

Income support and welfare during covid in Italy and europe

PASQUALE TRIDICO

University Roma Tre

Objective and outline

2

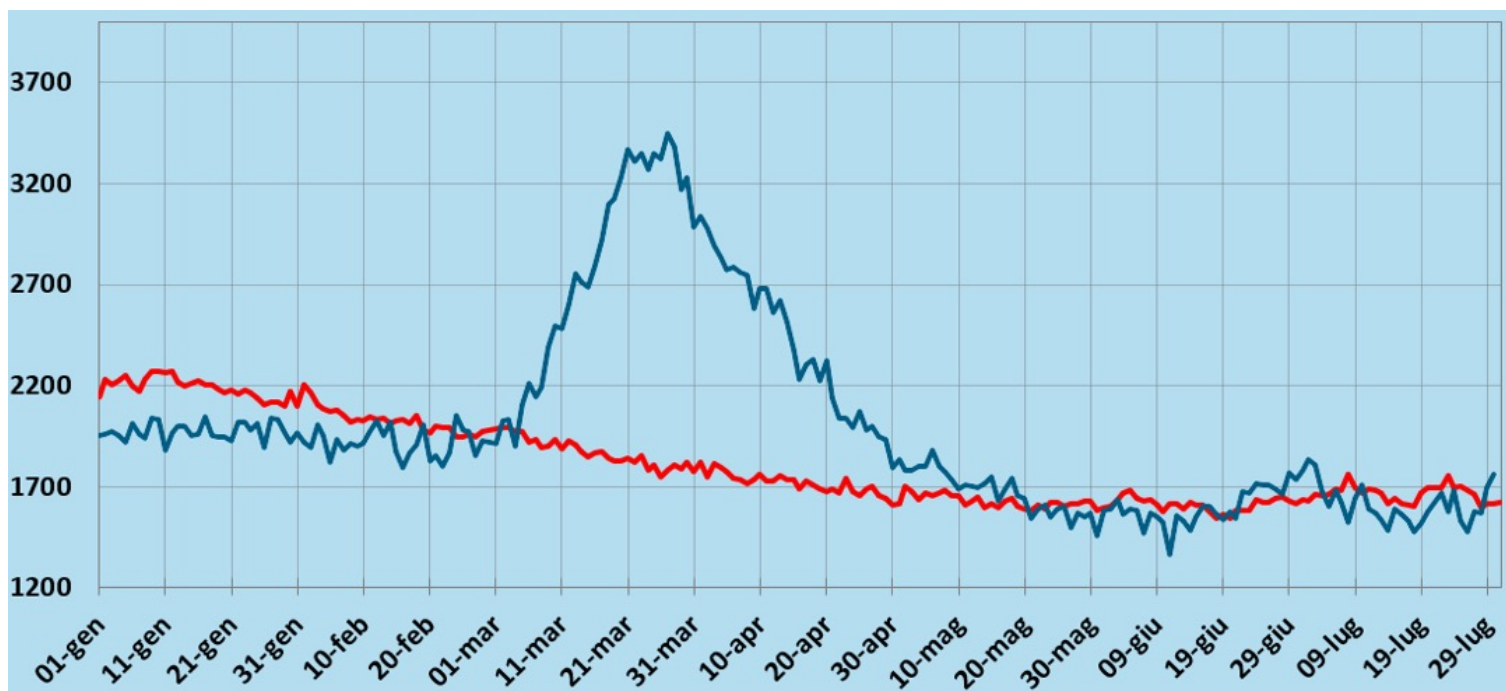
Objective

- The impact of Covid on health and welfare and the responses
- Income support during and after Covid-19
- Universalism vs categorial welfare
- Need for an welfare classification beyond the one of 20th century

The impact of Covid-19 in terms of human lives

Daily deaths in 2020 vs Baseline (2015-2019 avg)

