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13 Through the COVID-19 pandemic: perspectives for the welfare state

Abstract: The COVID-19 pandemic has put a strain on governments' ability to support the economy. Intervention was necessary to sustain families and businesses afflicted by the economic crisis. Welfare policies highlighted the differences among countries reflecting their welfare models. The decades before the pandemic had been characterised in most european economies by austerity and liberalisation policies. Among the consequences of these policies, in many countries access to welfare measures has become increasingly category-based – in some cases it happened alongside with a retrenchment of the welfare state – rather than universal. In this chapter, we reconstruct the stages of the reduction in welfare spending by the countries of the EU. We also discuss the reasons why a reversal of these policy would be desirable. In particular, we show that the pandemic has highlighted the problems of welfare systems most subject to spending cuts, which have had great difficulty in providing for the needs of workers left outside the social safety net. In the case study taken into consideration, that of Italy, it is shown that it is more difficult to guarantee the social rights of all citizens with a category-based welfare system, despite the measures undertaken by the government.

Keywords: welfare policies, COVID-19, social spending, universal welfare, Italy

13.1 Introduction

The advent of a pandemic disrupts people's lives and at the same time puts pressure on the resilience of social institutions. Focusing on the economic dimension, the strength of the impact depends not only on the violence of the pandemic, but also on the safety net a country has adopted for its citizens. In other words, it depends on the welfare regime adopted in a country or group of countries. The dramatic nature of the COVID-19 pandemic has highlighted the diversity of welfare models and the ability to cope with it in different countries. Obviously, the COVID-19 pandemic struck in different ways and at different times among countries, and this is something that must be considered when making comparisons. And yet, despite these differences, we have had a demonstration of what the limits of national welfares can be but, at the same time, governments have had an opportunity to design new income support policies that substantially changed the welfare model. However, these measures of a temporary nature will most likely be removed as soon as "normality" resumes. The aim of this chapter is to show, within the European Union, that traditional welfare states need to change their shape. Indeed, before the pandemic broke out, even the most successful

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European welfare states were still category-based and linked to old job schemes, characterized by principles such as means-testing, social insurance and very strict conditionality. Within the emergency, the welfare systems proved inadequate, in different degrees, to withstand the impact of the pandemic and far-reaching measures were needed to prevent a large share of the population from being attracted into the vortex of poverty. In several countries, governments had to discuss which measures to take, which groups to protect and the extent of economic support. This has led to delays in intervention and insufficient support. Obviously, a dramatic and totally unexpected situation such as the COVID-19 pandemic would have found any welfare state unprepared. Yet, a universal welfare model would have worked better. Adopting a welfare system based on a universalistic principle, with appropriate conditionality linked to income, would not only serve to deal with emergency situations, such as the COVID-19 pandemic, but also to cure the pathologies of our economic systems that have become increasingly widespread in recent years: inequality and poverty (even in-work poverty).

To deal with the topic, the chapter is organised as follows. In section 13.2 we explore the literature about welfare models highlighting across the European Union a tightening of the conditionalities for entitlement to welfare policies which, therefore, become even more category based. In section 13.3 we discuss why it would be necessary to reverse this trend not only during the pandemic period, but as a lasting solution. In section 13.4 we focus on the Italian case by highlighting the types of policies that were implemented during the pandemic. The extraordinary measures demonstrate the effort to guarantee protection to as many citizens as possible but also the inadequacy of a welfare system anchored to old principles. Section 13.5 concludes.

13.2 The evolution of the welfare state and its anchorage to a category-based system

The vast literature on welfare regimes has outlined the differences among countries also highlighting the changes that have taken place over the years, starting from the pioneering contribution *Three Worlds of Welfare Capitalism* (Esping-Andersen 1990) which identified three models: i) market-oriented in Anglo-Saxon countries, where the state plays a residual role; ii) the family-oriented "corporative model" in continental Europe, where the state and employers play a supporting role; iii) state-oriented for the Scandinavians, with universal protections and services. Yet, in recent decades, there has been a noticeable shift in the welfare regimes towards the liberalist paradigm of the Anglo-Saxon countries. In fact, even the Scandinavian model has undergone several transformations (Kvist and Greve 2011) that have limited the universality of welfare, making it more constrained and conditional (Jensen and van Kersbergen 2017; Taylor-Gooby et al. 2017). The neo-liberal reforms in Denmark make it the most obvious case of how the universality of welfare has slowly been transformed into conditionality (Trenz and Grasso 2018), yet something similar has also happened in Sweden since 1990 (Blomqvist and Palme 2020). In more general terms, the last thirty years have witnessed a more stringent conditionality of welfare policies in most countries or, in other words, a new conception of welfare – the so-called new welfarism – considered to better adapt to the changed economic and social conditions marked by post-Fordism. In some cases, increased conditionality has coincided with a retrenchment of the welfare state that was seen as a logical and necessary consequence of globalisation (Taylor-Gooby 1997). Yet, although there has been a profound change in economic and social conditions, other welfare trajectories would have been pursuable if only they had been recognised (Hay 1998).

