Exploratory study: filling in the knowledge gaps and identifying strengths and challenges in the effectiveness of the EU Member States' minimum income schemes

Country Fiche - Italy

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Summary

Italy introduced its first minimum income (MI) scheme, 'Inclusion Income', in 2018. Characterised by low benefits, that scheme was replaced on 1 April 2019 by the 'Citizenship Income' (*Reddito di Cittadinanza,* RdC), a means-tested cash benefit targeting poor households, and conditional on participation in job search or social inclusion activities.

In order to be eligible for the RdC, households must satisfy a set of income/wealth requirements and must have resided in Italy for 10 years, the last two years continuously. On 30 September 2021, 1 336 944 households were receiving the RdC, having risen significantly since the outbreak of COVID-19.

The benefit for a single-member household tops-up annual income to EUR 6 000. The benefit increases with household size, according to an equivalence scale that assigns limited increases in the income threshold when the number of household members – particularly minors – rises. Independently of household size, RdC recipients receive an additional EUR 280 towards their rented accommodation, with home owners receiving EUR 150 towards their mortgage. Therefore, the maximum monthly benefit for a single-member household is set at EUR 780. This value is higher than the equivalised relative poverty rate based on household expenditure, is in line with the absolute poverty lines for single-member households, and is slightly lower than the 60% of the median at-risk-of-poverty (AROP) threshold.

While the amount received by eligible households cannot be considered low in relation to poverty lines, the design of the RdC experiences problems in coverage and adequacy. Firstly, the scale used to equivalise income places large households at a disadvantage in terms of eligibility and benefit amount. Secondly, the 10-year residence requirement prevents many EU and non-EU-citizens from applying for the benefit. Thirdly, the housing and financial wealth requirements may exclude some income-poor households that have assets whose value is just over the allowable threshold. Although there are no official estimates, the take-up rate of the scheme appears well below 100%. Nevertheless, all available estimates suggest that the contribution of the RdC to alleviating poverty is not negligible.

Entitlement to RdC is strongly linked to beneficiaries' involvement in active labour market or social inclusion activities, depending on the previous work history of household members. Only people with disabilities, older people, those in formal education or training, caregivers for seriously disabled individuals or children under 3, and low-paid workers working at least 20 hours a week are excluded from these obligations. In January 2021, of the households subjected to activation requirements, 49.1% were covered by active labour management policies (ALMPs), 41.3% were in social inclusion activities, and 9.6% had at least one member in ALMPs and another in social inclusion activities.

Critics point out that the design of the RdC does not incentivise recipients to begin work, particularly low-wage work, as the effective marginal tax rate on additional income is very high (a EUR 1 increase in earnings brings about a 80/100% reduction in RdC). Furthermore, there is a strong concern that the Citizenship Income might benefit irregular workers, or even incentivise this form of work.

Households where no members are directed to sign the 'Work Pact' instead take a social inclusion path (managed by the municipality), following a multidimensional assessment to identify household needs and appropriate services.

The implementation of ALMPs and social inclusion services for MI scheme recipients is still experiencing delays resulting from the COVID-19 pandemic, which began shortly after the introduction of the RdC.

The following sections, first, outline the features of the MI support in place; secondly, describe the eligibility criteria and coverage and consider the adequacy of the financial support provided and the links with other benefits; thirdly, examine the extent of integration with labour market measures to help those supported into employment; fourthly, consider the access provided for the people concerned to social services; fifthly, summarise the governance mechanisms in place; and, finally, review the evidence on the impact on reducing poverty and assisting beneficiaries to find work.

An annex outlines the underlying situation in terms of the relative number of people at risk of poverty or social exclusion and the changes that have occurred over recent years, as well as the characteristics of the people concerned – their gender, age, employment status, education level, country of birth and the structure of the households in which they live. As such, it provides the context in which MI support is operating and indicates the groups on which support needs to be targeted.

1 Description of national schemes providing minimum income support

Prior to the 2010s, Italy was one of very few European Union (EU) Member States without a minimum income (MI) scheme[1], i.e. a means-tested benefit for all households satisfying monetary eligibility requirements and conditional on activation activities (an anti-poverty means tested scheme, named 'social benefit' (*assegno sociale*) was only paid to those aged 65+)[2]. Following several pilot schemes from 2012, Italy introduced its first MI scheme, 'Inclusion Income' (*Reddito di Inclusione,* REI) in 2018 (Law No 33/2017) (Raitano et al., 2018; Jessoula, 2016). It was characterised by very tight monetary requirements (e.g. equivalised annual income should not exceed EUR 3 000), low benefits (e.g. EUR 187.50 per month for a single-member household) and short duration (the benefit lasted 18 months at most, with a further 12 months payable after a six-month break).

Within one year, the REI was replaced by the so-called 'Citizenship Income' (*Reddito di Cittadinanza,* RdC; Law Decree No 4/2019) on 1 April 2019. The 'Citizenship Income' becomes the 'Citizenship Pension' (*Pensione di Cittadinanza,* PdC; Law Decree No 4/2019) if all household members are aged 67+ years, or those under 67 in the household are disabled). Unlike RdC beneficiaries, recipients of the PdC do not have to fulfil labour and social inclusion obligations[3]. For the purposes of this report, MI schemes refers to both the RdC and PdC, unless otherwise specified.

The RdC is a means-tested cash benefit targeted at poor and socially excluded households, living in Italy for many years, and is conditional on participation in job-search or social inclusion activities (Jessoula et al., 2019). The RdC may be paid to all households that meet the eligibility conditions, irrespective of their characteristics (e.g. employment conditions, type of income source, eligibility for other welfare benefits). It represents a last-resort income, even if the right residence requirement preclude its consideration as a universal safety net (see Section 1.1).

The RdC has three times the budgetary resources of its predecessor, the REI, as well as more generous rules about monetary eligibility requirements and amounts. It also lasts for longer. However, in addition to limits in the current implementation of active

[1] See Natili (2019) for a comparison of the paths followed by MI schemes in Europe.

[2] Unlike the PdC (whose eligibility requirements are based on both household income and wealth (see Section 1.1), eligibility for the *assegno sociale* only depends on the income of the individual/married couple.

[3] Poor older people may have access to different means-tested benefits, such as the 'social allowance' or the minimum pension integration (*integrazione al minimo pensionistico*), whose monetary eligibility conditions differ from those of the PdC.

labour market policies (ALMPs) and social inclusion activities for beneficiaries, there are concerns that the eligibility requirements may impair the capacity to mitigate poverty among large households and non-Italian citizens residing in Italy.

In order to assess the effectiveness of the measure, the law provides for the implementation of an evaluation plan approved by a specially established "Scientific committee for the Assessment of Citizenship Income".

1.1 Eligibility

In order to be eligible for the RdC, households must satisfy a set of income and wealth requirements[4]. More specifically, households must have:

- A maximum annual *Indicatore Situazione Economica Equivalente* (ISEE, the indicator of equivalised economic conditions, taking into account both income and wealth, where wealth is valorised at 20% of its amount) of EUR 9 360[5];
- An annual equivalised income no higher than EUR 6 000 (EUR 7 560 for the PdC), where the equivalised income is computed using an equivalence scale different to that used by the ISEE (see Section 1.3). No income is exempt in the computation of the income threshold;
- Housing wealth (excluding primary residence) no higher than EUR 30 000;
- Financial wealth no higher than EUR 6 000, increased by EUR 2 000 for each additional household member, up to a maximum of EUR 10 000. The financial wealth threshold is increased by EUR 1 000 for each child from the third child onwards; the threshold is also increased by EUR 5 000 for each disabled household member (EUR 7 500 for those with a serious disability).

