LUISS 🏛

Dipartimento di Impresa e Management

Cattedra di Macroeconomia

Bachelor thesis

The macroeconomic and social impact of migration on the Italian system

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Salvatore Nisticò

Supervisor

Riccardo Cinque

Author

LUISS Guido Carli

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Introduction

Migration is one of the oldest phenomena inherent to human nature. People have been moving throughout the entire world for different reasons since the very start of human existence, even much earlier than the start of civilization and urbanization. Despite the many past debates on this topic, migration is still one of the most discussed issues in many nations around the globe. Migration is, therefore, a crucial and hot point in a lot of political debates today. But is it actually as bad for the economy of a country as most people say? Could migrants be a resource for the hosting country? Before answering these questions, it is important to take a step back from personal political views and analyze the data available. To be able to analyze the various data, it is crucial to first give a definition of migration (and migrant). Migration is the process of people traveling to a new place to live, usually in large numbers (Cambridge Dictionary) and the migrant is, therefore, the individual who takes part in this event.

In this thesis, we will try to give a full picture of the immigration phenomenon in the Italian system in order to see its effects on our modern society and what could be done to tackle the issue. We will first give an overall glance at the socio-demographic context of immigration in Italy to understand the extent of this phenomenon in our Country (Chapter 1). This section will be followed by a review of previous studies on this topic in the literature, which will help us in the analysis of this issue mainly from an economical point of view (Chapter 2). In Chapter 3, we shall review the different opportunities that immigrants would introduce into a country such as Italy, and the reasons why they could be seen as resources for the future. Specifically, we will discuss entrepreneurship and aging of population. Chapter 4 consists of an analysis of the differences between how people perceive immigration and the reality of things, as it turns out that Italy, in the EU, has one of the largest gaps between the two of them. In this chapter, we will also go through the different Italian policies regarding immigration and we will see how these policies tended to be very segmented and divergent depending on the coalition in power at the time of the enactment of the different laws. In the last chapter, we will draw some conclusions and discuss policy implications. On the whole, we have not detected important negative effects of immigration on the Italian system. We rather point out the importance of enhancing the process of integration in a society which still presents large undesirable inequalities between natives and immigrants.

CHAPTER 1

Socio-demographic context of immigrants

1.1 *Population and foreigners*

As of January 2019, Italy is accounted for a resident population of 60.39 million of which 8.7% are foreign citizens. A higher value if compared with that of France (7%), but lower than the German (11.7%) and the British (9.5%) ones. Figure 1.1 shows the evolution of the resident population from 1981 to 2018, including foreigners as well (ISTAT, 2019). Since 2015, the resident population has been slightly decreasing, while the percentage of non-citizens has been increasing year by year. In the last decade, the number of foreigners has grown in Italy not only because of migrations from abroad, but also due to the many babies born in our country from both foreign parents, the so-called second generations. Only between 2000 and 2017, the flow that fed the second generation consisted of almost one million and 100 thousand foreign children. This number is likely to grow in the near future (ISTAT, 2019).

Meanwhile, Italy has lost its capacity to grow in population, as every year the number of people who die is higher than the number of new births. This dynamic is responsible for the constant decrease of the resident population in the area, creating an important issue for the entire nation that must be addressed in view of its future.
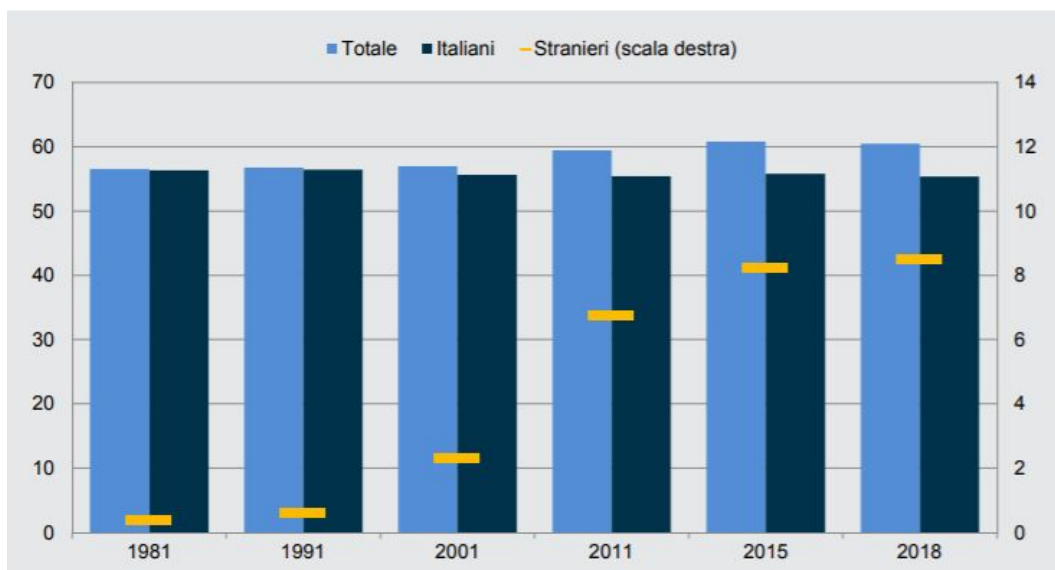
The resident Italian population is aging and the number of newborns is decreasing throughout the years. The number of births in 2017 was 359,000, 121,000 less if compared with the 2008 newborns. Thanks to the strong contribution of the foreign population and mainly of the Romanian, Moroccan and Albanian families, which are accounted for 43.7% of the birth given by foreigners, the Italian regions with a higher number of newborns are the northern ones. Actually, the northern regions, over the last ten years have had between 45 and 50 thousand foreign newborns per year, while in the southern regions the number of foreigner births has been about 10 thousand per year, with a slightly increasing trend.

As shown in Figure 1.2, the Italian age pyramid has a mushroom shape, meaning that in the future, as the baby boomers generation (people born between the '60s and the '70s) will get older, the bottom part of the population in the graph (currently under 30 years old) will face huge problems in supporting the overpopulated old generation. The foreign population, represented in yellow in Figure 3.3, is also aging and their mean age has increased from 31.1 in 2008 to 34.5 years old in 2018 (ISTAT, 2019).
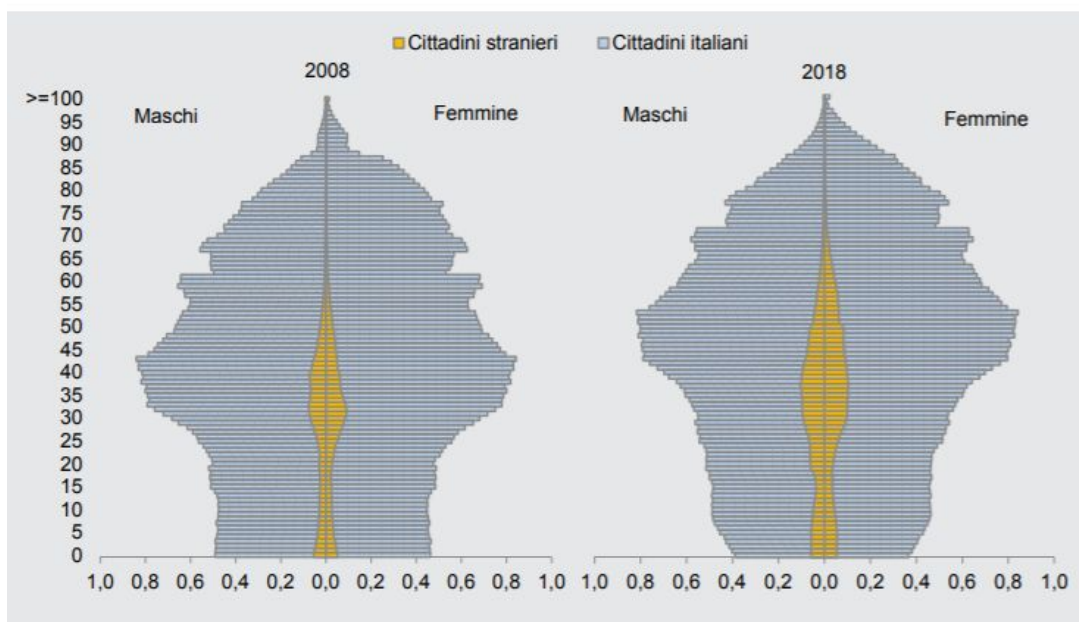
Figure 1.2: Pyramids of the ages of the Italian and foreign population on January 1st (Source: ISTAT, 2019)

Another important topic to be addressed is the issue of the so-called "new-Italians", the Italian population by acquisition. Citizenship acquisition means that some foreigners living in our country are no longer counted in the foreign population. As of 2018, over one million 340 thousand people that live in our country acquired Italian citizenship, 56.3% being women.

Figure 1.3 shows that the residents who acquired citizenship are mainly Moroccan (13.7%), Albanians (12.6%), and Romanians (5.7%). Chinese people have instead a very low propensity to acquire Italian citizenship. In particular, for every 100 Moroccan immigrants, there are around 44 Italians of Moroccan origin. A very similar situation can be found for the Albanian community: for every 100 Albanians, there are 39 Italians of Albanian origin (ISTAT, 2019).

These Italian citizens by acquisition tend to be concentrated in the central and northern regions, such as Lombardy (22.7%), Veneto (11.8%), Piedmont (11.4%) and Emilia Romagna (10.7%), while their number is very limited in the South. In more than 20% of the cases, the acquisition of citizenship involves minors. Of these minors, 78% were born in Italy. The share of people born in Italy varies greatly depending on the communities considered. It exceeds 90% for those born with Albanian and Tunisian citizenship, and falls below 80% for Indian, Senegalese and Pakistani citizens (ISTAT, 2019. "Indagine conoscitiva in materia di politiche dell'immigrazione, diritto d'asilo e gestione dei flussi migratori").

PAESI DI CITTADINANZA / CITTADINANZA DI ORIGINE	Stranieri residenti		Italiani per acquisizione		Italiani per acquisizione (per 100 stranieri residenti della cittadinanza di origine)	Residenti stranieri e di origine straniera (b)	
	v.a	%	v.a	%		v.a	%
Romania	1.190.091	23,1	77.046	5,7	6,5	1.267.137	19,5
Albania	440.465	8,6	169.644	12,6	38,5	610.109	9,4
Marocco	416.531	8,1	184.333	13,7	44,3	600.864	9,3
Cina	290.681	5,6	12.552	0,9	4,3	303.233	4,7
Ucraina	237.047	4,6	23.096	1,7	9,7	260.143	4,0
Filippine	167.859	3,3	16.725	1,2	10,0	184.584	2,8
India	151.791	3,0	39.360	2,9	25,9	191.151	2,9
Bangladesh	131.967	2,6	22.394	1,7	17,0	154.361	2,4
Moldova	131.814	2,6	18.654	1,4	14,2	150.468	2,3
Egitto	119.513	2,3	24.125	1,8	20,2	143.638	2,2
Altri paesi	1.866.681	36,3	757.332	56,3	40,6	2.624.013	40,4
Totale	**5.144.440**	**100,0**	**1.345.261**	**100,0**	**26,1**	**6.489.701**	**100,0**

Figure 1.3: Foreign and Italian resident population by acquisition, by citizenship and citizenship of origin on January 1st (Source: ISTAT, 2019)

1.2 *Migrants and geographical distribution*

When we analyze migrations in Italy, it is also important to consider the internal migration within the country. Italy has always been a country with a huge and chronic development gap among the various regions, the Mezzogiorno (southern Italy) being behind the North both in the economic and social fields. This situation has brought a constant

migration from southern regions to the northern ones, with a peak in the '50s and '60s, but still of considerable size today. Figure 1.4 shows the interregional migration balance of young Italians (20 to 34 years old) by level of education from 2008 to 2017. During this period, southern regions have had a persistent outflow of human resources, in particular from Campania, Calabria, Puglia and Sicilia where the streaming out has been of around 280 thousand young people, 80% of them with medium or higher education. Over the last 10 years, the migration balance shows an overall loss of 309 thousand people aged 20 to 34, almost 40% of them with a bachelor degree (higher education) (ISTAT, 2019). From an economic point of view, these figures are devastating for those regions: as the costs of developing new human capital are high, the loss of such capital can be very harmful and in the long term can permanently affect the growth and the development of the area.
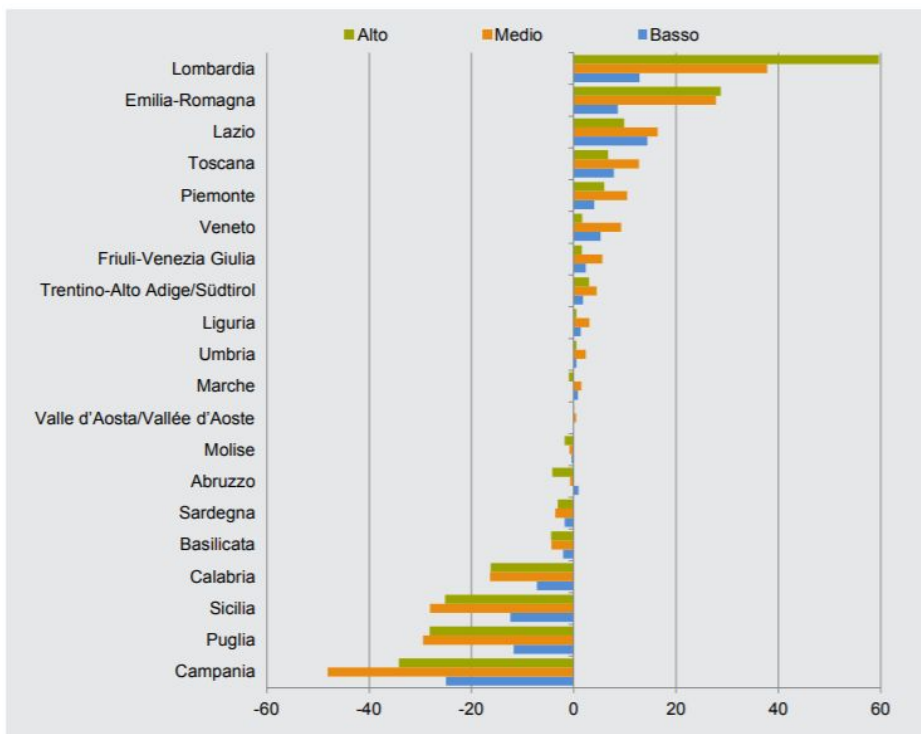
Figure 1.4: Interregional migration balance of young Italians aged 20 to 34 years by level of education, 2008-2017 (Source: ISTAT, 2019)

