Italy's Citizenship Income: an Impact Assessment

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Abstract

The present thesis investigates the impact of the Italian '*Reddito di Cittadinanza'* (Citizenship Income, CI). Implemented as of January 2019 and presented as the tool to 'finally defeat poverty' by its main proponent and member to the governing coalition -the Five Star Movement-, the measure has given rise to different debates since its beginning. A secondary but still important objective is that of active labour policy, aimed at connecting labour demand and supply by binding the transfer to job-research conditionalities and by empowering the Italian employment centers. Hereby, the main outcomes of the policy after two years are presented and analysed both by making use of the statistics on poverty and employment in Italy and by comparing it to other minimum income and cash transfer measures: while a significant role in reducing poverty can be found, the same cannot be said for the impact on employment, mainly because the policy fails to address those structural deficiencies of the Italian economy which are at the root of Italy's persistently high unemployment levels. Concluding, some recommendations are put forward to improve the policy in the light of the current economic situation.

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1) Introduction: CI Features and Rationale

The Citizens' Income (hereinafter CI) was originally enacted in January 2019, with the Law Decree N° 4/2019. This policy had been one of the pillars of the Five Star Movement (M5S) throughout the electoral campaign that preceded the 4 March 2018 elections, which eventually allowed them to enact it after forming a governing coalition with the far right party The League. Indeed, the M5S had been pushing for such a measure ever since its foundation in 2009, making the amount of 780 euros per month the symbol of such endeavour. As we will see, this symbol bounded the party to extent that one of the major flaws in the measure -the different treatment reserved to larger families as compared to less numerous ones- is precisely given by the decision to ensure an allowance of 780 monthly euros for those individuals that are made eligible for the full benefit.

Despite its name, CI is a minimum guaranteed income scheme with a connected component of active labour market policy (ALMP). The present thesis aims at analysing its impact with respect to both roles played by the policy: the first section presents the political economic context in which the measure was born, as well as its original objectives in relation to the situation of the Italian economy at that time: in particular, it is emphasized the dual nature of both poverty-alleviating tool and active labour policy, together with the obligations coming with it. The second section presents the theories of universal basic income, minimum guaranteed income and conditional cash transfers (CCTs), as well as empirical evidence of the application of these tools, in order to pursue a comparative analysis on implementation, performance and effectiveness. The third section presents the descriptive statistics (mainly retrieved from the Italian National Statistic Institute (ISTAT) and the Ministry of Labour and Social Security Institute (INPS)) related to the policy; finally, the fourth section proceeds with an assessment of the statistics presented in the previous one, also putting it in a comparative perspective with the empirical evidence presented in section two. First of all, an early

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assessment of the Citizens' Income from different scholars is presented; next, it is shown how the overall results are mixed: while a positive impact on poverty reduction is detected, the same cannot be said for the impact on employment levels, mainly because the measure could not address the structural reasons lying behind Italy's recent poor growth, high unemployment levels and poor resources allocation. The fifth section concludes and makes some proposals for improvement of the policy.

1.1) CI Rationale

1.1.1) Stylized Facts on Poverty in Italy

To better grasp the founding rationale of CI, it is important to start by presenting poverty data in Italy at the onset of the policy. As of 2018, in fact, there were about 1.8 million households (5 million individuals) living in conditions of absolute poverty in Italy, corresponding to an average incidence rate of 7%.[1] From a regional point of view, this rate was as high as 10% in the South, 5.3% in the Center and 5.8% in the North.[2] Different characteristics appear to be related to the different incidence rates across families. To begin with, family composition appears to be a significant factor, as more numerous families have higher incidence rates in the period under consideration: while the rate is about 8.9% and 7% for households of four and three members respectively, this number jumps to 19.6% for those households of five or more members. In addition, single-parent families also present an higher than average rate, at about 11%; the same applies for younger families, given the fact that absolute poverty concerns 10.4% of households where the reference individual is aged between

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1 ISTAT data on absolute and relative poverty are based on indexes computed by the Institute itself, which takes into account different factors such as family size and geographical location when assessing the families' wealth.
2 For details on Italy's economic geography see Table 1.

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18 and 34 years old, as compared to 4.7% of the households where the reference individual is aged above 64. Perhaps even more significant is the incidence among extra-communitarian families: in fact, poverty among them reaches a high peak of 30.3%, as compared to 6.4% among Italians. Extra-communitarians represent 31.1% of the total poor population, despite composing only 8.7% of the total population on the Italian territory.

In a similar fashion, as far as relative poverty is concerned, 3 million households, corresponding to about 9 million individuals (15%), experienced such conditions in 2018. Again, the incidence rate appears to be much higher in the South (22.3%) and the Islands (21.6%) as compared to the North (6.6%), as well as for more numerous families, given an incidence rate of 33.1% for families with three or more sons, and for extra-communitarian ones (rate of 31.7% as compared to 10% for Italians). Concluding, we can see how the phenomenon of poverty in Italy mostly affects more numerous households, less educated individuals and extra-communitarians. All these factors will play a role in the final evaluation of CI effectiveness. We now turn to presenting a related and important phenomenon, that of working poor people.

Table 1: Italy's infographic: the Southern question

Throughout the thesis, the regional division between North, Center and South is defined as follows: to the North belong the regions of Liguria, Lombardia, Piemonte, Valle d'Aosta (North-West) and Emilia-Romagna, Friuli-Venezia Giulia, Trentino-Alto Adige and Veneto (North-East); to the Center belong the regions of Lazio, Marche, Toscana and Umbria and, finally, to the South belong Abruzzo, Basilicata, Calabria, Campania, Molise and Puglia, together with Sardinia and Sicily (the Islands).

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In order to better put the application of CI in perspective, it is important to have a grasp of the socio-economic differences that characterize the country. In fact, territorial disparities across regions are significant, especially between North and South, and stem from the different historical paths of economic development that have led to what has been defined as the Italian 'Southern question'. This problem has been widely investigated throughout the country's history and has been at stake ever since the Italian State was born, back in 1861 (Pescosolido, 2017). While a heterogenous variety of socio-economic trends has characterized the regions during the past one and a half centuries, with the South sometimes closing the gap with the North, the former is still lagging behind nowadays, with indicators that are (sometimes much) worse than the European average.

To begin with, the GDP per capita in the North in 2019 was equal to 35'057 euros, as compared to 30'878 for the Center and 18'510 for the South. Similarly, the Italian job market was particularly affected by the 2008 Crisis, reaching an unemployment rate of 12.7% in 2014, only to recover to 9.2% in 2020. Yet, this indicator was significantly heterogeneous across the country: while in the North it was equal to 8.6% and 5.8% in 2014 and 2020 respectively, in the Center these values were equal to 11.4% and 8% and peaked up to 20.7% and 15.9% in the South. (ISTAT, 2021).

Overall, such deep differences can be identified in many other areas such as education, healthcare, and infrastructure development. In fact, the Southern population presents a lower share of university graduates (21.2% against more than 32% in the North for individuals aged between 30 and 34 years old, as of 2018), higher school dropout rates and lower average score in the PISA test. Also, both healthcare facilities and transportation infrastructures are more dispersed and experience worse

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managerial practices as compared to the North. While this is not the place to thoroughly address this issue, it nevertheless remains important to acknowledge it in order to better understand the implementation of CI as well as its outcome in the light of a profoundly diversified socio-economic background.

1.1.2) The Working Poor

In the fight against poverty, a special role is played by those individuals who are experiencing such condition despite having a job. Following the EU-SILC in-work poverty risk indicator,[3] a working poor can be considered anyone whose equivalised annual household income is lower than a threshold represented by the 60% of the national median. As of 2017, the incidence of in-work poverty (hereinafter IWP) in Italy amounted to 12.3%, as compared to the EU average of 9.6%. In both cases an increase with respect to 2012 had taken place, by 0.7% for the EU average and by 1.2% for Italy (Raitano et al 2019). More specifically, this effect was particularly larger for the self-employed (19.5%), as compared to employees (10.1%); also, we can see how the phenomenon affects males (13.4%) more than females (10.6%): this is mainly due to the fact that this statistics concerns the whole households; hence, even though women tend to have lower wages on average, most often they also happen to be the second additional worker in the household. Furthermore, the youngest cohort (18-24 years old) appears to be more affected than the oldest (55-64), with an incidence of 12.3% and 9.9%, respectively. Yet, the most affected are those in the middle (25-54 years old) with an incidence of 12.8%: this happens to be the case because, even though younger individuals experience worse conditions on the job market and face lower wages, they also tend to live within their original household and become independent later on, which provides a social security net

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3 https://ec.europa.eu/eurostat/statistics-explained/index.php/EU_statistics_on_income_and_living_conditions_(EU-SILC)_methodology_-_in-work_poverty

against poverty. This is further confirmed by the fact that they are the only cohort whose IWP incidence is lower than the EU average (12.5%).

Moving to the causes of in-work poverty, following Ferraris (2019), we can point out different underlying factors: first of all, technological progress, which has increased the divide between skilled and unskilled workers; secondly, increasing outsourcing practices, coupled with ageing population and increased migratory flows that have put a downward pressure on salaries; thirdly, the increasing share of the service sector within the national economy. Furthermore, institutional changes have also played a role: increasingly flexible labour markets have led to lower guarantees for workers and the parallel emergence of the gig-economy. This can to some extent be connected to the statistics presented above: in fact, part of the distribution of the self-employed working poor is actually constituted by those individuals who are nevertheless economically dependent on a company (Tufo, 2020). An example is represented by the riders which, despite working for a delivery company, appear to be self-employed from the regulator point of view. A further contribution from Barbieri (2019) highlighted how, while the probability of accessing IWP is quite low, at about 3% of the considered sample, the probabilities of remaining a poor worker are much higher, at about 50% before the crisis and 60% afterwards, thus presenting a high degree of *stickiness*. According to the author, this is indicative of the structural nature of IWP, whereby socio-economic conditions of the individual in a dualistic and segmented labour market can be considered the main determinant of this condition. As a result, the family appears once more to be a fundamental safety net, as households of just one individual happen to be at much higher risk: this happens to be the case due to the so-called 'added worker' effect, according to which the presence of an additional worker (most often the wife) vastly reduces the exposure to IPW, regardless of the quality of the job itself. Following these factors, the author traces a conclusion that emphasizes the role that policies against IPW should perform in enhancing the activation of a secondary source of

income within the household, as compared to simply transferring cash to those in need; accordingly, these policies would also have a gendered character and be aimed at favouring the job market integration of the female component.

1.2) The Italian Labour Market

When comprehensively assessing the rationale for CI, it is paramount to take into account the situation of the Italian labour market in order to define the starting conditions at which CI's connected active labour policies have been taking place, and consequently analyse the outcome of the policy itself in the light of these conditions. Within this section, basic statistics about the Italian labour market will first be presented; secondly, one of the major issues characterizing it will be addressed, i.e. the skill mismatch; finally, the role of other major policies that have been enacted within the past years (mainly direct cash transfer incentives to firms) will be presented.

