SOCIAL SECURITY POLICIES AND MEASURES AGAINST POVERTY AND SOCIAL EXCLUSION IN ITALY

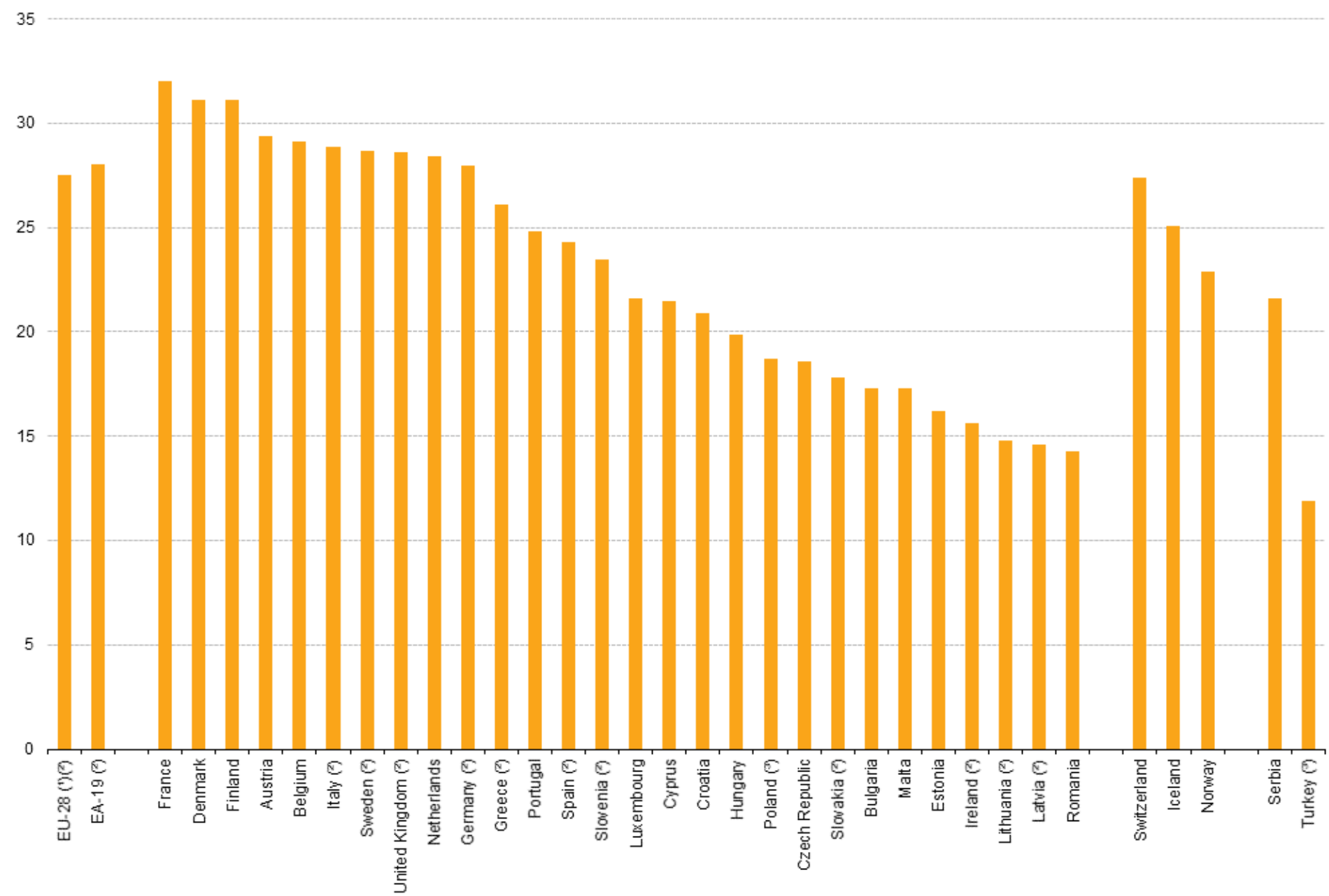## *Maurizio Franzini*

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Outline

- Overview of social expenditures in Europe
- Focus on Italy's pecularities
- Definitions and measurement of poverty
- Poverty in Europe and in Italy: some data
- Policies to reduce poverty in Italy: weaknesses and recent developments
- Conditions for successful anti-poverty measures

Expenditure on social protection benefits in EU 2015 (% relative to GDP)
Source: Eurostat

