

# The Unclear Relationship Between Standard and Administrative Poverty. Why Does Target Inefficiency Arise?

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## Main contributions:

Novel theoretical framework to evaluate the target efficiency (TE) of Minimum Income Schemes (MIS).

Exploits a unique dataset for Italy in 2019 to provide an empirical assessment of the target efficiency of the Citizenship Income (RdC).

## Research questions:

Is Citizenship Income targeted towards those most in need?

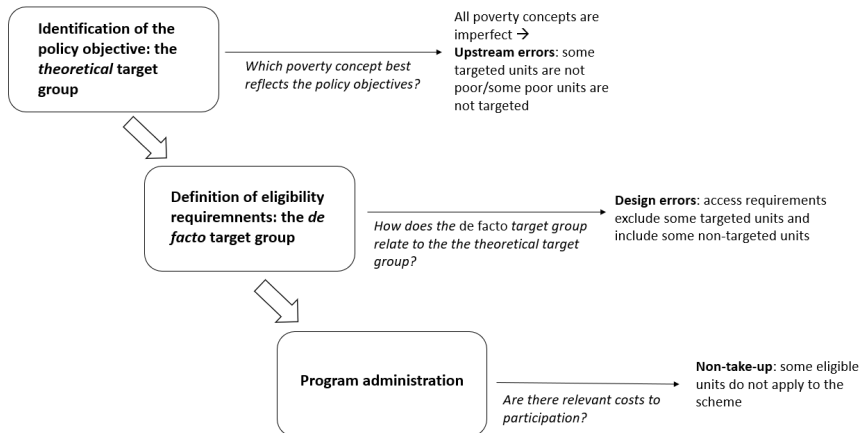
Is the scheme target efficient?

# Data and country explored

- ▶ Dataset: merge the 2019 wave of the Italian Household Budget Survey with administrative data from the Italian National Social Security Institute.
- ▶ Resulting dataset named AD-HBS including both detailed information on consumption expenditure and various income sources for the same individual.
- ▶ TE for RdC in Italy in 2019 is explored.

# Sketching the main conceptual framework

Steps for the definition of means-tested MIS and sources of TE

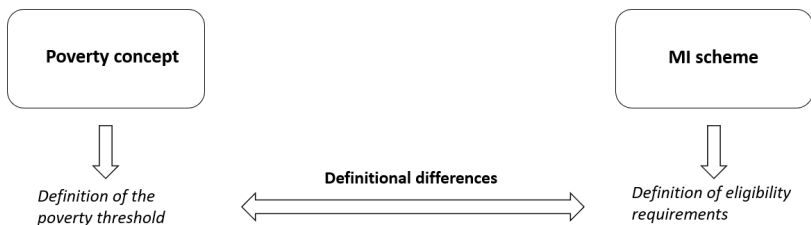


Sequential procedure:

- ▶ Compute the poverty measure underlying the theoretical target excluding the MI transfer from the relevant resource definition;
- ▶ Compare the set of effective beneficiaries to the theoretical target: measure of the ability of the MI scheme to effectively target the concept of poverty of interest. Coverage rate and:  
I-type errors, i.e. poor households do not receive benefit;  
II-type errors, i.e. non-poor households receive benefit;
- ▶ Simulate eligibility to the scheme and compare the set of potential beneficiaries.

# Conceptual framework

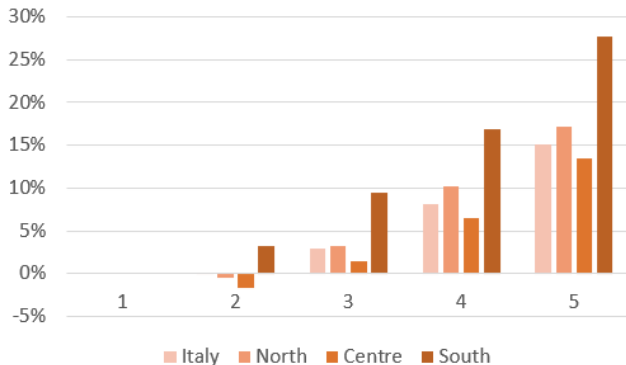
## Reasons behind design errors



- Number of welfare dimensions considered (unidimensional vs multidimensional)
- Dimensions of welfare considered (income, consumption, wealth)
- Relation of the threshold to the overall distribution of living standards (absolute vs relative)
- Assumptions on how to compare welfare across different characteristics
  1. Equivalence scales
  2. Territorial price differentials
  3. Treatment of non-monetary income

