Migrants’ contributions to Italy’s welfare

Highlights

• Migration contributes to the production of wealth and to the welfare of the Italian society.
• Most migration to Italy occurs through regular avenues, such as family reunification. Naturalizations have also increased in recent years and, between 2007 and 2017, outnumber arrivals by sea.
• Migrants make up 10.5 per cent of the Italian labour force, are on average younger and more active compared to the Italian working age population.
• Migrants’ labour market participation reflects the segmented structure of the Italian labour market across regional, sectoral, skill, class, migratory status and gender lines, with migrants overrepresented in specific sectors (e.g. care economy for female migrant workers; construction, agriculture and semi-skilled manufacturing for male migrant workers).
• In terms of their contributions, in 2016, foreign workers produced almost 9 per cent of the total GDP. Migrants are also entrepreneurs, pay taxes and sustain Italy’s social security system (with an estimated net contribution of 241.2 billion euros between 1960 and 2016); which should dispel the myth that migrants are a net financial cost to the Italian economy.
• To enhance migrants’ contributions to Italy, a more comprehensive approach to migration should take into account: Italy’s demographic trends (e.g. population ageing, native labour market participation); labour market’s segmentation; the care demands of households and welfare policy choices; the importance of the informal economy in the production system; the connection between national and regional (European) economic cycles and production systems, and the interplay among these factors.

Migration to Italy: an overview

Today, there are slightly more than 5 million foreign residents in Italy, who make up 8.3 per cent of the 60.6 million total resident population (Istat, January 2017). Romanian citizens (1.2 million, 23% of the total) are the first migrant community, followed by citizens from Albania, Morocco, China, Ukraine and the Philippines. These five non-EU migrant communities represent, together, 31 per cent of the total foreign resident population, which has almost doubled since 2007.

In 2017, for the first time since the early 2000s, there was a decrease in the number of total residence permits issued to non-EU citizens. Notwithstanding the sustained pace of migrants’ arrivals by sea, the total number of new residence permits declined between 2015 and 2016 by 5 per cent (Fondazione Moressa, 2017).

Most migration to Italy occurs regularly, but this is overshadowed by the high level of political, media and public attention on the arrivals by sea and, in general the oversimplification of a very complex phenomenon. Currently, the most important regular migration avenue to Italy is family reunification. In 2016, almost half (45%) of the 227,000 new permits issued, were for family reunification reasons; 34 per cent were for humanitarian reasons (asylum seekers, refugees, persons entitled to humanitarian or subsidiary protection), and only 5.7 per cent for work reasons (Fig. 1).

1 This Briefing owes much to the organizations and research institutes that in Italy provide detailed analysis on migration (cited throughout the document), as well as to the advice and inputs of Prof. Delgado-Wise, for which we are most grateful. His analysis on the contribution of Mexican immigration to the US economy have inspired the overall structure of this Briefing (see for example Delgado-Wise and Gaspar Oldera, 2017).

2 Data from the registry of residence permits (Ministry of Interior) reveal some 206,866 units not yet registered in the administrative registry (Anagrafe). This would result in a total of 5.36 million migrants regularly residing in Italy in 2016 (IDOS, 2017). The same year, 5.38 million Italian citizens were residing abroad, according to the Consular registries (an increase of 3.5% in comparison with 2015).

3 Citizens of countries outside the European Union.

4 In 2007, there were 2.6 million foreign residents in Italy (Istat).

5 The decrease of 217,000 permits issued to non-EU citizens may be explained by a decrease of inflows, an increase of naturalizations, and better data integration between the Ministry of Interior (responsible for the issuance of residence permits) and the Italian National Institute of Statistics (Istat, 2017).
Naturalization has a considerable impact on migration and population trends. The number of non-EU citizens that acquired Italian citizenship increased from 50,000 in 2011 to 184,638 in 2016. A significant share (39%) of them were nationals of Albania (36,920) and Morocco (35,212) and were mostly young (41% were under 20 years of age). The number of naturalizations by transmission, and of persons born in Italy to foreign parents who applied for Italian citizenship at age 18 increased from 10,000 in 2011 to more than 76,000 in 2016. Additionally, 16,953 European (EU) citizens acquired Italian citizenship in 2016. The total number of new Italians was hence 201,591 that year. Overall, since 2007 the number of naturalized migrants (956,000) has been significantly higher than that of migrants arriving by sea (Fondazione Ismu, 2017). The vast majority of those naturalized are citizens from established migrant communities in Italy, whose countries of origin are different from those of newly-arrived migrants by sea.

Fig. 2: Italy’s net migration (immigration minus emigration) by citizenship, 2007-2016.

