

## **IMPACT OF MIGRATION ON THE ECONOMY: STORY OF ITALY**

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### **ABSTRACT**

International migration has been an issue of constant debate because of its effect on the social, economic and cultural implications in both the receiving country and the country of origin. Italy has transformed from being a country of mass emigration to that of immigration from 1970s. Italy has been one other country apart from Japan which has not had any special immigration policy to attract the labour during its industrialization unlike many of the other European countries during their phase of industrialization but still attracted huge number of migrants. Generally immigration is perceived to be a burden on the economy. But this paper tries to show that immigration also has many advantages without which in some cases, the country might not be able to sustain by itself. And Italy is one such case considering its demography.

**Keywords:** migration, economy, industrialization, labour, emigration

### **INTRODUCTION**

International migration, particularly immigration has been an issue of debate over the decades especially in developed countries. This has been an issue not only because it has an impact on labour market in terms of reduced wages due to more competition but also because increased foreign population affects the social and cultural aspects of the native population. It is also popularly believed that the immigrant population is bound to take away jobs from the natives and also that they are net beneficiaries of the government welfare policies.

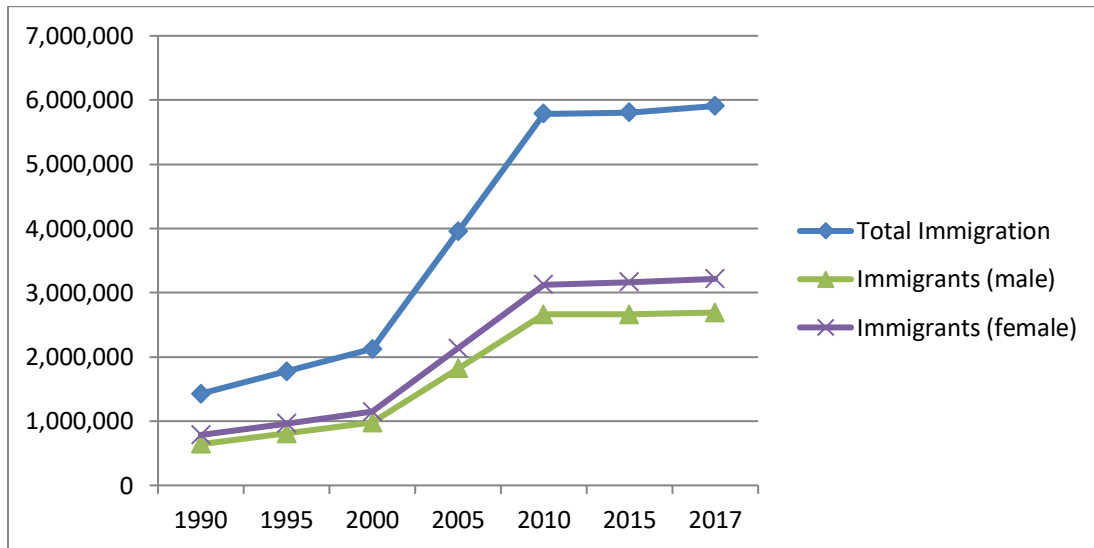
Till the 1960s Italy had a long story of emigration. The mass emigration was majorly due to Italian Unification which resulted in 26 million people moving out of Italy from 1861-1976<sup>1</sup>. Emigration first increased after 1861 and then decreased from 1915 due to the World Wars (as can be seen from the table 1). The emigration started to grow again after the war from 1940s and

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<sup>1</sup> Daniela Del Boca, A. V. (November 2003). Italian Migration. *IZA Discussion Paper No.938* .

then started declining from 1970s. The factors which led to the mass emigration were majorly the push factors in Italy - slow development and the pull factors of other countries - economic expansion of other countries specially the European Countries and also the backwardness of agriculture which could not support the existing population. It was during this decade that internal migration also increased majorly from South to North Italy. Most of the industries were concentrated in North Italy and South Italy was more agriculture dependent and backward which encouraged people to migrate in search of better employment. Mass emigration during these periods reduced the burden on agriculture and contributed to restructuring agriculture sector and relieving poverty.

