

## 11. IMMIGRATION

Between 2003 and 2008 the number of foreign residents in Italy more than doubled to 3.4 million, around 6 per cent of the population. Compared with the other main European countries, immigrants resident in Italy form a smaller part of the population, are younger and less educated.

Foreigners have higher participation rates in the labour market than Italians. However, as in the other leading economies with large immigration flows, the increase in the supply of labour resulting from immigration does not seem, on average, to have had negative effects on the wages or job prospects of the native population.

The quality of Italy's human capital in the future will be determined to a considerable extent by the skills of the immigrant population. Today, foreign schoolchildren are already lagging behind significantly at primary school and there are high drop-out rates at the subsequent levels of education.

Differences in the socio-economic and demographic structure between the Italian and the foreign populations result in substantial divergences in the economic flows to and from the public finances. On a per capita basis, immigrants pay fewer taxes and receive fewer pension and healthcare benefits.

### *Immigration in Italy in an international context*

The rapid growth in world population, from around 3 billion in 1960 to 6.5 billion in 2005, geo-political changes, the persistence of wide gaps in income and the diverging population trends led to an increase in the number of people migrating from more backward regions to more advanced ones. At the start of this decade, there were around 85 million people living in the OECD countries who had been born abroad, three times as many as forty years earlier.

In 2005-06, it is estimated that about 8.5 million people moved to an OECD country, almost 6.5 million net of flows between countries within the area; about 1.2 million people are estimated to have come from China and India and just under 1 million from Romania, Bulgaria, Russia and Ukraine.

A rapid increase in foreign immigration was also recorded in Italy. Net migration which, on average, was still negative in the 1980s (a loss of about 30,000 people per year), was positive on average in the period 2002-07 (gains of around 450,000 people per year); in 2008, there were 3.4 million resident foreigners, about 6 per cent of the resident population and more than double the figure for 2003. The Fondazione Iniziative e Studi sulla Multietnicità (Ismu) estimates that on 1 January 2008 the total number of foreigners in Italy was around 4.3 million (7.2 per cent of the total

population), of whom about 3.7 million were legally present and for the most part recorded as resident at the municipal registry; the number of irregular immigrants is estimated at about 650,000, around 1 per cent of the population.

The rapid growth of the resident foreign population has been due to the regularization measures adopted, the steady increase in the quotas made in the periodic entry-planning provisions (the “flow decrees”) and, in the last two years, the enlargement of the European Union to include some eastern European countries. Since 1990 there have been four regularization measures covering a total of about 1.3 million non-EU citizens of whom about half were legalized under the last measure. The “Bossi-Fini” Law (passed on 30 July 2002), covered about 320,000 non-EU domestic workers and the following Law 222/2002 provided for about 330,000 people working in firms. The available evidence shows that of all these non-EU citizens only just over half a million were still legally present in Italy at the beginning of 2007.

On the basis of Istat data, at the start of 2008, almost half the foreigners legally resident in Italy came from central and eastern European countries, mainly Albania and Romania (11.7 per cent and 18.2 per cent respectively); about a quarter came from Africa, mainly from countries on the Mediterranean basin, and 16 per cent came from Asia (Table 11.1). The gender composition of the foreign communities living in Italy would seem to reflect different migration models. There is a high female presence, of more than two thirds, among immigrants from some of the central and eastern European countries and Latin America but a much lower proportion, less than one third, of immigrants from some African and Asian countries.

Table 11.1

<b>Composition of the foreign population in Italy on 1 January 2008</b> (absolute values and percentages)						
ORIGINS	Males		Females		Total	
	Number	Percentage (1)	Number	Percentage (1)	Number	Percentage (1)
Europe	803,901	23.4	981,969	28.6	1,785,870	52.0
EU-15	61,521	1.8	96,146	2.8	157,667	4.6
New EU members (2)	342,594	10.0	434,174	12.6	776,768	22.6
Central and Eastern Europe (3)	394,159	11.5	444,745	13.0	838,904	24.4
Other	5,627	0.2	6,904	0.2	12,531	0.4
Africa	487,028	14.2	310,969	9.1	797,997	23.2
Asia	300,479	8.8	251,506	7.3	551,985	16.1
North America	7,950	0.2	9,499	0.3	17,449	0.5
Central and South America	101,048	2.9	175,053	5.1	276,101	8.0
Oceania	1,009	..	1,518	..	2,527	0.1
Stateless persons	402	..	320	..	722	..
<b>Total</b>	<b>1,701,817</b>	<b>49.6</b>	<b>1,730,834</b>	<b>50.4</b>	<b>3,432,651</b>	<b>100.0</b>

Source: Istat, *Bilancio demografico*, 2008.  
 (1) As a percentage of the total. – (2) Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia. – (3) Albania, Belarus, Bosnia and Herzegovina, Croatia, Macedonia, Moldavia, Montenegro, Russia, Serbia, Turkey and Ukraine.

