Postwar Migration in Southern Europe, 1950–2000

An Economic Analysis

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Contents

List of Figures and Tables — *page* ix
Acknowledgments — xiii

Introduction — 1

1 The Evolution of Migration in Southern European Countries — 8

1.1 The Evolution of Migration — 8
1.2 Approaches to the Analysis of Migratory Phenomena — 41

2 The Choice to Migrate — 48

2.1 An Overview of the Economic Models — 50
2.2 Comments on an Empirical Version of the Economic Model — 66
2.3 The Gravitational Approach to Migration — 67
2.4 The Sociological Approach to the Migratory Chain — 69
2.5 The Evolution of Migratory Flows — 70
2.6 Empirical Tests — 75
2.7 Final Conclusions and Implications for the Flows of Immigrants Today — 91

3 The Effects of Immigration on the Receiving Country — 94

3.1 An Overview of Models by Main Themes — 94
3.2 Complementarity and Substitution: Empirical Evidence — 122
3.3 Conclusions — 164

4 The Effects of Emigration on the Country of Origin — 168

4.1 Emigration and Growth — 169
4.2 Population and the Labor Market — 173
4.3 Emigrants' Remittances — 182

5 The Effectiveness of Migration Policies 204

5.1 Immigration Policy in Its Strictest Sense 205
5.2 Citizenship and Naturalization 232
5.3 Integration Policies: Linguistic Proficiency 233
5.4 Conclusions 236

References 241

Index 269

List of Figures and Tables

FIGURES

1.1	Total emigration rate	*page* 9
1.2	Italy and Greece: Destinations of emigrant flows	14
1.3	Portugal and Spain: Main destination areas	15
1.4	France and the Federal Republic of Germany: Origins of immigrant flows	19
2.1	The decision to migrate and the optimal option value	61
2.2	Migratory choice under symmetric and asymmetric information	63
2.3	Gross emigration flows from Spain to the northern European countries	71
2.4	Gross flows of emigrants from Italy to the northern European countries	72
2.5	Gross emigration flows from Greece to the northern European countries	73
2.6	Gross emigration flows from Portugal to the northern European countries	74
3.1	Competition or complementarity by categories	96
3.2	Labor market adjustment with immigration	97
3.3a	Effect of unskilled immigration on the skilled labor market	100
3.3b	Effect of unskilled immigration on the unskilled labor market	100
3.3c	Effect of skilled immigration on the skilled labor market	101
3.3d	Effect of skilled immigration on the unskilled labor market	101
4.1	A neoclassical growth model of migration	170
4.2	Migration in a goods market with increasing returns to scale	171
4.3	A comparison of the age structure of the population with emigration from 1950 to 1990 and the actual population in 1990	176

4.4 Effects of emigration and return on the age and female structure of Italy, 1981 177
4.5 Trends of remittances in current dollars for the Mediterranean countries, 1968–2000 184
4.6 Share of remittances on imports and exports for Greece, Italy, Portugal, and Spain, 1968–2000 198
4.7 Share of remittances on imports and exports for Egypt, Tunisia, Turkey, and Morocco, 1968–2000 199
4.8 Share of remittances on GDP 201
5.1 Trends in immigration flows into France and Switzerland 212
5.2 Demand for asylum in Europe and North America, 1970–92 217
5.3 Channels of entry for illegal immigrants 221

TABLES

1.1 Total net migration 1960–98 10
1.2 Stock of foreign resident population, share of domestic population, and growth rate 11
1.3 Foreign residents in southern Europe by area of origin (percentages) 12
1.4 Emigrants according to main destination 1950–75 16
1.5 Emigration flows from southern Europe to the main destination countries, 1960–85 17
1.6 Stock of foreign population and foreign workers by country of origin for the main receiving countries 20
1.7 Percentage of emigrants in the population and in the national labor force 22
1.8 Foreign residents in the southern European countries 25
1.9a Distribution of workers in Germany by skills (1977) 32
1.9b Distribution of workers in France by socioprofessional status (1975) 32
1.9c Inflows of workers in France and Germany by nationality and skill (1973) 32
1.10 Skill levels of jobs held by foreigners in Spain (1992) 33
1.11 Occupation of foreigners by sector of activity 34
1.12 Number of female emigrants per 100 men 1960–74 36
1.13 Age distribution of migratory flows 36
2.1 Gravitational model 76
2.2 Economic model of human capital 80
2.3 Migratory chain model 90

3.1 Empirical research on the distributional effects of public transfers between immigrants and natives 117
3.2 Wage and employment effects of immigration in northern Europe 128
3.3 Wage and employment effects of immigration in southern Europe 137
3.4 The effect of immigration on the Spanish labor market 151
3.5 The effect of immigrants on natives' wages – various groups in Italy 152
3.6 Probability of transition from unemployment to employment for those looking for their first job in northern and central Italy 153
3.7 Long-term elasticity between regular employment and irregular employment by sector in Italy 159
3.8 Macroeconomic effects of illegal immigration in Greece 162
3.9 Macroeconomic effects of changes in the rate of legal and illegal immigration in Spain 163
4.1 Rate of natural population growth (Tin) and net migration rate (Tmn) 174
4.2 Population change as a result of emigration flows 174
4.3 Marginal rate of absorption 178
4.4 Estimates of what determines remittances from Germany 187
4.5 Individual reasons for sending remittances 191
4.6 Share of exports, imports, and remittances over GDP 200
4.7 Relationship between flows of remittances and direct investment in the country of origin 202
5.1 Residence permits by categories in Italy: 1994, 1996, 1998 207
5.2 Germany: Population changes, 1971–85 213
5.3 Inflows of asylum seekers into selected OECD countries, 1980–2000 218
5.4 Recent regularizations in southern European countries by main countries of origin 224
5.5 Rates of unemployment for natives and foreigners according to age in France, Germany, the Netherlands, and Sweden, 1983–94 234

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)[1] and refugees.[2] 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

[1] See, for example, Table 1.7 in Boeri, Hanson, and McCornick (2002).

[2] 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.

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,[3] 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,

[3] See, for example, Schneider and Enste (2000).

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 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 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,[4] 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.

4 See Chapter 3.

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 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.