AN ANALYSIS OF THE REDISTRIBUTIVE EFFECTS OF RECENT ANTI-POVERTY MEASURES

In April 2019, a new minimum income scheme (*Reddito di cittadinanza* or RdC) replaced the previous one (*Reddito di inclusione* or ReI) as a nationwide measure to combat poverty.[1] The RdC could potentially reach a greater number of recipients, and guarantee larger individual benefits. The overall expenditure according to government estimates, which assume a partial take-up of the measure by those potentially eligible, would be €7.2 billion when fully phased in, roughly three times that envisaged for the ReI. By 30 April of this year there had already been one million claims sent to INPS.

To analyse the RdC, estimates of the redistributive effects are reported, based on the Bank of Italy microsimulation model (BIMic)[2] for the Italian tax and social benefit system and assuming a full take-up: the analysis therefore refers to the range of potential recipients and not to that of actual recipients, normally more limited. It is estimated that around 2 million households are potential recipients (5.3 million individuals), costing €10.3 billion overall (for the ReI the estimate was for 1.1 million households and 3.1 million individuals at a cost of €3.3 billion).

The RdC provides for a more generous individual benefit than the ReI and includes an additional contribution for rent or mortgage expenses for the primary residence. For a one-person household where the individual lives in a rented property and has no other income, the amount paid is €780 per month against the €188 of the ReI. This theoretical maximum benefit is close to the relative poverty threshold estimated by Eurostat for 2016, a high level by international standards (the ratio of the benefit expected from similar measures to the abovementioned threshold is 63 per cent in Spain, 50 per cent in France and 39 per cent in Germany).[3] In addition, according to the Bank of Italy's Survey on Household Income and Wealth (SHIW), the maximum benefit is equal to 58 per cent of the median labour income for one-person households. The consequent effects of disincentives to work can only be mitigated by the planned upgrading of job centres (for a discussion of these effects, see Chapter 8, 'The labour market').

Compared with the ReI, the RdC is relatively less generous for households with minors compared with those having only adult members: the equivalence scale adopted to adjust the benefit to take account of household size actually envisages smaller increases for additional household members, especially minors.[4] The application to the RdC of the same equivalence scale adopted for the ReI would increase the cost by 43 per cent; keeping the total cost of the measure the same

---

[1] The ReI came into force on January 2018 and starting from July 2018 became a universal measure to combat poverty, since the access restrictions other than those linked to means testing no longer apply.

[2] N. Curci, G. Grasso, P. Recchia and M. Savegnago, 'Anti-poverty measures in Italy: a microsimulation analysis', Banca d'Italia, Temi di Discussione (Working Papers), forthcoming.

[3] 'Preliminary hearing on the Update to the 2018 Economic and Financial Document', testimony by L.F. Signorini, Deputy Governor of the Bank of Italy, before the Chamber of Deputies, Rome, 9 October 2018.
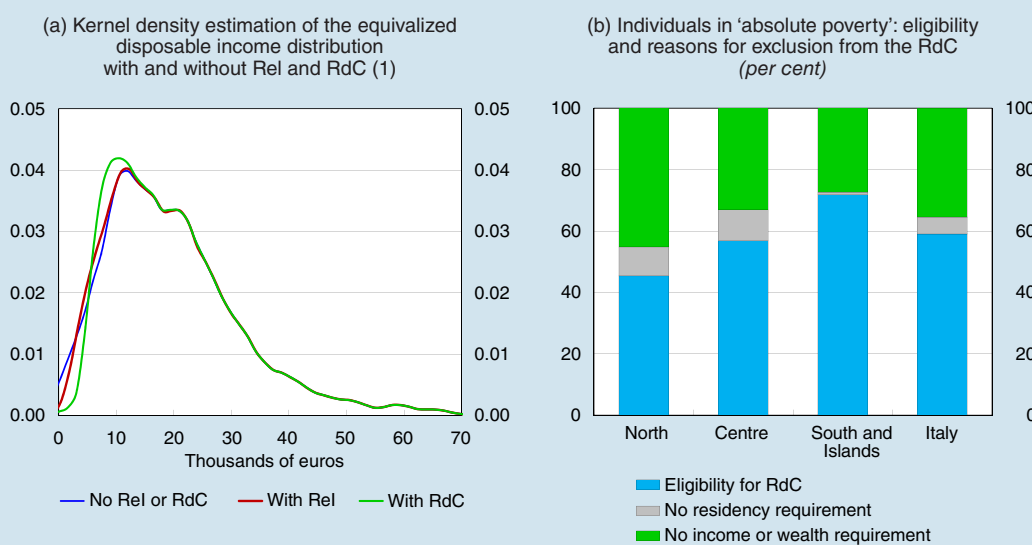
[4] The equivalence scale for the RdC assigns a value of 1 to the first member and is increased by 0.4 for each additional adult and by 0.2 for each minor in the household, up to a maximum of 2.1 (2.2 if there is a disabled person). The scale for the ReI assigned a value of 1 for a one-person household, 1.57 for two members, 2.04 for three members, 2.46 for four members, 2.85 for five members and 3.20 for six or more members.

