



UNIVERSIDAD AUTÓNOMA DE BARCELONA

Instituto Universitari d'Estudis Europeus

Departament de Dret Públic i Ciències Històricojurídiques

**Immigrant Entrepreneurship in Spain: A Perspective of Culture
and Identity**

DOCTORADO EN RELACIONES INTERNACIONALES E
INTEGRACIÓN EUROPEA

Tesis presentada para obtener el Grado de Doctor por:

DANIEL ARTURO ROMERO LEÓN

DIRIGIDA POR:

Dr. JORDI BACARIA COLOM

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SUMMARY

The elaboration of this thesis involved several stages, and since it is a complex subject matter, it was imperative to maintain a multidisciplinary focus. In the first stage, the identification of the appropriate methodology for this research is established. Here, it was determined that a framework comprising Rational Choice Theory is the most suitable framework for this research. The Rational Choice approach provides a unique perspective on the manner in which immigrants make decisions under a specific economic context. In the second stage, the revision of the context, trends and characteristics of the new and recent immigration flows arriving to Europe give us an outlook to this phenomenon observed during the last two decades. In the third stage, the data of Latin American immigration in Spain give us a wide perspective of the scenario for the host country and the newcomers. In the fourth the relevant body of extant literature of Migration, Culture and Identity reviewed, help to understand how rational migrants make decisions about themselves and their communities in the host countries. In the fifth stage, the discussion of how rational migrants express their identity and cultures throughout the market is characterized. In the final stage, the current economic scenario in Europe shows us how rational migrants had to adapt to new conditions, creating new alternatives.

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INTRODUCTION

International migration is one of the major global phenomena of the last decades. The flows of persons moving from one country to another, increased strongly in different regions of the world. Not only historic links between countries has been a factor for the development of migration corridors, social and economic contexts had fostered the formation of regional migratory systems. Most people mobility around the world is attached to incentives and motivations for the search of better living conditions. International migration flows increased more numerous, than those observed in previous periods. There are different and complicate structural factors underlying the decision to migrate. Economic scenarios at origin and destination communities play an important factor to motivate labor migration. The development of ethnic economies, a business formula which immigrant groups create for themselves, connects their home country and their destination, configuring a transnational economic influence (Waldinger, 2010; Wong, 2004), which consolidates migratory trajectories.

A rational choice analysis of the migration decision making of an individual, would generally involve a description of a desired income, or a desire of a better living conditions, and how these desired interact. An individual is faced with a crossroads to decide to migrate or not, and to analyze those incentives and objectives there to motivate a decision. Individuals need to recognize their objectives and to choose a plan of actions, according their needs and preferences. Income is an important variable for many individuals to take a decision. The typical migrant is faced with the problem of when to migrate and where to go, and sometimes why to migrate, and then how to survive in the host country.

The data shows a significant increase of Latin American population living in Spain in the last 15 years. From 1991 to 2001, the total of inhabitants from Latin American countries passed from 210,000 to 840,000. By 2004, more that 1.6 million persons living in Spain

were born in Latin America. During these years, the Spanish market was open to receive immigrant workers from many regions around the world, to foster economic growth on those intensive labor sectors. Latin American individuals and families were arriving to occupy those job positions created by a growing economy. This group grew steadily year after year, accounting nearly 2.4 million people at the end of 2010. Demographic statistics shows this group represents more than 40% of total immigrant population living in Spain.

Self-employment has been a successful economic and social formula for some ethnic groups. Therefore, some researchers have suggested that by entering the labor market as self-employed, they have more economic possibilities (Light and Gold, 2000; 1980) and break with situations generating exclusion. The success of these ethnic economies, such as the Mexicans in Los Angeles or Puerto Ricans in New York, is due mainly to the effort of owners and their employees. The phenomenon of immigrant entrepreneurs is not exclusive to the United States. It has also expanded to other geographic areas of the planet, especially European cities. In Spain, the proliferation of this type of business initiative has also been studied. However, the forms of incorporating self-employment in Europe are very different from North America, due to the host context, and variation in the opportunity windows.

In any case, to open a business, the entrepreneur has to mobilize all the resources available to him, from the startup of certain ethnic strategies and design of the economic project within the opportunity structure and group characteristics (Waldinger et al., 1990). The entrepreneur sacrifices himself and is self-exploited, which extends to his family and/or co-ethnic employees as well, working long days, without holidays and with very little vacation. This is more evident when there is a hostile host context (Portes 1992), due to the difficulty in consolidating a business network in a primary segment, by setting up small dominant businesses.

Ethnicity and cultural identity is one of several factors that may model consumer attitudes and behavior and engine new opportunities and foster domestic markets. Immigrants groups have unique traditions and behaviors (associated to their culture identity) that influence product preferences and consumption behavior at country of destination. Globalization and international mobilization of people involves impacts on culture and identity perception. Culture is a dynamic process, migrants can integrate or not to the community of destination depending on the context around the new location.

There are a multitude of currents explaining the appearance of business initiatives by immigrants in the societies where they settle. In 2010, a joint study on immigrant entrepreneurs in the OECD (Open for Business Migrant Entrepreneurship in OECD Countries) was published. It is a review of the labor insertion by self-employment in various countries in the developed world. However, there is no chapter on Spain, because of lack of formal data.

Ethnic businesses proliferate in industries where there is a balance between the demands of economic development and the informal resources of the ethnic population (Light & Rosenstein, 1995). The owners of ethnic businesses thus have a favorable position for competing with native owners. The decision for most immigrants to set themselves up as self-employed is maintained by help from their own group and because the service they offer is very competitive compared to others run by Spaniards or other nationalities, which gives them a large clientele.

The Spanish labor market is characterized, among many other things, by being highly flexible and irregular, which makes it possible in times of expansion for its gross domestic product to grow more than in countries such as Germany or France, even though there is high unemployment, except in secondary markets, e.g., agriculture and construction. And in times of recession, such as the present one, its growth is much less than in most of the

countries in the OECD, and its employment rate much higher, surpassing twenty percent, and affecting, above all, construction.

Immigrant entrepreneurial initiatives have taken advantage of the crisis, adapting to it, as a way of finding a way to place itself on the market. They have discovered that under these circumstances, they could overcome it by applying certain strategies (long work day, self-exploitation, family business, credit to customers, wholesale and retail sales, etc.) and offering a very specific type of product to attract customers from their own group, while not limited to it.

Research query, hypothesis and general description of results

This thesis aims to explore the following questions:

1. How the Latin American immigrant community in Spain is participating in the new ethnic economies?

Premises on which this thesis is based:

- The migrant is a rational economic agent and experience a decision making process.
- Culture and Identity are part of the decision making process of a migrant.
- Entrepreneurship is central to competitiveness, economic growth, poverty reduction, productivity and development.
- Social Networks offer an appropriate tool for immigrant communities to enhance their economic performance.

Hypothesis:

- There is evidence of the formation of Immigrant Entrepreneurs in Spain
- There are important lessons for Latin America immigrant communities in Spain experience the formation of their own ethnic markets
- A new economic scenario offer new opportunities and challenges for the immigrant communities.

General results:

- There is evidence of the emergence of Immigrant Entrepreneurship in Spain.
- The European experience concerning immigrant entrepreneurship offers valuable lessons about how culture and identity are key engines for the economy.

Scope of the study

This thesis focuses on culture and identity being used as a tool for Latin American immigrant community located in Spain in the last two decades, to find and deploy solutions for economic survival to the present and future challenges that the labor market observes. Most Latin American immigrants do not excel in entrepreneurship when compared to other groups. Asian immigrants are rich in financial resources, among other forms of wealth, have been able to use their assets to gain a competitive edge. The Spanish experience is used as an example of a new scenario where Latin American immigrants can take advantage of their culture and identity to foster a new ethnic economy.

The limitations of this thesis are mostly in relation to the data and formal access to statistics. Therefore most of the work has been based on continues discussion about the significant of the immigrant as an economic agent and his opportunities to growth in Spain.

Among the advantages, it can adapt more easily to the current conditions; it can incorporate other elements that may become relevant in the immigrant entrepreneurship formation process. Some of the disadvantages are that under the current global crisis an early-stage immigrant entrepreneurship path in Spain has been broken, making it more difficult to identify, quantify and capture all of the elements present.

Most extant indicators of entrepreneurship activities are not sufficient to convey the ongoing interaction among the above-mentioned elements of the development of Latin American immigrant entrepreneurs. The difficult thing turns out to be using available data to attempt to quantify and illustrate the flow of cultural interactions between immigrants. Without a doubt, the economic, political, and social context is important.

Culture, identity, social networks, financial supports and management skills are some of the factors that play an important part in the entrepreneurship environment and determine the success of immigrant activities in the labor market.

Thesis structure

The thesis is structured in six chapters. The first chapter presents the theoretical framework Rational Choice approach with emphasis on literature to the rational decision making process. Foresight is used to determine the immigrant as rational individual and economic agent, under a continuous-decision making process.

In the second chapter, the European recent immigration flows is explored to identify the main characteristics and performances of the immigrant population that have arrived in the last two decades.

The third chapter presents an outlook of the European recent immigration flows, with a focus to the immigrant population coming from Latin America, and to identify characteristics, trends and notions of these flows in the last two decades.

The fourth chapter presents an overview of the concepts of culture and identity and how individuals and immigrants, under a rational decision making process considers these concepts and how they relate to the world to explore economic and entrepreneurial opportunities, such as the Camara de Comercio de Perú en España.

The fifth chapter explores the opportunities that international migration provides to create ethnic and nostalgia markets. An overview of the existence of ethnics and nostalgia industries in Spain is presented, with the example of Naturandina America Imports.

In the sixth chapter, the prospects for a development of the immigrant community in Europe and in Spain, under the current economic crisis are examined. The main challenges are identified and analyzed in order to establish if the current situation will affect the progress of the immigrant entrepreneurs and the creation of ethnic markets.

The thesis concludes with suggestions for possible future research lines.

CHAPTER 1

RATIONAL CHOICE THEORY

AND THE DECISION TO

MIGRATE

CHAPTER 1

RATIONAL CHOICE THEORY AND THE DECISION TO MIGRATE

The immigration phenomenon around the world face, both new and historic, challenges in different areas, as social and economic recognition or human rights enforcement. Developed countries need to ascertain the immigration situations and promote solutions to these growing challenges. In recent years, the impact of immigration in, politics and society has been more evident. Governments and society are increasingly aware of the role that immigration plays in economic growth, development and competitiveness. Immigrations effects come in many forms: unskilled and high-skilled labor, entrepreneurs, consumers, business models, innovations, etc. In the last two decades, international migration has occupied the spotlight of growth and development discussions. Migration flows have been studied to understand the scope of its economic effects (Castles and Milles, 2004). The decision to migrate and choice of destination are usually associated with improved earning opportunities, family reunification and the presence of existing migrant communities.

Most people mobility around the world is attached to incentives and motivations for the search of better living conditions. International migration flows increased more numerous, than those observed in previous periods. There are different and complicate structural factors underlying the decision to migrate. Economic scenarios at origin and destination communities play an important factor to motivate labor migration. The decision to migrate and choice of destination are usually associated with improved earning opportunities,

family reunification and the presence of existing migrant communities. International migration has been on a rising trend and labor migration has been a key factor of it. Most developed-countries have experienced migrations flows of skill and unskilled labor, observing their contributions to the economy and society.

In order to facilitate the analysis of immigration, we can use Rational Choice approach as a framework. The Rational Choice approach provides a unique perspective on the manner in which immigrants make decisions under a specific economic context. For many years, immigrants in developed countries had been perceived as illegal unskilled workers, accessing to low-wages jobs. The Rational Choice approach encourages analyzing the decision process of migrants.

1.1 Rational Choice and Decision Making

Rational Choice Theory is an approach used to understand human behavior. The approach has long been a significant paradigm in economics, but it has become more widely used in other disciplines such as Sociology, Political Science, and or Migration Studies. Rational Choice Theory generally begins with consideration of the choice behavior of one or more individual decision-making units which in basic economics are most often consumers and/or firms. The rational choice presumes that the individual decision-making unit in question is representative of some larger group such as buyers or sellers in a particular

market. Once individual behavior is established, the analysis generally moves on to examine how individual choices interact to produce outcomes.

A rational choice analysis of the migration decision making of an individual, would generally involve a description of a desired income, or a desire of a better living conditions, and how these desired interact. An individual is faced with a crossroads to decide to migrate or not, and to analyze those incentives and objectives there to motivate a decision. Individuals need to recognize their objectives and to choose a plan of actions, according their needs and preferences. Income is an important variable for many individuals to take a decision. The typical migrant is faced with the problem of when to migrate and where to go, and sometimes why to migrate.

Exactly how does the migrant choose to mover from origin to destination? Exactly how does the migrant choose when to migrate and where to move? One could imagine a vast number of answers to these questions. Migrants might choose based on what they know, with current decisions simply a continuation of what has been done in the past. The decisions might be made randomly. In contrast, the rational choice approach to this problem is based on the fundamental premise that the choices made by migrants are the choices that best help them achieve their objectives, given all relevant factors that are beyond their control. The basic idea behind rational choice theory is that people do their best under prevailing circumstances.

This meant to best achieve their objective. The discussion in this chapter will emphasize the choices of individuals. The rational choice theory of individual behavior is based on the following axioms regarding and based on consumer preferences:

- (1) The individual (as a migrant) faces a known set of alternative choices.
- (2) For any pair of alternatives (A and B, for example), the consumer either prefers A to B, prefers B to A, or is indifferent between A and B. This is the axiom of completeness.
- (3) These preferences are transitive. That is, if a consumer prefers A to B and B to C, then she necessarily prefers A to C. If she is indifferent between A and B, and indifferent between B and C, then she is necessarily indifferent between A and C.
- (4) The individual will choose the most preferred alternative. If the individual is indifferent between two or more options that are preferred to all others, he will choose one of those alternatives with the specific choice from among them remaining indeterminate.

Economic theory generally related rational behavior to the one contained in the last axioms. Rational choice theories usually represent preferences with a utility function. This is a function that assigns a value to each possible alternative facing the decision maker. As a simple example, suppose a migrant decides to migrate. Let x denote the place of destination number 1 and y denote the place of destination number 2. The migrant's utility function is given by $U = U(x,y)$, where the function $U(\bullet, \bullet)$ assigns a number ("utility") to any given set of values for x and y . The properties of a large number of specific function forms for $U(\bullet, \bullet)$ have been considered. The analysis is by no means restricted to two destinations, though in many

cases, for purposes analysis, I assume that x is the place of destination of interest is and y is a “composite destination” representing everything but x .

The U function is generally assumed to have specific properties. First, it is normally assumed that more is preferred to less so that U rises with increases in x and with increases in y . This means that marginal utility is positive where marginal utility is the change in utility associated with a small increase in the option (place of destination) decided. The second property of $U(\bullet, \bullet)$ is that of diminishing marginal utility, which means that the (positive) marginal utility of each possibility gets smaller and smaller the more of the option that is being decided in the first place. One can assume if we decide to migrate from one place to another, it could be exciting the first time, which yields quite a lot of satisfaction. If the migration process of an individual continues several times during lifetime, the additional satisfaction, while still positive, is much smaller, maybe because of the lack of stability for the individual.

A key outcome on consumer theory is that a preference relationship can be represented by a utility function only if the relationship satisfies completeness and transitivity. The opposite is also true provided that the number of different choices is finite. It is important to point out that if the number of possible alternative choices is infinite, it may not be possible to represent the preference relation with a utility function.

Under Rational choice approach the premise is that some individual, or group of individuals, is/are maximizing utility that is, choosing the preferred alternative. It is important to consider that choice process is the presence of constraints. The existence of constraints fosters the decision making creating the need to choose. Rational choice theory makes the trade-offs between alternative choices very explicit. A usual constriction, in a specific lapse of time, for most individuals is the budget constraint, which establishes that the individual cannot spend more than his income. Migration experiences have established that migration is not an open door for any individual, there is budget constraint because the migration process has specific costs for every destination. Multi-period models allow for borrowing, but in that case the constraint is that the individual must be able to repay the loan in the future, which is also a common option available for most migrants, they expect to pay travel and accommodation expenses with their expected income at destination.

The use of utility functions proposes the idea of individuals making the preferred choices from among available alternatives is translated into a mathematical exercise in constrained optimization. An individual is assumed to make the feasible choice (feasible in a sense that it is not forbidden by restrictions) that results in the highest possible value of his utility function. If migrant has a desire to migrate and have two available destinations, the decision making-process will depend on the viability in terms of the restrictions to reach each destination.

The explanation to the constrained optimization problem usually indicates a decision rule. The decision rule confirms how utility-maximizing choices fluctuate with changes in circumstances such as changes in income or prices. There are conditions on the migration process that affects the decision between one and other alternatives, such as travel expenses or the lack of an entry permit.

A third component of rational choice approach involves assumptions about the environment in which choices are made. Simple economic models are often restricted to choices made in markets, with emphasis on how much of each good or service individuals want to obtain under any given set of circumstances. The environment is an important element for individuals around the decision making process to migrate or not, family context or values can generate a strong influence beyond income.

A fourth element of the rational choice approach, how the choices of different individuals are made consistent with one another. A situation with consistent choices in which each individual is optimizing subject to constraints is called equilibrium. For example, in the labor market, the choices of employers and employees are consistent if the quantity of firms want to employ at the prevailing wage is equal to the quantity that employees want to take job position at that wage. In labor market, wage plays a key role in the establishment of equilibrium. If firms want to get more workers, the wage will be bid upward, which will increase the incentive for workers to get those job positions and reduce the desire of the firms to get higher paid workers. Last, Rational choice theory accept that equilibrium

outcomes in the model are adequate representations of what actually happens in the real world. This means, that a rational choice theorist would explain changes in the actual wage of a specific labor market by looking for possible causes of changes in the equilibrium wage of the market observed in the model.

1.2 Additional assumptions under Rational Choices

The basic rational choice theory described above has been extended in a number of ways. I will consider four important ones in this section, though there are of course many others. The basic rational choice theory explains a choice at a given time, that is, the model is static. In the other hand, a dynamic or intertemporal model permits the individual to prepare for the future as well as to choose in the present. In a dynamic model, the individual is assumed to maximize utility, but this concept of utility includes present satisfaction and future satisfaction. We can consider that individuals do not make decisions today instead agents prepare a plan for current and future choices. For example, to migrate from home and to sacrifice to be away from family and friends, in the present, represent a plan to obtain a satisfaction in the future (income, stability, wealth, happiness etc.). Dynamic formulation could be an essential element of theories of migration and/or entrepreneurship. But it is important to mention that in most dynamic models, the individuals are assumed to prefer a given level of satisfaction in the present to a given level of satisfaction in the future.

Rational choice model supposes results are known with certainty. Another extension of the basic model contains explicit treatment of uncertainty. If we consider rational choice models of migration, for example, a rational individual is assumed to consider the chance of failure at destination while committing to migrate away from home for a better life. The rational choice model is extended to allow for uncertainty by assuming the individual maximizes expected utility. Uncertainty is considered by a probability distribution that gives likelihood (probability) to each possible result. Suppose there are two possible outcomes (for example, the prospective migrant failed at destination, or succeeded, which we can denote outcome A and outcome B. Let p_A denote the probability that outcome A will occur p_B denote the probability of outcome B. With these as the only possible outcomes, it is clear that $p_A + p_B = 1$; that is, that either A or B will occur. Let $U(A)$ be the individual's utility with outcome A and $U(B)$ be the individual's utility with outcome B. The individual is then supposed to maximize expected utility, which is the sum of utility in each outcome weighted by the probability that outcome will occur: $V = p_A \cdot U(A) + p_B \cdot U(B)$. The choices of the individual can affect p_A and p_B as well as $U(A)$ and $U(B)$.

Rational choice model also involves incomplete information. In the basic model as described previously, the individual knows perfectly all the qualities of the choices under his consideration. An individual could have to take decisions and make choices even without full information. A migrant generally does not have full information about the future and his performance on the place of destination, or that other migrants from the same origin will experience the same situations the first migrant lived when he first migrated.

A fourth area in which the basic rational choice model is prolonged includes strategic behavior. This generally occurs in situations in which there are only a few individuals. The key issue is that each individual must consider the possible effect of his actions on the decisions of other individuals, all of whom are observing at the situation under the same perspective. An example could be the interaction involving decision of members of a family group regarding migration. Acting collectively, family members have an incentive to support the group in order to see the family succeed at the new destination. Each family member is playing a key role to achieve success during the migration process. Each family member acting individually, however, has an incentive to pursue their own interest, above family satisfaction. This will only be successful if other family members maintain their commitment to the group. Thus when a family member is contemplating to look for their own satisfaction, it must consider how other member of the group may react.

1.3 Rational Choice as a Research Economic-Migration Method

Rational choice approach generally begins with a question, as many other methods; What determines migration trends? Are migration flows rates disturbed by the economy? Do migrants make choice easier? Under what conditions are migrants welcome at the host country? Why are certain migrant groups more likely to be detained? Which migrant groups are most likely to suffer high unemployment rates at host country? Why some migrants become entrepreneurs at host economy?

If we take the structure of a traditional economic model, we will find that there are economic agents, which make choices in order to advance their objectives. The choices have to satisfy different restraints so there's something that adjusts to make all these choices consistent. Rational choice models structures suggest planning a strategy to follow, involving individuals making choices, facing limitations and constraint. We can best describe the Rational Choice Method as next:

- a. Determine the significant agents (individuals/groups) and make assumptions about their objectives.
- b. Recognize the limitations faced by each agent or individual.
- c. Identify the decision rules of each agent, which illustrate how an agent's choices respond to changes; for example, how the quantity of migrant labor available might change with wages.
- d. Determine how the decision rules of different agents may be made consistent with one another and so describe the equilibrium of the model.
- e. Recognize how the equilibrium of the model fluctuated in response to different external events. That is, determine the predictions or implications of the model.
- f. Examine whether the predictions determined are consistent with actual experience. This step often involves the statistical analysis of data.

g. Derivate conclusions and any implications (for government policy, for example) implied by the analysis.

1.3.1 The role of the Preferences under Rational Choice

Under Rational choice approach behavior follows from the search of objectives, so preference specification is crucial. Frank (1997, p. 18) defines two general approaches. The self-interest standard of rationality “says rational agent consider only costs and benefits that ensue straight to themselves.” The present-aim standard of rationality “says rational individuals act efficiently in pursuit of whatever purposes they hold at the moment of choice.” Frank contends that neither approach is clearly satisfactory. For example, some migrants would seem to care about more than their own material well-being, so the selfish egoism implied by self-interest standard is probably too narrow. In contrast, the present-aim standard puts no restrictions at all on preference formation, which means that everything can be explained by an appeal to preferences. Suppose, for example, that a Mexican migrant decide to cross alone to the United States through the Arizona desert and felt badly injured on his journey. The present-aim approach can explain this behavior by saying that the person must have really liked desert landscapes.

The most important strength of the self-interest standard is that the related preference specifications are generally straightforward. This approach, which leads basic economic

theory, usually considers that utility rely only on the consumption of goods and services and that, for any given good or service, more is strictly preferred to less.

The Rational Choice models has used present-aim standard, but its use is minimal compared to the use of the self-interest standard. The self-interest standard proposes predictions that are consistent with experience. If self-interest is the only criterion to specify preferences there is no chance for people to care about others. Third, self-interest standard models are more manageable on an analytical level than present-aim models to suggest specific visible predictions. It is important to mention that economic models in which individuals care about others, are likely to have multiple equilibrium. Frank (1987) introduced the idea that preferences should consider concerns for others individuals.

1.4. Rational Choice and Consumer Behavior

Traditionally, economic models had assumed that expectations are adaptive. This means expectations can be modify as a response to observed changes in variable under examination. For example, if expectations are adaptive, Spanish workers will begin to expect more migrant labor in the future only if they see more migrant workers in the present. Under the rational approach, rational expectations embody the concept that within the context of a model, the expectations held by individuals are the expectations implied by the model itself. This context restrains help solve models and find equilibrium.

If we would like to apply the idea rational expectations into consumption behavior (Hall, 1978) we would find interesting implications about the relationship between consumption and income: Consumption should be less sensitive to income among jobs in which income tends to be volatile (unskilled migrant positions) than in those work spaces in which income are constant (public service). This means that when income is stable, an increase in current income tends also to signal an increase in future income. In the other hand, a rise in current unskilled positions income cannot bring certainty about future income. It is important to consider that consumption behavior can differ across occupations because of the characteristics of income.

1.4.1 Definition of Rationality and the objective of Rational Choice Approach

The rational choice approach establish that individual's choices reveal the most preferred feasible option considered by preferences that are complete and transitive. Clearly the rational choice approach proposed a decision process based on reason capacities. We must interpreted reason as the ability of processing logical inferences. This logical inferences lead propositions to conclusions.

Rational choice theory establishes first whether a given choice is consistent with utility maximization, under a set of preferences. Then we analyze the nature of assumptions about

preferences. A choice should be considered irrational if it is not consistent with utility maximization. Perhaps somewhat surprisingly, there are several generic instances of this kind of irrationality that are not especially dependent on the specification of preferences. This doesn't mean that there aren't examples of behavior that are irrational that it does not reflect utility maximization.

Irrational choices could be observed when a choice that is consistent with the maximization of utility based on preferences that are somehow irrational. An example of this situation could appear when a choice does follow from maximization of utility given preferences but these preferences themselves are considered flawed. If an individual migrate to a war zone, because he really likes weapons, his choice can be found rational, considering his own preferences, however we can ask about the nature of his preferences, because of the effects the preferences might have on the individual (injuries, damage or even death). So, we must assume that a choice comes from a logical process from irrational preferences must be an irrational choice.

The standard economic models of rational choice propose that consumers maximize well-defined utility functions. We should assume that the individual's overriding objective is the consumption of good and services. And assume that the consumers act efficiently in the pursuit of their objectives. Frank considers that the traditional utility function could be modified introducing values, emotions or perceptions about relative position. We adjust the

conclusions of traditional models in fundamental ways. Emotions can drive behaviors, so they are key elements for the decision-making process.

Another important consideration of Rational choice approach is that is useful because it tends to produce non-tautological predictions. If we observe the migration phenomenon MP, for example, MP might be the fact that migration flows tend to rise during good economic times and fall during negative economic times.

1.5. Critiques of Rational Choice Theory and its criticism

Rational choice approach has been a dominant paradigm in Economic theory, in recent years, however it has been subject to constant criticism. Rational choice theory is been considered as a neoclassical paradigm. Rational choice theory critics can be finding on different basis, as practical, an empirical, or a theoretical level. Briefly, practical criticism considers rational choice approach lack of key questions, meanwhile empirical criticism suggest failures, because its inability to adequately account the observed phenomena.

