The process of recruitment of immigrants in the construction sector. The cases of Italy and Portugal

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Summary

This article deals with the recruitment and employment of foreign workers in the Italian and Portuguese construction sectors. The two countries show a very similar structure and organisation of the sector. Nevertheless, Italy only imports immigrants for the sector whereas Portugal both imports foreign labour and exports construction workers on the European market. On the basis of a comparative analysis of the occupational structure of foreign workers and of interviews with construction employers in the two countries this article examines such differences and discusses how (also with reference to irregular work, and the underground economy) and why the construction sector represents a key sector for the economic insertion and adaptation of immigrants in the Mediterranean area. Skills shortages and labour cost issues are highlighted as factors affecting recruitment of foreigners in a sector characterised by a very high level of deregulation and informality, and in which processes of downgrading on the one hand and externalisation on the other have had as an important outcome the nearly exclusive role of subcontracting in the recruitment of semi- and low-skilled workers.

Introduction

The presence of immigrants in the construction sector in various countries throughout the world is so broadly recognised by studies on the economic incorporation of immigrants that some authors consider that the construction sector 'represents the quintessential ethnic niche' (Waldinger 1995: 577). The explanations for the attractiveness of the construction sector normally make reference to the characteristics of the immigrants, to their networks, to the characteristics of the sector, or to a combination of these factors. Less attention has been devoted to the direct or indirect process of recruitment of immigrants into this sector. Migration is no longer driven by the needs of the labour market as a whole but by the needs of specific sectors and occupations in the framework of a segmented labour market.

This article compares the process of recruitment of immigrants in the Italian and Portuguese construction sectors in order to show how the sector is a key one for immigrants' economic insertion and adaptation. In these two countries the construction sector is very different from other sectors, not only in terms of productivity, but also in terms of the structure of the labour market. It represents a process adding significant value, it leads to the appearance of positive externalities in other activities and generates significant multiplier economic and social effects upstream and downstream. In both countries, this sector is labour-intensive with a significant proportion of undifferentiated, undeclared and low qualified workers, and is a sector where immigrants have had a critical impact on recent labour market history. Furthermore, this is a sector where
undocumented labour represents an undefined but surely significant proportion of the working population in the sector. In this article, we demonstrate the similarities between Portugal and Italy in terms of immigrants’ insertion in the labour market and we present evidence related to the strategies of recruitment of the labour force in the two countries. Noteworthy is the fact that Italy is now exclusively an importer of construction workers whereas Portugal is both an importer and exporter of construction labour.

The material and preliminary results presented in this article are drawn from the research project ‘The Political Economy of Migration in an Integrating Europe’ (P:EMINT), supported by the Fifth Framework Research Programme of the EU and involving eight research teams in six different countries. The main aim of the project, which runs from 2001 to 2004, is to understand how the ways national and multinational firms recruit labour lead to different outcomes in terms of labour mobility and international migration under the impact of different forms of welfare provision, fiscal systems and regulatory frameworks. This research is based on a literature review, data analysis and interviews with construction firms conducted in the last 18 months.

The article is organised as follows: the first section sets out the framework constraining the recruitment strategies of the construction firms. Following a description of the structural characteristics and recent trends in the sector, we analyse the presence of immigrants in the sector and the recent development of national policies on immigration. We then describe the recruitment strategies concerning immigrants that are followed, respectively, by Italian and Portuguese construction firms. Finally, the results are summarised.

Construction as a crucial sector for immigrants’ economic insertion in Italy and Portugal

Construction firms’ behaviour should be considered in the framework of external constraints on the recruitment and employment of foreign workers:

- the economic structure of the sector, such as the size of the firms, the role of self-employment and the incidence of irregular work;
- labour market conditions such as the presence/absence of labour shortages, the availability of a more or less large pool of foreign workers already present in the country, the ’ethnic’ characterisation of the labour force, etc.;
- the legislative and regulatory framework also in terms of sector-specific regulation (such as the presence/absence of different rules for enrolling foreigners, the differences between the contrib size schemes applying to foreign and domestic workers, but also, in general terms, the role of trade unions in the sector, the presence/absence of a skills certification system, immigration legislation, etc.).

In this article we will consider the factors that seem to be the most relevant in affecting recruitment strategies concerning foreign construction workers in Italy and Portugal.

The process of recruitment of immigrants in the construction sector: The cases of Italy and Portugal

Structural characteristics and recent trends

The structure of the construction sector in Portugal and Italy is quite similar, although the Italian construction sector has recovered following the serious crisis in the middle of the 1990s — caused by the problems of corruption that emerged with ‘mangueirapoli’ that blocked investments in construction — while Portugal is experiencing a conjunctural slowdown after the intensive growth sustained by EU structural funds and state financing associated with a consistent growth of private investment in public works.

In general terms, the construction industry in both countries presents a quite fragmented productive asset based on a very limited number of large companies and a myriad of medium-sized and small firms, on a significant presence of self-employed, on an intensive use of sub-contracting relating micro, small and medium-sized firms to larger ones, and on intensive recourse to irregular work.

According to national data¹, in 1996 Italy registered about 440,000 construction firms², 98.6% of which had fewer than 20 employees and employed about 80% of construction workers. Construction firms employing more than 100 employees account for only 0.1% of the firms and 7% of the workforce.

Portuguese data show a very similar structure: in 1997 there were nearly 64,000 construction firms in Portugal, with larger companies (more than 100 employees) representing about 0.3% of the total and employing around 20% of the workforce in the sector. At the opposite side of the spectrum, firms with fewer than 20 employees represent 97% of Portuguese construction firms and employ around 60% of construction workers. More recent data for Portugal for 2000 (INE) show that within a general positive trend for the sector, medium-sized and small firms are growing both in number and relative occupational weight while larger companies have lost 4% of firms and nearly 11% of workers since 1997. These trends can be accounted for by a reorganisation strategy carried out in the sector through downsizing and externalising many non-essential productive functions in order to achieve a greater entrepreneurial competitiveness. The strategy is likely to have led to the subcontracting of the different stages of the execution of the building works to smaller firms, leaving to the main contractor or to the owner a function of general coordination (Baganha, Gois and Marques 2002).

A very similar pattern can be seen for Italy (Zamottelli and Bigliazzi 1999), even though data for recent years are not available⁴. In Italy as well, the fragmentation of the

¹ ISTAT, Istat Census on Industry and Services, 1997 for Italy, and INE, Anuario Estatístico de Portugal, 1998 for Portugal.
² For both Portugal and Italy, data provided for firms also take into account independent entrepreneurs.
³ It is worth noting that the late 1990s were very unusual years for the growth of the Portuguese construction sector: in 1995 the number of enterprises was less than the half of the number registered in 2000 and the volume of employment has grown by nearly 7% since then.
⁴ Data from ISTAT, Census on industry and services, 2001, provide only general details on economic activity that do not allow for analysis of the construction sector.
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As a whole, Italian construction firms have a lower average size (3 workers according to 1996 data) compared with Portuguese firms (5 workers according to 1997 data and 4.4 in 2000), suggesting that the impetus towards downsizing and subcontracting might be stronger in Italy than in Portugal.

The lower average size of Italian construction firms could partly account for the difference in the relative weight of self-employment in the sector, which, though a significant and distinctive feature in both countries, is exceptionally high in Italy. According to national data for 2002, in Italy self-employed workers in construction represent 38% of total employment in the sector. Their incidence has significantly increased in the last ten years (33.9% in 1993) and is much higher than the average rate of self-employment (some 27% of all people in employment).

In Portugal in 1997, self-employed construction workers made up 17% of employment in the sector (Moreno et al. 1999: 52), a figure substantially unchanged from the early 1990s, and lower than the average rate of self-employment (21% of all people in employment).

A third element that Italy and Portugal seem to share is the significant presence of undeclared labour in the construction sector. It is well known that Mediterranean countries show a higher propensity to irregular and informal work and different interrelated reasons encourage the phenomenon: the structure of employment (concentrated in very small firms, high proportion of self-employment, subcontracting), the tax and contribution wedge, the level of efficiency of state controls and the degree of social acceptance of economic informality (Reynier 2001: 22).

As far as the construction sector is concerned, it could be argued that the distinctive environment of building activities, together with the structural characteristics of the sector, facilitates abuse. A set of factors has then to be considered: the labour intensity of construction works, the mobile nature of construction sites, the high turnover of workers in construction building yards, the temporal link among different phases of the building project which often requires one phase to be carried out before the following one can start (and the consequential need for respect of deadlines that might require an 'unforeseen' labour force), the entrepreneurial fragmentation of the sector and the chain of subcontracting relations. Also, the incentive for both workers and employers to have recourse to irregular agreements to cut down labour costs for the latter and to obtain a higher net wage for the former should be taken into account in a sector characterised by insecure working conditions and relatively low unionisation rates. Of course, irregular employment is not always the outcome of collusive interests and often reflects imbalances of power between employer and employee, and this is especially true in the case of unauthorised foreign workers.