**GRAPH1: Immigration trends**



*Source: Prepared by the author based on UN Migrant stock data.*

From 1970s, for the first time in 1972, Italy saw a positive net migration and from then on, it has transformed to a country of net immigration. Germany was replaced by Italy as the Europe's main recipient of immigrants especially from less developed countries though Germany still has the largest number of immigrants in Europe. This transformation took place largely due to the change in macroeconomic conditions of the country- sustained high rates of growth and the development of industries. Inequalities always existed between North and South Italy but from 1970s due to the internal migration and increased investments, the inequalities have reduced. Italy was not only country of immigration but also had persistent emigration which facilitated returns from abroad. According to Census 1981, there were more than 320 thousand foreigners residing in the country (ISTAT, 1981). This is the recorded figure, but it is often believed that there are more immigrants residing illegally. It was in the 1970s, that Italy has ratified the

International Labour Organization (ILO) convention on protection of migrant workers as it had become more relevant during that decade. As we can see from Graph1, the number of immigrants increased drastically from late 1990s and then slowed down after the crisis in 2010.

**TABLE 1: Emigration and Migration**

	Emigration (in thousands)	Migration Rate (per 1000)
1876-1885	1,315	4.56
1886-1895	2,391	7.76
1896-1905	4,322	13.06
1906-1914	5,854	20.60
1915-1918	363	2.44
1918-1928	3,007	7.70
1929-1940	1,114	2.20
1941-1945	4,121	0.32
1946-1955	423	5.24
1956-1965	3,166	6.28
1966-1975	1,714	3.20
1976-1985	861	1.53
Total	26,595	

*Source: (Daniela Del Boca, November 2003)*

**WHY THIS DIAMETRICAL SHIFT?**

Many of the traditional destinations for migrants (North Western Europe) like Germany, France, and Belgium have tightened their immigration policies during the 1960s and 1970s. This paved the way for Italy to become the next destination. Italy (apart from Japan) is the only country which did not resort to immigration of foreign workers through a special channel during its Industrial Development unlike Germany, France, Belgium, Holland, etc did during their industrialization. So all the shift in trends of immigration to Italy was spontaneous which did help the country in its process of industrialization but was not a result of intentional effort to satisfy the labour demand and the employers took advantage of this huge inflow of workforce available at relatively lower costs. This inflow was largely due to the push factors from countries of origin of the immigrants. But Italy also had all the required indicators for it to attract immigrants (Table 2). Italy's growth (GDP) picked up from the 1970s (as we can see from the Graph1) and had highest per capita GDP from 1960-85 among the 9 European Union countries and the wages for manual labour were higher in Italy than in France which also contributed for people to migrate (affinity towards a growing economy). Another important factor which encouraged immigration is the restructuring of economy after industrialization which segregated the Italian economy into formal, informal and secondary labour market. The secondary labour

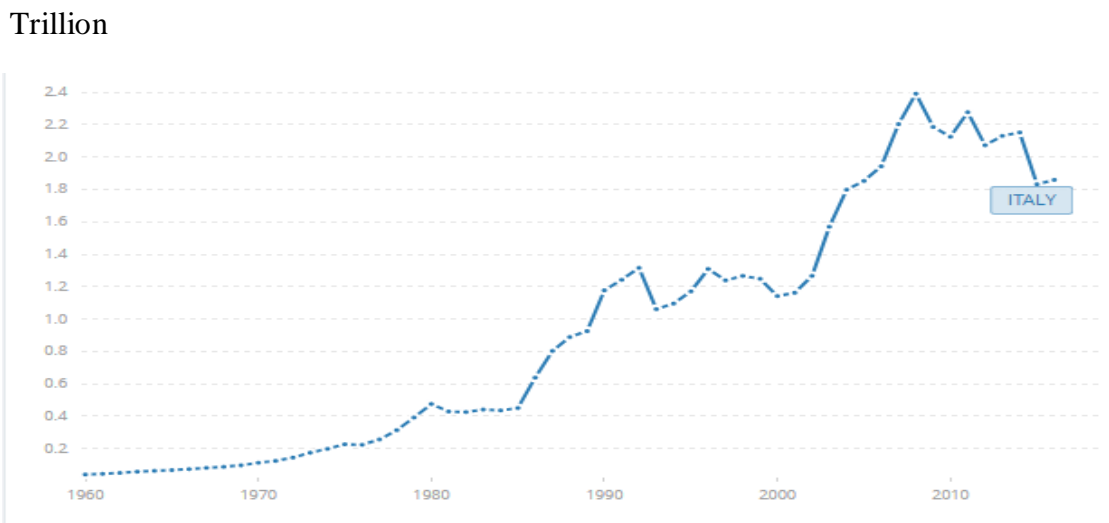
market consisted of casual and unorganized employment which was mostly insecure and part time work which mostly attracts immigrants. It was also a way to reduce the costs of labour as they could be paid less than the unionized workers.

