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978-0-521-03770-9 - Postwar Migration in Southern Europe, 1950-2000: An Economic Analysis

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## Introduction

Migration promises to be one of the most pressing topics of debate in the twenty-first century. Emigrants are leaving from an ever increasing number of countries, and their destinations are equally varied, so that the phenomenon is, using a much abused word, global. The rapid decrease in transport costs, the availability of cheap information, the political and economic upheavals in eastern Europe, and the outbreak of local conflicts have all meant that the number of potential emigrants has multiplied. At the same time, many former countries of emigration have reached an overall standard of living that makes them potential destination areas.

Thus, one of the most difficult challenges of the twenty-first century will be how to manage immigration and emigration. Destination countries would like to control the inflow of foreigners, but their policies risk being ineffective because the flows are changing and becoming more complex as labor immigration is replaced or largely integrated by family reunification (about half of the foreigners in Europe entered as family members)<sup>1</sup> and refugees.<sup>2</sup> In addition, development policies designed to help countries of origin to raise their standard of living will take time to have any effect so that individuals' propensity to emigrate will not decrease in the near term. The political changes that are necessary in many countries of origin cannot be completed easily; consequently, the demand and supply of migrants will not be balanced in the near future.

The southern European countries are a very interesting case to study. If the other industrialized countries find managing migration difficult, it will be much more difficult for the southern European countries. This is

<sup>1</sup> See, for example, Table 1.7 in Boeri, Hanson, and McCornick (2002).

<sup>2</sup> The average demands for asylum increased enormously in Europe during the 1990s. In Germany, for example, the average annual flow was 142,000, and in the United States only 83,000. See Table 5.4 in this volume.

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[More information](#)

because they have recently ended their emigration phase, and they now must learn how to manage immigration in a period of “large” emigration. They are also close to areas where the pressure to emigrate is extremely high, such as North Africa and eastern Europe. There are, of course, inflows from more distant countries, too. These “new” receiving countries are attractive because of their increased level of income. However, they also have high unemployment rate (above the EU average) and a large informal sector, 15% to 25% of the economy,<sup>3</sup> two factors that complicate the management of immigration policy.

This book, the fruit of many years of research, aims to analyze this special case using an economic approach. I am convinced that migration is not only an economic phenomenon but also a social one. However, the economic analyses of its interaction provide a very thorough tool that can help us to understand its dynamics.

This volume tries to cover all aspects of the migratory phenomenon that constitute the economic and not only economic debate. I consider such questions as the determinants of the choice to migrate, the effect of immigration on the receiving country, and the consequences of emigration on the country of origin. I also assess the effectiveness of migration policies, and the policies that involve the area of migration, in managing the migratory phenomenon. In the literature, immigration is not usually divided into these four themes, but such a division makes it possible to separate the various methodological approaches. These approaches can then be combined into a single model so that the causes and effects of migration can be analyzed using a wide range of studies.

These themes have been analyzed within the context of European migration, especially the migratory phenomenon of the southern European countries after the Second World War. The migratory phenomenon in Italy, Spain, Portugal, and Greece, despite national differences, evolved in similar ways. There was transoceanic and, especially in the immediate postwar period, European emigration, while in the 1980s there were new flows of immigration from the developing countries and eastern Europe.

Chapter 1 lays out the main numbers so that emigration from southern Europe can be compared with immigration into southern European countries. The evolution of emigration from the southern European countries in the postwar period and of the recent immigration to those countries is highlighted, showing the similarities and differences between these flows regarding gender, age, activities, professional standing,

<sup>3</sup> See, for example, Schneider and Enste (2000).

Cambridge University Press

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Excerpt

[More information](#)

## Introduction

3

the direction of the emigration flows, and the immigrants' countries of origin. A survey of the theoretical approaches and the content of the debate follows. Its aim is to facilitate the identification of the four most important topics, which are dealt with in later chapters.

