

# **Illegal immigration and the underground economy**

**EMILIO REYNERI**

*Department of Sociology and Social Research  
University of Milan Bicocca*

**National Europe Centre Paper No. 68**

Paper presented to conference entitled  
*The Challenges of Immigration and Integration in the European  
Union and Australia,*  
18-20 February 2003, University of Sydney

**Abstract:** This paper looks at problems facing Southern European countries with high levels of illegal immigration and a firmly established underground economy. It will address questions about who the immigrants are and what attracts them to the area. The paper will also provide a broad outline of how the general employment situation in Southern Europe, while addressing problems associated with its long established underground economy. It argues that the issue of illegal immigration cannot be addressed without recognising the complexities of their current economic situation.

The underground economy is having three important negative effects on migrants.

1. Most migrants, including those who hold legal status, are only able to find unregulated (underground) jobs.
2. Working predominantly in the underground economy and living without the necessary documents had contributed to the stigmatisation of migrants.
3. Many migrants have been pushed to commit a crime either because models of deviant behaviour replaced the old myth of social climbing thanks to either working hard or the underground economy, which gives migrants the idea that regulation is largely unsuccessful.

This has led to a need to extend tighter control of external borders. However, as this document points out, this time would be better spent on addressing the problems associated with the underground economy. Southern European countries have to come to terms with the fact that high unemployment can exist along side an unfulfilled demand for low skilled workers in low paid jobs. Borders have to be opened up to allow workers to fill these low-skilled, low-paid jobs, but this movement will have to be well regulated. The size of the underground economy must be reduced over time which requires these countries have to start focusing on tightening social control.

## 1. Looking at contemporary migrations from a new point of view

If we look at contemporary migrations into Western Europe referring to frameworks that were devised to analyse the past migrations, migratory flows appear as merely pushed by demographic, economic and/or political crises in Third World countries and Eastern Europe, whereas the old European migration until mid 1970s was driven by labour needs from the receiving countries. That idea backs the fear that poor unemployed people from undeveloped countries are invading Western Europe and implies a strict immigration policy. Three facts would support the above proposition:

- most immigrants are unauthorised;
- new immigrants enter also high unemployment countries;
- nearly all immigrant workers are employed in casual jobs and most of them in the underground economy.

These facts are supposed to be in the following order. Poor and unemployed people leave undeveloped countries, escaping for surviving, and, more or less illegally, enter countries that do not at all need them, since their domestic unemployment is high. As there are no vacancies for them in the receiving labour markets, unauthorised migrants cause an oversupply of labour and are able to find only marginal jobs in the underground economy. The South European countries are regarded as the best examples of that.

A deeper analysis of immigration in Italy, Greece, Portugal and Spain<sup>1</sup> shows, however, that those facts can be connected in a different way. Their order can be opposite: the local labour market segmentation and especially the underground economy, both deep-rooted features in South European countries, have a sizeable pull effect on contemporary migratory movements towards those countries. Moreover, the underground economy has important negative effects on migrants' insertion.

## 2. New features and migratory projects of unauthorised immigrants

The overwhelming majority of migrants entered South European countries without a residence permit, which they managed to obtain only subsequently, thanks to frequent legalisation schemes (since 1986 five in Italy, four in Spain, three in Portugal, one in Greece). This is the sole fact that is non-controversial. Taking into account all the applications filed for a legalisation, we can estimate how many migrants were living without a proper authorization at least for a while: three out of four people in Italy, more than half in Spain, over 30% in Portugal. In Greece, authorised migrants are estimated as only one out of ten foreign people living in the country. The following table summarises how many people availed themselves of those schemes in the concerned countries.

---

<sup>1</sup> Large evidence can be found in E. Reyneri, *Migrants in irregular employment in the Mediterranean countries of the European Union*, International Migration Papers, n° 41, ILO, Geneva, 2001 ([www.ilo.org/public/english/protection/migrant/research/imp/index.htm](http://www.ilo.org/public/english/protection/migrant/research/imp/index.htm)), which is partly based on an EC-TSER project "Migrants' insertion in the informal economy, deviant behaviour and the impact on receiving societies", which I coordinated. A fairly different version of the paper is forthcoming in a special issue of *International Sociology*.

Table. Unauthorised immigrants who availed themselves of regularisation schemes (thousands)

<i>Italy</i>		<i>Spain</i>		<i>Portugal</i>		<i>Greece</i>		<i>France</i>	
<i>population</i>	<i>57,000</i>	<i>population</i>	<i>39,000</i>	<i>population</i>	<i>9,000</i>	<i>population</i>	<i>10,000</i>	<i>population</i>	<i>58,000</i>
1986-87	118.7	1985-86	43.8*	1992-93	39.2	1998-99	373.0	1981-82	121.1
1990	217.7	1991	108.3	1996	21.8			1998-99	80.6
1995-96	238.2	1996	21.3	2001	147.5				
1998-99	193.2	2000	200.0*						
2002	695.0*								

## Number of applications received

In all the countries of Southern Europe, citizens from a non-EU country not holding a residence permit for working reasons<sup>2</sup> are forbidden to get a registered job (either as an employee or as a self-employed worker). In order to enter legally the country, migrant workers should hold a work permit in advance. On the contrary, people with different, usually short time, visas (as a student, for health or tourists purposes, or on a visit to relatives) are not entitled to work. Thus, there are four paths followed by a non-EU migrant worker when arriving without documents to live in Greece, Italy, Portugal or Spain:

- a. They illegally cross the land border (hidden in trains, buses or trucks) or by sea (boat people);
- b. They enter with a short-term permit and subsequently overstay without any authorization after its expiration;
- c. They apparently enter with an authorization by using false documents, purchased in their country of origin;
- d. They arrive as asylum seekers, but they do not leave the hosting country if the application is denied.