1.2.1) Statistics on Italian Labour Market

Starting off with the unemployment rate, we can see how the situation has been slowly but steadily improving in the past few years, after the country had gone through a period of very high unemployment levels as a result of the 2008 financial crisis:

Figure 1: Unemployment rate: all people for Italy
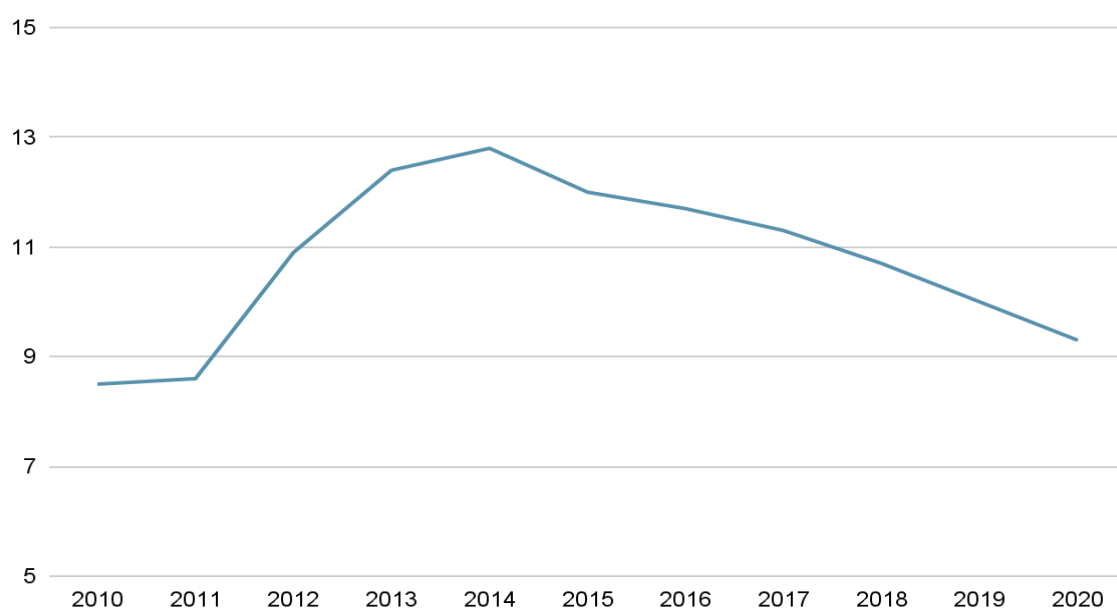
Source: OECD

More precisely, as of 2018 the unemployment rate was equal to 10.7%: while representing an improvement of 0.6 percentage points with respect to 2017, the number was still 3.9 percentage points higher than it was in 2008, as well as 2.5 points higher than the EU average in the same period. Nevertheless, this corresponded to about 23.3 million individuals employed, meaning an employment rate of 58.5%, i.e. just 0.1 percentage points lower than it was in 2008. Overall, this trend has been driven by an increase in fixed-term contracts, with about 735,000 units more (+31.9%) as compared to ten years before, while open ended ones were 107,000 fewer than in 2017, when they had just recouped the pre-crisis level. In line with these changes is the increase in involuntary part-time work: with respect to 2008, in 2018 there were 1.5 million more people working part-time only because they could not find a full time job; at the same time, the full time employed people were 866'000 less. One of the main underlying factors for these transformations is a recomposition of the labour force from sectors that require more full time employment, such as manufacturing, towards sectors with higher part-time activities, such as services and catering. In fact, while the industrial sector as a whole has experienced an overall

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loss of about 290,000 individuals as compared to 2008, the tertiary sector on the other hand has

increased by 453,000 units in the same period (ISTAT 2019).

1.2.2) Italian Occupational Structure and the Educational Mismatch

Different accounts have been offered in order to make sense of the structural issues

characterizing the italian labour market and the recently high levels of unemployment. The

mainstream strand of literature identifies labour market rigidities and the excessive level of

protections among the main causes for such structural impairment (Alesina and Giavazzi, 2008;

Alesina and Ichino, 2009), thus implying the need for flexibilization reforms that can better

lead to demand and supply matching; the main opposing arguments, on the other hand,

emphasize how precisely those reforms that have been put forward since the 1990s to achieve

more flexibility have undermined the labour market functioning, mainly by reducing the cost

of labour and thus disincentivizing investment and R&D for small and medium enterprises

(Travaglini, 2013; Saltari and Travaglini, 2009; Tridico, 2012). Departing from this focus on

the labour market structure, Perri and Lampa (2018) highlight on the other hand the role played

by fiscal policy and, especially, fiscal conservatism before the 2008 crisis and fiscal adjustment

afterwards. More specifically, according to them, low levels of investment from the Italian

State have extensively failed to achieve the potential of the industrial structure: as a result,

employment levels need to be restored via a stimulus to aggregate demand coupled with a

properly designed industrial policy, so to make the State an 'employer of last resort'.

Overall, these persistent levels of unemployment have been characterized by both

occupation changes and educational mismatch within the Italian labour market. In fact, like

many other Western economies' labour markets, the Italian one has been undergoing a process

of change in the past few years. Basso (2020) has depicted its trajectory for the 2007-2017

period, particularly focusing on the polarization of employment share towards high and low-

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wage workers, at the expense of the middle-wage ones. According to the summary statistics presented by the author, while within OECD countries we have polarization towards both low and high wage positions, the latter doesn't happen to be the case for Italy, as the employment variation in the upper three deciles of the wage distribution is almost null. While the increased share of low wage positions can be explained by a substantial transfer of the workforce to low value added sectors, such as the accommodation and food sectors, as well as the non-tradable service sector, coupled with a recomposition of the labour supply, with an increasing share of low skilled workers driven by newly entered foreigners, the divergence from the common pattern characterizing most of the Western economies in terms of high wage jobs appears to be more tricky. In order to provide such an explanation, a regression analysis is pursued by the author in order to uncover the presence of routine biased technical change, according to which automating information and communication technologies would substitute for routine-intensive labour activities, thus pushing the workforce away from middle-wage positions towards both high (due to the increased demand for skills among firms) and low (due to the automation process) wage ones. While this phenomenon indeed appears to be at play, the author says, the results show that its impact is only mild, and not sufficient to trigger a demand response for high skilled workers. Concluding, an explanation can thus be found within the low propensity of the italian productive structure to adopt automated technologies (Banca d'Italia, 2018), together with improved and modern managerial practices that would favour the hiring of more high skilled workers.

Within this framework of structural change, a particularly important role is played by educational mismatch. A study performed by ISTAT (2019, Op. Cit.) in the 2014-2016 period aims at investigating the extent to which the phenomenon took place, by assessing the

percentage of over/under skilled individuals over the total population of employed.[4] Overall, educational mismatch has affected more than half of the firms (53.4%) over the considered period, with a higher share of over-educated employees (31.6%) than under-educated ones (21.8%). The phenomenon is particularly accentuated for the younger cohort, as those under 29 years old present a share of over and under-educated individuals equal to 34.3% and 18.3%, respectively. The reverse is true for the older cohorts, as those aged over 49 have shares equal to 20.3% and 34.3% respectively. According to the study, this can be partly explained by a low demand for qualified labour, which in turn leads to a race to the bottom for recent graduates, as those with a college degree end up competing for positions that don't reflect their human capital, thus pushing those which only have secondary education to seek even less-qualified positions. On the other hand, it can be expected that older cohorts are less educated than the younger ones: as a result, they will mostly rely on the skills and the experience acquired during their professional life, thus securing positions that favour skills over educational qualification. Furthermore, on a sectoral basis, it appears that high technology manufacturing companies present a lower share of under educated employees (14.1%) as compared to low technology ones (17.4%); the same applies for high knowledge intensity service industries (21.3%) as compared to low knowledge intensity ones (26.3%), demonstrating a propensity for high value added firms to privilege workers with a higher education.

1.2.3) Recent Policies for Employment

In the past few years, policies for activation and connection of demand and supply within the Italian labour market have mainly consisted of incentives for employment to firms

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4 Within this study, over/under education is expressed as a binary variable which takes value of 1 if the individual holds a degree higher than the mode of the sector and 0 if, vice versa, s/he has a lower degree.

and companies. ISTAT (2019, Op. Cit.) has depicted an overall picture of these policies, with a particular focus on five recent programmes that have affected different categories of workers with the twofold objective of enhancing the transition from short-term to open ended contracts on one hand, and allocating the workforce among companies in the optimal way, on the other. Hence, the objective of stimulating the economy and employment has been coupled, under the implementation of these policies, with the goal of reducing the cost of labour. Overall, the resources allocated for these programmes have vastly varied, ranging from few million euros (100 millions for the *Bonus Giovannini* and 300 for the *Garanzia Giovani*) to several billions, with an extensive impact that in the 2015-2017 period has affected about a third of the firms employing open-ended contracts. Indeed, the extent of this impact has significantly varied across different years: in fact, taking into account both incentives for hiring and for contract transition, in 2014, 2015, 2016 and 2017 the share of contracts involved were equal to 15.9%, 61.3%, 40.2% and 9.7%, respectively. This noticeable variability can be explained by the fact that the bulk of resources started to be allocated in 2015: in particular, while only 52 million euros worth of incentives were delivered in 2014, this amount jumped to 2,927, 6,680, 6,011 and 2,829 in 2015, 2016, 2017 and 2018 respectively, for an overall amount equal to about 18.5 billion euros. This corresponded to a share as high as 5.3% of companies' compulsory contributions in 2016, and 4.6% in 2017. Given the size of these incentives, in 2015 as many as 900,000 more open-ended contracts were created as compared to 2014. The category which benefited the most were the young people under 30 years old, both because part of the resources had been particularly aimed at this cohort and due to the fact that they are more likely to be new entrants on the job market, which was a necessary prerequisite for incentives eligibility. Overall, these policies indeed appear to have had a significant effect to boost employment and incentivize the match between demand and supply of labour; yet, at the same time, they have also mobilized an immense amount of resources, which become even more

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significant when taking into consideration the situation of Italian public finances. As far as the size of firms is concerned, big-sized ones received a greater share of benefits: in 2016, 87% of them received the incentives as compared to 38% of small sized firms. Nevertheless, this was to be expected, given the much higher number of relations that these firms have with their different employees; also, and perhaps most importantly, small sized firms enjoying the benefits presented a share of incentivized contracts equal to 40%, as compared to 5% in big sized firms. As a result, it can be said that the structure of the Italian economy, characterised by a significant number of small and medium enterprises, has been consolidated by these incentives: in fact, they represented a significant reduction of the cost of labour for firms with few employees, which however delivered an employment outcome less than proportional to the subsidy received.

1.3) CI Features

The present section offers a perspective on CI major features; the policy has the twofold purpose of providing economic relief to families which are both in relative and absolute poverty and, at the same time, connecting the demand with the supply of labour by the action of the employment centers (*Centri per l'impiego*, hereinafter CPI).

