

# HEALTH CHECK AND LABOUR MARKET: CRITICAL EVIDENCES AND POLITICAL NEEDS

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## **Abstract**

Rural employment is one of the most important item of the Common Agricultural Policy reform. Attractiveness and development of rural areas are strictly linked to quality of job opportunities in rural areas. In addition role of migrant workforce in primary sector viability is not enough considered.

So it's necessary to build a conceptual framework to analyse the interaction existing between immigration and agricultural labour market. Therefore the first aim of the paper is to build such framework considering the several approaches which can be used to face the issue.

This framework is used to analyse the Italian case; Italy has become an important destination for migrations, and in this country a migrant workforce plays an important role in the agricultural activities.

In Italy the employ of migrants in primary sector seems to agree with two different patterns: in some cases it seems to cope the mismatch of preference between Italian workers desires and actual opportunities; in other cases it seems to defer a necessary renewal process towards quality productions and more sustainable (both environmentally and socially) processes.

Italian evidence gives the opportunity to reflect on the necessity to support the actual reform of the CAP with a migration policy which is able to take in account heterogeneity of territorial contexts.

At the same time, stand the increasing importance of subordinate employment, CAP should start to involve policies aiming to improve working condition as it has already stated in occasion of the Fishler Reform (European Commission (2002)).

**Keywords:** Health Check, Labour Markets.

**JEL:** Q10, Q12.

## **Introduction**

Rural employment has become one of the most important items of the Common Agricultural Policy (CAP). Besides, contribution of agriculture to economic and social viability is “one of the often cited non-commodity outputs of agriculture”. Employment in primary production is an immediate contribution to rural viability, even not the only one (OECD, 2001). Therefore, creation of employment opportunities and conditions for growth in rural areas has become an “overarching priority” in the Rural development policy (Council of the European Union, 2006). In fact, rural development regulation provides, in axis 3, measures for diversification to promote capacity building, skills acquisition and organisation for local strategy development, in order to improve attractiveness in rural areas for future generations. In such a way, rural development policy would like to contribute to reverse trends towards economic decline as well as depopulation of the countryside.

At the same time, standing the ageing of Italian population, inflows could have a positive role on primary sector and rural viability as well as on general economy. This role has not been underlined enough up to now, perhaps because of the relative newness of the phenomenon in Italy or, maybe, because of the common prejudice on the placing out effect on domestic employment. About this, economic theory says that free mobility leads to a more efficient allocation of resources. On the other hand, practice impact of migrations on domestic labour market strictly depends on migration policy and its coherence with the aims pursued by economic policy.

Therefore the first aim of the paper is to build an interpretative framework on the impact of migration on labour market, and the eventual feedbacks on primary sector, considering the heterogeneity of local contexts.

Secondly this framework is used to analyse the Italian experience of employment of foreigners in primary sector. Italy can represent an interesting case study because of its recent change from countries of emigration to country of immigration where, inflows have increased over time and expanded substantially towards the end of the nineties (OECD, 2006). At the same time population is aging and there is a wide structural heterogeneity in the general economy as well as in the agricultural sector due, among other things, to morphological and climatic features.

Empirical evidence coming from European study concludes that impacts on wage and domestic employment are very limited.

About Italy, employment of foreigners in primary sector seems to follow two different patterns: in some cases it seems to face up the mismatch between Italians’ preference and actual job opportunities; in other cases it seems to defer a necessary renewal process towards quality productions and more sustainable (both environmentally and socially) processes.

Italian evidence gives the opportunity to reflect on the necessity to support the actual reform of the CAP with a migration policy which is able to take in account heterogeneity of territorial contexts.

At the same time, standing the increasing importance of subordinate employment, the CAP should involve policies aiming to improve working condition as it had stated in occasion of the preliminary paper to the Fishler Reform (European Commission (2002).

### **Employment in rural areas and agricultural policy: does immigration matter?**

Employment in rural areas is an issue of increasing importance for European Institutions. In fact, labour opportunities deeply affect the quality of life and, as a consequence, attractiveness of rural areas. On the other hand “demography is probably the single most important supply-side determinant of economic activity and employment trends in rural areas.” (SERA Report, page 9).

Demographic sustainability does not necessary imply stagnant population or static structure, neither increasing population. In fact even where population is increasing there can be the risk of non sustainability because of low fertility rates, ageing and low reproduction potentials. Sustainable demographic development implies a process where both natural and migratory balance are relevant as well as population structure, namely age and gender structure. However, generally speaking, depopulation is not consistent with sustainability since it erodes the base for a balanced demographic development. So depopulation in rural areas could lead to a “vicious circle”, that is: reduction of human capital restrains economic development, as a consequence job opportunities turn out reduced and this may induce a negative migration balance, and so on. As a consequence demography balance and employment are considered as two different aspects of the same question.

