



BANCA D'ITALIA  
EUROSISTEMA

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# **MIGRATION FLOWS AND POLICIES IN ITALY AND IN OTHER EUROPEAN COUNTRIES**

by Gaetano Basso\*, Elena Gentili\*\*, Salvatore Lattanzio\* and Giacomo Roma\*

## **Abstract**

Against a backdrop of ageing and declining domestic labour force, immigration to Italy has slowed down since the Great Recession, reducing its contribution to the country's demographic and economic dynamics compared to major euro area economies. This paper adopts a comparative perspective to analyse Italy's capacity to effectively attract and integrate immigrants. It examines the underlying factors driving these trends and explores how they relate to Italy's economic structure and regulatory framework. The analysis highlights the important role that migrants play in the labour market, where they are typically concentrated in low-paying jobs and sectors, and reviews the main features of Italy's migration policies, evaluating their key characteristics and effectiveness against international standards.

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**Keywords:** immigration, demography, earnings, citizenship, integration.

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## 1. Introduction\*

The European population is ageing rapidly. In all major countries, given the structural decline in birth rates, the growth of the total and working-age populations depends almost entirely on immigrants. Additionally, Eurostat projections show that all major euro area countries would face population declines with limited migration in the next ten years, while population growth in Italy and Germany would only occur in a high immigration scenario. Thus, immigration is a crucial factor for sustaining labour force participation and welfare systems in advanced economies. However, integrating immigrants is challenging, particularly when migrants' socio-economic backgrounds differ significantly from those of existing residents or in cases of irregular migration. Moreover, the benefits and costs of migration are often unevenly distributed across population groups. In order to reduce costs while maximising the economic and social benefits of migration, it is essential to assess the impact on vulnerable groups of workers and to design policies that effectively redistribute to the most affected groups and manage both migration flows and reception processes.

This paper offers a comprehensive assessment of the recent immigration trends in Italy and the other four major euro area (EA) countries—Germany, France, the Netherlands, and Spain (hereinafter EA-4). First, we use harmonized Eurostat data to examine population growth, migration flows (distinguishing, where possible, between regular and irregular ones) and the composition of the migrant stock in each country. Second, we quantify the contribution of foreign-born individuals to employment growth and analyse the integration of migrants in the main euro area labour markets. Finally, we describe Italy's migration and integration policies, comparing them with best practices implemented and recently reformed in other European countries.

We find that foreigners have been a key driver of demographic growth in the euro area over the past two decades. Regular immigration to Italy was strong before the Great Recession, outpacing inflows to other major euro area countries. However, it declined in the following years, as Italy experienced nearly a decade of economic stagnation. More recently, immigration rebounded strongly in all major euro area countries. Also irregular border crossings, already high in the period 2013-2017, increased again after the COVID-19 pandemic. However, looking at the entire period 2009-2022, those entering European borders through the Central Mediterranean route (that is, directed mainly to Italy) are well below those that went through the Eastern Mediterranean and Balkan routes. Despite the recent

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general recovery in migration flows, the share of foreign-born residents in Italy remains lower than in other major euro area countries: 6.4 million in Italy (10.9 percent), 16.5 million in Germany (19.5 percent), 8.9 million in France (13.1 percent), 8.2 million in Spain (17.1 percent), and 2.8 million in the Netherlands (15.6 percent).<sup>1</sup> The stock of irregular immigrants, present in all countries, does not alter this ranking. In Italy, limited and unofficial data sources suggest that this group is relatively small—about 6 percent of the total foreign-born population.

Foreign-born residents in Italy are less educated than both their counterparts in other euro area countries—only 12.5 percent hold university degrees compared to an average of 28.0 percent in EA-4—and native Italians, of whom 17.5 percent have tertiary education. Most foreign-born residents in Italy moved for family reunification unrelated to work opportunities, with very few coming from high-income countries. Despite this negative selection, foreign-born workers drove employment growth in Italy and in the other major euro area economies between 2005 and 2023. Evidence from administrative data shows that they are disproportionately employed in lower-paying firms and tend to earn less than natives, even after controlling for individual and firm characteristics.

Both a productive structure dominated by low value-added sectors and outdated migration policies contribute to this negative selection, possibly generating a mutually reinforcing cycle. Italy's immigration system, rooted in the 1998 Turco-Napolitano Law and based on employment quotas, struggles to attract skilled workers and to address labour market demands in productive sectors. The 2023 and 2024 reforms have tackled important inefficiencies, such as shifting from annual to triennial migration flow programming, and enabling foreign students to stay and work after earning a degree, thereby promoting legal labour immigration. However, unlike Northern European countries, Italy offers limited language and vocational training for immigrants, hindering integration. Moreover, fragmented institutional responsibilities and insufficient investments in integration policies result in weak social and labour market inclusion. The protracted process of obtaining citizenship further exacerbates these challenges, particularly for new generations.

The paper is structured as follows. Section 2 analyses migration flows in major euro area countries over the past 20 years. Section 3 reviews the impact of immigration on natives' labour market outcomes and quantifies the role of foreign-born workers in employment growth. Section 4 examines

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<sup>1</sup> The data presented here refer to regular immigrants in 2023 and are sourced from the Eurostat population statistics. Throughout the paper, we define “foreign-born” based on the country of birth, unless stated otherwise. While figures based on citizenship yield similar results, national naturalisation laws influence them. For instance, the share of foreign non-citizens is 8.7 percent in Italy (5.1 million people in 2024 according to the latest official population statistics), 14.6 percent in Germany, 8.2 percent in France, 12.7 percent in Spain and 8.1 percent in the Netherlands.



Italy's migration policies, contrasting them with systems like points-based models and qualification recognition frameworks, and evaluates integration policies, citizenship laws, and fiscal measures critical to migration. Section 5 concludes by highlighting the limitations of Italy's policies and suggests possible improvements based on those of other European countries.

## **2. Resident population dynamics and the contribution of immigration**

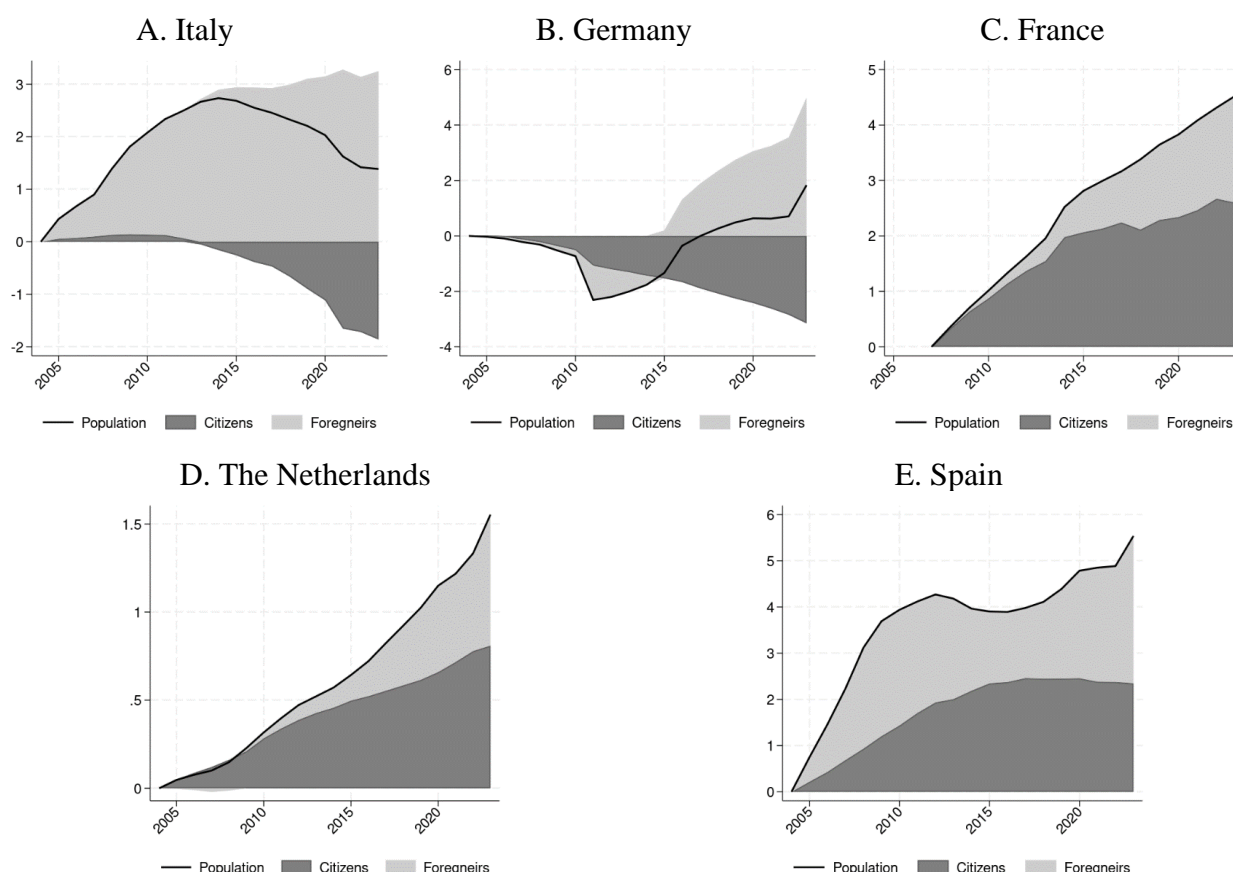
In the last 20 years, foreigners have been the driving force behind overall resident population growth across the euro area (Figure 1). In Italy and Germany, the native component has been shrinking throughout the period while Spain and France experienced this trend only more recently. This negative dynamic is even starker if we focus on the 15-74 age group, for the countries for which data are available: immigrants are the only positive contributors to population growth. The definition of foreigners in Figure 1 is based on citizenship and does not explicitly distinguish naturalisation of foreign-born citizens (see Figure A.1 in the Appendix). Including naturalisations would further highlight immigrants' contributions, as citizenship acquisitions have accounted for up to 4 percent of the foreign population in the last decade—particularly in Italy and, even more so, in the Netherlands. In Italy, the high number of naturalisations—especially in 2015-2016 and in 2022—stems from substantial immigration flows during the early 2000s, rather than more favourable naturalisation procedures (see Section 4.4).

A closer look at migration flows reveals that Italy experienced relatively high net migration until the Great Recession (Figure 2, panel A): inflows, net of outflows, peaked at nearly 1 percent of the population in 2007. After declining for several years, net migration began to rise again in the post-pandemic period, driven by regularisation of undocumented immigrants under Decree-Law 34/2020 and the significant inflow of Ukrainian refugees following the Russian invasion.<sup>2</sup> However, in 2022, gross inflows as a share of the population were substantially higher in Spain, the Netherlands, and Germany, reaching up to 2.5 percent (Figure 2, panel B).

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<sup>2</sup> As outlined in Section 4.1, Italy has periodically implemented regularisation programs for immigrants without residence permits. Over the past two decades, these amnesties have primarily targeted workers in specific occupations or sectors.

**Figure 1. Native and foreign population growth since 2004, millions of people**

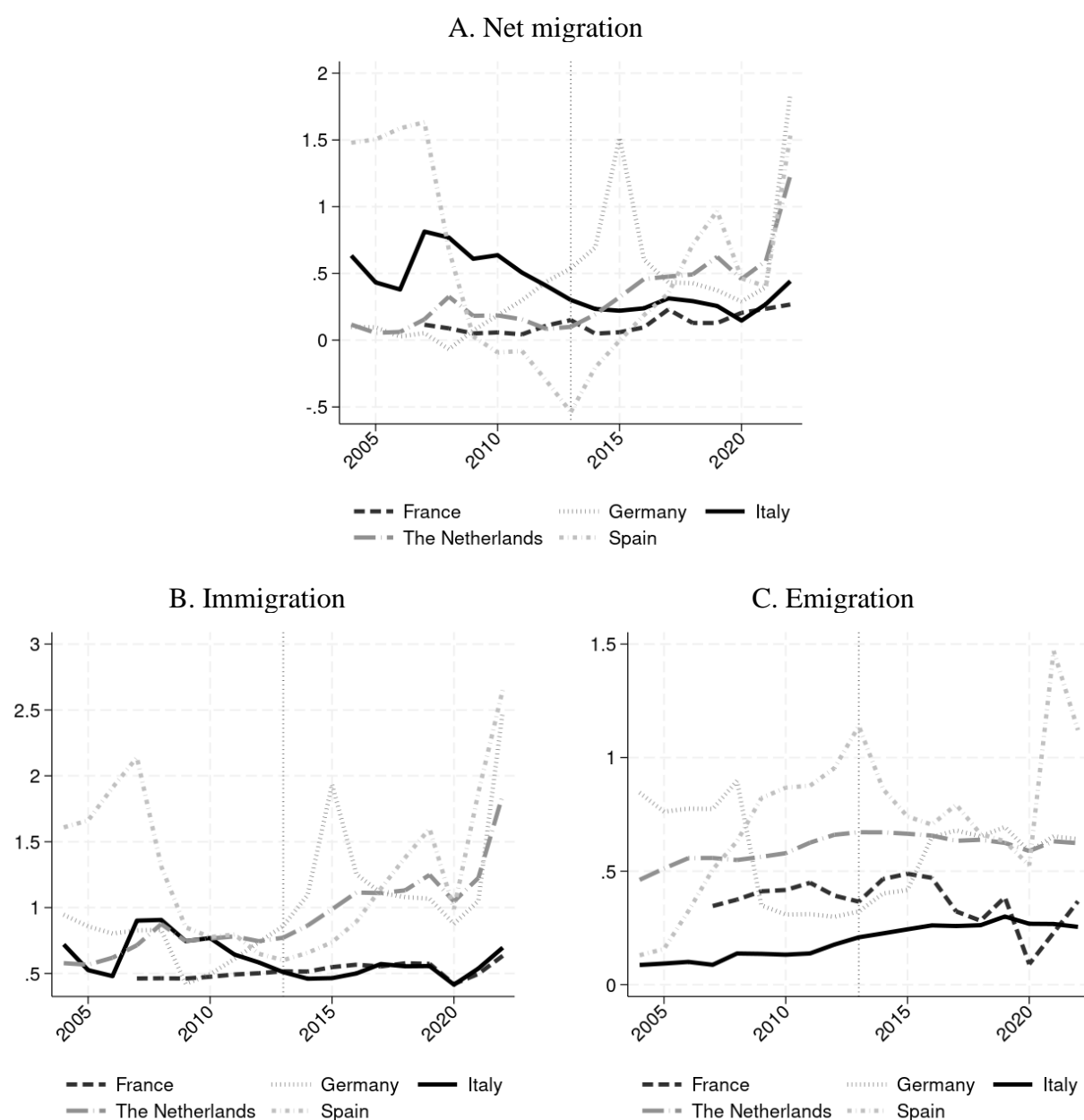


*Notes:* The dynamics of native, foreign and total populations since 2004 (or since 2007 for France) are measured in millions of people, with definitions of native and foreigner based on citizenship. All age groups. The population data published by Eurostat exhibit structural breaks in the series for Germany (2011 and 2015), France (2012 and 2014), and Italy (2019).

*Source:* Own elaborations on Eurostat, Population statistics.

Out-migration flows are heterogeneous across the main European countries. In Italy, emigration of both Italian and foreign citizens has increased significantly since the early 2000s, but remains a less pronounced phenomenon compared to other countries, according to official statistics. In 2019, emigration from Italy amounted to 0.25 percent of the resident population, compared to over 0.5 percent in Germany and the Netherlands and over 1 percent in Spain (Figure 2, panel C). However, these figures represent averages across socio-demographic groups. Recent years have seen a concentration of emigration among young people, university graduates, and residents from highly productive regions in Northern Italy (Anelli et al., 2023). Moreover, emigration statistics are prone to a significant measurement error. In Italy, outflows are believed to be underreported—due to non-deletion from the population registers—with actual numbers estimated to be up to 2-3 times higher than official figures (Anelli et al., 2023; Latmiral et al., 2023).

**Figure 2. Net and gross migration flows, percentage of total population**



*Notes:* The figures report net and gross migration flows as of 1 January, without distinction by citizenship. According to Eurostat documentation, breaks in the data series may affect comparability over time. The net migration series is unavailable in the Eurostat database prior to 2013 (marked with a vertical dotted line in the graphs), and it has been reconstructed using data from the gross migration flows.

*Source:* Own elaborations on Eurostat, International Migration statistics.

