

# THE USE OF WELFARE BY MIGRANTS IN ITALY

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# OUTLINE

1. Introduction and motivation.
2. Preview of results.
3. The data.
4. Empirical results.
5. Interpretation of the results.
6. Conclusions and suggestions for the panel discussion.

# MOTIVATION

- ▶ Italy has experienced an impressive increase in migration flows over the past decade:
  - ▶ on average 250,000 new arrivals per year over 1998-2008;
  - ▶ average yearly flow of 0.5% of the resident population (France 0.2%, Germany 0.15%, UK 0.3%)
  - ▶ the stock of foreigners in the population from 1.9% in 1998 to 5.8% in 2008;
- ▶ Italians are very concerned about migration:
  - ▶ 29.7% of Italians think immigration is bad for the economy (EU average is 27.6%. ESS 2002);
  - ▶ ...especially concerned about welfare (Boeri, 2010).

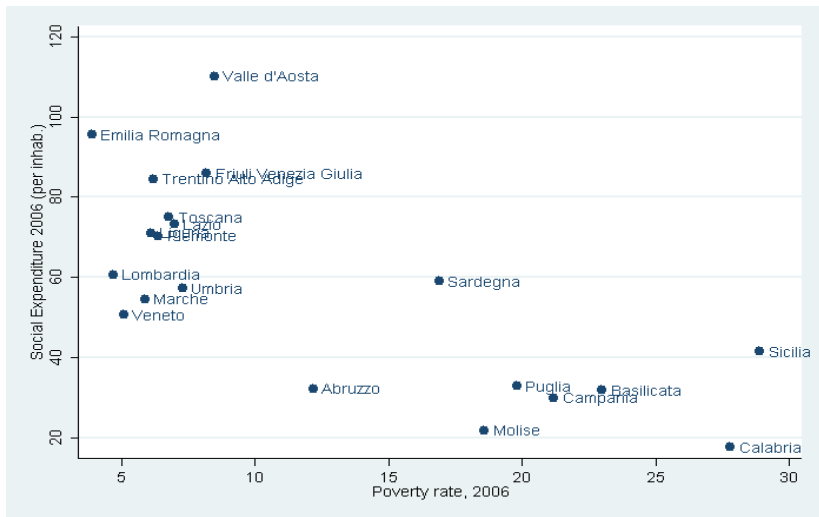
# PECULIARITIES OF THE ITALIAN WELFARE SYSTEM

1. Disproportionately concentrated on old age:
  - ▶ 46% of social expenditure on old age pensions (OECD average is 34.4%);
  - ▶ 25% of total social expenditure on unemployment, family and income support (OECD average is 32%)
2. The rest is not very generous (to say the least!);
  - ▶ no minimum income  $\Rightarrow$  zero replacement ratio for long-term unemployment (OECD);
  - ▶ summary measure of benefit generosity is 7% (OECD average = 53%).
3. Highly decentralized...

# DECENTRALIZATION OF THE ITALIAN WELFARE SYSTEM

- ▶ Centralized programs:
  - ▶ unemployment benefits (*indennità di disoccupazione*);
  - ▶ family allowances (*assegni familiari*);
  - ▶ sickness and maternity allowances (insurance-based).
  
- ▶ Local programs:
  - ▶ housing benefits, social housing, child care, assistance to old people, income support, education allowances, et.;
  - ▶ most programs administered by municipalities (more than 8,000);
  - ▶ no national framework or guidelines and strict budget constraints.
  
- ▶ Extreme heterogeneity across geographical areas.

# SOCIAL EXPENDITURE AND POVERTY



# DO MIGRANTS REALLY USE THE WELFARE STATE MORE THAN NATIVES?

- ▶ Previous studies use general-purpose surveys:
  - ▶ impossible to capture the myriad of local programs;
  - ▶ limited information on country of origin and place of residence.
- ▶ In this paper I use (also) detailed administrative data on *means-tests certificates*:
  - ▶ required to apply to (almost) all local welfare programs;
  - ▶ detailed breakdown of country of birth and place of residence;
  - ▶ drawbacks: no actual receipt, limited demographic info;
- ▶ I do not cover: health, schools, net fiscal positions.