1 January - 31 July 2020

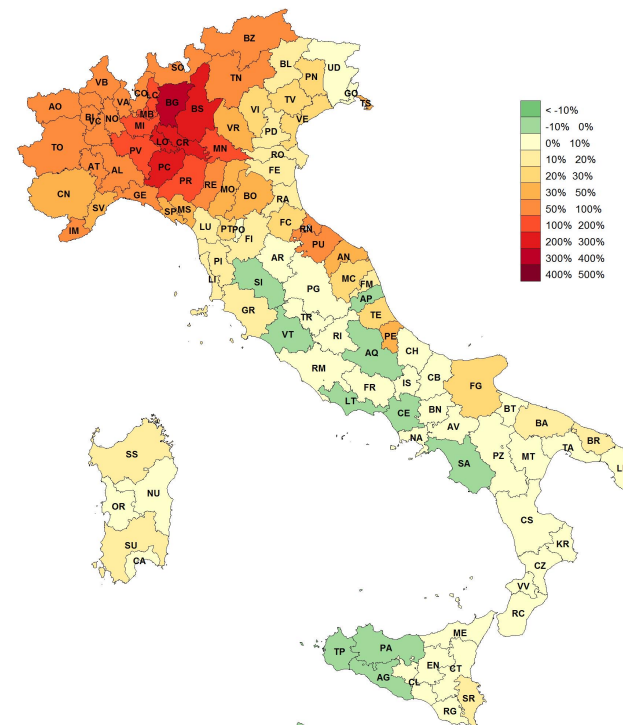


Covid-related support measures

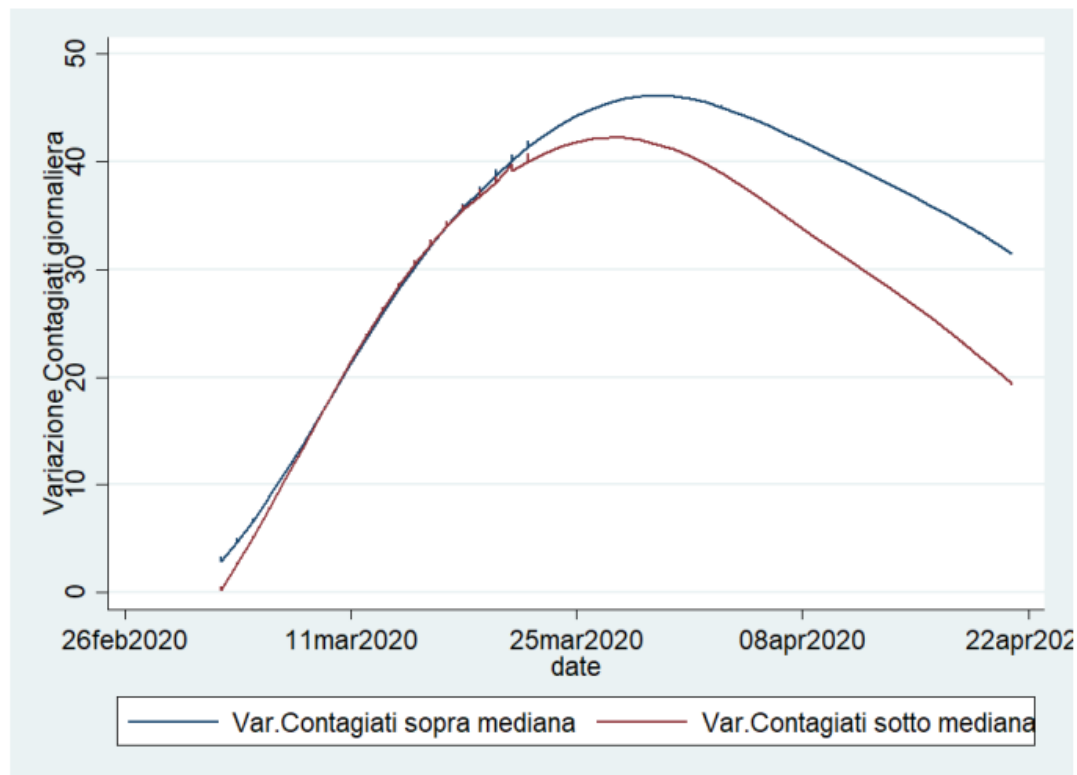
What was going on...