In recent years the number of migrants from South to North has been decreasing, mainly because there has been an increase in the migration towards other countries, such as Germany and Great Britain. As shown in Figure 1.5, between 2012 and 2017 the number of people migrating from southern to central-northern Italy has decreased by 20 thousand (namely from 130 thousand to 110 thousand. The migration balance with foreign countries has been negative since 2008 and it shows a straight loss of 420 thousand residents over the last ten years. The main concern for the Italian system should be that half of these migrants

are young adults between 20 and 34 years old, of which two-thirds have a middle/high level of education (ISTAT, 2019).
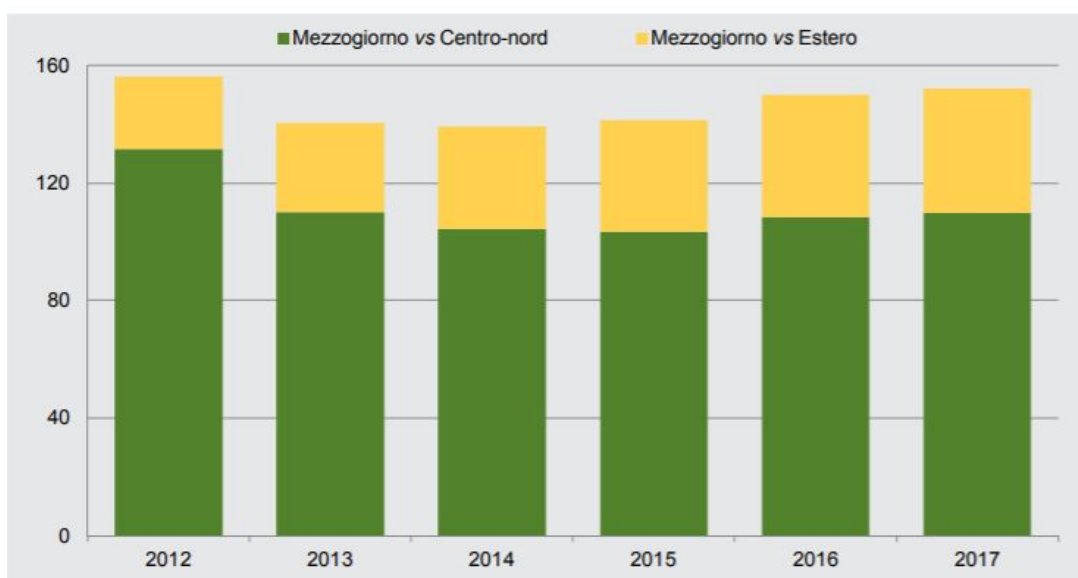
Figure 1.5: Transfers of residence with origin in southern Italy to foreign and central-northern Italy destinations, 2012-2017 (Source: ISTAT, 2019)

Italy is a country that registers the presence of many different citizenships; there are over fifty different nationalities with more than 10 thousand residents and one hundred ninety-five nationalities overall on the Italian soil. The most represented community is the Romanian one, with more than 1 million individuals, followed by the Albanian (440 thousand), the Moroccan (417 thousand), the Chinese (291 thousand) and the Ukrainian (237 thousand) ones. All together these communities amount to 50% of the total foreign resident population in Italy.

Foreigners tend to live in the central-northern regions, where they are slightly over 10% of the total population. In these areas, it is possible to talk about real stabilization processes that are developing in the last years. These processes are mainly driven by the type of migrants in the regions, as most of the communities present on the territory have been here for a long time and they are now obtaining Italian citizenship. This is why in the northern regions we observe a mature migration phase. At the same time, in the southern regions, the situation is completely different both in terms of percentage and type of migrant. The South hosts mainly migrants with emergency permits and they only count for 4% of the population. Here the maturity of immigration is still very low and not comparable to the northern regions (ISTAT, 2019). In absolute numbers, the North-West regions host the larger amount of foreign residents (1,764,305 people) which is more than one third (33.6%) of the total foreign population. Almost one foreign resident out of four lives in the North-East region (23.9%),

and the situation is similar in the central regions (25.4%). The presence of foreign residents deeply drops in the southern regions (12.2%) and in the islands (4.9%) (ISTAT, 2019. "Indagine conoscitiva in materia di politiche dell'immigrazione, diritto d'asilo e gestione dei flussi migratori").

1.3 *Permits and Refugees*

In order to legally enter the Italian soil, a non-European migrant must receive a permit. This permit can be of various types, but the most common ones are working licenses, family reasons and emergencies such as humanitarian protection or asylum. The entrance through a work permit used to be very popular in the early 2000s (over 50% of the permits until 2011), also because of the admission of Romania into the EU. Year 2011 saw an increase of immigrants to Italy due to family permits, while work permits decreased below 35% of the total ones issued that year. From 2014, Italy has been releasing mainly family and emergency permits (both around 40% of the total), with the number of work permits lowered under 10% (ISTAT, 2019). This complex permit dynamics was determined by the economic crisis – started in 2008 – which strongly reduced the number of jobs in the Italian working system. This is one of the reasons why, in the last 10 years, it has become particularly hard to obtain a working permit. At the same time, these years have seen increasing conflicts and wars around the globe, and the fact that Italy is in the center of the Mediterranean sea has brought here a higher number of migrants asking for asylum and humanitarian protection (ISTAT, 2019).

Among the different reasons that could push a person to migrate into another country, there is the will to flee from emergency situations. People who have been forced to leave their own country to escape war, persecution, or natural disaster are generally called refugees. Every day, 37 thousand people around the world are forced to leave their home countries because of such events. In the last 20 years, the number of refugees has doubled, reaching the amount of 26 million. It is worth noting, in analyzing the data, that just five countries are accounted for two-thirds of the refugees worldwide. These countries are Siria, Afghanistan, Myanmar, Somalia and South Sudan. Figure 1.6 shows the distribution of refugees worldwide in 2017 and 2018. Turkey, Pakistan and Uganda are the top 3 countries for number of people hosted during these years. In spite of the scaremongering of the last years about the issue of refugees in most European countries, Germany is the only EU country in the top ten. Regarding this matter, Italy has one of the lowest refugees versus inhabitants ratio in Europe with just 189 thousand refugees. (Dell'Olio 2019, data taken from UNHCR Agency, the UN Refugee Agency).
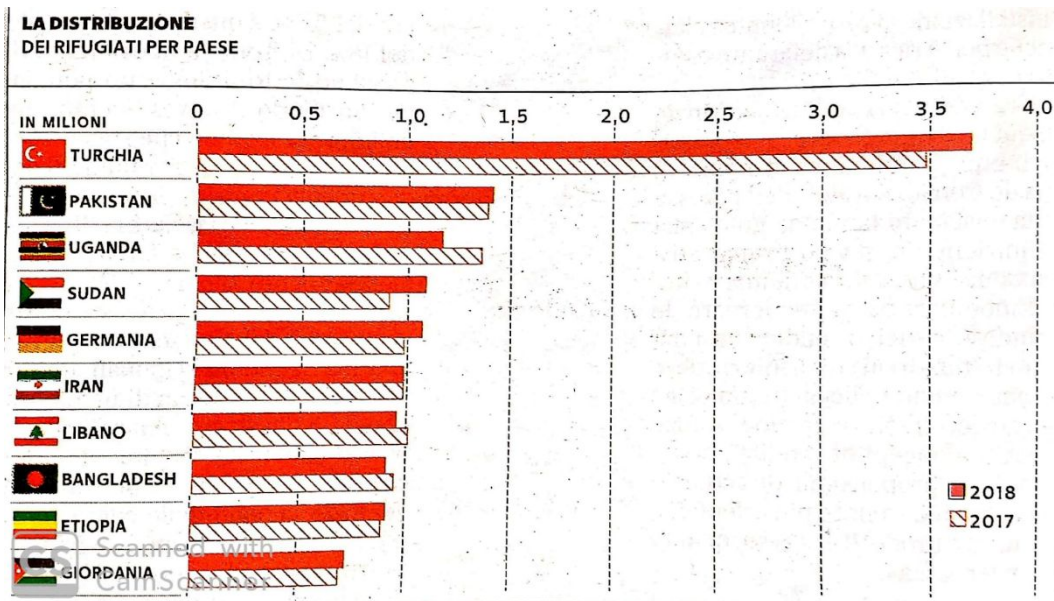
Figure 1.6: Distribution of the refugees worldwide (Source: Dell'Olio 2019, la Repubblica 12/23/2019)

Italy tends to host mainly refugees from three countries: Nigeria, Bangladesh and Pakistan. Together they are accounted for around 40% of the permits given for asylum and humanitarian protection. In the last years, entrances from Sub-Saharan Africa have grown a lot due to the difficulties that this area is going through. In fact, two of the top three countries with the most significant percentage increases in arrivals (2017) were Sub-Saharan: Guinea with a 66% increase and Ivory Coast with a 40.8% (the first country being Bangladesh with a 96% entrance growth). On the other hand, there has been a decreasing trend of people coming from Eastern European countries. Usually, the gender composition of refugees is particularly unbalanced in favor of men. In 2017, they were over 85% of the total cases. Minors represent only above 4% of the incoming flows (around 4.400 people in 2017) but the relative weight of children and young people on the total admission number depends on the community considered. As said before, in the Italian system immigrants tend to live in the northern regions where they are roughly 10% of the total population, while in the South they are accounted for only 4% of the population. Despite the lower number of foreigners, the South generally hosts a higher percentage of refugees (Figure 1.7). As a matter of fact, in these regions one finds a high number of entrance permits for humanitarian protection and asylum; this situation can readily explain the increased number of releases in Italy of this particular type of entry license in the last years (ISTAT, 2019).
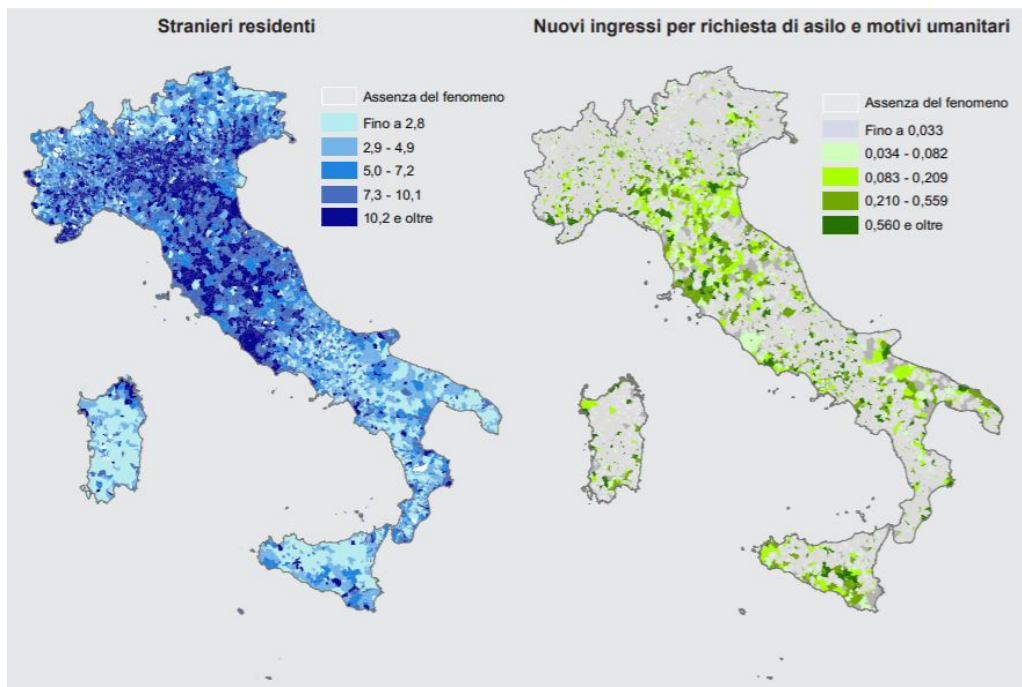
Figure 1.7: Foreigners resident on January 1st, 2018 and new arrivals for asylum and humanitarian reasons in 2017 (ISTAT, 2019)

1.4 *Labor market*

Another basic aspect that must be considered when analyzing the migration phenomenon is the labor market. Before getting into the specific impact of migrants on the labor market, it is important to have a clear picture of the Italian labor market as a whole. In 2018 the employment increased for its fifth consecutive year (192 thousand people) but there has been a lower increase compared to the past two preceding years, 2016 and 2017. Another positive feature is that in 2018 the employment rate of people between 15 and 64 years of age was 58.5%, one of the highest in the past decade. Also, in 2018, the number of unemployed fell for the fourth consecutive year (-5.2%), but still remained 1 million and 100 thousand higher than in 2008. The unemployment rate followed the same trend, reaching 10.6% (however, it was 6.7% in 2008). The increase of employment to pre-crisis levels is due exclusively to dependent work, which in the last decade has increased by 682 thousand units, 4%, against a drop of over half a million self-employed workers, whose share of the total employed fell from 25.5% in 2008 to 22.9% in 2018 (ISTAT, 2019). As figure 1.8 shows, with reference to the period 2009-2018, there has been an increase in employees and a strong decline in self-employed workers. This situation was accompanied by an increased weight of the weaker components, such as temporary employees as to dependent workers or a lower number of employees as to independent workers. In fact, the incidence of fixed-term work has increased among dependent employees, especially those with job duration below six months,

and among independent workers without employees (ISTAT, 2019). The vulnerability of these workers is clearly higher compared to other categories, so an increase in these components is definitely leading to a more vulnerable and fragile labor market.
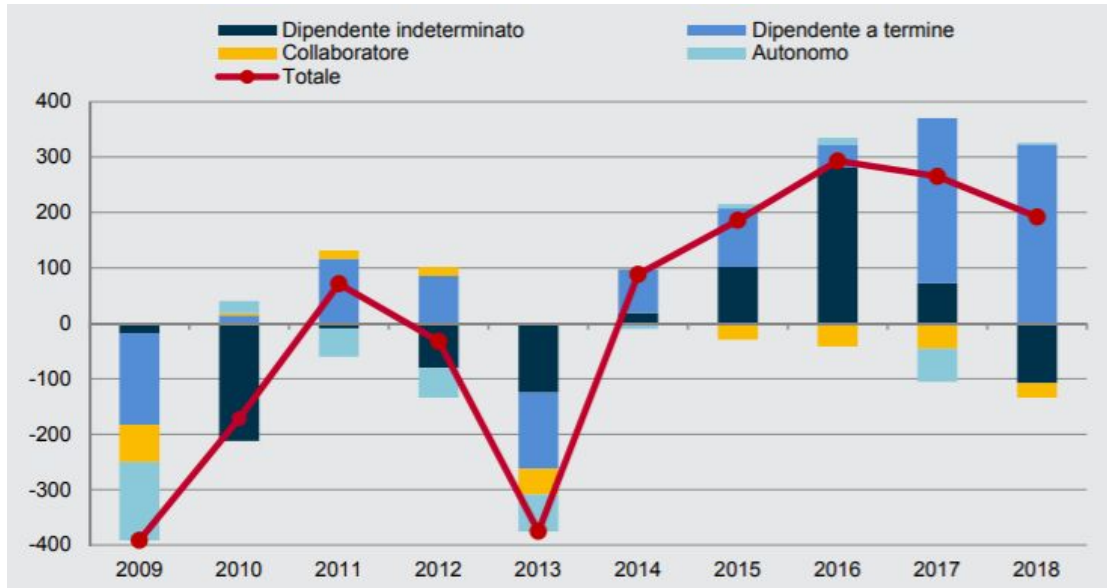
Figure 1.8: Workers by professional position, 2009-2018 (Source: ISTAT, 2019)

