



FOREIGN POPULATION AND MINIMUM INCOME: WHICH LIMITS FOR ELIGIBILITY?

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RESEARCH QUESTIONS

This work is nested inside the INAPP research programme 2022-2024.

One of the tasks of the programme is the investigation into the obstacles that hamper foreigners' access to the welfare system.

Scheduled activities include:

- The estimation of potential foreign recipients of minimum income
- The assessment of possible reforms in eligibility criteria for recipients and public expenditure
- The evaluation of mediators' competencies and of their importance to overcome cultural and linguistic barriers for foreigners



RESEARCH QUESTIONS

Are foreign households penalized in access to minimum income?



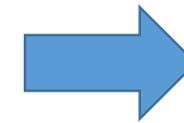
How much do Italian and foreign households differ in the eligibility thresholds?



Is the RdC benefit less generous for foreign households?



What if possible reform in some requirements would be adopted?



Micro-simulation results and scenarios, drawn from a model built on administrative and survey data, are presented and discussed



POVERTY AND MINIMUM INCOME IN ITALY

In 2019, Italy finally adopted a minimum income scheme, called “Reddito di Cittadinanza”.

The main requirements are related to households’ income and wealth (means test). A novel equivalence scale, considering the number of members, children, minors, and disabled persons is applied.

Applicants must be legal residents for at least 10 years: the longest term in EU.

In May 2022, 86% of recipients were Italians, 4% were EU citizens, and 9% were non-EU citizens. In 2021, the average amount of benefit for foreigners was about 100€ lower than the one for Italians.



Poverty in Italy:

- In 2021, 7.5% of households living in absolute poverty. The rate for Italian households is 5.7%, while for foreigners is 30.6%.
- Main predictors of poverty: residence in southern regions; large family size; minors and disabled persons in the family; unemployment; low work intensity.
- Large family sizes, the presence of minor children, and occupational segregation in unskilled, non-standard, and poorly rewarded jobs are more common among foreign households.
- In 2020, about one in five foreign reference persons of the household was living in the country for less than 10 years: this may lead to the exclusion from the benefit of many people in need.



ACCESS TO RDC FOR ITALIANS AND FOREIGNERS

Households in absolute poverty and RdC recipients in 2020, by applicant's citizenship

| | Absolute poverty (%) | RdC recipients (%) | Recipients / poors (%) |
|------------|----------------------|--------------------|------------------------|
| Italians | 6 | 4,4 | 73 |
| Foreigners | 25,7 | 9,5 | 37 |

Source: Baldini & Gallo (2021)

Although poverty is more widespread among foreign households, proportionally poor Italian families get the benefit more easily than foreign ones



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The micro-simulation model:

- The model is an update for the year 2022 of the Italian tax-benefit system of the model already developed and published in Gallo & Sacchi (2019), Gallo & Luppi (2019), and Baldini & Gallo (2021).
- Potential recipients of RdC population is simulated from survey data (It-Silc 2017), integrated with other administrative and survey information (Banca d'Italia, Osservatorio del Mercato immobiliare, Agenzia delle Entrate Osservatorio statistico dell'INPS su RdC).
- The simulation allows the estimation of take-up rates for potential Italian and foreign recipients, and their distance from the requirements threshold (intensity of poverty).
- In addition, the impact of possible reforms of the requirements can be assessed through simulated scenarios.



Tab.1: Estimated take-up rates for Italian and foreign households

| Households | Recipients (thousands) | Potential recipients (thousands) | | | Take-up rate | | |
|----------------|------------------------|----------------------------------|----------|------|--------------|----------|-------|
| | | Estimate | 95% C.I. | | Estimate | 95% C.I. | |
| <i>Overall</i> | 1250 | 1690 | 1606 | 1774 | 73.9% | 70.4% | 77.8% |
| Italians | 1065 | 1370 | 1295 | 1446 | 77.7% | 73.6% | 82.2% |
| Foreigners | 185 | 320 | 281 | 358 | 58.0% | 51.7% | 65.9% |

Simulation results show that approximately 1.7 million households could (potentially) get the RdC benefit. The estimated take-up rate is over 70% in 2020. However, there is a wide gap between Italian and foreign families: for the last ones, the take-up rate is lower and close to 60%.



Tab. 2: Share of households by distance from economic thresholds requirements

| FOREIGN REFERENCE PERSON | | | | |
|--------------------------|--|------------------|----------------|----------------------|
| Distance | Indicator of the Equivalent Economic Situation | Household income | Movable assets | Real estate property |
| Under (0) | 4.9% | 3.3% | 24.9% | 97.5% |
| Under (0-25%) | 8.0% | 6.7% | 10.9% | 0.0% |
| Under (25-75%) | 24.1% | 13.1% | 19.1% | 0.6% |
| Under (> 75%) | 13.5% | 9.4% | 3.6% | 0.2% |
| Tot. Under | 50.6% | 32.4% | 58.4% | 98.3% |
| Above (< 25%) | 10.6% | 9.4% | 5.3% | 0.1% |
| Above (25-50%) | 8.4% | 7.9% | 4.8% | 0.1% |
| Above (50-100%) | 12.7% | 13.1% | 5.7% | 0.2% |
| Above (> 100%) | 17.7% | 37.1% | 25.8% | 1.3% |
| Tot. Above | 49.4% | 67.6% | 41.6% | 1.7% |
| ITALIAN REFERENCE PERSON | | | | |
| Distance | Indicator of the Equivalent Economic Situation | Household income | Movable assets | Real estate property |
| Under (0) | 1.0% | 1.1% | 5.4% | 79.6% |
| Under (0-25%) | 2.4% | 2.2% | 6.1% | 2.2% |
| Under (25-75%) | 7.2% | 3.5% | 10.6% | 2.9% |
| Under (> 75%) | 5.6% | 2.6% | 3.8% | 1.3% |
| Tot. Under | 16.3% | 9.4% | 25.9% | 86.0% |
| Above (< 25%) | 6.1% | 4.4% | 3.9% | 1.2% |
| Above (25-50%) | 5.6% | 4.3% | 3.5% | 1.3% |
| Above (50-100%) | 11.7% | 8.2% | 5.6% | 2.0% |
| Above (> 100%) | 60.3% | 73.6% | 61.1% | 9.5% |
| Tot. Above | 83.7% | 90.6% | 74.1% | 14.0% |