Percentage of deaths at provincial level detected in the period 01.03.2020 - 30.04.2020 compared to the baseline referring to the same period

Baseline: average of deaths 2015-2019 weighted with the resident population

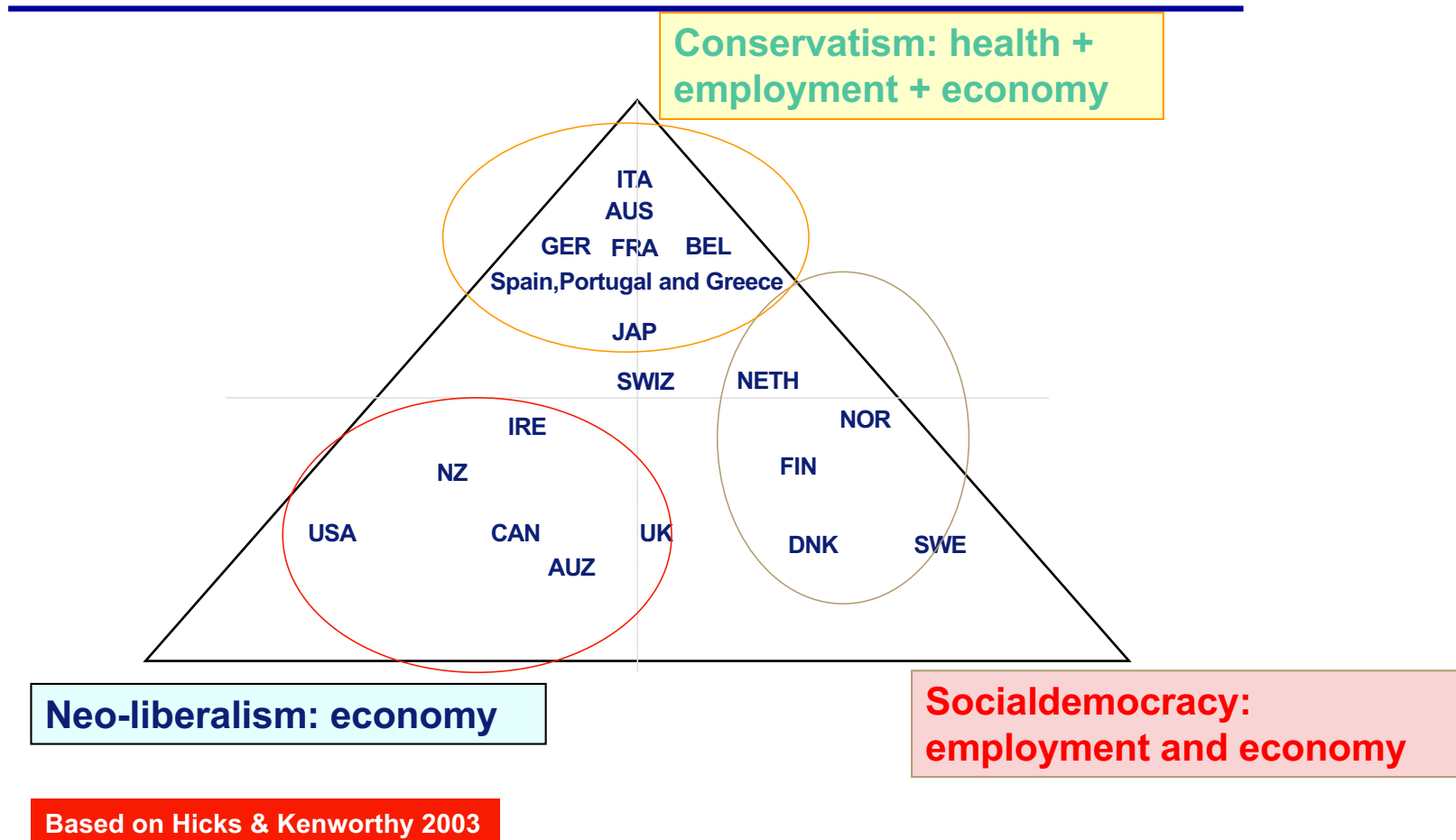


Essential activities and lockdown inequality of protection during covid 19



Responses to covid...based on traditional welfare classification

6



The Covid-19 crisis and the role of the State

- The Covid-19 emergency has brought the **State** back to the center of the country's economic life.
- After decades of liberalization (precarization) of the labour market, austerity and progressive reduction of the role of the public sector, the crisis has shown how much **State intervention is necessary** to guarantee the well-being of citizens.
- The State intervened both through **public spending** (in particular through **income support** tools, such as 'CIG', bonuses for particularly exposed categories, parental leaves) and through forms of **labour market regulation** aimed at preventing the crisis from turning into a socio-economic crisis of enormous proportions (through the **prohibition of layoffs**).

Il ritorno dello Stato in Covid: erogazioni INPS 2020-2021

Il totale delle erogazioni consolidato a fine 2021 è pari a 60 miliardi di euro

8

MISURE COVID-19			
INDENNITÀ	N.	UNITÀ DI ANALISI	
Bonus 500, 600, 1000 e 2400 euro	7.545	domande	