1.3.1) The Criteria

Being mean tested, applicants have to meet different criteria in order to become beneficiaries of CI. The main criteria established concern income, wealth, citizenship and the overall economic condition as measured by the ISEE indicator. More precisely, eligibility is conditional on:

- ISEE indicator lower than 9360€ for a one-individual family; for households of more than one member, an equivalence scale is adopted with a weight of 1 attached to the first beneficiary, 0.4 for each additional adult and 0.2 for each additional underage component;

- annual income lower than 6000€ for singles; the value is incremented by a multiplier coefficient of 0.4 for each additional adult and 0.2 for each additional child in the household, up to a coefficient of 2.1;

- movable assets value lower than 6000€, up to 10000€ based on the number of family's components, with an additional 1000€ for each child in addition to the first two;

- real estate assets value lower than 30000€ as measured by the ISEE indicator, without taking into account the property of residence;

- Italian or EU citizenship, or else a valid residency permit for extra EU citizens, together with at least ten years of residence in Italy, of which the last two need to be continuous;

Additional requirements are those which take place under the Labour Pact once the benefit becomes effective and will be addressed in the next section.

1.3.2) The Labour Pact and the Social Inclusion Pact

The Labour Pact is the conditionality that binds the applicants once it becomes a recipient. Fundamentally, it posits that the beneficiary needs to be available for job placement and to take part in competencies-improving programmes. More practically, at least one out of three 'appropriate' job offers need to be accepted. 'Appropriate' here means:

- an offer within 100 km if it is the first offer within 12 months after signing the Pact, or

- an offer within 250 km if it is the second one within 12 months, or

- an offer within 250 km if it is the first one *after* 12 months, or

- anywhere on the Italian territory if the CI has been renewed (thus, after 18 months);

The job searching activity is conducted with periodical follow-ups in which the employability level of the candidate is assessed and updated from time to time by using a profiling index, whose criteria (as defined by ANPAL, the Italian Agency for labor policies) are both individual, including variables such as age, degrees, gender, citizenship and work experience, and structural, taking into account the beneficiary's region of residence and thus the local labour market dynamics, together with variables such as the unemployment rate and the density of entrepreneurship.[5] Other than the Labour Pact, beneficiaries might also have to sign the Social Inclusion Pact: contrarily to the former, this Pact is aimed at those individuals who are not yet ready to access the job market because they have 'complex needs' that make them unsuited for the time being. Importantly, this affects the entire individuals' households, which as a result are guided by the municipality's services (as compared to the CPI's for the Labour Pact) as well as a multidisciplinary team of experts towards a path for creating the conditions for a successful reintegration on the job market and eventually exiting poverty. These services come with a duty for the beneficiary to serve in volunteering activities for between 8 and 16 weekly hours.

Overall, the Labour Pact can be seen as a two way binding agreement between the beneficiary and the State. In fact, it is precisely the formalization of the intent to bring about an improved match between labour demand and supply; different tools have been deployed in order to pursue this objective. Among them, we can find improved CPIs and, in particular, the new position of so-called 'navigators'. These are *ad hoc* hired professional figures that are tasked with supporting CPIs activities in guiding the beneficiaries, such as by selecting the most suitable job offers, counselling the companies on incentives and tax breaks, putting

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5 The density of entrepreneurship can be defined as the number of firms within a certain area divided by the population of that area.

forward a pre-selection activity and, finally, monitoring the overall trend between supply and demand match-up.

1.3.3) The Benefits

As far as the monetary benefits are concerned, the overall amount disposed of is variable: the basic criterion is that CI needs to be an integration of annual income up to 6000€ for a family composed by a single individual. This amount can be further increased if s/he is living in a rented house, up to 280 euros per month. As a result, 780 euros is the most an individual can receive. This amount is to be increased by an equivalence coefficient for households of more than one individual, with 0.4 points for any additional adult and 0.2 points for any additional child, up to 2.1 (2.2 if members with disabilities are present).

2) Theory and Empirical Evidence of Basic Income

Within the present section, three different definitions of cash transfer/basic income will be presented, together with real life examples of their application and the related outcomes. More specifically, we are going to distinguish between conditional cash transfers (CCTs), universal basic income (UBI) and minimum guaranteed income, in order to better define the nature of CI and put it in perspective:

- Universal Basic Income: this measure can be defined as a cash transfer provided to each and every citizen in the same amount, regardless of any condition, with possibly the due exception of citizenship; this means that no means testing is involved in the procedure, and that everyone will equally benefit from it.

- Conditional Cash Transfers: CCTS are welfare programs specifically aimed at targeting poverty, especially extreme level one: as a result, not only these cash transfers are means tested, but they also involve some kind of conditionality on the recipient. This can vary from time to time, but usually involves complying with educational and health requirements for the households' children (i.e. enrolling them in school and bringing them to regular doctor check-ups).

- Minimum Guaranteed Income: finally, the minimum guaranteed income is the category under which CI falls. These schemes are thought as income integration ones and thus are means tested: depending on the size of the household, the amount corresponded is equal to the difference between the household's income and a predetermined threshold, usually chosen according to the local definition of poverty. Most of the time some conditionalities are included in these schemes, especially for those who enjoy the full amount of the benefit: usual requirements include participation ro re-skilling and educational programmes, together with an activity job-seeking activity.

2.1) Empirical Cases

As it will be shown, the three typologies of measures presented above have different founding rationales and thus have been historically applied depending on the context. More specifically, CCTs have mostly been utilized in Latin America, starting in the late 1990s (Millàn et Al., 2019). Hence, it can be seen how this kind of policy found application in an environment characterized by high levels of poverty and poor nutrition, education and health outcomes, especially among children. They thus turned out to be particularly helpful to achieve the twofold objective of both reducing poverty and improving social indicators among low income households. This is confirmed by the evidence presented below: while only the case of Brazil's Bolsa Familia will be investigated in the present section, positive and similar results have been recognized across different countries (Ibid.). Importantly, while this typology of measures has indeed become popular and mostly used in Latin American countries, its application is not historically circumscribed to low or middle income countries: indeed, developed countries too have been from time to time applying them (EU Commission, 2014), in order to specifically target those situations where socio-economic conditions were found to be particularly precarious.

Quite differently, minimum income policies are based on the sole rationale of sustaining income and household consumption: as a result, while the context of application for such policies is very close to that of CCTs, they are nevertheless missing the part involving conditionalities for improving health and education outcomes, while on the other hand they are usually linked to conditionalities on job search activity. Accordingly, they usually entail a greater deal of resources to be made use of, since the fight against poverty remains their fundamental purpose: as a result, they are mostly utilized in advanced economies that can actually afford to put forward these schemes and comparatively have a much lower necessity to directly incentivize children's schooling and health.

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Finally, UBI schemes are something unique that so far has found no real life application, except for the case of Alaska Permanent Fund and the very few experiments that have been put forward on the matter. In fact, this kind of policy would constitute a significant burden on the State's finances, and would thus require a complete resizing of the welfare system, possibly with a significant if not complete cut of most of the public expenditure items. As a result, so far the only possible application has been that of Alaska, mainly because the State started it as a way to disincentivize employment within the oil industry, by delivering a dividend connected to the trend of oil prices. Other than that, experiments such as the Finnish one have been put forward in order to analyse the possible impacts of this measure on factors such as labour market participation; nevertheless, both Alaska's case and the Finnish one involve cash transfers that are way less than the minimum amount required to experience an above poverty standard of living: hence, they do not say much about which context might be the most prolific for the enactment of a full UBI.

2.1.1) Brazil's Bolsa Familia and the CCTs

To begin with, the first example of fiscal transfer that will be analyzed is Brazil's Bolsa Familia. Originally enacted in 2003 by president Lula, the policy arose from the merger of different already existing sets of cash transfers, such as Bolsa Escola and Auxìlio Gas: at that time, the Brazilian society was suffering from several problems mainly related to inequality and poverty. In fact, in 2003 about 11% of the total population (i.e. more than 20 million people) lived under the international poverty line of $1.90 per day (Centre for Public Impact, 2019); also, high levels of inequality (as represented by a 56.4 Gini coefficient in 2004) were present, and the existing social safety nets were largely ineffective, failing to comprehend much of the informal sector. In such a context of widespread poverty and precarious conditions for the lower income households, the situation was further worsened by vicious cycles which

induced even the children of poor families to seek a job, in order to sustain the family's income, thus resulting in poor health and education outcomes.

Since its onset, the program has been running and is still ongoing, even though some forms of retrenchment have been taking place in the recent months, under Bolsonaro's presidency.[6] Characterised as one of the largest CCTs in the world, including up to 11 million households by the end of 2006 (Soares et Al., 2010), the programme is centrally administered by the ad hoc created Ministry for Social Development (*Ministério do Desenvolvimento Social e Combate à Fome*), through the operations of the *Caixa Economica General*, a federal bank which is tasked with actually running the program at the local level (Soares, 2012). According to the way it was originally implemented, the measure targets households based on income criteria levels of, respectively, 50 and 100 real. Those below the extreme poverty threshold are entitled to a fixed income, while those with an income between 50 and 100 receive an income based on the number of children within the family. In 2009, this amounted to covering a quarter of the Brazilian population but, given the modest amount of the benefit, it still corresponded to only about 0.40% of Brazil's GDP. In addition, the perhaps most fundamental feature in the whole procedure is the already mentioned conditionality that compels the families to send their children to school, as well as to make them go through the required cycles of vaccinations and health check ups. According to Soares (Ibid.), this has given rise to a debate between those claiming that these conditionalities represent an opportunity for human capital accumulation and, thus, are as important as the benefit itself, and those who on the other hand mainly focus on the social protection aspect of the measure, also emphasizing how these requirements might be difficult to fulfill for households living in precarious conditions. This issue, together with

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6 https://www.economist.com/the-americas/2020/01/30/bolsa-familia-brazils-admired-anti-poverty-programme-is-flailing

the overall results, has widely been investigated throughout its lifespan and from different perspectives.

As far as inequality is concerned, Soares et Al. (2006) estimated the Gini index to have fallen by 4.7% in Brazil between 1995 and 2006 and that 21% of this change can be attributed to Bolsa Familia, making it the second most important source of income in the period after labor earnings. Similarly, in a later paper, Soares et Al. (2010, Op. Cit.) found that other socially meaningful indicators had improved: in particular, despite the aggregate level of household consumption remaining the same, they found that expenditure on food, clothing and education had increased. Concerning health outcomes, Shei et Al. (2014) have performed an analysis on a 2010 households survey and found that participation to the programme, on average, led to better health conditions across different indicators together with, as it was to be expected, an overall higher utilization of healthcare services, to the point of exceeding the conditionalities requirements, like a higher rate of check-ups among beneficiary children indicates: these results can be considered suggestive of positive spillover effects. Further evidence is presented by Rasella et Al. (2013): by running a panel data with fixed-effects regression on municipal data stemming from 2004 to 2009, the authors found a significant impact on children under 5 mortality, mainly via the reduction of poverty-related causes. Similar positive effects can also be found for schooling, as De Brauw et Al. (2015) showed: using longitudinal household data gathered with two different surveys in 2005 and 2009, the authors found only mild average effects to be present; nevertheless, this was mainly due to heterogeneity across results, because by disaggregating by sex they found a significant impact of Bolsa Famìlia participation on girls schooling (as compared to no effect for boys), together with an increase in school repetition and lowering of droupout rates for boys in rural areas.