If we consider theoretical criticisms, we can establish two main concerns. One is regarding the model's assumptions and the possible conclusions coming from these assumptions. Second, there is a notion of an excess of abstraction, primarily because of the reliance of

the theory on mathematical techniques. Theoretical criticisms are based against the assumptions of the rational choice approach.

Economic theory is used to utilize rational choice assumption because it has been successful empirically, however is not always the case. Different approaches had been used to create better assumptions to better explain, but in recent years rational choice approach has become a main theory, very useful and successful empirically. It is important to consider, there are situations under which it might not be completely unreasonable to question the assumptions of a model. Economic theory creates predictions that are satisfactorily accurate even its assumptions are not exact to the last detail, it cannot be not discard. At the end, theory is an abstraction of reality. If we consider a GPS location system, for example, we are taking advantage of an abstraction of the highway system of a city or a region, which could be very accurate but cannot be exactly as reality, for many different circumstances. We would have to consider a real-scale map of a city to be 100% accurate, considering every detail involving reality. Individuals take a plan of actions which embody different assumptions about what to ignore, and the appropriateness of those assumptions according to the context.

Criticism around rational choice approach rise against the notion of those assumptions of the theory, which are not literally and completely accurate. It is important to remember that no model is complete because all theories abstract from reality at some point. Most rational

choice theory criticisms are focus on assumptions rather than contentions that implications do not follow from assumptions.

The most basic assumption of rational choice theory is that the primary unit of analysis is the individual decision-maker. Individual choice behavior often does not conform to the fundamental premises of rational choice theory. We can find situations where preferences are not always transitive, for example. The basic assumptions of expected utility maximization under conditions of uncertainty are especially challenging. One important assumption of rational choice approach is the notion that preferences are simple and stable.

Behavioral economics is devoted instead to understand the ways in which the actual decision-making process influences the decisions that are taking into action. Agents choose to collect and use the optimal amount of information by comparing benefits and costs. Rational choice models in economics often assume perfectly competitive markets and complete information, which seems not completely accurate if we consider the prevailing uncertainty of the situation in the real world but sufficient enough to create models about it. Arrow (1987) considers that the assumption of rationality is useful and powerful implications develop from the conjunction of individual rationality and basic concepts of such as, competition, equilibrium and completeness of markets. But Arrow also established that if these assumptions fail, rationality becomes exposed.

This last notion from Arrow generates additional criticism around the possibility of multiple equilibrium models if their assumptions structure is not solid enough to fulfill the requirement of model. If a model has multiple-equilibrium does not have precise observable predictions and therefore is not able to be verified. Game theory models for example, used to show multiple equilibrium situations, where some particular assumptions help to determine how individuals agents expect the decisions/actions of other individuals.

Another important situation in which multiple-equilibrium tends to occur is, for example, when immigrants collaborate (help without pay) to each other. If individuals (immigrants) care about others, that basic model is much less likely to have observable predictions than a model in which all agents are selfish or do not show altruistic actions.

1.6. Policy Implications of Rational Choice

Economic models under Rational Approach, generally assume that agents' preferences are self-centered and based on the consumption of material goods and services. But it is important to portrait that negative or bad choices exists and generates accurate concerns of rational models. The arguments to follow bad decisions may be valid based on the assumptions employ, but sometimes seems clear that the arguments are overlooking key elements.

Akerlof and Kranton (2002), for example, describe how identity, as a key component of their model, affects economic outcomes, because they emphasize the difficulties to separate the rational agent from a person's sense of self. The inclusion of the psychological and social perceptions of individual's identity into an economic model of behavior, supplement substantial elements left behind by other models. The concept of identity is associated with social categories and how individuals should behave, according to each category they belong. The main purpose is to find how identity can affect individual interactions and decisions. The consideration of identity can modify conclusions of previous economic analysis made without it. Individual receive utility from ethnic behavior by others in the society, since this behavior gives them a situation in which they may enjoy their own preferences for been and consume ethnic, including language and/or culture. Most individuals may have an interest in the expression of ethnic preferences by their equals (other conationals) since this may yield the psychological benefits of power and prestige (Wintrobe, 1995).

Migration is an important factor to discuss ethnicity and cultural identity in a globalized environment (Massey, 1995). Ethnicity is a multidimensional expression of race, origin, language, religion and ancestry. Culture is a social expression, and individuals look for groups with other individuals with similar characteristics also, to foster his sentiment of belonging (Orozco 2003). Also, Cultural diversity symbolizes a value for creative class values. The possibilities of sharing different culture and traditions could represent opportunities for social interaction and trade. (Florida, 2007).

Cultural identity involves consumption patterns, like style of dress, types of food, products purchased. Cultural assimilation could be observed when a migrant, expected to respond to a particular behavior and consumption patterns related to his country of origin, act or behave more closely to the culture patterns of the country of destination. Individuals may be more likely to express their ethnic preferences when they are engaged in collective decision-making structures (Congleton, 1995). Under acculturation perspective the dynamic aspect of culture makes that the migrant will combine his traditional behavior and consumption patterns from his country of origin and the ones existing at his destination location (Luna and Forquer-Gupta, 2001). According to Hardin (1995), if ethnicity has a negative reputation in the host society, individuals may hide their preferences.

Culture is a dynamic process, if an individual moves from one location to another will not immediately adopt the set of patterns identified with the community of destination, and left apart his own, as Massey (1995) first acknowledged. Migration studies associate behavioral patterns to cultural norms and values (Castles and Miller, 2004). Behavior patterns are free or voluntarily adopted, in the sense that there is no imposition or mandate to adopt them. But this adherence could appear in part of the context the migrant is living and the interaction with the native population. The market charges a cost to any individual for expressing a preference for ethnicity (Congleton, 1995). Behavioral patterns associated to particular culture are constantly adjusting (Luna and Forquer-Gupta, 2001). Cultural values are transformed over time influenced by the changing context, so the behavior patterns. The

market can assist an individual with a preference for ethnicity to pay a premium which approaches the full value of expressing this preference or stated differently, that the competitive market potentially represents an institutional framework which is incentive incompatible with ethnocentric behavior. (Congleton, 1995) This trend maintains the culture of a specific group of geographic area in a continuous dynamism. That individuals choose to express their ethnic preferences partly depends on the cost of doing so the rationality of ethnic expression (Congleton, 1995)

1.7 Considerations

In this chapter I have tried to describe and overview of how rational choice theory operates and of its methodological foundations. The theory is been used in a number of social science disciplines, and migration studies is no exception. The theory is useful and it can generate original predictions and provides useful insights. Rational choice approach is subject to a number of criticisms, but that is to be expected. Rational choice approach assumed preferences depend only on material self-interest, and might encourage individuals to make choices and decisions basically because of material self-interest.

Rationality involves many features that cannot be concise in terms of a straightforward formula. However, these concerns do not automatically lead to alternate satisfactory or sufficient categorizations beyond the traditional assumptions of rational behavior. Sen (1990) recognizes that there are not substitutes for the basic assumptions of rational behavior approach. Meanwhile traditional economic literature find alternative approaches

traditional assumptions of self-interest maximization, or of consistency of choice, will continue leading economic analysis.

The basic Rational choice model is insufficient to understand behavior and the decision making process of migrants. Both consumers and migrants have complex decision processes where the interactions among the different elements (values, habits, traditions or culture) that compose the human behavior are important. The complexity and uncertainty of the decision making process, require a Ration Choice approach flexible and complete to understand the dynamics of immigration. Therefore, this thesis will analyze immigration the Rational Approach.

CHAPTER 2

INTERNATIONAL MIGRATION

TRENDS IN EUROPE AND

SPAIN: IMMIGRATION FROM

LATIN AMERICA

CHAPTER 2

INTERNATIONAL MIGRATION TRENDS IN EUROPE AND SPAIN: IMMIGRATION FROM LATIN AMERICA

International migration is one of the major global phenomena of the last decades. The flows of persons moving from one country to another, increased strongly in different regions of the world. Not only historic links between countries has been a factor for the development of migration corridors, social and economic contexts had fostered the formation of regional migratory systems.

Most people mobility around the world is attached to incentives and motivations for the search of better living conditions. International migration flows increased more numerous, than those observed in previous periods. There are different and complicate structural factors underlying the decision to migrate. Economic scenarios at origin and destination communities play an important factor to motivate labor migration.

Aging in developed countries has been a significant issue in recent decades. Labor markets had suffered supply shortages in many sectors, creating distortion on wages and availability of human capital. Europe and the United States have found on labor migration to full fill their needs for economic growth. Estimations located greater needs of labor supply in

developed countries over the next 10 years, individuals retiring from the workforce and an aging population are key factors that will contribute to this scenario.

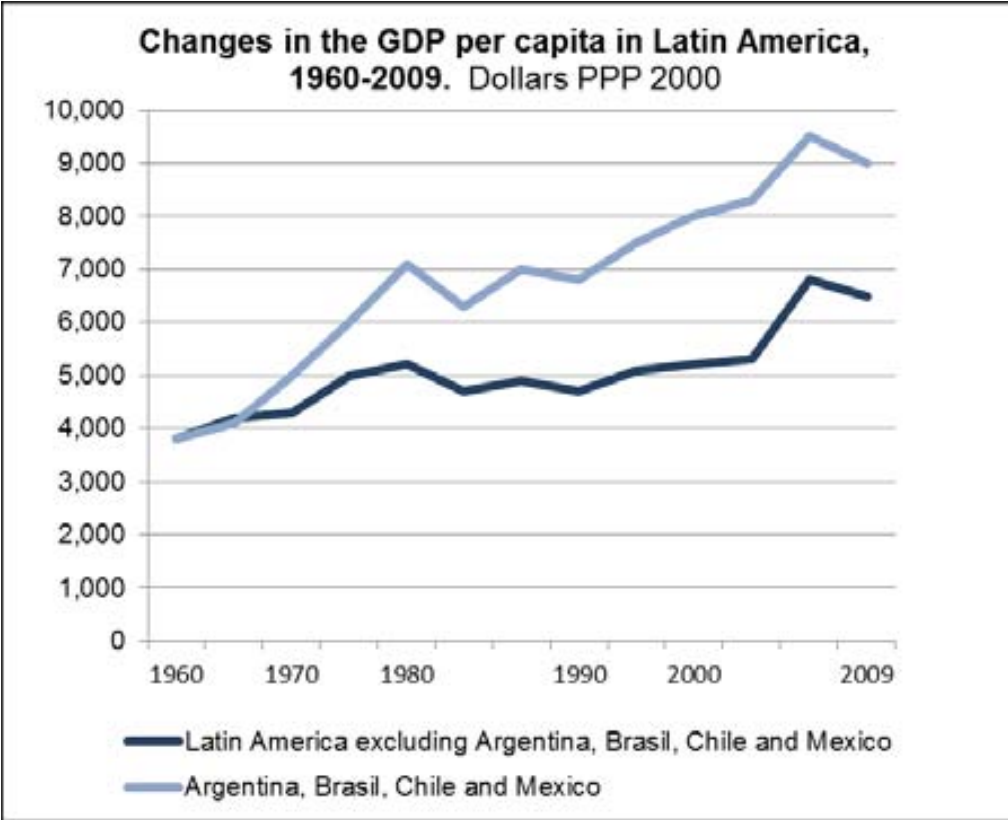
The new migrant, the one from the XXI century, moves around different context from the migrant ten or twenty years ago, new technologies such as mobile telephone services and internet are fostering new ways for interactions between communities of origin and destination. In the last decade, immigration flows in the world has been growing at an increasing pace, notably in industrial countries, particularly in the U.S. and Europe.

2.1 Emigration and the Economic Situation of the Latin America, from 1990 to 2010

At the end of the XX century Latin America and the Caribbean experienced severe economic downturns. The 1980s represented a “lost decade”, an unfortunate experience for the region. But Latin America’s economic growth became progressive during the 1990s, with specific crisis periods observed all over the region, in Argentina, Costa Rica, El Salvador, Mexico, Nicaragua, and Peru. Latin America has struggle for many decades with a systematic social and economic asymmetries. The increasing income distribution gap has challenged the Latin America future. High levels of poverty and inequality created an environment of a permanent social discomfort. In the 1980s a negative cycle on world growth affect those external factors impacting growth in Latin American region (Gallardo, M. y Pedersen, M, 2007).

Latin America has observed changes in its GDP per capita since 1960. But there is no surprise Argentina, Brazil, Chile and Mexico, had leaded the region over the last 50 years (BBVA, 2010). There is an important gap if we include or not these four economies to calculate the region's GDP per capita. The differential is substantial, nearly 30% between the two sets. Undoubtedly, the GDP per capita is not a sufficient indicator to determine inequalities on income distribution or wealth concentration among the population (See Graph 1)

Graph 1

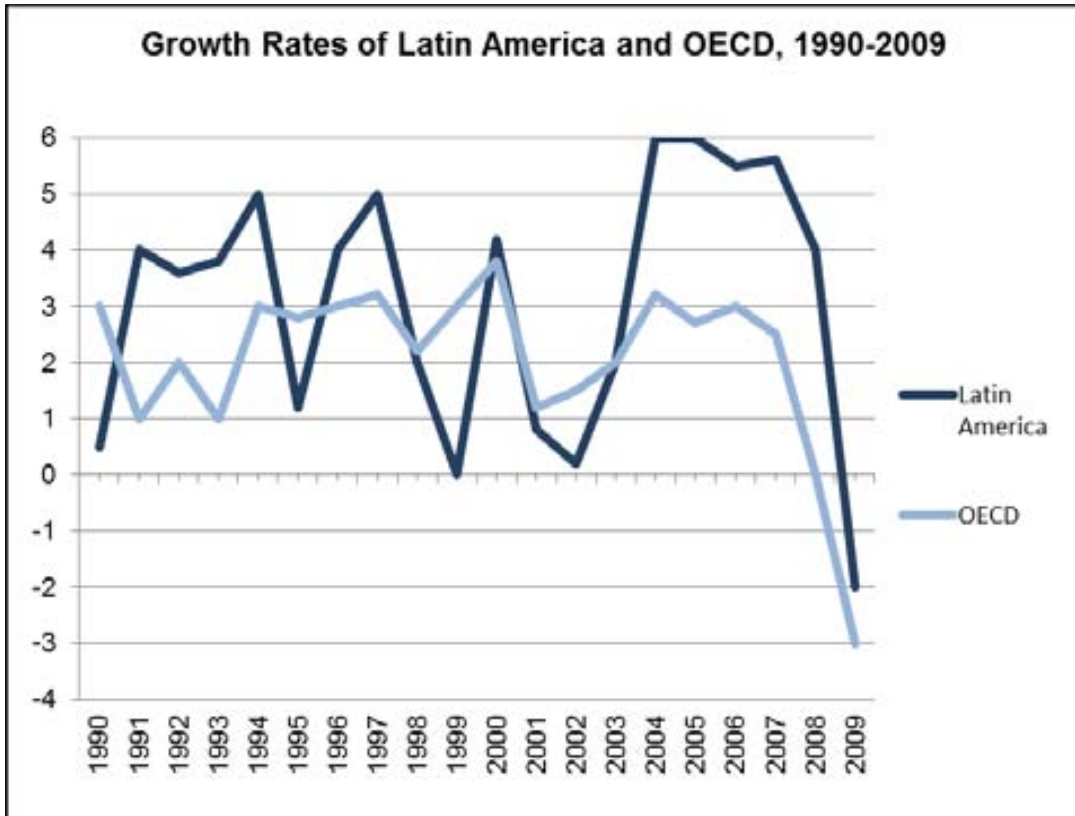


Source: BBVA, 2011

This context left a negative scenario for the Latin American region due to temporary recessions failed structural policies and the use of tight stabilization policies to control inflation, cyclical volatility, real exchange rate overvaluation, and banking crises (Calderon, 2003). In the last two decades, the Latin American Region has experienced different periods of crisis and bonanza. The region arrived to the end of the XX century after suffering a devastating lapse, in which large external debts, high inflation and massive exchange rate depreciations were the most important indicators. The nineties signified a period of recovery and crisis; in 1995 the Mexican crisis started a series of economic downfalls across most of Latin American countries, particularly Argentina, Brazil and Chile. The next couple of years the region was immerse on different economic shocks, 1999 and 2002 were another low-marks years for the economic growth of the region (BBVA, 2010). The volatile performance of most Latin American countries differ from the one observed by OECD economies during the 1990-2009 period, which tend to move over a tighter range. Since 2008, both economies are suffering the effects of the current financial crisis carrying higher unemployment rates and negative growth economic rates. (see Graph 2)

Latin America and the Caribbean started a continuous recovery process in output growth during the second half of 1990s. This performance was engineered by large increases in productivity. Calderon (2003) established that growth recovery was driven by structural and stabilization reforms that benefited the economy's regions and its productivity level. In the 1990s, market-oriented reforms were expected to generate high growth rates in Latin America comparable to those of the East Asian economies (Calderon, 2003).

Graph 2



Source:

BBVA, 2011

The results at the end of the decade showed that expectations were too high, because economies did suffer crisis and some reforms did not impact as expected. The overall growth rate of the Latin America and the Caribbean was approximately 1.5% in terms of output per capita during the decade of the 90s. The average increase in the growth rate for the period 2000-10 is 0.05%, which located the average per capita GDP growth rate is nearly 2% (CEPAL, 2009).

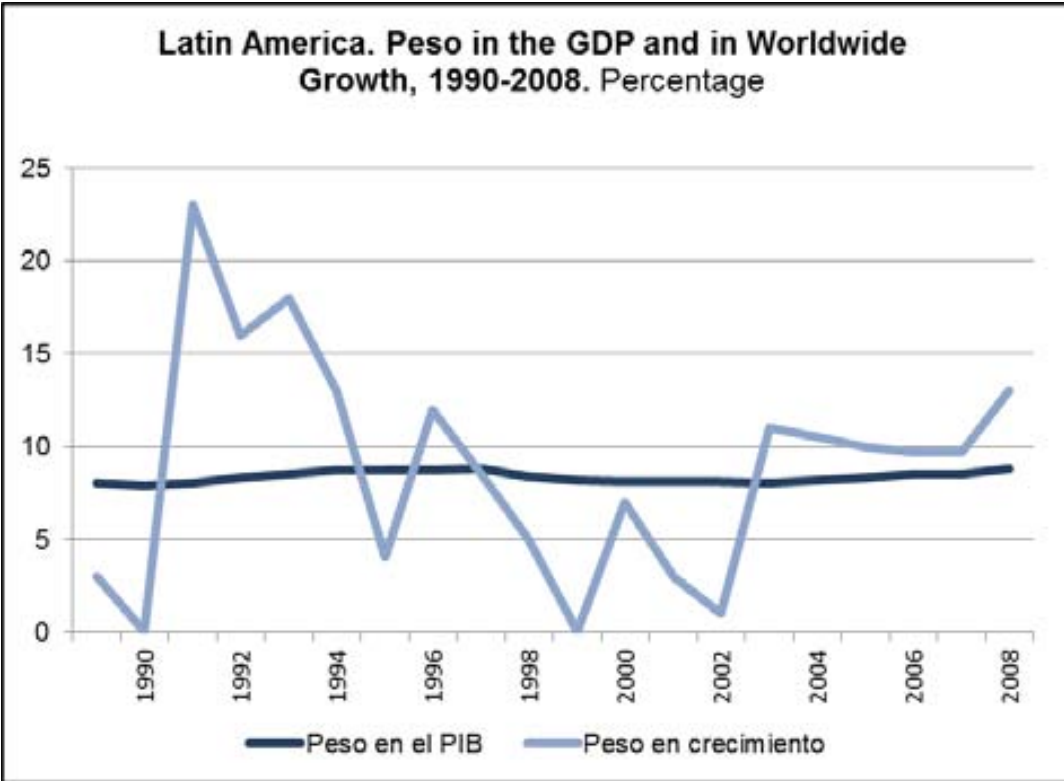
Table 1

GPD per capita in Latin America. 1960 and 2009. Dollars Power Parity Purchase, 2000		
Country	1960	2009
Argentina	6,090	11,490
Brasil	2,697	8,229
Chile	3,489	11,521
Mexico	3,960	9,455
America Latina (without Argentina, Brasil, Chile y Mexico)	3,681	6,597
Source: BBVA, 2010		

The key factors fostering an increase in growth are improvements in structural policies in the region (Gallardo, 2007). Undoubtedly developments in education and public infrastructure have contributed to the growth rate of per capita GDP. According to BBVA (2010), the Gross Domestic Product per-cápita in Latin America has at least double in the last 50 years, especially, in the four major economies from the region: Argentina, Brazil, Chile and Mexico. (see Table 1). During the last decade, many countries in Latin America -such as Argentina, Bolivia, El Salvador, Mexico, and Peru-- underwent strong market-oriented reforms. Gutierrez (2005) considers these were partly motivated by the belief that the reforms would generate high economic growth. Latin American growth performance during the first decade of the XXI century had been supported by the strong dynamics of world commodity and raw material prices that have boosted terms of trade and exports

receipts (Gallardo, M. y Pedersen, M., 2007). Mexico and other Latin American countries have gained, in particular, from the outpouring in fuel, food, and metals prices, and have generally been able to expand these opportunities by increasing volumes.

Graph 3

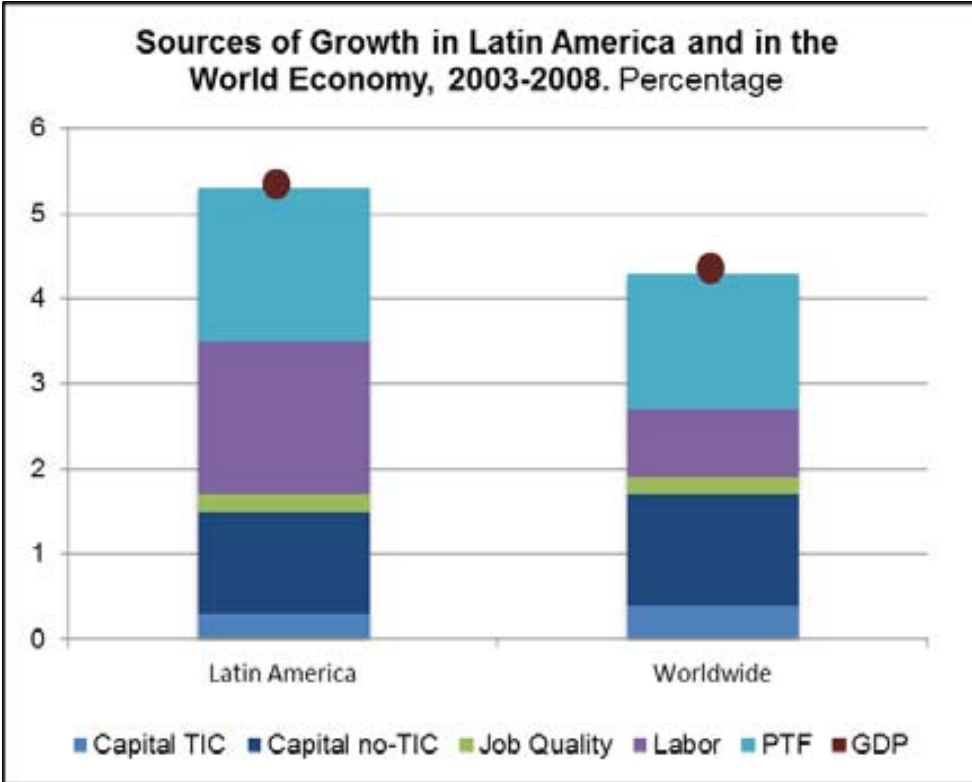


Source: BBVA, 2011

Economic growth is a process caused by several factors and structural and stabilization policies are significant to achieve results (Gutierrez, 2005). During this period, domestic demand has also generally remained vigorous, although some countries were starting to face capacity restrictions. The region does have an important weight on the Worldwide GDP. During 1990-2008, the Latin American Region has maintained a continuous

participation on the World economic growth. This situation has kept the region as an important engine for the world economy.(see Graph 3)

Graph 4

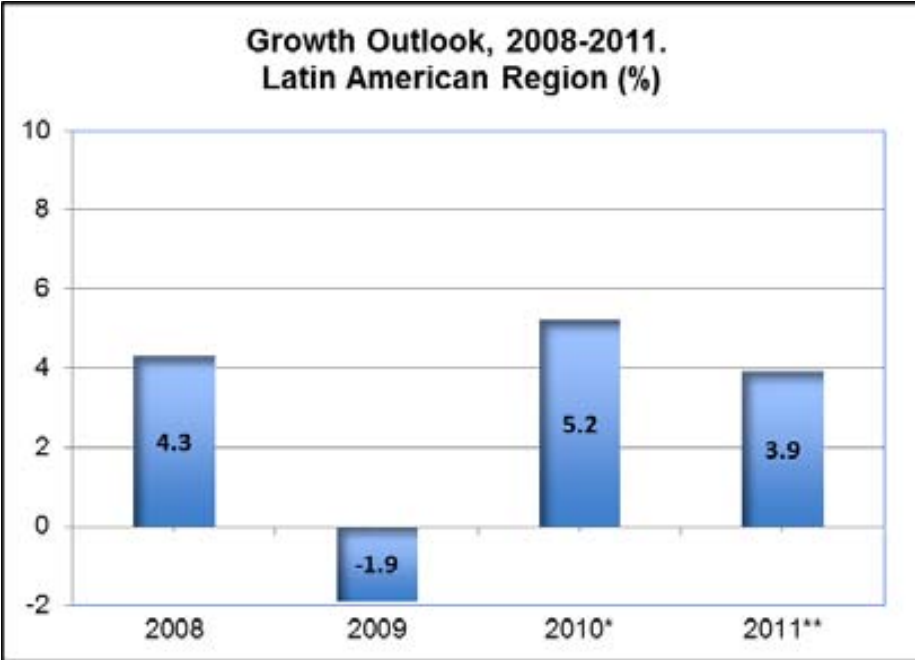


Source: BBVA, 2011

According to BBVA (2010) Latin American has shown that labor is a key factor for its growth. During the last 20 years, the high population growth rates of the region over the years, and their young age has in fluxed unskilled and skilled labor to the domestic and foreign markets. In the last 5 years, the innovation and technology factor has become an important asset for the economic growth of the region. Nevertheless, labor stills the most important element for Latin America, due to the high population growth rates observed

during the last decade. The region has a strong young and vibrant population participating along different industries inside and outside the Latin American countries. (see Graph 4)

Graph 5



Source: BBVA, 2011

Since 2010, Latin America has been experienced a stable macroeconomic environment because of a continuous pragmatic policy making. Foreign direct investment has been arriving, and the region has become an important spot for multinational firms. Telecommunications and Tech industries, for example, have played a key role in this context. In this new scenario, Asia and especially China has become a strategic partner for the LAC Region. The perception is that the current macroeconomic stability is a result of different factors.

