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## A minimum income in Italy

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**EUROMOD WORKING PAPER SERIES**

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## **A minimum income in Italy**

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# A minimum income in Italy <sup>1</sup>

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## Abstract

Due to the worsening of economic crisis across European countries, the problem of poverty and the ways to tackle it returned at the centre of political and scientific debate. The level of poverty increased after the crisis, especially in Mediterranean countries such as Italy, Spain and Greece. One of the main measures to protect individuals against poverty and social exclusion is Minimum Income (MI). Since 1992 the European Commission, with the Council Recommendation 92/441/EEC, called for the introduction in all Member States of a guaranteed MI. In 2010, as part of the Europe 2020 Strategy, a resolution of the European Parliament emphasized the role of MI in fighting poverty and promoting an inclusive society. Almost all EU countries adopted a MI with different rules and approaches, but Italy still lacks a universal form of protection against poverty and social exclusion. Accordingly, this paper has two main aims: first, to study European experiences of MI; second, to estimate costs and benefits of a proposal for a MI in Italy. In order to achieve these goals EUROMOD, the tax-benefit microsimulation model for the European Union, will be used.

**JEL:** H31, H53, I38, C81

**Keywords:** Minimum Income, Poverty, European Union, Microsimulation

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## **1. Introduction**

During the recent economic crisis poverty grew in many European countries. Between 2007 and 2012 the rate of people at-risk-of-poverty or social exclusion, the Europe 2020 Strategy Indicator, increased from 21.7% to 23.2% in the Euro area. The increase in poverty has been stronger in Mediterranean countries, where the level of poverty was higher already before the crisis. In Greece the rate rose from 28.3% in 2007 to 34.6% in 2012 (with a variation of 6 percentage points), in Spain from 23.3% to 28.2% (with a variation of 5 percentage points) and in Italy from 26% to 29.9% (with a variation of 4 percentage points). As a result, many European countries are moving away from the Europe 2020 Strategy target.

One of the main measures to protect individuals against poverty is Minimum Income (MI). Since 1992 the European Commission, with the Council Recommendation 92/441/EEC, called for the introduction in all Member States of a guaranteed MI. In 2010, as part of the Europe 2020 Strategy, a resolution of the European Parliament emphasized the role of MI in fighting poverty and promoting an inclusive society. Almost all EU-15 countries adopted a MI with different rules and approaches, but Italy still lacks a universal form of protection against poverty and social exclusion.

The scientific literature aimed at studying poverty and the ways to tackle it is very broad and it has grown during the crisis. Many studies are intended to evaluate adequacy and effectiveness of social assistance schemes across European countries. In Italy, where a MI does not exist, a new scientific and political debate about the introduction of a MI recently developed. In June 2013 the Ministry of Labour and Social Policy established a working group, which proposed a national and universal measure to tackle poverty, called "Support for Active Inclusion", never actually implemented.

This paper aims at participating in this scientific debate by learning useful lessons from European countries MI experiences in order to propose a Minimum Income in Italy (AMII). By comparing European countries, this work updates the knowledge of EU MI experiences and it contributes to the research that deals with assessing the feasibility of a convergence between MI schemes in Europe, thanks to the role of the European Union (Vandenbroucke et al. 2012, Storms et al., 2014). Furthermore, by proposing a MI in Italy, both against relative and absolute poverty, this paper enriches the debate on the best definition of poverty to design and evaluate MI (Storms et al., 2011, EMIN, 2013). More precisely, the objectives of this paper are: i) comparing the EU MI schemes from the point of view of coverage and adequacy, ii) analysing the limits of the Italian current measures against poverty, iii) developing a proposal for AMII by evaluating different scenarios and suggesting possible funding schemes. In order to achieve this objectives EUROMOD, the European Union tax benefit microsimulation model, will be used. The paper is organized as follows. The first section discusses the literature, the second analyzes methodological issues, the third compares EU MI schemes, the fourth examines the limits of current Italian instruments against poverty and proposes a minimum income in Italy. At the end, some concluding remarks are given.

## **2. Brief literature review**

The literature on this topic is very broad. According to the aims of this work, the related literature can be divided in two groups. The first includes works aimed at comparing effectiveness and adequacy of MI schemes in European countries. The second refers to studies intended to design a MI scheme for countries where the measure does not exist or existing instruments must be reformed.

Many works belong to the first group. Some works study the most important features of MI schemes (access conditions, amount given, means test, poverty threshold), while others attempt to estimate effectiveness and adequacy through statistical analysis.

In EU (2006) countries' MI experiences are divided into three groups according to their features. In the first group (including Luxembourg, Austria, Poland and Malta), MI is a generalised instrument, the only or the most important, for all people without sufficient resources. In the second group (including France, Finland, Germany, Ireland and UK), MI is designed as a last resort subsidy for those who exhausted all other more specific instruments. In the last group, both specific measures (for elderly, disability, unemployed) and a general scheme are provided. The last group (including Italy, Greece and Hungary) is characterized by the presence of categorical/specific schemes and the absence of a general last resort instrument. According to EU (2006) in most countries access conditions depend primarily on income assessment. The poverty line, under which a person obtains the transfer, is generally based on living costs or on a basket of goods, reviewed annually for inflation. In some countries the poverty line is instead linked to minimum wage or minimum pension. In most countries the duration is not time limited. The amount given differs broadly among countries: from 1,081 euro in Luxembourg to 55 euro in Romania. Most countries include programs aimed at helping recipients to find a job or to improve skills (conditionality).

In Busilacchi (2008) high differences between MI across EU countries are shown, in terms of access conditions and generosity. UK and Finland have high generosity and very extensive access conditions, Norway and Sweden have extensive access conditions and not high generosity, Ireland, Austria Germany and Netherlands have restrictive access conditions and high generosity. In Frazer (2009), a report made for the European Commission about MI schemes across EU member states, countries are divided in four groups. Those with simple and comprehensive schemes (including Austria, Belgium, Germany, Denmark, Finland and Netherlands), those with quite simple and non categorical schemes, but with restricted eligibility and coverage (including Hungary and Poland), those with a complex system constructed over time, sometimes categorical, with a high coverage (including France, UK, Ireland and Spain) and finally those with limited and categorical measures (including Italy and Greece). In many countries people can receive, apart from MI, other benefits like housing and fuel benefits and MI is linked to conditionality. About the amount given, many member states adjust the transfer depending on the number of people in families.

Immervol (2009) makes an accurate description for all OECD countries. Van Mechelen (2013) contains a recent and detailed overview of social assistance schemes aimed at understanding trends and convergence between EU countries. Figari et al. (2011) and Figari et al. (2010) compare MI across EU countries in terms of coverage and adequacy by using a statistical approach. Specifically, they use the microsimulation model EUROMOD to simulate social assistance schemes in each country and they compare results by measuring the ability to cover the poor, to make people exit from poverty and to reduce their poverty gap. Concerning coverage, they find that in many EU countries a high percentage of poor people, below the poverty line, are not entitled to MI. On the other hand, MI schemes seem able to reduce the poverty gap of recipients. Marchal et al. (2011) try to assess if EU countries adjusted their social assistance schemes for the crisis. They use the CSB-MIPI dataset which contains information on MI assistance for workers, unemployed and elderly. In order to compare assistance schemes they focus on schemes directed to the same group at risk, that is working age people without social

insurance and without a job. Hence, depending on the country, the MI they considered could be a categorical/specific instrument for jobseekers (like the jobseeker's allowance in Ireland) or a general last resort instrument (like the kontanthjælp in Denmark).

