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Luxembourg Income Study Working Paper No. 261

**YET THE POOREST, RELATIVELY SPEAKING:
ITALIAN POVERTY RATES IN
INTERNATIONAL PERSPECTIVE**

Kristian R. D. Orsini

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Yet the Poorest, Relatively Speaking: Italian Poverty Rates in International Perspective

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Abstract

Few works more than Esping-Andersen's '*Three Worlds of Welfare Capitalism*' have drawn researchers' attention on institutional features that characterise the diverse typologies of welfare regimes; yet the impact of the different institutional settings on income distribution has mostly been taken for granted.

This paper uses cross nationally comparable data from the Luxembourg Income Study (LIS) to assess the performance of Italian Welfare against that of other countries of the "conservative" cluster (Germany, France and the Netherlands), as well as countries of the "liberal" (United Kingdom) and "social-democratic" (Sweden) regime. The results reveal that the institutional setting is strongly correlated with the antipoverty efficiency of social transfers (indeed in the direction one would expect), with the significant exception of Italy, whose performance approaches that of the United Kingdom. The reason for such performance must be found within the structure of social transfers. Italy's extremely generous pension system has in fact crowded out any form of support directed to younger families, both in child support or means-tested assistance. While two-earners-households find a good hedge against poverty risks in market income, one earner household shaped around the "*single male breadwinner model*" face considerable poverty risks, which increase linearly by a factor of 10% according to the number of children in the household.

As a consequence of the greater diffusion of such family model in Italy, child poverty rates tend to be double and almost ten times higher than the Swedish ones, approaching the British standard (almost 20%). Evidence also shows that what prevents a greater diffusion of the double income household is probably not as much related to cultural inheritance as to concrete difficulties encountered by women in young households combining parental and working responsibilities. In higher quintiles of disposable income, where services to families may be easily acquired on the market, female employment rate tend to be almost 3 times the average rate, approaching the Swedish rate. With respect to the foreseen tendencies towards higher wage dispersion (concentrated in the bottom part of the distribution), Italian welfare system (with its strong bias on old age pensions and the total lack of services to families) appear particularly unstable, as increased wage flexibility may only be acquired at the cost of falling deeper in the "fertility trap", a problem shared by most Europe's continental countries, but which has taken a dramatic relevance in the case of Italy.

JEL: D31, E25, E64, I32, P51

1. Introduction

In 1981 the OECD published the proceedings of a conference held one year earlier with the title *The Welfare State in Crises*. Twenty years later worries about the future of the welfare state are still a priority on policymaker's agenda.

Matters of financial unavailability still represent the number one priority for those countries, which have not gone through any major step in reforming entitlement and computational rules of the fundamental social security programmes.

More importantly, however, policymakers are now realizing that the same factors, which threaten the financial stability of the welfare state, also represent a menace for the ideal of social integration that the welfare state – as a post war institutional creation – aimed at realising. New social cleavages are emerging, splitting middle-class western society in a world of 2/3 winners and a growing group of labour market outsiders or working poor. During the last decades, concerns about growing unemployment have led to significant reforms in welfare provisions, aiming at incentivating labour market participation. Unemployment rates have experienced significant reduction during the 90's, especially in those countries which have undergone major liberalization of labour markets during the 80's, but questions arise of whether massive subsidising of a growing stock of “hamburger-flippers” may be regarded as an optimal answer to the challenge of next decade's welfare state reforms (Ferrera, 1998).

As pointed out by many scholars, no *ad hoc* measure is likely to solve the welfare state crises. Significantly the proceedings of the 1996 OECD social policy conference were published one year later under the title *Family, market and community* (OECD, 1997): family, market and state represent fundamental institutions for the welfare of persons, but these institutions are systematically interwoven and interact in complex ways in the production and distribution of welfare. Rebuilding the new welfare state of the 21st century means to understand how the different institutions interact and understand how different social policies may affect welfare. Indeed, this means reshaping social policy in order to prevent people from falling in the so-called “welfare traps” (e.g. abstaining from labour market participation in order not to lose higher than wage unemployment benefits), encouraging “workfare” or “welfare to work” solutions, but it also means reshaping social policy in order to prevent people from falling into “family traps” (e.g. not being able to conciliate parental care-giving duties with labour market participation responsibilities) or “market traps” (e.g. not being able to exit the low skill, low wage segment of labour market).

It is widely believed that the typical compensatory monetary support given by welfare states institutions to needing people, insured workers or simply citizens is destined to be drastically scaled

back. Quite differently from the post-war social and economical background – it is claimed – today families need non-monetary support, mainly in the form of active labour market policies, employment-friendly family policies, family services, education and training services, support to labour mobility, and so on.

In other words, the new welfare state should be able to change from a transfer based welfare system into a service based welfare system. This, in turn, might mean reducing the redistributive impact of social policy as increasing resources would be shifted away from monetary transfers to public services, although the distributional implications of equilibrating the transfer bias of most western countries' welfare states is yet all but clear.

On the one hand, expanding the range of welfare state services to workers, especially to young families, may result in increased labour market participation, concentrated in the low family disposable income quintiles, who encounter harder problems in combining working and care-giving responsibilities. On the other hand, the emphasis on active labour market policies, education and mobility services is likely to decrease life-cycle welfare inequalities, as low wage and unemployed workers' chances of experimenting upward mobility may be enhanced. A shift away from the transfer bias may therefore imply drastic redefinition of welfare states' "commitment to equality" (Esping-Andersen, 1997, p. 74).

As argued by Sen (Sen, 1994), each normative theory of social order requires the promotion of equality in some space which is held as critical by the majority of the people. According to Sen's view there are no egalitarian and anti-egalitarian theories of social orders, but only different ways of conceiving the space in which equality should be evaluated. Shifting from transfers to services may therefore be perceived as a way of redefining welfare states' commitment to equality from a "here and now" perspective toward increased equality in the space of choice. At the same time, however, no equality of choice can exist without a minimum of equality in the space of opportunities, which again implies a minimum of equality in the space of income – as income and opportunities are mostly correlated phenomena.

From this perspective, of particular interest is the issue of child poverty. Starting from the 1980's most industrialised countries have experienced a trend towards increasing child poverty, whereas poverty rates amongst elderly population have radically decreased (Bradburry and Jäntti, 1999, Förster, 1994). Indeed, in most western European countries there are important signs of overprotection towards elderly population, as saving rates among families headed by pensioners typically experience higher saving rates than younger families.

Obviously, child poverty is an issue which naturally strikes human sense of solidarity, facing up even most fierce opponents of the welfare state with difficult ethical trade-offs.

Yet the problem of child poverty has not been evaluated with respect to the potential long run effects. Nevertheless, it seems at least likely that in the “digital divide” era, child poverty might have more far-reaching consequences than twenty years ago. As low living standards are all too often the main cause of temporary delays or long run impossibility in the acquisitions of even the most “fundamental capabilities” (Negri and Saraceno, 1996), the chances that today’s poor children will turn into “lifelong losers” should represent a concrete worry for policymakers and scholars.

Drawing from cross-nationally comparable micro data on households’ income distribution, this paper analyses poverty levels in six European countries, focusing in particular on child poverty with respect to demographic structure, redistribution policies towards younger households and family services aiming at increasing female labour market participation. The aim of the paper is to compare the recent Italian distributional performance with that of other European welfare systems of the conservative cluster as well as of the liberal and social democratic cluster (Esping-Andersen, 1990), possibly drawing some guidelines for future reforms that will be undertaken by the Italian welfare state.

The structure of the paper is as follows:

1. introduction;
2. short description of the micro database used in the analyses;
3. review of theoretical issues underlying the construction of poverty indices and the use of equivalence scales;
4. driving forces behind European poverty rates (social transfers, demographic structure and female employment);
5. concluding remarks.

2. Data: the Luxembourg Income Study (LIS)

After WWII most industrialised countries have developed detailed statistical information on income distribution. Yet for several decades studies in income distribution have tended to be highly parochial, as the analyses were mostly limited to single national experiences.

The LIS project was launched in 1983 with the specific aim of opening income distribution studies to international comparisons, adding to the cross-section and time-series dimension also the space of different institutional experiences. Particular emphasis is therefore given to the redistribution components of household disposable income (public monetary and quasi monetary transfers are disaggregated in over 30 different items). The same level of disaggregation is not granted for all sets, as institutional settings defining public transfer programmes and national surveys differ radically cross-country. LIS, in fact, *does not* collect the data, but is only responsible

for the *LISsification process*, i.e. harmonizing the data received from the various statistical offices, responsible for collecting the micro data at national level.

Data are collected at both household (family) and personal level (the latter being divided in two different groups depending on person's age). More than 100 socio-demographic variables and almost 50 economic variables are available at household level, whereas at person level the statistical information is slightly narrower (again, the same level of disaggregation is not available for all datasets).

The database may be accessed remotely by all interested researchers after having signed a terms-of-use agreement, limiting the use of the micro data for sole scientific purposes. The LIS' interface, in accordance with international agreements between participating countries and Luxembourg's government, prevents the visualization of the micro data, allowing users to receive via e-mail only the result of the statistical analysis, previously sent in to LIS' server (written in SAS, STATA or SPSS batch-mode)ⁱ.

As the project was launched – almost twenty years ago – only seven countries mostly concentrated in western Europe and North America (with the noticeable exception of Israel) were participating. Several other OECD countries have joined the project during the 90's, and today the database counts more than 20 countries. Some of these are currently participating in the 5th *LISsification* wave, as national dataset are normally collected on a five-year basis. Up to today, however, the latest statistical information available refers to the mid 90's.

The following table lists the countries, survey years and LIS codes for the dataset used in the following analysis.