Finally, the impact on labor market participation is controversial and different outcomes have been estimated. De Brauw et Al. (2015) estimated a propensity score weighting regression

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model, finding that, on average, no reduction of labor supply occurred among beneficiaries in the 2005-2009 period. Nevertheless, they also detected a shift from the formal to the informal sector, most probably as a response to the eligibility criteria of the measure. At the same time, within rural areas, a small but significant reduction in hours worked by women is identified, as compared to a corresponding increase in men working hours. These results, however, are not completely conforming to those of a later study by Fruttero et Al. (2020). In this case the authors, using data from 2006 to 2011, found that participation to Bolsa Famìlia was actually related to higher participation in the formal job market, especially as far as younger cohorts were concerned, up to a 3.3 percentage points higher likelihood as compared to the control group. As a result, while empirical evidence is mixed and not definitive as far as formal and informal job market participation are concerned, there is common agreement that the policy has not reduced the overall supply of labour, as some theories would argue.

Concluding, Neves et Al. (2020) offer a comprehensive review on social assistance, food, health and education outcomes, further expanding the perspective up to 2020 and confirming the results so far presented. It thus can be said that, given the small amount of money provided, the policy has had a more important impact thanks to its conditionalities and the spillover effects that came with them as far as schooling and healthcare are concerned, especially among the younger children.

2.1.2) Alaska's UBI and the Finnish Experiment

Further contributions to shed light on the possible consequences and outcomes of cash transfers can be derived from the experience of the Alaska Permanent Fund as well as the Finnish universal basic income experiment of 2016. As far as the former is concerned, it is the only transfer that meets the requirements to be considered an actual UBI. Established in 1982, this Fund is aimed at gathering at least 25% of the State oil income in order to re-distribute it

to the Alaskan population on an individual, unconditional basis, except for a one year residency requirement. The amount corresponded to each individual is called the 'Permanent Fund Dividend' and varies on a monthly basis, depending on the price of oil. From the early 2000s this amount has been varying within the 900-2000 dollars per year range (Impellizzieri in Marocco and Spattini, 2019), meaning that a family of 4 could receive up to 8000 dollars per year. The main rationale for this policy is to give an incentive in order to vary the structure of the Alaskan economy and divert to a certain extent the workforce from the oil industry; as of February 2021, the overall value of the Fund has been estimated to be of about 75 billion dollars.[7] As far as the outcomes related to the measure are concerned, Jones and Marinescu (2018) have investigated its impact on the labour market. Overall, the authors find that employment is not significantly reduced, as no evidence of a decrease on the extensive margin is detected. At the same time, the intensive margin is found to be reduced due to an increase in part-time hours worked, with a 1.8 percentage points increase in the period after the Fund is introduced. The main explanation provided to this result concerns the aggregate demand channel: a permanent increase in disposable income would increase consumption, thus inducing a shift of the workforce from the tradable to the non-tradable sector. Indeed, this suggestion is confirmed by a more detailed analysis, showing how a reduction in employment and an increase in part-time hours worked is present for the former, but not the latter.

A different investigation is the one pursued by Feinberg and Kuehn (2020): starting from the hypothesis that a UBI would provide a safety net against poverty that can thus encourage individual risk-taking and, in turn, boost entrepreneurship, the authors pursue different regressions using both state-level and individual-level data; overall, a positive boost on entrepreneurial activity is detected only on the very initial years of the policy, with particularly high values in 1982, which tend to dissipate over time. A contribution by

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7 https://apfc.org/

Goldsmith (2010), on the other hand, presents some possible negative effects that might arise: among them, the author emphasizes the so-called 'magnet' effect, which could take place and attract newcomers in the eventuality that the amount corresponded increases significantly; this would increase the demand for and the pressure on social services supply, together with the labour supply, thus leading to a higher unemployment rate and lower wages.

Overall, a study by Harstad Strategic Research (2017) found that the measure had made 'a great deal' or 'quite a bit' of difference over the previous five years for 40% of the respondents; 'only some' difference was reported by 28% of the respondents while only 8% stated that no difference was made.

Moving to the Finnish experiment, it started as of the first of January 2017 and lasted for two years. This measure consisted of delivering 560 euros on a monthly basis to the individuals involved in the experiment. The underlying rationale of the Finnish government was to examine whether such a measure could soften the financial constraint on the unemployed, thus enhancing their job-research activities. According to De Whispelaere et Al. (2018), this intent stemmed from a long-standing debate on basic income that had been developing within the country since the 1970s: while before the 1990s negative income taxes and guaranteed minimum income were the main objects of discussion, afterwards the focus moved on to pure universal basic income schemes, conceived as a tool for activation policy that departed from the usual conditionalities involved in unemployment spell schemes. This conceptual change was induced by the particularly high levels of unemployment, derived from the economic recession that drove the unemployment rate up to 17.7% in 1993. This concern remained unchanged throughout the 1990s and the 2000s: as a result, it ended up constituting the basis for this experiment. Ultimately, the final push for its application came from the work of the think tank Tänk, which published in 2014 a study advocating for a negative marginal tax rate experiment based on randomized control trial. This in turn prompted the government to

take action, to the point of making one of the authors of this study a member of the group responsible for designing the UBI experiment. Overall, a long-standing debate coupled with a tradition of social policy experimentation thus created a fertile ground for the implementation of the experiment.

As far as the modelling is concerned, the 2000 beneficiaries were randomly selected among the recipients of unemployment spells provided by Kela (the Finnish Social Insurance Institution). The amount delivered to them was equal to the full unemployment spell, with the difference that no conditionalities were involved and income from work would not affect it. The results one year after the policy's implementation as presented by the Ministry of Social Affairs and Health (2019) show how no significant difference in hours worked can be found between the treatment and the control group (49.64 vs 49.25 days on average), nor in total earnings and income (4230 vs 4251 euros). While no impact on employment after one year is detected, the story appears to be different as far as social and psychological variables are taken into account. Round of interviews in fact found out that, when asked to evaluate their 'satisfaction with life', respondents belonging to the treatment group had an average value of 7.32, as compared to 6.76 in the control group. Similarly, the former demonstrated much higher confidence in the future (58.2% against 46%) and greater confidence in their ability to influence societal matters (60 vs 49.1%). In addition, concerning health outcomes, 54.8% of the treatment group deemed its health to be either 'good' or 'very good', as compared to 46.2% in the control group. Similar results are observed for financial wellbeing, as 60% of people belonging to the former group said to be either 'living comfortably' or 'doing okay', as compared to 50.9% of those who belonged to the latter. Overall, it thus can be said that, far from discouraging availability to work, the basic income in the Finnish experiment has on the other hand led to improved wellbeing; as Impellizzieri (2019, Op. Cit.) has noticed, this is even more significant given the fact that unemployment spells in Finland are conditional on the availability to work

and to participate in job market reintegration programmes, which thus should have prompted a greater employment response within the control group, all else equal.

2.1.3) Minimum Guaranteed Income Schemes in the EU

Finally, we turn to a comparative analysis of minimum guaranteed income schemes within the European Union. Frazer and Marlier (2016) have comprehensively summarised these schemes, particularly taking into account their efficacy to contrast poverty in terms of adequacy, coverage and take-up rates, as well as their linkages to other services such as active labour policies for individuals' reintegration in the job market. Overall, the picture is not encouraging: only five schemes are considered to provide an adequate level of income support, while as many as fourteen of them provide a very low/inadequate level. Accordingly, most of the MI schemes deliver an income level which is below the at-risk-of-poverty threshold, implying an impact on poverty which is at best limited and that, most importantly, has worsened in eleven countries (as compared to only four where it has improved) with respect to a 2009 study; as it was to be expected, less worrisome is the impact on the *depth* of poverty, meaning that while they are most of the time not capable of dealing with the problem all together, the MI schemes nevertheless play a role in alleviating it. A better performance is observed in terms of coverage, as more than half of the countries provide a fairly comprehensive coverage: nevertheless, it remains very limited in as many as eight countries and, most importantly, there often are minorities which end up being excluded despite meeting the eligibility criteria, such as migrants, homeless people, working poor and refugees. Also, too rigid means testing and conditionalities are found to be hindering proper coverage, mainly because the take-up rate happens to be directly affected by these rigidities. Additional determinants of the take-up rate that in turn affect the overall coverage are of both personal nature, such as fear of social stigma and ignorance of the application procedures, and

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institutional nature, such as inadequate information, excessively complicated bureaucracy and too low benefits in relation to the potential sanctions.

Finally, as far as the inclusive labour policies connected to MI are concerned, while it is detected a clear tendency to improve them over time, thus attempting to better connect MI recipients to job market reintegration, most of the time the necessary enabling services are lacking. The authors identify the main factors to be lack of capacity and resources among the public employment services, the lack of necessary coordination among them and the tendency to prioritise other categories that can be more easily reintegrated, such as the young. This in turn leads to the issue of long-term dependency from these schemes: unemployed people find it hard to re-skill themselves and, at the same time, are faced with very high marginal tax rates that further discourage them from actively seeking job opportunities in the formal sector. Concluding, it can be seen how, while MI schemes across the EU indeed play a role in alleviating poverty, they are nevertheless mostly insufficient to provide a more consistent response to this problem, also due to the retrenchment and the increasingly rigid eligibility criteria that have taken place since 2009. These flaws are coupled with ineffective labour policies and the connected services, which in most of the cases fail to create the necessary connections between the recipients and the job market, thus dampening their chances of reintegration.

