

# Activation and anti-poverty policies in Italy: increasing conditionalities in the design of the “Citizenship Income”

ESPN Flash Report 2022/32

MARCELLO NATILI & MICHELE RAITANO – EUROPEAN SOCIAL POLICY NETWORK

JUNE 2022

*The new Budget Law for 2022 modified the Citizenship Income by strengthening its conditionality, with a view to reducing “disincentives to job searching”. However, the Government has not intervened to resolve the main weaknesses of the Italian minimum income scheme.*



## Description

The Budget Law for 2022 (Law No. 234 of 31 December 2021) included provisions aimed at strengthening the conditionality rules for access to the main Italian minimum income scheme - the Citizenship Income (Reddito di Cittadinanza - RdC) - with the main purpose of significantly reducing disincentives to accept job offers. In detail, three main changes were introduced:

1. Before this reform, RdC recipients had to accept at least one out of three “adequate” job offers in the first 18 months in order not to lose benefit (an offer was considered adequate when the monthly wage was above €858). Specifically, the first job offer was considered adequate if the workplace was no more than 100 km from the jobseeker’s place of residence; this distance increased to 250 km and to the whole Italian territory for the second and third offers respectively. Since the reform, RdC beneficiaries can “refuse” only one “adequate” job offer out of two: the first job offer has to be within 80 km or 100 minutes from the place of residence, while the second offer can be anywhere in Italy. To be considered “adequate” the job offer must be full time or with working hours not lower than 60% of the working hours set in collective agreements.
2. The amount of the RdC is now gradually reduced by €5 per month after refusal of an “adequate” job offer (the reduction does not apply

when the monthly benefit, adjusted by the equivalence scale, is below €300/month).

3. Incentives to employers, such as contribution relief for those who hire RdC recipients, previously limited to full-time and permanent contracts only, were extended to fixed and part-time contracts.

A Commission of experts (the Scientific Committee for the Assessment of Citizenship Income, chaired by Prof. Chiara Saraceno) was appointed by the Ministry of Labour and Social Policies in 2021 in order to assess how the RdC (launched in April 2019, Law Decree No 4/2019) performed in its first years of implementation and to provide recommendations as to possible changes to its design. Among other recommendations, the Commission noted that – despite harsh conditionality rules – the design of the RdC does not incentivise recipients to take up work (Scientific Committee for the Assessment of Citizenship Income 2021). A worker may receive the RdC if the means testing conditions are fulfilled. To be eligible for the RdC, households must have a maximum annual ISEE (Indicator of equivalised economic conditions, which takes 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 (Jessoula et al, 2019). The amount of the benefit is defined as the difference between the household annual income and €6,000 (for singles) multiplied by an equivalence scale for other household sizes. However, labour income is wholly taken into account when computing the

### LEGAL NOTICE

*This document has been prepared for the European Commission. However, it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.*

Social Europe

equivalised income for means-testing and benefit computation. Furthermore, when RdC recipients start working as employees, 20% of their additional earnings are not considered in the means-test and benefit computation until the ISEE declaration is renewed (i.e. the subsequent year at the latest). Thus, for instance, a €100 increase in earnings brings about an €80 reduction in the RdC amount, which rises to €100 when the ISEE declaration is renewed. In case of additional income from self-employment contracts, this income is not considered in the means test for a two-month period, after which individuals' incomes are updated quarterly. These rules thus engender an extremely low rate of labour income disregard when computing the RdC amount, which means that, unless the job is rather well paid, some people might refuse the job offer in order not to lose the right to receive the RdC. As a result, this factor, coupled with the very low salaries – not far from the RdC level – paid especially in many atypical and non-standard jobs in Italy, may activate a sort of “poverty trap”.

To address this issue, the Scientific Committee for the Assessment of Citizenship Income proposed to increase to at least 40% the share of the additional earnings not considered in the income test and benefit computation. However, this proposal was not taken up by the Draghi Government, which preferred to focus on “negative conditionality rules” and sanctions to push beneficiaries to return to the labour market.

## Outlook and commentary

The measures introduced by the Budget Law for 2022 tightened the conditions for access to the RdC, aiming to encourage recipients into more intense job search activity. However, many scholars have

criticised the effectiveness of “negative” incentives, inspired by a punitive logic, in helping recipients to return to the labour market in a country where labour demand is weak, especially for low-skilled individuals such as most RdC recipients (D’Emilione and Giuliano 2022, Saraceno 2021). The Alliance Against Poverty (2021), a network of NGOs, trade unions and experts dealing with income support measures, suggested instead strengthening social and labour inclusion pathways, which are not currently working effectively.

Finally, the measures introduced by the Budget Law for 2022 did not impact the main weaknesses of the RdC, highlighted by several scholars. Three major issues have emerged in particular with respect to the coverage of the poorer population (Gallo and Raitano, 2020; Alleanza contro la povertà, 2021; Scientific Committee for the Assessment of Citizenship Income, 2021). Firstly, the unusual scale used to equalise income is unfavourable to large households (especially those with children) since it assumes high economies of scale from sharing resources: it attributes only 0.4 to each additional adult and only 0.2 to each minor aged less than 18, and cannot be higher than 2.1 for large households (Jessoula et al, 2016). Therefore, it risks excluding from benefit large households with low income. This scale was likely chosen to increase the number of beneficiaries without increasing the budgetary costs. Secondly, the eligibility criteria include 10 years of residence in Italy, the last two of which must be continuous. This requirement prevents most non-Italian citizens from applying for the benefit. Thirdly, the ISEE already considers wealth and housing (excluding the primary residence) in the means test. These requirements may exclude some income-poor households with assets just above the value threshold.

## Further reading

Alleanza contro la povertà in Italia (2021), [Position Paper](#)

D’Emilione, M. and Giuliano, G. (2022), [Condizionalità e contrasto alla povertà: riflessioni dall’indagine INAPP](#), welforum.it

Jessoula, M., Natili, M. and Raitano, M. (2019), Italy: Implementing the new minimum income scheme, ESPN Flash Report 2019/35, European Social Policy Network (ESPN), Brussels: European Commission.

Gallo, G. and Raitano, M. (2020), Reddito di cittadinanza e reddito di emergenza: problemi aperti, in CNEL (eds.), XXII Rapporto Mercato del Lavoro e Contrattazione Collettiva, Rome.

Saraceno, C. (2021), [Quali sono i veri limiti del reddito di cittadinanza](#), lavoce.info,

Scientific Committee for the Assessment of Citizenship Income (2021), Assessment Report

## Author

[Marcello Natili](#) (University of Milan) & [Michele Raitano](#) (Sapienza University of Rome)

*The Flash Reports are produced by the European Social Policy Network (ESPN) established in 2014 to provide the European Commission with independent information, analysis and expertise on social policies in 35 European countries. The topics covered are identified by ESPN experts in the light of significant developments in their countries, or in some cases suggested by the Commission or the Flash Reports’ editorial team (Anne-Catherine Guio, Eric Marlier and Slavina Spasova). The ESPN is managed by LISER (Luxembourg Institute of Socio-Economic Research), APPLICA and the OSE (European Social Observatory). More information on the ESPN: <http://ec.europa.eu/social/main.jsp?catId=1135&langId=en>.*

Quoting this report: Natili, M., Raitano, M. (2022), *Activation and anti-poverty policies in Italy: increasing conditionalities in the design of the “Citizenship Income”*, ESPN Flash Report 2022/32, European Social Policy Network (ESPN), Brussels: European Commission.