Attractiveness of rural areas is often reduced by quality of job opportunities. In fact, rural areas face a lower capacity to create high quality, sustainable jobs than urban areas. In rural areas main indicators of labour market are systematically worse than in urban contexts. In particular, in rural areas – but certain ones close to town – employment rate as well as employment growth are lower, whilst unemployment are higher and differences between urban and rural areas are particularly wide in countries where unemployment rates are higher (European Commission, 2006b).

Even though employees in primary sector are a little share of the total (4% in Italy in 2007) agriculture can play a relevant role in labour demand. According to recent analysis in the European Union (at 25) every additional billion of agricultural production increases general economy by 1.85-1.89 billion of euros. Considering employees in induced activities, total labour demand is about 12% of total (INPS, 2007). So agriculture may be a powerful incentive for quality of life, especially in predominantly rural area.

Coherently with the art 33 of the Treaty of Rome, Common agricultural policy has always pursued the final aim to “ensure a fair standard of living for the agricultural community” by increasing agricultural productivity. That is, policy makers have implicitly accepted the idea that improving agricultural returns should automatically benefit even workers and the whole rural community.

European Commission evaluated positively the impact of Cap on employment. In fact it acknowledged that direct payments and rural development policy have prevented depopulation and land abandonment. In particular, it has been said that during the last twenty years, “labour outflows from the agricultural sector have been broadly constant at around 2-3% per year. The introduction of direct aids as compensation for price support reductions over this period ensured that this restructuring process has taken place in a socially acceptable manner. Without direct aids many rural areas of Europe would have faced major economic, social and environmental problems” (European Commission, 2006b).

About policy for the rural development, the same source suggests that different measures have had different role on securing employment. In fact measures for modernization – namely on-farm investment and training – improved productivity and so secured job’s solidity, whilst economic diversification measures improved employment by creating new jobs.

After all concerns of European Institutions seems to be focused on the quantity of employment, whilst nothing is said about the quality of it. To tell the truth, in the preliminary document to Mid Term Review there was a suggestion to introduce “occupational safety standards” as a requirement to enjoy the full decoupled farm income payment together with environmental, food safety and animal health and welfare standards (European Commission, 2002). This proposal has evidently had no sequel in the regulation 1782, perhaps because of the hitch to implement an appropriate control activity. In fact requirements to access to full direct payments (the so called “cross compliance”) provided by annex III of the regulation 1782 involves environmental, public and animal health and animal welfare standards, whilst there are no labour conditions rules. Indeed this could have been a good deterrent to irregular and underpaid employment in primary sector which is often deeply affected by irregular work.

On the contrary, the absence of a strong determination to face non regular employment, on the long run, could induce an adverse selection in the sector. In fact the opportunity to use low cost labour input permits to less productive farms to balance their productive gap and, definitively, to place out farms in compliance with labour rules.

In brief rural employment is certainly an important item in the Health Check Agenda. But we know that in the agricultural labour market immigration is playing an increasing role in European Countries. On a quantitative point of view in several countries a large part of labour employed in agriculture is migrants’ labour. On a qualitative side it is worth to be noted that not regular work and illegal immigration are strictly connected. Consequently a coherent approach between agricultural and migration policies cannot be postponed.

The paper tries to built a conceptual framework to approach these important questions and to test this approach in the Italian case, cause Italy has become an important destination for migrations in the last three decades and the case is representative of problems emerging

from interaction between agriculture and immigration. In the conclusions we focus on strategies to tackle these problems.

### **Immigration and agricultural labour market: a conceptual framework**

In the European Union, immigration is the main driver of the population dynamic (European Commission, 2006a). In the long term, ageing of population in Europe could make migrants supply of labour necessary to achieve the Lisbon goals; as well as in the short run, labour migration could have a important impact on the labour shortages experienced in such advanced activities, but also among some low-skilled occupations (European Commission, 2003).

The growing of migrants causes worried reactions from a part of public opinion which fears both the competition on labour market and the cultural changes which the immigration could lead in the society.

In general the effects of inflows on labour market in the host country are a much debated point. In particular migrations have always been seen with the suspicion that they may reduce both wages and job opportunities for domestic workforce. According to neo-classical theory, in fact, factors mobility improves welfare because it promotes a reallocation of resources from less productive to more productive areas. As a consequence, in host country labour supply shifts on the right, and wages are pressured to down. In addition a displacement of native workers may occur (Figure 1, part a).

In the long run complementary or financial capital carried by immigrants as well as scale economies may produce a positive effect also on domestic employment because of the increase in the labour demand (figure 1, part b).

As a consequence, in the short run, capital owners and immigrants are net beneficiaries whilst native workers turn out to be net losers. Really, such a negative effect on the wages and employment seems to be proved in EU, even if it results to be very weak: a 1% growth in the proportion of immigrants lowers wage by 0.1%. Moreover negative effect is not evenly distributed among EU Member States; in fact “In Greece, Italy, Spain and the UK it turned out to be negligible or slightly positive” (Munz et al, 2006 page 7). Instead, it is possible that the impact of new immigrants is higher on already resident immigrants wages rather than on native ones.