There are no data on irregular work but estimates are available. For Italy, for 1999 ISTAT estimates an irregularity rate of about 15%. Particularly relevant is the incidence of irregular workers among employees in the construction sector (22%).

For Portugal, research in the field strongly suggests that this sector is among those that present a higher than average rate of informal working both because of the growing use of subcontracting (Moreno 1991) and because of the sector’s traditional function of insertion for workers in situations of precariousness, newcomers to the labour market or as a complement to other activities (Baganha, Gons and Marques 2002).

The presence of immigrants in the sector

It is very difficult to determine how many foreigners are employed in the construction sector and it is even more difficult to evaluate the breakdown by regular and irregular workers because of the sector’s heterogeneity, the diversity of products and the conditions of production in the different segments of activity. Although both Italy and Portugal generally lack data on the numbers of immigrants working in the sector, various sources suggest that construction is a key sector for immigrants’ economic insertion.

For Italy, social security data for 2000 show about 20,000 non-EU workers in construction representing about 1% of registered non-EU wage earners, their number having doubled since 1991. As employment in the sector shows a certain degree of territorial concentration (46.8% of total employment is in northern regions) immigrant construction workers also tend to be concentrated in those areas where the sector is more dynamic and where there are labour shortages for construction workers: in 2000 almost two thirds of non-EU construction workers in Italy were employed by firms working in the northern regions.

7 As suggested by Reynier (2001), we will always refer to residence status as authorised versus unauthorised and to employment status as regular versus irregular. The crossover of the two dimensions establishes a typology that can account for different situations: foreigners holding a valid residence permit and working regularly, foreigners who hold no residence permit and work irregularly, foreigners holding a valid residence permit and working irregularly. This latter case is of particular interest in the Mediterranean countries like Italy and Portugal since many authorised immigrants continue to work in the irregular economy even though they are entitled to hold a registered job.

8 Ratio between the irregular people in employment and the total number of people in employment.

9 Data do not include housekeepers.

10 Some authors argue (Bollafazi and Chini 2001) that INPS data seriously underestimate the volume of immigrants with special reference to construction (and to the service sector).
It is difficult to map nationalities of foreign workers, as they appear differentiated and linked to national sub-areas: in the north-east there is an important presence of east European workers while in Lombardy there is a greater presence of North African workers.

Provisional data from the Italian Ministry of Labour (2002) suggest an increasing potential for immigrants’ insertion in construction in northern areas as some 27% of vacancies in the sector are forecast to be filled by recourse to foreign labour employed mainly in micro and small firms (70% of job openings addressed to non-EU workers in firms of up to 10 employees) in the north of the country (45% of job openings for non-EU workers). In the north-east, in particular, one third of vacancies in the sector will be filled by non-EU workers.

Although the regular employment of immigrants has grown significantly in recent years (partly as a result of regularisation schemes that took place in 1996 and 1999) immigrants’ involvement in undeclared work is still very high (Zincone 2001). Data from inspections carried out by the Ministry of Labour – though partial and biased – show that the proportion of irregular non-EU earners (about 38%) is more than twice that of domestic workers. It is worth noting that the pattern of immigrants’ irregular work is less and less linked to an unauthorised stay (no residence permit) but is more and more similar to that of Italian workers, though the existence of unauthorised immigrants is still very relevant. In particular in the richest and dynamic labour markets, the sphere of mutually accepted irregular employment is increasing (Reynri 2001).

Such trends are likely to involve the construction sector as well. Moreover, this sector seems to play an important role for the irregular economic insertion of immigrants. Regularisation data, showing which irregular jobs unauthorised migrants were holding, point to an increasing trend of insertion in the construction industry (Reynri 2001).

As in Italy, the construction and public works sector in Portugal has a very important relative weight in the structure of employment on the mainland (between 8% and 12% in the period under study), and has, for the last few years, sustained the level of the total employment in Portugal.

A considerable part of this employment is guaranteed by foreign workers. Analysis of the working integration of immigrants in Portugal, carried out at the end of the 1990s by a group of researchers coordinated by Baganho, Ferrião and Malheiro (1998, 1999) showed already that the construction and public works sector was the main force for integration of the immigrant labour force, that immigrants already made up a significant proportion of this sector, and that the relevance of this fact increased if we take into account the specific problem of informal work, not only because of the great number of foreigners involved in certain economic activities, but also because of the high level of vulnerability of this kind of work (1999: 147).

According to data from the Portuguese Foreigners and Borders Bureau (SEF), in 1998, 47.7% of the economically active foreigners living legally in Portugal were working in the construction or manufacturing sectors. Most of these immigrants came, until recently, from the African countries where Portuguese is the official language (especially Cape Verde).

Nowadays, there is also a notable presence of immigrants from Ukraine, Romania and Moldavia. The data from the last regularisation process, initiated with Law 4/2001, show that (until 31 December 2001) approximately 41% of the 114,526 immigrants who until then had been living in Portugal without authorisation were employed in the construction sector.

An important point that applies both to Italy and Portugal is that the (widespread) unauthorised presence of non-EU foreigners is a very important feature of the labour market dynamics of the construction sector. In fact, in both countries, non-EU foreigners represent a huge recruitment pool for construction companies, especially for subcontractors, who have no need to recruit directly from abroad. The abundant presence of (unauthorised) immigrants on the local markets can be explained by the notion of the domestic underground economy having pull effects on immigration (Reynri 2001), an underground economy in which the construction sector is deeply involved.

Nevertheless an important difference in the migratory dynamics of these two countries involves the construction sector. Italy is no longer exporting construction workers, with the exception of some national construction workers moving to border countries like Switzerland. Rather the country cannot rely on internal mobility to cope with territorial labour market mismatches (labour shortages in the northern regions and high levels of unemployment in the southern ones). The presence in the country of a pool of foreign labour therefore creates pressures on wage levels in the sector.

By contrast, Portugal is a country where migratory outflows are still relevant and whose construction workers are involved in a network of transnational subcontracting. Portuguese construction workers are often posted to Germany and the Netherlands by Portuguese construction firms since in these countries workers employed in a foreign firm can continue contributing to their national insurance system. In the case of Germany the high cost of labour can be cut down by exploiting the contribution wedge differential with countries where the wedge is lower, as Portugal. On the other hand, German wages are higher than Portuguese wages, so that wage differentials provide an incentive for workers’ mobility. Portuguese construction workers also move to non-EU countries, (e.g. Switzerland) both as seasonal and permanent workers.

11 The available statistics do not allow us to isolate workers in the construction sector from the workers in the industrial sector.

12 There are no reliable statistics on posted Portuguese workers in Germany or in the Netherlands although in the PEMINT research we found cases of Portuguese firms working as subcontracted firms in Holland and self-employed or posted workers in Germany.

13 In 2001, 700 Portuguese workers were working in the Swiss construction industry as seasonal workers and 12,000 as permanent workers.
Recent developments in national policies on immigration

National policies on immigration influence the position of immigrants in the labour market and the characteristics of their occupational position in the construction sector. Their degree of closeness has an impact on the level of unauthorised entries, especially in those countries like Italy and Portugal that have a pull effect on immigration thanks to their widespread irregular economy.

Italy and Portugal have a long history of emigration and a very short experience of immigration. A considerable part of the political framework relating to immigration has therefore had a passive and a rather unstable nature. Recently, however, both countries have developed a more active approach to immigration putting in force a legislative framework that, at least in theory, should permit the state better to plan and control the work, entry and residence of foreigners.

In this framework special quotas were established for construction workers signalling also from a political point of view how crucial the immigrant labour force is perceived to be for the sector, even though, according to the firms’ organisations, the quota far from satisfied occupational needs. It should be borne in mind that the Italian Law changed very recently in a more restrictive direction and some time will be needed to evaluate the effects of this.

Portugal adopted a similar strategy to deal with the changes in immigration flows recorded in recent years. Law 4/2001 of 10 January 2001 regularised the situation of immigrants living without authorisation in the country and, simultaneously, set an annual quota for future immigration established according to the needs of the labour market. The interpretation of this new legal framework by the different actors involved in the migration process profoundly transformed the Portuguese migratory environment (Bragança and Marques 2001: 87). It contributed not only to a quantitative rise in the foreign population, but also to a change in their socio-demographic characteristics the most visible sign of which was, as stated above, a sudden inflow of thousands of eastern Europeans mainly directed towards the so-called 3D jobs – dirty, dangerous, and demanding (Malheiros 2000: 210) – of the construction sector.

Recruitment strategies of construction firms addressed to foreign labour in Italy

From interviews carried out with Italian construction employers as part of the PEMINT project, it would appear that recruitment strategies addressed to foreign labour vary according to the size of firms (large companies, medium-sized enterprises and small firms, but also the relatively unstructured teams of artisans or pseudo artisans doing piecework that are quite characteristic of the Italian construction sector) and to their position in the subcontracting chain. It could be argued that as we follow the subcontracting chain the presence and recruitment of foreigners is likely to increase (up to teams of workers consisting only of foreigners) and change from occasional to structural.