The first way was used mainly by migrants who entered Italy and particularly Greece, less by those who entered Spain, Portugal and France. The second and the third ways were hugely adopted to enter whichever country. As Southern European frontiers are crossed by many millions of tourists every year, controls on the “tourist status” at the many entry points is very difficult. Relatively few migrants entered Southern European countries by the last path, but Greece, the only country where inflows of asylum seekers were quite important.

The first and the third ways differ according to whether migrants move on an individual/family basis, or if a smuggling organization sets up their clandestine entry. In the only case of Chinese, the role of these organizations does not end after their entry, because they continue to oversee Chinese immigrants’ work, in order to exact payment for the large sums they charged for the “trip” from China. In Greece, a similar situation concerns Kurds, too.

By the mid-1990s, controls on land and sea frontiers were intensified in all countries. Thus, also thanks to the implementation of readmission agreements signed with the main countries of origin, the number of clandestine migrants not allowed in the target state at the border increased substantially. The number of migrants deported because of an unauthorized stay also increased. In Italy, where for years only few orders of deportations were actually enforced by the police, the situation changed drastically since 1999. Since then, unauthorized migrants may be confined in detention centres, and immediately thereafter deported to their own countries, as it has been in force in all other European countries for a long time. The results, however, were very poor everywhere.

---

<sup>2</sup> Note on the terminology: we will refer to the residence status as authorised/unauthorised and to the working status as regular/irregular.

That situation is the obvious outcome of the strict migratory policy adopted by South European countries as well as by all European ones. We will maintain, however, that the main reason is not the missing control on very wide external borders. Moreover, a fair source of unauthorised residence is inside the receiving country, because many migrants who availed themselves of a legalisation scheme came back unauthorised since they did not manage to renew their residence permit, failing regular job.

To reassess the idea of migration as escape from poverty, we can remember that, at the macro-level, they are not the poorest countries that generate the largest outflows of migrants. There is an inverted U-shaped correlation between the level of development of a country and the likelihood of its residents emigrating, so it is more likely that the largest migratory currents originate in countries with an intermediate level of development, which are at a disadvantage, but not completely poverty-stricken.<sup>3</sup> Similarly, at a micro level those who emigrate are not the poorest people from these countries, but rather those who are at a relative disadvantage, but possess the material and cultural resources to face the costs and hardships presented by emigration. These costs and difficulties have only seemingly diminished, thanks to easier communications and cheaper transport, because almost all of the countries of destination have distinctly reduced their willingness to receive new immigrants and have tightened their border controls, so that the ways of migrating have become illegal, expensive and risky.

The personal characteristics and the migratory projects of the vast majority of migrants who entered Italy, Greece, Portugal and Spain, as well as France, over the last 20 years confirm that picture, thus contradicting the popular cliché of an invasion of desperate people, with no material or cultural resources, running away simply to survive.

The stereotype of poor people “escaping for surviving” does not correspond to the characteristics of the vast majority of the nearly 3,000,000 immigrants (most single young adults, both males and females) who entered Southern Europe, although there are significant differences both by country of origin and of destination. Sizeable inflows of refugees concerned only Greece and Italy, although in a much lesser degree and only temporarily. Thus, the escape for surviving does exist, but most new migrants are simply escaping the downfall of their growing expectations caused by the globalisation of the Western every day life models, as evidence on their employment and educational characteristics shows. The clearest case is Italy, the country receiving the largest inflows, which is attracting people coming mainly from countries that had no previous special relationships with it.

The breakdown of the immigrant population in Spain, and above all in Italy, shows that most migrants come from urban areas of undeveloped countries (even wary far ones and without any special relation with the receiving country), are highly educated young women and men, were not long-term job

---

<sup>3</sup> D. Rowlands, “Poverty and environmental degradation as root causes of international migration: a critical assessment”, in UN-IOM, *Technical Symposium on International Migration and Development*, The Hague, 29 June- 3 July 1998.

seekers, and their families are not at all the most deprived in their countries.<sup>4</sup> Either status inconsistency or relative deprivation characterise many young migrants. Both social climbing and avoiding a risk of downward mobility had an important impact on the propensity to emigrate. Taking into account the educational levels of their own sending countries, we can say that this emigration is largely fed by elite youths.

The fact that most migrants come from urban areas, are highly educated young people, are not long-term job seekers, and that their families are not at all the most deprived in their countries, is a result of the deep changes that developing countries are undergoing and, in particular, of a policy that, by privileging higher education, produces a surplus of educated workers who are no longer willing to enter the subsistence economy and also have the information and autonomy required to emigrate. But what are those people looking for when they migrate? Only “making as much money as possible”, even if they must suffer a painful socio-professional downgrading, according to the usual “temporary and targeted migration” project?

More generally, cultural motives often accompany economic ones: from the freedom from family restrictions and traditional societies to the desire to gain a Western lifestyle, with its consumer and fun-oriented values. But even those emigrating for economic reasons only, were driven by the need to make money as well as by the desire to improve their quality of life and that of the members of their families who have remained behind. Thus, for the new migratory movements towards the South European countries, an important role is played by economic, social and cultural factors of attraction, as the various channels of communication, from the usual migratory chains to the increasingly accessible mass media, transmit them. The image, real or distorted, that the migrants acquire of their prospective countries of destination plays a pivotal role in their decision to emigrate.

This aspect becomes even more important if we consider the powerful self-selection imposed by the obstacles the destination countries have erected against entry. In order to overcome them, migrants must hold considerable economic and personal resources and must be prepared to undergo high risks, both at the time of unauthorised entry and afterwards. These risks have another important implication. Risks require commensurate benefits, or no one would run them. In other words, those who emigrate must know (or think they know) that the benefits they will find in the country of destination will make up for all the sacrifices they have made. The image of the country of destination is, thus, an important factor to consider if we want to understand the contemporary migratory movements, as well.

---

<sup>4</sup> Concerning the large proportion of educated youths among migrants living in Italy, see E. Reyneri, “Education and occupational pathways of migrants in Italy”, in *Journal of Ethnic and Migration Studies*, forthcoming.

