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*Immigration and the Need for Flexibility:  
The Case of Italy*

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## **Abstract**

As far as immigration is concerned Italy has become an important host country within the European Union. Even though in terms of stock of foreign population on total population it is still behind many European immigration countries, including new immigration countries like Greece, as far as new arrivals are concerned it represents one of the main attraction poles in the European Union, especially if undocumented immigration is considered.

Migration flows of the past twenty-five years differ from those that occurred in the post-war period not only because new destination and origin countries emerged – namely Southern European countries on the one hand and Eastern European, African and Asian countries on the other hand – but also for the features of the pull dimension explaining the migratory phenomenon. The transition from the Fordist to the post-Fordist paradigm and the changing international context have shifted the focus of pull factors from labour shortage more towards flexibility. Mutating labour standards and peculiar organization of production show this evolution most clearly. New immigration waves directed to Italy are explained to a great extent by this transition, which is founded on a number of preexisting features of the country.

The review of migration theories shows that alternative theoretical explanatory frameworks are complementary rather than exclusive ways to read the phenomenon. Historical contexts and the level of analysis are determining criteria for selecting a combination of theories. Besides migration theory, the definition of flexibility has emerged as a central concept to explain migration flows to Italy. The analysis of available official data on immigration on the one hand, and on the Italian labour market and entrepreneurial structure on the other hand, provides some empirical evidence on the link between immigration and the need for flexibility.

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## INTRODUCTION

International migration is a phenomenon that has shaped the history of world civilisation. Although historians recognise that many contemporary societies and nations are the result of migratory phenomena, at a political level international migration is still perceived as the factor determining the cultural, ethical and racial pluralism that societies have difficulties in managing. The inflow of different cultural elements is seen as a threat to national identities and people are perceived as vectors of culture more than foreign goods and investments are. The result is a strange political asymmetry in matters of economic integration. Just when expansion of world trade, communication and economic relations has dramatically added to the movements of commodities and investments across the world, the political and legal barriers to migration have tended to grow.

This wide and growing acceptance of movements of goods and capital, along with a narrowing and firmer rejection of the international mobility of people, emerges clearly from a report by the World Bank (1995, p. 67): *"Many countries have liberalised their trade, but nearly all stick to the notion that governments should manage migration. At first glance the case for freer labour mobility seems as compelling from an economic standpoint as the case for free trade. Both lead to aggregate gains, but both can also create social dislocations that require a policy response. The main difference between the two seems to be non economic: large migration flows disturb the way a society thinks of itself as a unified cultural or ethnic entity."*

Further on in the report, it is argued that migration is usually beneficial to both sending and receiving countries, but it is unlikely to become as important as trade and capital movements as a form of economic integration between poorer and richer countries. This is due to the possible economic costs unskilled native workers would have to bear, as well as to cultural resistance. From an economic standpoint, however, there is no proof that the impact on unskilled native workers determined by high immigration rates should be more adverse than the impact produced by trade liberalisation (Abowd and Freeman, 1991). The same holds for the cultural and social impacts that trade or capital mobility can bring about. As Breman writes (1995, p. 2298): *"...the social and political dislocations created by the free flight of capital can be just as sharp as when people drift away, if not more so. Why*



*should governments only restrain the influx of that type of capital, which is called human, and not the exodus of financial capital?"*

The movement of goods, services, ideas and capital across national borders is not new, but its acceleration in the last decade marks a qualitative break with the past. In addition this integration between economies, although a powerful factor of development, has not decreased the gaps in incomes. The World Bank states that the average per capita incomes of the poorest and middle thirds of all countries have lost ground steadily over the last several decades compared with the income of the richest third (World Bank, 2003). Increased inequality has not been counteracted by an accelerating mobility of people at the same pace that is recorded for trade and capital mobility.<sup>1</sup> In the perception of the receiving countries, however, immigration, especially "illegal" immigration, has increased significantly, leading to the politicisation of the issue (Wroe, 1997).<sup>2</sup>

The importance of getting a clearer insight into the phenomenon of international migration from developing to developed countries arises, apart from its politicisation, by the combination of two facts: its ongoing process on the one hand and its political rejection on the other. The result of this combination is "illegal" immigration, which has become the new target of policy-makers, who, in the case of Italy, have reduced it to a mere problem of public order.<sup>3</sup> This phenomenon, however, is interlinked with the increasing economic integration between rich and poor countries, and it is very important to study it in its economic dimension, i.e. its significance for the receiving economy. In particular this research has the aim of exploring in the case of Italy the pull dimension of the new migration flows in which Italy plays a central role.

Current waves of migration are different from those of the post World War II period not only because of a higher geographical diversification of both sending and receiving countries, but also because of the factors explaining the phenomenon. During the fifties, sixties and early seventies Northern European countries attracted, or even recruited, labour from the countries of the Mediterranean basin to work in construction and in industries with standardised production processes, stable working conditions, and low-status employment.

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<sup>1</sup> The share of trade in goods and services and of FDI stock on world GDP is 58.2 and 21.2 percent (in 2001) respectively, whereas migrants represent less than 3 percent of the world population (in 2000) (World Bank, 2003; United Nations, 2002).

<sup>2</sup> The meaning of the term "illegal" immigration is very controversial. Paragraph 1.1.1 provides a more detailed definition of "illegal immigrant" and a specification of why and how this term is used in the present research.

<sup>3</sup> For a definition of immigrant and "illegal" immigrant refer to paragraph 1.1.1.

The emergence in the last two decades of Italy as a new immigration country is by contrast strongly tied to the post-Fordist restructuring processes in which flexibility of working conditions and employment, as well as the organisation of production, is central.

It is especially important to get a clear understanding of the pull dimension of immigration in Italy because of the failure of the “tandem”, regularisation programs and restrictive conditions for entry, to reduce “illegal” immigration. The late and only partial acknowledgement of the importance of immigrants for the economy, have hindered a conceptualisation of a migration policy able to manage the phenomenon.

This research argues that immigration in Italy has been driven, among others, by the process of flexibilisation in the official labour market, by the importance of informal sector activities in the economy and by the traditional organisation of production, dominated by small and medium enterprises where conditions of flexibility are widespread. Italy is in this sense representative of the new characteristics of international migration.

The first chapter (part I) of the present work provides a review of the literature on migration theory in order to extrapolate an integrated approach to current migration flows. Chapter two (part I) introduces the concept of flexibility within the post-Fordist paradigm and defines it in relation to the labour market on the one hand, and to a peculiar model of organisation of production on the other hand. As far as the organisation of production is concerned the industrial district in Italy, representative of a specific kind of economic development, is taken as a point of reference for defining flexibility. Part II presents some empirical evidence based on available official datasets, whose combination hints at a possible correlation between immigration and the need for flexibility. The third chapter (part II) focuses on immigration trends, including estimates of “illegal” immigration, disaggregated by country of origin, sector of employment, firm size and region of residence. The fourth chapter (part II) analyses trends of “atypical” work in the Italian labour market by sector, firm size and region. Furthermore it presents statistical information on the importance of industrial districts for the Italian economy in terms of exports and employment and the evolution of the specialisation pattern in a context of global restructuring.<sup>4</sup>

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<sup>4</sup> “Atypical” work refers to all forms of work, which are not full-time jobs and are not characterised by permanent contracts with a legally guaranteed standard of social security. For a more detailed definition see section 4.1, part II.

## **PART I - CONCEPTUAL FRAMEWORK**

### **1. Theories of migration**

The present chapter is concerned with the question of how to explain the process of international migration between rich and poor countries and how much importance should be given to domestic, rather than international forces in interpreting migration patterns. Different sets of theories and approaches can be found in the literature and each displaying an understanding of the phenomenon. In fact, the field of migration is not appropriately analysed by only one explanatory framework, or by only one discipline. The aim of this chapter is to provide a critical review of the existing literature, and to integrate the different aspects explained by these theories. It certainly is impossible to review all the different disciplines dealing with migration in the present work; it is however necessary to define them and their research object in order to circumscribe the scope of this study and at the same time provide an insight into the complexity of migration research.

The first section defines the unit of analysis and describes the different disciplines dealing with migration issues, in order to extrapolate those significant for the purpose of this research. Furthermore it locates the research within the three levels of analysis, the micro-, the meso- and the macro-level. The second section is concerned with migration theory itself, and is structured on some major leading questions with the aim of providing an integrated approach to the study of migration. In the concluding section all theoretical propositions useful to explain immigration in Italy during the last twenty years will be summed up and integrated.

#### **1.1 Definitions and delimitations**

##### **1.1.1 Unit of analysis**

The term migration refers to the process of the movement of persons, including refugees, asylum seekers, displaced persons, economic migrants and families who seek reunification. Although these divisions may not always be distinct, they refer to specific

groups of people involved in the process of migration. In this study, the term "migrant" is limited to the economic definition of migrant as put forth by the International Labour Office (ILO): *“a person who is to be engaged, is engaged or has been engaged in a remunerated activity in a state of which he or she is not a national”*.<sup>5</sup>

Categories of migrants are useful mainly to delimit the field and target of research. However, it is important to be conscious that these categories are broad and often arbitrary: sometimes they are not specific, or they overlap, sometimes they change over time and some other times they are artificially constructed. Taking a concrete example, it is useful to highlight strengths and weaknesses of categories in migration research. Collinson (1994) differentiates between four types of migration and migrants: economic and voluntary migration, which refers to labour migrants; political and voluntary migration, which refers for example to the migration of Jews to Israel; political and involuntary migration, which refers to refugees; and economic and involuntary migration, which refers to people pushed away from their home as a result of natural or economic disasters.

Two main limits can be highlighted. First, they are not exhaustive since each category is divisible into more sub-categories, as the case of labour migrants, who can be skilled or unskilled. Second, it is very difficult empirically to identify groups of people or migrants who correspond exactly to these differentiations because in many cases they overlap: the emergence of the term “economic refugee“, which refers to both the third and first categories, is a case of this overlap.

Collinson describes a matrix of differentiation built on the criteria of motivations leading to territorial mobility. Other categories can be constructed by using different types of criteria: international migrants are distinguished from internal migrants, or European from extra-European migrants when using geographical standards. Migrants are differentiated as permanent and temporary according to the duration of the migration process, and among the latter, in guest-worker, seasonal or cross-border migrants. Finally, categories of migrants are constructed according to their legal or “illegal” status in the host country. “Illegal” immigrants can be divided into “irregular” and “clandestine” immigrants according to the way they entered the country. The first refer to those who entered the country legally, but overstayed their visa, the second refer to those who entered the country without any

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<sup>5</sup> International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, Article 2.

inspection and are thus not recorded with any authority.<sup>6</sup> These categories have in common that they are constructed by relying on one and the same criteria for each differentiation respectively. This means that any individual migrant can be associated with more than one of these categories, and so an international permanent labour migrant can be unskilled, extra-European and legally resident in the host country.

Finally, it is important to note that these types of classification are constructed, mostly descriptive and functional. As such they do not refer to a social category. In fact, migration always takes place within structures and social practices and therefore migrants are not a social category isolated from class, gender or ethnic groups. This specification becomes very important for the discourses on “illegal” immigration, where labels of “high crime propensity” are very easily attached. As stated by McBritton and Garofalo (2000, p. 201) *„...regular presence of immigrants on the Italian territory or the opposite, the status of clandestine or irregular, are not sociological groups, instead they are the effect of precise legislative choices“*.

In fact, a more neutral approach would encompass the use of the term “undocumented” immigrant rather than “illegal” immigrant, supporting thus the idea of existing rights of immigrants and migrant workers, regardless of the way they entered a country. This research will use the term “illegal” immigrant because definitions by official statistics and other empirical studies on the subject use this term. However, the label “illegal” immigrants will be used meaning with it undocumented immigrants in some cases, and those who entered the country without inspection in some other cases. Undocumented immigrants are commonly defined as “irregular” immigrants and those entered without inspection as “clandestine” immigrants.

All these terms are used to define those immigrants who have no regular residence permit. However, the terms “illegal”, “irregular” or “clandestine” have, when applied to immigrants, an ambivalent meaning. In fact, the status and rights of the so-called “illegal” immigrants, as well as moral issues relating to “illegal” immigration and the hiring of “illegal” immigrants, are controversial subjects and its use might be misleading.

“Illegality” is a concept related to a situation where an individual has broken an existing law, in this case the law regulating the conditions for entry and residence in a country. “Clandestinity” refers specifically to the way the immigrant has crossed the border,

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<sup>6</sup> The literature refers often to these categories with the terms “visa over-stayers” and “entry without inspection” respectively.

i.e. without any inspection. The origin of the concept of “illegality” is therefore utterly dependent upon the definition of the conditions for entry so defined by the law. For example the Bossi-Fini law, the last immigration law reform undertaken in Italy (in 2002), has eliminated the sponsor, which was the only way to enter the country for work reasons from abroad. In other words, it is now extremely difficult to enter the country legally even if one has a working contract. The law foresees quotas, however they are very small number in comparison to the labour market needs. As a result “illegality” does not necessarily imply deviant behaviour of an individual, but rather the policy making of a receiving country.

This research is interested in immigrants in Italy, of which “illegals” represent one side of the unit of analysis. In fact, the term “immigrants” points to four different types of conditions.

- a) Immigrants with residence and work permits employed on a regular basis.
- b) Immigrants with residence and work permits employed irregularly.
- c) Immigrants with an expired residence permit or visa and irregularly employed.
- d) Immigrants who never had any type of permit and are irregularly employed.

The last two cases are commonly defined as “illegal” immigrants. In particular, immigrants applying to the third case are defined as “irregular” immigrants and those applying to the fourth case as “clandestine” immigrants. However, the term “irregular” also refers to the condition of employment. Therefore this work defines immigrants applying to the third case as “illegal” immigrants and uses the term “irregular” only for defining the employment condition of immigrants.

As far as measurement and unit of analysis is concerned, this study is interested in all four types of conditions, even though “illegal” immigration is not only conceptually difficult to analyse, but also empirically, given that available information is scarce. Italy, however, presents a peculiarity that enables us to look at a single individual in different ways: one migrant can be referred to in more than one of the four conditions mentioned because of the intense use of regularisation programs and the widespread use of informal working conditions in the country.

This research addresses labour immigrants in Italy (whether they are legal or illegal) who originate from Less Developed Countries (LDCs) and are employed in low-skilled jobs. The distinction between legal and “illegal” immigrants is not central for the theoretical analysis in terms of explanatory framework, whereas in the empirical analysis estimates of

“illegal” immigration will reinforce the proposed empirical generalisations about labour immigrants in Italy.

### 1.1.2 Field of research

According to Fischer (1995, p.4) term migration “...covers the different phases of the individual migration process, i.e. the decision-making, the preparation and the actual move as well as the aggregate sum of all movements between two areas over a certain period of time”. In each of these phases the decision-making process of the individual is born within a set of circumstances and its manifestation impacts on existing structures of the receiving and sending societies. In fact, the phenomenon of migration is studied in many different disciplines within social sciences, including demography, sociology, psychology, anthropology, geography, international law, politics and economics.

Demography, a discipline concerned with the evolution of population, has been traditionally interested in capturing the interaction between foreign and native population trends. This is because trends in net immigration rates, together with birth and death rates, determine the possibility of the stock of population not only increasing or decreasing, but affecting its structure in terms of age cohorts and sex ratio. This discipline conceptualises migration as the result of different population growth rates between two areas with unbalanced resource endowments. Sociologists are mainly preoccupied with the study of specific communities or territorial entities, trying to grasp the extra-economic variables influencing the decision to migrate. Sociologists are and especially interested in the process of integration of migrants in the receiving societies. Similarly, psychological studies are interested in the psychic effects of distance from the home country/community and the types of integration viable for the individual. Anthropological studies analyse the behaviour of migrant communities to highlight their propensity to adapt and the degree of proliferation of original cultural rules. Geographical studies examine the location and distribution of migratory phenomena in space, or place, by means of identifying their density, pattern, diffusion and dispersion. Juridical research is mainly concerned with the conditions of entry for foreigners, their conditions of acquiring a work permit, social rights and citizenship. Political studies are preoccupied mainly with the effects of national legislation on immigration or emigration flows, in quantitative and qualitative terms, and with the repercussion of immigration on political processes. Finally, economists focus mainly on

quantifying the propensity to emigrate, the factors attracting immigration and the consequences of international migration on the economy of the receiving and the sending countries. The ways of quantifying vary according to the different economic disciplines. International economics analyses the mobility of labour in relation to the movements of goods, services and capital, whereas economic geography is concerned with territorial mobility of resources and tends to see migration as a vector of this process. Development economics is interested in the impact of migration on the economic growth of sending and receiving countries. Welfare economics deals with the impact of migration on welfare. And finally labour economics looks at the impact of migration on wages and work opportunities of either the labour force left behind, or the one of the receiving country.

This study is oriented mainly towards understanding the drives of recent immigration trends in Italy, and in particular the relationship between prevailing modes of production and international labour mobility. For this purpose, different types of approaches from different disciplines, mainly sociology and economics, will be integrated critically so as to provide a comprehensive explanatory framework. It is not about testing one theory against the other, but about highlighting the complexity of the process, meaning its multidimensionality and the fact that it is strongly shaped by economic, political and cultural evolutions in both sending and receiving countries.

### 1.1.3 Level of analysis

In economic analysis the distinction between micro and macro approaches refers to the level and focus of analysis: individual behaviour and partial equilibrium, on one hand, and aggregate phenomena and general equilibrium, on the other hand. Defining a certain level of analysis is in this case functional to the aim of a study, i.e. extrapolating from quantitative observations the variables leading to partial/individual or general equilibrium.

In migration research microeconomic approaches analyse the behaviour of the individual, or families in some approaches, and conceptualise the choice of migration as a result of an individual research process in which he or she collects the information necessary for evaluating whether emigration would provide an adequate rate of return. There is an underlying assumption that the individual is a rational being and that this rationality is measured in terms of maximising utilities, i.e. maximising the return to the investment in migration. The micro level research is concerned mainly with questions regarding the factors



and characteristics that influence individual behaviour. Macroeconomic approaches study the behaviour of aggregate migration flows in relation to what are believed to be broadly homogeneous categories, such as unemployment, price levels.

In some ways, however, the two levels interact. This has been highlighted by Bruni and Venturini (1995), who make a distinction between “migration pressure” and “propensity to emigrate”. The former, meant in terms of excess labour supply in the presence of a per capita income differential with a potential destination country, refers only to a macro-level phenomenon. It is an aggregate variable and denotes potential interest in migration on the part of a substantial number of individuals, given certain indicators like high unemployment and high-income differential. The latter is applied to individual behaviour and seeks to explain why in the same set of circumstances some individuals emigrate and some do not.

The limit of such economic rationale is that the macro-level approach coincides with the algebraic sum of an individuals’ behaviour; migration pressure is given by the sum of all propensities to emigrate. This viewpoint is restrictive and simplistic, as it does not allow for macro-structural variables to interact reciprocally with the individual level beyond their mechanical relationship. In this sense, the sociological rationale provides a more sophisticated dichotomy: agency and structure. This dichotomy is not functional to the aim of an analysis, but represents rather an interpretative tool of processes. Agency is used to express the degree of free will that is exercised by the individual in their social action. Structure is employed to refer to any recurring pattern of social behaviour, which because it is common and regular has a constraining effect on people. In this rationale the interaction between individual action and general outcome is not linear. *“Society is not an aggregate of individuals but an emergent reality that results from this association itself and not from the characteristics of the individuals who engage in this association”* (Walsh, 1998, p.10).

The sociological rationale is a foundation for the meso-level approach in which the interaction of individual, institutional and environmental forces is explicitly considered. The meso-level enables one to analyse the role of migrant networks and social capital in influencing and facilitating mobility. Faist (1997) defines the meso-level as a relational level of analysis in which social ties of movers and stayers are emphasised: *“A relational analysis tries to capture the dynamics of migration by a close analysis of collectives (e.g. families or households) and networks. This implies that international migration is not simply seen as a straight line, only interrupted by external factors that may or may not capture ‘mass migration’. Instead, movers and stayers take advantage of the opportunities offered by*

*macro-level constraint such as demographic, economic and political developments”* (Faist, 1997, p. 197).

There is no space here to get into epistemological debates. It is however important in this context to point out that migration is a social process and that individual behaviour is influenced by social structures which are not equal to aggregate individual behaviour. As far as migration theory is concerned this study aims at analysing current waves of migration to Italy by relying on the micro- and macro-levels of analysis and especially on their integration, i.e. on a meso-level perspective. For the empirical part only a macro-structural approach will be provided using available aggregate data, in particular stock and flow data.

## **1.2 An integrated approach to migration theories**

### **1.2.1 Meaning and role of theory in migration research**

Portes describes the matrix of different cumulative elements that should be part of a theory. He writes (1997, p. 807): *“To rank a statement as a full-fledged theory, a statement should have four elements: first, a delimitation and description of some patch of reality; second, an identification and definition of a process or characteristic to be explained (the dependent variable); third, one or more explanatory factors and their types of effects, additive or interactive; fourth, a logical link to at least one other similar proposition.”*

According to the same author the role of theory in migration research presents some pitfalls. The first of these is that theories do not grow additively, which means that accumulation of evidence does not lead to theoretical innovation. The author argues that theoretical breakthroughs do not arise from additional data, but out of the ability to reconstitute a perceptual field identifying connections not previously seen. The second pitfall listed is tied to the first and even questions the method of accumulating data, which is often too much based on people’s perception. In his view theory should not hinge on the reactions of people, but on how well it can explain and predict immigrants’ behaviour in terms of decision-making and of economic integration. The third pitfall refers to the tendency in migration research to see typologies as theories. Categorising between “visa-over-stayers” and “entries-without-inspection” is useful for administrative purposes, but it does not say anything about the causal origins of each flow or its particular pattern of adaptation. In other words, typologies are a sort of preliminary stage of building a theory, as

they allow a specification of the scope that certain propositions can cover or the way these vary over time and between different categories of people. However, typologies are not theories themselves.

The general point stressed by Portes is that migration research has not developed new concepts and propositions as it is too much data-driven, which means that it stays within the limits of empirical generalizations and theoretical statements. The reason why migration research shows these limits has to do with inherent characteristics of the field. The different areas that compose this field are so disparate that they can only be unified at a very abstract level. Therefore migration needs to be studied in its historical dimension, which means to pay attention to the changing specificities of time and space and allow data-driven studies to be considered theory. In fact, theory is here seen as a functional element of knowledge, which on the basis of some observed circumstances, helps to describe, or even explain, phenomena through a set of propositions.

A descriptive study sets out to collect, organize and summarize information about the matter being studied and assumes concepts. It defines the observed facts by using concepts. To describe, means to draw a “picture” of what happened, or what a phenomenon is like, or how things are related to each other. An explanatory study, on the other hand, sets out to explain and account for the descriptive information. It aims to find the reasons for things, showing why and how they are and what they are. It is clear that explanation goes further than description (Punch, 2000). The set of propositions derived from observation can be further classified as theory verification on the one hand, and theory generation on the other hand. The first aspires to test an existing theory, or better to test propositions derived from a theory. The second aims at generating or developing a theory to explain empirical phenomena or findings. The latter type of theory occurs when puzzles emerge from the accumulated evidence that requires new explanations.

This study aims to be descriptive and explanatory of the recent immigration phenomenon in Italy by using existing theory and statistical information. Rarely does the role of theory in migration research seem to fit into the traditional role of theory, which is seen as a set of propositions able to predict a pattern, in this case, of migration flows. Therefore the role of theory in this research will be seen as a framework able to identify explanatory factors of certain empirical generalisations.

## 1.2.2 Tracing the migratory phenomenon

### 1.2.2 a) Why do people migrate?

#### *The centrality of the income differential*

Traditional theories of migration were preoccupied mainly with the question of why people migrate. They tended to conceptualise migration simply as a relocation of human beings across space, within or between countries, and tried to account for these movements through mathematical formalisation. Ever since the first theorisation of migratory processes by Ravenstein (1889), theories about international migration have experienced major changes. As noted by Zolberg (1989, p. 404), migration theory has moved from the classic “*individual relocation genre*” to a variety of new approaches which, despite being different in their intellectual tradition and disciplinary backgrounds, all share important elements: they are historical, not in the sense of dealing with a distant past, but in paying attention to the changing dimensions of time and space; they are structural as they focus on the social forces that constrain individual action, with special emphasis on the dynamics of the modes of production and of the state; they are globalist as they see national entities as interactive units, permeable to determination by transnational economic and political processes; and finally they are critical, as they are concerned with the consequences of international migration for the countries of origin and destination, as well as for the migrants themselves.

Migration theory evolved in response to the insufficiency of traditional neoclassical interpretations of the causes of migration first developed by Ravenstein (1889) and Hicks (1932).<sup>7</sup> In this model demand and supply of labour are seen as being mediated essentially by fluctuations in wages, which provide the principal term in individuals’ preference functions. Migration occurs because of geographical differences in supply and demand for labour, which itself leads to wage differentials between two regions: people move to the

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<sup>7</sup> The essence of Ravenstein’s laws are: migration falls with distance, long distance migrants go to the cities, migration takes place by stages, each migration stream is associated with a compensating counter stream, there is an urban/rural distinction in migration propensities, females predominate amongst short distance migrants, technological improvements increase the volume of migration, “economic motives” dominate most migration decisions.

relatively labour scarce region where wages are higher and this process continues until the differences of wages reflect the differences in transport costs. Hicks (1932, p.76) writes on this matter: “...*differences in net economic advantages, chiefly in wages, are the main causes of migration*“. Lewis (1954), reasoning in the same framework, sets the phenomenon of labour movements within the dual economy of developing countries, which is characterised by two separate sectors of agriculture and industry. Migration is directed from the subsistence economy with high unemployment, low productivity and wage levels to the modern industrial sector with high productivity, remuneration levels and no unemployment where it raises output and productivity.

The model had to develop further as it is constructed on a set of very restrictive assumptions, such as perfect competition in all markets (production functions with constant return to scale), homogeneous labour, perfect circulation of information, and full employment. For example, the presumption that people’s perception about certain locations coincides with real conditions is questionable because accessing the necessary information has a cost which varies according to different education levels. In fact, as will be outlined, the model has developed to include heterogeneous labour and imperfect circulation of information. Furthermore, these approaches are focused too much on the economic rationale of individual decision-making: the behaviour of human beings is expected to be rational and this rationality is expressed in the search for maximisation of individual utility, i.e. individual quality of life. The pitfall in this reasoning is that most studies within this framework consider “utility” as equal to wages or other forms of income. This might certainly be a necessary condition. However, in the assessment of the advantages and disadvantages of migration for an individual “utility” cannot be restricted to pure economic considerations. Factors like social integration, appreciation, individual self-fulfilment and communitarian commitment are also important, as will be shown further on.

The three mentioned authors conceptualised their models at historical times when the migration debate was mainly concerned with what today are called developed countries. Applying their models to LDCs shows that they are not able to fully explain why people migrate, in particular to explain why rural to urban migration in developing countries persists despite high urban unemployment rates. Harris and Todaro (1970) extended the traditional model by introducing the concept of expected higher wages in the individuals’ utility function and so relax the assumption of full employment. Expected wage is equal to the urban wage rate discounted by the urban unemployment rate, which is the probability of

actually finding a job. By introducing the concept of expected wages the authors showed that the decision-making process of the individual is still rational, even in the presence of high urban unemployment rates: as long as the discounted urban wage rate is higher than the rural wage rate, migration will occur. The main aim of their paper was to show that artificially high salary rates in the formal urban sector, determined politically, were a cause for the ongoing high migration rates to the cities in many LDCs, and that the decision to migrate is rational even in the presence of high unemployment rates.

This approach, seen as a milestone in migration theory, has been criticised for a number of reasons. Most of the literature agrees on stressing the primacy of economic motives in the decision-making process of the potential migrant, but other factors can be equally important. Income and wage differentials are a necessary but not sufficient condition for migration to occur, and the literature tends to diverge exactly when the debate is brought beyond these economic motives. Doubts on the economic rationality of the migration decision have been highlighted by Amis (1989), Jamal (1988) and Jamal and Weeks (1988) by providing a set of empirical evidence on many African countries, suggesting that despite a supposed steady decrease in the urban/rural wage gap since the 1960s, the rate of migration has not slowed down significantly. This trend is certainly not ascribable to decreasing urban unemployment.

Further criticism of the Harris-Todaro model has been made on their assumption of excessively high and downwardly inflexible urban wages. Only by considering formal sector wages would such an assumption hold. However, migrants are not likely to be inserted into the formal economy, at least in the initial phase, unless migrants with some educational levels are taken into account. In fact, considering an homogeneous labour force is misleading because educational levels of the migrant can play an important role in the decision-making process in terms of easier access to information and to specific segments of the labour market (Lucas, 1985). Introducing the concept of heterogeneity has been extremely important for the evolution of migration theory; it allows to overcome the stereotypical image of the migrant as being poor, uneducated, male and without family. With rising complexity of economic and social structures, simple wage differences do not provide an answer to the question about the choice of migrating.

Considering qualitative individual characteristics of the migrant as determinant elements for decision-making was important because it helped in partly understanding why many people do not migrate, despite high-income differential. The idea is that individual

characteristics – education, skills and age – can lower migration costs, both monetary and non-monetary, and thus increase the return to migration and subsequently the propensity to emigrate. A higher level of education, for example, enables the individual to access more information about the possible destination areas and as a result lower the risks of a wrong decision; in other words it makes finding work much easier. The actual meaning of this presumption is that with the same wage and unemployment differentials between two areas, the profitability of migrating might be not equal for each individual.

The importance of age, education and skill level of the potential migrant as a way of making the return on the investment in migration higher had been theoretically introduced by Sjaastad (1962) and is known as the human capital approach in migration theory. He defines migration as “...an investment increasing the productivity of human resources...” (1962, p.83). As such, it is strongly determined by the type and level of these human resources. This means that the returns to the investment in migration will be higher, depending on the higher education or skill level. This helps thus explain why migration in some cases is ineffective in reducing the income differential between the two areas involved as advocated by traditional theory: individuals might migrate to places where their specific skill level is not needed as a result of a wrong decision based on inappropriate information. The higher the education level, the higher the probability to collect the right information and thus be able to take the right decision.

The human capital model provides a step forward in the theory of migration as it diversifies the individual’s utility function. Yet, it remains in the general neoclassical framework. The probability for an individual to migrate is still given by wage and unemployment rate differentials. The difference is that the incidence of these factors is dependent on the personal characteristics of the individual, namely age, education and skill level. The same happens with the theories analysing the relationship between the rate of migration and distance. Schwarz (1973) introduces distance in the utility function and highlights its negative correlation with a number of variables in the same function. These are the costs of acquiring information, the psychological costs of leaving home and the transport costs. Here again we find a diversification, or specification, of the initial neoclassical model, yet no new insight is given in understanding the phenomenon of migration beyond its economically rational determinants and their various extenuating circumstances.