**TABLE 2: Determinants of Immigration as compared to other countries**

Country	GDP per capita (PPP) 1995	Fertility rate	Share of employment in agriculture 1990	Rural population in 1995
Italy	19890	1.2	9	33.4

*Source: World Bank data*

**GRAPH 2: GDP of Italy**



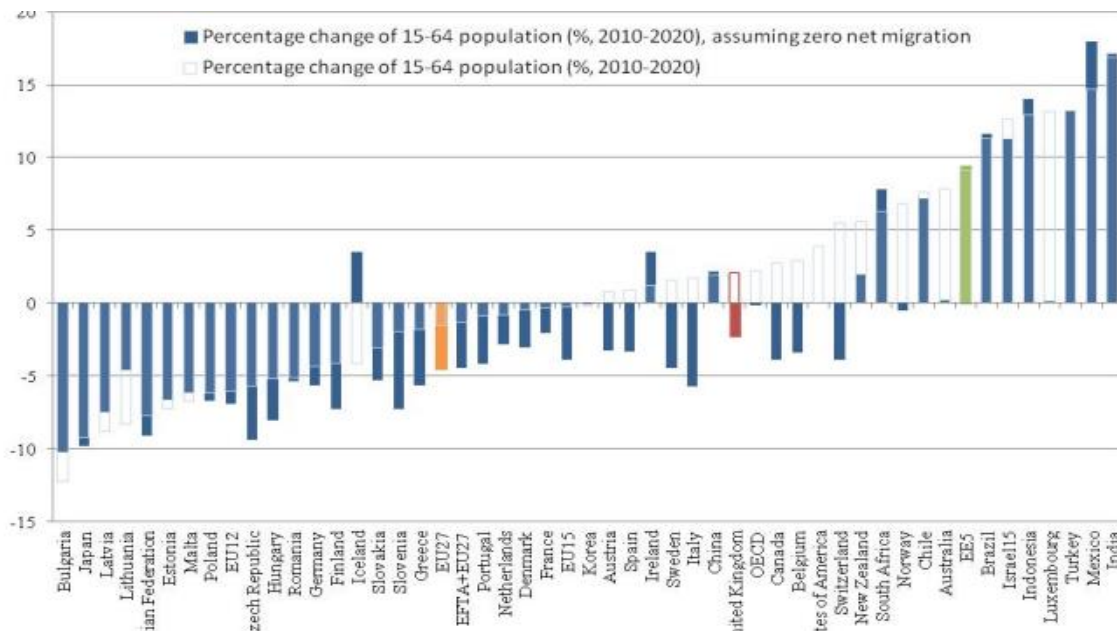
*Source: World Bank data*

Some of the scholars do not agree that labour market is the main reason for immigration. Rather they propose that welfare state is the reason for increased immigration. So here comes the concept of ‘Welfare Magnet’ which means that a more generous welfare state attracts more migrants. Till 1998, there was no distinction between a legal and illegal migrant in Italy and were entitled to similar rights. Even illegal migrants had some basic rights of healthcare, education (primary), limited legal aid, etc which could be one of the reasons for increased immigration. But this notion is also refuted by Guiseppa Sciortino and argued that the increase in labour demand for unskilled labour is due to structural problems of the state<sup>2</sup>. Also Italy has the lowest fertility

<sup>2</sup> Paniagua, T. A. (2009). Burden or Resource? Positive Impact of Immigration on Italian Welfare State. *Thesis, University of North Carolina* .

rate of 1.4 as of 2015<sup>3</sup> which is much below replacement rate of 2.1. The growth of working age population (2010-2020) assuming zero net migration is around -5.5% (from graph 2) meaning that there decrease in the working age population which would have a negative impact on economy without compensating for the workforce through immigrant population. So considering the ageing population, immigration was in a way necessary for Italy's economy. Another factor which also influences the immigration though might not be the only reason is the location of Italy. It is located in the Mediterranean belt which is very easy to move in from the Sea especially if the countries have direct access to the Sea (North African countries). Scoirtino argues that welfare system is not the only reason to attract immigrants but it is the structure of these welfare systems which is the reason for increasing demand for the low or unskilled immigrant population considering Italy is one of the countries with higher share of informal activities in Europe along with Portugal and Greece. Italy has low fertility rate, implying smaller families. This also means that there are less people to take care of the ageing population and infants in the family and the country as a whole. This was a powerful pull factor for the immigrants to come to Italy.