Table 1: LIS dataset used in the analyses

Country	Survey year	LIS Code
Italy	1995	IT95
Germany	1994	GE94
France	1994	FR94
Netherlands	1994	NL94
United Kingdom	1995	UK95
Sweden	1995	SW95

As stated in the introduction, the aim of this paper is to compare Italian poverty rates with those of other European countries, both belonging to the same welfare system (conservative) and to different welfare regime typologies. The choice of the countries should therefore come through as rather obvious: according to Esping-Andersen's classification (Esping-Andersen, 1990 and Esping-

Andersen, 2000) the first four countries belong to the cluster of conservative welfare regime, Sweden is a typical example of social democratic welfare regime, whereas the UK, after the welfare state's scale backs of the 80's, is usually regarded as a liberal welfare regime.

3. Measuring poverty

3.1. “Poor, relatively speaking”

Analysing income distribution is neither easy nor riskless, as statistical indices generally used often express implicit ethical assumption about how income should be distributed (Kakwani, 1980). Poverty indices represent no exception, as all approaches proposed by the literature have in common a more or less arbitrary definition of a cut-off-line below which people are considered not to have an income level adequate to their needs.

The line may be defined alternatively in an absolute or relative wayⁱⁱ. The former is the basis of most “official” definitions of poverty used for national statistic or administrative reasons and is typically constructed with respect to a basket of basic goods regarded as necessary for a subsistence standard of living.

The absolute approach suffers from two severe drawbacks: the first one is the arbitrary implication in the selection of the basket of goods which is supposed to correspond to the subsistence level, the second one has to do with the difficult application of such approach to international comparisons, not only because of the difference in currencies (mostly solved by converting national poverty lines through PPP), but also because of the international differences in life standards. Most striking, however, is the fact that absolute poverty level may reveal very little about the social exclusionⁱⁱⁱ and related potential impossibility of acquiring fundamental capabilities. The latter are mostly related (if not generated) by a feeling of inadequateness of one's living standards relative to those enjoyed by the majority of the population^{iv}, particularly in the case of very low to median income poverty lines.

Most drawbacks of the absolute approach are solved by the relative (or economic distance) approach, although not necessarily the arbitrariness of defining the cut-off-line. The latter is, in fact, obtained by computing a fraction (40, 50 or 60%) of median household disposable income^v, although there is no specific reason for taking a fraction instead of another. It is nevertheless true that multiple relative poverty lines may be used simultaneously, thus drawing a map of population's poverty harshness. Using the simple head-count-ratio of persons or households below poverty line overlooks significant differences in living standards of the under poverty line population. Moreover, being the head-count-ratio a one-dimensional index, international comparisons in poverty rates tend

to give different rankings according to the different fractions of median household disposable income actually used.

The low income gap may give a clearer picture of how poor people are, as it computes the average money-transfer necessary to bring poor household above poverty line. The low income gap should not be seen as an alternative poverty index, rather it is complementary to the fairly basic head-count-ratio index.

The two dimensions of poverty - (i) how many household are under poverty line and (ii) how poor the poor are – have been summarised in the synthetic index proposed by Sen (Sen, 1976), who also considers income concentration of household beneath poverty line. Analytically, Sen's index is expressed as follows:

$$S = \frac{F(x^*)}{x^*} [x^* - m^* (1 - G^*)]$$

where $F(x^*)$ is the cumulative of the income distribution function up till the chosen poverty line, i.e. the number of households or persons below poverty line, m^* is the low income gap, x^* is the poverty line and G^* is the Gini coefficient computed on the population group below poverty line. With few algebra transformations, Sen's index may be expressed in the following way:

$$S = \underbrace{F(x^*)}_{HCR} \left[\underbrace{\left(\frac{x^* - m^*}{x^*} \right)}_{AIG} + \underbrace{\left(\frac{m^*}{x^*} G^* \right)}_G \right]$$

where the components of the synthetic index appear more clearly (HCR = head count ratio; AIG = average income gap; G = Gini coefficient).

It is immediate to see that Sen's index responds positively to increases in (i) the number of poor, (ii) the severity of average poverty conditions and (iii) the economic concentration of poverty amongst under-cut-off-line-households. Moreover, being a three-dimensional index, Sen's index solves for much of the ambiguity which may derive from the use of one-dimensional index (see table 2).

Evidently Sen's synthetic poverty index involves a deeper analysis of the phenomenon. On the other hand, the index is not predisposed for straightforward interpretations of the actual value: it is certainly not easy to understand what the concrete values of the index actually mean.

In the following analyses, mainly concerned with the targeting efficiency of public spending on social transfers, we will therefore return to the simple headcount ratio – a much handier poverty index – using a relative poverty line equal to 50% of median household disposable income, although aware of the potential drawbacks of such an approach.

Table 2: Relative poverty indices in six European countries during the mid 90's

		Head Count Ratio	Rank	Low Income Gap	Gini Coefficient	Sen Index	Rank
	40%	9,60	6	0,40	0,27	5,38	6
Italy	50%	14,30	6	0,38	0,25	7,65	6
	60%	21,30	5	0,35	0,23	10,65	6
	40%	5,50	4	0,59	0,44	4,19	5
Netherlands	50%	8,40	3	0,47	0,37	5,57	4
	60%	14,00	3	0,36	0,28	7,58	4
	40%	4,00	2	0,35	0,24	2,02	2
Germany	50%	6,80	4	0,33	0,21	3,17	2
	60%	12,00	2	0,28	0,18	4,98	2
	40%	3,40	1	0,25	0,16	1,23	1
France	50%	8,00	3	0,22	0,13	2,58	1
	60%	14,10	4	0,23	0,13	4,68	1
	40%	4,70	3	0,47	0,32	3,01	3
Sweden ^{vi}	50%	6,60	1	0,44	0,30	4,02	3
	60%	10,00	1	0,38	0,27	5,45	3
	40%	6,20	5	0,41	0,33	3,70	4
United Kingdom	50%	13,50	5	0,29	0,21	5,92	5
	60%	22,10	6	0,28	0,18	9,04	5
	40%	5,57	-	0,41	0,29	3,25	-
Average	50%	9,60	-	0,36	0,25	4,82	-
	60%	15,58	-	0,31	0,21	7,06	-

Source: Own calculations on LIS micro data base.

Notes: Poverty line computed at different fractions of median household disposable income.

Household income adjusted through one dimensional equivalence scale.

Equivalence elasticity equal to 0,5 (See following paragraph).

Poverty indices weighted with number of persons.

3.2 Different households, different needs

First studies dealing with income distribution switched rather easily between household disposable income and pro capita income, without much attention being given to the implications of the different approaches. According to the former approach, household disposable income distributions and, consequently, all derived indices were weighted by the number of household. Under the second approach, on the other hand, the pro capita income distribution were weighted by the number of persons. In a well known article of the late 70's Danziger and Taussig have revealed the methodological fallacy of the first approach:

“[...]if the size distribution of income is to be an indicator of the distribution of economic welfare, and if the economic welfare of each individual in society is to count equally, then conventional size distribution are inconsistent with social welfare functions. The units in such distributions are families or grouping of persons that range in size from an unrelated individual to 10 or more persons. Distributions that weight the income of all units once weight the welfare of persons in the n-person family as just 1/nth the welfare of people living by themselves. To be consistent with individualistic social welfare functions, equal weights must be given to each persons income” (Danziger and Taussig, 1979, p.374).

Accepting Danziger and Taussig epistemological observation implies choosing between two rather radical assumptions: either household-level economies of scale in consumption are inexistent (i.e. individual welfare may be measured simply by dividing the household disposable income by the family size) , or the latter are infinite (i.e. all household members enjoy an income level equal to the whole household disposable income). Analytically, this means computing individual economic well-being on the basis of the following formula:

$$W = DY / S^e \quad e = 0,1$$

Following Danziger and Taussig’s article, a wide number of equivalence scales have been proposed in the literature, providing estimates of how to adjust household’s income, when structure and needs vary. Although some equivalence scales use a wider number of variables for making different households’ structures comparable, most of them may be reduced to one-dimensional equivalence scales within a fair degree of approximation.

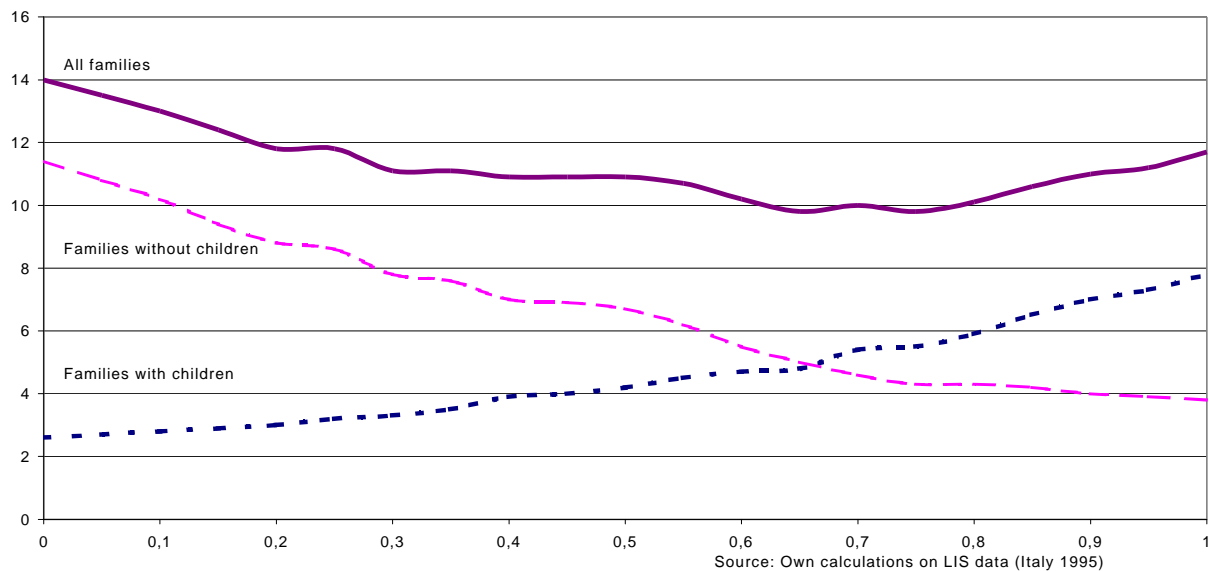
Buhman *et al.* converted over 30 equivalence scales proposed by recent literature in the above single-variable equivalence scale, obtaining estimates for the e parameter ranging from 0,12 and 0,84. In the following part of their paper, however, they also showed that international comparisons are hardly sensitive to changes in equivalence scales across the whole range of variation.

