Coping with the pandemic: The new Emergency Income in Italy

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In May 2020, a new anti-poverty measure, the "Emergency Income", was introduced in Italy. Despite less stringent eligibility conditions than the ordinary minimum income scheme, the new scheme also has weaknesses concerning its ability both to reach all poor households in need and to provide a structural response to the poverty-related consequences of the pandemic.

Description

Since the beginning of the COVID-19 crisis, a debate has been on-going in Italy about the need to provide a safety net to all individuals and households covered neither by existing income support measures nor by the COVID-19 related emergency measures introduced by the so-called *Decreto Cura Italia* (Decree No. 18/2020 of 17 March 2020). This decree extended the short-time compensation schemes (*Cassa Integrazione* – CIG) and introduced a bonus for the self-employed and "para-subordinate workers" (individuals legally self-employed but often "economically dependent" on a single client; Raitano, 2018). However, a few groups of workers were excluded from these emergency measures: some categories of seasonal and intermittent workers, unemployed people who were no longer eligible for unemployment benefits before the emergency, and informal workers. Poor households that did not meet the eligibility conditions for the Citizenship Income (*Reddito di Cittadinanza* – RdC) - or did not apply for the latter due to the stringent requirements – also received no extra support.

The need for more effective income support to households in need could have been met either by relaxing some of the conditions for entitlement to RdC, or by introducing a new means-tested benefit (Natili, 2020). The government chose the second option, set out in the so-called *Decreto Rilancio* (Decree No. 34/2020 of 19 May) which introduced the Emergency Income (*Reddito di Emergenza*, REM).

To be eligible for REM, households must fulfil the following requirements:

- No household member must be receiving unemployment benefit, CIG, RdC or any of the allowances introduced in response to the COVID-19 crisis.
- Household members must be residing in Italy at the time of application, irrespective of how long they have done so.
- The household ISEE value (the indicator of equivalised socio-economic condition, calculated on the basis of household income and wealth) must be below €15,000.
- The household's equivalised monthly income in April 2020 must be below €400 for a single-person household. A scale assigning 1 to the household head, 0.4 to each other adult and 0.2 to each member aged below 18 is used in order to calculate the equivalised amount for larger households. The maximum amount of the equivalence scale is set at 2.0 (2.1 if there is a disabled member in the household).
- Financial wealth in 2019 for a single-person household must be below €10,000 (increased by €5,000 for each household member, whatever the age, with a maximum value equal to €20,000).

Importantly, the ISEE thresholds and wealth limits are higher for the REM than for the RdC, thus enlarging the set of potential beneficiaries; also, unlike for the RdC, eligibility for REM does not take into account housing assets nor the possession of certain durable goods (e.g. cars and motorbikes). Moreover, 10 years of residence are required for non-EU citizens to be eligible for RdC. Finally, REM beneficiaries do not need to satisfy any job search conditions.

The amount of REM received is €400 per month for a single-person household (thus lower than the RdC, which is €500 per month for a single-person household, plus a possible €280 for house rental), an amount which is increased for larger households according to the equivalence scale described above. Until July 2020, REM could only be granted for 2 months. Under the Decree No. 104, issued on 14 August, it could be paid for an additional month, and under the *Decreto Ristori* (Decree No. 137 of 27 October), applicants could receive it for two more months (November and December 2020). Therefore, households whose applications have met all the entitlement conditions will receive REM for 5 months in total.

Outlook and commentary

The structure of the REM mimics that of the RdC with regard to the equivalence scale, the multiplicity of eligibility requirements and the reference to ISEE. The requirements for eligibility for REM are however less stringent than those for the RdC, as REM is aimed at protecting those who do not satisfy the various RdC requirements and are not entitled to other allowances.

The most recent figures from the National Social Security Institute (INPS, 11 November) show that 291,206 households received the two-month REM introduced by the *Decreto Rilancio*, and 235,993 households received the additional monthly benefit established by Decree No. 104. According to INPS (2020), 28.3% of households receiving the REM had also applied for the RdC but did not receive it. REM has therefore improved the conditions of some households that were in a critical economic situation but did not meet all the RdC eligibility requirements (especially those concerning financial wealth). Furthermore, REM has been paid to quite a large number of households with non-EU citizenship (approximately 65,000), excluded from the RdC because of the very strict residence requirement. Yet the low number of beneficiaries (in May 2020 the Government estimated a much larger number [868,000]) reveals that the goal of protecting poor households not receiving ordinary benefits was only partially met. Indeed, the REM inherited very complex access criteria and claims procedures, which result in increased bureaucracy and make it less likely that applicants will promptly receive the transfer at a time of crisis, thus limiting the number of recipients.

Interestingly, Gallo and Raitano (2020) note that a large number of households covered by REM could have been eligible for the RdC if the requirements related to residence and financial wealth had been relaxed, and if an equivalence scale more favourable to large households had been introduced. Nevertheless, the government preferred to introduce a new temporary tool to address the gaps in RdC coverage rather than reforming the structure of the RdC to cover these gaps. It will be important to protect those REM beneficiaries not entitled to RdC once the REM period expires and the economic situation remains critical. Particular attention will need to be given to non-EU citizens, since the choice to protect most foreign households through only a temporary scheme appears very unfair.

Further reading

Gallo G. and Raitano M. (2020), "Reddito di Cittadinanza e Reddito di Emergenza: quale quadro di insieme?": www.eticaeconomia.it

Natili M. (2020), "COVID-19 e politiche di contrasto alla povertà in Italia": https://osservatoriocoesionesociale.eu/

Raitano M. (2018), "Italy: Para-subordinate workers and their social protection", in OECD (eds.), The Future of Social Protection: What works for non-standard workers?, OECD Publishing, Paris.

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