This evidence is linked to the fact that immigrant workers in Italy are now exclusively recruited for insertion in low- and semi-skilled occupations (general labourers, bricklayers, carpenters, etc.) having a direct involvement with activities carried out on the construction sites with greater potential for irregular work.

It is useful to consider the set of strategies that emerged from the fieldwork before entering into details. Construction firms a) might directly recruit foreigners already present in the country or b) might recruit them from abroad. They c) might also have recourse to subcontractors who would be in charge of the recruitment and management of the labour force (subcontractors can in turn directly recruit or subcontract some parts of the work) or d) they might (at all levels of the chain) have recourse to intermediaries (temporary work agencies).

In large companies the direct recruitment of foreigners is rather exceptional since foreigners are basically absent in the employment structure and recruitment involves national semi- and highly skilled profiles (engineers, architects, geologists, yard surveyors, etc.). In this case, the prevailing strategy is that of subcontracting as much as possible in order to keep internalised only some ‘high-level’ activities (project elaboration, the coordination and the technical supervision of the project, the financial management of the work). In terms of human resources this means a strategy aimed at having the minimum number of (semi- and highly skilled) permanent employees as possible. Sectoral economic circumstances push firms to pursue a strategy of reduction of the permanent workforce: the volatility of demand (and strong sensitivity to economic cycles), the impossibility of accumulating stocks, the mobility of the productive unit, etc.

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14 For example, since 1980 Italy amended its legislation on immigration four times (Act 30.12.80, No 943; Act 28.2.90, No 39; Act 6.3.98, No 40; and Act 30.7.92, No 189), and Portugal amended its legislation five times (Law 37/81, Law 59/93 of 3 March, Law 244/98 of 8 August, Law 4/2001 of 10 January and Law 34/2003 of 25 February).

15 Only in two large companies that work at the international level and are involved in major building projects abroad could foreign skilled workers be found.
Immigrant workers have some presence in medium-sized subcontractors and a very significant presence in their smaller (and more specialised) subcontractors. The latter is the actual level where a structural presence of foreign workers can be found because they are directly recruited or because in some cases they build up teams of foreign workers by the same process of spin-off that characterise Italian workers in the sector.

The main point to emerge clearly from interviews is that these foreign workers were already on the national territory when they were employed and no active strategy of recruitment was carried out.

In the framework of such a general reactive mechanism - that is construction firms do not have to be active on the international labour market to recruit their labour force and immigrant workers themselves basically present themselves as candidates spontaneously on construction sites - some points should be stressed in order to explain - from a demand-side perspective - why the construction sector is a key sector for immigrants' economic insertion.

The recruitment of immigrants at the level of small and micro subcontractors guarantees the conditions that allow a widespread use of irregular work. At the level of large companies that are not directly involved with foreign labour, subcontracting is a general strategy used to reduce staff costs; at the level of medium-sized and small firms, subcontracting indirectly allows them to reduce labour costs since it is in the subcontracting chain that the largest space for irregular foreign workers opens up and there is a higher chance of avoiding payments of social contributions and collective agreements on the level of wages.

The labour cost argument has to be dealt with in the local and sectoral context of labour shortages. In fact, the recruitment of immigrants for the lowest occupational positions in the construction sector is a strategy that allows medium-sized and small firms to cope with labour shortages (especially in northern regions) thereby limiting pressures on wage levels. The abundant presence of foreigners on the local labour markets - attracted by the ease of their insertion in the informal economy - cases demand-side tensions. It is notable that increasing mobility from the southern regions of Italy where the labour market is characterised by very high unemployment rates does not seem to be an option because of the pressures on the level of wages that would be implied (insecure work conditions, low union pay, mobility costs, differentials in cost of living between northern and southern Italy result in a low propensity to move).

The aforementioned potential labour shortage of low- and semi-skilled construction workers, that offer foreigners an important means of entering the construction sector, is due to changes in the structure of the national labour supply (generally, an increased educational level and consequent changes in individual preferences about acceptable occupations). Interviewees complained that there is no availability on the (local) market of semi- and low-skilled construction jobs and that schools or training institutions do not prepare adequately new labour market entrants. The scarcity of domestic labour supply in the sector is generally explained by the fact that construction workers have to accept uncertain working conditions (working outdoors, hard labour, living in barracks on the construction site for some periods, etc.) which make these professions unappealing for new entrants on the labour market.

The predominant strategy of having recourse to Italian subcontractors employing (authorised and unauthorised) foreigners already present in the local labour market goes hand in hand with attempts by some foreign construction firms to enter the Italian market. This phenomenon concerns firms from eastern European countries (Slovakia, Hungary, Croatia, Bosnia, and, above all, Romania) that have organised teams of workers and labourers with specific skills. These firms work as subcontractors of Italian firms and send their workers to Italy (especially the north-eastern regions). These practices are described as being closely connected to irregular practices that range from east European firms that offer very advantageous conditions in the subcontracting agreements (savings on labour costs of up to 50% were reported) to phenomena such as criminal organisations and local mafias. The irregularity may also function the other way round: some interviewees described attempts by their subcontractors or partners to set up a 'ghost firm' with legal headquarters in an eastern European country with the single aim of importing foreign workers to Italy. The position of foreign workers on Italian territory was in this case not at all clear. The illegal nature of this emerging "transnational subcontracting" is due to the fact that, according to Italian legislation, foreign workers in the country should have the same wages and social contributions of national workers whether they work for a national firm or a foreign one. As a matter of fact, the legislative constraint can often be avoided, as far as foreigners are concerned, through irregular work and the payment of the minimum wage with no wage integration as occurs for domestic workers (the wage drift in the sector is important in northern regions).

As for recruitment practices, the main actors of immigrants' recruitment are medium-sized and small subcontractors at the level of construction sites where foreign construction workers present themselves spontaneously looking for a job or where they are introduced by (immigrant) workers they know, showing in this latter case the likely functioning of a migratory chain. In this perspective it is evident that informal channels of recruitment are the rule. In the recruitment of immigrant labour what do not seem to work are temporary work agencies. They are scarcely used (apart from administrative staff) even though they initially seemed to be a solution to labour shortages. Employers complain that agencies cannot solve the problem of labour shortages since they can only find those profiles that are already present on the market and that the agencies are too costly so that there is no incentive to make use of them.

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10 "Traditional channels - such as advertising, contacts with schools and training centres, etc. - do not seem to apply with the exception of the use of the Public Employment Services (especially in the north-eastern regions)."
Recruitment strategies of construction firms addressed to foreign labour in Portugal

The direct employment of foreigners by large companies in Portugal is rare and mainly related to skilled or managerial functions. This is the case in particular for multinational companies active on the Portuguese construction market which usually have a group of foreign senior staff members who may or may not have the same nationality of the capital. This does not mean, however, that foreign workers are totally absent from the activities of these companies. It means only that large construction companies do not hire foreign workers for their activities and that, therefore, the presence of immigrants at the construction sites managed by these companies is due to their recruitment either by the subcontractor working for the company, or by agencies for temporary work (labour rental agencies). Nevertheless, it should be stressed that the larger traditional firms do employ a certain number of foreigners, namely from the traditional countries of origin for immigration to Portugal (for instance, Cape-Verdeans), a tendency which is more prevalent in the metropolitan area of Lisbon.

Thus, with the above exception, when these firms are questioned as to whether they have foreign workers among their staff, most firms interviewed respond, in Portugal as in Italy, that they have many foreign workers at the construction sites, but that these are subcontracted or rented labour and that, therefore, they are not ‘their’ workers.

The fact that the overwhelming majority of the foreigners working in the construction and public works sector are non-skilled workers for the sector – even though sometimes they are highly skilled workers (for instance, eastern European immigrants working in construction frequently have a university degree or a higher professional education) – and are therefore incorporated in the lower end of the occupational ladder for which the firms rarely recruit, certainly helps to explain their small presence in large companies. In fact, a desire on the part of firms to develop a cheap fixed-cost structure leads them to avoid hiring low-skilled workers. On the other hand, the volatility of these workers who will move to another firm because of a small rise in their salary or the fact that they, in the case of eastern European immigrants, move from firm to firm in small groups, is also a factor that discourages their engagement by large or medium-sized companies.

The policy to reduce recruitment is, however, not limited to the aforementioned low-skilled professions. It is a general strategy of entrepreneurial development, which implies the restriction of the enterprise’s activity to its core business and the engagement of workers that are only strictly necessary for that activity. This reality is visible, for example, in the employment of architects, a function that has almost disappeared from the Portuguese construction and public works firms, which prefer to externalise the planning phase and its supervision on the construction site. In addition, qualified professions, such as, for example, those of bricklayers or carpenters, have witnessed a process of gradual externalisation through subcontractors or labour rental enterprises. In this case, the tendency is to buy the service instead of renting the workforce. Since this is a measurable type of productive work, the enterprises will pay, for instance, according to square metre of executed work. Currently, the recruitment of these types of workers for the large companies only takes place when the companies have to respond to exceptional situations related to the legal guarantee that the contractors must provide.

