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1. Introduction

The presence of a large volume of immigrants in Greece coexists with high unemployment of native workers, which leads easily to the inference that foreign workers take the jobs of the Greeks. A first critical response to this view is that there is no specific number of jobs in the economy to be shared by Greeks and foreigners, but endogenously created employment positions to be filled. Labour is not a homogeneous factor of production and the labour market is not consolidated to one whole, but compartmentalized. Native labour supply and its mobility are determined by a multitude of subjective and objective factors of an economic and social nature. More specifically, the desired working conditions and the kind of work that is acceptable are decided on the basis of household income, the support of the household unemployed members, as well as the social conception of prestige regarding the type of work one is considering suitable in relation to one's education and qualifications. (Fakiolas and King, 1996; Glytsos and Katseli, 2005).

Institutional factors that raise the cost of labour to employers, such as the restrictions and the high cost of dismissing workers, the high social security contributions, compared to the productivity of enterprises, have a negative impact on hiring legal workers, pushing some enterprises to the flourishing unofficial economy in Greece in which almost by definition the illegal immigrants work (Glytsos, 1995). The difference though with the native workers in this section of the economy is that the Greek workers have the choice of seeking employment in the official economy, while the undocumented foreigners are trapped in the unofficial segment.

The employers in market segments with high employment of illegal workers are in favour of this situation, because of the low labour cost, while native workers in other segments of the labour market whose employment and wages are not negatively affected are not objecting to the employment of foreigners. As a result, the majority of native workers are tolerant in purely economic terms to the presence of foreigners in the country (Hillman and Weiss, 1996), even if on other respects may keep a negative attitude against them.

2. Potential Impact from the Employment of Illegal Immigrants

Theoretical approaches on the impact of illegal immigrants maintain that the importation of unskilled labour in a country raises, in the short-term, the marginal product of capital and skilled labour and decreases the marginal product of the native unskilled workers, as a result of the principle of complementarity. Consequently, the wages of skilled workers and the return on capital are increasing, and in case that

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foreign and native unskilled workers compete for the same kind of jobs, the wages of unskilled workers are decreasing, or in case they are downward rigid, their employment is decreasing. Low wage illegal immigrant employment attaches an air of flexibility in the labour market that has been blocked by labour market institutional factors and government policies on wages and employment protection (Glytsos, 2005:825).

This way, the often narrow margins between the wages of unskilled and skilled workers, imposed artificially, either by labour union pressures or government policy for raising disproportionately low wages, are broadening. As a result, illegal immigrants contribute to the rise of economic efficiency, with further positive implications to competitiveness of the economy, but at the same time, they deteriorate income distribution against the unskilled workers (Chiswick, 1982, 1988, 1995; Djajic, 1995).

In the long-run, the increase in the number of illegal immigrants pushes the native workforce outside the unofficial economy and acts as leverage for pressing them to acquire higher skills and wages in the official economy. This encourages more investment of natives to human capital that eventually raises their income (Djajic, 1995). But, on the other hand, the low labour cost – according to estimates 60 per cent lower than the corresponding labour cost for the employment of native workers (Lianos, Sarris, Katseli, 1995) - limits or postpones required structural developments in the economy and decelerates the use of more capital intensive productive methods.

This is against long-term competitiveness, despite the short-term advantages from the low labour cost of illegal immigrant workers (Harrison, 1992). Additionally, to the extent that capital is mobile between economic sectors, is attracted to the low productivity unofficial economy, inhibiting more productive activity in the official economy (Ichino, 1992). This movement of capital is profitable in complementing the low cost labour, but does not promote growth, because it does not operate through capital deepening but through capital widening investment.

From another perspective, the inflow of illegal immigrants generates chain reactions that intensify more immigration, creating in time almost exclusive labour market segments for immigrants, which has distorting economic effects, since the employers in such sections or regions of the country are relying almost exclusively on immigrant labour, organizing analogously their business (Collinson, 1994).