would have meant lowering the maximum monthly benefit available to one person to €680.

The RdC is also more selective than the ReI as regards foreign nationals, as they now need to have been resident in Italy for ten years instead of two in order to make a claim. This requirement excludes about 90,000 households that would have been entitled to the ReI (8 per cent of the total). The higher presence of foreigners in the Centre and North (where they represent roughly half of the individuals in the first decile of the equivalized disposable income distribution) emphasizes the concentration of households benefiting from the RdC in the South and Islands (53 per cent, against 40 per cent who benefited from the ReI).

The introduction of the RdC means that the income situation for the section of the population with the lowest incomes is improving (see panel (a) of the figure). Compared with a hypothetical situation with no support measures, the RdC with a full take-up would lead to a reduction in the 'absolute poverty' rate[5] estimated by the BIMic from 7.3[6] to 4.4 per cent (with the ReI, the indicator would stand at 6.2 per cent).

Effects of the recent measures introduced in Italy to combat poverty

(a) Kernel density estimation of the equivalized disposable income distribution with and without ReI and RdC (1)

(b) Individuals in 'absolute poverty': eligibility and reasons for exclusion from the RdC
(per cent)

— No ReI or RdC   — With ReI   — With RdC

■ Eligibility for RdC
■ No residency requirement
■ No income or wealth requirement

Source: Based on the BIMic microsimulation model.
(1) To take account of the different composition of households, the OECD-modified equivalence scale was used to calculate equivalized disposable income.

_____

[5] The poverty rate represents the share of individuals living in 'absolute poverty'. Households are considered to be in 'absolute poverty' when their overall expenditure is lower than the corresponding poverty threshold calculated by Istat based on its household budget survey, taking account of household composition, geographical location and typology of place of residence.

[6] To attribute the condition of 'absolute poverty' in the BIMic, the model's database – based on the SHIW – has been enhanced by means of a statistical matching procedure with data on consumption from Istat's household budget survey. The estimated poverty rate reported here differs from the value calculated by Istat for 2017 because it refers to different years and databases.

The range of those potentially eligible for the RdC only partially coincides with that of the individuals classified as being in 'absolute poverty' (see panel (b) of the figure). This partial mismatch is explained by the fact that eligibility for the benefit is conditional on meeting income, wealth and residential requirements, while the classification of 'absolute poverty' is based on the household consumption levels reported in statistical surveys. Specifically, about 6 per cent of the individuals classified as being in 'absolute poverty' do not comply with the residential requirement and about 35 per cent do not possess the income and wealth requirements.

There is a marked geographical discrepancy in the degree of overlap between the range of those eligible for the RdC and those classified as being in 'absolute poverty': in the South and Islands, 72 per cent of the latter would benefit; in the North and Centre the figures would be 45 and 57 per cent respectively. Both the larger numbers of foreigners, and the higher cost of living, which is not reflected in differentiated eligibility requirements, help to explain this difference.