### *Beyond the income differential*

The reviewed approaches fail to account for conditions in a variety of markets and social structures. This gap has led the theoretical debate on the one hand to concentrating too much on the individual detached from his/her whole social environment, and on the other hand on focusing too much on the income differential and the various variables influencing its incidence. The so-called new economics of migration based mainly on the work of Stark (1991) starts at this point by reversing the meaning of individual and of his/her preferences. The author points out that owners of labour, different from owners of production inputs or commodities, must usually move along with their labour and, having feelings and independent will, it is not possible to treat the mobility of labour with the same principle with which capital mobility and trade are dealt. Stark (1991, p.24) writes: *“These simple observations divorce migration research from traditional trade theory as the former cannot be constructed from the latter merely by effecting a change of labels”*.

This new starting point opened a number of original fields of research for migration studies. First of all, the unit of analysis shifted away from the individual, as families, households or other culturally defined units of production and consumption may be seen as the appropriate unit of analysis. Secondly, wage and unemployment rate differentials were no longer considered as the determinant conditions for migration to occur. Migration behaviour can be affected by a number of circumstances independent of a cost-benefit analysis based on income differentials. Besides the already known age, gender and education variables, relative deprivation, informational asymmetries, familial mutual interdependence, risk management and capital constraints on family production activities arise as the new factors explaining the choice of migrating (Hugo, 1981; Lauby and Stark, 1988; Stark, 1991).

The case of risk management and familial mutual interdependence shows most clearly how a change in the unit of analysis has impacted migration studies. These concepts have been introduced to highlight the fact that international/internal migration and local employment or local production are not necessarily mutually exclusive possibilities. An increase in the returns to local economic activities may heighten the attractiveness of migration as a means to overcome capital and risk constraints on investing in those



activities. In developed countries risks to household income are generally minimised through private insurance markets or government programs. In many developing countries these institutional mechanisms for managing risks are imperfect, absent or inaccessible to poor families, giving them incentives to diversify risks and investment opportunities through migration.<sup>8</sup> The family shares the costs and the returns of the investment in migration. Remittances are the most evident and direct return to the non-migrating family, which, even though not migrating, is part of the decision-making unit. It is like a contractual arrangement between the migrant and the family in which everybody enters voluntarily and which may be mutually beneficial.

The case of relative deprivation shows the importance of social structures on the decision-making process. The same expected gain in income would be considered more or less attractive to households depending on where they are located in terms of income distribution; when inequality refers to a community, the relative deprivation variable becomes an even stronger explanatory variable for the choice of migrating (Stark and Taylor, 1991). This is because the individual/household, when considering whether migrating is profitable, is more prone to compare his/her/its income to the one of other families in the community, rather than only to the expected income in the destination area. High income-inequality and thus relative deprivation can act as a strong motive for migration. This means that the propensity to emigrate might differ more according to the wage gap within social structures in one country than within a set of different countries, i.e. an increase in inequality in sending communities might determine larger emigration flows regardless of the wage or employment trends in the receiving area. This conclusion reverses completely the neoclassical argument about wage gaps and finally acknowledges the importance of social structures in the choice of migrating.

Migration behaviour is expected to differ also in relation to the skill level of the potential migrants and this is not a new concept. What Stark (1991) introduces as a novelty is the assumption of heterogeneous workers, put together with the assumption of imperfect skill information on the part of the employer, i.e. informational asymmetries. In such a situation skilled workers might prefer not to migrate, while unskilled workers might choose to do so. This is because it is assumed that in such a situation employers, not knowing the productivity level of individual employees, would pay a salary that is equal to the average

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<sup>8</sup> The risks are here referred to, for example, uncertainty of future markets, of the harvest, or to the sudden illness of a family member.

productivity of the migrant group. This has clear disadvantages for the more skilled and educated migrants, as they would not be paid a salary equal to their productivity level. The contrary holds for the unskilled migrants. This interpretation is interesting because it introduces for the first time the employer as an important actor in the process of migration decision-making. It fails however to consider a number of sociological and anthropological factors that might induce an individual to work below his/her skill and education level. For example, recent migration flows from Eastern Europe to the Mediterranean countries, formed by individuals with high education and skill levels, cannot be interpreted within such a framework, as they are mostly involved in low skill and low pay jobs. Romaniszyn (2000) provides an example of a different explanation, arguing that growing consumption aspirations explain the persistence of labour migration flows from Poland to the Mediterranean region.

The new economics of migration has given very important insights in theory, especially as far as the effects of other market situations on the propensity to emigrate are concerned, and has broadened the concept of rationality to include relative deprivation and families' diversification strategies for risk and income source. Sociological approaches accompany this stream of literature with more qualitative insights. The review of the literature on the choices of migration leaves us with one particularly important observation: the reason why people migrate is never vested in one single motivation or aspect; it is the interaction between strong economic reasons and constraining social circumstances (Donati, 1988; Massey, 1990; Zanfrini, 1998).

#### 1.2.2 b) How do migration processes reproduce themselves?

The theories presented thus far were concerned mainly with explaining the many variables, economic or social, influencing the decision to emigrate. While this explains why a first stream of migration occurs it does not elucidate the dynamics of the perpetuation of international migration. The so-called network migration theories provided an insight to the quest: are the followers motivated by the same factors as the first migrants?

According to the network theory, or elsewhere called migration system theory, international migration tends to expand over time until network connections have diffused so widely in a sending region that the people who wish to migrate can do so with much less difficulties. As Levy and Wadycki (1973, p.202) conclude in their research: "*Our results*

*tend to confirm the hypothesis that past migration patterns do affect current migration flows and that failure to take account of this factor leads to an overstatement of the current direct effect of other explanatory variables on migration“.*

Although the flow of information matters it is by no means the only factor. The success of one migrant, evident in the rising living standards of his family left home, represents a stimulating factor for other potential migrants. Furthermore, those already abroad help the new arrivals settle, and some even start acting as recruiting agents in the villages. The costs associated with the migration process, especially the transaction and living costs, are minimised and thus the expected return increased. Costs refer here also to non-monetary terms like the integration in an unknown society and economic structure.

A number of empirical works on various countries have shown that networks have become an essential feature of migration (Dumon, 1989; Singhanetra-Renard, 1992; Wilpert, 1992). The social capital provided by these community networks explains why immigrants of the same origin tend to settle in the same geographic area and/or in the same economic sector. The theory of cumulative causation goes even further and argues that the diffusion of migratory behaviours within the home community, modifying income distribution and local cultures, creates structural changes to the point where the same networks are being perpetuated. As a result, the migratory experience itself tends to create social structures, which promote further migratory movements (Massey, Goldring and Durand, 1994; Massey, 1990).

What emerges clearly from the network approach is that the size of migration flows between two countries is correlated with higher wage or employment rates only to a certain extent. The falling costs and risks of moving, resulting from the growth of migrant networks over time, overshadow the importance of these variables and international migration becomes partly independent of the factors that originally caused it. Network migration theories and migration system theories are very similar in terms of explaining the institutionalisation of migration processes; they differ, however, in terms of perspective. Whereas the former see networks as affecting the incidence of other explanatory variables, namely income differential, the latter see networks as part of a bigger social and economic structure able to almost completely offset the importance of individual decision-making (Massey, Arango, Koucouci, Pellegrino and Taylor, 1998).

### 1.2.2 c) What is the importance of macro-structural variables?

#### *Summing individual behaviour: push-pull models*

A significant stream of literature looks at migration as an aggregate phenomenon, assuming a certain set of individual behaviour and characteristics. Such a broader perspective is useful to understanding the relationship between migration and aggregate variables, such as population density, labour market imbalances or specific modes of production. Push-pull migration models are the most used in literature and provide a general view of labour migration, which integrates the previously discussed theories by simply aggregating individual behaviour and linking it to macro-structural variables. They consider the migration phenomenon as an expression of wider economic imbalances in the sending or receiving countries. For example, the migration from Mediterranean countries to Germany and other Northern European countries occurring after the Second World War is in the literature defined as pull-migration. According to this interpretation, the determinant factor was the shortage of labour in the receiving countries, rather than over-supply of labour in the sending countries. In contrast, immigration from LDCs to the EU occurring during the last twenty years has been defined as push migration, due to higher population growth and unemployment in LDCs (Zimmermann, 1994).

In the categories of push and pull several aggregate imbalances can be included, from the more demographic ones to the more cultural ones. The traditional demographic case relates population density to the pressure for out migration and defines it as push migration. Determinants like size and age distribution of the labour population affect the labour supply decisions of migrants. Cultural imbalances relate here to the differences between actual consumption patterns in the sending country and those in the Western world diffused through the modern mass communication systems. Flows originated from such imbalances are defined as pull migration.

Stressing the economic context of the inflow of workers implies yet another definition of push and pull. One of the main references for this model, presented by Zimmermann (1994), defines demand-pull migration and supply-push migration in line with shifts in the aggregate demand and supply curves of the receiving economy. Assuming a standard price-output diagram with upward-sloping supply curve, an increase in aggregate

demand would determine a rise in output and prices. With rising wages, it is beneficial to allow for immigration to avoid inflation while obtaining a further increase in output. This is called pull migration. Conversely, an inflow of migrants without a change in demand determines a shift downwards in the supply curve, and prices fall while output rises. This is called push migration. To summarize, push-supply migration affects the aggregate supply curve alone, while pull-demand migration deals with migration that responds to a shift in the demand curve. All internal factors affecting aggregate demand and thus causing migration are considered to be determinants of pull migration; all the factors, in this case external to the country, that affect the aggregate supply and are associated with migration are defined to be determinants of push migration. In both cases the overall effect on prices and unemployment rates in the receiving country will depend on the elasticity of the supply curve, i.e. on, among other things, the regulation of the labour market.

The push-pull economic migration model is one of the most quoted in literature, especially in the empirical literature. It appears to be a useful concept to understand whether the causes of a migration process are to be researched in the receiving country or in the sending country, assuming that it is possible to determine such a distinction. However, tackling the migration “problem” by defining a number of criteria able to distinguish an immigration needed by the receiving economy, from one imposed on the receiving economy has two limits. First, the purpose itself of categorising types of migration in terms of pull and push implies a certain search for national responsibilities of the phenomenon. Economies and nations are so thoroughly interlinked through trade and capital movements that dividing the causes of the mobility of labour according to where they originated is simplistic and unable to grasp the real interaction between push and pull factors. Second, considering the effects on prices of shifts in aggregate demand and supply following immigration as an indicator for “needed” or “not needed” immigration, does not account for the importance of secondary markets in several sectors of an economy and for the interaction between push and pull factors. Such a model is not really explanatory, but rather a tool that in some cases may help policy-makers understand better where to intervene in an ongoing phenomenon. As Portes (1997) would argue, it misses a link to other predictive statements; it has the same value of creating typologies of migrants.

*The individual as part of a structural evolution: labour market segmentation models*

Macro-structural analysis is not only about summing individual behaviour in order to reach an aggregate level of investigation, but also about setting the migration process in the structural evolution of modern industrial economies: for example, an explanation is needed for the coexistence of immigration and unemployment in many advanced economies, as well as the ongoing process of international migration despite the tightening of borders and control measures.

A whole set of theories have introduced the concepts of primary and secondary labour markets. These theories link migration to the structural requirements of industrial and post-industrial development of modern economies. According to these approaches, demand for immigrant workers grows out of structural needs of the economy determined by fluctuating demand, and is expressed through recruitment practices, rather than wage offers. This means that international wage differentials are neither a necessary, nor a sufficient condition for migration to occur. It is the employers who have incentives to recruit workers and hold wages constant regardless of the level of labour supply: low-level wages in immigrant-receiving societies do not rise in response to a decrease in the supply of immigrant workers; they are held down by social and institutional mechanisms and are not free to respond to shifts in supply and demand. According to this dual-labour market framework, capital-intensive methods are used to meet basic demand, and labour-intensive methods are used more for the seasonal, fluctuating component of demand leading to a bifurcation of the labour market. Changes in wages and employment rates are not a factor on immigration rates, since immigrants fill a demand for labour not accepted by native workers (Piore, 1979).

The idea that immigrants fill a demand in the lowest segments of a labour market with a medium or high degree of native unemployment levels is based on the concept of relative labour shortages, which has been used in the literature to describe, among others, the Italian labour market. In Italy the labour market presents the mentioned contradiction, referring to the coexistence of a native labour supply unable, or unwilling, to satisfy the demand for a given segment of the labour market on the one hand, with excess native labour supply at system level, on the other hand (Frey, 1991, 1996). This implies the existence of a variety of labour markets differentiated by sector and occupation. The stock of labour supply

available at a system level, while considerable in quantity, may from the standpoint of quality not fit the needs of employers in each market, or the demand fit the needs of the worker. Considering only quantitative aspects, this situation can be referred to as mismatches in labour markets, supply being unable to match the demand in a certain type of work to such an extent that unemployment and vacancies occur simultaneously. This means that workers can be differentiated according to certain characteristics in particular skills and geographical location. In the latter case the literature refers to geographical mismatches (Padoa Schioppa, 1991; Layard, Nickell and Jackman, 1991).

Various types of explanation have been introduced in the economic literature to elucidate the causes of these differentiations. In the neoclassical instance they might be attributed to imperfections in the labour market that hinder mobility and to qualitative differences that make the work heterogeneous (Casson, 1983). These theories on segmentation of labour markets consider structural or institutional factors as decisive for the heterogeneous nature of jobs and workers. They distinguish two labour markets within one economic system: a primary market, with, among others, high wage and productivity levels, and a secondary market with lower wages and productivity rates. Economic growth and the improvement of living conditions are supposed to concentrate supply and demand for labour in the first sector and incur a labour shortage in the second, where wage structures follow a different pattern compared with the conditions of equilibrium proposed by the supply side.

This framework has been applied to the case of Italy by Fuà (1976), where he divided the system of production 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; a secondary sector including small firms in competition with each other, with a low trade union representation, low productivity and low wage levels. In more recent versions of these models it is argued that immigrants would integrate in the secondary labour market. In other words migration flows are in some ways functional and integrated into the development of modern industrial economies.

Bruni (1994) extends the model to include a three-tier labour market: an internal primary market within firms where employment is stable and dominated by professionals; a secondary internal market where workers required are skilled but with little chance of promotion and uncertainty of continued employment; and finally a secondary external market outside the system. Bruni proposes that firms operating in the secondary internal market are not prone to technological innovation, while he assumes they are organized on

Fordist modes of production and oriented to stable markets. Those operating in the secondary market outside the formal system are supposed to be characterized by activities which to a great extent fall within the so-called underground economy, with a low level of technology, limited access to product markets and with unfavourable working conditions. Immigrants are supposed to fit into the secondary market, and in particular the secondary market outside the formal system. In other words technology and organization, and the changes within them, can greatly influence the jobs available and explain the creation of relative labour shortages (Castells and Aoyama, 1994).

Labour market segmentation theories explain only one side of the labour market, as they are labour-demand oriented, and focus too much on external factors to explain segmentation. More consideration needs to be given to the effect that socio-institutional factors may have on the behaviour of the employees, i.e. the supply side. The impact of the social status on groups of workers, formulated in the past by Piore (1979; 1983) and lately taken up and developed by various authors, is central to understanding why immigration and unemployment can coexist (Simon, 1999; Borjas, 1990; Abowed and Freeman, 1991). These theories assume that there are groups of workers 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, and some others who for the same reason are not willing to accept these conditions. The behaviour on the part of the workers is determined by conditions of work, monetary as well as non-monetary, of which the present wage is only one particular monetary aspect and not necessarily the most important (Frey, 1995). The concept of “good” and “bad” jobs does not refer only to the differences in wage-rate paid per working unit, it implies an overall condition of work which is determined by a number of factors: prospects for promotion (workers' future wage expectation), pension on retirement (deferred wage), security and stability of the job, possibility of gaining knowledge and experience that raise the worker's position in the labour market, risks to health and the extent to which the work is independent (Luciano and Folli, 1989). Also the prestige attached to the job can be of decisive importance. The social environment in which the work is done, as well as the cultural, historical and institutional circumstances that condition this environment are determinant for this. The literature often synthesises bad conditions of work with the “3D” formula, “difficult, dirty and dangerous”.

We have seen that for the supply side “job quality”, and for the demand side modes of production are very important concepts for explaining relative labour shortages, which in



this context refer to the coexistence of unemployment and immigration. The latter, besides being a sign of a segmented or dual labour market, also represents an indirect indicator of job rejection by native workers, and thus of the existence of “low quality” or “bad jobs” within a market.

#### 1.2.2 d) How does migration relate to increasing economic integration?

##### *Trade and migration*

The main forms of economic integration are trade in goods and services and the mobility of production factors, capital and labour. Each represents a stage of regional integration processes, starting with trade in goods and continuing cumulatively with services and the mobility of capital and labour. With some few exceptions of highly integrated areas, like the European Union, for a long time most integration processes between countries have been limited to the reduction of barriers for trade in goods and, only very recently, services. This is a natural evolution as it is easier, in both logistical and social terms, to move goods and services around different countries, rather than capital and labour. However, this evolution is founded also on a widespread theoretical presumption about the relationship between trade and factor mobility which can be traced back to the neoclassical theory of international trade. This framework, based on the concept of comparative advantages, first introduced by the theoretical position of the classical economist Ricardo, is founded on the model developed by the neoclassical economists Heckscher, Ohlin, Samuelson and Lerner (HOLS), in which a two-country, two-products, two-factor model is assumed and the comparative advantage is based on the differences in the relative endowment of production factors. These determine their different productivities in the countries for the production of the same good, the labour-intensive and the capital intensive respectively, creating the basis for trade.<sup>9</sup>

As far as economic integration is concerned the following implication is conceptualised: if goods move between countries, then in terms of achieving an efficient resource allocation within and among countries there is no need for factors of production of

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<sup>9</sup> Ricardo assumes in his models a two-country, two-products, one factor model in which production inputs are measured in terms of units of labour, the only production factor considered. The different productivities of this factor in the two countries determine the comparative advantage in the production of one good, and thus the basis for trade.

tradable goods to move as well. This means that if goods move between countries, labour has no incentives to do so, because the shift of resources within the country towards the exporting sector is enough to absorb the labour force liberated from the non-exporting sector, in which the other country specialises. This conclusion is based on a set of assumptions and the model has been criticised and extended to overcome its restrictive nature.<sup>10</sup>

The idea that trade can substitute for factor mobility, in terms of the achievement of a general equilibrium, was first questioned by Mundell (1957).<sup>11</sup> He relaxes the assumption of internationally immobile factors of production and argues that because trade is not fully liberalised, factor mobility can serve in the same manner as trade for the achievement of a general equilibrium.

Other models have developed that question the same principle of substitutability between trade and factor mobility: differences in relative factor endowments are not seen as determinant for inducing trade, it is rather the increasing returns to scale of production functions and the imperfect competition, or the production and factor taxes, or the differences in technologies, which make the costs of producing the same good different between countries, and thus trade advantageous. In these models trade and factor mobility are seen as complements in terms of the achievement of a general equilibrium (Markusen, 1983; Srinivasan, 1983; Bhagwati, 1979; Ethier, 1985). Some other extensions of the standard HOLS model see this complementarity especially with the mobility of capital and conceptualise therefore a substitutive relationship between capital and labour mobility (Razin and Sadka, 1992).

Finally, there are models that base explanation of complementarity between trade and labour movements on the concept of financial constraints. In this framework would-be migrants who cannot afford an investment in migration are enabled to do so after trade liberalisation as a result of the growth impact of trade (Schiff, 1997; Faini and de Melo, 1993; Faini and Venturini 1993).

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<sup>10</sup> The assumption of the HOLS model are the following: different relative factor endowment and identical production technologies between the countries; goods are perfectly mobile at the international level, whereas factors of production are immobile internationally, but perfectly mobile between the sectors within the countries; the two countries supposed in the model face full employment, production functions with constant returns to scale and decreasing marginal productivity of the production factors; none of the two countries should specialise completely in the production of one good; demand curves are identical for both countries and fixed over time.

<sup>11</sup> A general equilibrium is here meant as a state where the relative prices of goods and factors of production are equalised internationally.

The case of a correlation between an increase of income in absolute terms and the propensity to emigrate is however, as argued by Faini and Venturini (1994), not always a linear relationship, but rather takes the shape of an inverted U: according to their econometric calculations a positive correlation between growth and emigration rates is expected to occur with a level of annual per capita income below US\$ 4000 (1985 prices).<sup>12</sup> In these cases an increase in income in absolute terms determines an increase in the propensity to emigrate as it enables many would-be migrants to face the monetary migration costs. Once a minimum level of income is reached, the opportunity costs of migrating, especially for what concerns the non-monetary costs, rise to the point of offsetting the gains of emigrating.

These models, even though they all question some assumptions of the standard theory, do not embody the possibility of a divergence of economies as a result of economic integration. “New Ricardian models” and “New trade theory” provide a different view on this matter. The former suppose that the difference in technologies between countries applies, not only to the modern sectors, but also to the labour-intensive sector in the more advanced countries, creating more specialisation and trade in that sector and, at the same time, more pull and push factors for migration. This is because the labour-intensive sector in the less advanced country would not be able to compete due to the mentioned technological differences. The latter go even further and argue that with increasing returns and monopolistic competition, the reduction in trade costs will not generally lead to factor price convergence. When trade opens and a country specialises in the increasing-returns-to-scale sector, wages between countries may diverge and labour will have incentives to move (Faini, de Melo and Zimmermann, 1999).

Whether trade can substitute for migration, and thus determine which type of model is appropriate, depends apparently on the characteristics of the economies that are integrating. This research refers to the relation between developed and developing countries, which means that the traditional neoclassical prediction about reducing immigration through trade and capital liberalisation does not apply. Furthermore, these models do not account for the non-traded sector, which is an important source of demand for immigrant labour. What is important to highlight at this stage, regardless of the considered framework, is that immigration is strongly linked to the evolution of the traded and non-

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<sup>12</sup> These results are based on calculations of the propensity to emigrate as related to the level of income in southern Europe between 1962 and 1988.

traded sectors in the receiving economies. In fact, even though reaching different conclusions about the effects of economic integration, the presented literature, with the exception of the original HOLS model, converges on one issue: migration is accentuated by increasing economic integration.

### *Migration and industrial development*

The conclusion outlined leads us back to the idea that migration has its roots more in structural features of an economic system than in individual preferences. However, one question in particular remains unanswered: why do migration flows augment despite the increasing commercial and capital integration and the political obstacles to immigration. The economic literature is limited to acknowledging that, given technological disparities, monopolistic market structures and production functions with increasing return to scale, factors of production have incentives to move along with goods and services, i.e. migration is part of economic integration.

A variety of sociological theorists have tried to interpret this phenomenon by linking the origins of international migration to structural features of the world market that have developed since the 16<sup>th</sup> century. Wallerstein (1974) is the initiator of this stream of literature and according to his “World System Theory” the penetration of capitalist economic relations into peripheral, non-capitalist societies creates a mobile population that is prone to migrate abroad. Driven by the desire for higher profits, owners and managers of capitalist firms would enter poor countries on the periphery of the world economy in search of land, raw materials, labour, and new consumer markets. In the past this penetration was assisted by colonial regimes. Today it is made possible by neo-colonial governments and multinational firms that perpetuate the power of national elites, who either participate in the world economy as capitalist themselves, or offer their nation's resources to global firms.

In addition to this very broad historical view of the links between migration and transnational economic structures, a recent literature has developed which explains the evolution of migration in relation to the development of post-modern industrial societies and modes of production. Migration can no longer be interpreted with the classical variables of overpopulation, poverty and economic stagnation: the most overpopulated countries do not have the highest emigration rates, nor do the poorest of the poor in developing countries show the highest propensity to emigrate (Borjas, 1987; Harris, 1995; Sassen, 1988, 1991).

Furthermore, as seen in some micro-economic studies presented previously, economic growth can be associated with higher emigration rates. Migration pressure is certainly influenced by conditions of poverty, unemployment and overpopulation, but these by themselves will not provide large-scale emigration, i.e. the continuation of the migratory process.

According to this framework, a new migration flow and its continuation at higher levels are two intrinsically distinct phenomena. The former implies an analysis of supply conditions, the latter an analysis of demand conditions, i.e. economic conditions in the destination country (Portes and Walton, 1981; Castells, 1989; Morawska, 1990). Sassen (1991) analyses the conditions for the demand and absorption of the immigrant inflow in what she calls the “global cities”. She argues that international migration has little to do with wage or employment rate differentials, but more with the impact of foreign investments and of trade liberalisation on the economy of the destination country. While the redeployment of manufacturing to LDCs is supposed to have contributed to conditions that promote emigration from these countries, the concentration of servicing and management functions of the same investment outflows in developed countries, and especially in global cities, is thought to have created the pull dimension of new waves of immigration. According to this framework, immigrants provide labour for low-wage service jobs in highly specialised export-oriented service sectors, for the high-income lifestyles of the top-level professional workforce employed in those sectors, and for the expanding downgraded manufacturing sector, where industries need cheap labour for survival.<sup>13</sup>

It is questionable that immigrants are employed mainly in highly specialised export-oriented service sectors and, to a lesser extent, in the downgrading manufacturing sectors, especially when looking at South European immigration cohorts. The conditions for the demand and absorption of immigrant labour are certainly tied to their low cost and flexibility, but other socio-economic processes have to be considered, as well as country peculiarities. There is however one useful aspect of the “global cities” viewpoint, which contrasts with the conventional view that immigrants are only employed in backward and slow growth sectors. An advanced sector requires also low-skill jobs and a backward sector can be fast growing. Sassen’s differentiations between job and sector characteristics and between sector characteristics and growth status are important distinctions to keep in mind

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<sup>13</sup> The term cheap labour is here meant mainly in terms of flexibility as regards working conditions and types of occupation, that would require at the least much higher wages to attract native workers.

when collecting statistical information about the integration of immigrants in the labour market.

### 1.2.2 e) Does theory differentiate between legal and “illegal” immigration?

The theories presented up to this point are not designed to analyse “illegal” immigration as a specific category. This is because some of them analyse internal migration, and some other do not make a distinction between internal and international migration. The fact that the mechanisms depicted to explain internal migration also have been used in the debates to describe international migration suggests a lack of theoretical sophistication in discerning international migration, especially because migration from LDCs to developed countries has specific mechanisms. However, the fact that “illegal” immigration is not treated distinctively is linked to the time these theories were written and is not necessarily to be seen as a lack. The discourse on “illegal” immigration in theoretical debates is a relatively recent phenomenon that has appeared from about the time most developed countries started closing their borders.<sup>14</sup>

Specific studies on “illegal” immigration are very rare. Todaro (1986) conceptualised a theory of “illegal” international migration from LDCs. He argues that models of international trade and labour are of limited value in that they do not consider the factors that play such a significant role in the economics of “illegal” migration, which are as follows: high unemployment in the home country, lower but still positive unemployment in the destination country, non-equilibrating wage-rates in both countries, discriminatory domestic wage structures between domestic and “illegal” workers and physical constraints on labour mobility.<sup>15</sup>

Todaro then constructs a model for the individual decision-making process which accounts for the specific situation of the “illegal” migrant. As in the traditional utility function the decision to migrate depends on the income that an individual expects to receive in the destination country relative to the income expected in the home country. The variables are here the average earnings in the destination country discounted by the probability of

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<sup>14</sup> In the literature the first oil shock (1973-74) is seen as a turning point for immigration policies of continental European immigration countries, after which restrictive measures were implemented, up to the current policies, which affect even the criteria for refugee admission.

<sup>15</sup> The physical constraints on labour mobility for “illegal migrants” refer to the probability and costs of border apprehension.

finding a job, the cost of migrating, the probability of being captured and deported and the illegality tax on an individual's earnings abroad. The author demonstrates in several simulations referring to Mexico and the United States (US) that of the three key variables, all of which are assumed to be functions of the unemployment rate in the destination country, the first has a positive and the other two a negative correlation with the rate of "illegal" migration for each level of unemployment.<sup>16</sup>

Todaro's model analyses "illegal" immigration by adjusting the individual utility function for a migrant's specific risks, however it does not seem to show peculiar characteristics for "illegal" immigrants, and it does not provide an answer to why immigration happens despite the tightening of control measures, i.e. why does "illegal" immigration occur. The same conclusion can be made by considering another study specific to "illegal" immigration that demonstrates, using data on border apprehensions at the US-Mexico frontier, that "illegal" immigration has a strong negative correlation with Mexican real wages, a positive correlation with US real wages, and finally a positive correlation with economic volatility in Mexico (Hanson and Spilimbergo, 1996). Also this model, based on an empirical study, does not seem to provide a different type of explanation for the continuation of "illegal" immigration as compared to the traditional models presented for migration in general: wage differential, adjusted in various ways, remains central to the decision to migrate.

Portes, despite using a different framework, also explains "illegal" immigration along the same line of reasoning used for reading the phenomenon of immigration in general. According to him it is industrialisation and the inflow of foreign capital associated with it, which determines an increase of the mobility of the rural population, without offering opportunities for alternative employment. Moreover, sustained rates of economic growth are often coupled with an increasingly unequal distribution of national income, as well as with the diffusion of modern culture and consumption patterns, but at the same time denying the mass of the population the means to participate in it.

In one study Portes (1979) refers specifically to "illegal" immigration, but focuses on the supply side. Based on an empirical work on legal Mexican immigrants who were previously illegal, the author argues that usual impressions of "illegal" immigration are a misconception. These are that they originate from the most impoverished and backward

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<sup>16</sup> These are the discounted earnings expected in the destination country, the probability of being captured and deported and the illegality tax on individual's earnings abroad.

sectors (rural economy) of their country, that they are largely illiterate and that they migrate for economic reasons. The result of his empirical study shows that the main reasons for migrating are work, wages and living conditions. Additionally, the sample has a higher urban population ratio than the original population and the same holds for literacy rates. Furthermore, the majority of these immigrants work in the non-farm unskilled and semiskilled urban sector, as opposed to the general impression of “illegal” Mexican immigrants, who are supposed to work mainly in agriculture. In Portes’ view this shows that immigrants represent an uprooted population that is created by industrial development in their country.

Summing up, “illegal” immigration is interpreted with the same tools used for understanding immigration in general and it is more directly responsive to economic unbalances than is regulated migration. This leaves some major questions unanswered: why does it continue despite the closure of borders and the high risks an individual faces, in terms of livelihood and criminal exploitability.

### **1.3 Conclusion**

The review of the theories on international migration has shown that this field of research is not well studied from one single framework: the ensemble of the presented theories needs to be integrated and considered as a set of complementary theories applicable to different contexts and historical phases. There is no one single theory of migration, and each adds to the understanding of the phenomenon as a whole or a phase of its process. Income differential represents a necessary condition in the decision-making process of the migrant, though often not sufficient even when it is high enough to compensate for unemployment risks and attenuating circumstances like distance, low education and skill level and age. The reasons why people migrate are determined by a set of other factors which add to the precondition of income differentials and which are matured not only at the individual level but also at the familial level, in particular when migration from LDCs is considered. Migration becomes an investment for income diversification decided by the whole household but undertaken by one member. The approach of the new economics of migration allows explanation of many migratory experiences that would be assumed as “irrational” in the neoclassical approach, and enables us to include sociological aspects in the explanatory framework.



