

# Italy: Implementing the new minimum income scheme

ESPN Flash Report 2019/35

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## Description

*Since April 2019, a new minimum income scheme, the "Citizenship Income", is being implemented in Italy. It is more generous than the previous scheme in terms of eligibility conditions, benefit amount and duration. However, some weaknesses are apparent, mostly concerning its effectiveness in protecting large households, strict conditionality rules and the eligibility requirements for non-Italian citizens.*

Law Decree No 4/2019 introduced the RdC ("Citizenship Income", *Reddito di Cittadinanza*), replacing the REI (Inclusion Income, *Reddito di Inclusione*) on 1 April 2019. Although the name suggests a universal unconditional basic income, the RdC is actually a means-tested cash benefit which is targeted at poor and socially excluded households and conditional on participation in job-search activities. Compared to the REI, the RdC is endowed with more budgetary resources, is more generous and inclusive, and has a longer duration (for a comparison, see Jessoula et al. 2018). However, at the same time the RdC is characterised by stricter conditionality rules for beneficiaries.

The budgetary resources allocated to the "Fund for the Citizenship Income" amount to €7.0 billion in 2019 - €6.3 billion for the monetary component and the rest for strengthening Active Labour Market Policies (ALMPs), i.e. around €5.8 billion more than the annual resources allocated to the REI. From 2021, the budgetary resources will be increased to €8.5 billion (€8.0 for cash transfers and the rest for ALMPs).

To be eligible for the RdC, households must have a maximum annual ISEE (Indicator of equivalised economic conditions, taking into account both income and wealth) of €9,360 and an annual equivalised income no higher than €6,000. Moreover, housing (excluding primary residence) and financial wealth may not exceed €30,000 and €10,000, respectively. The

eligibility criteria also include 10 years of residence in Italy - and the last 2 years continuously spent in Italy. In addition, non-EU citizens have to provide official documents certified by their country of origin concerning their housing and financial wealth.

The benefit for a single-member household tops up annual income to €6,000. This threshold increases with family size according to an equivalence scale which assumes significant economies of scale, as it attributes only 0.4 to each additional adult and only 0.2 to each minor aged less than 18 (by way of comparison, the equivalence scale applied for the calculation of EU indicators are 0.5 and 0.3, respectively). Moreover, the equivalence coefficient cannot exceed 2.1, independent of family size (2.2 if there is a member with disabilities). So, a couple (equivalence size:  $1+0.4=1.4$ ) with 3 children under 18 ( $3*0.2=0.6$ ) can receive up to €12,000 ( $2*€6,000$ ) per year, while the maximum annual amount for a household composed of 2 (or more) adults and 4 (or more) children under 18 is €12,600 ( $2.1*€6,000$ ).

The RdC provides an additional €280 to top up the monthly benefit for households who rent their accommodation, whereas a €150 top-up is paid to beneficiaries who pay a mortgage (the amount of these extra benefits is independent of household size).

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The RdC is paid for 18 months but can be renewed after a 1-month suspension.

The RdC is credited on an electronic card which can be used to buy consumption goods and services (with some exclusions). A maximum of €100 per month can be withdrawn in cash. If beneficiaries do not spend the whole sum, the following month the RdC is reduced by the saved share (the reduction cannot however exceed 20% of the total RdC).

The conditionality requirements are particularly strict. To avoid losing entitlement, beneficiaries have to: i) sign a "Work pact" with the Public Employment Services (PES); ii) accept at least one out of three "suitable" job offers in the first 18 months (suitability is measured in terms of both wage [monthly wage above €850] and distance [first job offer: workplace no more than 100 km from place of residence; second offer: 250 km; third offer: whole Italian territory; in case of benefit renewal, the first job offer has to be accepted whatever the distance]); iii) be available to take part up to 8 hours a week in "socially useful activities" identified by municipalities; and iv) sign a "Social Inclusion Pact" with municipal social services (e.g. social services or training), if the beneficiary is affected by "multi-dimensional" poverty and social exclusion (e.g. for single parents or people unable to work for whatever reason) and not only unemployment.

In order to enhance employability, when a RdC recipient is hired on an open-ended contract – and the number of the firm's employees is consequently increased – the remaining RdC amount (until the 18th month) is transferred to the employer. Likewise, an additional lump-sum amount equal to 6 RdC

monthly instalments is paid to beneficiaries who start self-employment. Finally, to reduce the poverty trap, when a beneficiary finds a job, 20% of his/her earnings are disregarded in the means test for eligibility for the RdC.



## Outlook and commentary

The RdC is a clear step forward in the Italian strategy to tackle poverty and social exclusion: both the number of protected households and the amount of cash transfers are expected to increase significantly compared to its predecessor, the REI. The Parliamentary Budget Office (UPB 2019) estimates that around 1.3 million households (3.6 million individuals) will receive the RdC, while the REI was received by around 500,000 households - with much lower benefits, on average.

Despite these unquestionable merits, scholars have highlighted some flaws in the RdC: it has too many objectives (poverty relief, employment expansion, economic growth) within a single programme, and there is a strong emphasis on "negative" incentives (conditionalities) to help recipients to return to the labour market. Many authors have pointed out that, in order to expand the number of beneficiaries without increasing budgetary costs, the Government has introduced an equivalence scale for computing the level of the RdC which favours single-member households but is detrimental for large families, thus providing relatively fewer resources to poor children (Saraceno 2019). Other authors have emphasised that the RdC risks creating "poverty traps", since it is close to the wage of many workers (Lucifora 2019): indeed, EU-SILC data show that

18.2% of workers (27.8% in the South) earn less than €780 per month in Italy. Furthermore, the eligibility rules focus only on work, in a country where labour demand is scarce, while less attention is paid to social services, education and training. Also, the implications of obliging RdC beneficiaries to accept low-paid jobs in workplaces very far from their place of residence should be carefully considered. Finally, serious concerns remain regarding the eligibility conditions for immigrants, since the 10-year residence requirement and the obligation to provide detailed certificates about their wealth may prevent many poor immigrants from claiming the RdC.

### Further reading

Jessoula, M., Natili, M. and Raitano, M. (2018), Two decades on: the introduction of a national minimum income scheme in Italy, ESPN Flash Report 2018/1.

Lucifora, C. (2019), Welfare e lavoro povero [Welfare and in-work poverty], [www.welforum.it](http://www.welforum.it).

Saraceno, C. (2019), Reddito di Cittadinanza. Le forti criticità sulla povertà minorile [Citizenship Income. The main weaknesses concerning child poverty], [www.welforum.it](http://www.welforum.it).

Ufficio Parlamentare di Bilancio – UPB (2019), Audizione informale dell'Ufficio parlamentare di bilancio [Informal hearing of the Parliamentary Budget Office], 6 marzo 2019, <https://www.upbilancio.it/audizioni-parlamentari-2/>

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