One of the main explanations for the retrenchment of the welfare state was the concern for its fiscal sustainability, which was threatened by globalisation – especially by financialisation and technical progress leading to increased unemployment of unskilled workers – and by an ageing population. Both would have led to increased spending on unemployment benefits and pensions, respectively, and reduced revenues due to a lower share of employed people in the population. A branch of the recent literature considers the economic policy paradigm of the last twenty years as a direct expression of the so-called "Washington consensus", with reference to the processes of globalisation and financialisation (Palley 2012; Galbraith 2012; Arestis, Charles, and Fontana 2013; Stockhammer 2015), within which new institutional forms based on labour market flexibility have been implemented (Tridico 2012), the latter understood as less rigidity in the practices of hiring and firing workers (Storm and Naastepad 2012). More generally, those who oppose a "generous" welfare state do so because of arguments that understand the expansion of social security as an obstacle to competitiveness and economic growth due to increasing labour costs or reduced work incentives.

However, the arguments concerning the relationship between social spending and growth are rather conflicting. On the one hand, in the framework of the so-called "efficiency thesis", Blackmon (2006) argues that globalisation has linked the downsizing of the welfare state to the achievement of greater competitiveness. On the other hand, other economists argue that increasing social spending does not induce better economic performance (Alesina and Perotti 1994) and that reducing the size of government can foster higher incomes and competitiveness (Mitchell 2005). Moreover, embracing the so-called "compensation thesis", some scholars have endorsed the view that social spending has contributed to, rather than inhibited, economic growth (Rodrik 1998; Lindert 2004; Furceri and Zdzienicka 2012; Tridico and Paternesi Meloni 2018). As experienced by Scandinavian economies (see among others Bergh 2014), from the 1990s to the 2008–2009 crisis, challenges and threats of globalisation and financialisation in terms of growth, inequality and competitiveness could be better addressed by increasing public social spending, rather than reducing welfare. This means that the sustainability of a universal welfare would certainly be favoured if such a policy was associated with higher economic growth and lower inequality.

Although, in most European countries, spending on basic welfare such as retirement pensions and health care has not declined since the turn of the millennium (Greve 2020), changes in the production system – and consequently changes in the labour market – have made the welfare state less effective. This is because, among other things, the welfare state itself has become more and more targeted to specific categories (Borosch, Kuhlmann, and Blum 2016). This was probably one of the causes of the growth of private welfare (Hyde, Dixon, and Drover 2003), at company level, as is typical of Anglo-Saxon countries, even in countries where there was a universal welfare (Svallfors and Tyllström 2017). There has been a shift from welfare to a new neoliberal paradigm, i.e., workfare (Jessop 2018). When the welfare state makes way to private welfare, whether provided by firms or not, this means that the citizen must have an income which, in most cases, coincides with having a job. However, the labour market itself has undergone radical transformations in recent decades. In fact, flexibility has become in many cases precariousness, and with economic stagnation this has often translated into unemployment or underemployment, as witnessed by the growing – but far from being new (Klein and Rones 1989) – phenomenon of the working poor in the advanced economies of the European Union (Andress and Lohmann 2008; Pradella 2015).

13.3 The great challenge: a new beginning of universal welfare

The paradigm of welfare policies within the European Union has been progressively changing, moving more and more towards means-tested programmes with well-defined targets – a feature that was distinctive of liberal Anglo-Saxon welfare states – that has now found its social legitimacy (Van Oorschot and Roosma 2017). Yet, the COVID-19 pandemic has shown how welfare policies in most countries are mainly oriented towards categories of workers belonging to the past and have therefore proved to be totally inadequate, leaving many new types of workers outside the safety net. The emergency meant that governments did not have time to think about redesigning the welfare intervention scheme. In fact, with the aim of reaching as many citizens as possible, governments allocated extraordinary measures to reach those categories that were previously cut off from the welfare. In 2020 the International Labour Organization estimated that from the start of the epidemic more than 1,600 social-protection policies have been activated (ILO 2021, 68). The International Monetary Fund estimates that in 2020, average overall fiscal deficit as a percentage of GDP was 11.7 % for advanced economies (an increase of about 9 percentage points with respect to the value of 2019, 2.9 %), in order to support health care systems, households, and firms (IMF 2021). Not surprisingly, the states with the lowest welfare levels were the ones that had to increase spending the most.

At the origin of the ineffectiveness of welfare models is the great change that has taken place in the labour market over the last thirty years. The most evident aspect is the fragmentation of contract types, with a strong use of part-time or fixed-term contracts and a significant increase in self-employed workers. These types of workers are less likely to have a safety net because the welfare system in European countries is mainly based on the old concept of a Fordist society, based on stable and secure employment through permanent contracts. In this respect, a comparison among three of the main European economies – France, Germany and Italy – reveals a heterogeneous picture (Figure 13.1) before the COVID-19 pandemic broke out. In fact, although there is a common trend of increase in the share of workers with fixed-term contracts, its growth occurs with very different intensities. In Germany the trend has been reversed since 2011 and we are witnessing a decrease in the proportion of workers with fixed-term contracts, which is returning to the levels of 2003: in that year, fixed-term workers accounted for 8.2 %, while in 2019 it stood at 9.0 %. In contrast, in 2011, the pace of growth increased in France and Italy. In Italy the share of fixed-term workers has almost doubled over the timespan: it was 6.9 % in 2003 and reached 13.1 % in 2019, far outstripping France (10.1 % in 2003 and 13.0 % in 2019).