It is clear from the above discussion that the anticipated effects from the illegal immigrants depend highly on the composition of migrant skills and the sectors they are employed (Lianos, 1997). The unskilled foreigners cover vacancies and contribute positively to the economy without seriously endangering the displacement of native workers, when labour market is compartmentalized, with limited inter-sectional mobility (Piore, 1979; Greenwood and McDowell, 1986; Ichino, 1992). Under these conditions even the wages of native unskilled workers may, in time, increase from the contribution of illegal immigrants to economic growth.

The lasting contribution of illegal immigrants in the increase of production creates at the same time corresponding incomes for its absorption. Immigrants are not only a factor of production on the supply side; they also have an impact on the demand side as consumers. In this capacity they are enlarging the market of goods and services, leading to more investment and through it to more employment of native workers. However, to the extent that part of their income leaks to the home countries in the form of remittances to relatives for consumption or investment - reaching as much as

half of their incomes - the internal demand is curtailed, with a likely drop of prices as a result of an increasing supply of products. In this respect, it should be considered that the greatest number of immigrants to Greece comes from the neighbouring Albania, sustaining significant trade connections with Greece. As a result, an important part of these leaked incomes are returning to Greece for buying imports.

3. Results of Empirical Analyses

Empirical analyses (for legal immigrants) in the US show that the wages of native workers are not seriously affected by the inflow of immigrants (the relevant elasticity is small) (Greenwood and McDowell, 1986; Borjas, 1993, 1994, 1995; Friedberg and Hunt, 1995). Similar empirical analyses in Europe found that the impact of immigrant employment on the wages of native workers is a little higher, which is partly attributed to the different structure of the European labour markets (Zimmerman, 1995). For Germany has been found that, aside from the decreased wages of certain categories of skilled workers, the wages of most other categories of native people are increasing because of the employment of legal immigrants (Bauer, 1997).

Statistical estimates for the economic impact of illegal immigrants are limited by the unavailability of data due to the nature of this migration. Such estimates can only be implemented either indirectly or through econometric simulations. Within these limits, it has been estimated that the illegal Mexican immigrants in the US affect only very little, as the legal ones do, the wages of the native workers, because their jobs are complementary and not competitive to the jobs of Americans. It has also been found that the illegal immigrants in the US are not paid less than the natives with similar qualifications. Their relatively lower wages compared with the general average are attributed to their lower educational level and their inadequate technical expertise (Massey, 1987; Chiswick, 1988).

The distribution of illegal immigrants among economic sectors is crucial in determining the impact on the native workers' employment. Econometric simulation of an increase of illegal immigrant flow from Mexico to the US has shown that, if 2/3 of the illegal immigrants are employed in the labour intensive sectors of agriculture and services, while the native unskilled workers are employed more in the capital intensive sectors, the employment of the unskilled natives will increase. But if only 1/2 of illegal immigrants are working in agriculture and services, the employment of unskilled natives will decrease (Grossman, 1984). In both of these cases, the wages of immigrants are decreasing, responding to their increased supply, while the wages of the skilled workers remain stable. All these findings are naturally related to the sectoral breakdown of employment in the American economy and the precondition of the free movement of unskilled and skilled labour between economic sectors.

In Italy, illegal immigrants were found to compete with the native workers to a very small extent in general. An increase in them by 1 per cent reduces total employment of Italians by 0.5-0.3 per cent (elasticity -0.5 and -0.3). Among sectors, agriculture is affected much more, with an elasticity of -2.5, while in other sectors the impact is insignificant. Particularly in the sector of non-exportable services, the employment of illegal immigrants is complementary and not competitive to the Italians (Venturini, 1997).

In the case of Greece in which despite the two recent legalizations, illegal immigrants still constitute a considerable part of the labour force, the impact (positive or

negative) on the official economy employment and wages is significant. Low wage² illegal immigrant employment substitutes in some sectors for potential native workforce and leads to increased employment of Greeks in the open labour market. This is the case in agriculture and in small family business (Cavounidis, 2002), or for immigrants working as household helpers, releasing family members, particularly women, to the labour market to work for wages (Lianos, et al.,2004).