The quoted research considers the whole economy, but we know that, a part of the case of full employment, an excess of labour supply in some activities can live together with shortage of labour in others. In this case labour shortage derives from such kind of mismatches (Boswell et al., 2004):

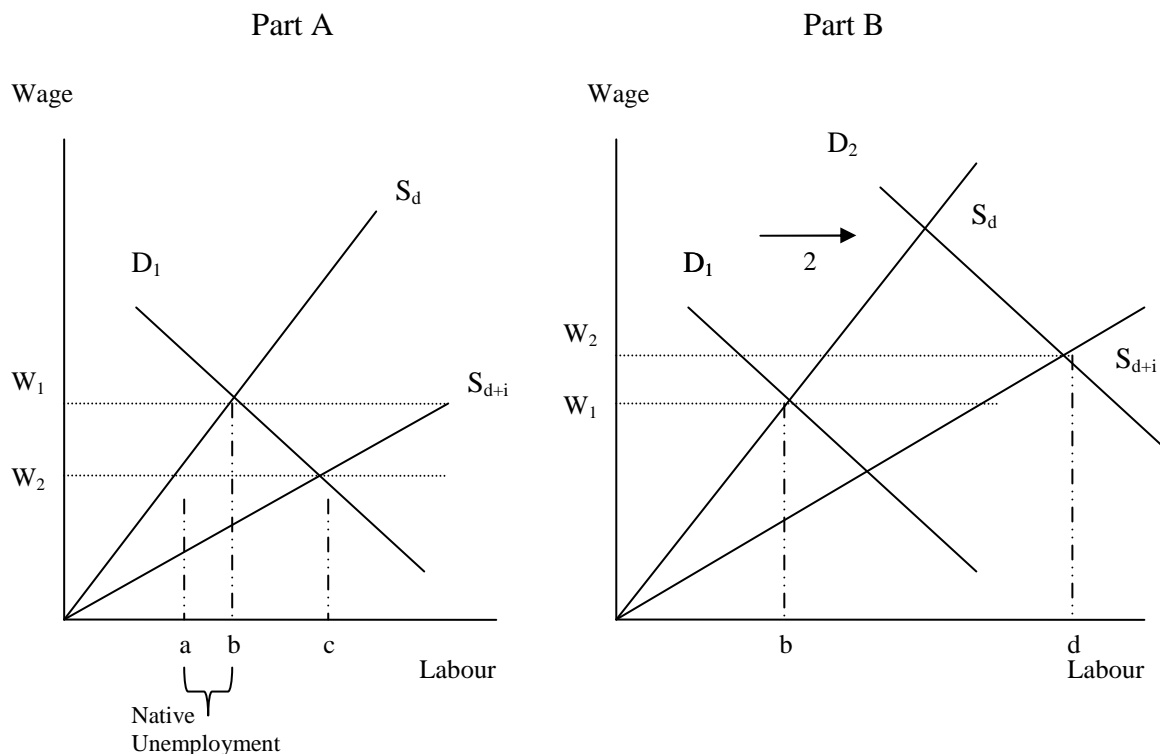
- qualitative (qualifications of workers differ from vacancies ones);
- regional (supply of labour locations differs from vacancies and workers are not mobile);

- preference (types of jobs that people are willing to take up differ from the actual vacancies)

In addition, mismatch can depend on the lack of information. So it is important to evaluate the role of migrants on local labour markets.

Moreover the research adopts a so-called “push” approach, i.e. changes in market labour are caused by supply shifts, in this case by “new” (immigrant) workers offering themselves on the market.