Literature about the design of MI schemes is also broad. In Koutsampelas (2014) EUROMOD is used to assess the effects of five reform scenarios for the introduction of a MI in Cyprus. In Tasseva (2012) EUROMOD is used to evaluate the performance of current social protection schemes in Bulgaria and to simulate the impact of their reform scenarios. In Italy the debate about the introduction of a MI started almost fifteen years ago. The recent economic crisis gave new emphasis to the discussion, also at political level. Monti and Pellizzari (2010) make an empirical analysis about the introduction of a MI in Italy, with different assumptions about generosity and financing. One of their results is that the introduction of a MI would imply a strong redistribution of resources from the North, who finances, to the South, who receives benefits. Consequently, they put strong attention to the political feasibility of a MI scheme. In their opinion, a MI should appropriately take into account different costs of living across geographical areas and it should be financed also locally. In ACLI (2013) a new instrument called Income for Social Inclusion is proposed, with attention to financing schemes. Baldini et al. (2013) include the introduction of a MI in Italy as part of a more general reform that would change the Italian social protection system. They estimate, through a microsimulation model, costs and benefits of a minimum income, whose objective is to protect from absolute poverty. To finance the MI they propose to use part of resources from supplements to low pensions and social pensions. Furthermore, they propose to use ISEE (Equivalent Socio Economic Situation Indicator), in addition to income, to limit the access to the MI. The requirement on ISEE is introduced to keep out people with low incomes but many properties.

### **3. Methodological issues**

This work aims at studying European countries' minimum income experiences and to propose the introduction of a minimum income in Italy. For this purpose, EUROMOD, the European Union tax benefit microsimulation model (Figari and Sutherland, 2013) is used. EUROMOD, managed by ISER (Institute for Social and Economic Research), simulates income taxes (national and local), social contributions (paid by the employees, self-employed and employers), family benefits, housing benefits, social assistance and other income-related benefits.

Input data are mostly derived from the European Union Statistics on Income and Living Conditions (EU-SILC) as released by Eurostat. In some countries, such as Belgium, Greece, Spain and Italy, the national version of SILC-provided by national statistics institutes- is used directly or to complement the EU version, due to the availability of more detailed variables. In other countries, different or additional national surveys are used (e.g. the Family Resources Survey in UK). EUROMOD is, thus, used to simulate MI in EU-15 area countries, Italian current instruments against poverty and a MI in Italy. Analysis of simulation results are, then, made with a statistical software. However, before policy simulations some methodological issues must be taken into account.

#### *Delimitation of minimum income schemes*

In studies aimed at comparing countries' MI schemes the first methodological issue is what policies and targets of population to consider. As a matter of fact, European countries do not provide a unique instrument for poor or needy families, but many

assistance schemes. Some are directed to specific population targets or needs (families with children, old people, disabled, unemployed, housing costs), others are more general and residual, like the so-called income of last resort. Not all countries provide all types of assistance schemes (table 1).<sup>2</sup>

Table 1. Social assistance schemes by function/target - EU-15<sup>3</sup>

Country	Specific assistance schemes					General assistance schemes
	Family and children	Old age and survivors	Disability and sickness	Unemployment	Housing	
Belgium	Yes	Yes	Yes	No	Yes	Yes
Ireland	Yes	Yes	Yes	Yes	Yes	Yes
Denmark	Yes	Yes	Yes	No	Yes	Yes
UK	Yes	Yes	Yes	Yes	Yes	Yes
Germany	Yes	Yes	Yes	Yes	Yes	Yes
France	Yes	Yes	Yes	Yes	Yes	Yes
Spain	Yes	Yes	Yes	Yes	Yes	Yes
Portugal	Yes	Yes	Yes	Yes	Yes	Yes
Luxembourg	Yes	No	Yes	No	Yes	Yes
Netherlands	Yes	Yes	Yes	No	Yes	Yes
Sweden	Yes	Yes	Yes	No	Yes	Yes
Finland	Yes	Yes	Yes	Yes	Yes	Yes
Austria	Yes	Yes	Yes	Yes	Yes	Yes
Italy	Yes	Yes	Yes	No*	Yes	No**

Source: European Commission MISSOC (Mutual Information System on Social Protection) and others (see references).

\* From 2016 an experimentation (ASDI-allowance for unemployed) with limited time and resources will start.

\*\*Only few regional experiences exist.

As it can be easily seen from the table, Italy almost completely lacks a protection, general or specific, for unemployed people. Neither an unemployment assistance nor a minimum income exist. The working age (18-65) population is, hence, not well protected. The other targets and needs, as will be explained in the second part of the paper, are somehow protected. For this reason, in this work, in comparing assistance schemes across countries, the focus is on those involving the working age population, less protected and most affected by the crisis in Italy.

But what measures to consider? The answer depends on how unemployment benefits are organized. In many countries a double protection system for unemployed people (Esser et al., 2013 and Pellizzari, 2005) is implemented: a first pillar, paid through insurance contributions, for workers with requirements (unemployment insurance) and a second pillar financed by general taxation for able-bodied with no requirements or for those who finished insurance subsidies (unemployment assistance).

Obviously, where unemployment assistance is implemented and extensive, the role of minimum income for working age people is absent or residual. In Germany, UK, Ireland and Finland unemployment assistance is extensive, indeed it involves unemployed people not conditional on previous unemployment insurance.<sup>4</sup> In France, Spain, Portugal and Austria unemployment assistance exists, but it is only an extension of exhausted unemployment insurance. In a few countries the second pillar does not

<sup>2</sup> Furthermore, some measures are means-tested, others are universal, some are directed to extreme poverty, others involve also middle incomes.

<sup>3</sup> Generally, only non-contributory and financed by general revenue schemes are taken into account.

<sup>4</sup> In other words, it involves also unemployed without requirements for unemployment insurance.

exist, so the role of the last resort assistance scheme for working age people is relevant (Belgium, Denmark, Luxembourg, Netherlands and Sweden).

In order to take into account these differences, in this paper the last resort social assistance scheme is considered for all countries, except for Germany and UK where unemployment assistance actually takes the place of the general last resort scheme for working age people.<sup>5</sup> The assistance schemes finally considered are shown in table 2. For each country the table reports the name of the policy, the policy year of simulation in EUROMOD and the dataset year on which the simulation is done. Table A1 (in the appendix) shows the main features of the considered instruments: i) age and working eligibility conditions, ii) assessment unit, iii) amount and additional payments, iv) income test and wealth test.

Table 2. Minimum income schemes

Country	Name	Policy year	Dataset year
Belgium	Leefloon /revenu d'integration sociale	2012	2010
Ireland	Supplementary Welfare Allowance	2012	2008
Denmark	Kontanthjælp	2012	2008
UK	Income-based Jobseeker's Allowance	2012	2009
Germany	Arbeitslosengeld II	2012	2010
France	Revenu de solidarité active	2012	2010
Spain	Ingreso mínimo de inserción o Renta mínima	2012	2010
Portugal	Rendimento social de inserção	2012	2008
Luxembourg	Revenu minimum garanti	2012	2008
Netherlands	Bijstand, WWB	2012	2008
Sweden	Ekonomiskt bistånd	2012	2008
Finland	Toimeentulotuki	2012	2008
Austria	Sozialhilfe: Hilfe zur Sicherung des Lebensunterhaltes	2012	2008

Source: EUROMOD (Version G1.0+)

For many minimum income schemes *age conditions* are applied. Often, only the working age population (18-65) is entitled to the benefit. Indeed, as seen before, almost all countries have well developed measures against poverty for old-age people. However, in some countries (such as Sweden, Netherlands, Luxembourg, Portugal and Denmark) actually age conditions are not present, since all adults older than 18 years can access.

The *assessment unit* for almost all countries is not the household, traditionally used at international and national level to measure poverty. It is usually a subgroup of the household, composed by parents and dependent children, with different definitions of

<sup>5</sup>In Germany after Hertz IV reforms (in 2005) unemployment benefits are organized in two pillars. The first is unemployment benefit I which depends on contributions. The second is unemployment benefits II (unemployment assistance). The latter is a means-tested benefit that covers needs of unemployed not in receipt of contributory unemployment benefits. Indeed, the role of unemployment assistance is very large, while general social assistance is directed to individuals who are not able to work (since they are old or because they are physically not able). In UK many categorical schemes for every target/need are implemented. Income support for unemployed is the safety net for people who are able to work but who are not (or are no longer) entitled to contribution based Jobseeker's Allowance. In Ireland the supplementary welfare allowance, that is the last resort scheme against poverty, is considered, even if the jobseeker's allowance (unemployment assistance) has an important role, but probably less than Germany and UK. In Finland an unemployment assistance scheme for unemployed people, even without past contributions, exists, but it is not intended to top-up claimant's income to a minimum level.



dependent children. In some northern countries, like Denmark and Netherlands, there is a strict definition of dependent children. So, a young man living with his parents, even if in education or with low income, is considered alone and probably is entitled to minimum income (even if his household is not poor). In other countries the definition of dependent children is more extensive.