What determines the choice to migrate is considered in Chapter 2. An initial survey of the economic approaches to the choice to migrate highlights a variety of models that question the role played by wage differentials. Other interpretations emphasize, for example, the importance of spreading risks when income is uncertain or the importance of budget constraints and the level of income in the country of origin. The wealth of theoretical models is countered by the limited data available in the case of the southern European countries; thus, the choice of emigration is tested, whereas the choice made by immigrants is left until better information is available. Because of the availability of data, a different approach has been adopted in the empirical analysis. The microeconomic model of an individual's or a family's choice as a function of expected wage differentials is compared with the gravitational model, where distance plays a key role in slowing migration, and with the sociological model, which identifies family and social ties (the *migratory chain*) as the effective driving forces of migration.

The results of the empirical tests show that, despite national differences, the best interpretation of the evolution of emigration from the southern European countries is a combination of the sociological factor of the migratory chain with the traditional economic variables in the form of wage differentials. Thus, although the theoretical models question the importance of wage differentials in explaining the choice to migrate, it is true that overall flows of emigrants respond positively to an increase in wage differentials and to an increase in the probability of getting a job, but there is also an important dynamic relationship with past flows of emigrants. The migratory phenomena analyzed are influenced very little by changes in policies governing entry to the labor market; instead, family reunification policies, which influence the effect of the migratory chain, seem to be important.

The lesson learned through these empirical tests indicates that to manage immigration, countries should, in the short term, control the domestic demand for foreign labor and the policy of family reunification and should favor labor-intensive foreign aid projects, which, however, will reduce migratory pressure only in the long term.

The theme that has attracted most attention in the debate regarding the south European countries, is certainly the effect of immigration on the destination country, and it is dealt with in Chapter 3. It is arranged

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[More information](#)

in five strands, which are dealt with in the first part of the chapter, where the theoretical models and empirical evidence for Europe are presented critically. The second part of the chapter is dedicated to the question of competition in the labor markets of the southern European countries, and some new empirical results are presented.

The analysis of the effect of immigration on the destination country begins by considering the impact of foreign workers on the labor market (the first strand). The effect can be *complementary* or *competitive*. It depends on various factors, including the way the labor market operates, the presence of trade unions, and the wage and employment aims proposed by the trade unions. Various models are presented critically and the implications for labor market equilibrium are highlighted. Two important differences emerge in the southern European case: The first refers to the competition produced by foreigners working in the informal sector, and the second, more specific, difference is the displacement of native internal mobility, namely natives unemployed in less-developed areas.

The second strand is wage assimilation, that is, whether foreigners, during their life cycles, can achieve wage profiles similar to those of comparable native workers. A survey of the theoretical approach and the problems of empirical estimates is followed by a discussion of the main U.S. and northern European findings, where the inability of many recent immigrants to achieve a similar wage pattern to that of natives can be traced to three main factors: They have less human capital, economic growth is decreasing, and many immigrants today are refugees. Southern Europeans were able to assimilate in the destination countries, and the little evidence available on immigrants working in the southern European countries shows that they are not discriminated against in terms of wages.

The third strand examines the effect of immigration on the growth in the destination country's per-capita income. This is closely linked to how much human capital the foreigner possesses compared with native workers. If foreigners have more than the national average, there is an increase in per-capita income; if they have less, there is a decrease. Some studies of the European case have found that the average human capital of an immigrant is lower than the national average, and that leads to slowed growth in per-capita income. However, especially when the demand for labor is linked to a shortage of native workers, employing foreigners with lower than average human capital favors an overall growth in production.

Less attention has been paid in the southern European countries to the fourth strand, the impact of immigration on social expenditure, probably because the phenomenon is new and there is not yet sufficient data available

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Excerpt

[More information](#)

## Introduction

5

to carry out an adequate analysis. The theoretical approach is outlined, and the main U.S. and European findings are presented. In the American case, during the first migratory wave, foreigners made less use of welfare services than did similar natives. However, in the case of more recent flows, it seems that the situation is reversed; foreigners are aware of the benefits they can claim, and they settle where these benefits are most generous. In the European case there has been less research, but it seems that there are two contradictory models: a Swiss model, where foreigners contribute with positive transfers to the social expenditure of the native workers, and a German model, where foreigners are net users of social services.