Country	Value
EU-28 (¹)(²)	27.5
EA-19 (²)	28.0
France	32.0
Denmark	31.0
Finland	31.0
Austria	29.3
Belgium	29.0
Italy (²)	28.8
Sweden (²)	28.6
United Kingdom (²)	28.5
Netherlands	28.4
Germany (²)	27.9
Greece (²)	26.0
Portugal	24.7
Spain (²)	24.2
Slovenia (²)	23.4
Luxembourg	21.5
Cyprus	21.4
Croatia	20.8
Hungary	19.8
Poland (²)	18.6
Czech Republic	18.5
Slovakia (²)	17.7
Bulgaria	17.2
Malta	17.1
Estonia	16.1
Ireland (²)	15.6
Lithuania (²)	14.7
Latvia (²)	14.5
Romania	14.2
Switzerland	27.3
Iceland	25.0
Norway	22.8
Serbia	21.5
Turkey (²)	11.8

(¹) Includes 2014 data for Poland.

(²) Provisional.

(³) 2014

REMARKS

- Total expenditure on social protection benefits in the EU-28 in 2015 was equivalent to 27.5 % of Gross Domestic Product (i.e. 4 068 billion euros)

- There are considerable variations between EU Member States:
  - High values: France 32%, Denmark and Finland around 31%
  - Low values: Romania 14,3%; Latvia 14,6%; Lithuania 14,8%; 15,6% Ireland
  - Italy is sligthly above the EU average

Expenditures on social protection benefits by function, European Union, 2015 Source: Eurostat

Functions:

- Old age and survivors
- Sickness/ Health care
- Disability
- Family/children
- Unemployment
- Housing and social exclusion

	Old age and survivors		Sickness/ health care		Disability		Family/ children		Unemployment		Housing and social exclusion	
	(% of social protection benefits)	(%, relative to GDP)	(% of social protection benefits)	(%, relative to GDP)	(% of social protection benefits)	(%, relative to GDP)	(% of social protection benefits)	(%, relative to GDP)	(% of social protection benefits)	(%, relative to GDP)	(% of social protection benefits)	(%, relative to GDP)
EU-28 (¹)	45.5	12.5	29.9	8.2	7.3	2.0	8.6	2.4	4.7	1.3	4.0	1.1
EA-19	46.2	13.0	29.3	8.2	7.3	2.0	8.1	2.3	5.8	1.6	3.3	0.9
Belgium	41.5	12.1	29.3	8.5	8.1	2.4	7.3	2.1	10.7	3.1	3.1	0.9