In short, from the interviews carried out we can conclude that, as expected, most of the foreign workers in Portugal in this sector do not belong to the staff of large or medium-sized construction companies, but work for small subcontractors, or temporary labour or labour rental enterprises. However, the latter are hired by the former, and that is the reason why, when they are asked whether they have foreigners among their staff, the enterprises usually answer that they do not or that they have very few.

As mentioned above, there is a greater propensity to use foreign labour at the construction sites than in the enterprises’ headquarters (and this mainly indirectly, through subcontractors). It is therefore necessary to describe not only the recruitment process of these foreigners, but also the effects of this strategy on the overall workforce in the sector.

First of all it is important to note that generally the recruitment of foreign labour by subcontractors is made in an informal way, that is, without using the more formal means of advertising vacancies (through the press, for instance), or the use of recruitment agencies. It can be claimed that since the national labour market has been abundantly supplied with foreign labour this is a reactive rather than active recruitment method because the employer does not look for the workers he wants to recruit, but accepts those that apply at the headquarters or at the construction site. This type of recruitment is, however, responsible for only a small part of the total employment of foreigners in the sector. The main agent in the recruitment of foreigners to work at the construction site is the subcontractor who either works directly for the general contractor or for another subcontractor. The hiring process followed by these subcontractors clearly indicates, as in the Italian case, the importance of informal channels that rely on social contacts, immigrant networks and chain migration.

The use of recruitment agencies in the Portuguese construction sector is not very common and virtually restricted to the recruitment of technicians or senior staff. Other types of agencies assume a more important role in supplying workers to the construction companies. One of these are the typical temporary work enterprises which mainly supply undifferentiated labour, unskilled workers or possibly some specific professionals who are needed by the enterprises for short periods of time (for instance, crane operators, ground preparation machine operators, etc.). Another type consists of labour rental enterprises. These enterprises supply all kinds of workers, who are paid by the hour or by the task. As these enterprises have their own characteristics and, in some cases, work exclusively for this sector, they are kept in the dark, that is, it was impossible to identify the name of these enterprises. A final type of agency consists of the ghost enterprises, that is, enterprises supplying labour that, in fact, do not have a franchise, that is, that are not authorised to exercise this activity but continue to do so. In this type of (false) agency we would include the notorious van contractor who collects the workers in the morning and deposits them at the construction sites of medium-sized or large enterprises.
It is important to mention that the recruitment of foreign workers by national construction firms occurs simultaneously with the ongoing outflow of Portuguese workers towards the construction sector of other European countries. In fact it is possible to observe a transfer of Portuguese nationals to the labour markets of Switzerland or Germany, and the Netherlands, directed to the same segments of the labour market for which construction firms recruit foreigners in Portugal. This mobility is stimulated by act wage differentials for the same segments of the labour market in different countries, like Germany and the Netherlands in comparison to Portugal, and takes place under different legal statuses: posted workers, seasonal workers, or permanent workers.

This convergence between the outflow of Portuguese workers and the inflow of foreign workers to work in the same sectors as Portuguese workers abroad is hard to explain. It seems to reflect a lack of adaptation of the national labour force to the Portuguese labour market, which at the same time attracts a foreign labour force (traditionally immigrants from the PALOP, the African countries whose official language is Portuguese and, more recently, from eastern Europe) and rejects or repudiates the national labour force. But this is actually a more complicated phenomenon where micro, meso and macro level factors are intertwined, suggesting that we are in a presence of a substitution process of national workers by immigrant workers (Baganha and Peixoto 1996: 238) due to several reasons: at individual level the higher wages in the foreign country; at meso level (corporations' level) the reduction in the cost of labour and at macro level the exploitation of different national frameworks on payment of social contributions.

The consequences of the dynamics taking place at these three levels are that in a first phase a false complementarity is taking place in the Portuguese labour market followed, in a second phase, by a substitution process. For instance, if we focus on the seasonal Portuguese workers who stay in Switzerland for between three and nine months a year we can see that this creates a conjunctural gap in the labour force that then has to be made up for by foreign workers. When the status of these seasonal Portuguese migrants in Switzerland changes into a more permanent one we could interpret the simultaneous in and out flows as a substitution process.

**Concluding remarks**

The description of the process of recruitment of immigrants in the Italian and Portuguese construction sector shows how the sector is a key sector for immigrants' economic insertion.

The two countries show a very similar structure of the sector — though undergoing two different conjunctural phases — characterised by an extremely fragmented productive asset where micro and small firms predominate both in terms of the number of enterprises and of sectoral weight. Together with significant destructuring, much of which took place in the 1980s as a result of downsizing and subcontracting policies, self-employment and irregular work play a central role in the dynamics of the sector and seem to be facilitated both by the structural fragmentation of the sector and by some unusual conditions of production.

It is with reference to irregular work that the sector becomes a crucial one for immigrants' economic insertion. The hypothesis that the widespread irregular economy works as a pull factor both in Italy and Portugal seems to apply. On the one hand the increasing number of regular immigrant workers in the sector does not imply a decreasing involvement of foreigners at the irregular level, on the other the frequent regularisation schemes that have taken place in both countries (along with frequent revision of national immigration laws) show that in the construction sector irregular employment has previously been widespread.

The economic insertion of immigrants by way of irregular insertion in the construction sector (that can later turn into a regular working position for those who are authorised or regularised but that can also remain irregular because of collusive interests, especially in the richest and more dynamic areas) finds support in the fieldwork from the PLEMINT project.

Both in Italy and Portugal immigrants are present only in small and medium-sized subcontractors where they work as semi- or low-skilled workers (bricklayers, carpenters, general labourers, etc.), in the general framework of the subcontracting by large and leading companies of as much building activity as they can, other than highly strategic activities. If then the (common) strategy of construction firms is to subcontract activities (and thus the recruitment of the labour force), the present means of recruiting (sub contractors) represents a predominantly reactive strategy. Thus the abundant availability of a foreign labour force on the national labour market — also as the result of the irregular economy working as a pull factor — does not lead firms to recruit actively from the international pool of labour. In addition, the reactive strategy allows firms not to recruit actively on the national market as well, since immigrant workers spontaneously present themselves as candidates on construction sites that then act as the main agents in the recruitment of foreigners. As a matter of fact, at this level fieldwork shows the almost exclusive role of informal recruitment practices.

Nevertheless, if in Italy subcontracting to national firms and teams of workers doing piece work seems to be the only distinctive strategy, in Portugal a more widespread recourse to intermediaries was found. Together with typical temporary work enterprises, labour rental enterprises supply all kinds of workers, who are paid by the hour or by the task.

Even though the predominance of subcontracting to national micro, small and medium-sized firms employing (regularly and irregularly) foreign workers who are already present in the country can be interpreted as a strategy to reduce labour costs, in the short-term perspective the potential labour shortage for semi- and low-skilled jobs should not be neglected. In this respect Italy and Portugal show quite different dynamics.

In fact, in both countries the foreign labour pool covers the potential excess of labour demand in the sector, but the labour shortage results from quite different phenomena. In Italy this sectoral mismatch cannot be managed through recourse to internal
mobility because people from the more depressed areas of the country have no incentive to move at the present level of wages in the sector, in Portugal the ongoing outflow of Portuguese workers towards the construction sector of other European countries that can exploit labour cost differentials using a strategy of transnational subcontracting, seems to set up a process of substitution between national and foreign construction workers.

References


Trade unionism and immigration: reinterpreting old and new dilemmas

Lorenzo Cachón* and Miguel S. Valle**

Summary

The social and economic changes that have taken place since the mid-1980s in Spain and other Southern European countries have posed the question of new countries of immigration. Trade unionism in these countries has led to face this new situation at a time of great changes in the world of employment and this has posed new challenges for union structures. This article reports on recent empirical research into Spanish trade unionists’ attitudes towards immigrant workers within this new context. A research method first used in other European countries is employed here to give a fresh perspective to dilemmas highlighted in previous studies and to suggest possible solutions.

Sommaire

Les mutations économiques et sociales qui se sont produites depuis le milieu des années 1980 en Espagne et dans d'autres pays d'Europe méridionale ont tout à la fois à leur émergence en tant que nouveaux pays d'immigration. Le syndicalisme dans ces pays a dû faire face à cette nouvelle situation à un moment où d'importantes changements se produisent dans le monde de l'emploi, ce qui a posé de nouveaux défis pour les structures syndicales. Cet article fait rapport sur une recherche empirique récente relative aux positions des syndicats espagnols face aux travailleurs immigres dans ce nouveau contexte. Une méthode de recherche déjà utilisée dans d'autres pays européens est employée ici pour éclairer sous un angle nouveau des dilemmes déjà mis en évidence dans des études précédentes et suggérer des solutions possibles.