Share of households by distance from economic thresholds requirements

- Data in Table 2 highlights the substantial disadvantage in income and assets of foreign families.
- Half of the foreign households have an equivalent economic situation below the threshold, that is, in proportion, three times the number of Italian ones (16%).
- About one-third of foreign households are below the income threshold, while the same is true for less than 10% of Italian families.
- For both ISEE and income, the share of families just above the threshold is considerably higher among foreigners: this points out the heavier burden of poverty for these families.
- Almost all foreigners do not reach 30,000 euros in real estate property (excluding the main dwelling).
- It has to be noted that the micro-simulation model works under the hypotheses that all the applicants can produce the certifications regarding ISEE, income and assets. Unfortunately, the last two can be arduous to obtain for foreigners.
- Differences between Italian and foreign households are much less pronounced if we consider only families living in absolute poverty.



Tab. 3: Impact of possible reforms: simulated scenarios

| Scenario | Recipient households (thousands) | | Average annual amount (€) | | | Annual public expenditure (billions of €) | | |
|---------------------------------|----------------------------------|-------|---------------------------|----------------|-------|---|----------------|-------|
| | New | Total | Amount | New households | Total | Additional for "old" households | New households | Total |
| Current | 0 | 1253 | 5371 | 0 | 5371 | 0.00 | 0.00 | 6.73 |
| Ise scale | 414 | 1666 | 7499 | 2151 | 6257 | 2.67 | 0.89 | 10.28 |
| No residence | 186 | 1438 | 5371 | 4821 | 5503 | 0.00 | 0.89 | 7.62 |
| No residence + Ise scale | 593 | 1845 | 7274 | 3269 | 5982 | 2.38 | 1.94 | 11.05 |
| Foreigners only | | | | | | | | |
| Scenario | Recipient households (thousands) | | Average annual amount (€) | | | Annual public expenditure (billions of €) | | |
| | New | Total | Amount | New households | Total | Additional for "old" households | New households | Total |
| Current | 0 | 232 | 5132 | 0 | 5132 | 0.00 | 0.00 | 1.19 |
| Ise scale | 29 | 262 | 6451 | 2499 | 5767 | 0.31 | 0.07 | 1.57 |
| No residence | 150 | 383 | 5132 | 4492 | 5120 | 0.00 | 0.67 | 1.87 |
| No residence + Ise scale | 221 | 453 | 6654 | 4951 | 5874 | 0.35 | 1.09 | 2.64 |

Effects produced by a **reform of the equivalence scale** or the **abolition of the residence requirement** or **both** on the number of recipient families, the average annual amount of the benefit, and the yearly public expenditure entailed.



Impact of possible reforms: simulated scenarios

- An incomplete take-up rate equal to 74% is assumed.
- The ten years of residence requirement is the one hampering most the access of foreign households to the benefit.
- The current equivalence scale heavily penalizes large families, if compared with the ISE scale.
- Changing the equivalence scale would have a significant impact, as to the higher amount received in particular.
- The abolition of the residence requirement would entail a higher estimated expenditure of 890 million euros, most of which (about 670 million) for foreign families.
- Conversely, the change in the equivalence scale would have a much more significant impact in terms of expenditure equal to 3.55 billion euros, of which only 380 million would be destined for foreigners.



DISCUSSION AND CONCLUSIONS

- The problem of access to the RdC for poor foreign families has been analyzed scarcely so far. Nonetheless, the results of the micro-simulations presented here are consistent with what emerges from administrative sources (INPS) and similar research (Bank of Italy).
- In Italy foreign families have, on average, a higher number of members and of minors. The RdC benefit, on the contrary, is more generous towards single-person households, due to the equivalence scale adopted.
- In addition, foreign families tend to live more in northern regions, where the cost of living is higher: this contributes to the erosion of the monetary benefit.
- Through the simulation that reproduced the distance from the thresholds, it can be verified that, among people in absolute poverty, income and assets are not dissimilar between Italian and foreign families. Therefore, the RdC might have the same impact regardless of the citizenship of the beneficiaries.



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- Simulations show that only half of the potential recipient foreign families actually access the benefit, against over three-quarters of the Italian ones.
 - The residence requirement can be a criterion hampering access and generating an under-representation of foreigners. According to the Bank of Italy, about 90.000 households are excluded from the benefit for this reason.
 - Nevertheless, the wide gap in take-up rates between Italians and foreigners hints at further discriminating factors, such as the difficulty of producing the required certifications on assets and income, and the well-known linguistic and cultural barriers.
 - As testified by the analysis, changing the access criteria would reduce inequalities in access and the amount received.





THANKS FOR YOUR ATTENTION

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