In the last ten years, in the Italian labor market, there has been a relevant increase in the difference between northern and southern regions. While, in 2018, in the central-northern regions there has been an increase of people employed compared to 2008 (+2.3%), in the south the balance of employment, in the same year, was still negative compared to 2008 (-4%). The main difference sits in the number of permanent workers in the two areas. In the northern regions, there have been 195 thousand new permanent workers, while, at the same time, in the southern regions they decreased by 273 thousand units. Figure 1.9 shows the difference between these Italian macro-areas (ISTAT, 2019). There are multiple relevant historical factors causing the southern region to constantly lag behind the northern ones, however, they will not be analyzed in this paper.
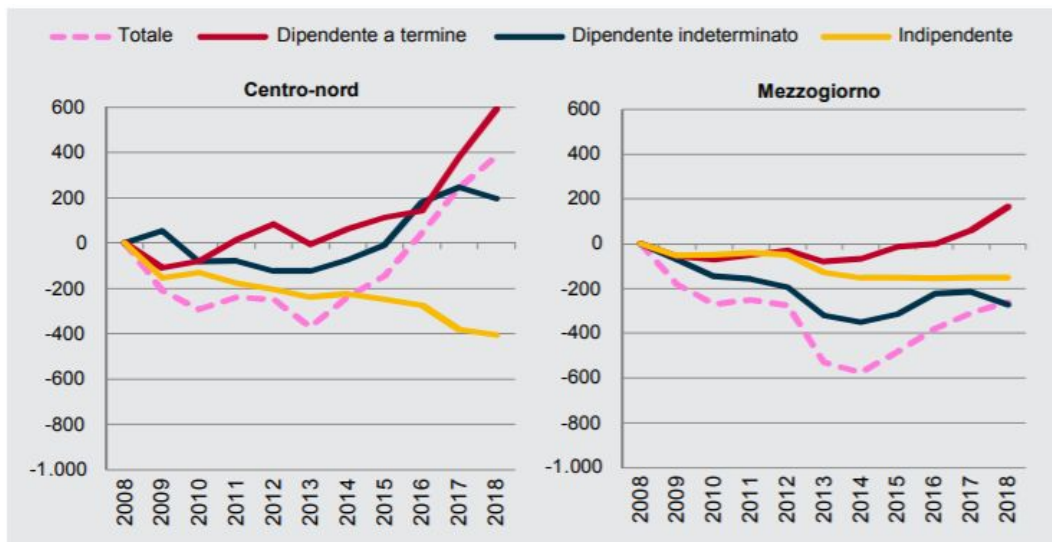
Figure 1.9: Employees by territorial distribution and professional position, 2008-2018 (Source: ISTAT, 2019)

Another huge problem in the Italian system is the presence of a high number of NEETs (not in education, employment or training), namely young people (under 35) who do not attend any training, school or professional course and are not employed since the beginning of the crisis. The persistence of a high number of NEETs (around 3 millions in the latest years) reduces human capital in the younger generations and, considering that young people have a higher life expectancy, the lost human capital is quite significant for the nation (Monti, 2016). The NEET issue is a typical case where it is not possible to quantify the phenomenon in its details. The NEETs are formed by both people who are looking for work (visible because enrolled in placement lists) and people who are not on these lists and are not even searching for a job (more difficult to see). If a young person, under 35, unsubscribes from a job placement list, unemployment decreases but the NEET number does not decrease. This phenomenon creates three main problems in the Italian society. First, these people do not pay contributions and therefore there is a problem of balance in the pension system (INPS). Second, they decrease the total consumption in the country because they use family savings but do not have their own income to consume. Third, they weigh on the Italian GDP by 2.5%. All in all, the unused and potentially employable workforce in the labor market in 2018 amounted to 5.8 million individuals (ISTAT, 2019).

After having provided a clear overall picture of the Italian labor market, we can now introduce the role of immigrants in the field. Italy has been characterized by a growing number of foreigners in the last years. Between 2008 and 2018 the foreign population aged over 15, i.e. in the working age, increased by 1.5 million. In 2018 foreign employees are almost 2.5 million, females more than males, and are accounted for 10.6% of the total employees. Nevertheless, the increase of the foreign population has not matched, lately, the

increase of foreign employees. This is due to the increase of permits that are different from work permits (see section 1.3 Permits and Refugees) and to the larger difficulties in finding a job in a system that has deeply suffered from the 2008 crisis. Figure 1.10 clearly shows a remarkable difference in the employment and unemployment rates between Italian citizens and foreigners. Surprisingly, both rates for foreigners are higher than those for Italians. The employment rate among people between 15 and 64 years of age is 61.2% for foreigners, -5.8% less than at the start of the decade, while lower than 60% for Italians. In the last ten years, the gap between these two categories has been significantly narrowing. It has reduced from +8.9 points in 2008 to +2.9 points in 2018. As to the unemployment rate, it turns out to be higher for foreigners (14% against 10.2% for Italians). Moreover, unlike the employment rate, this indicator has increased more for foreigners than Italians (5.5 points versus 3.6), widening the gap from 1.9 in 2008 to 3.8 in 2018 (ISTAT, 2019).
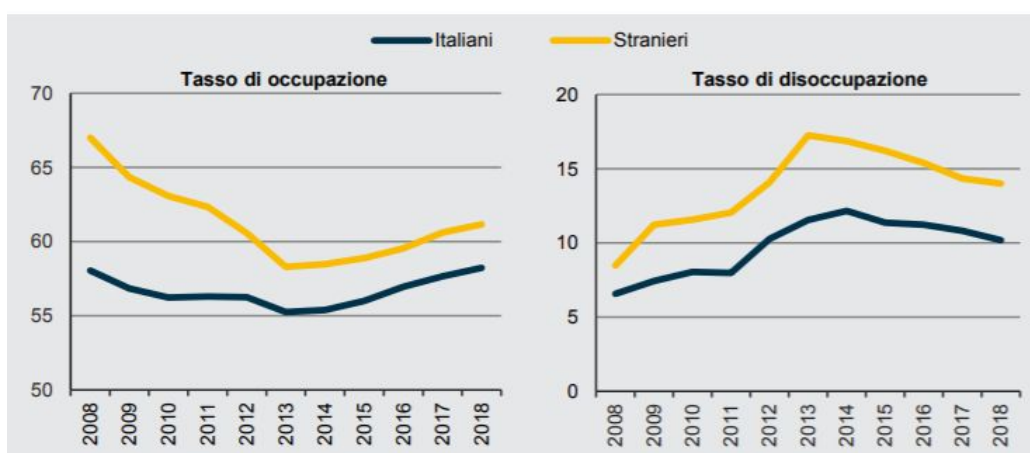
Figure 1.10: Employment and unemployment rates for citizens and foreigners (15-64 years old) (Source: ISTAT, 2019)

In the central-northern regions the relative foreigners disadvantage increases, where almost 84% of the total foreign labor force lives. During the economic crisis (2008-20013), foreigners compared to natives had experienced a higher decrease in employment rate (respectively -8.9% and -1.9%) and a higher increase in the unemployment rate (respectively +8.8% and +3.7%). In such regions, there is a tendency towards a lower degree of participation in the labor market for immigrants if compared to natives. The southern regions are accounted for the remaining 16% of the foreign labor force. Here, immigrants tend to have higher rates of employment and a lower rate of unemployment if compared to Italians, therefore their disadvantage is not so pronounced as in the north (ISTAT, 2019).

Another important issue is to understand in what sectors these immigrants tend to work and if this work tendency is likely to change over time. Specifically, in Italy, foreign labor force is increasingly concentrated in certain production sectors and in low-specialized jobs.

Figure 1.11 shows employed people by citizenship and sector of economic activity and it analyzes two different periods of time: 2008-2013 and 2013-2018. In the first 5 years (2008-2013) the occupational growth of immigrants is mainly concentrated on family services, followed by the agricultural sector. In the latter sector, the increase of foreigners is mainly concentrated in unskilled professions, while the decrease for Italians in more than half of the cases affects qualified professions. In the trade sector, in both periods, the increase in immigrant employment has mainly regarded street vendors, while the drop in Italians has been concentrated among wholesalers and retailers. So once again, immigrants are more likely to be working in low skilled jobs.

Another relevant sector is the one of hotels and restaurants. Here, the overall growth concerns both Italians and foreigners. Even in this case, natives tend to work in more skilled jobs if compared to immigrants. It is clear that in Italy there is a dual labor market with strong segmentation as immigrants are mainly concentrated in few sectors, such as domestic and care services, where immigrants are accounted for 68.9% of the total employed in the sector. The dual nature of the market is confirmed by the type of professions most commonly carried out by foreigners. As to qualified professions, foreign workers are just 2.3% of the employees, but at the same time the immigrants share of unqualified workers is much higher, almost 33%. The disproportion is also visible within each sector: if we take into consideration the commercial sector, foreigners carry out highly qualified jobs only in 7.0% of the cases, natives in 21.7%; with regard to low qualified jobs, percentages are respectively 31.3% and 6% (ISTAT, 2019).

The role of immigrant entrepreneurs has also an impact on the Italian labor market, however, this topic will be further discussed later in the thesis.
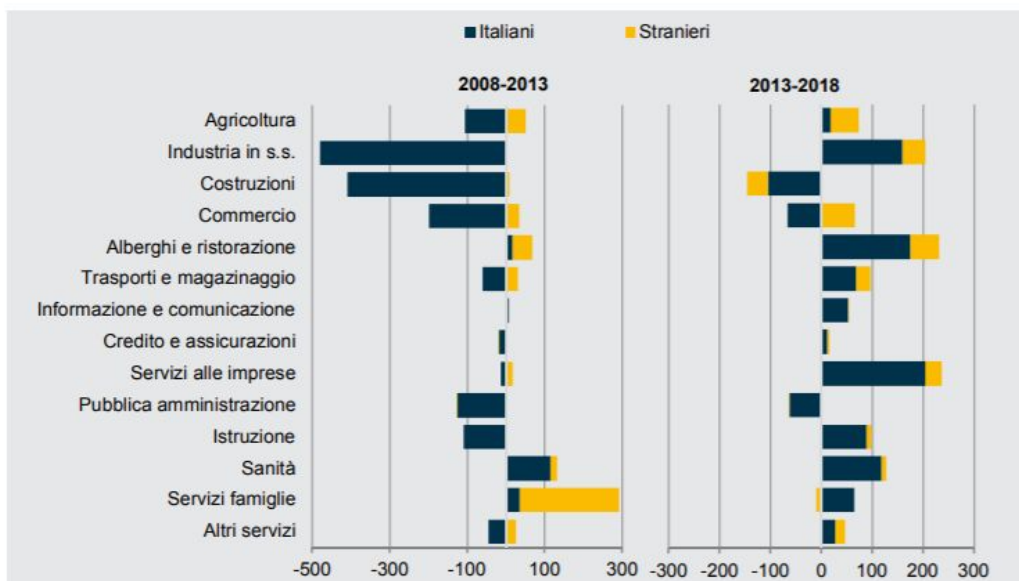

Figure 1.11: Employees by citizenship and sector of economic activity (Source: ISTAT, 2019)

CHAPTER 2

Literature

2.1 *Canonical model and the three different approaches*

A key issue in contemporary immigration studies has been a lack of one coherent metric for understanding the impact of this phenomenon on society. The use of different economic models has produced widely varying results. Dustmann et al (2016), try to understand how these different estimation models could give such different outputs by analyzing the different approaches to the immigration issue. Before moving on to the literature review, it is important to understand what a canonical model is. A canonical model is the conceptual reference model used to analyze the relationship between the arrival of immigrants and the effects on the labor market and on wages; this model, therefore, helps to study the impact of immigration. From a purely theoretical point of view, the arrival of new immigrant labor force leads to a decrease in the salaries of the native workers threaten by their arrival (so the native labor of the same type); but at the same time, an increased labor force increases the capital's productivity. However, when we detach from the theoretical view and we apply the model to the real world, researches find different results in their studies, some with positive and some with negative effects due to different variables and estimation taken into account (Dustmann et al, 2016).

Generally, we can find three different estimation approaches:

1) exploiting the variation in immigrant inflows across different specific cells, such as education and experiences ones, at the national level. This first approach is called *The National Skill-Cell approach* and it is used in "The Labor Demand Curve is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market" by Borjas (2003).

2) exploiting the variation in the total variation of immigrants but this time at the regional level, called the *Pure Spatial approach.* For example, it is used in "The Effects of Immigration on the Labor Market Outcomes of Less-skilled Natives" by Altonji and Card (1991).

3) exploiting, still at the regional level, the variation in the inflows of immigrants across areas and skill cells, also called *The Mixture approach.* It is used in the paper

"Immigrant Inflows, Native Outflows, and the Local Labor Market Impacts of Higher Immigration" by Card (2001).

2.1.1 The National Skill-Cell approach

As said earlier, Borjas (2003) used this estimation approach based on exploiting variation in supply shifts across education-experience groups to understand how the arrival of new immigrants can have an effect on the relative wages. Basically, in order to analyze their impact, natives and immigrants are divided into different categories based on their level of education and experience. It is also important to remember that Borjas builds its analysis using the assumption that workers with the same level of education but different experiences are not perfect substitutes.

In its research work, he finds the following estimates model:

$$y_{ijt} = \theta p_{ijt} + s_i + x_j + \pi_t + (s_i \times x_j) + (s_i \times \pi_t) + (x_j \times \pi_t) + \varphi_{ijt},$$

(Borjas, 2003)

"where s_i is a vector of fixed effects indicating the group's educational attainment, x_j is a vector of fixed effects indicating the group's work experience, and π_t is a vector of fixed effects indicating the time period. The linear fixed effects in [the] equation control for differences in labor market outcomes across schooling groups, experience groups, and over time. The interactions ($s_i \times \pi_t$) and ($x_j \times \pi_t$) control for the possibility that the impact of education and experience changed over time, and the interaction ($s_i \times x_j$) controls for the fact that the experience profile for a particular labor market outcome differs across schooling groups." (Borjas, 2003).

In order to fully understand the relative immigration wage effect by experience, a first difference equation must be calculated:

$\Delta \text{logy}_{ijt} = \theta_{skill} \Delta p_{ijt} + \Delta \pi_t + (s_i * \Delta \pi_t) + (x_j * \Delta \pi_t) + \Delta \varphi_{ijt}$ (Dustmann et al, 2016)

- Δlogy_{ijt} is the change in native wage in logarithms in education group i, experience group j at time t
- Δp_{ijt} is the education-experience specific shock
- s_i is the vector of education
- x_j is the vector of experience

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- π_t is the vector of time fixed effect
- θ_{skill} triple difference estimator among education, experience and time

Using this formula, as reported by Dustmann et al (2016), it is possible to find the change in the native wage of a certain education group i and experience group j in a specific period of time.