In recent years, the Latin American region has experienced a quick recovery (3.9% expected from the global financial crisis that affected most economies in the world. The biggest impact arrived in 2009, when the economy of the region observed a -1.9% growth rate. The expectations for the region are higher than most European countries for 2011-2012 period (see Graph 5).

2.2 Economic Downturns and International Migration in Latin America from 1990 to 2008

During the nineties the Latin America region observed a continuous decline of employment in the primary sector and a slightly but persistent increase in the tertiary sector. Meanwhile, the secondary sector experienced a reactivation after a decade of negative growth. (Gutiérrez, M. 2007). According to CEPAL (2009) from 1990 to 1997, employment on manufacturing industries grew slightly, at an annual rate of 1.2%. The region's bigger economies observed clear differences, for example, while manufacturing employment stagnated in Argentina, Brazil and Colombia, it expanded significantly in Mexico (NAFTA, a factor for it).

Most Latin American countries experienced a decline in agricultural employment during this period. Construction sector grew 8.0% responding directly to the economic cycle of the

region. ECLAC (2010). The expansion of the tertiary sector promoted the creation of jobs in different areas, such as financial services, insurance, business services, real states as well as local services as electricity, gas, water, transport or communications. Commerce and tourism were very dynamic in the 1990s.

The political and economic situation in Latin America during this period had an effect on migration flows. At the beginning of the 90's, the economic and political crisis in the region "helped" international migration to start a continuous process to the United States, Canada and Japan (Durand and Massey, 2003). During the second half of the XX century, Latin America was characterized by a constant domestic migration, especially the one lead by population moves from rural to urban areas. The cities became a land of opportunities and access to better living conditions. The industrial transformations move the economic growth away from the rural areas, and the national demographics reflected this dynamics.

Internal migration led to international emigration, at different scales and phases. Those among the poor population who had found better jobs, health services and education opportunities in the urban areas advanced to settle definitely in the cities (ECLAC, 2010). But the look for a better life don't stop inside the national boundaries, middle and lower middle class individuals and families that were affected by the economic context considered the option of international migration, as a door for their own development (ECLAC, 2010). When emigration from Latin America increased abruptly at the end of the twentieth century, and the range of destinations was widened, not only to the U.S. but to

Europe, the subject of remittances became the focus of institutional attention in most countries.

Latin America international migration trends to be referred to in the literature in terms of hemispheres rather than geographically, with the aim of stressing the asymmetry of the relation between the developed industrialized nations, generally found in the north and the poor developing countries that are usually in the south (Zolberg, 1999; Portes, 2007).

The prospects to immigrate to Europe, especially to Spain, Italy and Portugal, became also significant during this lapse. After year 2000, there were three different migration patterns of international migration in Latin America; 1) Intra-regional migration; 2), South-North migration, and 3) transoceanic migration. Each destination observed specific patterns. The dynamics of South-North migration are established, historically and geographically, in the context of the dependence, domination, disparity and attraction. For the Latin America Region, the United States symbolized clearly this role over. Emigration to the United States has been a continuous tradition for different communities all over Latin America.

Recent migration flows destined for Europe, especially Spain and other European industrialized economies, are identified as transoceanic migrations instead of a relation North-South. Latin American emigration in all these cases is directed to countries with a very high index of human development; in 2007, the main destinations were Canada

which comes fourth in the index; United States in fifteen and Spain in sixteen (Fanelli, José María and Jiménez, Juan Pablo, 2009). The main objective of the Latin American migrant was to find a location with better labor opportunities and access to a prosper life.

2.3 International Migration and Financial Remittances in Latin America

The impact of international migration on home communities has been widely treated in different studies. Processes of integration and assimilation have been analyzed systematically. The impact of migration on the places emigrated from has been explored less, but the impact of remittances sent back from abroad has been of significant interest.

The significant increase of international remittances at the end of the nineties, especially from Latin American, caught the attention to look for connections between remittances and development. Financial remittances sent to families of developing countries, become a tool for Diasporas to motivate individuals to utilize these resources to create productive projects at their home communities. According to CEPAL (2009), Latin America Region received more than 61 billion dollars in 2007 in the form of family remittances, placing the region at first place worldwide.

Developing countries lose human and financial capital when individuals decide to emigrate. Not only the best educated or most enterprising are the potential emigrants, there are clearly other groups ready to give migration a chance to succeed or to access better living conditions. Undoubtedly, developing economies suffer loses when unskilled or skilled

labor leave the market, however they do receive another benefits from this departure. Emigrant workers reduce the domestic labor market pressures. The families of emigrants, who decide not to move out, became recipients of “added income” through the earnings sent back from the family members who did migrate. These remittance payments support the home economy. Latin America and the Caribbean countries received approximately 15 billion dollars a year, through financial remittances, during the last decade. Each monetary unit sent back to the home country of the emigrant (by the individuals and/or families) generates additional revenues when entering the economic cycle. During the last decade, financial remittances represent a greater share of international revenues than foreign aid resources available to undeveloped economies.

For Latin America, financial remittances in euros or dollars are considerably greater (due to the exchange rate) than those coming from intraregional migration processes, which have a smaller effect. The effect of remittances is greater in the poorest countries of the Latin American Region, where income from financial remittances is a significant part of GDP. According to Durand (2008), financial remittances have little effect on reducing poverty, and it is known that extremely poor sectors do not tend to emigrate as much as sectors that do have some resources or networks to participate in a migration process.

Migration studies observe two different perspectives on the costs and benefits of the financial remittances. The first one describes remittances as means to improve the standard of living of the families receiving it. These financial resources are used for basic and

general needs such as food, clothing, housing improvements, and education, as well as for consumer goods as electronics and household appliances. The transfer of funds made by the immigrant individuals are a direct benefit to those who may require it the most, their families. Another perspective defines that remittances should be tools for promoting economic development at home communities and those remittances are and should play a significant role for human development as income and employment multipliers (CEPAL, 2009). According to ECLAC (2010) estimations considers that each dollar remitted to home communities generates produces an increase of approximately three dollars in the GDP.

According to data from the World Bank (2008), between 2004 and 2007 remittances grew at an annual rate of close to 15%. But after 2008 the pace at which these remittances increased seems to have staged. Durand (2008) established remittances have had an effect on the family and even on the regional scale, generating improved welfare and better living conditions for the families of migrants. In many regions the economic effect of remittances can be perceive at local level, and is concentrated basically on those “traditional” migrant communities. There are differences in the amounts of financial remittances sent home, depending on the destination, and the situation and status of the migrants at their destination communities. At macroeconomic level, governments started to focus on international remittances because of a larger provision of significant source of foreign currency, which contribute to the balance of payments.

Durand (2008) considers that there has been a direct impact on the living expenses (food and beverages), housing, education and health of families receiving financial remittances in the Latin American region. These resources could provide families of migrants, better domestic fittings or utilities, such as electricity, drinking water, sewerage, a refrigerator, an automobile, a telephone or the internet. The first effect of financial remittances at the origin community is improving the living conditions of migrants and their families (Durand, 2008). On a second level, educations and health represent significant areas of impact for remittances, fostering the standards of living for families. A third effect of these financial flows is related to the creation of jobs. Diasporas have the capacity in some levels to occupy financial resources to generate self-employment or employment for the family at origin and at destination.

Durand (2008) confirms the multiplying effects of financial remittances on the local, regional and national economies, and suggests that through consumption remittances provides direct support to the development of the domestic market. Financial remittances may also have ambivalent impacts (Durand, 2008) under a different perspective, for example social differentiation within rural communities and could increase inequality. In some cases remittance flows promote new urbanization processes and the development of local infrastructure and on the other hand emigration could lead to a demographic deep transformation process in some area at origin.

In 2009 immigrant population from Latin America and the Caribbean remitted 64 billion dollars, a slightly decrease from 69 billion observed in 2008 (ECLAC, 2010). This situation started to show that in 2009, as the global financial crisis was worsens, migrants were reducing their flows their home communities due to job losses, lower earnings, and slower migration (including continued deportations and voluntary returns). This decline reflects the potential impact of the economic downturn on family remittances and the subsequent effect might have on Latin America countries (CEPAL/OIT, 2009).

Most migrants relied on their savings, when negative times arrive, in order to maintain a continuous pace on the flows of financial resources sending to their families and home communities. Of course, a crisis context diminished this positive trend. According to ECLAC (2010), in 2009, nearly one million people did not remit, and approximately 50 percent of those unemployed immigrant continued to remit.

The repercussions of the crisis for Latin American economies are diverse. In one hand one million households who (until 2009) were receiving financial remittances are not receiving any more. And approximately four million Latin American families are receiving 10 percent less, that at least 5 years ago. The recession in Spain has had a strong impact on certain countries of Latin America, where a markedly one-direction migration pattern had developed in last decade. This means Latin American households will lose a significant source of their earnings ranging from 7 percent to 65 percent of all income (CEPAL/OIT, 2009).

2.4 New Immigration Trends in Europe, from 1990 to 2008

Since 2000, Europe became an important region of immigration. Net immigration in Europe has increased over 4.0 per 1,000 inhabitants, compared to previous years. The region now hosts a population more than 50 million migrants, compared only in figures to North America. Europe as a region of destination increased over the last decade. European countries recruited migrants to fill the labour and skills shortages that existed in many industries.

In the last 5 years, Spain, Germany and United Kingdom received more than 50% of the total immigrant population in the EU-27. It is important to consider, that most immigrants in the EU-27 try to settle them in the Member States with larger economies and opportunities, but in the case of smaller Member States, the scale of immigration was larger. During this period, the total immigrant population in the EU increased over an annual average of than 100,000, however, since 2009 this increase has slowed, even turning into a decline in 2011. The largest increase in immigrant flows was in Ireland and Spain. By 2007, before the current economic crisis exploded, Ireland immigration doubled from the beginning of the century while Spain received 75% more immigrants in 2007 than in 2001. These flows put Spain at the top European destination with an increase of 350,000 immigrants in a five years period. By 2007, immigrant arrivals into the EU were concentrated in Spain, Germany and United Kingdom. These three countries received more

than 2.1 million immigrants. Spain observed 840,000 new immigrants, Germany 660,000 and United Kingdom nearly 600,000. According to EuroStat, in 2007 more than 1.8 million immigrants were not citizens of any EU Member State.

Immigration pressures increased in most regions of Europe, with some countries, as Spain, experiencing unprecedented flows of immigrants. Europe and Spain have observed how immigration phenomena have grown with a peculiar dynamic outlined by specific motivation, expectation or duration of stay. The total population of European Union (EU-27) was 502.5 million in 2010, and grew by 1.4 million from 2009, an annual rate of 2.7 per 1000 inhabitants, due to a natural increase of 0.5 million and net migration of 0.9 million. During this year, 32.5 million foreign citizens lived in the EU-27 Member States, of which 12.3 million were citizens of another EU-27 Member State. The rest of the population 20.2 million were citizens of countries outside the EU-27. (2.5% of the total population). Individual European countries have their own policies for handling immigrants, refugees and asylum seekers. Under European law, the country where migrants first arrive is responsible for determining their status.

The positive economic performance and the increasing availability of jobs provide key opportunities for many people to decide to move to those regions looking for better life conditions. Developed countries had benefit from this flows of human capital, and in some European countries like Spain, their impact has been massive during a lapse of strong economic growth and a strong performance the construction and services sector. Indeed,

interesting situations have been observed that illustrate the benefits of the immigrant presence. Thus far, most of the developed countries with a large concentration of immigrants have not yet fully grasped the potential, nor utilized the opportunities, migration represented, as labor, consumers or entrepreneurs.

International migration has helped balance labor markets, attracting low and high skill workers to foster economic growth. Economies have benefited from human capital arrivals, but also have found alternatives to migrant workers, because of the difficulties international migration process could represent. Domestic migration, technology, and outsourcing had also contributed to satisfied occupations needs, but still not a short term solution to labor supply.

It's difficult not to consider migration flows as a key economic element. Demographic patterns in Europe and Spain and the lack of opportunities in home countries create a context of persistent incentives for individuals to migrate. Immigrant unemployment has a difference dynamics than native-born employment rate, mainly because most of immigrant workers are located on sensitive sectors (strongly affected by the crisis), and low-skilled employees tend to have fragile contractual arrangements and they face unstable hiring and firing conditions.

Global economic crisis has substantially changed the labor markets scenarios in developed countries. International migration has decline during the economic downturn, firms are not hiring, and jobs availability is low. Job opportunities for foreign workers had decline drastically, most sectors badly damage by the financial crisis, construction for example, had reduce labor demands, especially those intended for low skill workers. This situation has injected pressure on national governments for new immigration policies to reduce entries or modify quotas on specific areas and regions.

Since 2008, crisis has had negative impact on labor market, immigrant workers are experience an important obstacle, observing a higher unemployment rate than native labor force. A deteriorated immigrant labor market is the current scenario for those individuals looking for opportunities in developed economies.

2.4.1 The decision to migrate and the immigration flows into Europe

In the last two decades, international migration has occupied the spotlight of growth and development discussions. Migration flows have been studied to understand the scope of its economic effects (Castles and Milles, 2004). The decision to migrate and choice of destination are usually associated with improved earning opportunities, family reunification and the presence of existing migrant communities. International migration has been on a rising trend and labor migration has been a key factor of it. Most developed-countries have

experienced migrations flows of skill and unskilled labor, observing their contributions to the economy and society.

Traditional immigration coming to Europe initially focused on filling the labor market for specific periods of time, and then returning home after the achievement of some particular objective. The new immigrant flows include families who left their communities to settle permanently or for long periods in Europe. The existence of a household with members related between them modified the scale and intensity of immigration and the entire character of the immigrant population and its social dynamic. Immigrants now represent a discussion and about schooling, health care, and housing and the future of the host society.

The arrival of the immigrant families promoted traditional attitudes towards religious and cultural values from their origin, that could be secondary for single workers. Most individual immigrants either isolated themselves as an strategy to survive or adopt new behaviour patterns to experience an integration process into the European society.

In the case of Latin Americans living abroad, Europe has observed a greater and significant presence on international migration flows. Migration is complex phenomenon, three elements integrate this process: flows of people, of the remittances they send home, and of ideas and initiatives of individual migrants and diaspora networks. Migrants from Latin America and the Caribbean have been increasing their population in the United States

(U.S.) and Europe, particularly Spain. Their communities represent an important economic asset for the country of destination and origin. Spain is the second most important destination for Latin American migrants, after de U.S. The Iberian territory is associated with historical, family, cultural, and linguistic links. Undoubtedly Latin American workers have had an economic impact on an ageing Spanish society.

The data shows a significant increase of Latin American population living in Spain in the last 15 years. From 1991 to 2001, the total of inhabitants from Latin American countries passed from 210,000 to 840,000. By 2004, more that 1.6 million persons living in Spain were born in Latin America. During these years, the Spanish market was open to receive immigrant workers from many regions around the world, to foster economic growth on those intensive labor sectors. Latin American individuals and families were arriving to occupy those job positions created by a growing economy. This group grew steadily year after year, accounting nearly 2.4 million people at the end of 2010. Demographic statistics shows this group represents more than 40% of total immigrant population living in Spain.

Immigrant workforce access labor markets through social and family networks according to their work experiences and skills. Latin American immigration in Spain has been characterized by a large presence of women. Female workers found a diversity of opportunities both in the informal and formal economy, making Spain an attractive place for them and their families. One of the most frequently jobs available to immigrant women

are elderly care and domestic service. The arrival of these workers to these home positions helped mobilize native women to other sectors.

During the last 20 years, many Latin American citizens obtained the Spanish nationality due to benefits on the Immigration policies. Regularizations and normalization processes helped migrant families to establish them in Spain. Immigration policies did not stop the arrival of undocumented immigrants to the country; more Latin American individuals arrived without work permits or visa, because the labor market had open opportunities to everyone. Estimations shows that “irregular” immigration rise up fast from 1999 to 2004, representing more than 15% of total foreigners living in Spain. By 2006, more than 40% of Latin Americans living in the Spanish territory were facing an irregular status.

Transnational networks linking migrants, their communities, and diaspora groups, are becoming important spaces for innovative activities. Entrepreneurial ideas are appearing in both origin and destination communities. Ethnic entrepreneurship are generating new opportunities for emigrant communities increasing availability of goods and services from back home, or opening new markets in communities of origin for products from destination. Immigration to the U.S. and Spain are important examples of the amplitude of the migration phenomenon in the last decade, and how most individuals decide to migrate to these locations take advantage of opportunities not available at their homeland.

2.5 Spain as New Destination for Latin America Migrants, from 1990 to 2008,

The immigration in Spain is “unique” compared to the flows observed coming to other European countries. In Spain we can find diverse groups of immigrants with entirely different characteristics. Most immigrants have arrived from South America, Africa and East Europe with different attributes, backgrounds and/or culture, compared to the native population. Latin American immigrants had been arriving constantly to Spain since the 80’s, first from Argentina, Chile and Uruguay, and then in the 90’s from Ecuador, Peru, and Colombia. These countries observed different levels of economic development; the last three are considered underdeveloped economies. In the case of Latin American individuals in Spain, although they have varied characteristics and these differences could be reflected among them, they did have closer similarities to the Spanish society, such as the same language (Spanish). It seems clear that Latin American immigrants have an advantage with respect to African or Asian communities in the Spanish labor market due to the similar culture and in particular the language. But these advantages might create some discrimination and integration issues in the labor market.

Immigration is a relatively recent phenomenon for Spain. From most part of the XX century the Spanish economy experienced a continuous emigration process. Until the 1970s, individuals were leaving Spain to search for economic opportunities elsewhere (mainly, in Europe and Latin America). During the 80’s, emigration from Spain slowed down and the country started to observe an immigration trend, due to the new economic

opportunities. Spain move from an emigration position to an immigration one in the last two decades. Spanish emigrants contributed significantly to the economy through financial remittances for most part of the second half of the XX century. But this situation changed with the strengthening of the domestic economy and the entrance to the European market. During a period of 12 years, the foreign population in Spain passed from 2% in 1996 to nearly 12% in 2008. These flows put Spain as one of the top immigrant destination in the European Union, observing the fastest and largest growing arrival rate in that lapse (Amuedo-Dorantes and de la Rica, 2007).

Beyond the current economic crisis panorama, most European countries are been suffering from an aging population, and Spain is not an exception, but current immigration flows will not be sufficient to reverse the difficulties associated to this situation, because the negative cycle has decelerate the arrival rate of foreign individuals. Undoubtedly, the flows of productive, hard-working immigrant individuals have been contributing to support of the economic scenario and the social system. Migrants from undeveloped economies in Africa and Latin America, main regions of origin of immigrants to Spain, have higher birth rates than the Spanish population and other developed countries, and there is no doubt there is an impact on the demographics of the host society. These young immigrant populations with greater growth rates differ from aging native population in Europe and Spain. In this context, some European governments have promoted public policies to increase native population birth rates, as a respond to this demographic decline, but the results have been mixed. (Adsera and Chiswick, 2007)

Immigrant population has become an integral part of Spain's economy. As the native groups are aging, immigrants are playing a significant role in supporting the economy. This situation responded to a positive performance in Spanish labor market during this lapse, described by wide-range employment opportunities, especially in the construction sector and in some low qualification requirements services; but also by market with a high degree of segmentation and fixed-term contracts. According to the Spanish Census data, the composition of immigrant population comes mainly from less developed countries (such as Africa and South America). The annual inflow of immigrants arriving in Spain during the six years previous to the start of the economic crisis at the end of 2008, was an average of 700,000 individuals (Izquierdo et al, 2009). This pattern increased the presence of the foreign population, to approximately 4 million individuals living in Spain. These inflows accounted for more than 80% of the total growth in the working age population and almost 50% of the growth in employees (Amuedo-Dorantes and de la Rica, 2007).

Beyond the effects of the labor market, the Spanish economy also benefits from legal immigrant labor through contributions immigrants make to the social security system, which supports aging native population. Developed economies, including most European countries, have expressed concerns respect to the balance between welfare benefits to immigrants, there is a dislike if immigrant might receive more than they contributed. In the case of Spain, the social security system protected all immigrants (documented and undocumented), providing the immigrant population with a legal right to access to basic

health care and education, (although this scenario is changing drastically under a deep economic crisis context and increasing social pressures). Undoubtedly, there are many forms in which immigrants contribute to the economy. Pajares (2010) suggest that taxation is one aspect. In 2009, immigrants working in Spain pay a percentage of their personal income, as a direct tax, and also a consumption tax (as a value-added tax on purchases) as an indirect tax. Through consumption taxes (indirect taxation) from illegal/undocumented migrants contribute daily to the government revenues when they consume goods and services. Izquierdo (2009) established that immigrants are largely net contributors to the economy, as taxpayers and as workers reimbursing into the social security system. The demographic scenario of Spain shows an increasing aging population and tax contributions from immigrant population could become significant for the fiscal and social security structure.

2.5.1 Characteristics of the Standard of Living Differentials as Decision Factors for Latin American Migrants

Most immigrants from outside European Union come from less developed countries and tend to work for low wages. Latin Americans comprise nearly 40% of the total immigrant population living in Spain, and nearly 35 percent, come from other European Union countries and Eastern Europe. It is important to consider that refugees or political immigrants represent a smaller share of this population. Immigrants arriving to Spain looking for economic opportunities are willing to accept low-wage jobs, in order to stay in

the country. This situation had affected the Spanish economy and its domestic labor markets in different ways.

Over the past 50 years, Spain has observed both a decreasing birth rate and during the same lapse, a shift from being a nation of emigrants to a country of immigrants. Both of these changes have modified the characteristics of the local economy. The labor market has also experienced changes, natives workers tend to move to higher-income jobs creating open spaces for immigrants in low-wage industries (such as domestic service, catering, agriculture, construction, and/or retail). Agricultural activities still represent a significant source of employment for low-wage workers, and most of them are immigrants from undeveloped countries. During the last decade few native workers were willing to work in the crop fields under difficult conditions (weather, physical demands, low wages, etc.). This situations create a scenario where immigrants were fundamental to the development of the primary sector. As the economy has moved toward a service based one in the last forty years, the labor market has been modifying its requirements.

The expansion of the immigrant population along the Spanish territory has been flexible, relocating themselves in different regions to work in those areas where natives were usually unwilling to opt to. Along the southern coast of Spain, the agricultural work is exceedingly hard. During the last decade, the labor market experienced an interesting pattern, where immigrants in most cases arrived to Spain to complement, rather than substitute for, Spanish workers in different industries. The primary sector has been a first target for

immigrant employment, such as agricultural work and construction, which became a traditional space for foreign workers.

It is important to consider that every region in Spain is impacted differently by the immigration phenomena. According to Pajares (2010) northern regions of Spain receive fewer immigrant groups than southern areas. For example in 2009, the Comunidad de Madrid has the highest proportion of immigrants with 200,000 immigrants in a population of three million. And Catalonia receives the most immigrants of any region with its 250,000 immigrants in a population of six million. Non-formal economy has become an open space for many immigrants to find employment, and stay in Spain despite the persistently economic pressures. According to Izquierdo (2009) there is a high level of unregistered economic activity in Spain, which helped to explain the large absorption of immigrants beyond official employment statistics. Under this context, undocumented (sin papeles) immigrants may have a less negative impact on native Spanish wages than legal immigrants. According to Pajares (2010), the economy may observe benefits from immigration when wages and prices are more flexible, and there is a high level of economic activities.

Undoubtedly there is not only one factor behind a migration process, there are several such as violence, war, and crime, but in the case of most Latin American immigrants in Spain, they came from poor social status. The search for an improvement of their standard of living is a factor for immigrants to move to other locations where they can find better

conditions for their own progress. Income differential between origin and destination countries of migrant flows are visible. Spain observed these gaps with Latin American region. According to Adsera and Chiswick (2007) large gaps between economies pressure the movement of individuals and their families searching for a better living standard. Immigrants tend to be very flexible and adaptable to economic changes. They respond to opportunities to elevate their remunerations and their standard of living. For example, for the 2007 Human Development Index, Spain ranked in the 20th position, beyond any Latin American country considered in the index. This ranking shows that during that lapse, Spain offered immigrants a chance to access a higher standard of living.

The differences between the standards of living in Spain and Latin America have been significant for the massive immigration phenomenon of the first decade of the XXI century. The difference in income is a compelling reason for many Latin American individuals and families to seek employment in Spain. Argentina became the second largest group of non-Europeans arriving to Spain after Moroccans, in the last decade. Migrants from Ecuador, Colombia, Peru, and the Dominican Republic have been also significant groups arriving to Spain. Most of these international migrants left their communities of origin in respond to limited economic opportunities at home. The dissimilarity in standards of living is a sufficient incentive for many immigrants to move to a foreign location, to access to a better situation.

2.5.2 Comparative Characteristics of the Wage differentials as Decision Factors for Latin American Migrants

Under this context, migration literature on wage differentials between natives and foreigners in Spain still a novel research area. Canal-Domínguez and Rodríguez-Gutiérrez (2008) established on this subject, that there is a wage gap between these two groups, for diverse circumstances, and different theories can explain the existence of wage differentials between locals and migrants. Amuedo-Dorantes, C. and De la Rica, S. (2007) establish that wage differentials between native and migrant workers in Spain across wage distribution is important because of the increasing immigration flows arriving to the economy and the social perception of the phenomenon.

The assimilation process face by immigrants in the host country is an extensive and complex concept. Immigrants may adopt the values, culture and traditions with the underlying idea of keeping a cohesive society for different reasons such as economic or social purposes; the objective seems clear, economic assimilation. Under this context, immigrants tend to observe a wage gap differential respect to their equivalent natives in the host labor market. This gap partly reflects the fact that migrants cannot use all the human capital they have acquired in their country of origin (Adsera and Chiswick, 2005), because of different factor involving their economic assimilation.

The conceptualization establishes that immigrants are more likely to benefit from the market labor differences, due to lower social attachments than natives might have, or because immigrants access the domestic labor market with lower prejudices to perform “hard” jobs and difficult tasks. Immigrants are considered “risk takers” because of their need and/or predisposition to explore new paths, as they already decide to migrate. Economic assimilation in the host country is a process in which immigrant wages are on the same level with the native worker. In the case of the Spanish labor market, immigrant individuals did increase their wages over a lapse from 2000 to 2008 reaching natives in some specific sectors, such as construction. If we consider that skills and human capital accumulation is a factor behind the wage growth, as well as higher working flexibility of migrants, wage profiles found on immigrant communities could be modified in the long term. (Izquierdo et al, 2009).

In Spain, immigrants do not perform well compared to the native workers in terms of wage levels (Amuedo-Dorantes and de la Rica, 2007), most of them are located below the levels of the native population. In the context of the European Union, individuals coming from outside the region tend to earn 30% less than natives and face traditionally a higher unemployment rate. Adsera and Chiswick (2005) consider that the wage gap between immigrants and natives could disappear as long as immigrants reallocate themselves into jobs that offer better economic opportunities, taking advantage of their skills and human capital stock.

