

Foreigners in Italy: an economic value for society. Data and considerations on a reality in constant evolution



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It is impossible to discuss or tackle the issue of the migration without first considering its economic implications. The decision to title our *Annual Report on the economics of immigration* “Foreigners: an economic value for society” is inspired by the need to recognise the economic significance of foreigners. After years of studies and research we have come to the conclusion that this phenomenon now playing a vital role in the production of wealth and development tends to be underestimated in the public debate. The Fondazione Leone Moressa hopes to reap the benefits of its activities during recent years in this publication, recognising the economic role of immigrants and helping to complete the whole picture of the presence of foreigners, seeing them in economic terms in addition to socio-cultural terms. By increasing our awareness of foreign labour dynamics during periods of crisis or of the manufacturing industry’s demand for immigrant workers we are contributing to a knowledge base that can be used to create migratory policies in line with a reality in constant evolution. We are also supplying tools that can help us rethink public actions by analysing the compatibility of inflows and the real reception capacity of destination countries.

During a recession like the one we are currently experiencing, austerity measures must include support for newly unemployed foreigners, the most vulnerable segment of the labour market. We need guarantees to ensure that immigrants who have lost their jobs, non-EU immigrants in particular, are provided with alternatives to returning to their countries of origin or becoming illegal following the expiry of their permits of stay.

The assessment of integration of foreigners should attribute great importance to employment. Integration is related to an effective labour policy where having a job is not merely a *sine qua non* condition for remaining in Italy but the outcome of a process of proper education, training and careers guidance.

The ultimate aim of the study is to provide a tool for the formulation and implementation of public policies by political decision-makers and local administrators, as well as contributing to the public debate by drawing up a picture of foreigners based on objective data rather than on generalist prevailing perceptions and images. Examining the economic dimension of immigration in greater depth also means providing those with political responsibilities with clear indications that will help them act decisively and coherently within a programme of employment support and job-placement for foreigners hoping to fulfil their dream of social and professional growth in our country.

By drawing up an immigration profile that is as objective as possible this Fondazione Leone Moressa publication hopes to put an end to an exclusively security-based vision of the issue, ensuring that it is recognised as a driver of economic growth, wealth and competition: in brief, as **an economic value for society**.

The economics of immigration in figures

The publication contains a large body of statistics on the economic aspects of immigration: job placement, the quantitative and qualitative evolution of the demand for immigrant labour by firms, pay, business activities, the capacity of regional economic systems to attract workers from abroad, the income of foreign workers and income breakdown, their savings, remittances, access to the welfare system and economic difficulties.

Foreigners in the labour market. The labour market is the context in which migratory dynamics are most apparent. Immigrants now represent around 9% of all employees with female immigrants accounting for an even greater percentage: foreign women account for 9.4% of Italy's

women in employment. Foreign workers tend to be younger than Italian workers: 32.6% of the total number of foreign employees is aged 25-34 compared to 20.9% of Italians. The crisis has obviously had major repercussions for job placement of foreigners: between 2008 and 2010, the employment rate of foreigners fell by 4 percentage points (from 67.1% to 63.1%) compared to 1.8 percentage points of the Italian employment rate (from 58.1% to 56.3%). The greater exposure of foreign workers to the economic cycle depends not only on personal data (youth) but also on the type of job. Although they account for 9% of all those in employment, foreigners represent 18.1% of those working in the construction sector, one of the most hard-hit by the crisis. Moreover, most foreign employees work for small firms that are particularly vulnerable to the crisis and are qualified as workers (89.9%). In general, immigrants occupy posts with medium-low professional qualifications: in fact, foreigners account for a third of Italy's low skilled workers.

Labour market (2010)			
		Foreigners	Italians
Unemployment rate		11.6%	8.1%
Employment rate		63.1%	56.3%
Employment position	Senior management	0.4%	2.7%
	Middle management	0.9%	7.6%
	Employee	7.4%	46.8%
	Worker	89.8%	41.7%
	Apprentice	1.2%	1.2%
	Total	100.0%	100.0%
Profession	High Skilled	7.1%	36.8%
	Skilled	55.2%	54.4%
	Low Skilled	37.7%	7.6%
	Total	100.0%	100.0%
Age group	15-24 years	7.4%	5.2%
	35-34 years	32.6%	20.9%
	35-44 years	35.4%	31.5%
	45-54 years	19.2%	28.2%
	55-64 years	5.0%	12.5%
	>65 years	0.3%	1.8%
	Total	100.0%	100.0%
Business sector	Agriculture	4.3%	3.9%
	Industry	19.5%	20.1%
	Construction	16.7%	7.6%
	Commerce	8.2%	15.4%
	Other services	51.3%	53.0%
	Total	100.0%	100.0%