Including social structures in the analysis has proven to be important also for explaining the perpetuation of the process of migration. Individuals or families cannot make decisions independent of the structures in which they find themselves. One of the clearest examples of a fusion between the two can be seen in the growth of migrant networks, through which individual pioneer migrants help those who follow to settle and find work. The emergence of such networks suggests an even broader type of theory known as *systems* view. This theory incorporates not just migrant networks and individual decision-making but includes also other flows such as those of capital and goods, and suggests how all these might combine with political and cultural influences. This in principle could help illuminate the integrated and complex nature of migration particularly at the regional level.

The systems viewpoint shifts the analysis to a macro-structural approach, which is helpful to understand how the movement of workers is integrated with other macro-structural variables. Push-pull models help in categorizing these types of interactions, but remain merely a descriptive tool: they do not go beyond defining the geographic origin of the factors that determined migratory movements. Labour market segmentation theories provide a deeper structural analysis of the pull dimensions of immigration: job quality and flexible modes of production are central concepts to explain why immigrants would be needed in an economy characterised by unemployment.

Finally, the brief review of the literature on the interaction between economic integration and migration flows has shown that in the short run the movement of labour is associated with the mobility of capital, goods and services, in contrast with the original neoclassical trade theory that conceptualised a substitutive relationship. It is meanwhile acknowledged to consider migration – at least in theory – as one of the founding dimensions of globalisation; theories diverge only on the effect on the economic and social well being of the countries involved.

As far as “illegal” immigration is concerned, the literature does not provide a specific and *sui generis* framework: the same interpretative tools used for grasping immigration in general are adapted to the phenomenon of “illegal” immigration. In other words it is not a sociological, but rather a legally constructed category.

## **2. Aspects of flexibility**

The previous chapter has shown that theorising the phenomenon of immigration requires the analysis of a complex interaction of factors determined both in sending and receiving countries. Conditions of poverty and income differentials may be necessary conditions for migration flows to occur, but the increasing interdependence between economies may make host countries' economies a source of demand for foreign labour. The emphasis that needs to be given to each explanation depends on the historical context considered. This research looks at current immigration flows to Italy arguing that the process of flexibilisation in the labour market, the importance of informal sector activities in the economy and the dominant organisation of production in networks of small and medium enterprises are characterising features of the country which to a great extent explain the pull dimension of migration flows. The Fordist and post-Fordist framework provides a useful tool to interpret past and current migration flows from these perspectives because it highlights the evolution of productive structures in a context of global economic interdependence. In such a framework the concept of flexibility is central and refers both to the labour market and to the organisation of production.

The link to immigration is given by the assumption that demand for immigrants is concentrated in certain sectors of the economy or segments of the labour market characterised by "bad" conditions of work and that such conditions are associated with various forms of flexibility. A definition of the concept of flexibility with respect to the labour market and the organisation of production is therefore important.

This chapter has the aim of describing the main aspects of flexibility referring to the two viewpoints where it is most visible: the enterprise and the labour force. The first section will delimit the discourse on flexibility and the second section will set this discourse in the framework of Fordism and post-Fordism. The third section provides a definition of flexibility from the two mentioned perspectives.

### **2.1 Delimitations**

Debates on flexibility in the economic literature are generally focused on the modalities of labour provision on the one hand, and of production processes on the other

hand. As far as the labour market is concerned flexibility is studied in terms of its implications for unemployment and income distribution and on the conditions for labour supply and demand to meet (Ehrenberg and Smith, 2000). As far as the organisation of production is concerned flexibility is studied in terms of its ability to respond efficiently to the changing demand pattern in the national and international markets (Rullani and Romano, 1998). For the aims of the present work the concept of flexibility needs to be defined not in terms of how it affects other macroeconomic variables or how it creates new equilibria, but only to acknowledge its diffusion and depict its evolution over the last decade. The labour market perspective, on which this chapter focuses, is central not only because it relates directly to immigration, but also because it represents a pillar in the restructuring of production processes.

## **2.2 From Fordims to post-Fordism**

### **2.2.1 The apparent crisis of the Fordist model**

It is not possible to introduce the concept of flexibility without mentioning the transformations occurring in the world economic system since the beginning of the seventies. According to a stream of literature, production was until then based on the “Fordist model” (Amin, 1994). This means that it was concentrated in big firms, with oligopolistic market structures and vertical integration, in which efficiency gains could be reaped from large economies of scale. Production processes were standardized and the use of a low skilled labour force in assembly lines was widespread. Such a context provided a fertile base for a highly unionised labour force. The role of the state was important as a mediator between unions and employer associations, as well as a direct actor in the production processes. Its mediation enabled it to build a reference scheme for certain labour standards that were based on dependent, permanent and full-time working relationships.

The economic crisis of the seventies resulting from the two oil shocks had the effect of challenging this paradigm. High fiscal deficits led various governments to retreat from an active role in the economy, and at the same time to initiate deregulation processes, which gradually became the new model for most advanced economies and developing countries. Increasing trade liberalization and regional economic integration schemes, resulting in higher international mobility of capital and goods, were part of the paradigm. In this context,

Italy is a latecomer, especially in terms of investing abroad and retreating from the economy. Italy only initiated these processes in the late eighties.

The literature defines this evolution, still in progress, as the “post-Fordist” era (Amin, 1994). This term is used to refer to a number of features characterising the current functioning of the world economy in terms of organisation and modes of production, organisation of labour and changes occurring to industrial relations. A different organisation of production refers to the progressive diffusion of more flexible and lean productive structures able to adapt better to unstable demand patterns. Changing modes of production means the use of automatic systems able to produce final and intermediate goods without the direct intervention of labour. The worker is not anymore asked to utilise machines during the production process, but to control their functioning and develop their possible improvements. As a result demand for labour shifts towards higher skill intensity, with a resulting increase in differentiation of the organisation of labour and labour force characteristics. Differentiation refers here to the increase of more flexible arrangements, as opposed to standard full-time, permanent labour contracts. This increase of unstable and insecure labour conditions also might have profound changes in industrial relations, as it could reduce the representative base and thus bargaining power of unions.

The Fordist model of production is said to have prevailed in a phase of growing demand for standardised mass products that are not highly sophisticated, as well as of an industrial structure tied to internal economies of scale. The crisis of this model has become evident in three main directions. First, the increase in the number of possible outlet markets and their instability has made the structure of demand more differentiated. In this context agglomeration areas dominated by small and medium enterprises are supposed to be more advantaged because they are more used to exposure to temporary variations of demand. Second, continuous innovation in technology makes sectors with more flexible structures, in terms of technology, organisation and labour relations, more prone to grasp advantages from the growing internationalisation processes. Furthermore, the new information and communication technologies favour the decomposition of production processes, making it possible to organise production around industrial networks that can be geographically agglomerated or dispersed. Third, the globalisation of production and of market relations has resulted in an increase of competitive pressure (Leonardi, 1999; Rullani and Romano, 1998; Piore and Sabel, 1984; Sabel and Zeitlin, 1985).

### 2.2.2 The growing importance of flexible systems of production

Open international trade and the resulting increase in competition has encouraged nations to specialise in different branches of manufacturing or even stages of production within a specific industry, leading to an increase in the number of developing as well as industrialised countries involved in the global manufacturing system (Unctad, 2002; Gereffi, 1989). The improvements in transportation and communication technologies has enabled manufacturers and retailers to establish international production and trade networks that cover vast geographical distances. Gereffi (1994) defines global commodity chains as a production system, which *“links the economic activities of firms to technological and organizational networks that permit companies to develop, manufacture, and distribute specific commodities. In the transnational production systems that characterise global capitalism, economic activity is not only international in scope, it is global in its organisation”* (Ross and Trachte, 1990; Dicken, 1992, as quoted by Gereffi, 1994, p.96). In fact, Gereffi argues that the term “internationalisation” refers only to the geographical spread of economic activities in different nations, whereas “globalisation” implies a degree of functional integration between these internationally dispersed activities, which he names “global commodity chain”.

The term “global commodity chain” can be distinguished between producer-driven and buyer driven. The first refers to those industries in which transnational corporations have a central or leading role in controlling the production system (including backward and forward linkages). This is most characteristic of capital- and technology-intensive industries like automobiles, computers, aircraft and electrical machineries. Buyer-driven commodity chains refer to those industries in which large retailers, brand-named merchandisers, and trading companies play a pivotal role in setting up decentralised production networks in a variety of exporting countries, often located in developing or transition economies. This pattern of trade-led industrialisation has become common in labour-intensive, consumer-goods industries such as garments, footwear, toys, consumer electronics, house wares, and a wide range of hand crafted items. International contract manufacturing is prevalent and production is generally carried out by independent factories that make finished goods under original equipment manufacturer arrangements.

The distinction between producer-driven and buyer-driven commodity chains bears on the debate concerning mass production and flexible specialisation systems of industrial

production (Piore and Sabel, 1984). Mass production is clearly a producer-driven model, while flexible specialisation has been enhanced by the growing importance of a segmented demand and functions like the buyer-driven chain. The main difference between the global commodity chain model and the flexible specialisation perspective is that Piore and Sabel deal primarily with the organisation of production in domestic economies and local industrial districts, while the notion of producer- and buyer-driven commodity chains focuses on the organisation of global industries. Furthermore, while discussion on flexible specialisation often implies a substitutive relationship with mass production systems, production- and buyer-driven commodity chains are viewed as contrasting poles in a spectrum of industrial organisation possibilities (Gereffi, 1994).

Looking at flexible specialisation as an alternative to mass production can be done only when considering single countries or contexts. As argued by Rullani and Romano (1998), during the post-war period mass production (in some countries) and flexible specialisation (in other countries) have experienced parallel evolutions determined by the social and political conditions of the different countries rather than by technological factors. The diffusion of one model rather than the other was dependent on the context provided by the economic and social history of the country.

The model of mass production prevailed in the United States, whereas in many European countries huge parts of production developed on the model of flexible specialisation. The latter has changed profoundly over the past fifty years, thanks to technological innovations. The small enterprises, which developed during the sixties, are very different from those known in the capitalism of the nineteenth century: the new small enterprises are not isolated, technologically backward and serving mainly local markets, but part of an extended circuit of division of labour. They invest in modern technologies and serve the international market. The importance of these firms grew over the years because they are able to serve parts of the market that need a higher variety and flexibility. In contrast, big enterprises have sacrificed these characteristics for the sake of grasping internal economies of scale. In this sense flexible specialisation is complementary to mass production.

The coexistence of two alternative models does not contrast with the theoretical use of paradigms – Fordism and post-Fordism – which in fact are differentiated by historical phases. The emergence of the term post-Fordism is related to the fact that the Fordist paradigm went through a crisis. This became manifest in three main aspects. First, the excess

of risks, represented by the high sunk costs and the organisational rigidities, prevented firms from taking advantage of the new and differentiated markets. Second, the spatial centralisation around big cities or industrial parks is loosened by the possibility of transferring knowledge and other resources to “peripheral” areas. Third, the subordination of consumption to the imperatives of production had to be loosened because consumers started to have an active role in the definition of the product/service required (Agostinelli, 1997; Mariotti, 1997).

All these changes have had major impacts on the organisation of firms and modalities of labour provision. According to the post-Fordist paradigm, the role of labour as a stakeholder of big and public enterprises is gradually reduced because firm specific knowledge loses importance (Bologna and Fumagalli, 1997). Work is no longer considered an efficient method of executing a process in a predetermined environment: it starts being measured in terms of results and undertaken under conditions of complexity, i.e. variety, variability and indeterminateness. In other words, the focus of labour provision shifts from the process to the result, with important implications for labour conditions. Flexibility is in this context a central concept and goes together with the evolution of the post-Fordist paradigm (Rullani and Romano, 1998).

### **2.3 Main features of flexibility**

The concept of flexibility needs to be briefly defined because this work has the aim of highlighting parallel evolutions: increase in immigration flows in the past twenty years, flexibilisation of the formal Italian labour market and significance of flexibility in Italy’s prevailing form of organisation of production, the industrial district. It is important to define the main features of flexibility not only in the labour market, but also in these productive structures because they are highly export oriented. This means that their specific features were able to adapt to the changing international economic environment characterised by instability and cost competition.

#### **2.3.1 Labour market**

The previous section has described how post-Fordist models of production and a more “fluid” organisation of labour are said to go together. Flexibility is the central concept

on which such organisation is founded and is defined according to a number of criteria, which in some cases can overlap. The first distinction to make is between internal and external flexibility. External flexibility refers to the possibility of the firm to act in an environment free from regulations or market imperfections. Internal flexibility refers to the possibility given to the employer to choose freely concerning the disposition of factors of production to be utilised. Wages and working hour differentiation within a firm are an example of internal flexibility. Furthermore, both forms can be distinguished between quantitative and qualitative flexibility, both of which refer to labour cost reduction strategies: in the first case through a simple wage reduction, in the second case through an increase in labour productivity. Quantitative flexibility responds to the employers' need to adjust quantitative labour performances to the cycles of production. Qualitative flexibility enables the employer to utilise highly skilled professionals able to adapt to the mutating production structure and organisation (table 1).

Table 1 - FORMS OF FLEXIBILITY

	QUANTITATIVE FLEXIBILITY	QUALITATIVE FLEXIBILITY
<b>EXTERNAL FLEXIBILITY</b>	<b><u>Numerical flexibility</u></b>	<b><u>Productive and/or geographical flexibility</u></b>
	<b><i>Employment status</i></b>  <i>permanent contract</i> <i>fixed term contract</i> <i>temporary agency contract</i> <i>work on demand/call</i>	<b><i>Production system</i></b>  <i>subcontracting</i> <i>outsourcing</i> <i>self-employed</i>
<b>INTERNAL FLEXIBILITY</b>	<b><u>Temporal flexibility</u></b>	<b><u>Functional flexibility</u></b>
	<b><i>Working time</i></b>  <i>reduction of working hours</i> <i>overtime/part-time work</i> <i>night and shift work</i> <i>weekend work</i> <i>compressed working week</i> <i>varying working hours</i> <i>irregular/unpredictable working times</i>	<b><i>Work organisation</i></b>  <i>job rotation/job enrichment</i> <i>team work/autonomous work</i> <i>multi-tasking, multi-skilling</i> <i>project groups</i> <i>increase of workers' responsibility</i>

Source: Goudswaard, A., and Nanteuil, M., 2000



Flexibility emerges as a heterogeneous concept, mixing the two mentioned series of variables – quantitative/qualitative and external/internal – and is in most cases a combination between these two. Flexibility strategies are implemented on a complementary, rather than on an exclusive basis as for example subcontracting (external and qualitative), use of different employment statuses (external and quantitative), working-time flexibility (internal and quantitative) or flexibility of work organisation (internal and qualitative).

Referring to specific forms of flexibility, five main strategies can be highlighted which have a direct impact on “conditions of work” and on “conditions of employment”. In this case, the former describes the practical conditions under which people work and cope with a specific technical and organisational environment and the latter describes the rules and status under which people are employed, trained and paid (Goudswaard and de Nanteuil, 2000 ).

1) Numerical flexibility has the aim of introducing innovative legislative rules able to increase mobility in the labour market. This is done by allowing enterprises to employ and dismiss more easily by means of new types of contracts. These are the so-called “atypical” forms of employment, as exemplified by fixed term and freelance contracts, and temporary agency work.<sup>17</sup>

2) Temporal flexibility refers to all measures geared towards increasing different types of working-time schedules, in order to render the organisation tailored to the needs of production and of the same worker. Examples of this type of flexibility include part-time work, night and shift work and irregular working hours.

3) Productive and/or geographical flexibility refers to those strategies through which labour costs and risks are transferred to other employment situations, followed by a redefinition of new fields of expertise. Forms of this type of flexibility are subcontracting, outsourcing and self-employment. Within this context, flexibility strategies tend to shift from a qualitative approach at the top of the productive chain towards a highly quantitative approach down the line.

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<sup>17</sup> “Atypical” work refers to all forms of work, which are not full-time jobs and are not characterised by permanent contracts with a legally guaranteed standard of social security. For a more detailed definition see section 4.1.2 (part II).

4) Functional flexibility refers to internal strategies of work organisation, designed to quickly redeploy personnel to tasks. Job rotation, multi-tasking or multi-skilling are examples of this type of flexibility.

5) Wage flexibility refers to the aim of favouring competitive principles in the supply and demand of labour. In particular it enables employers to use the difference in pay as an incentive for productivity.

Considering the aim of this research, numerical flexibility is probably the most important of the five forms of flexibility specifically because it is a precondition for the others to be implemented, especially when temporal and productive/geographical flexibilities are considered. The immediate and most evident effect of such flexibility is an increase in mobility within the labour market. Therefore indicators of mobility are often used as a proxy for analysing the evolution and features of such flexibility.

There are two gross measures used to quantify mobility within the labour market.<sup>18</sup> The first is called Gross Job Turnover (GJT) and is given by the yearly net employment increase normalised by the number of enterprises. From international comparisons some structural features of this measure in relation to industrial organisation have emerged. There is an inverse correlation between firm size and the GJT: among small firms it can be higher than 40 percent, whereas for big firms it is lower than 15 percent. The second gross measure to quantify labour mobility is called Gross Worker Turnover (GWT) and is given by the ratio between the net employment increase and the stock of employed persons. Also in this case international comparisons have shown that mobility is inversely correlated to firm size: mobility is higher in small firms in respect to big firms. This conceptual and empirical correlation between mobility in the labour market on the one hand, and firm size on the other hand implies that mobility is higher in those countries where the share of small firms is higher (Contini, 2002).

### 2.3.2 Organisation of production

The growing attention to alternative and more flexible ways of producing goods has initiated the re-emergence of the concept of cluster or industrial district, which was first

introduced in the literature by Marshall (1879). He defined the industrial district as the aggregation of many small and medium-sized manufacturers in one place with the advantages of the division of labour and external economies of scale. Marshall's thoughts on the concentration of economic activities in space have been considered the starting point in studies of firms' strategies, market structures and industrial competitiveness. He disputed the standard view that the factory system, in which all manufacturing processes are concentrated under one roof with a high degree of vertical integration, was necessarily better than production systems that were technically less integrated but concentrated geographically. He came to the conclusion that for certain types of production (for example textile or industrial machinery) there were two efficient manufacturing systems: the established method, based on large, vertically integrated production units, and a second based on the concentration of many small factories specialising in different phases of the same production process and operating in one location or in a cluster of locations.

Marshall's analysis was written hundred years before Piore and Sabel (1984) put forth the idea of a second way to industrialisation based on the territorial concentration of small firms. It was during the alleged crisis of the idea of the Fordist model of production and the parallel emergence of unstable and fragmented demand patterns, that the concept of an industrial district emerged and more attention was given to the existence of agglomeration systems.

In Italy the concept of flexible specialisation or of industrial district emerged by analysing the apparent paradox characterising the economic development of Tuscany during the seventies. Tuscany, a region defined by many economists and politicians as in industrial decline at that time, showed incredible signs of economic well being (Becattini, 1975; Brusco, 1989). The demonstrated efficiency of small enterprises in the machinery sector had reopened the debate started by Marshall a hundred years before. It is, however, only during the nineties that the concept of industrial district was diffused internationally through the debates on flexible specialisation, informal sector and the new definitions of cluster provided by Piore and Sabel (1984), Castells and Portes (1989) and Porter (1998) respectively. The work of the latter author is especially important, because it situates the debate on industrial districts within the context of competitiveness and exports.

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<sup>18</sup> Inflows and/or outflows from the labour market are determined by various factors like restructuring processes, natural outflows for retirement or voluntary contract breaking, which are not necessarily related only to flexibility.

The strong relationship between exports and industrial districts in Italy has been demonstrated by a number of empirical studies (Conti and Menghinello, 1996; Becattini and Menghinello, 1998, Bagella and Becchetti, 2000; Istat, 2002a). The acknowledgment of their importance came also on the official side, as in 1991 a law judicially recognised this socio-economic entity (law 335/1991, art.36). The statistical identification of the districts (which Istat fixed at 199 in 1991), created the foundation for more empirical research on the productive and social aspects of these entities. There are four main outcomes of these analyses.

- 1) External economies exist and are significant in the industrial districts.
- 2) An important part of the competitive advantage of the non-automobile machinery industry and of the traditional Italian export sector originates in the district system.<sup>19</sup>
- 3) During recession, employment in the districts is reduced less than in non-district areas.
- 4) Flexibility of the labour force is higher in the district system than in the overall economy.

The Italian literature on industrial districts is very large. However, a number of distinctive elements of these territorial as well as socio-economic entities can be summarised.<sup>20</sup> First, the importance of historically embedded institutions which can be traced back to traditions of communal self-government, to the medieval guilds, to the familial and social cohesion and to traditions in craftsmanship. In this model institutions are seen as an expression of a government based on principles of subsidiarity and solidarity, rather than an expression of administrative local institutions like the existing *provincia* and *comune*. Second, industrial districts have a remarkable capacity to acquire and promote production technologies, as well as penetrate markets with creativity of design, of production and of sale methods. In other words, districts have a very high export orientation (Fortis, 1995, 1998, 2000). Third, they tend to have a widespread flexibility in the labour market that can be measured in terms of type of contracts (part-time, occasional collaborations, etc), place of work (domicile work) and social mobility (the shift from employee to entrepreneur is very common) (Beccattini, 1998). The last example is extremely

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<sup>19</sup> The sectors composing the “traditional Italian export sector” are defined in part III, third chapter.

<sup>20</sup> For a review see Becattini (1979, 1987, 1989), Brusco (1982, 1989), Garofoli (1981, 1983, 1991).

important because industrial districts are characterised by a very high birth-rate of new enterprises, especially in comparison to any other geographical area (Garofoli, 1994).

The literature also agrees in considering a number of factors as central characteristics of districts and as a partial explanation for the high propensity of product and process innovation. These factors include: processes of imitation and diffusion that create opportunities for reproducibility; low cost information and knowledge flow; and at the same time a high degree of complementarity between firms. The interaction between firms, all specialising in the same sector or even the same goods but in different production phases, allows for the continuous cooperation in problem solving, which is useful for the entire production process and especially for the accumulation of technical knowledge. This spontaneous accumulation of knowledge has then been institutionalised through formal vocational training systems started by organisations like Universities and the Chambers of Commerce. All this is part of what the economic literature calls external economies. These economies originate outside the firm, yet inside a certain system (the district in this case) and they may represent specific local competitive factors.

Thinking that intangible and contextual assets can contribute to form the comparative advantage of a region or even a country is the result of a long evolution in the literature of various disciplines (geography, economics, sociology). Relative endowments of factors of production and/or level of technology were always seen as the explanatory variable of the comparative advantages. The novelty here has to do with the incorporation of the above mentioned intangible assets in those explanatory variables. This, through the discourses on industrial districts, has happened at both the national level and the local level. It has been acknowledged that competitive advantage depends on a complex process of learning and synthesising and that it is strongly tied to the local or national context, rather than solely to the different costs of production factors (Albert, 1991).

In Italy much of the literature relating to these issues is based on the work of Becattini (1961) who questioned the classification of industrial activity based solely on sector because it was too much focused on the technological content of the product and on its physical characteristics. However, the reappearance of the variables of territory and context in the supposed classification of economic activities had to await the crisis of mass production systems and the new stream of literature on flexible specialisation (Amin, 1994; Castells and Portes, 1989; Piore and Sabel, 1984). According to the new framework, production always occurs in a context and the latter has to be seen as a productive resource

(maybe in some cases unproductive resource). The territory ceases to be an abstract space, measurable in distances and surface, and may propose itself like a local social system (Brusco, 1982, 1989).

Given that this contextual resource is difficult to replicate in a systematic way, it becomes essential to understand what risks industrial districts have to face in changing international markets and external contexts. A number of threats have been listed by Fortis (2000). He argues that a possible crisis for the districts can be determined by the following factors: the incapacity to govern the technological and organisational process of innovation; the lack of entrepreneurial turnover; the inability to pursue production strategies directed at product quality and diversification; the relocation of production and related possible loss of local competitive advantages. The author also mentions the insufficient change in the labour market structure, referring especially to changes occurring in the labour supply side. An example of this would be a young labour force, the expectations and aspirations of which cannot be met by the traditional factory organisation of labour.

All these points rotate around the already mentioned concept of external economies. These are defined by the literature as supply external economies, distinguishing them from demand external economies (David, 1999). The latter explain the advantages arising for small firms from agglomeration specialisation processes. The total size of a sector allows taking advantage of economies of scale at system level rather than single firm level, which is structurally hindered in small enterprises. Both externalities are strongly related to the evolution of the ideas of post-Fordist modes of production and of flexible specialisation, which have become central concepts in the industrial development debate ever since the second oil shock.

Similarly, Porter (1998) argues that what characterises a cluster (district) is both the vertical and horizontal interrelation between firms, as well as the existence of common interests between firms and institutions. Plurality and interconnections of firms count as much as their dimensions and/or their belonging to the same sector. According to the same author, competition arises from the system that influences the single enterprise. The latter becomes more competitive as a result of the availability of production factors *in loco* (in particular specific production factors like skilled labour), of the supply of intermediate goods, of the presence of local competitors (referring also to a competition achieved by way of diversification and innovation), of tangible and intangible infrastructures and finally of local institutions strongly linked to the economic activities (for example research and

professional training institutions, a socio-cultural atmosphere favourable to entrepreneurship, trust relationship with the institutions, accumulated social capital, reputation of the whole system).

As depicted in this brief overview, industrial districts present a number of features of flexibility regarding their mode and organisation of production, both of which are tied to their geographical locations. In other words, in an era where transferring part of production processes abroad has become the competitive edge of many enterprises, Italian industrial districts have less incentives to do so because, to a certain extent, their flexible way of organising production allows them to face international competition. Immigration is supposedly linked to this process because these districts represent a source of demand for workers who are willing to work on night shift, with non-standard working contracts, and do difficult and demanding jobs that would at the least require much higher wage levels to attract native worker.

## **2.4 Conclusion**

This chapter has introduced the concept of flexibility, which is one of the central aspects in the post-Fordist restructuring process. Flexibility has been defined with regard to the labour market and the organisation of production.

In the first case flexibility has become a central concept helping to understand and describe the changes underway in the field of working and employment conditions. In the context of increased international competition, employers have voiced the need for a more flexible and adaptable workforce, and this has been met by introducing more flexible conditions of work and employment. The different forms of flexibility have been defined in their quantitative and qualitative, as well as internal and external dimensions, and are found to be less common with increasing firm size.

In the second case the concept of industrial district has been taken as a point of reference to describe a fragmented entrepreneurial environment in which forms of flexibility are integrated in the production structure. The district is founded on a number of characteristics, most of which can be traced back to forms of flexibility in the labour market, in the capacity to acquire and promote production technologies and in the adaptability to variable demand patterns.

The efficiency of these local systems in international markets, as claimed by the supporters of industrial districts, and the competitive advantages, as pointed out by Porter, hint at a possible correlation between flexible modes of production and global competitiveness. Their evolution and importance for the Italian economy might explain parts of the pull dimension of immigration flows to Italy, which as will be shown in the empirical part, are increasingly employed in such production systems and in specific sectors where these are predominant.



## **PART II - SOME EMPIRICAL EVIDENCE**

The conceptual frameworks outlined in the first chapter of part one have shown how the phenomenon of immigration is determined by a complex interaction of factors. The importance of one factor against another depends heavily on the specific countries and their individual historical contexts. As outlined in the introduction, this research is interested in analysing the immigration waves in Italy in relation to the characteristics of the country's economic structure. In other words, this thesis analyses and highlights the pull dimension of current immigration flows to Italy.

The present chapter presents a number of statistical indicators of immigration, of the labour market and of the industrial structure. These indicators point to a correlation between current waves of immigration and some prevailing modes of production in a context of increasing economic interdependence. Each of the following three chapters of the thesis provides a description of the existing statistical databases for actual data on immigration trends in Italy, on labour flexibility and on industrial restructuring processes respectively, highlighting their strengths and weaknesses.

As far as immigration is concerned, the focus is on stressing the difficulty in collecting data or different source material, as opposed to stressing the difficulty of making concepts concrete, i.e. defining which indicators are significant. This is because data on immigration is so poor that discussing the validity of different indicators would be a vacuous exercise. Furthermore, given the lack of adequate databases very few indicators have been developed in migration research, as far as quantitative research is concerned.

The first chapter of this part (third chapter, part II) quantitatively describes current immigration trends in Italy in terms of their historical evolution and labour market participation. The focus will be on the nineties and early two thousand, even though immigration in Italy can be dated back even to the late seventies. This not only because of lack of data for previous decades, but also because this period shows certain interrelated phenomena most clearly: as far as immigration is concerned it represents the years in which manufacturing has become a more important source of labour demand; as far as the official labour market is concerned it represents a turning point in terms of flexibilisation and finally regarding the organisation of production, based on industrial districts, it coincides with the increasing competition on international markets.

The second chapter of this part (fourth chapter, part II) introduces the main changes that occurred during the nineties in the Italian labour market as far as flexibility is concerned, as well as the evolution of small-scale industrial structures in the context of global restructuring.

### **3. The unknown labour force**

#### **3.1 Statistics on immigration**

##### **3.1.1 Stock and flows of foreign population**

The initial question when studying immigration quantitatively concerns the number of immigrants living in a host country.<sup>21</sup> The answer to such a simple question is much more complex than one would expect because the official information available is not uniform. Not only are primary sources different, but also the way that data is treated is not homogeneous. This implies that for every aspect studied a constant process of specifications needs to be paralleled to the quantitative analysis.

The difficulty in measuring such phenomena, for both stock and flows, arises from its inherent characteristics, i.e. the modes of entry and the high degree of mobility of the population studied. So many different people cross borders daily for the most disparate reasons that differentiating long-term immigrants from all other types of movements is an arduous undertaking. Furthermore, the high propensity of immigrants to move within the host country, especially in the first years of their stay, makes it difficult to quantify their stock exactly, because of double or missing enrolment with the local authorities.

This is often the result of a missing ad hoc institution responsible for gathering data on the phenomenon of immigration. In fact various institutions, with different institutional purposes, are made responsible for the collection of data on immigration. At the international level this situation is made even more complicated by the issue of how to define immigrants, which in cases like the United States, refers to the foreign-born population, and in other cases, like some continental European countries, refers to residence permit holders, or non-nationals. Despite numerous efforts to improve statistics on immigration internationally, it is still impossible to undertake precise and appropriate comparisons.