Bonus 500, 600, 1000 e 2400 euro	4.415	beneficiari	
Estensione del congedo parentale (dl18/2020, dl34/2020, dl104/2020 e successive modificazioni, dl149/2020)	305	beneficiari	
Bonus Baby-sitting	1.402	domande	
Bonus Baby-sitting	901	richiedenti	
Estensione della legge 104	226	beneficiari	
CIG: ore autorizzate	6.445	ore autorizzate	
di cui ORDINARIA	2.702	ore autorizzate	
di cui FONDI DI SOLIDARIETA'	2.309	ore autorizzate	
di cui DEROGA	1.434	ore autorizzate	
<i>CIG: beneficiari a pagamento diretto (2020-2021)</i>	<i>3.685</i>	<i>1.470</i>	<i>beneficiari</i>
<i>CIG: beneficiari a conguaglio (2020-2021)</i>	<i>3.600</i>	<i>1.309</i>	<i>beneficiari</i>
<i>CIG: indennità mensili a pagamento diretto (2020-2021)</i>	<i>15.090</i>	<i>6.289</i>	<i>indennità</i>
<i>CIG: indennità mensili a conguaglio (2020 - 2021)</i>	<i>12.353</i>	<i>4.412</i>	<i>indennità</i>
CIG: beneficiari totali (indipendentemente dall'anno e dalla tipologia di pagamento)	6.749	beneficiari	
di cui ORDINARIA	2.800	beneficiari	
di cui FONDI DI SOLIDARIETA'	2.247	beneficiari	
di cui DEROGA	1.702	beneficiari	
CIG. TOTALE INDENNITA' mensili	38.144	indennità	
Reddito di emergenza	934	nuclei familiari beneficiari di almeno un pagamento tra mag.2020 e mag.2021	
Bonus lavoratori domestici	216	beneficiari	
RDC/PDC	1.925	nuclei familiari beneficiari di almeno un pagamento tra gen.2020 e ott.2021	
TOTALE			
Beneficiari	16,0	milioni	
Spesa stimata	60,0	miliardi €	