Eligibility conditions also apply to the endowment of durable goods. More specifically, the household should not own[6]: i) cars first registered in the six months prior to submitting their application; ii) cars with a cylinder capacity exceeding 1 600cc, first registered in the two years prior to claim submission; iii) motorcycles with a capacity exceeding 250cc, first registered in the two years prior to their application; iv) ships and recreational craft.

Eligibility criteria also include 10 years' residence in Italy, the last two of which must be continuous. By contrast, there are no conditions in respect of the age of household members, i.e. there is no lower age limit[7].

If they are to avoid losing their entitlement to the MI, beneficiaries considered fit to work must i) sign a 'Work Pact' with the Public Employment Services (PES); and ii) accept at least one of two 'suitable' job offers in the first 18 months[8] (see Sections 2 and 3). Those who are unfit to work must sign a 'Social Inclusion Pact' with the municipal social services. Beneficiaries in both ALMPs and social inclusion activities are obliged to take part in 'valuable projects for the community' (*Progetti Utili per la*

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[4] No automatic adjustments of means-testing thresholds and benefit amounts.

[5] ISEE rules consider some exemptions of income and wealth in their calculations (Law Decree No 159/2013).

[6] Cars and motorcycles for disabled people that are purchased with tax relief are not considered.

[7] Ex-prisoners convicted of some types of crimes cannot apply for the benefit for 10 years after their final sentence. The Scientific Committee for the Assessment of Citizenship Income (2021) has noted that the exclusion of ex-prisoners clashes with the need to reintegrate these individuals in society.

[8] Suitability is assessed in terms of wage (monthly wage above EUR 850 (i.e. 10% higher than the maximum RdC amount for a single person) and distance (first job offer: workplace no more than 80km from place of residence; second offer: whole Italian territory (80 km from place of residence in case of temporary or part time job); in case of benefit renewal, the first job offer has to be accepted whatever the distance).

Collettività, PUC) for 8-16 hours a week, if their municipality starts a project. No conditionality rules apply to beneficiaries of the PdC.

The RdC is paid for a maximum of 18 months, at which time it may be renewed by submitting a new application (the payment is suspended for a month). No such suspension is applied to the PdC.

Following the outbreak of COVID-19 in 2020, two changes were temporarily introduced to the RdC. Firstly, the conditionality rules on beneficiaries' job search activities were suspended from March to July 2020. Secondly, the government introduced a top-up supplement for RdC recipients in the categories of workers protected through the extraordinary allowances for self-employed/atypical/seasonal workers and where the RdC amount was lower than the amount of those allowances. An additional MI scheme, 'Emergency Income' (*Reddito di Emergenza,* REM) was introduced in 2020 and renewed in 2021. For several months, the REM was paid according to different eligibility conditions than those of the REI in order to protect poor households that were not covered by the emergency measures introduced during the pandemic, nor entitled to unemployment benefits, short-time work allowances, or RdC (Natili and Raitano, 2020; Gallo and Raitano, 2020; National Institute of Social Security (INPS), 2020; 2021).

Applicants may apply for the benefit through the post office, in a '*patronato*' (an office set up by a trade union or association to give free help and advice on social security and other matters), in a fiscal assistance centre, or by completing an online application form. The application itself is quite simple, however it requires applicants to be in possession of a valid ISEE declaration to indicate their financial circumstances, which is used ro determine their right of access to a variety of subsidised services. The ISEE declaration certifying income and wealth is particularly difficult and time-consuming, and applicants often need help from expert offices (e.g. *patronati* and centres of fiscal assistance). Applications are submitted to INPS within 10 working days, and INPS verifies the information in the application by comparing it to administrative records. This is done before benefits are given. (Originally, self-declared residency and citizenship requirements could be verified after payment began to be paid, but because of a high incidence of fraud, checks have been brought forward.) Payments begin the month after the request is approved by INPS.

1.2 Coverage

According to the official figures collected by INPS statistical observatories, on 30 September 2021, 1 336 944 households (corresponding to 2 969 016 individuals) received the RdC. The number of households receiving at least one monthly instalment from January to September 2021 was 1 684 416, compared to 1 107 445 pre-COVID-19 (April-December 2019). The annual public spending for minimum income (MI) benefits increased accordingly, and was expected to reach EUR 8.8 billion (approximately, 0.5% of GDP) at the end of 2021[9].

However, three distinct issues emerge in respect of coverage of the poor population (Gallo and Raitano, 2019 and 2020; *Alleanza contro la povertà in Italia,* 2021; *Caritas Diocesiana*, 2021; Scientific Committee for the Assessment of Citizenship Income, 2021). Firstly, the unusual scale used to equivalise income places large households (especially households with children) at a disadvantage, as it assumes high economies of scale from sharing resources (see Section 1.3) and risks excluding large households with low income from the benefit. In this regard, many scholars and also the Scientific

[9] A further EUR 0.5 billion is spent on managing ALMPs and social inclusion activities for RdC recipients.

Committee have proposed a revision of the equivalence scale[10].(This scale might well have been chosen to reduce the impact of spending on the RdC on the public budget, while making good the 5-Star Movement's 2018 electoral promise of a maximum EUR 780 monthly benefit for a single person.) Secondly, the 10-year residence requirement prevents many non-EU-citizens from applying for the benefit. Thirdly, although the ISEE already considers wealth in the means test, the additional housing and wealth requirements may exclude some income-poor households with assets just above the value threshold. (It should be noted in this regard that the Scientific Committee has proposed to weaken the wealth test but to include the value of the assets when calculating the benefit payable.)

Simulations carried out by Gallo and Raitano (2020) show that only 34% of households with an annual ISEE below EUR 9 360 also satisfy all the other eligibility requirements. The main requirements not satisfied are those relating to equivalised income and financial wealth. In the case of the equivalised income requirement, this reflects the fact that the equivalence scale used is less generous than the scale used by ISEE.

A large share of households at the bottom of the equivalised disposable income distribution are not eligible for the RdC. Gallo and Raitano (2019) found that only 38% of households in the poorest income decile were eligible for the RdC, this falling to 13% among the households in the second decile. They also found that the RdC potentially covered 25.3% of households at-risk-of-poverty (AROP) and 39.1% of those with an equivalised disposable below 40% of the national median. Revising equivalence scales and eligibility requirements in respect of wealth, as suggested by the Scientific Committee, should increase these percentages. However, it should be noted that the imperfect overlap between income poverty and receipt of RdC also depends on the endowment of wealth of households in the bottom deciles of the income distribution.