**GRAPH 3: Percentage change of population assuming zero net migration**



Source: Panel Discussion on International Migration and Development, United Nations. (June 2013). OECD.

<sup>3</sup> www.data.worldbank.org

## **IMMIGRANTS: GOOD OR BAD?**

Immigrants are generally looked upon as foreigners residing in the country and receiving all the benefits without contributing much to the country, i.e., as net beneficiaries. In most of the countries, immigrants are seen in a negative light because it is believed that they reduced the employment opportunities to the natives and also consume parts of the welfare policies (reducing their share in the pie). It was found out that 63 percent<sup>4</sup> of Italians consider that there are too many non EC immigrants in the country according to a *Eurobarometer* poll conducted in all 12 EC countries in 1991<sup>5</sup>. Also in Italy, due to some of the crimes committed by immigrant population exaggerates the already existing negative feeling towards them. Some of this could be attributed to influence and portrayal of mass media. But according to Immigration Statistics Dossier 2009, the cumulative rate of criminality of both immigrants and natives is the same<sup>6</sup>. Also new immigrants have low criminal charges compared to the natives. Even the immigrants in some of the sectors like construction, agriculture and some of them who work for undeclared work are often oppressed, under paid, lack social security benefits, etc. Overall only about a million immigrants are part of unions enabling them to protect their rights while rest still exists without basic rights. It was also found that most of the immigrants are found to be over qualified for their jobs and are often under paid.

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<sup>4</sup> The figures were lower in other EC countries, 54-56% for France, Germany, Belgium and UK where the number of immigrants is higher.

<sup>5</sup> King, R. (July, 1993). Recent Immigration to Italy: Character, Causes and Consequences. *Geo Journal* Vol.30 .

<sup>6</sup> *Idos Study and Research Centre, R. (n.d.). Migration in Italy: Current situation and Perspectives. International Organisation for Migration .*

**TABLE 3: Non EU registered employees (in thousands)**

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Manufacturing industry	40	43	40	46	53	77	86	95	97	128
Building	13	16	14	13	14	21	21	23	24	30
Services	26	33	34	36	41	58	63	68	72	73
Domestic labour	36	54	59	52	67	121	111	103	114	114*
Agriculture				10	12	26	42	52	60	72
Total	115	146	147	157	187	303	323	341	367	417

*Source: Table from (Sciortino, 2004) which was based on data from ISTAT*

**BENEFITS Vs. BURDEN ON THE ECONOMY:**

There have been many studies regarding the net benefits received by the immigrants. Foreign workers account for 46 percent of all registered domestic workers in Italy but if it is considered along with the undocumented immigrants the numbers could be higher<sup>7</sup>. Though it is very difficult to analyze exact benefit vs. contribution, most of these studies have had similar results. It was found out that the immigrants’ contribution to the government’s revenue is 10% higher than what they receive in terms of benefits according to a study conducted by United Kingdom (Sciortino, 2004). Immigrants receive around 136 million Euros as social security benefits which amounts to less than 4 percent of the taxes they pay and also some of the basic services like healthcare and education from the government which would amount to nearly 1 billion Euros<sup>8</sup> implying the net benefit is negative.

The small and medium businesses are the ones hiring most of the immigrants for better profits through reduced costs of labour. The median per capita income of the immigrants was around 10 thousand Euros according to the data by Catania and Pavolini while it is around 11,900 Euros as estimated by the state run social security agency<sup>9</sup>. In the Italian family setup like any other

<sup>7</sup> Sciortino, G. (2004). Immigration in a Mediterranean Welfare State: Italian Experience in Comparative Perspective. *Journal of Comparative Policy Analysis* .

<sup>8</sup> These figures are according to Caritas/Migrantes “Immigrazione Dossier Statistico 2008” which are mentioned in the article “Paniagua, T. A. (2009). Burden or Resource? Positive Impact of Immigration on Italian Welfare State. *Thesis, University of North Carolina* ”.