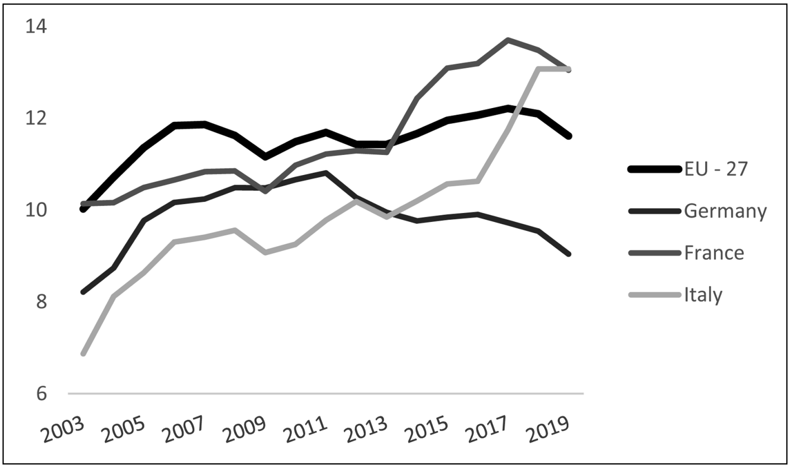

Figure 13.1: Share of temporary workers over total workers.
Source: Eurostat LFS Database

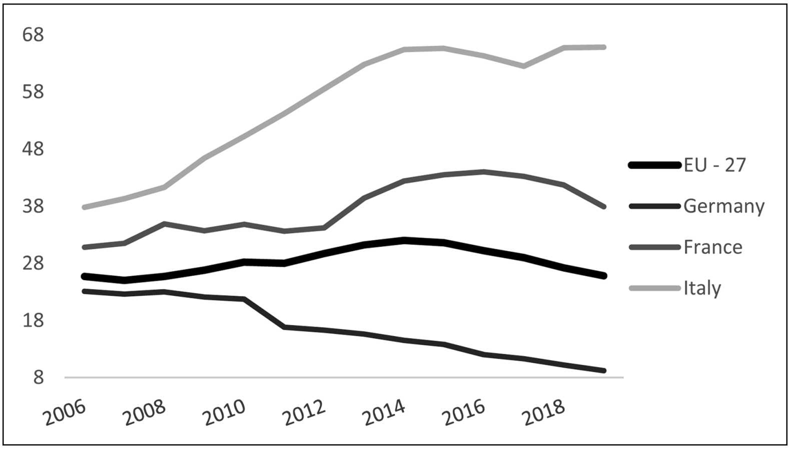

Figure 13.2: Share of involuntary part-time workers over part-time workers.
Source: Eurostat LFS Database

The fragmentation of the labour market in Europe is also reflected in another aspect, namely the increase in part-time contracts. In this respect, it is important to emphasise that this trend is not always the result of the employee's choice. In Italy most workers with part-time contracts would have preferred a full-time job (Figure 13.2). Indeed, in Italy the share of involuntary part-time workers has risen from 37.8 % in 2006 to 65.8 % in 2019. From 2008 to 2019, the labour market in Italy has been deeply marked by the advent of the crisis. In ten years, the composition of employment has been disrupted. Those employed part-time – because they could not find a full-time job – grew by 1,560,000, from 5.8 % to 12.3 %, while those employed full-time lost almost 680,000, falling from 85.7 % to 81 % (CNEL 2019, 36). This explains the rapid growth of involuntary part-time workers. The opposite trend can be observed in Germany over the same period, where the share of involuntary part-time was 23.1 % in 2006 and fell to 9.2 % in 2019.

Underlining the greater fragmentation of the Italian labour market is the share of self-employed workers, much higher than the EU27 average, as well as France and Germany. Although slightly lower than in the past, the share of self-employed workers in Italy in 2019 is 20.4 % (Figure 13.3).

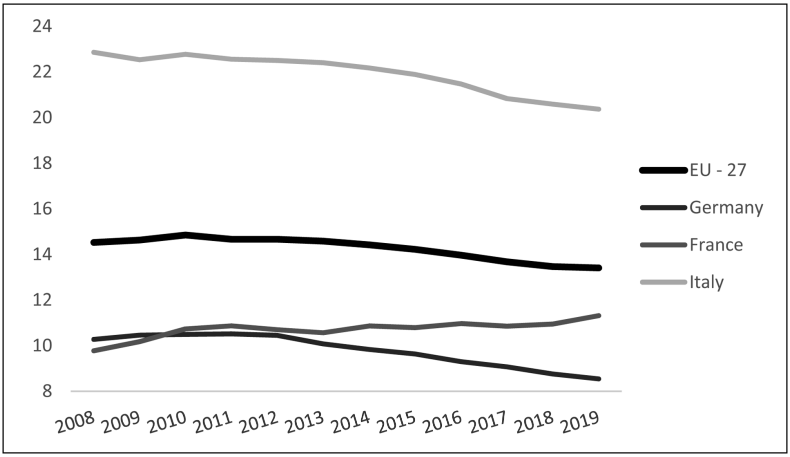

Figure 13.3: Share of self-employment over total workers.
Source: Eurostat LFS Database

The increased use of temporary and part-time contracts fostered a sadly known phenomenon within the European Union, namely in-work poverty. Although the increasing risk of in-work poverty is a common trend throughout the European Union, in Italy the situation is more alarming (Figure 13.4). In fact, in 2005 the percentage of Italian workers at risk of poverty was very close to the EU27 average. However, in 2019 in Italy the same percentage reached 11.8 % – while the EU27 average stood at 9 % – much higher than France (7.4 %) and Germany (8.0 %). The ever-increasing diffusion of the phenomenon of in-work poverty calls into question the rules governing the negotiation of working conditions. On the one hand, in recent years a "corporatisation" of bargaining has taken place: bargaining at national and/or sector level co-exist with decentralised bargaining at the firm level, in many cases weakening the bargaining power of workers. Furthermore, there is no effective regulation of trade union representation at the national level. This has favoured the formation (mushrooming) of small unrepresentative unions, with the effect of an increasingly widespread proliferation of so-called pirate contracts. On the other hand, Italy suffers from the lack of a law on the minimum wage. In recent years, several bills have been introduced into the Parliament, but none of them have reached the stage of final approval.