What does change, however, is the extension of poverty. The issue is further complicated by the fact that estimates of poverty do not vary monotonically as the parameter e increases. As shown in the following graph, the simple head count ratio tends to follow a U shaped curve, as the parameter e increases. Such a pattern is caused by changes in the composition of the poor population: given that large families with children also tend to have more earners (family size and number of earners are positively correlated), if we assume large economies of scale (i.e. low values of the e parameter) the poverty rates among households with children will tend to be rather low, whereas the number of smaller household amongst the poor population will tend to be higher. On the other hand, by low economies of scale (i.e. high values of the e parameter), the phenomenon will be

reversed. The U shape pattern results, therefore, from different sensibility of groups of the population (or family models) to the e parameter.

The actual parameterisation of the equivalence scale is unlikely to have a great deal of influence in the ranking of income distribution, although low, middle or high values of the e parameter usually have an impact on the composition of poverty, i.e. the concentration of the phenomenon in specific family models^{vii}. This suggests that – although not performed in the following analysis – sensitivity tests against different values of the parameter may help a deeper understanding of the results. Here we preferred using only one parameterisation of the equivalence scale (with equivalence elasticity set at 0,5) as sensitivity tests have shown that even within specific household typologies, international rankings are not sensitive to different values of e .

Graph 1: Poverty rates



4. Poverty in Europe in the 90's

Table 2 has shown poverty rates in Europe during the 90's. Poverty is the outcome of various forces involving all institutions playing a central role in the production and distribution of welfare. Poverty is often the outcome of labour market performance (creating high unemployment rates or paying lower than poverty line wages) or choices in family creation (and destruction) and consequent intra-household sharing of care-giving and working responsibilities. The state also plays an important role in the production and distribution of welfare and in contrasting poverty. With respect to poverty, the state's role has traditionally been analysed in terms of quantity of social transfers.

Focusing only on transfers may indeed reveal little about the role of public policies in determining the pattern of poverty: as market performance, family choice and public policies are systematically interwoven, focusing on transfers may underestimate the effect of the state's intervention in determining the income distribution, particularly the so called primary or market income distribution. Transfers, nonetheless, do explain a large fraction in international poverty rates, as witnessed by the fact that pre-transfers poverty rates tend to have a much lower coefficient of variation than post-transfers poverty rates. The following table compares pre-transfers and post-transfers poverty rates.

Table 3: Before and after social transfers poverty rates

	Pre-transfer disposable income poverty rates	Post-transfer disposable income poverty rates	Poverty reduction (% of people brought above poverty line by social transfers)
Italy	27,4	14,3	47,8
Netherlands	27,8	8,4	69,8
Germany	25,8	6,8	73,6
France	29,6	8,0	72,9
Sweden	36,0	6,6	81,6
United Kingdom	31,7	13,5	57,4
Average	29,7	9,6	67,2
Standard deviation	3,6	3,4	
Coefficient of variation	12,3	35,5	
Source:	Own calculations on LIS micro data base.		
Notes:	Poverty line computed at different fractions of median household disposable income.		
	Household income adjusted through one dimensional equivalence scale.		
	Equivalence elasticity equal to 0,5 (See following paragraph).		
	Poverty indices weighted with number of persons.		
	Poverty reduction = [(pre-transfers-post-transfer)/pre-transfers*100]		

What explains such a different performance?

Graph 2 certainly tells part of the story: take up rates depend on the amount of resources available for social transfers: social democratic countries spend more and therefore cluster around high level of spending and high level of take up rate, conservative countries spend moderately less on social transfers and take up rate tend to slightly lower, whereas liberal countries spend significantly less on social transfers, achieving typically low performances on the take up rate. Note that we some other countries have been taken in, in order to increase the regression robustness (three countries have been added, one from each of the three welfare regimes).

Differences in spending tend to obscure significant differences in the structure of spending. It is by looking at the structure of spending that deeper differences between welfare states regimes tend to come up as well as plausible explanations for Italy's outlying position.

Graph 2: Poverty rate reduction and social transfers (% GDP)

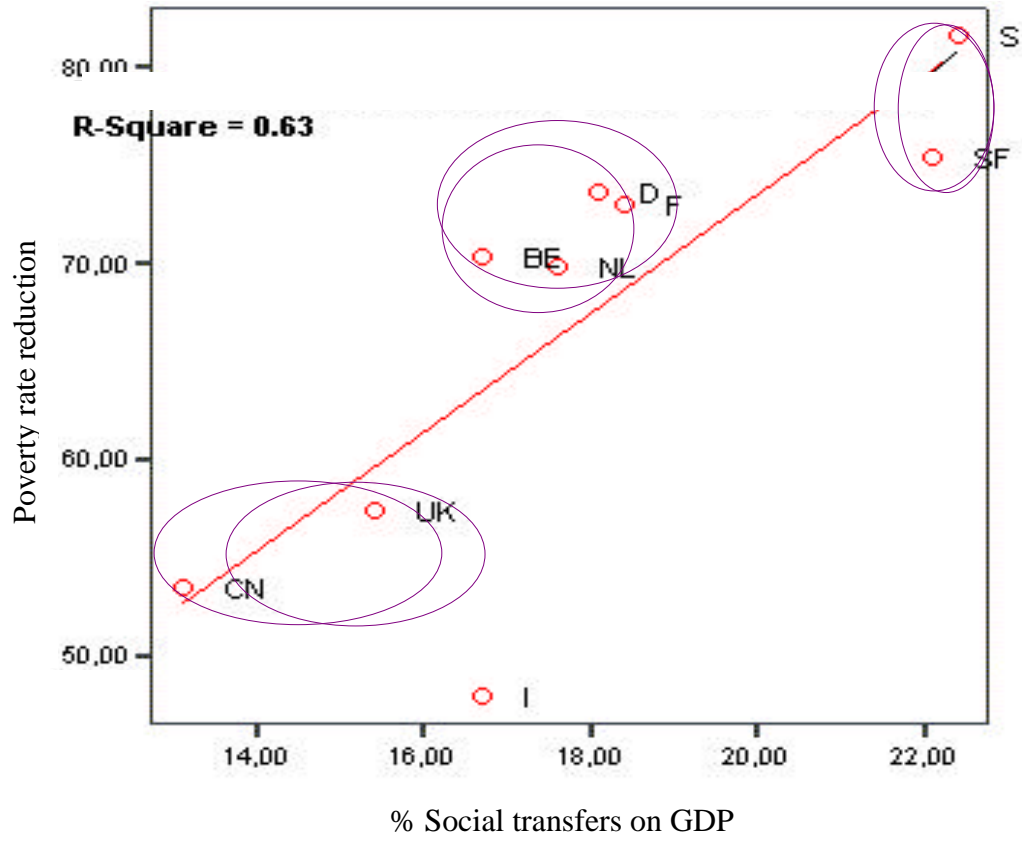


Table 4: Structure of mean household's disposable income

	Sweden	Italy	Netherlands	Germany	France	United Kingdom
Net earnings	43,05	60,95	51,81	63,02	57,42	61,57
Other market income	17,09	9,98	18,31	10,58	7,51	17,72
<i>Pre transfer household disposable income</i>	60,14	70,94	70,11	73,60	64,93	79,29
Pensions	24,51	27,55	20,64	21,52	28,34	12,15
Family allowances	1,44	0,00	1,98	1,03	1,94	1,51
Unemployment benefits	6,79	0,45	3,06	1,48	2,69	0,21
Other social security transfers	2,19	0,00 ^{viii}	0,00	0,36	0,27	0,70
Means-tested benefits	4,93	1,06	4,21	2,02	1,83	6,14
Total social transfers	39,86	29,06	29,89	26,40	35,07	20,71
<i>LIS Disposable Income</i>	100,00	100,00	100,00	100,00	100,00	100,00

Source: Own calculations on LIS micro data sets
Notes: Mean household disposable income adjusted for size (equivalence elasticity=0,5)

Table 4 shows income composition in the six countries considered. Note that as Netherlands occupational pensions are recorded by LIS as income coming from capital markets, Dutch data are therefore not fully comparable with those of the other countries (this explains the relatively high pre transfer income not coming from labour market and the correspondently low level of pensions).

Table 5: Structure of mean household's transfer income

	Sweden	Italy	Netherlands	Germany	France	France-Germany (average)	United Kingdom
Pensions (old age, inability)	61,49	94,80	69,05	81,50	80,81	81,16	58,65
Family and child allowances	3,62	0,00	6,62	3,89	5,54	4,71	7,32
Unemployment benefits	17,04	1,55	10,24	5,61	7,66	6,64	1,01
Other social security trans.	5,48	0,00	0,00	1,35	0,77	1,06	3,39
Means-tested benefits	12,38	3,65	14,09	7,64	5,22	6,43	29,64
Total social transfers		100,00	100,00	100,00	100,00	100,00	100,00

Source: Own calculations on LIS micro data sets
Notes: Mean household disposable income adjusted for size (equivalence elasticity=0,5)

Differences between welfare state regimes appear more visible when the redistributive components are expressed as percentages of median household transfer income.