Minimum incomes are usually transfers which top up the assessment unit incomes to a certain *amount*, in other words the poverty line. In most countries the amount/poverty line is fixed with a normative approach by the policy maker. Rarely, an official definition of poverty (like relative or absolute poverty) is used to establish the amount. Only in Sweden the amount is quantified through reference budgets. In other countries the amount is based on the minimum wage or the minimum pension (for example in Spain). Furthermore, the amount usually depends on the family composition (single, couple, lone parents) and on the presence and number of children. In this way, it incorporates an implicit equivalence scale. However, in some countries the amount does not depend on the number of children like in the UK, where the child element has been replaced by the child tax credit, Denmark and Belgium. Differences in the average amount across countries are strong and they do not depend only on living costs. A single can receive from 189€ in Portugal to 2,157€ in Luxembourg. To the basic amount some countries (all except Belgium, Denmark, Spain and Netherlands) add further payments for housing costs, that could cover rent or heating.

The *income test* is usually made on the sum of income from employment and from social benefits, net of social contributions and taxes. Many countries disregard some benefits (for example disability pensions) or some part of income in order to avoid negative effects on labour supply. In some countries also annuities from financial capital and property are added to income (like in Belgium, Ireland, Portugal, United Kingdom, UK). Few countries include a condition on wealth to access the minimum income, a sort of *wealth test*. Financial wealth must be lower than a certain threshold in Denmark, UK, Sweden, Portugal and Netherlands.

#### *Which definition of poverty to assess MI schemes?*

A second important methodological issue concerns the definition of poverty to consider in comparing minimum incomes across countries. The evaluation of MI requires estimating coverage and adequacy in reducing poverty of poor people. But, who are the poor? Definitions of poverty depend on at least three aspects. i) The assessment unit: the entire household or a subgroup of the household? ii) The threshold/poverty line under which a person is considered poor: 60% of the median income or minimum resources to cover basic needs? iii) The means test used: gross income, net income, with or without considering properties and financial assets?

Every MI scheme is implicitly or explicitly based on a certain definition of poverty. The choice of the poverty definition to design MI schemes is a matter of political choice, but it is not indifferent on our analysis results. For example, MI based on a poverty definition where the means test is based on individual income will obviously obtain unsatisfactory results in terms of coverage and adequacy if the poverty definition used to assess coverage and adequacy is based on household income.

At European level there is no consensus about the definition of poverty on which minimum income schemes should be based. The resolution of the European Parliament of October 2010 about the “Role of minimum income in combating poverty and promoting an inclusive society in Europe” “takes the view that adequate minimum

income schemes must set minimum incomes at a level equivalent to at least 60% of median income in the Member State concerned”. Therefore, the European Parliament refers to a relative poverty definition, called “at-risk-of-poverty rate”, which measures individuals living in households where the equivalised income is below 60% of the national equivalised median income.

On the contrary, the Social Investment Package, adopted by the European Commission in 2013, suggests reference budgets to design and to monitor income support in Europe. Reference budgets are baskets of goods and services considered necessary for living in a given country, region or city. However, European countries calculate reference budgets in different ways. Indeed, the European Commission funded a pilot project for the development of a common methodology (Storms et. al., 2014).

In this work the percentage of people at-risk-of-poverty is used to evaluate the MI experiences across EU countries. The reason is that this measure of poverty is easy to calculate and there is not yet a common methodology on reference budgets. In the second part of the work, where a minimum income for Italy is designed, both an absolute measure of poverty and the at-risk-of-poverty rate are considered.

The assessment unit, the poverty line and the means test used for the at-risk-of-poverty can be very different compared to the ones adopted by each country in its minimum income scheme. So, especially when coverage is evaluated, countries could obtain unsatisfactory results only since they use a definition of poverty very different with respect to the at-risk-of-poverty.

#### *How to deal with non-take-up?*

A third methodological issue is how to deal with the non-take-up rate. Non-take-up occurs when people do not claim for MI even if they are entitled. Non-take-up may be due to a variety of reasons, such as high claiming costs, administrative errors, fear of stigma, lack of information about entitlements (Matsaganis, 2008). Non-take-up is not a residual phenomenon, indeed take-up rate of social assistance could go from 40% to 80% across EU countries. Therefore, without taking into account non-take-up the risk is to overestimate the number of recipients of MI schemes and their effects across EU countries.

For some countries EUROMOD simulates the non-take-up. Generally, the number of recipients of simulated social assistance schemes is compared with official data. Then a probability of non-take-up is calculated and applied to simulated recipients. After this correction the number of recipients is closer to official data. In this work, as Figari et al. (2011) and Figari et al. (2010), non-take-up rate is not taken into account and full take-up of MI schemes is assumed. First, because in this way the theoretical coverage and adequacy of MI is evaluated, not depending on non-take-up. Second, in order to make a coherent comparison between countries, given that not for all non-take-up is simulated in EUROMOD.

#### 4. A comparison of Minimum Income schemes in European countries

In order to compare MI schemes across EU countries two different simulations in EUROMOD are done. The first simulation includes the minimum income schemes described in Table 2, so the benefit simulated is added to households disposable income; the second one does not simulate minimum income, in order to understand what would have happened in absence of MI. A comparison between countries is, then, made in terms of coverage and adequacy. Coverage measures the ability to cover the poor, according to the definition of poverty adopted. In addition, coverage of non-poor people is evaluated, that is when people are entitled to MI even if they belong to non-poor households. Adequacy measures the ability to get people out from poverty or at least to reduce its intensity.

##### *Coverage of the poor*

Table 3 reports the percentage of population that was poor without the transfer and is entitled to MI schemes and the percentage of population that was poor but is not entitled.<sup>6</sup> The poverty definition considered is the rate of people at-risk-of-poverty with threshold equal to 60% of the median national household equivalised disposable income. To measure coverage, table 3 shows, in addition, the ratio between the percentage of entitled and poor people and the percentage of poor people.<sup>7</sup> According to the table, the coverage is not so high across European countries, around 41% on average. The coverage is high in Luxemburg, Belgium, France, UK and Germany. Among the other countries the coverage is low in Portugal, Spain, Denmark, Sweden and Ireland.

Table 3. Coverage: percentage of population by entitlement to MI and poverty (at 60% of median)

Country	Poor and entitled (%)	Poor and not entitled (%)	Entitled on poor (%)
France	8.2	3.8	68.1
Belgium	5.9	3.6	62.2
Ireland	2.1	10.9	16.3
Denmark	2.4	8.8	21.6
Finland	4.1	7.2	36.2
Sweden	3.4	8.7	27.9
UK	10.4	7.9	56.8
Germany	9.6	6.7	58.9
Austria	3.4	7.5	31.0
Luxembourg	6.5	4.0	61.7
Netherlands	3.7	7.7	32.7
Portugal	4.0	12.0	24.9
Spain	5.6	13.3	29.4

Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

By adopting a narrower definition of poverty -the percentage of people under 40% of median disposable income- coverage increases (table 4). It is on average around 68%. Countries with high coverage are Luxembourg, Austria, Germany and Belgium. Coverage seems low in Denmark and Netherlands.

<sup>6</sup> In this and in the other tables of this paragraph only the population between 18 and 65 years old is considered.

<sup>7</sup> All the population is considered and is divided in four groups by poverty and entitlement to MI. People poor and entitled, people poor and not entitled, people not poor and entitled, people not poor and not entitled.