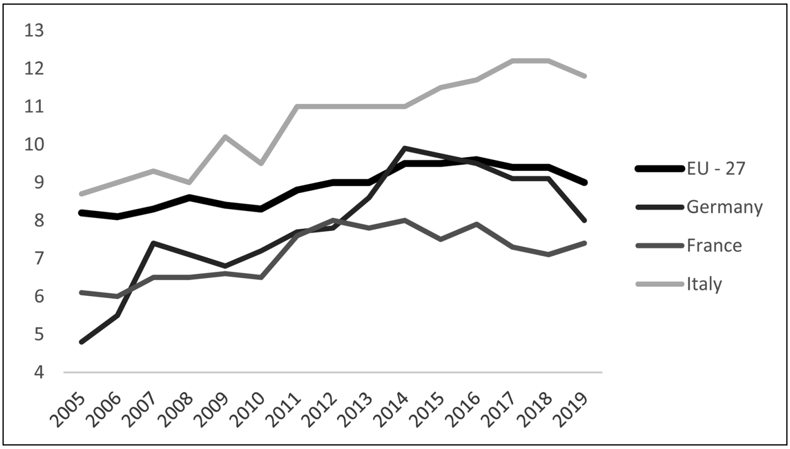

Figure 13.4: Percentage of workers at risk of poverty.
Source: Eurostat LFS Database

The picture suggests that the greater flexibility achieved has exposed workers to a greater risk of poverty. It is therefore necessary to improve labour market conditions in the European Union, especially in Italy. However, the labour market must co-exist with a welfare model that is able to provide citizens with adequate assistance both in terms of active labour policies and income support. In this last aspect, the European Union is lagging far behind if we think, for example, of the assistance it provides during the period of unemployment. Significant is the figure for short-term unemployment, an event that can be predicted when adopting a production model in which labour is flexible. Yet, in 2019 only a third of the workers, 36.7 %, who find themselves unemployed for 1–2 months receive assistance or benefits within the EU27 (Table 13.1). This is worse than in 2002, when 39.2 % of these unemployed received assistance or benefits. In Italy, although the situation has improved significantly since the early 2000s – in 2002 only 2.8 % of the unemployed received benefits/assistance, while in 2019 they reached 24.7 % – the share of those who receive benefits or assistance when unemployed are far from the European average, and it is incomparable with countries such as Germany[1] (in 2019, 60.2 %).

1 However, after the Hartz IV reform in Germany the generosity (in terms of remuneration and duration of coverage) of unemployment benefits, in particular long-term unemployment benefits, and social assistance were reduced, and this is shown by a general lowering of the share of workers receiving unemployment benefits or social assistance.

Table 13.1: Unemployment share receiving benefits/social assistance by duration: 1–2 months.

	2011	2012	2013	2014	2015	2016	2017	2018	2019
EU27	39	38.4	36.2	35.1	34.2	33.8	34.6	36.1	36.7
Germany	84.5	81.5	80.4	66.2	65.1	63.1	59.2	55.9	60.2
France	42.5	45.5	39.8	40.7	40	39.6	45.5	43.8	42
Italy	13	11.8	15.1	15.7	16.5	16.8	17.6	n.a.	24.7

Source: Eurostat LFS Database

Table 13.2: Unemployment share receiving benefits/social assistance by duration: 12+ months.

	2011	2012	2013	2014	2015	2016	2017	2018	2019
EU27	28.5	25	23.4	22.8	22.9	21.8	22.9	23.7	24.8
Germany	86	86.4	86.6	79.8	79.9	77	77.1	77.7	76.4
France	34.1	34.7	36.6	36.7	40.4	36.5	38.4	37.6	36.1
Italy	1.8	1.7	1.9	1.9	2	2.6	3.5	n.a.	9.1

Source: Eurostat LFS Database

The main difference between Italy and Germany is that the percentage of unemployed workers covered by welfare has an opposite trend according to the duration of unemployment. In Italy, in fact, the percentage of workers receiving assistance/benefits decreases as the number of months of unemployment increases. Conversely, in Germany the percentage of workers receiving assistance/benefits increases as the number of months of unemployment increases. In fact, in Italy in 2019 the percentage of workers receiving assistance/benefits is only 9.1 % for those unemployed for more than a year, while in Germany the 76.4 % workers received benefits or assistance (Table 13.2). Probably, in Italy the percentage is very low despite the introduction in 2016 of an unemployment benefit scheme for employees that involuntarily lose their job (NASpI) because, as we have seen, there is a high percentage of self-employed workers who are not covered by welfare policies. However, in Italy the share is significantly higher than in previous years, thanks to the introduction of a measure of universal character such as the so-called Citizenship income (*Reddito di cittadinanza*).