1. Sweden and the United Kingdom both share a less pronounced pension bias in their transfer system; whereas Germany, France allocate over 80% of their social transfers to pensions, the former two countries spend only around 60%;

2. unemployment benefits tend to be extremely generous in Sweden and significant in all conservative welfare state, whereas UK's liberal welfare regime assigns a very low fraction of transfer to the protection of unemployment risks;
3. family and child allowances vary remarkably between the different nations, it is however interesting to notice that their impact on disposable income is not that pronounced, ranging from little over 1 to less than 2% of household disposable income;
4. contrary to expectations, means-tested transfers are higher in Sweden than in the other central European countries, however both central European and Swedish figures may be considered marginal when compared with those of the United Kingdom^{ix};

Italy differs from the other ideal-typical examples of conservative welfare regime (principally France and Germany): the extremely high percentage of total social transfers allocated to pensions crowds out social expenditure targeting younger households. Unemployment benefits are lower than in all other countries, there is no universal programme for family and child allowances, although employed workers may receive some means-tested support (which however increase less than proportionally with respect to family size), financed through workers' and employers' contributions^x and some regions have recently introduced limited means-tested social assistance for needing families. The latter, however, are not recorded separately from earnings as entitled workers receive the benefits directly from employers. Also the means-tested transfers appear rather ungenerous when compared to those of other countries; the main protection instrument (the "Pensione Sociale"), moreover, is only available to old people who have not matured the contribution requirements for receiving the old age pension.

Concluding, whereas the pension bias is generally strong in all conservative welfare regimes, the case of Italy is dramatic, since the growing percentage of public expenditure allocated to older households has progressively crowded out any form of support to younger households.

The consequences of these different patterns in the structure of social transfers may be observed in the two following graphs, where the income of different income deciles has been divided between the market component (augmented for sick pay and maternity allowances) and the social transfer component for households with head under 60 years and household with head over 67. The group between 61 and 66 has been excluded in order to have two homogeneous groups of working and retired households.

Differences between the alternative institutional settings appear clearly with respect to older households:

1. the British social transfer distribution is an outcome of social assistance in the lower part, public old age insurance in the middle and prevalence of private schemes in the upper part of the distribution;
2. the Swedish distribution is the outcome of its universal flat rate and occupational second tier old age benefits, with indeed very low reliance on market instruments (some market income is present in upper deciles, whereas in the lower deciles taxation on pension benefits tend to bring market income near to zero or even negative);
3. the three purest conservative welfare regimes show the typical correlation between market income and pension benefits as those who have paid higher contributions are also likely to have accumulated greater wealth during their working life (the correlation is extremely high in Italy where the computation rules were especially beneficial to upper class employees);
4. last, in the Dutch case, only the universal flat rate benefit is recorded as public transfer, while the occupational second tier pension benefits are included in market income.

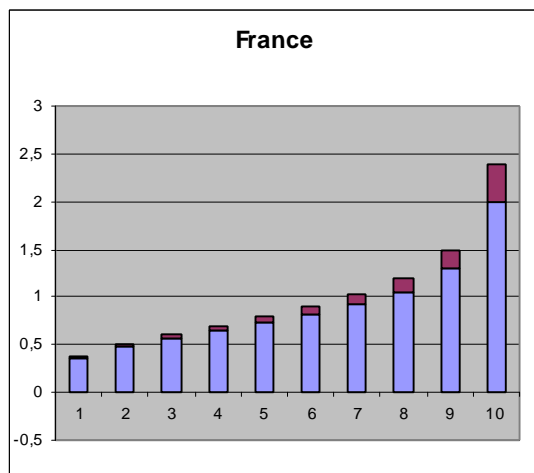
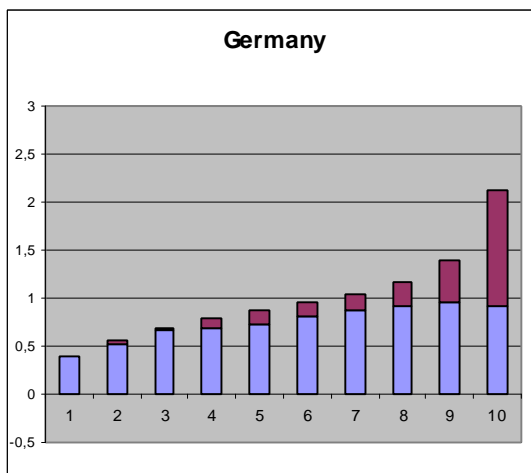
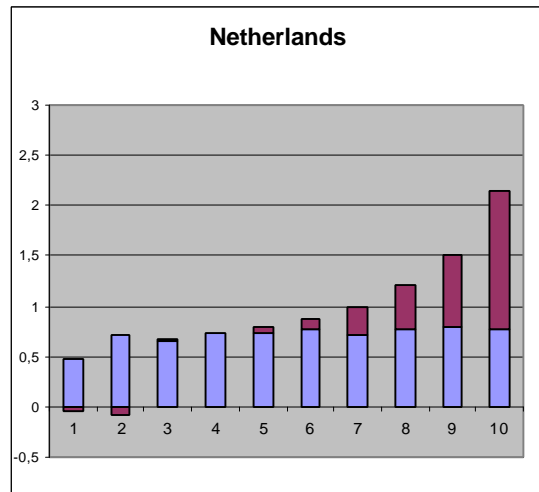
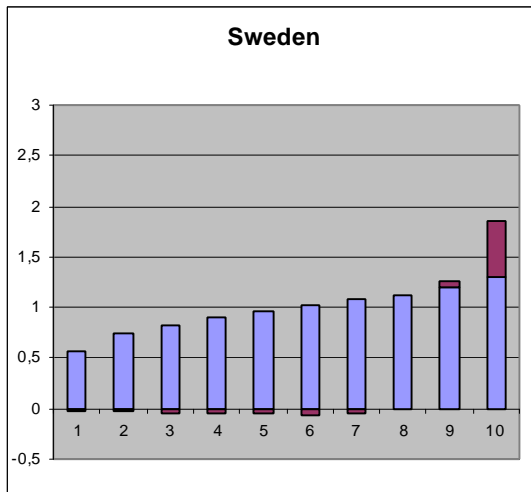
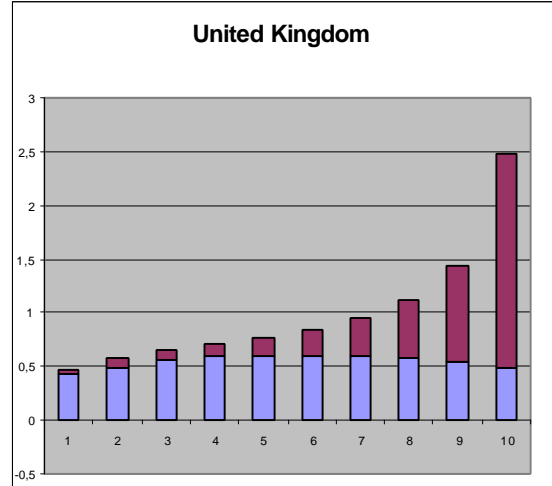
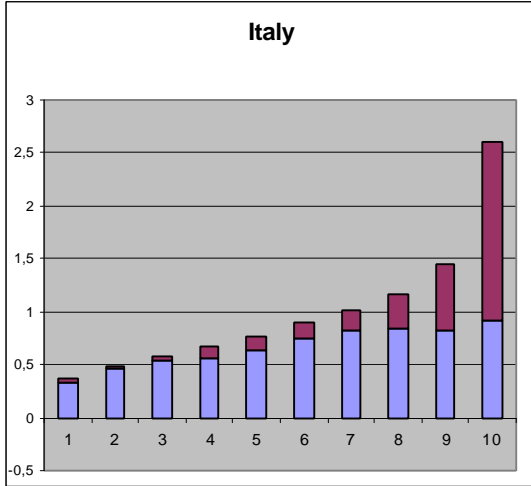
Of most interest, with respect to the Italian experience, is the deciles composition of income in younger household. Most countries show here an almost lognormal distribution, as most social transfers tend to concentrate around the second and third income deciles^{xi}. International differences continue to stand out very clearly:

1. British transfers target only the lower deciles and tend to approach zero already starting from the 6th income decile;
2. Swedish and Dutch transfers are more generous in all deciles of the income distribution, although they, too, concentrate in the first deciles;
3. France and Germany, at last, show a relatively lower concentration of income in the bottom deciles (as means-tested components are quite low) and is overall less generous than Sweden and the Netherlands towards younger households due to the transfer-bias.

The Italian distribution of transfers to younger households is clearly the outcome of the transfer-structure outlined above. It is very difficult to trace a pattern of transfers across deciles. If anything there is, however, evidence of a small increase as one moves from lower deciles to upper deciles of income distribution. This may be a consequence of the extreme generosity of some pension schemes (especially tailored for public and other privileged workers) granting few workers early retirement (often even 50-55 years) with golden old age pensions.