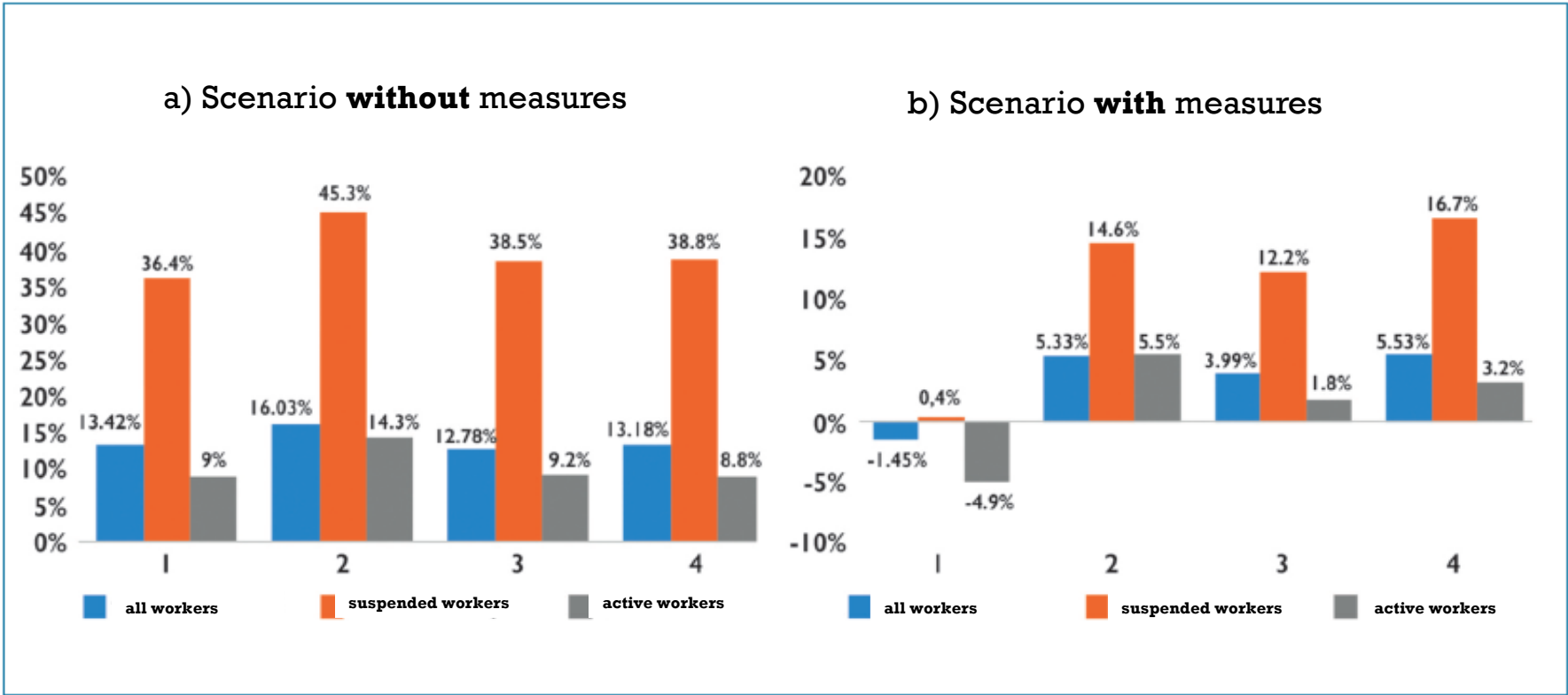
* Il numero totale di beneficiari è al lordo di eventuali sovrapposizioni dovute alla presenza di soggetti beneficiari di più di una tra le misure previste, tranne che per i beneficiari di CIG per i quali si considera il numero di codici fiscali distinti indipendentemente dalla tipologia di pagamento.

