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THE DISTRIBUTIONAL IMPACT OF THE “ASSEGNO UNICO UNIVERSALE” ASTRIL

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RESEARCH OBJECTIVES

PREVIOUS STUDIES

THE ASSEGNO UNICO UNIVERSALE

RESULTS

CONCLUSIONS



THE PAPER AIMS TO ANALYZE

- the new “*Assegno Unico Universale*” (Single All-Purpose Allowance) introduced in Italy since February 2022 and its ability to reach the objectives that policymakers intend to achieve.
- EUROMOD microsimulation model available for the EU countries plus the UK. In this model all kinds of social benefits are considered: pensions, means and non-means tested benefits.
- The new measure has replaced other previous measures and endeavors to benefit otherwise excluded people (i.e. those families whose income is so low that they did not pay any income tax or – oppositely – considerably wealthy households). What is more, an effort has been made to even out treatment of employees and self-employed workers. In particular, the latter were virtually excluded by the previous tools.



A REVIEW OF PREVIOUS STUDIES

- Many studies have used microsimulation models to indicate how the measure might impact families.
- The Indicator proposed is the ISEE which take into account the real estate assets and other characteristics but it could cause some distortions by not allowing the identification of situations of particular need..

Corsi et al. (2021)

Pacifico (2021)

Figari e Fiorio (2021)

Baldini et al. (2021)

Biagetti et al.(2021)

Curci Savegnago (2021)



THE AUU

Tab 1- Scheme relating to the *Assegno Unico Universale*

ISEE (Amounts in Euros)	Families with children aged 0-17 (Amounts in Euros)	Families with children aged 18-21 (Amounts in Euros)	Increase for each child after the 2nd (Amounts in Euros)
0 – 15.000	175	85	85
da 15.000 a 40.000	Descending da 175 a 50 (1)	Descending da 85 a 25 (2)	Descending da 85 a 15 (3)
> 40.000	50	25	15

- (1) It decreases by around 50 cents for every one hundred euros of additional ISEE income.
 (2) It decreases by around 25 cents for every one hundred euros of additional ISEE income.
 (3) It decreases by around 25 cents for every one hundred euros of additional ISEE income.

Tab. 2- Scheme relating to the increases expected with the *“Assegno Unico Universale”*

Increase for non self-sufficient children	+ 100 €
Increase for children with severe disabilities	+ 95 €
Increase for children with medium disability	+ 90 €
Increase for disabled children aged 18-20	+ 50 €
Allowance for dependent disabled children >21 years	For incomes between €15,000 and €40,000 It decreases by about 25 cents for every hundred euros of ISEE income.
Child supplement for mother aged < 21 years	20€
Bonus for the second income earner	For incomes between €15.000 e €40.000 It decreases by about 10 cents for every hundred euros of ISEE income.

FISCAL RESULTS

Table 3 – Potential effect of the AUU introduction (millions of euros and percentage values)

Measures	Monetary change	Percentage change
INCOMES INCREASES		
IRPEF income	4890.8	3.0%
Additional regional incomes	225.8	1.8%
Total revenue	5116.6	2.6%
EXPENDITURE REDUCTIONS		
Child benefit for single-parent families	-1597.4	-100.0%
Child benefit for families with two parents	-3861.9	-100.0%
Child benefit for families with with at least 3 children	-522.2	-100.0%
Childbirth allowance	-462.2	-100.0%
Mother allowance	-219.5	-100%
EXPENDITURE INCREASES		
Income Support (REI)	749.7	6.5%
REM	2.8	0.9%
AUU	18586.2	
Total income-related benefits	12895.0	46.9%
Total income no-related benefits	-219.5	-0.5%
Net effect on the state budget	-7558.9	

-a potential negative impact on the state budget of less than 7.6 billion euros.

- €5.1 billion increase in revenue

- Abolition of family unit allowances (ANF)

- Abolition of childbirth allowance

- Increase in Public Expenditure due to the reduction of ISEE threshold

Source: Authors' calculations using EUROMOD model on EU-SILC data, 2019



FISCAL RESULTS

Table 4 – Families and tax measures before and after AUU.

Fiscal measures	Families 2021 NO AUU	Families 2022 AUU	Number of families change	Families change and %
Families subject to payment IRPEF	20,655,912	21,479,266	823,354	4.0%
Families subject to the local IRPEF additional payment	20,493,839	21,307,597	813,759	4.0%
Family allowances for single parent families with children	1,140,757	0	-1,140,757	-100.0%
Allowances to the family nucleus for families of 2 parents with 0 children	2,159,129	2,159,129	0	0.0%
Allowances to the family nucleus for families of 2 parents with children	3,061,134	0	-3,061,134	-100.0%
Childbirth allowance	274,337	0	-274,337	-100.0%
AUU	0	7,945,149	7,945,149	-
Total income-related benefits	9,125,873	11,830,823	2,704,950	29.6%
Total noincome-related benefits	6,023,222	5,873,251	-149,971	-2.5%

Source: Authors' calculations using EUROMOD model on EU-SILC data, 2019

- The number of families that should to pay IRPEF would increase by around 823,000 and those that would be subject to the local IRPEF surcharge would be just under 814,000.