Zusammenfassung


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Ivana Fellini, Pedro Góis and José Carlos Marques: The process of recruitment of immigrants in the construction sector. The cases of Italy and Portugal

Lorenzo Cachón and Miguel S. Valles: Trade unionism and immigration: reinterpreting old and new dilemmas

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The process of recruitment of immigrants in the construction sector. 
The cases of Italy and Portugal

By Ivana Fellini*, Pedro Góis** and José Carlos Marques***

Summary

This article deals with the recruitment and employment of foreign workers in the Italian and Portuguese construction sectors. The two countries show a very similar structure and organization of the sector. Nevertheless, Italy only 'imports' immigrants for the sector whereas Portugal both imports foreign labour and exports construction workers on the European market. On the basis of a comparative analysis of the occupational structure of foreign workers and of interviews with construction employers in the two countries this article examines such differences and discusses how (also with reference to irregular work and the underground economy) and why the construction sector represents a key sector for the economic insertion and adaptation of immigrants in the Mediterranean area. Skills shortages and labour cost issues are highlighted as factors affecting recruitment of foreigners in a sector characterised by a very high level of deregulation and informality, and in which processes of downsizing on the one hand and externalisation on the other have had an important outcome: the nearly exclusive role of subcontracting in the recruitment of semi- and low-skilled workers.

Introduction

The presence of immigrants in the construction sector in various countries throughout the world is so broadly recognised by studies on the economic incorporation of immigrants that some authors consider that the construction sector "represents the quint-essential ethnic niche" (Waldinger 1995: 577). The explanations for the attractiveness of the construction sector normally make reference to the characteristics of the immigrants, to their networks, to the characteristics of the sector, or to a combination of these factors. Less attention has been devoted to the direct or indirect process of recruitment of immigrants into this sector. Migration is no longer driven by the needs of the labour market as a whole but by the needs of specific sectors and occupations in the framework of a segmented labour market.

This article compares the process of recruitment of immigrants in the Italian and Portuguese construction sectors in order to show how the sector is key one for immigrants' economic insertion and adaptation. In these two countries the construction sector is very different from other sectors, not only in terms of productivity, but also in terms of the structure of the labour market. It represents a process adding significant value, it leads to the appearance of positive externalities in other activities and generates significant multiplying economic and social effects upstream and downstream. In both countries, this sector is labour-intensive with a significant proportion of undifferentiated, undeclared and lowly qualified workers, and is a sector where immigrants have had a critical impact on recent labour market history. Furthermore, this is a sector where
undeclared labour represents an undefined but surely significant proportion of the working population in the sector. In this article, we demonstrate the similarities between Portugal and Italy in terms of immigrants’ insertion in the labour market and we present evidence related to the strategies of recruitment of the labour force in the two countries. Noteworthy is the fact that Italy is now exclusively an importer of construction workers whereas Portugal is both an importer and exporter of construction labour.

The material and preliminary results presented in this article are drawn from the research project ‘The Political Economy of Migration in an Integrating Europe’ (PE-MIN1), supported by the Fifth Framework Research Programme of the EU and involving eight research teams in six different countries. The main aim of the project, which runs from 2001 to 2004, is to understand how the ways national and multinational firms recruit labour lead to different outcomes in terms of labour mobility and international migration under the impact of different forms of welfare provision, fiscal systems and regulatory frameworks. This research is based on a literature review, data analysis and interviews with construction firms conducted in the last 18 months.

The article is organised as follows: the first section sets out the framework constraining the recruitment strategies of the construction firms. Following a description of the structural characteristics and recent trends in the sector, we analyse the presence of immigrants in the sector and the recent development of national policies on immigration. We then describe the recruitment strategies concerning immigrants that are followed, respectively, by Italian and Portuguese construction firms. Finally, the results are summarised.

Construction as a crucial sector for immigrants’ economic insertion in Italy and Portugal

Construction firms’ behaviour should be considered in the framework of external constraints on the recruitment and employment of foreign workers:

- the economic structure of the sector, such as the size of the firms, the role of self-employment and the incidence of irregular work;
- labour market conditions such as the presence/absence of labour shortages, the availability of a more or less large pool of foreign workers already present in the country, the ‘ethnic’ characterisation of the labour force, etc;
- the legislative and regulatory framework also in terms of sector-specific regulation (such as the presence/absence of different rules for enrolling foreigners, the differences between the contribution schemes applying to foreign and domestic workers, but also, in general terms, the role of trade unions in the sector, the presence/absence of a skills certification system, immigration legislation, etc.).

In this article we will consider the factors that seem to be the most relevant in affecting recruitment strategies concerning foreign construction workers in Italy and Portugal.

Structural characteristics: and recent trends

The structure of the construction sector in Portugal and Italy is quite similar, although the Italian construction sector has recovered following the serious crisis in the middle of the 1990s — caused by the problems of corruption that emerged with ‘tangentopoli’ that blocked investments in construction — while Portugal is experiencing a conjunctural slowdown after the intensive growth sustained by EU structural funds and state financing associated with a consistent growth of private investment in public works.

In general terms, the construction industry in both countries presents a quite fragmented productive asset based on a very limited number of large companies and a myriad of medium-sized and small firms, on a significant presence of self-employed, on an intensive use of subcontracting relating micro, small and medium-sized firms to larger ones, and on an intensive recourse to irregular work.

According to national data, in 1996 Italy registered about 440,000 construction firms, 99.6% of which had fewer than 20 employees and employed about 80% of construction workers. Construction firms employing more than 100 employees account for only 0.1% of the firms and 7% of the workforce.

Portuguese data show a very similar structure: in 1997 there were nearly 64,000 construction firms in Portugal, with larger companies (more than 100 employees) representing about 0.3% of the total and employing around 20% of the workforce in the sector. At the opposite side of the spectrum, firms with fewer than 20 employees represent 97% of Portuguese construction firms and employ around 60% of construction workers. More recent data for Portugal for 2000 (INE) show that within a general positive trend for the sector, medium-sized and small firms are growing both in number and relative occupational weight while larger companies have lost 4% of their workforce since 1997. These trends can be accounted for by a reorganisation strategy carried out in the sector through downsizing and externalising many non-essential productive functions in order to achieve a greater entrepreneurial competitiveness. The strategy is likely to have led to the subcontracting of the different stages of the execution of the building works to smaller firms, leaving to the main contractor or to the owner a function of general coordination (Baganha, Gois and Marques 2002).

A very similar pattern can be seen for Italy (Zanottielli and Bigliazzi 1999), even though data for recent years are not available. In Italy as well, the fragmentation of the...
productive asset can be considered a traditional feature of the construction sector, and downsizing and subcontracting policies explain many of the changes that took place in the 1990s: from 1991 to 1997 large companies lost 27% of their workforce and microfirms of up to 5 employees increased their workforce by 20%.

As a whole, Italian construction firms have a lower average size (3 workers according to 1996 data) compared with Portuguese firms (5 workers according to 1997 data and 4.4 in 2000) suggesting that the impetus towards downsizing and subcontracting might be stronger in Italy than in Portugal.

The lower average size of Italian construction firms could partly account for the difference in the relative weight of self-employment in the sector, which, though a significant and distinctive feature in both countries, is exceptionally high in Italy. According to national data for 2002, in Italy self-employed workers in construction represent 38% of total employment in the sector. Their incidence has significantly increased in the last ten years (33% in 1993) and is much higher than the average rate of self-employment (some 27% of all people in employment).

In Portugal in 1997, self-employed construction workers made up 17% of employment in the sector (Moreno et al. 1999: 52), a figure substantially unchanged from the early 1990s, and lower than the average rate of self-employment (21% of all people in employment).

A third element that Italy and Portugal seem to share is the significant presence of undeclared labour in the construction sector. It is well known that Mediterranean countries show a higher propensity to irregular and informal work and different interrelated reasons concur to explain this phenomenon: the structure of employment (concentrated in very small firms, high proportion of self-employment, subcontracting), the tax and contribution wedge, the level of efficiency of state controls and the degree of social acceptance of economic informality (Reyneri 2001: 22).

As far as the construction sector is concerned, it could be argued that the distinctive environment of building activities, together with the structural characteristics of the sector, facilitates abuse. A set of factors has then to be considered: the labour intensity of construction works, the mobile nature of construction sites, the high turnover of workers in construction building yards, the temporal link among different phases of the building project which often requires one phase to be carried out before the following one can start (and the consequent need for respect of deadlines that might require an "unforeseen" labour force), the entrepreneurial fragmentation of the sector and the chain of subcontracting relations. Also, the incentive for both workers and employers to have recourse to irregular agreements to cut down labour costs for the latter and to obtain a higher net wage for the former should be taken into account in a sector characterised by insecure working conditions and relatively low unionisation rates. Of course, irregular employment is not always the outcome of collusive interests and often reflects imbalances of power between employer and employee, and this is especially true in the case of unauthorised foreign workers.