INPS - XXI Rapporto Annuale

Elaborazione del 2 dicembre 2021

Inequality reduction due to emergency measures (avoided reduction of the drop of income by 55%)

Forgone income (percentage values)*



The impact of the pandemic on a fragmented labor market ¹⁰

- Pandemic crisis has shown even more clearly the **fragmentation** of the labor market and the **weakness** of some categories of workers, even in rich countries
- This process was already ongoing before the Covid-19 crisis: **globalization** and **liberalization** of the labor market have significantly contributed to this fragmentation
- The pandemic has shown that the aim of satisfying the needs of all categories highlights a welfare fragmentation
- Pandemic crisis has highlighted a considerable **inequality** in the coverage of the welfare system and the need of a **universal welfare**

Government measures to tackle the crisis

11

The 3 main characteristics of last century Welfare:

1. Means test;
2. category;
3. conditionality.

Not longer enough

- To tackle the COVID-19 pandemic, its social and economic consequences, many countries have implemented various **measures**, i.e. primarily to:
 - protect **employment** (not category) and mitigate loss of **income**;
 - support **businesses** facing high risks of disruption;
 - reduce the impact of the crisis on people and especially the most **vulnerable** groups;
 - support public **health** systems;
 - slow down the spread of the pandemic.

The
Economist

Briefing

Mar 6th 2021 edition >

Shelter from the storm

Covid-19 has transformed the welfare state.
Which changes will endure?

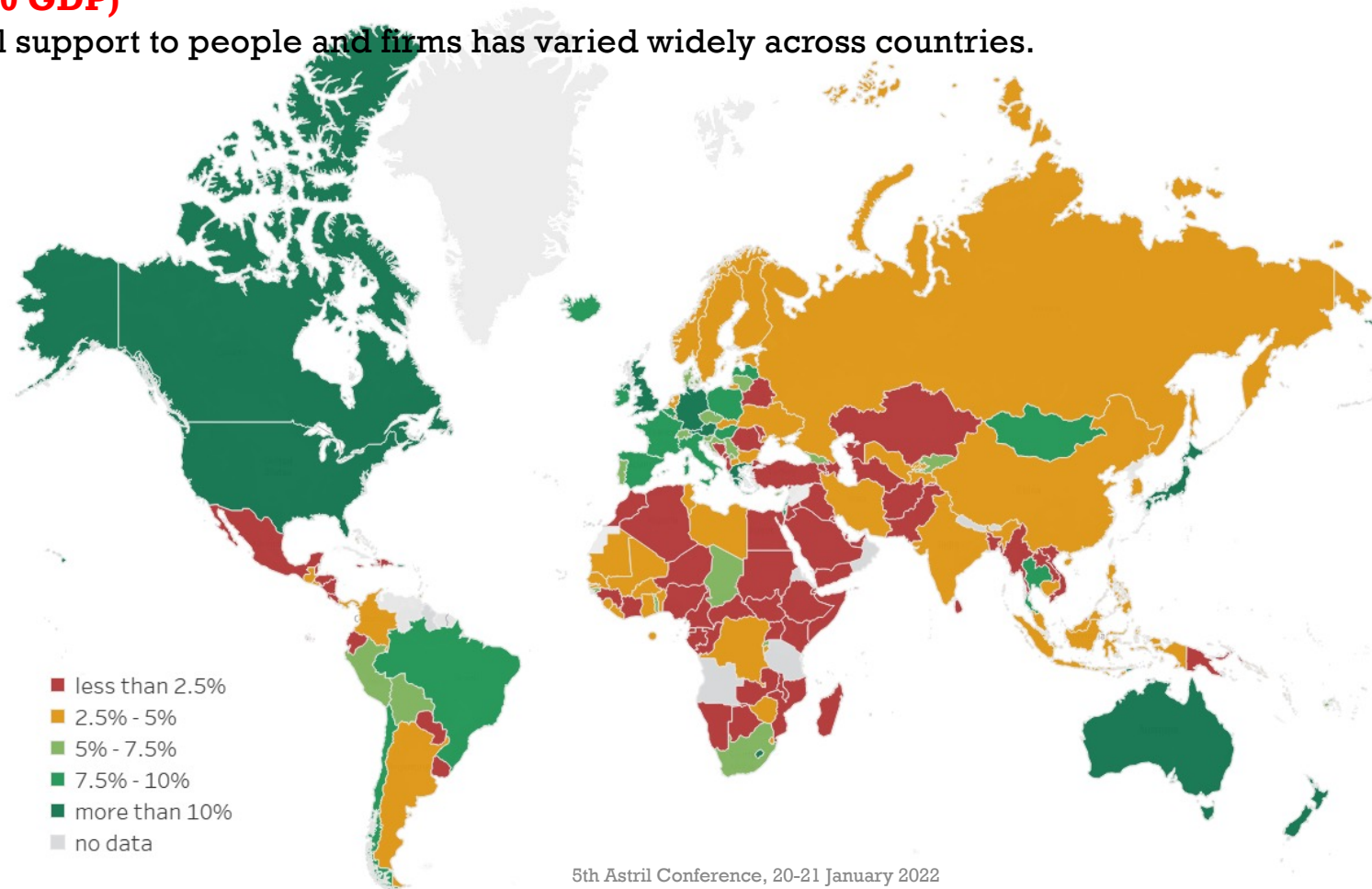
The pandemic may mark a new chapter in the nature of social safety-nets



