang Rivera-Batiz 1994	Eurobarometer 1988-1992	Translog	Germany: Portuguese (Po), Spaniard (Sp), Spaniard <5 years experience (Sp5) Spaniard <9 years education (Sp9), Turks, Yugoslavs, Italians, Greeks. Belgium: Po, Sp, Sp5, Sp9.	No	No	Effect on German wages very small. Cross-section elasticities: Po on wage of German with only work experience -0.49; Sp5 on wage of a German worker with only education -0.42; Sp9 on wage of a German worker with only experience -0.37. On average, German worker respectively 0.0041, 0.0068, 0.0068. In the Belgian case the value of cross elasticities is always lower.
DeNew Zimmerman n 1994	German Socio-Economic Panel 1984-1991	Logit	Foreign in the panel	No	No	Effect of a 1% rise in labour share on native wage -4.1%, -5.9% on blue collar wage and -3.5% on white collar.
Pischke Velling 1994	Aggregate data	Stat. Reg. Local labour market	Foreigners	No	No	Effect on employment insignificant while effect on wage positive and significant.
Hatizius 1994	GSEP	Statistical Reg. analysis	Foreign immigrants East Europeans Ethnic Germans	No	No	Effect of immigration on unemployment is not relevant. Effect of a 1% rise foreign immigrants on native wage -7%. Effect of a 1% rise of East German immigrants on native wage +2%.

Winter-Ebmer Zweimuller 1994	3 samples 1981-1991	Statistical Reg. analysis	Foreigners Blue-collar native	No	No	In Austria by cross section for industry and region no wage effect on native, but by first-difference a rise in foreign share increases job-changers' wage and decreases job-stayers' wage.

In Italy it is worth mentioning the surveys on Trento, the Venetian area, Milan, Bologna, Florence, the Aosta Valley and Bari[1]. They occasionally cover the whole universe of the migrants, but sometimes they are not even representative of the local migrants. Even though they are interesting, these studies do not contribute to the debate on competition or complementarity between the two groups of workers, since they do not throw any light on the effects on native employment and wages. However, the studies of the employment of foreign workers are frequently used to infer their complementary role in the labour market. Yet nothing can be inferred regarding the effect on natives if a survey covers only the foreign labour force.

The second general point worth stressing is that the tests presented cannot verify a potential displacement or competition by migrants in terms of slowing down the modernization of traditional occupations through **indirect** competition. This idea is based on the assumption that migrants, providing a cheap and readily available labour force for traditional jobs, reduce employers' incentive to restructure. Such a hypothesis is strongly expressed in the model proposed by Dell'Aringa and Neri (1987): in two labour market - one for skilled labour and the other for unskilled labour - the inflow of unskilled workers reduces their wage-cost. Thus, the complementary factor, capital, increases its return in the unskilled sector and moves to it, reducing employment in the skilled sector. However, the empirical test, being run only for unskilled labour, does not reveal competition on the part of the foreign workforce. It would show such a result only if the tests were run in both labour markets. I shall refer to a situation where competition operates through capital movements rather than among different components of the labour market as *indirect competition*.[2]

The new trend that encourages labour flexibility by the introduction of different forms of temporary and part-time contracts increases the employment of natives by reducing permanent contract rigidities and costs. It creates a demand for employment that can be very well satisfied by marginal workers, i.e. the young, women and foreigners who are less constrained by stability considerations and low levels of income. However, policies favouring flexibility through the encouragement of temporary and part-time employment are reduced in their effectiveness by the presence of illegal foreign workers because their flexibility is greater than anyone else's. The discouragement effect exercised by the foreign workforce on Italian marginal workers is due to the lowering of relevant wages and of the probability of finding jobs.

An additional phenomenon should also be mentioned: the discouragement of labour force participation induced by the inflow of migrants. Lower wages and the reduced probability of finding a job can reduce the participation of secondary workers (women and young) in a rigid labour market.

[1] On this subject an interesting survey is proposed in Borzaga, 1992, and by Venturini, 1993.

[2] If, following the authors' example, this framework is applied to the dichotomy of regular and irregular labour markets and if the immigrants are employed in the informal un-qualified sector, the test cannot be performed owing to lack of data and the competitive role cannot be said to exist.

4. The Italian case

The following interpretation of the role of migrants in Italy is based on intuitions and fragments of information that can become out of date quite rapidly due to exogeneous factors impacting on events.

Italian legislation adopts a very clear position as regards foreigners' access. It allows new inflows only for jobs for which natives or previous immigrants are not available, thus opting for the complementarity principle. However, the inflow of refugees, illegal immigration and at least irregular employment are very frequent, which affects the situation greatly.

A conclusion reached by the research is that the economic structure of the destination country shapes both the type of immigration and the labour market role of migrants. This is especially true in the case of labour emigration. Moroccans, Tunisians, Filipinos etc. move to where employment opportunities are available. If they plan a temporary or predominantly seasonal migration, they will apply for temporary work permits in the agricultural or tourism sector, mainly in the South. If they want to stay longer, they will move to where more permanent jobs are available in the industrial Centre or North, probably to a place where a community of the same nationality already exists.

This process is less evident in the case of refugees where, at least initially, proximity determines the destination area chosen and the availability of employment is of lesser importance, as in the case of Albanians in Puglia and Yugoslavs in Veneto.

The large majority of immigrants (85-90 per cent) is of non-EU origin and has few qualifications. The interpretation of the migration patterns and its labour market effects can be questioned at many levels, based as it is on an impressionistic approach and because migration is changing very rapidly. As regards the latter, during the '90s the largest extra-European nationalities (Moroccans, Tunisians, Filipinos) did not increase very much. More rapid growth was seen among Yugoslavs, Albanians, citizens of the former USSR and Somalis, all from areas of political instability (see T a b l e 3) .

Table 3. Most important immigrant communities in Italy in 1993

Countries		1990	1991	1992	1993
Morocco		80.495	89.005	95.741	97.604
Yugoslavia*	6°	30.321	33.928	44.650	72.377
USA	2°	58.707	59.728	62.112	63.960
Philippines	5°	35.393	40.965	44.155	46.332
Tunisia	3°	42.223	46.393	50.405	44.505
Germany	4°	41.698	39.907	39.495	39.923
Albania	63°	2.034	26.381	28.628	30.847
United Kingdom	7°	26.927	27.703	28.087	29.091
France	9°	24.674	24.953	25.395	26.993
Senegal	8°	25.628	27.119	27.572	26.368
Egypt		20.211	22.406	23.515	24.555
China	13°	19.237	20.632	21.417	22.875
Brazil	16°	14.455	16.939	18.751	21.075
Poland	14°	17.201	19.098	21.221	21.075
Sri Lanka	18°	13.214	14.545	17.242	19.722
Somalia	23°	9.660	11.853	14.973	19.555
Romania	25°	7.844	13.548	16.443	19.385
Switzerland	12°	20.066	18.077	18.225	18.187
Spain	17°	14.501	14.420	15.566	16.956
Greece	10°	21.149	17.395	16.256	16.545
India	22°	11.412	12.115	13.382	4.303
Ethiopia/Eritrea*	20°	12.249	12.566	13.001	14.050
Ghana	21°	11.655	12.784	14.216	14.021
Argentina	19°	13.116	14.837	14.871	13.978
ex-URSS*	29°	6.701	9.245	10.299	12.715
Iran	15°	15.022	12.633	11.139	10.743
Peru	35°	5.385	6.396	7.493	8.879
Colombia	33°	5.615	6.393	7.403	8.287
Pakistan	28°	6.717	7.070	7.850	8.159
Dominican Rep.	43°	4.415	5.511	6.682	8.122
First 30 countries		647.905	694.545	736.185	791.185
Others		133.233	178.432	188.987	196.220
Total		781.138	86.297	925.172	987.407

* For comparability under Yugoslavia, Eritrea, and ex-URSS are included the new Republics of Bosnia-Herzegovina, Croatia, Macedonia, Slovenia, Eritrea, Belorussia, Confederation of Independent States, Kazakhstan, Ukraine, Uzbekistan.

° The number indicates the ranking before 1993.

Source: Caritas Roma, 1994, using residence permits data of the Ministry of the Interior.

Whether as labour migrants or refugees, foreigners move to Italy according to the purposes they associate with migration, which are transformed by the job offers available.

4.1. The Italian production system

It is necessary briefly to characterize the Italian economy. Broadly speaking, one can distinguish at least two and possibly three areas: the North and Centre, with diffused industrialization and an unemployment rate of about 5.1 per cent in the North and 9.7 per cent in the Centre during the '80s and '90s; and the more agricultural South, with a lesser proportion of small and medium sized firms and an average unemployment rate of 19.9 per cent (at least double that of the North and Centre). National male unemployment was about 7.5 per cent during the '80s and '90s, with an average of 3.2 per cent for the North, 6.2 per cent for the Centre and 14.4 per cent for the South (ISTAT).

Italy is also characterized by a high youth unemployment rate which has risen steadily from the '70s onwards and is unusually high among European countries (see Table 4). In 1992 it was 32.7 per cent for the 14-24 age cohort against 19.5 per cent for France, and 5.6 per cent for Germany. Italy's rate is only comparable with Spain's (34.4 per cent). In addition, youth unemployment also reflects the North-South division with values in 1994 of 20 per cent in the North and 54 per cent in the South.

During the '80s the policies implemented to reduce youth unemployment were able to cut the specific youth unemployment rate in the North, which has a stronger productive structure, but not in the South (see Table 5). Even if the number of youngsters who look for their first job has fallen as a proportion of total unemployment over the period 1980-90, youth unemployment is still at least three times above the national average, and the rate of unemployment among the 25-29 year old workers has actually grown (by 9-10 per cent).

The large difference in regional employment and unemployment rates between Italy's North and South does not induce internal migration of the Italian population. South-North movements actually slowed down during the '70s and net migration was close to zero in the '80s. The reason is clearly explained by Attanasio and Padoa Schioppa (1991). Income support programmes, irregular job opportunities and the lower cost of living reduce the incentive to move, even for the young.

A large share of youth unemployment is interpreted as reflecting job-searches, supported by family income and irregular temporary employment. The search takes longer than usual because youngsters in the South have a specific idea about employment. They look for employment in public administration, indefinite in length, not well paid but not very demanding, with a view to supplementing it by irregular earnings. For women, whose mobility is family constrained, the search process is restricted by a limited territorial horizon, which will later discourage them from looking for employment.