In addition to the lack of potential coverage, the take-up rate of the scheme (i.e. the share of recipients of those eligible) appears to be well below 100%, although no official estimates exist. *Caritas Diocesiana* (2021) and Gallo and Raitano (2020) estimated a take-up rate close to 80%, which represents an increase since the outbreak of COVID-19. The rate was higher in southern regions and among households eligible for a higher benefit[11]. No studies have examined the reasons underpinning incomplete take-up, nor is it an issue discussed in the context of RdC reform. Possible reasons for incomplete take-up include lack of information, unwillingness to fulfil the time-consuming application to receive small benefits, and the degree to which informal workers are unwilling to be subject to potential controls and activation measures. (To simplify access to this and other subsidised services and to facilitate take-up, a pre-filled method for completing the ISEE has been introduced)

1.3 Adequacy

In relation to the poverty thresholds, the RdC monetary eligibility conditions are much more generous than those applied for the REI (Jessoula et al., 2019) and are in line with standard poverty thresholds. The income threshold for a single-member household amounts to EUR 6 000, or 83% of the relative poverty threshold computed by the Italian National Institute of Statistics (ISTAT) based on household expenditure, and 87% of the AROP line based on 40% of national equivalised disposable income median.

[10] The introduction from 2022 of a universal benefit to support households with minors (*assegno unico universale familiare*, AUUF) might however reduce their relative disadvantage since the amount of AUUF is higher for households with a low ISEE.

[11] Estimated take-up rate compares the number of eligible persons simulated in the EU-SILC with the number of recipients reported in the official data.

The benefit for a single-member household tops-up annual income to EUR 6 000 (EUR 7 560 for the PdC). It is not linked to inflation. These thresholds increase with household size, according to the equivalence scale described below. In addition, beneficiaries of the RdC receive an additional EUR 280 towards their monthly accommodation rent, while homeowners receive EUR 150 towards their mortgage payments (the amount of these extra benefits is independent of household size and cannot exceed the monthly amount of the rent/mortgage). For beneficiaries of the PdC, the maximum monthly rent contribution is set at EUR 150.

The maximum annual benefit for a single-member household is set at EUR 9 360 (EUR 780 per month), which is far higher than the equivalised relative poverty rate (EUR 601 per month) and the 40% of the disposable income median (EUR 572 per month), and is in line with the 60% of the median AROP threshold (EUR 858 per month) and with the absolute poverty lines referring to the areas where the cost of living is higher[12]. The minimum and maximum monthly values of the absolute poverty line for single-member households aged 18-59 (according to the geographical macro-area of residence and the type of municipality) are EUR 840 and EUR 570, respectively.

However, problems emerge because of the equivalence scale used to adjust the benefit amount and the income test threshold for household size. In implicitly assuming extremely high economies of scale from living together (Raitano, 2021), the income threshold – and thus the benefit amount – is based on an equivalence scale that attributes 0.4 to each additional adult and only 0.2 to each minor under 18. The equivalence coefficient cannot exceed 2.1, irrespective of household size (2.2 if there is a disabled household member). A couple (equivalence size: 1+0.4=1.4) with three children under 18 (3*0.2=0.6) can receive up to EUR 12 000 (2*EUR 6 000) per year, while the maximum annual amount for a household composed of two (or more) adults and at least four children under 18 is EUR 12 600 (2.1*EUR 6 000). This scale thus places households with many members and minors (who are usually more at risk of poverty in Italy) at a disadvantage: as their total income is divided by a smaller denominator, they may face more difficulties in satisfying the EUR 6 000 income test and, when that limit is satisfied, they may receive a lower benefit.

Looking at the adequacy of the RdC for larger households, the maximum monthly amount for a couple aged 18-59 with two minor children aged 11-17 is EUR 1 180 while, for the same household type, minimum and maximum monthly values of the absolute poverty line are equal to EUR 1 778 and EUR 1 312, respectively. The gap between the absolute poverty line and the amount of the RdC increases substantially with household size. However, an assessment of the overall impact of low-income support on different types of household needs also to consider the effect of the newly introduced allowance for dependent children (AUUF). Whereas RdC includes a maximum amount of EUR 100 for each child (EUR 500 weighted by an equivalence factor of 0.2 applied to children), AUUF of EUR 175 a month is paid for each child to households with ISEE below EUR 15 000. Despite the issues with the equivalence scale and the constraints stemming from residence requirements (recommended for reform by the Scientific Committee for the Assessment of Citizenship Income in 2021), the contribution of the RdC to alleviating poverty is not negligible (see Section 5).

1.4 Links with other benefits

The RdC may be provided to recipients of other cash and in-kind welfare benefits if the household fulfils the means-tested conditions (e.g. the RdC may top-up the amount of

[12] Absolute poverty lines are computed by ISTAT using the reference budget approach and differ by household composition and by the cost of living of the area where the household resides (Cutillo et al., 2020). An online tool computing the absolute poverty line according to household composition and geographical location is available at: https://www.istat.it/it/dati-analisi-e-prodotti/contenuti-interattivi/soglia-di-poverta

unemployment benefits if total household resources are below the income and wealth thresholds). From 2021, beneficiaries of the RdC are automatically entitled to water, sanitation, gas and energy bonuses, which allow them to pay lower tariffs for these types of essential services (Raitano et al., 2020)[13].

From 2022, recipient households will receive the new 'unique and universal child allowance' (*assegno unico universale familiare,* AUUF), which will replace all existing tax exemptions and allowances for households with children. The RdC may be partially combined with the AUUF. More specifically, households receiving the RdC will receive EUR 175 per child (increased to EUR 260 for the third and subsequent children) monthly, but the RdC will be reduced by the smaller amount of the RdC increase related to the presence of minor children in the household (due to the equivalence scale, see Section 1)[14].

2 Links with labour market activation

For all adult household members under 65, application for benefit means agreeing to be immediately available for work (*disponibilità immediata al lavoro,* DID) if it is to be successful,. Only people with disabilities, those in formal education or training, caregivers for people or children under 3 with serious disabilities, and low-paid workers are excluded from the DID obligation.

After the application, the administrative information is used to assign people to either the PES, where they sign a 'Work Pact', or social services, where they sign a 'Social Inclusion Pact' with their municipality. The PES calls for all household members to sign a 'Work Pact' (apart from those exempted from the DID declaration) where a member satisfies at least one of the following conditions: i) an unemployment status for no more than two years; ii) recipient of unemployment benefit or receiving unemployment benefit within the past year; iii) having signed a 'Service Pact' with the PES within the last two years, that is still valid. All adult members aged less than 29 and not exempt from the DID must sign a 'Work Pact', even if other household members are assigned to the 'Social Inclusion Pact'.

According to January 2021 data of the Ministry of Labour and Social Policy, of the recipient households, 5.1% were not subject to activation requirements (typically households with older members in receipt of the PdC). Of the households subject to activation requirements, 49.1% participated in a 'Work Pact', 41.3% participated in a 'Social Inclusion Pact', and 9.6% households had at least one member who signed a 'Work Pact' and another who signed a 'Social Inclusion Pact'. These shares remained fairly constant since the introduction of the RdC in April 2019.

Individuals assigned to the PES first receive a quantitative profile (i.e. an index of their likelihood of still being unemployed in a 12-month period), then undergo a face-to-face interview about their motivational and soft skills. After establishing their quantitative and qualitative profile, the PES defines an individual action plan. The PES should meet individuals addressed to them within 30 days of approval of the MI application. However, the implementation of ALMPs for MI recipients is still subject to delay, as the COVID-19 pandemic began shortly after the introduction of the RdC. Pre-COVID, that 30-day period was often missed because of PES staff shortages, or implementation delays in ALMPs, especially for MI scheme beneficiaries).