Graph 3: Composition of household disposable income (normalised to mean income) per income deciles (all household with head over 67)

Net market income (plus sick and maternity pay)
 Social transfers



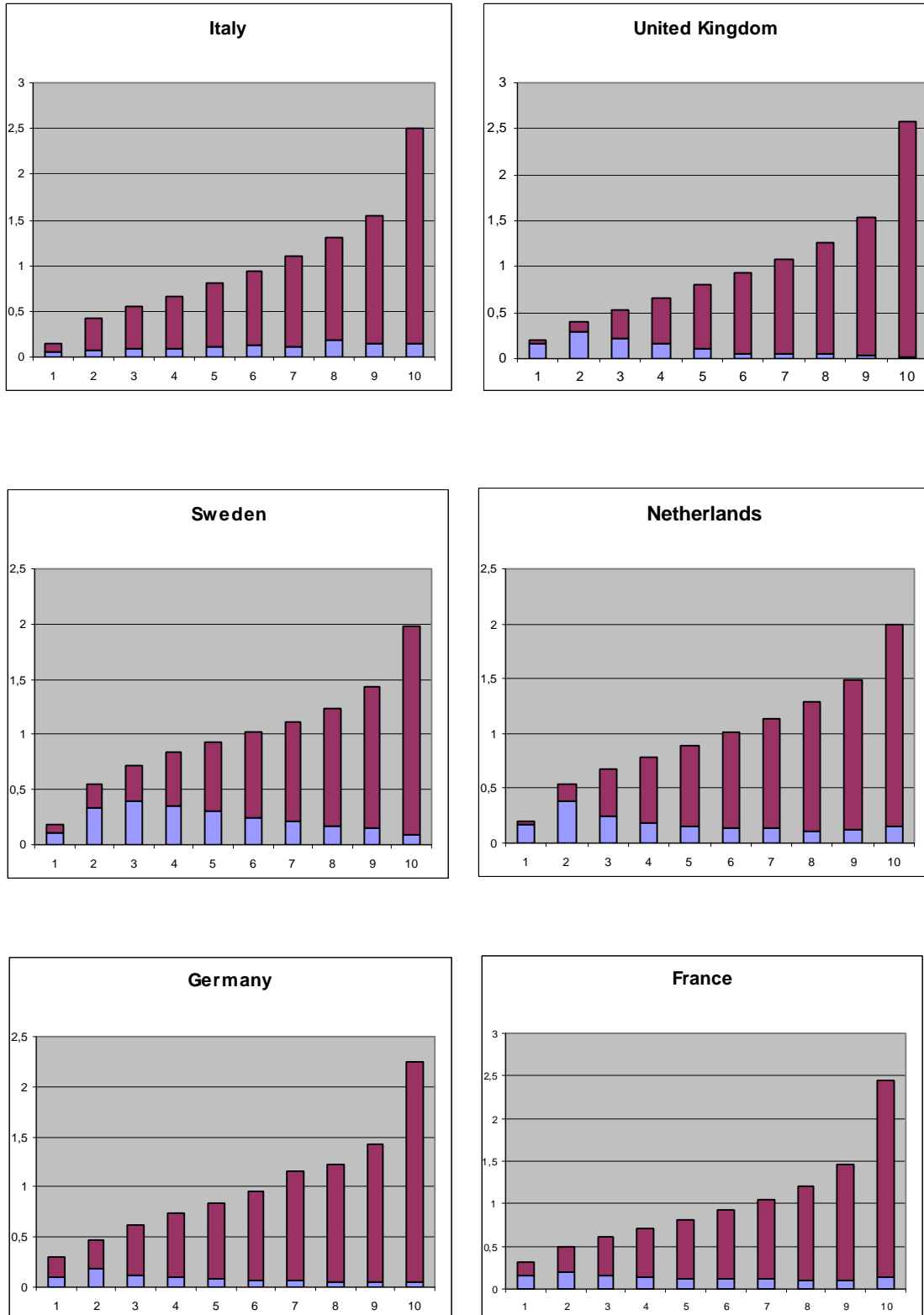
Source: Own calculation on LIS micro data sets

Notes: Household income adjusted for household size (equivalence elasticity = 0.5)

Graph 4: Composition of household disposable income (normalised to mean income) per income

deciles (all household with head under 60)

Net market income (plus sick and maternity pay)
 Social transfers



Source: Own calculation on LIS micro data sets

Notes: Household income adjusted for household size (equivalence elasticity = 0.5)

4.1 Household structure and poverty risks

The transfers-structure outlined in the previous paragraph has a strong impact on social transfers' capacity of hedging some household typologies against poverty risks. The table on the following page summarizes poverty rates (before and after transfers)^{xii} amongst some household typologies (some typically exposed to greater poverty risks lone mothers, lone women not in working age and household with no earning income and some characterized by low poverty risk, such as households with two or more earners and households headed by male in retirement), indicating for each typologies the percentage of people living in it and the percentage of total poverty explained.

It may be useful to summarize some of the evidence.

1. There is evidence of “genderization” of poverty: households headed by non-working lone mothers naturally face the greatest poverty risk (ranging from 3 times the national average – as in the case of Sweden – to over 10 times the national average – as in the case of Germany). In most countries the impact of poverty amongst this typology may be considered marginal, as it explains only a small fraction of total poverty rates. A significant exception, however, is represented by the UK, where poverty rates amongst this particular household typology is responsible for 1/5 of total poverty rate. Lone working mothers also record higher than average poverty rates in the three “pure” conservative welfare regimes examined and in the Netherlands, although such household do not represent here a significant share of the population. Quite different is the situation in the UK and especially in Sweden where the presence of lone working mothers is more common and poverty rates are lower than national average (mainly due to higher targeting of social transfers). Lone women in retirement also register higher than average poverty risk in those countries where there is no universal old age pension system: only in Sweden and in the Netherlands poverty rates are lower than national average. It is not difficult to explain the evidence: in the three “pure” conservative welfare regimes, old age pensions are typically granted to workers who have long curricula of labour market participation. Care-giving responsibilities, however, often prevent women from continued presence on labour market, with negative consequences on the acquisition of old age pension entitlement. The same problem emerges in the UK where pensions schemes are based on a public/private mix, but still require long-lasting contributions or earmarks.

2. Clearly in the 21st century being old does not automatically mean being poor: households headed by a male pensioner systematically witness lower than average poverty risk. This is especially true in Sweden and Germany. Moreover, in a time series perspective, poverty rates among these household typologies have indeed shown significant decreases in the last ten years (with the exception of Britain). Take up rates are here all very high, ranging from above 80%, as in the British case, to almost 100%, as in the case of Sweden. Poverty rates are very low also amongst two or more breadwinner households. Clearly doubling the source of income is the best way of hedging against poverty risks. Poverty rates are here in the 1% range. The only exception is represented by Italy, where the take up rate for this household typology is just under 24%.
3. Households with no earning income also face very high poverty risk. Sweden stands out as the country with lowest poverty amongst this typology. As most households tend to rely on two incomes, the risk of having no earning income is significantly reduced. Moreover, generous universal unemployment benefits grant very high social transfers' take-up-rates (almost 90%). United Kingdom witnesses the worst performance: not only is the percentage of the population living in such households higher than in the rest of Europe (UK was severely hit by the recession of the early '90s – the 1991 LIS data show that in three years 2% of the population has passed in household with no earned income), but the take up rate also tend to be very low – as one would indeed expect from the low level of the unemployment benefits. The continental countries fare somewhere in between these two extremes, scoring take up rates in the 60-70% range.
4. Of greater importance to the continental welfare regimes, and indeed to Italy, however, are the poverty rates recorded by single breadwinner households. With the only exception of Sweden, between 17 and 30% of the population in Europe live in such households. Pre-transfers poverty rates among such household do not diverge significantly; at post-transfers level, however, Italy diverges significantly from other countries recording a 21% poverty rate - almost twice that of the United Kingdom and seven times that of Germany. The very low take up rate, coupled with a greater presence of single (mostly male) breadwinner household are the main cause of Italian extremely high poverty rates, as the incidence of poverty amongst these household explains almost 45% of total Italian poverty rates.

Table 6: Household typologies' poverty rates and relative incidence on total poverty rate

		Sweden		Italy		Germany		France		Netherlands		United Kingdom							
		% pop	% pov. exp.	% pop	% pov. exp.	% pop	% pov. exp.	% pop	% pov. exp.	% pop	% pov. exp.	% pop	% pov. exp.						
Lone working mothers	Pre-transfers income	52,0			23,5			44		43,3			58,4			53,2			
	Post-transfers income	5,2	6,3	7,1	19,3	0,7	0,9	26	1,98	7,37	18,1	2,24	4,44	16,2	0,89	1,73	12,5	2,52	2,33
	Take up rate	90,0			17,9			40,9			58,2			72,3			76,5		
Lone mothers not working	Pre-transfers income	100,0			84,3			100		94			97,4			98,3			
	Post-transfers income	21,1	0,6	2,9	63,0	0,3	1,2	78	1,29	14,4	55,2	0,62	3,75	30,7	1,62	5,96	60,5	4,84	21,7
	Take up rate	78,9			25,2			22,0			41,3			68,5			38,5		
Household head by male not in working age	Pre-transfers income	89,7			62,5			73,1		88,7			69,4			59			
	Post-transfers income	1,6	12,5	4,34	8,5	14,5	8,6	3	11,2	4,81	7	12,1	9,28	8,4	9,63	9,69	9,6	11,8	8,39
	Take up rate	98,2			86,4			95,9			92,1			87,9			83,7		
Lone women not in working age	Pre-transfers income	98,0			89,9			84,7		95,1			82,4			86,3			
	Post-transfers income	5,1	5,7	6,33	25,8	3,3	6,0	13,3	5,8	11,04	17,3	3,8	7,2	5,9	3,64	2,57	23,7	3,84	6,74
	Take up rate	94,8			71,3			84,3			81,8			92,8			72,5		
Couples (married or cohabitating, with or without children) in working age, not earnings recipient	Pre-transfers income	94,0			86,2			95,6		79,6			81,9			85			
	Post-transfers income	9,6	1,2	2,59	33,8	5,1	12,1	32,4	2,8	12,98	23,4	4,79	12,28	32,7	6,26	24,52	48,4	8,01	28,7
	Take up rate	89,8			60,8			66,1			70,6			60,1			43,1		
Couples (married or cohabitating, with or without children) in working age, single breadwinner	Pre-transfers income	59,7			28,4			22,7		38,5			20,6			25,8			
	Post-transfers income	7,2	4,94	7,74	21,3	29,9	44,4	6,7	21,4	20,51	8	17,18	15,06	8,4	25,98	26,14	11,7	19,1	16,6
	Take up rate	87,9			25,0			70,5			79,2			59,2			54,7		
Couples (married or cohabitating, with or without children) in working age, two or more breadwinners	Pre-transfers income	11,0			7,1			4,1		6,2			4,7			1,8			
	Post-transfers income	0,7	46,3	7,06	5,4	34,3	12,9	1,1	42,8	6,73	0,9	36,09	3,56	1	40,2	4,82	0,7	36,8	1,91
	Take up rate	93,6			23,9			73,2			85,5			78,7			61,1		
Total poverty rates before and after transfer and take up rate of social transfers	Pre-transfers income	41			32,6			28,9		37,2			29,7			33,9			
	Post-transfers income	6,6			14,3			6,8		8			8,4			13,5			
	Take up rate	83,9			56,1			76,5			78,5			71,7			60,2		

Source: Own calculations on LIS micro data sets

Notes: Household income adjusted for size (equivalence elasticity = 0,5)

4.2 Rich countries and poor children

The former analysis shows for Italy the strong impact of poverty amongst single male breadwinner households. What causes such high poverty rates? In the following table the last two household typologies have been further disaggregated with respect to the number of children (0 to 18 years old) living in the household.