Compared with the main European countries, foreigners resident in Italy are younger and less educated. On average, over the three-year period 2005-07, the median age of the legally resident foreign population over the age of 16 was 38 years, similar to that in

Spain and well below the average age of over 50 years recorded in Germany and France. Just under half of the legally resident foreign population aged between 25 and 55 years has, at most, an educational level corresponding to the end of compulsory schooling, a share about 16 points higher than the average EU-15 score; only about 15 per cent have a university qualification, against a European average of around 36 per cent.

### *The economic condition of immigrants in Italy*

In 2008, according to Istat's survey of the labour force, foreigners aged at least 15 years and legally resident in Italy as part of a family (5.2 per cent) accounted for 7.5 per cent of total employment, 8.5 per cent of payroll employment and 4.5 per cent of self-employment. In the 15-64 age group, 67.1 per cent were employed, against 58.1 per cent of Italian citizens (Table 11.2). This difference is mainly due to the different characteristics of the foreign population. In particular, for about half the total this may reflect the higher concentration of foreigners in the wealthier regions of the Centre and North, especially in those with the highest industrial density.

**Table 11.2**

Composition, participation and employment rates of the working-age population in 2008 (percentages)							
AGE GROUP	Educational level	Population		Participation rate		Employment rate	
		Italians	Foreigners (1)	Italians	Foreigners (1)	Italians	Foreigners (1)
Males							
15-24				34.7	53.0	27.9	46.5
	Up to lower secondary school	8.7	12.6	23.5	47.1	18.4	41.6
	Upper secondary school	6.6	3.7	49.8	73.6	40.7	63.6
	University degree or higher	0.4	..	29.8	0.0	23.8	0.0
25-54				90.7	94.7	86.5	89.7
	Up to lower secondary school	28.8	41.2	88.3	93.3	82.9	87.7
	Upper secondary school	27.7	32.0	92.6	96.3	89.4	91.8
	University degree or higher	9.0	6.6	92.2	95.9	89.0	91.7
55-64				46.6	75.4	45.1	70.7
	Up to lower secondary school	11.5	2.0	38.4	72.4	36.5	66.0
	Upper secondary school	5.3	1.2	53.8	72.4	52.8	69.1
	University degree or higher	1.9	0.7	75.0	88.8	74.8	86.6
Total		100.0	100.0	73.6	87.1	69.5	81.9
Females							
15-24				25.2	32.7	18.9	25.2
	Up to lower secondary school	7.7	11.0	13.4	24.5	9.2	19.9
	Upper secondary school	6.7	4.7	36.8	50.5	28.7	37.1
	University degree or higher	0.7	0.2	42.1	60.1	31.8	31.7
25-54				65.2	65.5	60.4	58.2
	Up to lower secondary school	25.8	33.4	47.7	56.6	42.4	48.6
	Upper secondary school	28.0	33.9	73.6	70.8	69.0	64.0
	University degree or higher	11.3	12.0	84.6	75.4	79.9	68.7
55-64				24.1	57.3	23.5	53.8
	Up to lower secondary school	13.7	2.3	15.7	49.7	15.0	45.3
	Upper secondary school	4.4	1.7	38.0	60.2	37.4	58.5
	University degree or higher	1.7	0.8	55.5	73.8	55.1	68.8
Total		100.0	100.0	51.0	59.9	46.8	52.8

Source: Istat, labour force survey.

(1) Legally present in a family and resident in Italy.

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Foreign workers are concentrated in sectors and jobs with lower professional qualifications: they account for about 16 per cent of production workers, against about 1 per cent of employees, executive and managerial staff (Table 11.3); they comprise 2.3 per cent of entrepreneurs, more than 5 per cent in the company services and hotel and restaurant sectors, and around 12 per cent of own-account workers in the construction industry. The proportion of foreign workers is more than 13 per cent in construction and hotel and restaurant services and 8 per cent in manufacturing industry.