**Figure 1: Impact of immigration on domestic labour market**



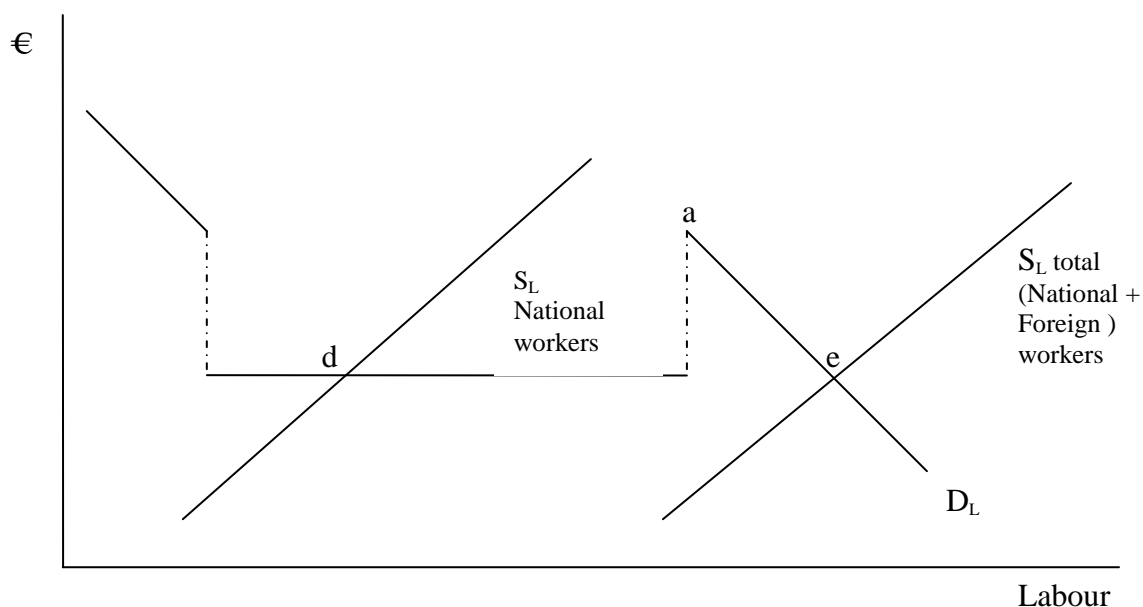
Source: adapted from Münz et al, 2006

Referring specifically to agricultural employment, it is often used a pull approach in which the presence of migrant workforce in agriculture is linked to characteristics of farm labour demand. In this case sector elements (structure, organization, mechanization, etc.) are considered and analyzed.

A relevant example is showed in figure 2, considering a kinked labour demand (Martin 2007). The author concludes that after a critical wage (a) labour demand decreases suddenly because it is replaced by capital. Martin supports this conclusion with the USA experience in harvest of tomatoes. The Bracero Programme admitted temporary workers from Mexico; these workers become the 80% of the workers picking up the processing tomatoes in 1960. After the Programme came to an end, almost all processing tomatoes were harvested mechanically.

In short, in absence of migrant supply the sector need to be reorganized. That is, some farmers abandoned the business and other ones invested in “labour saving” technologies.

**Figure 2: Discontinuity in the market labour in agriculture**



Source: adapted from Martin (2007)

Indeed, the explanation of immigrant employment in agriculture needs to consider the interaction between supply and demand. On the one hand there are farm elements that are behind the agricultural labour demand. It is well known, for instance, that often labour requirements in agriculture are seasonal, depending on specific cultivations, and that these requirements can be satisfied with the work of household members or using waged labour (or both).

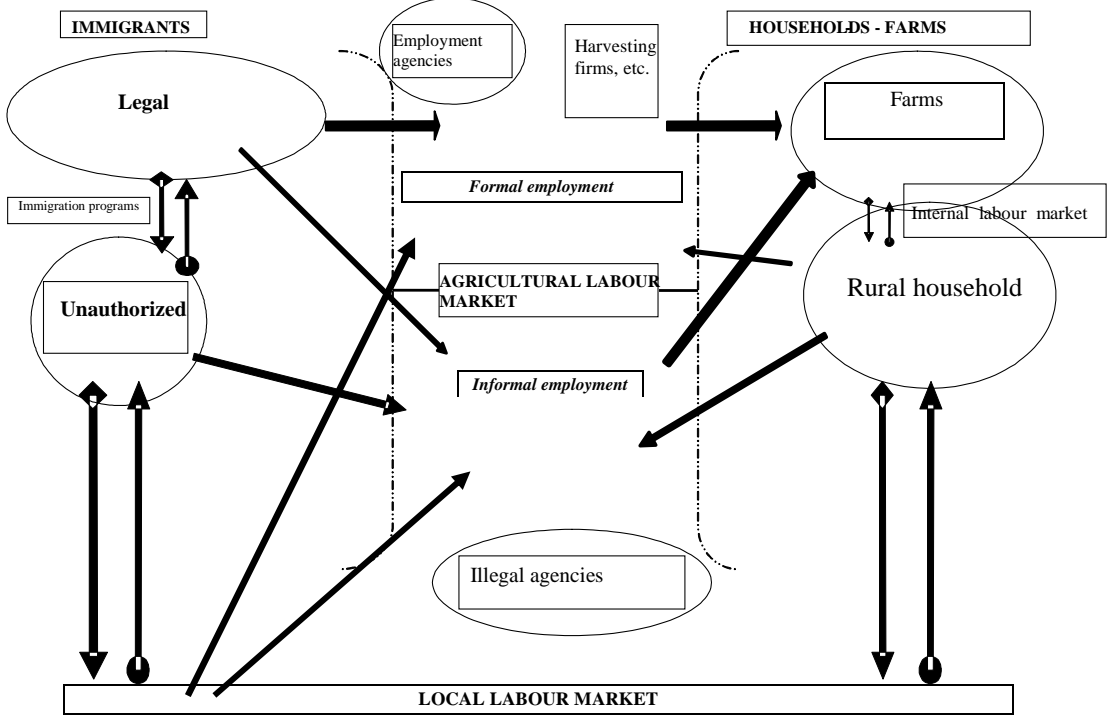
On the other hand there are migrants that pursue their aims, the first of which is to enter anyhow in a developed country and to find a way to remain here, trying afterwards to integrate themselves in that country (or to move to another developed country). Firstly they, often unauthorized, are ready to accept any kind of job – temporary, not regular, etc., even illegal jobs - to survive and to carry on their life projects. The specific interaction emerging on agricultural labour market depends on the “boundary conditions”, i.e. the specific conditions that characterize the context in which this interaction happens.