In addition to the contribution of illegal immigrants in the Greek GDP, the economic situation of different population groups is improving. An econometric simulation based on certain assumptions concerning the penetration of illegal immigrants to different economic sectors, their wages and the proportion of their income sent to the home countries, has found that these immigrants reduce the average level of real wages, reduce the real wages of unskilled workers and increase the real wages of the skilled workers. They also reduce the employment of Greeks in all categories of the labour force, because as was found in this study, at least 1/3 of the illegal immigrant employment displaces Greeks, who have no desire to work with the prevailing low wages as the illegals do (Sarris and Zografakis, 1997).

The above simulation finds that the income of the 37 per cent of the population, made up from the unskilled natives, wage earners in agriculture, members of urban households of low and medium income with an unskilled head, is reduced considerably. But the income of a broad range of other households, including rural households of all income levels and urban households with a skilled head, is increasing. The prices of products under the double capacity of immigrants as a production factor and as consumers are reduced, if half of migrant incomes are spent in Greece, as it is really done. The general conclusion of the Sarris and Zografakis simulation is that the low income households in their totality loose and the high income households gain from illegal migration, broadening the gap between rich and poor.

4. Consequences from the Legalisation of Immigrants

After legalization, immigrants move from the unofficial to the official section of the economy and in segments of the labour market in which immigrants and native workers can be competitive. This would possibly exercise some downward pressure on wages, a development that did not take place when the illegal immigrants worked in the unofficial segment of the labour market. In that case, the wages of the employed persons in the official economy were not directly affected, since immigrants had jobs that native workers would not undertake.

Legality does not, however, guarantee jobs in the official economy with wages equal to the wages of corresponding native workers. The increased labour cost for hiring legalized immigrants may lead employers to dismiss their previously clandestine workers (Labrianidis and Lyberaki, 2001; Cavounidis, 2003)³. According to Glytsos (2005:832), there is a paradox here, created as a by-product of legalization, in that "legalization meant to be a serious step towards integration, may in reality push some legalized immigrants to economic exclusion". This is one reason that many illegal

² A 1995/96 survey in Athens found that the wages of immigrants (illegal at the time) were, for the same kind of work, between half and two-thirds of the wages of corresponding Greek workers (Iosifides, 1997:44).

³ A 2000 survey in 1,074 regularised immigrants in Athens found that "[t]he most frequently reported problem was the difficulty of finding legal work (offers from employers for informal employment abounded) (Cavounidis, 2003).

workers, balancing gains and costs from moving to legality, have chosen not to apply for legalization (Sarris and Markova, 2001).

Moving to the official economy, immigrants will leave vacancies in the unofficial economy. To the extent that their employment in this segment of the labour market had displaced native workers, these vacancies can be filled by displaced natives. But, if the vacancies will not be filled by natives, the wages of the native unskilled workers in the official economy will decrease, due to the increasing supply of regularized immigrants that will receive higher wages, compared to what they were getting in the unofficial economy.

An important factor that should be taken into consideration in this context for Greece is that about 1/3 of illegal immigrants have education, general or technical, beyond the primary (Lianos, Sarris, Katseli, 1996). From those applied for legalization, about half declared to hold secondary education diplomas and 9 per cent tertiary educational level degrees (Kanellopoulos, 2005). Thus, the immigrants appearing in the official economy with high education or technical expertise may even compete with some categories of native skilled workers, pulling down their wages.

Legalisation leads also to family unification that will increase the demand for high cost social services, i.e. education, health, etc. Family unification, augmenting the cost of social services that may only partially be met by the taxes and social security contributions of the immigrants themselves, may indirectly reduce the after tax income of the native population. This negative impact is likely if the contribution of immigrants in the skilled native workers' wages and capital return is smaller than the transfer of income to immigrants through the supply of social services (Chiswick, 1988).

5. Conclusions

The work of illegal immigrants is affecting in various and contradictory ways the employment, the wages and the distribution of income of Greeks. There are no one-dimensional exclusively favourable or exclusively unfavourable holistic effects. There are instead partly positive and partly negative impacts on different groups of workers, categories of households, sectors of the economy and regions of the country. The resultant of all these effects forms the total picture of changes in the labour market and the economy at large, which in the long-run is realistically perhaps positive. This may be the case if, in the absence of illegal immigrants, a potential different structure of the economy and the capital intensity of production would not have created employment and incomes overshadowing the long-term benefits generated by the presence of illegal immigrants.

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