The National Agency for Active Labour Market Policies (ANPAL) reported that, at the end of September 2021, 1 109 287 individuals (59.1% of beneficiaries aged 18-65, 37.3% of total beneficiaries of any age) were assigned to the PES. Of those, however,

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[13] These benefits are established at national level and consist of both in-kind benefits (the 'water bonus') and in reduced tariffs (the 'waste tax' rebate, the 'electricity bonus', the 'gas bonus'). See Raitano et al. (2020) for details of access to essential services for low-income people in Italy.

[14] When computing the total household amount of the RdC, minor children will be not considered, i.e a couple with a minor child will receive an RdC amount corresponding to that of a couple only.

only 37.9% (approximately 420 000 individuals) subsequently signed a 'Work Pact' and were taken in charge by PES. Approximately 92 000 actually started an active labour market measure, which typically comprised vocational guidance. Approximately 4 000 individuals started a training activity, and approximately half of those used the 'replacement allowance' (*assegno di ricollocazione*), a voucher for specific services from private employment agencies or training from accredited centres. Such training institutions also receive a monetary premium (a rebate in social contributions) when they contribute to the re-employment of a MI recipient.

Monetary incentives are offered to employers hiring MI recipients to foster employability. These consist of social contribution relief equal to the amount of the RdC not received by those who started work, but very few firms took up these incentives. If an RdC recipient starts a self-employment activity during the first 12 months of MI payment, they receive an additional lump-sum benefit equal to six months' of their RdC.

Critics note that the design of the RdC does not incentivise recipients to start work, particularly low-paid work (e.g. *Alleanza contro la Povertà in Italia,* 2021; Scientific Committee for the Assessment of Citizenship Income, 2021). In fact, labour income is wholly taken into account when computing the equivalised income for means-testing and benefit computation (the benefit tops equivalised annual income up to EUR 6 000). However, when an RdC recipient starts working as an employee, 20% of their additional earnings are not considered in the means test until the ISEE declaration is renewed (i.e. the subsequent year). Thus, the actual marginal tax rate of increased employment earnings is temporarily 80% (and becomes 100% when the ISEE declaration is renewed). In the case of additional incomes from self-employment contracts, these are not considered in the means test for a two-month period, after which individuals' incomes are updated quarterly.

According to recent data in a Parliamentary Audit by ANPAL, since the introduction of the RdC (i.e. April 2019 to September 2021), 540 000 beneficiaries started a job when receiving the benefit. That represents approximately one-third of the individuals who signed a 'Work Pact'. However, the jobs are often short-term, with approximately equal numbers of recipients finding work independently and through the PES. No policy evaluations have been carried out on the effect of activation policies, partly due to the difficulties in causal evaluation of ALMPs in the context of COVID-19. In addition, conditionality rules were suspended from March to July 2020.

Finally, a tight set of sanctions is applied to recipients who do not take part in ALMPs or social inclusion activities. The RdC is revoked when one of the members of the household: i) does not sign a 'Work Pact' or a 'Social Inclusion Pact'; ii) does not participate, without a justified reason, in training and active labour market activities; iii) does not take part in the municipally organised PUC for 8-16 hours a week; iv) does not accept at least one out of two suitable (based on wage and distance) job offers in the first 18 months[15]; and v) does not report changes in their employment situation or in household income and wealth.

Very serious sanctions are established for untruthful reporting in RdC applications. False certificates and declarations are punishable by imprisonment from two to six years, while failure to communicate income/wealth changes, including from irregular jobs, incurs a penalty of imprisonment for one to three years. The Scientific Committee for the Assessment of Citizenship Income (2021) pointed out that these sanctions risk penalising communication errors committed in good faith and seem excessive compared to sanctions for other types of crimes.

[15] Those who have to accept a job far from their place of residence receive no financial aid for relocating. The Budget Law for 2022 has introduced tighter criteria, with a job in the whole Italian territory required to be accepted from the second offer.

3 Access to services and integrated provision of targeted social services

Households where at least one member is not directed to sign a 'Work Pact' undergo a multidimensional assessment to identify household needs and define appropriate services before entering a social inclusion path (managed by the municipality). The multidimensional needs assessment targets individuals who are neither exempt from activation activities nor assigned to the PES after the application is approved (see Section 2). However, some individuals may still be directed to social services, thus signing a 'Social Inclusion Pact', after their interview with the PES.

According to the most recent data provided by the Ministry of Labour and Social Inclusion 48.3% of household beneficiaries of the MI were assigned to a 'Social Inclusion Pact'. Substantial regional differences are evident in the share of households assigned to social services (e.g. 60.1% in Lazio, compared to 32.4% in Marche).

Households should be called for a multidimensional needs assessment by social services within 30 days of approval of the application for MI, and should sign the 'Social Inclusion Pact' within 20 days of that assessment. However, the implementation of social inclusion services is still subject to delay in Italy, partly due to the effects of COVID-19. The 30-day time limit is often ignored, with substantial delays in the multidimensional assessment. According to the most recent data, approximately two-thirds of household beneficiaries of the RdC assigned to social services were taken in charge by an individual social worker (Scientific Committee for the Assessment of Citizenship Income, 2021).

After the initial multidimensional assessment, households are divided into four paths: i) they sign a 'simplified Social Inclusion Pact' when no complex household needs emerge and the main issue is the lack of a job; ii) they sign a 'Social Inclusion Pact' when complex household needs emerge, iii) they are directed to specialised sectors when needs relate mostly to health and care; and iv) they are redirected to the PES when only job needs emerge and the individuals are considered employable. The scope of 'Social Inclusion Pacts' is to establish specific household commitments and identify the most appropriate services to deal with the main determinants of household poverty. The RdC income may be revoked if households do not respect the specific commitments defined in the 'Social Inclusion Pact' (e.g. training) or refuse to participate in the PUC (see below).

Social services are provided by municipalities and are identified according to the household needs reported in the multidimensional assessment. The law introducing the RdC established that the recipients (both those participating in ALMPs and those directed towards social services) are obliged to participate in the PUC when those projects are launched in their municipality. Active recipients must participate in the PUC for 8-16 hours per week. The projects aim to foster participants' skills and social integration, and focus on specific areas (cultural, environmental, social, artistic, training and protection of common areas, etc.). They cannot replace existing jobs.

No data are available on the various social inclusion services provided to RdC recipients through the PUC. According to data updated in September 2021, 39% of Italian municipalities (approximately 7 900 in total) had started a PUC. The total number of activated PUCs was 11 745, involving up to 95 000 individuals. In practice, however, only 32 000 individuals have been involved in the PUCs activated[16]. Among the individuals involved in a PUC, 55% had signed a 'Social Inclusion Pact' and 45% a 'Work Pact'.

[16] The delay in starting PUCs stems from the COVID-19 pandemic and to municipal difficulties in managing these types of project (*Caritas Diocesiana*, 2021).

4 Governance mechanisms

The Ministry of Labour and Social Policy is responsible for the regulation and implementation of the RdC and PdC. Applications and benefit payments are managed by the INPS, while ANPAL monitors ALMPs.