The foreign population dynamics discussed here refer only to regular migration flows. Data on irregular migration are scarce and difficult to compare across countries. This is particularly true as illegal migrants are often people who entered the country legally (e.g. on a tourist or work visa) but stay on after the expiry of their regular residence permit. Illegal entry may also occur when foreigners claim to be in need of international humanitarian protection. The European Border and Coast Guard Agency (Frontex) provides detailed data on illegal border crossings by entry route but not by specific

destination country (Ballatore et al., 2017; Fasani e Frattini, 2025). From 2009 to September 2024, most illegal crossings took place via the Eastern Mediterranean route (including Cyprus, the maritime border of Greece, and the land borders of Greece and Bulgaria with Turkey), the Western Balkan route (land borders of Greece, Bulgaria, Romania, Hungary and Croatia) and the Central Mediterranean route (maritime borders of Italy and Malta) totalling 1.7, 1.5, and 1.2 million crossings, respectively (see also Figure A.2 in the Appendix). Eurostat data on first-time asylum applicants indeed show that, between 2014 and 2023, the primary burden of illegal migrants fell on Germany and France (Table 1). Accurate data on the stock of irregular migrants by country are even more challenging to obtain.<sup>3</sup> In Italy, the ISMU Foundation annually estimates the stock of foreigners without legal residence permits. According to its latest report (ISMU, 2025), there were approximately 321,000 irregular migrants in 2024, down from 458,000 in 2023 and 506,000 in 2022. This decline is mainly attributed to regularisations carried out between 2020 and 2022. While these figures are subject to significant year-to-year fluctuations and considerable uncertainty, the number of irregular migrants in Italy represents less than 10 percent of the total foreign population.

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<sup>3</sup> Official Eurostat Enforcement of Immigration Legislation statistics, based on administrative sources provided by the Ministries of Interior or related Immigration Agencies, provide a lower bound on the presence of illegal migrants. Moreover, as noted by Eurostat, comparability of data between the Member States is limited due to the national specific rules and procedures. According to these figures, in 2023 illegal migrants were 194,750 in Italy, 263,670 in Germany, 118,975 in France, 90,860 in Spain and 6,530 in the Netherlands.

**Table 1. First time asylum applicants by country and year**

	Germany	% nation al pop.	% of EU27 applicants	Spain	% nation al pop.	% of EU27 applicants	France	% nation al pop.	% of EU27 applicants	Italy	% nation al pop.	% of EU27 applicants	The Netherlands	% nation al pop.	% of EU27 applicants
<b>2014</b>	172,945	0.21	32.6	5,460	0.01	1.0	58,845	0.09	11.1	63,655	0.11	12.0	21,780	0.13	4.1
<b>2015</b>	441,805	0.54	36.3	14,600	0.03	1.2	70,570	0.11	5.8	82,790	0.14	6.8	43,035	0.25	3.5
<b>2016</b>	722,270	0.88	61.9	15,570	0.03	1.3	76,790	0.12	6.6	121,185	0.20	10.4	19,285	0.11	1.7
<b>2017</b>	198,255	0.24	32.0	33,035	0.07	5.3	91,965	0.14	14.8	126,550	0.21	20.4	16,090	0.09	2.6
<b>2018</b>	161,885	0.20	28.7	52,730	0.11	9.3	126,580	0.19	22.4	53,440	0.09	9.5	20,465	0.12	3.6
<b>2019</b>	142,450	0.17	22.6	115,175	0.25	18.3	138,290	0.21	22.0	35,005	0.06	5.6	22,485	0.13	3.6
<b>2020</b>	102,525	0.12	24.7	86,380	0.18	20.8	81,735	0.12	19.7	21,330	0.04	5.1	13,660	0.08	3.3
<b>2021</b>	148,175	0.18	27.6	62,050	0.13	11.6	103,790	0.15	19.4	45,200	0.08	8.4	24,730	0.14	4.6
<b>2022</b>	217,735	0.26	24.9	116,135	0.24	13.3	137,510	0.20	15.7	77,200	0.13	8.8	35,500	0.20	4.1
<b>2023</b>	329,035	0.39	31.4	160,460	0.33	15.3	145,095	0.21	13.8	130,565	0.22	12.4	38,320	0.22	3.7

*Notes:* First time asylum applicants by country and year, non-EU27 citizenship; absolute number, percentage as total national population and percentage as total EU27 asylum applicants.

*Source:* Own elaborations on Eurostat, Asylum applications statistics.

## 2.2 Population projections and the contribution of immigration

The rapid ageing of the euro area population is expected to put further downward pressure on the working-age population in the coming years, with the exact size of the decline being strongly influenced by migration trends. Figure 3 illustrates changes in the working-age (15-74) population between 2023 and 2035 in the main euro area countries, based on Eurostat's latest projections under different migration scenarios.<sup>4</sup> In the baseline scenario (blue bars), the working-age population is projected to fall by 1.6 percent in Italy and 1.4 percent in Germany, while remaining broadly stable in France and the Netherlands.<sup>5</sup> Spain stands out as the only country where a significant increase is expected, with a projected rise of more than 3 percent. If migration contributions were lower (green bars) or zero (orange bars), according to Eurostat projections, all countries would experience a decline in their working-age populations. Conversely, higher than expected migration flows (red bars) could reverse this trend, leading to positive growth in the working-age population. The impact of higher migration would vary between countries, ranging from a modest increase of 0.4 percent in Italy, to a 7.1 percent rise in Spain.<sup>6</sup>

The projected population decline in the baseline scenarios would be significantly more pronounced across all countries if we focus on the 15-64 age group (Figure A.3). Under the baseline scenario, the total population is expected to decrease in every country, with particularly sharp declines in Italy (– 6.8 percent) and Germany (– 6.2). However, in the high migration scenario, the 15-64 population is projected to increase in Spain by 2035 and remain stable in France and the Netherlands.

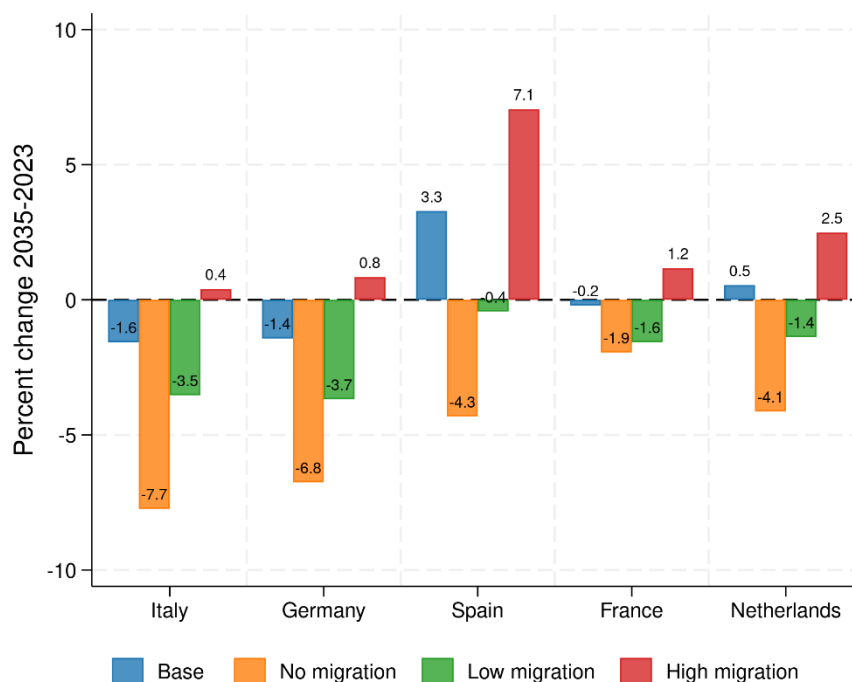
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<sup>4</sup> Eurostat baseline population projections are calculated based on a set of assumptions common to all countries for immigration and emigration trends separately (on top of assumptions on fertility and mortality). The national statistical institutes provide the underlying data. The lower migration scenario reports the projected population if the net migration is assumed to be 33% lower than in the baseline assumptions in each year of the entire horizon of projections. The higher migration scenario reports the projected population if the net migration is assumed to be 33% higher than in the baseline assumptions, in each year of the entire horizon of projections. For more details, see [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Population\\_projections\\_in\\_the\\_EU\\_-\\_methodology](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Population_projections_in_the_EU_-_methodology) (last accessed on March 17, 2025).

<sup>5</sup> Eurostat's projections for Italy are more optimistic compared to those of Istat. According to Istat, the 15-74 age group is expected to shrink by 2.8 percent, which is 1.2 percentage points more than Eurostat's estimate. Similarly, the 15-64 age group is projected to decline by 8.1 percent in Istat's projections, exceeding Eurostat's forecast by 1.3 percentage points.

<sup>6</sup> In absolute terms, the differences are less pronounced. For instance, in Italy, net migration under the baseline scenario would result in a cumulative increase of 2.7 million individuals compared to a no-migration scenario (1.9 million in the low-migration case and 3.6 million in the high-migration case). In Spain, the figures would reach 2.8 million under the baseline scenario (1.4 million in the low-migration case and 4.1 million in the high-migration case). It is important to note that Eurostat's projections are mostly based on past migration trends, alongside assumptions about population aging and the influx of Ukrainian refugees. Any significant deviations from historical patterns could lead to substantial changes in population projections, even under the more optimistic scenarios.

**Figure 3. Changes in 15-74 population between 2023 and 2035 under different migration scenarios, percentage of 2023 population**



*Notes:* The figure shows the projected percentage change in the working-age population (ages 15-74) between 2023 and 2035 under various migration flow scenarios, as outlined in the Eurostat population projections (EUROPOP2023). See footnote 4 for more details on the different migration scenarios.

*Source:* Own elaborations on Eurostat, EUROPOP2023.

## 2.3 Socio-demographic composition of immigrants in 2022

The share of foreign-born residents varies between the five largest EA economies, with Italy having the lowest share. The migrant population is also highly heterogeneous in terms of educational attainment and other socio-demographic characteristics. Figure 4 presents the age and education level distribution of the foreign-born population in Italy compared with the average for the other four main euro area countries in 2022, based on data from the European Labour Force Survey (EU-LFS). In Italy, the migrant population is predominantly composed of prime-age individuals (30-59 years old; panel A), a much higher proportion than in the other main EA countries. This favourable age structure positively contributes to Italy's labour supply, helping to offset the decline in its native working-age population (see Section 3.2).

The most striking difference, however, lies in education levels (panel B). In Italy, close to 50 percent of the foreign-born population has, at most, lower secondary education—approximately 10 percentage points above the Germany, France, the Netherlands and Spain (EA-4) average. Therefore, only 52 percent of the foreign-born individuals have at least a high school diploma, against around two-thirds on average in the EA-4. That is, the proportion of high-skill foreign-born residents



in Italy is significantly lower than in the other large euro area countries, and falls 5 percentage points below that of native Italians (17.5 percent).<sup>7</sup>

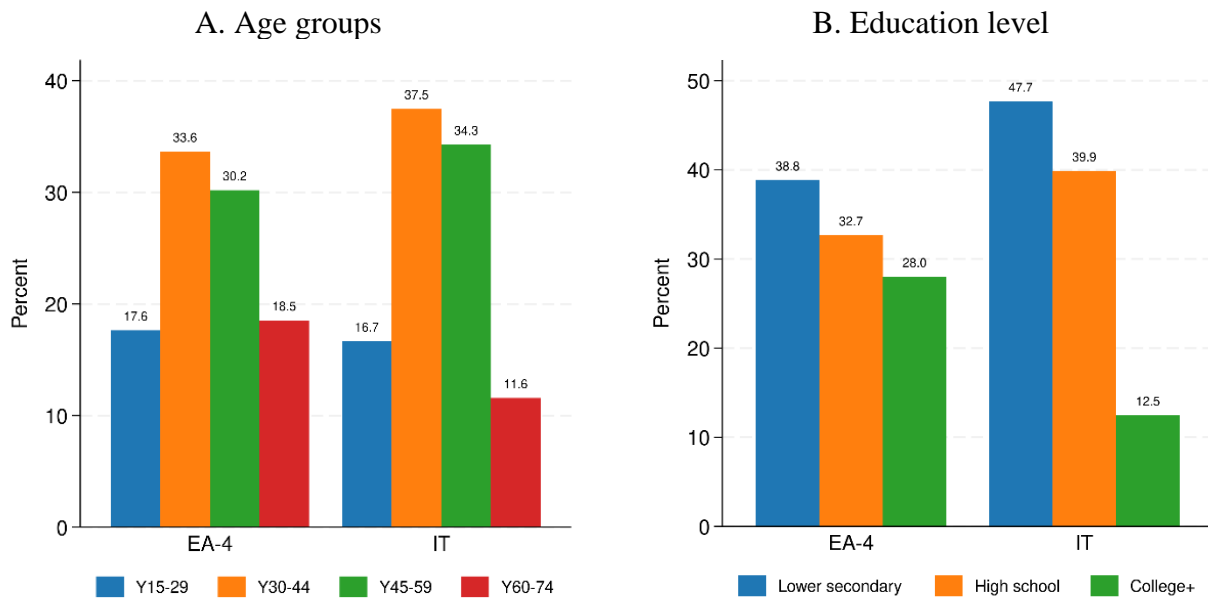
The unfavourable composition of the foreign-born population in Italy is likely driven by several factors. Outdated migration policies, which fail to facilitate the attraction of qualified migrants, are likely to play a significant role, as discussed in the next paragraph and in Section 4. The limited attractiveness of the Italian economy to highly skilled foreign workers also deserves attention. Over the past two decades, the Italian production structure and labour force have shifted toward low value-added sectors and low-skilled occupations.<sup>8</sup> The de-industrialisation process has led to an increase in employment in less knowledge-intensive services (Bripi et al., 2024), while sluggish productivity growth has constrained GDP growth more than in other countries (Bugamelli et al., 2018; Greco, 2023). The predominance of small or very small firms—often family-owned—further exacerbates the issue, as these firms typically have a low propensity to invest in technology and innovation (Baltrunaite et al., 2024). Over the years, however, the low demand for human capital and the corresponding low returns to education also led to low investments in human capital by the new entrants into the labour market, reinforcing a vicious circle that pushed the Italian economy towards an equilibrium with low demand and supply of skilled workforce (Colonna, 2017). Moreover, like other Southern European countries, Italy has reaped only limited benefits from the IT revolution, partly due to inefficient management practices (Schivardi and Schmitz, 2020).

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<sup>7</sup> The difference between Italy and the United Kingdom, Canada and the United States—all of which benefit from much greater economic attractiveness, a more widely spoken language and more favourable immigration policies for highly skilled workers—is even more striking: in these countries, the share of tertiary educated foreign-born people is between 45 and 70 percent (Figure A.4: due to data availability these figures refer to the age group 25-64-year old).

<sup>8</sup> Italy has the lowest share of workers with tertiary education and in knowledge-intensive services. Interestingly, the share of workers in manufacturing is even larger than in Germany, but the two thirds of manufacturing employment is in low technology sectors, while the same figure in Germany is roughly half.

**Figure 4. Age and education distribution of foreign born in 2022, percentage**



*Notes:* The figure shows the distribution of foreign-born population by age (panel A) and education level based on the ISCED classification (panel B) in Italy and in the four main euro area countries (France, Germany, the Netherlands, Spain). For the latter group, the shares are weighted by each country's population.

*Source:* Own elaborations on Eurostat, EU-LFS.