The Italian situation presents these same general problems. However, it also is affected by some peculiarities that aggravate the picture. There has been a lack of political

willingness to value, improve and integrate the existing sources of information. Only a few years ago, for example, the same National Institute for Statistics (Istat) stated (Istat, 1999, p.14): “...until today no official data on the residence permits is available; ... there continue to be only the “raw” data diffused by the Ministry of Interior... “. This quotation indicates that the data is not elaborated and does therefore not enable to distinguish valid from expired permits. Istat has started to elaborate the data in this sense since 1999, leading however to a significant delay on the yearly release of official data on immigration.

There are two principal sources on the stock of foreigners in Italy: residence permits issued by the Ministry of Interior and registration with the municipal population registers issued by Istat.<sup>22</sup> Residence permits, i.e. identity documents that identify foreigners’ rightfully staying in Italy, refer to all foreign nationals entering the country regularly, including those staying for short periods (tourism or business), those staying for longer periods (study, asylum, adoption and religion), those who are not motivated by work reasons and those granted the permit through an amnesty or for family reunion. Furthermore, this data does not include minors, who are registered on their parents’ permit.

Local registers are more adequate in capturing the long-term resident foreign population. However, besides the limitation of being updated less frequently when issued at the national level, they sometimes overestimate the stock.<sup>23</sup> In fact data on resident foreigners is often higher than that by permit holder, which is a paradox because holding a permit is a necessary condition for being registered with a local town hall. In some years such paradoxes occurred and can be explained partly by the fact that many foreigners did not deregister when leaving the country, but mainly by the fact that residence permit data include amnestied from the year of the regularisation program, whereas residence permit data only with one or two years of delay (table 2).<sup>24</sup> A second disadvantage of the municipal data refers to the fact that registration is not compulsory. Rather, it becomes necessary only when a person is well integrated in the receiving society and needs such registration as a precondition for access to a number of civic and social services. This circumstance makes data by residence permit more reliable and prompt, especially considering the high use of

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<sup>21</sup> Measuring “immigration” refers here to the phase in which the individual has already undertaken his/her migration project and excludes the phase of the decision-making process in which there is intention to “emigrate”.

<sup>22</sup> Foreign nationals refers here to the foreign population including citizen from non-LDCs which account for only for 14 percent (in 2002) of the total foreign population.

<sup>23</sup> Municipal population registers data are often used for local studies because at this level they are available almost simultaneously.

amnesties in Italian migration policy. As stated previously, the regularised foreigners would appear in the registries only with a significant delay, whereas residence permits include regularised immediately.<sup>25</sup>

**Table 2 - NUMBER OF FOREIGNERS IN ITALY BY MAIN SOURCES <sup>1</sup>**

	1994	1995	1996	1997	1998	1999	2000	2001	2002
Residence permits	667,791	729,159	986,020	1,022,896	1,090,820	1,340,656	1,388,153	1,362,630	1,512,324
Municipal registration registers <sup>2</sup>	685,468	737,793	884,555	991,678	1,116,394	1,270,583	1,464,589	-	-

<sup>1</sup> The data refer to the 31. December of each year.

<sup>2</sup> For 2001 data is not available because the recently released 2001 census data has not yet been adapted to the past time series and is incompatible with this set of data. For 2002 data is not yet released.

Source: Istat and Ministry of Interior

The data from the Ministry of Interior, i.e. residence permit data, provides information about the type of permit, the country of origin, the Italian province of residence, gender, age, civil status and duration of the stay of the resident. The types of permit include the following main categories: employment, family reunification or family formation, religion, elective residence, education and training, asylum and refugees, adoption, business, sport, health and tourism. The data from the municipal population registers provides the same type of information, except it does not include the motivation and duration of stay. Relating to the concept of mobility it is important to mention that the data from municipal population registers, thanks to the enrolment and cancelling figures, is extremely useful to measure the degree of internal geographical mobility of immigrants. In fact, with the exception of the Census data, it is the most important source for demographic analysis of the immigrant population, because it provides data concerning population growth rates and migratory movements within the country and between countries.<sup>26</sup>

<sup>24</sup> Such paradox occurred in the years 1994, 1995, 1998 and 2000.

<sup>25</sup> This is because regularisation implies that immigrants are granted a residence permit.

<sup>26</sup> Census data provide information for every Italian municipality on nationality, age, sex, civil status, year of entry in Italy and reason for residence. However, it has the limitation of being updated only every ten years. The 2001 data, which has been released only recently (16<sup>th</sup> June 2004), are not included in this analysis because census data is incompatible with residence permit and registry data: in the first case because it does not include immigrants amnestied in 2002 and in the second case because the time series have not yet been adapted to the new 2001 figures.

To this point the analysis has been based on the strengths and weaknesses of the two different sources as regards stocks of foreign population. However, in order to consider the flow of migrants, i.e. the measurement of mobility across borders, only one source can be taken into account. This is the data collected by the Ministry of Interior, because its residence permits data records yearly inflows, which is essential when analysing trends. Furthermore, Istat has recently started to elaborate on the “raw” data of the ministry in order to erase the expired permits and add the number of minors taken from the local registries. This is part of an attempt to provide a statistically exact database.

In conclusion, considering the purpose of this study there are at least two reasons why residence permit data will be used as a main point of reference: first, it provides some information about the motivation of stay; second, it is more reliable in regards to recent trends.<sup>27</sup> Registry data will be used where necessary to integrate missing information of residence permits data.

### 3.1.2 Labour market participation

Once the main question about the global number of immigrants residing in Italy and their main demographic features is answered, the second most important sector of analysis refers to the labour market participation of foreigners. There are three main sources available of which the first records the stock of foreigners by sector of employment, whereas both other sources refer to inflows and outflows of immigrants from labour.

1) The enrolment figures of one of the social security archives, the National Pension Institute (Inps). These figures provide information about the regular employment of non-EU foreign citizens in industry, in the service sector, in domestic activities and in farming.

2) The survey of the Ministry of Labour on the people starting at work. This data is based on the enrolment figures of employment agencies and on the work permits issued to foreigners who are still abroad.

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<sup>27</sup> However, as regards the motivation of stay it needs to be underlined that there might be a discrepancy between the registered category and real activity of the immigrant. For example, foreigners who are recorded under the category of family reunion are likely to be engaged in a working activity.

3) The National Institute for Work Insurance (Inail), another social security archive, provides data on inflows and outflows flows from labour, i.e. on the degree of workers' mobility.

Inps data, which refers to the stock of foreigners by sector of employment, originates from the compulsory registration of workers with the institution and provides information about the number of foreign workers, their country of origin, sector of employment (including services), type of contract and Italian province of residence. The Ministry of Labour and Inail provide data on inflows and outflows of workers from labour by sector of employment. As a result of a decentralization process, since the year 2000 only Inail is responsible for managing such database. Inail operates at the province level, where it has established employment observatories. Every new regular hiring and exit from employment has to be reported to that institute. There are however some differences between the two sources. The information provided by the Ministry refers to the new hirings and exits of foreigners by country of origin, age, sector of employment (including services), education level, professional qualification, waiting period before hiring and Italian province of residence. The Inail database is in some parts richer, yet in some other aspects more deficient. It is more disaggregated as regards sectors and it introduces the new variable concerning firm size. On the other hand it lacks information about the education and skill level of workers, as well as on the waiting time for employment.

There are two main weaknesses of all three databases on labour market participation.

- a) There is no long time series available.<sup>28</sup>
- b) The universe of references does not coincide with all permit holders – meaning those who have an entry permit issued for employment – because only dependent workers have to be registered with these institutions; i.e. not all the so-called irregularly employed immigrants, including “illegal” immigrants, are considered.

This means that while using this data is certainly useful for analysing the labour market participation of foreigners, caution has to be taken when making general conclusions. In fact, being registered with Inps already represents a high degree of integration. This research refers to all three types of sources depending on the different aspects analysed, and includes where possible non-institutional sources to include estimates on irregular employment of foreigners.

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<sup>28</sup> The Inps archive dates back to 1973, however data is available for being extracted only starting from 1990.

None of these sources is complete, totally reliable and sufficiently disaggregated. This is the result of a lack of centralisation in the data collection process: none of the mentioned institutions is concerned with immigration specifically, but deduces data from archives and surveys existing for other purposes. An exception is the Ministry of Interior, which however reduces the whole data collection process on residence permits to a mere question of public order. In other words, it does not take the chance of gathering more detailed and variegated information, especially regarding “illegals”, neither during its institutional role as permit issuer, nor during any regularisation process. In addition, the Ministry provides hardly any valuable information about the data it collects, i.e. it does not organise the data in a purposeful or integrated manner.

### **3.2 Immigration trends in Italy**

During the nineties trends in international migration have shown an increase in quantitative terms in almost all member countries of the European Union (EU) and a change in some major characteristic features of immigration flows (tables 3 and 4). Three important novelties can be highlighted compared to the migration flows that occurred after the Second World War. First, the number of countries involved in the process of international migration has increased, referring to both sending and receiving countries. Second, labour demand characteristics have changed in tune with global economic restructuring. Third, political attitudes have shifted towards more restrictive immigration laws with a resulting increase of “illegal” immigration. Italy, as will be shown in the following three paragraphs, is, within Europe, most representative of all three aspects and has therefore been chosen as a case study for explaining and featuring new waves of immigration (Simon, 1995).

#### **3.2.1 Historical overview: from emigration to immigration country**

Italy has traditionally been considered as an emigration country and even though immigration dates back long before 1988 only from that year net migration flows started to be structurally positive. Italy’s migration history can be divided into four phases (Pugliese, 1996). The first refers to the emigration flows from the late nineteenth century to the Second World War directed partly to the new continents, America and Australia, and partly to some more advanced Northern European countries, mainly France and Belgium. Italians who emigrated to America were part of a larger phenomenon called the “Great Emigration”,



which occurred between the end of the nineteenth century and the beginning of the twentieth century, when an unprecedented number of people left the Old Continent to chase better living conditions, in response to demographic pressure, economic restructuring following the second industrial revolution and the improvement of transport technology. The First World War marked a contraction of the flows on a world scale, but the ending of the process coincided with the economic crisis of the Thirties together with a series of restrictive legislative regulations enforced by the destination countries and the emigration restrictions of the fascist regimes.

After the Second World War Italy started the second emigration phase, directed both to Northern European countries and some transoceanic destinations: with the new quota system introduced in 1965 by the United States, which permitted Asian nationalities, Italians had to find new host countries, like Australia, Southern American countries, and France and Belgium in Europe.

The economic boom in Northern European countries following the period of reconstruction marks the beginning of the third phase, which took place from the mid fifties to the early seventies, and which is characterised by a decline in intercontinental flows and an increase in intra-European flows, directed predominantly towards Germany and Switzerland (Simon, 1995). This phase is distinguished by the importance of pull factors as explanatory variables and by the open and active migration policies, including recruitment practices, adopted by the destination countries. Labour shortages in the manufacturing sectors, especially big scale industries with high economies of scale, worked as the major pull dimension. These migratory movements are comparable quantitatively to those of the "Great Emigration". However, they are very different in terms of settlement which was in great part planned to be temporary on the side of both receiving and sending countries. As argued by King (1996, p.47): *"Economic equilibrium arguments in favour of labour migration were deployed and became attractive, in different ways, to the governments of both sending and receiving countries. The former saw themselves as getting some relief from unemployment and the resulting social and political pressures. The latter saw labour immigration as an aspect of economic growth allowing both a faster expansion of production and an anti-inflationary source of preserving low wages."*

The same arguments raised in favour of labour migration, though reversed, worked during the seventies when external economic conditions changed profoundly, especially as regards traditional immigration countries. In fact, in this fourth phase Italy's role as a source

in the international labour market starts to become less important mainly as a result of the loosening pull dimensions: all Northern European countries interrupted their recruitment policies in response to the recessions occurring after the two oil shocks. As a result, immigration flows remained quantitatively important mainly as the effect of family reunion, which, following the tightening of entry measures, experienced an upsurge.<sup>29</sup> At the same time from the seventies to the eighties Italy passed through a period of transition in which we can assume that push factors became gradually less and less important as a result of changed economic and demographic conditions (Simon, 1995). This evolution follows the inverse U-shaped relationship between some main push factors, i.e. high unemployment rate and per-capita income differentials, and the emigration rates outlined in the second chapter: once a certain minimum level of income per-capita is reached, opportunity costs of leaving home are not anymore offset by the monetary returns of migrating.

While Italians stopped chasing better opportunities abroad, Italy slowly became an attraction pole for low skilled migrants from LDCs. In fact, during the eighties the stock of foreign population more than doubled and the proportion among them of non-EU and non-Northern American citizens increased from 48 percent in 1981 to 87 percent in 2002.<sup>30</sup> This transition is shown by the net migration flows, which starting from 1988, record positive values, and by the remittance balance, which recorded negative values starting from 1998. Such figures, and in particular the latter, describe the end of Italy's long transition from being an emigration to being an immigration country and represent its definite positioning in the international labour market as a source of labour demand. It is interesting to note that 1998 is also the year in which Italy promulgated the first comprehensive immigration law, providing an institutional acknowledgment of the new reality (Venturini, 2001).

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<sup>29</sup> Despite recognition of free movement of labour for European Community (EC) member countries' citizen since the Treaty of Rome (1957), political measures enabling free mobility were enforced only in 1995 with the enforcement of the Schengen Agreement.

<sup>30</sup> For 1981 the figure is taken from the municipal population registers, whereas for 2002 the figure refers to residence permits data, which are unavailable for long time series.

**Table 3 - STOCKS OF FOREIGN POPULATION IN SELECTED OECD COUNTRIES\***  
(thousands)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Austria	623	690	714	724	728	733	737	748	758	764
% of total population	7.9	8.6	8.9	9.0	9.0	9.1	9.1	9.2	9.3	9.4
Belgium	909	921	922	910	912	903	892	897	862	847
% of total population	9.0	9.1	9.1	9.0	9.0	8.9	8.7	8.8	8.4	8.2
Denmark	180	189	197	223	238	250	256	259	259	267
% of total population	3.5	3.6	3.8	4.2	4.7	4.7	4.8	4.9	4.8	5.0
Finland	46	56	62	69	74	81	85	88	91	99
% of total population	0.9	1.1	1.2	1.3	1.4	1.6	1.6	1.7	1.8	1.9
France	-	-	-	-	-	-	-	3263	-	-
% of total population	-	-	-	-	-	-	-	5.6	-	-
Germany	6496	6878	6991	7174	7314	7366	7320	7344	7297	7319
% of total population	8.0	8.5	8.6	8.8	8.9	9.0	8.9	8.9	8.9	8.9
Greece	-	-	-	-	-	-	-	-	-	762
% of total population	-	-	-	-	-	-	-	-	-	7.0
Ireland	95	90	91	96	118	114	111	118	127	151
% of total population	2.7	2.7	2.7	2.7	3.2	3.1	3.0	3.2	3.3	3.9
Italy	925	987	923	991	1096	1241	1250	1252	1388	1363
% of total population	1.6	1.7	1.6	1.7	2.0	2.1	2.1	2.2	2.4	2.4
Luxembourg	123	128	133	138	143	148	153	159	165	167
% of total population	31.0	31.8	32.6	33.4	34.1	32.9	35.6	36.0	37.3	37.5
Netherlands	757	780	757	725	680	678	662	652	668	690
% of total population	5.0	5.1	5.0	4.7	4.4	4.3	4.2	4.1	4.2	4.3
Portugal	124	132	157	168	173	175	178	191	208	224
% of total population	1.3	1.3	1.6	1.7	1.7	1.8	1.8	1.9	2.1	2.2
Spain	393	430	461	500	539	610	720	801	896	1109
% of total population	1.0	1.1	1.2	1.3	1.4	1.6	1.8	2.0	2.2	2.7
Sweden	499	508	537	532	527	522	500	487	477	476
% of total population	5.7	5.8	6.1	5.2	6.0	6.0	5.6	5.5	5.4	5.3
United Kingdom	1985	2001	2032	1948	1934	2066	2207	2208	2342	2587
% of total population	3.5	3.5	3.6	3.4	3.4	3.6	3.8	3.8	4.0	4.4
Australia	4028	4054	4094	4164	4259	4312	4366	4419	4517	4482
% of total population	23.0	22.9	22.9	23.0	23.3	23.3	23.3	23.3	23.6	23.1
Canada	-	-	-	-	4971	-	-	-	-	5449
% of total population	-	-	-	-	17.4	-	-	-	-	18.2
Switzerland	1214	1260	1300	1331	1338	1341	1348	1369	1384	1419
% of total population	17.6	18.1	18.6	18.9	18.9	19.0	19.0	19.2	19.3	19.7
United States	-	-	22600	23000	24600	25800	26281	26448	31107	31811
% of total population	-	-	8.7	8.8	9.3	9.7	9.8	10.3	11.1	11.1

\* Data for Australia, Canada, Switzerland and United States refers to foreign-born population. Data is from population registers or from registers of foreigners except for France and Canada (Census), Italy, Portugal and Spain (residence permits), Ireland and the United Kingdom (Labour Force Survey).

Source: Sopemi 2003 Edition, Oecd 2004

Considering the share of the stock of foreign population to native residents Italy's importance as a destination country remains low as compared to other European countries, including the new immigration country Greece, despite the massive attention devoted to this issue by the press, which decries an "invasion" (table 3). Demographers even state that the current levels of immigration are insufficient to maintain the present population (Livi Bacci, 2000). However, the rate of increase has been considerable. At the beginning of the eighties foreigners in Italy were less than half a million and less than half of them came from

developing and transition economies. In twenty years the foreign presence quadrupled and the rate of increase for non-Oecd countries nationals was even higher.<sup>31</sup> Italy has become an important immigration country in Europe, especially if “illegal” immigration is included. Relating to available data for 2001, Italy has the largest number of non-citizen residents among the new immigration countries and records the highest inflows in the EU after Germany and the United Kingdom (tables 3 and 4) (Sopemi, 2000a, 2004).<sup>32</sup> Furthermore, considering data on regularisation programmes as a proxy for measuring “illegal” immigration, Italy records the highest number of regularised immigrants among all new immigration countries and France and Belgium (for which data are available) (Sopemi, 2004,p.71).<sup>33</sup>

**Table 4 - INFLOWS OF FOREIGN POPULATION IN SELECTED OECD COUNTRIES\***  
(thousands)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Austria	-	-	-	-	-	-	59.2	72.4	66.0	74.8
Belgium	55.1	53.0	56.0	53.1	51.9	49.2	50.7	68.5	68.6	66.0
Denmark	16.9	15.4	15.6	33.0	24.7	20.4	21.3	20.3	22.9	25.2
Finland	10.4	10.9	7.6	7.3	7.5	8.1	8.3	7.9	9.1	11.0
France	116.6	99.2	91.5	77.0	75.5	102.4	139.5	114.9	126.8	141.0
Germany	1207.6	986.9	774.0	788.3	708.0	615.3	605.5	673.9	648.8	685.3
Greece	-	-	-	-	-	-	38.2	-	-	-
Ireland	-	-	13.3	13.6	21.5	23.5	20.8	21.6	24.1	28.0
Italy	-	-	-	-	-	-	111.0	268.0	271.5	232.8
Luxembourg	9.8	9.2	9.2	9.6	9.2	9.4	10.6	11.8	10.8	11.1
Netherlands	83.0	87.6	68.4	67.0	77.2	76.7	81.7	78.4	91.4	94.5
Portugal	13.7	9.9	5.7	5.0	3.6	3.3	6.5	10.5	15.9	14.2
Spain	-	-	-	-	-	-	-	-	-	-
Sweden	39.5	54.8	74.7	36.1	29.3	33.4	35.7	34.6	42.6	44.1
United Kingdom	175.0	179.2	206.2	228.0	224.2	237.2	287.3	337.4	379.3	373.3
<b>Australia</b>										
permanent inflows	107.4	76.3	69.8	87.4	99.1	85.8	77.3	84.1	92.3	88.9
temporary inflows	-	93.2	115.2	124.4	130.2	147.1	173.2	194.1	224.0	340.2
<b>Canada</b>										
permanent inflows	252.8	255.8	223.9	212.9	226.1	216.0	174.1	189.9	227.3	250.3
temporary inflows	60.5	57.0	58.9	60.4	60.9	63.7	68.1	75.5	86.2	-
<b>Switzerland</b>	112.1	104.0	91.7	87.9	74.3	70.1	72.4	83.9	85.6	99.5
<b>United States</b>										
permanent inflows	974.0	904.3	804.4	720.5	915.9	798.4	654.5	646.6	849.8	1064.3
temporary inflows	-	-	1468.8	1433.3	1636.7	-	2141.4	2363.4	2741.3	2948.3

\* Data for all EU countries, except France, Greece, Ireland, Italy, Portugal and United Kingdom, is from population registers and therefore not fully comparable because the criteria governing who gets registered differ from country to country.

Source: Sopemi 2003 Edition, Oecd 2004

<sup>31</sup> Oecd stand for Organisation for Economic Cooperation and Development.

<sup>32</sup> This assumption is based on Sopemi (2004) data and might be less strong if recent data on Greece were to be added. In fact Sopemi (2004) does not issue data for Greece, as updated figures are not available on residence permits. However, the information derived from the regularisation programmes of 1998 and 2001 hint at a considerable number of foreigners who are reshaping the profile of the foreign population in Greece.

Additionally in Italy “illegal” immigration has a peculiar importance as it has served as a major channel for entry to Italy itself and/or to other European countries. In fact, before knowing the final results of the last amnesty of 2002, “illegal” immigration was estimated to be between 40 and 50 percent of the number of foreigners legally resident, which in 2002 were 1,512,324 (Caritas, 2003, p.99-100).<sup>34</sup> Estimates of the scale of “illegal” immigration were based on the number of applications resulting from the 2002 amnesty, which were around 700,000 (Ministero degli Interni, 2003).

Consequently, Italy represents an example of the new feature concerning the geographical diversification of migration pattern, as it is an important new immigration country. At the same time it is also representative of the new migration pattern because of the highly diversified composition of the countries of origin. During the eighties Italy attracted a number of foreigners from the near Mediterranean countries and some Asian countries. After the 1989 turmoil, flows from Eastern European countries, with a preponderance of refugees and asylum seekers, became relatively more important. In fact, according to the most recent figures on the stock of foreign population most legal immigrants in Italy come from developing countries or transition economies: 31 percent from Eastern and Central Europe, 19 percent from Asia, 18 percent from North Africa, 9 percent from the rest of Africa and 8 percent from Latin America (foreigners recorded on the 31.12.2002).<sup>35</sup>

As mentioned, these proportions are the result of an evolution that has characterised migration trends during the nineties. During this period, the inflows of foreigners from Eastern and Central Europe was proportionally higher in respect to other regions. In fact in 1991 they represented only 13 percent of the foreign population in Italy and North Africa was the main source region with a share of 23 percent. Asylum seekers and refugees explain only a part of this trend. Non-citizen residents from South and Eastern Asia have also grown faster than total foreigners, which more than doubled between 1991 and 2002, passing from 648,935 to 1,512,324 foreigners (table 5).<sup>36</sup>

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<sup>33</sup> The figures (in thousands) on the regularisation programmes for each mentioned country are as follows: Belgium 52.0, France 198.9, Greece 722.0, Italy 1500.2, Portugal 240.2, Spain 572.7 (Sopemi, 2004, p. 71).

<sup>34</sup> All the figures presented in this section refer to the foreign population including residence permits of non-LDCs, which account for only for 14 percent of the total foreign population. The data on residence permits does not include minors as they are registered on the parents' permit.

<sup>35</sup> *Ibid.*

<sup>36</sup> *Ibid.*

Looking at single nationalities throughout the nineties, Morocco, Albania and the Philippines remain among the main sending countries. However, in terms of growth rates other countries have become important in the second part of the nineties. These countries include China, Romania (which surpassed the Philippines in the third position), Bangladesh, and India. Thus, Italy presents a very fragmented picture in terms of the origin of its foreign population (table 6).

**Table 5- FOREIGNERS IN ITALY BY REGION OF ORIGIN <sup>1</sup>**  
(absolute numbers and % composition)

	1991	2002	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
European Union	100,404	154,076	15,5	17,6	16,7	16,9	16,8	13,0	13,2	13,0	10,9	10,7	10,8	10,2
Central and Eastern Europe	86,471	464,106	13,3	15,5	19,6	21,0	20,9	22,4	22,1	24,0	27,1	28,5	28,9	30,7
Other European Countries	19,781	24,170	3,0	3,4	3,2	3,1	3,0	2,1	2,1	2,0	1,6	1,5	1,6	1,6
<b>EUROPE</b>	<b>206,656</b>	<b>642,362</b>	<b>31,8</b>	<b>36,6</b>	<b>39,4</b>	<b>41,0</b>	<b>40,7</b>	<b>37,5</b>	<b>37,4</b>	<b>39,0</b>	<b>39,6</b>	<b>40,7</b>	<b>41,4</b>	<b>42,5</b>
North Africa	147,954	268,159	22,8	19,0	18,4	17,6	18,0	19,4	19,6	18,8	18,7	18,3	17,9	17,7
Eastern Africa	50,265	96,892	7,7	6,8	6,5	6,2	6,2	7,7	7,5	7,0	7,5	7,0	6,5	6,4
West Africa	25,111	26,562	3,9	4,1	3,8	3,6	3,4	2,8	2,7	2,6	2,2	2,0	1,9	1,8
Central and South Africa	4,201	9,807	0,6	0,7	0,7	0,7	0,7	0,6	0,6	0,6	0,6	0,6	0,6	0,6
<b>AFRICA</b>	<b>227,531</b>	<b>401,440</b>	<b>35,1</b>	<b>30,6</b>	<b>29,4</b>	<b>28,0</b>	<b>28,2</b>	<b>30,6</b>	<b>30,4</b>	<b>29,0</b>	<b>29,1</b>	<b>28,0</b>	<b>26,9</b>	<b>26,5</b>
Middle East	18,446	19,067	2,8	2,7	2,4	2,3	2,1	1,6	1,6	1,6	1,4	1,4	1,4	1,3
Central and South Asia	34,702	115,337	5,3	5,0	5,0	5,0	5,2	6,5	6,8	6,8	7,3	7,6	7,7	7,6
East Asia	63,793	145,412	9,8	9,2	8,6	8,7	9,0	10,4	10,5	10,7	10,5	10,3	10,0	9,6
<b>ASIA</b>	<b>116,941</b>	<b>279,816</b>	<b>18,0</b>	<b>16,8</b>	<b>16,0</b>	<b>16,0</b>	<b>16,4</b>	<b>18,5</b>	<b>18,9</b>	<b>19,0</b>	<b>19,1</b>	<b>19,2</b>	<b>19,1</b>	<b>18,5</b>
North America	44,225	50,412	6,8	7,4	6,8	6,8	6,5	4,8	4,6	4,4	3,8	3,5	3,4	3,3
South America	50,073	128,181	7,7	8,0	7,8	7,7	7,8	8,4	8,5	8,3	8,3	8,3	8,2	8,5
<b>AMERICA</b>	<b>94,298</b>	<b>178,593</b>	<b>14,5</b>	<b>15,4</b>	<b>14,7</b>	<b>14,5</b>	<b>14,3</b>	<b>13,1</b>	<b>13,0</b>	<b>12,7</b>	<b>12,0</b>	<b>11,8</b>	<b>11,6</b>	<b>11,8</b>
<b>OCEANIA</b>	<b>2,612</b>	<b>2,655</b>	<b>0,4</b>	<b>0,4</b>	<b>0,4</b>	<b>0,3</b>	<b>0,3</b>	<b>0,2</b>	<b>0,2</b>	<b>0,2</b>	<b>0,2</b>	<b>0,2</b>	<b>0,2</b>	<b>0,2</b>
<b>STATELESS</b>	<b>897</b>	<b>854</b>	<b>0,1</b>	<b>0,1</b>	<b>0,1</b>	<b>0,1</b>	<b>0,1</b>	<b>0,1</b>	<b>0,1</b>	<b>0,1</b>	<b>0,0</b>	<b>0,0</b>	<b>0,1</b>	<b>0,1</b>
Unknown	-	6,614	-	-	-	-	-	-	-	-	-	-	-	0,4
<b>TOTAL</b>	<b>648,935</b>	<b>1,512,324</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

<sup>1</sup>The data refers to residence permit holders on the 31. December of each year.

Source: Ministry of Interior

**Table 6 - TOP 30 COUNTRIES OF ORIGIN OF FOREIGNERS IN ITALY IN 2002<sup>1</sup>**  
*(absolute numbers and % composition)*

Ranking	Country	Permit holders	%
1	Morocco	172,834	11.4
2	Albania	168,963	11.2
3	Romania	95,834	6.3
4	Philippines	65,257	4.3
5	China	62,314	4.1
6	Tunisia	51,384	3.4
7	United States	47,645	3.2
8	Serbia and Montenegro	39,799	2.6
9	Germany	37,667	2.5
10	Senegal	36,310	2.4
11	Sri Lanka	35,845	2.4
12	Poland	35,077	2.3
13	India	34,080	2.3
14	Peru	31,115	2.1
15	Egypt	29,861	2.0
16	France	26,846	1.8
17	Macedonia	26,060	1.7
18	United Kingdom	24,138	1.6
19	Bangladesh	22,061	1.5
20	Spain	21,163	1.4
21	Pakistan	20,986	1.4
22	Brasil	20,804	1.4
23	Nigeria	19,505	1.3
24	Ghana	19,160	1.3
25	Switzerland	17,674	1.2
26	Croazia	16,852	1.1
27	Ukraina	14,035	0.9
28	Bosnia Herzegovina	12,790	0.8
29	Russia and CIS	12,735	0.8
30	Equador	12,108	0.8
	Primi 30 paesi	1,230,902	81.4
	<b>TOTAL</b>	<b>1,512,324</b>	<b>100.0</b>

<sup>1</sup>The data refers to residence permit holders on the 31. December.

Source: Ministry of Interior

### 3.2.2 Labour market participation of immigrants

#### 3.2.2 a) Structural features

There are many factors in Italy's transition from an "emigration" to "immigration" country. In addition to the "alleged" closing of the borders in North Europe, improving economic conditions in Italy and increasing wealth disparities with LDCs, the changing nature of international migration during the last two decades should also be considered. The coexistence of immigration and unemployment, or of immigration and an informal sector, makes the new waves of immigration intrinsically different from those of the post-war period towards Northern Europe: they are not only different in terms of geographical diversification, as seen in the previous section, but also in terms of labour market participation.

Considering the type of immigrant labour demand characterising the period after the Second World War, some major changes have occurred in the last twenty years, and especially during the nineties. First, the decline of manufacturing and mass production systems as one of the main sources of demand and pull drive for foreign labour force. Second, the leading role of large-size firms in this process. Third, the fact that immigrants are placed increasingly in secondary labour markets with precarious and unstable working conditions and in small-scale firms, both in manufacturing and services.