The monetary benefit is delivered by the INPS at national level. ALMPs and social inclusion services are delivered at regional and municipal level, respectively. The PES are organised at regional level and are responsible for implementing 'Work Pacts', while municipalities are responsible for implementing 'Social Inclusion Pacts'[17].

The INPS, the Revenue Agency, the National Labour Inspectorate and the municipalities are responsible for inspecting and verifying declarations and certificates provided by applicants and beneficiaries. Where a false declaration is discovered, they send the documentation, in its entirety, to the judicial authority within 10 days.

The Ministry of Labour and Social Policy is responsible for monitoring the implementation of the RdC and publishing an annual report. The decree introducing the RdC (Law Decree No 4, 28 January 2019) states that annual monitoring and assessment should be carried out by the Ministry of Labour and Social Policy. The Ministry of Labour and Social Policy published its first report on the implementation of the RdC at the end of 2020. A detailed monitoring and assessment exercise was carried out in 2021 by the Scientific Committee of experts appointed by the Minister of Labour and Social Policy, with the report subsequently published on 9 November 2021 (Scientific Committee for the Assessment of Citizenship Income, 2021). No formal procedures exist to ensure that experts' recommendations are taken into account in the parliamentary debate.

The INPS publishes a set of detailed tables and figures on its website each month. Periodic monitoring of beneficiaries who have signed the 'Work Pact' is carried out by ANPAL, which issues a monthly note on the number and characteristics of those assigned to a 'Work Pact'. A centralised monitoring framework for beneficiaries admitted to a 'Social Inclusion Pact', prepared by the Ministry of Labour and Social Policies, is being published to provide timely updates on the state of implementation. Currently the data are provided to local authorities for programming of activities.

No detailed information is available about the people directly involved in the management of the RdC. However, approximately EUR 0.5 billion was assigned to the PES and the municipalities to manage ALMPs and social inclusion activities for RdC recipients.

5 Impact of MI schemes

The RdC was introduced as recently as April 2019, less than one year before the outbreak of the COVID-19 pandemic. The subsequent crisis saw delays in the effective implementation of ALMPs and social inclusion activities for RdC recipients, as well as a lack of detailed studies on the social impact of the RdC (e.g. poverty, household wellbeing, health, crime) to date. However, it should be noted that Parliament introduced measures in December 2021 to tighten the rules for eligibility for benefit and to institute prior checks of self-declared data, as well as broadening the types of crime excluding ex-prisoners from entitlement.

Despite clear limitations in the conditionality activities emphasised by many experts (e.g. *Caritas Diocesiana,* 2021; Scientific Committee for the Assessment of Citizenship Income, 2021), the RdC represents a clear step forward in the Italian strategy for

[17] The role of national, regional and local authorities in delivering social assistance benefits and services is regulated by Law No 328/2000.

tackling poverty and social exclusion. It has undoubtedly contributed to alleviating poverty levels, particularly the increases in poverty as a result of the pandemic.

The effect of the RdC on the incidence of relative poverty is likely to be relatively limited, since it raises household income up to a level below the current at-risk-of-poverty threshold[18]. Nevertheless, the measure has a major impact on reducing the intensity of relative poverty and in reducing both the incidence and intensity of absolute poverty. Using a static microsimulation model, Gallo and Raitano (2019) found that the introduction of the RdC contributed to a 6.6 p.p. reduction in the intensity of poverty (from 38.5% to 31.9%, as measured by the income gap ratio indicator, that expresses, as a share of the threshold, the gap between mean income of the poor and the poverty line). When relative poverty is assessed against the 40% of the national median threshold, the RdC reduced the incidence of poverty by 2.0 pp (from 9.2% to 7.2%). The RdC also slightly reduced the Gini coefficient of equivalised disposable income (from 0.327 to 0.315). Similar figures were estimated by INPS (2020), which reported a 0.7 p.p. reduction in poverty incidence (based on 50% of national median disposable income threshold), a 5.8 p.p. reduction in poverty intensity (as computed by the income gap indicator), a non-negligible decrease in the S80/S20 indicator (from 6.4 to 5.9)[19], and a slight reduction in the Gini coefficient of equivalised disposable income (from 0.339 to 0.332). These reductions in inequality and poverty achieved by the RdC are largely attributable to the levels of benefit it provides, especially for smaller households.

Despite these important reductions in Italy's high levels of monetary poverty and income inequality, experts have highlighted a number of flaws in the RdC, which have yet to be taken into account by policymakers

In order to expand the number of beneficiaries without increasing budget costs, the government introduced an equivalence scale to assess equivalised income and compute the level of the RdC, an approach that places large families at a disadvantage and provides relatively fewer resources to poor children (Saraceno, 2019). Single-member households also gain more from the additional benefit received by RdC recipients to top-up rents or mortgage, as those amounts are independent of household size.

Other experts have noted that the RdC risks creating 'poverty and unemployment traps', as it is close to the (often very low) wages of many workers, especially in southern regions, and provides no incentives to combine low-paid work earnings with MI benefits (Lucifora, 2019; Scientific Committee for the Assessment of Citizenship Income, 2021). Conditionality rules and sanctions focus mainly on work, with a strong emphasis on 'negative' incentives (despite the low level of labour demand even pre-pandemic), with less attention paid to social services, education and training. The implications of obliging RdC beneficiaries to accept low-paid jobs (i.e. monthly salary above EUR 850) in workplaces very far from their place of residence should be carefully considered. However, some of the limitations are attributable to the fact that the measure is as yet not fully implemented, especially the part on active inclusion, which requires the strengthening of services.

Serious concerns remain in respect of the eligibility conditions for migrants, as the 10-year residence requirement may prevent many poor migrants from claiming the RdC. This was confirmed by the low proportion of non-EU citizens among RdC recipients compared to the share of migrants in poverty. According to 2020 data provided by the INPS and ISTAT, non-EU households accounted for only 9.1% of RdC recipients but for 25.3% of those in absolute poverty.

[18] Households with sources of income excluded from the RdC means test (mostly the companion allowance – *indennità di accompagnamento* paid to household members with disabilities) are exceptions .

[19] Relative amount of equivalised disposable income received by households in the top and bottom quintiles.

A further issue is the coexistence of too many binding eligibility requirements in relation to household financial and housing wealth that might exclude poor households whose wealth just exceeds the threshold. In addition, Law Decree No 4/2019 establishes that the whole monthly amount of the RdC must be spent (few exceptions are temporarily allowed), limiting beneficiaries' choices in how they plan their spending.

Data limitations hinder studies of the target efficiency of the RdC (i.e. its capacity to cover all poor households without being wasted on households above the poverty line). In practice, both relative and absolute poverty are officially estimated using household expenditure on consumption, but no micro-dataset jointly measures income, wealth and consumption, preventing researchers from easily estimating the overlap between household poverty (measured by ISTAT) and eligibility for the RdC. Nevertheless, some ministries and institutions have begun to merge administrative and survey datasets that may prove useful in assessing the effectiveness of the RdC.