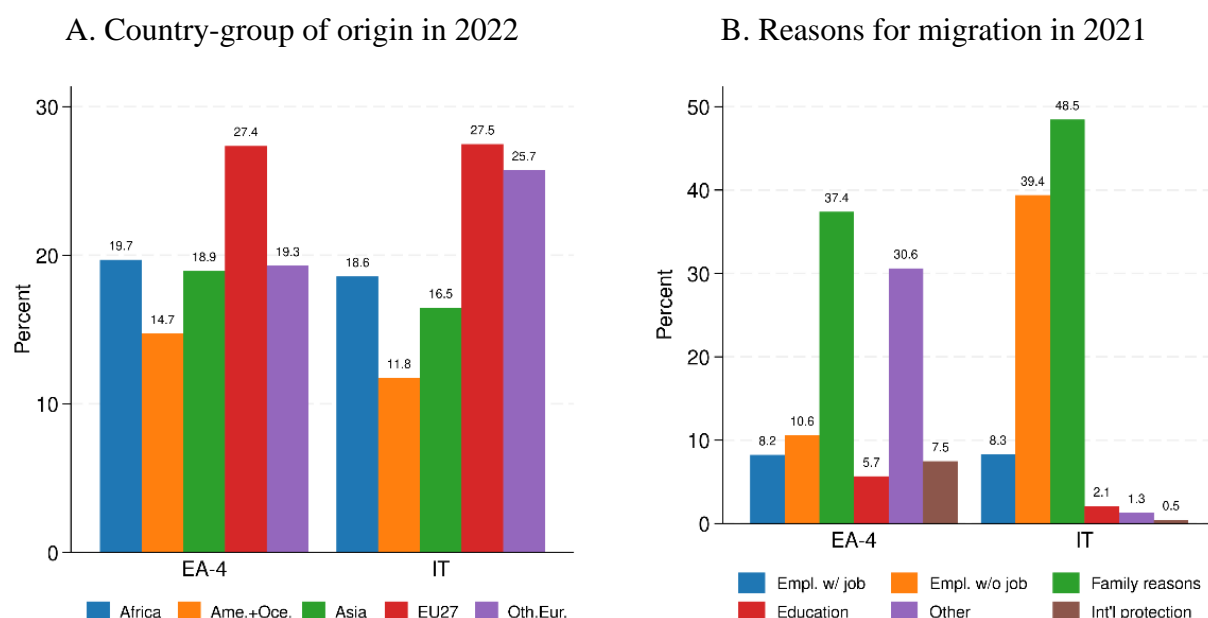
## 2.4 Main countries of origin and permits by reason

In Italy, just less than one-third of the foreign population originates from other EU-27 countries, a share similar to that observed in the other four main euro area countries (Figure 5, panel A). Differences emerge in the proportion of non-EU-27 Europeans, which is higher in Italy (1 in 4) than in the EA-4 average (1 in 5), and in the much smaller share of migrants from America and Oceania in Italy relative to the EA-4. However, there is much heterogeneity in the place of origin across countries. Among EU-27 foreigners, Italy has a predominant share of people from Romania, while in the other largest euro area countries the place of origin is more mixed. Looking beyond Europe, the shares of migrants from South America in Spain is notably high, while in France a significant portion of the foreign-born population comes from Africa, particularly from former colonies. The distribution of extra-European migrants is more similar between Germany and Italy, although Italy has very few migrants from North America—a group not explicitly represented in the Figure.

Using EU-LFS data, Figure 5, panel B, shows the reasons for migration across countries for the stock of migrants in 2021. In Italy, family reunification is the primary motive for foreign residents entering the country, followed by work-related reasons, which is more frequent in Italy than in the EA-4 average. In contrast, the share of migrants who move to Italy to pursue education is much lower than in other euro area countries. Additionally, contrary to public perception, the share of migrants entering

for humanitarian reasons is also relatively small.<sup>9</sup> These findings from the EU-LFS questionnaire align closely with the distribution of residence permits types, reported for Italy in Appendix Table A.1. The main discrepancy between the two sources lies in the permits for international protection, which account for 3.6 percent of the total, compared with only 0.5 percent in the self-declared EU-LFS responses, but is partly due to differences in the reference universe.<sup>10</sup> Conversely, the EU-LFS data show a high proportion of migrants in Italy reporting entry for work-related reasons without a job contract before arrival. Some of these people may in fact have permits for humanitarian reasons: we cannot rule out, however, that a share of them work without a regular contract since the Labour Force Survey does not distinguish formal and informal work arrangements.

**Figure 5. Origin and reasons for migration, percentage**



*Notes:* The figure shows the distribution of the foreign-born population by country group of origin in 2022 (panel A) and reasons for migration in 2021 (last year available in EU-LFS data; panel B) in Italy and in the four main euro area countries (France, Germany, the Netherlands, Spain). For the latter group, the shares are weighted by each country's population. The national questionnaires differ when asking the reasons for migration: see footnote 9.

*Source:* Own elaborations on Eurostat, EU-LFS.

<sup>9</sup> The share of foreign-born individuals responding “other reasons” in Germany and in the Netherlands mainly includes EU citizens that settled in these countries due to the freedom of movement within the EU. This option is absent from the questionnaires of other countries.

<sup>10</sup> The EU Labour Force Survey collects data on all persons having their usual residence in private households in each Member State, thus excluding people living in group quarters.

### **3. Immigrants in the labour market**

#### **3.1 A quick overview of the labour market impact of immigration**

The literature examining the impact of immigration on native and aggregate labour market outcomes in advanced economies is extensive and expanding. However, much of the empirical evidence focuses on countries such as the US, the UK, Germany, and Switzerland, where the characteristics of migrants in terms of education, experience and language skills can differ significantly from those of migrants in Italy. Moreover, empirical methods vary across studies, often leading to seemingly divergent results (Dustmann et al., 2016). Despite these differences, a systematic review of the literature suggests that the overall effects of immigration on native employment and wages are near zero (Peri, 2014). However, in the short term, native workers with similar skill sets to immigrants may face increased labour market competition, while those with different skills may benefit from stronger complementarities (Ottaviano and Peri, 2012; Dustmann et al., 2017; Monras, 2020).

This general finding is supported by recent studies that address the empirical limitations of earlier research on the aggregate effects of immigration on employment and wages.<sup>11</sup> Caiumi and Peri (2024) report positive effects on natives' wages and employment-to-population ratio, driven by strong complementarities between native and immigrant workers—a phenomenon previously documented in both the US and European contexts (Peri and Sparber, 2009; D'Amuri and Peri, 2014). These positive effects are more pronounced in the case of high-skilled migration, as seen in Switzerland, where immigrants also contribute significantly to productivity growth, innovation, and firm creation (Beerli et al., 2021). In contrast, large inflows of low-skilled migrants yield more mixed findings. Some studies find negative labour market effects, partly due to monopsonistic practices by small, low-wage firms that depress native employment (Dustmann et al., 2017; Amior and Stuhler, 2023). These negative effects tend to disproportionately affect previous migrants, low-skilled and young native workers who enter the labour market after migration inflows (Monras, 2020). However, other evidence highlights the benefits of low-skilled migration, such as lower prices for non-tradable services (Cortes and Tessada, 2011) and greater incentives for natives to acquire skills, ultimately improving overall welfare (Mandelman et al., 2024).

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<sup>11</sup> The three main approaches leverage (i) natural quasi-experiments in migration episodes (Card, 1990; Clemens and Hunt, 2019), but lack external validity; (ii) cross-regional variation in migration settlements (Card, 2001; Peri and Sparber, 2009; Monras, 2020), but can hardly be used to obtain aggregate/national-level effects; (iii) variation in the supply of foreign born workers across skill groups (Borjas, 2003; Ottaviano and Peri, 2012; Manacorda et al., 2012), imposing more structure on the data. The literature also extends the classical framework to account for monopsonistic labour markets (Amior and Manning, 2021; Amior and Stuhler, 2023) allowing for negative employment effects for natives among low-paying firms. For a recent review of the literature and of the different approaches, see Caiumi and Peri (2024), which combine the second and the third approach providing credible aggregate estimates.

The impact of immigration extends beyond employment and wages, influencing a wide range of other outcomes. These include, among others, improving labour market fluidity and the allocation of workers across regions (Basso and Peri, 2020), fostering innovation and entrepreneurship (Terry et al., 2024; Chodavadia et al., 2024; Hunt and Gauthier-Loiselle, 2010), and generating positive fiscal effects. The latter arises from the relatively young composition of the foreign-born workforce, who contribute to pension systems more than what they get from it, and through the labour market channel, by improving productivity, labour force participation, and allowing for human capital accumulation of natives (Dustmann and Frattini, 2014; Colas and Sachs, 2024).

The impact of immigration in European labour markets is heterogeneous, with overall effects close to zero (D'Amuri and Peri, 2014). Some employment losses are observed among low-skill natives (Edo and Özgüzel, 2023) and at the bottom of the wage distribution (Dustmann et al., 2013). Empirical evidence specific to Italy is limited and largely relates to periods when the migrant population was much smaller than it is today, but the findings are consistent with broader European trends (Del Boca and Venturini, 2005; Venturini and Villosio, 2006). Evidence from the Great Recession and the migration inflows during the Arab Spring is mixed, but also suggests an overall negligible effect. However, negative impacts were observed for certain demographic groups and industries (Labanca, 2020; Fusaro and López-Bazo, 2021).

In terms of public finance effects, estimates from Italy show a positive impact of migration (INPS, 2017). At local level, the inflow of foreign-born individuals increased revenues while having a neutral effect on expenditures (Mariani et al., 2024). The existing literature on the public finance effects of migration in Italy does not account for labour market complementarities (such as those documented for the US by Colas and Sachs, 2024), although positive spillovers on natives' mobility and labour force participation have been documented for Italy, as well (Mocetti and Porello, 2010; Barone and Mocetti, 2011). In terms of innovation, migration to Italy appears to have had no positive effects, given that it is predominantly low-skilled (Bratti and Conti, 2018).

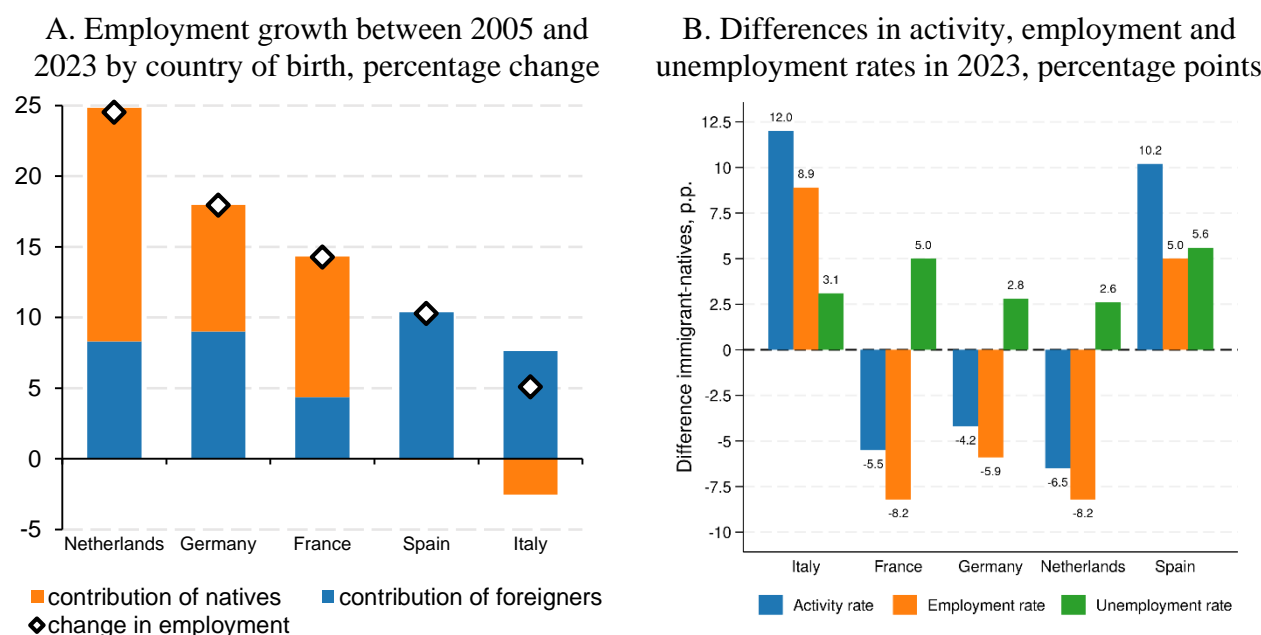
### 3.2 Immigrants' contribution to labour supply and employment growth

A first assessment of the impact of immigration on the labour market involves quantifying the contribution of foreign workers to employment growth and labour force participation in Italy and in the other four largest euro area countries between 2005 and 2023. During this period, Italy experienced the lowest employment growth, at 5.1 percent compared to 16.8 percent on average in the EA-4, primarily due to the negative contribution of native workers (Figure 6, panel A). Foreign workers, however, made a positive contribution, comparable to that observed in other countries.

Figure 6, panel B, reports the differences in activity, employment and unemployment rates between foreign and native workers. Notably, in Italy and Spain, immigrants have higher activity and employment rates than natives, with differences of 12 and 9 percentage points, respectively. In contrast, the opposite is true for Germany, France and the Netherlands. The positive gap in participation and employment rates for immigrants in Italy compared to natives likely reflects differences in the age and educational composition of the migrant population. As discussed in previous sections, immigrants in Italy are younger and have lower educational attainment than those in other euro area countries. These demographic groups exhibit particularly low participation and employment rates among native Italians compared to natives in the other EU countries, which may explain the positive difference in favour of immigrants. This pattern is further illustrated in Figure A.5 in the Appendix, which highlights differences by educational attainment. The figure reveals that disparities in Italy are more pronounced than in the EA-4, particularly among individuals without a university degree.

In all countries, immigrants face greater challenges in securing employment, as reflected in their higher unemployment rates compared to natives (Figure 6, panel B, green bars). In Italy, the unemployment rate for immigrants is 3.1 percentage points higher than that of natives, compared to a 4.1 percentage point difference on average in EA-4.

**Figure 6. Contribution of native and foreign workers to employment growth and differences in activity, employment and unemployment rates**



*Notes:* Panel A shows the decomposition of total employment growth from 2005 to 2023, highlighting the respective contributions of natives and foreigners. Panel B reports percentage point differences in activity, employment and unemployment rates between immigrants and natives. The data pertain to individuals aged 15 to 74 years.

*Source:* Own elaborations on Eurostat, EU-LFS.

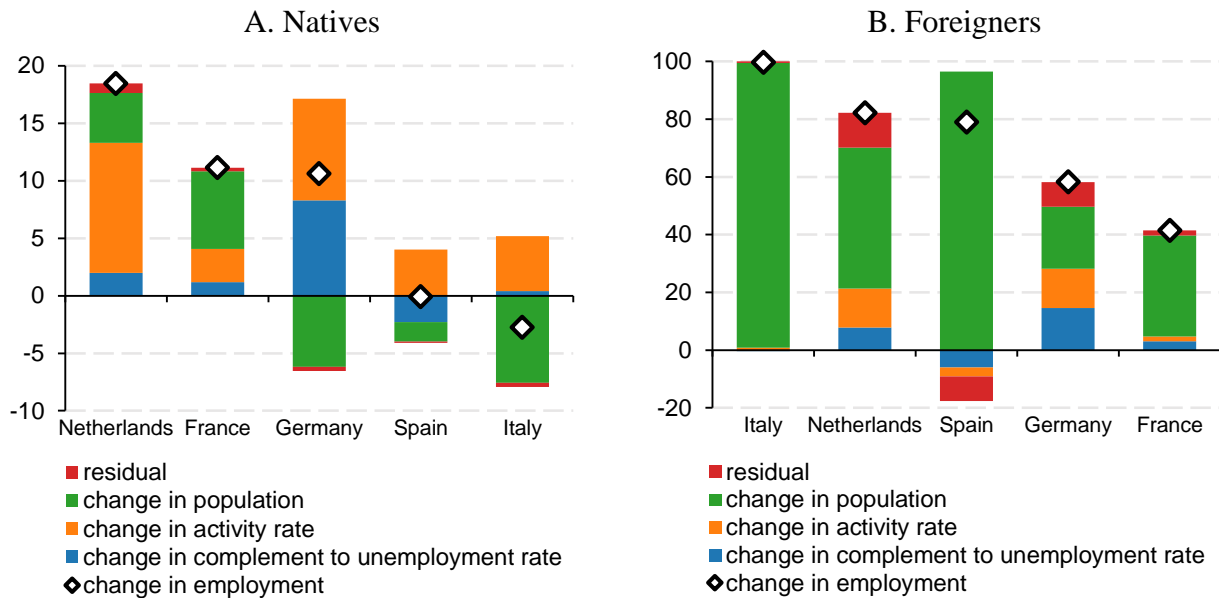
To understand these results better, we decompose the employment growth of natives and foreigners into changes driven by unemployment rates, participation rates, and population trends. Figure 7, panel A, presents the decomposition for native employment, revealing significant differences across countries. The native population increased in France and the Netherlands, while Italy and Germany experienced substantial decreases (-7.6 and -6.2 percent, respectively). In Germany, however, this population decline was more than offset by an increase in the participation rate and a decrease in the unemployment rate. Conversely, in Italy, the slight reduction in the unemployment rate and the increase in the participation rate were insufficient to counteract the loss in the working-age population. Notably, as of 2023, Italy still had the lowest native participation rate among the comparison countries (56 percent compared to an average of 69 percent in the EA-4). This highlights the potential for improving native employment through increased participation.

Figure 7, panel B, shows that in the case of foreign born, population growth is the main driver of employment growth in all countries. However, the share of foreign workers at the beginning of the period influences the magnitude of this contribution. In 2005, Germany had the highest share of foreign workers (18.1 percent) and subsequently recorded the smallest increase in its foreign population (21.5 percent). In contrast, Italy had the lowest share of foreign workers in 2005 (6.3 percent), but experienced the largest increase (98.6 percent). Looking at the contribution of the



participation rate to employment growth, Italy stands out with no contribution. This is because the participation rate among foreigners was already relatively high in 2005 (68 percent), compared with the EA-4 average (64 percent).