The influence of education on unemployment peaks at the lower secondary level. The unemployment rate is highest among groups having enjoyed only primary education (Borzaga and Frisanco, 1993).

Informal employment is widespread in Italy. Standard units of labour (full-time equivalent workers, see Table 6) provide an estimate of the non-regular component for both dependent and self-employed workers. Non-resident aliens are not registered as self-employed, thus Table 5 only reports payroll information.

4.2. The immigrant labour force

Migrants are not evenly distributed throughout the country. The regular presence of foreigners documented by residence permit data shows a much larger proportion of foreigners and extra-Europeans in the North and Centre compared with the South (Table 7). This situation is the result of a distinct evolution of the phenomenon. The large wave of immigrant inflows arriving illegally in the South during the '80s - after the two legalizations - moved in two directions: one group left the country - either returning home or remigrating - and the other group remained and looked for a more permanent job in the Centre or North; only few where able to find regular employment in the South. Local studies (such as Borzaga, 1992) in the North of Italy stress the regularity of the migrant employment.

The proportion of immigrants of extra-European origins is very high (84.5 per cent) in all the Italian regions, highest in the South and the Islands (85.3 per cent, 89.1 per cent).

The territorial distribution of extra-European immigrants looking for a job at the State Employment Office, which is the only legal placing office, shows a much larger supply of labour in the North (56 per cent) than in the Centre (19 per cent) or the South (11 per cent) (see 1993 figures in Table 8). The higher registration in the North is induced by the larger demand for regular labour in that region. Furthermore, the labour demand in the North is not limited to unqualified positions but also encompasses white collar positions (5 per cent).

Table 4. Youth unemployment rates in selected European countries, by age groups

	1973	1983	1989	1992*
France				
15-24	4.0	19.7	19.1	19.5
15-19	5.8	28.8	18.4	23.4
20-24	3.0	17.4	19.2	18.9
Germany				
15-24	1.1	11.0	6.4	5.6
15-19	1.1	9.8	5.4	4.9
20-24	1.2	11.7	6.8	5.9
Italy				
15-24	12.6	30.5	33.6	32.7
15-19	15.8	39.5	40.7	40.8
20-24	10.4	25.2	30.6	29.8
Spain				
15-24	4.8	37.6	32.0	34.4
15-19	6.6	47.7	33.1	38.9
20-24	3.4	31.9	31.4	32.7

* The most recent year available is 1991 for France and 1990 for Germany.

Source: OCDE, 1993.

Table 5. Average annual rate of change in unemployment in Italy

	Years 80-85	Years 85-90
Age 14-19		
North	7.9	-12.1
Centre-South	2.1	-1.1
Italy	4.4	-6.1
Age 20-24		
North	18.7	-8.1
Centre-South	8.6	3.5
Italy	11.3	-0.3
Age 25-29		
North	15.7	-1.5
Centre-South	11.2	12.3
Italy	12.4	8.5
Total		

Table 6. Standard units of labour provided in various sectors of the Italian economy

	1981	1985	1990	1991	1992	1993
Agriculture (000)						
Payroll	875.1	784.3	741.2	712.4	715.8	654.2
Regular	209.3	145.8	78.5	70.9	70.2	65.7
Non-regular	665.8	638.5	662.7	641.5	645.6	588.5
Irregular	587.3	536.6	561.8	550.1	554.8	496.3
Non-declared	37.4	47.2	35.9	26.4	23.3	12.7
Non-resident aliens	41.1	54.7	65.0	65.0	67.5	79.5
Industry (000)						
Payroll	6379.8	5614.3	5647.0	5570.7	5392.3	5113.9
Regular	5647.5	4871.3	4859.7	4766.8	4585.0	4333.1
Non-regular	732.3	743.0	787.3	803.9	807.3	780.8
Irregular	607.9	607.1	657.5	684.1	695.3	685.5
Non-declared	86.2	83.3	70.3	60.4	63.6	39.8
Non-resident aliens	38.2	52.6	59.5	59.4	48.4	55.5
Market Services (000)						
Payroll	4312.2	4967.1	5387.0	5543.9	5585.8	5523.4
Regular	3616.1	4102.7	4378.4	4510.7	4543.9	4518.1
Non-regular	696.1	864.4	1008.6	1033.2	1041.9	1005.3
Irregular	241.6	253.9	296.9	321.5	325.3	335.2
Non-declared	102.3	137.2	124.1	123.9	117.9	82.7
Non-resident aliens	94.0	177.3	236.7	236.6	240.0	228.6
Second job	254.2	296.0	350.9	351.2	358.7	358.8
*Non-Market Services (000)**						
Payroll	3733.5	4038.2	4251.6	4298.7	4348.3	4339.3
Regular	3480.6	3711.3	3921.3	3961.1	3972.9	3959.3
Non-regular	252.9	326.9	330.3	337.6	375.4	380.0
Irregular	1.2	1.7	1.8	2.0	2.0	2.0
Non-declared	23.8	16.3	18.0	16.8	16.8	9.1
Non-resident aliens	147.8	210.4	212.0	220.3	258.1	270.4
Second job	80.1	98.5	98.5	98.5	98.5	98.5
Sum (000)						
Payroll	15300.6	15403.9	16026.8	16125.7	16042.2	15630.8
Regular	12953.5	12831.1	13237.6	13309.5	13172.0	12876.2
Non-regular	2347.1	2572.8	2868.9	2816.2	2870.2	2754.6
Irregular	1438.0	1399.3	1518.0	1557.1	1577.4	1519.0
Non-declared	249.7	200.7	248.3	227.5	221.6	144.3
Non-resident aliens	321.1	495.0	573.2	581.3	614.0	634.0
Second job	334.3	394.5	449.4	449.7	457.2	457.3
Total Italy						
Payroll and self-employed	22060	22612.7	23327.3	23515.6	23276.4	22621.8
Regular	17398	17531.7	18068.9	18205.6	18006.0	17477.4
Non-regular	4662	5081.0	5258.4	5310.0	5270.0	5144.4
Irregular	2345	2334.7	2417.5	2472.4	2479.3	2378.2
Non-declared	537	520.6	416.9	394.4	398.2	354.5
Non-resident aliens	321	495.0	573.2	581.3	614.0	634.0
Second job	1458	1730.7	1850.8	1861.9	1778.9	1777.0
Total Italy (%)						
Payroll	100	100	100	100	100	100

Table 7. Territorial distribution of foreigners in various regions of Italy

	1991	1992	1993	1993 extra-European no.	1993 extra-European %
North	383.748	428.883	475.256	401.393	84.4
Piemonte	54.343	49.446	53.082	44.262	83.4
Valle d'Aosta	2.007	1.744	2.121	1.539	72.6
Lombardia	149.985	167.017	196.509	167.604	85.3
Liguria	27.586	30.825	34.200	25.059	73.3
Trentino A.A.	16.812	19.796	20.038	3.741	68.6
Veneto	48.462	60.797	61.103	54.682	89.5
Friuli V.G.	23.173	27.510	26.574	24.040	90.5
Emilia Romagna	61.380	71.748	81.629	70.466	86.3
Centre	302.049	321.676	343.432	286.653	83.5
Toscana	69.816	58.542	66.905	54.296	81.1
Umbria	16.960	18.582	17.200	13.392	77.9
Marche	13.312	15.509	15.260	12.913	84.6
Lazio	201.961	229.043	244.067	206.052	84.4
South	104.066	102.635	103.699	88.487	85.3
Abruzzo	11.315	12.959	14.967	12.882	86.1
Molise	1.431	1.618	1.649	1.485	90.1
Campania	53.639	57.425	54.226	44.801	82.6
Puglia	26.519	19.184	19.930	17.615	88.4
Basilicata	1.856	1.924	1.938	1.765	91.1
Calabria	9.306	9.525	10.989	9.939	90.4
Islands	73.114	71.978	65.018	57.918	89.1
Sicilia	64.574	64.801	57.653	52.166	90.5
Sardegna	8.540	7.177	7.365	5.752	78.1
Italy	863.977	925.172	987.405	834.451	84.5

Source: Caritas Roma, 1994, using data of the Ministry of the Interiors.

The lowest qualification, manual blue collar workers (M.W. in Table 8), represents the largest share of the extra-European supply, reaching 92 per cent in the South, 81 per cent in the North. The largest national group is that from Morocco which accounted for 30 per cent of the total in 1993, followed by Tunisia (11.5 per cent) and Yugoslavia (11.2 per cent).

Extra-European workers placed in employment by the State Employment Office in 1993 amounted to 84,968 (see Table 9). Fifty-nine per cent of job placements were in the North, with 25 per cent in Centre and 17 per cent in the South and Islands. In the South, job placement in agricultural activities represents 32 per cent and 50 per cent in the Islands, while in the Centre and in the North it only accounts for 18 per cent and 15 per cent respectively.

Table 8. Extra-Europeans registered as job-seekers at the State Employment Office, by regions

	1991	1992	1993	Var%93-92	Qualification 1993			
					M.W.	M.W.Q.	S.W.	Clerk
North	36431	33172	42714	28.7	34510	5504	583	2117
Piemonte	6294	4777	5010	4.8	4138	415	42	415
Valle d'Aosta	100	166	284	71.0	215	62	1	2
Lombardia	13799	12097	15285	26.7	12500	1852	324	609
Liguria	2519	2461	3108	26.3	2414	585	10	139
Trentino A.A.	1187	1208	1903	57.5	1484	336	38	45
Veneto	3925	4454	6529	46.6	5219	940	38	337
Friuli V.G.	982	1398	2054	47.0	1453	347	45	209
Emilia Romagna	7625	6647	8541	28.0	7087	1007	85	362
Centre	23037	19417	14628	-24.6	12879	944	147	658
Toscana	3653	4517	5484	21.4	4675	489	61	259
Umbria	1418	1345	2040	51.6	1700	98	3	239
Marche	1408	1157	1946	68.2	1690	147	9	100
Lazio	16558	12398	5158	-58.4	4814	210	74	60
South	11556	9057	8576	-5.3	7941	324	42	269
Abruzzo	715	847	1415	67.0	1314	61	12	28
Molise	135	157	148	-5.7	137	3	1	7
Campania	7418	5194	3783	-27.1	3607	68	8	100
Puglia	1616	1376	1779	29.3	1529	151	14	85
Basilicata	303	201	233	16.0	216	9	-	8
Calabria	1369	1282	1218	-5.0	1138	32	7	41
Islands	12879	10701	10373	-3.0	9323	790	92	168
Sicilia	11261	1334	8924	-4.7	8062	650	90	122
Sardegna	1618	9367	1449	8.6	1261	140	2	46
Italy	83903	72347	76291	5.4	64653	7562	864	3212

M.W. = manual blue collar worker
M.W.Q. = manual qualified blue collar worker
S.W. = manual specialized blue collar worker
Clerk = white collar
Source: Caritas Roma, 1994, using data of the Ministry of Labour.