There are no data on irregular work but estimates are available. For Italy, for 1999 ISTAT estimates an irregularity rate of about 15%. Particularly relevant is the incidence of irregular workers among employees in the construction sector (22%).

For Portugal, research in the field strongly suggests that this sector is among those that present a higher than average rate of informal working both because of the growing use of subcontracting (Moreno 1999) and because of the sector's traditional function of insertion for workers in situations of precariousness, newcomers to the labour market or as a complement to other activities (Baganha, Gois and Marques 2002).

The (regular and irregular) presence of immigrants in the sector

It is very difficult to determine how many foreigners are employed in the construction sector and it is even more difficult to evaluate the breakdown by regular and irregular workers because of the sector's heterogeneity, the diversity of products and the conditions of production in the different segments of activity. Although both Italy and Portugal generally lack data on the numbers of immigrants working in the sector, various sources suggest that construction is a key sector for immigrants' economic insertion.

For Italy, social security data for 2000 show about 26,000 non-EU workers in construction representing about 13% of registered non-EU wage earners, their number having doubled since 1991. As employment in the sector shows a certain degree of territorial concentration (46.8% of total employment is in northern regions) immigrant construction workers also tend to be concentrated in those areas where the sector is more dynamic and where there are labour shortages for construction workers: in 2000 almost two thirds of non-EU construction workers in Italy were employed by firms working in the northern regions.

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7 As suggested by Reyneri (2001), we will always refer to residence status as authorised versus unauthorised and to employment status as regular versus irregular. The crossover of the two dimensions establishes a typology that can account for different situations: foreigners holding a valid residence permit and working regularly, foreigners who hold no residence permit and work irregularly, foreigners holding a valid residence permit and working irregularly. This latter case is of particular interest in the Mediterranean countries like Italy and Portugal since many authorised immigrants continue to work in the irregular economy even though they are entitled to hold a registered job.

8 Ratio between the irregular people in employment and the total number of people in employment.

9 Data do not include housekeepers.

10 Some authors argue (Bonifazi and Chiri 2001) that INPS data seriously underestimate the volume of immigrants with special reference to construction (and to the service sector).
It is difficult to map nationalities of foreign workers as they appear differentiated and linked to national sub-areas: in the north-east there is an important presence of East European workers while in Lombardy there is a greater presence of North African workers.

Provisional data from the Italian Ministry of Labour (2002) suggest an increasing potential for immigrants' insertion in construction in northern areas as some 27% of vacancies in the sector are forecast to be filled by recourse to foreign labour employed mainly in micro and small firms (70% of job openings addressed to non-EU workers in firms of up to 10 employees) in the north of the country (45% of job openings for non-EU workers). In the north-east, in particular, one third of vacancies in the sector will be filled by non-EU workers.

Although the regular employment of immigrants has grown significantly in recent years (partly as a result of regularisation schemes that took place in 1996 and 1999) immigrants' involvement in undeclared work is still very high (Zincone 2001). Data from inspections carried out by the Ministry of Labour - though partial and biased - show that the proportion of irregular non-EU earners (about 38%) is more than twice that of domestic workers. It is worth noting that the pattern of immigrants' irregular work is less discriminated and is still very prevalent. In particular in the richest and dynamic labour markets, the sphere of mutually accepted irregular employment is increasing (Reyneri 2001).

Such trends are likely to involve the construction sector as well. Moreover, this sector seems to play an important role for the irregular economic insertion of immigrants. Regularisation data, showing which irregular jobs unauthorised migrants were holding, point to an increasing trend of insertion in the construction industry (Reyneri 2001).

As in Italy, the construction and public works sector in Portugal has a very important relative weight in the structure of employment on the mainland (between 8% and 12% in the period under study), and has, for the last few years, sustained the level of the total employment in Portugal.

A considerable part of this employment is guaranteed by foreign workers. Analysis of the working integration of immigrants in Portugal, carried out at the end of the 1990s by a group of researchers coordinated by Baganha, Ferriço and Malheiros (1998, 1999) showed already that the construction and public works sector was the main force for integration of the immigrant labour force, that immigrants already made up a significant proportion of this sector, and that the relevance of this fact increased if we take into account the specific problem of informal work, not only because of the great number of foreigners involved in certain economic activities, but also because of the high level of vulnerability of this kind of work (1999: 147).

According to data from the Portuguese Foreigners and Borders Bureau (SEF), in 1998, 47.7% of the economically active foreigners living legally in Portugal were working in the construction or manufacturing sectors. Most of these immigrants came, until recently, from the African countries where Portuguese is the official language (especially Cape Verde).

Nowadays, there is also a notable presence of immigrants from Ukraine, Romania and Moldavia. The data from the last regularisation process, initiated with Law 4/2001, show that (until 31 December 2001) approximately 41% of the 141,636 immigrants who until then had been living in Portugal without authorisation were employed in the construction sector.

An important point that applies both to Italy and Portugal is that the (widespread) unauthorised presence of non-EU foreigners is a very important feature of the labour market dynamics of the construction sector. In fact, in both countries, non-EU foreigners represent a huge recruitment pool for construction companies, especially for subcontractors, that have no need to recruit directly from abroad. The abundant presence of (unauthorised) immigrants on the local markets can be explained by the notion of the domestic underground economy having pull effects on immigration (Reyneri 2001), an underground economy in which the construction sector is deeply involved.

Nevertheless an important difference in the migratory dynamics of these two countries involves the construction sector. Italy is no longer exporting construction workers, with the exception of some national construction workers moving to border countries like Switzerland. Rather the country cannot rely on internal mobility to cope with territorial labour market mismatches (labour shortages in the northern regions and high levels of unemployment in the southern ones). The presence in the country of a pool of foreign labour therefore causes pressures on wage levels in the sector.

By contrast, Portugal is a country where migratory outflows are still relevant and whose construction workers are involved in a network of transnational subcontracting. Portuguese construction workers are often posted to Germany and the Netherlands by Portuguese construction firms since in these countries workers employed in a foreign firm can continue contributing to their national insurance system. In the case of Germany the high cost of labour can be cut down by exploiting the contribution wedge differential with countries where the wedge is lower, as Portugal. On the other hand, German wages are higher than Portuguese wages, so that wage differentials provide an incentive for workers' mobility. Portuguese construction workers also move to non-EU countries, (e.g. Switzerland) both as seasonal and permanent workers.

11 The available statistics do not allow us to isolate workers in the construction sector from the workers in the industrial sector.
12 There are no reliable statistics on posted Portuguese workers in Germany or in the Netherlands although in the PEMINT research we found cases of Portuguese firms working as subcontracted firms in Holland and self-employed or posted workers in Germany.
13 In 2001, 7,000 Portuguese workers were working in the Swiss construction industry as seasonal workers and 12,900 as permanent workers.
Recent developments in national policies on immigration

National policies on immigration influence the position of immigrants in the labour market and the characteristics of their occupational position in the construction sector. Their degree of closeness has an impact on the level of unauthorised entries, especially in those countries like Italy and Portugal that have a pull effect on immigration thanks to their widespread irregular economy.

Italy and Portugal have a long history of emigration and a very short experience of immigration. A considerable part of the political framework relating to immigration has therefore had a passive and a rather unstable nature. Recently, however, both countries have developed a more active approach to immigration putting in force a legislative framework that, at least in theory, should permit the state to better plan and control the work, entry and residence of foreigners.

In Italy this was accomplished, for example, by Act No 40 of 6 March 1998 and by the fourth regularisation process which resulted from it. This Act clearly defined the number of permits to be issued as part of a national plan to control the total number of people entering the country (Strazza and Venturini 2002: 269). According to the Act, the quota of foreigners allowed to enter the country (...) will be established annually, by 30 November of the year prior to the year to which the Decree relates, on the basis of the general criteria set out in the planning document' issued by the Prime Minister.

In this framework special quotas were established for construction workers signalling also from a political point of view how crucial the immigrant labour force is perceived to be for the sector, even though, according to the firms' organisations, the quota far from satisfied occupational needs. It should be borne in mind that the Italian Law changed very recently in a more restrictive direction and some time will be needed to evaluate the effects of this.

Portugal adopted a similar strategy to deal with the changes in immigration flows recorded in recent years. Law 4/2001 of 10 January 2001 regularised the situation of immigrants living without authorisation in the country and, simultaneously, set an annual quota for future immigration established according to the needs of the labour market. The interpretation of this new legal framework by the different actors involved in the migration process profoundly transformed the Portuguese migratory environment (Buganha and Marques 2001: 87). It contributed not only to a quantitative rise in the foreign population, but also to a change in their socio-demographic characteristics the most visible sign of which was, as stated above, a sudden inflow of thousands of eastern Europeans mainly directed towards the so-called 3D jobs - dirty, dangerous, and demanding (Mallaciros 2000: 210) - of the construction sector.