Table 4. Coverage: percentage of population by entitlement to MI and poverty (at 40% of median)

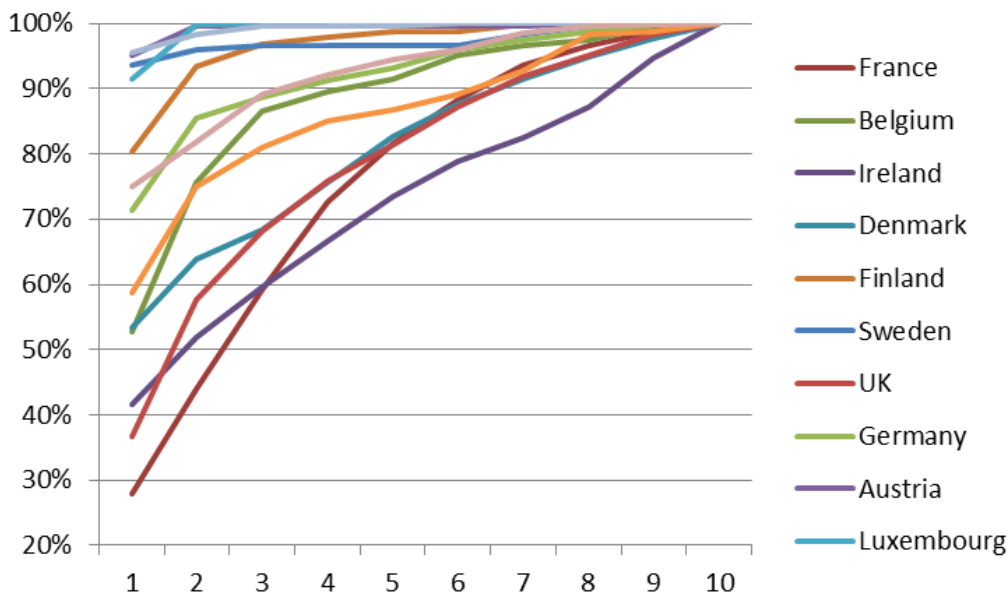
Country	Poor and entitled (%)	Poor and not entitled (%)	Entitled on poor (%)
France	3.2	0.9	78.4
Belgium	2.7	0.2	92.7
Ireland	1.4	1.0	57.1
Denmark	1.3	2.7	32.1
Finland	1.8	1.2	59.6
Sweden	2.8	2.1	56.9
UK	6.2	3.1	66.6
Germany	7.0	1.1	86.4
Austria	2.0	0.3	85.7
Luxembourg	2.5	0.3	89.4
Netherlands	2.4	2.6	48.1
Portugal	3.7	1.5	71.7
Spain	5.0	4.0	55.8

Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

### Coverage of the non-poor

As mentioned before, MI schemes in European countries are based on implicit definitions of poverty that could be very different with respect to the poverty definition “at-risk-of poverty rate” used in this analysis. This could lead to a high coverage of non-poor people, that is when people entitled to MI belong to non-poor households. Figure 1 shows the cumulative distribution of people entitled to MI with respect to equivalent disposable income deciles. For many countries the majority of people entitled to MI are in the first deciles of income. In Portugal, Austria, Sweden, Luxembourg over 90% of those entitled to MI belong to the first decile. But for some countries, many people entitled to MI belong to high deciles of income. This is particularly true for France, Ireland, Denmark and UK.

Figure 1. Coverage: cumulative distribution of people entitled to MI by equivalised disposable income deciles

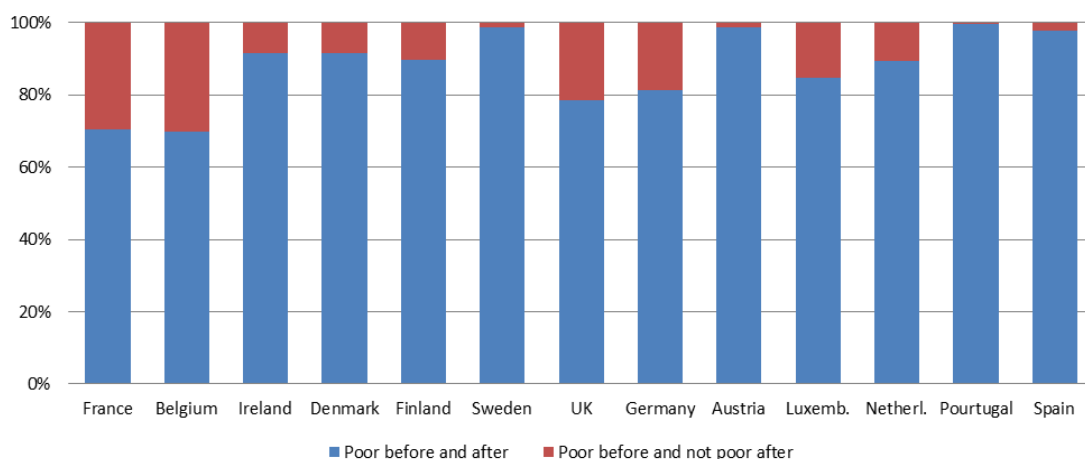


Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

### Adequacy

In figure 2 people entitled to MI schemes are divided into two categories: those poor before and after the MI and those poor before but not after the MI. From the figure it can be seen that the percentage of people who exit poverty is low if the poverty threshold at 60% of the median is considered. In some countries, such as Portugal, Sweden and Austria, nobody exits poverty in the presence of minimum income.

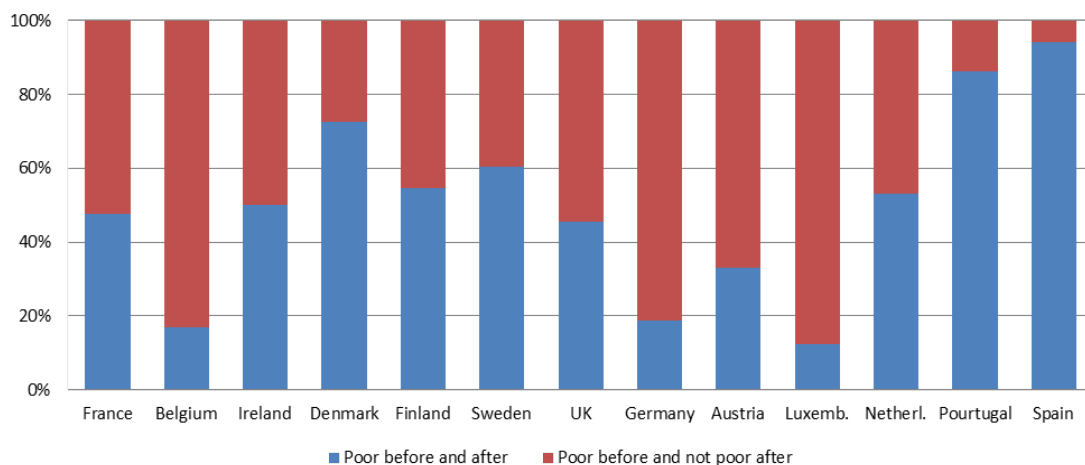
Figure 2. Adequacy: percentage of people entitled to MI by exit/non exit from poverty (at 60% of median)



Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

With the poverty threshold at 40% of the median (figure 3) the percentage of people who exit poverty increases and it is high in Luxemburg, Belgium, Germany and Austria. On the contrary, in Portugal and Spain few people get out of poverty in the presence of minimum income.

Figure 3. Adequacy: percentage of people entitled to MI by exit/non exit from poverty (at 40% of median)



Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

Figure 5 shows the median poverty gap before and after the MI. With a threshold of 60% the decrease in poverty gap is particularly high in Denmark, Netherlands and Germany and it is very low in Portugal and Spain. With the narrower definition of poverty (40% of the median) the reduction in the distance between income and the poverty line is very strong in Denmark and Ireland. Portugal and Spain improve their results with respect to the other countries.