These results confirm that the preference shown by foreigners to register in the North is the result of a job-search process in which workers look for the highest probability of employment. The number of workers finding jobs may be higher than total registration at the Employment Office because multiple insertions are possible during the year. Indefinite contracts only represent 57.5 per cent of the total placements, 27.9 per cent involve temporary contracts, 10.4 per cent partial contracts and 4.3 per cent training contracts (Caritas Roma, 1994).

The proportion of the demand for family reunification - 66 per cent occur in the North, 18.6 per cent in the Centre and 7.9 per cent in the South (Caritas Roma, 1994) - reinforces our interpretation

of a more stable immigration in the North and a more recent or less economically integrated immigration in the South.

While the competitive or complementary role of foreigners could be determined in the northern labour market using appropriate surveys, in the southern labour market this would be more difficult because the data available on irregular employment are very limited and frequently questionable.

Table 9. Extra-European workers placed into employment, 1993, by regions

	1993	Agr.	Ind.	Serv.
North	49793	7569	20569	21655
Piemonte	5146	758	2304	2084
Valle d'Aosta	681	147	206	328
Lombardia	14922	1143	6480	7299
Liguria	1860	142	599	1119
Trentino A.A.	4625	908	969	2748
Veneto	9569	2007	4400	3162
Friuli V.G.	2124	161	968	995
Emilia Romagna	10866	2303	4643	3920
Centre	20964	3837	6255	10872
Toscana	6463	1099	2285	3079
Umbria	2411	1393	647	371
Marche	2332	346	1252	734
Lazio	9758	999	2071	6688
South	8900	2832	3113	2955
Abruzzo	2181	742	925	514
Molise	152	74	43	35
Campania	3045	580	995	1470
Puglia	2338	943	759	636
Basilicata	367	250	72	45
Calabria	817	243	319	255
Islands	5311	2678	684	1949
Sicilia	4954	2601	556	1797
Sardegna	357	77	128	152
Italy	84968	16916	30621	37431

M.W. = manual blue collar worker
M.W.Q. = manual qualified blue collar worker
S.W. = manual specialized blue collar worker
Clerk = white collar
Source: Caritas Roma, 1994, using data of the Ministry of Labour.

The standard units of labour in Table 6 reveal that for Italy as a whole there was an increase in payroll and self-employment until 1991, followed by a drop back to the 1981 level by 1993. The same trend holds true for non-regular employment, but in this case the 1993 volume exceeds that of 1981 by nearly 500,000 units, some 60 per cent of which are due to the growing role played by non-resident aliens in the labour market. The data thus confirm an increase in the employment of foreigners, thereby giving credence to the hypothesis of *indirect competition* between regular and non-regular work.

The aggregation of the data hides sectoral and regional distinctions that are central to an understanding of the exact role played by foreign workers in the Italian labour market. Unfortunately, regional data are unavailable because the validity of the ISTAT calculation declines with the size of territories.[1] In the absence of regional specifications, one must be content to highlight sectoral characteristics at the broad level given in Table 6.

For example, in the agricultural sector, which includes forestry and fisheries, non-resident aliens represent an increasing share (6 per cent in 1981, 14 per cent in 1993) of growing non-regular employment, which amounted in 1981 to 76 per cent of total payroll standard units of labour and to 90 per cent in 1993.

The same increase occurred, albeit at a lower level, in the industrial, market and non-market services sectors with small growth in the non-regular units of labour between 1981 and 1993 (respectively 11 and 15 per cent, 16 and 18 per cent, 7 and 9 per cent) and a rise in the share of foreign irregular employment (from 5 to 7 per cent in industry, 14 to 23 per cent in market services and 58 to 71 per cent in non-market services). In Table 6, industry includes the energy sector, manufacturing and construction. Market services comprise distribution, hotel and catering, transportation and communication, banking and insurance businesses and similar services.

The interpretation suggested by Table 6 is that from 1981 to 1993 the agricultural and industrial sectors declined in total regular employment (-69 per cent and -23 per cent). In the agricultural sector this was accompanied by a small decrease in irregular native employment (-15 per cent) and an increase in irregular foreign employment (93 per cent), called non-resident aliens in Table 6,[2] while in the industrial sector it was paralleled by increases in irregular native employment (13 per cent) as well as in foreign employment (45 per cent).

The results suggest that *direct competition* between foreigners and natives irregularly employed is likely in the agricultural sector. Elsewhere *indirect competition* appears to prevail between regular and non-regular workers in both sectors.

There are known cases of competition between foreigners and women in seasonal agricultural irregular work (Moroccans replacing women from Basilicata).

If the irregular labour market is very flexible, the competition between two groups of unqualified workers becomes more pronounced and the group with higher demands and more constraints will loose out. Thus, the unemployment of women and young persons may in part be the result of a competitive process involving foreigners.

The traditional thesis that natives do not apply for similar positions does not exclude that competition exists. On the contrary, it can be the result of discouragement induced by wage lowering and by the reduced status of jobs in which foreigners are employed, i. e. what I have called indirect competition.

[1] Local research stresses that the share of irregular employment - as a percentage of regular employment - is higher in the South for two reasons: (i) less regular employment exists for a similar population; and (ii) a large proportion of non-regular employment flourishes in agriculture, which prevails in the South.

[2] Which is not exactly a proxy of the number of illegal foreigners in the country because ISTAT estimates the volume of employment and foreigners can be present legally, for example, with a tourist visa, but work illegally.

The technology that reduces labour demand for regular qualified workers as well as the lack of investment in agriculture, which prevents wages and working conditions in that sector from rising, combine to lower the supply of Italian labour and create conditions for indirect competition.[1]

In the industrial sector, total regular employment declined by 23 per cent between 1981 and 1993. Simultaneously, irregular employment increased by 13 per cent and foreign employment by 45 per cent (all measured in standard labour units). In this sector, therefore, *complementarity* prevails between non-regular workers and *indirect competition* exists between regular and non-regular workers.

In the market and non-market services sector a general trend of *complementarity* can be detected given the overall growth in the different forms of employment (on this subject see Mingione, 1995).

The picture that I have painted, then, shows a tendency for *complementarity in Italy's North* and *direct or indirect competition in the South* of the country. This picture remains unchanged when we examine competition in the future. Immigrants will be more competitive in the South than in the North for demographic reasons. In the North from 1981-86 to 2001-06 the declining population will reduce the size of the cohort entering the labour market by 50 per cent. A young person in the North will have a probability of finding a job (which is equal to the replacement demand over the entries of working age) of 151 per cent in 1996-01 and 163 per cent in 2001-06. In the South the probability will be respectively 67 per cent and 79 per cent (for details see Bruni, 1994). These results, derived from a flow model of the labour market, imply that each youngster in the North will have one and a half job waiting for him or her when looking for a first job; whereas in the South a young person will have to compete for the jobs available that are 30-20 per cent less than their cohort size.

5. Conclusions

From the analysis presented, three conclusions on the role played by foreigners in the Italian labour market can be derived:

(i) Immigrants increase the "traditional" production of the country of arrival (traditional agriculture, industry, family services, etc.) and reduce the incentive for the modernization of the economic system, which may or may not be a desirable effect.

(ii) The role played by the immigrants in the destination areas is shaped by their economic structure. In regions where regular employment prevails, the immigrants work mainly regularly; where irregular employment prevails, they work mainly irregularly. If industry dominates, they tend to be employed in small and medium size factories; if agriculture prevails, they work in that sector.

(iii) The immigrants play a more complementary role in the North where unemployment is low and the labour demand is still high. In the South their role is more directly competitive, especially in irregular agricultural work. They probably play also an indirect competitive

[1] I am indebted to L. Frey and L. Tronti for helpful comments on these points.

role in the North, but indirect competition is more pronounced in the South where irregular employment prevails.

The changing composition of immigrant labour impacts on labour market dynamics. In the North, the refugees, given their different status, are forced to accept any type of marginal occupation, for instance seasonal work in agriculture. In addition some East European workers apply for temporary authorization to work in the summer because they have full-time employment in their home country.

The result is that unemployment has spread also among foreigners and presents the same characteristics as native unemployment (Borzaga et al., 1995). It mainly affects women, young and little educated workers. We will probably soon experience competition between migrant waves, as in the United States of America.

C. THE ITALIAN MIGRATION REGIME AND THE EFFECTS OF IMMIGRATION ON THE ECONOMIC SYSTEM: A SURVEY

by

A. Righi and L. Tronti

1. Introduction

In recent years the role of Italy on the map of international migration has been transformed: once a sending it is now a receiving country. This transformation, common to other Mediterranean countries, has had a number of important consequences for the economy, and provoked social and economic problems that require investigation in order to find suitable solutions.

This paper describes the main features of what can be called the Italian *immigration regime:* the characteristics of immigrant inflows, their distribution and their role in the Italian labour market, the legal framework regulating immigration and, finally, the impact on the economic system.

In the second section we discuss how the migration model that emerged in the 1970s-1990s differs from that of the 1950s-1960s, concentrating on the changes on the demand side. Section 3 focuses on the immigration regime, presenting its historical background, the main laws, the characteristics of today*s immigrants and their role in the Italian labour market.

The paper then faces the question of the economic effects of immigration on the receiving country, concentrating on three areas:[1] the impact on native wages and employment (section 4), on income and economic growth (section 5) and, finally, on public spending and social security (section 6). For each area we examine the main theoretical and empirical studies in order to derive, where possible, conclusions useful to the understanding of the Italian case.

2. Patterns of migration: the 1950s and 1960s vs. the period from the 1970s to the 1990s

For the countries of Europe, the second World War represents a watershed in the history of international migration. Although the foreign presence was substantial in some countries even prior to the conflict (15.4 per cent of the population in Switzerland in 1914; 7 per cent in France in 1931), it was afterward that a number of factors spurred the rapid increase in migration in nearly all the Western countries.