These processes refer to every EU immigration country, but are most characteristic for immigration in Southern European countries, Italy in particular. While initially considered as a port of entry for Northern European countries, which had closed borders to new immigration, Southern European countries became destination countries themselves. Migration policy, the lack thereof, has certainly been an important factor in enabling the increase of immigration, but the perpetuation of the process has occurred not as a makeshift solution of immigrants' migration project. Rather, it was driven by some specific demand characteristics of the economic structure, which during the last decade evolved more towards a model of flexible specialization. As highlighted in the literature, the changing pattern of international migration is in some way linked to economic restructuring (Castles and Miller, 1998; Harris, 1995; King, 2000; Massey, Arango, Koucouci, Pellegrino and Taylor, 1998; Sassen, 1988).



In the initial phase immigration in Italy shows a dual characterisation: female immigration from Catholic countries employed in the service sector (predominantly domestic service) on the one hand, and male immigration mainly from North Africa and of an Islamic background, employed in street peddling and, to a lesser extent, in agriculture, on the other hand. The very first immigrants in Italy were men from Tunisia working in agriculture and fishing in Sicily, men from Morocco surviving as pedlars and women from ex-Italian colonies (Somalia and Eritrea) and a number of catholic countries (Capo Verde and the Philippines), engaged predominantly in house keeping services in urban areas. This female migration was initiated by an institutional mechanism (i.e. the network of the Catholic Church), which would later become a self-perpetuating process. This migration pattern has been well explained by the framework of migration system and network theories (Pugliese, 1996).

During the nineties immigration in Italy has become not only quantitatively more significant but also a more stable phenomenon. Of the immigrant population recorded in 2002, 55 percent hold a permit to work and 31 percent for family reunification, in 1991 the same figures were 65 and 14 percent respectively. Only 7 percent of foreign workers have a residence permit for self-employment, but they have been increasing in the last decade (table 7). Finally, the proportion of minors in the total foreign population reached 20 percent in 2001 compared to only 14 percent in 1998.<sup>37</sup>

Increasing importance of family reunification and independent work are a sign for a more stable settlement. The fact that immigration in Italy has become a stable phenomenon is confirmed by the length of stay of immigrants: in 1991 only 67 percent of foreigners were long term residents, among which 14 percent for fifteen years, 19 percent for ten years and 35 percent for five years; in 2001 long term resident were 90 percent among which 10 percent for fifteen years, 26 percent for ten years and 54 percent for five years (table 8).

Stability goes together with integration in the economic structure. During the last decade this has evolved from the initial entry into some agricultural activities, house keeping services and street peddling to a greater importance of industry and other service activities. Stability of settlement is however not equal to secure job conditions and this is not only

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<sup>37</sup> Total foreign population refers here to the estimates elaborated by adding to the residence permit figure the number of minors taken from the municipal registers' database, and is 1,388,128 for 1998 and 1,618,432 for 2001 (Caritas, 2002, p.169). The Census data released recently differ in absolute numbers from the estimates of Caritas because residence permit data include all amnestied, but the share of minors in total foreign population is not dissimilar with a record of 21percent (Istat, 2004).

because the share of irregular employment among immigrants is highest. As will be shown in the following sections, immigrants' participation in the formal labour market is concentrated in sectors characterised by low-skill labour intensity and demanding job conditions and dominated by small-scale production structures where flexibility represents a competitive edge. Three types of aggregate statistical information hint at such characterisation of immigrants' economic integration. First, immigrants' labour market participation by sector; second, hirings and exits figures by sector and by firm size; third, share of irregularity and illegality by sector.

According to official data on employed workers issued by Inps, the service sector is the main source of demand, however industry (excluding construction) has gained gradually in importance throughout the nineties. Among services, domestic work and commerce are the main sectors where immigrants are employed and their importance has been growing faster than any other sector over the last decade. The importance of services as opposed to other sectors reflected by these data might underestimate the significance of manufacturing and agriculture because in most amnesties regularisation in the service sector was proportionately higher (table 9).

Inps data is useful to highlight the relevance of industry for immigrants' economic integration. However, it is not complete: it refers only to regularly employed immigrants, 856.924 in 2001. This means that sectors where the diffusion of irregular work is high, like agriculture, are underrepresented, whereas sectors where it is low, like the chemical sector (oligopolistic market structure is often associated with lower informality), are overestimated. Furthermore, as already mentioned, services tend to be over represented in relation to industry given the importance of domestic work where the rate of regularisation has been very high (table 9).

The sectoral composition of the immigrant labour force in industry (excluding construction) shows a certain degree of concentration: industrial machinery and metallurgy absorb the highest share of foreign workers, followed, in order of importance, by the chemical, textile and garment and wood and furniture. With the exception of the chemical industry, all the mentioned sectors are characterised by high export orientation, fragmented industrial structures and the importance of industrial districts in total exported value added. All these features are associated with flexible modes of production as depicted in the second chapter (part II).

**Table 7 - FOREIGNERS BY TYPE OF PERMIT**  
(absolute numbers and % composition)

	1991		2002	
	No.	%	No.	%
Work	423,977	65.3	834,478	55.2
<i>self-employment</i>	30,085	4.6	108,733	7.2
<i>employed worker</i>	255,233	39.3	720,196	47.6
<i>unemployed</i>	138,659	21.4	37,954	2.5
Family reunion	92,073	14.2	472,240	31.2
Religion	38,971	6.0	54,128	3.6
Elective residence	35,548	5.5	48,001	3.2
Study	21,145	3.3	43,058	2.8
Tourism	8,279	1.3	12,399	0.8
Asylum and refugees	10,220	1.6	16,727	1.1
Other	18,722	2.9	31,293	2.1
<b>Total</b>	<b>648,935</b>	<b>100.0</b>	<b>1,512,324</b>	<b>100.0</b>

<sup>1</sup>The data refers to residence permit holder on the 31. December of each year.

Source: Ministry of Interior

**Table 8 - FOREIGNERS BY LENGTH OF RESIDENCE**  
(% share of total foreigners)

	1991					2000				
	short-term	long-term				short-term	long-term			
		total	15 years	10 years	5 years		total	15 years	10 years	5 years
North-West	27.1	72.9	15.5	21.2	36.2	10.4	89.6	9.2	25.8	54.6
North-East	37.7	62.3	12.3	17.2	32.8	16.8	83.2	7.4	23.6	52.2
Centre	24.0	76.0	15.9	22.3	37.8	3.4	96.6	13.3	28.0	55.3
South	39.5	60.5	10.4	17.3	32.8	17.5	82.5	9.4	22.3	50.8
Islands	67.2	32.8	2.9	6.8	23.1	3.1	97.0	9.0	30.2	57.8
<b>Italy</b>	<b>32.6</b>	<b>67.4</b>	<b>13.5</b>	<b>19.2</b>	<b>34.7</b>	<b>9.8</b>	<b>90.2</b>	<b>10.0</b>	<b>26.0</b>	<b>54.2</b>

<sup>1</sup>The data refers to residence permit holder on the 31. December of each year.

Source: Ministry of Interior

**Table 9 - IMMIGRANT EMPLOYED WORKERS IN ITALY ORIGINATING FROM NON EU COUNTRIES  
BY SECTOR OF ECONOMIC ACTIVITY, DOMESTIC WORK AND AGRICULTURE  
(absolute numbers and % composition)**

	Absolute numbers					%				
	1990	1993	1998	2000	2001	1990	1993	1998	2000	2001
Agriculture and related activities	170	302	442	506	560	0.1	0.1	0.1	0.1	0.1
Extraction and processing of minerals	4,393	5,439	9,195	13,392	15,839	2.7	2.3	2.0	1.9	1.8
Wood and furniture	3,530	4,974	10,535	16,518	19,991	2.2	2.1	2.3	2.4	2.3
Food processing	3,418	4,941	8,794	13,025	16,378	2.1	2.1	1.9	1.9	1.9
Industrial machinery and metallurgy	23,533	26,410	62,089	91,738	111,480	14.7	11.3	13.3	13.3	13.0
Textile and garment	5,352	6,749	18,077	27,777	36,182	3.3	2.9	3.9	4.0	4.2
Chemistry and rubber	7,372	8,840	22,818	31,077	36,550	4.6	3.8	4.9	4.5	4.3
Paper and publishing	4,393	5,439	9,195	13,392	15,839	2.7	2.3	2.0	1.9	1.8
Construction	12,973	24,406	37,861	68,160	88,802	8.1	10.4	8.1	9.9	10.4
Transport and communications	3,587	5,477	15,787	29,575	38,912	2.2	2.3	3.4	4.3	4.5
Public administration	1,795	2,494	4,299	4,854	8,661	1.1	1.1	0.9	0.7	1.0
Credit and insurance services	996	1,100	1,132	1,139	1,371	0.6	0.5	0.2	0.2	0.2
Commerce	34,305	52,820	97,086	165,390	236,170	21.5	22.5	20.8	24.0	27.6
Services	2,208	2,330	3,287	5,533	7,974	1.4	1.0	0.7	0.8	0.9
Other	3,229	8,225	16,234	13,227	15,459	2.0	3.5	3.5	1.9	1.8
<b>Total of economic activities</b>	<b>111,254</b>	<b>159,946</b>	<b>316,831</b>	<b>495,303</b>	<b>650,168</b>	<b>69.6</b>	<b>68.3</b>	<b>67.8</b>	<b>71.8</b>	<b>75.9</b>
House-keeping services	35,648	54,216	108,468	127,272	126,747	22.3	23.1	23.2	18.5	14.8
Agriculture	8,259	14,810	33,629	51,407	62,518	5.2	6.3	7.2	7.5	7.3
Other	7,702	9,127	14,451	24,628	27,749	4.8	3.9	3.1	3.6	3.2
<b>TOTAL of employed workers</b>	<b>159,796</b>	<b>234,253</b>	<b>467,061</b>	<b>689,445</b>	<b>856,924</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Inps

## b) Recent trends

Hirings and exits figures provide important information on the flows of employment. In Italy immigrants represent only 4 percent of the workforce, however when flow data is considered, foreign workers prove to be much more significant: of the total new hirings in 2002 11.5 percent can be traced to immigrants and of the net employment increase 21.3 percent are immigrants. The net employment increase calculated as a share of hirings is higher for immigrants than for Italians (21.3 versus 9.1 percent).<sup>38</sup> This shows that the probability of creating new relatively stable employment is higher for immigrants than for autochthonous labour or, in other words, that turnover is lower among immigrants (table 10). At first glance, such conclusion seems to be a contradiction, with the idea that immigrants' jobs are characterised by insecurity and precariousness. However, it also can be interpreted from a different perspective: the adaptability of immigrants to certain job conditions makes their long-term employment attractive to the employer.

Looking at the sectoral composition of in- and outflows of labour, immigrant workers emerge as being more stable in comparison to Italians in most manufacturing sectors and in particular in the mining, metal and machineries industries. It is remarkable to note that for Italian workers in most sectors of industry net employment increase (calculated as a share of hirings) is even negative (meaning that exits are higher than hirings). This is particularly true in the textile, tanning, wood, rubber and chemical industries, and in electricity and gas, all sectors where there is a high demand for "dirty, demanding and dangerous" jobs. In the same sectors the share of immigrants in hirings is far above the national average. These figures hint at possible preference for hiring immigrant workers or unwillingness among Italians to working in certain sectors/jobs (table 10).

Textile, wood processing, tanning, metal processing and industrial machineries are all sectors characterised by a fragmented industrial structure. Moreover the data on hirings disaggregated by the size of enterprise show that the share of employment in small enterprises (up to 50 employees) is higher for immigrants than for Italians. As pointed out in the second part small firm size is associated with flexibility, given their structural

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<sup>38</sup> The indicators, defined in more detail in table 10, are:

- a) net employment increase as a percentage of total hiring;
- b) net immigrants' employment increase as a percentage of immigrants' hiring;
- c) immigrants' hiring as a percentage of total hiring.

vulnerability to external cyclical fluctuations. The relatively higher presence of immigrants may be explained by their willingness to accept flexible working conditions in terms of duties, working hours, wages and types of contract, since unemployment is an unsustainable option for them (table 11).

As far as services are concerned, net employment increase (calculated as a share of hirings) is again higher for immigrant workers than for Italians in most sectors. However, in contrast to the manufacturing sector, values are still positive and only in some sectors substantially lower. These sectors are commerce, hotels and restaurants, and health services. As regards new employment, immigrant workers share is higher in the hotels and restaurant sector and in the transport activities. Again it can be concluded that immigrants are more likely to be employed in sectors with a higher proportion of menial and low skill activities (table 10).

The ensemble of the information provided hints at two features: first, immigrants account for a bigger share of new hirings than they do for the total labour force participation; second, as far as new employment is concerned immigrants are placed more than Italians in small enterprises of traditional manufacturing sectors in which certain processes are still low-skill labour intensive, as well as in certain service sectors where work is structurally seasonal or characterised by “bad” jobs. This shows that there is a growing demand for immigrant labour in specific sectors where flexibility is an asset and which represent traditional Italian export sectors, as will be seen further on. That the indicator of real employment creation is higher for immigrants might be explained by their higher willingness to do certain jobs under “bad” conditions as compared to Italians.

Table 10 - HIRINGS AND EXITS BY SECTOR OF ECONOMIC ACTIVITY IN 2002

	Italians			Immigrants			
	A	B	C	D	E	F	G
	No.	No.	%	No.	No.	%	%
<b>Agriculture and fishing</b>	<b>645,503</b>	<b>45,343</b>	<b>7.0</b>	<b>90,945</b>	<b>15,292</b>	<b>16.8</b>	<b>14.1</b>
<b>Manufacturing</b>	<b>859,285</b>	<b>-32,844</b>	<b>-3.8</b>	<b>110,860</b>	<b>15,597</b>	<b>14.1</b>	<b>12.9</b>
Extraction and processing of minerals	8,804	618	7.0	674	81	12.0	7.7
Food processing	177,989	17,293	9.7	15,686	2,919	18.6	8.8
Textile	85,004	-21,739	-25.6	15,048	945	6.3	17.7
Tanning	32,118	-6,673	-20.8	7,323	320	4.4	22.8
Wood and furniture	28,493	324	1.1	4,746	859	18.1	16.7
Paper and publishing	41,398	392	0.9	3,164	737	23.3	7.6
Fuel and related products	2,061	-182	-8.8	95	23	24.2	4.6
Chemistry	32,232	2,172	6.7	2,412	445	18.4	7.5
Rubber	32,177	145	0.5	5,441	1,010	18.6	16.9
Metallurgy	151,931	-4,252	-2.8	25,757	3,107	12.1	17.0
Industrial machinery	78,214	-2,599	-3.3	8,875	1,579	17.8	11.3
Electronics	68,505	-5,097	-7.4	5,078	887	17.5	7.4
Vehicles	24,381	-6,280	-25.8	2,993	544	18.2	12.3
Other	87,330	-1,857	1	13,366	2,155	42	29
Electricity, gas and water	8,648	-5,109	-59.1	202	-14	-6.9	2.3
<b>Construction</b>	<b>462,814</b>	<b>25,838</b>	<b>5.6</b>	<b>63,197</b>	<b>12,159</b>	<b>19.2</b>	<b>13.7</b>
<b>Services</b>	<b>3,795,165</b>	<b>485,116</b>	<b>12.8</b>	<b>394,704</b>	<b>97,124</b>	<b>24.6</b>	<b>10.4</b>
Vehicles repairs	52,496	1,783	3.4	3,896	930	23.9	7.4
Commerce	479,308	43,404	9.1	30,295	6,522	21.5	6.3
Hotels and restaurants	905,003	38,895	4.3	109,424	8,558	7.8	12.1
Transport	236,467	2,243	0.9	30,053	4,713	15.7	12.7
Financial intermediation	50,475	-3,374	-6.7	1,769	132	7.5	3.5
Estate and cleaning services	512,626	39,593	7.7	55,190	9,714	17.6	10.8
Public administration	110,896	10,331	9.3	3,281	307	9.4	3.0
Health care	112,061	9,959	8.9	8,025	1,850	23.1	7.2
Education	35,633	5,248	14.7	1,692	368	21.7	4.7
Public services	255,723	9,287	3.6	14,928	1,565	10.5	5.8
Other	1,044,477	327,747	31.4	136,151	62,465	45.9	13.0
<b>TOTAL</b>	<b>5,762,749</b>	<b>523,502</b>	<b>9.1</b>	<b>659,847</b>	<b>140,222</b>	<b>21.3</b>	<b>11.5</b>

A= Number of total hirings

B= Net employment increase (hirings-exits)

C= B/A

D= Number of hirings of immigrants

E= Net employment increase of immigrants (hirings-exits)

F= E/D

G= D/A

Source: Inail

**Table 11 - HIRINGS BY FIRM SIZE IN 2002**  
(absolute numbers and % composition)

	Italians	%	Immigrants	%
1-10 employees	1,527,128	26.5	189,376	28.7
11-50 employees	1,521,366	26.4	195,315	29.6
Over 50 employees	2,714,255	47.1	274,496	41.6
<b>Total</b>	<b>5,762,749</b>	<b>100.0</b>	<b>659,847</b>	<b>100.0</b>

Source: Inail

### 3.2.2 c) Irregular employment

Data for irregular employment represents a further important measure of the degree of precariousness and insecurity which immigrants face in the Italian labour market. The so-called underground economy refers in Italy to all working relationships in which legal contractual terms (working hours, minimum wages and security standards), social security (social insurance contribution) and/or fiscal laws (tax obligations) are broken.

Istat's estimate on the share of non-regular jobs for 1999, expressed as a percentage of regular units of labour, is 15.1 percent.<sup>39</sup> This figure, which is a national average, is highest in the Southern regions (22.6 percent) and below national average in the Northern regions (11.1 percent in the North-West and 10.9 percent in the North-East). The estimates of the value added generated by irregular activities, expressed as a percentage of GDP, are not very dissimilar with a 15.8 percent for the national average and some higher figures for the South (20 percent) and lower shares for the North (12.9 percent in the North-West and 13.7 percent in the North-East) (Istat, 2002 b).

As far as immigrants' irregular employment is concerned Baldassarini (2001) has developed an estimate, by using national account data, in which units of regular and irregular labour have been calculated in relation to total units of labour. Between 1992 and 1999 immigrants' regular employment has grown faster than irregular employment. However, the latter is much higher than the former: 61 percent of total immigrant labour

<sup>39</sup> Istat defines "Unit of Labour" as the quantity of work (in terms of hours) done in one year by one full-time employee, or the equivalent done by several part-time employees or by employees with more than one activity.



force is estimated to be irregular, of which only 14.7 percent is clandestine.<sup>40</sup> Even though people who overstay their visas remain the main source of irregularity, clandestine immigrants have increased faster than those with an expired residence permit. As a result of the preceding figures, irregular immigrant labour accounts for 2.5 percent of the total labour units against the 1.6 percent of regular immigrant workers (table 12 and 13). Considering the total irregular labour force (Italians and foreigners), foreigners account for 16.3 percent. This share has been increasing constantly over the period considered, with just one reversal of the trend after 1996, which is explicable by the amnesty implemented in Italy that year.

**Table 12 - IRREGULAR FOREIGNERS BY LEGAL CONDITION <sup>1</sup>**  
(% composition)

	1992	1993	1994	1995	1996	1997	1998	1999
Irregular foreigners	88.5	90.1	89.9	89.8	89.7	87.5	86.4	85.3
Clandestine	11.5	9.9	10.1	10.2	10.3	12.5	13.6	14.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Irregular refers here to the following two conditions: 1) legally resident and irregularly employed; 2) without residence permit and irregularly employed.

Source: Baldassarini, 2001

**Table 13 - IRREGULAR FOREIGNERS AND SHARE ON IRREGULAR AND TOTAL EMPLOYMENT<sup>1</sup>**  
(thousands and % shares)

	Irregular foreigners *	Regular foreigners*	Irregular foreigners/irregular labour units <sup>2</sup>	Irregular foreigners/total labour units <sup>2</sup>	Foreigners/total labour units <sup>2</sup>	Regular foreigners/total labour units <sup>2</sup>
1992	395	184	12.6	1.7	2.5	0.8
1993	463	189	14.7	2.0	2.9	0.8
1994	523	190	16.5	2.3	3.2	0.8
1995	598	205	18.3	2.7	3.6	0.9
1996	536	306	16.2	2.4	3.7	1.4
1997	552	337	16.4	2.4	3.9	1.5
1998	578	341	16.7	2.5	4.0	1.5
1999	569	364	16.3	2.5	4.0	1.6

<sup>1</sup> Irregular refers here to the following two conditions: 1) legally resident and irregularly employed; 2) without residence permit and irregularly employed.

<sup>2</sup> Labour unit corresponds to the quantity of work (in terms of hours) done by one full-time employee, or the equivalent done by several part-time employees or by employees with more than one activity.

\* Thousands.

Source: Baldassarini, 2001

<sup>40</sup> For the definition of "clandestine" and "irregular illegal" immigrants see paragraph 1.1.1.

What appears very clear from this data is that immigrant workers are much more important in the irregular labour force than in the regular working population. In other words, according to this estimated data, precariousness and insecurity, tied to irregular working conditions, are a strong feature of the immigrant working population not only in relative terms, i.e. relating to the immigrant workers, but also in absolute terms, i.e. in relation to the whole working population (table 13).

Baldassarini (2001) has made estimates of irregular immigrant employment by sector: the service sector accounts for the highest share of total irregular immigrant employment (69.3 percent), and in particular hotels and commerce (35.0 percent), whereas industry and agriculture account for 14.4 percent and 16.3 percent respectively. Over the three years considered the share of services suggests a decreasing trend, while the other two sectors show an increasing trend, especially construction within industry. This data is in tune with the statement that demand for immigrant labour originates from specific segments of the labour market, as explained in the dual labour market theories delineated in the second chapter (table 14).

The phenomenon of “illegal” immigration in Italy is not only significant in quantitative terms but also very common among those who are now legally resident. What is meant here is that the great majority of legal immigrants these days have been “illegal” at some point in their immigrant history in Italy and were then amnestied. Therefore statistical information on the five amnesties can be used as a proxy for analysing some more features of the “illegal” immigrant population, which is important to understanding immigrant labour demand characteristics in general.<sup>41</sup>

Looking at the reasons for the concession of an amnesty, one aspect emerges very clearly: concessions for employment had a share of 35 percent of the total concessions in 1986 and one of 78 percent in 1998; conversely, concessions for the unemployed diminished from 65 to 5 percent, which however is also the result of the changing eligibility criteria for admission to the regularisation program.<sup>42</sup> Such evolution shows that, throughout the nineties, “illegal” immigrants became more and more economically “integrated” as most of

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<sup>41</sup> For a review of the amnesties see paragraph 3.2.3.

<sup>42</sup> Declaring a job was a sufficient condition for admission in all amnesties, however in some cases not a necessary condition. For a review of the different eligibility criteria of the different amnesties see paragraph 3.2.3.

those granted amnesty already had a job.<sup>43</sup> Another interesting aspect relates to the concessions issued for self-employment, which in 1998 accounted for 14 percent of total amnestied immigrants which is a much higher proportion in relation to the one registered for residence permits.<sup>44</sup> This could be a sign of increasing ethnic business, which for Italy is a new and still unexplored phenomenon (table 16).<sup>45</sup>

As far as countries of origin are concerned the composition and its evolution is not very dissimilar to the one depicted in the analyses of residence permit data: initially North Africans accounted for the highest share, followed by Senegalese, Filipinos and Yugoslavs; during the nineties Eastern Europeans, in particular Albanians and Rumanians, outpaced those from Morocco and Tunisia. Similar to residence permit data, a high degree of geographical diversification is observable from the data of the regularised immigrant population (table 17).

The data shows also that “illegal” immigrants (i.e. excluding “clandestine” immigrants) represented 18 percent in 1990 and 9 percent in 1998 of those regularised.<sup>46</sup> In other words, most “illegal” immigrants are not “visa over-stayers” but entered without inspection. Furthermore, among the “illegals”, the share of those who had an expired residence permit granted from a previous regularisation are only 5 percent of the 790,000 thousand immigrants amnestied between 1986 and 1998. This shows that Italy continues to attract new immigration despite the growing restrictions of migration policy (Carfagna, 2002).

Looking at the regional distribution of the regularisations, a clear trend emerges from the four amnesties: the share of the amnestied in Central and Southern regions has constantly decreased in favour of the Northern regions, mainly Lombardy, Veneto and Emilia Romagna. Among the Central regions only Lazio lowered its share, whereas Tuscany recorded a significant increase. The same trend can be observed for the distribution of the

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<sup>43</sup> Economically “integrated” refers to the situation of being employed, which is considered as a condition for any further type of integration.

<sup>44</sup> Besides for 1998, data for self-employment are available for the regularisation of 1990, the year in which they accounted for 3.6 percent of all amnestied immigrants. In the other two amnesties autonomous immigrant workers were not eligible to apply.

<sup>45</sup> For more information refer to the recent article by E. Grande (2003). The latter provides an analysis of the main quantitative characteristics of ethnic business in Italy in 2002 together with an overview of available datasets.

<sup>46</sup> These figures contrast with the estimate of Baldassarini quoted previously, because they are extracted from the archives of the Ministry of Interior, whereas the former are estimated through a methodology based on national account data. The universe of reference in the first case is the labour market, whereas in the second

regularised population still resident in Italy on the first of January 2000, which shows a high degree of internal mobility of immigrants on the South-North axis: once regularised, immigrants move towards the Northern regions where finding work is easier and more formalised (table 18). Data from the local registers on internal migratory balances of the periods after the amnesties confirms such trend for Lazio and the South (Istat, 2000 b).

The shift from South to North has occurred for the “illegal” immigrant population throughout the four amnesties. In the beginning “illegals” were concentrated mainly in the South and only in further regularisations, increasingly in the North and some Central regions. This trend might be interpreted within the network migration framework. Access to some sort of remunerative activity for “illegal” immigrants was initially easier in the South, but once regularised they would move northwards where employment in manufacturing and more formal activities was possible. As a consequence, their presence would reduce the information and integration costs of potential migrants of their community, who could then bypass the initial phase of settlement in the South. The importance of networks might also be confirmed by the higher degree of concentration of immigrants in the Italian territory as compared to the native-born population. Such concentration is even higher for the regularised immigrant population, which may show that the importance of networks rises in the context of illegality (Mingione and Quassoli, 2000).

**Table 14 - IRREGULAR FOREIGNERS BY SECTOR <sup>1</sup>**  
(thousands and % composition)

	1997	1998	1999	1997	1998	1999
	No.			%		
<b>Agriculture</b>	<b>77</b>	<b>81</b>	<b>82</b>	<b>13.9</b>	<b>14.0</b>	<b>14.4</b>
<b>Manufacturing</b>	<b>86</b>	<b>95</b>	<b>93</b>	<b>15.6</b>	<b>16.4</b>	<b>16.3</b>
Industry	37	40	39	6.7	6.9	6.8
Construction	49	55	54	8.9	9.5	9.5
<b>Services</b>	<b>389</b>	<b>402</b>	<b>394</b>	<b>70.5</b>	<b>69.6</b>	<b>69.3</b>
Hotels and commerce	191	205	199	34.6	35.5	35.0
Other services	198	197	195	35.9	34.1	34.3
<b>Total</b>	<b>552</b>	<b>578</b>	<b>569</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Irregular refers here to the following three conditions: legally resident and irregularly employed, irregularly employed and without residence permit, and clandestine.

Source: Baldassarini, 2001

case the presence of foreigners in the country. Therefore Ministry of Interior data shows a much higher proportion of clandestine immigrants in the regularised population.

**Table 15 - IRREGULARLY EMPLOYED IMMIGRANTS AS A SHARE OF  
EMPLOYED IMMIGRANTS BY REGION <sup>1</sup>**  
(% shares of total employed workforce inspected)

	Irregular				Irregular without residence permit				Irregular with residence permit			
	1996	1997	1998	1999	1996	1997	1998	1999	1996	1997	1998	1999
Lombardia	50.5	51.3	51.2	41.5	27.3	20.2	14.8	14.2	23.2	31.1	36.3	27.4
North West	50.5	30.5	47.6	38.1	14.3	9.0	6.8	10.7	36.2	21.5	40.8	27.3
North East	14.6	20.3	9.4	22.5	5.9	8.5	3.2	7.5	8.7	11.8	6.2	15.0
Lazio	26.1	39.6	41.2	37.3	13.9	10.2	9.8	13.2	12.2	29.4	31.4	24.1
Centre	47.4	39.5	n.c.	56.9	21.1	5.2	n.c.	9.0	26.3	34.3	n.c.	47.9
South and Islands	32.2	33.3	42.9	52.3	20.6	12.3	18.4	17.7	11.6	20.9	24.4	34.6
ITALY	31.6	33.8	31.2	38.3	15.7	11.2	8.8	12.2	15.9	22.7	22.5	26.1

<sup>1</sup> The data is based on the inspections on worksites undertaken by the Ministry of Labour.  
These are however not undertaken with the same intensity in all the regions and they are scarce as not enough human resources are available.