2.2) Active Labour Market Policies

Finally, we present a sketch of different active labour market policies with a focus on OECD countries. To begin with, four main types of ALMPs can be identified (Kluve, 2014):

- job search assistance: their scope is to guide the job seeking activity of the individual, mainly by training, monitoring, and counselling activities; sanctions for non

compliance can also be included as a part of the process, as they are aimed at making it more efficient by disincentivizing adverse behavior of recipients. Importantly, this kind of policies is most likely to only lead to temporary increases in employment levels, unless job matching changes future employability;

- training programmes: probably the most common ALMP worldwide, training programmes are aimed at increasing human capital, reducing skills mismatch and eventually creating a better connection between demand and supply on the market. They may include one or more of the following elements: technical training, work practice, basic skills training, life skills training and, eventually, job insertion;

- private sector incentive programmes: this kind of ALMP consists of subsidizing the private sector in order to provide incentives for hiring. For instance, tax breaks might be provided to those firms that hire unemployed people meeting certain characteristics (e.g. under a certain age, for youth employment-promoting policies). Alternatively, they could promote self employment by guaranteeing financial incentives, together with advisory support and technical training, to newly born firms, in order to enhance entrepreneurship among unemployed individuals. Overall, while this kind of policies can provide benefits such as increased human capital among newly hired people, as well as a 'culturalization' effect related to being in a job, some shortcomings are nevertheless present: first of all, the effect might happen to be only short-termed, if for instance firms end up increasing short term contracts with the only purpose of making use of the benefits; secondly, risks of displacement increase, due to the difference between subsidized firms and non-subsidized ones; thirdly, there is a chance of deadweight loss, to be attributed to those hirings that would have taken place regardless of the policy;

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- public sector employment: finally, some measures can take the form of direct employment for public services. Typically targeting the most disadvantaged individuals, this is mainly a safety net of last resort to keep up employment levels. However, not only this is likely to turn out to be particularly expensive for the public finances, but also to only have short term effects and possible displacement effects within the labour market. Hence, the main rationale here is to keep individuals active and prevent them from being completely idle while receiving the public benefits.

From an historical perspective, spending on ALMPs happened to be low within most of the OECD countries before the 2008 crisis, with a particularly small share of GDP devoted to these policies within Anglo-Saxon countries, corresponding to less than 0.5 percentage points; comparatively, continental and southern European countries had levels of expenditure slightly less than 1% of GDP, and the highest share could be found within the Scandinavian ones, above 1%. While the crisis brought about an increase in passive labour policies such as unemployment spells, its impact on the active ones was mixed: those countries which could afford it, such as the US, Denmark, Norway and Finland, increased expenditure in order to fight the surge in unemployment; at the same time, those which were hit particularly hard by the debt crisis reduced expenditure on those items (Sahnoun, 2018). For instance, in 2010 Italy devoted 80% of its total labour market policies expenditure towards the passive ones, as compared to just 48% in Denmark (Kluve, 2014, Op. Cit.).

Overall, different contributions have investigated the effectiveness of these measures across countries and presented their main pros and cons. From a macroeconomic point of view, Eleftherios and Athina (2017) performed an analysis for OECD countries within the 1991-2011 period, in order to investigate the impact on output growth. Overall, the authors find that a positive output growth is associated with increased allocation of resources towards ALMPs: importantly, the effect appears to be strongest during 'good times'. As a result, contrary to

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what is usually thought, these policies might not deliver their highest impact during times of recession, mainly because of the deteriorating market sentiment that might jeopardize their implementation. Hence, a procyclical approach would be advised, according to the authors, even more so when taking into account that positive spillovers dominate in the long run, even when short term job creation is modest.

Similarly, Sahnoun and Abdennadher (2018) performed a regression analysis on OECD countries for the 2000-2014 period: overall, their results show that a 1% expenditure increase on ALMPs, on average, leads to a 0.16 percentage points reduction in unemployment. Among the different types of policy, the authors find that training programmes, together with start-up incentives, appear to be the ones most significantly related to unemployment reduction; on the other hand, direct incentives for employment are not statistically significant and public employment initiatives are significant only at the 10% level. These results are in line with Kluve (2014, Op. Cit.), according to whom training programmes play a major role: most of the benefits from these programmes materialize in the long run and can be reaped by implementing short term job search assistance via monitoring and counselling, together with a long term focused training which can enhance the capital accumulation of unemployed individuals.

To sum up, ALMPs appear to play a role in reducing unemployment and have different effects depending on the different time horizons. On one hand, incentives for start up creations together with wage subsidies appear to be the most effective ones; on the other, while training programmes too can deliver significant benefits when properly implemented, especially on a long run perspective, direct public job creation appears not to be significant towards a stable unemployment reduction.

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3) CI Statistics

3.1) Descriptive Statistics

Within the present section, the main descriptive statistics about CI recipients is being presented. More specifically, fundamental socio-demographic features of recipients -such as national belonging, place of residence, age and gender- will be highlighted, together with the main trends on number of applications, coverage of CI's first two years of life.

3.1.1) Stylized Facts on the first two years of CI

The data presented within this section are retrieved from the INPS trimestral note on CI April 2019 - December 2020. To begin with, the overall number of applications received has been about 1.6 and 1.5 millions, for 2019 and 2020 respectively. At the end of 2020, overall, a total of 1.5 millions of these applications had resulted in a successful outcome. This is the outcome of a continuously growing trend, with about 512,428 recipient households at the start of the period, in April 2019, up to a maximum of 1,138,767 in September 2020. A drop was experienced in October due to the expiration of the first cycle of benefits, with just about 796,036 beneficiary households. Yet, the pattern soon recovered and clinged back up at 1,093,733 in December: on overall, about 192.000 households had lost the benefit during the period, mainly due to a variation in the household composition/income (78%), as compared to a renouncement from the beneficiary (7%) and a direct revocation (5%). In addition, about 175.000 households had terminated their 18 months period of benefit (whose first recipients started to receive it as early as March 2019) without it being renewed afterwards. Indeed, the issue of those which had to renew their CI benefit for a second round already sheds a light on the effectiveness of the connected labour policies:

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Table 2: New CI applications at the end of the first round

Month of the last payment	N° of households which terminated the first cycle of benefit	N° of households which applied for a 2nd cycle	Of which has received at least one payment in the corresponding month
September 2020	381,541	349,584	340,644
October 2020	104,670	87,253	63,879
November 2020	94,024	59,024	-
Total	580,235	495,861	404,523

Source: INPS (2020)

Overall, we can see how about 85% of the first recipients applied to renew the benefit, with a share as high as 92% of the sample for the very first ones, the 89% of whom have subsequently received the first payment of the new cycle either in October or November 2020. Similarly, 83% and 63% of those which terminated their first cycle in October and November respectively have applied for a second one.

Additional insights about the beneficiaries characteristics are provided by the 2020 INPS Annual Report on CI. At the end of 2019, the age class distribution was as follows:

Table 3: Age distribution (%) of CI beneficiaries at the end of 2019

Age	Males	Females	Average
0-5	9.0	7.7	8.3
6-13	12.9	11.0	11.9
14-17	6.4	5.5	5.9
18-24	9.0	8.7	8.8
25-34	11.0	12.5	11.8
35-44	13.6	15.3	14.5
45-54	16.1	15.8	16.0
55-64	14.1	12.1	13.0
65-74	6.0	6.3	6.2
75+	1.9	5.1	3.6

Total	100.0	100.0	100.0

Importantly, 89% of the recipients between 15 and 29 years old were not studying, and 72% of them were potential NEETs. From the regional point of view, in the same period 62% of the beneficiaries lived in the South or the Islands, 15% in Center Italy and 23% in the North.

3.1.2) Current Situation

As of February 2021, the territorial regional of recipients was as follows:

Table 4: CI recipients statistics for February 2021

Region	N° of households	N° of individuals	Average transfer
Italy	924,421	2,216,625	591.01
North	170,445	357,428	522.49
Center	129,553	275,633	549.40
South and Islands	624,423	1,583,564	618.34

We can see how, as compared to the first year of policy activation, the regional distribution is even more skewed towards the South of Italy.

On the other hand, the national belonging of recipients was as follows:

Table 5: CI recipients by nationality

Citizenship	N° of households	N° of individuals	Average transfer
Italian citizens	790,146	1,894,728	601.93
EU Citizen	41,249	88,512	572.06

Extra-EU citizen with residence permit	85,040	221,586	507.58
Family Members	7,896	11,799	496.06
Total	**924,421**	**2,216,625**	**591.52**

Source: INPS (2021)

As it can be seen, non Italian citizens appear to compose part of the distribution which is less than proportional to their distribution in terms of absolute poverty.

3.2) Employment and Labour Pact Statistics

3.2.1) Social and Labour Pact

Within this section, the descriptive statistics concerning the distribution of subjects which have taken part in the already mentioned Labour Pact, is presented. The latest data are provided by ANPAL (2020). As of the first of September 2020, the regional distribution of individuals which had taken part to the Labour Pact was characterized as follows:

Table 6: CI beneficiaries involved in the Labour Pact

|	North West	North East	Center	South	Islands	Total
Beneficiaries	150,421 (14.7%)	51,616 (5.0%)	121,766 (11.9%)	459,108 (44.8%)	242,213 (23.6%)	1,025,124 (100%)
Households	95,649 (15.4%)	34,945 (5.6%)	78,685 (12.7%)	263,227 (42.4%)	147,934 (23.8%)	620,440 (100%)

Source: ANPAL (2020)

As we can see, the total number of CI recipients subject to the Labour Pact is slightly above one million individuals. Consistently to the statistics presented in the previous section,

the majority of beneficiaries is concentrated in the South, with about 44.8% of the total as compared to the North-East, where only 5% of the beneficiaries are present.

While gender differences are almost nonexistent, with 52.3% of females as the national average, the distribution of age classes is much more varied:

*Figure 2: Age distribution of the subjects to the Labour Pact*
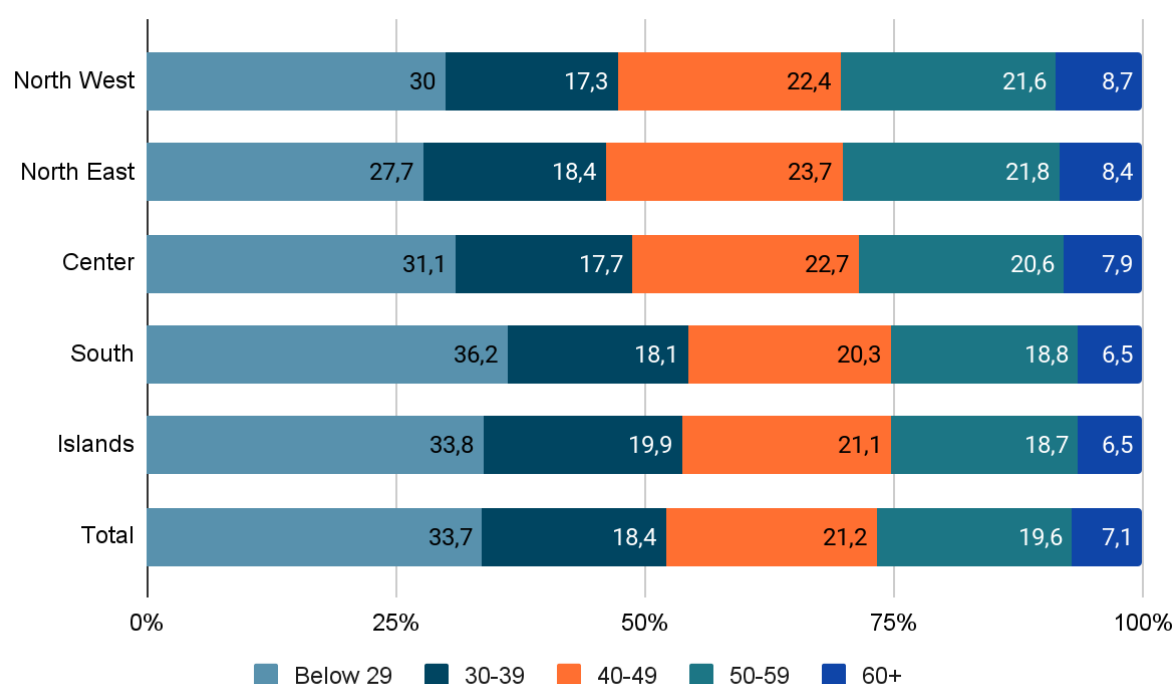
Source: ANPAL (2020)

Young people appear to be the dominant group of the distribution, with people younger than 40 years old making up more than 50% of the national average, and people younger than 50 years making up more than 70% of the total.

