

Economic Report on the effect of Active Income Residence Programs in Calabria

Background

Italy as a whole has been experiencing mass population decline. In 2019 the population was estimated to be about 59,816,673 people, with an estimated live birth count of 420,084. However, by 2022 those numbers have dropped to 59,030,133 and 392,598 respectively. That means the population as a whole, in just 3 years, experienced a 786,540 decline. Nowhere are these effects felt worse than in rural towns hours from Italy's metropolitan areas. Since 2019, in the region of Calabria, the population has decreased by about 4.08%, that is more than three times the national average (Isat.it). This has left small towns struggling economically and politically. Businesses have experienced a shortage of workers and a drop of demand, well the local governments of these areas struggle to manage their budget per declining tax revenue. With a declining birth rate of about 7.4% (Isat.it), it is unclear if these locations could ever recover on their own.

Program Specifications

Enter the Calabria regional councilors for Agriculture and Economic Development, Gianluca Gallo and Fausto Orsomarso. In December 2020, the pair presented a pilot program titled “The Active Income Residence Program”, or AIRP, which would set aside €700,000 to encourage migration into depopulated towns (Gallo and Fausto). The program intends to use the €700,000, by subsidizing the relocation of either foreign nationals or Italian citizens into these areas. People who relocate can earn up to €28,000 in a three year period if they also agree to start up their own businesses (Italian lawyer). There are however requirements for those who apply to the program, applicants must be under 40 years old, and if they are Italian, the town they are leaving must have a population greater than 2,000. They must also work in a specific hurting

sector of the local economy, such as hospitality or healthcare. These requirements were explicitly set so that they would not exacerbate the decline of other rural towns, and so that the people who move in are likely to start a family in the area. Anyone selected for the program must be able to move in within 90 days of approval of their application, and once they arrive the payments will come in the form of monthly installments of around €1,000 - €800.

In January of 2021, the program relocated 29 people. After these people relocated, the program exhausted its funds and shut down. Since then, the economic impact has not been stated by the local government and no numbers have been released (Regione Calabria). Due to the relative secrecy of the program, news outlets have continuously falsely reported on the program claiming that it is still active. This program was meant to replace an older and more popular one with a similar aim called the “One Euro Home” program, where people could purchase real estate for one Euro as long as they agreed to develop and live in it. Since the program has been all but dead for the past three years, it begs the question, would this policy economically benefit the underpopulated towns in Calabria? If so, what would the size of the impact be?

Private Market Failures and Externalities

The private market failure in these rural areas is very apparent. People who grow up in these towns time and time again decide to move out and into the metropolitan areas in order to be around those who are closer in age, and for economic advancement. This has left municipalities like Agnana Calabria with a population of about 536 and a median age above 40 (City facts). If there are no young people around to repopulate these areas, then the private market will never rectify the issue of depopulation, as it will only make moving to more densely populated areas more appealing as time goes on.

The environmental impacts of these aging towns are clear, at a certain point in time there won't be enough people to run the hospitals or farms that are necessary for these places to exist. This will lead to a devastating collapse of the Italian countryside, and when that happens, not only will farms that provide valuable food to nearby cities die, but supply lines around the country will dry up. As of 2019 the region of Calabria was responsible for about 10.45% of Italy's total farmland, 13.11% of Italy's organic operations, and was responsible for 29.26% of all olives produced in Italy (SINAB). Not only would a collapse of these towns cause ecological and economic damage to Italy, but it might also create global food shortages for commonly purchased goods.

Efficiency and Equity Concerns

Although this type of government intervention might solve these issues, there are still negative externalities to be considered with the program. Italy would, for all intensive purposes, be importing foreign culture to these small rural areas. Calabria is an area of Italy that is known to be strictly against foreign migration. Last February a boat full of 90 migrants sank right off the coast and killed everyone on board. In response to this, the Italian government passed laws that limit the special protection status that Italian authorities can grant to migrants who do not qualify for asylum. After it was passed, Agriculture Minister Francesco Lollobrigida, warned against the ethnic replacement that will occur if they keep allowing foreign nationals to live in these regions (Vigano). Since there is already an ingrained hostility to people who move from other countries to these areas, this program might create government-sponsored conflicts between long-time residents and confirmed applicants. This could lead to an uptick in crime and more national hostility.