<sup>9</sup> Paniagua, T. A. (2009). Burden or Resource? Positive Impact of Immigration on Italian Welfare State. *Thesis, University of North Carolina* .



society, as the females (considered the natural care providers) started participating in the labour market, the need for family care has been increasing. Since the private care facilities are too expensive, most of the natives prefer immigrants as they could be paid less. As we can see from table 4, one-third of the women who got regularized in 2002-03 were employed as household care work. Due to lack of availability of data for other years, nothing can be exactly said about women in household care but then one could definitely say that the women employed in this kind of work had been increasing considering both the number of female immigrants and also the need for care work. It has been found out that immigrants have lower wages compared to the natives which is 973 Euros to immigrants while 1286 Euros per month to the males and it had been even lower for females which is 683 Euros to immigrants while the natives get 1048 Euros per month<sup>10</sup>. According to study, in one of the cities of the northeastern part of Italy, 77 million Euros per day is saved by hiring domestic care workers to care for the elderly<sup>11</sup>. This shows the reduced burden on the families if they hire a personal care worker rather than going for a private care facilities even though the state gives the social transfers to the families<sup>12</sup>. Also all these jobs which are mostly the part time jobs like construction or mines, domestic and personal care work, jobs in small businesses and agriculture work in South which are generally not preferred by the natives and these immigrants in way fill the void by providing the supply to the sectors demanding labour at very low costs and also helps the country in terms of providing some of those services which the state is not by itself able to provide.

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<sup>10</sup> Idos Study and Research Centre, R. (n.d.). Migration in Italy: Current situation and Perspectives. *International Organisation for Migration* .

<sup>11</sup> According to the study by G.A.Stella, from "Paniagua, T. A. (2009). Burden or Resource? Positive Impact of Immigration on Italian Welfare State. *Thesis, University of North Carolina* " .

<sup>12</sup> This social security transfer is through an important policy called attendance allowance which was introduced in 1980s. This policy provides cash benefit of around 500 Euros to selected and verified elderly people suffering from disability.

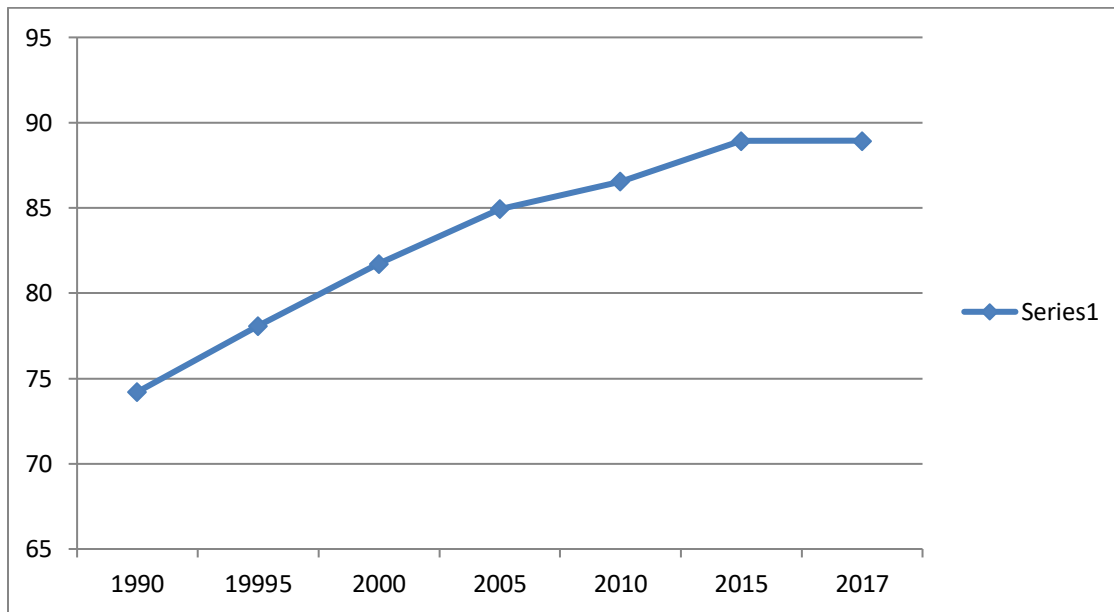


**TABLE 4: Immigrants regularized in 2002-03 by gender and sector of employment**

	Regularized immigrants	% of women	% of women in generic household	% of women in household care work	% of women not employed in household work services
Romania	20.4	44.8	46.3	35.8	17.9
Ukraine	15.2	85.1	43.0	47.6	9.4
Albania	7.7	18.4	51.7	24.3	24.0
Morocco	7.7	12.5	50.2	19.7	30.1
Ecuador	5.2	65.1	48.9	40.8	10.4
China	5.1	37.6	22.9	2.7	74.4
Poland	4.9	78.4	45.2	42.6	12.1
Moldavia	4.4	71.7	43.8	48.1	8.1
Peru	2.5	64.0	53.6	39.8	6.5
Others	26.9	27.4	52.3	27.9	19.8
General %	100.0	45.7	45.8	37.7	16.5
Total	702,156	321,000	147,000	121,000	53,000

