

A new comprehensive approach to policies in view for households with children in Italy

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Between April 2020 and June 2021, Italy has undergone a wave of policy reforms aimed at supporting households with children to an extent not witnessed in the previous decades. These reforms are intended to better regulate and extend cash benefits, early childhood education and care services, family leave and other types of support. The reforms are still ongoing and, if they are successful, they will represent a major modernisation push for the country.



Description

Italy has traditionally been characterised by limited public investment in policies supporting households with children. Public expenditure in this policy field is lower than in most Continental and Northern European countries (OECD 2021). This limited public investment is also visible in the institutional arrangements and priorities for the main types of interventions, which prioritise cash transfers rather than early childhood education and care (ECEC) services. In the realm of cash benefits and tax allowances there have traditionally been several measures, with often slightly different criteria to access benefits. In relation to ECEC services, Italy has one of the lowest coverage rates in Western Europe for children below 3. For those aged between 3 and 5, coverage is almost universal (Eurostat 2021).

The situation started to change at the end of 2019, when the new Government led by G. Conte (June 2018 - February 2021) gave a new impulse to innovation in this policy field. The reform flow has continued during the current Government led by M. Draghi. So far, there have been three main reforms since April 2020: i) a multiannual investment plan in ECEC services as part of the Italian National Recovery, Transformation and Resilience Plan (NRTRP) (*Piano per asili nido e scuole dell'infanzia e servizi di educazione e cura per la prima infanzia* [PNRR]; April 2021); ii) a new "Universal Children's Cash Benefit" (*Assegno Unico Universale per i Figli*, March 2021); and iii) a "Family Act" Bill (*Disegno di legge Family Act*; June 2020).

The new Universal Children's Cash Benefit (AUUF; Bill No 41-2021) is designed to replace all previous tax expenditure and cash benefit schemes for households with children. Some implementing decrees still need to be drafted, but the core pillars of the reform are the following: a) a reorganisation of existing income support measures targeted at households with children (including tax expenditure), replacing them with one single unified universal child allowance (however, the level of the AUUF will depend on household income); b) expanded coverage of the allowance, esp. in favour of parents who are self-employed or long-term unemployed (these groups were to a large extent excluded from the previous schemes); c) a focus on households with children under 18 years of age and young adults up to the age of 21 if engaged in a training course or limited work activity; d) an allowance from the 7th month of pregnancy; e) a significant increase in funding compared to the previous tax expenditure and cash benefit schemes, with €6 billion (€3 billion for 2021) of additional resources when fully operational, thus increasing current availability by almost 50 percent.

The AUUF is one of the main pillars of the "Family Act" Bill, which contains the "Delegation to the Government for setting up measures for the support and enhancement of the family" - under discussion in spring-summer 2021 in the Parliamentary Chamber of Deputies (C. 2561) - as well as various interventions to support households with children (in addition to the AUUF itself). These include:

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1) reorganisation of support measures for the education of dependent children and the introduction of new tools: contributions to fully cover the fees for nursery schools and preschools and home support services for households with children below 6;
2) reorganisation of parental leave and paternity leave;
3) measures aimed at encouraging female work, also through the introduction of tax breaks for the costs of assistance and care, as well as reward measures for employers involved in policies to promote reconciliation of work and family life.

Lastly, the Italian NRTRP will result in investment of €4.6 billion on ECEC services, with the creation of 228,000 new ECEC places over the next five years, i.e. a de facto doubling of public provision in this field.

Outlook and commentary

The wave of reforms in Italy represents a major change in support policies for households with children compared to recent decades. Both the resources involved and the scope of the reforms are far-reaching. So far, they have also received broad political support. For instance, in March 2021, the AUUF was passed by the Italian Parliament with practically all MPs in favour and none against.

If the three reforms described in the present Flash Report (AUUF, Family Act and investment in ECEC services) are fully implemented in the coming years, Italy will have the chance to catch up a good part of the distance accumulated over the last two decades vis-a-vis many Continental-Northern European countries.

At the same time, caution is needed for several reasons:
1) The full implementation of the AUUF requires a set of Decrees on both the amount of the allowance (which should be around €250 per child monthly) and the way in which the amount will be modulated according to the household's economic situation and composition. Moreover, one major issue that has not been yet resolved is the exact funding mechanism for the new AUUF. The previous main scheme of cash allowances was based partially on social contributions by employers. It is not clear yet if the new scheme will be completely tax-financed or if some room will be left for social contributions.

2) The "Family Act" Bill has been passed only partially so far (the AUUF part) and awaits a final vote in the Italian Parliament.

3) The resources allocated by the Italian NRTRP to ECEC services will require careful planning to ensure they are spent in an efficient and effective way. In particular, two problems need to be resolved: i) How to expand ECEC coverage in rural areas and Southern Italy, where the coverage rate has traditionally been very low; and ii) How to finance, on a stable yearly basis, nurseries and kindergartens created thanks to the NRTRP, given that the Plan funds mainly investments and not current expenditure.

On 4 June 2021, a Law-Decree was passed by the Council of Ministers that introduces a temporary allowance for a limited period - from 1 July 2021 until 31 December 2021, since the AUUF will start in January 2022. This "bridging" allowance is only for households that do not meet the requirements for accessing family allowances already in force. The average benefit amount referable

to the measure for the period 1 July 2021-31 December 2021 is €1,056 per household and €674 per child.

Finally, it should be mentioned that in June 2021 the EU Council of Ministers adopted a major "Recommendation establishing a European Child Guarantee", an initiative of the European Commission which aims to ensure that all children in need in the EU have access to a set of key social rights: ECEC, education, healthcare, nutrition and housing. The Commission has partnered with UNICEF to demonstrate the feasibility of the Child Guarantee. Italy is one of the seven Member States that is implementing this pilot programme, which includes in-depth research as well as experimentation of intervention models.

Further reading

A Baldini M., Bosi, P., Gallo, G., Gori, C., Lucifora, C. and Saraceno, C. (2021), [Un assegno unico e universale per i figli](#) (lavoce.info, 1 April 2021)

Educazioni (2021), [Commento alle proposte contenute nel PNRR in merito agli interventi nel campo dell'istruzione](#)

Eurostat (2021), [Eurostat online database – Indicatore "Children in formal childcare or education by age group and duration"\(ILC_CAINDFORMAL\)](#)

OECD (2021), [OECD Family database](#) (Tables PF 1.1, 1.3, 1.6., 2.1, 3.1, and 3.2)

For the text of the Council "Recommendation establishing a European Child Guarantee" as well as related material (including the two in-depth feasibility studies conducted between 2018 and 2021): <https://ec.europa.eu/social/main.jsp?catId=1428&langId=en>

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