Table 5. Adequacy: median poverty gap (%) before and after MI for different thresholds

Country	60% median			40% median		
	Before	After	% diff.	Before	After	% diff.
France	41.6	17.1	-58.9	62.0	8.5	-86.3
Belgium	55.6	18.5	-66.7	52.5	13.9	-73.5
Ireland	44.0	18.3	-58.5	60.3	6.2	-89.7
Denmark	78.8	16.5	-79.0	77.5	5.4	-93.0
Finland	33.6	16.8	-50.1	38.4	13.4	-65.1
Sweden	60.8	26.9	-55.8	62.1	9.7	-84.3
UK	55.1	20.4	-62.9	75.2	19.4	-74.2
Germany	63.4	18.7	-70.5	57.8	20.3	-64.9
Austria	62.3	26.4	-57.6	62.3	26.4	-57.6
Luxembourg	25.8	9.3	-64.0	70.5	12.4	-82.4
Netherlands	49.3	11.3	-77.0	n.a.	n.a.	n.a.
Portugal	52.8	38.2	-27.7	40.0	12.6	-68.5
Spain	81.2	55.8	-31.3	79.4	35.8	-54.9

Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

In conclusion, minimum income schemes in European countries are usually based on an implicit definition of poverty that does not match the at-risk-of-poverty rate. This means that those entitled to MI can belong to non-poor families or many poor people are excluded. Moreover, even for those who access the benefit the extent is not often adequate to get people out of poverty. However, minimum income schemes generally succeed in reducing the poverty gap.

## 5. A Minimum Income in Italy

Italy still lacks a general and residual income support against poverty and social exclusion. In 1992 the European Commission asked Italy, as other Member States, to introduce a minimum income guarantee. Only at the end of the 90's an experimental minimum income, the so called *Reddito Minimo d'Inserimento* (RMI), was introduced. The experiment ended with the political cycle and the RMI was replaced by a new measure called "income of last resort". However, the "income of last resort" never actually entered into force. After, only few temporary and limited regional minimum income experiences were applied.

As a result, the Italian social protection system is based only on specific assistance schemes (table 6). Nevertheless, not all specific needs are sufficiently covered. As a matter of fact, Italy lacks a specific assistance scheme for unemployed people. On the contrary, old-age people are well protected with significant measures in terms of resources: social pension (*assegno sociale* or *pensione sociale*) and supplement to pension (*integrazione al minimo*) in the first place. Also measures for families, such as municipal allowances, and some forms of social housing are implemented.

Table 6. Main Italian social assistance schemes

Specific/general	Needs/Recipients	Policies	Type of measure
Specific	Family and children	Municipal maternity allowances	MT – Non contributory
		Municipal allowances for families with three children	MT – Non contributory
		New Social Card (experimental)	MT – Non contributory
	Old age and survivors	Social Pension	MT – Non contributory
		Supplement to pension	MT – Minima in contributory
		Social Card	MT – Non contributory
	Disability and sickness	Disability and sickness pensions	NM – Non contributory
	Unemployment	Experimentation of an allowance for unemployed from 2016	MT – Non contributory
	Housing	Social housing	MT – Non contributory
General		Few regional minimum incomes	MT – Non contributory

\*MT=means tested, NM=not means tested

The economic crisis put new emphasis on inadequacies of social protection systems. Consequently, in June 2013, the Ministry of Labour and Social Policy established a working group to assess costs and benefits of a minimum income in Italy. The group proposed a national and universal measure to tackle absolute poverty, called Support for Active Inclusion (SIA). Nevertheless, the only measure actually financed by the government, with very limited resources, is a new experiment called New Social Card (decreto del Ministero del Lavoro e delle Politiche Sociali 10 gennaio 2013). The New Social Card is a categorical measure, intended for families with children, with unemployed members and very bad economic conditions. More recently, within the labour market reform (the so called “Jobs Act”) a new experimental assistance scheme for unemployed people, called Allowance for unemployed (ASDI), has been introduced (D.Lgs. 4 marzo 2015, n. 22). Similarly to other European assistance schemes for job seekers, ASDI is directed to unemployed people who exhausted contributory unemployment schemes. However, resources assigned to ASDI are very limited. In the next paragraph EUROMOD is used to assess coverage and adequacy of the two most significant current assistance schemes, social pensions and supplements to pensions in Italy.

#### *Limits of the current instruments against poverty*

In Italy many fragmented and uncorrelated instruments that directly or indirectly aim at helping people with low income are provided (Strati, 2009). The two most important, in terms of resources involved, are social pensions and supplements to pensions.

Supplements to pensions are transfers given to pensioners with a contributory pension which does not reach a certain minimum level. In other words, supplements aim at topping up pensions to the minimum level (502.39 per month euro for 2015).<sup>8</sup> The receipt of supplements is conditional on a means test based on the taxable income of the pensioner and eventually his spouse. The assessment unit is, hence, composed on the pensioner and, eventually, his spouse. Specifically, total supplement is provided for yearly taxable income lower than 6,531.07 euro (19,593.21 euro for married), partial supplement is assigned when yearly taxable income is between 6,531.07 euro and 13,062.14 euro (between 19,593.21 euro and 26,124.28 euro for married).<sup>9</sup>

<sup>8</sup> Other supplements in some cases are eventually provided (maggiorazioni sociali).

<sup>9</sup> Different income limits are applied according to the year of retirement.

Social pension is a minimum income for old-age people (older than 65) who are not entitled to contributory pensions (and consequently to supplements to pensions). Social pensions aim at topping recipients' income up to a minimum level, that is 5,830.76 euro for single and 11,661.52 euro when the recipient is married. The receipt of social pensions is conditional on a means test based on the taxable income of the assessment unit. As in supplements to pensions the assessment unit is composed on the recipient and, eventually, his spouse.

Social pension is already simulated in EUROMOD. On the contrary, supplements to pensions are not easy to simulate since, as in most surveys, they are part of pensions. In order to estimate supplement to pension an iterative procedure, similar to Levy (2008), is used. Specifically, an interval around the minimum pension is chosen such that the resulting number of recipients is close as possible to that in administrative statistics.<sup>10</sup> Then, supplements to pensions are simulated by applying to each recipient the average ratio between supplements and pensions, for male and female, registered by administrative statistics.<sup>11</sup>

Table 7 shows coverage of the poor with two different poverty thresholds (60% and 40% of median equivalised disposable income). Coverage is calculated only for people aged more than 65 years old, given the categorical nature of the two measures considered. The ability to cover people at-risk-of-poverty (60% median) is about 43% for social pension and 47% for supplements to pensions. By using a narrower definition of poverty, coverage increases for both the measures and it becomes nearly 90% for social pension and 71% for supplements to pensions.

Table 7. Coverage: percentage of population over 65 by entitlement and poverty

Policy	Threshold	Poor and entitled (%)	Poor and not entitled (%)	Entitled on poor (%)
Social pension	60% median	7.5	9.8	43.1
	40% median	4.0	0.5	89.6
	60% median	9.2	10.2	47.4
Supplement to pension	40% median	3.9	1.6	70.7

Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

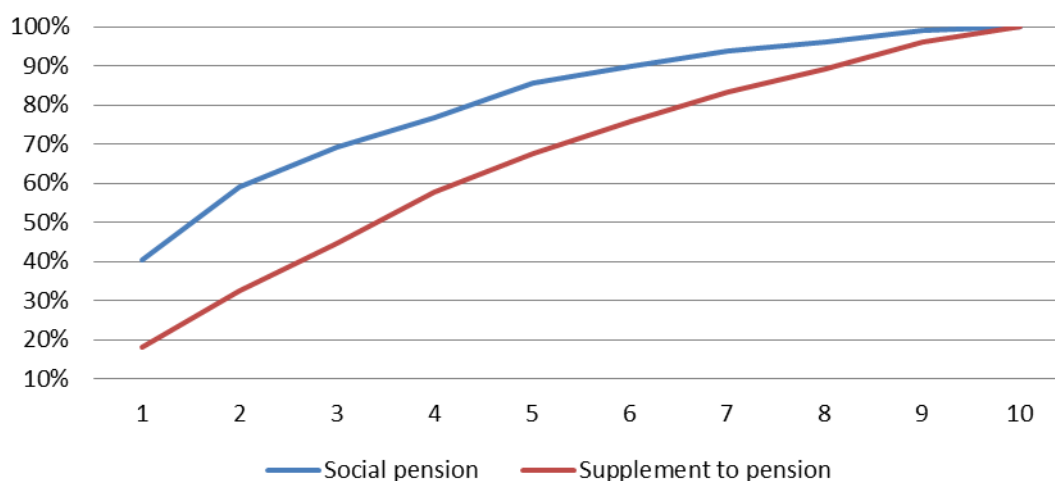
On the other hand, recipients are frequently not poor and, in some cases, they even belong to rich households. Figure 4 shows the cumulative distribution of recipients by equivalent disposable income deciles. Almost 15% of those entitled to social pensions belongs to deciles greater than the median. The percentage is even higher for supplement to pension, for which over 30% of recipients belongs to households with a disposable income higher than the median and 17% to the top three deciles. These surprising results mainly depend on the definition of poverty used to assign benefits. As said before, for both measures, the assessment unit is not the household, but a subgroup composed on the recipient and eventually his spouse. In many cases, recipients are women with low income living in their son's household. Another typical recipient is a couple with one pensioner living with adult children whose income is not regarded.

