



POLICY BRIEF

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The Effect of the Italian Support System for Refugees and Asylum Seekers on the Local Economy

A quantitative analysis of refugee numbers and income across Italian municipalities reveals that hosting refugees may have a sizeable positive effect on income growth.

WHAT'S AT STAKE?

During the last decade, international migration has become a contentious topic among policymakers, media and voters. With over 1.3 million applications for international protection in the EU in 2015 alone, the debate over immigration has come to shape elections and impact policy decisions. The impacts of these heightened migrant inflows to Europe – particularly asylum-seekers – are manifested in mushrooming anti-immigration movements, which depict refugees as burdens on the host country's economy, overpopulation and labour system. These claims are often unfounded; in fact, much anecdotal evidence suggests that refugees are instead helping the local economy by taking the jobs that natives don't want, reviving communities with deteriorating populations and stimulating the local economy through their consumption of local products and services. The truth is not clear; a careful empirical investigation of the economic impact of refugees is needed to provide grounds to the debate and evidence for effective policy.

KEY RESULTS

- There is a positive relationship between between the "Protection System for Refugees and Asylum Seekers" (SPRAR) and income growth.
- Hosting an additional refugee or asylum seekers as part of the SPRAR systems is associated with an additional 0.09% growth in per capita taxable income.
- Above and beyond the direct transfers associated with the presence of a SPRAR centre, its operation may be beneficial for the local economy of Italian municipalities.

RESEARCH APPROACH

A recent analysis of Italian municipalities seeks to investigate the impact of refugees on the local economy by relating refugee inflows to income per capita growth. The study examines refugees within the national Italian refugee allocation system, the “Protection System for Refugees and Asylum Seekers,” or SPRAR. This system is funded by the Italian federal government and provides integration services to its beneficiaries, who receive language and social assistance on top of basic living needs. These SPRAR centers could have positive economic impact on the host municipality in many ways: through the federal grants that municipalities receive to fund them, the training of young workers in an aging population, and the consumption of local goods and services on the part of refugees. Gamalerio (2018) shows that these centers increase the municipality’s expenditures towards services, firms and personnel.

For the purpose of this analysis, we combine data from three sources:

1. Data on SPRAR refugee presence per municipality in Italy in the years 2008 to 2016 (SPRAR Annual Reports and other various sources);
2. Data on aggregate taxable income per municipality for the years 2008 to 2016 (Italian Department for Economics and Finance);
3. Information on municipality-specific characteristics, including the municipal total population, the number of legally resident foreigners, the education level of the municipal population, the population density, the percent of children and elders, and the activity, unemployment and youth unemployment rates (Italian Statistical Office).

Due to the availability of refugee and income data over nine years, 2008-2016, we were able to identify a relationship between these variables by comparing municipalities that hosted refugees to those that didn’t throughout the period. This approach, however, does not address one fundamental challenge. The decision of hosting a SPRAR center is voluntary, and municipalities that decide to host refugees are potentially very different from those that decide not to. A comparison of income per capita growth across municipalities that belong to these two groups would potentially be misleading.

To address this challenge, we adopted an approach known as instrumental variable. This method aims to identify variation in the main variable of interest (SPRAR presences) that is independent from the one of the dependent variable (per capita income growth). We started from the observation that those municipalities where the concentration of foreign residents is historically high are also those where we observe more SPRAR presences over time.

Our method thus leverages the information on the share of foreigners living in each municipality in 2001 combined with the data on the nationwide annual inflow of refugees. With the exception of the largest municipalities (those with more than 70,000 inhabitants), we use this information to predict the number of SPRAR presences per municipality each year in 2008-2016 as the one that we would have seen if refugees had been centrally allocated based on foreign presences in 2001. As such, our empirical approach rests on the assumption that the spatial distribution of foreign residents across municipalities in 2001 is unrelated to local economic trends a decade later, and the same is true for the nationwide inflow of refugees and asylum seekers¹.



KEY FINDINGS

Our analysis shows that the relationship between SPRAR presences and income growth is positive. Hosting an additional refugee or asylum seekers as part of the SPRAR systems is associated with an additional 0.09% growth in per capita taxable income. The estimate is statistically significant. This is true even after netting out what SPRAR reports being the average cost of maintaining the centre, meaning 35 euros per refugee per day².

POLICY INSIGHTS

Our analysis shows that, above and beyond the direct transfers associated with the presence of a SPRAR centre, its operation may be beneficial for the local economy of Italian municipalities. The Italian government is currently discussing the possibility of reforming the SPRAR system by limiting its operations and size with the objective of reallocating its funds elsewhere. The evidence we provide sheds some light to the trade-offs involved by this policy decision.

CONCLUSION

Our study shows that hosting refugees as part of centralized protection system may have a positive sizeable effect on the local economy. It also shows that a rigorous empirical analysis is needed in order to assess these effects.

Indeed, a simple comparison across municipalities that does not solve for the relevant empirical challenges leads to completely different results. Our study therefore calls for additional investment in data collection and dissemination, and for more rigorous empirical work to inform policy making in such delicate and politically contentious domains.

Endnotes:

¹The instrumental variable we use builds upon the so-called “shift-share” instrument that has been routinely used in the economics literature to study the local impact of immigration (Card 2001).

²<https://www.ilsole24ore.com/art/notizie/2018-06-03/migranti-costi-dell-accoglienza-35-euro-giorno-ma-richiedenti-asilo-ne-vanno-250-195615.shtml?uuid=AE686hzE>

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