There are important differences in characteristics of the immigrant groups arriving to Spain, because the context of their origin (mainly Africa, South America, Eastern Europe or Asia). These differences are also observed in their incorporation to the labor market and in the wage levels they access. The labor market separation that exists is significant when the ethnicities of immigrants differ from those of native workers. Izquierdo (2009) had established that some immigrants are more discriminated, in terms of wages, than others because they are in less advantage position (non-legal status, lack of language skills or qualifications, etc.).

There are differences between the wage structures of immigrants and the native-born in the Spanish labor market and their origin. Wage structure differences appear between native and immigrant workers due to the “exclusion” of immigrants into low-wage jobs and work positions. Immigrants usually face a significant wage gap when they enter the labor market at destination. This gap could be reduce within the time, and tends to diminish the longer they remain in their host country (Adsera and Chiswick, 2005).

Immigrant labor segregation may be also responding to other factors, for example deficiencies on the transferability of human capital acquired by immigrants in their origin countries. Other explanations may occur through the labor complementation among workers (according to special skills), or residential segregation accompanied with limitations to access to workplaces (spatial mismatch) or the existence of labor market networks. The presence of geographic factors on immigrant wages is a result of the degree

of human capital transferability according not only on individual qualifications but also on cultural, institutional and labor market similarities between home and host countries (Simón H, Ramos R, Sanromá E., 2007). Immigrants are usually segregated in most labor markets, through job positions with conditions that are worse relative to native workers (Chiswick et al. 2005b; Massey 2005). In the case of Spain, Amuedo-Dorantes and De la Rica (2007) confirm that immigrants are discriminated into low-wage jobs (excluding immigrants from the European Union nations).

The existences of wage differential gaps respond to an extent and diverse selection process immigrant workers face in the host labor markets (Borjas, 1987). In the case of Spanish economy, gender and place of origin motivate significant variations in wage levels along the immigrant population (Adsera and Chiswick 2007). Immigrants from developing countries (Latin American countries included) experience higher wage gaps and less wage convergence than those from developed economies (Other European countries, for example). Wage distribution patterns for native-born and immigrant workers diverge considerably by place of origin variable (Simón H., Sanromá E. and Ramos R., 2008). In Spain, immigrants from developed countries, have higher average wages and show a wage distribution that is more dispersed when compared with native-born workers, while immigrants from developing countries have lower average wages and show a relatively more compressed wage distribution (Pajares, M., 2010)

The differences in the wage structures for native-born and legal immigrant workers are, to a great extent, accounted for by the differences in their observed characteristics. In this regard, of special note is the impact of the segregation of immigrants in labor structures that are distinct from those of native-born workers (Simón H, Ramos R, Sanromá E., 2007). Labor discrimination can take place also when immigrants move to one company to another, compared to the mobility of native workers in the same labor market. Occupational segregation of immigrants in the Spanish labor markets helped to create differences in wage distributions along the economy. Palacio JI and Simón H (2006) suggest that labor market segregation of immigrants may occur from factors such as imperfect transferability of human capital obtained by the individuals before coming to Spain, but also be the result of discriminatory practices in the hiring process itself.

Simón H, Ramos R, Sanromá E (2007) proposes that immigrants (with a legal status) facing a substantial wage disadvantage relative to native workers do not have a considerably different wage treatment when they work in similar jobs positions. The lack of proper documents to reside in the country creates a potential inferiority in terms of labor rights. There is understood that undocumented immigrants are willing to work under the minimum wage. (Martinez, 2004) Undoubtedly there are consequences for hiring workers below the minimum wages, but these effects are transferred to the immigrant population, such as lower labor protection. Leaving immigrant individuals without labor protection could lead to a situation of discrimination and inequality, in terms of social security. According to Simon (2006), the elasticity of wages with respect to the immigration rate is small but positive, and the elasticity of employment of unskilled workers is negative but not

significant. The discrimination against immigrants beyond labor markets traditionally appears when economy cycles go down. Under this scenario the European Union has reinforced the promotion of laws to forbid labor discrimination, but there still exist some types of labor discrimination, between men and women, immigrants and natives, between types of job contract, or access to some activities (Canal J., Rodriguez C., 2008). Wage differences reductions should be face fostering the access to better jobs, given that anti-discrimination legislation may not be enough in this respect.

2.6 Considerations

Immigration pressures increased in most regions of Europe, with some countries, as Spain, experiencing unprecedented flows of immigrants. Europe and Spain have observed how immigration phenomena have grown with a peculiar dynamic outlined by specific motivation, expectation or duration of stay. In the last two decades, international migration has occupied the spotlight of growth and development discussions. Migration flows have been studied to understand the scope of its economic effects (Castles and Milles, 2004). The decision to migrate and choice of destination are usually associated with improved earning opportunities, family reunification and the presence of existing migrant communities. International migration has been on a rising trend and labor migration has been a key factor of it. Most developed-countries have experienced migrations flows of skill and unskilled labor, observing their contributions to the economy and society.

CHAPTER 3

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Latin Americans living abroad are one of these groups with a significant presence on international migration flows. Migration is complex phenomenon, three elements integrate this process: flows of people, of the remittances they send home, and of ideas and initiatives of individual migrants and diaspora networks. Migrants from Latin America and the Caribbean have been increasing their population in the United States (U.S.) and Europe, particularly Spain. Their communities represent an important economic asset for the country of destination and origin.

Spain is the second most important destination for Latin American migrants, after the U.S. The Iberian territory is associated with historical, family, cultural, and linguistic links. Undoubtedly Latin American workers have had an economic impact on an ageing Spanish society.

The data shows a significant increase of Latin American population living in Spain in the last 15 years. From 1991 to 2001, the total of inhabitants from Latin American countries passed from 210,000 to 840,000. By 2004, more than 1.6 million persons living in Spain were born in Latin America. During these years, the Spanish market was open to receive immigrant workers from many regions around the world, to foster economic growth on those intensive labor sectors. Latin American individuals and families were arriving to occupy those job positions created by a growing economy. This group grew steadily year after year, accounting nearly 2.4 million people at the end of 2010. Demographic statistics shows this group represents more than 40% of total immigrant population living in Spain.

Immigrant workforce access labor markets through social and family networks according to their work experiences and skills. Latin American immigration in Spain has been characterized by a large presence of women. Female workers found a diversity of opportunities both in the informal and formal economy, making Spain an attractive place for them and their families. One of the most frequently jobs available to immigrant women are elderly care and domestic service. The arrival of these workers to these home positions helped mobilize native women to other sectors.

During the last 20 years, many Latin American citizens obtained the Spanish nationality due to benefits on the Immigration policies. Regularizations and normalization processes helped migrant families to establish them in Spain. Immigration policies did not stop the arrival of undocumented immigrants to the country; more Latin American individuals arrived without work permits or visa, because the labor market had open opportunities to everyone. Estimations shows that “irregular” immigration rise up fast from 1999 to 2004, representing more than 15% of total foreigners living in Spain. By 2006, more than 40% of Latin Americans living in the Spanish territory were facing an irregular status.

Transnational networks linking migrants, their communities, and diaspora groups, are becoming important spaces for innovative activities. Entrepreneurial ideas are appearing in both origin and destination communities. Ethnic entrepreneurship are generating new opportunities for emigrant communities increasing availability of goods and services from back home, or opening new markets in communities of origin for products from destination. Immigration to the U.S. and Spain are important examples of the amplitude of the migration phenomenon in the last decade, and how most individuals decide to migrate to these locations take advantage of opportunities not available at their homeland.

3.1 Immigrant Population Characteristics in Spain

In Spain, immigrant flows arrived from a relatively limited number of countries, especially in comparison with the situation in other parts of Europe. Latin Americans, as well as individuals from Western Europe, Morocco, and Eastern Europe (mainly Romania) lead the immigrant population in the Spanish territory. Nearly 80% of the total immigrant population comes from a total of 20 countries, and approximately 60% come from a total of 10 nations. Together Moroccans, Romanians, and Ecuadorians represent more than 30% of this population. Most immigrants have arrived in Spain over the last decade.

According to the Spain Government there were 5,730,667 foreign residents in Spain as of January 2011. Of these, more than 860,000 were Romanian, and half 760,000 were Moroccan while the number of Ecuadorians was around 390,000. Colombian population amounted to around 300,000. There are also a significant number of British (359,076 as of 2011, but more than one million are estimated to live permanently in Spain) and German (195,842) citizens. Chinese number over 166,000. Immigrants from several sub-Saharan African countries have also settled in Spain although they represent only 4.08% of all the foreign residents in the country.

The share of foreign population from the total population in Spain was steadily from 1981 to 1991. During the nineties, immigrants arrived to Spain slightly each year. From 2000 to

2008, Spain observed an increasing number of the foreign population, increasing annually the share of immigrants from the total population of country

According to the Immigrant National Survey (ENI) in 2008, in Spain there were 2.16 million households where at least one member was born abroad. This Survey found that 56% of the total immigrant population located in the Spanish territory was working before their arrival to Spain. The Survey defines “immigrant” as any 16 year or older person, born abroad, living in Spain for at least one year. In 2010, the total population of immigrants in Spain was approximately 4.5 million. The gender distribution among migrants shows that there are slightly more men than women (52.2%), and the average age of this immigrant population is 38.4 years old.

Most migrants (80%) have arrived to Spain with at least one previous contact (family, friends or social network). This data help to understand how the migration decision process works. For most migrants, certainty represent an important asset to decide to migrate or not, and the contacts or networks represent key an information set about the expected situation at destination. According to official data, 87.5 % of the total population of Latin American migrants living in Spain arrived with at least one contact.

According to the origin of immigrants, the ENI information considers the existence of two general origin regions. One group is structured by those individuals coming from Andean,

African, and Eastern European countries, having characteristics of could be defined as 'economic migrants'. Most migrant from this origin are young and they have arrived recently to Spain, looking in most cases for low-skilled job positions, with the assistance of their ethnic and migrant networks (a key asset for these migrants). The other group observed immigrants coming from developed countries, with high levels of education. Some of them have arrived in Spain to retire, and some others arrived alone to occupied highly skilled jobs. Individuals from other Latin America have much more in common with immigrants from developed countries than they do with persons from other parts of the world. It is quite clear that in Spain there are 'foreigners' and then there are 'immigrants'. The differences in these characteristics are so strong that caution must be used when using the same terminology for both groups.

The continuous flows of immigrants of the last two decades has observed different intensity arrival periods, stronger in recent years, but the numbers of persons who arrived years ago and decided to stay is also significant in the total immigrant population. According to the ENI immigrants who have arrived recently (last two decades) have come from different world regions, are generally of working age, came as individual migrants, and occupy relatively low positions on the labor market.

These international migration flows from the Latin America Region to Spain could be explain in some degree, based on pre-existing ties with Spanish society, and because

individuals have chosen Spain because it was an easier place of entry than other destinations (USA for example).

3.1.1 Decision to migrate to Spain

During the lapse of 2004-2009, immigration in Spain has shown an interesting pattern, reflecting the effects of the economic situation of the country during those years. Until 2007, the total amount of immigrants arriving to Spain was increasing each year from 2004 (Pajares, 2010). After 2007, the number decreased substantially. On the other hand, the emigrant population rose rapidly from 2006 to 2009, recognizing the need of economic and labor opportunities outside Spain. These patterns reduced significantly the net migration total in 2009.

There are different factors behind the decision to migrate, as we have discussed before, the ENI established 13 different categories:

Quality of life. The general well-being of individuals. The concept includes not only wealth and employment, but also the built environment, physical and mental health, education, recreation and leisure time, and social belonging.

A better job. Individual working at origin search higher wages, better conditions and/or a job attached properly to their skills and training, and they will move to the places where they get could satisfied their needs.

Familiar reunification. Most migrants arrived alone, sometimes in a exploratory situation, and then at some point during their migration process, they call their families to follow them.

Unemployment. Individuals decide to migrate from their origin communities when there is a lack of opportunities of employment and income.

Life costs. If living expenses are high compare to his income, individuals tend to move to places where life could be affordable. Public education and health coverage could be considered and important incentive.

Climate. Climate and environmental factors, as natural disasters could be a key element for the migration decision.

Education. International students are moving every day from one country to another to have access to universities and programs to develop skills, expertises and knowledge. High-skilled migrants arrived as students and some of them decide to stay at destination.

Workplace relocation. Transnational enterprises move their personnel from different branches around the world. And some other professionals decide to move away from home to develop ideas and/or businesses, or take advantages of the situation of some industries.

Political reasons. For some migrants, the political conditions at origin could be a sufficient factor to move to another country.

Temporary status (transit situation). There are individuals who arrived to Spain for a specific period of time due to special conditions.

Religion reasons. For some migrants, the religious conditions at origin could be a sufficient factor to move to another country.

Other. This is a category that includes other different and uncommon motivations.

Most immigrants in Spain were motivated by at least one of these main four categories: 1) Quality of life, 2) A better job, 3) Familiar reunification and/or 4) Unemployment. The economic factors represent a sufficient incentive for most migrants to move away from origin. Most migrant from these recent arrivals, have come to Spain at economically active age, and other group is over 60 years of old and have come to retired (mainly UK and Germany origin). International migration from Africa and East Europe are characterized by large male populations. In the other hand, immigrants from Latin America tend to be dominated by women attracted by female job positions.

3.1.2 Transportation and Networks: Strategies to Migrate to Spain:

Transportation means used by immigrants depends principally on the region of origin and the economic position of the immigrant. Most immigrants arrive by air, followed by different ways of reaching Spain by cars, busses and/or trains. These two means of reaching Spain have accounted for nearly 88% of all arrivals in the country since 1991. Another 10% arrive by boat. Nine-tenths of all immigrants began their trip from within their communities of birth, and nearly 80% immigrants have only lived abroad in Spain.

Nearly 65% of the total immigrant population arrived by plane, due to the geographical location between origin and destination. Individuals coming from Latin America have used airlines as the main transport. Other migrants have used the automobile arriving through France, and some other, a few individuals arrived by sea in small ships and pateras (especially those from Africa).

Migration networks have an important role taking advantage on the existence of contacts in the country of destination for recent arrivals. The share of immigrants with contacts (or with migration networks) has been increasing over the past years, and for the most recent arrivals (2002-2007). According to the Survey, 83% of these newcomer immigrants had a previous relations and contacts in Spain. Most immigrants arriving to Spain, lately already have family members or friends presently living in Spanish territory.

This panorama has improved the motivation for newer migration flows. Migration networks have also helped the process immigrants face when they arrive to the destination society. This situation has had a positive effect on decreasing the vulnerability and increase certainty in some cases. Networks has also a funding role for new immigrants, nearly 19% of immigrants were opted to go into debt in order to pay for their move to Spain. Most resources for travelling are funded by the existence of savings, family economic resources and the capacity of their networks to support the effort.

3.1.3. Language abilities and communication skills

According to the 2008 ENI survey, more than 40% de total immigrant population in Spain speaks Spanish as their primary language. Most Latin American migrants have arrived from countries where Spanish is the official language, as Ecuador, Bolivia, Peru Dominican Republic, Argentina or Venezuela. Language skills are important assets for the social integration process of migrants into the destination society. Language is a key element to access faster to broader options at the Spanish labour market. The rest of the immigrant population is distributed in 6 different categories: 1) Indo-European languages (German, English, Dutch, etc.); 2) Latin-related languages (Romanian, French, Portuguese, etc.); 3) Afro-asiatic Languages; 4) East Asian Languages; 5) African Language; y 6) Other non-classified languages.

There is a clear difference in language proficiency between a native-born Spaniard and immigrants arriving in Spain with a mother tongue other than Spanish may be less comfortable communicating in the official language, which could increase their chances of working in a job with low educational requirements. Language, country of origin and visible minority status are difficult to separate from one another, but they generally account for a significant portion of the observed difference between the labour market outcomes of native-born Spaniards and immigrants.

3.1.4 Education and professional profile

Another important characteristic of the immigrant population is the education component. In 2008, the proportion of recent immigrants with a Secondary School degree represents nearly 50% of the total population. Despite this level of schooling, several indicators reflect difficulties that recent immigrants entering the Spanish labor market encounter. Their employment and unemployment rates and their earnings are, in general, substantially different from those of native-born Spaniards. The Survey has pointed out that one of two individuals have completed Secondary School before arriving to Spain. Nearly 20% of the total immigrant population has completed Higher Education. But the employment difficulties faced by immigrants have been attributed to several factors. One is the low rate of recognition of their credentials, which is partly reflected in the proportion with university degrees in jobs with low educational requirements, such as retail sales and/or office clerks, cashiers etc. This form of underemployment among new immigrants could be attributed to their recent arrival, their lack of information about the Spanish labour market, and their lack of contacts, but the differences would be expected to disappear over time. On other hand, 11.7% have arrived to Spain no formal education at all. For this immigrant group, being unable to speak Spanish and being from undeveloped countries seemed to be associated with a sharper increase in their representation in occupations with low education requirements.

Considering education by origin, the highest levels are found among individuals from developed countries, followed by those from some countries of Latin America. As expected, African immigrants observed the lowest levels of education. According to the Survey, women immigrants tend to have higher educational levels than men. The statistics show that immigrants as a group actually have a slightly higher education level degree attainment rate than do the Spain-born. Immigrants from Latin America actually have the highest educational achievement rates and they also have the lowest rate of having less than a high school education. Latin American immigrants are also most likely to be in the labor market. For example in the case of Mexican immigrants arriving to Spain, it's clear that they tend to come from their country's high and middle classes. In contrast, the statistics points out those immigrants from Africa have the lowest educational attainment rates. We can probably surmise from this that they are more likely to be from rural or working class backgrounds. As another example of this implication, immigrants from Africa have the lowest median personal (per capita) income.

In regard to other immigrant groups, the statistics above show that immigrants from Asia compare quite favorably to other immigrants. However, there also seems to be a much wider spread of characteristics among Asian immigrants. In other words, there seems to be many who are more likely to be from rural or working class backgrounds (and therefore have lower socioeconomic attainment rates), along with some other Asian immigrants from middle class and professional backgrounds who have very high attainment rates. Asian and Pacific Islander immigrants have a much rate of not being proficient in Spanish than do the

Spain or Latin America-born (which is understandable since Spanish is a foreign language to most Asians) but they also have a higher rate of less than high school completion.

3.1.5 Immigrant Household and Marital Status

According to the statistical information of marital status of immigrants in Spain, more than half of the total immigrant population is currently married. Nearly 38% are single and have never married persons (38%) and only 7% of persons are separated or divorced. The highest levels of never married individuals can be found among Latin Americans. The highest levels of married populations can be found among migrants coming from Africans. Divorce and separation are found most frequently among women. It is also important to consider marriage with Spaniards, which represent an indicator of integration, and the data shows that the highest levels by far can be found in persons from developed countries and from non-Andean Latin American nations, Mexico for example.

This situation helps confirm the current structure of the household size. Average immigrant household is 3.7. In households in which there is no family nucleus, there is a high proportion of males (69%), indicating the presence of networks and the strategies of individuals to face the migration process. This scenario shows an important characteristic of the migration experience, where individuals not related share a house to achieve specific objectives (contacts, budget targets, etc.).

Undoubtedly, there are different strategies involving the family situation of those individuals moving to Spain. Nearly 25% of immigrants' children continue to live in their countries of origin. Transnational families occupied an important position in Latin America, the share of young children living apart from their father or mother is the highest among the total immigrant population. This represents an indicator of the "economic migrant" and its characteristics.

3.1.6 Immigrant Labor in Spain, Recent Trends

According to Holzer (2011) immigrants generate additional product demand and therefore labor demand as well as supply, since they are consumers in Spain as well as producers. We might consider immigrant workers as imperfect substitutes for native-born workers of the same educational level. The participation of immigrants in the Spanish labor market has observable differences among the different countries of origin. The level of development of the country of origin and the level of education is an important variable to take into consideration. Most migrants were working at their countries of origin when they decided to migrate to Spain. The Survey shows a high level of economic activity before leaving their country of origin. Economic activity and age of migrants before moving out of their communities are related to the activity developed when they first arrive in Spain. For example, Mexican and Argentinean migrants tend to be fairly highly qualified in origin, but those from East Europe, Morocco, Bolivia or Ecuador tend to work in low-skilled jobs.

Approximately, 50% to the total immigrant population in Spain upon departure were working in the services sector in their regions of origin. Nearly 20% of migrants have had previous experiences in industry and commerce related jobs, and a smaller percentage has participated in construction and agriculture.

Individuals from developed countries look for positions in specific sectors according to especial job qualification and expected levels of income; occupying a preferential situation for “quality” jobs requiring high levels of education, training and skills. According to the Survey, immigrants from non-Andean Latin American countries (Mexico for example) occupy a significant position on the labor force, mainly because immigrants coming from these regions have a higher skills profile than others coming from other Latin American countries. However, their participation levels in these high skill jobs still lower than for individuals from developed countries.

Immigrants from Africa (Morrocco), Eastern Europe (Romania), and Latin American countries (Ecuador, Bolivia and Perú, mainly) tend to occupy less skilled positions in the labor market, often working in rural environments, in personal services or in construction. Immigrant’s presence not only affects the labor market and the wage structure, production systems could be affected too. Production techniques shift in response to less-skilled immigrant labor, with employers less likely to substitute capital and/or technology for less-educated labor when more immigrants are available. Many low-skilled job positions that

are now available to immigrants would likely not exist in their absence, as they would be replaced by capital and technology.

According to the ENI, an important part of the active population currently works in the lower areas of the labor market. Nearly 50% of these individuals are employed in unskilled jobs or in jobs requiring low levels of skills. Low-skilled immigrants provide a ready source of manpower in agriculture, construction, food processing, building cleaning and maintenance, and other low-end jobs, at a time when the share of low-skilled native-born individuals in the Spain labor force has fallen. There are also considerable data suggesting that many immigrants occupy positions in the labor market beneath the levels that would correspond to their levels of education.

The working conditions of immigrants in their current jobs are substantially different from those existing in the jobs they had when they first arrived in Spain. People who arrived at the beginning of the boom period of immigration in Spain currently have much better jobs than those who arrived recently.

Holzer (2011) considers that skill levels can be raised for the least-educated immigrants who had arrived to destination. An increase in their skills will reduce the competition they represent to native-born workers with low levels of education. More educated immigrants might generate even better-educated offspring in future generations, which would benefit

the national economy overall. A long-term perception from Holzer (2011) is that fiscal impact of immigration improves over generations as immigrant children grow in wage and skill-level, and that immigration also improves the economy by lowering the prices of goods and services. The positive impacts of low-skilled immigration could also be amplified through strong immigrant integration programs, which could raise education levels, reduce usage of public benefits, and raise tax revenues.

Since the 1990s the composition of immigrants to the Spain has observed significant flows less skilled workers. This is partly the result of the sharp increase in Latin American immigration in the past two decades, which is less skilled than other waves of immigration from developed economies. The percentage of Latin Americans among all immigrants increased drastically as has been mention before. There is an interesting notion about if these flows of unskilled immigrants have had a negative effect on unskilled native groups in the labor market. However, previous work on the impact of immigration has generally found little evidence of earnings and employment effects on natives (Hunt, 1995). Immigrants may move precisely to areas where, or during times when, there is high demand for their skills, for example construction during the expansion years of this industry in almost all the Spanish territory. This makes it difficult to detect the effects of immigration on native labor market outcomes, since natives may also benefit from positive demand shocks, Holzer (2011) considers that skill levels can be raised for the least-educated immigrants who had arrived to destination. An increase in their skills will reduce the competition they represent to native-born workers with low levels of education. More

educated immigrants might generate even better-educated offspring in future generations, which would benefit the national economy overall.

3.2 Recent Latin American Immigration to Spain

Today, Spain is Europe's leading country of immigration. The increase of the country's foreign-born population over the last decade has been around 410%. At the beginning of 2009, more than 2 million persons of Latin American origin lived in Spain. Throughout the last decades, the foreign-born population has had a sevenfold increase. The arrivals of Latin American individuals have grown significantly, from 24% of the foreign born population in the country in 1999 to 37% of this group ten years later. Another characteristic of these new flows are the increasing diversification in the immigrants' origins. Last decade, individuals from Latin America occupied the third position in the ranking of the total foreign-born population living in Spain by region of origin.

According to MPI (2010) the stock of foreign population in Spain has observed a radical change in Spain in the last 10 years. In 2001, Ecuador, Morocco and Colombia represented more than 40% of the total foreign population stock, but in 2009 Romania and other third countries increased their presence meanwhile Colombia, Ecuador reduced their shares.

At the beginning of the XXI century, the increase of Latin American immigrants into Spain displaced traditional migration flows to lower positions in the ranking, specially the groups coming from Africa. The immigrant groups from Latin America showed the most arrivals from 2002 to 2005. After that period, East Europe immigrants increased their presence in Spanish territory, due to the entrance of new countries into the European Union. In this context, immigrants from Romania became the largest foreign nationality in Spain.

The explanation for the most recent and notable growth in the volume of population of Latin American origin in Spanish territory is, with complete certainty, very complex. It is necessary to consider both the aspect regarding the reality of the countries of origin and that of the country of destination. There are different motivations behind the recent immigrant flows from Latin America, as have been mentioned before. It is important to take into account the economic and social contexts at origin and at destination, to try to understand how these flows growth rapidly. Undoubtedly, international migration is a complex phenomenon, and Latin American immigrants are no exception. One of the most significant Latin American immigrant attraction factors has been the accelerated growth of the Spanish economy in the last 20 year, accompanied by a set of migration policies which included several regularization processes. It is important to mention, that Spain observed a positive social perception regarding the presence of Latin American immigrants compared to other immigrant origins. Historical, cultural, linguistic and religious ties compared to other immigrant groups such as Asians or Arabs, helped positioned Latin American immigrants in a better situation for social and economic integration in Spain.

Since 2008, the Latin American population in Spain has been growing in a slower rate than years before. Higher entry restrictions and negative economic conditions has reduced the incentives and the possibilities for many individuals to consider Spain as an attractive destination. Undoubtedly, this deceleration on the immigrant phenomenon affected also groups established in Spain for a longer period.

The largest Latin American groups represented in Spain, during the 80's, were from Argentina, Venezuela and Chile. Most of the individuals of these countries arrived to Spain because of political reasons. But also new political conditions in Latin America played also an important role for the departure of these immigrants to their countries of origin, during the nineties. However, the economic crisis in some South American countries, as Argentina, maintained the inflows of "labor" immigrants to Spain. In 1998, Peruvian and Dominican Republic immigrants outnumbered the Argentinean groups in Spain. These two groups became the largest from a country of origin perspective. T

3.2.1 The Recent Latin American Flows into Spain

In 2000, a new influx of Latin American immigrants started to arrive to Spain, mainly from Ecuador and Colombia. The new flows of immigrants significantly reshaped the Latin American presence in the Spanish economy. Their growth was constant until 2009. The

main factor behind the arrival of largest immigrant groups from Ecuador was an economic one. Ecuador's economy suffered a financial crisis, increasing social problems, unemployment and poverty. The economy adopted the US dollar due to the pressure of international markets and debt in an effort to stabilize the situation. But the panorama created no opportunities for a large share of the population. On the other hand, Colombian immigrants were arriving to Spain to avoid the large violent confrontations caused by the illegal drug production and commerce, and the guerrilla presence. This situation was an enough factors for many individuals to decide migrate to Spain.