The fifth and final strand concerns the impact of foreigners on the demographic structure of the population of the destination country and on the pension system. The importance of this strand is seen in that recent immigration into the southern European countries occurred in countries with a high rate of aging, and so immigrants are also considered positively for their overall generational contribution. The positive contributions made by foreigners to the structure of the population and to the pension system must not be confused with the probability both of reaching a stationary population and of reducing the pension deficit with flows of immigrants who, as this research shows, in the medium term would make the problem worse.

The second part of Chapter 3 develops in greater detail the theme of complementarity and competition between foreigners and natives in the southern European countries. A brief description of the findings regarding the United States, Canada, Australia, and northern Europe highlights two general rules,<sup>4</sup> which favor complementarity: a selective migratory policy and a flexible labor market. The absence of these two factors would suggest that there is competition between native workers and foreigners; however, empirical findings suggest that complementarity prevails, at least in regular labor markets. In contrast, evidence of competition emerges between the irregular and regular activities of foreigners in both Italy and Greece, however limited in absolute value. Results differ according to the model of analysis used: a micro test on individual data, which generally suggests complementarity, or an aggregate general computable equilibrium model, which is less optimistic. In the latter case, the aggregate economy is under control and its equilibrium conditions are the result of the labor market. A less optimistic view should prevail because many implicit effects of immigration, including the displacement of internal mobility, are missing in the empirical analysis.

<sup>4</sup> See Chapter 3.

Cambridge University Press

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Excerpt

[More information](#)

The effect of emigration on the departure country is analyzed in Chapter 4. Destination countries are also involved in this issue. With the aim of reducing migratory pressure, these countries emphasize the negative effects of emigration on economic growth in the country of origin and have considered whether giving developmental aid can slow emigration.

There are two main lines of research on this question. The first considers the effect of emigration on the structure of the population and on total human capital and how this affects the growth of the country of origin. The second considers the effect of emigrants' remittances on savings, the distribution of income, and the growth of production in the country of origin.

Some studies show that emigrants are selected positively (they are willing to risk, they have entrepreneurial ability, and their qualifications may be higher than the national average). Therefore, their departure is a loss for the productive system in the area of origin, and this means that its rate of growth decreases. However, other theoretical and empirical studies come to the opposite conclusion: that there is an increase in average productivity as a result of a reduction in the labor force. Remittances, even when they are not directly invested in the productive sectors, can also have important multiplier effects on growth.

In addition to the findings of the theoretical models, this chapter presents empirical data regarding changes to the age and gender structure of the population caused by emigration of southern Europeans. Changes to the labor market and economic growth are also considered, together with evidence on the so-called brain drain. The empirical findings cover countries in the Mediterranean basin, and the effect of remittances on the balance of payments, income, and economic growth is considered analytically. Empirical evidence shows that some southern European countries and others in the Mediterranean find it difficult to replace exported workers with exported goods.

Chapter 5 considers how effective migratory policies are in managing migratory flows and provides a quite discouraging scenario. Migratory policy in its strictest sense is a blunt weapon. The German and French experience in the 1970s taught us that if entry for work is reduced, pressure on other channels of entry increases: family reunification, applications for political asylum, and illegal immigration. All these channels of entry are examined, and evidence is provided of how difficult it is to achieve specific objectives. The high cost and limited effectiveness of border controls, are highlighted, as are the economic effects, of an increase in the alternative channels of entry on the dynamics of the migratory phenomenon. The problems associated

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Excerpt

[More information](#)

## Introduction

7

with regularization measures – especially those introduced in the southern European countries that experienced repeated regularizations (every three to four years) in the context of a large irregular economy – are also discussed at length. If it is difficult to control borders and manage the entry of foreigners into a country, it is even more difficult to reduce their presence. The policy of offering incentives to return home has been shown to be rather ineffective, and often it is difficult to carry out deportation without first making repatriation agreements with the countries of origin. Other policies that consider the sphere of citizenship are mentioned, and as such they define who is a foreigner and therefore who is subject to migration laws.