Yet, the situation is still very worrying also because in Italy long-term unemployment accounts for more than half of the total unemployed (Table 13.3). In fact, in Italy there are many more long-term unemployed than short- or very short-term unemployed. This is a well-known picture that outlines how unemployment in Italy is mainly structural, while frictional unemployment is very small. The scenario that emerged before the outbreak of the COVID-19 pandemic was therefore far from reassuring, especially in Italy. When such a shock occurred, with the interruption of many work activities, many citizens found themselves without a lifeline.

Table 13.3: Unemployment share by duration: 12 months or over.

	2011	2012	2013	2014	2015	2016	2017	2018	2019
EU-27	36.6	38.3	41.0	43.4	43.2	42.3	40.9	39.5	36.9
Germany	41.2	38.8	38.0	37.8	37.3	34.3	35.2	35.3	32.7
France	34.9	34.4	35.0	38.1	38.5	39.9	39.9	37.2	35.5
Italy	46.7	47.7	51.1	54.7	53.6	53.0	53.4	53.6	51.8

Source: authors' elaboration from Eurostat LFS Database

The lack of a universal welfare in a country where the labour market is highly fragmented exposes citizens to a higher risk of poverty. There is therefore a need, now more than ever, to reverse course: welfare can no longer be seen as something that must be limited to a few categories, subject to means-tests and stringent conditionalities. The COVID-19 pandemic has not undermined the country's social stability, it has only revealed its fragile nature. In the next section we will describe the extraordinary measures taken in Italy to deal with this situation.

13.4 During the COVID-19 pandemic in Italy: the extraordinary measures

The pandemic crisis has led the Italian government to experiment with new ways of providing welfare benefits (Table 13.4 summarises all forms of intervention implemented in 2020, updated to 10 October 2020). As will be seen from the brief illustration that follows, although simplified procedures have been developed – aimed at reaching the largest number of workers exposed to the consequences of the economic crisis – little has been done to overcome the principle of a category-based distribution of the benefits. The outbreak of the pandemic revealed how the Italian welfare system was fragmented and how many categories were without protection as regards the coverage of income support instruments in periods of slowdown in economic activity. The wage integration schemes envisaged in normal times, in fact, were intended only for certain sectors and for firms that meet the criterion of a minimum size of the workforce. For these reasons, it was necessary to identify single categories of workers not covered by any form of economic support. For each of these broad categories, specific income support provisions were then introduced.

Table 13.4: COVID-19 provisions 2020.

Provision	N.	Unit of analysis	
600-euro allowances (12 categories)	5,387	applications	thousands
600-euro allowances (12 categories)	4,140	beneficiaries	
Extension of parental leave	319	applicants	
Baby-sitting voucher	1,303	applications	
Baby-sitting voucher	830	applicants	
Leave for caregivers	223	beneficiaries	
CIG: authorised hours	3,058	authorised hours	millions
Ordinary (CIGO)	1,476	authorised hours	
Solidarity funds	988	authorised hours	
CIGD	594	authorised hours	
CIG: direct payment	*3,418*	beneficiaries	thousands
CIGO	942	beneficiaries	
Solidarity funds	1,024	beneficiaries	
CIGD	1,453	beneficiaries	
CIG: balance with monthly social contributions	3,097	beneficiaries	
CIG: monthly allowances – direct payment	12,019	allowances	
CIG: balance with monthly social contributions	8,114	allowances	
Emergency income (REM)	600	beneficiary households	
Domestic workers allowance	212	beneficiaries	
Domestic workers allowance	275	applications	
RDC/PDC	1,424	Paid households 2020	

Source: INPS, https://www.inps.it/news/misure-covid-19-i-dati-al-10-ottobre-2020

One of the main instruments of state intervention was that of the so-called “bonuses”. Different categories of self-employed workers, such as freelancers, artisans and shopkeepers, but also collaborators, seasonal employees (especially in the tourism sector), agricultural workers with fixed-term contracts, entertainment sector workers, have been granted allowances of different amounts. These categories, in fact, were not protected through ordinary income support instruments. The distribution of the bonuses followed a very simplified procedure, aimed at quickly reaching the workers most in need of economic aid. Nonetheless, these interventions did not change the fact that the Italian welfare system is still profoundly category based. In other words, it was not an intervention oriented towards new forms of universal welfare.

The pandemic emergency also made it necessary to intervene in support of working parents who were facing the consequences of the closure of schools. These workers, in fact, needed to stay at home to look after their children. Consequently, paid leave was established for employees in the private sector, for members of the so-called *Gestione separata* (i.e., the pension fund, managed by INPS (the Italian Institute for Social Security), intended, among others, for freelancers without a social security fund, collaborators, door-to-door salespeople, research fellows, PhD students with scholarships, local administrators, etc.) and for other categories of self-employed workers. Alternatively, the same subjects were offered a voucher for the purchase of baby-sitting services. Paid leave was also granted to employees in the public sector. For employees of the health sector, belonging to certain categories the baby-sitting bonus was granted for a higher amount. It was also necessary to intervene in support of disabled workers in serious or non-self-sufficient situations, as well as of relatives of subjects of the same conditions, increasing the number of days of paid leave destined for them.