Source: Table from (Sciortino, 2004) which was based on data from Ministry of Labour and Social welfare

**GRAPH 4: Percentage of the immigrants of age 15-64 of the total immigrant population**



Source: prepared by the author based on the United Nations database on migrant stock.

The percentage of the immigrant population in from 15-64 years has been increasing over time (from graph 4) implying an increase in working age population while the median population of

Italy in 2015 was 45.9 years<sup>13</sup> meaning an ageing population. Also considering that only 64% of the population is in the working age and the dependency ratio being 56.46 in 2015<sup>14</sup> which is going to increase in the coming years shows that there is a need for the existing working population to either earn more in their working age or for the government to provide the required post retirement benefits for the ageing population. But this would again mean an increase in burden on the government and on the economy. So immigrants play an important role when it comes to contribution to the revenue through taxes and also provision of services at a relatively lower costs which also reduces the cost of care work to a family. According to Idos Study Centre, the immigrants contribute more than 7 billion Euros per year to the social security fund which is far less than the pension benefits they would get after their retirement and overall immigrants bring in between 2.1 and 2.8 billion Euros more than they cost the state. But this would help to improve the funds of social security making everyone better off.

## **CONCLUSION**

The rate of immigration to Italy has been decreasing after 2010 probably due to the crisis in 2008. Even though immigration is seen as a huge problem and has been a matter of debate politically, the total migrant stock in Italy was 5, 907, 461 and the total population of Italy was 60,656,000 as of 2017. So immigrants account to 9.7 percent of the total population. Even countries like US which has heavy inflow of immigrants, which has immigrant population about 13.5 percent of the total population though has political problems with the inflow has still been growing from many decades. According to Migration Hump Model, which shows the relationship between the migration and the level of country's development, economic development of a country increases the migration flows and continues to rise with the increase in income until a threshold level is reached. In the long run this flow of migrants will reduce only when the difference in development of the receiver and the sender countries is reduced. So with the existing world inequalities and the differences in development especially between the North and South is the main reason for migration flows across the world.

Even though the recession had affected the migration flows and immigration policies were made stricter to limit the migration, the push factors (Arab spring, Syrian Conflict, poverty in Africa, political oppression, etc) from the countries of origin have outweighed the risks associated with immigration in the destination countries. This is because immigrants are generally attracted to places with better employment opportunities and also places which they consider to have better conditions of living than their home country.

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<sup>13</sup> From the website [www.istat.in](http://www.istat.in)

<sup>14</sup> The dependency ratio is the ratio of population not in labour force to that of population in the labour force.

Source: [www.data.worldbank.org](http://www.data.worldbank.org)

The notions which generally exist among the natives about the immigrants being the net beneficiaries is not completely true as discussed above. In Italy the immigrants have been contributing more than they have been receiving from the state. Migrants have always had an important role when it came to the public purse, in terms of paying taxes or any other payments (while purchasing property, registering for businesses, etc). According to an estimate by Idos Research Centre, in the period from 2011-15, about 110,000 foreigners will retire and be eligible for pension which will amount to 3.1 percent of all the pension requests. In 2010, it was 2.2% of all requests and will reach 7% by 2025. But currently, 25 percent of the residents will be retired while only 3.3 percent of the immigrants will retire.

The immigrants who contribute around 11 percent to GDP look more like a benefit to the economy rather than the source of the problems<sup>15</sup>. Immigrants have a complementary role in the economy both to provide job opportunities to Italians and fill up those jobs which are not taken by the natives. This character of immigrants which helps in complementing the economic growth of the country and also ageing population is said to have 'hidden welfare'. Though the impact on economy cannot be concretely concluded, immigration has definitely had a positive impact on the public purse, in supporting the welfare system, supplying the labour in required sectors. In addition to this, it can also be concluded that the notion of immigrants stealing away jobs from natives is not always true, at least in the case of Italy. So migration in the case of Italy has been and will be an important factor for its economy to sustain and grow in the long run.

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