# Stylised facts

Differences in equivalence scale by macro-area of residence and household members



# Stylised facts

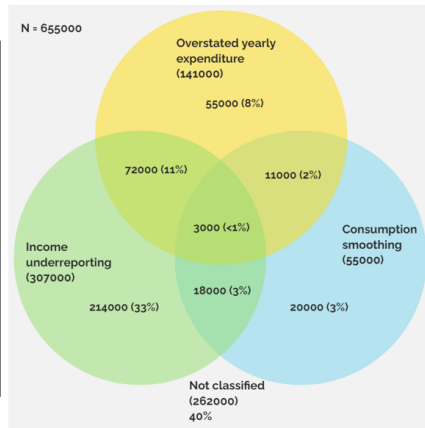
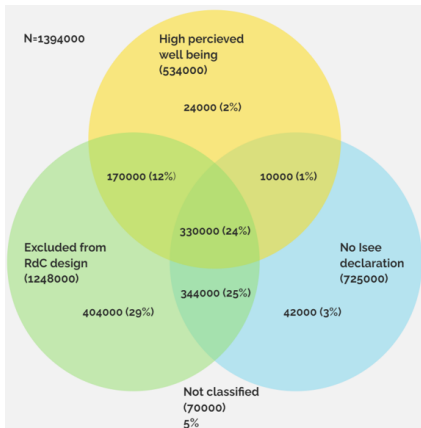
## Overlap between poverty, eligibility and reciprocity

RdC receipt	Poverty status		
	Not poor	Poor	Total
Number of households (thousand)			
Not recipient	23,482	1,395	24,877
Recipient	655	463	1,118
Total	24,137	1,858	25,994
Relative frequency (%)			
Not recipient	90.3%	5.4%	95.7%
Recipient	2.5%	1.8%	4.3%
Total	92.8%	7.2%	100.0%
Row relative frequency (%)			
Not recipient	94.4%	5.6%	100.0%
Recipient	58.6%	41.4%	100.0%
Column relative frequency (%)			
Not recipient	97.3%	75.1%	95.7%
Recipient	2.7%	24.9%	4.3%



# Empirical evidence

Classification of I-type (left panel) and II-type error (right panel) households.



- ▶ I found the paper very original, only few papers discussing the effect of RdC in terms of possible inequality reduction.
- ▶ Originality of the data: combining information on consumption expenditure and various income sources for the same individual (individual and household characteristics).
- ▶ Accurate and novel analysis of TE.

- ▶ The results of the paper are only on Italy.
- ▶ I would enlarge the validity of such results on other European countries with same characteristics.
- ▶ More general discussion of the concept of poverty and income inequality and the associated strategy to fight them.
- ▶ Despite the paper being original (data as well) I would add a specific/focused literature review.

- ▶ The introduction of minimum income schemes has been advocated by EU institutions since 1992 (Council of the European Communities 1992) but more recent calls for it have been advanced in the post-crisis period (European Parliament 2010).
- ▶ These measures, known as minimum income schemes, are intended to provide households with a form of last resort protection against the risk of poverty.

# Discussion

## Overlap between income poverty and consumption poverty

Consumption	Income		Total
	Non poor	Poor	
Frequencies (%)			
Non poor	83.8%	9.8%	93.6%
Poor	4.0%	2.4%	6.4%
Total	87.8%	12.2%	100.0%

- ▶ The comparison of the pools of beneficiaries is made only using the concept of consumption, but the original inspiration of Rdc and a law proposal by the Five Stars movement had as explicit target a relative definition of poverty based on income, not consumption.
- ▶ It would have been useful to show the difference between the pool of Rdc beneficiaries and the set of income poor persons, also to shed light on the presence of income mismeasurement of under-declaration, taking advantage of the availability of administrative information.

- ▶ We see the overlap between income and consumption poverty: counterfactual analysis using income poverty.
- ▶ What are the characteristics of 'very poor households' households not targeted?
- ▶ Among the characteristics explored in the econometric analysis I should include also the gender (of the head of household)