However, the main tool to support workers and firms was that of layoff schemes. In this regard, it was necessary to change the legislation because firms and workers, that were not normally covered by the protection of wage supplements, could obtain this type of income support.[2] In addition, it was necessary to allow for the provision of this kind of support also to workers for whom the duration limits provided for by the legislation had already been exceeded. The main part of the wage support is the so-called *Cassa Integrazione Guadagni*. The latter is divided into *Cassa Integrazione Guadagni Ordinaria* (CIGO), *Cassa Integrazione Guadagni Straordinaria* (CIGS) and *Cassa Integrazione Guadagni in Deroga* (CIGD). The CIGO is aimed at non-construction industrial firms, as well as industrial and artisan companies in the construction sector, that suspend or reduce the firms' activity due to temporary and transient reasons. The CIGS can be requested for corporate restructuring, reorganisation, and conversion, for crises of particular social importance.[3] The CIGD is aimed at workers of companies excluded from other schemes or to companies that have made use of the ordinary tools up to reaching the duration limits. It is granted in cases in which some sectors are in a serious employment crisis. Finally, there are the so-called "solidarity funds", which provide support for workers in sectors where the legislation on wage sup-

2 For instance, the business sector of the firm was not among those covered by the legislation or the firm's size, regarding the number of employed people, was too small.

3 In 2019, the CIGS was intended for companies with, on average, more than 15 employees in the semester preceding the request for intervention; the companies were those of the industrial and construction sectors, of the related crafts (i.e. with a single client receiving CIGS), of the canteen and catering services of the related industries, of agricultural cooperatives; and also commercial companies with more than 200 employees (in transitional regime also with a number of employees from 51 to 200), newspaper publishing companies for which the limit of 15 employees is not applied shipping and transport companies in the tertiary sector and travel agencies and tourism with more than 50 employees.

plementation cannot be applied. INPS has registered, in 2020, the authorisation of over 4 billion hours of salary supplements, for a total of over 19 billion euros. Of these, just under 3 billion hours constituted CIG interventions (CIGO + CIGS + CIGD, see Figure 13.5). To give an idea of the magnitude of the intervention that was necessary to support the economic system, it is useful to observe that in the worst year from 1980 to today, 2010, *just* about 1.2 billion hours of CIG were authorised. In 2019, the last year before the crisis, the total number of authorised CIG hours was approximately 260 million hours. As for solidarity funds, more than 1.3 billion hours were authorised in 2020, compared to just under 17 million in 2019.

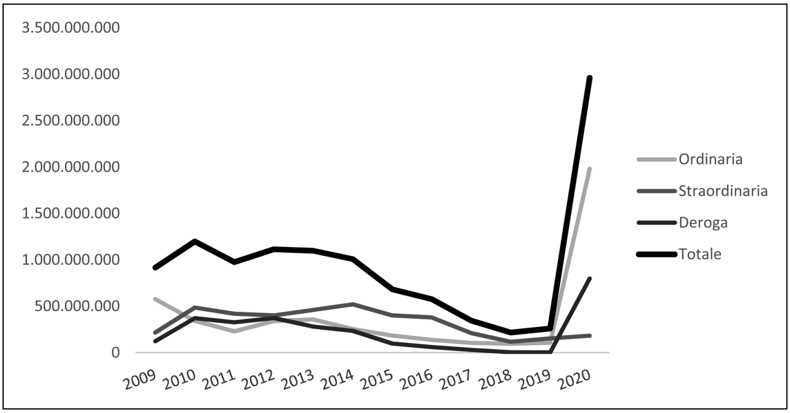

Figure 13.5: Wage subsidies – authorised CIG hours.
Source: “Cassa integrazione guadagni e fondi di solidarietà – Ore autorizzate”, Osservatori Statistici INPS

One of the provisions established following the COVID-19 pandemic, i.e., the so-called “Reddito di emergenza” (“emergency income”), stands out from the others as it is not based on the criteria of belonging to a specific production sector, ownership of a specific type of employment contract or type of social security registration. The provision made it possible to provide a special support to income to households in possession, at the time of the application, of a series of residence, income and wealth requirements. The thresholds of income and wealth and the generosity of the benefit vary according to the number of members of the household and in the case of the presence in the same household of at least one component in a condition of serious disability or non-self-sufficiency. However, this measure also suffered from some important limitations. In particular, it was characterized by the same problem of Citizenship Income (*Reddito di cittadinanza*, or RdC), in the sense that it tends to disadvantage very large families. In fact, the value of the benefit was equal to 400 euros multiplied by the relative parameter of the equivalence scale of the RdC, up to a maximum of 2 (or 2.1 in the case in which in the family unit there are members in conditions of severe disability or non-self-sufficiency). The parameter of the equivalence scale is equal to 1 for the first member of the household and is increased by 0.4 for each additional member over the age of 18 and by 0.2 for each additional member of a minor age.

Among the provisions already provided before the start of the pandemic crisis, the RdC – called Citizenship Pension (*Pensione di Cittadinanza* or PdC) in some cases[4] – certainly deserves a mention. Although not, an emergency provision, it played a fundamental role in mitigating the consequences of the economic crisis, especially in the southern regions of Italy. RdC is a benefit in support of low-income individuals and households, established in April 2019 to contrast poverty, inequality and social exclusion. The measure also has the objective of promoting the right to information, education, training, and culture through policies aimed at providing economic support and social integration to those at risk of marginalisation in society and in the labour market. Thus, this instrument is also considered an active labour policy, since, for some beneficiaries, participation in training courses and a commitment to accept certain job offers are required.