### 3. Receiving countries where it is easy to make money without documents

People who applied for the 1996 regularisation in Spain and Italy were asked why they chose that specific receiving country<sup>5</sup>. Concerning migrants living in Spain, some of the interviewees, particularly North Africans and Gambians, mentioned that they thought it would be easier to find work in Spain than in other European countries. Other Moroccans said that it was easier to enter and/or reside in, although they would have preferred to go elsewhere. According to another survey<sup>6</sup>, most of migrants who had previously migrated to other European countries left those countries because they did not succeed in finding jobs, whereas they were sure that in Spain finding work was easy, although in marginal and underground jobs.

The image of a country where it is possible to be regularised and easy to live and work informally, is typically the case of Italy. Few migrants said that they chose Italy because it was the easiest and/or cheapest country to enter, contrary to a widespread opinion<sup>7</sup>. On the contrary, the opinion is widely held that remaining in the country is relatively easy, because controls by police are infrequent and, even when caught, unauthorised migrants are rarely deported. Many also mention the possibility of availing themselves of the frequent regularisation schemes, which have had a “pull effect” on migrants. The picture that emerges is of a country where, sooner or later, you manage to get a residence permit, so it is against your interests to respect the orders of expulsion. The expectations migrants had regarding Italy before they left their countries of origin fit this stereotype exactly: a country where it is easy to live and to make money even without a residence permit, so that it is worth the hardship, expense and risk required to get around border checks.

Even if migrants who illegally entered a South European country are able to reside there easily, making money in its large underground economy, this does not at all mean that all of them are living according to their expectations. Nevertheless, unsatisfactory situations have little impact on migratory flows. Among migrants declaring themselves to be in difficult situations, not one even vaguely hints at the possibility of returning to his country, and they all say that their negative opinion would never suffice to prevent their friends and relatives from emigrating, too. Emigration is a kind of wager between those who leave and those who remain. Whether it is a family investment or an escape, those who migrate feel obligated to show those who stayed behind that the hardships they have suffered were worth it. Migrants will try to avoid coming home without money and gifts, because they would be “walking dead men” for their friends and relatives. They are thus forced to prolong their stay, even if their lives become increasingly difficult.

---

<sup>5</sup> E. Reyneri, “The mass legalisation of migrants in Italy: Permanent or temporary emergence from the underground economy?”, in Baldwin-Edwards, M. and Arango, J. (eds.), *Immigrants in the Informal Economy in Southern Europe*, London, Frank Cass, 1999; C. Solé, *The Spanish case: the fieldwork*, Migrinf, mimeographed, 1999.

<sup>6</sup> V. Gonsalvez Perez, “L’immigration étrangère en Espagne (1985-1994)”, *Revue Européenne des Migrations Internationales*, n. 1, 1996.

<sup>7</sup> J. Foot, “The logic of contradiction: migration control in Italy and France, 1980-93”, in Miles, R. and Thranhardt, D. (eds.), *Migration and European Integration. The Dynamics of Inclusion and Exclusion*, London, Pinter, 1995.



For the same reasons, migrants tend to paint a rosy picture of their situation to those who have remained home. Emigrants can only justify their behaviour by concealing the negative aspects of their living and working conditions in the country of destination. But, even if they advised anyone against emigrating, all of them add that their advice wouldn't be heeded and would not at all serve as a deterrent. Apart from frequent contradictions between verbal and non-verbal communication in messages given by migrants when they return home, their negative comments would not be heeded because they would be interpreted as a sign of hostility or rivalry. The migratory chain spurs additional migration regardless of the information it transmits. The new immigration in Italy is seldom a success story, as was true in the past in the old receiving countries. The self-sustaining effect of the migratory chain is, nevertheless, still powerful<sup>8</sup>.

#### **4. More replacement and complementarity than competition in the receiving labour markets**

Also high unemployment rates in South European countries are used to support the hypothesis that new migration inflows are merely caused by a push effect from undeveloped countries. However, a macro approach to unemployment is misleading. A deeper analysis of local labour markets comes to a different conclusion. We cannot presume that all the domestic jobless are looking for heavy, poorly paid and low status jobs that are filled by migrant workers. Most of them are educated youths who have high professional and social aspirations and are able to wait a long time in order to get qualified and rewarding jobs, because they are living in households whose heads have a permanent job.

In the South European countries an unemployment pattern prevails that penalises women, young people living with their parents and the well educated, while protecting prime-aged men, heads of households and the poorly educated youths<sup>9</sup>. Furthermore, while everywhere the risk of being unemployed decreases as the educational level increases, the relative advantage of educated youth is far lower in Italy, Greece and Spain than in all of the other European countries, although the proportion of educated youths is smaller. This pattern reveals a serious mismatch between demand and supply of labour, which can have a pull effect on migrant workers, because, in spite of large-scale unemployment, the number of uneducated youths out of work is not quite large.

The likelihood of a head of household's exposure to unemployment is lower than that of a youth's everywhere. However, the gap between the two is much larger in Spain, Greece and particularly in Italy, where the unemployment rate of heads of households is the lowest, whereas that of youths living with their parents is the highest in all European countries. Young people seeking their first job, who account for the largest proportion of the unemployed, are thus very often living under their family's roof, with

---

<sup>8</sup> A. Portes, Economic sociology and the sociology of immigration: a conceptual overview", in Portes, A. (ed.), *The Economic Sociology of Immigration*, New York, Russel Sage Foundation, 1995.

<sup>9</sup> This pattern contrasts with the North European one, whose features are just the opposite. See E. Reyneri, *Sociologia del mercato del lavoro*, Bologna, Il Mulino, 2002<sup>2</sup>, chapter 5; D. Gallie and S. Paugam (eds.), *Welfare regimes and the experience of unemployment in Europe*, Oxford, Oxford University Press, 2000.

their fathers holding gainful employment or at least receiving a pension. Conversely, heads of household are a small minority among job seekers. Therefore, even in South European countries, where jobless are very poorly covered by welfare provisions, only few of them are really forced to look for any job whatsoever, because most of them are well-educated youths, who can afford to wait for suitable jobs in the shelter of their families.