- More than 4.4 million families would lose the old ANF, 274 thousand would lose the baby bonus and the mother bonus.



REDISTRIBUTIVE RESULTS

Figure 1 – taxpayer households by decile before and after the AUU

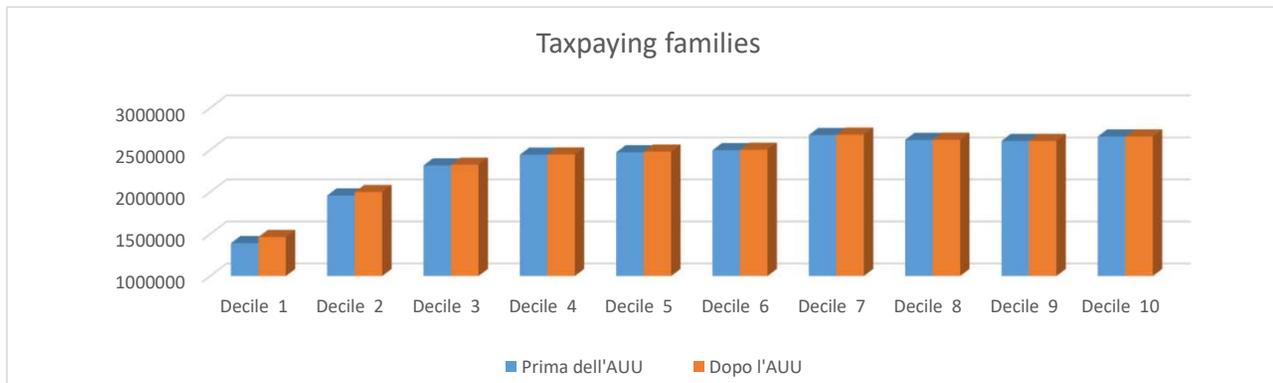
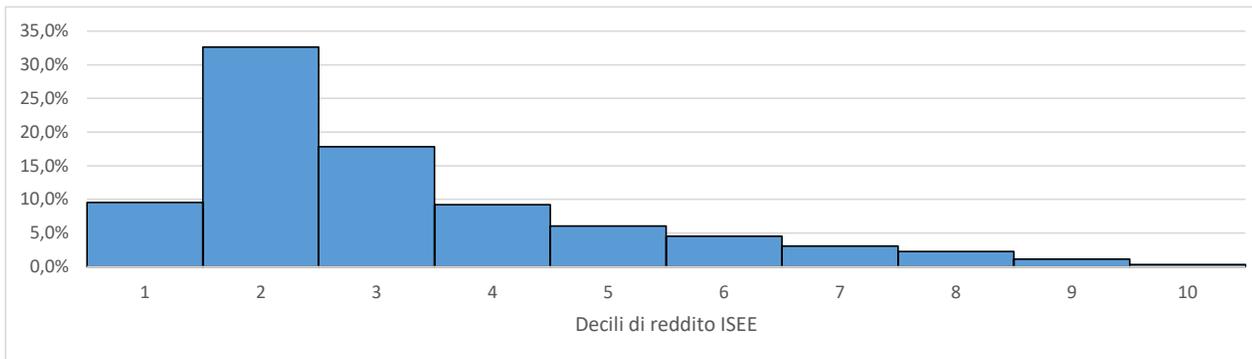


Figure 2 – IRPEF percentage increase compared to the pre-auu situation (%)



Source: Authors' calculations using EUROMOD model on EU-SILC data, 2019



REDISTRIBUTIVE RESULTS

Table 5 – Change in the tax burden with ANF (no AUU) and with AUU

	2021 NO AUU	2022 with AUU	Difference	Change in the tax burden
Decile 1	1118	1164	46	-0.5%
Decile 2	772	1003	231	0.8%
Decile 3	1913	2246	333	1.1%
Decile 4	3246	3539	294	0.6%
Decile 5	4212	4450	238	0.4%
Decile 6	5605	5848	244	0.3%
Decile 7	6908	7110	202	0.2%
Decile 8	8783	8976	192	0.2%
Decile 9	13004	13149	145	0.1%
Decile 10	29288	29375	87	0.0%
All	8169	8335	166	0.2%

On average, the increase in IRPEF and surtaxes should be around 166 euros a year and even 333 euros in the third decile. The average tax burden increases by 1.1% in the third decile, by 0.8% in the second decile and by 0.6% in the fourth decile (to 15.6, 10.3 and 18.7%, respectively).