Recruitment strategies of construction firms addressed to foreign labour in Italy

From interviews carried out with Italian construction employers as part of the PEMINT project, it would appear that recruitment strategies addressed to foreign labour vary according to the size of firms (large companies, medium-sized enterprises and small firms, but also the relatively unstructured teams of artisans or pseudo artisans doing piecework that are quite characteristic of the Italian construction sector) and to their position in the subcontracting chain. It could be argued that as we follow the subcontracting chain the presence and recruitment of foreigners is likely to increase (up to teams of workers consisting only of foreigners) and change from occasional to structural.

This evidence is linked to the fact that immigrant workers in Italy are now exclusively recruited for insertion in low- and semi-skilled occupations (general labourers, bricklayers, carpenters, etc.) having a direct involvement with activities carried out on the construction sites with greater potential for irregular work.

It is useful to consider the set of strategies that emerged from the fieldwork before entering into details. Construction firms a) might directly recruit foreigners already present in the country or b) might recruit them from abroad. They c) might also have recourse to subcontractors who would be in charge of the recruitment and management of the labour force (subcontractors can in turn directly recruit or subcontract some parts of the work) or d) they might (at all levels of the chain) have recourse to intermediaries (temporary work agencies).

In large companies the direct recruitment of foreigners is rather exceptional since foreigners are basically absent in the employment structure and recruitment involves national semi- and highly skilled profiles (engineers, architects, geologist, yard surveyors, etc.)15. In this case, the prevailing strategy is that of subcontracting as much as building activity as possible in order to keep internalised only some 'high-level' activities (project elaboration, the coordination and the technical supervision of the project, the financial management of the work). In terms of human resources this means a strategy aimed at having the minimum number of (semi- and highly skilled) permanent employees as possible. Sectoral economic circumstances push firms to pursue a strategy of reduction of the permanent workforce: the volatility of demand (and strong sensitivity to economic cycles), the impossibility of accumulating stocks, the mobility of the productive unit, etc.

14 For example, since 1980 Italy amended its legislation on immigration four times (Act 30.12.86, No 943; Act 28.2.90, No 39; Act 6.3.98, No 40; and Act 30.7.02, No 189), and Portugal amended its legislation five times (Law 37/81, Law 5993 of 3 March, Law 244/98 of 8 August, Law 4/2001 of 10 January and Law 34/2003 of 25 February).

15 Only in two large companies that work at the international level and are involved in major building projects abroad could foreign skilled workers be found.
Immigrant workers have some presence in medium-sized subcontractors and a very significant presence in their smaller (and more specialised) subcontractors. The latter is the actual level where a structural presence of foreign workers can be found because they are directly recruited or because in some cases they build up teams of foreign workers by the same process of spin-off that characterise Italian workers in the sector.

The main point to emerge clearly from interviews is that these foreign workers were already on the national territory when they were employed and no active strategy of recruitment was carried out.

In the framework of such a general reactive mechanism – that is construction firms do not have to be active on the international labour market to recruit their labour force and immigrant workers themselves basically present themselves as candidates spontaneously on construction sites – some points should be stressed in order to explain – from a demand-side perspective – why the construction sector is a key sector for immigrants' economic insertion.

The recruitment of immigrants at the level of small and micro subcontractors guarantees the conditions that allow a widespread use of irregular work. At the level of large companies that are not directly involved with foreign labour, subcontracting is a general strategy used to reduce staff costs; at the level of medium-sized and small firms, subcontracting indirectly allows them to reduce labour costs since it is in the subcontracting chain that the largest space for irregular foreign workers opens up and there is a higher chance of avoiding payments of social contributions and collective agreements on the level of wages.

The labour cost argument has to be dealt with in the local and sectoral context of labour shortages. In fact, the recruitment of immigrants for the lowest occupational positions in the construction sector is a strategy that allows medium-sized and small firms to cope with labour shortages (especially in northern regions) thereby limiting pressures on wage levels. The abundant presence of foreigners on the local labour markets – attracted by the ease of their insertion in the informal economy – ease demand-side tensions. It is notable that increasing mobility from the southern regions of Italy where the labour market is characterised by very high unemployment rates does not seem to be an option because of the pressures on the level of wages that would be implied ( insecure work conditions, low union pay, mobility costs, differentials in cost of living between northern and southern Italy result in a low propensity to move).

The aforementioned potential labour shortage of low- and semi-skilled construction workers, that offer foreigners an important means of entering the construction sector, is due to changes in the structure of the national labour supply (generally, an increased educational level and consequent changes in individual preferences about acceptable occupations). Interviewees complained that there is no availability on the (local) market of semi- and low-skilled construction jobs and that schools or training institutions do not prepare adequately new labour market entrants. The scarcity of domestic labour supply in the sector is generally explained by the fact that construction workers have to accept uncertain working conditions (working outdoors, hard labour, living in barracks on the construction site for some periods, etc.) which make these professions unappealing for new entrants on the labour market.

The predominant strategy of having recourse to Italian subcontractors employing (authorised and unauthorised) foreigners already present in the local labour market goes hand in hand with attempts by some foreign construction firms to enter the Italian market. This phenomenon concerns firms from east European countries (Slovakia, Hungary, Croatia, Bosnia, and, above all, Romania) that have organised teams of workers and labourers with specific skills. These firms work as subcontractors of Italian firms and send their workers to Italy (especially in the north-eastern regions). These practices are described as being closely connected to irregular practices that range from east European firms that offer very advantageous conditions in the subcontracting agreements (savings on labour costs of up to 50% were reported) to phenomena such as criminal organisations and local mafias. The irregularity may also function the other way round: some interviewees described attempts by their subcontractors or partners to set up a 'ghost firm' with legal headquarters in an east European country with the single aim of importing foreign workers to Italy. The position of foreign workers on Italian territory was in this case not at all clear. The illegal nature of this emerging "transnational subcontracting" is due to the fact that, according to Italian legislation, foreign workers in the country should have the same wages and social contributions of national workers whether they work for a national firm or a foreign one. As a matter of fact, the legislative constraint can often be avoided, as far as foreigners are concerned, through irregular work and the payment of the minimum wage with no wage integration as occurs for domestic workers (the wage drift in the sector is important in northern regions).

As for recruitment practices, the main actors of immigrants' recruitment are medium-sized and small subcontractors at the level of construction sites where foreign construction workers present themselves spontaneously looking for a job or where they are introduced by (immigrant) workers they know, showing in this latter case the likely functioning of a migratory chain. In this perspective it is evident that informal channels of recruitment are the rule16.

In the recruitment of immigrant labour what do not seem to work are temporary work agencies. They are scarcely used (apart from administrative staff) even though they initially seemed to be a solution to labour shortages. Employers complain that agencies cannot solve the problem of labour shortages since they can only find those profiles that are already present on the market and that the agencies are too costly so that there is no incentive to make use of them.

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16 Traditional channels such as advertising, contacts with schools and training centres, etc. – do not seem to apply with the exception of the use of the Public Employment Services (especially in the north-eastern regions).
Recruitment strategies of construction firms addressed to foreign labour in Portugal

The direct employment of foreigners by large companies in Portugal is rare and mainly related to skilled or managerial functions. This is the case in particular for multinational companies active on the Portuguese construction market which usually have a group of foreign senior staff members who may or may not have the same nationality of the capital. This does not mean, however, that foreign workers are totally absent from the activities of these companies. It means only that large construction companies do not hire foreign workers for their activities and that, therefore, the presence of immigrants at the construction sites managed by these companies is due to their recruitment either by the subcontractor working for the company, or by agencies for temporary work (labour rental agencies). Nevertheless, it should be stressed that the larger traditional firms do employ a certain number of foreigners, namely from the traditional countries of origin for immigration to Portugal (for instance, Cape-Verdeans), a tendency which is more prevalent in the metropolitan area of Lisbon.

Thus, with the above exception, when these firms are questioned as to whether they have foreign workers among their staff, most firms interviewed respond, in Portugal as in Italy, that they have many foreign workers at the construction sites, but that these are subcontracted or rented labour and that, therefore, they are not ‘their’ workers.

The fact that the overwhelming majority of the foreigners working in the construction and public works sector are non-skilled workers for the sector – even though sometimes they are highly skilled workers (for instance, eastern European immigrants working in construction frequently have a university degree or a higher professional education) – and are therefore incorporated in the lower end of the occupational ladder for which the firms rarely recruit, certainly helps to explain their small presence in large companies. In fact, a desire on the part of firms to develop a cheap fixed-cost structure leads them to avoid hiring low-skilled workers. On the other hand, the volatility of these workers who will move to another firm because of a small rise in their salary or the fact that they, in the case of eastern European immigrants, move from firm to firm in small groups, is also a factor that discourages their engagement by large or medium-sized companies.