Table 11.3

Proportion of immigrants employed in Italy in 2008 by position and branch of economic activity (percentages)										
	Agricul- ture	Industry			Total	Services				Total
		Total	Manufac- turing industry	Construc- tion		Trade	Hotel and restaurant services	Transport and com- munications services	Business services	
Payroll employess	13.1	10.7	9.3	16.7	7.3	4.4	17.4	6.0	7.3	8.5
<i>Managers</i>	4.8	1.8	2.1	0.8	0.9	1.5	2.2	1.1	3.9	1.1
<i>Clerical staff</i>	1.5	1.2	1.4	1.0	1.6	1.8	7.5	1.0	1.5	1.5
<i>Production staff</i>	14.4	14.4	12.7	20.0	18.3	7.2	19.7	12.4	19.1	16.3
Self-employed workers	0.6	7.1	3.7	10.7	3.9	4.7	5.6	5.0	2.1	4.5
<i>Entrepreneurs</i>	–	1.9	1.3	2.8	3.0	1.7	6.4	0.9	5.5	2.3
<i>Professionals</i>	–	2.3	3.1	1.3	1.7	2.3	21.4	2.7	1.0	1.7
<i>Own-account workers</i>	0.6	8.3	3.7	12.1	5.1	5.2	5.1	4.9	5.0	5.6
<b>Total</b>	<b>6.6</b>	<b>10.0</b>	<b>8.4</b>	<b>14.5</b>	<b>6.4</b>	<b>4.5</b>	<b>13.4</b>	<b>5.9</b>	<b>5.1</b>	<b>7.5</b>

Source: Istat, labour force survey.

According to INPS data, in 2004 in the non-farm private sector the weekly pay gap between foreign and Italian-born workers was more than 22 per cent on average. About half of this difference was due to concentration in sectors with below-average pay levels (construction, hotel and restaurant services) and to a generally lower position. Besides different levels of educational attainment, the remaining part may also reflect the fact that immigrants' previously acquired human capital is not easily transferable, at least initially. Foreign workers are also more likely to be employed in firms that, on average, have a lower level of productivity.

The rapid growth of the foreign population has also produced an increase in the share of sole proprietorships managed by immigrants: at the end of 2008 they accounted for 9 per cent of all firms in business (7 per cent were managed by non-EU citizens). In the same way as for payroll employees, foreign entrepreneurs also tend to be concentrated in activities with low levels of technology and innovation. This could also reflect initial difficulty in accessing credit as a result of the perception on the part of the banking system that foreign entrepreneurs present a higher level of risk.

Foreigner's household income reflects the pay gap and their greater concentration in low productivity sectors, together with lower levels of real and financial wealth (only 1 per cent of the total wealth held by resident households in Italy). Data from the Bank of Italy's Survey on Household Income and Wealth show that in the period 2002-06, on average, when the head of household was born abroad and was aged between 25

and 54 years (about 5 per cent of all households) the equivalent disposable income was about one third less than in those where the head of household was born in Italy. In the same period, about three quarters of foreign households had an equivalent disposable income that was below the median value of around €16,000; for more than a quarter of such households, income was below half the median value (a conventional measure for the poverty threshold).

### *Effects of immigration on the host country*

The main effect of immigration for an advanced economy is the attenuation of population imbalances caused by the rapid ageing of the existing population; immigrants tend to be younger and they have a higher fertility rate. In 2008, Italy's old-age dependency ratio, measured as the number of persons aged 65 years and over per 100 persons of working age (15-64 years), was equal to 30.4 per cent. Without the resident foreign population, it would have been two percentage points higher.

The effects of the growing presence of foreign residents of working age on the pay and employment conditions of citizens in the host country depend on the characteristics of the immigrant population and on the degree of complementarity in the production process between workers with different skills. In particular, the inflow of foreign workers employed for technical and production work can increase the demand for managerial and administrative staff, requiring higher qualifications which are more readily found among the home population. The most recent assessments indicate that in the advanced economies the sharp increase in immigration in the last few years has had a slightly positive effect on the average remuneration of the resident population. There was a modest fall only for less skilled jobs, where competition from immigrants is stronger. There are similar indications as regards the employment prospects for citizens in the host country.

As in countries with a longer history of immigration, Italy's experience confirms that immigrant workers are complementary to large segments of the home working-age population, in particular as regards the better educated and females. The positive effect overall for Italian workers' employment prospects has not been coupled with negative effects on remuneration levels. The first results based on INPS data suggest that the average remuneration of Italian private payroll employees in the regions most affected by immigration flows has not changed significantly compared with the national average.

The capacity to absorb the supply of foreign labour also depends on adjustments in the productive structure and the demand for labour. These may require moving towards sectors employing more low-skilled workers or an increase, within each sector, in the intensity of labour. As in the United States and Germany, the latter prevailed. According to data in the Bank of Italy's Survey of Industrial and Service Firms, in the period 1996-2007 Italian manufacturing firms in areas with more immigrants steadily increased the proportion of production jobs but company size did not increase. Information from the Chambers of Commerce about new business start-ups indicates that the larger foreign presence is also associated with higher growth in the number of new manufacturing firms, in particular in the more labour-intensive sectors.