Source: Authors' calculations using EUROMOD model on EU-SILC data, 2019



REDISTRIBUTIVE RESULTS

Table 6 – Income changes due to all the measures

AVERAGE ANNUAL DISPOSABLE INCOME					AVERAGE EQUIVALENT ANNUAL DISPOSABLE INCOME			
Distribution	2021 NO AUU	2022 con AUU	Difference	Percentage change	2021 NO AUU	2022 with AUU	Difference	Percentage change
Decile 1	8472	9242	769	9.08%	5326	5895	569	10.68%
Decile 2	14252	14586	334	2.35%	9060	9314	254	2.80%
Decile 3	18600	18817	217	1.16%	11370	11521	151	1.33%
Decile 4	21814	22188	374	1.72%	13676	13953	276	2.02%
Decile 5	25570	25925	356	1.39%	15892	16148	256	1.61%
Decile 6	29348	29691	343	1.17%	18215	18465	249	1.37%
Decile 7	32253	32487	233	0.72%	20853	21035	182	0.87%
Decile 8	38059	38237	178	0.47%	24085	24218	133	0.55%
Decile 9	46060	46145	85	0.19%	28768	28831	63	0.22%
Decile 10	72487	72531	44	0.06%	45595	45628	33	0.07%
All	30976	31266	290	0.94%	19275	19491	217	1.12%

The effects on disposable income would be positive. The average disposable income would increase by 290 euros per year, while the equivalent one by 217 euros.

The improvement especially benefits families in the first decile with an increase of 769 and 569 euros respectively for disposable income and for equivalent disposable income (respectively +9 and +10.7% compared to the situation without AUU)

Source: Authors' calculations using EUROMOD model on EU-SILC data, 2019



REDISTRIBUTIVE RESULTS

Table 7 – Beneficiaries and net contributors of the measures

Distribucion	Families that earn from the measure	% of the total	Families that lose from the measure	% of the total
Decile 1	928795	37.1%	58348	2.3%
Decile 2	708242	26.7%	186958	7.1%
Decile 3	648800	26.1%	230861	9.3%
Decile 4	794326	30.9%	144848	5.6%
Decile 5	754379	29.3%	154089	6.0%
Decile 6	740119	28.8%	127324	5.0%
Decile 7	598400	21.9%	174589	6.4%
Decile 8	588844	22.2%	178400	6.7%
Decile 9	447235	17.0%	175222	6.7%
Decile 10	398079	14.9%	106007	4.0%
All	6607218	25.4%	1536645	5.9%

6.6 million families would improve their condition and 929 thousand of them are located in the first decile (37.1%)

The number of families that would instead lose out from this reform is just over 1.5 million.



RESULTS ON INEQUALITY, POVERTY, PROGRESSIVITY

Table 8 – Redistributive effects and on inequality

	Before AUU	After AUU	Difference
Gini: A = original income	0.5219	0.5219	0.0000
Gini: B = A – taxes and social contributions	0.5107	0.5138	0.0031
Gini: C = B + pensions (EQ_INC22)	0.3473	0.3509	0.0036
Gini: D = C + other benefits (disposable income)	0.3109	0.3044	-0.0065
Redistribution index = Gini A - Gini D	0.2110	0.2175	0.0065
Social welfare index = average disposable income *(1-D)	1.107	1.130	0.023
Quotient 80/2	5.1464	4.8968	-0.2496
Quotient 5/1	2.2299	2.1518	-0.0781
Atkinson Inequality Index (with inequality risk aversion parameter = 0.25)	0.0414	0.0395	-0.0019
Mean log deviation	0.0001	0.0001	0.0000

The inequalities in the income would improve only marginally by 0.65%. The ratio between those in the eighth decile of the income distribution and those in the second would drop more consistently, going from 5.15 to 4.90, while the ratio between those in the median and those in the first decile would go from 2.23 to 2.15. Finally, the Atkinson inequality index would also go from 0.0414 to 0.0395

Source: Authors' calculations using EUROMOD model on EU-SILC data, 2019



RESULTS ON INEQUALITY, POVERTY, PROGRESSIVITY

Table 9 – Redistributive and progressive effects

Index	Before-AUU	After AUU	Difference
Gini on gross income	0.3647	0.3572	-0.0075
Gini on net income	0.3112	0.3047	-0.0065
Kakwani index	0.1713	0.1668	-0.0045
Net average rate	0.3373	0.3414	0.0041
Reynolds-Smolensky index	0.0535	0.0525	-0.0010

The Kakwani index would decrease from 0.1713 to 0.1668 (Tab 9)

The average net rate drops from 33.73 to 34.14%. The Reynolds-Smolensky index would decrease marginally, also indicating a slight reduction in progressivity.