Figure 3 summarizes the main relationships involved in this phase. On the right there are farms and rural households. Family labour can be employed in farming (internal labour market) or can search employment outside, by means of labour market, in agriculture or in other sectors.



There are several sectors in which these kind of jobs are possible. Agriculture is one of these; the others are housekeeping, building industry, small manufacturing firms, low-skill services, and so on.

**Figure 3: Relationships between immigrants and agricultural labour**



Source: adapted from Ievoli Macri (forthcoming)

On the left there are immigrants located in the area; some of them are “legal”, some other are “unauthorized sojourners” and they are waiting for “regularization schemes” that are often implemented in migratory policies. Legal immigrants can be employed in formal and in informal jobs. Unauthorized can be employed only in irregular jobs.

Agricultural labour market is like a “semi permeable membrane”, in which workers can found employment or by themselves or with the help of public agencies or firms connecting manpower to farms. In the informal segment this task can be carried out by illegal agencies (often linked to organized crime).

The way in which immigrants are employed in agriculture depends on the characteristics of local labour market; if, for instance, underground economy is large there will be probably more informal employment than if underground economy is small.

In the long run legal immigrants can find regular employment in agriculture, and become farmers themselves, or in other industries; probably, in absence of migrant supply, the sector will be reorganized. But at the moment migrant’s presence in agriculture seems to become structural, and so the agricultural policy must care of it.

## **The Italian case**

### ***The general context***

Recently Italy has become one of the most favourite destinations of people moving from their own nations to look for a temporary or permanent new settlement. As a consequence the share of foreigners on population is quickly increasing. At 1<sup>st</sup> 2008 in Italy foreigners were about 3,5 million, that is three time the value which has been registered in the last census in 2001. Share of foreign citizens on total population (5,8%) is now similar to the value in United Kingdom (5,7%), which is an historical destination of immigration.

In Italy migration balance has become positive since 1973, as a consequence of the return of many Italian emigrants. In addition, a continuous inflow of foreigners in Italy has started at the beginnings of the 80s and, since the 90s, inflows have become wider.

In 2007, net balance was 454 thousands, that is more than twice the balance in 2006 (220 thousands). Most people have come from Romania after the last enlargement. In fact Italy – together with Finland and Sweden as well as Countries entered in European Union (EU) in 2004 – did not make us of any restriction to inflow from Countries entered in 2007.

At the same time, in 2007 extra-EU citizens delivered 701 thousands applications for residence permits, even if immigration ceiling was of 170 thousands.

High diversification in origin is one of the main features of migration in Italy. At January the 1<sup>st</sup> 2007, about the 42% of foreign citizens came from the East of the Europe, namely Albania, Romania and Ukraine. Relevant are the contribution from North Africa (Morocco), but also Asia (China and Filipina) and America. As a whole, men are just a bit more than women, but there are consistently differences among ethnic groups. In fact females prevail among people coming from new EU Member States, Asia and America, whilst males are more than females among African people. On average foreigners are younger than Italians, as a consequence total population age has been a bit reduction on average.

Many are the signals of a process of stabilization as well as integration within Italian society, which show the existence of an enduring migratory project: for example marriages and births have become to happen among foreign citizens. In 2006 marriages with at least a foreign citizen were 34 thousands (14% of the total number). In particular, marriages between an Italian and a foreign citizen were 24 thousands.

In 2006, foreign newborns in Italy were 58 thousands, that is the 10.3% of the total of children who were born in Italy. Most of people (60.6%) have come in Italy because of work. In fact, share on labour force is increasing, as well as share of foreigners on total population. Role of foreigners in the labour market changes according to structural characteristics of Italian local economies.

In particular, because of the higher opportunities to work, foreign population is more concentrated in the north of the country than Italians are (table 1). Italian economy, in fact, is still characterised by a strong dualism between the North, where labour market main

indicators are similar to the European Union average and the South, which shows low employment as well as activity rates and high unemployment rate (table 2).