Pre-transfer poverty rates tend to decrease when moving from households with no children to households with children. The latter may be seen as clear signs of households' strategies aiming at procrastinating family formation to a point where households' financial position appear more stable. However, with the only exception of Holland – where tax exemptions for large households tend to be more generous – poverty rates tend to increase as one moves from one child household towards households with 2 or 3 and more children.

Post-transfer poverty rates, nonetheless, witness significant reductions both in single breadwinner and two-earners households; this is especially true for very large households: as family size increases, in fact, social transfers tend in most countries to become more generous, with a positive impact on social transfers' take up rate.

The only exception to this trend is represented by Italy, where the take up rate is negatively correlated with the size of the household. Whereas all the countries considered offer some mix of universal and means-tested benefits for families with children, the Italian welfare state only offers means-tested benefits to employees, which, however, are far from compensating for the costs of growing up children. The outcome of such setting has produced one of the highest child poverty rate in all the industrialized world. LIS data show this clearly: while in Sweden less than 3 children out of 100 may be considered poor, in the central European countries 1 child out of ten, in Italy and in the United Kingdom almost 2 children out of ten live under the poverty line.

Most worrying indeed, is the fact that the child poverty seems to follow, in Italy (as in the British case), a long run increasing trend, providing strong evidence that poverty is simply shifting away from often overprotected older households, towards younger households (see graph 2). Still a significant difference between the British and the Italian case must not be overlooked: while British families have grown less and less stable during last decades (the number of lone mothers has almost doubled), Italian families may still be considered extremely stable. Family stability, however, should not be taken for granted: even traditionally “familistic” countries, such as Germany, have in fact recently experienced a boom in family instability and in the number of lone mothers, growing up children without a stable partner.

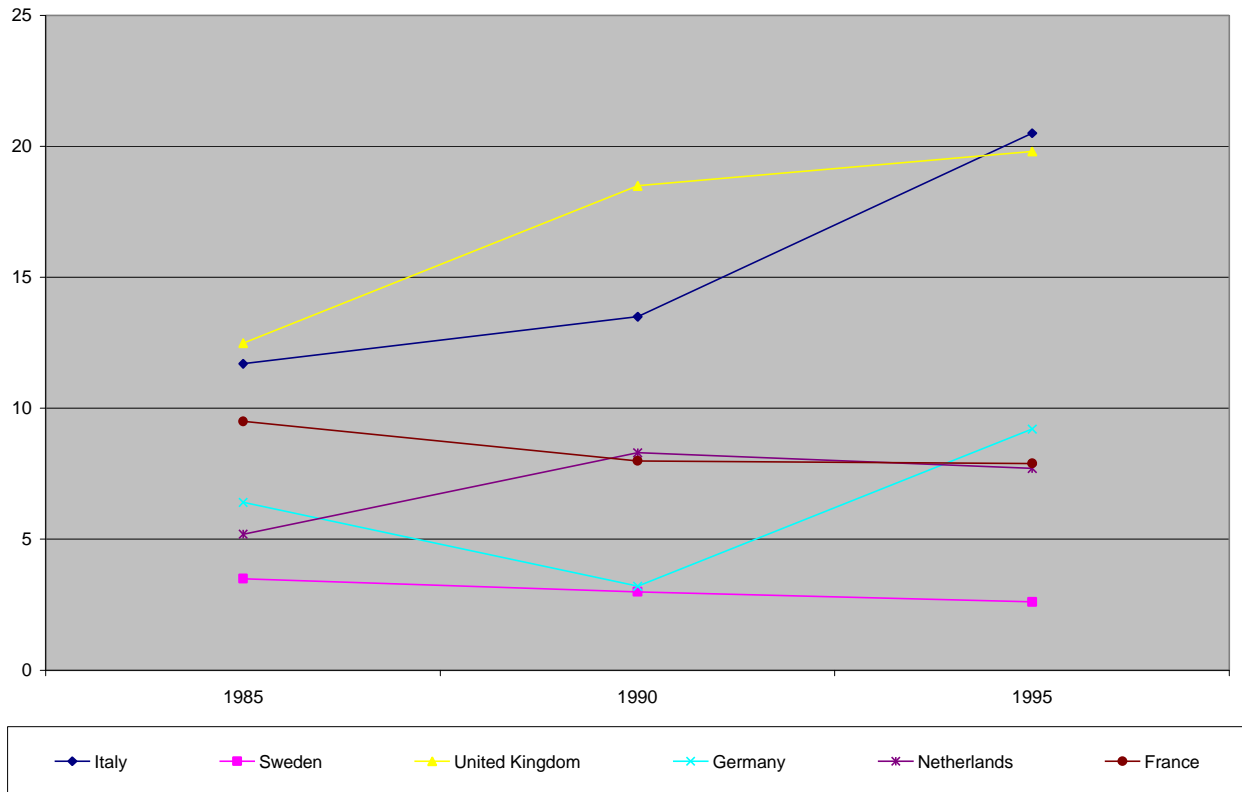
Table 7: Family size and poverty: the impact of children on poverty rates amongst single breadwinner and double income households

		% pop	pre-trans poverty rate	post- trans poverty rate	take up rate	% pov. exp.											
		% pop	pre-trans poverty rate	post- trans poverty rate	take up rate	% pov. exp.	% pop	pre-trans poverty rate	post- trans poverty rate	take up rate	% pov. exp.						
Single breadwinner household	Italy		no children	9,8	24,9	9,5	61,8	3,1	Netherlands	7,89	26,5	8,6	67,5	2,6			
			1 child	7,4	23,9	18,8	21,3	4,6		3,36	25,9	18,3	29,3	2,4			
			2 children	8,9	30,0	27,9	7,0	8,3		9,4	17,6	7,5	57,4	2,7			
			3 or more children	3,9	41,5	40,4	2,7	5,2		5,37	14	3,4	75,7	0,7			
			Total	29,9		21,2				26,0		8,4					
			Two or more breadwinner households	Italy		no children	13,4	6,2		3,7	40,3	1,4	15,61	4,8	1,2	75,0	0,5
						1 child	10,0	5,5		4,4	20,0	1,3	8,04	5,6	1,7	69,6	0,3
						2 children	8,6	6,3		5,2	17,5	1,3	11,1	3	0,6	80,0	0,2
						3 or more children	2,3	22,3		20,0	10,3	1,4	5,5	7,1	0,2	97,2	0,0
						Total	34,3			5,4			40,3		1,0		
Single breadwinner household	United Kingdom		no children	5,4	17,6	9,8	44,3	2,7	Germany	5,6	31,7	6,3	80,1	1,6			
			1 child	3,8	25,3	11,3	55,3	2,2		4,23	13	2,6	80,0	0,5			
			2 children	6,0	23,0	13,9	39,6	4,3		6,88	20,1	10,6	47,3	3,4			
			3 or more children	4,2	40,7	10,8	73,5	2,3		4,76	24,8	5,2	79,0	1,2			
			Total	19,3		11,6				21,5		6,7					
			Two or more breadwinner households	United Kingdom		no children	14,3	0,4		0,3	25,0	0,1	17,11	2,4	0,4	83,3	0,2
						1 child	7,8	2,1		1,1	47,6	0,2	12,36	4,5	1,3	71,1	0,4
						2 children	10,3	1,2		0,4	66,7	0,1	10,43	4,8	1,4	70,8	0,3
						3 or more children	4,5	7,4		1,6	78,4	0,2	2,85	10,3	3	70,9	0,2
						Total	36,9			0,7			42,8		1,1		
Single breadwinner household	Sweden		no children	2,3	46,4	5,0		2,3	France	4,42	36,3	6,6	81,8	1,7			
			1 child	0,7	65,5	13,4	79,5	1,9		2,79	27,2	11	59,6	1,8			
			2 children	1,0	72,5	3,2	95,6	0,7		4,61	33,1	9,1	72,5	2,4			
			3 or more children	0,9	73,4	11,6	84,2	2,2		5,48	50,8	6,5	87,2	2,1			
			Total	5,0		7,1				17,3		7,9					
			Two or more breadwinner households	Sweden		no children	13,6	7,4		0,6	91,9	0,2	10,04	5	0,7	86,0	0,2
						1 child	9,5	9,1		0,7	92,3	0,1	9,48	2,8	1,2	57,1	0,3
						2 children	14,8	10,5		0,8	92,4	0,3	11,47	5,9	1,2	79,7	0,4
						3 or more children	8,4	19,9		0,7	96,5	0,1	5,11	15,5	0	100,0	0,0
						Total	46,3			0,7			36,1		0,9		

Source: Own calculations on LIS micro data sets

Notes: Household income adjusted for household size (equivalence elasticity=0,5)

Graph 4: Child poverty rates (1985-1995)



Source: Own calculations on LIS micro data sets
Notes: Family incomes adjusted for size (equivalence elasticity = 0,5)

4.3 Female employment and poverty

The evidence clearly shows that Italy’s high poverty rates depend on the limited support offered to younger households, coupled with very low targeting of social transfers, and the greater incidence of single breadwinner households. The two phenomena combined are responsible for greater concentration of poverty amongst households with workers, and indeed for the high child poverty rates.