Turning to the most important indicator of this section, i.e. the level of education, we can see how participants to the Labour Pact have predominantly a very low level of education, with about 70.9% of the national average completing lower secondary school (*educazione secondaria di primo grado*) at most, and slightly more than a quarter completing higher secondary school (*educazione secondaria di secondo grado*). Only 2.6% of the total appears to

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have completed tertiary school, and this distribution appears to be quite homogeneous across different regions.

*Figure 3: Level of education of the subjects to the Labour Pact*
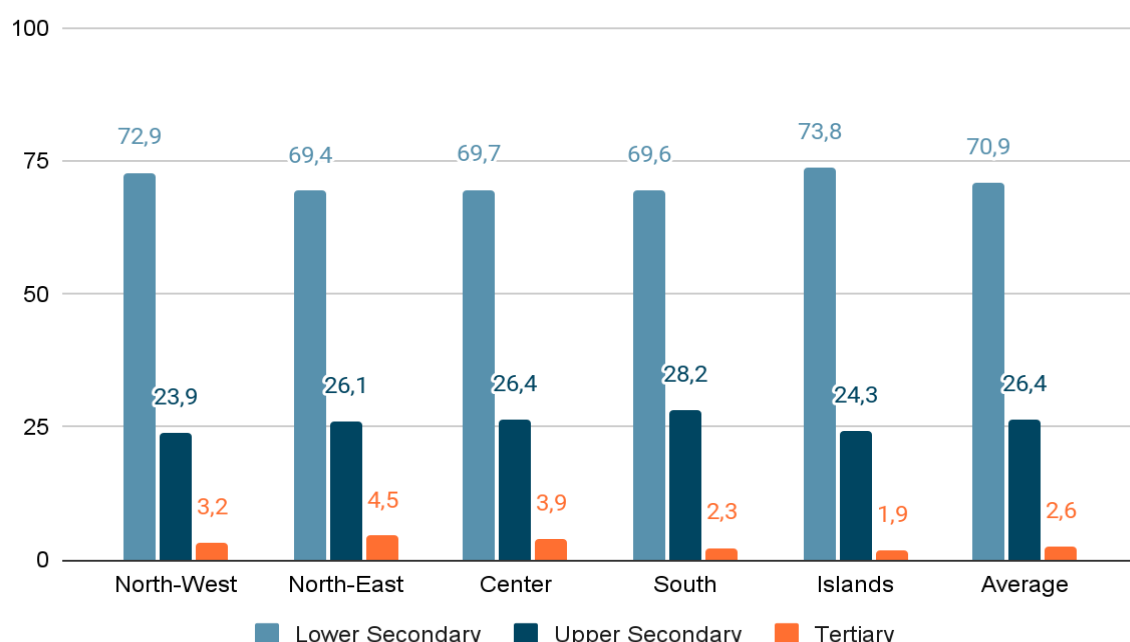
Source: ANPAL (2020)

Finally, ANPAL presents a profiling index which aims at summarizing the employability of the beneficiaries. The criteria used to compute this index are both individual, including variables such as age, degrees, gender, citizenship and work experience, and structural, taking into account the beneficiary's region of residence and thus the local labour market dynamics, together with variables such as the unemployment rate and the density of entrepreneurship.[8] In fact, this index ranges from zero (max employability) to one (min employability) and is updated for each individual every 90 days: thus, for instance, if the individual has taken part to a training course or has acquired competencies in the meantime, his value will be reduced within the successive screening.

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8 The density of entrepreneurship can be defined as the number of firms within a certain area divided by the population of that area.

Overall, it is shown how employability appears to be considerably low, with a peak of 0.9 in the islands.

Figure 4: Profiling index by region
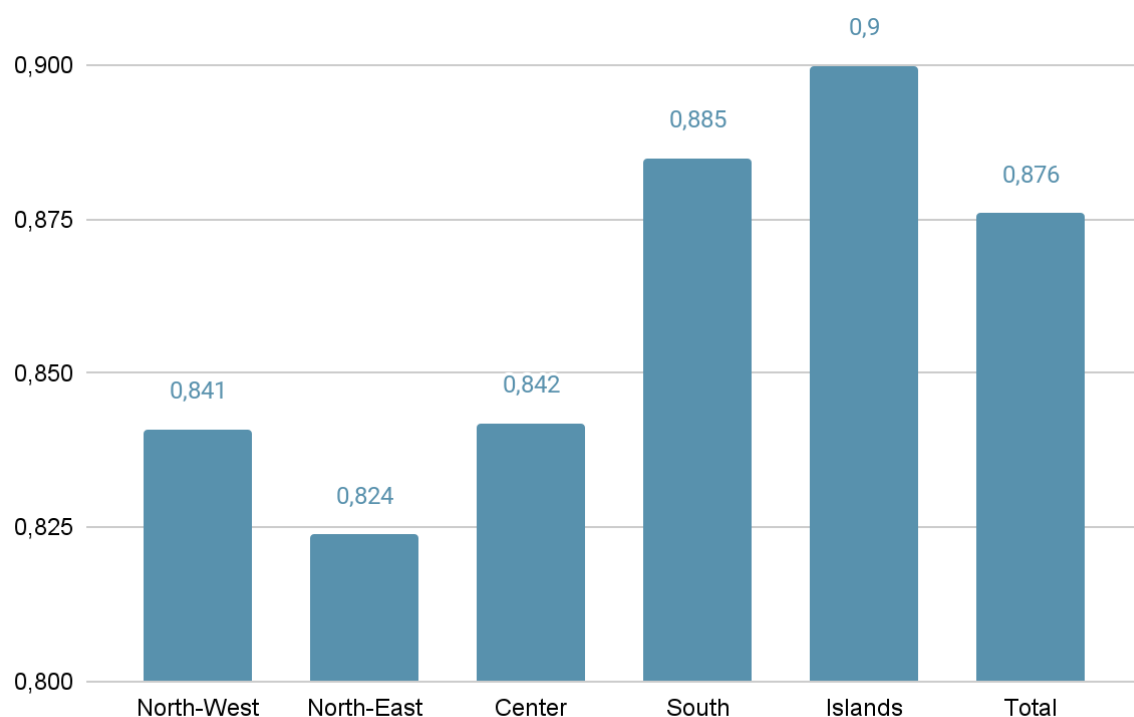
These results are coherent with the descriptive statistics presented above on the distribution of education level.

Concluding, at the end of the time period covered by the data, we can see how only slightly less than 40% of the total beneficiaries have been taken into consideration by the different CPIs, together with a very low share of individuals who have been secured an internship.

*Table 7: Regional distribution of individuals taken in charge by CPIs*

Region	N° of subjects to the Labour Pact	Taken in charge	Interning
North-West	105,421	47,351 (31.5%)	688 (0.5%)
North-East	51,616	20,743 (40.2%)	253 (0.5%)
Center	121,766	46,861 (38.5%)	271 (0.2%)
South	459,108	176,956 (38.5%)	1,177 (0.3%)
Islands	242,213	109,757 (45.3%)	330 (0.1%)
Total	1,025,124	401,668 (39.2%)	2,719 (0.3%)

Source: ANPAL (2020)

3.2.2) CI-related employment statistics

Following the statistical evidence presented in the previous section, we now turn to present the statistics related to the employment outcomes of those who have taken part in the Labour Pact. Overall, as of October 31, a total of 1,369,779 individuals had signed this Pact. Of these, about 352,628 (25.7% of the total) had at least one working experience following the application to CI, 191,851 (54.8%) of which were still ongoing at the end of the period (ANPAL Servizi Data). In addition, it is important to emphasize how these numbers are divided across regions and typology of contract. In fact, as far as the former is concerned, the share of those who managed to find a job was predominantly higher in Northern regions, with the Autonomous Province of Trento reaching as high as 47.5%. At the same time, Calabria, Sicilia and Campania were the only regions to have numbers below the national average, with a share of 24.1%, 19.2% and 19% respectively: this can be explained by the fact that most of the recipients are located within these three regions, which thus more than compensate the much higher numbers of their Northern counterparts.

Figure 5: Percentage of beneficiaries with one working activity at least
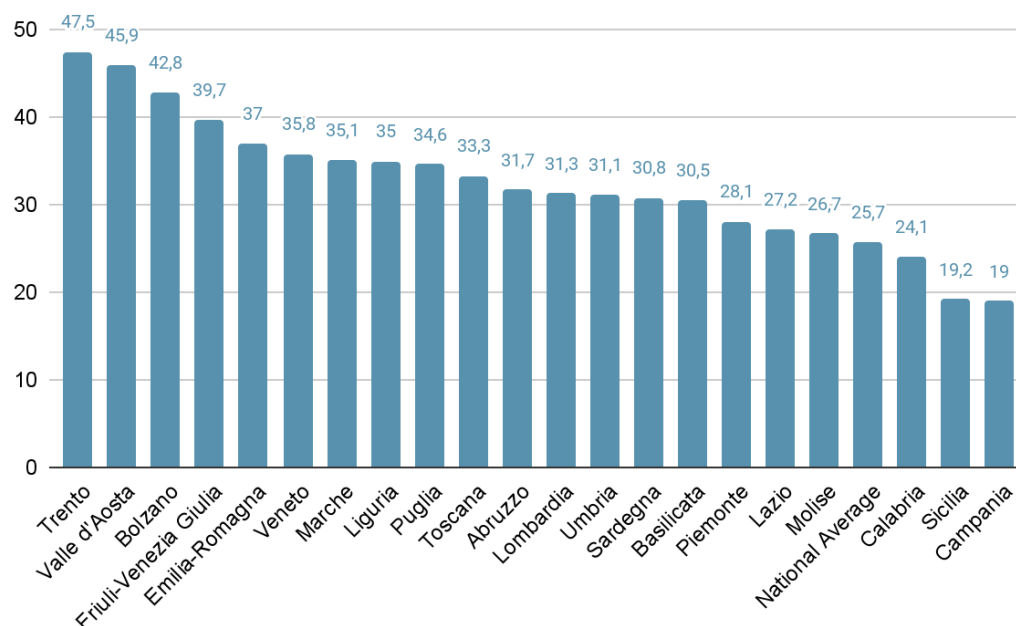
Source: ANPAL Servizi Data

On the other hand, as far as the typology of contracts is concerned, it is worth emphasizing how as much as 65% of them (228,919) were fixed-term contracts, while only 15.4% were open ended contracts. Of the former, about 70% was of up to 6 months length and only 9.3% were longer than a year in duration. Concluding, the positions connected appear to be low-value added, with 29.3% of the people employed either in the commercial services or in the catering sectors, together with 12.3% of unqualified positions in the agricultural sector.