The 1960s were the golden age of European labour migration. A booming economy and full employment created labour shortages in many countries that it was considered economical to overcome by "importing" labour. The migrations of the '60s were predominantly demand-triggered. The jobs the immigrants managed to find were mostly in industry. Large industrial enterprises especially attracted immigrant labour, and immigration itself tended to be cyclical, temporary, a function of the exigencies of the labour market. As a number of studies have shown, the immigrants' role was complementary to that of native workers (Molle and Van Mourik, 1986).

The model that gained currency was the German and Swiss "guest worker" principle. The workers coming to Northern Europe from Spain, Portugal, Greece, Yugoslavia, Turkey and the Maghreb

[1] Due to the limited extent of this study and to the lack of information, a few relevant areas of impact have been neglected. These range from the effect of immigration on the size and kind of the firms, to those on aggregate consumptions and international trade, as well as to the demographic effects on the host population's age structure.

suffered difficult living conditions. Employer firms themselves (such as Volkswagen in Germany, Sanacotra in France) established the groundwork for their workers' continued presence, constructing housing complexes. And through the migratory chain the foreign workers were closely bound to their ethnic groups of origin, which provided the network for social integration (Palidda, 1993).

It is estimated that between 1950 and 1972 the top seven receiving countries of Northern Europe took in net immigrants totalling 6.3 million persons. For Northern and Western Europe, the transformation from lands of emigration to lands of immigration was complete. Italy took an active part in the transfer of labour to Central and Northern Europe. Emigration was the Italian government's answer to the imbalance between population and resources. Bilateral agreements for the immigration of Italian workers were accordingly signed with most of the receiving countries: in 1946 with France and Belgium, in 1947 with Sweden and Britain, in 1948 with Switzerland and Luxembourg, and in 1955 with the Federal Republic of Germany (Sori, 1979).

Some countries carried out studies to calculate the economic benefit deriving from the presence of immigrant workers, on the explicit assumption of the absence of family members (Centraal Planbureau, 1972).

These studies valued the contribution of foreigners to European national labour markets positively, but in the next few years the situation was transformed. Because of the oil crisis, in fact, immigration policies throughout the Continent were radically revised, with measures to curb entries and encourage repatriation. In practice, however, the new policies had the effect of stabilizing the immigrant population, even while limiting its growth. From now on, immigration would be considered as permanent, definitive, even in the countries that had always treated it as temporary. For that matter, by the late '60s foreign workers had become a structural necessity for the main receiving countries, and the very size of immigrant populations transformed temporary labour migration into permanent settlement.[1]

At the start of the ‘70s the traditional sending countries of Southern Europe had themselves begun to experience substantial immigration from the Third World. During the '80s migration was mainly driven by oversupply, i.e. a labour force too large to find work in the countries of origin (Venturini, 1988, 1990). There was also a redistribution of the push and pull factors, the former increasingly concentrated towards the bottom and the latter towards the top of the occupational hierarchy. This produced two sharply distinct kinds of immigration: on the one hand an inflow of highly skilled workers, small in scale, well regulated, and generally encouraged by the receiving countries, where the newcomers had little difficulty in integrating or adjusting; on the other the much larger-scale flow of workers to particular segments of the labour market, often at the margins of the official market, in branches and jobs where the borderline between "regular" and "non-regular" work is uncertain (domestic service, fishing, construction, small industry, etc.). Unlike the migrants of the '50s and '60s, only a small minority have found work in industry proper.

Under these circumstances foreign labour no longer serves to equilibrate quantitatively in the host-country's labour market by sustaining a rising demand for labour in what was at least thought to be the most economical fashion possible. But it does play a "qualitative" matching role, so to speak, as immigrants fill gaps that arise in particular occupational areas, despite a general situation that

[1] By the end of the '80s (1989) foreign nationals accounted for 15.6 per cent of the total population in Switzerland, 8.9 per cent in Belgium, 7.3 per cent in Germany, 6.8 per cent in France and 5.4 per cent in Sweden.

is far from full employment. The overall effect is to curtail the immigrant's chances of integration and advancement, even compared with the anything but ideal situation of earlier decades.

In any event, the social costs of immigration have increased, thanks to the recognition of certain civil rights, first and foremost family unification. The studies undertaken recently tend to drop the old optimism concerning the impact of immigration on the Western European economies and stress that the social repercussions of immigration now outweigh its economic benefits (Pennix et al., 1993).

Moreover, some researchers now suggest that the development of the information economy in the advanced nations in recent years has given rise to a new, twofold disadvantage for the immigrants (Cucchiarelli and Tronti, 1993). First, Third World immigrants are displaced by the rapidly expanding information capabilities of the advanced economies, as they have limited ability to decode or to send out consistent signals both within the labour market and within society generally, which constitutes an initial disadvantage in seeking work. Second, foreign workers are at a disadvantage compared with earlier immigrants in that their endowment of information, in order to become productive, requires costly decoding for conformity with the development model of the information economy. Earlier immigrants could readily find regular manual jobs, but today regular jobs require higher skills and information abilities.

Migration models and the stages of integration differ from country to country. The traditional host countries have to manage the integration of long-standing communities consisting mostly of established families already in the second generation, whose countries of origin are either former colonies or traditional economic partners. By contrast, the newer receiving countries, Italy among them, are faced with an emergency. That is, once the rules are defined, they must prepare the primary reception structures as well as plan for the orderly, balanced inclusion of foreign workers from geographically and culturally heterogeneous lands in the economic, social and cultural fabric of the nation (ADRI, 1990).

There are a number of different general approaches to the problem of integration, which may perhaps be classed into two basic models: the "pluralist" approach of Britain or the Netherlands and the "assimilationist" approach of France. The key characteristic of the former is recognition that, as a consequence of immigration, society will be ethnically and racially mixed. Policies taking this approach aim to reduce or eliminate the social and economic inequalities of which the immigrant population is victim, while safeguarding the ethnic and racial complexity of the society.

The philosophy behind the second approach is diametrically opposed, seeking not so much the integration of the foreign population as their assimilation. France is the most thorough-going in this respect, with its historical objective of maintaining the cultural homogeneity of the nation. The most significant element in this policy has been the promotion of complete equality of rights for immigrants through the naturalization of foreign nationals. Recently, however, this approach too has provoked racial strains and protests from second-generation immigrants who want to preserve their specific ethnic and cultural heritage. In 1993 France enacted a series of reforms tightening conditions for visas, permits of residence and access to French citizenship.

A third approach, midway between these two, is that taken by Germany, which until recently viewed immigrants as "guest workers" (*Gastarbeiter*), implicitly positing that the presence of the foreign workers was strictly transitory. Integration policies were accordingly limited to the period of the individual worker's stay. Although that stance of immigration policy has recently changed, there remain limits to full integration; for instance, acquiring German citizenship is still very

difficult. Germany's federal structure, in any case, permits the coexistence of some policies for the assimilation of the immigrants, including cultural assimilation, with others designed to preserve their cultural identity.

3. Italy's immigration regime

3.1. Historical background

The first real immigration to Italy dates back only to the 1970s, when migrant labour was directed primarily to the fishing industry in southwestern Sicily, just across the Tunisian coast (Birindelli and Bonifazi, 1993). Harsh working conditions and informal recruitment and labour practices fostered an almost conflict-free replacement of the local labour force.

A second group of immigrants were mainly women from the Philippines and Cape Verde, working as live-in maids in Italian cities. They found their way to Italy mainly through Catholic-connected organizations. Here, the migratory chain played a significant role. This kind of immigration later spread to groups from other countries, and the immigrants began to work not only for upper-class but also for middle and lower-middle-class families. Recent studies have highlighted the key role of these immigrants in facilitating the labour market participation of Italian women, which in fact began to expand rapidly during the decade of the '70s.

Another group of migrants came from Yugoslavia in the aftermath of the 1976 earthquake, helping in the work of reconstruction in northeastern Italy. The deterioration of the Yugoslavian economy transformed them into permanent or semi-permanent immigrants. Other migratory flows involved fairly substantial numbers of Greeks in the late '60s and of Iranians, Palestinians and Eritreans in subsequent decades. These immigrants were mainly politically motivated, but they could not qualify officially as political refugees, because Italian law on the matter restricted such status to migrants from particular geographical areas.

Not all immigrant groups took positions as wage-earners. Some sizeable ethnic groups are mainly self-employed, by which we do not mean just street pedlars and small craftsmen (Palanca, 1990). Instances are the Chinese leather crafts industry and restaurants and the Iranian carpet trade, activities which often turn into significant enterprises (Barsotti, 1988).

In the '80s at least two Italian labour market phenomena were sending the sort of signals that could trigger migration inflows: i) shortages of native labour; ii) the readiness of Italian firms to hire non-EU immigrants on terms worse than those prevailing in the domestic labour market. Labour shortages are currently found merely in the regions of the Center and North and only for selected occupations. The likely outlook, in fact, is for increasingly severe shortages of native workers to fill the lowest-grade, heaviest, most unpleasant jobs.

This situation is reflected in the geographical and demographic distribution of migration flows in Italy. In general the sectors in which immigrants most readily found work were farming and fishing, followed by the service sector (street pedlars, domestics, porters and the like, restaurant workers). Only more recently has the foreign presence begun to expand into industry, especially in construction and civil engineering. Particular jobs appear to be the appanage of particular ethnic groups. Workers from the Maghreb are over-represented in the iron and steel industry and those

from other African and Asian countries in services (cooks from Egypt, nurses from the Philippines and Sri Lanka).

3.2. The law

It was not until the mid-1980s, in response to the steadily increasing flow of immigrants, that Italy saw to regulating the matter, with Law 943/1986. The most important feature of the legislation was the provision for the regularization of non-EU immigrant wage-earners. Its success can only be described as very spotty indeed. The lacunae of the law, as regards the status of political refugee, for instance, the limited number of regularizations and the continuing inflow of undocumented immigrants, required a new law (Law 39/1990), which recognized self-employment as a valid reason for entry and laid the basis for yearly planning of immigration flows. The 1990 law permits immigration for purposes of family unity, though it also lays down new rules on the entry of persons from areas of high "emigration risk".

Since the turn of the decade, then, Italy's immigration policy has been one of programmed inflows (so far, the yearly inflow for purposes of work has been set at zero), except for persons hired from abroad on an individual basis and for family reunifications. Even so, 61,000 persons entered the country legally in 1993 and 45,000 more in 1994.