Bulgaria	50.2	8.7	26.8	4.6	7.6	1.3	10.9	1.9	2.9	0.5	1.6	0.3
Czech Republic	47.3	8.8	31.7	5.9	6.6	1.2	8.8	1.6	2.7	0.5	3.0	0.6
Denmark	43.8	13.6	20.2	6.3	13.0	4.1	11.2	3.5	4.9	1.5	7.0	2.2
Germany	39.1	10.9	34.7	9.7	8.1	2.3	11.3	3.2	3.7	1.0	3.0	0.8
Estonia	43.9	7.1	28.5	4.6	11.4	1.9	12.8	2.1	2.7	0.4	0.7	0.1
Ireland	32.9	5.1	32.7	5.1	5.8	0.9	12.4	1.9	12.2	1.9	4.0	0.6
Greece	65.4	17.1	19.6	5.1	6.4	1.7	4.1	1.1	4.0	1.0	0.6	0.2
Spain	49.8	12.1	27.4	6.6	7.2	1.7	5.3	1.3	9.0	2.2	1.4	0.4
France	45.6	14.6	28.6	9.1	6.4	2.0	7.7	2.5	6.2	2.0	5.5	1.8
Croatia	43.8	9.1	33.5	7.0	12.2	2.5	7.1	1.5	2.4	0.5	1.1	0.2
Italy	58.3	16.9	23.1	6.7	5.8	1.7	6.0	1.7	5.9	1.7	0.9	0.3
Cyprus	54.9	11.8	22.2	4.8	3.3	0.7	6.2	1.3	5.7	1.2	7.7	1.6
Latvia	50.2	7.3	24.6	3.6	9.3	1.4	10.7	1.6	4.0	0.6	1.3	0.2
Lithuania	47.3	7.0	30.3	4.5	9.2	1.4	7.5	1.1	3.4	0.5	2.3	0.3
Luxembourg	38.5	8.3	24.7	5.3	11.0	2.4	15.5	3.4	6.6	1.4	3.7	0.8
Hungary	49.2	9.8	28.2	5.6	6.9	1.4	12.0	2.4	1.6	0.3	2.1	0.4
Malta	51.2	8.9	32.9	5.7	3.7	0.6	6.7	1.2	3.0	0.5	2.5	0.4
Netherlands	42.4	12.1	33.0	9.4	9.5	2.7	3.9	1.1	5.2	1.5	6.0	1.7
Austria	50.3	14.8	25.4	7.5	6.7	2.0	9.6	2.8	5.6	1.7	2.3	0.7
Poland (²)	59.9	11.2	21.3	4.0	8.3	1.5	8.2	1.5	1.3	0.2	1.0	0.2
Portugal	58.3	14.4	24.3	6.0	7.3	1.8	4.7	1.2	4.6	1.1	0.9	0.2
Romania	55.2	7.9	26.6	3.8	7.4	1.1	8.8	1.3	0.7	0.1	1.3	0.2
Slovenia	48.3	11.4	32.3	7.6	5.7	1.3	7.6	1.8	2.7	0.6	3.3	0.8
Slovakia	45.9	8.2	31.2	5.6	8.8	1.6	9.1	1.6	2.9	0.5	2.0	0.4
Finland	42.5	13.2	23.3	7.2	10.4	3.2	10.3	3.2	8.5	2.7	5.1	1.6
Sweden	43.1	12.4	26.2	7.5	11.7	3.4	10.5	3.0	3.7	1.1	4.9	1.4
United Kingdom	41.2	11.8	34.9	10.0	6.0	1.7	9.6	2.8	1.4	0.4	7.0	2.0
Iceland	28.7	6.6	36.2	8.3	16.0	3.7	11.1	2.5	2.4	0.6	5.6	1.3
Norway	35.8	9.8	30.0	8.2	16.4	4.5	11.9	3.3	2.4	0.7	3.5	1.0
Switzerland	48.0	12.0	29.8	7.5	9.1	2.3	6.1	1.5	3.7	0.9	3.4	0.9
Serbia	55.9	12.1	25.3	5.5	6.5	1.4	6.3	1.4	3.0	0.6	3.0	0.6
Turkey (²)	60.2	7.2	30.2	3.6	3.8	0.5	3.1	0.4	1.3	0.2	1.3	0.2

