**FONDAZIONE LEONE MORESSA**

**XIII ANNUAL REPORT ON THE ECONOMICS OF IMMIGRATION**

**“TALENTS AND SKILLS IN THE EUROPE OF THE FUTUTE”**

**Introduction**

The historical period we are experiencing is considered a crucial transition due to its relevant demographic, economic, social, health and environmental changes. The Covid-19 pandemic reshaped how also in the perception of such phenomena, allowing a change in paradigm that translates in unprecedented policies and investments.

Particularly, at the European level, the core of such a paradigm is shaped by the green and digital transitions. According to the European Commission, such changes plead for new skills that will inevitably affect the labour market and the socio-economic dynamics. For that reason, 2023 was declared the “European Year of Skills”, with actions and investments dedicated to the empowerment and enhancing of individuals’ skills and to favour the link between expertise and labour opportunities.

In this regard, the situation in Italy appears particularly delicate, with high rates of female and youth unemployment and a strong turn-out of young people that do not study nor work (NEET).

Moreover, even the presence of immigrants in Italy, that has steadily grown and represents more than the 8% of the population, suffers from the difficulties of the labour market. Italy mainly attracts unskilled labour, that is found in seasonal and manual works. Even skilled workers are often placed in low-level jobs (“overqualification”), creating a social immobility that limits integrational chances and determine talent waste.

Nonetheless, immigrants enduringly represent a tenth of Italian employment and support production for the 9% of the GDP, with even greater peaks in the agricultural and building sectors.

Italy and Europe are therefore bound to face many challenges if they wish to reach the Sustainable Development Goals (2030 Agenda) and those of the EU Next Generation plan (implemented in Italy through the PNRR). Undoubtedly, the enhancement of youth, women and immigrants’ talents represent one of the key points of such journey.

It is no coincidence that the Italian government has foreseen the entry of 452,000 non-EU workers for the three-year period 2023-2025, effectively reopening a channel that had remained virtually unused for about a decade.

The 2023 Report on the economics of immigration is the opportunity to trace a snapshot of Italy from the point of view of talent promotion, by highlighting also migration dynamics and to how these can commit to the economic recovery.

Together with the analysis of data from official sources (for example, it’s fair to name the most relevant ones: ISTAT, Eurostat, OCSE, Ministry of Economy and Finance, Bank of Italy, Infocamere), there are, as usual, insights gathered by experts and institutional figures (to cite some of them: European Commission, International Organization for Migration, Ministry of Economy and Finance, Confartigianato, Migrantes Foundation), useful in granting food for thought and data interpretation.

**1. International demographic dynamics**

The world population has recently overtaken the threshold of eight billion of inhabitants. Although the growth rate is lower than in the middle of the last century, the debate on the impact of anthropogenic pressure on the environment and natural resources persists. Beside the analysis of the world population in its entirety, it is worth mentioning that different world areas register opposite tendencies, thus defining a strong change in the world geodemography, as Massimo Livi Bacci highlights. For example, in 1950, South Europe had double the population North Africa had, but the former is projected to be nearly two-thirds smaller than the latter in 2050. The economics divide, that has existed for centuries between the northern and southern hemisphere of the world and that it has, if possible, deepened during the last century, is overlapped by a growing dynamic difference in the population that inhabits these two parts of the world, with developments and results difficult to foresee.

The demographic element is not the only (and probably neither the primary) factor that determines migrations but, inevitably, the different age structure assessed around the world brings consequences also in terms of migratory pressures. In southern European Countries, young adults (20-40 years old) will decrease by the middle of the century, while in North African Countries they will increase by 46%. No one can say to what extent this imbalance will be mitigated by South-North migration but surely the pressure will continue to be high.

In the face of such challenges, it is crucial to promote a safe, neat and regulated migration, so to favour the development of migrants’ skills, as well as to encourage their role as actors of progress and change, both in sending and hosting societies. The paragraph written by the International Organization for Migration (OIM) points out how the cross-border cooperation on skills mobility helps to fill capacity and man power gaps, fostering socio-economic development. The incorporation of such objectives in migration policies, education and the labour market allows targeted strategies in the above-mentioned areas and favours the participation of migrants in the economy of the country of origin and of destination.

In the last ten years, on the other hand, many European Countries – including Italy – experienced a decrease of working-related admittances, while registering an increase in arrivals for family reunification and humanitarian reasons.