As stated in the introduction the issue of poverty rate is recently being examined by economists and sociologists, who have also benefited from the availability of cross-national comparable micro data. Yet child poverty is still analysed as a merely static phenomenon: most scholars have rightly stressed out the trend towards decreasing old age poverty and increasing young age poverty (especially infant poverty). The shift of poverty towards younger households should nonetheless be analysed with a more dynamic perspective. In fact, as deprivation and exclusion from acquiring fundamental capabilities tend to concentrate in the earlier part of life-

cycle, the risks for individuals to be trapped in permanent poverty and permanent social exclusion are significantly increased – especially in the so called “information society”.

While preventing child poverty through better targeting of social spending should obviously be seen as the number one priority of welfare states, the data also show that doubling earning income is the best way of hedging against poverty risks.

Female employment has indeed a crucial role in “squaring the circle”: greater female participation reduces – at household level – greater inequality coming from labour markets, increases the active to inactive ratio, with positive feed-backs on welfare states’ fiscal revenues and reduces poverty risks amongst household.

Yet female labour market participation is not equally promoted in all welfare systems. It is often argued that in some countries (notably the conservative welfare systems) culture represents a strong barrier to female employment.

Arguably, however, more than culture, nowadays, it is the institutional setting of the welfare regime that shape the patterns of female employment. Where welfare systems rely heavily on the family’s care-giving function, women face the difficult trade-offs between paid work and housework, as witnessed by the dramatic drop of employment rates amongst married women with children. Table 8 shows female employment rates (all women between 27 and 60 years) disaggregated for household types: couples with no children have been split in two groups in order to try to sort out females who probably have never had children (under 45) from female who might have had children, but whose children no longer live at home. In all countries, amongst single younger women, female employment rates approach 80%^{xiii}, in the case of Italy, quite remarkably, the employment rate almost reaches 90%. Moreover, employments rates tend to be high also amongst older single women.

Leaving aside older married (or cohabitating) women, however, the most evident feature in employment rates’ pattern is the difference between women with children and women without children. With the significant exception of Sweden, all countries witness a drop in employment rates which ranges from 12 to almost 30 percentage points.

The possible explanations to such a drop are mainly two: either women in central Europe and in the United Kingdom prefer engaging in unpaid care-giving functions, rather than being employed, or in most countries women face considerable difficulties in combining housework and labour market participation.

Obviously the two alternatives have very different consequences on household welfare: on the one side (i.e. if abstaining from labour market participation were a choice) families may benefit from greater welfare than what may actually be measured using only economic indicators, on the

other side, instead, although families would still benefit from internalising important care-giving functions, they would also suffer from the impossibility of expanding their work offer – meaning that women would find themselves in a “family trap”, negatively affecting the welfare of the whole household.

In the following set of graphs, a rather rough way for testing the different hypothesis is offered. Female employment rates (normalised to average employment rates) amongst married or cohabitating mothers, and married or cohabitating women, have been disaggregated per household disposable income quintiles.

A positive correlation is expected between non-mother female employment rates and household’s disposable income.

In the case of married women with children no obvious employment rate distribution was expected ex-ante.

1. Female employment rates may concentrate in lower quintiles, meaning that at a certain income level, when facing a trade-off between housework and employment opportunities, women chose to leave the labour market.
2. Female employment rates may concentrate in higher quintiles, meaning that the trade-off between housework and employment is particularly strong in lower income quintiles, where households do not have the opportunities of externalising important care-giving functions.
3. Female employment rates may be more or less homogeneously distributed amongst all income quintiles, meaning that no trade-off between employment opportunities and housework actually exists and that low employment rates amongst households is mainly due to cultural factors.

The graphs clearly show that households’ behavioural patterns are strongly dependent on the institutional settings. Sweden distinguishes itself clearly from other countries: as the absence of a significant drop in mothers’ employment rates might have suggested, women do not face a trade-off between family care responsibilities and employment opportunities. The employment rates tend, in fact, to be rather homogeneously distributed amongst all income quintiles, both for women with and without children.

Table 8: Household structure and female employment rates

	Italy		United Kingdom		Sweden		Germany		France		Netherlands	
	%women	%emp.	%women	%emp.	%women	%emp.	%women	%emp.	%women	%emp.	%women	%emp.
Couples without children, women over 45	30,56	23,55	25,21	53,71	24,24	66,59	24,49	53,69	22,04	41,85	24,26	33,58
Couples without children, women under 45	9,27	57,66	11,77	78,28	7,44	72,04	11,9	80,61	6,44	64,5	14,15	72,59
Women with at least one child	48,5	45,74	41,78	50,12	38,02	71,87	43,26	53,23	42,24	57,14	44,67	48,34
Singles under 45	1,6	88,44	3,87	78,01	9,34	49,85	6,6	83,33	5,29	76,99	6,22	81,18
Singles over 45	1,81	43,46	4,8	49,53	10,66	53,38	5,86	65,96	4,7	63,17	3,98	53,03
Lone mothers	2,75	47,87	10,13	35,48	10,29	70,05	5,75	68,35	6,08	67,68	4,69	27,02
Other household typologies	5,52	53,74	2,44	60,27	0,01	100	2,13	67,95	13,21	63,35	2,02	44,54
Average employment rate		41,75		54,15		67,37		60,52		57,04		49,34
Source: Own calculations on LIS micro data sets												
Employed: having worked at least 27 weeks in the reference year, or receiving maternity leave benefits												

In the remaining countries the picture is radically different: Germany, France and the United Kingdom show a hump shape pattern in mothers' employment rates, although the reduction in employment rates in the 5th quintile is hardly significant. In those countries women probably do face a trade off between family and work, which however disappears at high income levels, where many care-giving functions may be externalised to the market.

The same pattern may be observed in the case of Italy and the Netherlands, although here no reduction is observed in the 5th quintile.

Women without children also show the same pattern in employment rates, although the distribution amongst income quintiles tend to be much smoother.

With reference to female employment, differences between the conservative welfare regimes and the United Kingdom are definitely less visible. Italy too, share the same pattern, but again the data show a much more extreme situation: in the first two income quintiles, where households would most benefits from doubling their income sources, female employment rates hardly reach 40% of mothers' average employment rate. At the same time, where income levels are higher, the employment rate is close to 78% - just one percentage point lower than the Swedish one!

The forces underlying this trend are well known: Swedish service-oriented welfare regimes allocate much resources to family services, encouraging households to externalise some care-giving functions at low (or no) costs and cancelling the trade-off typically encountered by women between work and family responsibilities.

In the conservative and liberal welfare state, on the other hand, public services to family tend to be quite limited. Family responsibilities and employment are perceived by most women as non-compatible activities – at least up to a certain income level. In higher disposable income quintiles families probably meet the opportunity of externalising care-giving functions, and employment rates again approach the level of younger single women.

Graph 5 clearly show the impact of spending on family services on the distribution of employment rates.

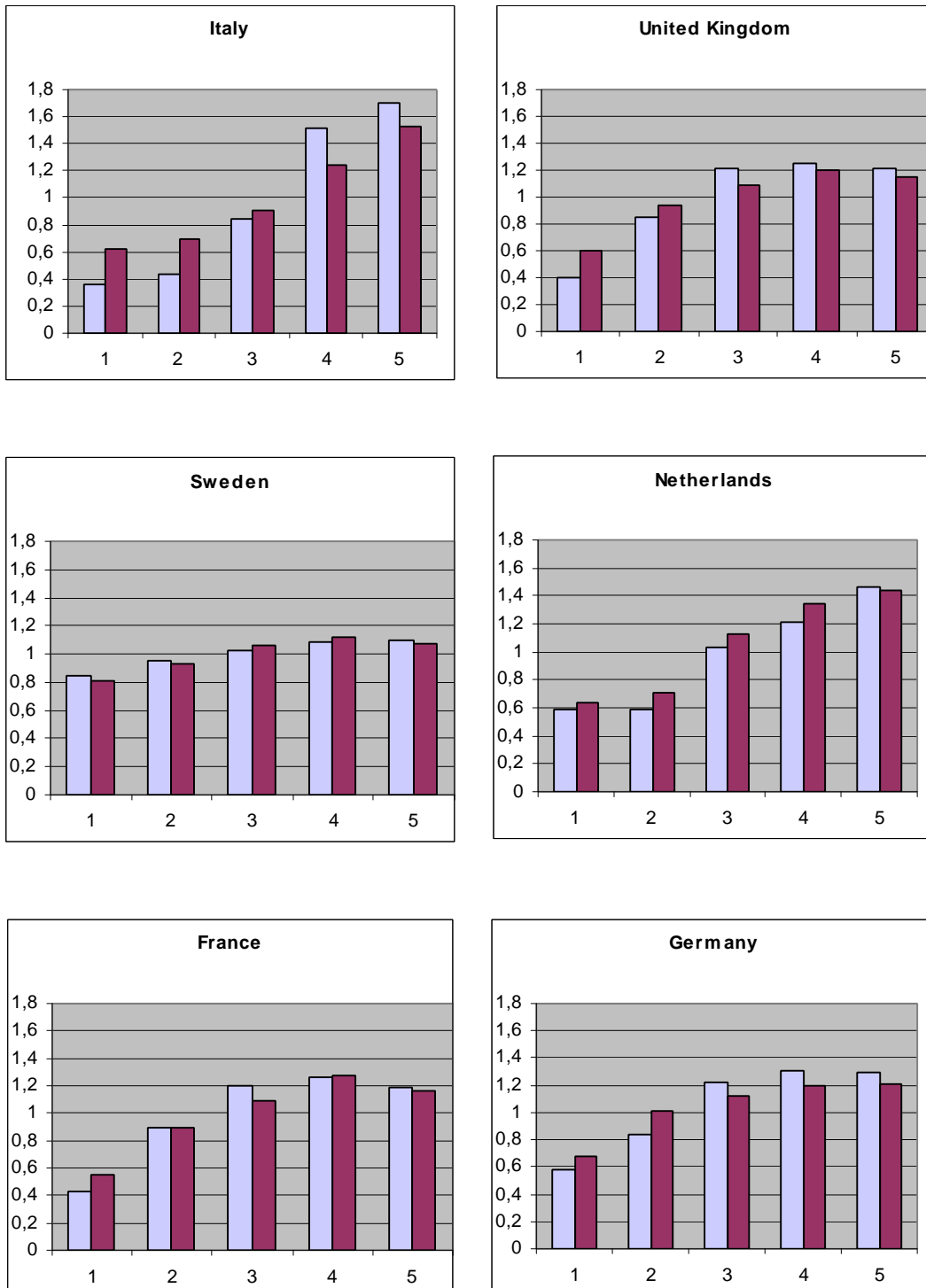
Two clusters are clearly formed: the Scandinavian countries (Sweden, Denmark and Finland) on one side, with very high spending on family services and more evenly distributed employments rate, and the liberal and conservative welfare regimes on the other, with low spending on services and more unevenly distributed mothers' employment rates.