**Figure 7. Determinants of native and foreign employment growth between 2005 and 2023, percentage**



*Notes:* The figure provides a decomposition of employment growth for natives (panel A) and foreigners (panel B) between 2005 and 2023 in Italy and in the four main euro area countries (France, Germany, the Netherlands, Spain). Employment growth is broken down into four components: the change in the employment-to-active population ratio (i.e., the complement of the unemployment rate), the change in the activity rate, the change in population, and a residual. The data pertain to individuals aged 15 to 74 years.

*Source:* Own elaborations on Eurostat, EU-LFS.

The decline in native employment can be attributed to a shrinking population and aging. Splitting the analysis into two periods (2005–2013 and 2013–2023) reveals that the negative contribution of native workers was concentrated in the first period, driven by a slight population decline and rising unemployment during two recessions. In the second period, native employment increased as falling unemployment and higher participation rates more than compensated for a sharper population decline. This suggests that during economic growth, rising participation can help counteract the effects of population decline.

### 3.3 Immigrant-native wage gaps

Although immigrants are more likely to participate in the labour market and be employed, they earn less than Italian workers. To analyse this earnings gap, we use matched employer-employee data from a representative sample of about 106,000 firms in the private non-agricultural (PNA) sector in 2022, encompassing 4.2 million workers (about one-quarter of all workers in the PNA).

Table A.2 in the Appendix provides descriptive statistics for all workers, distinguishing between natives and migrants. Migrants account for 13 percent of the workforce, but are disproportionately concentrated in low-paying jobs (Figure A.6, panel A). They tend to be younger and have a smaller proportion of women compared to natives. Migrants also have a lower work input and are significantly less likely to hold permanent contracts (64 versus 83 percent for natives). Additionally, they are more likely to work part-time and have multiple job contracts within a year.<sup>12</sup> Occupational, geographical and sectoral disparities are notable. A large majority of migrants (81 percent) are employed in blue-collar occupations, compared to 49 percent for natives. They are also disproportionately concentrated in northern Italy (72 percent versus 56 percent for natives) and are less likely to work in knowledge-intensive services (3 percent, six percentage points lower than natives). Furthermore, while migrants are employed in slightly larger firms at the median, the firms that employ them tend to offer lower wages.

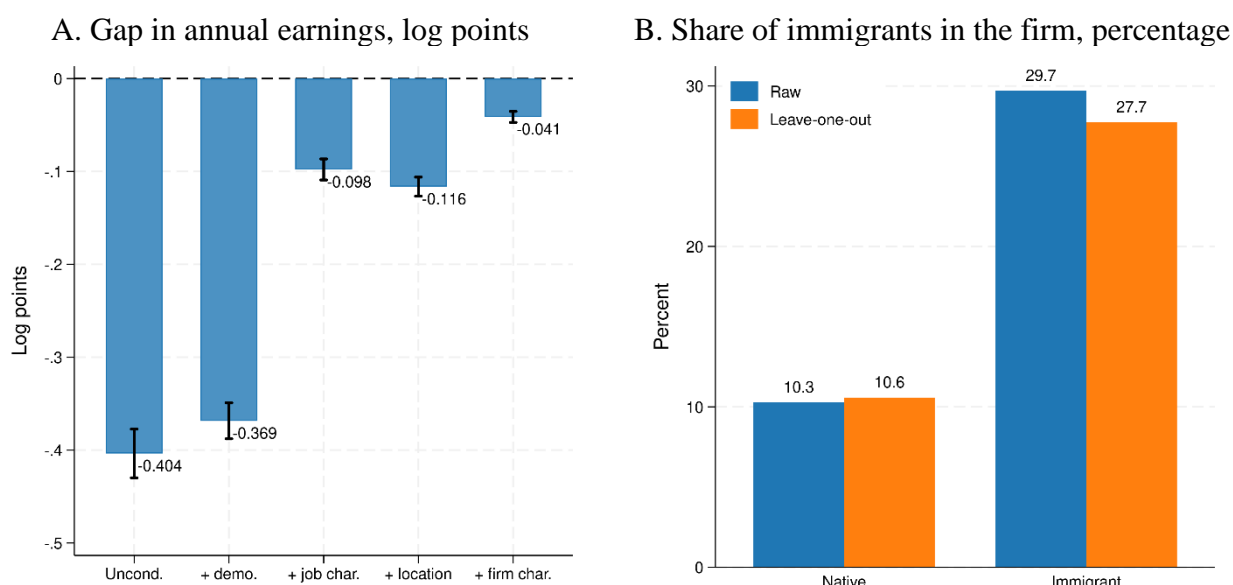
The raw annual earnings difference between natives and immigrants is 33 percent (40 log points;<sup>13</sup> Figure 8, panel A). Adjusting for workers' demographic characteristics (gender and age) reduces the gap slightly to 31 percent. However, most of the gap disappears when accounting for job characteristics such as contract type (temporary, seasonal, part-time), number of jobs held, and occupational categories (e.g., white-collar, middle manager, executive, apprentice). This reduces the gap to 8.3 percent, aligning with the descriptive evidence in Table A.2 showing that migrants are more likely to sort into lower-paying contracts and occupations. Including geographic controls (e.g., province dummies) widens the gap, reflecting the concentration of immigrants in higher-earning regions.

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<sup>12</sup> This analysis focuses solely on formal employment. However, Tirozzi (2022) highlights a link between part-time and temporary contracts and informality at the firm level. Similarly, Depalo and Lattanzio (2024) reveal that the rise in part-time contracts observed in administrative data has recently diverged from trends reported in the Labour Force Survey, suggesting some degree of informality associated with these contracts. The higher prevalence of migrants among part-time and temporary workers may therefore reflect a greater likelihood of participation in the informal sector. This also implies that, considering informal employment, the geographical distribution of employment between migrants and natives may differ from what is reported here.

<sup>13</sup> We convert log points in percent differences. For example, the raw gap is 0.396 log points, hence the percent difference is  $100 * (\exp(-0.396) - 1) = -32.7$  percent.

**Figure 8. Earnings gap between natives and immigrants and co-worker sorting, Italy**



*Notes:* Panel A shows the results of OLS regressions estimating the log annual earnings gap for immigrant workers in 2022. Each bar represents the estimated coefficient under a specific set of controls. “Uncond.” reports the unconditional estimates, reflecting the raw mean log difference in annual earnings between immigrant and natives. “+ demo.” adds controls for gender and a second-order polynomial in age. “+ job char.” further includes controls for contract types (dummies for temporary, seasonal, and part-time), the number of employment relationships during the year, and broad occupational categories (dummies for white-collar, middle manager, executive, apprentice, or other, with blue-collar as the omitted category). “+ location” introduces fixed effects for the municipality of work. “+ firm char.” includes additional controls for firm size, the average log earnings of co-workers, and 2-digit NACE Rev. 2 sector fixed effects. The vertical lines are 95 percent confidence intervals, derived from firm-level cluster-robust standard errors. Panel B reports the share of immigrant co-workers for native and immigrant workers. The “Raw” measure includes all workers in the firm, while “Leave-one-out” excludes the focal worker – the one which we calculate the average on – from the calculation.

*Source:* Own elaborations on INPS, UNIEMENS.

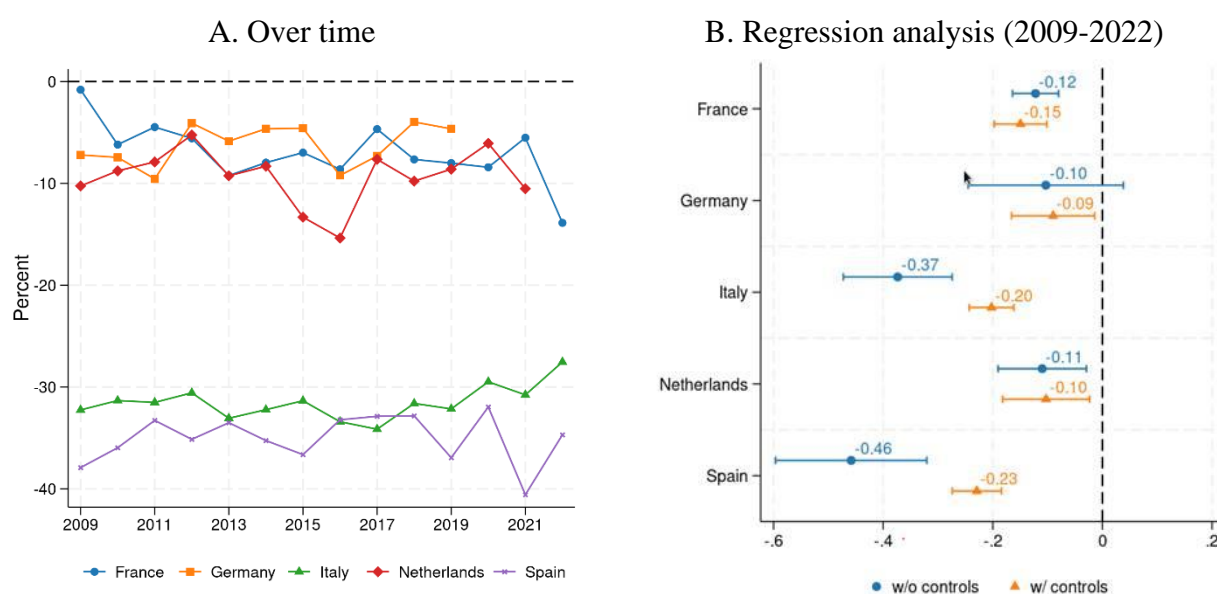
Figure 8, panel B, underscores significant workplace segregation: 28 percent of immigrants’ co-workers are also immigrants, compared to 11 percent for natives. Accounting for firm characteristics such as firm size, co-worker earnings, and sector reduces the gap by more than half, to 4.1 percent (Figure 8, panel A). These findings suggest that nearly all of the annual earnings difference between immigrants and natives can be explained by observable job and firm characteristics. The immigrant-native earnings gap varies across the distribution (Figure A.6, panel B), exhibiting a sinusoidal pattern. The gap is larger for individuals in the bottom half of the annual earnings distribution, decreases for workers in the top half, and converges to similar levels for those in the bottom and top 5 percent of the distribution.

The earnings gap between immigrants and natives in Italy is one of the largest among the main euro area countries.<sup>14</sup> Figure 9, panel A, shows the log annual labour income gap based on EU-SILC data,

<sup>14</sup> The earnings gap in EU-SILC data is smaller than that measured with INPS data in 2022 (27 percent vs. 33 percent). The differences may arise due to the distinct data sources (survey vs. administrative data) and sample selection (EU-SILC includes self-employed individuals).

with only Spain exhibiting a larger gap. In contrast, the gap is much smaller in France, Germany, and the Netherlands, ranging between 1 and 15 percent. Figure 9, panel B, pools data across years and presents coefficients of an OLS regression of log annual labour income on an immigrant dummy. The raw gap is 31 percent in Italy and 37 percent in Spain, more than three times the size of the gap observed in other euro area countries. Adjusting for worker and job characteristics—including age, age squared, education, self-employment, gender, year, and sector dummies—reduces the gap by roughly one-third in Italy<sup>15</sup> and Spain, but has little impact in Germany and the Netherlands. Interestingly, in France, the gap increases after controlling for covariates, indicating that immigrants there possess relatively higher-paying characteristics compared to natives. Similar conclusions are reached when focusing on log full-time equivalent monthly earnings (Figure A.7 in the Appendix).

**Figure 9. Annual earnings gap between natives and immigrants, cross-country comparison**



*Notes:* Panel A reports the percentage difference in annual earnings between immigrants and natives for each country over the period 2009-2022. Panel B reports the gap in log annual earnings, i.e. the coefficients of an immigrant dummy variable derived from pooled OLS regressions conducted over the entire period, with the log of annual earnings as the dependent variable. The “without controls” estimates are unconditional, while the “with controls” estimates account for a self-employment dummy, age, age squared, highest level of education attained, a female dummy, year dummies and sector (NACE section) dummies. Horizontal lines represent 95 percent confidence intervals, computed using standard errors clustered at the sector level. Note that data for 2009 and 2022 for the Netherlands, as well as 2020-2022 for Germany, are unavailable due to data breaks.

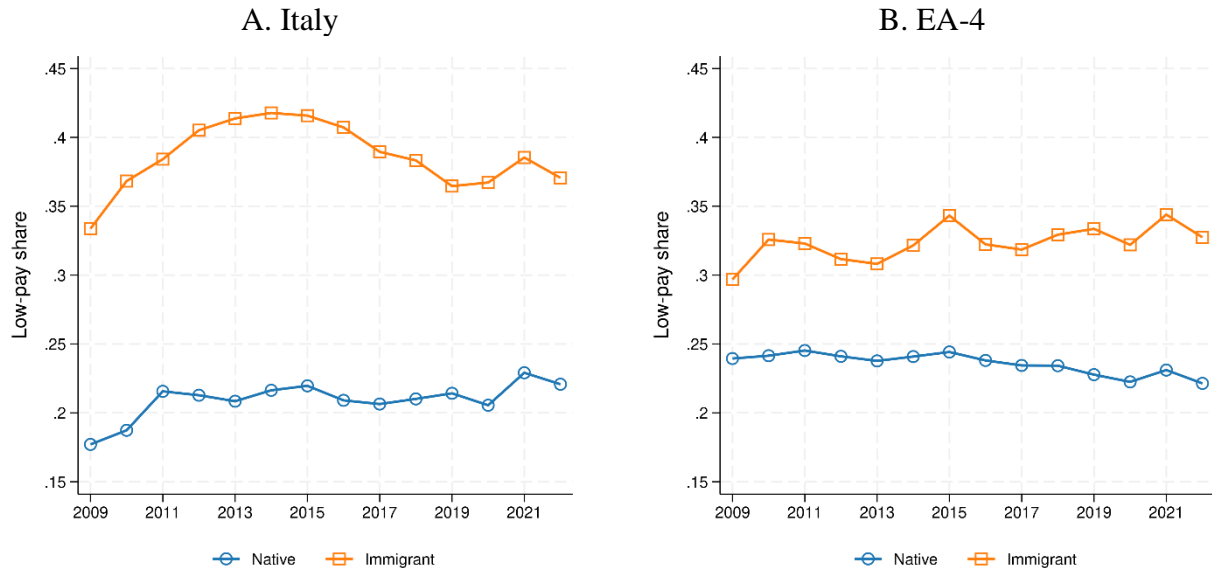
*Source:* Own elaborations on Eurostat, EU-SILC.

Immigrant workers in Italy are more likely to fall within the bottom tercile of the earnings distribution (Figure A.8) and are more likely to be low-paid compared to their counterparts in the EA-4 (Figure 10). Low-paid workers are defined as those earning less than 60 percent of the median annual

<sup>15</sup> The firm characteristics available in EU-SILC are limited to the sector. Therefore, their inclusion among regression covariates has a smaller impact on the estimated earnings gap compared to the extensive set of control variables available in the INPS data.

labour income (Bovini et al., 2023). While low pay is more prevalent among migrants than natives across the euro area, the disparity is particularly pronounced in Italy.

**Figure 10. Share of low-pay workers among natives and immigrants**



*Notes:* The figure shows the share of low-pay workers among immigrants and natives in Italy (panel A) and in the four main euro area countries—France, Germany, the Netherlands, Spain (panel B). For the latter group, the shares are weighted by each country’s population. Due to data breaks, data for 2009 and 2022 for the Netherlands, and for 2020–2022 for Germany are missing; these gaps have been imputed using a quadratic time trend estimated from the available data.

*Source:* Own elaborations on Eurostat, EU-SILC.

In Italy, the share of low-paid migrant workers rose from approximately 33 percent in 2009 to 42 percent following the sovereign debt crisis but has since declined to 37 percent. By comparison, the share of low-paid native workers has remained relatively stable at around 21–22 percent since 2011. In EA-4, the share of low-paid migrants has also increased but to a lesser extent, rising from 30 to 33 percent between 2009 and 2022. This highlights the relatively greater challenges faced by migrant workers in the Italian labour market, as well as their different composition compared to those in the EA-4.