## *Young foreigners and schooling*

The increase in the flows of migrants into Italy and the longer time horizon of the existing foreign population have led to rapid growth in the numbers of young people of foreign origin as a result of family reunifications and the higher fertility rate of immigrant women. In 2008, young people of foreign origin constituted over 7 per cent of all resident under-18s and about one tenth of the under-6s, almost double the figure recorded for this age group in 2003.

The foreign component will make a significant contribution to defining the future level and quality of Italy's human capital. According to Ministry of Education surveys, from the academic year 1997-98 to 2006-07, the number of foreign children attending schools up to the upper secondary level increased from about 70,000 to more than half a million (5.6 per cent of the corresponding school population), of whom three fifths in primary and lower secondary schools (about 7 per cent of all students). If suitable provision is not made to integrate these children, such rapid expansion will further widen the large gap in the human capital endowment scores for Italy in international comparisons since the foreign school population is already significantly behind in primary education and the difference is even more marked at the subsequent levels.

The consequences of this lag on foreign students' human capital gains are aggravated by higher school drop-out rates. In 2008, Istat's labour force survey showed that about 10 per cent of foreigners aged between 15 and 17 had left school, double the figure for Italian students. In the 18-21 age group, about 40 per cent of foreigners had left school without a diploma, against 16 per cent of Italians, and only 5 per cent continued their studies following the diploma (more than 25 per cent of Italians continue). Only a minimal part of these gaps results from different family characteristics or the wider social context of reference.

There are also wide gaps in the level of skills acquired by adolescents who decide to continue their studies. The last PISA study conducted by the OECD in 2006 among 15-year-olds showed that foreigners fall behind significantly in acquiring skills – quantifiable on average as about one year's education (two years in the case of non-EU students). With reference to the study of mathematics, the gap would be halved if the lag in text comprehension skills (also measured by the PISA test) were taken into account. As in the case of the school drop-out rates, the gap basically reflects a weaker link between the characteristics of the parents and the results of their children than between the different characteristics of foreign parents and Italian parents.

## *Immigrants and the public finances*

The differences in income and spending between Italians and foreigners and the different population structure of the two groups influence the size and composition of economic flows to and from the public finances. It is estimated that in 2006 foreigners, who comprise around 5 per cent of the resident population, contributed about 4 per cent to revenue from personal income tax, VAT and excise duties, social security contributions, and the regional tax on productive activities (IRAP) of the private sector (overall more than 70 per cent of total revenue) and that they absorbed about 2.5 per



cent of spending on education, pensions, health and income-support benefits (equal overall to around 60 per cent of total primary expenditure).

On the basis of the EU survey on income and living conditions (EU-SILC), it is estimated that foreign residents contribute around €4.5 billion in personal income tax and just under €10 billion in social security contributions, equivalent to 3 and 5 per cent respectively of revenue from these two items. Considering the entire population, per capita income tax amounted to about 60 per cent of that paid by Italian citizens, as a result of lower incomes and the progressive taxation system. On average, social security contributions paid by a foreign worker are around 80 per cent of those paid by an Italian worker.

Using the data from the Bank of Italy's Survey on Household Income and Wealth, revenue from VAT and excise duties raised from foreign taxpayers can be estimated at around 3 per cent of the total as a result of lower consumer spending and a smaller share of spending on consumer durables which are taxed more heavily. Around 5 per cent of the IRAP raised from the private sector can be attributed to foreigners. Overall, foreign residents in Italy contribute just under €5 billion in indirect taxes; the per capita amount is more than 60 per cent of that paid by Italians.

In 2006, data from the Ministry of Education and the EU-SILC survey indicate that, overall, foreigners absorbed more than 5 per cent of spending on education, equal to just under €4 billion. The share was greater, around 7 per cent, at the pre-school and primary school levels, reflecting the larger proportion of foreign citizens in the younger age groups. The proportion falls to 2.5 per cent at the post-secondary-school levels (which mainly includes university education), indicating an extremely low participation rate given the higher proportions of foreigners in these age groups compared with the national average.

The younger average age of the foreign population also leads to lower expenditure on healthcare (about 3 per cent of the total, €3 billion) and on pension benefits. Data from INPS for 2006 indicate that, overall, pensioners born abroad absorbed 1 per cent of total spending (equal to €2.3 billion). Foreign workers are accumulating large amounts of contributions which will translate into larger benefits in the future; it is estimated that over a decade the above-mentioned share of expenditure is likely to more than double. Considering beneficiaries only, the average amount of disability, old-age and survivor pensions is about 25 per cent less than for residents; welfare benefits are about 25 per cent higher than those received by residents. Data from INPS and the EU-SILC survey show that income-support benefits, excluding sickness and injury allowances, paid to foreigners account for around 7 per cent of the total (almost €1 billion).