This let us to conclude that a demand for migrant workers does exist in South European countries, although the overall unemployment rate is high. The employment structure furnishes further evidence. In Greece, Italy, Spain and Portugal the employment structure is biased towards low-level occupations, in small and unstructured firms. It explains why employers are led to seek labour abroad despite the large availability of educated young jobless at home.

The migrants' incorporation into South European labour markets confirms that scenario. Nearly all migrants are just working in low-level jobs in housekeeping, agriculture, construction, manufacturing, urban and personal services, and as street sellers. In all South European countries, housekeeping and home care giving is by far the largest occupation open to migrants and, in particular, it is almost the only one that women are able to enter easily, although also several men are employed as house cleaners. The use of migrant labour in seasonal harvesting increased dramatically until it became a fundamental part of Mediterranean-type agriculture. Furthermore, migrants are more and more working also in greenhouses, stock raising and even in intensive animal farming. Construction is the main sector of employment of male migrants in Greece and Portugal and it employs more and more migrants in Italy and Spain, too.

Only in Italy a sizeable and increasing proportion of migrants are employed in manufacturing. The most concerned sectors are plastics, ceramics, metalworking, tanneries, garment and cement factories. Firms employing migrant workers are usually small or medium sized. Migrants are mainly employed in jobs with toughest conditions as regards physical effort, endurance, overtime work and night shifts, as well as risk of accidents. The main issue for firms employing migrants is stability, because they need people that will put up with poor working conditions over a long period, avoiding the quick turnover of young Italian workers. On the contrary, the insertion in manufacturing is scarce in Portugal as well as in Greece. It is a bit larger in Spain, but it is not increasing and more and more it concerns only the textile and garment industry. In South European countries, migrants hold a wide range of jobs in the least skilled urban services. Common features of these jobs are low skill, a need for physical effort or great endurance, long or inconvenient working hours, scarce opportunity for professional advancement and a very low social status. Employment in tourism related activities further increases the number of those "bad jobs", devoted to serve modern Western societies.

The proportion of self-employed among migrants is low, especially in comparison to the very high proportion of the local self-employment. Only the Chinese, as usual, organise their business (restaurant and garment sweatshops) on the basis of intense use of family and co-ethnic labour. Therefore, in South European countries, which are the developed economies with the highest proportion of national self-

employment, immigrant overrepresentation in the underground economy is not at all related to their overrepresentation in small ethnic entrepreneurs, as it occurs in most receiving countries, from North European ones to United States.

Street selling was an important phenomenon only in Italy at the starting of mass inflows, because the situation changed dramatically after the 1990 legalisation, which allowed many migrants to find work in other activities. But a sizeable proportion of migrants was going on in street selling. Almost all the goods sold by migrant peddlers are made in Italy by underground sweatshops, whose employers as well as most workers are Italians. Therefore, migrant street-sellers not only allowed a traditional Italian activity to revive, but also helped an important section of the domestic “black” economy to grow. The migrants’ incorporation in this sector is, instead, much less important in the other countries. The reason may be the difference in the supply of national labour for this activity.

We can conclude that migrants are in competition only with marginal sections of the domestic labour force (young dropouts, uneducated women, elderly people, gypsies in Portugal and Greece) in case they are not enough sustained by welfare provisions, in narrow occupational areas (construction in Greece, manufacturing in Spain), and/or in the less developed areas inside the countries. Counterfactual evidence confirms that conclusion: conflicts between migrants and the local population only seldom concern labour market problems (but in Spain) and even in countries where media are strongly stigmatising migrants, the competition for jobs is the last item that they refer to.

Most of activities carried out by migrants are below the level accepted by domestic workers, even in high unemployment and low-income countries, as South European countries are in comparison with Central-Northern Europe. We can agree with the common opinion that *"The migrants take jobs the locals refuse. It's simply a matter of substitution"*.

In Spain and Italy, the concentration of migrant workers in some jobs assures the viability of sections of the economy and the society that would otherwise be in critical condition. This is the case for many small farmers and building contractors, who survive by employing migrants. In addition, broad sectors of the urban population now satisfy their needs for domestic help by hiring immigrant workers as housekeepers and nurses for caring older people. The cases of complementarity are even more evident in Greece, where unauthorised immigrants account for a very large proportion of those employed in crucial sectors as agriculture, tourism, construction and personal services.

The situation of Portugal is more complex. There is no problem regarding highly qualified migrants (mainly from Brazil), as they fill a skill shortage at the top of the occupational ladder. In contrast, there would not be any shortage to fill for poorly educated and unskilled migrants from the PALOP, because many Portuguese workers left the country to perform in Germany and Switzerland just the same types of activities migrants are performing in Portugal. In both cases, they are blue-collars in construction, although the degree of informality in working conditions is different. In both cases, there is social

dumping against local workers, but Portuguese workers are earning much more money abroad than they could earn if they were employed with a regular contract at home. Therefore, in fact, competition does not exist; we rather can speak of a process of labour replacement at the international level, in which Portugal serves as a clearinghouse.

### **5. Migrants' insertion in well-rooted and flourishing underground economies**

We are talking of the underground economy as “all income-earning activities that are not regulated by state in social environments where similar activities are regulated”. It comprises those paid work activities, leading to the production of legal goods and services that are excluded from the protection of laws and administrative rules covering commercial licensing, labour contracts, taxation and social security systems<sup>10</sup>. In South European countries the state regulation of the economic activities is particularly strict, so that people working only in the underground economy, either as employees or self-employed, hold unregistered and undeclared jobs, i.e. they are irregular workers.