RdC has brought good results both from the point of view of the reduction of inequality, and from the point of view of the reduction of poverty. As for inequality, the ratio of the equivalent income of the 20 % of the population with the highest incomes to the 20 % with the lowest incomes (quintile ratio) has decreased from 6.4 to 5.9 (Figure 13.6).

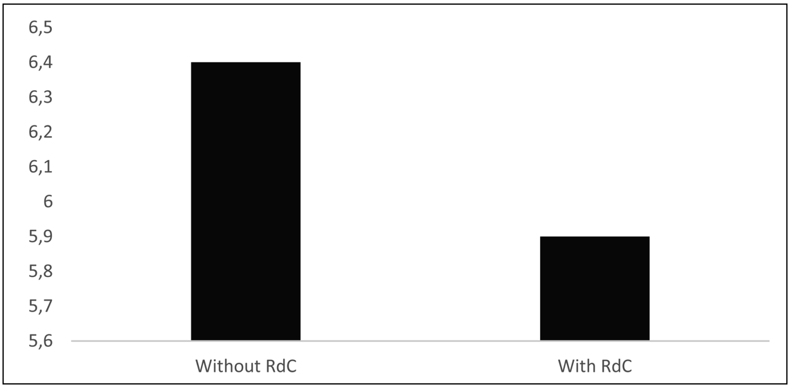

Figure 13.6: The reduction of inequality with RdC.
Source: INPS 2020

Furthermore, RdC has led to a reduction of 0.7 points in the Gini index of concentration of equivalent disposable income (Table 13.5). As regards poverty (Table 13.6), with RdC there has been both a reduction in the incidence of poverty (the percentage of the popu-

4 PdC is intended for families in which all members have reached the age of 67 (to be adjusted based on changes in life expectancy). PdC can also be granted in cases where the member or members of the family unit aged 67 or over cohabit exclusively with one or more people in a condition of serious disability or non-self-sufficiency, under the age of 67 years.

lation that has an income that places it below the poverty threshold) and in the intensity of poverty (the percentage difference between the income of individuals below the threshold and the poverty threshold itself). The 2020 INPS annual report, which reports data updated to 8 September 2020, underlines that the number of beneficiary households with at least one payment is 1,304,259, with 3,080,667 individuals involved. The average monthly amount per household is 524 euros. The largest part of the beneficiaries is found in the southern regions, with 802,588 beneficiaries (households) – equal to 61.5 % of the total beneficiaries – and over 2 million people involved.

Table 13.5: Gini coefficient with and without RdC

Gross equivalent income (before taxes and benefits)	39.2 %
Disposable income without RdC	33.9 %
Disposable income with RdC	33.2 %

Source: INPS 2020

Table 13.6: Poverty with and without RdC

	Without RdC	With RdC
Headcount Ratio	14.9 %	14.2 %
Poverty Gap Ratio	39.2 %	33.4 %

Source: INPS 2020

Finally, it should be noted that the government, in order to counter the spread of the COVID-19 pandemic, decided the closure of several production sectors.[5] In these sectors, many workers were forced to stay at home. This resulted, for many of them, in a suspension of income. A measure that affected workers employed in the affected sectors regardless of their income level. Figure 13.7a shows a projection of what would have been the loss of income resulting from the suspension of work in the sectors affected by the decree. This estimate was made by comparing the equivalent disposable household income received in the same timespan before the pandemic occurred. As can be seen, in all five quintiles of the distribution there would have been a loss of income of between 35 and 45 per cent. Thanks to the welfare policies implemented between March and May 2020, it was possible to intervene in income distribution to the benefit of the lowest quintile of workers. In fact, these workers even saw their income

5 The sectors are those identified by the Decree of the President of the Council of Ministers (DPCM) of 10 April 2020.

increase thanks to the welfare measures discussed in this section (Figure 13.7b). In general, there is a much smaller reduction in income for all workers than would have occurred in the absence of the specific measures taken.

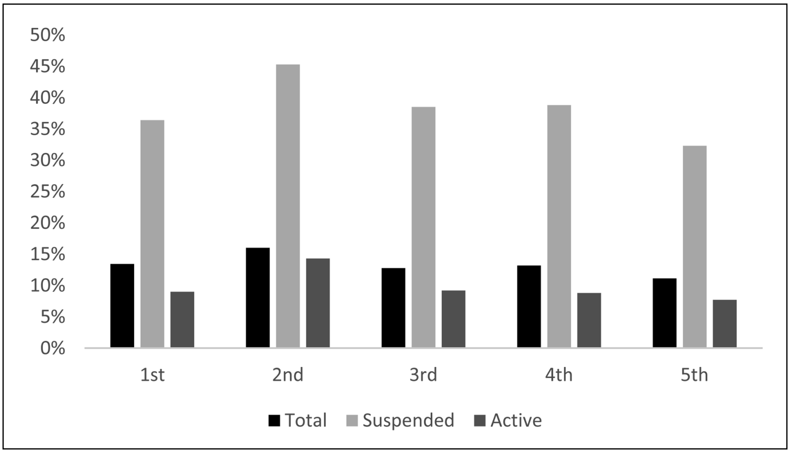

Figure 13.7a: Percentage of lost income – no measures scenario.
Source: Direzione Studi e Ricerche economico fiscali, Ministero dell'Economia e delle Finanze