Bolivians as well, became another immigrant group that started to migrate to Spain during these years. Most Bolivian migrants were considered "economic" migrants because the main factors behind the decision to migrate were the lack of employment opportunities and low wages in Bolivia. It is important to remember that a flexible Spanish migration policy contributed to these immigration flows, through the establishment of bilateral agreements with many different Latin American countries, considering quotas to full fill labor requirements.

According to Spanish statistics, in 2009, the Latin American immigration was lead by Ecuadorians, becoming the third largest foreign-born group, only behind the immigrant population from Romania and Morocco. By the end of 2009, Ecuadorians totalized 471,425 people. Meanwhile, Colombia (354,869) and Argentina (293,227) occupied the second and third places in the Latin American immigrant ranking in Spain. Follow by groups from

Bolivia with 226,033 individuals; Peru with 186,060; Brazil with 152,239; Venezuela with 151,008; and the Dominican Republic with 128,382 people.

The population of Latin American origin living in the Spanish territory has shown a predominance of women. From the beginnings of these recent flows, female immigrants comprise a slightly higher percentage than men (54 and 46% respectively). But this data can differ if we consider country of origin. For example, there is a larger representation of men from Peru and Argentina than women. Meanwhile the tendency of women leading the immigration flows is seen in groups from Ecuador, Peru, Venezuela, Bolivia, Brazil and Dominican Republic.

3.2.2. The Legal Status of Immigrants in Spain

Legal status is a relevant figure in terms of how migrants survive and growth, its relationship with their country of origin. Latin American nationalities represented in Spain have significant differences in terms of their legal status.

In 2009, Spain registered the larger foreign (authorized) population residing in the country, totalizing 4.791.232 individuals (Pajares, 2010). Romanians and Moroccans represent more than one and half million inhabitants, meanwhile the six top Latin American countries of origin (Argentina, Bolivia, Colombia, Ecuador, Peru and Dominican Republic) summed

1,179.61 in 2009. Although absolute number observed a permanent increase since 2006, the growth rate has been reduced year after year.

According to the last 20 years of immigration data, and as expected, older inflows have higher levels of naturalization in Spain and lower levels of irregular immigration, taking advantage of the different immigration reforms during this period. In this context, 30% of the immigrant populations from the Dominican Republic and/or Peru living in Spain have obtained Spanish citizenship. On the contrary, recent and younger immigrant inflows as the ones from Bolivia have the highest percentage of individuals without the required documents to stay in Spain. Nearly 60% of this immigrant group is or has been in an irregular situation, and the total of naturalizations represent no more than 3% of their population, which reaffirm less policy opportunities for new immigrants, the high arrival rate of this group and the capacity of networks to attract other nationals into a larger economy, at least until 2009, before the financial crisis crushed most extensive labor industries.

In relation to the legal status of the Latin-American born population living in Spain, there were 1,333,886 persons (56% of this group) at the beginning of 2009 with a valid mandatory residence card or permit; another 543,591 men and women obtained Spanish nationality (23%), and there were 487,887 persons (21%) without any documentation to reside legally. During a 10 year period (1999-2009), Latin American individuals received a significant number of residence permits, passing from 130,203 permits to 1,333,886. In this

lapse, the number of approved naturalisation applications was also large. Latin American immigrants granted with this benefit passed from 169, 531 individuals in 1999, to half a million in 2009. According to the Spanish laws, the acquisition of citizenship by residence require immigrants to have been legally (valid permit) living in Spain, for minimum period of 10 years. Under this legal context, Latin American population was benefited with a particular exception, requiring them live (legal residency) at least 2 years in Spain to apply for citizenship. Many Latin American countries have a dual nationality agreement, which implies that immigrants do not loose their nationality of origin on becoming a naturalized Spanish citizen, which is a benefit in term of social identity and access to right at home country. The figures shows that 48% of the total foreign-born population who were naturalised Spanish are from a Latin American origin.

An ongoing discussion in Spain is the current situation of irregular Latin American immigrants. According to official estimations the number of people from Latin America living under irregular status passed from 234,173 to 487,887 persons, in the 1999-2009 period. The irregular situation of some Latin American groups suggests the presence of individuals without the necessary documentation to work and/or live legally which could limit the access to formal and legal channels to regularize their status. Nevertheless, irregular status could lead to a lack of legal rights, social exclusion and discrimination. Despite the large number of permits granted to Latin American individuals, during the last decade, the large flows of immigrants was overwhelming, and irregularity became an option to those immigrants looking to stay at the Spanish territory. The requirements and restrictions to obtain these permits for the first or second time influenced the decision for

many migrants to become irregular, waiting for new opportunities and without any incentive to leave the country.

Since 1985, Spain has observed different phases of a continuous immigrant regularization process (Izquierdo, Lacuesta & Vegas, 2009); the clear objective has been to formalize the unauthorized foreign population, granting permits for residence and work. Until 2006, Spain reached approximately the number of one million regularizations for immigrant individuals. The last phases occurred in 2005, reaching 548,700 regularized foreigners. These regularizations programs were implemented to attend the requirements of the domestic labor market and for a better registration of the immigrant population.

Before 2005, when the Spanish government put an immigrant regularization and stabilization process into action, the undocumented Latin American individuals represented 45% of the total immigrant population of Latin Americans in Spain. In 2001, a breakthrough agreement was signed between Spain and Ecuador, Colombia and the Dominican Republic, in order to facilitate the regulation of migratory flows, and provide a higher priority at the hiring ranking of immigrant workers through specific quotas. At the same time visa requirements were established to individuals from these nationalities in order to try avoid large flows searching family regrouping opportunities and/ or becoming irregular workers while waiting for a possible stabilization process.

3.3 Considerations

Overall, all of these socioeconomic measures and statistics comparing immigrants to the Spain.-born population suggest that in most cases, both groups are relatively far away to the other. This information can be used to support both sides of the immigration debate that immigrants are not achieving as well as the Spain-born and vice-versa. However, it does seem clear that these statistics do not support the stereotype of immigrants as being chronically unemployed, in poverty, and on public assistance. The data suggest that just like any other social group in the Spain, there is a lot of diversity within each group and that is not convenient to make generalizations about all members of a particular group.

Economic downturns also increased the probability of leaving the country. Therefore some of the immigrants who arrived around the 1990s subsequently had left Spain. For example, if skilled workers arrived to Spain during the current economic slowdown it the expectation that a high proportion of immigrants would find occupations with low educational requirements.

Entering the labour market during a recession may also have a negative effect for several years on the salaries that people earn. The recession and the slow growth of employment may have a significant effect on new immigrants of that period.

CHAPTER 4

MIGRATION AND CULTURE

IDENTITY

CHAPTER 4

MIGRATION AND CULTURE IDENTITY

Migration is an important factor to discuss ethnicity and cultural identity in a globalized environment (Massey, 1995). Ethnicity is a multidimensional expression of race, origin, language, religion and ancestry. Ethnicity and cultural identity is associated to social practices, customs and beliefs, and clothing and food consumption patterns. Culture is a social expression, and individuals look for groups with other individuals with similar characteristics also, to foster his sentiment of belonging (Orozco 2003).

Cultural identity involves consumptions patterns, like style of dress, types of food, products purchased. Cultural assimilations approach states migrants at communities of destination may change consumption patterns over time, due to integration process (Zmud and Arce, 1992). Cultural assimilation could be observed when a migrant, expected to respond to a particular behaviour and consumption patterns related to his country of origin, act or behave more closely to the culture patterns of the country of destination. Under acculturation perspective the dynamic aspect of culture makes that the migrant will combining his traditional behaviour and consumption patterns from his country of origin and the ones existing at his destination location (Luna and Forquer-Gupta, 2001).

Globalization and a changing world, create a dynamism where, in a period of time, (long-term perhaps), an individual who moves to one place to another leaves a culture which is changing and arrives into another which is also changing. Culture is a dynamic process, if an individual moves from one location to another will not immediately adopt the set of patterns identified with the community of destination, and left apart his own, as Massey (1995) first acknowledged. The accessibility and increase of new means of communications as mobile telephony or internet and lower costs of these technologies has changed the context of immigrant's interaction with home. This mean migration and assimilation processes is not a linear transition from one point to another. A dynamic process considers the combination, in some extent, of native and adoptive cultural patterns. The individual is less alienated and greater exposed to the happenings (news, events, cultural trends etc.) from his country of origin, and affected at the same time by country of destination.

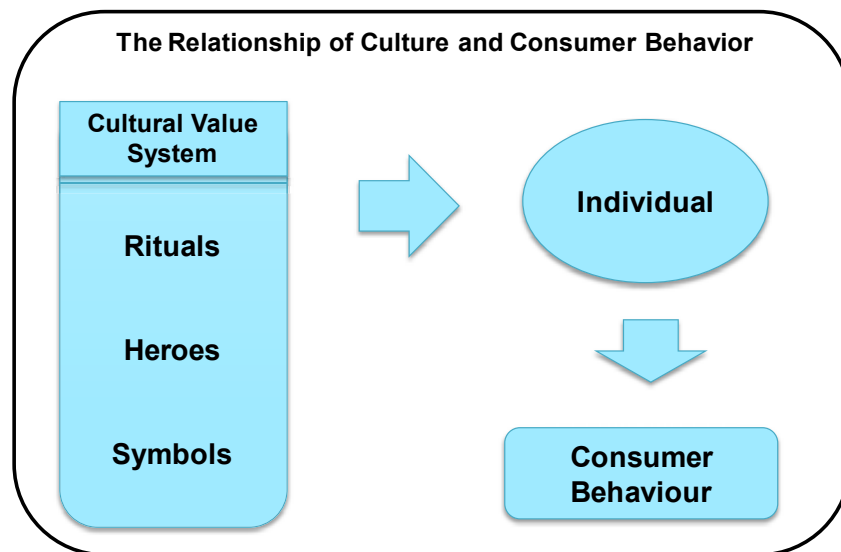
Migration studies associate behavioural patterns to cultural norms and values (Castles and Miller, 2004). Behaviour patterns are free or voluntary adopted, in the sense that there is no imposition or mandate to adopt them. But this adherence could appear in part of the context the migrant is living and the interaction with the native population. Behavioural patterns associate to particular culture are constantly adjusting (Luna and Forquer-Gupta, 2001). Cultural values are transformed over time influenced by the changing context, so the behaviour patterns. This trend maintains the culture of a specific group of geographic area in a continuous dynamism.

Cultural identity refers to one's basic group identity. Ethnic affiliation is less a birth right than a birth consequence (Congleton, 1995). Ethnic identification and behaviour are flexible and respond to the context. Ethnicity is a necessary but insufficient element to identify an individual. Ethnicity also includes how an individual feels in and about a particular situation. Ethnicity and related behaviour is sociological characteristics shared by individuals (migrants) that are expressed in similar ways. But also ethnicity and related behaviour are a transitory psychological state that could be manifested in different ways, and in different situations (Phinney, et.al, 2001) A sense of cultural identity supplies a unifying "identity" thread as people struggle toward consistency from one situation to another. Ethnic identity formation is a complex and dynamic process involving both discovery and commitment, influenced by contexts. Social identity approach locates ethnic identity as a fundamental part of the social identity of the individual (Phinney et al., 2001) and comes from his knowledge of the membership of a social group. Ethnic communities have elements of member self-identification and distinctive qualities (Laroche et al. 1998). Beine (1998) suggest diasporas are invisible nations residing outside home countries, with a particular culture dimension that include language, social networks, friends, religion, food preferences and traditions. Ethnic identity is a characteristic attributed to the individual. It is important to consider that any individual can adopt ethnicity identity, by choice (Zmud and Arce, 1992). The individual is free to follow his own ethnic identity, influenced by his values and context.

Cultural identity is the most important manner in which ethnic identity affects consumer behavior. Cultural identity is composed of what individuals have inherited, such as race,

origin, history, religion and/or language, and of what they have acquired like language, nationality (Zmud and Arce, 1992). Immigrant's behaviour derive from the individual's cultural value.

Figure 1. Culture Identity and Consumer Behavior



Source: Elaborated by the author.

The cultural value system motivates individual behaviour, which is adjusted to a particular context (Luna and Forquer-Gupta, 2001). Immigrants transport a set of values from their communities of origin to destination, embracing and/or modifying specific cultural elements for the new environment. Immigrant's cultural value system are build up over time, while the immigrant exercise it, into a particular communities, networks or groups. According to Luna (2001) there are three elements behind a cultural value system, as social culture, regional subculture and family values. This perception includes cultural elements

(values, heroes and rituals) that individuals share in common with the group they belong.
(see Figure 1)

Values are a fundamental pillar of the concept of culture, and in consequence an engine for individual's behaviour. Hofstede (2001) established culture principles help individuals to assign a meaning to the context they are in. Immigrants move to different destinations adjusting their culture for a better fit. Even values from communities of origin could be a particular set, destination location affect the perception and exercise of culture -and values- by the individual (Luna and Forquer-Gupta, 2001). The concept of heroes refers to cultural characters or figures that symbolize a set of cultural characteristics related to the group. For example, a successful immigrant pioneer represents figures to emulate for newcomers, or an important know individual from the same ethnic background represent a font of aspirations and desires. These heroes may influence behaviour of individuals, and also consumption behaviour for some products and brands, associated to their culture.

Hofstede (2001) considers the definition of ritual as a social action devoted to the manipulation of cultural meaning for purposes of collective and individual labelling. Social actions are seen as an opportunity to foster or adjust symbols of culture identity. Consumption behaviour is also motivated by rituals, because these social actions engage goods and services. Rituals give a context for individual's consumer behaviour. Products and services are basic elements at rituals and can be used by its ability to strength rituals. (Luna and Forquer-Gupta, 2001). Symbols are another significant component of culture,

and are defined by Hofstede (2001), as a group of processes and goods with significance to a singular group. On immigrant communities these symbols could be easily identified on consumption products. Symbols are tools to express cultural values.

Luna (2001) defines culture as a lens, where reality is modified continuously, but is unique to a particular group of individuals. Culture is a dynamic concept (Chung and Fisher, 1999), the emergence position denotes the impact of globalization, migration or ethnicity. Individuals add different elements to recreate their culture in the context of their groups. According to Portes (1993), under the ethnic resilience perspective most new-arrived individuals keep those cultural values from their communities of origin, in an attempt to maintain intact cultural identity.

Culture has a significant effect on consumer behaviour, creating a positive relation where consumption fosters cultural expressions of individuals and their communities. Consumer behaviour may be accepted or discarded by other individuals from the group, which creates a set of distinctive patterns related to the cultures of a specific group.

4.2. The Interaction of Culture and Consumer Behavior

Migration flows have created complex markets. Individuals moving from one place to another are exposed to new cultural and behaviour patterns, at their new destination. Domestic or

international immigrants experienced at some degree these changes. Immigrants face a situation where they may modify their own behaviour patterns as a result of the new environment (Rath, 2002). This doesn't mean they reject their cultural identity for the new one, literature in this subject suggest individuals adopt some characteristic from the host societies to their own.

When we analyze the market, demographic differences such as, income, age distribution, education, family size, or product availability are variables for consumption differences. Cultural identity is a greater influence on behaviour than ethnicity, on consumer patterns. (Luna and Forquer-Gupta, 2001). To understand consumer behaviour is important to put in consideration the concept of culture. Culture is considered a socially acquired behaviour patterns common to the members of a particular society or human group (migrants of a common origin). Societies have a culture shared by language, traditions, customs, shared meanings, and institutions (Massey, 1995)

Culture is associated to constant behaviour patterns, but in a globalized world, with high and intensive interaction between countries, culture could be adaptive. The behavioural patterns are characteristic of a specific culture express by the shared values, traditions and beliefs. The communities of migrants are exposed to new patterns at the communities of destination; cultural identity does influence behaviour (Luna and Forquer-Gupta, 2001), its influence will depend on the importance involving the particular identity to the individual. The situation of each migrant individual has a degree of attachment to their cultural

identity. For some people identity it is an important asset for other could be useful for some specific interests. (Zmud and Arce, 1992) The conceptual differences between social identity and a cultural identity are significant to consumption patterns, social identities are assumed to be situational and cultural identities transcend on time.

Theory supports the notion that one's cultural identity is not stable but dynamic. Because what an individual acquire can be continuously varying. So their cultural identity could be considered dynamic. The influence of cultural identity on consumption behaviour is dependent upon the level of importance placed on that cultural identity. For any given member of an ethnic group, the level could vary. (Zmud and Arce, 1992)

Ethnic identity can change with time (Laroche et al., 1998), context an acculturation contributed to confuse group identification. Ethnic identity is dynamic in time and environment (location). People coming from same ethnic origins, living in different countries and facing a different context can develop different ethnic identities. This situation can create significant differences to tag ethnic groups worldwide. This lead to consider, that Latinos in the United States would not necessary share the same cultural identity or consumptions patterns with Latinos in Spain. Different environments may provide different elements to cultivate culture identity by immigrant groups. Laroche (1998) add acculturation processes and identity changes cannot be generalized to other groups without key points of correspondence.

Acculturation in contraposition to the traditional assimilation approach promotes the key role of understanding how culture affects consumer behaviour even at the domestic level. Luna (2001) suggests acculturation is a process where individuals from both societies (origin and destination) interact and receive a mutual influence (on many spheres), which justify why culture is a dynamic concept. In this context, availability of goods is key factor for culture interaction. Assimilation did not consider influence from foreign groups to be significant for host society. Instead the outsider (immigrant) is seem to embrace the host culture and consumer patrons, leaving his own behind.

Migrant networks are important factors for migration decision of potential migrants. These networks provide information and resources to newcomers (Orozco, 2003). This support represents lower costs at their migration process. Migration costs for individuals declined when a diaspora is already settle in the country of destination. The larger size of the network the lower costs for next migrants. Not every migrant diasporas observed the same patterns, particularly in terms of their human capital and education levels. (Beine, et, al, 2009).

Chung and Fisher (1999) recognize the influence of social networks –family and friends– on the acculturation process. Mexicans immigrants in the Unites States find useful information not only for migration logistics but for the transition process at the community of destination, Places to stay, to eat or the “best” money sender service are examples of this influence. Individual behaviour could be affected by different cultural expressions.

Hofstede (2001) as we have discussed, considers values, heroes, rituals and symbols as the variables behind the individual culture process, which motivate that each cultural group have different expressions or manifestation. Networks facilitated certainty to the immigrant consumer. Each day networks and diasporas worldwide consolidate an emerging transnational economic engine, that can be beneficial for both countries involve in the migration process (Orozco, 2003). Transnational business networks are reshaping trade and domestic economies in different areas of United States and Spain.

4.3. Migration, Consumption and Markets

Migration has an economic effect on the communities of destination, on labor markets, consumption, services, etc. When the availability of migrants is significant allows new commercial and business opportunities. Some of the effects of emigration in countries of origin are perceived through increasing movements on income and consumption, better education and improved health, and some other aspect of the social scope. Moving from one place to another, generally represent benefits for an individual, financial remittances is clearly a direct effect of it. But benefits are beyond sending money, is also about how these resources create or foster local economies, and how international migration reshape the territory. International migration has a double effect, both origin and destination locations observed adjustments depending on who moves, how they fare abroad and whether they stay connected to their roots through flows of money, knowledge and ideas.

Migration is playing an important role in global economy, through its impact on labor markets, consumption or financial services industry. International migration can actually help foster employment in both origin and destination countries by boosting economic dynamism. We have to consider that some communities with large immigration may increase their economic activity for the reason that diversity and knowledge flows help develop old and new sectors.

The dispersion of immigrants across a country of destination, on different communities, depends on the nature of the migration. On a labor market perspective, the geographic distribution is set by the labor demand and the employers. For others, the destination location may influence the number of immigrants moving in. The ethnic characteristics of destination regions may attract more individuals to migrate. In southern Europe and the United States, low-skills workers, have tended to spread themselves broadly across national labor markets, arriving to traditional centers and opening new destinations, avoiding some concentrated sectors. Most immigrants and their children brought to their communities of destination social and economic diversity and a new economic dynamics.

Undoubtedly immigration flows have an effect on economic activity at destination regions, not only on local labor supply, but also on the demand side. Migration may increase business initiatives in the region. Migrant individuals and groups try to keep trade and economic links with their countries and communities of origin. Comparing urban and rural areas, logistic infrastructure may suggest that cities may experience a larger economic and

trade influence, due to a better availability and accessibility for business operations. Immigrant entrepreneurs have been trying to exploit opportunities for businesses in many areas (Kloosterman and Rath, 2001). Today immigrants from many origins have set up enterprises almost anywhere in Europe or North America. Florida (2004) claims that cities that show openness to people and new ideas thrive as they attract a “Creative Class”, which in turn creates new markets and affects economic growth. His foundation of his Creative Capital theory is based on his three pillars for economic growth: tolerance, talent, and technology. For any urban area and/or region to be a thriving Creative Class cluster it needs all these three components. This Creative Class generates new ideas and products that cause creative centers to promote economic dynamics.

Businesses are not started in a socio-economic vacuum but in concrete time-and-place specific contexts (Rath, 2000). Inside the market at the community of destination, the demand side and the matching process between entrepreneurs and potential opening for new businesses are elements needed to consider for a successful business initiative. The demand is a key element for business opportunities, and for individuals to consider entrepreneurship an economic choice.

There are obstacles to take into account, in order to succeed as an entrepreneur. Some industries require a large amount of capital to start up, and this could represent a barrier for immigrants without an access to financial resources (Reis and Rath eds, 2008). The regulatory environment is also an important asset for starting a business. The immigrant

entrepreneur establishing a business deals with obstacles and regulations as any other entrepreneur. According to Rath (2001), the kind of business an immigrant is determined by the resources the individual has and by the time and-place specific opportunity structure (mixed embeddedness approach). Regulation is one of the most important aspects of the success of any ethnic entrepreneurship project. Rules and regulations may limit the access or viability of an economic sector (Rath, 2002). Florida (2007) argues that countries must now compete globally for talent in order to succeed. Limiting opportunities for immigrants could decrease the positive effects of diversity and its economic engines. Florida defends the conception that vibrant, connected and exciting cities are advantages to attract creative talent to foster innovative industries and entrepreneurship.

Co-ethnic ties, as Chung and Fisher (1999) retake the term, facilitate immigrants the transition process from origin to destination. Ethnic social network around immigrants have implications beyond the social and cultural sphere, ethnic economy and ethnic enclaves suffers positive effects with the presence of this co-ethnic groups and support. The concept of embeddedness has been developed to explain how individuals and/or enterprises are involved in a social network. Under the embeddedness perspective, social structure may help foster, limit or dismiss individual behaviours (Portes and Sensenbrenner, 1993). Diasporas play a key role in the influence that immigrants have on global economy (Beine, et, al, 2009). Beyond remittances, individual members of a diaspora transfer ideas, knowledge, perceptions and/or resources from both origin and host communities. Migrants, who maintain a “presence” in his home country, represent potential economic links and

opportunities for entrepreneurial development, connecting their country of origin with their place of residence.

There are many reasons to consider that migrants could be more entrepreneurial than natives. Abilities learned back home may play a substantial role to push migrant to persecute a business idea, or the obstacles to find a spot in the labor market may provide the road to self-employment, as the only option for development. Portes (1993) consider these transnational entrepreneurs have special abilities to engage in activities to maintain open contact in both countries, taking advantage of their networks. The relationship of individuals with their country of origin on migrant entrepreneurial initiatives may foster employment for other individuals from homeland, or trade opportunities promoting the development of new markets and/or knowledge transfer (Reis and Rath eds, 2008). Diasporas support transnational migrant entrepreneurs providing contacts for financial and management assistance (Favell, 2008). The help offered to these projects may include incentives to other individuals of the group to work together.

4.4 Entrepreneurship and migration

Entrepreneurs are considered a major driver of the economy that can increase competitiveness and spur growth. They come in many forms, and for purposes of this chapter, the focus of the analysis is based on the existence and development of migrant

entrepreneurs. The aim of this chapter is to present, analyze and review the literature on the main elements concerning immigrant entrepreneurship. For many years, migrant entrepreneurs have been ignoring from the relation between immigration and the economy. Earlier frameworks did not suggest that the specific characteristics of migrant entrepreneurs, elements as identity, culture or values.

Entrepreneurs are individuals with a distinctive set of qualities. Most of them have a special instinct for market openings, economic opportunities and a sense of the investment atmosphere as well as a relative tolerance towards risk. Entrepreneurship literature does not locate migrants ahead when an entrepreneur is described. Florida (2007) outlined the importance of immigration, considering immigrants the lifeblood of a modern creative economy. Immigration is important both in its quantity and its diversity, more varied immigrants will add more to the creativity of the local economy.

Migrant population is not necessary the first group considered when we are discussing or promoting entrepreneurship. But migrants and their descendants have a long history contributing to the development of economic and commercial opportunities in their countries of residence and origin. Those who take advantage of their positions have the ability to recognize opportunities in both countries and generate ties between economies.

Commerce and industry practitioners and policymakers are starting to recognize the role of immigrant entrepreneurs in economy. At their countries of origin immigrants entrepreneurs can be seen as important facilitators of remittances and investment, boosting economic growth.

Diaspora entrepreneurship directs entrepreneurial investment to communities at origin favoring the chances for employment and development in those regions. This role is assumed by the immigrant taking advantage of the first-hand information they can access or already know. But an important area of immigrant entrepreneurship is the role as a contributor to the domestic economy of the country of residence, fostering business activity and job spots, most of them in the small business sector.

Attracting diaspora investors and entrepreneurs may increase the potential for development of countries of origin from these immigrants. This cannot be interpreted as the only factor for undeveloped economies to growth. It should be considered as a necessary factor, but not a sufficient one.

Immigrant entrepreneurs are often more willing than natives investors to risk starting or engaging in business activities in the countries of residence. The challenges are significant, such as knowledge of the local political, economic and cultural environment. Among the challenges immigrants entrepreneurs might face, we can underline limited access to local

financing, personal connections or linguistic abilities, which can discourage individuals from pursuing business activities in one place or another. Networks may give the migrant community a hand to face these obstacles.