Migrant workers entering Greece, Portugal and Italy found a huge, firmly rooted and flourishing underground economy, which offered them a wide range of jobs without demanding any documents, either for working or for staying. This was not the case for France, whereas the Spanish labour market has changed a bit in the last few years.

The structure of employment (small vs. big firms, the proportion of self-employment and subcontracting), the tax and social contributions wedge, the level of efficiency of state controls and the degree of social acceptance of economic informality vary from country to country, creating different social and economic contexts, some of which are more conducive than others to the development of underground activities. The mix of these promotes different opportunities for irregular employment.

Throughout Europe, the underground economy has an important influence in deprived as well as in affluent localities.<sup>11</sup> Neither economic backwardness nor rigidity in labour market regulation are sufficient, by themselves, to account for the level of irregular economic activities. The social and cultural background does matter either. Both the state and the judicial systems are, in principle, absent from this segment of the market. Thus, its regulation must be ensured in a different way: mutual trust on the part of the employer and the worker, community and kinship networks or belonging to a reference group are usually pre-requisites for entering this segment of the market. Compliance with norms comes, above all, from social control. Sanctions must be essentially determined by those within the group or network and those involved in these arrangements must be aware of them.

All sources agree in estimating that the underground economy in Greece, Portugal and Italy is much larger than in all the other European countries. In France, on the contrary, the underground economy is at a medium-low level. As for Spain, the estimates are quite uncertain, but the more recent ones seem to show a decrease, so that the size of the Spanish underground economy is now estimated to be only a

---

<sup>10</sup> This “marketable” definition excludes both self-service economy and mutual help among relatives, friends and neighbours, as they are usually unpaid activities, and the criminal economy, as activities such as drug trafficking and prostitution are illicit.

<sup>11</sup> C. C. Williams and J. Windebank, “Black market work in the European Community: peripheral work for peripheral localities?”, *International Journal of Urban and Regional research*, vol. 19, no. 1, 1995.

bit over the European Union average. Cross-national studies usually estimate how much of the GNP is not registered by the income tax and social security bureaux. Although this method overestimates the proportion of informal employment with respect to total employment, it is reasonable to suppose that the differences between countries would remain unchanged. In most Northern countries of the European Union the black market sector accounts for 5% of declared labour or less, whereas it is reaching 10-20% in the Southern ones.

In Southern Europe, more people work in sectors where it is easier to ignore administrative rules: agriculture, building, small manufacturing firms and services or self-employment. Furthermore, state regulation of economic activities is traditionally strict, but enforcement is slack and “free rider” behaviour is not firmly condemned by public opinion.

That background in local labour markets easily explains why the huge majority of immigrants in Greece, Italy, Portugal and Spain work for more or less long periods in irregular jobs, just as they live, at least for a while, without a residence permit. The relationship between these two factors is complex everywhere, however. In fact, a migrant worker can find himself in any one of the three following situations:

1. Holding a valid permit of residence for working reasons, as well as a registered job; that is, authorised as far as residence is concerned and regular in terms of work;
2. Holding a valid residence permit for working reasons, but working at an unregistered job; that is, authorised as far as residence is concerned, but irregular in terms of work;
4. Not holding a residence permit for working reasons and working at an unregistered job; that is, unauthorised as far as residence is concerned and irregular in terms of work.

Holding a residence permit for working reasons is a necessary condition for taking a regular job, but it is not at all a sufficient one. Large numbers of migrants continue to work at irregular jobs despite having obtained a residence permit (largely through a legalisation) that entitles them to take a registered job. In fact, while some migrants move from one category to another, others frequently change their situation shifting back and forth. These “loops” are usually seen as an “adaptive response” to the serious difficulties involved in obtaining and keeping a residence permit and a registered job. But they can also be viewed as the result of choices intended to maximise the value of registered jobs (necessary to apply for a legalisation or to renew a residence permit), as well as that of unregistered ones (which allow migrants to get higher “cash” earnings). Employers, too, find themselves faced with more than one alternative, because they can employ also an authorised migrant to do unregistered work. The legislative norms and even more how strictly these norms are actually enforced strongly condition their behaviour.

The huge insertion of migrant workers in the underground economy is often regarded as an indicator of oversupply of migrants in high unemployment countries, such as South European ones are supposed to be. This could support the scenario of migratory flows as being merely caused by a push effect. However, unauthorised migrant workers are not at all at the origin of underground economy in South European countries. In these countries underground economy has long been firmly rooted, so that

migrants entering Greece, Italy, Portugal and Spain found a huge underground economy that offered them a wide range of jobs without demanding any document and conversely only few opportunities to take regular jobs, even when they were eligible for taking them.

#### **6. An underground economy having a pull effect on unauthorised immigration**

We can summarise the findings as follows: on the one hand, most migrants are not desperate people running away simply to survive, but educated youths, looking to improve their circumstances, who are deeply affected by information about what to expect in receiving countries. Italy, Greece and Spain are largely seen as countries where it is easy to live and to make money even without a residence permit, making it worth the hardships, expenses and risks to get around border checks. On the other hand, migrants are not in fierce competition with local workers, even in high unemployment countries, such as the European Mediterranean ones. Furthermore, the underground economy has long been a part of the national labour markets and the irregular jobs now held by migrant workers were not created *ad hoc* when immigrants began to arrive. The only exception may concern Chinese restaurants, although they sometimes replaced local low-class restaurants. Even in street selling migrants revived an activity that had an ancient tradition. Nevertheless, it is unquestionable that newcomer migrants are supplying a large labour force either forced or prone to engage in irregular work, making the reproduction of the underground economy easier.