In the past few years, partly in response to the ratification of the Schengen agreement, efforts have been made to control illegal immigration. Law 296, passed in August 1993, enacts new rules on imprisonment and deportation of non-EU citizens. Law 523/1992 ratified the Dublin convention on requests for asylum. However, a government-proposed decree regulating seasonal work did not receive Parliamentary ratification.

3.3. Immigration to Italy today: Characteristics

As of the end of 1993, the number of permits to stay in Italy was 987,000 (though this is thought to overestimate the real number of persons present by about 30 per cent, owing to duplicates and lapsed permits). Less than a third of these aliens come from advanced industrial countries (15.5 per cent from the European Union, 12.4 per cent from other Western industrial nations). Of the remainder, 174,000 come from countries in Eastern Europe, 288,000 from Africa, 89,000 from Latin America and 173,000 from Asia.

The foreign population is thus still quite small. The 1991 census found only 625,000 foreigners, counting residents, non-resident aliens and transients, or no more than 1.1 per cent of the population. Even adding the estimated volume of the clandestine immigrant population, bringing the numbers up to around 1.5 million (ISTAT, 1994a), would mean that the total still amounts to just 2.6 per cent of the Italian population, compared with figures of between and 10 and 15 per cent in other European countries (Table 1).

At the end of 1993, the largest immigrant communities, by country of origin, were from Morocco (97,604), the United States (63,960), the former Yugoslavia (47,854) and Tunisia (44,505). The foreign presence in Italy is diversified geographically, in broad conformity with job opportunities: 48.2 per cent are located in the North, 34.8 per cent in the Center, and 17 per cent in the South.

The volume of aliens present in the North has grown sharply in recent years, although the region with the single largest number of foreigners is central Italy (Lazio, thanks to the presence of the national and religious capital). The next two in line, Lombardy and Emilia Romagna, are both northern regions. Foreigners, and especially non-EU aliens, tend to be concentrated in urban areas. In fact in the largest cities the non-EU population is proportionally much larger than in the nation as a whole: 4.6 per cent in Rome, 2.6 per cent in Milan (Table 2).

By far the most common purpose for coming to Italy is work (56.7 per cent of the total), with family reunification a distant second (14.6 per cent), though gradually increasing through the '90s. The other principal purposes are study (6.6 per cent), tourism (6.5 per cent), and religious reasons (5.3 per cent). Applications for asylum account for just 0.8 per cent, and persons actually granted political asylum 0.4 per cent. For non-EU citizens, permits of stay issued for purposes of work account for around 60 per cent of the total. Family reunification is more common among EU and North American citizens (Table 3).

Excepting Americans, non-EU immigrants to Italy are still mainly of the first-generation, with family reunification playing an extremely modest role. Requests for entry for this purpose are nevertheless on the increase: from 4,232 in 1990 to 10,983 in 1992; the number of permits granted on this basis rose from 2,013 to 6,518.

The distribution of the alien population by sex and age is strictly dependent on country of origin and on the immigration history that has brought the various groups to Italy. One clear distinction is between immigrants of North African origin, who tend to be preponderantly young and male, and those from Cape Verde and the Philippines, who are much more heavily female. For African and Asian immigrants, the largest age-groups are 25-34 and 35-44; for European and American nationals, the largest group is 25-34.[1]

The percentage of unmarried persons, though varying according to country of origin, is in excess of 55 per cent of entries. The highest proportion of married people come from the EU and the United States.

Table 1. Foreign population in the 1991 Census

Areas	Resident	Non-resident*	Transient**	Total
North	180,260	69,267	69,790	319,347
Centre	101,035	65,630	22,824	189,489
South	35,688	30,556	9,399	75,643
Islands	28,136	9,011	3,408	40,555
Italy	345,149	174,464	105,421	625,034

* Official immigrants not yet registered at the population register office plus illegal immigrants.
** Business visitors and tourists.
Source: ISTAT

[1] Permits are not required for immigrants under 18.

Table 2. Total and non-EU alien population by region, 31 Dec. 1993*

Areas pop.	Total	Non-EU	Total as per cent of residence
North	475,256	401,393	1.9
Centre	343,432	286,653	3.3
South	103,699	88,487	0.7
Islands	65,018	57,918	1.0
Italy	987,405	834,451	1.8

* Overestimated, owing to inclusion of duplicates and lapsed permits.
Source: Ministero dell'Interno.

Table 3. Purpose of stay in Italy, 1992-1993*

Purpose	1992		1993	
	no.	%	no.	%
Salaried employment	479,680	51.7	520,151	52.7
- employed	310,438	2.1	336,382	34.1
- registered unemployed	149,230	16.1	138,548	14.0
Self-employment	36,679	4.0	39,143	4.0
Family reunification	128,808	13.9	144,410	14.6
Study	60,498	6.5	65,385	6.6
Refugees	7,435	0.8	5,942	0.4
Asylum seekers	8,570	0.9	7,476	0.8
Religious reasons	47,808	5.1	52,339	5.3
Tourism	64,403	6.9	64,358	6.5
Medical	3,023	0.3	3,103	0.3
Other				
Total	927,807	100.0	987,405	100.0

* Overestimated, owing to inclusion of duplicates and lapsed permits.
Source: Ministero dell'Interno.

3.4. Immigrants in the labour market

At the end of 1993 no more than 76,291 non-EU nationals were registered with the State Employment Service; 56 per cent of these were in the northern regions, 19.2 per cent in central Italy and 24.8 per cent in the South. Such low figures simply suggest that the Employment Service is not the principal channel for immigrants' entry into the labour market (Table 4).

Of the foreign citizens registered with the Employment Service, 76 per cent are men, mostly over 30 years of age (53.4 per cent). By country of origin, the largest groups come from Morocco, Tunisia and the former Yugoslavia. By region of residence, the largest shares of registrants are found in Lombardy (20 per cent of the total), Sicily (11.7 per cent) and Emilia-Romagna (11.2 per cent). To have a better chance of finding a job, nearly all register as unspecialized workers; hardly any declare any specialist skills.

In 1993 a total of 84,855 non-EU workers were hired through the Employment Service, a sharp decline from 125,462 in 1991 and 123,686 in 1992. The leading region for such referrals is Lombardy, followed by Emilia-Romagna, Lazio, and Venetia. By sector, 44 per cent find jobs in the services, 36 per cent in industry and 20 per cent in farming. The sectoral distribution varies geographically; in the South referrals to farm jobs account for 38 per cent of the total, in the North industrial employment rises to 41 per cent, and in the Center the services take 52 per cent. All told, 33.6 per cent find jobs as domestic workers; the percentage in this category is highest in the South.

In 1993 entry permits issued to non-EU citizens residing abroad for purposes of salaried employment, which thus resulted in direct hiring on an individual basis, numbered 23,088, down from 31,629 in 1992. About 70 per cent of the contracts were of an indefinite length, 30 per cent of fixed duration. The most common countries of origin were Morocco, Czechoslovakia, Sri Lanka, the Philippines and Poland. More than half the workers involved were women, the majority hired on indefinite contracts, some four fifths in the services sector. In total, foreign regular employees, according to the National Social Security Institute (INPS), worked predominantly in the service sector (about 60 per cent), mostly as domestic helps (38 per cent) (Table 5).

A 1990 survey of more than 1,500 non-Italian nationals (CENSIS, 1991) found that 67.2 per cent of respondents were employed (45.7 per cent with stable positions, 21.5 per cent in occasional employment) and 20.9 per cent were unemployed. Of those employed, 10.7 per cent were in the primary sector (10.4 per cent in farming and 0.3 per cent in fishing), 13.5 per cent in industry (8.6 per cent in manufacturing and 4.9 per cent in construction), 5.1 per cent in artisanal crafts and 70.7 per cent in the services (25.4 per cent as domestic workers, 15.9 per cent as pedlars, 14 per cent in hotels and restaurants, 9.4 per cent in other services, 2.8 per cent as clerical or managerial employees and 3.2 per cent in other types of work).

The study found that the occupational distribution of the immigrants by branch did not change markedly in the passage from the home country to Italy. This suggests that, despite generally good educational credentials (47 per cent of respondents had a high school or university degree), the immigrants fail to find positions matching their skills.

Table 4. Non-EU nationals registered with State Employment Service, 1993

Areas	Registrants	Hirings			
		Agriculture	Industry	Service	Total
North	42,714	7,569	20,569	21,655	49,793
Centre	14,628	3,837	6,255	10,872	20,964
South	8,576	2,832	3,113	2,955	8,900
Islands	10,373	2,678	684	1,944	5,311
Italy	76,291	16,916	30,621	37,431	84,968

Table 5. Italy: Foreign workers registered with the National Social Security Institute, 1992

	Men		Women		Total	
	No.	%	No.	%	No.	%
Total employees	74,195	83.06	15,132	16.94	89,327	100
Employees by country of origin						

West Europe					9,083	10.17
East Europe					20,472	22.92
North Africa					28,024	31.37
Sub-Saharan Africa					10,737	12.02
South America					4,452	4.98
Other					16,559	18.54
Total					89,327	100
Employees by economic sector						
Industry	37,500	50.54	5,299	35.02	42,799	47.91
Construction	15,355	20.70	188	1.24	15,543	17.40
Services	3,854	5.19	4,087	27.01	7,941	8.89
Commerce/other	17,486	23.57	5,558	36.73	23,044	25.80
Total	74,195	100	15,132	100	89,327	100
Domestics by country of origin						
West Europe	395	2.65	2,001	5.13	2,396	4.45
East Europe	591	3.97	3,460	8.88	4,051	7.52
North America	72	0.48	727	1.87	799	1.48
Central America	142	0.95	1,784	4.58	1,926	3.58
South America	327	2.20	2,832	7.27	3,159	5.87
Middle East	91	0.61	160	0.41	251	0.47
Philippines	5,144	34.56	14,644	37.57	19,788	36.74
Other Asia	5,048	33.91	2,493	6.40	7,541	14.00
North Africa	945	6.35	4,223	10.84	5,168	9.60
Sub-Saharan Africa	2,130	14.31	6,642	17.04	8,772	16.29
Oceania	1	0.01	9	0.02	10	0.02
Total	14,886	100	38,975	100	53,861	100
Grand Total	89,081	62.21	54,107	37.79	143,188	100

Source: INPS

In fact, half the sample had non-regular employment positions. This pattern is corroborated by the fact that very generally the channels through which aliens seek work are not the institutional ones (1.8 per cent through the Employment Service, 1.3 per cent through the trade unions). Rather, the major roles are played by friends and relatives (61.2 per cent), individual job search (30.7 per cent), and the efforts of social work and volunteer organizations (13.8 per cent).