Foreign entrepreneurship. Immigrants are not just employees: in 2010 there were 628 thousand foreign entrepreneurs (that is, owners, share-

holders, directors and those occupying other positions who were born abroad) accounting for 6.5% of all entrepreneurs. Foreign entrepreneurs are concentrated in the following sectors: commerce (29.6%), building (22.2%) and manufacturing (10.1%). In 54.6% of cases they were company owners. They are mainly concentrated in the centre and north of Italy, the areas with the most dynamic production sector characterised by a strong presence of small- and medium-sized enterprises.

Foreign entrepreneurs (2010)		Foreigners	Italians
Business sector	Agriculture	2.7%	11.2%
	Industry	10.1%	12.4%
	Construction	22.2%	13.1%
	Commerce	29.6%	22.3%
	Hotel and catering	8.7%	6.7%
	Other services	19.3%	27.1%
	N.C.	7.5%	7.3%
	Total	100.0%	100.0%

Employees' pay. The tendency to employ foreigners in medium-low level jobs obviously affects salary levels: a foreign employee earns an average of 987 euros per month compared to the salary of 1,281 euros earned by Italians. The average level of immigrant worker salaries and the pay gap compared to Italians varies depending on area of residence, gender and business sector. For example, while foreign employees in Calabria earn less than 700 euros per month, in Friuli Venezia Giulia the average wage is over 1,150 euros. Not only is the average wage lower in the south, there is a greater pay gap compared to Italians: in Basilicata foreign employees earn an average of 42% less than Italians while in Calabria the

difference is 40.8%. Gender differences are equally marked: female foreign employees earn an average of 797 euros per month compared to the 1,135-euro salary of men. Female immigrant workers are penalised by the labour market because they tend to work in low-value-added sectors like the care services where the average monthly wage is 724 euros. The relationship between qualifications and pay is particularly interesting. While there is a clear link between qualifications and earnings for Italians, this is not necessarily the case for foreigners: the salary of a foreign worker with a diploma (980 euros) is very similar to that of worker with primary school qualifications (963 euros per month). This is a sign of the unwillingness of the Italian economic system to exploit foreign human capital.

Employee's pay (2010)		Foreigners	Italians
Average		€987	€1,281
By gender	Women	€797	€1,129
	Men	€1,135	€1,400
By sector	Construction	€1,165	€1,233
	Manufacturing	€1,146	€1,317
	Care services	€724	€984

Declared income. In 2009 over 3 million of Italy's tax payers were born abroad – around 7.9% of total tax payers – declaring income amounting to over 40 billion euros, or 5.1% of the total amount of declared income. From 2005 to 2009 the number of immigrant tax payers increased by 32.7%. No less than 17.4% of foreign tax payers were born in Romania, while around 7.2% came from Albania and 6.5% from Morocco. Despite their growing contribution to the development of the legal economy, the economic condition of immigrants still lags far behind that

of Italians. The mean annual per capita income of foreigners is 12,507 euros, almost 7 thousand euros less than an Italian-born tax payer. The pay gap between a male foreign and a male Italian tax payer is around 9,000 euros while the difference between a female foreign and female Italian tax payer is 4,743 euros. Half of all foreigners declare an income of less than 10 thousand euros annually, income mainly from employment and only to a small extent from real estate.

Declared income (2009)		
	Foreigners	Italians
Average declared income	€12,507	€19,580
Income from employment or similar	86.6%	88.4%
Income from real estate	19.2%	82.7%

Income breakdown. This study provides information on the breakdown of foreigners' incomes. The main source of income of foreigners is work (employed or self-employed): 85% of income of foreign citizens comes from work compared to 63.5% of Italians, while only 11.8% of foreigners' income derives from pensions or benefits compared to 32.1% of Italians. In fact, 40.6% of Italians receive a pension compared to 9.4% of foreigners. In proportion, immigrants receive income support like unemployment benefits or family allowance more frequently. Almost 42.2% of foreigners receive aid compared to 27.5% of Italians. In particular, foreigners seem to receive unemployment benefit more frequently (23.8% receive unemployment benefit compared to 10.9% of Italians), but it should be underlined that the amounts paid out in unemployment benefits to foreigners are generally lower than those paid to Italians (around 1,400 euros less per year) due to their lower wage levels.