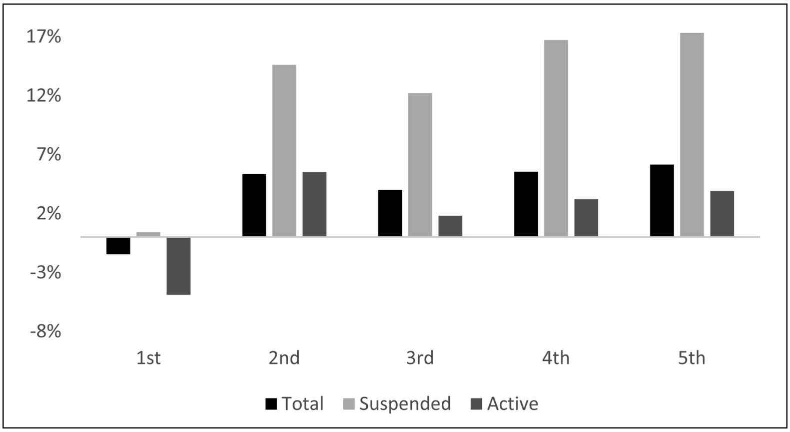

Figure 13.7b: Percentage of lost income – scenario with implemented policies.
Source: Direzione Studi e Ricerche economico fiscali, Ministero dell'Economia e delle Finanze

The RdC, due to its universality, proved to be the most effective tool during the pandemic. Nonetheless, the pandemic has shown some of the aspects in which RdC can be improved to effectively provide coverage as a universal welfare tool. It was in fact necessary, as we have seen, to create the Emergency Income (REM), a specific tool for the support of households and individuals who, despite being in poverty, could not access

RdC due to lack of one or more requirements (for example, for the requirements of residence, movable and real estate assets, possession of vehicles and boats), not required or less stringent for the REM. The extraordinary measures that have been adopted in Italy, as in many other countries, demonstrate the need to design a new welfare paradigm that will make its implementation faster and more streamlined, especially at times when it is necessary to intervene promptly and effectively. It is therefore necessary to think primarily about forms of income support that are accessible to all those citizens, who temporarily or permanently find themselves without the means necessary to live a decent life, regardless of their employment status or types of contracts. With appropriate conditionalities linked to household income, a safety net provided by welfare policies must be guaranteed to the widest possible segment of the population. In other words, the first lesson we have learned from the pandemic is that we need to adopt a welfare system that runs counter to the past, i.e., a welfare without categories and conditionalities. We need universal welfare not only to overcome economic crises or health pandemics, but to cure the ills that were already present and continuing to grow unabated in our societies before the COVID-19 pandemic broke out. We must put a stop to economic inequality and poverty. The European Union must guarantee, as it expressly states in its intentions, a decent life for all European citizens.

13.5 Conclusion

In this chapter we have addressed a topic that is crucial now, namely the need to move welfare towards a universal approach, not anchored to category-based policies, able to provide assistance for people in difficulties. This would be a radical change, a real U-turn from the last decades in which we have seen a downsizing of welfare and its transformation towards more and more specific categories. The pandemic had a considerable impact from the health point of view, of course, but also from the socio-economic point of view. Governments intervened, as is well known, with closures of economic activities and restrictions on freedom of movement, as a preventive measure, first in certain areas, and then throughout the whole national territories. The two dimensions (health and socio-economic) are closely linked, since in the sectors left open (so-called essential sectors) there were more COVID-19 cases and more deaths. The pandemic also affected the perception of the role of the state in the economy. Indeed, the COVID-19 emergency has brought the state back to the centre of the country's economic life. After decades of liberalisation of the labour market, austerity and progressive reduction of the role of the public sector, the crisis has shown how necessary state intervention is to ensure the well-being of citizens. The State intervened both through public spending, in particular with income support instruments, and through forms of labour market regulation, e.g., the freeze of dismissals, aimed at preventing the crisis from turning into a socio-economic crisis of enormous proportions over an extended period of time.

Looking at Italy, the list of measures adopted shows how much effort is needed to deal with unexpected crisis situations in such a fragmented labour market and in the absence of a universal welfare system. A fragmentation that, besides creating unequal rights and protections, reduces the capacity of the welfare system to adapt to the changing needs of workers and firms. The welfare state needs to be modernised. As it is, it was born under a different social organisation, to protect against risks different from the ones prevailing today. A new welfare state should provide enough flexibility not to discourage work too much but must also be ready to take over during crises.

Extraordinary measures were taken in all countries. Europe that had to recover after the Second World War chose to build a welfare model that would provide a safety net for its citizens, protecting them from poverty and guaranteeing them public services that improved their lives while reducing economic inequalities. Europe today faces a similar challenge. It is a matter of seizing the opportunity to build a universal welfare system that provides governments with a fast and effective instrument capable of intervening whenever necessary. This experience has shown that the more a country has a category-based welfare system, the more it is forced to take extraordinary measures that take time to implement and which, however, are not able to provide the same coverage for all citizens. It is therefore not even a question of keeping the measures implemented during the pandemic, but precisely of designing tools that are able to go beyond the category-based approach. The pandemic will hopefully one day be behind us. The task of guaranteeing people a dignified life remains ahead of us.

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