Immigrant entrepreneurship has been studied the daily microeconomic level contributions of immigrants to local economies at countries of destination. Small and medium immigrant enterprises have been established to fulfill, first, the needs of their immigrant communities. These business initiatives has been fostering niche markets and increasing the job positions offers. Europe and Spain are no strange to the presence of immigrant entrepreneurs particularly in the restaurant retail and wholesale businesses.

Little research has been done, however, in Spain on how ethnic minorities' entrepreneurs contribute to economic growth at local environment. There are elements to consider that immigrant entrepreneurs can play an important development role. If immigrant entrepreneurs succeed, could led to business development, job creation, competition, innovation or even the opportunity to create transnational business network with theirs countries of origin. Cities should consider strategies to increase its diversity and lifestyle opportunities, to enrich their social and economic dynamics. Cities and regions required more than just job availability to growth and develop successfully (Florida, 2004). Florida's "creative class," is defined as group of individuals sharing particular job expectations (idea-based jobs, variables beyond income). This group could become a key engine of a region's economic success.

According to the GEM report 2010, higher levels of entrepreneurship are positively correlated with higher levels of economic development. So the need of entrepreneurs is imperative for any economy. But first we must define what kind of entrepreneurs appearing or under what conditions. Florida (2004) recognizes the existence of a creative class in developed economies, with a fast-growing, highly educated, and well-paid rate. Individual members of the creative class do a wide variety of work in a wide variety of industries--- from technology to entertainment, journalism to finance, high-end manufacturing to the arts. But unlike Florida considered, they do not necessarily share a common conception of values creativity, individuality, difference, and merit.

There is a main distinction we must point out (Rath, 2002), “necessity” and “opportunity” entrepreneurs, in order to determine their strength of the effect on the domestic economy. The main difference is the motivation to become an entrepreneur. A “necessity” entrepreneur is push by the economic context to work for himself. Meanwhile an “opportunity” entrepreneur might have a bigger impact on economy because of his motivation goes beyond the economic need of the present. The distinguishing characteristic of the “opportunity” entrepreneur (creative class, as Florida called them) is that its members engage in work whose function is to "create meaningful new forms." Individual members of this class produce new forms or designs that are readily transferable and broadly useful-- such as designing a product that can be widely made, sold and used. According to Florida

(2004), creative class individuals contribute significantly, adding creative value. Firms and business value creativity, which also reinforce the growth of the creative class.

If necessity is the main driver for immigrant entrepreneurs, a high level of skills should not be critical for the decision to follow an entrepreneurial initiative; both unskilled and low skilled workers could do the jump from employee to employer. Immigrant and ethnic minorities businesses generated by necessity seem not important at macro-level for a low value-add participation. But at micro-level the effects are positive, creating employment not only for themselves, but for their communities. They do have a different networking opportunities and approaches to starting businesses than natives or high-skilled immigrants.

The most common scenario for immigrant entrepreneurs observed low requirements in terms of education or knowledge and relative low start-up costs with a significant involvement of the immigrant as main production factor. Clearly, self-employment can create value for the immigrant entrepreneurs and the potential employees that might add along the business life. Even criticism established that entrepreneurship driven by necessity has a marginal effect on economic development, keeps the economy moving.

In the other hand, high-skilled entrepreneurs are considered the most influential assets for economic development. Immigrants can also be found as opportunity entrepreneurs involved in high-tech sectors or knowledge-bases industries. Many high skilled immigrants

arrived to a country of destination attracted by the high education system or by the specialized job opportunities available that cannot be found on their countries of origin. For example, if an individual from an undeveloped economy desires to become an astronaut he might have fewer chances to become one staying at home than moving to a developed economy with an astronautic industry.

An entrepreneur becomes an entrepreneur as result of decisions involving individual goals and aspirations, and a mix of economic, financial, political and sociocultural factors. Entrepreneurs are more likely to open a business in a place where economic conditions are positives, such as a positive business environment, clear legal framework, or easy access to finance, or even the time required to start a business due to bureaucratic paperwork. Entrepreneurs will make decisions regarding where to migrate considering those factors mention previously, because the expectation on success is higher in a positive context.

Access to financial resources is fundamental for potential immigrant entrepreneurs seeking to pursue a business activity. The micro credits are an important tool for those individuals trying to start up a project. However these resources are not available to everyone and the volume is not necessarily sufficient to fulfill the requirements of these entrepreneurs.

Previous studies considered that individuals with high levels of human capital tend to be more entrepreneurial than those without. But education or knowledge are not sufficient

elements to become an entrepreneur. Social capital and networks do play an important role to encourage the decision of individuals towards entrepreneurship.

Immigration has grown steadily over the last decade in Spain. Approximately 11% of the population living in Spain was foreign born in 2000, a participation that changed in the last years. Over the same lapse of time, self-employment among immigrants grew significantly elevating the participation of business owners. Kloosterman and Rath (2002) suggest that entrepreneur and self-employed immigrants play a key role in the resurgence of small businesses in aging economies. Individual migrants located in European countries are usually considered to have a higher degree of entrepreneurial preference than the average native population (Guzy, 2006). From 2000 to 2007, Spain received immigration flows relative new compared to those observed in the rest of Europe. And immigrant entrepreneurship observed some development. It is important to consider the lack of comparable indicators to assess different characteristics of immigrant entrepreneurship.

Although many immigrants in Spain are highly trained, educated and skilled, the vast majority of immigrants are low-skilled workers (commonly defined as no high school education). One of the challenges of low-skilled workers is to adapt to other sectors or industries, especially on crisis periods, when only high-skilled workers seem to have a better opportunity to advance. The dependability of low skilled workers of low-skilled jobs generates a circle where low wage is a constant.

According to GEM, self-employment has increased over the last years among the immigrant community in Spain, particularly during a crisis context. Low-skilled immigrant population has found on self-employment an opportunity for survival and advance. According to GEM, natives show a greater aversion towards the risk to initiate an entrepreneurial project than immigrants. This risk aversion could be interpreted the costs and sacrifices that represent for natives to move to other countries for better job options. In Spain ethnic entrepreneurs are more strongly represented in the “traditional” sectors like retail, hotel and restaurant services. Immigrant individuals have observed stronger interest on business activities in modern sectors than natives. The numbers of immigrants working in traditional industries in Spain are expected, considering the high proportion of native population laboring in these areas. Self-employment rates by industry provide information about the extent to which immigrant entrepreneurs decided to establish a business in these sectors.

4.5 Immigrant and Ethnic Minority Entrepreneurs in Spain: The Case of Camara de Comercio de Peru en España

International migration in Europe has been shaped by individuals looking for job positions within established firms rather than looking for opportunities for self-employment. The better economic situation of Europe in previous years, attracted labor flows from around the world. However, in recent years, under economic uncertainty, high unemployment, and diminishing market opportunities the immigration dynamics are changing. Immigrant

entrepreneurship became a novel topic in research and economics. For example, the European Commission identified that ethnic minority entrepreneurs in Europe were displaying a significant entrepreneurial capacity and potential in the community markets (European Commission, 2003). While the diversity of social groups can be considered as a source of benefits, the persistence of ethnic minority' identities is, however, often perceived as a threat or source of frictions by natives (Congleton, 1995). The rise in ethnic and social heterogeneity in most developed countries is one of the most important phenomenon facing modern societies, and at the same time is a significant opportunity window.

Previous immigration research studies revealed that individual resources play a significant role for ethnic entrepreneurs, and is not only determined by social and ethnic capital. Human capital and the existence of networks and opportunities are engines for the rise of migrant businesses (Light, 1972; Waldinger et al., 1990). Research studies have not fully analyzed how diverse economic configurations within the European Union, in combination with individual qualifications and managerial skills of different migrant groups create an influence ethnic entrepreneurship. In Spain ethnic entrepreneurs are more strongly represented in the "traditional" sectors like retail, hotel and restaurant services. Immigrant individuals have observed stronger interest on business activities in modern sectors than natives.

The empirical evidence that exists is limited but most immigrant groups are more likely to use networks to access employment relative to other job search methods. The European

literature on this subject still in progress and few has paid attention to the connections that immigrants have or the role of connections in obtaining employment. Hardin (1995) suggest that most ethnic minorities are motivated in keeping their own distinctive cultural heritage, in identifying themselves with an ethnic/social group to enhance their psychological self-esteem and generate a sense of positive distinctiveness from individuals who are part of that group.

The literature suggests that the less assimilated the ethnic/immigrant unemployed individuals are the more likely they are to use their network to find a job position. It also suggests that ethnic networks are not necessary associated with a greater possibility to get a job. Ethnic networks are in a relative disadvantage compared to natives, if we compared the assimilation process in the domestic labor market. However, an individual may get involved in a ethnic group in an effort to avoid the costs of finding him in a nonconforming minority (Congleton, 1995).

When Roberto's parents first moved to Barcelona from Peru in the 1990s, they had no "working papers" and knew a few things about entrepreneurship. The family worked hard to survive. They entered to work at a grocery store. After ten years, they bought a Latino grocery store "Colmado" of their own with money borrowed from relatives, interest-free. He and her brother collaborated with his parents as a family's duty. Today, while Spanish youth unemployment is around 50 percent, Roberto, who studied business, works advising Latino American investors in Spain, at the Camara de Comercio de Peru en España. His

family's story is telling of the ways many of Spain's Latino American immigrants have managed not only to survive under a negative economic scenario, but even to flourish, supported by intense labor and social structures where family loyalty and connections are keys for survival. Other groups instead, are experiencing and suffering from a context with a lack of government resources and high unemployment rates. Under this context, the immigrant family is less dependent on the government because the family network works as a protected umbrella, providing "financial resources and social services". If the host State or the market can't provide the resources or services needed by the immigrant unit, the family and its networks will replace that position.

The Cámara de Comercio del Perú en España is a networking organization dedicated to promote the business activity of immigrants from Peru and South America in Spain, by offering opportunities for the immigrant community and the local business leaders and professionals to meet one another and discuss potential partnerships, businesses or investment opportunities. A powerful affiliation such as ethnicity would certainly attract the interest of those who wish to use it instrumentally, and so ethnic-group behavior is likely to be both passionate and calculative. Ethnic networks provide trust. Ethnicity is a particularly apt affiliation for performing functions because of the high barriers to entering and leaving the group (Wintrobe 1995). Ethnic networks provide reduced transaction costs for group members, groups use their influence to "facilitate" services, (Congleton 1995). The Camara is a private initiative with an objective to promote networking among diaspora business leaders and their counterparts from their countries of origin. Ethnic groups are able to provide a wide collection of club services, such as common language, education, social

insurance, collegiality, entertainment, and enforcement of codes of conduct and obligation. (Congleton, 1995)

Also, the Camara serves as a mentor organization, involved in supporting entrepreneurship among the Latin American immigrant community. The launch of meetings between potential and new entrepreneurs with immigrant entrepreneurs already successful and with a vast experience in doing business in Spain, help to illuminate those red lights along the existence to the entrepreneurial project. Is clear that members of an ethnic group may provide more or less resources to the groups they are affiliated with according to their own circumstances (Congleton, 1995).

One key objectives of the Camara as a unique organization to promote immigrant entrepreneurship is the call for curses and seminars directed to promote the knowledge and skills to start up and manage an entrepreneurial activity. A well-organized club responds to changes in demand by varying the level of services provided club members and adjusting membership fees to minimize the net advantage of club membership (Congleton, 1995). Additional, the Camara fosters training programs directed increased the knowledge and expertise of potential immigrant entrepreneurs from Latin America.

According to Rath (2002), immigrant organizations can adopt multiple roles, creating networking opportunities, or directing resource to initiatives with a solid project. There may

also be an instrumental component to the utility gain from the generalized expression of ethnic preferences when engaged in both market and public interaction. The gains include job referral and/or reduced transaction (Congleton, Wintrobe, 1995). The mobilization of any ethnic group in the host country could lead to different gains. The Camara respond to a three-level sector where they can be affective assisting the immigrant colleague. Low-entry barriers for people are significant to increase new contributions to the social and economic environment. Newcomers bring talent and creativeness which foster innovation and growth, as well as attract more talent immigrants. Florida (2007) considers that cities that thrive in today's world tend to be plug-and-play communities where any individual can fit in quickly. These regions offer a better perspective, where people can find opportunities, build support structures, and at the same time foster or embrace their own identities.

Organizations such as the Camara provide a wide range of services. Effective's codes of conduct facilitate intragroup economic activities (Congleton, 1995). The Camara has a clear origin and purpose of networking, mentoring and training Peruvian migrants in Spain, but along the years the Camara has open its doors to other nationalities not necessarily from South America. Florida (2004) suggests that talented individuals seek locations and an environment open to differences. Regardless of ethnic background, a community with a conscience of acceptance of diversity could attract larger numbers of talented people.

The experience of the Camara recalls that an immigrant entrepreneur undertakes new businesses fostering jobs and wealth at destination (country of residence) But continuation

and importance is largely a matter of the net value of services provided to active members of the relevant group (Congleton, 1995). Also, immigrants may have a better understanding or position to perceive the opportunities beyond the creation of commercial ties between immigrants and their homelands. Enforcement of codes of conduct reduces uncertainty about transaction outcomes and increases the likelihood that mutually desired outcomes can be achieved by reducing the return to predatory behaviors. According to Congleton (1995) behavior patterns inside an ethnic social group can be explained considering that individuals may attribute positive utility to the well-being of members of their own group, and negative utility to that of members of other communities or groups.

According to Wintrobe (1995) considers that a set of the skills from different ethnic populations are complementary in the production process for a private good, implying that more diversity translates into increased productivity. A diverse ethnic environment also carries a larger set of abilities, experiences, cultures which may be productive and may lead to innovation and creativity (Florida, 2007). The success of immigrant entrepreneurs in Spain has not spawned the kind of anti-immigrant backlash seen in some hard-pressed parts of Europe like Greece or Italy. Spain's relatively welcoming attitude reflected its new openness, compared to the past, when the country was a nation of emigration. Since the crisis, the return of thousands of Latin American immigrants to their home countries from Spain has also relieved pressure on the work force. That does not mean everyone has championed the success of immigrants, and some complain of stereotyping and being targeted by law enforcement. The benefits of immigrant entrepreneurship for the host

community depend on the ability of immigrant entrepreneurs to create businesses which can contribute to the economic development of the overall community.

4.6 Considerations

Ethnic identity formation is a complex and dynamic process involving both discovery and commitment, influenced by contexts. Ethnic minority entrepreneurs in Spain are generating new opportunities for immigrant communities increasing availability of goods and services from back home, opening new ethnics and nostalgia markets in communities of destination. An individual becomes an entrepreneur as result of decisions involving individual goals and aspirations, and a mix of economic, financial, political and sociocultural factors Immigrant entrepreneurship has been studied briefly to explore microeconomic level contributions of immigrants to local economies at countries of destination. Small and medium immigrant enterprises have been established to fulfill, first, the needs of their immigrant communities. These business initiatives has been fostering niche markets and increasing the job positions offers. Europe and Spain are no strange to the presence of immigrant entrepreneurs particularly in the restaurant retail and wholesale businesses.

CHAPTER 5

INTERNATIONAL MIGRATION

AND ETHNIC MARKETS

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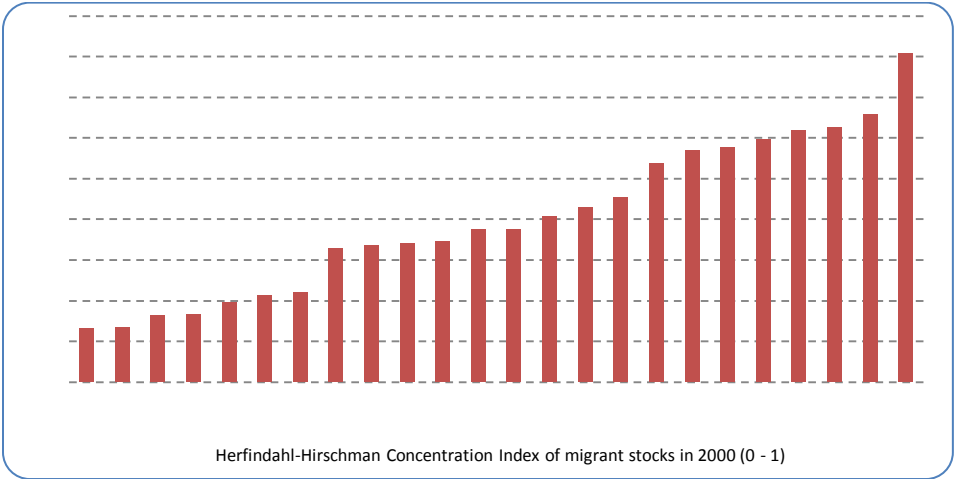
5.1 International migration and ethnics markets: An overview

International migration is unlikely to shape the development prospects of an entire national market, but can open a road to a broader local and regional economic growth. Migration should be seized as an opportunity to incorporate new strategies to foster new markets. Trade relations at home and abroad can be very helpful to open doors to new horizons. Each day, multicultural markets play an important role on domestic economies (Kloosterman and Rath, 2001). Globalization and international trade foster a multicultural business market, where consumers and entrepreneurs are reshaping the accessibility and availability of goods and services worldwide. In this context, migration patterns are exposing domestic markets to alternative behaviours (Luna and Forquer-Gupta, 2001), increasing opportunities for transnational consumers.

More countries are seen how immigrant population has been increasing in their territories, in the last two decades. United States, Canada, United Kingdom, France, Germany or Spain, are some of those develop-economies with a large percentage of migration flows (Kloosterman and Rath, 2001). New and larger ethnic groups have created new areas of opportunities for business and entrepreneurs at countries of destination. Ethnicity is gaining

a significant weight in domestic markets and widening the concept of marketing. Ethnic marketing (Poon and Albaum, 2010) is used as a definition to the study of marketing within ethnic minority context.

Figure 2. Concentration of Migrants by Geographic Destination



Source: Elaborated with OECD Development Centre calculations based on Ratha D. and Shaw W. (2007)

Immigration flows affect demographic configuration in the country of destination. Cities and places of economic activities observe increases on their population size and mix (Bauer et al., 2009). New agglomerations in urban areas bring a new shape of the labor and consumption markets, for example Latin American immigrants tend to concentrated on specific countries of destination (see Figure 2). Ethnic and cultural diversity provided by international migration produce significant externalities (Portes, et al, 2005). These flows provide new drives and engines to the communities of destination, changing long-term perspective on these centers. Diversity brings in challenges and opportunities for

immigrant's destination communities. A location with the presence of a diverse population will observe a broader variety of goods and services, amplifying the existence local market.

We can think on economies of agglomeration, when we consider location of ethnics business, there are clear examples in the United States where location is share for some groups to consolidate their business potential. Chinatowns or Barrios Latinos, among other, exist in many cities in America producing benefits for enterprises located near each other (Bauer et al., 2009). There are advantages in ethnic business clusters because attract more suppliers and customers to one point than a single firm.

Rath (2002) considers that the growth and propagation of ethnic business is related to the initial insertion in the labor market. This proliferation represents the efficiency of ethnic social networks to articulate their economic potential at destination countries. For instance, ethno-cultural propensity for self-employment is also exploded by the immigrant network to create new business initiatives.

Ethnicity and cultural identity is one of several factors that may model consumer attitudes and behaviour and engine new opportunities and foster domestic markets. Immigrants groups have unique traditions and behaviors (associated to their culture identity) that influence product preferences and consumption behavior at country of destination. Ethnic minority consumers have unique needs and different preferences (Phinney et al., 2001), that

usually cannot be fulfilled by the products designed as mainstreams or for majority consumers at the country of destination.

The relevance of ethnicity to a person's behavior is usually traced through ethnic identity with the group constituting those who identify with each other through their common identity. Ethnicity marketing literature considers that there are different areas where ethnic perception has an important impact, such as advertising, brand loyalty, consumption patterns, family decision-making, etc. It is important to consider the strength of ethnic identity of both messengers and audiences. Cultural distinctiveness of ethnic groups justifies segmentation and targeting, in the society and in the market. Laroche (1998) consider is not necessary accurate, if we consider the same issues that confront the analysis and comparison of cultures internationally are also likely to occur in the exercise of segmenting based on ethnicity within culturally diverse countries.

Ethnic marketing is far more prevalent in the United States than in Europe. The traditional perception of United States considers that melting pot presumably discourages cultural preservation, but reality has shown the contrary, while Europe is viewed as a mosaic of cultures that actively promotes diverse cultural expression. Approaching different cultures requires knowledge of them and how they do business and what motivates them (Phinney et al., 2001). Ethnic identity is relevant to the study of a variety of behaviors, to understand markets under an exposition to a globalize environment.

In the United States, ethnic markets are been growing fast (Burton, 2002), and more businesses are aware of this situation in order to take advantage of this opportunity. The social and economic changes happened, during the last 25 years, in cities and local markets in the United States has been acknowledged the strong presence and influence of the recent immigrant flows, particular from population coming from Mexico and the rest of Latin America. In Spain, a challenge for entrepreneurs is to successful identify approaches that bridge or appeal to shared interests and characteristics of several existent Latin American ethnic groups.

5.2 Inside Ethnic Markets: Ethnics and Nostalgia Products

The daily exercise to maintain close ties with the community of origin generate new realities, such as transnational family and the appearance of new industries as ethnic and nostalgia markets (Gainza, 2006). The success of ethnic enterprises (Pires and Stanton, 2005) is related to the cognition of the targeted group, a better understanding of their motivations, beliefs, networks, consumer patterns and demographic characteristics are valuable for marketing purposes. Ethnicity is a major variable for marketing segmentation as we have mention before, and individuals from the same ethnic group are in a better position (insider) to take advantage of his knowledge and understanding of the group. Other factors have to enter in consideration as financial access or management abilities for long-term profits and objectives. These entrepreneurs represent another face of the global migration process, and an effect of it on the community of destination. This particular way

of economic insertion shows how immigrants, using their resources, take advantage of existing spaces for their ideas.

A transnational individual plays a double role; in the country of destination becoming a member of a new society, trying to be part of it, but at the same time is participating, in some degree, in activities related to their country on the origin. Traditions, values and ties are significant elements for the migrant, when the identity debate shows up (Gainza, 2006). The consumption of ethnic and nostalgia products help immigrants to maintain their traditions, costumes and social ties from their origin, abroad, in order to fulfil expectations of their cultural identity.

Ethnic and Nostalgia products are consumed by immigrants at communities of destination, moved because these goods represent an extension of cultural values and beliefs, attached to symbolic meaning for individuals (Cruz et al, 2004). Ethnic products are goods and services attached to a cultural identity, and are consumed and demanded worldwide not just by immigrants coming from that origin, but also by others individuals (natives from the destination country). Nostalgia products instead, are those goods and services which are part of the consumption, behaviour and cultural patterns associated to a national or ethnic identity, which are mainly consumed by immigrants (from the same country of origin), at the community of destination. (see Figure 3)

Figure 3. Ethnic and Nostalgia Markets at Destination Country



Source: Elaborated by the author.

These products are goods and services oriented to highly differentiated-markets. Differentiation is a significant element for business competition (Anderson et al, 1992), companies try to established strategies and ways to sign specific characteristics or attributes from other products and firms located in the same market. Individuals find value on the products they consumed, according to their preferences. Congleton (1995) suggest that the individual is assumed to gain utility from his/her own expression of ethnic preferences through the consumption of ethnic goods and the benefit it represent. Immigrants receive utility from ethnic behavior by others in the society, since this behavior gives them a situation in which they may enjoy their own preferences for been and consume ethnic, including language and/or culture. Most individuals may have an interest in the expression of ethnic preferences by their equals (other conationals) since this may yield the

psychological benefits of power and prestige (Wintrobe, 1995). On this scenario, ethnics markets goods are highly differentiated in terms of the origin and the significance involving the product. Intangible characteristics could potentially be a key of differentiation.

Ethnics and nostalgia imports should complete trade and health regulations, as any other goods participating on international commerce. According to Orozco (2008), this situation requires an additional attention from the entrepreneur to procure the proper adjustment to have goods available for foreign trade. But also is an opportunity to produce ethnic and nostalgia goods in the country of destination. These products are singular, and most of them escape from standardization. Most of the ethnic or nostalgia products do not need high sophistication or expensive technologies to be exportable (Cruz et al, 2004). Food and Beverages industry represent significant opportunities for ethnics and nostalgia markets today, because these products are consumed on daily basis, and have a larger participation on international trade.

5.3 The recent Latin American Ethnic Market Experience in Spain

Migration is a key element of the current process of globalization. Large flows of migrants from Latin American countries leave their communities and settle in United States and Spain (see Table 1), where they have to find a living, a look for a job in the informal or formal economies. Others individuals, however, venture on starting their own businesses in

the community of destination, choosing a different path for their development. Immigration flows are growing in the United States and Spain, particularly from Latin America increasing the size of the diaspora and nationals abroad (see Table 2). These growth patterns in ethnic culture have significant implications for the consumption aspects of the communities of destination.

Table 1. Recent Immigrant Inflows in the United States and Spain

Country of destination	Country of origin	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008
United States	Mexico	173 490	205 560	218 820	115 580	175 410	161 440	173 750	148 640	189 989	1562 679
	El Salvador	22 540	31 090	31 060	28 230	29 810	21 360	31 780	21 127	19 659	236 656
	Haiti	22 340	27 030	20 210	12 290	14 190	14 530	22 230	30 405	26 007	189 232
	Nicaragua	20 950	19 630	10 660	4 090	4 010	3 310	4 140	3 716	3 614	74 120
	Cuba	18 960	27 450	28 180	9 260	20 490	36 260	45 610	29 104	49 500	264 814
	Dominican Republic	17 460	21 200	22 520	26 160	30 510	27 500	38 070	28 024	31 879	243 323
	Jamaica	15 950	15 320	14 840	13 350	14 430	18 350	24 980	19 375	18 477	155 072
	Colombia	14 430	16 630	18 760	14 720	18 850	25 570	43 150	33 187	30 213	215 510
	Guatemala	9 940	13 500	16 180	14 390	18 920	16 820	24 150	17 908	16 182	147 990
	Peru	9 580	11 060	11 920	9 410	11 790	15 680	21 720	17 699	15 184	124 043
	Ecuador	7 650	9 660	10 560	7 070	8 630	11 610	17 490	12 248	11 663	96 581
	Brazil	6 940	9 450	9 440	6 330	10 560	16 660	17 910	14 295	12 195	103 780
	Trinidad and Tobago	6 630	6 620	5 740	4 140	5 380	6 570	8 850	6 829	5 937	56 696
	Others	30 950	37 140	38 100	27 970	35 280	50 210	58 720	46 886	45 233	370 489
Spain	Ecuador	91 140	82 640	88 970	72 580	11 940	11 590	14 290	24 647	29 353	427 150
	Colombia	46 060	71 220	34 230	10 890	16 610	20 540	27 860	35 690	33 873	296 973
	Argentina	6 670	15 980	35 410	24 760	23 240	23 660	23 040	21 216	15 413	189 389
	Peru	5 970	7 120	7 960	13 310	12 970	17 090	18 880	24 637	27 220	135 157
	Dominican Republic	5 540	5 380	5 460	6 560	8 170	10 510	12 290	16 036	15 100	85 046
	Cuba	5 370	5 160	5 070	3 900	4 690	5 210	6 940	7 865	7 947	52 152
	Brazil	4 120	4 300	4 670	7 350	13 020	20 770	28 250	31 838	21 777	136 095
	Others	13 240	18 440	28 910	44 850	64 370	79 630	101 490	79 647	33 668	464 245

Source: OECD Development Centre calculations based on US Department of Homeland Security, Yearbook of Immigration Statistics and INE Spain, Residential Variation Statistics.