Italy's position is quite close to that of other conservative countries and to the British one. Public spending on family services is, however, lowest amongst the latter group of countries and consequently not only are average female employment rates particularly low, but the distribution of

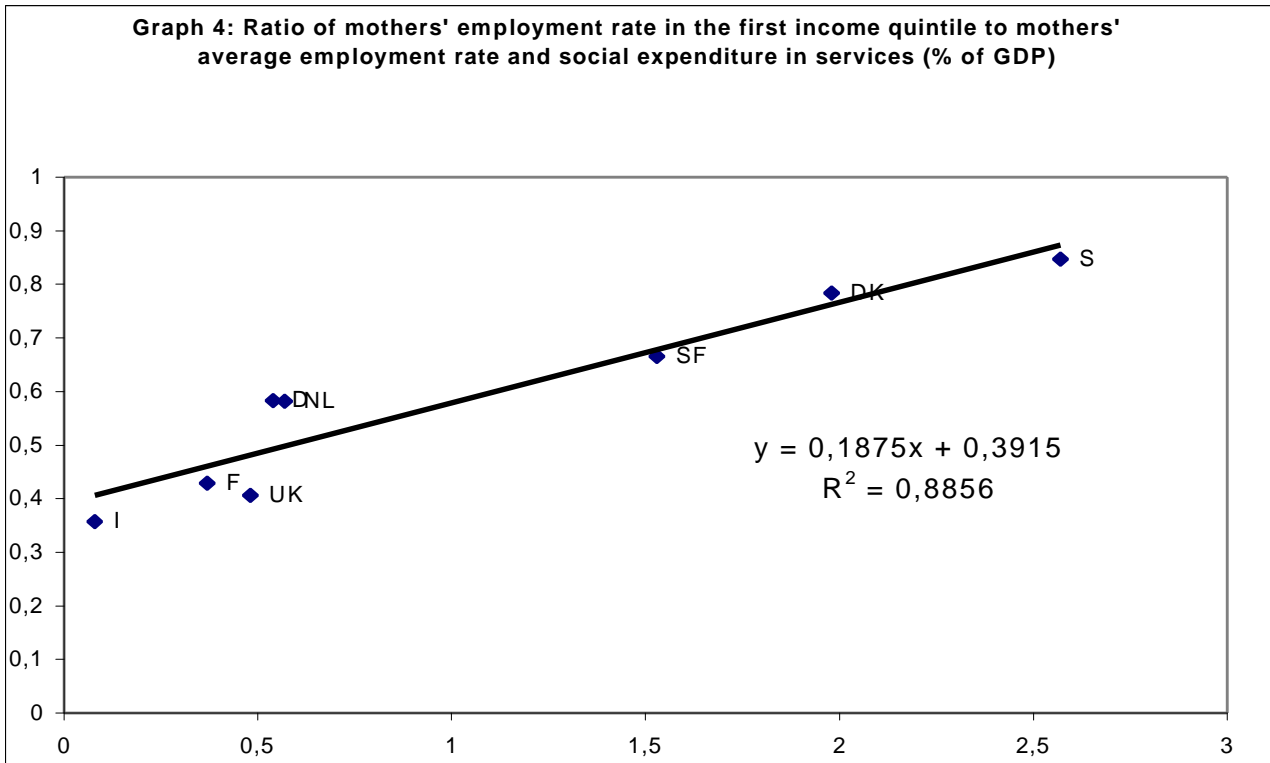
employment opportunities amongst households tend to be much more uneven, with negative effects on poverty rates in general and infant poverty in particular.

Graph 3: Female employment rates amongst married (or cohabiting women), with or without children according to household disposable income quintiles (rates normalised to mean)

■ Married or cohabiting women, with children
 ■ Married or cohabiting women, without children



Source: Own calculations on LIS micro data sets



Source: Own calculations on LIS micro data and Esping-Andersen (2000)

5. Conclusions

This paper has critically assessed Italian poverty rates against those of other European countries, both characterised by similar institutional settings (Germany, France and to lesser extent the Netherlands), as well as characterized by different institutional setting (Sweden on one side and the United Kingdom on the other).

The evidence coming from LIS data clearly show that institutional settings impact on countries' distributional performance, yet Italy represent a clear exception to such trend. Two main driving forces underlying Italy's poor performance were identified:

1. the lack of significant social transfers programmes targeting younger households (i.e. the absence of child and family allowances and of means-tested transfers targeting households headed by working age persons);
2. the low spending on family services, negatively affecting female employment rates, especially in households with low disposable income.

The two phenomena combined, produce one of the highest poverty rates in Europe, comparable only to that of the United Kingdom. Most striking, however, is the fact that poverty rates tend to concentrate amongst younger households, especially those with children, a feature, again, also shown by the United Kingdom.

In the perspective of the foreseen tendency towards greater earnings inequality (especially concentrated in the lower segment of earnings distribution), Italian welfare regimes appears particularly vulnerable indeed, as policymakers may be forced to choose between the difficult alternative of greater income inequality and poverty, especially amongst household with children, or a prolonged condition of “fertility trap”. The latter indeed represents – already today – a problem shared by most conservative welfare states. It has nevertheless taken a dramatic dimension in Italy where having children not only means lower female employment rates, but also increased poverty risk.

Notes

ⁱ For more detailed information about accessing and using the database, search through LIS's website at <http://www.lis.ceps.lu/>.

ⁱⁱ Some analyses have also been conducted on the basis of personal evaluation of living standard. The so called "subjective approach", however, has not received very much attention by the official literature on poverty, as economists have typically manifested "a methodological suspicion regarding introspective concepts" (Sen, 1982, p. 9). More importantly, however, "very few regular (income or budget) surveys incorporate a minimum income question and the precise formulations of the questions differ considerably. Thus, subjective standards may vary across time and, moreover, across countries" (Förster, 1994, p.4).

ⁱⁱⁱ What is meant by social exclusion may be dramatically summarised by the words of a young British girl surveyed in the child poverty study conducted by Coker and Colemann:

"...for me it is about not being part of things, not having the money to live normally like other people. Everything I do or I want to do, even like really small things, is decided by money, or by not having it anyway."

(see Rucker, Coleman, 1998, quoted in Bradbury, Jäntti, 1999, p. 17).

^{iv} "The measurement of economic poverty in rich nations involves the calculation of economic well-being or resources, relative to needs. Economic well-being refers to the material resources available to households. The concern with these resources is not with material consumption itself but rather with the capabilities that they give household members to participate in their societies. The capabilities are inputs to social activities, and participation in these activities produces a particular level of well-being" (Smeeding and Ross, 1997, p. 3).

^v Some studies actually use mean household income as a reference point for computing the cut-off-line (see, for example Cantillon, Marx and van der Bosch, 1996). Being household income distribution typically asymmetric, however, median household income is usually considered a better indicator of population's average living standard.

^{vi} Swedish data are not fully comparable with other datasets: as children over 18 still living with their parents are counted as separate households although not economically independent, poverty rates tend to be slightly overestimated for two reasons: (i) average household size and scale economies in consumption are underestimated and (ii) the number of people formally with no income is overestimated.

^{vii} "This suggests that fine tuning of equivalence scales is not particularly important to the results. Rather the important issues have to do with whether a scale is in the high, middle or low part of the 0 to 1 range" (Buhmann et Al., 1987, p. 124 – 125).

^{viii} The LIS database records Italian "Pensioni Sociali" (social pension) in this income aggregate. Although the transfer is financed through contributions, the benefits represent means-tested economic support for older people who have not matured any right for public pensions. See footnote x.

^{ix} The "other social security transfer" aggregate is a residual category including means tested studying allowances, benefits for care-givers to handicapped and other social insurance benefits not related to the typical areas of welfare state (sickness, old age, unemployment, etc.). This aggregate is not fully comparable across the considered countries.

^x This is just an example of the many distorted instruments of social protection of Italian welfare state, characterized by ambiguities and inconsistencies between the social insurance component on the financing side and means-tested social assistance component on the allocation side (although the entitlement is often limited only to employed workers).

^{xi} Households in the first decile are typically formed by younger people who have not entered the labour market yet (and may therefore not be entitled to some benefits in the conservative welfare regimes) or do not have children.

^{xii} Note that the definition of pre-transfer income is slightly different in this case as sick and maternity allowances and some other minor social transfers were included in the market income aggregate in order to make the social transfer aggregate as harmonized as possible (thus including only pension benefits, family and child allowances and means tested assistance).

^{xiii} Swedish data are quite controversial: while employment rates are high in all household typologies, the employment rates are significantly lower than in the rest of Europe in the amongst single women. No plausible explanation was found for such phenomenon.

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