The money for the program comes directly from the already struggling people of the area via their taxes. If the program does not work, and those who chose to move there end up leaving, the €700,000 that the government spent could end up putting these municipalities into even more debt, exacerbating the already downtrending economies. The government could instead reinvest the taxes that they collected into the farming sector of these areas, making it more appealing to the people who are already there to stay since they no longer face economic hardships.

Cost-Benefit Analysis

The costs of the AIRP are clear, €700,000, which is currently equivalent to \$755,851, were budgeted for the program. This means that if each person receives the maximum amount of money of €28,000 (\$30,234.04) in a three-year period, the Italian government could, at the maximum, relocate 25 people into these towns. In actuality, they relocated 29 people with the funds, which means not everyone received the maximum benefits. Regardless, this number seems too small to have a sizable impact in the long run on the region's population.

Since the government has not released any numbers on the economic impact generated by these new residents, it is hard to calculate an exact numerical value for the benefit that they provide. However, programs like this are not uncommon, and the city of Tulsa Oklahoma currently has a very similar program. Tulsa's project is titled "Tulsa Remote" and has been running since 2019. It is fully funded by a private organization, The George Kaiser Family Foundation, and has successfully relocated 2,165 people to Tulsa County. The Tulsa program is specifically aimed towards remote workers and promises to pay them \$10,000 (€9,264) and a place to work if they agree to move. By opening the program up to remote workers, not only do

they attract the younger demographic of people who occupy remote jobs, but they also make it so the people moving to Tulsa bring higher paying jobs with them and with that more tax revenue for the state.

Since 2019 they have spent around \$21,650,000 (€19,455,035) on the program. In return, they have 1,852 members currently living in Tulsa, with a 76% retention rate of the people who were once in the program. According to the economic impact report released in December 2022, “Last year alone, each Tulsa Remote member generated more than \$150,937 in labor income—a return of nearly 12 times over program expenses that Tulsa Remote paid out” (TR). Furthermore, they report that the amount generated by sales tax was \$2.5 million for Tulsa County and \$3.1 million for the state of Oklahoma. Those who signed up for the program and received the \$10,000 stipend often did not come alone. For every two members, Tulsa gained three more residents. Finally, since the program began, the total direct employment income generated by the program is \$306.7 million (€284,136,161) (Tulsa Remote).

There are some very clear differences between this program and the Italian one. First, and most important, Tulsa Remote allows people to bring their remote jobs with them. Most of the money generated from the program comes from that income and what they spend it on in the area. Second, Tulsa County is much smaller than the Calabria Region, which means in Calabria you will be much more isolated. The largest city in Calabria is Reggio Calabria with a population of just 180,000, meanwhile, Tulsa city has 408,000 people. It is also worth noting that the stipend given to the people who relocate is much greater under the Italian plan than the Tulsa one. There is also much less money available for the program. All of these factors will affect the possible outcomes for the AIRP.

If we assume that the average income generated per person in the Tulsa program holds, that means, without taking into account sales tax or any revenue produced by new businesses, the AIRP would bring in about €4,061,479 in one year for the 29 people that were relocated. This is opposed to the €700,000 that was spent. That means the benefit is almost six times the cost, coming in at about €3.3 million in collective benefits.

Who Benefits?

The biggest winner of this program by far is the government of Italy, not only will relocating people from abroad reduce the depopulation of their country, but it will also generate more taxes and economic activity within the country. The people who relocate also benefit from this program, they are paid to move somewhere they want to. Local businesses benefit from the program, they will no longer face shortages in workers and the demand for their goods will go up. Finally, owners of real estate will benefit because the price of homes will go up as people move in and renovate them (Marre).