**Table1: Population and labour force in the first three month of the 2008**

		Male		Female		Total		Foreigners/ Total population (%)
		Foreigners (000)	Total population (000)	Foreigners (000)	Total population (000)	Foreigners (000)	Total population (000)	
Population over 15	North	757	11.243	719	11.990	1.476	23.233	6.4
	Centre	273	4.785	307	5.237	579	10.022	5.8
	South and Islands	137	8.440	157	9.106	294	17.546	1.7
	Italy	1.166	24.468	1.183	26.333	2.350	50.801	4.6
Labour force	North	664	7.132	408	5.319	1.072	12.451	8.6
	Centre	232	2.927	198	2.237	429	5.164	8.3
	South and Islands	100	4.703	77	2.613	177	7.317	2.4
	Italy	996	14.762	682	10.170	1.678	24.932	6.7

Istat: Labour force Survey

**Table 2: Employment and unemployment rates - first three months of 2008**

	Foreigners		Total population	
	Employment rate	Unemployment rate	Employment rate	Unemployment rate
North	65.8	9.4	51.4	4.0
Centre	67.5	8.9	48.4	6.1
South and islands	67.5	11.3	36.3	13.0
Italy	64.7	9.5	45.6	7.1

Istat: Labour Force Survey

On the other side, as it happens in many new immigration countries which are not used to manage immigration, in Italy non legal entries and presence seem to be a large part of total immigration. This condition is perpetuated by the existence of a wide underground economy which provides opportunities for non regular immigrants and by the fact that immigration ceilings are lower than required by labour market (OECD, 2006).

### ***Foreigners' human capital in primary sector***

Italian economy is characterised by a wide heterogeneity: firstly South and Islands (the so called “Mezzogiorno”) has experienced a low process of industrialization. As a consequence in the South, share of employees in agriculture is higher than in the North (table 3).

Comparing to the total population, specific distribution of foreign employees does not highlight relevant particularity: that is, services show the highest value, followed by

manufacturing, construction and, at last, agriculture. However, whereas for total population relative positions are the same in each geographical division, foreign employees in construction are higher than in manufacturing both in the Centre of the country and in the Mezzogiorno. Looking at specific role in agriculture, at national level weight of foreigner employees is just a bit lower than the total, but it is higher both in the Mezzogiorno and in the Centre. This depends on features of primary sector in the three areas. In fact, because of different specialisation and capital intensity – even due to climatic and morphological reasons – agriculture in North is (generally speaking) more intensive and labour saving than in the Centre and, moreover, than in the South.

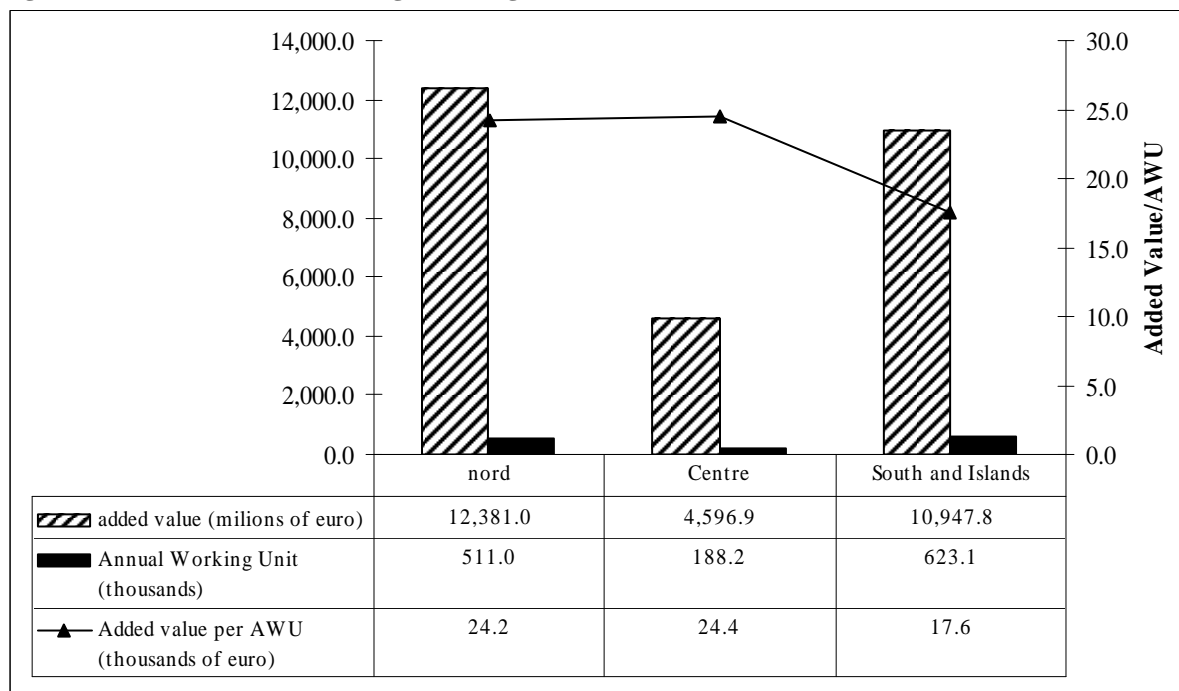
**Table 3: Employees by sector - first three months of 2008**