3.3) Poverty Statistics for 2019 and 2020

3.3.1) 2019 Poverty Statistics

We now turn to presenting the summary statistics on poverty for 2019 and, despite being less reliable due to the Covid-19 crisis, 2020. As far as the poverty outcomes for 2019 are concerned, 1.7 million families were living in absolute poverty, implying an incidence rate of 6.4%. Importantly, 2019 was the first time after four years that this number decreased; on

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the other hand, the number of households experiencing relative poverty remained stable, slightly below 3 millions (11.4%). Regionally, absolute poverty remains prevailing in the South and the Islands (8.5% and 8.7% respectively) as compared to the other regions (4.5% in the Center, 5.9% in the North). Other characterizations that match 2018 trends are family composition, age distribution and the national belonging: taking the first into consideration, we can see how more numerous households are significantly more exposed to poverty risk, with an incidence rate of 9.6% for families of 4 members as compared to a rate of 16.2% for those with 5 or more members. Also, single parent families have a higher than average rate, equal to 8.9%. Similarly, age distribution presents significant differences among cohorts, with people aged 18-34 presenting a rate of 8.9%, as compared to a rate of 5.1% for people above 64. Finally, foreigners appear to experience the highest rates of absolute poverty, with a rate as high as 26.9%, making up 30.4% of the total population, as compared to a rate of 5.9% for Italians. Concluding, as far as relative poverty is concerned, the average incidence rate was equal to 11.4%. The trends characterising it are the same as absolute poverty, with a much higher incidence in the South (21.1%) as compared to the North (6.8%), among more numerous households, foreigners (30.5%) and younger people.

3.3.2) 2020 Statistics

Finally, as it was to be expected due to the pandemic, 2020 brought about a general worsening of socioeconomic conditions (ISTAT, 2021). To begin with, during that period absolute poverty among households increased to 7.7%, corresponding to 335'000 more families experiencing this condition. Overall, the situation particularly worsened in the North, which went from an incidence rate of 5.8 to 7.6%; in comparison, in the South the increase was of 0.7 percentage points (up to 9.3%), while the Center experienced an increase of 1 percentage point, up to 5.5%. With regard to family composition, the impact was particularly felt by more

numerous families, whose poverty rate increased by 4.5 percentage points, up to 20.7%, and by single-parent ones, with an increase of 2.8 percentage points up to 11.7%. Differently from the previous year, foreign people presented a lower poverty rate, equal to 28.7%: nevertheless, this is to be attributed to the fact that Italian households have been affected by the crisis to a much larger extent, thus reducing the proportion of foreigners within the overall population.

4) Overall Results Assessment

After depicting a picture of the socioeconomic and structural conditions in which the CI was originally born, we turned to presenting the statistics related to poverty one and two years after its implementation, together with employment outcomes. Now it's time to provide an evaluation of those numbers: first of all, an early view of different authors is presented. Afterwards, the bulk of the analysis is put forward, by combining these different views and putting them in light of the descriptive statistics presented.

4.1) An Early Assessment

An early assessment of CI has been presented by different authors who, at the onset of the measure, have tried to anticipate its possible effects based on the main characteristics as they were presented in the original law proposal. While there is an overall agreement towards the necessity of a measure of this kind to support the battle against poverty, at the same time a different spectrum of issues was identified. The most important ones concern the allocative efficiency of the measure, mainly in terms of coverage and overall distribution of the benefits, together with its prospected impact on employment and the role of CI as an active labour market policy.

4.1.1) Allocative Efficiency

The arguments on the allocative (in)efficiency of CI are related to both the sum of the transfer and its eligibility criteria. As far as the former is concerned, Sgritta (2019) pointed out how more numerous families are more likely to be penalized given the marginally decreasing effect of the equivalence coefficient: indeed, it appears immediately evident how a household

made up of one individual only can benefit much more from the measure as compared to, for instance, a family of four members, in which case the overall monthly amount can only reach 275 per individual. More specifically, the coefficient multiplier for minors is only equal to 0.2, resulting particularly penalizing for families with many children.

An additional distortionary factor is the ten years residency requirement for eligibility. Casillo (2019) notices how this requirement has to be considered excessive: in fact, while the citizenship requirements are not discriminatory, because extra-EU citizens are nevertheless recognised and made eligible provided they have a regular residency permit, at the same time it is way more unlikely for them to have a ten years period of residence; in addition, there seems to be no correlation between the residency requirements and the stated scope of the measure to fight poverty, leading to inequality of provision and allocative inefficiency. A similar conclusion is reached by Rosafalco (2019) who, by taking a legal approach and analysing a strand of recent juridical outcomes both in Italy and at the European level, highlights how the residency requirement appears to be indeed detached from the foundational rationale of the policy, hereby defined as its *normative cause*. As a result, the author says, while this eligibility criterion appears to be legitimate under the Italian law system, possible clashes might arise as far as the EU framework is concerned on the other hand: in fact, the directive 2011/98/EU on the residency permit states that social security treatment has to be equal between nationals and resident permit holder; as a result, by indirectly discriminating the latter category, CI might face legal opposition at the EU level in the future. Finally, Baldini and Gori (2019) put forward two further issues: first of all, the residency requirement would affect not only many poor non-Italians and prevent them from becoming eligible, but also those who are the poorest, i.e. the homeless. Secondly, and perhaps most importantly, this discrimination against the former group would leave many minors in conditions of absolute poverty, thus exposing them to a higher chance of unlawful conducts throughout their early stages of their life, together with

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reduced chances of accumulating human capital, implying a worsening of the overall socioeconomic structure in the long run.

Concluding, a third and likely flaw that was identified by different authors was the possibility of distorted allocation resulting from an homogenous benefit across the entire country. In fact, living costs are greatly different in the Northern regions as compared to the Center and, in particular, the Southern ones (up to 25-30% lower living costs). As a result, while an individual living in a small town of the South would receive 780 euros in the face of a poverty threshold of 560 euros, a family of four living in a Northern metropolitan area could only receive 1180 euros, very short of the 1650 euros poverty threshold estimated for that region.

4.1.2) The Possible Impact on Employment

Among the main criticisms that have been raised there are concerns that this policy could foster inactivity by increasing the reservation wage (IMF, 2019), together with the tendency to engage in shadow activities.

The former problem has been investigated by Tridico (2015), who addressed the likely impact on employment that this measure could have had years before its implementation. More specifically, the author pursued a regression analysis on 34 OECD countries for the 1990-2013 period. Taking the Employment rate as dependent variable, two different models are estimated: the first one's independent variables are the presence of a minimum incomes scheme, the level of investments and the welfare expenditure as a percentage of GDP; the second one also includes the education level, the level of wages, trade openness and the percentage of FDIs. The overall findings suggest that employment is positively related to both a strong welfare state and the presence of a minimum income scheme, even though the effect for the latter appears to be slightly weaker in the second model (with a coefficient of 5.78 as compared to about 6 in

the first model). Hence, this analysis provided a first insight towards the unlikelihood of disincentivizing effects on employment.

The chance for shadow activities to increase as a result of the cash transfer contingent on strict criteria has on the other hand been investigated by Alfano (2019). In his paper, the author attempted to pursue a first exploratory analysis by using interview data to relate the probability of applying for CI with the probability of the interviewed worker to be working in the shadow economy. While initial results found a significant correlation between the two on a regional basis, this was to be expected due to the high omitted variable bias induced by the low specificity of the indicators included. In fact, further accounting for personal income as divided in deciles returned mixed results that were far from definitive, due to the fact that a higher correlation should have been observed for lower incomes, and vice versa.

4.1.3) CI as an Active Labour Policy

Finally, taking into consideration the overall role of CI as an active labour policy, Seghezzi (2019) highlighted how the tasks required from the CPIs would be likely to result in an excess of amplitude for the measure: the threefold function of profiling, identifying the required competencies and eventually advancing the three different job proposals would be too burdensome. As a result, the resources allocated to deal with this process would probably be insufficient, thus jeopardising the conditionalities that are connected with the benefit. This criticalities, according to the author, were to be further put in perspective by accounting for the precariousness of the Italian CPIs as, at the time of the paper, 50.5% of them appeared to have an impaired system for job-orienting services, and 54% for demand-supply matching ones. Hence, the author concluded, the likelihood for CI to be renewed after the first 18 months cycle was to be expected to be quite high.

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In addition, Gallo (2019) has been among the first ones to raise doubts as to how the propensity to move in order to accept a job offer might be a factor that needs appropriate consideration, when evaluating the impact of the measure on labour demand and supply matching. The study was put forward *before* the measure had actually been implemented; thus, the pool of individuals involved had been selected on an income basis (more specifically, those who had an annual income lower than 1000 euros) from the dataset provided by the 2018 INAPP PLUS investigation (INAPP, 2018). More precisely, questionnaires were delivered in order to estimate the immediate availability to work, as well as the propensity to move. Addressing the former, up to 43.8% of the possible candidates for CI (and thus to the Labour and the Social Inclusion Pacts) were not available to start a new job immediately (within two weeks), while 28.7% were okay only with a position that would fit their interest and only 27.5% would accept any offer. Importantly, the distribution was significantly different for the younger cohort (18-29 years old), in which only 9.4% said not to be immediately available to work, while about 60% would accept any offer. Similarly, the latter part of the questionnaire shows that about 31.4% of the respondents were not willing to move at all for a new job; this percentage drops to 19.3% for the 18-29 years old cohort.

4.2) An Ex-Post Assessment

Within the present section we finally turn to an assessment of the policy's performance, in order to define whether the initial arguments about its effectiveness turn out to be correct, and what other issues are at stake as of now.