The losers of this program will be poor people who live in the area. Although the economy will boom, it comes at the expense of those who are just now scraping by on rent and food. When you introduce a mass influx of people to an area, rents will rise, and the price of things will inevitably go up. Poor people might be priced out of their homes in the long run. This program will also hurt people who are generally happy with the remoteness of their town. As previously touched upon, Italy will be importing foreign cultures to these areas, although that comes with the benefit of more diversity, it also comes with more clashes between locals who want to preserve their lifestyle and culture.

Program Recommendations

Relocation programs are needed for Italy to be able to sustain its current economic output and requirements. If they allow things to continue the way they are right now, in 30 years the population will decline by 9%. However, the current program has too many requirements for those who want to relocate. Although the desire to have people who move work in hurting sectors of the local economy, those with the funds to move across countries are not likely to take low-paying jobs in hotels or hospitals. It is also not beneficial to the area to only limit the program to those younger than 40. Although they want to stop the rapid aging of the population, Tulsa reports that people who move there under their program end up eventually bringing their families and friends with them, this could be possible for Italy as well. Modifications to the original plan, such as dropping the age and work requirements, would not only attract more people to these hurting towns but would also make it so Italy has more taxable income at its disposal. The AIRP would also need to be more adequately funded, €700,000 is too little of an investment with the high value of their stipend. Reducing the stipend to €10,000 to make it more like the Tulsa program could improve the outcomes well maintaining a lower funding pool to draw from. In turn, the government could grant relocators more money if they open a business in the area, targeting things that the current AIRP plan takes into consideration. The monthly disbursement of funds is the best idea of the AIRP, as it makes staying in Italy more beneficial. Adopting a long-term plan with these considerations would prove beneficial to Italy in the long run and would come with relatively low costs and negative externalities.

References

“Time to Move to Italy! A New ‘Active Residence Income’ Project Is Coming: The Italian Lawyer” *The Italian Lawyer*, 16 Nov. 2021,

theitalianlawyer.com/time-to-move-to-italy-a-new-active-residence-income-project-is-coming/.

“Agnana Calabria - Population Trends and Demographics - Cityfacts.” *City Facts*, www.city-facts.com/agnana-calabria/population. Accessed 7 Dec. 2023.

Gallo, Gianluca, and Fausto Orsomarso. “Inclusione Sociale, AL via Il Progetto Sul Reddito Di Residenza Attiva - Video.” *Inclusione Sociale, al via Il Progetto Sul Reddito Di Residenza Attiva - VIDEO*, 28 Jan. 2021,
portale.regione.calabria.it/website/portaltemplates/view/view.cfm?20805.

Marre, Alex. “Rural Population Loss and Strategies for Recovery - Richmond Fed.” *Richmond Fed*, Econ Focus, 2020,
www.richmondfed.org/-/media/richmondfedorg/publications/research/econ_focus/2020/q1/district_digest.pdf.

“Population and Households.” *Istat.It Population and Households*, www.istat.it/en/population-and-households?data-and-indicators. Accessed 7 Dec. 2023.

Regione Calabria - Portale Istituzionale, portale.regione.calabria.it/website/. Accessed 7 Dec. 2023.

Tulsa Remote, Tulsa, OK, 2022, pp. 1–13, *Tulsa Remote Economic Impact Report*.

SINAB. “Facts and Figures on Organic Farming in Italy 2020 - Sinab.It.” *Ismea*, Dec. 2020,

www.sinab.it/sites/default/files/Facts%20and%20figures%202020%20EN.pdf.

Vigano, Marta Silvia. “Italy: New Law Curtails Migrants’ Rights – DW –

05/09/2023.” *Dw.Com*, Deutsche Welle, 4 July 2023,

www.dw.com/en/italy-new-law-curtails-migrants-rights/a-65552219.