<sup>10</sup> INPS (Italian National Social Security Institute).

<sup>11</sup> The resulting estimated expenditure for supplements to pensions is similar to the official value.



Figure 4. Coverage: cumulative distribution of people entitled by eq. disposable income deciles



Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

Given these distributive effects, a reorganization of the current measures could be a way to find resources for a minimum income in Italy. Table 8 reports the estimated expenditure for both measures by equivalent disposable income deciles. A large amount of resources could be recovered if a further requirement on household disposable income would be added to social pensions and supplements to pensions. For example, 3 billion euro would be recovered (365 million from social pension and 2.6 billion from supplement to pension) by excluding current recipients with equalised household disposable income higher than the median.<sup>12</sup> Alternatively, the exclusion of recipients above 60% of median disposable income would provide over 7 billion euro.

Table 8. Estimated expenditure for social pension and supplements to pensions (millions of euro)

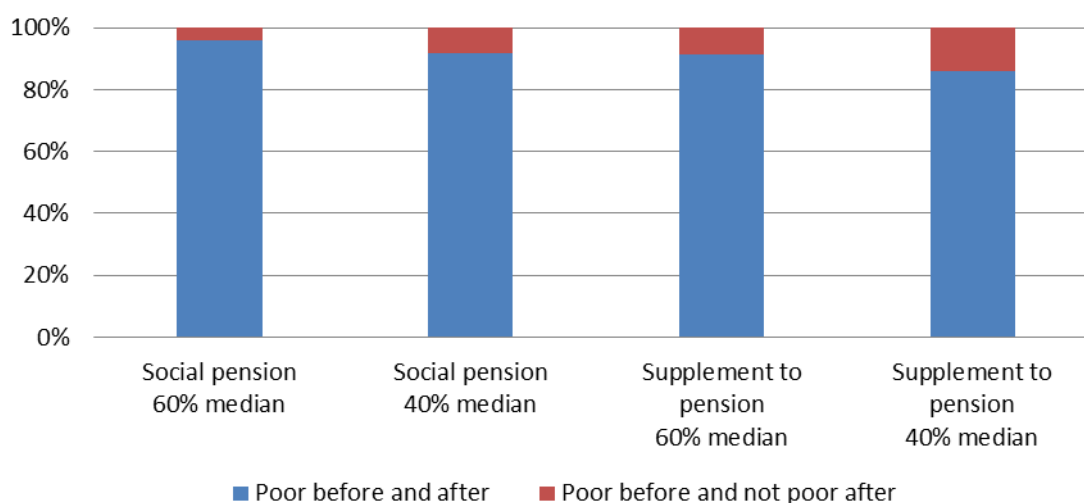
Decile	Social pension	Supplement to pension
1	2,401	2,785
2	573	1,509
3	256	1,202
4	156	1,252
5	194	879
6	96	712
7	67	641
8	72	433
9	83	495
10	47	302
Totale	3,945	10,210

Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

For poor people correctly covered by the two policies adequacy is, however, not satisfying. Neither with 60% nor 40% of median income the measures are able to get people out of poverty (figure 5). On the other hand, the measures seem able to reduce the poverty gap for those entitled, especially by considering 40% of median income as threshold (table 9).

<sup>12</sup> A similar proposal is in Baldini et al. (2013).

Figure 5. Adequacy: percentage of people entitled to the policy by exit/non exit from poverty



Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

Table 9. Adequacy: median poverty gap before and after MI

Policy	60% median			40% median		
	Before	After	% diff.	Before	After	% diff.
Social pension	0.5	0.2	-55.0	0.9	0.1	-90.3
Supplement to pension	0.5	0.2	-54.5	0.6	0.1	-84.0

Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

### *A proposal of a minimum income in Italy*

At European level there is no consensus about the definition of poverty on which minimum income schemes should be based. As seen in the first part of the paper, European countries use normative definitions of poverty, very different and far from the at-risk-of-poverty indicator. In this section two hypotheses of a minimum income in Italy, simulated through EUROMOD, are proposed based on different definitions of poverty (table 10). As in many European countries, for both hypotheses transfers would top up households economic resources to the poverty threshold. Age conditions are not applied.

The first definition considered is a relative measure of poverty, the at-risk-of-poverty, emphasized by the European Parliament in the resolution on the role of minimum income. The threshold adopted is 40% of median equivalised household disposable income (HP1). The adoption of the official threshold of 60% of median equivalised household disposable income would cost much more. The transfer is simply given by the difference between households' equivalised disposable income and 40% of the median.

The second definition is the official national measure of absolute poverty estimated by ISTAT (the Italian Institute of Statistics). The use of absolute poverty is emphasized by the Social Investment Package (only Sweden is actually using it). The threshold is the monetary value of a basket of goods and services, considered minimum for each type of family (HP2). Types of family differ mainly in the composition by age, by number of components, in regional differences in cost of living and in the availability of public

services.<sup>13</sup> The income means test is the sum of disposable income net of disability pensions (disregarded as in many European countries) and a notional value of the main residence eventually owned. As in some European countries a wealth test is added. Specifically, financial assets must be lower than the benefit amount.

Table 10. Main features of AMII

Poverty definition	Age and working eligibility conditions	Assessment unit	Benefit amount	Income means test	Wealth test
At-risk-of-poverty (HP1)	Adults aged 18 or over	Household	40% of median equivalised household disposable income	Disposable income	
Absolute poverty (HP2)	Adults aged 18 or over	Household	Poverty lines estimated by ISTAT	Disposable income net of disability pensions plus an estimation of the value of the main residence	Financial assets lower than the annual poverty line

Results of the two simulations are shown in the following tables (11-13 for the first definition of poverty, 14-16 for the second). The first hypothesis involves 1.8 millions of households for a total expenditure of 8.6 billions of euro (table 11). The average transfer is about 4,684 euro per year.

Table 11. Number of recipients and costs of AMII (HP 1)

Object	Number/Cost
N° families (millions)	1.8
Average transfer (euro)	4,684
Total cost (millions of euro)	8,658

Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

Benefits are strongly concentrated in southern territories where the level of poverty is higher and the crisis hit more (table 12). Nearly 60% of total entitled households lives in the South, where 13% of households receive the benefit. Furthermore, southern households receive a higher average transfer compared to the rest of the country.

Table 12. Recipients of AMII by geographical area (HP 1)

Geographical area	Family incidence (%)	Family composition (%)	Expenditure composition (%)	Average transfer (euro)
North	4.1	27.3	24.7	4,236
Centre	5.4	14.6	14.7	4,716
South	13.4	58.1	60.6	4,886
Total	7.3	100.0	100.0	4,684

Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

In the majority of entitled households (55%) the head is between 35 and 65 years old (table 13). The middle age class receives almost 60% of the total benefits, with an average transfer of about 5,000 euro per year. The incidence is particularly high when

<sup>13</sup> Table a2, in appendix, shows the poverty line by type of family. For simplicity the distinction for availability of public services (approximated by the city dimension) is not reported.

the head is younger than 35 years old. So, the hypothesized minimum income is mainly directed to the active population most affected by the economic crisis.