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## PREVIEW OF MAIN RESULTS:

- ▶ From standard survey data (EU-SILC, 2007):
  - ▶ migrants from outside the EU25 are more likely to receive welfare benefits than natives, both unconditionally (49.8% over 43.3%) and conditionally on observable characteristics (from 6.5 to 4.5 p.p.);
  - ▶ comparing natives and migrants within the same macro-region increases the difference;
- ▶ From means-test certificates (INPS-ISEE, 2005):
  - ▶ migrants from the EU15 are **less** likely than natives to submit a means-test application;
  - ▶ migrants from other EU countries and from outside the EU are **more** likely to submit a means-test application (8.5-9% over 7%);
  - ▶ much higher differences within regions or provinces (from 0.5-1 to 3 p.p.).

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# THE EU-SURVEY OF INCOME AND LIVING CONDITIONS (EU-SILC)

- ▶ Household survey with harmonized samples and questionnaires across all EU countries (2004-2007).
- ▶ The Italian sample counts approximately 20,000 households and 40,000 individuals.
- ▶ Migrants defined over citizenship or country of origin:
  - ▶ only natives, EU25 and others.
- ▶ Residence only by 5 macro-regions.
- ▶ Information on benefits:
  - ▶ unemployment, sickness and disability, education allowances, family/children, housing and social exclusion.
- ▶ Individual data with equivalized incomes and benefits.

# THE INPS-ISEE ARCHIVE

- ▶ Random extraction from the INPS demographic archive:
  - ▶ anyone born in 4 dates of the calendar year;
  - ▶ link information from any INPS archive;
  - ▶ ...including the ISEE archive  
(*Indicatore della Situazione Economica Equivalente*).
  - ▶ approximately 400,000 individual observations.
- ▶ ISEE data available from 2001 to 2005.
- ▶ Detailed information on country of birth and location of residence.
- ▶ Limited demographic information:
  - ▶ no education; no family composition; no income (but ISEE value).

# OUTLINE

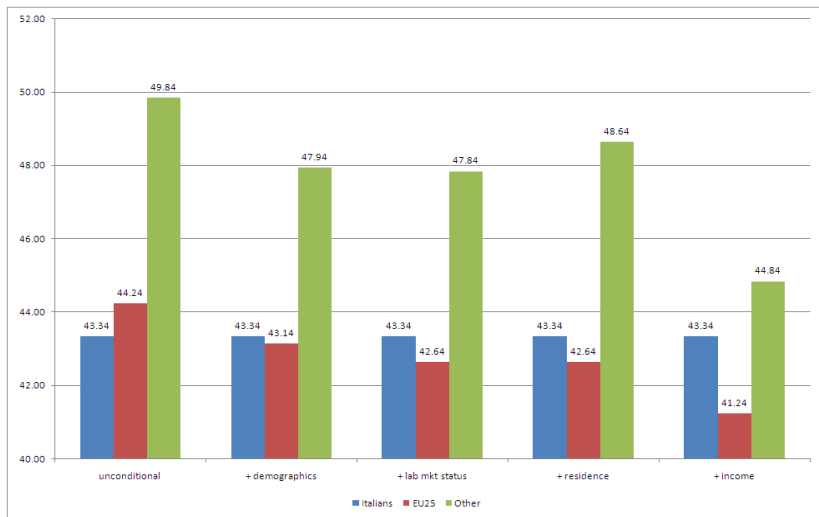
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## WELFARE DEPENDENCY IN THE EU-SILC 2007 (1)

Dependent variable = 1 if receiving any non-pension benefit					
	(1)	(2)	(3)	(4)	(5)
<i>Country of origin:</i>					
1=EU25	0.009 (0.023)	-0.002 (0.024)	-0.007 (0.024)	-0.007 (0.024)	-0.021 (0.024)
1=other countries	0.065*** (0.013)	0.046*** (0.013)	0.045*** (0.013)	0.053*** (0.013)	0.015 (0.013)
Individual and household charact.	No	Yes	Yes	Yes	Yes
Labour market status	No	No	Yes	Yes	Yes
Regional dummies	No	No	No	Yes	Yes
Equivalentised income	No	No	No	No	Yes
Observations	32,251	32,251	32,251	32,251	32,251

All models are estimated as probit regressions. The reported estimates are marginal effects computed at the average of all the control variables.