4.2.1) Impact on poverty

To begin with, the impact on poverty is analyzed based on the statistics presented within the third section. At the end of 2018, as we have seen, there were about 1.8 million families experiencing a condition of absolute poverty, for an incidence rate of 7% (5 million individuals). One year later, an improvement in this indicator is indeed detected, with a drop to 6.4%, corresponding to 1.7 million families (4.4 million individuals):

Table 8: Percentage of households experiencing absolute poverty (2018-2020)

	North	Center	South and Islands	Average
2018	5.7%	5.3%	10.2%	7.0%
2019	5.8%	4.5%	8.6%	6.4%
2020	7.6%	5.5%	9.3%	7.7%

Source: ISTAT(2019; 2020; 2021B)

The improvement observed is particularly substantial in the South and the Islands. To better make sense of these percentages, is it useful to look at the estimates computed by the Italian Ministry of Labour (2020). While using a slightly different indicator as compared to the one used by ISTAT to define absolute poverty,[9] this report nevertheless provides some useful informations: indeed, according to it, the intensity of absolute poverty has been vastly reduced across the country throughout 2019, with an average value of 83%, meaning that most of the recipient households have been advanced towards the poverty threshold (hereby defined as 60% of the corresponding median income). Accordingly, throughout the same period CI has represented at least 90% of the income for about 40% of the beneficiary households and, on overall, 70% of the total income of the entire pool of beneficiaries. Overall, about 245,000

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9 Within this report, absolute poverty is defined as 40% of the corresponding median income.

families are estimated to have surpassed the absolute poverty threshold thanks to either CI or the Citizenship Pension.[10]

Turning to allocative efficiency, it appears that within the overall pool of beneficiaries the resources have been allocated correctly to some extent at least, targeting those regions where they were needed the most. Again, some pieces of evidence in this direction are provided by the Italian Ministry of Labour (Op. Cit., 2020): throughout 2019, the correlation between incidence of absolute poverty and the incidence of CI beneficiaries on a regional basis presented an R^2 of .904; similarly, the correlation between the latter variable and the unemployment rate presented an R^2 of .986 for the period considered.

Nevertheless, some of the problematics connected to resource allocation considered in the previous section have nevertheless materialized As far as foreigners are concerned, we can see that, based on nationality, the drop in poverty values has been quite varied:

Table 9: Percentage of absolute poverty by nationality (2018 - 2020)

	Italian	**At least one non Italian member**	**Non Italian**
2018	5.3%	25.1%	27.8%
2019	4.9%	22.0%	24.4%
2020	6.0%	25.7%	

Source: ISTAT(2019; 2020; 2021B)

While an improvement in terms of absolute poverty among non Italians is nevertheless present, the misallocation problem is much more severe within this group. A solid indication for this is the distribution of CI beneficiaries at the end of 2019: even if, as we have seen, non Italian households made up 30.4% of the poor population (despite composing 8.9% of the households), only 12.7% of CI beneficiaries belonged to that category.

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[10] The Citizenship Pension (*Pensione di Cittadinanza)* is a minor, connected measure specifically targeted to those people older than 64 years old who have not been able to cumulate enough social security contributions during their working life.

On the other hand, taking family size into account, it again appears evident how the benefit proportionally decreases as the number of members increases, up to a difference of 12% between households of just one individual and those of five or more. Similarly, intensity of absolute poverty is reduced to a much lower extent for more numerous households: while one-individual ones experience an average reduction as high as 91%, for five or more individuals households this indicator drops to 61%.

An additional disequilibrium can be found from a regional point of view: first of all, the average transfer appears to be much higher in the South and the Islands (558.15 and 598.80 euros for 2019 and 2020, respectively) as compared to the North (462.59 and 498.62); secondly and perhaps most importantly, the overall incidence rate of the measure does not follow the distribution of absolute poverty across the country: as we saw from the ISTAT report for 2019, the distribution of families experiencing absolute poverty in 2019 was almost identical between the North and the South, with 43.4% of the families living in the former and 42.2% in the latter (the remaining 14.4% residing in the Center). Yet, as much as 62% of the recipients in 2019 were either from the South or the Islands, 14.8% from the Center and the remaining 23.4% from the North (INPS Data March 2021). This evidence is even more significant when taking into account the substantial difference in living costs between the two regions, with the North presenting 25 to 35% higher costs than the South.

Finally, as far as take-up and coverage are concerned, Vittoria (2020) has presented an econometric analysis that aims at uncovering what portion of the demand for social assistance was matched during the first year of the measure. More precisely, Vittoria first shows how, based on data provided by INPS, the take-up rate (computed as the ratio between eligible individuals and actual beneficiaries) is only about 61% at the national level, given a rate of 67.5% in the South and the islands and only 53.6% for the Center and the North. This result already is indicative of a mismatch between the demand and the supply for social assistance

connected to CI, and even more so if we take into consideration that the concerned million of beneficiaries is to be compared to the about 1.677.288 applications received. Afterwards, in order to get closer to determining what characterizes the intercepted social demand, the author makes use of provincial cross-sectional data to regress the propensity of CI application on ISEE, average income and unemployment rate. The resulting coefficients show how unemployment brings about on average a higher effect (0.52 percentage points) as compared to average income (0.32 percentage points). The numbers hold this difference even when the number of recipients households is considered for the dependent variable (-0.438 on average income as compared to about 0.7 for unemployment rate). Overall, these results provide an indication as to how the social demand for CI could be characterized more in terms of unemployment spell, rather than a basic minimum income, thus implying a deviation from the originally proposed objectives. This is in line with what Tridico (2015, Op. Cit.) suggested: the conditionalities related to the active labour policies that come with CI are actually more likely to deter potential beneficiaries from enjoying this benefit, due to factors such as complexities in the bureaucratic process, negative self-selection, information asymmetries, mismanagement of the public administration and lack of qualified personnel that can successfully advise the beneficiary. This has also been recognised by the EU Commission, as Franzer and Marlier (2009) showed how less stringent means testing corresponded to a higher take-up rate in countries such as Denmark and Sweden.

4.2.2) CI as an ALMP and the Impact on Employment

When taking into account the effectiveness of CI as a demand-supply matching tool within the labour market, the picture is even more clear than it was the case for poverty, because the statistics presented are directly indicative of the CPIs' performance in guiding and allocating CI beneficiaries. In fact, despite the substantial amount of resources apportioned to

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these agencies in order to improve the employment perspectives of the recipients, we have seen how two fundamental indicators are signaling that this did not happen to be the case: first of all, at the end of the first cycle of the measure, in September 2020, as much as 92% of the beneficiaries applied to renew the benefit, and 89% of them did so successfully: this is representative of the ineffectiveness of the Labour and Social Pact-related programmes to provide them with the necessary tools and human capital to improve their socioeconomic conditions, and enable them to achieve independency and guarantee decent living standards. Secondly, and most importantly, data on job positions among those who are bound to the Labour Pact show how the vast majority of them (about 75%) had not been capable of securing any position as of November 2020, and those who did mainly ended up taking fixed term contracts and/or low value added jobs. Moreover, the data provided do not specify to what extent those positions were actually accessed thanks to the activity of CPIs and their related programmes, as compared to the individual action of the beneficiary.

Finally, as far as the impact on employment is concerned, on the other hand, at the end of the first year no significant impact can be detected on the supply of labour, i.e. the deterrence effect feared by some observers has not materialized: this is indicated by the non existent variation of vacancies between the fourth trimester of 2018 and the fourth trimester of 2019. In fact, should the CI have induced a negative supply shock, an increase in available jobs should be detected as a result, especially given the magnitude of the beneficiaries pool. Yet, this did not happen to be the case: indeed, it is difficult for people to opt out of the labour market and decide not to work, when there is no job available for them. This is even more so if we take into consideration that these subjects have a low educational level and are generically not in line with the skills required by most companies, as the critical levels of profiling index presented in (3.2.1) indicated.

5) Conclusions and Recommendations

Going towards conclusion, few key takeaways can be identified, on which to base some recommendations for improvement of the measure. As far as CI *per se* is concerned, eligibility criteria should be eased in order to include non Italian citizens to a greater extent; similarly, the equivalence coefficient should be re-designed in order to make the measure more equitable, possibly including some criterion that can take account of the different price levels, both from a regional and a local point of view. In addition, following the evidence provided by the different empirical cases presented on UBI and cash transfers, accessibility to the measure could safely be increased without the risk of resulting in excessive disincentives to work: in this sense, admission criteria should be made more coherent and better match the definition of absolute poverty as it is presented by ISTAT, together with a more clear and straightforward application procedure that could better reach the eligible population and thus increase the take-up rate. In addition, the current incentives for employers and new self-employed beneficiaries appear to be insufficient to induce a significant behavioral change: hence, the benefit could be calibrated in a different way for those individuals that eventually access the labour market, in order to get rid of the 100% marginal tax rate that they are currently facing and, in so doing, further encourage the job-seeking activity.

The part of active labour policy, on the other hand, offers more food for thought. First of all, we have seen how, despite the resources allocated and the empowerment of the CPIs via hiring of new counselors (the 'navigators'), a very marginal share of those taking part to the Labour Pact have managed to find a position, and even less of them a sustainable and open ended one. This result was to be expected: they could not find a job because, overall, such jobs don't exist. The structural changes that have been shaping the Italian labour market in the past years (or even decades) have made it more and more difficult for low education people to find a suitable position, even more so if we consider that the education premium has been reducing

over time, thus inducing recent college graduates to take up jobs that were previously allocated to lower educated individuals, thus pushing downwards the whole spectrum of skills. This in turn has also accentuated the emergence of phenomena such as in-work poverty: having a job is no longer a guarantee for decent living standards, and this applies particularly to more numerous families where one of the partners is unemployed. This problem is particularly relevant for CI recipients, given the fact that the vast majority appears to belong to the low education, low skills category of workers. Hence, two main conclusions can be derived: on one hand, while empowering the counselling services can indeed yield positive results, improving training programmes to boost beneficiaries' competencies appears to be a much more promising strategy to follow, in order to relocate them within the skill spectrum of the labour market. On the other hand, a job creation strategy should be pursued: as we have seen, most of employment boost has been produced in the recent years mainly by heavily spending to incentivise long term employment within the private sector; however, many of these positions happened to be low value added ones, contributing mainly to finance the activity of small and medium sized enterprises, which in turn delivered an employment and economic outcome which was less than proportional to the subsidy received. Such a strategy is not sustainable either in the long run, especially concerning the current status of the Italian public finances. Hence, a different approach might be adopted, in order to create jobs without both distorting the private sector with heavy subsidies and jeopardizing the country's budget: following the view presented by Perri and Lampa (2018, Op. Cit.), a properly calibrated industrial plan could be enacted together with a renewed fiscal stimulus targeted towards real economic activity. In particular, public owned agencies could play a special role in doing so: the most recent report by ISTAT (2020B) on their performance, in fact, shows how these agencies have on overall perfmored better than the private sector in 2018; more precisely, during that period there were 6,085 companies within the industry and services sector, employing about 887,059 workers.

What's most important, though, is the value added delivered on average by these workers: overall, this amount has been estimated to be equal to 56 billion euros, or 7% of the total value created within the sector. This implies a per capita value of 100,706 euros; while this sum drops to 74,291 euros when netting off the electric energy services, it nevertheless remains far superior than the sector average, which amounts to 48,020 euros. As a result, there is a lot of potential that could be exploited by allocating resources in the correct way.

Concluding, we have seen of CI has delivered mixed results, especially during its first year; unfortunately, the Covid-19 pandemic has almost exactly coincided with the second year of the measure, thus making the data related to that period much less reliable, especially as far as the impact on poverty is concerned. Nevertheless, CI is still ongoing and possibly expected to remain where it is: it remains to be seen whether major changes in the policy will be applied and, most importantly, what role this measure will play in a country going through economic recovery after the significant recession caused by the pandemic.

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