#### 4. The role of migration policies in Italy and a comparison with alternative European systems

The set of laws and regulations that govern immigration in Italy is vast, blending European and national rules, administrative acts and practices, and elements of civil and criminal law. After having introduced the overall European framework of immigration laws, this Section provides (i) an overview of migration policies, focusing on the legal pathways for entering Italy (Section 4.1); (ii) a brief recap of alternative systems to manage legal migration in place in the largest European countries

(Section 4.2); (iii) a description of the main integration policies in Italy vis à vis the best practices of the Northern European countries (Section 4.3); (iv) an introduction to the rule that govern the acquisition of citizenship in Italy and in the largest European countries (Section 4.4); (v) a short reference to fiscal policies in relation to migration (Section 4.5). Unlike the data discussed earlier, which classify all non-Italians as immigrants, the policies outlined here specifically address individuals entering from non-EU countries. EU citizens, by contrast, benefit from the principle of freedom of movement and establishment, granting them rights to reside in Italy that are nearly identical to those of nationals.<sup>16</sup>

### ***The European immigration framework***

In the European Union, entry policy is a shared competence between the EU and its Member States and, despite greater integration in asylum policies and in those designed for skilled workers, the regulatory framework remains fragmented. In the area of legal migration, the EU sets the conditions for entry and residence of third-country nationals in one of the Member States and standards on long-term visas and residence permits.<sup>17</sup> However, individual countries retain the authority to determine volumes of admission of third-country nationals coming from third countries to their territory in order to seek work, whether employed or self-employed. Regarding illegal migration, the EU's main role is to coordinate and harmonise rules, while border control and the reception of irregular migrants remain the responsibility of national authorities.

On entering EU territory, aliens who do not have a visa may apply for asylum and may remain in the territory pending examination of their application. The Dublin Regulation (III No. 604/2013) reaffirmed that the state most involved in the applicant's entry into EU territory—typically the country at the border—bears the primary responsibility for examining asylum applications. The New Pact on Migration and Asylum, approved by the European Parliament and by the Council in the Spring 2024, introduces some changes. Key provisions include a compulsory solidarity mechanism, which allows for the relocation of asylum seekers and beneficiaries of international protection or financial contributions to Member States under migration pressures, and the introduction of a single simplified procedure for asylum applications. The new rules are supported by increased funding for international cooperation, border control, and asylum procedures, though implementation has not yet begun. If an asylum application is rejected, and there is no other reason for issuing a residence permit, the foreigner is in an irregular situation and should leave the territory of the EU according to the law

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<sup>16</sup> European citizens have the right to work upon having established legal residency by declaring it to the local police immigration offices.

<sup>17</sup> With respect to working permits, EU directives establish common criteria regard the single work permit (2011/98/EU), seasonal workers visas (2014/36/EU), and admissions of highly qualified immigrants (EU Blue Card).

of the country where is recognized as an illegal immigrant, but in practice it may not happen.<sup>18</sup> It should therefore be borne in mind that some irregular migrants are asylum seekers whose applications have been rejected, while others have never applied for asylum or have entered the country with a visa that has since expired.

#### **4.1 Work-based migration in Italy: an overview of the relevant legislation and its evolution**

##### ***The general principles set by the 1998 Immigration Act***

Under Italian law in place since the late 1990s (Law 40/1998, “Turco-Napolitano”, and Legislative Decree 286/1998, “Immigration Act – TUI”), entry into Italy from outside the European Union requires a regular visa. Staying in the country is subject to obtaining a residence permit, which must be requested upon arrival at a post office or local police station.

Residence permits for work purposes are regulated by the triennial programming document and the annual “quota decree” (*decreto flussi*) which sets maximum admission quotas, based on the applicant’s country of citizenship and type of employment contract (some categories, including highly qualified foreign workers and those entering for study reasons, are exempt from quotas—see below). The residence permit is valid for up to 9 months for seasonal workers, 1 year (renewable) for fixed-term contract workers, and 2 years (renewable for an additional 3 years, as per a 2023 amendment to the TUI) for permanent contract workers and the self-employed. After five years of holding a residence permit, immigrants who demonstrate adequate resources and knowledge of the Italian language are eligible to apply for an EU long-term residence permit (*permesso di soggiorno UE per soggiornanti di lungo periodo*), which is of unlimited duration.

The process for issuing a residence permit for work is initiated by the employer and follows multiple administrative steps that involve the police, the immigration office (*Sportello Unico dell’Immigrazione*), and public employment services. The complexity of the procedure, combined with the limited number of quotas compared to employer demand, creates significant uncertainty in obtaining the permit. Specifically, the employer must first request authorisation to hire a foreign worker (*nulla osta*), identifying the person they intend to employ and demonstrating that no suitable

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<sup>18</sup> Eurostat collects statistics on immigration enforcement on voluntary basis from each Member State since 2014. As noted by Eurostat, the national enforcement framework affects the resulted figures and severely limits data comparability between the Member States. According to the Eurostat data, in Italy in 2022 (latest year for which all the following statistics exist), 138,420 immigrants were found to be illegally present, 28,185 were ordered to leave and 2,785 were left the country by forced return.



worker already present in Italy is available for the job.<sup>19</sup> Authorisation and the entry visa are granted only if no issues related to public security or labour law violations arise. Critically, the limited quotas with respect to demand lead to a rapid allocation at the opening of the process, which then ends within the day (the so called “click days”; Pinotti, 2017). The residence permit is issued once the worker enters Italy and signs the residence contract, which commits the employer to make sure the worker has suitable accommodation and cover travel expenses in case of the worker’s eventual expulsion from the country.

### ***The 2023 and 2024 immigration decrees***

The Decree-Law 20/2023 introduced relevant albeit temporary changes by merging the abovementioned programming document and the quota decree into a single framework that establishes both the annual quotas for the period 2023-2025 and certain common criteria for entries (both within and outside the quotas). These criteria include: i) progressively narrowing the gap between incoming migration flows and labour market demand; ii) expanding the range of economic sectors included in the flow planning; iii) enhancing training programs in migrants’ countries of origin; iv) fostering collaboration with countries of origin to promote regular migration; v) incentivising the entry of highly skilled workers; and vi) supporting the admission of stateless individuals and refugees for work purposes. The Decree-Law approved into law on December 4, 2024 (DL 145/2024) introduced the triennial quota programming also for the period 2026-2028.

Between 2023 and 2025, the decree allows the entry of 452,000 workers under the quota system. Of these, 58.7 percent are seasonal, 40.9 percent non-seasonal, and a residual share are self-employed (Table 2).<sup>20</sup> For non-seasonal work, the decree covers a broad range of sectors, including freight transport, construction, tourism and hospitality, mechanics, telecommunications, food industry, shipbuilding, passenger transport by bus, fishing, hairdressing, electricians, and plumbers. Seasonal workers may only be employed in agriculture and the tourism sector.<sup>21</sup>

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<sup>19</sup> At the employer’s request, the Public Employment Service (PES) has 15 days to provide a suitable candidate. The employer can proceed with the residence permit application if the PES does not respond to the request, the candidate does not turn up or is deemed not a good match for the job.

<sup>20</sup> The flows decree establishes that 75,000 non-seasonal workers will come from countries with which Italy already has cooperation agreements and 60,000 (in addition to 34,000 seasonal workers) from those with which such agreements will be concluded in the three-year period 2023-25.

<sup>21</sup> The decree also provides additional criteria for the selection of the immigrant workers: the provision of preferential quotas reserved for workers from States that promote media campaigns on the risks of irregular migration trafficking (9,000 seasonal and 7,500 non-seasonal in the three-year period 2023-2025); the allocation of the requested agricultural workers with priority over new applicants to employers who have not been allocated all or part of the requested labour; new quota specific to workers in the family and socio-health care sectors (28,500 workers in the three-year period).

**Table 2. Provisions of entry quotas of foreign workers by year in 2023-25**

Type of workers	2023	2024	2025	Total
Seasonal	82,550	89,050	93,550	265,150
Non-seasonal	52,770	61,250	70,720	184,740
Self-employed	680	700	730	2,110
Total	136,000	151,000	165,000	452,000

*Notes:* Entry quotas by type of contract and entry year according to flow decree 2023-2025.

*Source:* D.P.C.M. 27 September 2023 (“decreto flussi 2023-25”).

Working in Italy is also allowed under certain types of residence permits that are not subject to quotas. DL 20/2023 introduced the possibility of converting residence permits for study purposes into work permits outside the quota system. Previously, the Immigration Act allowed the conversion of permits issued for study and training purposes into work permits, but only within the annual quotas and prior to the permit’s expiration. This required either a residence contract for work or certification for self-employment. This system created a paradox, lasting over two decades, where foreign students trained in Italy were unable to remain and work in the country. More recently, the 2024 Immigration Decree further expanded this flexibility, by allowing the conversion of seasonal work permits and permits held by victims of illegal brokerage and labour exploitation into work permits.<sup>22</sup>

A second major innovation introduced by the 2023 immigration decree is the possibility for foreigners to apply for a work permit upon completing language and qualification courses organized abroad by Italian regions and employer associations. While organizing such courses in foreign countries poses logistical and bureaucratic hurdles—particularly as they are only available in countries with bilateral migration agreements with Italy—this approach can potentially increase the number of foreigners entering for work reasons beyond the limits set by the quota decrees, and mirrors a system already in place in Germany (see below).

### ***The EU Blue Card***

The EU Blue Card is a work and residence permit designed to attract highly skilled non-EU nationals to work in EU member states outside the quotas. Its criteria have been recently reformed by Legislative Decree 152/2023 implementing the Directive (EU) 2021/1883, which repealed the Directive 2009/50/EC. Under the revised rules, the EU Blue Card is valid two years if the employment contract is open-ended. For fixed-term contracts, the residence permit lasts three months beyond the

<sup>22</sup> Other provisions of the decree relate to the simplification of some administrative procedures, additional checks on the actual recruitment of the foreign worker by the employer, the imposition of employer-specific quotas and a tightening on family reunification. Family reunification can only be applied for after an uninterrupted period of legal residence of at least two years in the national territory.

contract's expiration date.<sup>23</sup> Italy has historically issued a very limited number of EU Blue Cards, totalling fewer than 3,900 since the start of harmonized data collection in 2014—with a record high of 747 in 2023—, compared to 384,000 in Germany, 19,000 in France and 1,500 in the Netherlands. The recent changes aim to increase uptake by lowering the qualification standards, broadening eligibility to include seasonal workers and family members of EU citizens, and reducing minimum contract duration to six months (from one year). Additionally, the period during which holders are restricted to high-skilled jobs has been shortened to one year (from two years).<sup>24</sup> Mobility of highly qualified workers within the EU has also been facilitated, with the minimum required stay in the country of entry to 12 months (from 18 months). Lastly, the time required to issue a residence permit has been halved, from 60 to 30 days.

### ***Other permits allowing labour market participation***

The most common type of permit for entering Italy is the residence permit for family reasons, held by approximately 1.7 million people in 2023 (see Appendix Table A.1). It grants the holder the right to enrol in educational or professional training courses and to engage in wage or self-employment. In cases of the death of a family member, legal separation, or the dissolution of a marriage, this permit can be converted into a work or study permit. Since approval of the 1998 Immigration Act, the right to work is also provided under certain other residence permits, though with varying conditions. For instance, the permit for medical treatment allows work under specific circumstances but cannot be converted into a work permit. Additionally, permits are available for specific purposes such as sports activities, translators or interpreters, artistic work, scientific research, working holidays, apprenticeships (subject to the annual quotas set by the flows decree), and nursing.

Of particular interest is the residence permit for job searching (art. 22, TUI). Modified in 2012, it allows foreign citizens who have lost their job to remain in Italy for an extended period, beyond six months, while actively seeking new employment. This permit, which requires registration at public employment centres, is valid for at least one year or for the duration of any income support benefits received by the foreign worker.

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<sup>23</sup> The Ministry of Interior issues this type of residence permit to highly qualified foreigners following the stipulation of a residence contract for work.

<sup>24</sup> In terms of qualifications, the Immigration Act now provides that those who have at least five years' professional experience in the profession or sector in which they are called upon to work can obtain the EU Blue Card. It can be granted also to persons with a university education or a qualification for the exercise of a regulated profession (the latter group was already included in the previous legislation). The experience required for workers in the information and communication technology sector is cut to only three years. The highly qualified worker is now allowed to combine the subordinate activity for which he was hired with a self-employed activity.

Finally, asylum seekers granted refugee status or another residence permit for international protection are entitled to family reunification and participation in the labour market.<sup>25</sup> Those whose applications for international protection are denied can appeal the decision but are required to leave the country if the appeal is rejected.<sup>26</sup> Regardless of the outcome, all asylum seekers are legally permitted to work 60 days after submitting their initial application for international protection and may continue working until a final decision—either approval or rejection—is reached. This process can take several years. This group predominantly consists of low-skilled migrants, but is rather small, contrary to common perception. At the end 2023, asylum seekers accounted for just 3.6 percent of all foreigners holding a residence permit, or approximately about 134,000 people (Appendix Table A.1).

### ***Regularisations***

In recent years, migrants residing in Italy without a valid residence permit and working without a formal job contract have been subject to regularization through various decrees. The largest regularization event took place in 2002, targeting undocumented foreign workers without stringent restrictions on their occupation or sector of activity. This initiative resulted in approximately 650,000 foreign workers obtaining regular residence permits for work reasons (Devillanova et al., 2018; Di Porto et al., 2023): firms that regularized and employed migrants experienced an increase in total employment—primarily at the expense of previous migrants, who were the most substitutable group of workers. Native workers tended to move to other firms, and firms' average wages fell (Di Porto et al., 2023). Moreover, regularized migrants showed strong labour market attachment in subsequent years. Since 2002, regularization efforts have been more limited, focusing on specific occupations (homecare workers) or sectors (agriculture, fishing, care and domestic work, as in the recent 2020 regularization).

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<sup>25</sup> According to the Italian law, international protection can be granted under three different schemes: refugee status (based on the 1951 Geneva Convention), subsidiary protection, or special protection.

<sup>26</sup> According to the official Eurostat Enforcement of Immigration Legislation statistics the number of enforced returns to a third country are very low. In 2023, Italy enforced just 3,275 returns out of 26,460 people ordered to leave (12.4 percent). The

## 4.2 Comparison with other immigration systems

The following sections outline some recent reforms in migration laws in European countries, especially Germany and UK, designed to increase the number of foreigners entering for work reasons, independent of a quota system.

### *The German approach: recognition of qualification*

In Germany, immigration is permitted under specific conditions for foreigners who have secured an employment contract for a qualified position, have a professional or academic qualification recognised in Germany, or who are in the process of obtaining one. There are no quotas based on sector or nationality.<sup>27</sup>

The residence permit for employment purposes is available to individuals with a job requiring a degree or qualified vocational training recognized in the country. The permit is valid for up to four years and, unlike in Italy, is never shorter than the duration of the employment contract. Moreover, foreign workers who have held this permit for at least three years become eligible for a permanent residence permit under certain conditions. These provisions do not apply to holders of the EU Blue Card, which, as in Italy, has been extended to include occupations with lower salary thresholds, such as IT jobs and other professions experiencing labour shortages.

In addition to EU Blue Card holders, other groups of foreigners are not required to have qualifications recognised in Germany. These include workers from the Western Balkans and those with prolonged experience in professions that typically do not require formal qualifications.

Since the 2023 migration reform, foreigners can enter Germany for up to one year to search for a job using the so-called “opportunity card”. Eligibility is based on either a recognised academic or professional qualification or a points-based system. This points system evaluates factors such as vocational training acquired abroad (subject to recognition in Germany), professional experience in high-demand occupations, proficiency in German and English, and young age. Applicants must also demonstrate they can financially support themselves during their stay.

Central to all entry pathways is the qualification recognition process, applicable to both regulated and unregulated professions, involving employer associations. This process, accessible through an online portal, has proven effective in promoting labour market integration and addressing shortages in specific occupations (Brücker et al., 2021; Anger et al., 2024).

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<sup>27</sup> Exceptions are only quotas for seasonal workers and for short-term contracts in case of severe shortages of workers.

The 2023 migration reform introduced additional opportunities for work and training-based immigration while simplifying the existing pathways for skilled labour. Under the new rules, anyone with a university degree can now access any skilled occupations without needing to demonstrate German proficiency or prove qualifications specific to the job they are seeking.

### ***The UK score-based approach to flow management***

The UK's point-based immigration system, originally introduced in 2008 with the reform of the Immigration Rules and modelled after the Australian system, evaluates applicants based on their skills and professional experience. Following the UK's exit from the European Union, the system underwent partial reform, extending its application to EU citizens from 1 January 2021 and ending free movement. Similar to the German system, the UK's framework is designed to attract highly skilled workers but does so explicitly through an ex-ante evaluation process.

Replacing the previous method of nominative sponsorships for foreign workers, the system is structured into multiple channels, all of which require applicants to meet a minimum points threshold. One channel targets individuals seeking to establish a business, engage in research and innovation, and those holding a degree from a prestigious foreign university (awarded within the last five years) or specialising in STEM fields. Another channel is dedicated to skilled workers sponsored by UK employers who are unable to find suitable domestic candidates. Applicants in this category must earn at least £38,700 (or £30,960 for occupations on the shortage list, with both thresholds significantly increased in 2024) and demonstrate English proficiency.

The criteria for earning points vary by channel, but all require a minimum score to qualify for a visa. Successful applicants are typically granted an initial stay of three years, renewable for an additional two years, subject to specific conditions. After five years, they become eligible to apply for settlement (permanent residency) in the UK.