Generally, papers that use this kind of estimation tend to find a negative effect of the immigration phenomenon on the wage of competing workers, so an increase in the supply of labor reduces the wages of the same type of native workers. Borjas (2003), itself, found that a 10% increase in the supply decreases the wages by around 4%, confirming the idea that natives suffer from the arrival of new labor force (wage wise). It is also crucial to highlight that this approach identifies the relative wage effect of immigration only by experience because the effects of this phenomenon that are common to the education group differenced out (Dustmann et al, 2016).

2.1.2 The Pure Spatial approach

This second approach is instead based not on a national level but it exploits the variation in the total immigration across regions (therefore, at a regional level). Differently from the previous approach, the estimations done with the Pure Spatial approach can help analyze the total effect of immigration on natives wages for a specific education/experience group, it allows us to size the effect of the phenomenon "between both experience and education groups, as well as about its absolute effects" (Dustmann et al, 2016). In this model, the change in wage depends on the total immigration shock in a certain specific region. The formula used is then slightly different from the one used in the National Skill-Cell approach and there is the addition of the r which stands for the region:

$$\Delta \log y_{ijrt} = \theta_{spatial\ ij} \Delta p_{rt} + (s_{ij} * \Delta \pi_t) + \Delta \varphi_{ijrt}$$ (Dustmann et al, 2016)

- $\theta_{spatial\ ij}$ is a "difference in difference" estimator between two different regions over a certain period of time.
- $s_{ij} * \Delta \pi_t$ is the nationwide education/experience specific time trend
- i and j are respectively the education and experience groups
- Δp_{rt} is the region-specific immigration shock

Altonji and Card (1991) use this kind of approach. They do not find a high level of competition between immigrants and low-skilled natives, therefore new inflows of immigrants tend to not have a remarkable effect on the unemployment rate of native workers. However, they do find that in standard metropolitan statistical areas population, an increase in the number of immigrants of 1% decreases the native wages by 1.2%.

2.1.3 The Mixture approach

The third approach is the Mixture one. As might be expected, it is a mixture of the approaches just analyzed in the previous sections. It is, in fact, based on the variation of the immigration both across skill-cells and regions. Papers that use this kind of approach, such as Card (2001), tend to use only one type of cell instead of two, in general education or occupation and they relate it with the specific region. For this approach, the regression (using education for instance) looks like this:

$$\Delta \log y_{ijt} = \theta_{spatial,skill} \Delta p_{irt} + \Delta \pi_t + (s_r * \Delta \pi_t) + (s_i * \Delta \pi_t) + \Delta \varphi_{irt} \qquad \text{(Dustmann et al, 2016)}$$

- $\theta_{spatial,skill}$ can be expressed as a triple difference estimator across regions, time and education groups (in case of two periods, two regions and two education groups).
- i and r are education group and region
- Δp_{irt} is the education-specific immigration shock in the region
- $(s_r * \Delta \pi_t) + (s_i * \Delta \pi_t)$ are the education and region-specific time trends

By using this approach is possible to see the different wage effects of immigration on the different type of workers, such as low-skilled and high-skilled ones. Papers that use this kind of estimation tend to have a more positive effect if compared to the other approaches, especially with respect to the National Skill-Cell one. Card (2001) finds a small negative impact of the immigration since "inflows of new immigrants in the 1985–90 period reduced the relative employment rates of natives and earlier immigrants in laborer and low-skilled service occupations by up to 1 percentage point" and the workers' wages decrease by less than 3%.

In this subchapter, we have analyzed three different approaches to the immigration issue and we saw how they generally give different results depending on multiple factors, such as the level of analysis (regional or national), the use of skill cells or regions and other variables. Even though these parameters are not directly comparable, it is possible to calculate

the relative effects of immigration by having the total one, but it is not possible to apply the opposite. This is probably one of the main issues of the National Skill-Cell approach, which only analyzes the relative effect, while the other two approaches calculate the total effect of the immigration phenomenon (Dustmann et al, 2016).

2.2 *Analysis of the immigration impact*

In this section, we will see how immigration impacts the economic system through different hypotheses. Specifically, we will describe how the wage effect of the arrival of new immigrants changes with the variation of the labor supply elasticity. Dustmann et al (2016) analyze three different situations:

 a) inelastic labor supply;

 b) elastic labor supply but constant across skill groups;

 c) elastic labor supply that changes across skill groups.

2.2.1 Hypothesis 1: inelastic labor supply

The first hypothesis taken into consideration is that the labor supply is inelastic. In this case, the native employment does not respond to wage changes, so a decrease in the wages does not change the native's labor. Generally, an inelastic supply is considered in the short-run.

From Dustmann et al (2016) we get the regression:

$$\Delta \log w_{ga} = -\frac{\alpha\lambda}{1-\alpha+\lambda}\Delta\tilde{I} + (\beta-1)(\Delta\tilde{I}_g - \Delta\tilde{I}) + (\gamma-1)(\Delta I_{ga} - \Delta\tilde{I}_g),$$

(NOTE: in the previous formulas, we used i for education and j for experience, in this case, they are respectively g and a)

- ΔI is the overall immigration shock
- ΔI_g is the education-specific immigration shock
- ΔI_{ga} is the education-experience specific shock

Since the native labor supply is inelastic, immigration is the only reason for education and education-experience specific employment to change (Dustmann et al, 2016).

Starting from $(\gamma - 1)(\Delta I_{ga} - \Delta I_g)$, immigrants will tend to decrease the wages of the same education or experience type of workers but at the same time increase it for different types of workers. For example, if we suppose that immigrants are inexperienced (in a certain

education group), they will decrease the wage of inexperienced workers but increase the salary of the more experienced ones (still in the same education group). $(\beta - 1)(\Delta I_g - \Delta I)$ shows how changes in immigration affect education groups in different ways. This term is negative for groups exposed to the higher amount of immigrants, while it is positive for the groups that are not directly exposed to the arrival of new immigrants. From the term $-((\alpha\lambda)/(1-\alpha+\lambda))*\Delta I$, we can understand the immigration's wage effect to all groups, both education and experience. Since the capital supply (λ) is completely inelastic, an immigration inflow in the labor supply will have the same negative impact on the wages of all skill groups (there is a redistribution of output from labor to capital) (Dustmann et al, 2016).

Dustmann et al (2016) apply this first hypothesis to the three approaches (see 2.1), and they find that, for the *National Skill-Cell approach*, $\theta_{skill} = (\gamma - 1)$ is negative since $\gamma < 1$, so in the same education group, the more negative θ_{skill} is, the less substitutable experienced and non-experienced workers are. In the *Mixture approach*, $\theta_{spatial,skill} = (\beta - 1)$ is negative so the more negative $\theta_{spatial,skill}$ is, the less substitutable high-skilled and low-skilled workers are. Finally, in the *Pure Spatial approach,* in case of an immigration shock, the parameter $\theta_{spatial\ ga}$ is equal to the log wages of skill group education-experience as a response of the shock.

2.2.2 Hypothesis 2: elastic labor supply constant across skill groups

The second situation analyzed is the case in which the labor supply elasticity is constant across the skill groups. This time the native labor supply changes if there is a modification of the wages. In this second hypothesis, in order to understand the full picture, employment and wage effects must be studied jointly because the immigration effects are absorbed by both of these variables. An increase in the labor supply elasticity fosters a rise in the employment effect, while the total and relative wage effects become smaller. The labor elasticity tends to be higher at the regional level if compared to the national level and this is why the *National Skill-Cell approach* generally finds more negative effects than the other two approaches.

Assuming that wages are fully downward flexible, in order to try to estimate the labor elasticity, it is possible to calculate the ratio between the total or relative employment (depending on what approach we are using) and the response by the respective native wage change (Dustmann et al, 2016).

2.2.3 Hypothesis 3: elastic labor supply that changes across skill groups

Dustmann et al (2016) also discuss a third case: the situation in which the elasticity of the labor supply varies across the different skill groups. This is probably the most realistic

hypothesis since the labor supply elasticity tends to be different depending on the multiple variables that connote the groups of workers. When the elasticity changes across groups, in order to calculate the immigration effects, the *National Skill approach* is probably not the best option. This estimation approach tends to be difficult to apply and not very informative because the wage effect (relative, since it is the National Skill approach) on low skilled workers of one experience group to another, tend to be completely different from that same comparison among high-skilled workers. Analyzing the issue using the *Mixture approach*, we find some interesting facts. In this case, the groups that suffer from a higher employment effect, have a smaller wage effect and vice-versa. This phenomenon is called the "perverse effect" and it generally happens because low-skilled workers tend to have a more elastic labor supply. With an inflow of low-skilled immigrants, the low-skilled workers' employment, connotated by a more elastic response, will change strongly but at the same time, their wages will adjust much less if compared to high-skilled workers. We can now clearly see how employment and wage effects completely differ in this situation. If instead, we use the *Pure Spatial approach,* "estimates for the education-experience-specific labor supply elasticities can then be obtained by dividing the estimates for the total native employment effect in a particular education-experience group by the respective estimate of the total wage effect" (Dustmann et al, 2016). This concept opens up to the possibility to calculate the elasticity of the labor supply using the ratio between the native employment effect of a specific group and the corresponding wage effect.

2.3 *Downgrading and substitutability*

When analyzing the immigration phenomenon it is of crucial importance to take into consideration two more aspects: the downgrading issue and the substitutability between immigrants and native workers.

Downgrading is an event that occurs every time that someone's position in a certain context is reduced to a lower one. In the specific context of immigration, downgrading occurs when, in the labor market, the immigrant has a lower position compared to a native worker of the same education and experienced group. Even though it is not socially acceptable, the occurrence of downgrading is pretty common in European societies and it has brought the immigrants to be paid less than the same skills native workers. Dustmann et al (2016) report, in their work, the wage situation in the United States, United Kingdom and Germany comparing new immigrants (arrived in the country in the past two years) to native workers (Figure 2.1). In all of these countries, immigrants tend to be highly represented at the bottom

of the wage distribution, while only a small percentage is represented in the higher wage class distribution. The downgrading issue is very evident in these cases; specifically, immigrants have wages that are 17.8% (Germany), 15.5% (US) and 12.9% (UK) lower than the same type (level) of worker in the native population. From panel D, it is possible to notice how the longer the immigrants stay in the hosting country the more their distribution becomes similar to the natives' one, and therefore the problem of downgrading decreases (Dustmann et al, 2016).

Figure 2.1: Downgrading of immigrants (Source: Dustmann et al, 2016)

Table 2.1 shows the difference between immigrants' observed and effective experience and education. In the United States, for instance, the downgrading by experience is a very notable issue; the percentage of observed experienced immigrants is two times the effective percentage, showing how, at the arrival in the hosting country, immigrants are strongly downgraded besides of their former experience. The same situation can be found in the UK, in this case, the education downgrade is more visible, in fact, it takes place with high percentages in this country (from almost 70% observed highly educated, only around 25% have effectively high education). The downgrading issue is also analyzed by Dustmann and

Preston (2012). In this paper, they explain how when comparing immigrants and natives wage it is of crucial importance to take downgrading into consideration, because downgrading may influence the estimates of imperfect substitutability within the different workers' cells (such as education for instance). Since both the *National Skill Cell* and the *Mixture* approaches are based on defined education and experience groups, downgrading could be a serious limit to the analysis of the immigration wage and employment effects. But why does immigrant downgrading happen? The are several different answers to this question. The most common ones are for discrimination issues or different productivity between natives and immigrants. It could be interesting to see how downgrading will change if some anti-discrimination regulations would be put into work by policymakers.

The second aspect of immigration taken into account in this chapter is substitutability. Substitutability tells us how easily or not a native worker can be replaced by an immigrant. The more substitutable the native workers are, the more they could be replaced by the immigrant workers. Ottaviano and Peri (2012) "found a small but significant level of imperfect substitutability between natives and immigrants within education and experience groups" and they calculate an elasticity of substitution of 20. They then calculate the effect of immigration on native wages, finding a positive correlation of about 0.6%, so an increase of 1% in labor supply by immigrants, raises the salary of natives by around 0.6%. The immigration wage effect is instead very negative for previous immigrants (-6%) since if there is imperfect substitutability between natives and new immigrants, the ones who will suffer the most from new inflows of low-skilled immigrants in the labor market are the previously arrived immigrants (Dustmann et al, 2016).

A: United States (Census, year 2000)

Observed

Potential Experience

Education		1–20 yrs	21–40 yrs	Total
	Low	44.1%	13.4%	57.6%
	High	36.3%	6.2%	42.5%
	Total	80.4%	19.6%	

Effective

Potential Experience

Education		1–20 yrs	21–40 yrs	Total
	Low	56.2%	4.0%	60.3%
	High	34.1%	5.6%	39.7%
	Total	90.3%	9.7%	

B: United Kingdom (UK LFS, years 2003-2005)

Observed

Potential Experience

Education		1–20 yrs	21–40 yrs	Total
	Low	24.1%	6.2%	30.3%
	High	62.7%	7.0%	69.7%
	Total	86.8%	13.2%	

Effective

Potential Experience

Education		1–20 yrs	21–40 yrs	Total
	Low	71.3%	4.1%	75.4%
	High	21.7%	2.9%	24.6%
	Total	93.0%	7.0%	

2.4 *Integration and segregation*

This section consists of the basic understanding of two important concepts such as integration and segregation that characterize the immigration phenomenon. Following past literature, we will then analyze the different stages of immigrants' integration in Italian society through the study of territory composition, education and labor market in this specific country.

The integration process, looking at the Treccani definition, is the incorporation or assimilation of an ethnic group in a social environment, in an organization, in an ethnic community or in an established society. In the specific case of the immigration issue in Italy, integration is seen as the insertion of the immigrants' population in the social and economic environment of Italian society. Integration, in most cases, must be fostered by government initiatives such as regulations and specific investments to enhance the decrease of social and economic inequalities in the society. When integration is not taken as a major issue to enhance, the opposite problem may arise: segregation. In this case, immigrants tend to be isolated from the native population in all fields, for instance, ghettos could arise and in extreme situations (such as South Africa) social tensions between races could become part of everyday life.

How can we measure the level of integration in Italy? In order to answer this question, different variables could be analyzed, for example, the income difference between groups or health disparities. In this section, as said earlier, we will use the literature from different papers in order to analyze three specific variables: territory, education a labor market (Mariani et al, 2020).

2.4.1 Territory

Where the different people are allocated in a country is crucial to understand if the different groups (for example natives and immigrants) are geographically integrated or not. If constantly throughout the territory, natives and immigrants tend to live separated in different areas than the balkanization, fragmentation of a region into smaller regions connoted with segregated groups, can arise (Mariani et al, 2020).