Table 13. Recipients of AMII by age classes (HP 1)

Age classes	Family incidence (%)	Family composition (%)	Expenditure composition %	Average transfer (euro)
Under 35	11.1	24.4	24.4	4,683
35 - 65	7.3	54.6	58.3	5,004
Over 65	5.3	21.0	17.2	3,851
Total	7.3	100.0	100.0	4,684

Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

The absolute poverty definition involves a lower number of households and lower costs: 1.4 millions of families for a total cost of about 6 billions of euro in Italy (table 14).

Table 14. Number of recipients and costs of AMII (HP 2)

Object	Number/Cost
N° families (millions)	1.4
Average transfer (euro)	4,412
Total cost (millions of euro)	6,054

Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

Households entitled and expenditures are still concentrated in the South. However, the territorial concentration seems lower with respect to the relative measure of poverty (table 15). In fact, absolute poverty takes more into account differences in living conditions between areas than the at-risk-of-poverty.

Table 15. Recipients of AMII by geographical area (HP 2)

Geographical area	Family incidence (%)	Family composition (%)	Expenditure composition %	Average transfer (euro)
North	3.9	34.2	31.7	4,096
Centre	4.7	16.9	18.1	4,718
South	8.3	48.9	50.1	4,526
Total	5.5	100.0	100.0	4,412

Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

Fewer differences arise between age groups. Resources are slightly more directed to the active population with absolute poverty than relative poverty (table 16). This result probably depends on the different consideration, in the two income tests, of the main residence, more common among old-age people.

Table 16. Recipients of AMII by age classes (HP 2)

Age classes	Family incidence (%)	Family composition (%)	Expenditure composition %	Average transfer (euro)
Under 35	10.6	31.3	31.7	4,681
35 - 65	6.1	61.1	18.1	4,602
Over 65	1.4	7.6	50.1	1,775
Total	5.5	100.0	100.0	4,441

Source: Author's elaborations based on policy simulations in EUROMOD (Version G1.0+)

## 6. Conclusion

The objective of this work was to compare EU MI schemes to get useful lessons to design a MI for Italy. EUROMOD, the tax benefit microsimulation model for the EU, was used in order to achieve these goals. In synthesis, the most interesting and crucial preliminary results are the following.

In the first part of the work an important methodological issue about the definition of poverty to assess minimum incomes across countries arises. At European level there is no consensus about the definition of poverty on which minimum income schemes should be based, whether the at-risk-of-poverty rate, as suggested by the European Parliament in the recommendation on minimum income, or reference budgets, as stated by the European Commission in the Social Investment Package. In this work the percentage of people at-risk-of-poverty is used, but this choice is not indifferent on the analysis results. Indeed, every MI scheme is implicitly or explicitly based on a certain definition of poverty, that can vary greatly between countries and can be far from the at-risk-of-poverty. The analysis demonstrates that European MI schemes are not able to totally cover poor people and often people entitled to MI belong to non-poor families. For covered poor people the extent is not often adequate to get people out of poverty. However, minimum income schemes generally succeed in reducing the intensity of poverty. Most of all, the study suggests the necessity to define, once and for all, a poverty definition on which MI should be based and assessed, also in order to make more feasible a convergence of different measures at European level towards a European minimum income.

In the second part Italian current social assistance schemes are analysed. Italy almost entirely lacks a protection, general or specific, for unemployed people. Neither an unemployment assistance nor a minimum income exist. The working age population is not protected. The other targets and needs, especially old-age people, are well protected. Supplements to pensions and social pensions are the two most important, in terms of resources, measures for old-age people with low income. However, the redistributive analysis shows that recipients are frequently not poor and, in some cases, they even belong to rich households. Therefore, a large amount of resources could be recovered if a further requirement on household disposable income would be added to social pensions and supplements to pensions.

In last part of the work a universal minimum income is proposed for Italy. The measure is general but most recipients are households where the head belongs to working age, almost completely unprotected by the current assistance schemes. Two measures are hypothesized, one based on the at-risk-of-poverty rate and one based on absolute poverty. Both, for relative and absolute poverty, minimum income would imply a redistribution of resources from the North to the South of Italy. But, this happens more with the relative poverty measure than the absolute one. Indeed, absolute poverty takes better into account differences in living conditions between areas of Italy, than relative poverty. Consequently, to make a politically sustainable proposal it would be preferable to use absolute poverty.

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## A1. Minimum Income Schemes across European Countries

Table A1. Main features of MI schemes across European Countries

Country	Age and working eligibility conditions	Assessment unit	Benefit amount	Additional payments for housing	Income means test	Wealth test
Belgium	Adults between 18 and 62	Subgroup of household: single people or couple with dependent children (< 19 or <26 and in education)	<ul style="list-style-type: none"> <li>- The amount is equal to the minimum existence level</li> <li>- It is differentiated for single and couple and by the presence of dependents. Not by the number of children***</li> <li>- A single receives 785.61€.</li> <li>- A person with dependent family receives 1,047.48€</li> </ul>		<ul style="list-style-type: none"> <li>- It includes income (net of contributions and taxes) from employment with disregards and from some benefits (except social assistance)</li> <li>- It includes income from real estate and income from capital with disregards (e.g. the first 6,200€ not considered)</li> </ul>	
Ireland	<ul style="list-style-type: none"> <li>- At least one person, except dependent children, in the assessment unit between 18 and 66</li> <li>- Not in full time work (hours worked per week &lt; 30)</li> </ul>	Subgroup of household: single people or couple with dependent children (< 19 or <23 and in education)	<ul style="list-style-type: none"> <li>- It includes a personal rate and extra-amount for dependants</li> <li>- A single receives 744€. A couple with two children receives 1,481.6€</li> </ul>	Housing costs (rent, mortgage interests)	<ul style="list-style-type: none"> <li>- Cash income (net of contributions) from employment and from other benefits (except domiciliary care allowance) are included</li> <li>- Income from capital and property (other than domestic residence and net of mortgages) is assessed with certain disregards (e.g. the first 5,000€ not considered)</li> </ul>	
Denmark	Adults aged 18 or over	Subgroup of household : the claimant, his spouse and any dependent children (up to 18)	<ul style="list-style-type: none"> <li>- The amount is differentiated by age and by the presence of children</li> <li>- A person receives 1,457€.</li> <li>- A person with at least one child receives 1,937€</li> <li>- A person &lt; 30 living with parents receives 430.61€</li> </ul>		The sum of incomes (from employment and some benefits) must be zero	Financial wealth less than 1,339.95€ for single, 2,679.90 € for couple



Country	Age and working eligibility conditions	Assessment unit	Benefit amount	Additional payments for housing	Income means test	Wealth test
UK	- Between 16 and 60 -Total hours worked per week < 16 (24 for the partner)	Subgroup of household: single people or couple with dependent children (< 16 or <19 and in education)	- It is the sum of personal allowances (differentiated for single and couple and by age) and premiums (depending on disabilities). The child elements are not included. - A single receives 307.4€. A couple, both over 18, independently on children receives 611.8€***	Housing costs (e.g. mortgage interest payments) not covered by specific housing benefits (for rents) can be included	It includes income from employment, pension and some benefits (net of contributions and taxes) with disregards (e.g. 109.8€ for a lone parent). It excludes certain benefits (like disability living allowance) - A tariff income is calculated on capital between 8,269.02€ and 22,050.72€	Financial wealth less than 22,050.72€
Germany	Working age population (15–65)	Household	- The basic rate for a single is 374€. Each additional person is entitled to 90% of the basic rate if older than 25, to 80% if between 15 and 25, to 60% if younger than 15. - A single receives 374€ A couple with two children receives 1,159.4€	In addition costs for housing rent and heating, differentiated by household size, are covered	It includes income from employment, pension and benefits (net of contributions) except social assistance (like long term care benefits) with disregards (e.g. the first 100€ not considered, between 101 and 800 only the 80% is considered, etc.)	Financial wealth, net of some disregards, must be zero
France	Head of the assessment unit between 25 and 65	Subgroup of household: single people or couple with dependent children (< 20 or <25 with low income)	- The amount depends on the household composition (e.g. lone parents) and the number of dependent children - A single receives 513.88€. A couple with two children receives 1,079.14€	Housing package can be included	It includes income (net of contributions and taxes) from work and some benefits (disability benefit is included)	