Breakdown of individual income (2007), earners		
	Foreigners	Italians
Income from work	92.7%	65.0%
Pension	9.4%	40.6%
Benefits	42.2%	27.5%
Income from capital	34.9%	47.9%
Income from rents	1.7%	5.0%
Transferred from third parties	4.1%	3.8%
Total	185.0%	189.9%

Economic difficulties of foreign families. Foreign families experience greater economic difficulties than Italian families and in some cases the economic vulnerability of foreign families has reached rather worrying levels. The majority of foreign families (58.8%) is unable to cope with an unexpected expense of 750 euros and 16.4% state that they are unable to heat their homes adequately. Even more serious is data relative to essential goods: 10.8% of foreign families have been unable to afford to buy food at least once during the year, compared to 5.4% of Italian families, and no less than 15.8% were unable to pay medical expenses, compared to 11.1% of Italian families. Although the economic systems in north Italy are more dynamic, offering greater employment and entrepreneurial opportunities and higher pay levels, foreigners living in this area still experience severe economic difficulties. This means that many foreigners throughout Italy are at risk of poverty and social exclusion.

Economic difficulties experienced by families (% of families that...) (2008)		
	Foreigners	Italians
Only reaches the end of the month with great difficulty	24.8%	16.7%
Cannot afford an unexpected expense of €750	58.8%	30.2%
Experiences difficulties in paying for household expenses	61.3%	51.6%
Could not afford to buy clothes (at least once during year)	30.4%	17.7%
Cannot afford to take a week's holiday	52.6%	38.6%

Remittances. The phenomenon of remittances abroad is a fairly recent one in Italy; until 1999 remittance inflows (money sent by Italian emigrants) exceeded outflows. In 2010 remittances sent abroad from Italy totalled 6.3 billion euros, or 0.41% of the GDP. However, following the crisis remittances from Italy experienced a drop of 5.4% on the previous year. Each foreigner sends an average of 1,508 euros to his/her country of origin. Almost half of remittances (47.4%) are sent to Asia (over 3 billion euros), while a quarter is sent to European countries (almost 1.7 billion euros).

Remittances (2010)	
Volume	€6.4 billion
Pro-capita remittances	€1,508

Labour attraction index. In view of the vast differences between various areas, the Fondazione Leone Moressa decided to develop an index

that would take into account various factors such as employment insecurity, entrepreneurial capacity, economic conditions, and demographic trends in order to measure the capacity of Italian regions to attract foreign workers from abroad. Despite the crisis north Italy is the area with the greatest capacity to favour the settlement and job placement of foreigners. The index reveals a wide gap reflecting the wider-ranging difficulties of the country's economic and manufacturing system: if we take the mean rate in Italy to be 100, Lombardy has a labour attraction index of 123.1, while Calabria's rate is 20.9. This index provides information about the economic situation of foreigners in Italy and their participation in the tax system, and about the distribution of revenue, drawing attention to eventual inequalities.

Foreign labour attraction index in Italy (2010). Italy = 100

Lombardy (region in first place)	123.1
Calabria (region in last place)	20.9

During and after the crisis

A possible interpretation of the research contained in this publication concerns the short- and medium-term impact of the crisis upon the integration of foreigners. The economic recession affecting our country soon became a social crisis with serious repercussions for the inclusion and well-being of both Italian and foreign citizens. In general, the most vulnerable segments of society, and therefore many immigrants, have been hardest hit by the crisis.

The labour market suffered a severe setback. The drop in foreign employment reflects a fall in the demand for foreign labour by businesses and services: between 2008 and 2010 firms reduced jobs for non-seasonal foreign

workers by 37.2%. The concentration of the request for immigrant labour in the lower skilled professions has hardly helped protect foreign workers. The crisis has only worsened existing problems and inequalities: even at pre-crisis levels, one foreign family out of four had great difficulties in making it to the end of the month.

In general, the most immediate effect of the worsening of employment conditions is the slow down in entry flows, a phenomenon affecting Italy as well as other members of the European Union such as Ireland, Spain and Great Britain. At the same time, a number of countries including Italy have adopted measures to further limit both legal and illegal entry flows. We need to reflect on both the medium- and long-term economic dynamics given that the demand for foreign workers in the European Union is destined to increase. The attempt to reduce legal immigration flows could not only lead to a rise in irregular immigration but it could prolong the crisis, reducing the availability of workers in some sectors while exposing foreign workers to a greater risk of exploitation. This also implies introducing regulations and social measures designed to protect immigrant workers, also in case of job loss.

The crisis could provide an opportunity for discussing Italy's current migration policies and evaluating their real capacity to include foreigners in the social fabric on the one hand, and to exploit potential and resources, on the other. This implies an in-depth reflection on the role played by immigration in the country's economic and social development.

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