In order to calculate the level of immigrants' segregation in Italy, Mariani et al (2020) analyze the Duncan Segregation Index. This index varies between 0 (absence of segregation) and 1 (full segregation). The authors find that this index in Italy is 0.26, so there is

segregation with respect to natives and immigrants, but it is not particularly high. Even if in this case the Duncan index seems pretty low, if we use it to calculate the segregation between people living in Italy by their different macro-areas of origin, we do find a quite high level of segregation. In some specific cases, the index is found to be between 4 and 5, which starts to be a serious segregation matter (Table 2.2).

	Africa	South America	Asia	Europa	High Income	Native
Africa	0					
South America	.409	0				
Asia	.376	.377	0			
Europe	.283	.424	.4	0		
High Income	.415	.372	.378	.367	0	
Native	.315	.468	.423	.261	.38	0

Table 2.2: Duncan Segregation Index by macro-areas of origin (Source: Mariani et al, 2020)

Below the Duncan Segregation Index is reported.

$$S = \frac{1}{2} \sum_m \left| \frac{R_m^I}{R^I} - \frac{R_m^N}{R^N} \right|$$

(Mariani et al, 2020)

- R_m^I is the number of immigrants in a specific municipality (m)

- R_m^N is the number of natives in a specific municipality (m)

- R^N is the total number of native Italians

- R^I is the total number of immigrants in Italy

Another interesting fact is that computing the Lorenz curve, we find that immigrants tend to be very concentrated in a small number of municipalities besides their nationality. From Figure 2.2, it is possible to see how immigrants are way more concentrated than natives. For instance, South Americans and Asians seem to be the most concentrated one with almost 90% of the population living in only 20% of the municipalities (Mariani et al, 2020).
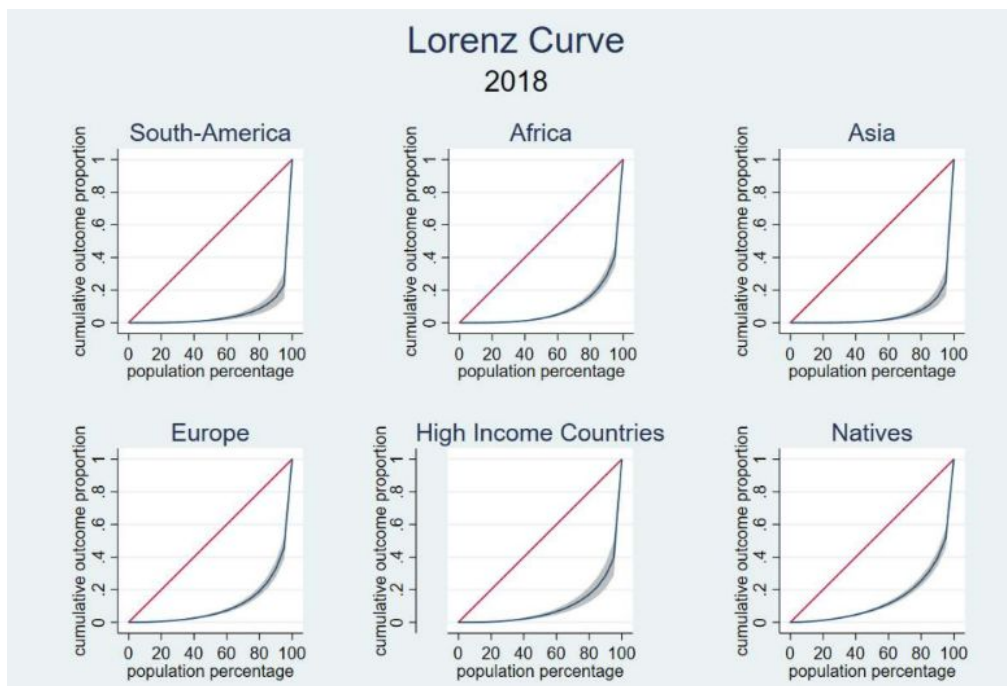
Figure 2.2: Lorenz Curves by geographical area of origin (Source: Mariani et al, 2020)

Mariani et al (2020) also find that immigrants tend to move in or out of the different territories more if compared to natives, almost twice as much. The same findings are reported by Basso et al (2019). The natives' mobility across countries is smaller than the mobility of foreigners mainly because it is not cyclical (like the migrants' one) and at the same time, natives tend to be less responsive to the changes of the labor market; Italians are, than, less willing to move around the territory to find a job if compared to immigrants. Basso et al (2019) also remark the need of more labor mobility in order to respond to the region or country-specific employment shocks, in fact, they find that the higher mobility of the immigrants' population can shield the natives' employment variation in the different regions (non-EU immigrants even more than EU immigrants).

2.4.2 Education

Analyzing human capital in different groups of people can also give us an idea about the development of the integration process. Particularly, the education gap between natives and immigrants surely helps us to understand the full picture. Differences in education and skills can be very detrimental for the future and could slow down the integration process in Italy. They do not foster equal opportunities in the future labor market (Mariani et al, 2020). Different papers find that in the Italian education system there are big differences between immigrants and natives. For example Di Liberto (2015) says that migrant kids have a higher risk of dropping out of school and consequently they have fewer opportunities in the labor

market and they are more prone to social exclusion and poverty. The author also finds significant gaps in the performances of natives and immigrants, with the bigger difference being between native and first-generation immigrants. The newly arrivals (first generation) tend to have more difficulties in performing well also if compared to the second-generation of immigrants. In all cases, natives perform better because they even have higher results if compared to the second-generation of immigrants.

The distribution of native and immigrant students across the high-schools is also uneven. Non-native students are generally enrolled in technical or vocational schools (66% in 2017/2018) while native much less; natives tend to be enrolled in lyceums, in fact in 2017/2018 around 55% of them were attending this higher type of highschool (immigrants only 34% for the first generation and 39% for the second generation) (Table 2.3). One of the immigrant's main problem concerns reading, in which they perform way below the average. Additionally, immigrants students tend to repeat grades more often than natives, even if we compare kids with similar backgrounds and characteristics (Murat, 2012; Mariani et al, 2020).

Interventions in the education field are definitely needed. The differences between Italians and immigrants are striking and will not decrease without investments and regulation in this sense. As said earlier, differences in education give unequal job opportunities in the future; it is hard to develop an integration process if immigrants do not get the same opportunities in the labor market as natives.

Academic	Natives			First Generation			Second Generation		
Year	Lyceum	Technical	Vocational	lyceum	Technical	Vocational	lyceum	Technical	Vocational
2011/12	50%	30%	20%	31%	38%	32%	42%	30%	28%
2017/18	55%	30%	15%	34%	36%	30%	39%	34%	27%

Table 2.3: Distribution of native and immigrant students across different high-school types *(Source: Mariani et al, 2020)*

2.4.3 Labor market

A third way to analyze the level of integration in Italy is to look at immigrants' employment. On average immigrants tend to be concentrated in low skilled jobs, generally in the agriculture, household and other sectors. Immigrant workers do not have a lower employment rate compared to natives, but they are generally more segregated in manual jobs, as Table 2.4 shows. The lower immigrants socio-professional status is not due to poor education, but more because of the entry possibilities. In Italy, also due to the underground economy, there is easy access to low skilled jobs for immigrants, while they face serious

difficulties in entering higher-skilled or non-manual jobs (Fullin and Reyneri, 2011). As said in section 2.3, downgrading also plays a role regarding this matter.

	Immigrants distribution by Sector		Share in Total Employment	
	2012	2018	2012	2018
Agriculture, forestry and fishing	12.90	15.66	5.02	5.92
Manufacturing	8.25	9.50	19.32	19.27
Construction	17.69	15.58	15.55	9.74
Wholesale and retail trade	4.83	6.26	8.12	9.08
Accommodation and food service activities	14.73	16.85	8.44	9.69
Transportation and storage	9.22	9.83	4.94	4.73
Information and communication	1.34	3.08	0.40	0.80
Financial and insurance activities	0.28	0.54	0.09	0.16
Real estate activities	6.97	6.11	7.99	7.08
Public administration and defense	0.00	0.00	0.00	0.00
Education, human health and social work activities	3.14	3.05	5.41	4.98
Other services	30.19	36.69	24.73	28.53

Table 2.4: Immigrants in employment (Source:Source: Mariani et al, 2020)

D'Agostino et al (2016) show that inequalities, in the labor market, arise mainly due to the income differences. Apart from differences between the multiple immigrant communities, it would be important to also tackle the intra-community variations in income, since every community has different inequalities degrees. To foster the integration process, these intra-community income inequalities must be reduced through the use of specific anti-poverty programs. Furthermore, Ceccarelli et al (2014), states that it is possible to say that there has been an evident step back in the Italian integration process in the last years. In fact, from their analysis, the second generations were more integrated in 2007 than in 2012.

Overall, from the multiple past analysis, it came out the urgency in reducing labor differences. The lack of integration in the labor market can be addressed to multiple factors, such as the ones that we recalled in this subchapter. Specific economic maneuvers are surely needed in order to decrease the inequalities in the segmented Italian labor market.

2.5 *Consequences of immigration*

In the past section, we just analyzed the development of the integration process in Italy and how inequalities slow it down but, besides the level of integration in this country, what is the impact of the immigrants in the Italian system? In this section, we will try to answer this

question by analyzing the immigration effects on education and on the labor market through the use of past literature.

Starting from education, we will see if the presence of immigrants in a classroom can positively or negatively have an impact on the performance of the overall class and their native peers. Before beginning, it is important to highlight that Italy does not have higher percentages of immigrant students if compared to other EU countries. In Italy, the share of non-native students is lower than 7% of the total students (Figure 2.3) (Tonello, 2016).

Over the last years, the presence of immigrants in classrooms has raised some concerns over the negative impact that they could have on the general performance of the class. However, when analyzing the data, it does not seem that there is an actual strong negative impact of non-native students; in fact, the presence of immigrants in a classroom has a small negative effect on the overall native education process. The weak negative effect on native students is stronger on Italian students that come from low socio-economic environments. At the same time, on average, schools that host a high number of immigrants tend to attract lower social background students; so the ones that are the most affected by the presence of non-native are the students that tend to find immigrants in their class more often (Contini, 2013). To be clearer: "immigrants tend to concentrate in the classrooms where their impact is higher" (Mariani et al, 2020). Figure 2.4, shows this situation.
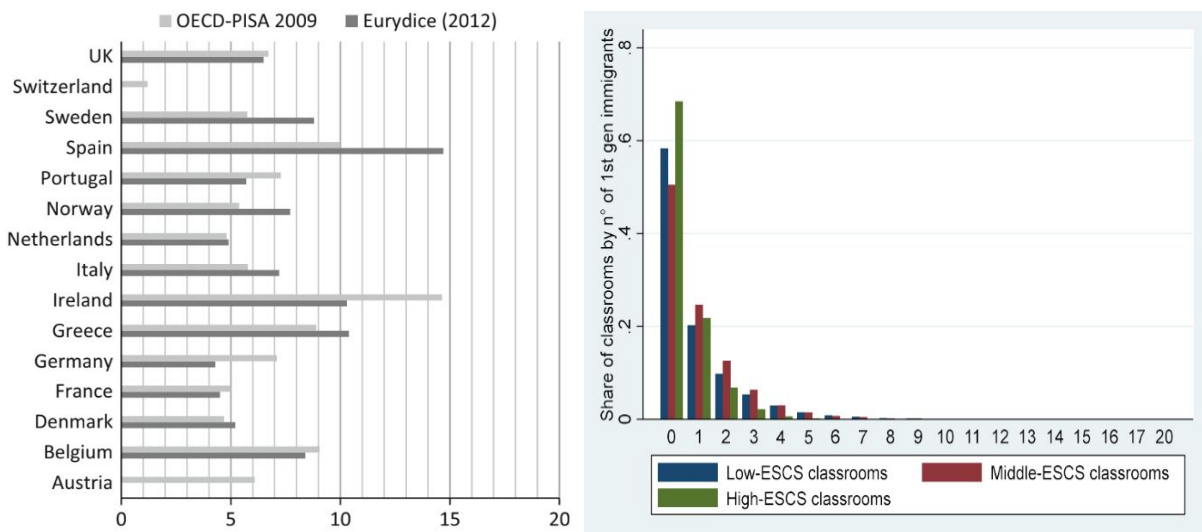
Figure 2.3 (left): Percentage of non-native students (Source: Tonello, 2016)

*Figure 2.4 (right): Immigrant students presence by socio-economic level (Source: Mariani et al, 2020). *Note that on the horizontal axis is reported the number of immigrant students of 1st generation in the classroom.**

Tonello (2016) finds that increasing the immigrant share by 1% does not affect the native peers' mathematical test scores and it decreases by only 0,043% native peers' language

test scores. These numbers confirm the limited impact of immigrants in the education system. He concludes by saying that immigrants will not affect native peers as long as their number does not increase a lot. Overall the literature suggests a weak impact of immigrants on native peers but, since some categories are more negatively influenced, the main recommendation would be a specific redistribution of the non-native students in order to reduce the inequalities in class composition.

With regard to the impact of immigrants on the labor market, three situations could arise: change in wages, change in employment, and change in output composition.

In the wages' case, the arrival of an additional labor force in the market could cause two different situations depending on the specific characteristics of the market. The first situation can be an increase in competition between natives and immigrants. Competition arises if the two groups are similar in skills, education level and opportunities. In this case, the inflow of new immigrants causes a shift in the labor supply, and consequently lower wages and higher employment (Figure 2.5, panel a). The second situation arises when the market is segmented. In segmented market immigrants and natives can actually be complementary. For instance, if firms are lacking certain positions, they could be filled by immigrants, boosting the firm's output and shifting the labor demand to the right (Figure 2.5, panel b). The Italian case seems to be closer to this second situation because of its segmented market. In Italy, immigrants can have a positive impact on natives' wages because they tend to fill the firms' need for low-skilled jobs increasing their total output. It is important to highlight how over a certain threshold (around 12%) new inflow of immigrants would not enhance this second process but they would only increase competition with natives (Gavosto, 1999).
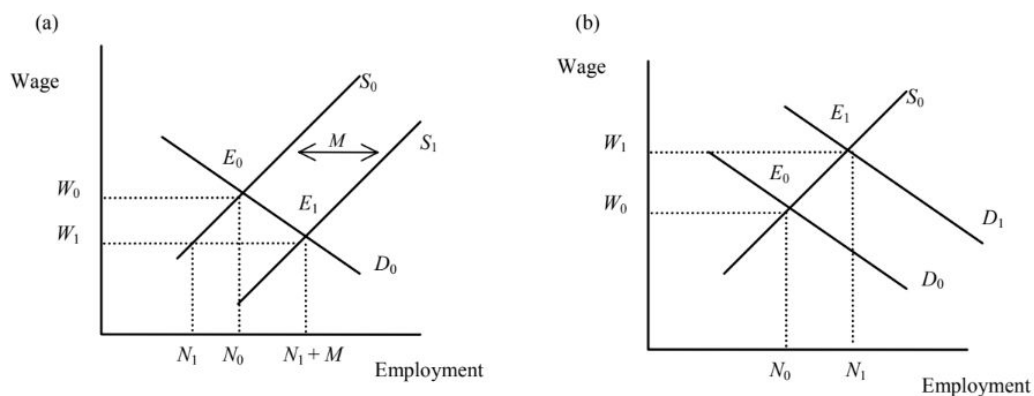
Figure 2.5: Effect of immigrant inflows in the domestic labor market. (a) Competition, (b) Complementarity (Source Gavosto et al, 1999)

Regarding natives' employment, the inflow of immigrants into the Italian economic system surely plays a role in changing it. LaBanca (2014) finds that immigrants' effect on employment changes across the different industries and it is generally short-termed. Migration is found to have a positive effect on natives' employment mainly in the construction sector, while it tends to have a negative effect in the hotel, mining and restaurant field. However, in all cases, the impact of immigration is not strong and is likely to turn to zero in the long-run (LaBanca, 2014).