# ALL BENEFITS



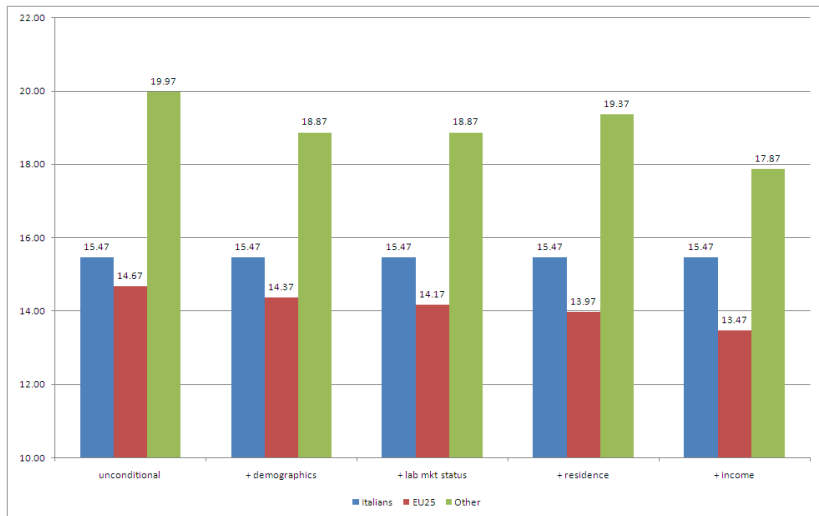
# WELFARE DEPENDENCY IN THE EU-SILC 2007 (2)

Dependent variable = 1 if receiving any contributory benefit					
	(1)	(2)	(3)	(4)	(5)
<i>Country of origin:</i>					
1=EU25	-0.008 (0.017)	-0.011 (0.016)	-0.013 (0.016)	-0.015 (0.016)	-0.020 (0.015)
1=other countries	0.045*** (0.010)	0.034*** (0.010)	0.034*** (0.010)	0.039*** (0.010)	0.024** (0.010)
Individual and household charact.	No	Yes	Yes	Yes	Yes
Labour market status	No	No	Yes	Yes	Yes
Regional dummies	No	No	No	Yes	Yes
Equivalentised income	No	No	No	No	Yes
Observations	32,251	32,251	32,251	32,251	32,251

Contributory schemes are unemployment, sickness and disability benefits. All models are estimated as probit regressions. The reported estimates are marginal effects computed at the average of all the control variables.



# CONTRIBUTORY BENEFITS

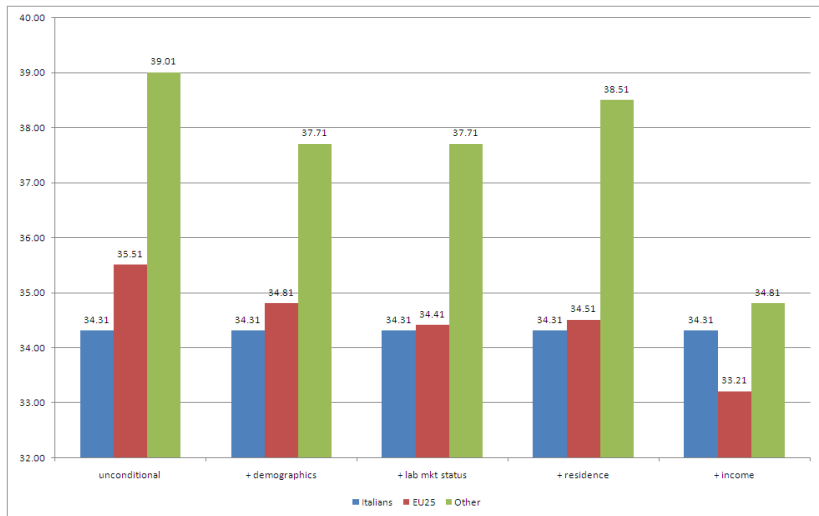


# WELFARE DEPENDENCY IN THE EU-SILC 2007 (3)

Dependent variable = 1 if receiving any contributory benefit					
	(1)	(2)	(3)	(4)	(5)
<i>Country of origin:</i>					
1=EU25	0.012 (0.022)	0.005 (0.023)	0.001 (0.023)	0.002 (0.023)	-0.011 (0.023)
1=other countries	0.047*** (0.012)	0.034*** (0.013)	0.034*** (0.013)	0.042*** (0.013)	0.005 (0.013)
Individual and household charact.	No	Yes	Yes	Yes	Yes
Labour market status	No	No	Yes	Yes	Yes
Regional dummies	No	No	No	Yes	Yes
Equivalentised income	No	No	No	No	Yes
Observations	32,251	32,251	32,251	32,251	32,251

Non-contributory schemes are education-related allowances, family/children benefits, social exclusion provisions and housing allowances. All models are estimated as probit regressions. The reported estimates are marginal effects computed at the average of all the control variables.