(1) Including 2014 data for Poland

REMARKS

- The highest share of expenditure in the EU-28 is for old age and survivors (largely pensions): 45,5%

- Then comes the sickness/health care function (29,9%)

- The remaining four functions accounted for little shares:
  - Family/children: 8.6 %
  - Disability: 7.3 %
  - Unemployment: 4.7 %
  - Housing and social exclusion 4.0 %

- Please note
  - these are shares of total expenditures not of GDP
  - there can be problems in comparing expenditures across countries do to different classification methods

REMARKS II

- In 10 Member States more than half of their total expenditure was directed to the old age and survivors function:
  - Greece 65.4 %;
  - Poland (59.9 %);
  - Italy and Portugal (both 58.3 %);
  - Romania (55.2 %), Cyprus (54.9 %), Malta (51.2 %), Austria (50.3 %), Latvia and Bulgaria (both 50.2 %).

- Role of population ageing: Italy and Greece have the highest shares of people aged 65 years and over accounted (around 22%).

- In Italy, Portugal, Estonia and Greece housing and social exclusion account for less than 1.0 %

Expenditure on means-tested social protection benefits, 2015
(% of total expenditure on social protection benefits)
Source: Eurostat
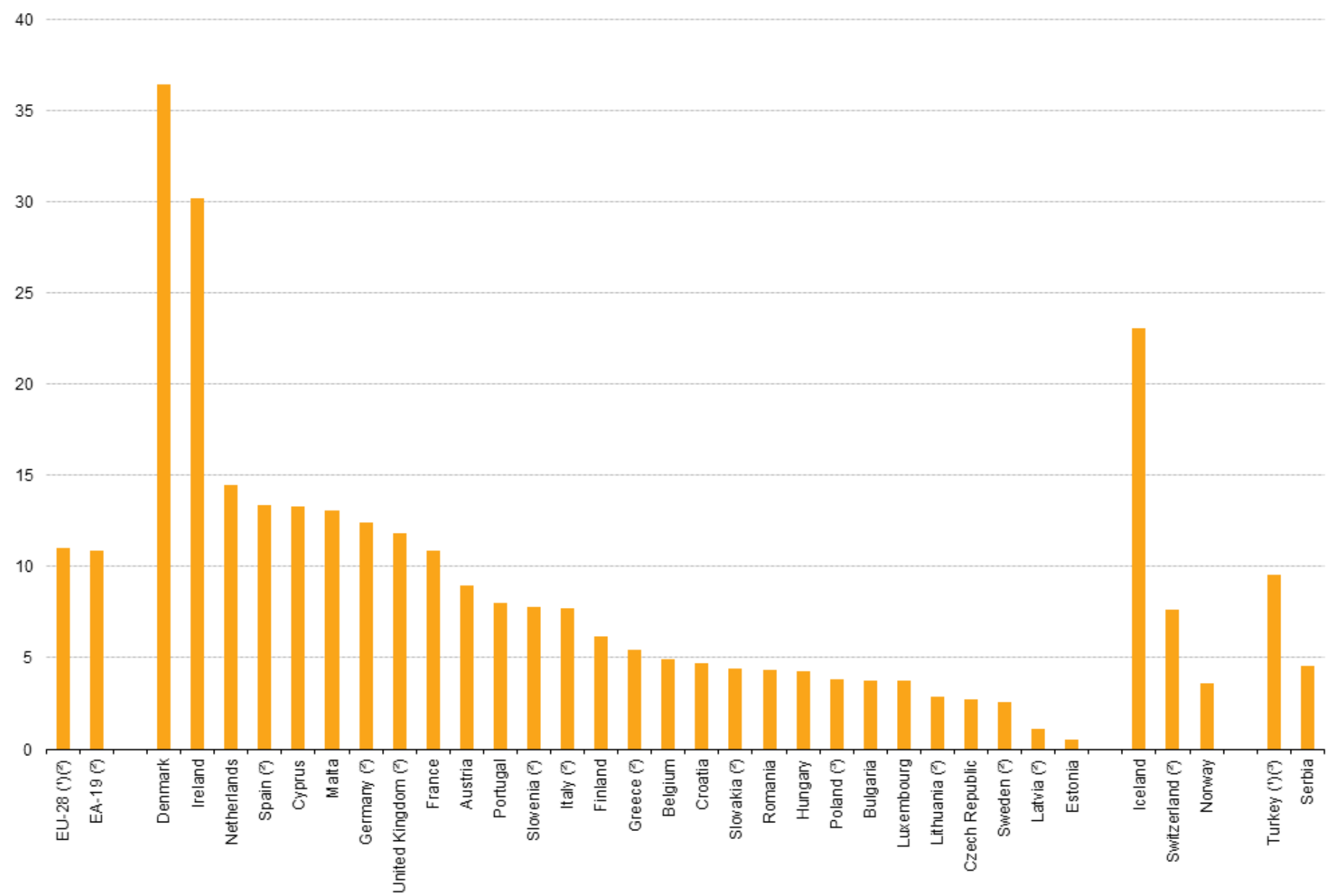
40	
35	
30	
25	
20	
15	
10	
5	
0	

EU-28 (¹)(²) · EA-19 (²) · Denmark · Ireland · Netherlands · Spain (²) · Cyprus (²) · Malta · Germany (²) · United Kingdom (²) · France · Austria · Portugal · Slovenia (²) · Italy (²) · Finland · Greece (²) · Belgium · Croatia · Slovakia (²) · Romania · Hungary · Poland (²) · Bulgaria · Luxembourg · Lithuania (²) · Czech Republic · Sweden (²) · Latvia (²) · Estonia · Iceland · Switzerland (²) · Norway · Turkey (¹)(²) · Serbia

(¹) Includes 2014 data for Poland.

(²) Provisional.

(³) 2014.

Source: Eurostat (online data code: spr_exp_fto)

REMARKS

- In 2015, Means-tested benefits accounted for 11.0 % of expenditure on social protection benefits, most of which in housing and social exclusion

- Highest shares in Denmark (36,4%) and Ireland (30,2%). In all the other countries values are much lower.

- In 13 countries the share was below 5% with the lowest in Latvia (1.1 %) and Estonia (0.5 %)