The third effect that immigration could bring is the change in the output produced. It is found an overall positive effect on total output driven by the increase in total productivity, but, as in the employment case, not all sectors are affected in the same way. Since immigrants have more access to manual and low-skill jobs, productivity gain is higher in sectors where there is a high availability of these kinds of jobs. Therefore, sectors that require high communication skills tend to benefit much less from new inflows of immigrants if compared to sectors that have a strong need for manual workers (Etzo et al, 2017).

In conclusion, the literature does not find strong negative effects of immigration on both the education and the labor market, instead, some positive effects are found (for example in the labor market). However, a deeper analysis of the impact of the new inflows of migrants on the Italian economic and social system is definitely needed.

CHAPTER 3

Immigrant as a resource

3.1 *Immigrants entrepreneurship*

In this section, we will analyze the immigration phenomenon from a different point of view: entrepreneurship. Beyond increasing the labor supply, generally manual jobs, the inflows of new immigrants also bring into the country entrepreneurs who are willing to invest to create firms and new workplaces. Does immigrants entrepreneurship have a sizeable impact on the Italian economic system?

In Italy (year 2016), there were 320 thousand companies that employed over 700,000 workers created or led by non-Italians. This means that around 7% of the firms active in industry and services, operating in Italy, are led by non-native entrepreneurs. Figure 3.1 shows the presence of foreign entrepreneurs in different sectors. The fields where the presence of entrepreneurs born abroad is greatest are construction (11%), manufacturing with lower technological content (10.9%) and trade (8.2%). Almost 50% of immigrant entrepreneurs come from Europe (25% EU countries) while the rest is segmented between different countries (Figure 3.2). Notably, the share of Oriental Asia is around 17% (most of these entrepreneurs come from China) followed by the African one (11% Northern Africa) (ISTAT, 2019).
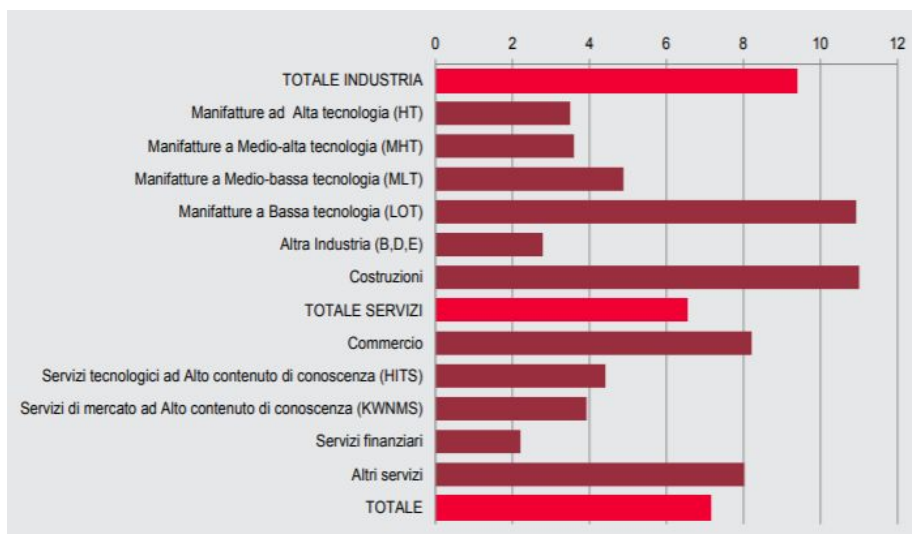
Figure 3.1: Companies led by entrepreneurs born abroad by sector of activity, 2016 (ISTAT, 2019)
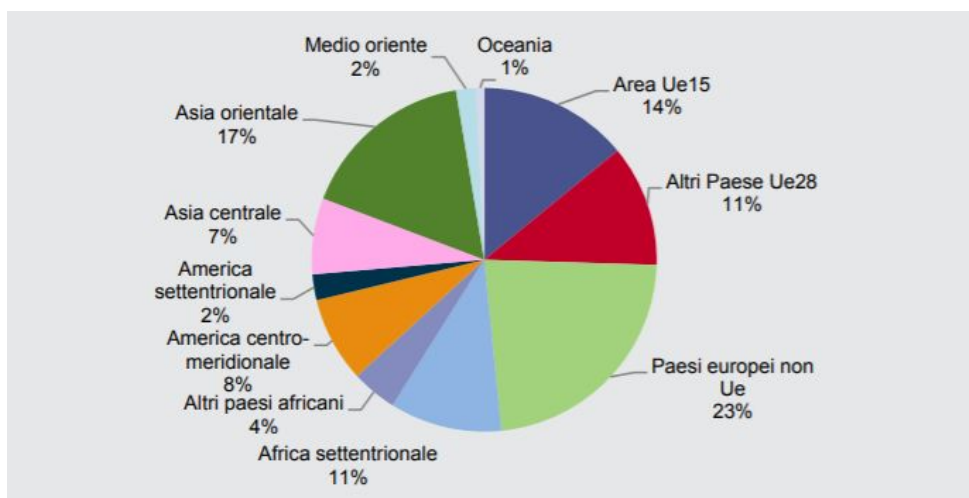
Figure 3.2: Entrepreneurs born abroad by country of birth, 2016 (Source: Istat, 2019)

Immigrant entrepreneurs from EU countries tend to be definitively more active in the high technology sectors, especially the manufacturing ones, while entrepreneurs from non-EU countries are more active in the low technology manufacturing and construction sectors (Table 3.1). As for natives, the number of immigrant male entrepreneurs is strongly higher than that of females in almost all nationalities. Oriental Asia seems to be the are with the lowest gender gap as males account for just 52.5% of the total Oriental Asian entrepreneurs (Bratti et al, 2019).

The contribution of enterprises led by entrepreneurs born abroad to the creation of added value is still relatively small and it is around 2.4% of total industry and services. One of the main causes of the limited impact is the immigrants lower access to entrepreneurship opportunities and the prevailing position in sectors with low added value content. Moreover, immigrants tend to own on average small economic size firms, in fact, they generally have just around two employees each (2.3 average employees per enterprise). As might be expected, it is found that the immigrants' enterprises contribution to the added value is lower than 1% in high technology manufacturing and high knowledge sectors, while it is higher in lower technology manufacturing sectors and construction (respectively 2.8% and 5.4%), where the knowledge required is generally lower (ISTAT, 2019).

A crucial part of the immigrants' entrepreneurship is the network of connections that the entrepreneurs have with their home countries. These connections are important also for native entrepreneurs which can, at least partially, benefit from them due to possible spillovers. In fact, "Indeed, immigrants help natives to overcome the informational barriers that make it costly to enter foreign markets, or they may substitute poor market institutions, for instance by helping with contract enforcement." (Bratti et al, 2019). When analyzing the number of

immigrant entrepreneurs and diasporas, we see a positive effect on the number of exports (from Italy). An increase in the immigrant population by 10% would lead to an increase in the exports of 1.7% towards the countries from where these immigrants come from (0.6% if these immigrants are already entrepreneurs). There is, therefore, a positive effect of non-native entrepreneurs on the specific region's level of exports. Moreover, a 1% increase in the population of non-entrepreneur immigrants in a certain province increases the manufacturing exports of that province by around 1650$ (around 560$ if the increase is in the already entrepreneurs population). Once more, we witness the positive effect that non-native entrepreneurship could bring into a specific area (Berti et al, 2019).

SETTORI ECONOMICI	Italiani	Provenienza	
		Immigrati UE	Immigrati Extra-UE
INDUSTRIA	91,0	2,7	6,3
Manifatture ad alta tecnologia	91,3	4,3	4,4
Manifatture a medio-alta tecnologia	94,0	2,8	3,2
Manifatture a medio-bassa tecnologia	94,9	1,9	3,3
Manifatture a bassa tecnologia	90,4	1,4	8,2
Altra Industria (B,D,E)	91,8	5,0	3,2
Costruzioni	89,7	3,3	7,0
SERVIZI	93,4	1,8	4,7
Servizi tecnologici ad alto contenuto di conoscenza	94,8	1,9	3,3
Servizi di mercato ad alto contenuto di conoscenza	95,9	1,5	2,7
Servizi finanziari	96,9	1,5	1,7
Altri servizi	91,9	2,0	6,0

Table 3.1: Sectors of employment of Italian and immigrant entrepreneurs (Source: ICE, 2018)

Overall we can conclude by saying that immigrants' entrepreneurship is still quite limited in the Italian system, but it is clear that an increase in immigrant firms could only benefit the overall export performance of the analyzed region. Therefore, more incentives for creating firms should be provided not only to natives but also to the non-native population, which, as seen in previous sections, tend to not have the same opportunities as the Italians.

3.2 *Italian and European populations are aging. Can immigrants be a resource?*

In the last couple of decades, we have been moving towards a slowdown in population growth due to the overall decrease in the fertility rate. This occurrence is leading to a disproportionately aging population throughout Europe with Italy being up in front. The Italian demographic picture is characterized by one of the strongest drops in the birth rate and, at the same time, a marked increase in the survival rate; this is the main reason why there has been a much faster aging process in this country, even when compared with the rest of Europe. The increase in life expectancy has surely not helped the reduction of this particular issue. As figure 3.3 shows, the European fertility rate is significantly lower than the rest of the world, and the Italian fertility rate is even lower compared to the rest of the European countries. In 2030 Europe will be the oldest continent with an average age of 45 years old, followed by North America with 40 years old average (Figure 3.4). The world average in 2030 is projected to be 33 years old with Africa being the youngest continent (21 years old). Still, in 2030 the projections picture Italy as the second oldest country in the world, after Japan, with an average age of 51 years old. In Italy, this situation can also be explained by the phenomenon of the baby-boomers, the people born between the '60s and the '70s. The overall number of baby boomers is twice as big as the number of newborns in the latest generations. This could be a huge problem in the sustainability of the overall system in Italy in the future (ISTAT, 2019).
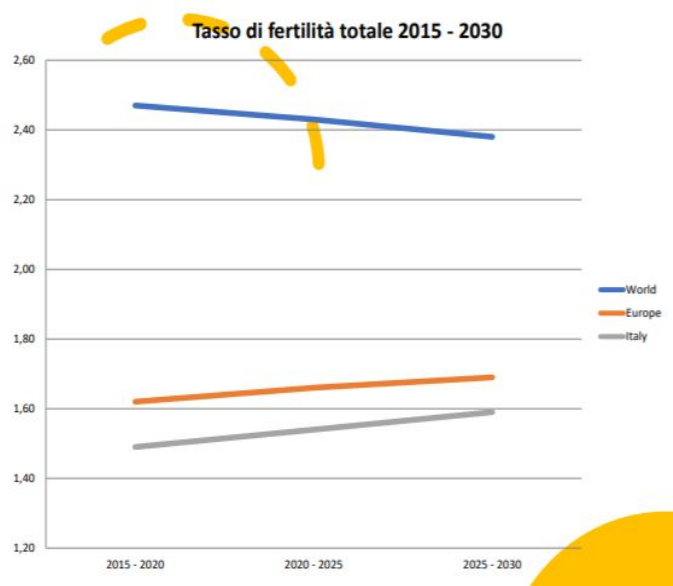
Figure 3.3: Fertility rate 2015-2030 (source: Monti, 2020)
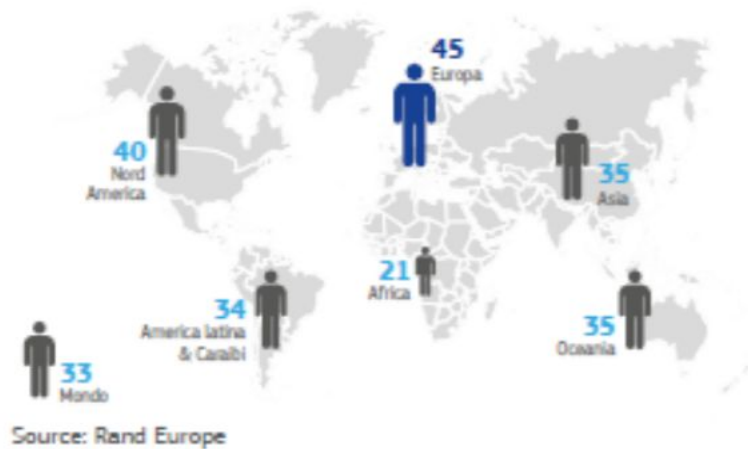
Figure 3.4: Mean age of the macro-areas around the world in 2030 (source: Monti, 2020)

Analysis of the population dependency index highlights more issues for Italy. This index measures the number of dependent people, from age zero to fourteen and over 65, compared to the total population with an age between fifteen and sixty-four (considered in working age). In Italy this index is very high, meaning that there is a high number of people who depend on a single worker (Monti, 2020).

"Globally the number of persons aged 60 or above is expected to more than double by 2050 and more than triple by 2100. A significant aging of the population in the next several decades is projected for most regions of the world, starting with Europe where 34% of the population is projected to be over 60 years old by 2050." (United Nations, 2015). The above statement is confirmed by both Figure 3.5 and Figure 3.6. As it is possible to see, the share of people over 65 and over 80 will steeply increase in the next decades while at the same time the number of people under 19 and between 20 and 64 will slowly decrease causing a strong increase in the average person age in the EU.