Most migrants from the Latin American region left their countries of origin during the last two decades. The United States became the main destination for thousands of individuals (Martínez, 2009). More than 22 million Latin American and Caribbean people reside outside their country of origin. Nearly 75% are located in the United States; and the rest of this population is distributed in other countries of South America (south-south migration).

Spain is located at the most important destination outside the hemisphere, for Latin American individuals.

Table2. Five Most Important Latin American Groups in Spain

Country	Total Population	Total Population Living in Spain	% of Total Immigrant Population in Spain	% of Emmigrants (Diaspora) Living in Spain
Ecuador	13.345.000	371.743	8,2	2,8
Colombia	44.357.000	299.479	6,6	0,7
Argentina	39.536.000	231.630	5,1	0,6
Bolivia	9.524.000	157.732	3,5	1,7
Perú	28.509.000	138.593	3,1	0,5

Source: Elaborated by the authors with information from Encuesta Nacional de Inmigrantes 2007, Ministerio de Trabajo e Inmigración and Statistical Yearbook for Latin America and the Caribbean 2009, ECLAC.

5.4 The United States lessons on ethnic markets

One of the most significant international migration experiences, of the last 50 years, is the Mexican migration to the United States (Favell, 2008). Economic integration process included movement and mobility of goods, people, ideas and resources in North America. Foster in part by this context, Mexican migration to the U.S. has been placed as the largest international migration flow in the OCDE countries, and the greatest migration-related component of the American economy. Portes (2006) considers that pattern of emigration to the United States responds to a combination of structural factors, such as wage and

economic disparities, the complementary nature of labor markets and demographics, and a context of increasing economic integration and interdependence between the two countries.

According to the U.S. Census Bureau, Latin American migrants accounted for half of the immigrant population in 2004, nearly 18 million people. These migrants and their descendants born in the U.S. territory (Latinos as the ethnic group has been tagged) became the largest demographic minority (Martínez, 2009). The Latino community is not a socially and economically homogeneous group. This group is composed by individuals from many Latin American countries. There are similarities and differences among the group, their ethnicity, their territorial distribution, the size of the diaspora, legal status, economic development, etc.

In the United States, ethnicity has been considered as group membership characteristic. Ethnicity is perceived as part of a demographic classification. Individuals from Latin America are classified as Hispanics, on last name and country of origin. Demographic statistics point out that Hispanic market has been growing fast in the last decade (Council of the Americas, 2008). Hispanics become more integrated into the United State, each day they are occupying better jobs positions and increasing their purchase power. This new context is boosting business opportunities and interest in consumption behaviour of Hispanics (Burton, 2002). Diversity can affect economic outcomes by persuading the strategies of individuals. For example, in the United States, Borjas (1999) argues that first Mexican businessmen in Texas, during the after Second World period, formed coalitions

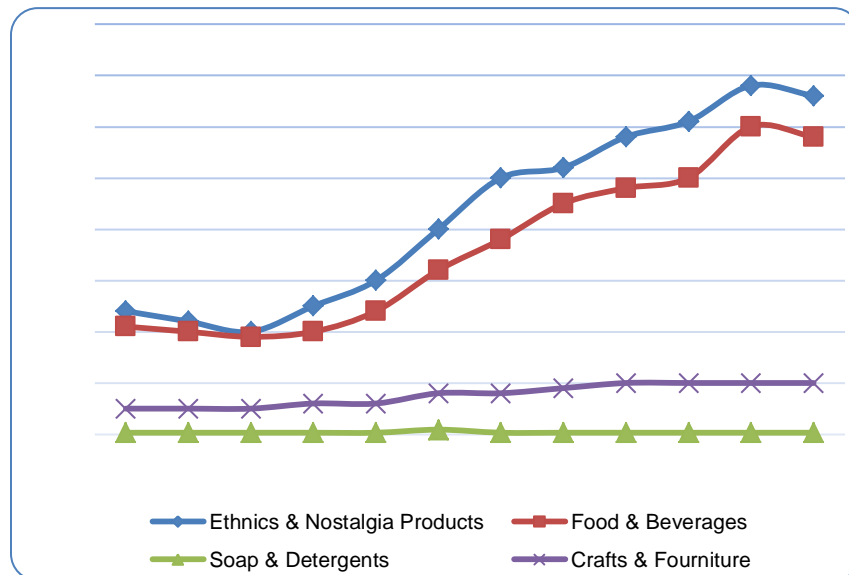
along ethnic counterparts to observe economic agents by exchanging information about their patterns behavior. Such is the case of The United States Hispanic Chamber of Commerce, formally created in 1979 as a result of one of these coalitions.

Latin Americans migrants located in the United States are reported to maintain ordinary contact with the country of origin, through many different channels (email, phone, internet chat or mail). According to the Pew Hispanic Center (2006) 63% immigrants keep some kind of presence (remittances, phone, round-trips, etc.) at their home communities. Individuals rely on their values to strength their cultural identity. For example, in Mexico, families have a deeper influence on consumption decision making, compared to other contexts or environment where families do not have a significant role (Portes, 2006). In many cities of United States, we observe an important numbers of immigrants from Latin American countries, especially from Mexico, who have set up businesses themselves. California, Texas and New York have been traditional regions for immigrant entrepreneurs (Council of Americas, 2008).

Ethnic groups in the U.S. respond to consumption patterns according to their cultural identity and values. The U.S. evidence has shown that Hispanics are brand-loyal (Farlie and Woodruff, 2010), especially to those products they already know from the country of origin, or for family patterns. Latin American diasporas are becoming more significant to domestic economies (see Figure 4). An organized diasporas could be very effective for development and entrepreneurial initiatives and transnational economic activities (Portes,

2006). The migration flows of Latin Americans into the U.S. provides a significant context to generate a better understanding of the process of cultural assimilation and the effect of this process on consumption patterns. For example in the United States, a Hispanic group, Mexican-Americans, observed patterns distinctive from those of Mexicans or Americans (Farlie and Woodruff, 2010).

Figure 4. Composition of Mexican Exports to the U.S., Ethnic and Nostalgia Products (Millions of dollars)



Source: Cruz, Miriam; López Cerdán, Carlos y Schatan, Claudia (2004) “Pequeñas empresas, productos étnicos y de nostalgia: Oportunidades en el mercado internacional. Los casos de El Salvador y México”, CEPAL Serie Estudios y Perspectivas No.17, Mayo 2004

According to Orozco (2008), nostalgia goods are tangible representation of cultural and national identity that affirms a national attachment and belonging and a reminder of a singularity at the community of destination. In the United States, 90% of the immigrant

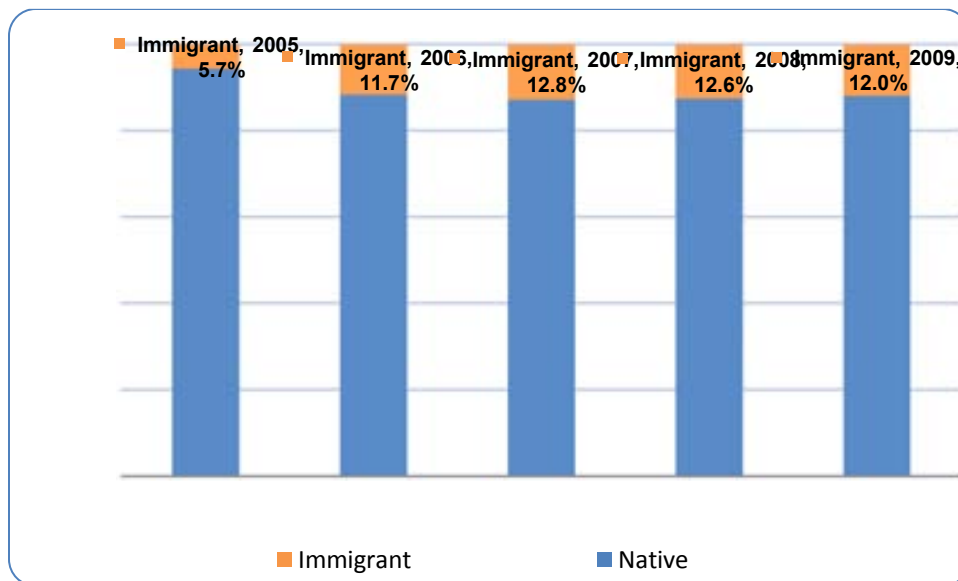
population incurred on nostalgia goods expenses, for approximately 1.000 dollars a year per capita. This panorama confirms the tradition among immigrant consuming goods from their communities of origin. According to Borjas (1999) businesses whose workers reflect the ethnic mix of the communities in which they are operating perform better than those who do not. In addition, customers' satisfaction rise if business interactions between the employees seem (behave or react) similar to how they are. The new nostalgia and ethnics markets in the U.S. area associated to large and dynamic transnational economic activities migrants promote. The U.S. has observed a consolidation of Latino business practices attending the demand of ethnic and nostalgia markets motivated by the arrival of Latin American immigrant flows in the last 20 years. Orozco emphasizes the existing of large market for a wide range of ethnic goods, supplied mainly by small businesses and ethnic stores. The creation of distribution networks connecting small, medium and large manufactures and producers with countries of origin distributors and importers is a significant characteristic of the consolidation of nostalgia and ethnic markets for Latin American immigrants in the U.S.

5.5 The Spanish Experience on newborn ethnic markets

In last decades, different countries have observed a significant increase in immigration coming from Latin America. North America has been receiving flows of people for years, transforming cities and regions. Europe is experienced a similar trend, particularly Spain, Latin American migration has grown fast in the last years. According to OCED data, Spain

received an inflow of 4.5 million immigrants in the last decade, and this population accounted for approximately 30% of the Gross Domestic Product (GDP). Latin American immigration to Spain has accelerated since 2000. According to the Instituto Nacional de Estadística (INE, 2007), Latin Americans migrants in the Spanish territory are the group which keeps most contact with their home communities (family, friends, etc.), approximately 94% of migrant population have a regular and habitual communication with homeland, for many purposes.

Figure 5. Entrepreneurship Activity in Spain, by origin (2005-2009)

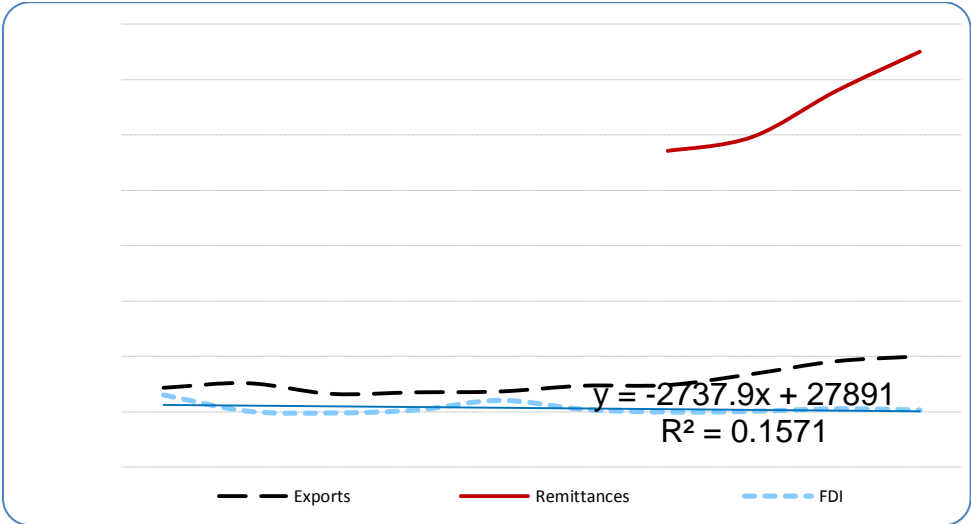


Source: Elaborated with data from Informe Anual del Observatorio Global Entrepreneurship Monitor (GEM) sobre Actividad Emprendedora en España, 2009.

Latin American migrants tend to come together, and generate population concentrations at the country of destination, to reduce costs of instalment. The flow of ideas from human migration can have far-reaching effects on Spain’s economy (Blanes, 2006). The opening

up of new opportunities for small businesses in Spain is becoming a clear opportunity for Latin Americans immigrants and their networks. Business has become a choice for many migrants, although this is not immediately or easy, networks can help to move barriers and obstacles provide by the market environment. (see Figure 5)

Figure 6. Economic Relations between Ecuador and Spain (EUR)



Sources: Elaborated with OECD Development Centre Research, Bank of Spain, MITYC (DataComex and DataInvex), MAEC and OECD (OECD.Stat)

The population of Latin American individuals living in Spain still growing, representing more than 40% of the total foreigners entering the country since 2000 (Martínez, 2009). Spain has become the second most important destination for migrants from that region. Latin American immigrant presence has grown from 210 000 to over 2 million people in the 1991- 2007 period. For example, individuals from Ecuador are the second fastest-

growing group of immigrants in Spain, and their presence on the economy, have motivated a new relationship with Ecuador. (see Figure 6)

Traditional immigrant flows are been led by women (Martínez, 2009), more than 40% of immigrant women work in domestic service, while men work in construction, industry and agriculture. If existent trends persist, Latin Americans will continue to be necessary in the long-term for the Spanish labor market. Latin American migrants in Spain observe singular migratory pattern, which include the coexistence of various practices and ways of experiencing migration, whether circular, definitive or transnational, depending on the context (economic cycles, perhaps) of migratory flows.

5.6 Nostalgia markets in Spain

Individuals choose to express their ethnic preferences partly depends on the cost of doing so the rationality of ethnic expression (Congleton, 1995). And consumption is an expression of ethnicity as one of several factors that may influence attitudes and behavior, as we have discussed before. Not understanding ethnicity may prevent native firms and entrepreneurs to be part of ethnic markets as providers of goods and services to the immigrant population. This situation creates opportunities for those firms identifying differences, similarities and ethnic characteristics for specific segments. Food industry is one clear example for special needs and products demands related to culture identity on

immigrant communities. According to an ACNielsen report (Nielsen, 2007), in 2006 the daily diet of the immigrant population in Spain was composed by nearly 54% of traditional and ethnic related products. Immigrant families allocated 20% of their budget for food and beverages consumption, only housing takes a higher share of the family budget. The market can assist an individual with a preference for ethnicity to pay a premium which approaches the full value of expressing this preference or stated differently, that the competitive market potentially represents an institutional framework which is incentive incompatible with ethnocentric behavior (Congleton, 1995). This panorama reveals new business opportunity for new ethnic entrepreneurs. The case of *Naturandina América Import* is one of these successful examples.

Naturandina América Import was started in 1996 NAI (2009), as a Peruvian grain imports distributor in Madrid, supplying commodities to specific small markets in Spain. The main goal of the company was to serve local Peruvian families by distributing ethnic and traditional foods such as Andean peppers and corn. Driven by a larger presence of Peruvian immigrants in Spanish territory in the mid-nineties, *Naturandina América Import* started operations with the belief of a growing consumer market for Latino foods. The result is the evolution of an ethnic minority entrepreneur into one of the leaders in the Latin American food industry in Spain, with operations spanning all over the Iberia peninsula. Throughout its 14 years history, the Company has expanded the origin of their products, beyond Perú adding Bolivia, Brazil, Colombia, Ecuador and Paraguay. Today *Naturandina América Import* has more than 50 employees in its 4 different locations, in Barcelona, Madrid, Murcia and Toledo, serving 5.405 distribution points in Spain. (see Table 4)

Table 4. Distribution Points of Naturandina América in Spain, 2008, by territory

Autonomus Community	Distribution Points (ethnic stores, supermarkets, etc)	Total Immigrant Population, 2008
Madrid	2.320	796.979
Cataluña	1.520	974.743
Murcia	690	197.805
Comunidad Valenciana	500	577.615
Andalucía	60	551.771
Castilla La Mancha	54	192.948
Castilla y León	45	170.262
Cantabria	35	33.713
Asturias	30	38.221
País Vasco	24	96.635
Galicia	23	85.618
Aragón	20	173.937
Navarra	19	63.072
La Rioja	19	44.322
Islas Baleares	16	189.707
Extremadura	10	39.566
Islas Canarias	9	223.972
Ceuta	6	4.045
Melilla	5	6.929

Source: Elaborated by the authors with Naturandina America Imports Company Report 2009 and INMIGRACIÓN Y MERCADO DE TRABAJO. INFORME 2009. Observatorio Permanente de la Inmigración y Secretaría de Estado de Inmigración y Emigración 2009.

According to Global Entrepreneurship Monitor (GEM, 2009), in Spain, the immigrant population from non-EU countries have a higher entrepreneurship spirit than those coming from other EU countries or the native population. This characteristic is related to the ability of adaptation and to take risks under difficult situations to survive and find a living. Self-employment is a viable option under economic uncertainty and stressed labor markets. Hardin (1995) considers that ethnic diversity can be positive at higher degrees of

development. Productivity benefits of skill complementarities when the production process is sufficiently diversified, as in advanced economies (Wintrobe, 1995). Developed countries have established institutional structures that allow them to better face conflict elements present in a diverse society. Most multiethnic cities in the world are continuous producers of innovation in the economy and business (Florida, 2007). The United States and United Kingdom for instance, have different cities experienced economically successful in part of the existence of diverse ethnic environment, although at a social levels there still challenges to solve.

There could be many advantages for ethnic entrepreneurs to exploit ethnic and nostalgia markets, like knowledge related to ethnic goods (food, music, and clothes) and how to import them or a higher credibility for certain goods and services (restaurants or remittances transfer services). Ethnicity has been defined as a private consumption good that yields satisfactions to those individuals who are willing to pay for it (Hardin, 1995). It is has been a key element for *Naturandina América Import* to have an understanding of attitudes, behaviors, and socio-demographic composition of the Latino community in Spain. From *Naturandina América Import* s modest origins, the company now boasts a full host of products ranging from alcoholic and non-alcoholic beverages, frozen foods, condiments, and canned food. In 2010, *Naturandina América Import* sum over 100 products NAI (2009), reaching significant offerings and distribute other Latino brands, solidifying its position in the ethnic and nostalgia markets in Spain. The Company is now positioned as one of the most important distributors only behind Goya Nativo Foods, the larger Latino food provider in Spain.

In addition to new product development, *Naturandina América Import* has undergone facilities expansion, adding a significant role to locations outside Madrid for manufacturing and packaging capacity. The result is an increase of the presence of Latino food, through a strategic expansion of these manufacturing and distribution centers throughout main urban areas in Spain, where most Peruvian and Latino population is concentrated. Vertically integrated *Naturandina América Import* had its own fleet of trucks, offering retailers direct delivery from the warehouses. There is a direct treat with the retailers (small ethnic stores and supermarkets) rather than through wholesalers or brokers, providing goods to the smallest *colmados* at the same prices to supermarkets. According to the company, appealing to supermarkets was hard at the beginning, but awareness of ethnic markets has rise enough to open spaces in supermarkets and big stores as Hipercor, El Corte Inglés, Ahorramas, Alcampo and/or Carrefour.

The presence of *Naturandina América Import* has fostered the connection of Latin American communities in Spain to their countries of origin. Providing consumers across Spain with a comprehensive choice of Latino foods designed to fit into the full range of South America tastes and preferences. Jhony Guevara, Peruvian immigrant founder and president of *Naturandina América Import* has defined the spirit of his company as “nostalgia is our business”; emphasizing the role of these kind of entrepreneurs, taking advantage of their knowledge and closeness to an specific immigrant group and serving the demand for ethnic and nostalgia products.

Ethnic entrepreneurs have a competitive advantage over native businesses because their ethnic origin provides some credibility and authenticity. This situation represents the exploitation of special market opportunities that are “invisible or closed” to native business. Ethnicity plays a significant role for these entrepreneurs, but it is important to consider the context involving the development of new initiatives and projects to succeed as an ethnic entrepreneur and in nostalgia markets.

5.7 Considerations

The opening up of new opportunities for small businesses in the United States and Spain is becoming a clear opportunity for Latin American immigrants and their networks. Business has become a choice for many migrants, although this is not immediately or easy, networks can help to move barriers and obstacles provided by the market environment.

International migration has been a significant element of economic growth and development in recent decades. The decision to become an immigrant is associated with better earning opportunities, family reunification and the presence of existing migrant communities. Most developed countries have experienced the immigration phenomena. Flows of skill and unskilled labor are contributing to the economic growth and newcomers are changing the domestic social landscape on many ways.

Globalization and international mobilization of people involves impacts on culture and identity perception. Culture is a dynamic process, migrants can integrate or not to the community of destination depending on the context around the new location. Ethnicity and cultural identity play a key role to determine the performance of the individual on the host society. Ethnicity and cultural identity is associated to social practices, customs and beliefs, and clothing and food consumption patterns that immigrant will continue to follow if the context is right for it.

Cultural norms and values are associated to behavioral patterns and cultural values are transformed over time influenced by the changing context, so the behavior patterns. This trend maintains the culture of a specific group of geographic area in a continuous dynamism. International migration have created complex markets, people moving from origin to other places, exposed to new cultural and behavior patterns at new destinations. Immigrants face a situation where they may modify their own behavior patterns as a result of the new environment. Ethnicity is gaining a significant weight in domestic markets and widening the concept of marketing

Latin Americans living abroad are one of these groups with a significant presence on international migration flows, facing the challenges of exercising their culture identity on different contexts. The United States and Spain became the main destinations of those migrants. Their communities represent an important economic asset for both origin and

destination countries. International migration is unlikely to shape the development prospects of an entire national market, but can open a road to a broader local and regional economic growth.

Ethnic minority entrepreneurs in the United States and in Spain are generating new opportunities for immigrant communities increasing availability of goods and services from back home, opening new ethnics and nostalgia markets in communities of destination. Naturandina América Imports is one of these initiatives, in the last decade in Spain, responding to an increasing demand of Latino goods from the large Latin American population established in the Spanish territory in the last decade. Ethnicity and cultural identity is one of several factors that may model consumer attitudes and behaviour and engine new opportunities in Spain.

CHAPTER 6

**ECONOMIC, POLITICAL AND
SOCIAL CONSEQUENCES OF
THE EUROPEAN CRISIS IN
SPAIN**

CHAPTER 6

ECONOMIC, POLITICAL AND SOCIAL CONSEQUENCES OF THE EUROPEAN CRISIS IN SPAIN

The European crisis has triggered a series of economic, political and social consequences in the European Union, particularly for the euro zone member states and this has generated a public discussion about the pertinence of a single currency. This paper presents some of the social, political and economic consequences. The relation between moral hazard and the economic crisis is analyzed in the bailouts. One of the main consequences of the crisis is higher unemployment in peripheral countries. The political reconfiguration at the national-level in some European countries is presented. The pressures on labour markets are high and there is a reconfiguration in the immigration and emigration in Europe.

6.1 Economic impact of the European Crisis

The European Union (EU) is facing one of the worst economic crises over the past 60 years of history. The current crisis has placed the EU in a vulnerable position to international investors and demonstrated the system failures of an incomplete Monetary Union. The European economic governance has been seriously questioned for its lack of reaction towards recent problems. The current crisis is the product of two crises: the financial crisis that began in September 2008 with the Lehman Brothers' bankruptcy in the United States

(US) which rapidly spread to the rest of the world, and the sovereign debt crisis that initiated in October 2009 when the former Greek Prime Minister Georgios Papandreou stated that the Greek public deficit was higher than what had been announced months before by the previous prime minister. The 2009-2012 period has been catastrophic for the EU in general, but mainly for the peripheral countries because they have fallen into an economic downturn.

The launch of the euro impacted on the risk associated with each of the countries belonging to the euro area, i.e. there was a convergence in the risk premium among all members of the Economic Monetary Union (EMU). In order to enter the EMU, euro area members have to pass economic tests, in addition to the Stability and Growth Pact (SGP) restricted public deficits, but the different characteristics of the economies of the euro-zone do not correspond to the same risk. Interest rates on bonds of euro zone governments converged from 1995 to 1999. Since 1999, the risk associated with the bonds of euro zone governments was practically the same. The fact is that although 12 countries share the same currency, their economies do not necessarily have the same conditions. There were economies like Germany and Finland with high competitiveness, which contrasted to others like Greece and Spain with low competitiveness.

In the late 2008, the credit fell and investors observed very closely the public finances of governments. From 2009 the risk premium increased for peripheral countries like Greece, Ireland, Portugal and to a lesser extent, Italy and Spain, but in summer of 2012, the risk

premium of the latter countries reached record levels. The European Central Bank (ECB)'s decision to buy an unlimited debt in the secondary market in September of 2012 has helped to reduce the risk premium of the peripheral countries of the euro zone, so that for the first quarter of 2013, there has been a significant decrease in the risk premium. The economies of Ireland and Spain have already been bailed out in order to stabilize their financial systems, in the case of Spain specifically its "Cajas", while the bailouts in Greece and Portugal have been implemented to generate solvency, because these economies did not have enough liquidity to cover the payment of short-term bonds. In all four cases the bailouts were implemented after a significant increase in the risk premium.

Before the financial crisis broke, the euro zone economy was growing around 2% per year. However, in 2009 there was a drop of the economic activity of 4% (Figure 1). Figure 1 shows the economic growth in the euro zone and forecasts from 2013. This figure illustrates how after the fall in the economic activity of 2009, there was another lesser extent in 2012, the latter as a result of the sovereign debt crisis in peripheral countries. According to the International Monetary Fund, the forecast of economic growth for the euro zone in the coming years will be below 1.5%.

It has been mentioned that economic crisis in the euro zone is a result of high spending in recent years. However, when comparing debt (% GDP) in the euro zone with the US, from 2000 to 2008 the euro zone debt has remained stable (Figure 2). The increase in debt, as a

result of the financial crisis in late 2008, has been lower in the euro zone than in the US, so that argument is not entirely valid.

Public debt in the euro area members varies considerably to euro zone average. Figure 3 shows the public debt (% GDP) of some euro zone members. Countries like Greece and Italy have owed public debt with values close to 100% (% GDP), since 2000 while other countries in Figure 3 have had values close to 60% until 2008. With the financial crisis almost all countries increased their public debt, however, countries like Greece, Ireland, Spain and Portugal had sharp increases. The sovereign debt problem is not that the euro zone has overspent, but some peripheral countries recorded increases in public debt.