Source: Eurostat [migr_pop1ctz], last update 30.09.2017

*2007: The peak of regular inflows includes all citizens from newly accessed EU countries (Romanians and Bulgarians), automatically regularized, and the effects of the “quasi- amnesty” of 2006 when quotas reached 550 thousand to cope with a very high number of applications for labour permits of migrants presumably already in the country.

Italy’s net migration (inflows minus outflows of both Italians and foreigners, grey line in Fig. 2) is overall positive. When looking at foreign nationals only, net immigration too is positive, but declining since 2007 despite the increase in arrivals by sea in the past few years (orange bar in Fig. 2).

In contrast, the number of Italian emigrants has increased and is higher than the number of Italian citizens who return to Italy from abroad (blue bar in Fig. 2). Since 2015, Italy’s migrant population has stabilized at around 5 million (dark blue line Fig. 2). This can be explained by a combination of factors described above, including changes in the composition of immigrant population, increase of naturalized persons, stable re-emigration or return of non-Italians.

The distribution of foreign residents across the country is uneven, as it is the distribution of newly arrived migrants by sea. The regular resident population tends to concentrate in some regions (56% of the total resides in Lombardy, Latium, Emilia-Romagna and Veneto, see Fig. 3: Map 1), while newly arrived migrants who participate in the reception system tend to be more dispersed across the national territory with 8 regions hosting 7 per cent or more of the total migrants in reception centres (Lombardy, Campania, Latium, Emilia-Romagna, Piedmont, Veneto, Sicily and Apulia, see Fig. 3: Map 3) (Anci et al, 2017).

Fig. 3: Migrant population by region, 2016-2017.

Map 1: Share of foreign residents on total population by region (2016).
Map 2: Distribution of total foreign residents by region (2016).
Map 3: Distribution of migrants in reception centres by region (July 2017).


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6 According to citizenship legislation in force, a person born in Italy to foreign parents can apply for Italian citizenship at age 18, if she meets specific criteria. There are currently about 800,000 second-generation children and youth who, despite being born or having arrived in Italy at a very young age, are not Italian citizens. A debate on the reform of citizenship law, under discussion by the Parliament for years, has resumed recently.

7 Countries such as Romania, Greece and Poland have negative migration balances, with high emigration rates of nationals. While in Spain high re-emigration of old immigrants was observed in response to the economic crisis, in Italy, emigration has been higher among Italians than among foreigners.
Also, the average age among Italians is 45 years compared to the migrant average age which is around 33 years. Migrants are indeed more represented at younger age groups (see Fig. 4) and represent an increasing share of the working age population.

Fig.4: Share (%) of the resident population by age class, Italians and foreigners, 2016.

Migration and the Italian labour market

Repercussions of the economic crisis on the Italian labour market structure are yet to be analyzed in detail. However, the migrant workforce is currently a fundamental component of the Italian labour market. The share of foreign workers on total employment increased from 6.3 per cent in 2007 to 10.5 per cent in 2016. The segmented structure of the labour market across regional, sectoral and gender lines, and its demographic unbalances underlie the demand for migrant labour force, which is concentrated in specific sectors.

When looking at the working age population only (15-64 years), the share of EU migrants of the active population (employed or unemployed) doubled, passing from 2 per cent to 4 per cent, while the share of non-EU migrants grew from 5 per cent to 7 per cent.

Fig.5: Share (%) of Italy’s active population (15-64 y), by citizenship, 2007-2016.

Out of the total working age population (15-64 years), the share of those ‘active’ compared to those ‘inactive’ (not employed and not in search for employment) is higher for migrants than for Italians. The share of active males is higher among migrants (82%) than among Italians (74%). Among women, who have an overall lower labour market participation than men on average, migrants are more active in the labour market (68% for EU nationals, 56% among non-EU nationals) than Italian women (55%).

Fig. 6: Activity rate (%) by citizenship and sex, 2016.

Regarding education, 11 per cent of foreigners aged 15 and above have completed tertiary education and 40 per cent have completed secondary education. Female foreigners have a higher level of education than males on average: 15 per cent has completed tertiary education compared to 8 per cent among males (Istat, 2016). On average, the activity rate of low-skilled foreigners is quite high (almost two thirds of them are active) and close to the activity rate of their medium and highly-skilled counterparts.

Overall, migrants’ labour market participation reflects the segmented structure of the Italian labour market along the lines of class, gender, skill level, migratory status, etc. Most foreign workers are employed in the service sector (57% of the total). However, the incidence of migrant workers in the agricultural sector has tripled over the last ten years, passing from 5.3 per cent in 2007 to 16.6 per cent in 2017 of the total employment in agriculture. This incidence has also increased in construction, wholesale and retail trade, and services (passing from 12.7%, 3.7%, and 5.9% in 2007 to 17.1%; 7% and 11% in 2017, respectively).