Expenditure on social protection benefits in cash and in kind,
European Union
2015 (% of total expenditure
on social protection benefits)
Source: Eurostat
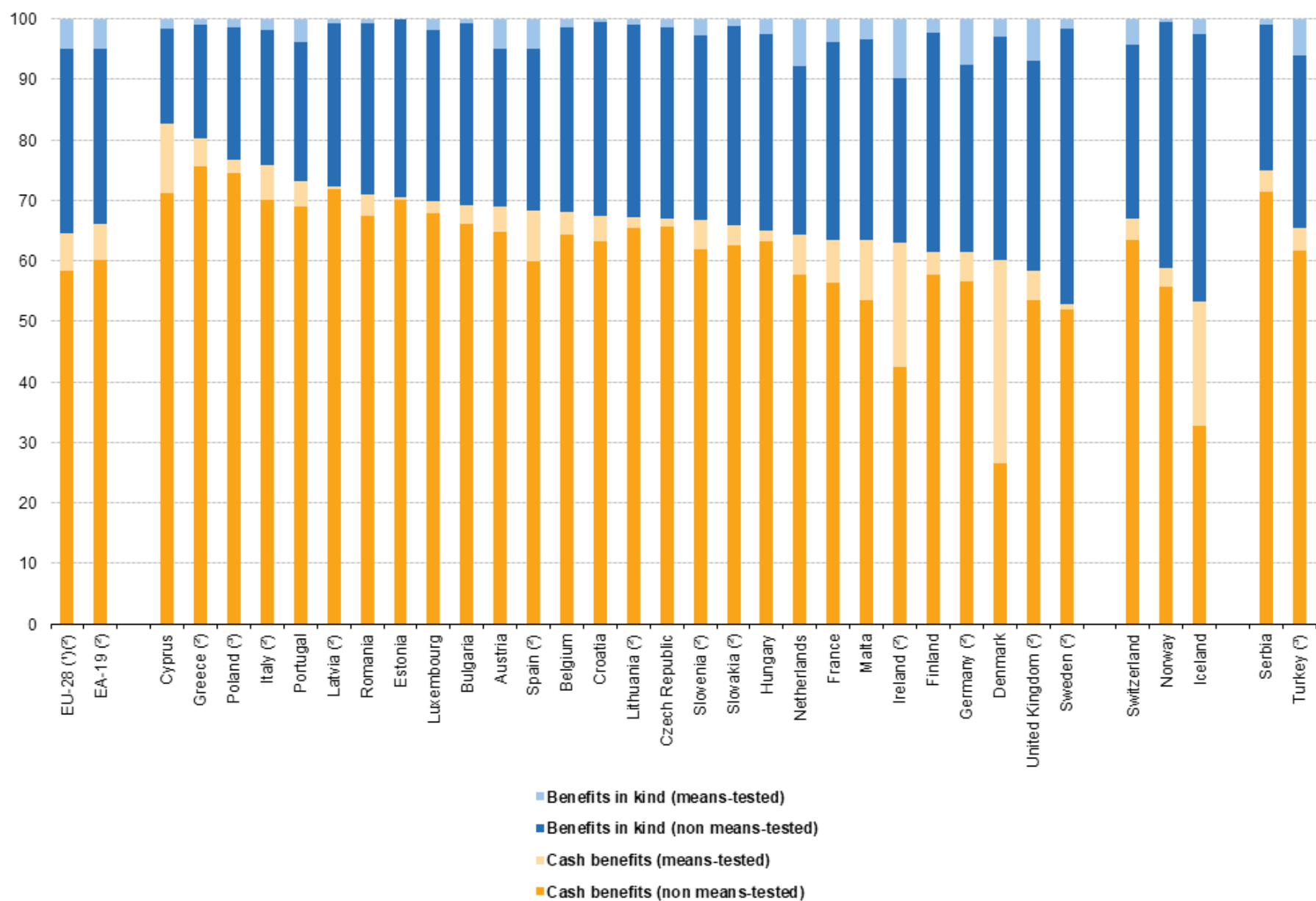
Note: ranked on the share of cash benefits (means-tested and non means-tested).
(¹) Includes 2014 data for Poland.
(²) Provisional.
(³) 2014.
Source: Eurostat (online data code: spr_exp_fto)

REMARKS

- In 2015 64.5 % of the total expenditure on social protection benefits in the EU-28 was cash payments

- Higher than average valuese in Cyprus (82,7%), Greece, Poland and Italy (in all of them more than 75%)

- Lower than average values in the United Kingdom (58.3 %) and Sweden (52.9 %) – here in-kind benefits reached the highest share

Italy's peculiarities

- Total expenditures as a share of GDP: close to the EU average

- As to the composition:
  - between 25 and 30% higher for old age/survivors and unemplyment;
  - lower for all the other functions, with housing and social exclusion extremely low (less than ¼ of the EU average).

- Means-tested and in-kind benefits are below the average.

Poverty

- Poverty requires to identify poor => a threshold has to be identified.

- Poverty related to households' resources and needs.

- How to assess poverty overtime? Static or dynamic poverty? Persistency, recurrence and transitoriness.

- Poverty concepts:
  - ➢ Absolute
  - ➢ Relative
  - ➢ Subjective

- Equivalised income expressed as the ratio between household income and household size (composition) => as the ratio between resources (related to income) and needs (related to composition).

The dynamics of poverty

- Observing the evolution of poverty overtime –i.e. by using panel data – is crucial to assess the individual characteristics associated to different types of poverty and the more suited policy answer.