The US is not exempted of some states spending more than the average. However, the difference from the EU is that there is an adjustment mechanism that serves to states in economic troubles, whereas in the EU there is no such mechanism. The US has a centralized budget that is more than 20% of its economy, while the EU's budget is 1% (fiscal policy remains at national level). Although the European Stability Mechanism (ESM) was created, it cannot be compared to the adjustment mechanisms that exist in the US.

The impact of the sovereign debt crisis has hit European countries differently. On the issue of unemployment is where the greatest differences were noticed in the euro zone, because labour markets in the euro zone have different degrees of flexibility. Figure 4 shows that

Spain and Greece had high unemployment rates in 2012, with levels close to 25%, while Germany had an unemployment rate very close to 5%. Figure 4 also shows that from 2008 there has been a substantial increase in the unemployment rate in countries like Spain, Greece and Portugal, while in Germany the unemployment rate decreased.

Unemployment has affected several countries, however, in the case of Spain, in March of 2012 the unemployment rate reached to 27.16% (Spanish National Institute of Statistics (INE)), the highest since 1977 began to be counted. In addition, the Spanish youth unemployment rate hit 57%. This situation is due to the breakdown of the housing bubble.

Spain was bailed out on June of 2012 with the aim to reorganize its banking system, because several of the Spanish "Cajas" were insolvent. The Spanish banking system crisis is due to the housing bubble where loans were granted at interest rates very low. The bailout involved a loan of 100,000 million at an interest rate lower than the market.

The underlying problem in the euro zone is the competitive gap among member states. Figure 5 shows that Unit Labor Costs (ULC) vary significantly in the euro area because while in Germany the ULC have been decreasing considerably in the last decade hence becoming one of the most competitive countries, in Spain, Greece, Ireland and Italy their ULC have increased in the last decade. Since 2009, most countries in Figure 5 show a significant reduction of ULC. The difference in the competitiveness of euro area countries is significant, and it is one of the variables that explain the vulnerability in that area. Although members of the euro zone share the same currency, the economic and financial

results are different, so that the financial problem of a small country affects the entire euro zone, while in the US, financial problems or competitiveness gap in the states has no effect on the whole country because there is an adjustment mechanism on a centralized budget, which is much greater than in the EU.

The issue of moral hazard has been mentioned in the bailouts that have occurred in the euro zone. Countries that provide money for bailouts, like Germany, have no incentive to grant money, because it creates the risk of generating bad behaviour in countries that receive the money. The outcome shows that there is moral hazard: solidarity is more complicated when the Federal State does not have a centralized budget. The response of the European institutions has varied over time and has been differentiated. On the one hand, the ECB implemented programs to provide liquidity and to reduce the interest rate from the beginning of the financial crisis. When the sovereign debt crisis began, the ECB bought government bonds to reduce risk premium, whereas in September of 2012 the president of the ECB bought the debt without limit, reducing the risk premium. On the other hand, the institutional response to stop public debt was the Treaty on Stability, Coordination and Governance, which further restricts the range of public deficit of the euro zone countries.

Since 2010, the Troika (the ECB, the European Commission and the International Monetary Fund (IMF) insisted in implementing austerity policies to the bailed out countries, however there was a change of discourse where austerity measures were requested for longer periods and with flexibility. The serious economic problems of Spain and Greece have caused a relaxation of the Troika in the pursuit of austerity.

6.2 Political consequences of the European Crisis

The citizens of the EU have suffered the consequences generated from the global financial crisis (US), the banking crisis (Ireland), and the sovereign debt crisis (Greece), among others. The economic and political decisions taken by government officials have had important repercussions in the quality of their life style. Citizens and politicians protested against the austerity measures and as consequence, in some countries, their heads of state or government had to resign. The economic crisis has unleashed many debates in the academic world but few have discussed about the political consequences at the internal and international level. In particular, we briefly analyse in this section what happened in Portugal, Ireland, Greece, Italy and Romania to highlight the impact on the internal policy of the aforementioned events.

Since the beginning of the crisis the Portuguese government had stated that they would not resort to a EU bailout. In March 2010, the Portuguese Parliament approved the first SGP that included a reduction in social spending, an increase in taxes for the wealthy and privatization of public companies, among others. Two months later, the Prime Minister of Portugal, Jose Socrates, was able to overcome a censure motion presented by the Marxist left politicians for his crisis measures. In March 11th, 2011, he presented his 4th austerity plan that was rejected by the opposition and provoked the resignation of his government.

While still in function, in April 2011, Jose Socrates requested the activation of a EU bailout, and formally began to negotiate with the IMF and the EU. On May the 3rd, the first Portuguese Prime Minister announced that the IMF-EU bailout rose up to €78 billion for three years. Nevertheless, the political tensions generated by the crisis became an insuperable obstacle for Socrates' government. The Portuguese crisis broke off the day before the approval of the European Commission to the new Financial Stability Mechanisms in the euro zone.

In 2008, the fiscal banking crisis affected Ireland. Brian Cowens management as first Prime Minister of the Irish Republic coincided with the financial and banking crisis of his country. The government tried by all means to avoid asking for external aid. The euro zone members offered financial aid, however Cowen wanted to avoid a reform package with his creditors, which was a requisite associated to the bailout mechanism approved by the EU. Cowen had to abandon his first position due to the fear to the aid associated demands. On November 22nd, 2010, the by then Prime Minister of Ireland announced that the government had to increase taxes and lower expense to admissible levels.

Ireland had to be bailed out on November 2010 for 85 billion euros by the IMF and the EU in order to underpin its banking sector. After accepting the IMF-EU bailout, the Irish government sank, leaving the Prime Minister's position unsustainable. According to a poll in Ireland, the bailout reached historical minimums with only 8% of satisfaction to the government's performance. To the Irish people, a bailout means national humiliation,

betrayal and to surrender their autonomy to the European Commission, the ECB and the IMF. Hence, Cowen turned in his resignation and called snap elections. In April 2010, the then Prime Minister of Greece, Georgios Papandreou, heir to a political dynasty, sought support from his European partners to reduce an inherited debt. During the crisis, Brussels fiercely pushed the Greek government to approve the bailout deal. The Greek people, outraged by cuts and austerity measures, protested in the streets and organized general strikes. The first bailout was not enough so a second bailout was necessary.

In this precise context, Papandreou expressed his intention to hold a referendum on the European bailout plan and the membership of Greece in the Eurozone. The Greek Prime Minister was confident that the vote would confirm Greece as a member of the EU. The internal and external reaction was immediate to Papandreou's announcement; it generated a market panic as well as anger from its European partners. Particularly, Germany and France pushed the Greek Prime Minister to return to the original plans of the bailout. Finally, Georgios Papandreou backed off to the international pressure. This failure and abandonment of his initiative forced him to resign to reach an agreement to form a new unity government in Greece.

In 2011, the Italian economy had been growing at 0.3% and public debt rose above 120% of GDP . In November 2011, the then Prime Minister of Italy, Silvio Berlusconi, immersed in lawsuits for fraud and sex scandals resigned as Prime Minister of Italy after the EU and the markets forced him to resign in order to support the Italian crisis in return. Indeed, the

European crisis had achieved what the Italian liberal parties had failed to accomplish: to end the reign of Berlusconi on the Italian political scene. Having lost the parliamentary majority, Berlusconi announced he would resign his position after the budgets with the adjustments required by Brussels for 2012 were approved. No doubt the strong action of the president of Italy, Giorgio Napolitano, had achieved what seemed impossible to many: to speed up Berlusconi's exit of power. Until the end, after 17 years in Italian politics, Berlusconi kept the tension in a country where the economic and political times are difficult.

The crisis strongly affected Romania, which requested a loan of 20 billion euros to the ECB, IMF and EU. The adjustment measures applied by the Romanian Prime Minister, Emil Boc, included: to reduce by a quarter the salaries of civil servants and to raise VAT, among others. These measures were well received by the EU and the IMF, but strongly rejected by the Romanians. Consequently, Emil Boc resigned to the mass protests that rejected the austerity measures backed by the International Monetary Fund.

The internal and external pressures have created tensions in the political level, mainly in European governments and some of them have not resisted the attack. The situation is critical and the forced departure of governments has failed to reduce the effects of the European crisis. In some cases, it has had the opposite effect than the expected and has worsened the political crisis. Undoubtedly, the European crisis has shown the fragility of the system and has claimed victims in its wake, overthrowing governments. With the

looming threat of contagion and the uncertainty of the euro, European leaders decided to bailout the indebted countries like Greece. Countries like Germany initially disagreed with other Eurozone members with regard to the collective rescue of Greece. Germany's position was simple: to exclude from the Eurozone those countries, which did not respect the rules and threaten the euro. However, the European Commission along with countries such as France pressured the German Chancellor to reach an agreement. Later, France and Germany agreed a plan to bailout Greece with the IMF and the Eurozone countries.

The crisis revealed shortcomings in the functioning of the Eurozone: The level of political and economic integration to support the euro is insufficient; there is lack of cooperation among the members of the euro zone; a tool to appropriately manage any crises was non-existent; there was a lack of control and supervision of the European Commission on the Public Accounts member countries. At the European Council in 2011, the 17 members of the Eurozone, along with the countries, which aspired to join the EU, agreed to sign a new treaty that would put strict limits on spending and government borrowing with penalties for those governments that violated the limits. The other members of the EU were prepared to join the treaty, subject to parliamentary vote, except for the UK.

The Euro group's role as coordinator and European economic governance body has become more important since the European crisis broke off. The Troika has imposed austerity measures to the bailed out governments; its mission is to monitor the fulfillment of the program according to its commitments. Both actors play an important role in decision-

making bodies, control and monitoring of the agreements reached at the respective bailouts environment requested by the European governments. In the European political scene, substantial changes can be observed before and after the European crisis. The European political reconfiguration is partly explained by the changes that arose as a result of internal and external political pressures. Some governments were overthrown by strikes and protests, others lost the support of their coalition governments, and some succumbed to external political pressures.

6.3 Crisis and unemployment: A new challenge for immigrant workers

International migration is a global phenomenon that is growing in complexity, effect, and scope, and Europe is no exception. Most economies in the world are simultaneously countries of origin, transit and destination, for thousands of international migrants. Traditional immigration patterns are fuelled by changing demographic, economic, political and social conditions (Ratha, Mohapatra and Silwai, 2010). These patterns affect the size and structure of immigrant population as well as societies, markets and economies in countries of origin and destination. And Europe has been a key part of this dynamics.

The global financial crisis at the end of 2008 severely disrupted economic growth and caused significant setbacks affecting migration patterns worldwide. According to the International Labour Organization (Awad, 2009), the current crisis will cost 20 million jobs

worldwide, forcing individual migrants to go back home and discouraging those potential migrants. Under this panorama, labour markets are observing an increasingly job competition between natives and migrants. The current context observes a world economy slowly recovering, fostered mainly by developing and emerging economies performance (Martin, 2009). Most developed countries are still struggling and there is not a specific date for a complete recovery. This slowdown has had many different effects. In the case of Europe, most economies shift to a fiscal austerity scenario to reduce expenses and future debt commitments.

This context has created a new “jobless scenario” with economic and social pressures around. OECD (2009) considered that it would take another five years before employment and labour demand area back to pre-slowdown levels. Martin (2009) considered that large developing and emerging economies will be leading the world post-crisis recovery. Asia and Latin American are key regions for this future scenario.

At the beginning of the financial crash in 2008, many immigrants started to consider going back to their home countries. Other potential new emigrants have decided to stay at home, either because moving abroad no longer seems worth the effort or because immigration rules in many countries have become more restrictive for labor migrants. The economic crisis has not stopped all migration, but rather led to new patterns and different destinations. According to the OECD (2012), this scenario has caused an immigration drop by 7% in 2009, and higher decreased for 2010 and 2011, in Europe.

The economic emergence of different countries triggered a global immigration process, contributing to the production and services sectors of developed economies, as Spain. Until 2008, immigration flows crossed the Atlantic on an increasing rate. But with a negative context and unemployment rising, governments have grown more sensitive to immigration and the labor market pressures, and the job prospects of the native population. The current crisis will cost 20 million jobs worldwide, forcing migrants to go back home and discouraging individuals some traditional migrant countries to move. There are signs of a reverse in the rapid migration flows of recent decades that have seen around 200 million people settle outside their homelands, some 3 percent of the global population. When migrants are affected economically, their native communities are also affected by the reduction of remittances flows, directed to alleviate poverty and bring investment to poor areas. In some economies international remittances account for greater flows of capital than aid or foreign investment.

In Europe, most national governments are starting to consider the introduction of new immigration “caps” or quotas, for workers from outside the European Union. The objective is to reduce the amount of unskilled workers to give some “oxygen” to the labor markets. Different countries in 2009 put in effect, a new program designated to incentive migrants returns. Spain, Denmark and Japan are among those nations whom established a migrant voluntary-return program to go back to their country of origin. Under and economic depression, migrants might return home because of lack of opportunities, opening jobs for

the native population and providing some relief to the domestic labor market. In order to foster this effect, some governments restrict the number of skilled worker visas that it offers. Spain, which is grappling with 12 percent unemployment, is encouraging migrants to leave. The Spanish government is offering migrants the unemployment benefits to which they are entitled, in two lump sums, if they give up residence permits and work visas and promise to stay away for three years. Few have taken up the Spanish government's offer, suggesting that not all migrants are keen to leave. Social security, health and education benefits may be better in developed countries. According to official data, no more than 11,400 immigrants decided to participate in the Spanish Voluntary-Return program. But the effect of such measures seems limited. Moreover, some economies in Eastern Europe or in Latin America, and other emigrant regions are also slowing, reducing the incentives for migrants to return home.

6.3.2 Crisis and international migration in the Spanish labor market

Spain is among the areas highly affected by the global economic crisis. Unemployment is becoming a threat to the economy and social stability. Immigrant populations in Europe have been suffering rising unemployment levels, doubling the impact observed on native population (Ratha, Mohapatra and Silwai, 2010). Immigration flows to Spain have noticeably slowed in the last year, raising essential questions about the effect the current global economic crisis is having on inflows and return migration (Pajares, 2009). These

questions appear particularly overwhelming because there has been no comparable recession in recent decades.

The economic crisis has had an impact on both immigration and emigration flows in Europe (Awad, 2009). Immigration levels have slowed while emigration has increased in some EU countries. Emigration of foreign national residents increased in some EU countries during the economic downturn, it is unclear to what extent many of these emigrants actually returned to their home country or migrated onwards to other destinations within or outside Europe. By 2009, in Spain more than 4 million people were unemployed; representing 18% of the active population, and the unemployment rate for natives was nearly 16% and 28% for foreigners (Urso and Schuster, 2013). The difference between the unemployment rates for foreigners and natives had been increasing, with the rate for foreigners almost doubling compared to that for natives.

The impact of a high unemployment rate has been affecting the Spanish economy. In the beginning of 2010, more than 1 million households (1,220,000 households) have all of their active members on unemployment rolls. For some immigrant individuals, labour mobility became a constant, moving from industry to another in order to survive with the economic crisis. Pajares (2009) considered that unemployment and the economic crisis have significantly deteriorated the living conditions of many foreign residents due to the higher rates of irregularity and employment in the informal economy, which has limited their ability to access unemployment benefits. The crisis has made it more difficult for

immigrant labour to renew their work permits and to meet rent or mortgage payments in shared homes. The living conditions of immigrant communities are expected to get worse when more foreign workers run out of unemployment benefits.

Spain became an important immigration magnet in the last two decades. But stricter measures and the severity of its recession have changed this. Both legal and illegal immigration have fallen, with the greatest decrease among Latin American immigrants (only partly due to stricter border controls, as potential immigrants can now also find better jobs at home). On the other hand, native skilled workers are increasingly likely to leave Spain to look for opportunities according to their skills and qualifications. Some of this may be cyclical: they may return when the economy picks up. In the long run migrants may yet help to overcome the challenges of a crisis situation as the current one. It is understood, that immigration falls when unemployment rises, but the lapse time could be limited, and the expectation is that it will rise again at some point, even helping for the recovery of the economy. So, the number of returning immigrants rises only temporarily, when those individuals who always intended to return do so.

In the context of a slowing economy, state laws and selective enforcement could also erode a state's attractiveness to businesses and encourage businesses to relocate to neighboring states. Driving migration are both the economic climate in source countries and the prospect of employment in destination countries. The perception of a large "opportunity differential" leads many to migrate. Where the opportunity differential between sending

and receiving countries remains large, return migration is typically seasonal, for investment or entrepreneurial activities, or for retirement. The ease of circulation and the strength of attachments that migrants maintain with their countries of origin are also important variables that influence return migration. The decrease in immigration flows, according to Florida (2007) could lead developed economies to lose future creative engines. He notes that due to lack of a creative element to their economy, and regions with the component is not the future of economic development.

6.3.3 New emigration trends in Spain

The economic crisis is affecting the Spanish demographic scenario, causing the flows to shift again. According to data from INE, more individuals are leaving Spain than moving to it. Net migration in 2011 was reported at negative 50,090 people, with 507,740 leaving Spain and 457,650 arriving. Under this financial crisis, Spain appeared to be entering in a new phase of international migratory patterns. Spain is once again becoming a sending country, and to some degree, Latin America is playing a key role in this new scenario (Urso and Schuster, 2013). According to INE, more than 15,000 Spanish individuals had left their country to establish residence in Latin America in 2011.

Latin America offers a stronger economy for Spanish immigrants, most of them with relatively high levels of education and professional qualifications. Approximately 57% of

the Spanish population overseas (1 million individuals) chose Latin America as their primary destination. Argentina, Venezuela and Brazil accounted for more than 300,000 Spaniards. The additional incentives include: a common language, historical and cultural ties, and the continued presence of family and friends who emigrated in past generations and stayed as permanent residents. Latin America has historically played an important role in Spain's migratory cycles—both as a sender and as a recipient.

The rise of unemployment during crisis and recessions, seemingly “motivate” workers to move to sectors where jobs are available. This tendency might lead to fewer labor shortages and lower demand for temporary workers. However, this adjustment does not occur faster or automatically. Unemployed workers may be doubtful to move to locations where jobs are, because of different reasons, as family ties or other particular constraints. But also, the individuals may also be unwilling to take job positions they find financially or socially uninviting, or they may not have the skills, knowledge or training employers are asking. A consequence of this situation is labor shortages in specific occupations, where labor requirements are above the workers available. The degree to which unemployed workers already in the country are willing and able to adjust to a changing labor market will strongly influence the demand for workers during a recession. Individuals with a legal permanent resident status are usually more attached to the labor market than new arrivals and tend to be more easily embedded in the local economy and society than newly arriving immigrants.

Beside Latin America, Germany is experiencing new immigration flows from Spain. Highly qualified immigrants from Southern Europe had been arriving to the country in the search of new opportunities. Most of the Spanish immigrants arriving to Germany are young, well-educated and multilingual. They recognized the negative economic and labor prospects at their homeland and decided to move abroad (Urso and Schuster, 2013). These new migrant patterns observe similarities to those conformed half-century ago. In the 1960s, guest workers from Southern Europe, and particularly Spain, were the first large immigrant group to move to West Germany looking for better job opportunities. Now a new generation of labor migrants is arriving to Germany, due to a lack of job positions and opportunities that their native land cannot provide. Cities and regions that attract creative talent are also those with greater diversity and higher levels of quality of place (Florida, 2007). According to Florida, location choices of the creative class are based to a large degree on their lifestyle interests, and these go well beyond the standard “quality-of-life” amenities that most experts think are important; and immigrants are no exception finding a place to move in.

Migration from Spain has specific characteristics; high skilled individuals are entering the German labor market to work in university laboratories, research centers and high-tech companies (OECD, 2009). Instead of applying to jobs others are not willing to do, they are moving into spaces where human capital is need. Immigrants who came to Germany in the past were significantly less qualified than those who chose other countries as their new homes. In the context of the crisis, the demand from the Spanish labor market is for fewer and more specialized workers. Maybe the major challenge in arriving at an assessment of

the impact of the economic crisis on international migration is the lack of dependable and timely data. Many data remain unknown, but preliminary data is already emerging from national and international organizations that allow some tentative considerations to be made. While Spain employment prospects motivated migrants to come in the past, other factors also influence their migration decisions.

6.4 Considerations

The global financial crisis led to a credit crunch globally, although in developed countries it was deeper. Despite having started in the housing sector in the US, in 2009 most developed countries had a sharp drop in production. And Europe was no exception, with several variations, but all of the countries in the EU registered an economic contraction. The launch of the euro led to a convergence in the risk associated with the bonds of the euro zone governments. The global financial crisis led to an increase in public debts in the euro zone, which caused a boost of the risk premium, mainly in peripheral European countries. In 2010, a sovereign debt crisis began in the euro zone and some countries were bailed out, like Portugal, Ireland, Spain, Greece and recently Cyprus. This crisis was not anticipated by the European institutions so they created new tools that would help the economic governance of the euro zone, most notably: the Treaty on Stability, Coordination and Governance, the ESM, the establishment of the Troika and a new temporal function de facto of the ECB (the unlimited purchase of government debt in the secondary market.)

The crisis increased sovereign debt of countries like Greece, Portugal, Spain, Ireland, and Cyprus, causing such countries to request bailouts. The bailouts came conditioned to austerity policies of public spending cuts and tax increases, which would cause even steeper drop in economic activity. The economic consequence of the financial crisis was that the unemployment rate in countries such as Spain (27.17%) and Greece (24.5%) increased to historic levels, which has led to social discontent.

The financial crisis caused a poor economic performance in the EU Member States, which led to alternation of political parties in governments where elections were held, as in the case of France and the UK, among others. Also in some cases, the economic impact of the crisis led to call snap elections, as in Spain and Greece, while in Italy, with a high risk premium, the former Italian Prime Minister Silvio Berlusconi was forced to resign to give way to a technical government headed by Mario Monti. The financial crisis has had two main consequences on migration. The first is that migration to peripheral European countries began to decline and has even taken place the phenomenon of return, due to the high loss of jobs in countries like Spain, Greece, Portugal, Ireland and Italy. The second consequence is that internal migration has increased in the EU, because it has increased the movement of people from European peripheral countries to Germany.

The financial crisis in Europe has lasted for more than four years, unemployment has increased mainly in the peripheral countries, there was an alternation of political parties in government and increased internal migration within Europe. The current Spanish recession

is already longer and deeper than it could be expected. And a storm of increasingly negative economic performance in Spain, reflect the negative impact of the global economic crisis and the prospect of deepening even more and possibly beyond. Immigration flows to the Spain have noticeably slowed in the last year, raising essential questions about the effect the current global economic crisis is having on inflows and return migration. Immigration from Latin America has slowed and that flows from South American countries show signs of a decrease as well although the magnitude of these changes is not clear. These questions appear particularly overwhelming because there has been no comparable recession in recent decades.

One of the most significant notions about migration is that the phenomenon is a one-way movement of permanent settlement, but experience has left this notion outdated. Migration is also temporary, individuals tend to move and stay dynamic. Migrants might leave their current location for new opportunities, but not necessarily back home. Individuals could come and go between destinations, trying to take advantages of the best situations available worldwide. Migration is considered by many individuals as a long-term investment. Although hard times may change migrants' locations, individuals will continue looking for new opportunities to have access to a better life.

Recent evidence from migration flows between Rumania and Spain and Ireland suggests that when job opportunities disappear in the country of destination, having the guaranteed right to return encourages circular movements. This scenario may be less likely if the job

market in the country of origin remains weak. The lack of widespread return among Latin American immigrants in Spain, despite record unemployment, illustrates this point. The analysis leaves many unanswered questions, in large part because there is relatively little systematic empirical work about the ways immigrants respond to business-cycle fluctuations, and because the Spain faces a recession whose likely depth has not experienced before.

**CONCLUSIONS AND
SUGGESTIONS FOR
POSSIBLE FUTURE RESEARCH
LINES**

CONCLUSIONS AND SUGGESTIONS FOR POSSIBLE FUTURE RESEARCH LINES

Spain as a host country for immigrants has been emerging on a first level of development of ethnic economies and ethnic entrepreneurship. However, there is not a specific city where ethnic entrepreneurs have flourished. Considering a positive host context, as one where individuals are able to create job positions of leadership and become entrepreneurs around an ethnic economic enclave.

After a revision of previous studies done in Spain, it is clear that although certain elements coincide, new theoretical contributions are necessary to explain a very specific, definite reality, in which the singularities of the host context and regulatory framework differentiate it from other places. However, the most significant thing about research in Spain is that it is not based on any single or particular model, but take as its reference some of the variables to explain why business works, especially the use of social networks, or in other cases leaves open some questions that must be resolved with the consolidation of the phenomenon and later scientific contributions.

Therefore, research in new questions must continue to shed light on the explanatory model and the concepts used: Will the Spanish labor market stop being a hostile host context? Will there be a noticeable increase in ethnic businesses, and will they lead to ethnic economic enclaves? How will labor relations between employer and their co-ethnics develop? And finally, will the ethnic economy become an alternative for employers and employees? And how have immigrant businesses been affected by the current economic crisis?

In any case, the transformation of the Spanish urban landscape based on the proliferation of ethnic businesses is already an indisputable reality which is revitalizing the neighborhoods

where they have been set up, as these entrepreneurs have reactivated trade in zones of the city that were heading toward poverty. Consumers must take advantage of this economic coincidence and understand the enterprising initiatives of immigrants as an opportunity.

Latin Americans living abroad are one of these groups with a significant presence on international migration flows, facing the challenges of exercising their culture identity on different contexts. The United States and Spain became the main destinations of those migrants. Their communities represent an important economic asset for both origin and destination countries. International migration is unlikely to shape the development prospects of an entire national market, but can open a road to a broader local and regional economic growth.

Ethnic minority entrepreneurs in the United States and in Spain are generating new opportunities for immigrant communities increasing availability of goods and services from back home, opening new ethnics and nostalgia markets in communities of destination. Naturandina América Imports is one of these initiatives, in the last decade in Spain, responding to an increasing demand of Latino goods from the large Latin American population established in the Spanish territory in the last decade. Ethnicity and cultural identity is one of several factors that may model consumer attitudes and behavior and engine new opportunities in Spain.

There is no doubt that one of the most significant alternatives among the Latin American immigrant population for development or survival is setting up a business of their own due to the transnational character, commercial, identity and cultural ties are maintained with their home country, and the economic and social success this provides. Therefore, in order to succeed the immigrant entrepreneur requires a conjunction of different factors, as spatial concentration, use of networks and ethnic solidarity to overcome the negative scenario of the host context, to speed up the creation of ethnic economies. Immigrant entrepreneurs in

Spain must thus surpass a considerable number of legal barriers imposed by governments, from national to local, as well as economic impediments and social rejection as foreigners and competitors.

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