Female migrant workers are overrepresented in the cleaning and catering industries, and in the care sector especially for the elderly and children, thus contributing to enabling female Italian workers to participate in the labour market outside the private sphere of the home (Marchetti and Salih, 2017). Male migrant workers are more concentrated in construction, agriculture and other semi-skilled manufacturing occupations.

*This includes employment levels and types, salaries, differences among sectors and different impacts on specific groups of workers by age, sex, citizenship/origin, education level. The national economy saw a moderate recovery in 2016, yet the annual GDP is still 7 percentage points lower than it was in 2008, before the start of the economic crisis (Bank of Italy, Istat, 2017).

*Low-skilled Italians are significantly less active than medium and highly-skilled Italians. See Eurostat Labour Force Survey ad hoc Module on immigrants, 2014.
Both male and female migrant workers are overrepresented in low-skilled occupations (37% versus 8% among Italians); only 6 per cent of migrant men and 8 per cent of migrant women are employed in highly-skilled occupations (e.g. as managers, professionals, technicians). This cannot be explained solely by differences in the level of formal education between migrants and Italians.\footnote{Only 22.5 per cent of Italians has tertiary education, while 30 per cent has primary education or lower.} Other underlying factors may include the limited recognition of foreign diplomas and qualifications; the imperfect transferability of skills and previous work experience, social forces (e.g. Italians may shun low-skilled jobs; social networks shape migrants’ labour market incorporation and concentration in specific sectors or occupations; and discrimination in the labour market).\footnote{These patterns also explain the over-qualification of migrant workers performing jobs that require a lower education level than the one possessed by the worker (37.4%). Over-qualification among Italian workers is at 22.2 per cent.}

Migrants also contribute to Italy’s dynamic entrepreneurship. Small and medium enterprises represent 99 per cent of the total 6 million firms registered at present. About two-thirds of them are individual enterprises (self-employed individuals). The number of firms run by a foreign-born individual (675,000 units, 9% of the total) has grown by 25.8 per cent over the last five years; 94 per cent of these firms are run and composed by immigrants. In contrast, the number of firms run by natives has fell by 2.7 per cent, over the same period.\footnote{Calculations by Fondazione Moressa 2016, 2017 based on data from the Chamber of Commerce.} Most migrant firms are concentrated in the wholesale and retail trade sector (35% of the total), the service sector (22%) and construction (21%) (Fondazione Moressa, 2017).

Migrants are also consumers, entrepreneurs, taxpayers, etc., and as such they participate to Italy’s wealth and welfare both as users and contributors.

In 2016, an estimated 2.4 million foreign workers produced 8.9 per cent of the total GDP (around 130 billion euros).\footnote{Calculation by Fondazione Moressa (2017) based on Istat Labour Force Surveys.} The same year, around 3.6 million foreign-born taxpayers\footnote{This includes foreign-born Italians and naturalized citizens.} (8.9% of the total) declared an income of 49 billion euros (5.9% of the total wealth produced). One fifth was born in Romania (662,000), Albania (256,000), Morocco (211,000) and China (191,000). Female taxpayers make up 44.5 per cent of foreign-born taxpayers, with the highest shares (Eastern European and South American female workers) employed in the domestic and health care sectors.\footnote{See Marchetti and Salih (2017) among others for more on the feminization of care.}
The economic value of irregular migration

Administratively, migrants may fall into pre-established categories (e.g. with regular or irregular migratory status) that are hardly ever fixed and perfectly distinguishable in practice. Migrants’ status may shift many times, falling into many situations along a continuum that goes from those regular foreign residents who are allowed to work and have a formal employment contract, to situations in which foreigners without a regular migratory status hold an undeclared job without a formal employment contract. There are multiple possible intersections between citizenship, residence and work status (see Fig. 10) among the resident population in a country.16

Migrant workers irregularly residing in Italy, tend to concentrate in sectors in which labour law enforcement is difficult to implement (e.g. services, including private domestic and care services, hospitality, food and catering, tourism, etc., retail and trade and agriculture). The highest shares of irregular workers as part of the total number of migrant workers are found in agriculture (41% of total foreign workers is estimated to be irregularly employed), followed by retail and trade (27%), services (26%), and manufacturing (11%). Almost half of all irregular migrant workers reside in the North of Italy (45.9%), and the rest are evenly distributed between the Centre and the South. Nevertheless, the incidence of irregular migrant work on total migrant work is higher in the South (39.6%) than in the Centre (27%) or in the North (19.3%). Recent analyses have shown that regularized migrants tend to keep their regular status in the formal labour market for many years. In addition, their high geographical mobility across Italy allows the match between labour demand and offer. This suggests that the Italian economy would benefit from the availability of more predictable and efficient legal channels for labour migration (Lo Porto and Martino for INPS 2017).