A study by RISPO on non-EU workers in the province of Florence found that 65 per cent of enterprises had had some continuous employment relations with foreign workers and that 60 per cent of the time this steady employment was accompanied by an improvement in the worker's occupational position. Low skill levels and labour shortages were the main factors underlying the steady employment of these immigrants and the significant number of instances of promotions and wage incentives. It must be remembered, however, that these figures refer only to regular employment, excluding the entire irregular job market (COSPE, 1992).

As one may expect if one goes by the twofold disadvantage hypothesis, immigrants complained of the lack of agencies, especially public agencies, to help them find their way into the labour market. Nearly 11 per cent of the respondents felt that stronger public structures for employment intermediation would be the best instrument for easing the movement of non-EU nationals into the regular economy.

The national accounts provide an estimate of the extent of the employment of undocumented immigrant wage workers, confirming the significance of this clandestine component in the labour market. The estimates are disaggregated by sector and economic branch. In 1993 the Italian labour market employed 634,400 non-resident aliens (Table 6; ISTAT 1994b); 78.7 per cent were employed in the services (36.1 per cent in market services and 42.6 per cent in non-market services), 12.5 per cent in agriculture and 8.8 per cent in industry. Among the market services, the most important branches in this regard were the distributive trades, hotels, and maritime and air transport; in industry, construction and civil engineering dominated.

A rough estimate of the labour income of these irregular immigrants put the figure at 12,951 billion lire in 1993, or 2.7 per cent of total wages (1.9 per cent of national income). If one adds regular immigrants' wages, the total amount would be more than double these figures. In the official estimates, immigrants' remittances have grown sharply since the start of the '90s, rising from 110.1 billion lire in 1991 to 245.6 billion in 1993 (Banca d'Italia, 1994). The rates of increase vary considerably with country of origin. The fastest increases have been registered by citizens from the countries of Eastern Europe and from the developing world in general. An extremely conservative calculation estimates (or underestimates) per capita remittances at about 249,000 lire a year, a figure that, if compared to their wages, should leave little doubt on positive immigration effects on Italian domestic consumption.

Table 6. Non-resident aliens employed, by branch of economic activity, 1993

	No.	%
Agriculture	79,600	12.5
Industry	55,500	8.8
Construction	42,100	6.6
Market services	228,600	36.1
Distribution	95,400	15.0
Hotels	85,900	13.5
Maritime/air transport	34,000	5.3
Non-market services	270,000	42.6
Total	634,400	100.0

Source: ISTAT, 1994b

4. Immigration's impact on wages and employment

Many recent studies examine the economic effect of immigration on the host countries, and this literature has shed new light on some key issues in the economics of immigration.[1] We shall, first of all, analyze the effect of immigration on native wages and employment. If foreigners are *substitutes* for natives in the production process, the impact on wages will be negative; alternatively, if wages are sticky, native workers will experience growing unemployment.[2] If foreigners are *complementary* to natives, however, immigration will raise native productivity and hence wages.

Within this conceptual framework, a number of studies have been carried out on the US, Australia and Canada (Abowd and Freeman 1991; Borjas 1992; Borjas and Freeman 1992). Their conclusions cannot be readily extended to Europe where the labour market has different characteristcs (less flexibility, persistent unemployment) and where the historical role of migration is quite dissimilar. A general result, nevertheless, is the finding of Altonji and Card (1991), who show that, under not overly restrictive assumptions, the key variable is the relative proportions of unskilled workers in the immigrant flow and in the native population. If they are equal, neither the skilled nor the unskilled wages will change; if the fraction of unskilled workers among immigrants is higher than among natives, then immigration will drive skilled workers* wages up and unskilled wages down.

A recent study for Europe (Gang and Rivera-Batiz, 1993) goes further along this line, postulating that the wage of the individual worker *i* (W_i) is composed of the return to his physical labour supply (r_u), plus the returns to education (Ed_i) and experience (Ex_i):

$$W_i = r_u + r_e\, Ed_i + r_x\, Ex_i \ ,$$

where r_e and r_x indicate the market returns to education and experience. The wage of an uneducated and inexperienced worker will be just r_u, while other workers will get higher wages. Given an aggregate production function with standard neoclassical properties,[3] the rates of return are equal to the marginal productivity of each factor:

$$\frac{\partial F}{\partial L_u}; \qquad r_e = \frac{\partial F}{\partial L_e}; \qquad r_x = \frac{\partial F}{\partial L_x}$$

By grouping immigrants according to their human capital, it is thus possible to estimate their effect on the returns to each wage component, as well as their final effect on native wages. Using Eurobarometer regional data, the authors estimate the three rates of return, and obtain the price elasticity of each factor to a change in each input,[4] as well as to a change in its own supply. The

[1] Very recent surveys are provided by Borjas (1994) for the U.S. and Venturini (1994) for Europe. To this last author we are very much grateful, as her paper was of great help in the elaboration of ours.

[2] Foreigners, nonetheless, represent an additional demand for goods produced by natives, which generates a multiplyer effect that can counter the negative one deriving from substitution.

[3] $Y = F(L_e, L_x, L_u)$, where L_e, L_x, L_u stand for the supply of education, experience and physical labour.

[4] If the elasticity is positive, the two variables are complements; if negative, they are substitutes.

results show that education is complementary to experience and unskilled labour, while unskilled labour and experience are substitutes. In European regions, a 1 per cent increase in unskilled labour induces a rise of 0.10 per cent in the return to education and a reduction of 0.75 per cent in the return to experience.

Next, after choosing reference groups of native workers (in Germany and Belgium), each with a specified combination of productive inputs, the authors calculate cross elasticities, thus estimating the degree of complementarity to different groups of immigrants, also characterized by different combinations of productive inputs. The results show quite general complementarity, while the substitution effects are small and limited to native workers whose wages depends solely on experience.

Schmidt, Stilz and Zimmermann (1993) propose a model that explicitly includes the behaviour of the trade unions. The economic system produces only a single good, through a production function with constant returns to scale whose inputs are capital, unskilled labour and skilled labour. Native workers supply a fixed quantity of labour, while foreigners are perfect substitutes for unskilled natives, bring no capital with them and have no effect on the aggregate demand of the economy. The amount of immigration is decided by the government. A monopoly union fixes the wage rate and firms decide employment in the unskilled labour market. Market forces set the equilibrium wage in the skilled labour market.[1] If in the unskilled labour market the wage rate set by the union is higher than the equilibrium wage, involuntary unemployment is created. The inflow of unskilled foreigners spurs the union to lower the wage rate, bringing the unskilled market towards a more competitive equilibrium and permitting employment growth, which in turn, given the complementarity with skilled labour, raises the latter*s wage level. The overall effect on unskilled native unemployment will be positive or negative, depending on the weights in the union utility function. In the case shown by Figure 1, the new equilibrium (B_1) results in a reduction in native unemployment. This model is very interesting, as it embodies some fundamental features of European labour markets, even though one may question the assumption of a given labour supply, insensitive to changes in the wage rate, that permits a positive effect of unskilled immigration on unemployment.[2]

Whether real economies work in this way or not is, in any case, an empirical matter. In the US, although the ratio of immigrant to native human capital has become quite low, as Borjas (1992, 1994) shows, the effect of inflows on native wages is either positive or none. However, it can be negative and substantial for earlier immigrants, the only group that new immigrants can substitute for.

In Europe the evidence is less definitive. De New and Zimmermann (1994) and Hunt (1992) show how the effects of migration on the host labour market can be studied using different types of data and methodology. De New and Zimmermann find a negative effect on native wages in Germany: a 1 per cent increase in the share of foreign workers causes a reduction of native hourly wage by 4.1 per cent,[3] with negligible impact on unemployment. Hunt, studying the case of repatriated migrants from Algeria to France in the 1960s, finds a reduction of the resident hourly wage of about 1.3 per cent and an impact on resident's unemployment of 0.3 per cent.

[1] The union*s utility function, nevertheless, includes the wage of skilled labour, which is influenced by unskilled employment.

[2] Otherwise immigration could result in natives abandoning the labour market.

[3] The specific effects are a reduction of 5.9 per cent for unskilled workers and a rise of 3.5 per cent for skilled ones.

Despite the considerable volume of work on the role of immigration in the Italian labour market, to our knowledge no empirical studies have been done on the wage impact of immigrations. Dell'Aringa and Neri (1987) use a general equilibrium model to study the effect of illegal immigration on a two-sector economy (official-informal) with a single good. The model assumes homogeneous labour (*L)* and homogeneous capital (*K*), whose returns vary in the two sectors by an indicator of efficiency (*c*), inversely correlated to the risk for firms in the informal economy of being uncovered. The capital-labour ratio (*k*) is higher in the official economy, where it is an increasing function of the (exogenous) official wage in real terms, while in the informal sector it is lower and grows with *c*. When capital is scarce and the labour supply ample, capital will move into the informal sector, where technology is less efficient but labour is cheaper. Equilibrium solutions for official and informal employment exist for $m > k > tm$, where *m* is a function of the official wage and the production function parameters, and *t* is less than one and depends on both the production parameters and *c*. Official employment is then equal to:

$$L_o^* = \frac{K - tmL}{m(1-t)}$$

so that the variables relevant to official employment (as well as to the ratio of official to informal employment) are: i) the amount of capital available; ii) the official wage; iii) the inefficiency of the informal economy (or the risk of being uncovered). While lower labour costs in the official sector spur firms to move capital into it, other variables (particularly the amount of capital, via the investment rate) could also be used as policy instruments to encourage the "surfacing" of the informal or underground economy.

In this model, immigration affects the quality of employment through wages. Such a feature is particularly appropriate for Southern Europe and Italy, where growing illegal immigration (Figure 2) is the source of significant economic problems for the host countries and, above all, is presumed to exert a sort of *wage-displacement effect* with respect to the local workforce. According to the model, this is not the direct, traditional effect; rather it operates by attracting capital, along with part of the official native workforce, to the underground economy.