As far as the poverty risk is concerned, three poverty thresholds are first considered relating to 40, 50 and 60%. (Tab 10)

The poverty risk relative to 40% of the median equivalent disposable income would drop to 5.8% (-1.6%); that relating to 50% of the median would decrease from 12.6% to 11.5%; that relating to 60% of the thresholds would decrease from 20.3 to 19.6%

Table 10 – At-risk-of-poverty rates relative to various thresholds

	Before-AUU	After AUU	Difference
40% median equivalised disposable income	6807	6807	0.0%
On the original income	32.0%	32.0%	0.0%
On income after tax contributions	38.3%	39.1%	0.8%
On net income + pensions	14.7%	15.5%	0.8%
On disposable income	7.4%	5.8%	-1.6%
50% median equivalised disposable income	8508	8508	0.0%
On the original income	36.7%	36.7%	0.0%
On income after tax contributions	43.5%	44.2%	0.7%
On net income + pensions	19.8%	20.6%	0.8%
On disposable income	12.6%	11.5%	-1.1%
60% median equivalised disposable income	10210	10210	0.0%
On the original income	40.4%	40.4%	0.0%
On income after tax contributions	49.5%	50.5%	1.1%
On net income + pensions	26.4%	27.5%	1.1%
On disposable income	20.3%	19.6%	-0.7%

Source: Authors' calculations using EUROMOD model on EU-SILC data, 2019



RESULTS ON INEQUALITY, POVERTY, PROGRESSIVITY

Table 11 - At-risk-of-poverty rate by type of family

	Before-AUU	After AUU	Difference
Poverty line 60% (equivalent disposable income)	10,209.80	10,209.80	0.00
An adult with children	33.3%	30.0%	-3.3pp
Two adults with one child	17.5%	16.3%	-1.3pp
Two adults with two children	24.5%	22.2%	-2.3pp
Two adults with three or more children	28.5%	29.0%	0.5pp
Three or more adults with children	28.6%	27.9%	-0.7pp
Total	20.3%	19.6%	-0.6pp

The families with children gain the most benefits: the risk of poverty rate is lowered by 3.3 percentage points, continuing we find families made up of parents and two children to benefit the most in terms of poverty (- 2.3 percentage points) and parents with only one child (-1.3 percentage points) (see table 11).

The range of the poverty risk would drop from 2.3 to 1.8% in the case of a threshold set at 40% of the median equivalent income; from 3.9 to 3.2% in the case of a 50% threshold; from 5.9% to 5.2% in the case of a threshold at 60% of the median equivalent income (see table 12).

Tabella 12 – The range of the risk of poverty (40%-50%-60%)

	Before-AUU	After AUU	Difference
40% median equivalised disposable income	6807	6807	0.0%
On the original income	24.6%	24.6%	0.0%
On income after tax contributions	40.7%	40.9%	0.2%
On net income + pensions	7.7%	7.9%	0.2%
On disposable income	2.3%	1.8%	-0.5%
50% median equivalised disposable income	8508	8508	0.0%
On the original income	26.6%	26.6%	0.0%
On income after tax contributions	40.7%	41.0%	0.3%
On net income + pensions	9.6%	9.9%	0.3%
On disposable income	3.9%	3.2%	-0.7%
60% median equivalised disposable income	10210	10210	0,0%
On the original income	28.6%	28.6%	0.0%
On income after tax contributions	41.6%	42.1%	0.4%
On net income + pensions	11.9%	12.3%	0.4%
On disposable income	5.9%	5.2%	0.0%

Source: Authors' calculations using EUROMOD model on EU-SILC data, 2019



CONCLUSIONS

There would be 6.6 million families benefiting from the new transfer, while those losing about 1.5 million.

Regarding to inequalities, the measure appears well designed because it still manages to increase social welfare without increasing inequality even as consequence of a slight reduction in the progressivity of taxes.

the use of the ISEE as a parameter for determining the amount of the contribution actually prevents an income redistribution in in favor of women by being paid exclusively to the highest family income earner who is usually a man. Therefore, it would be desirable that the income of the second recipient be suitably neutralized as suggested in the work of Corsi et al. (2021).



CONCLUSIONS

The Poverty risk on available income would decrease as lower is the available income compared to the median (by 1.6% to 40% and by 0.7% to 60% of the median). This risk would be consistently lower in the case of families with one adult and one or two children, while the risk would slightly increase as the number of minors increases.

the AUU represents an important support for the poorest people.

Finally, the strength of the support could have undesirable effects on the labor supply refers to second earner. A high level of support could be a deterrent to (female) participation in the labor market and could instead favor undeclared work.





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