# NON-CONTRIBUTORY BENEFITS

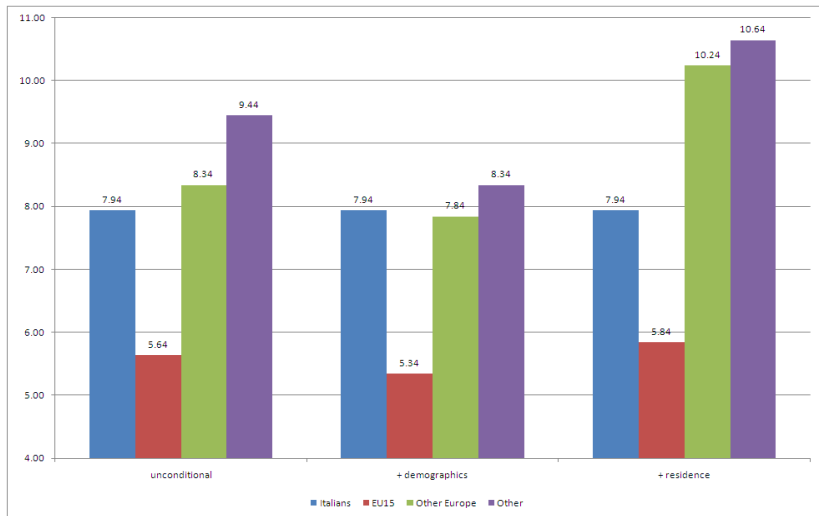


# WELFARE DEPENDENCY FROM INPS-ISEE 2005 (1)

Dependent variable = 1 if a ISEE application was submitted in 2005			
	(1)	(2)	(3)
<i>Country of origin:</i>			
1=EU15	-0.023*** (0.003)	-0.026*** (0.003)	-0.021*** (0.003)
1=other European country	0.004* (0.002)	-0.001 (0.002)	0.023*** (0.002)
1=non-European country	0.015*** (0.002)	0.004** (0.002)	0.027*** (0.002)
Individual charact.	No	Yes	Yes
Regional dummies	No	No	Yes
Observations	407,154	407,154	407,154

All models are estimated as probit regressions. The reported estimates are marginal effects computed at the average of all the control variables.

# WELFARE USE IN THE ISEE-INPS DATA

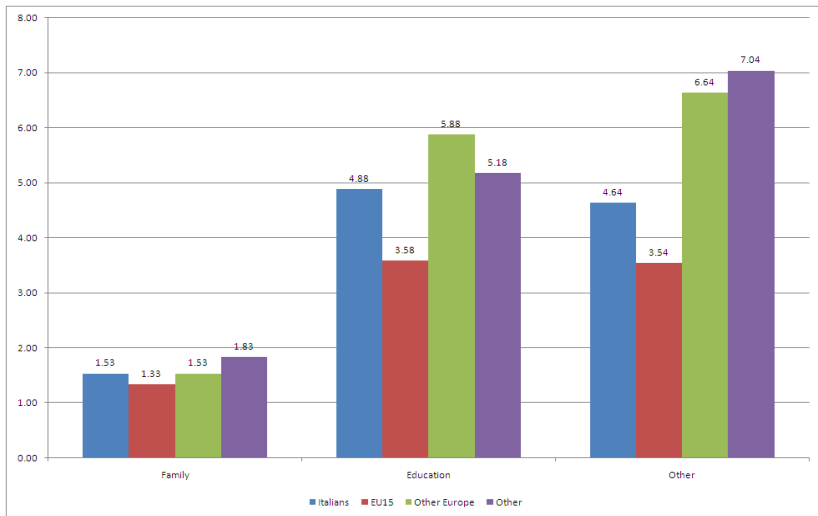


# WELFARE DEPENDENCY FROM INPS-ISEE 2005 (2)

Dependent variable = 1 if a ISEE application was submitted in 2005				
	Family (1)	Education (2)	Health (3)	Other (4)
<i>Country of origin:</i>				
1=EU15	-0.002*** (0.001)	-0.013*** (0.002)	-0.000 (0.000)	-0.011*** (0.002)
1=other European country	0.000 (0.001)	0.010*** (0.002)	-0.000 (0.000)	0.020*** (0.002)
1=non-European country	0.003*** (0.001)	0.003*** (0.001)	-0.000 (0.000)	0.024*** (0.002)
Individual charact.	Yes	Yes	Yes	Yes
Regional dummies	Yes	Yes	Yes	Yes
Observations	407,154	407,154	407,154	407,154