Outside the points-based system, the Graduate visa introduced in 2021 offers unrestricted work rights for two years post-graduation to students and their dependants. Additionally, a dedicated channel exists for care workers.

### ***Low-skilled migration under qualification-based and point-based systems and other recent reforms***

Both systems described above aim to attract professionally qualified and highly skilled workers, with no formal channels for unskilled migration. However, both Germany and the UK have experienced waves of low-skilled and unskilled migration in recent years.

Germany, in particular, has integrated a large number of low-skilled EU workers, who migrated under the European principle of free movement, as well as non-EU asylum seekers, including approximately

1 million refugees between 2015 and 2016, primarily from Syria. Refugees, often migrating unexpectedly, typically face significant barriers to entering the host country's labour market due to limited language proficiency and job skills. Nevertheless, effective integration policies can help bridge these gaps, as evidenced by Scandinavian countries (see also Section 4.3). Germany's approach to asylum seekers is relatively welcoming, offering access to language and vocational courses, as well as the right to work, in some cases even during the evaluation of their humanitarian protection status (Brücker et al., 2019). The successful integration of low-skilled migrants and asylum seekers in Germany over the past decade has been facilitated by effective labour market integration policies and tight labour market conditions (Higgins and Klitgaard, 2019). More recently, refugees from Ukraine have bolstered the labour supply in Germany, as well as in Poland and the Czech Republic (Botelho, 2022). Their successful integration has been supported by access to language courses—though possibly less extensively than in the past (Honorati et al., 2024)—strong labour demand, and the opportunity to seek employment upon arrival (Caselli et al., 2024).

In the UK, the EU's principle of free movement prior to Brexit enabled large inflows of low-skilled workers. The stricter migration rules introduced in 2020 aimed to reduce low-skilled migration. However, changes implemented in 2021—such as the inclusion of family members in work and study permits (a provision largely revoked in 2024) and the option to work for up to two years—led to a significant increase in legal unskilled migration during the 2022-2023 period. The recent regulatory adjustments are expected to curb low-skilled immigration in the UK, though employers' associations continue to raise concerns over severe labour shortages, including for unqualified positions. Additionally, the *No Recourse to Public Funds* condition, which restricts non-EU citizens on work, study, or family visas from accessing most welfare benefits until they are granted indefinite leave to remain, acts as a further disincentive for low-skilled immigration.

Finally, of particular interest is the reform adopted by the Spanish government in November 2024, which aims to improve integration and covers several aspects of migration policy.<sup>28</sup> The new law allows for a regularisation process for those whose residence permit has expired or who have lost it, if they have resided in Spain for at least two years. In this way, people with some ties to Spain—mainly low-skilled workers—have a clear path to regularisation (divided into different channels:

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<sup>28</sup> Among other changes, the reform allows people to work immediately without needing to apply separately for an initial work permit, including those migrating for study purposes (students will be permitted to work up to 30 hours per week); extends the validity of the “job-seeker’s visa” from three months to one year; introduces measures to combat irregularities while addressing employers’ labour needs; simplify administrative processes; and standardizes visa length to one year (all renewals will last four years).



social, socio-occupational, family and second chance) and can avoid falling into irregularity and the black economy.

#### **4.3 Policies aimed at socio-economic integration in Italy and Northern European countries**

As noted earlier, low-skilled immigration in Germany and other Northern European countries, largely driven by asylum seekers, is most effective when accompanied by adequate reception and integration policies. The economic benefits of immigration are maximised in the medium to long term when immigrants achieve high levels of labour market participation and integration in the host countries. Denmark provides some of the most well-documented examples of successful integration (Arendt et al., 2022; Foged et al., 2024; Arendt et al., 2024). Initiatives that combine language training with the initial placement of refugees in expanding labour markets have proven particularly effective. Additionally, active labour market policies focused on training for occupations experiencing labour shortages have significantly improved integration and employment outcomes for low-skilled migrants. In contrast, limiting access to income support programs or delaying labour market entry by prohibiting asylum seekers from working can undermine long-term integration prospects, making it harder for migrants to integrate into local communities (Fasani et al, 2021).

Immigrants arriving in Italy for work, those holding a residence permit that allows to work, or those seeking employment with a specific permit (see Section 4.1), are not required to attend language or vocational training courses. However, when converting their permit to a permanent one (the EU long-term residence permit), applicants must demonstrate, through a test or educational qualification, a minimum proficiency in Italian, equivalent to level A2 of the Common European Framework for Languages. This standard is relatively low compared to the requirements imposed on immigrants in other countries, such as Germany. The need for language training is particularly high in Italy compared to the EA-4. According to the 2021 Eurostat EU-LFS ad hoc module on migration, the share of migrants with no knowledge of the destination language is higher than the EA-4 average (Figure 11, panel A), while the share of those participating in language courses is significantly lower (Figure 11, panel B). 2022 Eurostat data further highlight the very low participation of migrants in Italy to both formal education (Figure 11, panel C) and informal training (Figure 11, panel D).

Italy's integration policies for asylum seekers and other immigrants without employment face challenges due to a long-standing lack of focus on active integration measures and a significant

fragmentation of responsibilities.<sup>29</sup> Various entities share the duties, including municipalities—traditionally focused on providing first-aid welfare—regions, the Ministry of Labour, which is responsible for training and active labour market policies (previously with the National Agency for Active Labour Policies until its dissolution in 2023), and the Ministry of Interior, which oversees migrants' settlement more broadly. Integration programs, when available, are almost exclusively implemented by NGOs. According to Ballatore et al. (2017), the overall cost of hospitality in 2014-2015 was approximately 30 euro per person per day, amounting to about 1.6 billion in total.

As consequence of limited investments into integration, refugees and asylum seekers in Italy assimilate into the labour market more slowly than other migrants (Ballatore et al., 2017). Moreover, legal disincentives to work play an important role: asylum seekers are prohibited from working for the first 60 days after arrival and risk losing access to government-sponsored accommodations if they become financially self-sufficient. In fact, only those who are unable to support themselves during the application process are assigned to emergency reception centres (*Centri di Accoglienza Straordinaria*, CAS), which are distributed across the country. However, CAS centres do not provide basic language courses or training, even to those who have been granted international protection. Foreigners who obtain refugee status can also be transferred to reception and integration centres (*Sistema di Accoglienza e Integrazione*, SAI). Established in 2020, SAI centres aim to offer both basic assistance and integration opportunities.<sup>30</sup> These centres provide a range of integration activities, including language courses, job training, and legal assistance, representing an improvement over the pre-2020 system (SPRAR and SIPROIMI centres). Despite these improvements, SAI centres face significant challenges. They are funded by the Ministry of the Interior through open calls for projects submitted by municipalities, but the participation in these calls has been low and many refugees are still housed in accommodation-only centres. To strengthen the SAI network, local authorities could also be compensated for the increased costs of providing local public goods and services (e.g., local public transport).

The limited effectiveness of active integration and training policies for foreigners in SAI and CAS centres is underscored by experimental initiatives such as the Forwork project (Fondazione Rodolfo

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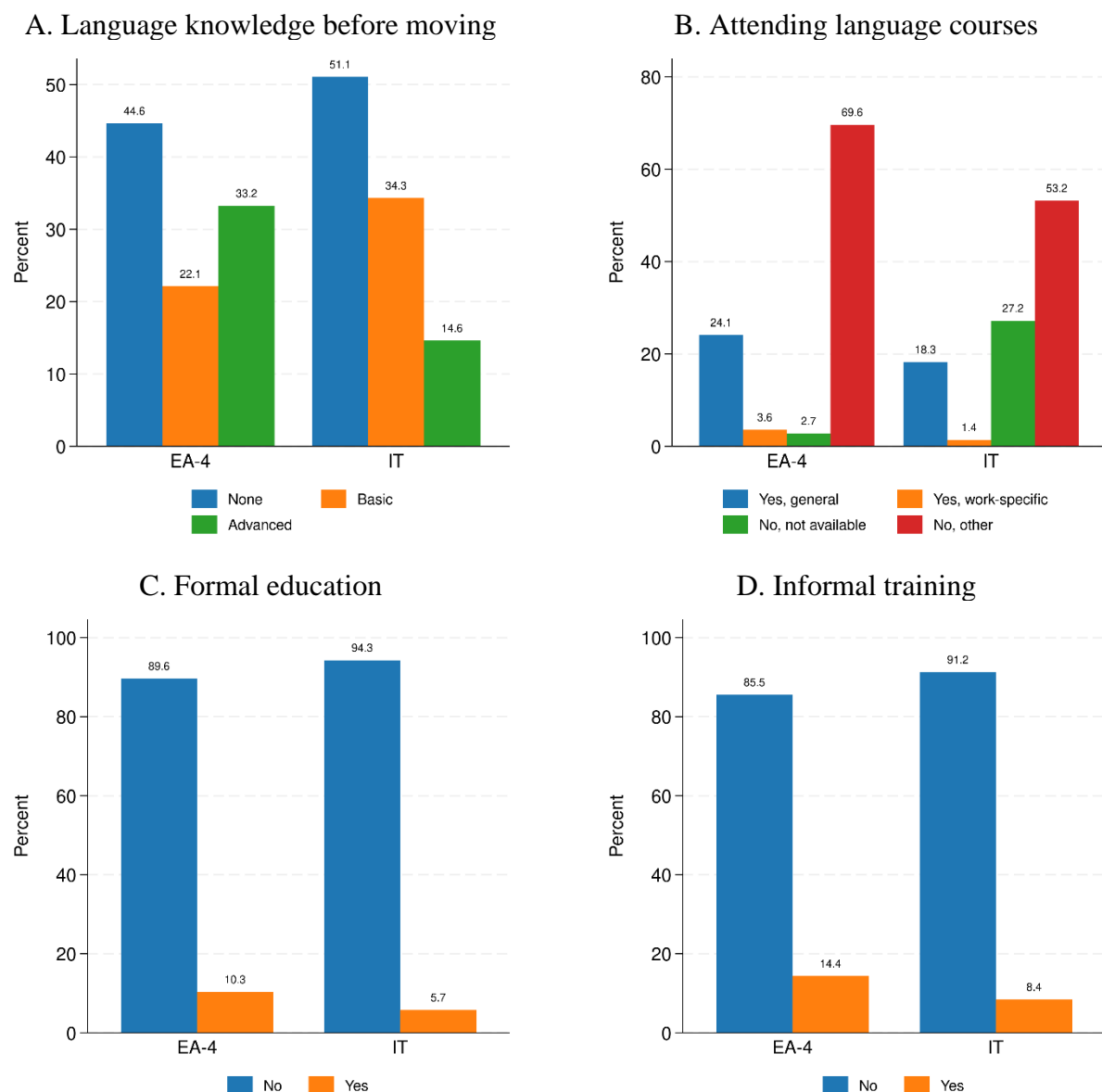
<sup>29</sup> A proper cross-country comparison of the funds allocated to migrants' integration is challenging because of the lack of harmonized statistics. European countries can use both national and European funds and local governments are often responsible for the provision of such programmes. Within the main European fund, the Asylum, Migration and Integration Fund (AMIF) part of the European 2021-2027 cohesion policy, Italy devotes less than 25 percent of the resources to active integration measures (and none on information, orientation, one-stop shops, civics and other training except language courses) compared to 26 percent for Germany and 27 percent of France.

<sup>30</sup> A recent reform introduced in 2023 (law decree 20/2023) prevented asylum seekers from accessing reception and integration centres (unless they enter through international humanitarian corridors) and increased the number of emergency centres that are not required to provide integration and language training courses. Both measures increase uncertainty for recent migrants and reduce the possibility to integrate effectively in Italy.

Debenedetti, 2021), launched in 2019 by the National Agency for Active Labour Policies and other associations. The randomized controlled trial provided a comprehensive package of services to a group of foreigners hosted in CAS centres. The services included individual support from job mentors, placement services, recognition of prior qualifications, language and civic education courses, and vocational training. The experimental results revealed that participants to the program had an employment rate 37 percent higher than the control group, and showed significant improvements in their ability to understand and speak Italian.

While policies explicitly focused on integration are important, they represent only part of the effort needed to incorporate migrants into the labour market. Income support policies, recently revised to improve access for immigrant families, along with full access to childcare and education, play a crucial role. These measures not only facilitate the integration of children but also increase the employment prospects of their parents.

**Figure 11. Migrants' language knowledge and participation in formal education and informal training**



*Notes:* The figure shows the distribution of foreign-born individuals in terms of their knowledge of the destination country's language in 2021 (panel A), attendance of language courses in 2021 (panel B), participation in formal education in 2022 (panel C) and engagement in informal training over the past 12 months in 2022 (panel D) in Italy and in the four main euro area countries—France, Germany, the Netherlands, Spain. For the latter group, the shares are weighted by each country's population. Rounding errors in the graphs are due to missing values in the survey responses.

*Source:* Own elaborations on Eurostat, EU-LFS.

#### 4.4 Citizenship policies in Italy and in the main European countries

The Italian citizenship law, established in 1992 (Law 91/1992), primarily operates on the principle of *iure sanguinis* (right of blood), where citizenship is passed from parents (or one parent) to their children. Decree-Law 37/2025 limited the acquisition of nationality at birth for descendants of Italian citizens, born abroad, to cases where they have at least one parent or grandparent born in Italy. Children of Italians will automatically acquire citizenship if they are born in Italy or if, prior to their birth, one of their citizen parents resided for at least two continuous years in Italy.<sup>31</sup> For those who do not have such links with Italian citizens, citizenship birth is granted in limited cases: for children born in Italy to unknown or stateless parents, if the parents' country does not grant citizenship at birth, or if the child has permanent residency in Italy but the parents are unknown.

To acquire Italian citizenship, foreigners must meet specific residency requirements. Non-EU citizens must have legally resided in Italy for at least ten years, while EU citizens require a minimum of four years, provided they comply with the rules on entry, residence, and civil registration. This residency requirement helps explain the delay between the large migration inflows of the early 2000s (Figure 2) and the peaks in citizenship acquisition around 2015-16 and in 2022 (Appendix Figure A.1). Citizenship is granted through a discretionary process that evaluates the applicant's successful integration into Italian society, reflecting their full membership in the national community. Economic and financial factors, such as having adequate means of subsistence, may also influence the decision. Individuals born in Italy from foreigner parents can acquire Italian citizenship if they have resided in the country legally and continuously until adulthood and declare their intention to become citizens within one year of reaching the age of majority.

Foreigners married to Italian citizens can acquire citizenship upon request, provided they meet specific residency requirements: after at least two years of marriage if residing in Italy or three years if living abroad.<sup>32</sup> Nationality can also be granted by concession, among other special cases.

In recent years, numerous legislative proposals have sought to expand the criteria for obtaining citizenship, particularly to facilitate access for young people who have regularly attended a school in Italy for at least five years or were born in the country to foreign parents who have been resident for

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<sup>31</sup> Together with the decree-law, the Government approved two bills introducing further measures on the subject, but which do not intervene fully in the discipline of citizenship.

<sup>32</sup> The other main conditions relate to the persistence of the marriage bond, the absence of criminal convictions for certain crimes and other national security criteria.

at least five years.<sup>33</sup> Although this debate remains ongoing, no changes have been made to the 1992 framework.

In Europe, citizenship laws are generally based on ancestry, and no country grants citizenship automatically at birth, unlike the United States and other countries in the Americas. Each European country sets its own specific criteria for acquiring citizenship, whether at birth to non-citizen parents or later through naturalisation, often including a minimum residency requirement. On average, European countries require at least seven years of residence before immigrants can apply for naturalisation, though significant variation exists. Notably, Belgium, Germany, Ireland and Portugal are exceptions, allowing nationality to be acquired at birth if the parents, though foreign nationals, have resided in the country for a specified period.

Debates about reforming citizenship laws are becoming increasingly common across Europe. A particularly relevant case is Germany, which reformed its citizenship law in 1991, 2000 and 2024.<sup>34</sup> In the 1990s, 16- to 23-year-old foreigners could apply for German nationality if they had legally resided in the country for eight years and attended a school there for at least six years. The 2000 Nationality Act introduced a form of *ius soli* (citizenship by birth) under specific conditions, requiring at least eight years of legal residence by parents (Gathmann and Keller, 2018). At the same time, the law also restricted *ius sanguinis* to cases where the German parent (or parents) was born abroad before 2000 and eased the criteria for naturalisation. The 2024 reform further expanded access to German citizenship. It reduced the residency requirement for naturalisation from eight to five years, provided applicants could demonstrate self-sufficiency without relying on state benefits and met legal requirements. For *ius soli*, the parents' residence requirement was lowered to five years. Additionally, the reform abolished the long-standing requirement to renounce foreign citizenship, removing a significant barrier to integration and citizenship for many applicants.