As Luca Barani from DG Migration and Internal Affairs recalls, the European Union has an important role in the promotion and management of incoming and outgoing migratory phenomena, envisioned as a shared task among the States.

For example, the EU/2021/1883 directive (yet to be implemented in Italy) settled the criteria to obtain the “Blue Card”, a tool dedicated to skilled workers still little used.

With the aim of favouring a skilled migration, in 2022 the Commission presented an ambitious and sustainable policy proposal articulated around concepts of “Talents and Skills”. It contains a complex mix of legislative, operative and policies initiatives, benefitting the European economy, to strengthen cooperation with third countries.

**2. Talents and skills**

Italy’s circumstances, from the point of view of young talents, are particularly delicate. Observing the main indicators connected to school achievements (for example, the school dropout rate of young people between 18 and 24 years old, or the percentage of graduates between 30 and 34 years old), Italy ranks among the bottom positions in Europe, with a clear gap from the EU average. The same gap emerges from the employment indicators related to the youth component (employment rate, unemployment rate, and percentage of the so called “NEET”). This inevitably boost the Italian youth’s tendency to: in the last ten years, net of the figure of Italians coming back from abroad, almost 300,000 have left Italy, clearly attracted by better working or educational opportunities. Such loss of young talents represents a serious issue for the social and economic stability for the country considering widespread population ageing and the negative births record.

Moreover, there is a divergence in the academic and school related choices and outcomes between Italians and immigrants. For instance, while Italian students who choose a Lyceum are the 56%, only 36.6% of do the same, while for immigrants born abroad the rate drops to 27.3%.

University can also have a role in ensuring qualified migration trajectories. As mentioned by Giancarlo Corò, from Ca’ Foscari University, international students are a rich resource for hosting Countries. Actions to attract and engage international students should then be, also in Italy, part of a more general policy for innovation. It is necessary to improve communication on the quality of the university offer of English-delivered courses and curricula but also some Italian taught courses can become appealing if well incorporated in a context in line with of our economic and cultural vocations, alongside being accompanied by services for foreign students. The level of university fees can definitely make a difference for those coming from developing areas – who represent the majority of foreign students in Italy – but what matters is also the easiness of obtaining a visa, the availability of public or affiliated residences, welcoming services, the opportunity to attend Italian-language classes for foreigners, in addition to the conditions that favour employment during and above all once the studies have been completed. Another incentive deals with the accessibility to scholarships made available by the hosting countries, also drawing on government funds earmarked for development aid. To increase the international appeal of Italian universities, top-tier actions are not enough. Universities themselves, together with local actors – businesses, associations, local institutions – really have a wide scope of initiative to build reception, integration, job placement and business development pathways for international students.

**3. The economic contribution of immigration in Italy**

Together with the analysis of demographic and socio-economic dynamics, immigration must also be considered, as their presence has steadily reached and overcome the 8% of the total population. The more than 8 million immigrants employed in Italy (10.3% on the total) offer an overall contribution to the Italian GDP for over 9%, with peaks above 14% in the agricultural and building sectors.

After the pandemic, which penalised immigrant women in particular, employed immigrants’ figures registered a recovery, sign of an increased adaptation capacity compared to the local portion of the population.

Despite that, some critical structural issues in the Italian labour market persist. First of all, Italy mainly attracts unskilled labour, who are found in seasonal and manual works. Even skilled workers are often placed in low-level jobs (overqualification), creating a social immobility that limits real integrational chances and determine a waste of expertise. Working individuals who progressed to the tertiary education level (who obtained at least an undergraduate degree) employed in low and medium-skill jobs are indeed the 19.1% of the total local working population, while they rise to 46.9% among EU foreigners and to 67.1% among extra-EU foreigners.

The “working poors” are common among immigrants as well: 9.7% of local workers are considered at risk of poverty, against 20.3% of EU foreigners and 1.2% of extra-EU foreigners.

The pandemic, moreover, resurfaced the demand of manpower voiced by firms, leading to a trend reversal in the definition of the entry quotas envisaged by the “Decreto Flussi”: after years of reduced quota of 30 thousand yearly entries (seasonal entries included), the planned incomings were 69 thousand for 2022 and 82 thousand for 2023 (further increased by 40,000 seasonal workers during the year), up to the 452,000 foreseen for the three-year period 2024-2026.