- Poverty may be:
  - Transitory: it happens only once in a life => due to rare shocks, e.g. unemployment
  - Recurrent: individuals can frequently move in and out of poverty, e.g. due to precarious jobs.
  - Persistent: individuals are (almost) always poor, e.g. when they lack basic skills or have some serious problems (e.g. disability, lone mothers).

Absolute poverty

- A basket of basic needs is identified => the threshold is the cost of such basket.

- How to define such basket?

- Are they absolute or relative needs?

- How do they change? Between countries and in the long term

Absolute poverty in Italy

- Identified a basket of goods whose consumption is a basic requirement for a decent life. Basket based on food, housing and other goods (clothes, public services and transportation)

- Needs are the same in Italy, but their prices differ by areas.

- Thresholds computed by Istat in 2005, depending on number and age of household components, geographical area, type of city => 342 poverty lines.

- For instance the thresholds for a household with 2 adults and 2 minors are 1.467 in the North, 1.303 in the Centre, 1.136 in the South.

- Based on surveys on consumptions.

Relative poverty

- Poverty is a social norm: individuals very far from the others are poor. The threshold is by definition a relative concept.

- As a main social norm is poor who is far from the others => if the GDP changes also the threshold has to change.

- Reference to living standards of the whole population => the threshold is identified according to some points of the income distribution, i.e. 60% of median income or 50% of mean income.

- Poverty does not change if income change in the same proportion. "income paradox" is possible.

Remarks

- How to make international comparisons of relative poverty?

- It is a sort of inequality index in the lower tail than a mere measure of material deprivation.

- Keeping constant the threshold to make comparisons overtime (especially during a crisis)?

- Note that absolute poverty does not necessarily means extreme poverty and it is not necessarily lower than relative poverty (thresholds can be built on different logics).

- For instance, in Italy, because relative poverty has a single threshold and absolute poverty thresholds specific by region and type of area in some cases absolute thresholds are higher than relative thresholds.

- Note that, when analysing policy changes (e.g. an increase in welfare transfers), the thresholds has to be changed too.

Which relative threshold?

- In Italy 2 relative thresholds:
  - Istat (National Institute of Statistics): are poor households of 2 components with a total consumption lower than the mean per capita consumption. Family is the unit of observation (and thresholds are made equivalent) and consumption as the proxy of welfare.
  - Eurostat: poor individuals having a disposable equivalent income lower than 60% of the median. The individual is the unit of observation and income is the proxy of welfare.

Subjective poverty

- Based on income considered necessary by the household for meeting their ends (an indirect way for computing equivalence scales).

- Related to a concept of happiness/satisfaction => based on qualitative questions on "make ends meet" or on the comparison between the actual income and a subjective minimum "necessary" income.

Wellbeing indicator for poverty

- Crucial choice of the wellbeing indicator, likewise for inequality, even if (also due to data availability) some suggest to use consumption rather than income, because consumption is less volatile and can be more easily observed, especially at the lowest tail of the distribution.

- Vulnerability concept as the risk of dropping in a poverty status in a dynamic sense.

- Monetary indicators: single indicator or a set of indicators to show the "at risk of poverty" (e.g. considering various shares of median income as the threshold).

Multidimensional poverty indexes

EC refers to the "At Risk of Poverty or Social Exclusion (AROPE)" index, an indicator of deprivation based on at least one of the following conditions:

1. relative poverty;

2. low (below 20%) work intensity in a household (based on total worked months of working age household members);

3. material deprivation rate - impossibility to afford at least 3 of the following: i) to pay rent, mortgage or utility bills; ii) to keep home adequately warm; iii) to face unexpected expenses; iv) to eat meat or proteins regularly; v) to go on holiday; vi) a television; vii) a washing machine; viii) a car; ix) a telephone.

The UN refers to a multidimensional poverty index based on capabilities (education, health, living standard).

Relative poverty before and after transfers, EU

Share of population with income less than 60% the median income

Source: Eurostat

Countries ordered according to the after-transfers value in 2016

	2008-before	2016 -befoire	2016 -after
European Union- 27 (28)	25,4	25,9	17,3
Euro area-15 (19)	24,2	25,7	17,4
Czech Republic	20,0	16,3	9,7
Finland	27,3	27,0	11,6
Denmark	27,8	24,9	11,9
Netherlands	19,9	22,1	12,7
Slovakia	18,4	18,4	12,7
France	23,5	23,6	13,6
Slovenia	23,0	24,3	13,9
Austria	25,9	26,3	14,1
Hungary	30,4	25,8	14,5
Belgium	27,0	26,3	15,5
United Kingdom	28,9	28,1	15,9
Cyprus	22,9	25,0	16,1

	2008-before	2016 -befoire	2016 -after
Sweden	30,0	29,9	16,2
Germany	24,2	25,3	16,5
Luxembourg	23,6	27,1	16,5
Malta	22,9	23,8	16,5
Ireland	34,0	34,7	16,6
Poland	25,1	22,9	17,3
Portugal	24,9	25,0	19,0
Croatia	:	27,3	19,5
Italy	23,5	26,2	20,6
Greece	23,3	25,2	21,2
Estonia	24,7	28,9	21,7
Latvia	30,2	27,8	21,8
Lithuania	27,4	27,9	21,9
Spain	25,7	29,5	22,3
Bulgaria	27,1	27,9	22,9
Romania	30,8	29,5	25,3

Poverty reduction:
the effectiveness of transfers.