Tasso di crescita della popolazione EU per gruppi d'età 2000 - 2030
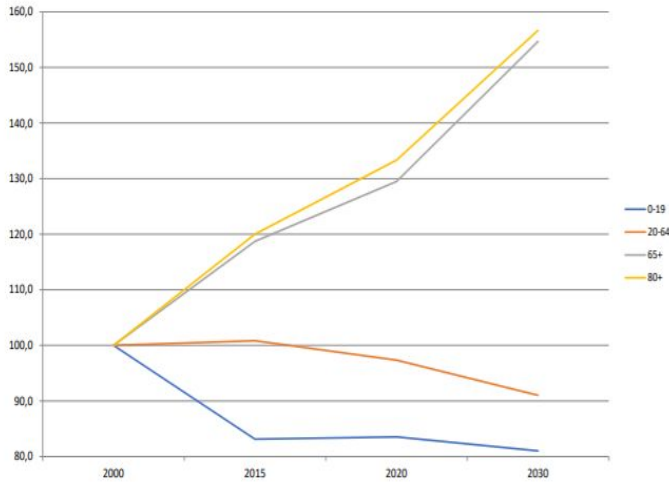
Figure 3.5: Population's growth rate by age groups (source: Monti, 2020)

Struttura per età della popolazione EU, 2000, 2015, 2020, 2030
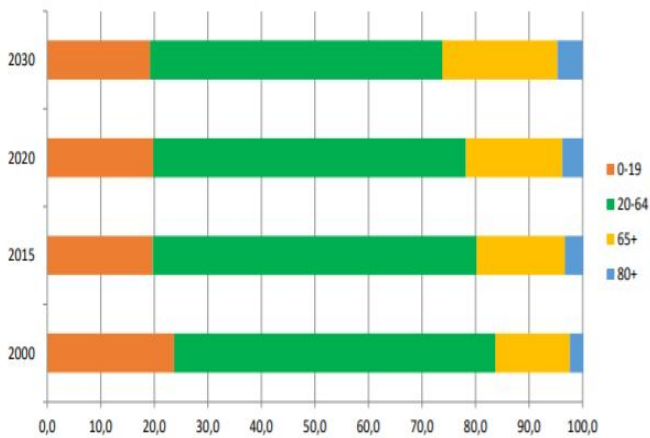
Figure 3.6: Age structure of the population in years 2000, 2015, 2020, 2030 (source: Monti, 2020)

In order to overcome these demographics challenges Italy and the rest of Europe, must implement two complementary actions: increasing participation in the labor market and carry out balanced immigration policies (Monti, 2016). As we previously discussed, the Italian population suffers from intergenerational unbalances which could definitely be a risk factor for the sustainability of the entire system. Since the population growth of the last years has occurred only thanks to the increase of foreigners coming to Italy, it is of crucial importance to maximize the use of this new and generally young human capital coming from outside the country (ISTAT, 2019). It is also important to remember that the foreign population is very young (average age under 34 years), although with significant differences between the

different groups of citizens. In general, the percentage of children between 0-14 years of age among foreigners is 5% points higher than in the Italian case for the same age group, specifically 18% for foreigners and 13% for natives. The foreigners between 15 and 39 years old are accounted for 43% of the entire immigrant population, while in the Italian reality they only represent 25.5% of the Italian population. On the contrary, people aged 65 and over among foreigners have an incidence of 4%, while in the Italian population they weigh just over 24% (ISTAT, 2019. "Indagine conoscitiva in materia di politiche dell'immigrazione, diritto d'asilo e gestione dei flussi migratori"). Alongside their young age, immigrants can also be a resource for their tendency to move around the territory. The natives' mobility across Europe is still relatively low, while migrants are more likely to move throughout the regions in order to find more opportunities. This could be very important for the development of certain areas, especially in cases of regional employment shocks. The high mobility of foreigners can be maximized to shield these specific shocks (Basso et al, 2019). If correctly utilized, the arrival of new labor force in an aging country, where the fertility rate is very low, could be a very important resource for the development of the nation. Crucial to the achievement of using the new labor force efficiently is the integration process, which should be at the base of the immigration policies.

CHAPTER 4

Between perceptions and policies

4.1 *Reality and perceptions*

Immigration is a very volatile and controversial topic within many European countries, Italy certainly being among this number. Here, immigrants have been the center of public and political debate over the last years. This issue directly impacts the Italian society and it is, therefore, a very passionate matter among the Italian citizens. In very recent times, multiple political parties have actually based their political agenda on this particular issue. Since the citizens, a category of the population which on average has the right to vote, directly experience the positive and negative effects of immigration, it could be very beneficial to understand how far is their perception of the immigration phenomenon from the reality.

Another interesting matter that we will analyze is how different characteristics of individuals, such as education level or residency, can shape their perception. Surely, the segmented and wildly varying information available to the public does not help in giving a clear picture of the real situation and it could contribute to projecting a distorted image of the migratory phenomenon in the Italian and European systems. In order to analyze this topic the main reference that will be used is Valbruzzi (2018). He primarily based his work on the Eurobarometer data.

Among the 28,080 Europeans interviewed within the Eurobarometer sample, 31.5% are not able to give an answer when asked on the percentage of immigrants living in their home country. In nations such as Bulgaria (70.9%) or Portugal (68.7%) an average interviewed person would not be able to answer the question. From this point of view Italy does better than the EU average, the Italians who do not know how to answer are around 27% of the sample. These data are quite intriguing because they highlight the uncertainty and incapacity for a good amount of the sample to analyze the actual migration phenomenon in their country. If we now compare the perceptions data from Valbruzzi (Istituto Cattaneo) with the reality (Eurostat, 2017), it is possible to notice how these uncertainties about the immigration phenomenon are visible through the analysis of the reality to perception gap. From Figure 4.1, it can be deduced that the immigration issue is clearly overestimated since the gaps in almost all the nations tend to be positive. In the EU, the only country that underestimates, by a very

40

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small amount, the percentage of immigrants on its soil is Estonia. On average, compared to 7.2% of immigrants (non-EU) really present in European countries, EU respondents estimate 16.7%, almost 10% off the reality of things. Italy is the leader in this sense: it has the highest difference, in percentage points, between reality and perception in the entire EU (more than 17 percentage points trade-off). In this country, the percentage of immigrants (non-EU) is around 7% while looking at how the Italians perceive the issue, the percentage increases to around 25%. Other countries with a large reality to perception gap, but still smaller than the Italian one, are Portugal, Spain, Ireland and the United Kingdom (UK), which tend to overestimate immigration respectively by 14.6, 14.4, 13.2 and 12.8 percentage points. On the other hand, northern countries such as Sweden, The Netherlands, Denmark and Finland show more knowledge of the actual situation, in fact they all have smaller reality to perception gaps (between 0.3 and 3.8 percentage points).
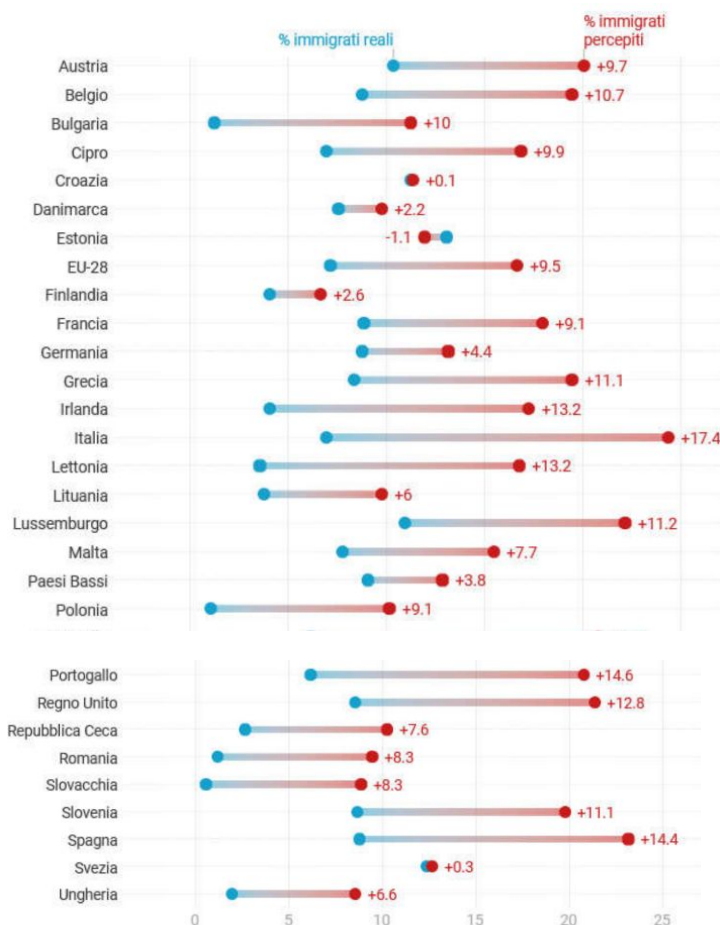

Figure 4.1: Reality to perception gaps in European countries (Source: Valbruzzi, 2018)

Why we get such different results between countries in the same Union can be explained by the countries' background and prejudices towards the immigration phenomenon. In order to try to analyze this relationship, we will be using the Nationalist, anti-Immigrant

and anti-Religious Minority Index, NIM (Pew Research Center, 2018). This index is structured on a range from 0 (extreme openness towards religious minorities and immigration) to 10 (extreme level of hostility towards immigrants and different religious). Figure 4.2 shows the results of some EU countries. Italy and Portugal have the highest scores, respectively 4.1 and 3.5. These data show that Italy is the most hostile country towards immigration and religious minorities in the EU. In Italy, almost 40% of those surveyed scored higher than 5.
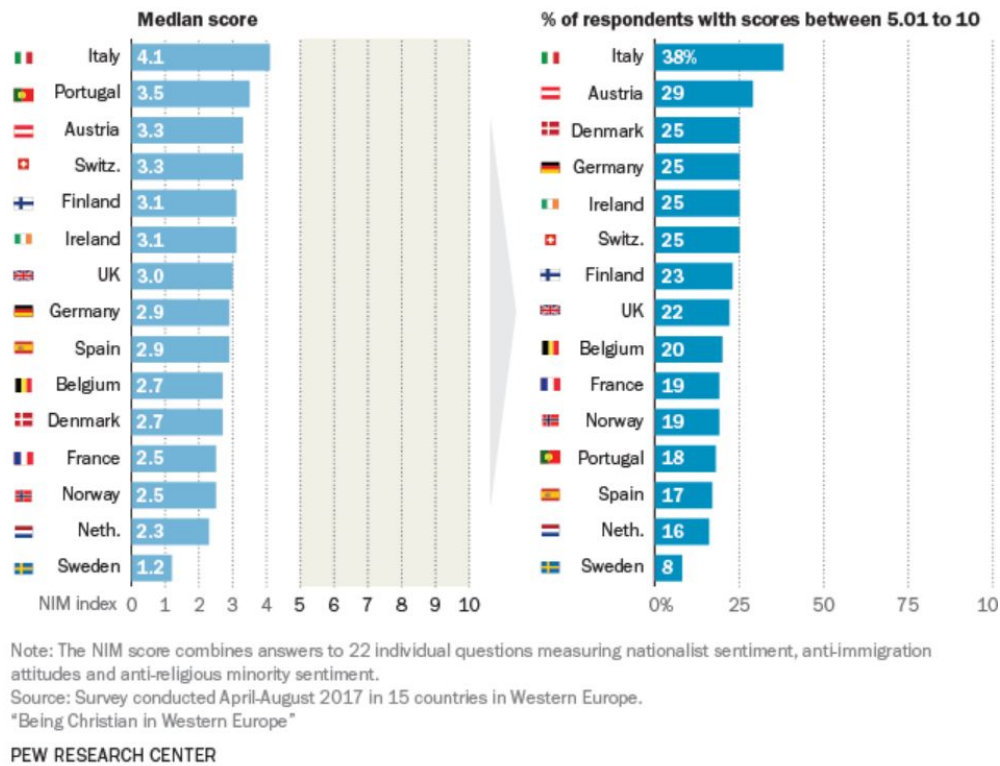
Median score		% of respondents with scores between 5.01 to 10	
Italy	4.1	Italy	38%
Portugal	3.5	Austria	29
Austria	3.3	Denmark	25
Switz.	3.3	Germany	25
Finland	3.1	Ireland	25
Ireland	3.1	Switz.	25
UK	3.0	Finland	23
Germany	2.9	UK	22
Spain	2.9	Belgium	20
Belgium	2.7	France	19
Denmark	2.7	Norway	19
France	2.5	Portugal	18
Norway	2.5	Spain	17
Neth.	2.3	Neth.	16
Sweden	1.2	Sweden	8

NIM index 0 1 2 3 4 5 6 7 8 9 10   0%   25   50   75   10

Note: The NIM score combines answers to 22 individual questions measuring nationalist sentiment, anti-immigration attitudes and anti-religious minority sentiment.
Source: Survey conducted April-August 2017 in 15 countries in Western Europe.
"Being Christian in Western Europe"

PEW RESEARCH CENTER

Figure 4.2: NIM Index (Source: Pew Research Center, 2018)

Valbruzzi (2018) compares this index to the reality to perception gap, and unsurprisingly he finds that "As can be seen, there is a positive relationship between the misperception of the migratory phenomenon and the attitude towards immigration. That is: as hostility towards immigrants increases, so does the error in assessing the presence of immigrants in one's own country." (Translated from Valbruzzi, 2018). So countries which have a vast and positive reality to perception gaps, such as Italy, Portugal, Ireland, Spain and the United Kingdom tend to have a higher NIM Index, while countries with small reality to perception gaps, such as Sweden, Denmark, Finland and The Netherlands have a lower Nationalism Index, confirming the existence of a correlation between perceptions and prejudices towards this issue (Figure 4.3). As Valbruzzi affirms, we can not establish any specific cause-effect in this correlation because the negative attitude towards immigration

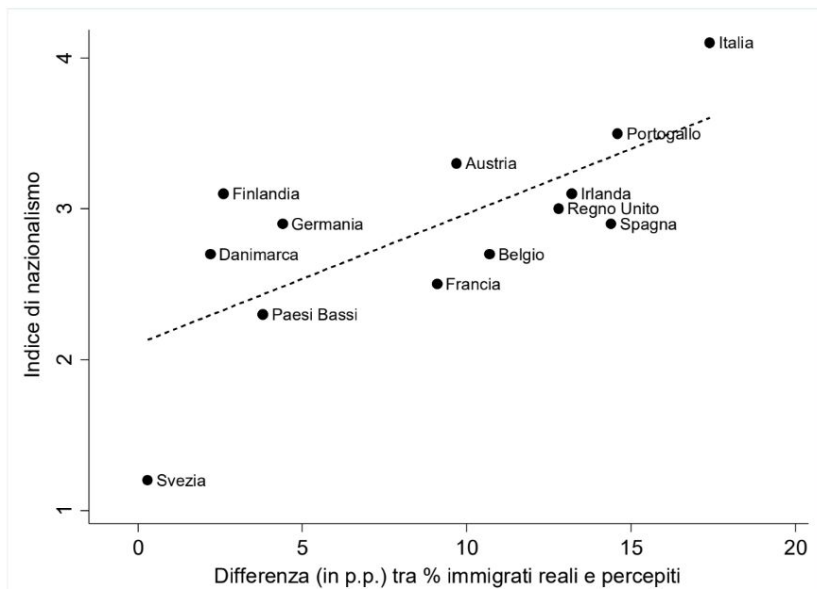could be both the cause or the consequence of the incorrect and overestimated perceptions of the reality.