	<b>Foreigners</b>				Total Employees (thousands)
	Agriculture	Manufacturing	Construction	Services	
	Percentage				
North	2.2	27.9	16.6	53.3	971
Centre	3.4	16.6	17.7	62.4	391
South and islands	8.9	9.3	14.8	67.0	157
Italy	3.2	23.1	16.7	57.0	1,519
	<b>Total population</b>				Total Employees (thousands)
	Agriculture	Manufacturing	Construction	Services	
	Percentage				
North	3.0	26.4	7.6	62.9	11,952
Centre	2.3	18.5	7.5	71.7	4,850
South and islands	6.3	13.5	10.0	70.1	6,369
Italy	3.8	21.2	8.3	66.7	23,170

Istat: Labour Force Survey

On the other hand the added value per employee in the North is higher than in the Mezzogiorno (fig.4).

**Figure 4: Added value and working unit in agriculture**



Istat: National Economic Account

Since the characteristic of agriculture, in the Mezzogiorno, generally speaking, job opportunities turn out to be not attractive. In fact, on one side the lower margin of gains probably does not permit to remunerate worker as well as in the North. At the same time, specialisation in highly seasonal production systems makes labour demand to be discontinuous, that is share of temporary contracts is very high (table 4).

**Table 4: Number of persons employed in agriculture .- 2005**

	Total workforce (family and non family)	Total non family workforce	percentage of temporary non family workforce
Piemonte	162153	28033	72.4
Valle d'Aosta	9782	547	72.6
Lombardia	125260	35953	29.2
Trentino-Alto Adige	149025	40080	94.8
Veneto	296788	37023	68.0
Friuli-Venezia Giulia	54374	10067	62.0
Liguria	45999	4374	72.0
Emilia-Romagna	215070	60785	86.1
<b>North</b>	<b>1058451</b>	<b>216862</b>	<b>72.0</b>
Toscana	201821	45333	75.4
Umbria	87573	18994	84.4
Marche	104649	15524	70.8
Lazio	207356	24857	87.6
<b>Centre</b>	<b>601399</b>	<b>104708</b>	<b>79.2</b>
Abruzzo	142165	18077	92.9
Molise	54684	5030	95.4
Campania	425586	95671	97.2
Puglia	736363	300797	99.4
Basilicata	138907	32953	97.3
Calabria	334816	115797	98.7
Sicilia	539271	127270	98.5

Sardegna	135787	22805	78.0
<b>Mezzogiorno</b>	<b>2507579</b>	<b>718400</b>	<b>97.9</b>
<b>ITALIA</b>	<b>4167423</b>	<b>1039966</b>	<b>90.6</b>

Istat: Farm Structural Survey

Agricultural sector is deeply affected by irregular work, as it is shown in table 5.

**Table 5 - Italy - Rate of irregular annual working unit by sector – years 2000-2006**

	2000	2001	2002	2003	2004	2005	2006
Agriculture, forestry and fishery	20.5	20.9	21	18.3	19.9	21.1	22.7
Manufacturing	4.6	4.6	4.2	3.8	3.8	3.8	3.7
Construction	15.2	15.7	13.3	11.2	10.9	11	11
Services	15.3	15.8	14.5	13.5	13.6	13.8	13.7
Total Economy	13.3	13.8	12.7	11.6	11.7	12	12