Many migrants are employed in occupations (retail trade, housekeeping and other personal services, construction, transport, tourism, catering) that cannot be transferred to lower labour costs countries. Many others are agricultural labourers, but a further decrease in agricultural production in favour of imports from undeveloped countries would have wide-ranging negative implications for many households, whose incomes are based on moonlighting in agriculture. As for small manufacturing firms, these are very important for the competitiveness of South European countries. All these branches are unskilled and poor labour intensive; furthermore, their productivity remains low. So there is a risk of many jobs being priced out of the market, if workers were paid at union rates. Although all South European countries are not alike, the labour cost ladder for regular jobs is generally narrow and minimum union wages are relatively high. Therefore, the only way to adjust the labour cost of those jobs to their productivity is to make them irregular, thus saving on indirect costs (income tax and social contributions) and sometimes even on wages. This further reduces the appeal of those jobs for the national labour force and opens the way to immigrant workers, particularly to unauthorised ones, who can find work only in the underground economy.

This supports the hypothesis of a pull effect from the demand side. But evidence can be found from the supply side as well. As most migrants are not desperate people without means of survival, but workers looking to improve their circumstances, they are deeply concerned with information about what to expect in the countries of destination. Geographical proximity and family based migratory chains aside, what matters is the image of South European countries that is transmitted by migratory chains (and by criminal

networks organising clandestine trips, too). Fieldworks showed that the expectations the migrants had regarding Italy, Portugal or Greece before they left their countries of origin fit exactly with the stereotype of those countries: countries where it is easy to live and to make money even without a residence permit, making it worth the hardships, expenses and risks to get around border checks.

Thus, we can conclude that an important labour demand from the underground economy can have a sizeable pull effect, chiefly when external borders are formally closed and economic migration can only be unauthorised. Those who do not hold a residence permit for working reasons are obviously cut off from the regular labour market, and were it is not for the shelter of the irregular economy, they would soon be forced back to their home country, making the risks and costs of unauthorised entry useless. Thus, the ready availability of employment in the underground economy, where no documents are required, promotes unauthorised immigration.

The French case is the counter-check of this hypothesis. If social networks of authorised migrants were really an important factor for the existence of unauthorised migrants,<sup>12</sup> France should have been the largest target for undocumented inflows, as France is the European country with the largest stock of settled foreigners. The fact that it did not occur is usually attributed to the geographical position of the country, which borders mainly on other EU countries. However, according to migratory stories collected in Italy, several migrants entered Italy from France, crossing its supposedly well-policed borders. The enforced control of the underground economy served as a regulating valve of undocumented immigration in France. Controls on national borders were thus less important than controls on the local labour market.

### **7. An underground economy preventing immigrants from steadily settling**

A pull effect on undocumented immigration is the first of the negative effects that a large underground economy in South European countries has on migratory movements. As most immigrants are able to find working opportunities only in the underground economy, they are prevented from getting a permanent legal status as for residence and, thus, from taking a steady settlement in the receiving society. This is the second negative effect.

In fact, migrants' huge insertion in the lowest strata of the underground economy (the highest ones are for local workers, especially for moonlighters) is caused only partially by their unauthorised status. Even many migrants who managed to hold a residence permit for working reasons thanks to a legalisation scheme, are actually working as not registered employees or in marginal self-employed activities. But, their irregular working status usually prevents migrants from renewing their residence permits, so that for many of them the authorised residence status is not achieved forever and a vicious circle starts, as migrants who lose their authorised residence status can only take irregular jobs.

In the South European countries the residence permit for working reasons is usually temporary (one or

---

<sup>12</sup> A. Jahn and T. Straubhaar, "A survey of the economics of illegal immigration", in Baldwin-Edwards, M. and Arango, J. (eds.), *Immigrants in the Informal Economy in Southern Europe*, London, Frank Cass., 1999.

two years) and its renewal is subject to the condition that the immigrant either holds a regular job or can prove an income sufficient to feed himself and his family, if present. That condition is very difficult for those migrants holding only occasional and irregular jobs. Evidence shows that a fair contribution to the resurgence of unauthorised residence after the legalisation drives was inside the receiving countries.

Also among migrants who manage to renew periodically their residence permit, several are not always working in the regular economy. They, in fact, can “arrange” a fixed term registered work contract only in order either to renew their permit or to get it thanks to a legalisation and then they come back to their usual irregular jobs. Those migrants, too, are in a precarious situation, only a bit less than people who are seesawing back and forth between authorised and unauthorised status throughout their stay in the country. In both cases, migrants have scarce opportunity of getting a perspective for a long-term settlement and of being well inserted in the receiving society.

For most migrants the reason is neither scarce propensity to look for registered jobs, nor free-rider behaviour, but the structure of the working opportunities in receiving labour markets, which for migrants come mainly from the underground economy. As migrants frequently change jobs, they are often faced with a choice between the relative ease of finding an irregular job and the great difficulty of finding a registered one. As migrants are usually not covered by unemployment benefits and are poorly sustained by family or friends, they are ill equipped to face extended periods of job seeking. Thus, only the need to obtain or renew their residence permit motivates them to undergo the long wait required to find a registered job. Not to mention the cases where a migrant must pay to obtain a registered job.

This means that most of migrants, who entered a South European country to make money easily in its large underground economy, are not at all living according to their expectations. Irregular and odd jobs let migrant workers survive, but crush their hopes. Nevertheless, among migrants declaring themselves to be in difficult situations, not one even vaguely hints at the possibility of returning to his/her country of origin. We have seen the reasons for that attitude, but the effect is the growth of a sizeable area of migrants in a marginal situation.

### **8. An underground economy making migrants’ stigmatisation easier**

The reasons why the South European countries adopted so fast a very negative attitude towards a new phenomenon for them, such as that of the immigration, may be several. Some of those reasons must be found inside the receiving societies, other may be due to the characteristics of the migratory inflows, however. In both cases, the underground economy plays a key role.

Because of a large underground economy both the official unemployment rates and the social pressure for jobs appear higher than they actually are. Thus, governments respond to public outcries by closing the borders to new inflows of migrants seeking work. But a mix of closed borders and easy access to irregular jobs exerts a pull effect on undocumented immigration. And another vicious circle starts, as their working in the underground economy, as well as living without documents, contributes hugely in



rousing negative attitudes against migrants. Some students consider a strict migratory policy causing the social construction of illegal migrants as the main reason why South European societies developed a feeling of rejection towards migrants. Anyway, it is very likely that unauthorised and unchecked inflows may have a bad impact on whichever receiving society, both in the every day life and at a symbolic level.