Furthermore, immigrant entrepreneurship is continuously growing, confirming the propensity of immigrant workers to start their own business. Such phenomena, which, on the one hand, represents the continuation of a path of emancipation and stabilisation, on the other hand, it shows challenges, especially regarding its coexistence (and the creation of synergies) with the native productive structure.

With regard to entrepreneurs, in the last twelve years (2010-2022), there is a patent difference between those born in Italy (-10.2%) and those abroad (+39.7%). In 2022, active foreign-born entrepreneurs in Italy were 761,255, that is 10.1% of the total.

**Contribution of immigration to the Italian GDP. Added Value produced by immigrant employed. (>15 years old) by business sector, 2022**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sectors** | **Employed immigrants 2022**  **(in thousands)** | **“immigration GDP”**  **(Billions €)** | **% of V.A. produced by immigrants over the V.A. tot.** |
| Agriculture | 155 | 5.9 | 15.7% |
| Manufacture | 454 | 36.6 | 10.4% |
| Construction | 243 | 12.9 | 14.5% |
| Commerce | 236 | 15.7 | 7.5% |
| Hotels and Restaurants | 243 | 6.8 | 11.8% |
| Services | 1.044 | 76.5 | 7.9% |
| **Total** | **2.374** | **154.3** | **9.0%** |

Source: elaborated by Leone Moressa Foundation on ISTAT data

**4. Fiscal impact of** **immigration in Italy**

From a fiscal point of view, the post-Covid recovery marks an all-time high both in the number of immigrant taxpayers (4.3 million) and in the total volume of Irpef paid (9.6 million). Despite a prominent gap in the average income between immigrants and locals, the fiscal balance of the immigrant population remains active, with taxes and contributions that exceed the welfare services dedicate to immigrants. (+1.8 billion). In other words, immigrants are mainly workers and active taxpayers, so they pay taxes and contributions and have a low impact on public spending. It must be acknowledged, likewise, that the fiscal contribution, as indeed the demographic one, signifies a concrete positive input, though it is not sufficient to stem the current trends in our Country. Demographic scenarios lead to a trend towards equal numbers between workers and retirees, and that is clearly unsustainable for today’s system. Therefore, immigration is a necessary condition, but it’s not enough to face the ongoing demographic winter.

The role of immigrants in supporting their own families set Countries of origin, primarily by sending money, is significant too. According to the World Bank, “Remittances are a vital source of household income for low- and middle-income countries. They alleviate poverty, improve nutritional outcomes and are associated with increased birth weight and higher school enrolment rates for children from disadvantaged families. Studies show that remittances help recipient households build resilience, for example by funding better housing and coping with losses from disasters”. Although displaying a slight downward trend in the previous year, in 2022, remittances sent from Italy were equal to 8.2 billion, that is a per capita average of 136 euros per month for each immigrant resident. It is exactly two times the figure of the 4.1 billion invested by Italy in cooperation projects, net of expenses for the reception of refugees and the pandemic.

**Cost-Benefit Ratio of Immigration for State Balance. Estimate of income and expenses due to foreign presence, average cost, to the 2021.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Expenses** | **Billion**  **Euro** | **Incomes** | **Billion**  **Euro** |
| Healthcare | 6.4 | Irpef | 4.3 |
| Education | 6.3 | IVA | 3.5 |
| Social services, local services and housing | 1.3 | Consumption (Tobacco, Lotteries, Car taxes, Fuels, TV Fees) | 3.3 |
| Justice and  Public Security | 3.1 | Local Consumption (TARI, IMU TASI, gas and energy taxes) | 1.9 |
| Immigration and reception | 1.9 | Permits and Citizenship | 0.3 |
| Retirement and Transfers | 8.4 | Social Security Contributions | 15.9 |
| **Tot.** | **27.4** | **Tot.** | **29.2** |
| **Balance** | **+1.8** |  |  |

Source: Elaborated by Leone Moressa Foundation on MEF data – Finances Department, ISTAT and other sources

The mentioned phenomena are various and diverse, interconnected and very complex. In order to address them, it is important, among other things, to improve mechanisms valorising Andy boosting the attraction of. The European Year of Skills is the chance to reflect on these issues, planning policies that will characterise the near future both at the Italian and European level.