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# WELFARE USE IN THE ISEE-INPS DATA



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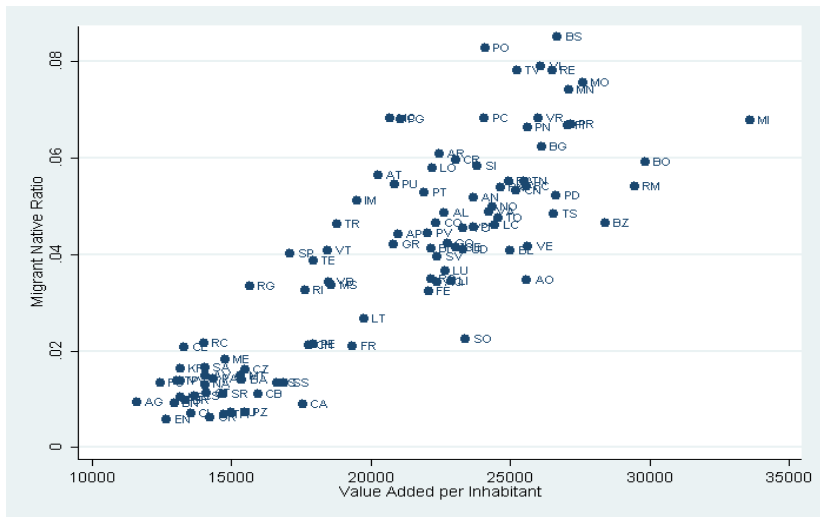
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# THE ROLE OF GEOGRAPHICAL LOCATION

- ▶ Migrants are disproportionately concentrated in the North, where there are jobs!
- ▶ The municipalities of the North are those that offer the most generous welfare.
- ▶ Italians and migrants across regions:
  - ▶ in the North, Italians work in well-paid jobs and are richer, migrants work in low-paid jobs and are poorer;
  - ▶ in the South, Italians and migrants work in the same jobs and are paid similarly.