Furthermore, working in the underground economy, as well as living without documents, contributes hugely both in stigmatising migrants and in rousing negative attitudes against them among local people. Firstly, the working contribution of migrants to the economy and the social system is far less evident than it could occur if they were working in the formal economy. Receiving societies usually have mixed feelings concerning migrants' insertion in the underground economy. On the one hand, this confirms the idea that there is scarce competition with local jobless. On the other, migrants working in the underground economy may appear redundant, because it is difficult to admit that unregistered activities are necessary. More generally, most of the irregular jobs performed by migrants are scarcely visible. This is the case of housemaids, agricultural labourers and other jobs in personal services, which are the working activities most "useful" for the local societies. In contrast, activities that appear unnecessary, such as street selling, are very visible.

Secondly, as irregular workers do not pay income taxes and social security contributions, those migrant workers may appear as claimants for public subsidy. Newspapers often give a similar picture of migrants, but we can find it also underlying some policies towards migrants by charities or public agencies. The fact that unauthorised migrants are prone to taking the most "undesirable" jobs reinforces the idea that they are all poor people needing assistance.

Third, even in South European countries where local people working in the underground economy are quite legitimised by social consensus, migrants, instead, are highly stigmatised for doing so. One reason may be that in-group free riders are more tolerated than out-group ones. We can recall that most regularisation schemes were aimed at forcing migrants to leave the underground economy as well as to regularise their unauthorised residence. In fact, besides demonstrating their presence in the country before a deadline, migrants had to prove either an ongoing/past working position or a job offer by an employer. This was the case, above all, of the Italian amnesties since 1996 and a similar pattern informed regularisation schemes in Spain, Portugal and Greece. The underlying idea is that migrants would be accepted only if they are working in the registered economy. This is a real paradox in countries where such a large proportion of domestic workers is involved in the underground economy.

### **9. An underground economy contributing in increasing migrants' deviant behaviour**

A careful analysis both of the social construction of criminal statistics and of the proceedings of police activities and penal trials allow us to show how much immigrants are discriminated. Especially in Italy and more recently in Greece a "short circuit of securization" started favouring repression towards migrants in place of social policies. The increase of the number of people in prison, common to all South European countries, is especially marked by an increase in the proportion of foreigners, so that

we can say that foreigners have replaced locals as the objects of law enforcement efforts. The process of ethnification of the illegal activities was very fast also in countries that migrants entered only recently.

This is not the right place to deal with all the many reasons of this impressive phenomenon: from the economic and political crises in the undeveloped societies of origin to the increasing pressures to exclude and criminalise outsiders and poor people in post-industrial and ageing receiving societies. However, we can stress that also their insertion in the underground economy may contribute to increase deviant behaviour among migrants, although in an indirect way.

From a strict labour market point of view, an easy opportunity of finding work in the underground economy, as it occurs in South European countries, may have conflicting impacts on risks of deviant behaving. On the one hand, that opportunity may reduce the risk, as migrants not eligible for regular jobs should be forced to commit crimes if they could not make money in the underground economy. On the other hand, however, when they lose an irregular job, migrants are not eligible for any public support; thus, if they do not find help from their country-fellows, they could be prone to get money for surviving at any cost, even stealing or drug dealing. Those conflicting impacts may make themselves void, as life stories show. But it is a precarious balance that is based on a large availability of irregular jobs; otherwise the second effect should prevail.

The connection between working in the underground economy and deviant behaviour may concern a self-selection effect, the changes in the migratory models and a more general attitude among migrants. First, those people who are willing to enter European countries must be prone to cross closed borders illegally, entailing high risks, even that of losing one's life. However, a risk-taker person is more likely to do risky, but profitable activities, as criminal ones are.

Second, many migrants were pushed to commit crime not because they were marginalised, but because they were willing to "make money" very quickly, as models of deviant behaviour were spreading among youth of sending countries. The old myth of social climbing thanks to hard working as migrant is over, because the receiving labour markets offer precarious, irregular and low paid jobs only. Young people not willing to accept low-level jobs and aiming to make money fast are prone to do whichever illegal activity. However, most of them have not the abilities that are necessary for a criminal career; so that they often "burn them" in a short time either damned to heavy punishments or killed by people like themselves.

Third, an easy insertion in a country where the residence is not authorised and the work is irregular, gives migrants the idea that in the receiving society there are no rules to comply with. Thus, they guess that they can do everything without any control and consequence. "Foreigners realise at once that everything is relative in Italy. We don't allow anyone to enter to work, but then we reward the transgressors by legalising them all. From their point of view, our contradictions are seen as an

unreliable attitude, which makes them not very confident in legal behaviours and favours exploiters”, a social workers with a large experience said. In Greece, too, migrants are living an anomic condition. Migrants experience confusion between legality and illegality when they buy document providing legal residence, and legalisation makes legality a negotiable good. Thus, for migrants the state loses any moral authority and laws stop being respected guidelines of conduct. Any transgression becomes possible, chiefly concerning the so-called crimes without victims, which are the most frequent among immigrants.

#### **10. A policy regulating both local labour markets and migratory inflows**

The widespread informalisation of employment in South European countries is crucial to understanding the phenomena that govern migratory movements and their impact on receiving societies. Public opinion, politicians and state agencies devote a lot of attention and resources to controlling the external borders of the European “fortress”. All the major economic and social groups support such a policy, whose results, though, often have the opposite effect.