The actual working of the Dell*Aringa-Neri model is still in question, as the authors provide no empirical test. In any case, the Italian National Statistical Institute (ISTAT) produces a yearly estimate of illegal foreign workers and of other workers in the informal sector, within the national accounts system. This data is the product of cross-checking the census with a variety of other sources, not specifically aimed at the informal sector; as such, it offers reasonable indirect clues more than firm evidence. Regressions run on the data confirm the link between native informal and illegal immigrant employment (a 1 per cent increase in the latter results in 0.11 per cent growth in the former). In any case, there is no significant indication of a substitution effect between informal workers (both natives and foreigners) on official employment; but informal employment of natives has a strong and significant negative effect on the average wage (growth is entirely tranfered to wage reduction). Finally, the unemployment rate is well explained by demographic factors (the size of the working age population) and the average wage (with the expected signs), while the coefficients for native informal and illegal immigrant employment are statistically not significant and elasticity of the latter is negative (-0.16).

This set of tests does suggest a not negligible (albeit small) indirect wage effect of illegal immigration, although the transmission chain differs somewhat from the one proposed by Dell*Aringa and Neri. In the model, immigrants lower the wage rate in the informal sector and so

attract capital and employment to it; the tests suggest that they influence the volume of native informal employment, which in turn diminishes the wage rate and lowers unemployment.

These results can be usefully viewed in the light of the evidence on the human capital possessed by immigrants. Table 7 shows that the educational standards of official foreign workers in Italy are quite poor, and so are their skills. Actually, however, field studies[1] have shown that many immigrants seriously underdeclare their education and skills, in order to maximize their employment probabilities, which are best at the bottom of the skill scale. This strategy has two consequences. First, by chosing mostly unwanted jobs they accentuate their complementarity to native workers (Bruni *et al.*, 1993), thus limiting their substitution effect to workers in the informal sector, as our regression tests suggest. Second, immigrants tend towards *selfexploitation*, not only with reference to working hours and wages as is generally recognized (e.g. by Venturini, 1990), at least when they are in the first of Böhning's four stages in the evolution of immigration regimes,[2] but even with reference to their human capital, thus limiting their potential contribution to the host economy. In Italy, as in many other Mediterranean countries, such consequences are amplified by the illegality of much of the inflow of foreign workers.

Another subject of intense debate and repeated investigation is the so-called *wage assimilation* of foreign migrants. Borjas (1985) has shown that it is unlikely that recent immigrants to the US will reach parity with the earnings of natives during their working

Table 7. Hirings of immigrants by education and skill, 1993 average

	Men		Women		Total	
	No.	%	No.	%	No.	%
Education						
No education	50,032	76.60	14,725	74.92	64,757	76.21
Compulsory school	13,025	19.94	3,679	18.72	16,704	19.66
High school	1,839	2.82	1,055	5.37	2,894	3.41
University degree	418	0.64	195	0.99	613	0.72
Total	65,314	100	19,654	100	84,968	100
Skill						
Menial workers	51,197	78.39	14,004	71.25	65,201	76.74
Skilled workers	11,697	17.91	4,590	23.35	16,287	19.17
Specialized workers	1,636	2.50	329	1.67	1,965	2.31
Clerks	784	1.20	731	3.72	1,515	1.78
Total	65,314	100	19,654	100	84,968	100

Source: OML-Ministero del Lavoro

life, as the relative skills of successive immigrant waves have declined over much of the postwar period. But LaLonde and Topel (1992) show that deteriorating economic conditions in the receiving country may affect migrant wage opportunities more severely than the "quality" of

[1] For instance, Moretti and Vicarelli, 1986; CENSIS, 1991; COSPE, 1992; Ministero del Lavoro and Fondazione Giacomo Brodolini, 1993.

[2] In this stage immigrants, very often young and single males with very high participation rates, pursue the objective of maximizing income and savings in the short run, as their stay in the host country is intended to be temporary.

inflowing cohorts, which has proven to be fairly constant through time, once labour market changes have been controlled for.

In the European debate, the German case is the most extensively studied. The empirical work of Schmidt (1992), based on individual panel data, finds that foreigners equal native wages after 17 years of employment. However, this is contested by Dustmann (1993) who, using the same data, finds that foreign workers have lower earnings throughout their career. He relates this to the fact that migration flows are only temporary. Pischke (1992) finds no differences in the earning growth rates of foreigners and natives employed in the same occupations, even if foreigners, starting from a lower level, never attain wage parity. These complex and seemingly contradictory results can be explained (at least in part) by reference to methodological questions such as the homogeneity of the composition of the native and foreign groups, their employment duration, and so on.[1]

5. Effects on income and growth

A more general question explored by the literature on immigration relates to macroeconomic growth. Several studies in this field have convincingly stressed the crucial role of human capital.

Dolado, Ichino and Goria (1993), making use of a production function with human capital *à la* Lucas (1988), find a positive impact of immigration on per capita income growth when the human capital of foreigners is higher than natives' one, and a negative effect when it is lower.

Let the production function be:

$$Y = H^{a} (L\, e^{gt})^{1-a} \qquad 0 < a < 1$$

where Y is the output level, H human capital and L the total working population (natives plus net new immigrants), whose productivity grows at the rate g. The amount of labour input grows as a consequence of the increase in population (natives and migrants) and in the technical progress embodied in it. Human capital grows as a function of the output share invested in it (s) and the human capital share introduced by migrants (,), while it is reduced by the depreciation rate (d):

$$\dot{H} = sY - dH + eM\left(\frac{H}{L}\right) .$$

Using small letters for the variables in terms of labour units and considering the role of immigration, the production function then becomes:

[1] No reference is made here to Italian work on this topic, as to our knowlege we still lack such studies. Even the important question of the long-run adaptation of immigrants to the labour market (the "second generation" issue) is neglected here, as immigration in Italy is still too recent.

so that, for a given ,, a higher immigration rate raises (lowers) the current level of output per capita of the host country if , is larger (smaller) than unity; similarly, for a given positive net migration rate, the higher the human capital of immigrants relative to natives, the higher will be output per capita.

The authors then provide a steady-state estimate of the parameter for 23 OECD countries in the period 1960-1985 (Table 8), and find an average estimated value of 0.66, so that some general negative effect of immigration on income (though quite small) is predicted. While the US displays a below average , (0.53), the 17 European countries for which the parameter is calculated range from 0.26 (France) to 1.03 (Luxemburg). For Italy the ratio is quite high (0.71), but the recent immigration is outweighted by previous emigration, so that the coefficient for the net migration rate is negative (-0.6). Assuming foreign inflows as exogenous and using the parameters calculated, the authors estimate that a 0.1 per cent increase in net immigration flow reduces current income by 0.04 per cent and steady-state income by 1.5 per cent. This reduction is, in any case, less than half that effected by a comparable natural increase in the native population, which by definition brings no human capital with it.

Table 8. Net migration rates and estimated ratios of the human capital of immigrants versus that of nationals in 23 OECD countries

Country	Net migration rate (per thousand) m	Human capital of immigrants versus natives ,	
		estimate	t-ratio
Australia	7.3	0.86	1.72
Austria	0.7	0.36	0.61
Belgium	0.9	0.45	0.12
Canada	3.5	0.79	0.07
Denmark	0.5	0.48	0.63
Finland	1.6	0.43	0.63
France	2.3	0.26	3.62
Germany	3.0	0.89	1.94
Greece	-0.6	0.65	1.83
Ireland	-1.7	0.75	0.30
Italy	-0.6	0.71	0.28
Japan	1.8	0.75	0.30
Luxembourg	4.9	1.03	1.38

Netherlands	1.5	0.69	1.46
New Zealand	0.9	0.70	1.58
Norway	2.8	0.77	1.65
Portugal	-2.1	0.63	0.16
Spain	-0.7	0.46	1.01
Sweden	1.6	0.91	0.18
Switzerland	3.6	0.91	1.28
Turkey	-2.0	0.34	0.82
United Kingdom	-0.2	0.85	1.60
United States	1.9	0.53	1.08
Average	1.35	0.66	
Test for equality of , across countries		$F_{(22.85)} = 0.46$ p-value= 0.73	

Source: Dolado, Ichino and Goria (1993)

In referring these results to the Italian case, one must consider that the characteristics of the immigrants, as described above, tend to operate in two directions. First, the high estimate of their relative human capital provided by Dolado, Ichino and Goria predicts a small positive (or small negative) impact on growth. This prediction is confirmed by a further regression test, based on a simplified production function with no capital and three distinct labour inputs: official workers, native informal workers and illegal immigrant workers. The regressions attribute to illegal immigrants a positive but very small contribution to output. They reveal a stronger but negative impact for native informal workers. Second, this result may be explained not only by the human capital intensity of immigrants (often traded off for a higher employment probability), but by labour market segmentation, which depresses their ability to contribute to income and growth. As we have seen, the rapid increase in illegal inflows has led to an expansion of concealed and informal employment, and this growth is held responsible (Venturini, 1990) for a slowdown in the modernization and technical progress of the economic units and sectors that use illegal immigrant labour.[1]

6. Effects on social expenditure

Immigration affects public finances as it increases the demand for public goods, such as public services, public capital and social security. This area has been explored by a number of theoretical and some empirical studies on particular subjects, such as taxes and social contributions, pensions received, schooling, medical and other social services consumed. The findings of this body of work are often contradictory, as the computation of actual contributions paid and benefits received is complex and burdened with questionable assumptions as well as institutional differences between countries.

[1] The lack of information forbids any estimate of the magnitude of this effect, for which the only reference number is the share of illegal foreign workers in total employment, estimated by ISTAT for the national accounts (2.9 per cent in 1994).

Providing a calculation for the US, Borjas (1994) clarifies a few important points: i) immigrant households receive a larger amount of cash benefits (means-tested entitlement programmes) than native households; ii) as immigrants have higher labour force participation rates, they do not have a disproportionately low share of non-welfare income, and consequently they do not pay a disproportionately low share of taxes; iii) immigrants pay more in taxes than they receive in means-tested entitlement programs; iv) it is, in any case, likely that they increase the congestion of other public goods (e.g. parks, schools, housing and roads) as well that the marginal cost of providing these additional public goods is higher than zero; v) if immigrants* taxes are used to pay for these public goods in the same proportion as natives' taxes (i.e. 91.1 per cent of total tax payments), the annual loss associated with immigration, due to income maintenance programs, would be of the order of $16 billion under the assumption that immigrants consume these goods as much as natives do and that their marginal cost is equal to the average cost.