The measure itself is crucial to the Italian social protection system, with experts proposing policy changes to overcome the limitation identified (e.g. *Alleanza contro la povertà in Italia,* 2021; Scientific Committee for the Assessment of Citizenship Income, 2021). The main proposed changes relate to: i) choice of an equivalence scale that is less penalising for large households (e.g. the ISEE scale, or a scale that also assigns 0.4 to minors and has a lower ceiling); ii) introduction of a sliding-scale monetary benefit reflecting the size of households in rented accommodation; iii) relaxation of residence requirements to include non-Italian citizens; iv) reduction in the effective marginal tax rates on additional earnings for beneficiaries, which currently deter participation in short-term and low-paid jobs, and might induce some recipients to work in the informal sector.

The main current limitation of the measure, however, does not concern the regulatory design but the implementation process. As noted above, the measure has not yet been fully implemented, especially as regards the link to social and labour market integration. The full implementation of this basic element requires the strengthening of the employment centres and social services. Once the link has been established, receipt of the cash benefit and involvement in activation measures should occur simultaneously.

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Interview

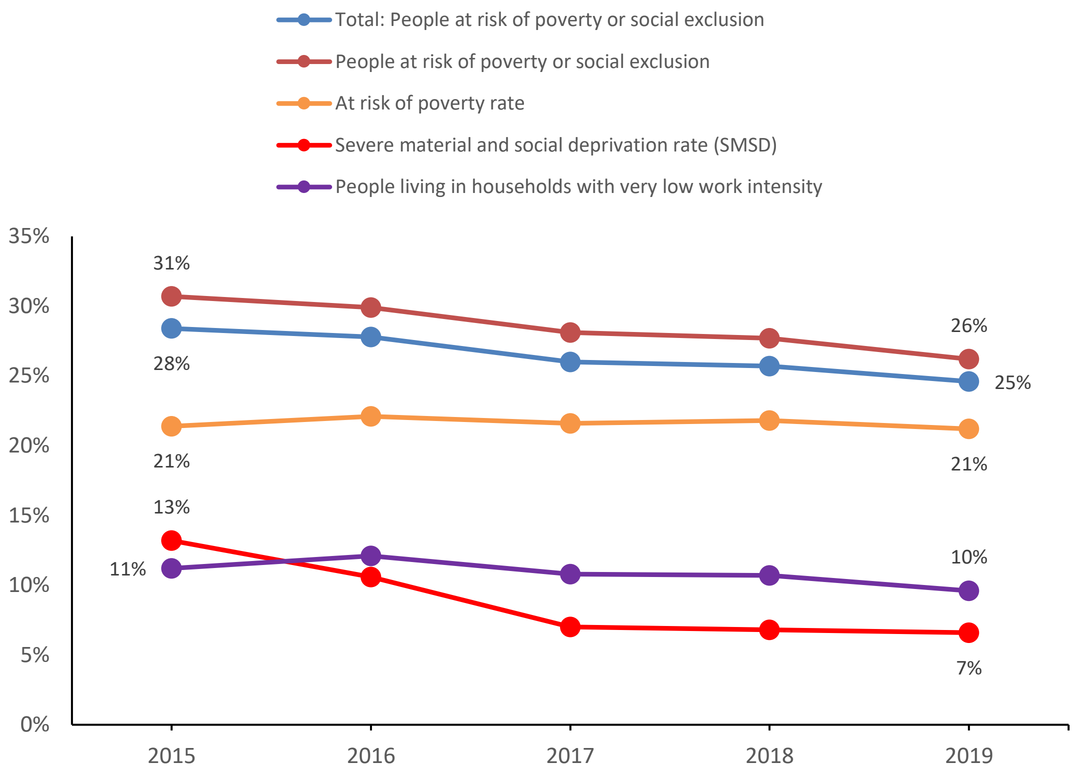
Representative of the Ministry of Labour and Social Policy and member of the Scientific Committee for the Assessment of Citizenship Income (Wednesday 16 February 2022, via Google Meet).

Maurizio Franzini, Professor of Economic Policy at Sapienza University of Rome, former president of the Italian Institute of Statistics (ISTAT) and expert member of the Scientific Committee for the Assessment of Citizenship Income, appointed by the Minister of Labour and Social Policy (Tuesday 2 November 2021, via Google Meet).

Roberto Rossini, president of the Allianz against poverty in Italy (Thursday 4 November 2021, via Google Meet).

7 Annex

Figure 1. AROPE indicator and components, Italy, 2015-2019 (%)

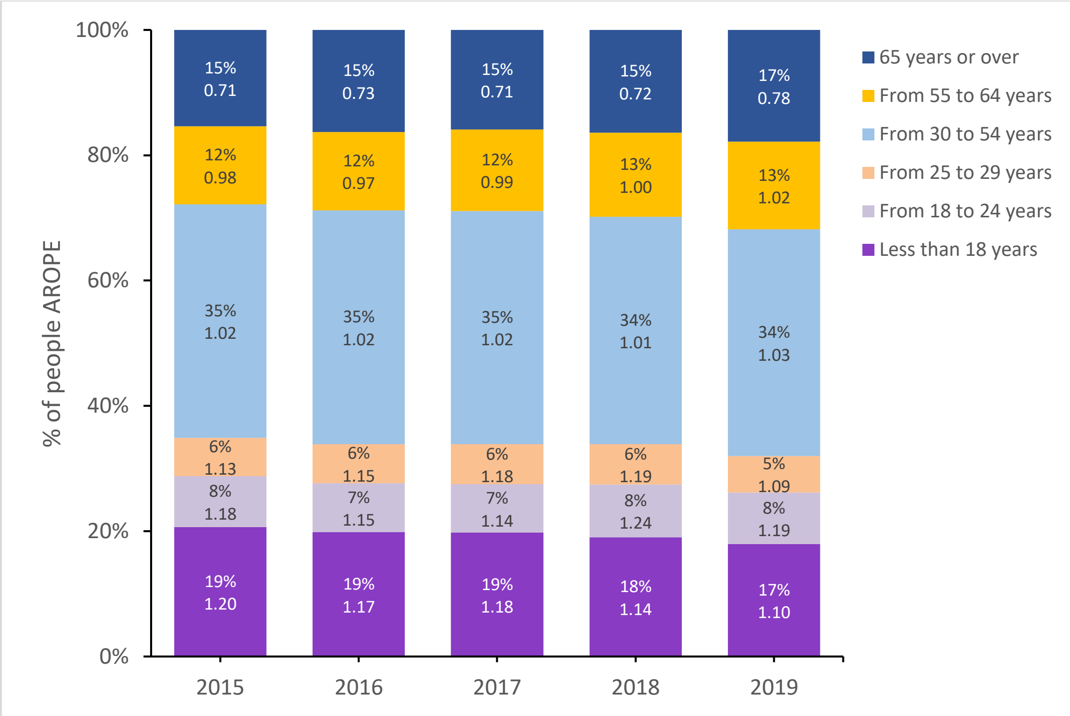


Note: The line for "Total: People at risk of poverty or social exclusion" indicates the trend for overall population, while the other lines show the figures for individuals aged 0-64. No data for 2020.

Source: Eurostat EU-SILC indicators [ilc_peps01n], [ilc_li02], [ilc_mdsd11] and [ilc_lvhl11n]. Data downloaded on 14/02/2022.