The policy to reduce recruitment is, however, not limited to the aforementioned low-skilled professions. It is a general strategy of entrepreneurial development, which implies the restriction of the enterprise’s activity to its core business and the engagement of workers that are only strictly necessary for that activity. This reality is visible, for example, in the employment of architects, a function that has almost disappeared from the Portuguese construction and public works firms, which prefer to externalise the planning phase and its supervision on the construction site. In addition, qualified professions, such as, for example, those of bricklayers or carpenters, have witnessed a process of gradual externalisation through subcontractors or labour rental enterprises. In this case, the tendency is to buy the service instead of renting the workforce. Since this is a measurable type of productive work, the enterprises will pay, for instance, according to square metre of executed work. Currently, the recruitment of these types of workers for the large companies only takes place when the companies have to respond to exceptional situations related to the legal guarantee that the contractors must provide.

In short, from the interviews carried out we can conclude that, as expected, most of the foreign workers in Portugal in this sector do not belong to the staff of large or medium-sized construction companies, but work for small subcontractors, or temporary labour or labour rental enterprises. However, the latter are hired by the former, and that is the reason why, when they are asked whether they have foreigners among their staff, the enterprises usually answer that they do not or that they have very few.

As mentioned above, there is a greater propensity to use foreign labour at the construction sites than in the enterprises’ headquarters (and this mainly indirectly, through subcontractors). It is therefore necessary to describe not only the recruitment process of these foreigners, but also the effects of this strategy on the overall workforce in the sector.

First of all it is important to note that generally the recruitment of foreign labour by subcontractors is made in an informal way, that is, without using the more formal means of advertising vacancies (through the press, for instance), or the use of recruitment agencies. It can be claimed that since the national labour market has been abundantly supplied with foreign labour this is a reactive rather than active recruitment method because the employer does not look for the workers he wants to recruit, but accepts those that apply at the headquarters or at the construction site. This type of recruitment is, however, responsible for only a small part of the total employment of foreigners in the sector. The main agent in the recruitment of foreigners to work at the construction site is the subcontractor who either works directly for the general contractor or for another subcontractor. The hiring process followed by these subcontractors clearly indicates, as in the Italian case, the importance of informal channels that rely on social contacts, immigrant networks and chain migration.

The use of recruitment agencies in the Portuguese construction sector is not very common and virtually restricted to the recruitment of technicians or senior staff. Other types of agencies assume a more important role in supplying workers to the construction companies. One of these are the typical temporary work enterprises which mainly supply undifferentiated labour, unskilled workers or possibly some specific professionals who are needed by the enterprises for short periods of time (for instance, crane operators, ground preparation machine operators, etc.). Another type consists of labour rental enterprises. These enterprises supply all kinds of workers, who are paid by the hour or by the task. As these enterprises have their own characteristics and, in some cases, work exclusively for this sector, they are kept in the dark, that is, it was impossible to identify the name of these enterprises. A final type of agency consists of the ghost enterprises, that is, enterprises supplying labour that, in fact, do not have a franchise, that is, that are not authorised to exercise this activity but continue to do so. In this type of (false) agency we would include the notorious van contractor who collects the workers in the morning and deposits them at the construction sites of medium-sized or large enterprises.
It is important to mention that the recruitment of foreign workers by national construction firms occurs simultaneously with the ongoing outflow of Portuguese workers towards the construction sector of other European countries. In fact, it is possible to observe a transfer of Portuguese nationals to the labour markets of Switzerland or Germany, and the Netherlands, directed to the same segments of the labour market for which construction firms recruit foreigners in Portugal. This mobility is stimulated by net wage differentials for the same segments of the labour market in different countries, like Germany and the Netherlands in comparison to Portugal, and takes place under different legal statuses: posted workers, seasonal workers, or permanent workers.

This convergence between the outflow of Portuguese workers and the inflow of foreign workers to work in the same sectors as Portuguese workers abroad is hard to explain. It seems to reflect a lack of adaptation of the national labour force to the Portuguese labour market, which at the same time attracts a foreign labour force (traditionally immigrants from the PALOP, the African countries whose official language is Portuguese and, more recently, from eastern Europe) and rejects or repudiates the national labour force. But this is actually a more complicated phenomenon where micro, meso and macro level factors are intertwined, suggesting that we are in a presence of a substitution process of national workers by immigrant workers (Bagnall and Pecheto 1996: 238) due to several reasons: at individual level the higher wages in the foreign country; at meso level (corporations’ level) the reduction in the cost of labour and at macro level the exploitation of different national frameworks on payment of social contributions.

The consequences of the dynamics taking place at these three levels are that in a first phase a false complementarity is taking place in the Portuguese labour market followed, in a second phase, by a substitution process. For instance, if we focus on the seasonal Portuguese workers who stay in Switzerland for between three and nine months a year, we can see that this creates a conjunctural gap in the labour force that then has to be made up for by foreign workers. When the status of these seasonal Portuguese migrants in Switzerland changes into a more permanent one we could interpret the simultaneous in and out flows as a substitution process.

**Concluding remarks**

The description of the process of recruitment of immigrants in the Italian and Portuguese construction sector shows how the sector is a key sector for immigrants’ economic insertion.

The two countries show a very similar structure of the sector – though undergoing two different conjunctural phases – characterised by an extremely fragmented productive asset where micro and small firms predominate both in terms of the number of enterprises and of sectoral weight. Together with significant restructuring, much of which took place in the 1990s as a result of downsizing and subcontracting policies, self-employment and irregular work play a central role in the dynamics of the sector and seem to be facilitated both by the structural fragmentation of the sector and by some unusual conditions of production.

It is with reference to irregular work that the sector becomes a crucial one for immigrants’ economic insertion. The hypothesis that the widespread irregular economy works as a pull factor both in Italy and Portugal seems to apply: on the one hand the increasing number of regular immigrant workers in the sector does not imply a decreasing involvement of foreigners at the irregular level, on the other the frequent regularisation schemes that have taken place in both countries (along with frequent revision of national immigration laws) show that in the construction sector irregular employment has previously been widespread.

The economic insertion of immigrants by way of irregular insertion in the construction sector (that can later turn into a regular working position for those who are authorised or regularised but that can also remain irregular because of collusive interests, especially in the richest and more dynamic areas) finds support in the fieldwork from the PEMINT project.

Both in Italy and Portugal immigrants are present only in small and medium-sized subcontractors where they work as semi- or low-skilled workers (bricklayers, carpenters, general labourers, etc.), in the general framework of the subcontracting by large and leading companies of as much building activity as they can, other than highly strategic activities. If then the (common) strategy of construction firms is to subcontract activities (and thus the recruitment of the labour force), the present means of recruiting subcontractors represents a predominantly reactive strategy. Thus the abundant availability of a foreign labour force on the national labour market – also as the result of the irregular economy working as a pull factor – does not lead firms to recruit actively from the international pool of labour. In addition, the reactive strategy allows firms not to recruit actively on the national market as well, since immigrant workers spontaneously present themselves as candidates on construction sites that then act as the main agents in the recruitment of foreigners. As a matter of fact, at this level the fieldwork shows the almost exclusive role of informal recruitment practices.

Nevertheless, if in Italy subcontracting to national firms and teams of workers doing piece-work seems to be the only distinctive strategy, in Portugal a more widespread recourse to intermediaries was found. Together with typical temporary work enterprises, labour rental enterprises supply all kinds of workers, who are paid by the hour or by the task.

Even though the predominance of subcontracting to national micro, small and medium-sized firms employing (regularly and irregularly) foreign workers who are already present in the country can be interpreted as a strategy to reduce labour costs, in the short-term perspective the potential labour shortage for semi- and low-skilled jobs should not be neglected. In this respect Italy and Portugal show quite different dynamics.

In fact, in both countries the foreign labour pool cases the potential excess of labour demand in the sector, but the labour shortage results from quite different phenomena. In Italy this sectoral mismatch cannot be managed through recourse to internal
mobility because people from the more depressed areas of the country have no incentive to move at the present level of wages in the sector, in Portugal the ongoing outflow of Portuguese workers towards the construction sector of other European countries that can exploit labour cost differentials using a strategy of transnational subcontracting, seems to set up a process of substitution between national and foreign construction workers.

References


Trade unionism and immigration: reinterpreting old and new dilemmas

Lorenzo Cachón* and Miguel S. Valles**

Summary

The social and economic changes that have taken place since the mid-1980s in Spain and other southern European countries have paved the way for their emergence as new countries of immigration. Trade unionism in these countries has led to face this new situation at the same time of great changes in the world of employment and this has posed new challenges for union structures. This article reports on recent empirical research into Spanish trade unionists’ attitudes towards immigrant workers within this new context. A research method first used in other European countries is employed here to give a fresh perspective to dilemmas highlighted in previous studies and to suggest possible solutions.

Zusammenfassung


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