Proposals to amend citizenship laws—whether based on residency or birth criteria—are often met with significant scepticism, likely due to their symbolic and politically charged nature. However, the economic literature shows that naturalised immigrants and refugees tend to achieve better outcomes than their non-naturalised counterparts in terms of employment probability, occupational quality, and income (Gathmann and Keller, 2018; Fasani et al., 2024; Frattini and Bertino, 2023). While this disparity might reflect the greater willingness to integrate among immigrants who pursue citizenship,

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<sup>33</sup> See, among others, Bill A.S. No. 2092 approved by the Chamber of Deputies on 13 October 2015 and Bill A.C. 105-A preliminarily approved by the Chamber's Constitutional Affairs Committee in June 2022. Neither bill has since been finally approved.

<sup>34</sup> Minor amendments to the law were also introduced in 2005, 2007, 2009, 2014 and 2021.

caution is warranted when interpreting these findings causally. Nevertheless, recent cross-country evidence indicates that simplifying the path to citizenship could play a key role in improving the integration of immigrants into their host societies (Gathmann and Garbes, 2023).

#### 4.5 Fiscal policies

The main fiscal policies related to migration include welfare programs and public services, which may restrict or extend access to specific groups of migrants, and targeted tax regimes aimed at attracting foreigners or nationals living abroad. These fiscal measures are often used to influence migration patterns, either encouraging or discouraging certain groups from relocating. However, the economic literature reveals significant heterogeneity in their effectiveness.

Regarding access to welfare programs, studies have shown that migrants consider the generosity of welfare systems when choosing their destination, though the overall effect is quantitatively small (De Giorgi and Pellizzari, 2009). Additionally, the European Union mandates that minimum income schemes and other welfare programs must be accessible to all long-term residents, regardless of nationality (Council Directive 2003/109/EC, art. 11). This principle is reflected in Italy's new minimum income scheme (*Assegno di inclusione*), which eased eligibility criteria for foreign households compared to the previous scheme (*Reddito di cittadinanza*), which required at least 10 years of residence to qualify.

In Italy, migrants access welfare programs at higher rates than natives (Pellizzari, 2013). However, they tend to generate a net fiscal surplus at both the local and aggregate level. At municipal level, migrants contribute more in local taxes than they receive in expenditures (Mariani et al., 2024), while at national level their net social security contributions are positive due to the structure of the Italian welfare system, which is heavily focused on public pensions (INPS, 2017).

Restricting migrants' access to welfare programs has been shown to increase labour supply (East, 2018), as predicted by standard economic theory. However, these effects are typically short-lived and may undermine long-term integration (Arendt et al., 2022; Dustmann et al., 2024; Foged et al., 2024).

Regarding taxes, the economic literature widely acknowledges that individuals choose their location based on tax differentials, with the migration elasticity to income taxes being particularly high.<sup>35</sup>

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<sup>35</sup> While migration is sensitive to differential tax regimes, a new strand of the literature demonstrates that the effects of capital income and wealth taxes on mobility, also accounting for tax avoidance, are rather limited. Advani et al. (2023) show that emigration from the UK increased after a 2017 reform that imposed capital taxation to long-staying foreigners; the effects are, however, quantitatively small. Jakobsen et al. (2024) establish similar findings for Sweden and Denmark.

However, due to data limitations and identification challenges, most research focuses on high-income individuals, leaving evidence for the general population relatively scarce (Kleven et al., 2020). The most credible empirical insights come from studies on preferential tax schemes for foreigners, which are implemented in many European countries (Table 3). Research leveraging the quasi-experimental variation created by changes in these tax regimes consistently find that top earners and foreigners—more so than returning native—are highly responsive to the incentives provided by lower tax rates (Kleven et al., 2013; Kleven et al., 2014; Giarola et al., 2023).

**Table 3. Summary of preferential tax schemes to foreigners**

Country	Year of implementation	Income eligibility criterion	Duration of scheme	Preferential tax treatment
Denmark	1991	Yes	3 years originally, now extended to 7 years	Flat income tax of 30% originally, now 27%
Finland	1999	Yes	2 years	Flat income tax of 35%
France	2004	No	5 years originally, now extended to 8 years	30% of taxable income is tax exempt
Italy	2011	Yes (600,000 euro since 2024)	5 years (can be extended)	70% of taxable income was exempt originally, now 50%
Netherlands	1985	Yes	5 years originally, now extended to 10 years	35% of taxable income was exempt originally, now 30%
Portugal	2009	No	10 years	Flat income tax of 20%
Spain	2005	Yes (since 2010)	6 years	Flat income tax of 24%
Sweden	2001	Yes	3 years	25% of taxable income is tax exempt

*Notes:* The Table replicates Table 2 in Kleven et al. (2020) with the exception of Italy, whose information was updated to the latest 2024 reform. As reported in Kleven et al. (2020), in the Netherlands the 35 percent ruling was officially implemented by law in 1985 but had been used informally since the 1960s, based on a non-public internal resolution of the Dutch Revenue Service.

*Source:* Kleven et al. (2020) and Italian Legislative Decree 209/2023.

Italy offers several preferential tax schemes for returning natives and eligible foreigners, with the most prominent being the “*legge controesodo*”, introduced in 2010 to attract emigrants back to Italy, as well as other EU citizens who had lived in Italy and moved abroad for at least two years.<sup>36</sup> Initially, the scheme provided for a 70-80 percent (later reduced to 50 percent in 2015) exemption on labour income, with no income cap, for college degree holders born after 1 January 1969. The scheme was made more generous in subsequent reforms. In 2015, eligibility criteria were broadened to include all workers, regardless of birth cohort, previous residence in Italy, or citizenship. Further changes in

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Thus, the evidence points to a much smaller migration elasticity to wealth than to income taxes, at least among the top earners.

<sup>36</sup> The other two main preferential tax schemes are (i) a 90 percent exemption on labour income for researchers and academics moving their residence to Italy, and (ii) a flat tax on foreign income, amounting to 100,000 euro aimed at attracting high-net-worth individuals who have been non-tax resident in Italy for at least 9 years out of the 10 years preceding their transfer to Italy (the regime may be extended to family members paying 25,000 euro per member).



2019 increased the exemption to 70 percent (90 percent for those relocating to southern Italy), extended the maximum duration from 5 to 13 years under specific conditions, and removed the high-skill or qualification requirement. These changes effectively opened the preferential tax schemes to all workers, including non-EU citizens and those without a college degree or specific qualification. In 2023, the government scaled back the scheme, which had been one of the most generous in Europe. The exemption was reduced to 50 percent and limited to high-skilled workers, the maximum duration was shortened, and a 600,000 euro cap was introduced to address the scheme's regressivity.<sup>37</sup> Bassetto and Ippedico (2024) show that the original 2010 scheme was effective in attracting Italians living abroad: their estimates suggest that one in five returnees would not have come back without the tax incentive. However, the lack of administrative microdata prevents a comprehensive evaluation of the scheme's overall fiscal impact, as a proper analysis would also need to account for labour market and productivity spillovers generated by the tax incentive.

## 5. Conclusions

This paper highlights a common demographic challenge faced by all major euro area economies: without sustained migration flows, the working-age population is set to decline significantly in the coming years. In Italy, however, migration flows have remained subdued compared to the pre-Great Recession period. The share of foreign-born residents is lower than in the other major euro area countries, with a composition skewed toward less-educated individuals. Moreover, Italy's current migration framework is poorly equipped to fully harness the potential benefits of international migration, both in attracting skilled migrants and effectively integrating low-skilled workers.

Recent reforms have improved various aspects of Italian migration policy, particularly concerning immigrants' participation in the labour market. First, the transition from annual to triennial programming of labour migration quotas has reduced uncertainty for both incoming migrants and firms, enabling employers to plan hiring more effectively. Second, the possibility given to foreign students to convert their residence permits into work permits outside the quota system ensures that those who invest in their education in Italy can remain in the country. This reform also mitigates losses related to public education investments that would otherwise not be recouped through taxes when graduates are forced to leave due to quota constraints. Third, the government has expanded pathways for skilled workers, especially in vocational occupations, by involving employers' associations and regional authorities to organise vocational and language training courses abroad.

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<sup>37</sup> Legislative decree 209/2023.

Once implemented, this mechanism will allow participants in such programs to enter the country for work purposes outside the quota system.

Despite these reforms—still too recent to be evaluated empirically—there are opportunities within the current framework that could significantly improve Italy’s appeal to highly skilled foreign workers, whose share is very low compared to other European countries, and facilitate the integration of low-skilled migrants. First, while a broader overhaul of the quota system (a mechanism not present in other advanced economies) may be needed, the current approach could be simplified by streamlining sector-country allocations and increasing the relative share of more productive sectors and permanent jobs. Additionally, outside the quota system, measures to attract international students—particularly at the undergraduate and postgraduate levels—could include extending study permit durations beyond the current one-year limit, aligning them with the length of the study programme, as practiced in other countries.

Second, international evidence highlights the importance of integration policies, including language training and clear pathways to citizenship, to maximise the long-term benefits of immigration. The experience of Northern European countries shows how migration policies can simultaneously address labour market needs and promote smoother integration. A recent review of key challenges at the European level suggests focusing on the period immediately following the arrival of migrants and asylum seekers, reducing uncertainty around migration status, and eliminating unnecessary barriers to integration (Fasani, 2024). Italy lags behind its European peers in adopting these best practices, and addressing these gaps requires increased investment in integration systems. Extending the training and language programmes currently available in the regular reception system (SAI) to the extraordinary system (CAS) has proven to be cost-effective and could significantly enhance integration outcomes (Fondazione Rodolfo Debenedetti, 2021). Additionally, the network of ordinary reception centres should also be strengthened by introducing compensation mechanisms for municipalities hosting these centres, as well as financial support to address local integration costs and mitigate the strain on public goods and services.

Finally, as shown in the paper, reforms that expand pathways to citizenship for foreign residents play a crucial role in fostering the integration of first- and second-generation migrants (Gathmann and Garbes, 2023; Frattini and Bertino, 2023). International evidence suggests that even within the framework of the current naturalisation law, extending eligibility to individuals who have completed a full cycle of study in Italy—particularly those born in the country to foreign parents or who arrived at a young age—would improve their socio-economic integration as well as that of their parents.

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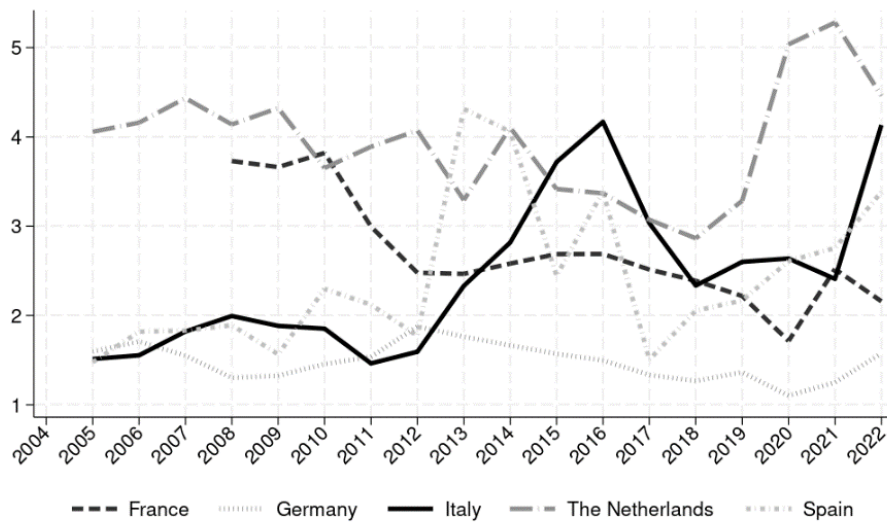
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## Appendix. Additional Tables and Figures

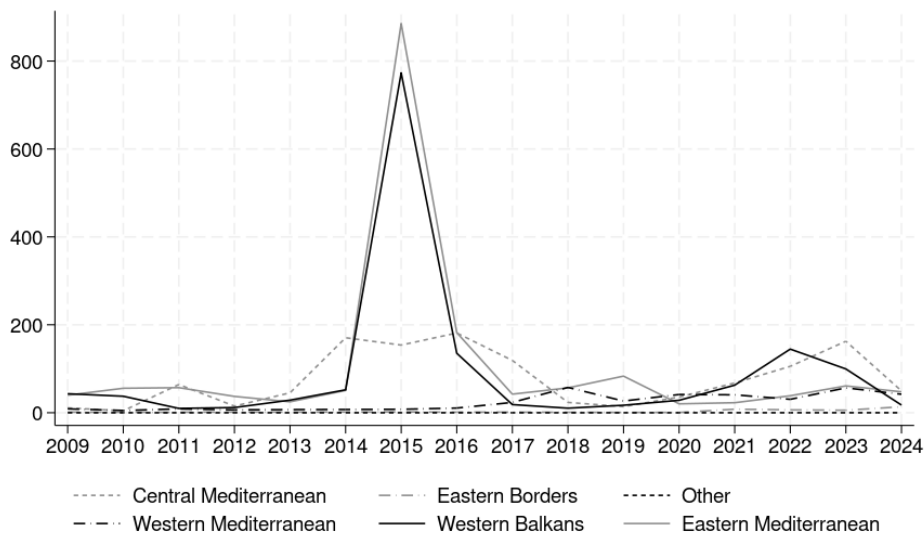
**Figure A.1. Acquisitions of nationality, percentage of the foreign population**



*Notes:* The figure shows the trends in acquisition of nationality from 2004 (2008 for France) to 2022 in Italy and in the four main euro area countries (France, Germany, the Netherlands, Spain) as percentage of the foreign population in the previous year.

*Source:* Own elaborations on Eurostat, EU-LFS.

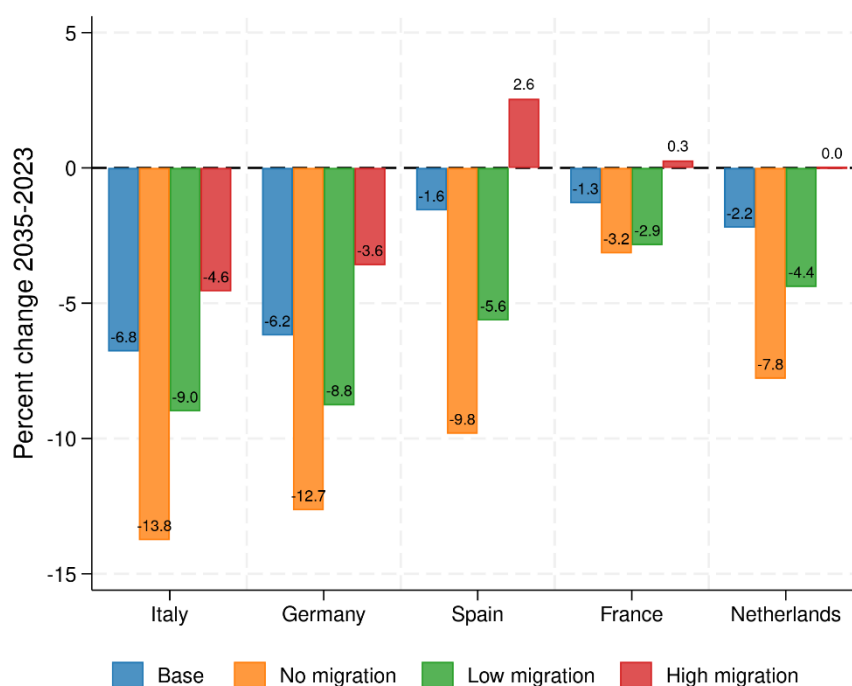
**Figure A.2. Illegal borders crossings by route since 2009, thousands of people**



*Notes:* The figure shows the annual cases of illegal entries at the external borders of EU Member States and Schengen member countries and are aggregated by routes. The routes are identified as follows: Central Mediterranean (maritime borders of Italy and Malta), Eastern borders (land borders with Russia, Bielorrussia, Ukraine and the maritime borders in the Black Sea), Eastern Mediterranean (Cyprus, maritime border of Greece land border of Greece and Bulgaria with Turkey), Western Balkans (land borders of Greece, Bulgaria, Romania, Hungary and Croatia with the countries of the Western Balkans region – including the Greece-Albania border), Western Mediterranean (land and sea borders of Spain including the Canary Islands), other entries.

*Source:* Own elaborations on Frontex data.