Source: Ministry of Labour

**Table 16 - REGULARISED IMMIGRANTS BY REASON OF GRANTING**  
(% composition)

	1986	1990	1996	1998
Employed worker	35.0	10.2	73.0	77.8
Self-employed	-	3.6	-	14.4
Unemployed	65.0	86.2	21.3	4.9
Family reunion	-	-	5.7	2.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Ministry of Interior data elaborated by Carfagna, 2002

**Table 17 - REGULARISED IMMIGRANTS WITH A VALID PERMIT ON THE 1. JANUARY 2000**

	1986	1990	1996	1998	Total
	No.				
<b>Regularised</b>	<b>25,602</b>	<b>112,647</b>	<b>210,223</b>	<b>217,125</b>	<b>565,596</b>
	%				
<b>Characteristics</b>					
female	21.3	22.1	30.5	28.0	27.5
married	70.8	61.1	45.9	38.1	47.1
employed	68.5	77.4	76.3	92.0	82.2
unemployed	23.5	16.1	16.5	4.9	12.3
<b>Geographic origin</b>					
Eastern Europe	6.6	7.7	24.8	37.3	25.4
North Africa	44.9	43.5	24.9	19.5	27.4
Other Africa	21.3	19.5	14.8	13.7	15.6
East Asia	13.9	12.6	15.2	11.2	13.1
Other Asia	7.5	10.4	10.4	10.8	10.4
Latin America	3.7	4.6	9.4	7.0	7.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Ministry of Interior data elaborated by Carfagna, 2002

**Table 18 - REGULARISED IMMIGRANTS BY REGION OF RESIDENCE**  
(absolute numbers and % composition)

	1986		1990		1996		1998	
	No.	%	No.	%	No.	%	No.	%
Piedmont	10,265	9.8	13,151	6.0	20,339	8.3	14,142	6.5
Valle D'Aosta	74	0.1	421	0.2	338	0.1	207	0.1
Lombardy	8,308	7.9	35,623	16.4	50,078	20.5	61,322	28.2
Liguria	5,649	5.4	5,774	2.7	3,896	1.6	5,069	2.3
<b>North-West</b>	<b>24,296</b>	<b>23.1</b>	<b>54,969</b>	<b>25.3</b>	<b>74,651</b>	<b>30.5</b>	<b>80,740</b>	<b>37.2</b>
Trentino	792	0.8	2,750	1.3	2,091	0.9	926	0.4
Veneto	5,229	5.0	11,347	5.2	19,855	8.1	15,528	7.2
Friuli	2,170	2.1	2,576	1.2	2,425	1.0	1,378	0.6
Emilia Romagna	3,487	3.3	14,479	6.7	15,588	6.4	11,776	5.4
<b>North-East</b>	<b>11,678</b>	<b>11.1</b>	<b>31,337</b>	<b>14.4</b>	<b>39,959</b>	<b>16.3</b>	<b>29,608</b>	<b>13.6</b>
Tuscany	6,244	5.9	14,479	6.7	18,840	7.7	19,293	8.9
Umbria	422	0.4	2,418	1.1	2,414	1.0	3,063	1.4
Marche	947	0.9	2,679	1.2	2,535	1.0	2,507	1.2
Lazio	25,443	24.2	52,540	24.1	49,376	20.2	43,418	20.0
<b>Centre</b>	<b>33,056</b>	<b>31.5</b>	<b>72,116</b>	<b>33.1</b>	<b>73,165</b>	<b>29.9</b>	<b>68,281</b>	<b>31.4</b>
Abruzzo	1,450	1.4	2,357	1.1	3,066	1.3	2,522	1.2
Molise	275	0.3	284	0.1	264	0.1	232	0.1
Campania	7,808	7.4	12,456	5.7	21,658	8.9	14,508	6.7
Puglia	4,544	4.3	5,685	2.6	7,905	3.2	7,421	3.4
Basilicata	286	0.3	840	0.4	700	0.3	705	0.3
Calabria	3,160	3.0	3,489	1.6	5,663	2.3	3,100	1.4
<b>South</b>	<b>17,523</b>	<b>16.7</b>	<b>25,111</b>	<b>11.5</b>	<b>39,256</b>	<b>16.1</b>	<b>28,488</b>	<b>13.1</b>
Sicily	16,050	15.3	30,113	13.8	14,948	6.1	7,903	3.6
Sardegna	2,397	2.3	3,980	1.8	2,513	1.0	2,104	1.0
<b>Islands</b>	<b>18,447</b>	<b>17.6</b>	<b>34,093</b>	<b>15.7</b>	<b>17,461</b>	<b>7.1</b>	<b>10,007</b>	<b>4.6</b>
<b>ITALY</b>	<b>105,000</b>	<b>100.0</b>	<b>217,626</b>	<b>100.0</b>	<b>244,492</b>	<b>100.0</b>	<b>217,124</b>	<b>100.0</b>

Source: Ministry of Interior data elaborated by Carfagna, 2002

### 3.2.2 d) Regional differences

The picture described up to this point refers to Italy as a whole, but the country presents significant differences between the regions in terms of sector composition and degree of irregularity of immigrant labour force. As a general trend it can be argued that the placement of immigrants in the labour market mirrors the dualism of the Italian economy. In fact there is a homogeneous pattern for the Central and Northern regions, while there is a completely different for the Southern regions, the "Mezzogiorno".

In Northern Italy demand for immigrant labour originates mainly from the industrial sector and, to a lesser extent, from the construction sector.<sup>47</sup> For what concerns the construction sector, which absorbs a higher proportion of immigrants in the whole of Italy, employment is mainly irregular and the level of violation of union-negotiated national contract norms is second only to the agricultural sector. The service sector is important in the big urban areas, mainly in housekeeping and tourism (hotels and restaurants) (Pugliese, 2000 b).

According to Inps data the regions most important in terms immigrant work in industrial machinery, metal and textile industries are Lombardy, Liguria and Emilia Romagna (as far as textile industries are concerned Tuscany is the second most important) (table19). These are the regions and sectors characterised by a fragmented industrial structure with a predominance of small and medium enterprises (SMEs) and industrial districts. We have seen in the second chapter that certain sectors and a fragmented industrial structure are associated with flexibility in the labour market, especially temporal and numerical flexibility.

As far as immigrants' hirings are considered Northern regions emerge for being the more important in the national context (table 20): the indicators measuring new employment creation are more significant than in the South or in the Central regions. The figures highlighted show that the presence of immigrants is relatively higher in those sectors and territories where flexibility plays a central role in the labour market structure.<sup>48</sup>

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<sup>47</sup> Northern Italy includes the following regions: Liguria, Piedmont, Lombardy, Valle d'Aosta, Trentino Alto Adige, Friuli Venezia Giulia, Veneto and Emilia Romagna.

<sup>48</sup> The indicators, defined in more detail in table 16, are:

- a) net employment increase as a percentage of total hiring;
- b) net immigrants' employment increase as a percentage of immigrants' hiring;
- c) immigrants' hiring as a percentage of total hiring.



In the Central regions of Italy the pattern is not dissimilar to the one just depicted, with the difference that the area accounts for a much lower share of immigrant labour in industry.<sup>49</sup> Employment of immigrants, which is concentrated in manufacturing SMEs and part of industrial districts, is relatively more formalised. The most representative region in this sense is Tuscany, in particular the textile and garment sector. The only exception seems to be Lazio, which is strongly influenced by the peculiarity of Rome in terms of attracting a disproportionately high number of immigrants as compared to the rest of Italy, and in terms of the importance of the service sector. The main sectors of activity for immigrants in Rome and Lazio are the service sector, especially services to people (for example housekeeping or geriatric care), tourism (hotels and restaurants), and the construction sector. South of Rome, at the border with Campania, it is worth noting that a small but important agricultural sector absorbs a significant number of immigrants, mainly illegal, especially during the harvest season, and where irregular employment practices are common. Additionally, as noted before, in this area the construction sector is characterised by a high level of irregular work, in terms of both employing immigrants without permit and employing workers “off-the-books” who are legally resident (Pugliese, 2000b).

In terms of immigrants’ hiring as a percentage of total hiring, Marche, Umbria and Tuscany appear particularly important in relation to the national average, whereas for the degree of effective employment creation (net immigrants’ employment increase as a percentage of immigrants’ hiring) only Marche can be highlighted for showing higher levels in relation to the national average. These three regions are, within Central Italy, the most industry-oriented and characterised by the diffusion of industrial districts; in other words, new demand for immigrant labour is higher in industry than in services (table 20).

In the Southern regions immigrants’ work is concentrated in the agricultural sector and the service sector (with a predominance of housekeeping services) and, to a lesser extent, in the construction sector.<sup>50</sup> The demand for immigrant labour in agriculture meets the needs for a flexible workforce in terms of geographical mobility and of seasonality of work. In this sector the presence of “illegal” immigrants is extremely high and confirms the characteristic of the Southern immigration pattern where work is predominantly irregular, as compared to the Northern situation. The level of precariousness is very high also in the service and

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<sup>49</sup> Central Italy includes the following regions: Tuscany, Umbria, Lazio, Marche and Abruzzo.

<sup>50</sup> Southern Italy includes the following regions: Molise, Campania, Basilicata, Puglia, Calabria, Sardegna and Sicily.

construction sector, which, together with the importance of the agricultural sector, determine the high proportion of irregular employment and presence of “illegal” immigrants in Southern Italy. As a matter of fact, official data on immigration in South Italy underestimates the real presence of foreign workers. This is true especially of data collected by Inps and Inail, which exclusively records regular workers. Southern Italy has functioned as a sort of clearing point for first arrivals who wait for an amnesty to be able then to move northwards (Pugliese, 2000b). Data based on inspections of the Ministry of Labour shows that the share of irregular workers in total immigrant workers is higher in the South. Nevertheless, it is important to note that in the North irregularity is significant and in the North-East even increasing (table 15). Inspections are in fact not undertaken with the same intensity in all regions and scarce as not enough human resources are available. Also data on the regularisation programmes hint at an increasing importance of the North as far as “illegality” is concerned (table 18).<sup>51</sup>

Available data is scant but regional differences do hint at some general features of immigration trends in Italy. First, immigration is still concentrated in the service sector, but manufacturing has been growing in importance over the last ten years. Accordingly, immigration has been growing in importance in those regions in the Centre and North where industry is important, dynamic and characterised by the diffusion of industrial districts. Second, regional concentration of immigrants in industry is in tune with sector concentration of immigrants: the regions, or provinces, where the share of immigrants is higher, are specialised in those sectors where at a national level, immigrants are concentrated. Furthermore, these represent Italy’s traditional export sectors as will be seen further on. Third, as an urban phenomenon labour immigration is mainly determined by the construction and service sectors. Fourth, illegality is lower in the Northern regions. However, available data shows that the “illegal” workforce in the Northern regions is not unimportant and in some cases increasing.

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<sup>51</sup> Data on regularisation programmes refers to “illegality” in terms of legal residence permit. However, the latter implies “illegality” in terms of working conditions, i.e. irregularity.

**Table 19 - IMMIGRANT EMPLOYED WORKER BY SECTOR AND REGION OF RESIDENCE IN 2000**  
(% composition)

	Chemistry and rubber	Commerce	Construction	Industrial machinery and metallurgy	Textile and garment	Transport and communications	Other	Total
Piedmont	4.4	6.8	11.4	9.0	6.7	7.2	7.6	7.8
Valle D'Aosta	0.0	0.3	0.4	0.1	0.0	0.1	0.1	0.2
Lombardy	22.4	33.7	21.0	31.6	26.4	31.6	27.8	28.3
Liguria	40.0	11.0	18.6	23.5	20.9	21.9	22.7	20.5
<b>North-West</b>	<b>66.8</b>	<b>51.8</b>	<b>51.4</b>	<b>64.2</b>	<b>54.0</b>	<b>60.8</b>	<b>58.2</b>	<b>56.8</b>
Trentino	1.5	7.7	4.7	2.0	1.1	5.1	3.7	4.5
Veneto	1.2	3.2	4.1	4.1	2.0	4.2	3.1	3.9
Friuli	0.2	1.8	2.9	0.4	0.2	0.9	1.1	1.2
Emilia Romagna	8.6	15.5	14.1	19.5	11.1	14.8	13.9	15.7
<b>North-East</b>	<b>11.5</b>	<b>28.2</b>	<b>25.8</b>	<b>26.0</b>	<b>14.4</b>	<b>25.0</b>	<b>21.8</b>	<b>25.3</b>
Tuscany	9.5	6.3	8.9	3.1	25.3	3.5	9.4	7.0
Umbria	10.5	1.7	3.5	3.5	1.9	1.8	3.8	3.6
Marche	0.3	0.9	4.2	1.1	1.1	1.1	1.5	1.5
Lazio	0.4	7.4	3.8	0.8	0.5	2.5	2.6	3.3
<b>Centre</b>	<b>20.7</b>	<b>16.3</b>	<b>20.4</b>	<b>8.5</b>	<b>28.8</b>	<b>8.9</b>	<b>17.3</b>	<b>15.4</b>
Abruzzo	0.4	0.7	1.2	0.5	0.8	2.4	1.0	0.8
Molise	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Campania	0.2	0.9	0.4	0.2	1.3	1.9	0.8	0.6
Puglia	0.3	0.6	0.3	0.2	0.5	0.2	0.4	0.4
Basilicata	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Calabria	0.0	0.1	0.1	0.0	0.0	0.2	0.1	0.1
<b>South</b>	<b>0.9</b>	<b>2.3</b>	<b>2.2</b>	<b>0.9</b>	<b>2.6</b>	<b>4.7</b>	<b>2.3</b>	<b>1.9</b>
Sicity	0.1	1.1	0.3	0.2	0.0	0.5	0.4	0.5
Sardegna	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1
<b>Islands</b>	<b>0.1</b>	<b>1.2</b>	<b>0.4</b>	<b>0.2</b>	<b>0.0</b>	<b>0.5</b>	<b>0.4</b>	<b>0.6</b>
<b>ITALY</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Inps

**Table 20 - HIRINGS AND EXITS BY REGION OF RESIDENCE IN 2002**

	Total employment			Immigrants			
	A	B	C	D	E	F	G
	No.	No.	%	No.	No.	%	%
<b>North-West</b>							
Piedmont	287,322	17,474	6.1	34,054	7,539	22.1	11.9
Valle D'Aosta	19,292	1,794	9.3	2,008	415	20.7	10.4
Lombardy	908,938	78,042	8.6	139,047	30,180	21.7	15.3
Liguria	122,096	13,891	11.4	12,077	2,601	21.5	9.9
<b>North-East</b>							
Trentino	178,346	24,571	13.8	53,820	12,608	23.4	30.2
Veneto	515,833	36,875	7.1	82,241	12,212	14.8	15.9
Friuli	97,583	4,507	4.6	17,909	2,769	15.5	18.4
Emilia Romagna	491,487	32,501	6.6	72,573	10,719	14.8	14.8
<b>Centre</b>							
Tuscany	338,322	24,222	7.2	44,029	8,401	19.1	13.0
Umbria	82,197	2,552	3.1	13,339	1,228	9.2	16.2
Marche	149,675	11,385	7.6	20,928	3,595	17.2	14.0
Lazio	633,159	44,990	7.1	44,739	6,922	15.5	7.1
<b>South</b>							
Abruzzo	110,000	10,142	9.2	11,883	1,540	13.0	10.8
Molise	21,648	926	4.3	1,147	112	9.8	5.3
Campania	364,928	46,806	12.8	11,488	2,763	24.1	3.1
Puglia	472,863	34,541	7.3	15,525	1,946	12.5	3.3
Basilicata	43,617	3,860	8.8	1,930	408	21.1	4.4
Calabria	124,398	16,667	13.4	3,937	1,032	26.2	3.2
<b>Islands</b>							
Sicily	336,948	35,130	10.4	14,767	2,066	14.0	4.4
Sardegna	110,730	9,002	8.1	2,156	161	7.5	1.9
<b>Total regions</b>	<b>5,409,382</b>	<b>449,878</b>	<b>8.3</b>	<b>599,597</b>	<b>109,217</b>	<b>18.2</b>	<b>11.1</b>
<b>ITALY</b>	<b>5,762,749</b>	<b>523,502</b>	<b>9.1</b>	<b>659,847</b>	<b>140,222</b>	<b>21.3</b>	<b>11.5</b>

A= Number of total hirings  
 B= Net employment increase (hirings-exits)  
 C= B/A  
 D= Number of hirings of immigrants  
 E= Net employment increase of immigrants (hirings-exits)  
 F= E/D  
 G= D/A

Source: Inail

### 3.2.3 Migration policy

Another peculiar element of the nineties is that these new migration flows occurred in an age characterised, as mentioned before, by stricter conditions for entry. This is true particularly for what concerns the EU-member countries, which, as a result of stronger cooperation in this field, have converged on a very restrictive common denominator, leading to the emergence of the label "Fortress Europe" (Glatzel, 1997).<sup>52</sup> Together with the emergence of this term the phenomenon of "illegal" immigration has received increased attention at a political level and is, as will be shown, in some way linked to the restrictive immigration policies.

Italian policy-making in the domain of immigration has always been one of reaction to on-going processes rather than one of recognition and planning. This is due partly to the length of transition from an emigration to an immigration country, where Italy became aware only gradually of its new role. Prior to the eighties immigration was regulated primarily by administrative decrees from various government ministries.

In 1982 when a Ministry of Labour circular called a halt to all authorisations for foreign workers outside the European Community (EC), things started to change. It was, however, only in 1986 that Italy passed its first immigration law. The main problem seen by policy-makers at that moment was to reduce "illegal" immigration both in terms of all people working and residing illegally in the country, as well as in terms of new "illegal" inflows. The first aim was partly met as 105,000 foreigners were regularised, but the second aim was not reached. On the contrary, this first amnesty represented the beginning of a series of regularisation programs, which in fact may have attracted more immigration: 60 percent of the foreign presence in Italy in the year 2000 is legally resident as a result of previous amnesty programs and this figure becomes even higher if the last regularisation process were to be accounted (702,156 immigrants are estimated to have benefited from the 2002 regularisation programme) (Caritas, 2003, p.138).<sup>53</sup>

All amnesties undertaken in Italy - six including the one in 2002 - are, with the exception of the one in 1982, linked to a law or law reform regulating the rules of entry and

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<sup>52</sup> This statement refers to the conditions of entry for citizen of non EU-member countries originating from LDCs.

<sup>53</sup> 60 percent is calculated as a share of the immigrant population excluding citizen from Advanced Economies (AEs) and including all immigrants granted a permit for family reunification as a result of the regularisation of family members.

conditions of stay for non-EU foreigners. Altogether five different bills were decided – in 1986, in 1990, in 1996, in 1998 and in 2002.<sup>54</sup> The regularisation program of the first law (1986) was successful in comparison to the first amnesty (implemented in 1982 without any success) in terms of number of applications received. This is because it allowed regularising immigrants' position to the immigrant and the employer, instead of only to the employer as was foreseen by the 1982 decree, and because it was accessible not only to employed workers, as in 1982, but also to unemployed and family members.

The law of 1990, called "Martelli Law", finally allowed the immigrant alone to initiate the process, rather than requiring the joint application of the employer and the immigrant, and also made self-employed workers eligible for application. Furthermore, this legislation attempted to mitigate employers' resistance by stipulating that they would not be fined retroactively for violating the employer sanction law of 1986 and other labour standards. The outcomes were more successful as 218,000 immigrants were regularised, compared to the 16,000 of 1982; however it was still not enough as compared to the actual "illegal" immigrant population. Immigrants are supposed to be concentrated in low-wage sectors in the informal economy and it may be that this is precisely what restricts their possibility to be regularised. The characteristics that make immigrants attractive for a certain type of employment are the same qualities that make it difficult to control them or "regularise" them (Calavita, 1994). The high number of applications of the following three amnesties proved that illegality remained a significant phenomenon.

In 1996 a legislative decree, called "Dini-Decree" approved a further regularisation program, geared mainly to reducing the illegality of foreign workers. For this purpose the amnesty was open to all employed foreign workers who arrived in Italy before November 1995. Employers were not to be penalised but had to pay a contribution to the Social Security Fund to regularise the immigrant worker. For permanent contracts foreigners would be issued a two years residence permit, whereas for fixed term contracts the permit would be issued for the same length as the working contract. Unemployed foreigners with previous employment experience would be issued a one-year permit. This program, even if more restrictive in comparison to the "Martelli Law" (which encompassed also self-employed workers), allowed family reunification for illegally resident foreigners. According to the

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<sup>54</sup> Of these five bills, of which four are laws, one was initially launched as a legislative decree (i.e. a ministerial bill), and needed therefore, once expired, to be approved by the Parliament in order to become a law. This did not occur and therefore the 1996 bill remains only associated to the amnesty.

Ministry of Interior data 244,492 immigrants were regularised through this amnesty of which more than 10,000 declared to have a minor in their own charge.

With the law of 1998 the legislative power finally fulfilled its constitutional obligation to regulate the juridical condition of foreigners, introducing a more systematic and complete order for the issue. The new approach treats the immigrant as subject to more complex obligations and rights, and not just a supplier of labour or a potentially dangerous individual for public security. The new law also included programming of immigrant flows in relation to work opportunities, determination of quotas, residence in Italy for work motives, seasonal work and self-employment (Pugliese, 2000 a). A regularisation program accompanied this law. Amnesty and documents were offered to those who could prove that they had a contract for employment or proof to have qualifications for professional activity and that they had adequate housing. At the deadline 88,228 applications had been accepted and 312,410 "reservations" made to present full applications later. It was clear that the amnesty had to go further than the mere 38,000 permits promised. As expected the government at that time decreed that all eligible candidates would be granted an amnesty, regardless of the quota established following the 1998 law. The amnesty eventually regularised 217,124 immigrants (Sopemi, 1999; Carfagna, 2002).

Even though the 1998 law has made remarkable progress as compared to previous bills, doubts about its capability to realise the objective of limiting "illegal" immigration through the quota system are still high. In fact the law fails to recognise the rights of "illegal" immigrant workers and of the immigrants irregularly employed. The fact that for the last regularisation program the Ministry of Interior has received some 700,000 applications shows that irregularity and "illegal" immigration cannot be managed by simply closing the borders.

In this sense the last reform of immigration law (in 2002), called "Bossi-Fini Law", is not innovative. In contrast, it strengthens restrictive measures, especially as far as internal enforcement is concerned. First, "illegal" and "clandestine" immigrants arrested are expelled; the former immediately, the latter once their identity is found (meanwhile they are kept for 60 days in hostels). Second, residence permit is issued for two years, in contrast to the former length of three years, and is granted only to those who can prove that they have an employment contract. Furthermore, if the contract finishes before the expiry date of the residence permit, the immigrant's permit loses its validity, unless he finds a new job. Finally, the possibility for an immigrant to be sponsored by an employer before entering the

country, a norm introduced with the 1998 law, has been removed. It is very likely that such measures will increase “illegality” rather than reduce it.

The amnesty was initially open only to workers active in housekeeping and geriatric care activities, which contrasted with the increasing importance of immigrant workers (including the “illegal” immigrant population) in manufacturing activities. Fortunately, this has been acknowledged and the amnesty made accessible to all employed immigrant workers. In fact, as the data on regularisation programs analysed in the previous section has shown, “illegal” immigrants are involved in working activities and in the Northern regions and in manufacturing in increasing importance.

### **3.3 Conclusion**

Italy has witnessed an important evolution which has transformed the country from being an emigration to an immigration country. This transition ended in the late nineties, when the phenomenon was finally acknowledged formally, i.e. through a comprehensive immigration law, which included for the first time the principle of planning (through a quota system).

The dataset presented has shown that Italy is representative of the new waves of migration in terms of geographical patterns and of labour demand characteristics. The first case applies not only because Italy has emerged as being an important new immigration countries, but also for the highly diversified composition of the countries of origin and the increasing importance of Eastern European and Asian countries. The second case applies because labour market participation of immigrants is mainly in the service sector (housekeeping, geriatric care, hotels and restaurants where seasonality and bad conditions of work are common) and to a lesser but increasing extent in manufacturing. Within the latter, immigrants are concentrated in sectors characterised by a highly fragmented industrial structure, with a high export orientation (as textile and garments, metallurgy and industrial machinery) and where flexibility is a competitive edge. In fact, immigrants are found to be more concentrated in small and medium sized enterprises. The regional concentration of immigrants confirms this trend: if one excludes the service sector, foreign labour’s rate of increase has been higher for regions dominated by these sectors and types of organisation of production.



Estimates of “illegal” immigration and data on regularisation programs show that immigrants’ employment is high both in the manufacturing and service sectors and that the Southern regions, traditional attraction poles of “illegal” immigrants, have been losing importance in favour of Northern and some Central regions, where manufacturing is more important. Significantly, migration policy, which is developing towards increasingly restrictive measures, has not had the effect of reducing immigration, especially “illegal” immigration. After more than twenty years of immigration Italy continues to regulate the phenomenon through regularisation programs. In other words, the depicted labour market participation of immigrants, including “illegals”, is a determining aspect and factor of the immigration process in Italy, not fully acknowledged by policy makers.

#### **4. New waves of globalisation**

The emergence of the post-Fordist paradigm is said to be associated with a number of interrelated phenomena. These are the deregulation in the labour market, the growing role of the service sector in the economic system of industrial countries and the globalisation of capital markets and the related effects of relocation processes of production activities to low labour cost countries. The case of Italy shows clear elements of such processes, in particular as far as labour market trends are concerned. Regarding relocation of production processes, Italy has shown a delay in comparison to other industrial countries, which however is explicable by its peculiar characteristics of the entrepreneurial structure, especially in the export sector.

The increase of regular flexible labour contracts and the peculiar development of production systems based on small firms and network relations represent important indicators of these processes. The importance of highlighting such evolution in the Italian labour market and economic structure arises from the assumption that the pull dimension of recent immigration flows to Italy might to some extent be explained by such developments.

##### **4.1 Increased flexibility in the formal labour market**

###### **4.1.1 Statistics on the labour force**

Measuring flexibility of labour in Italy is very difficult because sources are different, heterogeneous and, in some cases, overlapping. The second chapter in part I has provided a standard definition of flexibility. Referring however to official national statistics the terms proposed in the diagram (table 1) can slightly change because they are adapted to the national context.

In the case of Italy a first distinction is made by Istat between both external or internal flexibility to the enterprise. The former refers to the possibility of firms acting freely from the constraints imposed by regulations and market imperfections. The latter refers to the freedom of the employer to choose how to employ the factors of production. This would include, for example, the variation of different pay levels, timetables and producing procedures.

Remuneration and working hours are two of the three main aspects of flexibility and official statistics defines them as remunerative and functional flexibility respectively.<sup>55</sup> The first aims to reduce rigidities of the pay structure in order to favour a closer matching of demand and supply, as well as to stimulate higher productivity levels through various monetary incentives (for examples bonus and piecework pay). The second aims to diversify working hours and thus adapt better to the needs of production and/or of the employee (for example part-time and week-end work). The third main aspect of flexibility refers to a number of contractual characteristics and is defined by Istat as quantitative flexibility.<sup>56</sup> It aims to introduce a higher mobility within the labour market, in terms of easier entry and exit; examples are fixed term contracts, free-lance and temporary agency work that the legislator groups under the term “atypical work” as opposed to “standard work”. The latter refers to full-time jobs characterised by permanent contracts with a legally guaranteed standard of social security.

For all three forms of flexibility official statistics provide some quantitative information, which is drawn from specific surveys. The first survey on labour flexibility, which refers to the years 1995-96, evaluates how much flexibility is diffused in service and manufacturing enterprises. A sample of 7,661 firms representative of the universe of firms with more than 10 employees, has been selected.<sup>57</sup> This survey provides information on the three types of flexibility enabling however only structural analyses as data refers to two years.

Functional flexibility has been measured in terms of overtime and structural changes in the working hours. Remunerative flexibility has in this case been measured only as far as productivity incentives are concerned, i.e. piecework pay and various forms of bonus. Quantitative flexibility has been quantified in terms of duration of the contracts and the type of professional performance required, i.e. permanent and fixed term contracts, seasonal work, apprenticeship and training work contracts. It provides, in other words, some information on “atypical work”. It has, however, the limitation of not being detailed enough about the various forms of quantitative flexibility (Istat, 2000).

More details on the various forms of “atypical work” have been made available in an analysis undertaken by Istat for the years 1996-2000. The main source here is the new

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<sup>55</sup> In the second chapter (2.3.1) (part I) of the present work these are called wage and temporal flexibility.

<sup>56</sup> In the second chapter (2.3.1) (part I) of the present work this is called numerical flexibility.

database Oros (Occupation, Remuneration and Social Taxes) that, thanks to the collaboration of Inps and Istat, provides information on the tax position with Inps of enterprises operating in industry and services, excluding the public sector, and the sector of services to families. From the compulsory recording of enterprises with Inps, the number of employed workers by type of contract and other characteristics could be traced back. Istat has for this purpose classified the different forms of “atypical work” by dividing them in four main levels.

- 1) Length of the working contract (permanent or fixed term).
- 2) Duration of work (full-time or part-time work).
- 3) Degree of social security insurance (complete or reduced).
- 4) Degree at which work can be defined “atypical”:
  - a) “strictly atypical” when the type of contract and its enforcement are concerned;
  - b) “partially atypical” when the modalities, duration and innovative features of the work supplied are concerned.

The proposed diagram shows that 31 forms of “atypical work” exist as new forms of employment, among which 18 are “strictly atypical” and the rest “partially atypical” (table 21). This analysis has the advantage of providing information on all the real “atypical” work conditions and not only on those so defined by the type of contract. The limit of this database is that the time span is not very long (1996-2000) and that two specific forms of atypical work are not included: temporary agency and freelance work. For the first no official data is available as it is included within the category of temporary work, or sometimes even in the category of permanent contracts, when workers are so employed by the mediating agency. For specific data on this form of work one needs to refer to the data issued by the trade association Confinterim. As far as freelance work is concerned administrative data of a separate Inps archive are available, which, however, are not reliable and sufficiently updated (it is two years behind the Labour Force Survey). Most of the workers do not deregister from Inps once the collaboration is terminated and currently data is updated with three years delay. The difficulty arises when different sources are confronted or summed together. Istat refers to the main activity of an individual, whereas these new forms of work often represent a secondary or occasional activity.

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<sup>57</sup> As far as the firms with more than 500 employees are concerned the sample includes all existing, which account for the smallest share of the 7,661 firms.

Table 21 - FORMS OF ATYPICAL WORK AS CLASSIFIED BY OFFICIAL STATISTICS IN ITALY \*

Quantitative characteristics	Functional characteristics	Social security standards		
		Complete	Reduced	
		Employed worker	Employed worker	Self-employed
<i>Permanent contracts</i>	<i>full-time</i>	temporary agency domicile work homework		
	<i>part-time</i>	temporary agency domicile work homework part-time work		
<i>Fixed term contracts</i>	<i>full-time</i>	training contract temporary agency	stage apprenticeship	freelance - continuative collaboration
	<i>part-time</i>	fixed-term contract domicile work homework seasonal work	social work work for public utility professional insertion	freelance - occasional collaboration

\* The fields in grey refer to the partially atypical work contracts, i.e. they relate to the modalities, duration and innovative features of the work supplied, rather than to the typology and modality of application of the contract.

Source: Istat (2002 b).

A third and last source for data on “atypical work” is Istat’s Labour Force Survey, which is different from the previous analysis as it includes also the public sector and the sector of services to families. Again this database does not differentiate in great detail the various forms of “atypical work”; in fact it records only “atypical work” as defined by the type of contract, where part-time and fixed term contracts are the main categories. The advantage of this database is its continuity and length of time series: it is issued quarterly and starts in 1993.

This study refers to all the described official databases and focuses mainly on “quantitative flexibility”, which is most important for the purpose of this work. The new forms of contract are the most obvious aspects of restructuring processes and stability of job is a central aspect of flexibility. The various sources are, as mentioned, not homogeneous and will be presented separately even though in some cases they describe the same phenomenon. Throughout the presentation of the data, specifications and differences will be pointed out.

#### 4.1.2 Quantifying flexibility

##### 4.1.2 a) Functional, quantitative and remunerative flexibility

Flexibility of labour is acknowledged to be central in the global restructuring process. The first official structural analysis of flexibility conditions in the Italian labour market was undertaken by Istat for the years 1995-1996. In doing this, it has classified three forms of flexibility: functional flexibility, which refers to the hours of work and their variation; remunerative flexibility, which refers to the salary and various forms of productivity incentives; and quantitative flexibility, which refers to the contractual terms regulating dependent work. Data on remunerative flexibility is very scant and as far as the level of salary is concerned almost non-existent for aggregate analysis; therefore the focus of this analysis will be on the other two forms of flexibility.