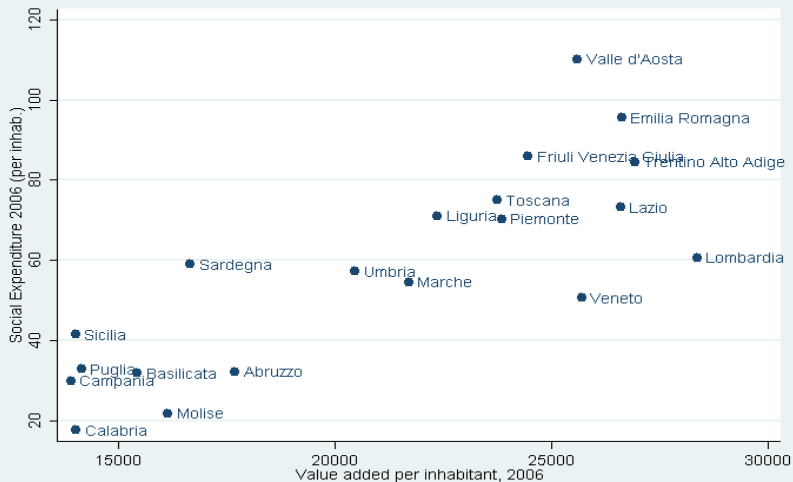
# MIGRATION AND LOCAL VALUE ADDED



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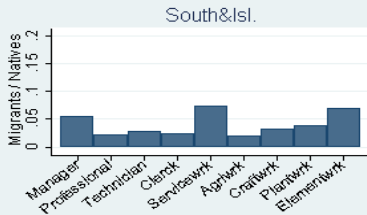
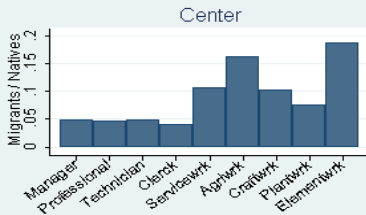
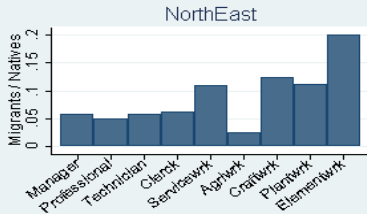
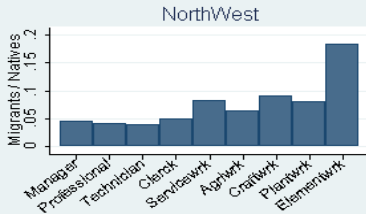
# SOCIAL EXPENDITURE AND VALUE ADDED



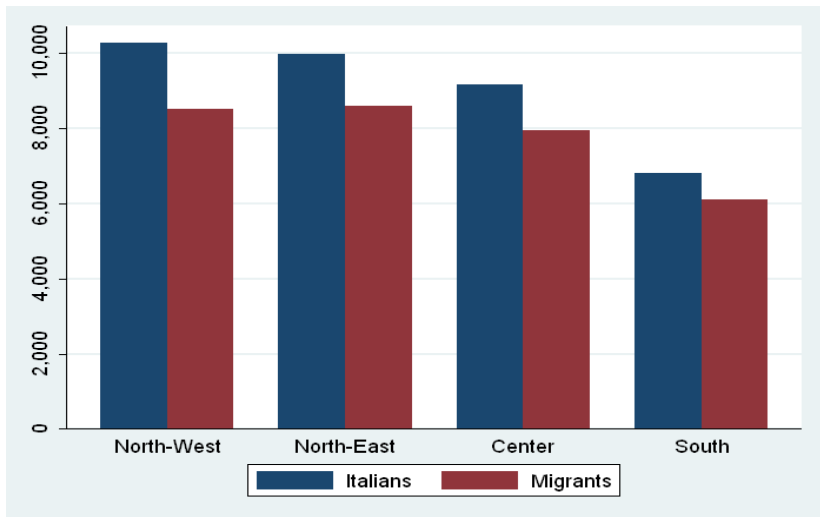
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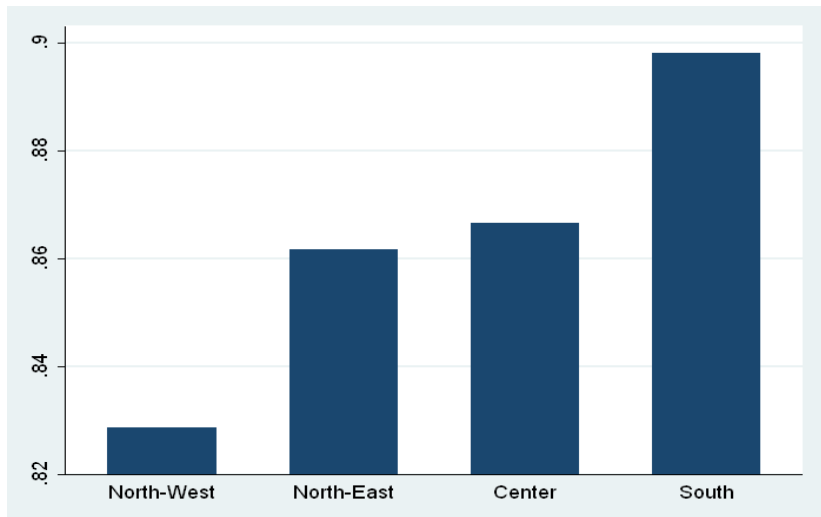
# OCCUPATIONS OF ITALIANS AND MIGRANTS



# INCOMES OF NATIVES AND MIGRANTS



# RELATIVE INCOMES OF MIGRANTS





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# CONCLUSIONS

- ▶ It is crucial to have better data!
  - ▶ migrants from different origins are very different;
  - ▶ more information on local welfare (*Indagini censuarie sugli interventi e i servizi sociali dei Comuni*)
- ▶ Geographical location of migrants within Italy is paramount to understand differences in welfare access:
  - ▶ would harmonizing policies improve or worsen perceptions?
  - ▶ selection at entry or selection within?