- In 2019, the share of total population at risk of poverty or social exclusion (AROPE) in Italy stood at 24.6%, while that of those aged 0-64 was higher at 26.2%, reflecting the relatively low AROPE rate among those aged 65 and over . Over the period 2015-2019, the proportion of both the total and those under 65 at risk declined.
- Most of the people at risk of poverty or social exclusion, 21.2 % of those aged 0-64, had household disposable income of below 60% of the median in 2020 (I.e. they were at risk of poverty). This proportion remained almost unchanged over the period 2015-2019.
- 37% of those at risk of poverty or social exclusion in 2020 lived in households with very low work intensity, 9.6% of those aged 0-64, the latter proportion declining between 2015 and 2019.
- Only a quarter of those at risk of poverty and social exclusion were affected by severe material and social deprivation, 6.6% of those aged 0-64, the proportion declined markedly over the period 2015- 2019 (by 7 percentage points) and being a primary reason for the decline in the AROPE rate for this age group.

Figure 2. Division of people aged 0-64 and in AROPE by age group, Italy, 2015-2019 (%)

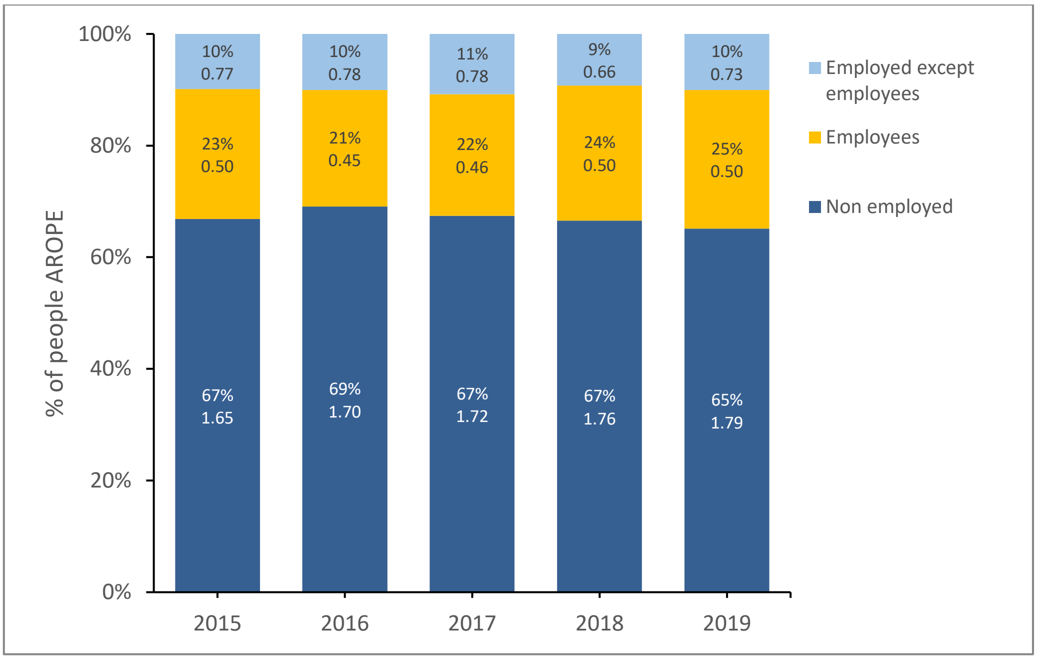


Note: No data for 2020. Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.

Source: Eurostat EU-SILC indicators [ilc_peps01n], own calculation. Data downloaded on 14/02/2022.

- More women than men aged 0-64 were at risk of poverty or social exclusion in 2019, just over 51% of the total. Since women account for a marginally smaller share of the population in this age group, the implication is that women are more at risk than men, which was also the case over the preceding 4 years.
- Older people aged 65 and over are significantly less likely to be at risk of poverty or social exclusion than those in younger age groups. Accordingly, despite their relatively large numbers, they accounted for only17% of the total at risk in 2019.
- Children under 18 are more likely to be at risk of poverty or social exclusion than adults and accounted for a marginally larger share of the total at risk as those of 65 and over in 2019.
- Young people aged 18-24 and, to a lesser extent, those aged 25-29, were also more likely to be at risk than older groups of working-age population in 2019.

Figure 3. Division of people aged 18-64 in AROPE by most frequent economic activity status, Italy, 2015-2019 (%)

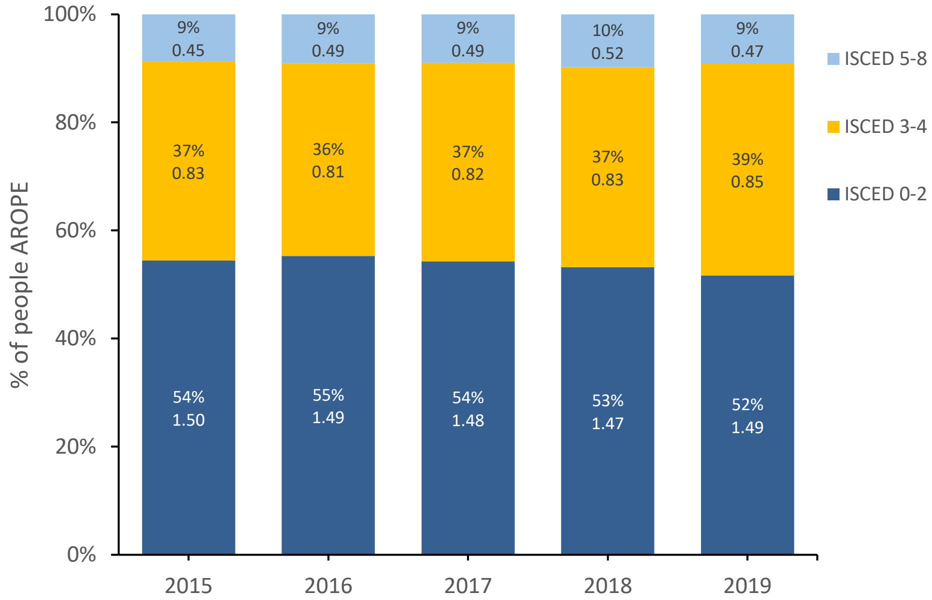


Note: No data for 2020. Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.

Source: Eurostat EU-SILC indicators [ilc_peps02n] and [ilc_lvhl02], own calculation. Data downloaded on 14/02/2022.

- People aged 18-64 not in work are much more likely to be at risk of poverty or social exclusion than those in employment, making up 65% of the total at risk in 2019.
- The likelihood of the non-employed being at risk of poverty or social exclusion increased between 2015 and 2019, though their share of the total declined marginally because of a fall in the number of those out of work.
- The self-employed together with family workers are more likely to be at risk than employees, but these made up only 10% of the total at risk in 2019.