1) Functional flexibility allows enterprises to make use of labour outside the standard contractual working hours and thus adapt more easily to changing market conditions. The following results are highlighted in the analysis: the share of firms and workers with per-capita working hours below average grows with increasing firm size; the Central and Southern

regions are characterised by per-capita working hours above the average; other forms of variation of working hours, like work on Saturdays and holidays, night shifts and general shift work, are diffused widely and more intensively in SMEs. Time series are not available for this type of analysis, but in comparison to 1995 the use of non-standard regimes of working time has increased (tables 22 and 23) (Istat, 2000).

Flexibility needs of both worker and employer are strongly dependent on the type of organisation of production and vary thus according to the sector of activity and the firm size. Data show that functional flexibility is more widespread in the following sectors: textile, garment and tanning, chemistry and rubber, industrial machinery and metallurgy and hotels, restaurants and commerce (table 24) (Istat, 2002). These are also the sectors with a higher concentration of immigrants in comparison to the other manufacturing activities.

2) As far as remunerative flexibility is concerned, Istat's analysis has highlighted that 59.7 percent of firms have introduced mechanisms which tie remuneration to productivity, like for example bonus and piecework.<sup>58</sup>

3) Finally, quantitative flexibility shows the more profound changes in the labour market because it relates to the lengths and nature of contracts. In 1996 92.4 percent of employees had a full-time unfixed term contract and this structural figure has not decreased substantially since. However, looking at growth rates of other types of contracts and their share of new employment, flexible contracts seem to gain gradually more importance. According to Istat's analysis of new employment in 1996 (Istat, 2002 b) the following new features can be highlighted: only small enterprises registered a net increase of employment, whereas the contrary characterises enterprises with more than 500 employees; growth of employment is concentrated in the industrial sector and in particular in the chemical, metal and textile industries; in the service sector new employment is concentrated in the hotels and restaurant activities; more than fifty percent of new employment is composed of non standard types of contract, i.e. seasonal,

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<sup>58</sup> This process was stimulated by a governmental intervention, which introduced tax reductions for enterprises using such new form of providing productivity incentives.

fixed term, training and apprenticeship contracts; finally the growth of employment (153.179) is almost the result of completely “atypical” work because employment with standard contracts decreased by 99.018 units, whereas non standard types of contracts increased by 252.198 units. The changes regarding the quantitative flexibility highlighted by these data are confirmed by the official Labour Force Survey, which provides time series analysis for the period 1993-2001 (Istat, 2002 b).

**Table 22 - ENTERPRISES BY TYPE OF WORKING HOURS IN 1996**  
(% composition)

FIRM SIZE BY EMPLOYEES	per-capita normal working hours			per-capita overtime hours				
	less than 1600	1600-1800	1800 and more	less than 10	10-30	30 and more		
<b>ITALY</b>								
<b>INDUSTRY</b>								
10-19	44.9	31.4	23.7	100.0	49.2	8.7	42.1	100.0
20-49	40.9	39.7	19.5	100.0	31.8	12.9	55.4	100.0
50-199	36.5	50.8	12.8	100.0	17.2	11.5	71.3	100.0
200-499	55.7	40.3	4.1	100.0	22.8	11.1	66.1	100.0
500 e più	55.6	36.5	7.9	100.0	5.3	8.9	85.7	100.0
<b>Total</b>	<b>43.4</b>	<b>35.3</b>	<b>21.3</b>	<b>100.0</b>	<b>41.4</b>	<b>10.0</b>	<b>48.6</b>	<b>100.0</b>
<b>SERVICES</b>								
10-19	33.7	37.0	29.4	100.0	52.1	10.5	37.3	100.0
20-49	36.8	34.3	28.9	100.0	40.0	11.2	48.7	100.0
50-199	43.1	32.9	24.0	100.0	26.4	15.1	58.5	100.0
200-499	53.5	23.5	23.1	100.0	20.2	10.9	68.9	100.0
500 e più	75.9	16.2	7.9	100.0	16.0	20.2	63.7	100.0
<b>Total</b>	<b>35.9</b>	<b>35.6</b>	<b>28.5</b>	<b>100.0</b>	<b>46.4</b>	<b>11.2</b>	<b>42.4</b>	<b>100.0</b>
<b>TOTAL</b>								
10-19	40.3	33.7	26.0	100.0	50.4	9.5	40.1	100.0
20-49	39.3	37.7	23.0	100.0	34.9	12.2	52.9	100.0
50-199	39.0	43.9	17.1	100.0	20.7	12.9	66.4	100.0
200-499	54.8	33.9	11.2	100.0	21.8	11.0	67.2	100.0
500 e più	67.6	24.5	7.9	100.0	11.7	15.6	72.8	100.0
<b>Total</b>	<b>40.4</b>	<b>35.4</b>	<b>24.1</b>	<b>100.0</b>	<b>43.4</b>	<b>10.5</b>	<b>46.1</b>	<b>100.0</b>

Source: Istat



**Table 23 - ENTERPRISES BY TYPES OF FUNCTIONAL FLEXIBILITY IN 1996**  
(% composition)

FIRM SIZE BY EMPLOYEES	TYPE OF VARIATION OF WORKING HOURS					
	Shift work	Night shift	Work on holidays	Saturday work	Overtime	Regular working hours
<b>ITALY</b>						
10-19	32.0	30.5	48.1	59.7	59.3	49.7
20-49	36.5	32.8	27.5	25.6	25.7	29.5
50-199	22.9	26.1	17.6	11.6	11.8	15.8
200-499	5.2	6.2	3.9	1.9	2.0	3.2
500 and more	3.4	4.3	2.9	1.2	1.1	1.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>NORTH-WEST</b>						
10-19	22.8	25.9	38.3	60.8	58.9	45.4
20-49	36.6	28.5	26.7	23.3	24.5	28.3
50-199	29.6	32.5	24.4	12.5	13.1	20.0
200-499	6.6	7.2	5.6	2.0	2.1	3.8
500 and more	4.5	5.9	5.0	1.3	1.3	2.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>NORTH-EAST</b>						
10-19	41.0	31.0	58.9	56.7	58.6	50.6
20-49	33.3	34.0	23.1	28.1	26.6	31.6
50-199	18.0	23.1	12.6	12.1	11.8	13.4
200-499	4.9	7.8	3.3	2.1	2.1	2.9
500 and more	2.7	4.1	2.0	1.0	0.8	1.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>CENTRE</b>						
10-19	33.6	42.8	52.0	59.7	56.2	52.5
20-49	36.7	23.3	23.8	26.8	29.9	27.9
50-199	22.8	25.5	18.3	10.5	10.9	15.0
200-499	4.5	5.5	3.8	2.0	2.0	3.1
500 and more	2.4	2.8	2.0	1.0	1.0	1.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>SOUTH AND ISLANDS</b>						
10-19	32.7	23.4	40.4	61.9	65.7	53.4
20-49	41.9	49.1	38.1	25.3	21.8	29.9
50-199	18.2	19.8	16.1	10.0	9.6	12.5
200-499	3.6	3.8	2.7	1.5	1.5	2.3
500 e più	3.7	3.9	2.8	1.2	1.4	1.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Istat

**Table 24 - ENTERPRISES BY TYPES OF FUNCTIONAL FLEXIBILITY AND SECTOR IN 1996**  
(absolute numbers and % composition)

	TYPE OF VARIATION OF WORKING HOURS					
	Shift work	Night shift	Work on holidays	Saturday work	Overtime	Regular working hours
	NUMBER OF EMPLOYEES					
Extraction and processing of minerals	324	336	333	722	1,264	686
Food processing, beverages and tobacco	1,309	1,088	850	1,939	5,008	1,735
Textile, garment and tanning	2,954	1,652	674	9,175	12,690	3,047
Wood, furniture and paper and publishing	1,933	1,161	896	4,540	6,415	3,178
Chemistry and rubber	5,809	3,150	1,925	6,304	8,053	6,437
Metallurgy	4,232	1,212	570	9,852	14,951	4,323
Industrial machinery and electronics	3,640	1,156	1,239	8,982	12,612	4,661
Vehicles	420	236	227	1,965	2,494	1,556
Other	341	185	168	3,781	4,817	2,298
Construction	1,087	2,216	2,916	6,924	10,396	2,229
<b>Industry</b>	<b>22,048</b>	<b>12,393</b>	<b>9,798</b>	<b>54,183</b>	<b>78,699</b>	<b>30,151</b>
Commerce, hotels and restaurant	7,273	5,815	17,150	31,779	26,139	21,252
Transport and communication	2,856	3,126	4,011	6,073	4,688	3,827
Financial intermediation and estate	2,554	2,201	2,751	6,312	12,435	4,608
Other	3,932	4,044	5,572	10,174	6,323	9,244
<b>Services</b>	<b>16,615</b>	<b>15,187</b>	<b>29,484</b>	<b>54,337</b>	<b>49,586</b>	<b>38,930</b>
<b>Total</b>	<b>38,663</b>	<b>27,579</b>	<b>39,283</b>	<b>108,521</b>	<b>128,285</b>	<b>69,082</b>
	% COMPOSITION					
Extraction and processing of minerals	0.8	1.2	0.8	0.7	1.0	1.0
Food processing, beverages and tobacco	3.4	3.9	2.2	1.8	3.9	2.5
Textile, garment and tanning	7.6	6.0	1.7	8.5	9.9	4.4
Wood, furniture and paper and publishing	5.0	4.2	2.3	4.2	5.0	4.6
Chemistry and rubber	15.0	11.4	4.9	5.8	6.3	9.3
Metallurgy	10.9	4.4	1.5	9.1	11.7	6.3
Industrial machinery and electronics	9.4	4.2	3.2	8.3	9.8	6.7
Vehicles	1.1	0.9	0.6	1.8	1.9	2.3
Other	0.9	0.7	0.4	3.5	3.8	3.3
Construction	2.8	8.0	7.4	6.4	8.1	3.2
<b>Industry</b>	<b>57.0</b>	<b>44.9</b>	<b>24.9</b>	<b>49.9</b>	<b>61.3</b>	<b>43.6</b>
Commerce, hotels and restaurant	18.8	21.1	43.7	29.3	20.4	30.8
Transport and communication	7.4	11.3	10.2	5.6	3.7	5.5
Financial intermediation and estate	6.6	8.0	7.0	5.8	9.7	6.7
Other	10.2	14.7	14.2	9.4	4.9	13.4
<b>Services</b>	<b>43.0</b>	<b>55.1</b>	<b>75.1</b>	<b>50.1</b>	<b>38.7</b>	<b>56.4</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Istat

#### 4.1.2 b) Main forms of “atypical work”

From the collaboration of Istat and Inps, a new statistical database has been made available to analyse in more detail the evolution of “atypical” forms of work between 1996 and 2000. In this period employed workers have increased at a rate of 8 percent, of which 90 percent is “atypical work”, increasing by a rate of 41 as compared to 1 percent of standard work. The share of “atypical work” on total work has passed from 18 in 1996 to 23 percent in 2000. Considering also freelance contracts, which increased by 34 percent between 1996 and 1999, the share of atypical forms of work becomes even more significant (Istat, 2002 b). Among the different forms of atypical work four main categories can be highlighted: part-time work, fixed term work, freelance and temporary agency work.

1) Part-time work in Italy represents 9.1 percent of total employment and 17.8 percent of female employment. These figures are far below the European average; however throughout the nineties the share has been increasing constantly. Part-time work is mainly female, concentrated in the age range 25-44, relatively more used in the Central and Northern regions and in the industrial and the service sectors. In terms of total employment part-time work is relatively more important in the younger (15-34) and over 65-age ranges, in the Northern and Central regions and in agriculture and the service sector (table 25).

2) Fixed term contracts have also been increasing constantly throughout the nineties and only in 2001 have they recorded a slight decline, due mainly to the reduction of training contracts. The use of fixed term contracts is higher in the female working population, in the younger population (15-24), in the South and in agriculture. In 1995 these structural features were not dissimilar, showing that this type of “atypical work” has increased at all levels and categories (table 26).

3) Freelance workers have increased over the period 1996-1999 passing from 6 to 12 percent of total employment (Isfol, 2001, p.151-152).

4) Over the years temporary agency work has also registered a growing importance. Individuals working in such conditions are predominantly under 25 and originate from unemployment or inactivity. Temporary agency work is male dominated, relatively more diffused in the North East, and foreign workers account for 20 percent of total temporary agency workers. It is used

mostly in industry, where however the length of working contracts is higher than in the service and construction sectors (average duration is of one to three months).

As far as size of enterprises is concerned medium and big enterprises seem to use such type of flexible contract the most. However, it needs to be underlined that in this survey medium and big firms refer to those with over 20 employees, i.e. temporary agency work could be concentrated in small and medium firms, following the standard definition of SMEs (up to 250 employees). Concerning the length of the temporary assignment, the period increases with increasing firm size (table 27).

According to a survey undertaken by a public institution (Isfol, 2001), four different types of temporary agency work can be distinguished following the criterion of continuity:

- a) “occasional work”, referring to those people who have worked twice in a period of six months cumulating a period of activity of less than a month (they represent 33 percent of the sample);
- b) “temporary work”, referring to those people who have worked twice in a period of six months cumulating a period of activity of more than a month (they represent 47 percent of the sample);
- c) “marginal temporary agency work”, referring to those people who have worked three times within six months without however cumulating any significant period of work (they represent 6 percent of the sample);
- d) “continuous temporary agency work”, referring to those people who have cumulated more than three months of work in three working assignments (they represent 14 percent of the sample).

Such distribution is confirmed by official data as shown in table 27.

The review of available statistics has shown that in Italy the use of various forms of flexibility in the labour market has increased over the last ten years. The share of “atypical” work in the stock of total labour is still low, but the rate of increase has been substantially

higher than the rate registered by permanent contracts: most of the new employment registered in the second half of the nineties can be traced back to “atypical” forms of work. Quantitative and functional flexibility appear to be the most common forms of flexibility in the labour market; in particular fixed term, temporary agency work and freelance contracts on the one hand, and part-time work on the other hand. Many of the forms of flexibility are found to be diffused more intensively in small and medium sized enterprises and in the female component of the labour force.

**Table 25 - PART-TIME WORKERS BY MAIN CHARACTERISTICS**

		1995			2001		
		thousands	% on total workers	% part-time workers	thousands	% on total workers	% part-time workers
<b>Sex</b>	Male	385	3.0	29.4	512	3.8	26.4
	Female	924	13.1	70.6	1,426	17.8	73.6
<b>Age range</b>	15-24	167	8.2	12.7	176	10.3	9.1
	25-34	417	7.3	31.8	596	10.0	30.8
	35-44	314	5.7	24.0	624	9.6	32.2
	45-64	360	5.7	27.5	486	7.1	25.1
	65 and more	52	16.6	4.0	56	17.2	2.9
<b>Area of residence</b>	North	733	7.1	56.0	1,058	9.6	54.6
	Centre	269	6.7	20.6	398	9.2	20.5
	South	307	5.4	23.4	482	7.9	24.9
<b>Education</b>	University	117	6.1	8.9	220	8.1	11.3
	A-level	395	5.9	30.2	794	9.2	40.9
	Compulsory school	470	6.2	35.9	630	8.3	32.5
	Elementary	326	8.6	24.9	294	11.9	15.2
<b>Sector</b>	Agriculture	180	13.7	13.8	165	14.8	8.5
	Manufacturing	214	4.1	16.4	270	5.2	13.9
	Construction	65	4.2	5.0	73	4.3	3.8
	Commerce	295	7.7	22.5	465	11.1	24.0
	Other services	359	9.8	27.4	531	12.1	27.4
	Public administratio	196	4.5	15.0	435	9.0	22.5
<b>TOTAL</b>		<b>1,309</b>	<b>6.6</b>	<b>100.0</b>	<b>1,938</b>	<b>9.1</b>	<b>100.0</b>

Source: Istat

**Table 26 - FIXED TERM CONTRACT WORKERS BY MAIN CHARACTERISTICS**

		1995			2001		
		thousands	% on total workers	% fixed term contract workers	thousands	% on total workers	% fixed term contract workers
<b>Sex</b>	Male	532	4.1	52.0	748	5.6	50.9
	Female	491	7.0	48.0	722	9.0	49.1
<b>Age range</b>	15-24	309	15.2	30.2	329	19.3	22.4
	25-34	369	6.4	36.1	557	9.3	37.8
	35-44	177	3.2	17.3	344	5.3	23.4
	45-64	160	2.5	15.7	237	3.4	16.1
	65 and more	7	2.3	0.7	5	1.4	0.3
<b>Area of residence</b>	North	418	4.1	40.8	577	5.3	39.2
	Centre	165	4.1	16.1	263	6.1	17.9
	South	440	7.8	43.0	631	10.4	42.9
<b>Education</b>	University	107	5.6	10.4	209	7.7	14.2
	A-level	330	4.9	32.2	583	6.8	39.6
	Compulsory school	386	5.1	37.7	497	6.6	33.8
	Elementary	201	5.3	19.7	182	7.3	12.4
<b>Sector</b>	Agriculture	186	14.2	18.2	168	15.1	11.4
	Manufacturing	189	3.6	18.5	253	4.9	17.2
	Construction	102	6.7	10.0	131	7.8	8.9
	Commerce	152	3.9	14.8	234	5.6	15.9
	Other services	162	4.4	15.9	276	6.3	18.7
	Public administrati	231	5.3	22.6	410	8.5	27.9
<b>Qualification</b>	Director	11	3.1	1.0	11	3.1	0.7
	Manager	41	5.1	4.0	59	5.6	4.0
	White-collar	274	4.6	26.8	526	7.6	35.8
	Blue-collar	617	9	60.3	802	11.5	54.5
	Trainee	72	45.3	7.0	69	42.7	4.7
	Domicile work	9	15.5	0.8	4	12.7	0.3
<b>TOTAL</b>		<b>1,023</b>	<b>5.1</b>	<b>100.0</b>	<b>1,471</b>	<b>6.9</b>	<b>100.0</b>

Source: Istat

**Table 27 - FIRMS USING TEMPORARY AGENCY WORK IN 1999**

	<i>Placements per firm</i>	<i>Period of work (days)</i>				<i>Total</i>
		1-30	31-90	91-365	more than 365	
<b>Area of residence</b>						
North-West	8.6	37.4	40.5	21.1	1.0	100.0
North-East	6.2	41.4	42.7	15.1	0.8	100.0
Centre	7.9	39.7	38.6	20.2	1.5	100.0
South	19.6	47.3	33.2	18.0	1.5	100.0
Islands	6.4	41.9	32.3	20.4	5.4	100.0
<b>Sector</b>						
Manufacturing	8.5	38.2	42.5	18.5	0.8	100.0
Construction	3.4	43.9	41.2	14.1	0.8	100.0
Commerce	8.5	43.8	39.5	16.0	0.7	100.0
Hotels and restaurants	8.6	70.4	24.0	5.3	0.3	100.0
Other services	7.2	33.5	38.5	25.9	2.1	100.0
<b>Firm size</b>						
up to 9	5.7	51.2	32.1	15.7	1.0	100.0
10-19	8.4	39.1	41.1	18.7	1.1	100.0
20 and more	8.3	38.1	41.6	19.3	1.0	100.0
<b>TOTAL</b>	<b>8.1</b>	<b>39.5</b>	<b>40.6</b>	<b>18.9</b>	<b>1.0</b>	<b>100.0</b>

Source: Istat and Inail

## **4.2 Small scale industrial structures in the context of global restructuring**

### **4.2.1 Statistics on globalisation**

Flexibility in the organisation of production is strongly tied to the evolution of global restructuring. Economic integration in trade and production activities is not a new phenomenon, but it is different today for its geographical extension and, most of all, for the distribution of production processes among different countries. Measuring such a reality statistically is difficult because databases on the international activity of enterprises are not yet developed internationally, in terms of uniform characteristics and exhaustiveness. Therefore the analysis of globalisation processes is mostly based on traditional trade and Foreign Direct Investment (FDI) data. Excluding the measurement of technology, three main variables can be used for analysing real economic integration: goods, services and FDI. Databases on trade in goods originate from the customs, whereas for the other two variables, the balance of payments records provide the statistical information about in- and outflows from a country.

The evolution of globalisation trends will make these types of information of second order as compared to the databases, which use the enterprise as the statistical unit. This is because the enterprise is at the core of the restructuring process, which involves the international flows of trade, services and productive capital. Referring to the enterprise as the unit of analysis would have two main results: first, following the principle of ownership of the enterprise, rather than the country of location of production enables a more realistic measurement of globalisation in terms of country involvement; second, intra-firm trade and trade originated by non-equity types of investments can be quantified and production networks be reconstructed (Ocse, 2002 a).

Global restructuring on more flexible modes of production stimulates further developments of statistical databases. It is internationally acknowledged that enterprise databases have to be developed and standardised at an international level. However only few countries are advanced in this sense.<sup>59</sup>

In Italy official statistics in this field are still in working progress, as only a database of exporting firms is made available at an official level. This database provides information about the industrial structure of exporting firms in terms of size by number of employees.



For the analysis of Italy's degree of international integration trade data is still the most adequate in terms of sector and territorial disaggregation levels. For data on FDI by enterprise only an "unofficial" database, developed by the University of Milano, is available which provides information on the number of Italian firms with participations abroad by sector, turnover and employees.<sup>60</sup>

#### 4.2.2 The evolution of the specialisation pattern in Italy

##### 2.2.2 a) Trade specialisation

We have seen that within Italy, the Central and Northern regions represent the main areas of attraction for immigrants in manufacturing. Most industrial districts are located in these regions and they are important export centres for manufacturing, as we will see further on. The reason why immigration fits into a certain industrial structure, which is not the one of big enterprises producing goods with high internal economies of scale, is tied to a number of features of the Italian economy. These features have been discussed in the second chapter part one of the thesis. Data on the specialization pattern accounts for such differences. In fact, Italy presents some peculiarities of its industrial structure as compared to other industrial countries and especially as far as the export sector is concerned: the share of small and medium enterprises on total firms is higher and has been increasing over the last decade (Oecd, 2002 b). The need to highlight these peculiarities arises from the assumption that they account for part of the explanation of the pull dimension of current waves of immigration to Italy.

Italy is one of the so-called industrialised nations, though in comparison to other Oecd countries it plays an atypical role in the international division of labour. Whereas its relative endowment of physical capital is not dissimilar to the average of other Oecd countries, it shows a very scarce relative endowment of human capital with a resulting peculiarity in its specialisation pattern (De Nardis and Paternò, 1997a; De Nardis, 1997b, Epifani, 1998). More than other industrialised economies Italy specialises in the so-called traditional industries and in the capital goods used in these industries, and shows a comparative disadvantage in technologically advanced production. Some example of

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<sup>59</sup> The lack of databases with the enterprise as the statistical unit refers here to firms operating internationally.

<sup>60</sup> "Unofficial" means that the methodology used to construct the database is not recognised by Istat.

traditional industrial sectors are: leather, rubber, cork and wood products, textile, metal products, hydraulic, sanitary and lighting equipment, furniture, travel articles, garment and shoes. The popular language defines the ensemble of these traditional goods as “Made in Italy” and following a classification created by a group of researchers the “Made in Italy” refers to all the goods (intermediate, final and capital goods) produced in the aggregates fashion and leisure time, furnishings and household items, and Mediterranean foods (Fortis and Quadrio Curzio, 2000).

Using the Bilateral Trade Database, based on the International Standard Trade Classification revision 2, the same group of researchers analysed trends of the “Made in Italy” between 1973 and 1993. In 1973 the Italian export sector in traditional goods and related capital goods represented 9 percent of total Oecd exports in this group; in 1993 the same figure raised to 12 percent. This trend has brought Italy to be the second exporter after Germany for these sectors among the Oecd countries. During these two decades the importance of the “Made in Italy” on total manufacturing goods exported by Italy has not risen substantially (from 61 to 62 percent). However, among the Oecd countries Italy is an exception given that most countries have experienced a decrease of the same figure (Maggioni and Nosvelli, 2000).

Italy is also an exception in terms of relocating parts of production activities abroad, a process which has started to become more important only in the second half of the nineties and is still small in comparison to other industrial countries. Such process has nonetheless had an impact on Italy’s trade pattern following increased international competition throughout the nineties. This has been towards a strengthening of the traditional comparative advantages, however with a new organisation of production as will be seen. Integrating different sources, which include information on FDI, outward processing trade and trade by sector of destination, shows that the declining trend of Italian market shares of world imports in certain traditional sectors is in fact the result of restructuring processes.<sup>61</sup>

The case of the shoe sector in the German market is useful to elucidate such an approach: the decreasing share in the second half of the nineties of Italian exports in the German shoe market is associated with an increase in the share of Eastern European

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<sup>61</sup>In fact, in the last decade Italian market shares of world imports in these sectors show a slightly declining trend: in the textile sector the market share at current prices went from 8.0 percent in 1997 to 7.2 percent in 2001; for the garment industry the figures are 7.9 and 7.4 percent respectively, and for machineries 10.2 and 9.6 percent, respectively (Ice, 2002).

countries in the same sector, which in reality is generated by Italian firms who have invested through FDIs or non-equity investments in those countries (graphs 1 and 2).

Low-skill and labour intensive manufacturing phases are moved to countries where labour is cheap and in some cases entire production processes have been transferred, leading to an increase of trade flows between these countries and Italian outlet markets. This conclusion is confirmed by a combination of empirical evidence.

1) Constant Market Share Analysis has shown for the period 1996-2001 that half of the Italian aggregate share's decrease can be interpreted as an effect of losing price competitiveness, and half as an effect of structural factors (geographic and sectoral specialisation). Whereas the latter are proved by empirical evidence, the former are not, leaving some unanswered questions (competitiveness indicators have improved over the period 1996-2001) (table 28).<sup>62</sup>

2) Italian MNCs activities in Central and Eastern Europe have experienced an increase during the same period (graph 2).

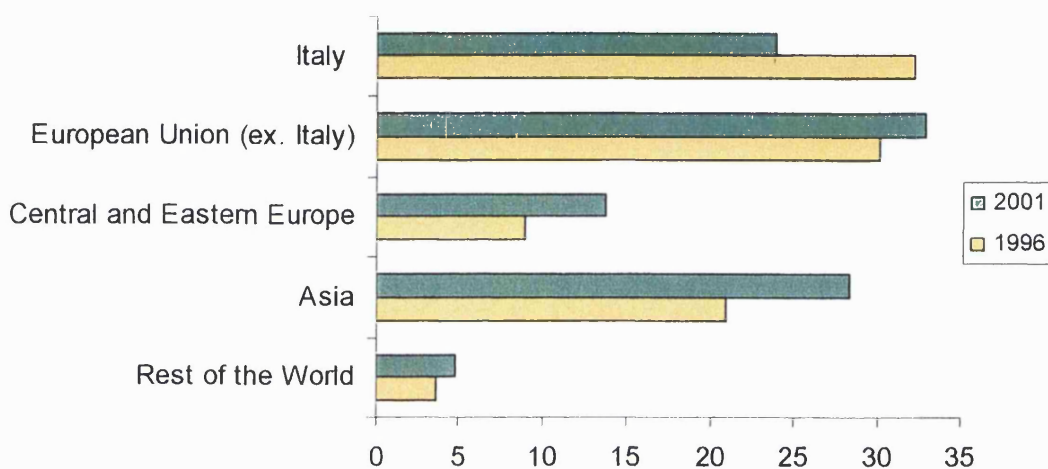
3) Italian outward processing trade in the mentioned sector has increased faster than total trade and was directed mainly towards Central and Eastern Europe. The same trend is observable for the flows of intermediate goods (graphs 3 and 4) (Graziani, 1998).

The case of the Italian shoe export sector is an example of what occurs on a world scale. As argued by Jones and Kiezkowski (2001) the increased trade/GDP ratio is not only the result of amplified trade flows of finished goods, but of intermediate goods. In other words production processes are increasingly dependent on international trade activities (imports of primary products and intermediate goods) also because many industrial countries have relocated part of their production processes abroad. In this global restructuring process flexible modes of production are central and Italy's delay as regards the propensity to invest abroad is tied to such flexibility, as will be seen in the next section.

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<sup>62</sup> Constant Market Share Analysis is a statistical methodology, which enables us to measure exactly the influence of structural factors on the trend of aggregate variables, in respect to factors of price competitiveness.