The importance of knowledge of the language as a prerequisite for economic integration is the only theme dealt with in the debate about a foreigner's integration. This theme is still in its initial stage in the southern European countries because the migratory phenomenon is new, but it will certainly receive much more attention from economic researchers in the next few years. The chapter concludes with a synopsis of the characteristics that can make migration laws more effective in the southern European case. However, the details will not be revealed here; the reader is invited to consider them later.

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[More information](#)

## 1

## The Evolution of Migration in Southern European Countries

### 1.1 THE EVOLUTION OF MIGRATION

#### 1.1.1 From Countries of Emigration to Countries of Immigration

Almost without its being noticed, the southern European countries have been turned from emigration countries into countries of immigration. This change was not sought, and in fact it was unexpected, as shown by the flurry of immigration legislation in the various countries, initially in Spain in 1985 and in Italy in 1986, later in 1992 in Greece, and in Portugal<sup>1</sup> in 1993. This was designed to revise the immigration laws and regularize situations that had built up during the period when the authorities were taken by surprise and had not yet passed specific provisions. The decline in emigration from Italy, Spain, Greece, and Portugal took place before the 1980s. In fact the decrease occurred before 1974, the year when economic recession in the main northern European receiving countries led them to introduce restrictive immigration policies for foreign workers (see Figure 1.1). However, between the end of the 1970s and the beginning of the 1980s, the balance between inflows (+) and outflows (−) changed from negative to positive for all the southern European countries: Italy, Spain, Greece, and Portugal

<sup>1</sup> In Italy the most important laws are 943/1986, 81/1988, 39/1990 (known as the Martelli law), and 40/1998, which reviewed all the regulations governing a foreigner's entry and residence in the country. In 2001 the law was revised, with a restrictive approach to immigration and legalization established by the end of 2002. In Spain the review of the laws began with 7/1985 and continued with 1119/1986. In August 2000, a new law was brought before Parliament (and approved in November) that tried to fight illegal immigration and began the third regularization operation. The Portuguese government began its review of the laws governing entry with 59/March 1993, and continued with 244/August 1998, which was amended in July 2001, introducing a further regularization provision. Greek laws governing the entry of foreigners began with 1975/1991 and two presidential decrees (358/1997 and 359/1997), which authorized the first regularization processes. A revision of the Immigration Act was started in 2001, and a second regularization is on the way.