Figure 4.3: Relationship between nationalism index (NIM-Pew Research Center scale) and perception error on the presence of immigrants in 13 European countries (Source: Valbruzzi, 2018)

Perceptions can also be influenced by the individual's political orientations, level of education, place of residency and occupation. Focusing this time just on the Italian society, we will go through these variables using the Istituto Cattaneo findings (Valbruzzi, 2018).

Political orientation can play an important factor in shaping perceptions of immigration. People who define themselves as centrist or left-wing tend to overestimate the phenomenon by a lower amount, so their reality to perception gap will tend to be smaller compared to the national average, respectively between 13.2% and 16.2% points for centrist/center-left wing and 12.5% points for left-wing (reality to perception gap in the Italian average, as said before, was more than 17 percentage points). Instead, individuals that define themselves as center-right or right-wing, generally, have higher reality to perception gaps (17.2 and 25.4 percentage points) so they tend to overestimate more the phenomenon (Figure 4.4).

Education can also determine the level of overestimation of the immigration issue. As expected, the higher the level of education the lower the misperception of the reality. For example, there is more than a 10 percentage points difference between a highly educated person (bachelor) and someone who only attended compulsory education (Figure 4.5). The same concept can be applied for the type of job carried out by the person, the higher the social class the lower the overestimation in the number of immigrants. The gap between perceptions and reality is, therefore, the highest for the working class (Figure 4.6).

The place of residency can play a role as well in shaping the different perceptions. In bigger cities, the overestimation of the phenomenon is significantly larger when compared to the rural areas or even to a smaller city.
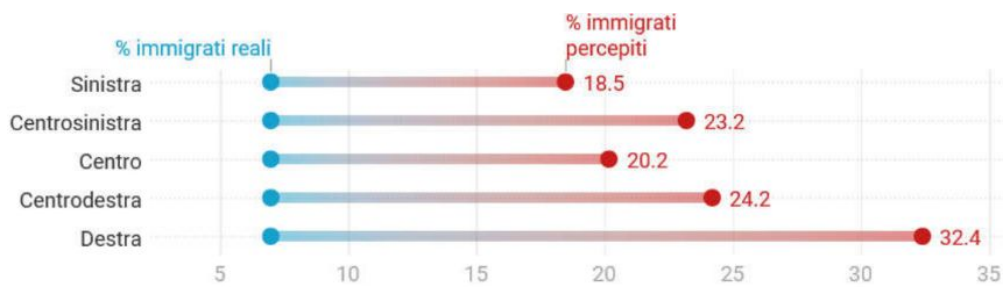

Figure 4.4: Reality and perception % of immigrants in Italy by political orientation (Source: Valbruzzi, 2018)
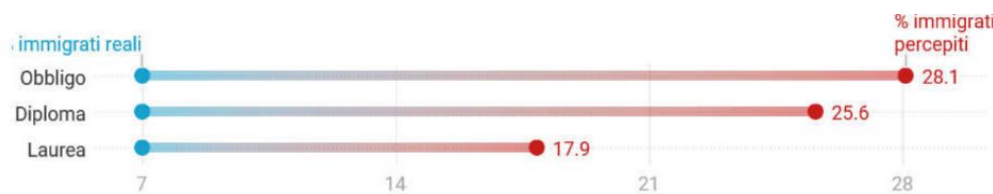

Figure 4.5: Reality and perception % of immigrants in Italy by education level (Source: Valbruzzi, 2018)
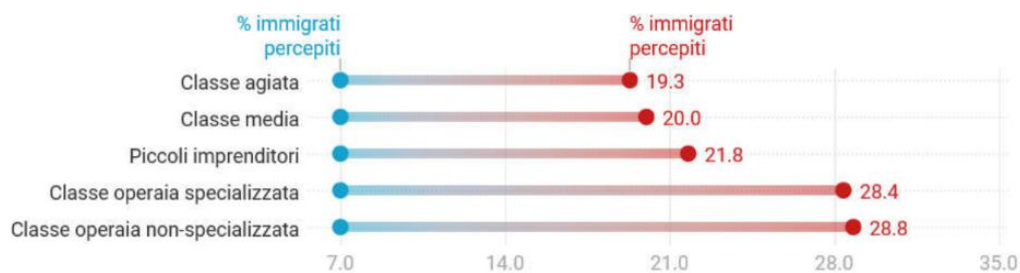

Figure 4.6: Reality and perception % of immigrants in Italy by type of professional occupation (Source: Valbruzzi, 2018)

Overall we must understand how, besides the relevance of the topic, there are still uncertainty and lack of knowledge on the reality of the phenomenon. The perceptions do not reflect the real situation in today's society, and this could be a problem for future policies and integration. Mistaken perceptions can definitely have a negative impact on the public debate, indirectly shaping the future immigration public policies on wrong assumptions.

4.2 Italian policies regarding immigration

In the previous section, we analyzed the difference between reality and perception and how skewed perceptions could lead to poorly organized public policies. In this section, we will review past Italian policies regarding immigration from the time of the Unification of the Country (1861) to recent years. In order to have a clearer picture of this issue, different

historical approaches to the phenomenon of immigration will be analyzed in five different eras: 1861-1945, 1946-1986, 1986-1998, 1998-2010 and 2010-today.

From liberal Italy to the fall of the fascist regime and the end of WW2, 1861-1945

The year 1861 is probably one of the most important in Italian history since it is the year when Italy became officially a single state, a constitutional monarchy. At the time, Italy had an open border policy as immigrants were only 0.4% of the total population (Treccani, 2010). The only immigrants that were rejected were those found without a valid document or that had been expelled because of criminal convictions. At the end of the 19th century, during the economic and price crisis, most European Countries closed their borders to foreign labor supply, while Italy introduced only higher import tariffs without restriction to immigrants (1887). The first real restriction to foreign citizens was introduced before the start of World War 1, when Italy had to introduce stricter border control policies in order to prevent possible ill-intentioned infiltrations.

The consolidation of the fascist regime in the period from 1926 to 1931 produced a tightening of police control over immigration. In 1926 the "testo unico delle leggi di pubblica sicurezza" (Public Security Consolidated Act) was adopted, which created offices for political police, responsible for the control of foreigners entering Italy. During this time, the Central Office for the Registration of Foreigners was also created and visa requirements were introduced for the entry of immigrants to Italy. In 1938 the regime introduced the "leggi razziali" against the Jewish minority, laws that were abolished in 1944 after the fall of the fascist regime (Treccani, 2010; Zincone, 2006).

40 years of republican Italy: 1946-1986

After decades under an authoritarian regime, in the post-war period, the first Italian need was to establish the basis for a democratic republic through the writing of a new Constitution. The Constitution included principles of non-discrimination and the guarantee of human rights on the Italian soil. However, during this period no specific immigration laws were enacted since Italy, especially in the '50s, was more a country of emigration rather than a destination for migrants. This situation started to change with the Italian economic boom at the end of the '60s. In those years the first settlements of immigrant workers in Italy began, mainly meant to cover for low skilled jobs. In spite of the increasing number of foreign

workers, the Italian political system seemed unable to respond to this new phenomenon. In fact, there were no official labor regulation laws up to 1986. Until 1982, the situation was being dealt with *ad hoc* interventions without an overall view of the issue. Moreover, the block of labor entries in 1982 (during the economic crisis) brought only more illegal immigration to the country, without solving the problem. As reported, "It started thus the combination of irregular entries for work (due to the lack of effective legal mechanisms) with a later regularization obtained on average every four years, on the occasion of each major legislative intervention." (Translated from Treccani, 2010).

Establishing of an immigration legislation: 1986-1998

1986 is the year of the first law regarding the immigration phenomenon, the Foschi law. It introduced equal treatment for foreign and native workers. It meant giving social and health services to all workers that entered Italy with a valid permit. However, the Foschi law was never applied because of the complexity of the procedures to enter the labor market (really hard to implement).

Due to the problem of increasing xenophobia in the country, Italy had to introduce new laws. In 1990, the Martelli law created the Fund for Immigration Policies, as well as immigrant reception centers in order to promote foreign integration in the Italian socio-economic system. In addition, this law included quantitative programming of the flows of foreign workers in order to stop the problem of illegal access to the country. Due to the increasing hostility toward immigrants, in 1992 a new law – No. 91 – was approved. This was considered a huge step back in the integration process, as it raised to 10 the number of years of continuous legal residence needed for the acquisition of citizenship by non-EU migrants. This situation made it even more difficult for immigrant children born in Italy to acquire citizenship, vanishing completely all efforts to foster the integration in Italian society. During these years, rightist parties such as Lega Nord were pushing for a harsh expulsion policy while center-left parties were asking for integration policies. Due to the strong contrast on the topic, the Dini Law (1995), which tried to include both issues, was not passed. The first phase of the preparation of the immigration laws ended with the approval, by the Ulivo (center-left coalition), of the Turco-Napolitano law (No. 40 of 1998). The aim of this law was to create a first solid legislation to overcome the emergency immigration issues of the time, and to enhance the integration process for legal immigrants, while, at the same time, discouraging and stopping illegal immigration. It introduced the residence card to better integrate long-term

residents, and strengthened control and expulsion policies, considering them necessary in order to enhance legal entry policies (Treccani, 2010).

More recent years: 1998-2010

During this period there was a rapid growth of the number of immigrants in Italy. The increase is noticeable just looking at the number of legal immigrant residents in the country: from 1.1 million in 1998 to 4.3 million in 2009. These twelve years were characterized by strong contrasts among different political parties, and the alternation of opposite coalitions in power led to repeated attempts to overturn immigration policies after each election. In 2002 the Turco-Napolitano law was replaced by one of the most well-known Italian laws regarding immigration, the Bossi-Fini law (No. 189, right-wing coalition). The Bossi-Fini law introduced restrictive and barring procedures against migrants, for instance, the duration of residence permits was shortened and checks on documents were increased. This law also introduced the use of Italian Navy to fight illegal immigrant traffic, and led to an increased number of expulsions. The Bossi-Fini law was accompanied by one of the largest regularizations of already immigrated people in Italian history, with more than 650 thousand permits issued. The following center-left coalition was unable to pass the Amato-Ferrero law, meant to reduce the harsh Bossi-Fini restrictions, but the enlargement of the European Union to countries such as Romania and others exempted more than one million foreigners from the rules on non-EU nationals passed by the previous coalitions. At the end of this period, in 2008, the center-right coalition introduced law No. 125, also known as "Pacchetto Sicurezza" by the minister of the interior Maroni. It introduced the crime of illegal immigration and consequential direct expulsion from the country, while increasing the time needed to obtain citizenship and residence for certain categories of migrants. This law reduced the enhancing of the integration process in Italy (Treccani, 2010).

The most recent decade: 2010- 2020 (today)

Over the last decade, there has been an acceleration in the number of immigration inflows. The year 2011 surely marks the start of a period of continuous conflicts over migration policies. During this time, the maritime borders in the south of Italy have been the center of political and social debate due to the increasing number of vessels arriving and the increasing number of deaths in the Mediterranean sea (Colucci, 2018).

In 2017, the center-left coalition passed the Minniti-Orlando decree, a very contested and restrictive piece of legislation. It introduced the abolition of the second instance for asylum seekers (appealing against a denial), the extension of detention centers for irregular migrants and the introduction of voluntary work for migrants. The following year, 2018, the "Decreto Sicurezza" was introduced by the right coalition and strongly supported by the minister of the interior Salvini. This decree increased the funds for immigrants repatriation, extended the list of offenses that cause the loss of the refugee or subsidiary protection status and it basically abolished the possibility to be accepted for humanitarian protection. Overall, the laws passed over the last decade have tended to be restrictive toward the immigration issue and none of them demonstrate a clear plan to enhance an integration process.

In this section, we went through different Italian policies regarding the phenomenon of immigration. It is clear how in this country there has not been consistency among the different policies passed by the multiple coalitions. In Italy, the political authorities have often deliberately canceled the progress of previous coalitions in order to restructure the administrative machinery in their favor. This situation certainly did not help the development of an integration process; that still seems very far from an optimal level. Furthermore, integration-specific policies are needed in a country situated in the middle of the Mediterranean such as Italy, where the immigration phenomenon will surely not stop, at least in the near future.

CHAPTER 5

Conclusions and policy implications

In this paper, we analyzed the macroeconomic and social impact of immigration on the Italian system. We find that the impact of immigration varies depending on the approach used to calculate it. In all cases, there is not a strong negative (or positive) effect on the overall system. On average the wage effect caused by new inflows of immigrants tends to impact more low-skilled and manual workers because immigrants, due to downgrading and inequalities in the labor market, tend to have more access to these kinds of jobs rather than to others. We find that downgrading is still a major issue in a lot of society, therefore, a specific focus on the Italian downgrading process should be done in the future. Inequalities in terms of opportunities in the labor market are surely something that the Italian government should address starting from the education level, where there are still a lot of disparities between natives and immigrants. Public policies have been very discontinuous throughout the last fifty years. In fact, we have seen how Italian political parties tend to deliberately cancel the progress of previous coalitions, rendering the normative framework on this topic unstable with the consequence of slowing down the integration process. Moreover, the Italian society has resulted to be the one with the largest 'reality to perception gap' within the EU, meaning that the perceptions of the citizens on the immigration phenomenon are far off the reality of things. For instance, it has been found that Italian citizens tend to overestimate the percentage of immigrants in their country by around 17 percentage points.

Something that we believe crucial is the possibility to use immigrants as a resource for the future. Italy, like most European countries, is marked by one of the oldest populations in the world and by a very low fertility rate. The arrival of new young generations from other countries could help setting the demographic basis for the future. While immigrant entrepreneurship does not yet have a huge impact on the Italian economy, it could play an important role down the road, increasing firms networking with foreign companies and raising the share of Italian export towards the immigrants' countries of origin.

In order to achieve most of the above-listed things, policymakers should aim to enhance the process of integration which is crucial to the achievement of the reduction of inequalities and downgrading in the Italian society. The differences between Italians and immigrants are striking and will not decrease without specific investments or regulations. To our knowledge,

a full set of integration-specific normatives is still missing. The problem of inequalities between natives and immigrants in the education and labor market should also be addressed with specific initiatives. Italian policymakers should definitely tackle the issue of the population's detachment from reality through investments in informative campaigns. Due to the population sensibility on the immigration phenomenon, clarity on this topic should be provided; however, in the Italian political context, it does not seem like a priority for some parties.

The main limitation of this thesis is that the analysis of the migrants impact on the Italian system is merely linked to the legal immigration inflows. The issue of illegal immigration has not been examined in-depth and should be taken into account for future researches. Another caveat of this paper is the impossibility of sizing the immigration effect on the underground economy. This topic is certainly something that requires further specific studies.

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Scientific papers

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