16 Estimates of the irregular migrant population by residence depend upon considerations on irregular entries and exits, visa overstayers, migrants who lose their regular residence status (e.g. because of unemployment or failed asylum application) as well as considerations on the size of the irregular economy in terms of value added and workers involved pertain to the production system as a whole.

IOM Terra Munda project

In November 2016, a new Law addressing irregular work and labour exploitation in the agricultural sector entered into force in Italy.17 Its concrete enforcement at local level is increasingly under scrutiny.18 IOM Italy is contributing to the improvement of living conditions of migrant workers, and to contrasting labour exploitation in the regions of Caserta (Campania) and Foggia (Apulia), through the provision of proximity services (e.g. legal counselling, language training, transportation support) to migrant workers at risk of labour exploitation who live in informal settlements (ghettos and abandoned buildings at the fringes of agricultural sites).19 IOM Terra Munda project has supported, so far, 18 migrants to participate in a 6-month remunerated training in the agricultural sector guaranteeing fair conditions of work (read more).

18 Some recent examples are available here and here.
19 These activities are undertaken with the support of Philip Morris International in Italy and local stakeholders, including the NGO Ex Canapificio in Caserta and Caritas Benevento.
Migration and Italy’s welfare

One of the most controversial debates concerning migration is the extent to which the later contributes to the welfare of the host societies and how much it ‘costs’ in terms of migrants’ access to social services (Dustmann and Frattini 2014). There is little evidence available on the overall net fiscal consequences of immigration, as calculations are affected by the low level of data integration among different public institutions, as well as by assumptions on the amount of social contributions and welfare (e.g. pensions, schools, health system and public social security provisions at large) per capita. This section builds on recent estimates and forecasts by Istat and the National Institute for Social Security (INPS – Istituto Nazionale Previdenza Sociale).20

In 2016, 22.2 million people benefited from the public social security scheme: 15.5 million were recipients of retirement pensions, 3.9 million of invalidity pensions and social assistance benefits, and 4.9 million of top-up support to income. The same year, foreign workers contributed 8 billion euros to the Italian social security system and received around 5 billion euros in social security benefits. Migrants’ net contribution to the Italian social security system was 3 billion euros.21 Ninety-two per-cent foreign workers insured by INPS are registered in the Pension Fund for Employees.22 INPS estimates suggest that between 1960 and 2016 foreign workers have contributed 241.2 billion euros (INPS, 2016) to the Italian social security system in social security benefits accrued, net of the pension benefits they will receive over their entire life cycle.23

Finally, concerning pensions paid to beneficiaries residing outside Italy, in 2016, around 314,000 pension treatments were paid in more than 150 countries (mostly in Europe, North America and South America). Besides Italian citizens emigrated and living abroad (estimated at over 5 million in 2016; Fondazione Migrantes, 2017), the recipients of these schemes are increasingly Italian retirees who move to countries where the average cost of life is lower, as well as non-Italian nationals who retire in their countries of origin.24

The sustainability of the pension system is shaped by demographic trends (Boeri for INPS 2017). Population ageing, low fertility rates (far below the replacement level), and migration shape the age structure of the population, and thus impact the balance of pensions and contributions systems. Demographic forecasts show that migration alone cannot compensate the foreseeable negative population balance (births - deaths).25 Italy’s population is foreseen to decrease by 1 million in the next 20 years, and by almost 8 million by 2066 (Istat, 2016).

While migration cannot be considered a panacea to address population trends, it does have an impact on the latter. The scenarios presented by INPS on the sustainability of the pension system demonstrate the positive effects of migrants' participation in the labour market and their contributions to the social security system (pensions and others) (INPS, 2017).

Fig. 14: Financial effect of a reduction in new non-EU migrant workers.

Fig. 14 shows the estimated financial effect of a yearly reduction in new non-EU migrant workers between 2018 and 2040. The overall financial balance is negative, with a deficit of over 37 billion euros (1.8% of the GDP) by 2040. The balance is obtained as the difference between the total revenues from the contributions paid by workers (blue bars) and paid social security benefits (red bars).


To sum up, migrants’ contribution to Italy’s wealth takes various forms, which evolve in parallel with the changing structure of the migrant and total resident population. Migrants’ labour market participation reflects the segmented structure of the labour market across regional, sectoral, skill, class, migratory status and gender lines, with migrants overrepresented in specific sectors. This complexity would require a more comprehensive approach to labour migration to take into account: Italy’s demographic trends (e.g. population ageing, native labour market participation); labour market’s segmentation; the care demands of households and welfare policy choices; the importance of the informal economy in the production system; the connection between national and regional (European) economic cycles and production systems, and the interplay among these factors.

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