% reduction in poverty after transfers

country	% reduction
European Union- 28	33,2%
Euro area-19	32,3%
Romania	14,2%
Greece	15,9%
Bulgaria	17,9%
Italy	21,4%
Lithuania	21,5%
Latvia	21,6%
Portugal	24,0%
Spain	24,4%
Poland	24,5%
Estonia	24,9%
Croatia	28,6%
Malta	30,7%
Slovakia	31,0%

Country	% reduction
Germany	34,8%
Cyprus	35,6%
Luxembourg	39,1%
Czech Republic	40,5%
Belgium	41,1%
France	42,4%
Netherlands	42,5%
Slovenia	42,8%
United Kingdom	43,4%
Hungary	43,8%
Sweden	45,8%
Austria	46,4%
Ireland	52,2%
Denmark	52,2%
Finland	57,0%

People at risk of poverty or social exclusion (AROPE), 2016

Source: Eurostat

Country	% of population
EU (28 countries)	23,5
Euro area (18 countries)	23
Czech Republic	13,3
Finland	16,6
Netherlands	16,7
Denmark	16,8
Austria	18
Slovakia	18,1
France	18,2
Sweden	18,3
Slovenia	18,4
Germany	19,7
Luxembourg	19,8
Malta	20,1
Belgium	20,7

Country	% of population
Poland	21,9
United Kingdom	22,2
Ireland	24,2
Estonia	24,4
Portugal	25,1
Hungary	26,3
Cyprus	27,7
Spain	27,9
Croatia	27,9
Latvia	28,5
Italy	30
Lithuania	30,1
Greece	35,6
Romania	38,8
Bulgaria	40,4

Absolute poverty in Italy,
Source: Istat

Absolute poverty in Italy

(and in its three geographical macro-areas)
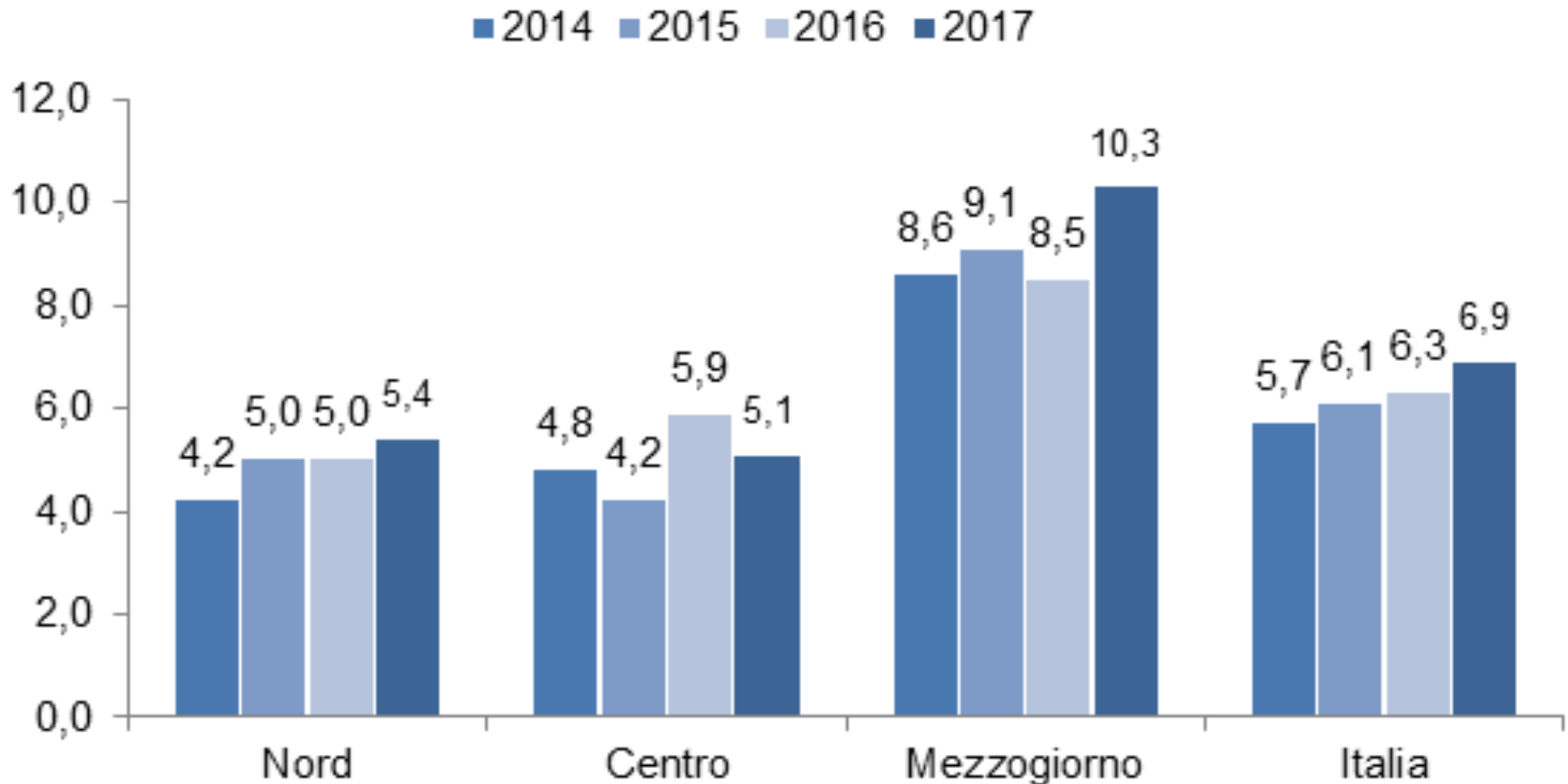
Absolute poverty in Italy, details