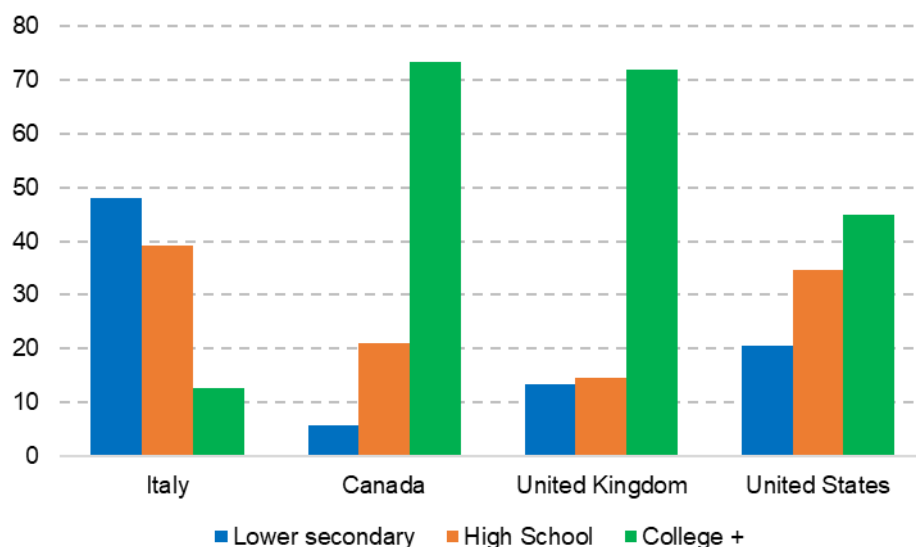
**Figure A.3. Percentage change in 15-64 population between 2023 and 2035**



*Notes:* The figure shows the projected percentage change in the 15-64 population between 2023 and 2035 under various migration flow scenarios, as outlined in the Eurostat population projections (EUROPOP2023).

*Source:* Own elaborations on Eurostat, EUROPOP2023.

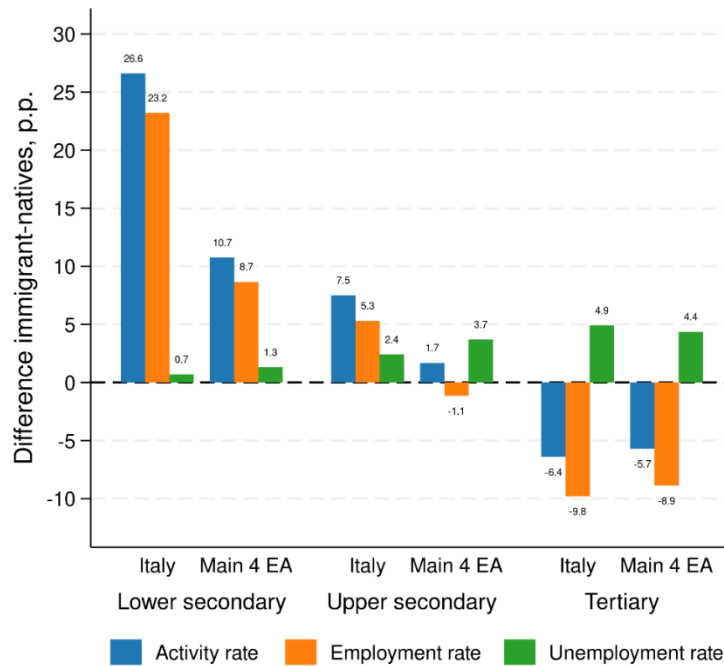
**Figure A.4. Education of 25-64-y.o. foreign born in Italy, Canada, UK and the US in 2023**



*Notes:* The figure shows the distribution of 25-64-year old foreign-born population by education level based on the ISCED classification in Italy and in Canada, United Kingdom and the United States (in 2023).

*Source:* Own elaborations on Eurostat, EU-LFS, for Italy; on OECD data for Canada, United Kingdom and the United States (all based on national Labour Force Survey).

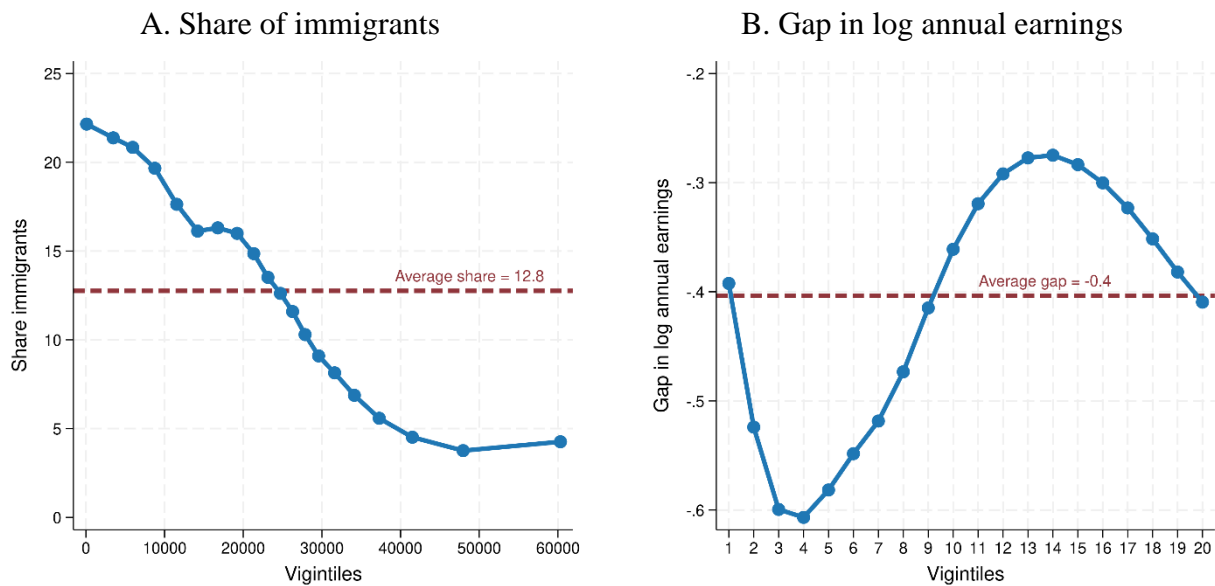
**Figure A.5. Differences in activity, employment and unemployment rates by education level**



*Notes:* The figure reports the difference in activity, employment and unemployment rates between immigrants and natives in Italy and in the average of the four main euro area countries (France, Germany, the Netherlands, Spain) by education level. The latter aggregate is computed as the difference between the weighted average of country-specific rates, with weights equal to population size of each country.

*Source:* Own elaborations on Eurostat, EU-LFS.

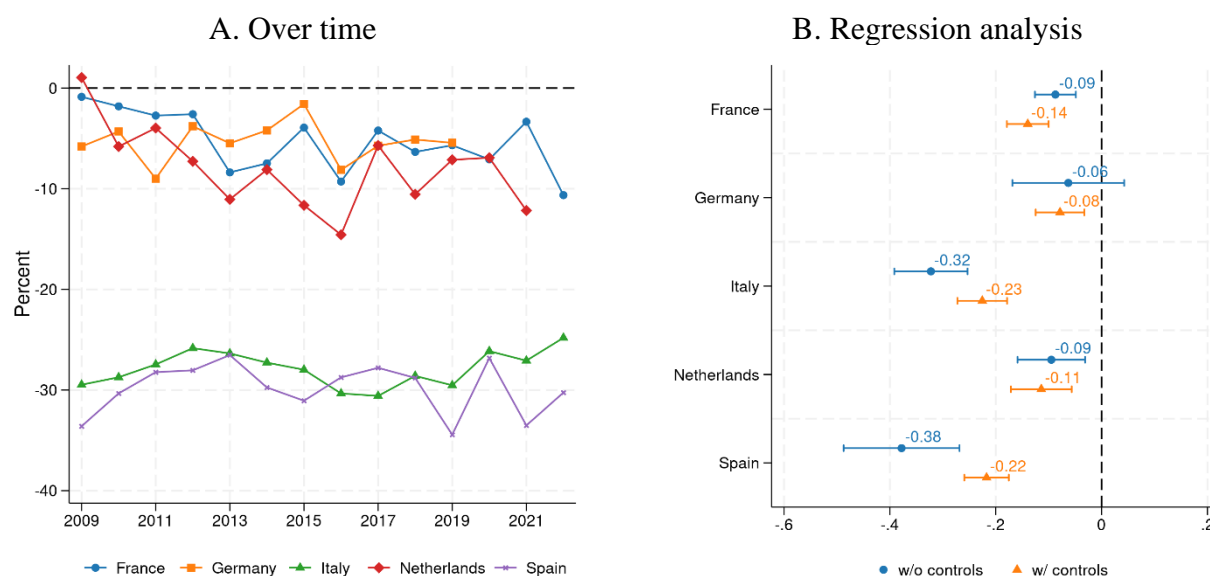
**Figure A.6. Share of immigrants and pay gap across the annual earnings distribution**



*Notes:* The figure reports the share of immigrants in Panel A and the immigrant-native gap in log annual earnings in Panel B across vintiles of the annual earnings distribution in 2022.

*Source:* Own elaborations on INPS, UNIEMENS.

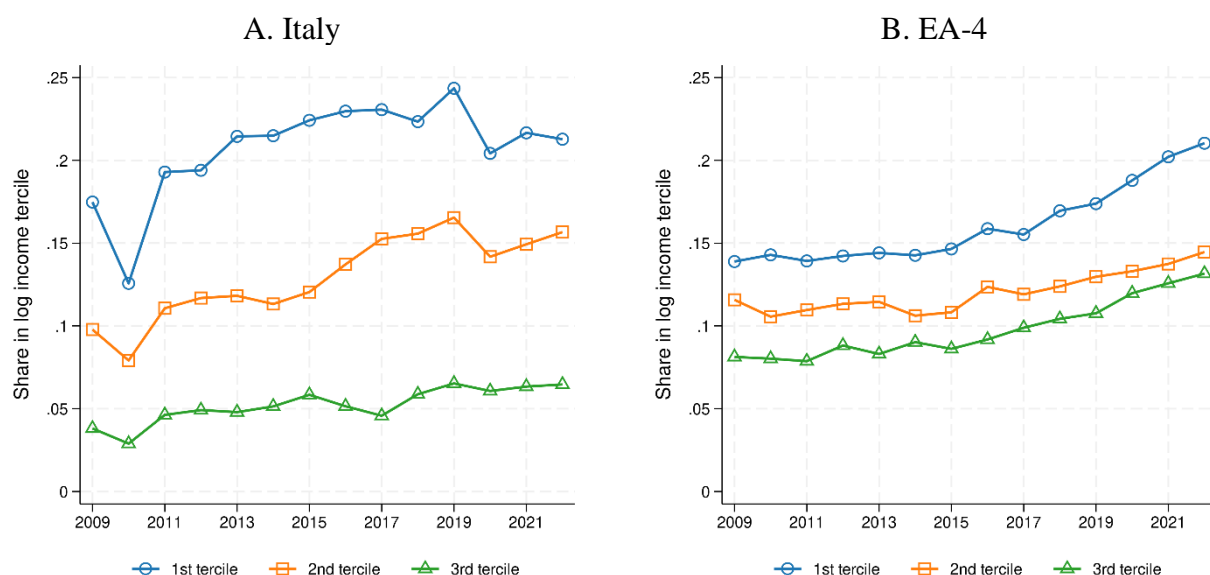
**Figure A.7. Gap in FTE monthly earnings between natives and immigrants, cross-country comparison**



*Notes:* Panel A reports the percentage difference in full-time equivalent (FTE) monthly earnings between immigrants and natives over the period 2009-2022 for each country. Panel B reports the coefficients of an immigrant dummy from pooled OLS regressions over the whole period, where the dependent variable is the log of FTE monthly earnings. The estimates “without controls” are unconditional. Those “with controls” are conditional on a self-employment dummy, age, age squared, female dummy, year and sector (NACE section) dummies. The horizontal lines are 95 percent confidence intervals, computed from standard errors clustered at the sector level. In both panels data for 2009 and 2022 for the Netherlands, and for 2020-2022 for Germany are missing because of data breaks.

*Source:* Own elaborations on Eurostat, EU-SILC.

**Figure A.8. Share of immigrant workers in log annual earnings terciles**



*Notes:* The figure shows the share of immigrant workers in terciles of the annual earnings distribution in Italy (panel A) and in the four main euro area countries (France, Germany, the Netherlands, Spain; panel B). The latter are shares weighted by each country’s population. Data for 2009 and 2022 for the Netherlands, and for 2020-2022 for Germany are missing because of data breaks, and are imputed after estimating a quadratic time trend on the available years.

*Source:* Own elaborations on Eurostat, EU-SILC.

**Table A.1. Valid permits in Italy by reason and year on 31 December**

	<b>Family reasons</b>	<b>% tot.</b>	<b>Education reasons</b>	<b>% tot.</b>	<b>Employment reasons</b>	<b>% tot.</b>	<b>Refugee status</b>	<b>% tot.</b>	<b>Subsidiary protection</b>	<b>% tot.</b>	<b>Other reasons</b>	<b>% tot.</b>	<b>Total</b>
2010	1,594,841	45.2	39,803	1.1	1,783,561	50.6	16,885	0.5	28,861	0.8	61,635	1.7	3,525,586
2011	1,400,385	38.5	49,014	1.3	2,065,527	56.8	18,573	0.5	21,393	0.6	83,409	2.3	3,638,301
2012	1,486,457	39.4	50,876	1.3	2,109,046	55.9	20,932	0.6	25,705	0.7	81,597	2.2	3,774,613
2013	1,971,972	50.8	52,304	1.3	1,732,543	44.6	18,147	0.5	30,407	0.8	80,124	2.1	3,885,497
2014	2,030,432	51.5	53,053	1.3	1,720,354	43.6	20,196	0.5	33,265	0.8	85,959	2.2	3,943,259
2015	2,046,020	52.3	50,688	1.3	1,667,271	42.6	21,117	0.5	34,279	0.9	94,756	2.4	3,914,131
2016	1,849,496	49.8	46,157	1.2	1,556,974	41.9	23,821	0.6	42,672	1.1	193,443	5.2	3,712,563
2017	1,847,109	49.8	42,721	1.2	1,520,200	40.9	28,530	0.8	52,745	1.4	221,255	6.0	3,712,560
2018	1,862,214	50.1	44,721	1.2	1,483,123	39.9	32,869	0.9	61,017	1.6	232,295	6.3	3,716,239
2019	1,835,025	50.8	50,633	1.4	1,441,969	39.9	39,705	1.1	57,685	1.6	190,245	5.3	3,615,262
2020	1,738,151	51.5	31,712	0.9	1,372,661	40.7	44,697	1.3	55,444	1.6	130,929	3.9	3,373,594
2021	1,775,719	49.9	46,956	1.3	1,493,893	41.9	50,729	1.4	57,098	1.6	136,782	3.8	3,561,177
2022	1,843,454	48.0	55,259	1.4	1,642,200	42.8	60,385	1.6	66,048	1.7	171,305	4.5	3,838,651
2023	1,708,635	45.8	58,510	1.6	1,583,500	42.4	64,779	1.7	68,959	1.8	246,532	6.6	3,730,915

Notes: Number of total valid residence permits by reason as of December 31 of each year in Italy.

Source: Eurostat, Residence permits.

**Table A.2. Descriptive statistics, private non-agricultural sector**

	(1) All	(2) Natives	(3) Immigrants
Migrant	0.13	0	1
Age	42.6	43.0	40.3
Female	0.37	0.37	0.35
Annual earnings	26,729	27,806	19,364
Weeks worked	41.6	42.3	36.7
Permanent	0.80	0.83	0.64
Temporary	0.17	0.15	0.31
Seasonal	0.007	0.007	0.013
Part-time	0.21	0.20	0.26
Number of jobs in year	1.20	1.19	1.29
Blue-collar	0.53	0.49	0.81
White-collar	0.37	0.41	0.14
Executive	0.007	0.008	0.003
Middle manager	0.04	0.05	0.01
Apprentice	0.04	0.04	0.03
Other occupation	0.004	0.004	0.001
North-West	0.32	0.31	0.34
North-East	0.26	0.25	0.38
Centre	0.21	0.21	0.18
South and Islands	0.21	0.23	0.10
Industry	0.39	0.40	0.33
Construction	0.02	0.02	0.02
Other services	0.50	0.49	0.62
Knowledge-intensive services	0.08	0.09	0.03
Average co-worker earnings	25,702	26,539	19,982
Firm size	39.5	39.9	59.2
Median firm size	12	12	14
Number of firms	106,649	105,436	64,896
Number of workers	4,217,187	3,679,115	538,072

*Notes:* The table reports average values (unless otherwise specified) of worker demographic and job characteristics for individuals employed in one of the firms included in the Bank of Italy random firm sample, referred to the private non-agricultural sector for the year 2022. *Source:* Own elaborations on INPS, UNIEMENS.