Such calculations, however, do not cover the social security balance, on which it is often argued that immigrants exercise a positive net impact because many leave the host country prior to retiring without collecting benefits they have contributed for.

Straubhaar and Weber (1994) survey the results of some other empirical studies on the subject. As Table 9 shows, the conclusions concerning the impact of immigration on public finance (referring to the US, Texas, Canada, Australia, Germany, Sweden and Switzerland) are not necessarily negative; on the contrary, in most cases the estimated impact is neutral or inconclusive, and in some cases it is positive. The authors calculate the impact of foreigners on the Swiss fiscal system using a particular survey of consumption in 1990, which enables them to compute, on the tax side, the amount of direct and indirect taxes paid by immigrants, plus social contributions and other contributions for the use of public goods. On the spending side they compute direct transfers, subsidies to firms and consumption of public goods. The overall balance is largely favourable to Swiss households, which in the

Table 9. Empirical research on the distributional effects of public transfers between immigrants and natives

Author	Budget positions analysed	Area of analysis	Transfer effect for the natives

Simon (1984)	Taxes and public transfer payments	US	Positive
Blau (1984)	Benefits from public welfare and social security programmes	US	Neutral
Muller and Epenshade (1985)	Tax payments and use of public social programmes	US	Neutral
Tienda and Jensen (1986), Jensen and Tienda (1988), Jensen (1988)	Use of public social programmes	US	No general statement possible
Weintraub (1984)	Tax payments and use of public services	State of Texas and its biggest cities	State level: positive City level: negative
Akbari (1989)	Taxes and public transfer payments	Canada	Positive
Kakwani (1986)	Taxes and public transfer payments	Australia	Positive
Miegel (1984), Wehrmann (1989)	Use of public social programmes	Germany	Negative
Ulrich (1992)	Taxes and public transfer payments	Sweden	No general statement possible
Wadensjö (1973), Ekberg (1983)	Taxes and public transfer payments	Sweden	Positive
Gustafsson (1986)	Use of public welfare programmes	Sweden	Negative
Gustafsson (1990)	Taxes and public transfer payments	Sweden	Neutral
Weber (1993)	Total of monetary and real public transfers	Switzerland	Positive

Source: Straubhaar and Weber (1994).

year examined received a net transfer of about $1,743 each. Given the number of foreign families present, the Swiss government obtains from migration a net gain of about $464 million.

A somewhat similar study has been done for Italy for 1990 and for the period 1990-2002, with three different scenarios for the final year (immigrants were put at 3.13 per cent, 4.5 per cent and 6.8 per cent of the total population, see Fondazione Giacomo Brodolini, 1992). The 1990 calculation includes only official immigrants, while the 1990-2002 ones include all immigrants (under the quite restrictive assumption of totally official inflows). The items considered on the spending-side are: compulsory schooling, vocational training and adult schooling, university education, housing, police and national health service (Table 10). The 1990 spending estimate is 1.3 million lire per official immigrant worker, or a total amount of 729 billion lire. The estimates for the middle of the projection period (1996) range from 1.6 to 1.7 million lire per immigrant worker (according to the adopted final scenario), or a total of 3.1 to 6.2 trillion. In 1990 the largest spending item is health services (73 per cent), immediately followed by police services (87 billion lire just for detention costs). In the

Table 10. Public spending for immigrants, by sector (billions of 1990 lire)

	1990(*)	Middle of period 1990-2002			Cumulative cost to 2002		
		Scen. A	Scen. B	Scen. C	Scen. A	Scen. B	Scen. C
Compulsory school	8.3	217.6	388.8	605.3	399.8	657.8	1,016.6

Training, adult literacy	13.9	131.8	221.4	368.0	131.8	221.4	368.0
University	32.1	316.0	320.7	328.6	414.7	420.9	431.0
Housing	52.5	1,023.2	1,510.7	2,308.1	12,278.2	18,128.8	27,697.7
Police	86.6	92.4	123.6	171.6	121.6	182.3	278.5
National Health Service	535.7	1,311.9	1,750.8	2,433.9	1,721.7	2,586.1	3,951.1
Total	729.1	3,092.9	4,316.0	6,215.5	15,067.8	22,197.3	33,742.9

(*) The figures for 1990 include only legal immigrants; subsequently all immigrants are considered.
Source: Fondazione Giacomo Brodolini (1992).

Table 11. Estimated tax and social contribution revenues from non-EU immigrant workers (billions of 1990 lire)

	No. workers	Social contributions		Personal	Total
		Employer	Employee	Income Tax	
1990(*)	130,334	824	183	585	1,592
Mid-period 1990-2002					
- Scenario A	592,966	3,795	843	2,701	7,339
- Scenario B	789,395	4,979	1,103	3,543	9,625
- Scenario C	1,097,392	6,922	1,533	4,925	13,380
2002					
- Scenario A	778,170	4,981	1,106	3,545	9,632
- Scenario B	1,166,019	7,354	1,629	5,233	14,216
- Scenario C	1,781,481	11,236	2,488	7,996	21,720

(*) The figures for 1990 include only legal immigrants; subsequently all immigrants are considered.
Source: Fondazione Giacomo Brodolini (1992).

future, housing costs are expected to rise to 33 per cent of total public spending and health costs to decline to 42 per cent.

The accounting on the tax side considers social contributions (paid by the firms and the workers) and personal income tax. Estimated income tax revenue in 1990 is 585 billion lire, while that for 1996 ranges from 2.7 to 4.9 trillion lire. On this showing, the tax-spending balance would be negative in 1990 by 145 billion lire, and this deficit should grow by 1996 between 400 and 1,300 billion lire. But adding social contributions (mostly aimed at financing the pension system) to tax revenues turns the negative into a positive balance of 870 billion lire in 1990 and of 6,5 to 7,2 trillion in 1996. The key variable, therefore, is the intensity of the actual and future enjoyment of the pension system by the immigrants - a question that the authors leave open.

Further information on this point is offered by Vitali (1991). As immigration in Italy is quite recent and official workers registered with social security are still very few in number (only about 150,000; see Table 5), the pensions now paid directly by the Italian social security system to non-EU citizens are only very few, several thousand residents in the border areas of the former Yugoslavia receive them as well. In any event, the number of the pensions paid as a result of international agreements with EU countries, Switzerland, the US, Canada, Australia and the former

Yugoslavia is higher and rapidly growing: from 413,000 in 1990 to 523,000 at the beginning of 1993. If this trend continues, the positive impact of immigration on social security could be only temporary, as the pension entitlements of present migrant workers (who now pay for retired native workers) would have to be (at least partially) paid for by future workers.

For these reasons, the long-run effect of immigration on social security depends on the Italian government's ability to minimize illegal immigration and informal immigrant employment as well as on the future ability of official foreign workers actually to enjoy the pensions they are paying for now. This ability in turn depends on two distinct conditions. First, it requires the existence of international agreements on mutual recognition of the acquired rights (pension entitlement "portability"). Outside the industrial countries, today such agreements are in effect with only a few African and Asian countries, although in the future Italy could be obliged to widen this kind of cooperation with migrant sending countries. Second, pension entitlement depends on a minimun period of contribution. In absence of specific information and studies on this point, the recent character of immigration in Italy suggests that many immigrant stays may be only temporary, and many foreign workers are expected to return home before attaining eligibility for pension. One may accordingly presume that the net benefit contributed by immigrants to the Italian social security system is at present not negligible and should last, even if it decreases, at least in the medium turn.

7. Conclusions

The recent development of immigration to Italy, thanks among other things to the enlargement of the regions of origin from the traditional sending countries of the Maghreb and Egypt to Eastern Europe and East Asia, has now given foreign workers a significant role in the Italian economy. The foreign presence in the country in the '90s retains some of the basic characteristics of earlier immigration, such as its prevalently urban location, especially in the Center and North of Italy, the large share of illegal immigrants (estimated at anywhere from 30 to 50 per cent of the total), and employment primarily in the services and especially in domestic service.

The position of the immigrants within the labour market still tends to be at the bottom of the wage and skill ladder, and to reflect the level of development and the employment opportunities offered in the various regions of Italy and sectors of the economy, thus reproducing, among other things, the North-South dualism.

In other respects, however, the situation appears to be changing, with some signs of a transition from the first to later stages of the migration process proposed by Böhning. In fact, while finding work remains the main purpose of requests for permits to enter the country, the incidence of family reunification is increasing, even for immigrants from the developing countries. These emerging features of the migration flow indicate the start of a process of immigrants establishing roots in Italy, entailing the reunification of households and a normalization of the distribution of the immigrant population by sex and age.

Examination of the present effects of immigration on the Italian economy reveals first and foremost that the immigrants are largely complementary to native workers. As a consequence, their presence presumably has a positive impact on both the wage levels and the employment levels of Italian workers, at least for those who are skilled and in the higher occupational categories.

Nevertheless, as a significant share of foreign workers are concentrated in the underground economy, and as both the theoretical and empirical findings of our study indicate that this presence also tends to induce natives to pick up employment in the informal sector, the complementarity effect is accompanied by an undesirable destructuring of the labour market and by an indirect moderating effect on average wages.

The literature generally underscores the critical importance of the human capital possessed by the immigrant workers as the fundamental variable in determining their contribution to the host country's economic growth. In this respect, even though the educational standards of today's immigrants in Italy are relatively high, the fact that they are often employed in the informal economy and in unskilled jobs implies that their contribution, while positive, is unquestionably modest. The difficulty in placing immigrant workers also reflect their twofold disadvantage with respect to natives, inherent in the inability to achieve an optimal matching between the firms' requirements and the characteristics of the workers, but inherent also in the immigrants' relative inability to contribute immediately to an economy increasingly based on the production, distribution and productive consumption of information. This finding provides some support to the thesis that in Italy one effect of immigration is to slow down modernization and technical progress.

While the overall impact of immigration on economic growth may be modest, the positive consequences of offical, regular immigrant workers on the public finances are more substantial. The main benefit accrues to the social security system and will continue to produce a considerable financial benefit, at least in the medium term.

The complexity of the migration phenomena examined here and the signals of change in the Italian migration regime will presumably bring forth a new round of immigration studies. Among other things, an enrichment and a deepening of the statistical sources will be required to accompany the transition to a new stage, of a deeper-rooted foreign presence, in the migration process and to deal with the issues of second-generation immigration, which are unquestionably the most relevant to an understanding of the long-run effects on the host economic system.

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