**Graph 1 - GERMAN IMPORTS OF SHOES: MARKET SHARES IN %**



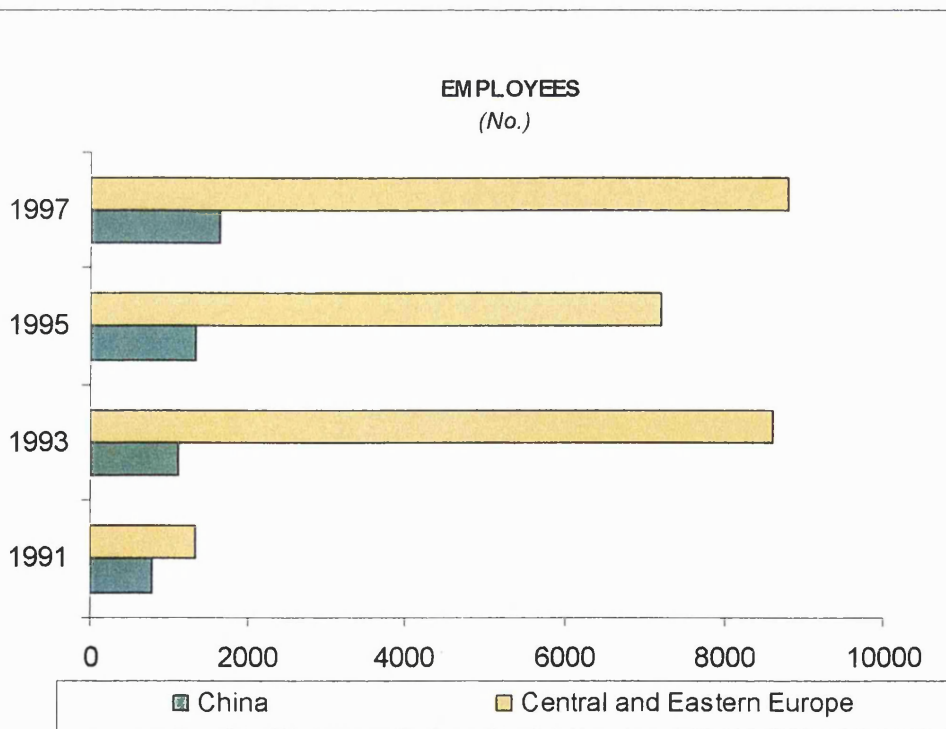
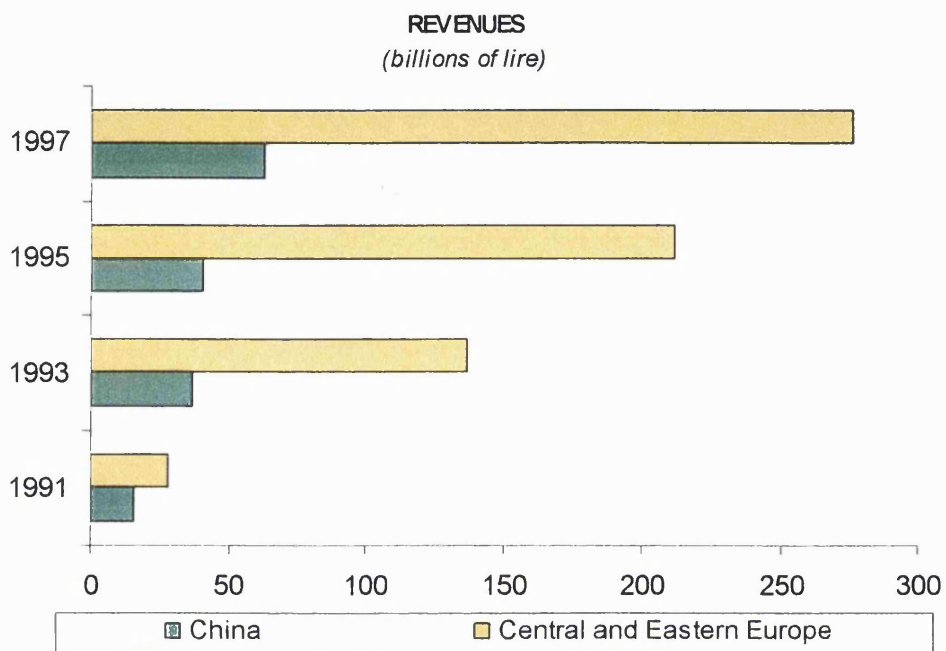
Source: Deutsches Statistisches Bundesamt

**Table 28 - CONSTANT MARKET SHARE ANALYSIS**

	1996	1997	1998	1999	2000	2001	1996-2001
<b>Italian market share on world exports</b>	<b>4.43</b>	<b>4.08</b>	<b>4.26</b>	<b>3.89</b>	<b>3.43</b>	<b>3.45</b>	
		-0.36	0.18	-0.37	-0.46	0.02	-0.98
<b>Competitiveness factor</b>		<b>-0.22</b>	<b>0.02</b>	<b>-0.15</b>	<b>-0.09</b>	<b>-0.07</b>	<b>-0.51</b>
<b>Structural factors</b>		<b>-0.13</b>	<b>0.17</b>	<b>-0.22</b>	<b>-0.37</b>	<b>0.1</b>	<b>-0.45</b>
<i>sector composition</i>		-0.04	0.12	-0.10	-0.26	0.1	-0.18
<i>geographic composition</i>		-0.07	0.1	-0.13	-0.15	0.02	-0.23

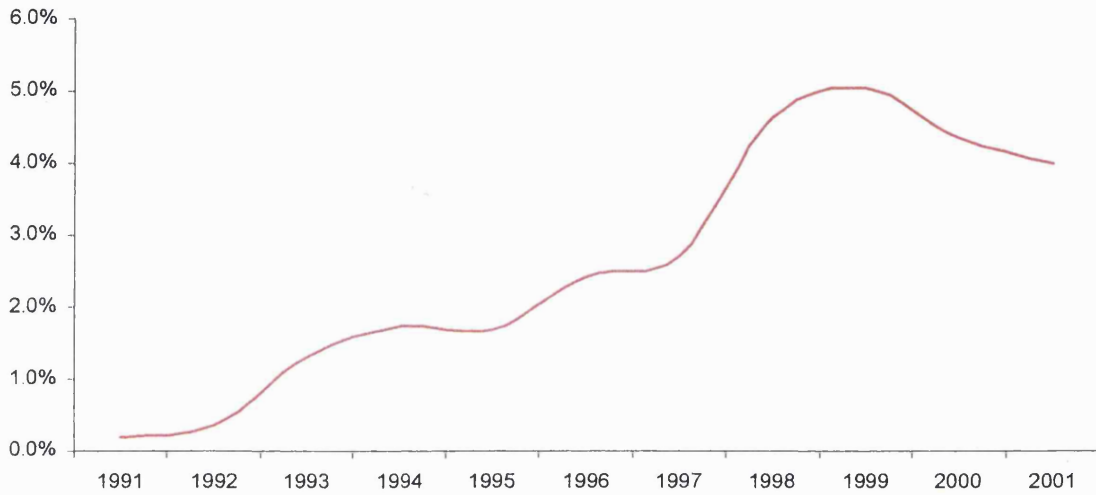
Source: elaborations of Ice on National Statistics Institutes' data, Ice (2002)

**Graph 2 - SHOES AND LEATHER PRODUCTS:  
REVENUES AND EMPLOYEES OF ITALIAN FIRMS OPERATING ABROAD**



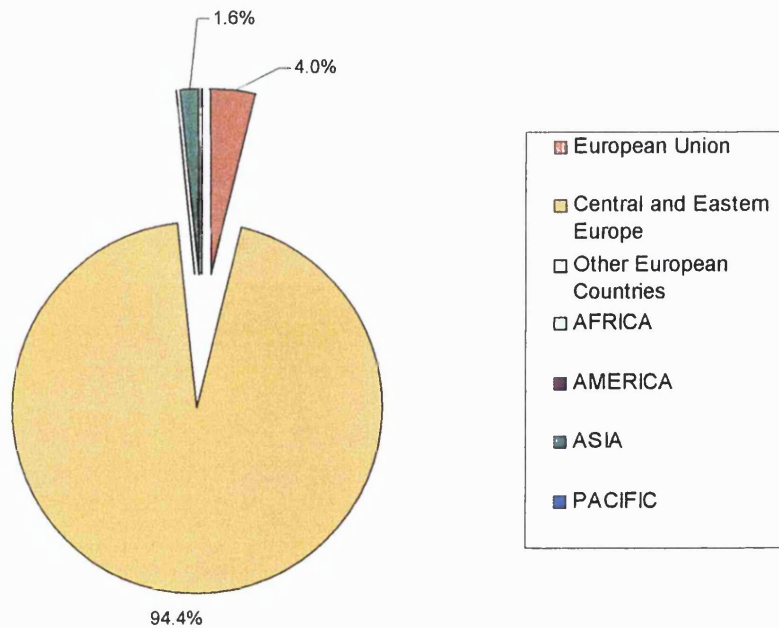
Source: R&P-CNEL- Politecnico di Milano

**Graph 3 - SHOES AND LEATHER PRODUCTS:  
OUTWARD PROCESSING TRADE AS A % OF TOTAL ITALIAN TRADE IN THAT SECTOR**



Source: ISTAT

**Graph 4 - SHOES AND LEATHER PRODUCTS:  
OUTWARD PROCESSING TRADE BY AREA OF DESTINATION**



Source: ISTAT

#### 4.2.2 b) Exporting firms and industrial districts

Italy, as compared to other industrial countries, has started the process of relocating abroad only in the last decade, and is in quantitative terms still far behind. This is because Italy's pattern of specialisation is based on a specific productive structure, in which SMEs are central: in the year 2000 small firms, who represent 92.7 percent of all exporting firms, created 31.4 percent of the total value of exports and employed 31.4 percent of all employees of exporting firms; for medium enterprises the same figures are 6.8, 37 and 30.3 percent, respectively; finally big firms represent only 1.2 percent of all enterprises of this sample, but account for 40.8 percent of total value of exports and 46.3 percent of employees (Ice, 2002).<sup>63</sup>

If the small size of enterprises is a factor hindering the propensity to invest abroad, flexibility of the organisation of production is a factor which makes the urge to relocate abroad less stringent. As shown in the second chapter (part I) small firm size and flexibility are correlated and in the case of Italy this type of production structure is characterised by a specific pattern, where enterprises can gain from external economies of scale overcoming the limit of being small. The Italian export sector is founded on this peculiar form of territorial, functional and social integration of firms. The distinctive elements of these entities – the industrial districts - are, as shown in the second chapter (part I), the quality of production, strong networks between demand, supply chain and external environment, flexibility of the factors of production, high propensity to innovate (product and process innovations), external economies of scale, strong civic traditions and social capital.

The importance of such entities for the Italian economy can be shown by referring to their share of total exports and employment. The first official estimates for trade data on districts dates back to 1999<sup>64</sup>: *"In relation to the 95 groups of the classification Ateco 1991 for manufactured goods, the contribution of industrial districts to national exports has been higher than 50 percent for 35 sectors, to be traced back mainly to the traditional sectors of the "Made in Italy" and the related machinery sectors. In particular, sports items, leather, ceramics and tiles, jewellery and gold items, musical instruments, machinery for agriculture,*

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<sup>63</sup> Small firms are those which employ up to 49 workers, medium firms those which employ from 50 to 249 workers, and big firms those with more than 249 employees.

<sup>64</sup> Only estimates of trade data by district are available, because districts do not coincide exactly with the "provincia", the smallest geographical unit at which trade data are recorded. For a review of the methodology see Istat (2002a).

*jersey items, footwear and textiles have registered shares higher than two thirds (...)*" (Istat, 1999 a, p.109). The latest estimate shows that industrial districts account for 46.1 percent of the total value of Italian exports, and for the traditional Italian export sectors mentioned previously, even more than 50 percent of the export revenues at the national level originate in the industrial districts (Istat, 2002 a).<sup>65</sup>

The literature defines the sectors in which they are specialised as the "Made in Italy", constituted by the ensembles: "fashion and leisure time", "furnishings and household items", and "Mediterranean foods" (Fortis, 1985, 1996, 1998).<sup>66</sup> These refer to the intermediate, final and capital goods of those industries. On the basis of this desegregation Italian foreign trade data have been calculated for the years 1995-1997. As shown in table 29 the total of these productions has generated for these years a surplus able to pay for the deficits of the two other macro sectors (Fortis and Quadrio Curzio, 2000). Districts are important also on a world scale as emerges from table 30: out of the twenty-five most important selected districts, two account for 40 percent of world exports in their sector, eight account for more than 10 percent, among which three around or more than 20 percent, and for the rest the figures vary between 4 percent and 9 percent. These are significant shares considering that they refer to one single district and not the whole Italian production in that sector.

Industrial districts are important for the Italian economy also in terms of employment. According to the 1991 Census 70.6 percent of employment in industry can be traced back to the sectors composing the "Made in Italy". Furthermore, between 1981 and 1991 the decrease in manufacturing employment has been much stronger for those sectors not part of the mentioned aggregate (table 31). By looking at more disaggregated data it is possible to see that in certain sectors employment has even increased, and in particular in the following sectors: footwear, ceramic items, machineries for wood processing, glasses and tap-valves. This trend has to be inserted in a context of a generalised decline of manufacturing employment in all industrialised nations (Fortis and Quadrio Curzio, 2000). Data of the 2001 Census have been released recently, but not available for the aggregate "Made in Italy". However, some preliminary results, elaborated by the Fondazione Edision (2004), exist for the industrial districts. These show that the share of employment in the

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<sup>65</sup> These figures refer to the year 1996. This is because the newest methodology used to estimate the contribution of industrial districts on national export is based on the Census of industrial activities, which dates back to 1996. The methodology has not yet been applied to the 2001 Census data.

<sup>66</sup> For a more detailed list of the sectors constituting the "Made in Italy" see table 27.



districts on total employment has increased over the period 1991-2001 (from 47.6 percent to 51.8 percent) and that employment in the districts has increased by 1.3 percent against a decrease of employment in the rest of manufacturing (-14.5%).

The brief overview presented here has shown that the sector grouping "Made in Italy" is extremely important for the Italian manufacturing system in terms of exports and employment. Furthermore the strong link between this macro sector and the industrial districts has been pointed out by showing that most of the production of this sector originates in these spatial and socio-economic entities, called districts. Finally, it has been highlighted that the entrepreneurial structure based on SMEs is dominant in the export sector and even more in the industrial districts, where flexibility is a central characteristic. The correlation between firm size, export orientation and mode of production seems to express itself in these industrial districts, where the characterising elements might have a double effect on global restructuring processes: the features which retard the process of relocating abroad are the same characteristics which made such relocation not immediately necessary.

**Table 29 - THE ROLE OF THE "MADE IN ITALY" FOR THE ITALIAN TRADE BALANCE IN 1997**  
(billions of lire)

	Exports	Imports	Balance
Primary products <sup>1</sup>	29,621	95,040	-65,419
Made in Italy <sup>2</sup>	232,483	80,546	151,937
Other <sup>3</sup>	143,628	178,870	-35,242
<b>Total</b>	<b>405,732</b>	<b>354,456</b>	<b>51,276</b>

<sup>1</sup> Food and live animals; minerals and metals; mineral fuels.

<sup>2</sup> Fashion and leisure goods: textiles, apparel, footwear and leather products, jewellery, glasses; Furniture and household items: wood and cork products, furniture, glass, ceramic and non-metallic construction materials, taps and parts of, electrical and heating appliances and parts of, hardware; Capital goods: industrial machinery in particular for the processing of metals, marble, food, textiles, footwear and leather, packaging, rubber and plastic, glass, ceramic, and wood.

<sup>3</sup> Motor vehicles, office machines, electrical appliances, telecommunication, chemical products, rubber manufactures, construction material.

Source: Montedison-Cranec and Univesità Cattolica di Milano elaborations on Istat data

**Table 30 - WORLD MARKET SHARES OF THE MAIN INDUSTRIAL DISTRICTS IN 1996 <sup>1</sup>**  
 (% shares on world exports of the setcor)

	districts	%
Woolen fabrics	Prato-Firenze	19-20
Woolen fabrics	Biella-Vercelli	14-15
Silk fabrics	Como	24-26
Stocking	Gastel Goffredo	40
Buttons	Bergamo	10
Tanning <sup>2</sup>	Pisa	5-6
Tanning <sup>2</sup>	Vicenza	10
Footwear <sup>2</sup>	Ascoli Piceno-Macerata	5-7
Glasses <sup>2</sup>	Belluno	15-17
Gold, silver and jewellery <sup>2</sup>	Vicenza	13-15
Gold, silver and jewellery <sup>2</sup>	Arezzo	12-13
Jumpers and pullovers	Bari-Matera	7-9
Chairs and sofas	Udine	7-8
Furniture, including kitchens	Treviso-Pordenone	8-9
Furniture, including kitchens	Pesaro	3-4
Furniture, including kitchens	Como-Milano	4-5
Ceramic tiles <sup>2</sup>	Modena-Reggio Emilia-Bologna	38-40
Ornamental stones <sup>2</sup>	Massa Carrara-Lucca-La Spezia	12-13
Ornamental stones <sup>2</sup>	Verona	9-10
Taps, parts of and valves	Novara-Vercelli	5-7
Taps, parts of and valves	Brescia	4-6
Pots and cutlery	Brescia	4-5
Packaging machinery	Bologna-Modena-Parma	13-15
Machinery for the processing of wood	Rimini-Forli-Pesaro	8-9
Machinery for the processing of plastic	Varese-Milano	6-7

<sup>1</sup> Estimates.

<sup>2</sup> Based on province data.

Source: Ufficio Studi Montedison-Cranec, Università Cattolica di Milano elaborations on data Tradstat, Uic, Istat.

**Table 31 - EMPLOYMENT IN THE "MADE IN ITALY"**  
 (number of employees and % change)

	1981	1991	%
"Made in Italy" of which:	3,960,155	3,717,906	-6.1
195 main industrial districts	-	2.142.772*	-
Other manufacturing	1,902,192	1,544,649	-18.8
<b>Total manufacturing</b>	<b>5,862,347</b>	<b>5,262,555</b>	<b>-10.2</b>

\* Labour units

Source: Research Division of Montedison-Cranec and Università Cattolica of Milan elaborations on Istat 1991 Census data

### 4.3 Conclusion

Italy presents important elements of flexibility both in the labour market and in the organisation of production, as far as certain sectors are concerned. Flexibility in regular work and employment conditions is a relatively recent phenomenon because it has only been permitted by the introduction of a new labour law in 1997.<sup>67</sup> New employment relations are contracted predominantly on flexible terms as defined in the second chapter (part I), and concern in particular functional and temporal flexibility. They tend to be more widespread with decreasing firm sizes and in sectors where demand for unskilled labour is important (textile, garment and tanning, chemistry and rubber, industrial machinery and metallurgy and hotels, restaurants and commerce). The share of “atypical” forms of work on total employment is still low, but the increase in the trend has been fast and significant since 1997.

Flexibility in the organisation of production has a deeper tradition in the Italian economic history and is tied to firm size. The importance of small and medium enterprises is in fact higher in Italy than in any other industrial country and has increased over the last decade. The related relevance of industrial districts for the Italian economy, and in particular for certain export sectors, in which efficiency is based on external supply and demand economies of scale, has made these entities primary laboratories in the post-Fordist restructuring processes. Their traditional features, often associated with backwardness, became a competitive advantage, i.e. the flexibility to adapt easily to changing demand pattern. The main sectors in which the districts specialise in terms of final, intermediate and capital goods are textile, wearing apparel, leather products and footwear, wood and furniture, ceramic and glass products and metal products.

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<sup>67</sup> The bill which has introduced all the mentioned forms of “atypical work” is called ‘Legge Treu (196/1997)’.

## CONCLUSIONS

This research has aimed to highlight the changing pattern of international migration using Italy as a case study. Immigration in Italy can be dated back even before the eighties. However, from an empirical point of view the focus of this research has been set on the nineties and early two thousand, because this period shows certain interrelated phenomena most clearly. As far as immigration is concerned it represents the years in which manufacturing has become a more important source of labour demand. As far as the official labour market is concerned it represents a turning point in terms of flexibilisation. Finally regarding the organisation of production, based on industrial districts, it coincides with the increasing competition on international markets.

There are two main lines of thought which inspired this work: one refers to the asymmetry of economic integration, the other refers to a certain image of “illegal” or “clandestine” immigrants widespread throughout the media. In the first case, the political refusal to liberalise the international movement of labour, despite the theoretical acknowledgment of its equal importance as a vector of economic integration to the mobility of goods and capital, makes it necessary to analyse why it occurs nonetheless. In the second case, which is the direct result of restrictive immigration policies, it is important to understand how the so-called “illegal” or “clandestine” immigrants are inserted into the economic structure of the receiving country in order to overcome the stereotypical image, which associates them to some kind of criminal or deviant behaviour. As if these immigrants were to be treated as a group of people with inherent characteristics, to be summed up with the misleading terms “illegals” or “clandestines”.

Both lines of thought lead to the same question of why immigration occurs despite restrictive immigration policies. Push factors help to understand part of this process, however not always its perpetuation. Pull factors need to be analysed as well, given that immigration is linked also to the nature of the economic structure of the receiving country. This work has tried to highlight the pull dimension of immigration on the case of Italy because it is representative of new migration flows not only for the geographical diversification of countries of origin, but also for the type of integration immigrants face in the labour market.

For doing this, the study has referred to the economic definition of migrant provided by the ILO, which focuses on labour migrants and which emphasises the dynamic livelihood of labour migrants, i.e. the condition of being part of a process in which length, type and conditions of work can vary substantially throughout the migration venture. Among labour migrants this research has further differentiated between those immigrants who have a regular residence permit and those who do not have one, between those who are regularly employed and those who are not, and between those who entered the country with or without inspection.

This research has focused on the economic rational of immigration because the aim of the study was to highlight certain features of the labour market and economic structure of Italy able to explain part of the drive of immigration to Italy. This however does not mean that immigrants, because analysed in this context as workers, might not also have been motivated by factors other than economic ones. In fact this research has tried in its theoretical part to integrate different explanatory approaches in order to highlight the complexity of the migratory process and the multidimensionality of determining factors.

The review of migration theories has shown that explanations of the phenomenon require an integrated approach, as no single theory is comprehensive enough in terms of level and perspective of analysis. International migration originates in the social, economic and political transformations, which are associated with the expansion of market economy principles in non-capitalistic or pre-capitalistic societies and with the restructuring processes occurring in industrial countries. Migrants are not the poorest of the poor, but in contrast originate from the more integrated regions of developing countries, where the flow of information and level of economic integration with other economies, especially advanced economies, is high. In the short run international migration does not derive from lack of economic development, but from its acceleration.

People in search of higher salaries leave their countries or rural areas in pursuit of better monetary living conditions. This occurs also when only the “expected” wage is higher than the one at home. Higher salaries, as advocated by neoclassical economists, are certainly a determinant factor in the decision-making process of the migrant. However, this is not the only and most significant, as shown by the evolution of migration theory. A certain minimum education and skill level is often a precondition of the decision to emigrate; this is the reason why migrants represent a highly self-selected population in comparison to the population of the home country.

When the whole family is considered as the unit of analysis, migration becomes an investment for risk diversification undertaken by one member of the household, but shared by all other members. The new economics of migration has shown from this perspective that in theoretical terms income differentials are neither a necessary nor a sufficient condition to explain migration flows. People can have an incentive to migrate because of high-income inequality in their home community or because of a lack of adequate insurance or capital markets. These interpretations are interesting in theoretical terms and have to be seen as complementary to other explanations.

Finally, a vast empirical literature has shown that the factors motivating the first migrants are different from those motivating further migration flows from the same country or community. Migration seems to be perpetuated through the creation of networks, which make decision and settlement an “easier” venture to undertake. The social capital provided by these community networks explains the phenomenon of geographic and economic sector concentration of immigrants. The diffusion of migratory behaviours within the home community, modifying income distribution and local cultures, creates structural changes to the point where the same networks are perpetuated.

Including social structures in the analysis has proven to be important for explaining the perpetuation of the process of migration. Individuals or families cannot make decisions independent of the structures in which they find themselves. The emergence of such networks has suggested an even broader type of theory — a *systems* view that incorporates not just migrant networks and individual decision-making but includes also other flows such as those of capital and goods, and suggests how all these might combine with political and cultural influences. This in principle could help illuminate the integrated and complex nature of migration particularly at the regional level.

The systems viewpoint has shifted the analysis to a macro-structural approach, which is helpful to understand how the movement of workers is integrated with other macro-structural variables. Push-pull models help in categorising these types of interactions, but stay a descriptive tool: they do not go beyond defining the geographic origin of the factors, which determined migratory movements. Depending on peculiar historical experiences labour shortages or labour market segmentation in the receiving countries have been pointed out.

Labour market segmentation theories have provided a deeper structural analysis of the pull dimensions of immigration in the post oil-shock era: job quality and flexible modes

of production are central concepts to explain why immigrants would be needed in an economy characterised by unemployment. Furthermore new developments in trade theory have questioned the principle of substitutability between goods and factor mobility and show rather a complementary relationship between the two. In other words migration goes along with the other pillars of the globalisation process, i.e. trade in goods and services, capital mobility and technology transfer.

As far as “illegal” immigration is concerned theory does not provide a specific framework, but applies instead the same interpretative tools used to grasp immigration generally and simply adjusts the framework for the specific risks and conditions which characterise their livelihood. This conclusion strengthens the position on the inappropriateness of the terms “illegal” and/or “clandestine” immigrant, as opposed to “undocumented” and “entered without inspection”, and highlights the inadequacy of considering this group of immigrants distinguished by proper and inherent sociological characteristics.

As seen, the first chapter of the conceptual framework has been centred in analysing the causes of migration at the individual level, the familial level as well as at an aggregate level. In the specific context more attention has been given to the aggregate level of analysis because it has been particularly important for the aim of this research, which focused on some structural features of the Italian economy to explain part of the pull factors of immigration in Italy. On the one hand, labour market segmentation, increasing economic integration and post-industrial development have been pointed out as conditions under which immigration is favoured. On the other hand flexibility has emerged as a central characteristic of the immigrant workforce.

The concept of flexibility needed therefore to be defined also from the point of view of the labour market and the organisation of production in a context of increasing economic integration. The second chapter of the conceptual framework has been centred in analysing the current migration flows from this perspective. The Fordist and post-Fordist framework has provided a useful tool in this exercises because it highlights the evolution of productive structures in a context of global economic interdependence. Within this evolution flexibility has in fact emerged as a central concept referring to the labour market and to the organisation of production.

In the first case, the different forms of flexibility have been defined in their quantitative and qualitative, as well as internal and external dimensions, and are found to be

less common with increasing firm size. Of the four different forms, two have been defined as particularly important for the aim of this research: numerical and temporal flexibility and this is because both are tied directly to the possibility to produce in accordance with demand cycles, i.e. increase or decrease production levels according to the volatility of demand.

In the second case the industrial district has been taken as a point of reference to describe a fragmented entrepreneurial environment in which forms of flexibility are integrated in the production structure. It has been discussed that this peculiar form of organisation of production founds on a number of distinctive elements among which the importance of institutions historically embedded and based on principles of subsidiarity and solidarity. Additionally these forms of organisation of production are peculiar for their remarkable capacity to acquire and promote production technologies, as well as to penetrate markets with creativity of design, of production and of sale methods. Finally, they are distinguished thanks to the widespread flexibility in the labour market measured in terms of type of contracts (part-time, occasional collaborations, etc), place of work (domicile work) and social mobility (the shift from employee to entrepreneur is very common).

The literature has highlighted also the risks that might face districts in a context of increasing global competition given their local embeddedness. These risks are provided by emerging economies with similar specialisation pattern. The increasing exposure to international markets and the resulting restructuring processes have changed profoundly the international division of labour providing competitive advantage in certain traditional sectors (lean manufacturing and mechanics) to more flexible production structures, i.e. which can adapt easily to changing demand patterns. Shifting entire phases of the production process to developing or transition economies through FDI or non-equity arrangements – among which subcontracting is the most diffused – has become for many countries a viable solution to the “post-Fordist” transition. In this process Italy is behind other major industrial countries as far as relocation is considered, but shows on the other hand, vitality as far as flexible production structures are considered. This refers to the reality of industrial districts in which, as mentioned previously, some essential features of flexibility are traditionally embedded.

The efficiency of these local systems in international markets, as claimed by the supporters of industrial districts, and the competitive advantages, as pointed out by Porter, hint at a possible correlation between flexible modes of production and global competitiveness. However, given that the competitive edge of these local production systems originates from the territory it is more difficult for the enterprises part of the districts to



enhance cost-reduction strategies by delocalising production abroad. This is not only because SMEs have a structural lower propensity to invest abroad, but also because the characteristics of the district, on which the competitive edge founds, are difficult to replicate in a different social, cultural and economic environment. Most recent empirical analysis and literature have shown alternative cost-reduction strategies like outward processing trade and employment of immigrants in specific segments and sectors (Baldone, Sdogati and Tajoli, 2002; Graziani, 1998; Ambrosini, 2003; Giovani, Lorenzini and Versari, 2003).

In fact, in its empirical part this work has tried to gather some evidence on the relationship between immigration flows to Italy and the evolution of flexibility in the labour market on the one hand, and in the peculiar form of organisation of production represented by the industrial districts, on the other. Flexibility represents the link between the two narratives. Data on immigration in the labour market has been put together with data on flexibility in the Italian labour market and on the importance of industrial districts for the Italian economy. The two narratives have been analysed separately even though both are meant to express evidence in the same direction.

In general, immigration is concentrated relatively more in the service sector, but manufacturing has been growing in importance, and in sectors where SMEs are dominant and export orientation is very high. As far as manufacturing is concerned the presented set of data might hint at a concentration of immigrants in sectors of employment and regions of residence, where flexibility indicators in the labour market have proven to be increasing and industrial districts have shown to be concentrated. Furthermore, available estimates have shown that the share of immigrants working with irregular conditions is very high, both in terms of total immigrants and of total irregular workers. In addition, data on regularised immigrants show that over more than a decade the source of “illegality” has shifted more towards the Northern regions and concessions for work reasons have increased substantially, showing that immigration is driven by informal sector activities and that these are also in manufacturing.

In the Italian labour market the need for flexibility is experienced strongly, especially as far as numerical and temporal flexibility is concerned: in the last decade employment increase can be traced back in its greatest part to forms of “atypical” work. Furthermore, these forms of flexibility tend to be more widespread with decreasing firm size and in sectors where demand for unskilled labour is important and/or exports orientation is high

(textile, garment and tanning, industrial machinery, metallurgy, hotels and restaurants and commerce).

Flexibility in the organisation of production has a deeper tradition in the Italian economic history and is tied to firm size. The importance of small and medium enterprises is in fact higher in Italy than in any other industrial country and has increased over the last decade. The related relevance of industrial districts for the Italian economy, and in particular for certain export sectors, in which efficiency is based on external supply and demand economies of scale, has made these entities primary laboratories in the post-Fordist restructuring processes. Their traditional features often associated with backwardness, became a competitive advantage, i.e. the flexibility to adapt easily to changing demand pattern. Many of the sectors in which the districts specialise in terms of final, intermediate and capital goods (textile, wearing apparel, leather products and footwear, wood and furniture, ceramic and glass products and metal products) are also those in which new employment of immigrants, when manufacturing is considered, are concentrated. The efficiency of industrial districts in international markets has thus been pointed out and their evolution and importance for the Italian economy (in terms of employment and exports), might explain parts of the pull dimension of immigration flows to Italy, which are increasingly employed in specific sectors or regions where these production systems are predominant.

There is no presumption to argue that without immigrants certain sectors would not survive, but that given the mentioned characteristics of these sectors combined with the increasing international competition in the same sectors, the evidence provides elements for arguing that pull factors in the Italian economy have been very important during the nineties and early twenty in fostering migration flows. This conclusion is strengthened when “illegal” immigration is considered which has become more and more important also in industry, as highlighted by the data on the regularisation programs.

Providing significant amounts of data on the two narratives, which show some parallelism, is not enough to prove that immigration in Italy has been driven by flexibility (in its various forms of expression), as only aggregate and secondary data have been analysed. However, very recent empirical research has provided some more evidence on the relationship between immigrant labour force and export industries part of industrial districts. The Partnership Equal “G-Local” (2004) has undertaken a qualitative study on the immigrant labour force in the tanning sector in Veneto in which the necessity of this

workforce emerges very clearly, especially in the lowest segments of the production line. The Central Bank of Italy (Brandolini, Cipollone, and Rosolia, 2003) has undertaken a quantitative study on a sample of more than 3000 enterprises from which emerges that enterprises employing immigrants are characterised, among others, by higher export orientation in respect to the enterprises of the control group.

Certainly, more research, especially qualitative, needs to be undertaken. However a number of features can be highlighted as pull factors of immigration to Italy. Immigration flows to Italy have to be understood within the globalisation of migration, as well as within the specific Italian model of economic and social development. Italy is characterised by a marked economic duality of primary and secondary labour market, and a regional dualism. Informality, duality, tertiarisation, dynamism of small-scale enterprises have created many opportunities for immigrants and all these features have one common denominator, which is flexibility. In other words, “post-Fordist” restructuring processes in which the role of flexibility is central might have been determining the pull dimension of immigration trends in Italy.

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