Gender	2016	2017
Males	7,8	8,8
Females	7,9	8

Age	2016	2017
< 17	12,5	12,1
18-34	10	10,4
35-64	7,3	8,1
>65	3,8	4,6

Absolute poverty in Italy, details/2

No. minor children in Household	2016	2017
1	7,2	9,5
2	10	9,7
3 or more	26,8	20,9

Status of head of household	2016	2017
Employed	6,4	6,1
Unemployed in search of occupation	23,2	26,7

Absolute poverty in Italy, details/3

Presence of foreigners in household	2016	2017
Italians only	4,4	5,1
Both Italians and foreigners	27,4	16,4
Foreigners only	25,7	29,2

REMARKS

The main features of absolute poverty in Italy are:

- Its incidence is quite high (1,8 million families, 8,4 million people – the highest since 2005)

- Huge differences across geographical areas

- High incidence of minor poverty

- High share of poor among unemployed but significant also among employed (working poor)

- Very high incidence among household with foreign members

Policies against poverty in Italy

- A "universal" measure against poverty missing for a very long time in Italy (there are few other cases in Europe)
  - In EU minimum income schemes have been adopted, sometimes since a long time, in Belgium, Denmark, France, Germany, Ireland…..
- This implies that there was no "minimum income scheme" – i.e. income targeted to low-income people below a given threshold for whatever reason
  - Minimum income schemes are different from Basic income schemes.
- Therefore poverty and social exclusion fought mainly with other instruments which in many circumstances are not effective
- The situation changed recently first witht he introduction of SIA but more significanty in September 2017 when REI (Reddito di inclusione) a sort of minimum income scheme was introduced

REI: main features

General characteristics

- Combines income support with activation policies
- Eligibility on the basis of
  - citizenship and residence requirements
  - economic requirements
  - family requirements (initially, no longer now)
- The income benefit ranges between 2.250,00 and around 6.500,00 euros per year per household
- The economic benefit is paid monthly on a credit card that cannot be used freely but according to specified rules

REI: first results

- Between January and June 840.000 people got the benefit, 70% of the in the South of Italy

- Other 177.000 people still benefit of the old SIA. This makes for around 1 million people receiving economic support, much less than people living in absolute poverty

- The average benefit with REI has been slightly above 308 euros per month

Thorny issues (among others…)

- Financial resources (only 2 billion for REI in 2018)
- The "take-up" problem
- The design of eligibility criteria
- How to balance income support, activation and work incentives
- How to make the Public Employment Service and the coordination between central and local bodies more effective

The road ahead

- The new government announced the introduction of what they call " basic income" but actually is a "minimum income scheme" with some features in common with REI but also with some differences, including a much greater generosity

- But success (mainly in terms of lasting poverty reduction) will depend also on how all the thorny issues will be tackled...

- ... details matter.

Thank you!