The Evolution of Migration

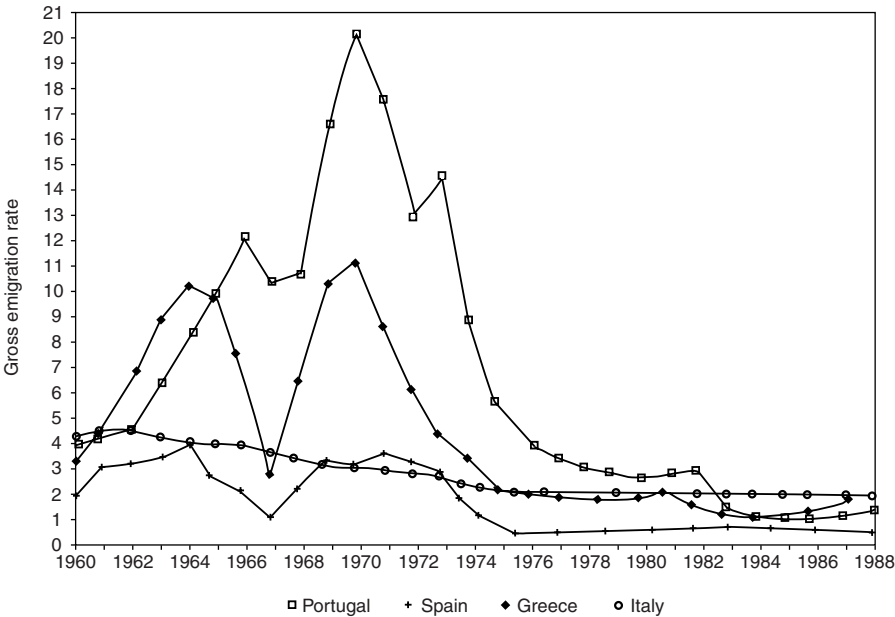


Figure 1.1. Total emigration rate

(see Table 1.1). In the case of Italy, especially, positive flows, counted in the thousands, first turned into tens of thousands and then hundreds of thousands. For short periods in Italy, Spain, and Portugal, seasonal emigration and bursts of limited emigration created a negative balance, but except for Portugal – where workers continued to leave, mostly to Switzerland – the phenomenon of emigration is extremely limited and stops completely in the 1990s.

The foreign population in the southern European countries increased rapidly in the 1980s, more than doubling (see Table 1.2). Although the southern European countries have very different immigration traditions and their non-EU immigration varies considerably, the recent increase in immigration into these countries mainly comprises people from Africa and Asia. However, the 1990s saw a flow of immigrants from eastern Europe.

The data in Table 1.3<sup>2</sup> clearly show the increasing importance of immigration from Africa and Asia, and its growth is highlighted by the legalizations passed in Italy and Spain in the early 1990s. The most numerous immigrants

<sup>2</sup> After 1977 the Greek National Statistical Service stopped collecting data regarding inflows and outflows, so no more recent data are available (Douglas 1993, quoted in Lianos, Sarri, and Katseli 1996).

10 Evolution of Migration in Southern Europe

Table 1.1. Total net migration 1960–98 (+ inflows – outflows)

Year	Greece	Italy	Portugal	Spain
1960	–30,500	–80,860	–55,528	–142,000
1961	–23,861	–130,848	–38,081	–82,664
1962	–48,200	–75,694	–73,853	–128,725
1963	–56,038	–77,966	–90,882	–102,144
1964	–47,500	–82,261	–133,494	–93,330
1965	–39,978	–61,350	–175,424	–50,200
1966	–4,800	–100,835	–181,744	–95,566
1967	–28,966	–91,275	–144,289	94,182
1968	–38,500	–102,566	–138,002	–24,865
1969	–66,847	–115,326	–208,839	–73,832
1970	–46,200	–107,276	–121,951	–50,479
1971	–15,501	–158,251	–121,549	55,192
1972	–600	16,591	–72,100	–68,000
1973	–42,500	14,097	–83,900	–67,000
1974	–19,300	9,779	174,400	–24,000
1975	58,500	22,424	347,000	14,000
1976	55,900	2,612	10,000	54,000
1977	22,004	4,624	19,747	67,137
1978	105,800	3,597	30,227	42,965
1979	41,571	–3,281	37,021	–36,622
1980	52,410	4,914	41,900	112,000
1981	2,408	–33,033	7,876	–30,913
1982	12,370	–45,195	–3,318	–33,000
1983	8,878	–35,512	–17,347	–19,323
1984	10,100	–29,993	–6,988	–25,000
1985	6,055	–20,405	–27,373	–12,115
1986	15,199	–14,282	–38,180	–26,288
1987	19,801	–3,880	–53,475	–28,251
1988	27,142	9,554	–50,195	–17,880
1989	53,852	16,324	–57,710	–13,989
1990	71,135	24,212	–60,068	–20,012
1991	87,246	4,163	–24,644	32,284
1992	48,878	181,986	–9,587	20,224
1993	56,025	181,070	19,954	24,717
1994	27,320	153,364	10,314	24,023
1995	20,859	95,499	5,375	47,314
1996	21,558	149,745	10,246	45,490
1997	22,070	126,554	15,270	35,609
1998	22,500	113,804	15,244	32,320

Source: EUROSTAT 1995a, *Migration Statistics*; 1999, *Demographic Statistics*