Country	Age and working eligibility conditions	Assessment unit	Benefit amount	Additional payments for housing	Income means test	Wealth test
Spain*	Adults between 25 and 65	Subgroup of household: single people or couple with dependent children (< 14)	<ul style="list-style-type: none"> <li>- The benefit amount is 62% of the minimum wage plus 8% of minimum wage for each additional member. The maximum amount is the minimum wage.</li> <li>- The benefit has a different amount depending on the number of members</li> <li>- A single receives 397.67€</li> <li>- A family of 4 people receives 552€</li> </ul>		It includes gross income from employment and benefits (net of contributions)	
Portugal	Adults aged 18 or over	Subgroup of household: head, partner and relatives less than 18 or more 18 dependents	<ul style="list-style-type: none"> <li>- It is the product of the social pension by the scale of equivalence</li> <li>- A single receives 189.52€.</li> <li>- A couple with two children receives 511.7€</li> </ul>	Housing cost supplement is included	<ul style="list-style-type: none"> <li>- It includes income from employment and self-employment income with disregards (only 80% is considered) and some benefits</li> <li>- It includes income from property and investment</li> </ul>	
Luxembourg	Adults aged 25 or over	Subgroup of household: single people or couple with dependent children (< 19 or <28 in education or disabled)	<ul style="list-style-type: none"> <li>- The amount is differentiated according to the family composition</li> <li>- A single receives 1,283€. A couple with two children receives 2,157€</li> </ul>	Housing rent up to a maximum is added	<ul style="list-style-type: none"> <li>- It includes household gross revenue with disregards</li> <li>- Some benefits are not considered (like family allowances and long term benefits)</li> <li>- Income from wealth and property is included</li> </ul>	
Netherlands	Adults aged 18 or over	Subgroup of household: single people or couple with dependent children (<16 or under 18 years if they are in education or unemployed, or at least 45% disabled)	<ul style="list-style-type: none"> <li>- Linked to statutory minimum wage</li> <li>- Differentiated for couple, single, lone parents, by their age and by the presence of children (not their number)</li> <li>- A single person of 30 receives 908.45€. A couples of both 30 with children receives 1,336.42€</li> </ul>		It includes income (net of contributions and taxes) from employment, benefits and pensions (except child benefits, rent allowance and care allowance)	<ul style="list-style-type: none"> <li>- Assets (financial but also cars, mort, cycles, boats etc. ) less than 5,180€ for single and less than 10,360€ for couple (net of debts)</li> <li>- Homeowners are excluded</li> </ul>

Country	Age and working eligibility conditions	Assessment unit	Benefit amount	Additional payments for housing	Income means test	Wealth test
Sweden	Adults aged 18 or over	Subgroup of household: single people or couple with dependent children (<18 or 20 if receiving the basic amount of child benefit)	<ul style="list-style-type: none"> <li>- It is based on costs of a basket of commodities to get a reasonable standard of living</li> <li>- It is the sum of common needs plus personal needs depending on age of children and if head is single or not</li> <li>- A single receives 311€. A couple with 2 children aged 4 and 8 years old receives 1,318€</li> </ul>	Housing cost can be included	It includes income (net of contributions and taxes) from employment and other benefits	Financial assets must be zero
Finland	Adults aged 18 or over	Subgroup of household: single people or couple with dependent children (<18)	<ul style="list-style-type: none"> <li>- The amount is differentiated according to household composition, the number of children and their age</li> <li>- A single receives 461.05€. A couple with 2 children aged 8 and 12 years old receives 1,498.41€</li> </ul>	Housing cost can be included	It includes income (net of contributions and taxes) from employment and benefits (except disability allowances) with some disregards (at least 20 per cent but max 150 euro per month of income from work is not taken into account)	
Austria**	Adults younger than the retirement age	Household	<ul style="list-style-type: none"> <li>- A single receives 773.26€. A couple with 2 children receives 1,575.9€</li> <li>- Supplements for old and disable people</li> </ul>	It includes housing and heat allowances	<ul style="list-style-type: none"> <li>- It includes income (net of contributions and taxes) from employment and benefits</li> <li>- It excludes some benefits (like care benefits family allowances)</li> </ul>	

Source: For more details see MISSOC and EUROMOD Country Reports (CR). Amounts are taken from MISSOC or CR depending on availability of information, always with the most recent value.

\* In Spain, the 17 Autonomous Communities have similar but not equal schemes. In the table features of Andalusia are reported.

\*\*In Austria MI is a federal measure. In the table features of Sozialhilfe Wien are reported.

\*\*\*In UK Denmark and Belgium the amount does not depend on children. The child element is contained in a specific child allowance.

## A2. Absolute poverty lines in Italy

Table A2. Absolute poverty line by type of family (euro per month)

Type of family by number of components and age	North	Centre	South
1 comp. 18-59	820	799	603
1 comp. 60-74	790	773	577
1 comp. 75+	749	737	542
2 comp. 18-59	1,131	1,085	859
2 comp. 60-74	1,071	1,034	808
2 comp. 75+	999	969	745
1 comp. 60-74 and 1 comp. 75+	1,035	1,001	776
1 comp. 18-59 and 1 comp. 75+	1,063	1,026	800
1 comp. 18-59 and 1 comp. 60-74	1,100	1,059	833
1 comp. 11-17 and 1 comp. 18-59	1,146	1,098	872
1 comp. 4-10 and 1 comp. 18-59	1,090	1,050	824
1 comp. 18-59 and 2 comp. 75+	1,275	1,224	972
1 comp. 18-59 and 1 comp. 60-74 and 1 comp. 75+	1,310	1,255	1,003
1 comp. 18-59 and 2 comp. 60-74	1,345	1,287	1,034
2 comp. 18-59 and 1 comp. 75+	1,341	1,281	1,029
2 comp. 18-59 and 1 comp. 60-74	1,377	1,314	1,061
3 comp. 18-59	1,410	1,342	1,089
1 comp. 11-17 and 2 comp. 18-59	1,423	1,353	1,101
1 comp. 4-10 and 2 comp. 18-59	1,373	1,311	1,058
1 comp. 0-3 and 2 comp. 18-59	1,274	1,221	969
2 comp. 18-59 and 2 comp. 60-74	1,628	1,551	1,255
3 comp. 18-59 and 1 comp. 60-74	1,662	1,580	1,284
4 comp. 18-59	1,698	1,611	1,314
1 comp. 11-17 and 3 comp. 18-59	1,710	1,622	1,325
2 comp. 11-17 and 2 comp. 18-59	1,723	1,633	1,336
1 comp. 4-10 and 1 comp. 11-17 and 2 comp. 18-59	1,677	1,594	1,298
2 comp. 4-10 and 2 comp. 18-59	1,631	1,554	1,259
1 comp. 0-3 and 1 comp. 4-10 and 2 comp. 18-59	1,534	1,466	1,172
1 comp. 4-10 and 3 comp. 18-59	1,665	1,583	1,287
2 comp. 0-3 and 2 comp. 18-59	1,439	1,380	1,087
3 comp. 18-59 and 1 comp. 75+	1,626	1,548	1,252
1 comp. 0-3 and 1 comp. 11-17 and 2 comp. 18-59	1,580	1,506	1,211
5 comp. 18-59	1,958	1,852	1,521
1 comp. 11-17 and 4 comp. 18-59	1,970	1,863	1,532
1 comp. 4-10 and 2 comp. 11-17 and 2 comp. 18-59	1,952	1,847	1,517
2 comp. 11-17 and 3 comp. 18-59	1,982	1,873	1,542
1 comp. 4-10 and 1 comp. 11-17 and 3 comp. 18-59	1,940	1,837	1,507
2 comp. 4-10 and 1 comp. 11-17 and 2 comp. 18-59	1,909	1,811	1,481

Source: Istat