Figure 4. Division of people aged 18-64 in AROPE by education level, Italy, 2015-2019 (%)

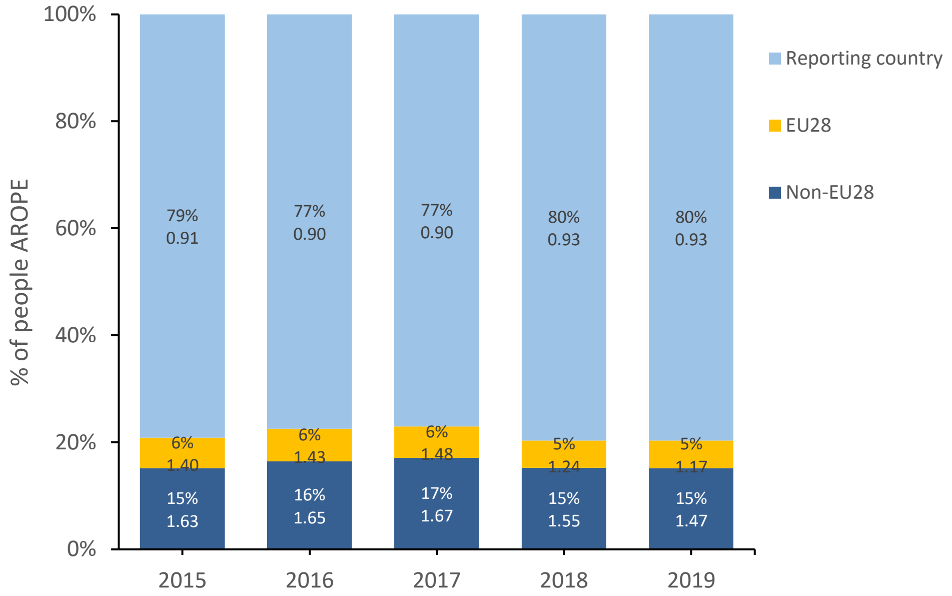


Note: No data for 2020. Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.

Source: Eurostat EU-SILC indicators [ilc_peps04n] and [ilc_lvps04], own calculation. Data downloaded on 14/02/2022.

- People aged 18-64 with only basic schooling (ISCED 0-2) are significantly more at risk of poverty or social exclusion than those with higher education levels and there made up over half (52%) of the total at risk in 2019., marginally smaller than their share over the preceding 4 years.
- People in this age group with tertiary education (5-8) are much less likely to be at risk than those with upper secondary education (ISCED 3 and 4) and accounted for only 9% of the total at risk in 2019.

Figure 5. Division of people aged 18-64 in AROPE by country of birth, Italy, 2015-2019 (%)

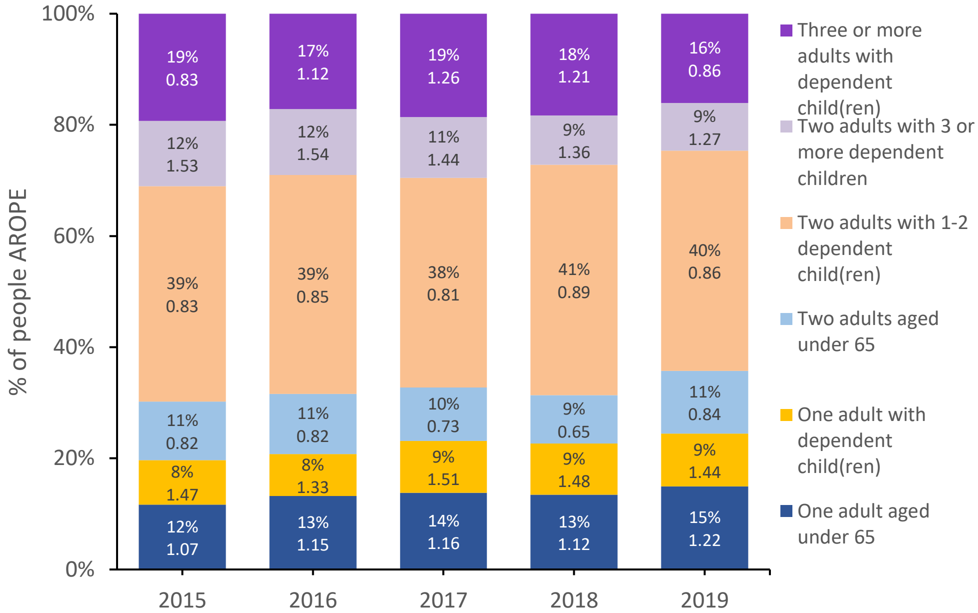


Note: No data for 2020. Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.

Source: Eurostat EU-SILC indicators [ilc_peps06n] (Data downloaded on 14/02/2022) and EU-SILC microdata, own calculation.

- People aged 18-64 born outside the EU are far more likely to be at risk of poverty or social exclusion than those born in Italy. Their likelihood declined between 2015 and 2019, offsetting the increase in their numbers and keeping their share of the total at risk broadly unchanged over the period at around 15%.
- Those born in another EU country, together with the UK, are also more likely to be at risk than those born in the country, but they accounted for only 5%of the total at risk in 2019.

Figure 6. Division of people in AROPE by household type, Italy, 2015-2019 (%)



Note: No data for 2020. Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.

Note that the chart does not include all household types. In particular, it excludes those aged under 65 living in a household with three or more adults without children, who are difficult to distinguish in the published data.

Source: Eurostat EU-SILC indicators [ilc_peps03n] and [ilc_lvps02], own calculation. Data downloaded on 14/02/2022.

- People under 65 living alone are more likely to be at risk of poverty or social exclusion than others and this is even more the case for those living alone with children. The two groups together accounted for 24% of the total at risk of poverty in 2019.
- Couple with 1-2 children had much the same likelihood of being at risk as couples aged under 65 without children, both being less likely than average to be at risk, but they accounted for 40% of the total at risk in 2019.
- On the contrary, couples with 3 or more children were more likely than average to be at risk, but made up only 9% of the total at risk.

Table 1. At risk of poverty rate before and after social transfers, excluding old age benefits, for those people aged 0-64, Italy, 2015-2019

	Before social transfers, excl. old-age benefits (%)	After social transfers (%)	**Effect of social transfers on arop rate (%-point change)**
2015	27.8	21.4	-6.4
2016	28.8	22.1	-6.7
2017	27.6	21.6	-6.0
2018	28.6	21.8	-6.8
2019	27.4	21.2	-6.2

Note: No data for 2020.

Source: Eurostat EU-SILC indicators [ilc_li02] and [ilc_li10]. Data downloaded on 14/02/2022.

- Social transfers had the effect of reducing the at-risk-of-poverty (arop) rate by only 6 percentage points in 2019, cutting the number at risk by under a quarter (23%), much the same as in the preceding 4 years.

Table 2. At risk of poverty rate and persistent at risk of poverty rate for those aged 18-64, Italy, 2015-2019

	At risk of poverty rate (%)	**Persistent at risk of poverty rate (%)**	**Persistent rate as % of annual rate**
2015	19.8	14.4	72.7
2016	20.9	14.7	70.3
2017	20.3	13.6	67.0
2018	20.5	15.4	75.1
2019	20.3	15.0	73.9

Note: No data for 2020.

Source: Eurostat EU-SILC indicators [ilc_li02] and [ilc_li21]. Data downloaded on 14/02/2022.

- Almost three-quarters (74%) of people of working age (18-64) at risk of poverty in 2019 were at persistent risk, i.e. they were consistently at risk for a number of years rather than being at risk for only one year, or temporarily. This is similar to most of the preceding 4 years, when, except for 2017, the proportion was over 70%.

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