Source: ISTAT, Economic National Account

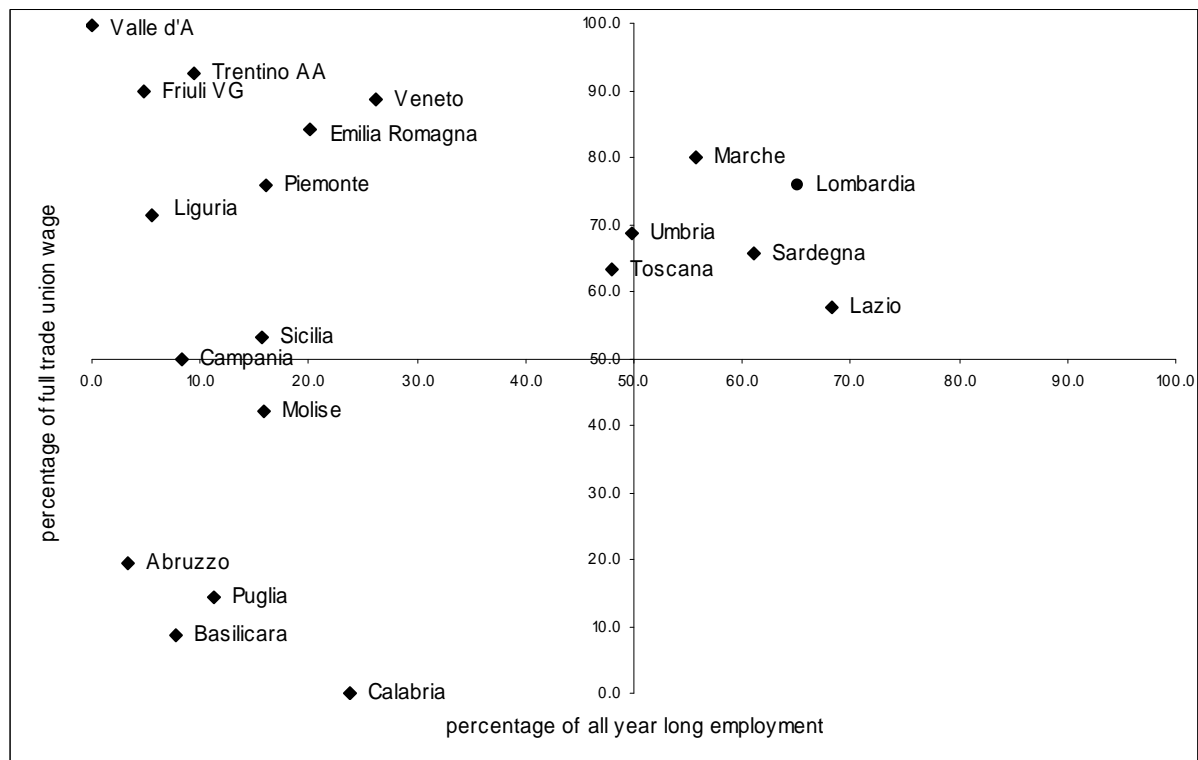
In this context extra EU citizens may play a particular role. In fact, because of they don't have the right of "free circulation", their possible condition of irregular or clandestine<sup>1</sup> make them be available to work even if work conditions are bad as in the case of temporary jobs and wage lower than trade union agreements have set (figure 5). In this way even low productive and less innovative farms may survive on the market (Ievoli – Macrì, forthcoming).

On the other hand, acknowledge of a positive role of foreigners for Italian agriculture is growing. In fact, in many case foreigners seem to replace a lack of workforce supply due to the progressive dismissal by Italian farmers, even as a farm holder. In fact, in the last time it is becoming relevant their role also as a farm holder. According to Coldiretti<sup>2</sup> farm managed by foreign holder have grown of 26.3% in the last five years. In the meantime total number of farm is reducing.

<sup>1</sup> A foreigner is irregular when his/her permit is expired; he/she is clandestine if he/she entered in the country without permit.

<sup>2</sup> Coldiretti is one of the most important agricultural professional organizations in Italy.

**Figure 5: Contracts typologies in the employment of Extra-EU citizens**



Inea, elaborated on Annuario 2006

### Final considerations

The general perception of a phenomenon may differ from theoretical conclusions about it. This seems the case of the role of immigration on domestic labour market and economy. Many people agree the cliché that inflows damage job opportunities for domestic supply. On the contrary theory says that negative impact of inflows are expected almost in the brief run, while in the long run workers mobility may generate an increase in the labour demand on the whole. Of course, there can be the equity matter to manage because of losers in the short run may differ from who will be beneficiaries in the long run. However, empirical assessment seems to confirm that negative impact on wage is narrow and generally it affects previous immigrants rather than domestic workers. At the same time, in absence of immigrations supply shortage of workforce may induce labour saving restructuring of sector rather than higher domestic employment.

Since ageing of population, Italy as well as Europe, needs of immigrants for a sustainable development. At the same time it is necessary that immigration policy is coherent with sectorial policy, specially in such sectors characterised by low returns and/or hard working conditions, namely construction, some private services and agriculture. In fact in these sectors the risk of widening of not regular employment – that is without the compliance with all the rules – are higher.

In particular, since the heterogeneity of Italian contexts, labour demand in agriculture differs from regions to regions. Some areas are characterised by a high seasonality, then they need of additional workers for short part of the years. Other areas experience lack of supply in specific activities (especially in livestock sector where many foreigners are employed, even in the most important typical animal productions – for example *Parmigiano Reggiano* and *Prosciutto di Parma*).

At the same time, it is necessary that policy makers start to consider labour conditions as an important issue in the agricultural policy framework, as well as environmental impacts, safety and traceability of production. Otherwise it can happen, as in Italy, that two different scenarios appear. In one case regular employment of foreigners solve the shortage of domestic supply and permit to profitable activities to survive. In this case complementary between foreigners and native labour supply is a positive input for economic development.

On the contrary, stand the low ceiling to admission and in absence of a strong commitment for regular employment, feeble firms can survive by utilizing underpaid labour. Moreover they should replace innovative ones, and the adverse selections could produce a gradual decrease of productivity of the sector.

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