A formal “closed door” policy towards immigrants, justified by high domestic unemployment, coupled with sizeable unauthorised inflows attracted by the underground economy, the lack of a policy of integration coupled with a strong exploitation and stigmatisation of migrant workers employed in the black labour market: this mix is causing more and more vicious effects. Interrupting this cycle it is not at all an easy task, but the easy solution of tightening the border controls is without doubt destined to fail. On the contrary, a complex and detailed strategy should be implemented to really reduce migrants’ insertion in the underground economy as well as unauthorised immigration.

First, South European countries should recognise themselves as immigration destinations. In fact, they should admit and institutionalise the segmentation of their own labour markets, i.e. that there can exist, side by side, both high youth unemployment and an unfulfilled demand for low skilled workers for bad jobs. Second, they should open the borders to a sizeable labour immigration, of course well monitored, in order to fulfil that labour demand. But for which jobs, if they are in the submerged economy, i.e. if they officially do not exist? At the same time, concerning the media and public opinion, a new rhetoric should be based on the idea that “we need migrant labour” to redress the present mismatch in the labour market and in the near future, the imbalance between generations, which is expected to have an increasingly negative impact on the welfare state. But, how can this rhetoric be sustained if migrant workers do not pay social security contributions to the welfare state, as they are taking irregular jobs?

We return to the domestic underground economy, which is the main question to deal with in order to seriously address the issue of the unauthorised immigration.<sup>13</sup> The third and most important step of this complex strategy must be a set of policies aimed at reducing the size of the domestic underground economy.

Economists highlight the negative impact of the underground economy on the state budget, but its impact on social cohesion is just as negative: we must remember that the welfare state is less an

---

<sup>13</sup> Jahn and Straubhaar, *op. cit.*

economic than a socio-political issue. Unauthorised immigration, of course, reinforces that negative impact. Unfortunately, the causes of the underground economy are deeply rooted in the economic and social systems of South European countries. Therefore, reducing their size is a difficult and long-term job. As the underground economy is not at all a heritage of the past, no straightforward correlation between level of economic affluence and size of the black labour market exists.<sup>14</sup> Neither economic backwardness nor rigidity in labour market regulation are sufficient, by themselves, to account for the level of unregistered and irregular economic activities. Therefore, many factors should be taken into account when explaining the size of black labour markets.

Economic factors, of course, are of substantial importance. Economists usually emphasise the wedge of the non-wage costs for labour (social contributions and income tax) and the employment structure (the proportion of small firms, self-employment and subcontracting). While the latter factor is evident, the former is controversial. Non-wage labour costs are equally high in countries with large and small black economies. Such an approach, however, overlooks the social and institutional dimensions, which may be even more important than the economic ones.

The underground economy is necessarily based on personal networks. First, it is only through a “word of mouth” recruitment system that firms can find workers willing to take irregular jobs and irregular self-employed workers can find their customers. Second, connivance guarantees against complaints to either labour offices or other state authorities. More generally, the state and its legal norms are, in principle, absent from this segment of the economy. Thus, its regulation must be ensured by social control: the usual pre-requisites for entering the underground economy are mutual trust between the employer and the worker, kinship and community networks, or belonging to a reference group. Sanctions are determined essentially by those within the group or network and those involved in these arrangements must be aware of them. Beyond the intensity of the social networks, to function steadily, the underground economy needs social consensus, both in public opinion and in people’s attitudes. The strength of the underground economy, which allows it to escape any control, comes from its deep roots in the society.

When no negative stigma is attached to irregular economic arrangements, state enforcement against them can be tolerant and inefficient without raising any serious scandal. According to a widespread social feeling, punishment stipulated by the legislation can be soft and, in practice, the real risk of an irregular employer’s being detected and punished may be even lower. In fact, state regulation of economic activities often appears strict on paper, but enforcement is in practice slack, as labour inspectors are few in number and poorly organised. Moreover, rules regulating both the labour market and migration are often vague and contradictory. The inefficiency of state agencies is a widespread phenomenon in South European countries, but in this case it has the latent function of not disrupting

---

<sup>14</sup> Williams and Windebank, *op. cit.*.

the social harmony that the co-existence of formal and informal work traditionally ensures. Thus, the institutional dimension is also important.

An effective policy to reduce the size of the underground economy is a difficult task not only because it upsets consolidated social customs, but also because it may have some negative effects in the short term. This was the case of Spain. In fact, a stricter control on the labour market caused on the one hand an increasing competition between migrant and local workers for registered jobs, and on the other a process of social exclusion for migrants not able to take a regular job, who could no longer fall back on irregular jobs. Furthermore, a process of economic criminalisation may start, because migrants may be easily identified as the workers most involved in an underground economy that now becomes highly stigmatised.

In conclusion, a strategy to deal with unauthorised immigration as well as the domestic underground economy would have to be even more complex than is usually forecast. In particular, it should be coupled with an important regular jobs creation policy, more generous welfare provisions and a public relations program to inform public opinion of how useful the migrants' work is for the receiving society. Furthermore, more severe sanctions for employers hiring workers without registering them and more frequent controls by inspectors should be coupled with fewer formalities and lower non-wage costs for low-wage jobs, which are more prone to be irregular. The latter labour policy was suggested some time ago in the EC White Paper, the former can follow the example of the "service cheque" adopted in France for housekeepers. Increased income tax revenues and social security contributions thanks to a smaller underground economy will provide economic resources for these measures, but timing could be a problem, because there could be a sizeable time lag between the results of the various policies. The high degree of complexity and difficulty of that strategy would require a committed and effective policy management and a governing class with long-range vision, willing to design and implement a series of long-term policies.

The French case confirms that prospective scenario: on the one hand, the set of policies against "black labour" was so firmly stated that it became a real "state ideology"; on the other, it was a by-partisan issue and was firmly supported by a succession of governments and by a skilful and powerful public administration. Finally, what is most important is social control, because only a strong consensus at the local level allows controls to work. By the way, this success story suggests that for Italy as well as Greece, Portugal and Spain it will necessarily be a long, hard road, because the pace of social change is generally slow.