Additional Spending and Forgone Revenue in Response to the COVID-19 Pandemic - (Percent of 2020 GDP)

12

Budgetary fiscal support to people and firms has varied widely across countries.



5th Astril Conference, 20-21 January 2022

Source: International Monetary Fund



Key Policy Responses: (more than 8% GDP in 2020)

the state was back also in ITALY: more than 100 bln only in 2020

13

- “**Cura Italia**” emergency package, €25 billion (1.6% of GDP): to strengthen the **health** care system and **civil protection**; to preserve **jobs** and support **income** of laid-off **workers** and **self-employed**; to support **businesses**, including tax deferrals; to support **credit** supply;
- On April 6 (2020), **additional state guarantees** (25% of GDP) for businesses and households.
- “**Relaunch**” package”, (3.5% of GDP): further income support for **families**, funds for the **healthcare** system and other measures to support **businesses**, including grants for **SMEs** and **tax** deferrals (€16 billion).
- A further €25 billion (1.6% of GDP) **deficit deviation**: income support for families and some workers, an extension of the short-time work program, and a suspension of social security contribution for **new hires**.
- Other key measures: **extensions of the moratorium** on SMEs’ debt repayment and the time to pay back tax obligations.



Key Policy Responses

- 1st act provided around 1% of GDP for **health services**, paid **sick leave**, **food** assistance, expanded **unemployment** insurance; expanded **loan** subsidies and international assistance;
- 2nd act (around 11% of GDP) to provide one-time **tax rebates** to individuals; expand unemployment benefits; provide a food safety net for the most vulnerable; prevent corporate **bankruptcy** and guarantees to help **small businesses**;
- Latest act (March 11th, 2021) the “American Rescue Plan” (about 8.8% of GDP): investment in public health and assistance to **families**, **communities** and **businesses**. It extends the unemployment benefits programs, stimulus payments to eligible individuals, provides direct aid to State and local government, adds resources to the **vaccination** program and increases funding for **school** reopening;
- Federal Reserve introduced facilities to support the flow of **credit**.



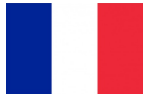
Key Policy Responses: UK - Tax and spending measures to support households and families include:

- funds for **health** system, **public services** and **charities**; measures to support **businesses**, small **firms** and firms in the most-affected sectors, compensation for **sick pay leave**, strengthening the social safety net to support **vulnerable** people. The government launched three separate loans schemes to facilitate business' **access to credit**.
- The government paid 80% of the earnings of **self-employed** workers and **furloughed** employees (to a maximum of £2,500 per employee/month) initially for the period March-May. Coverage fell to 70% of wages in September (up to £2,187) and 60% in October (the ratio has been replaced back to 80% in the second lockdown) with employers required to contribute the difference to 80% of wages (up to £2,500).
- For businesses required to close due to the restrictions, the government will pay 2/3 of the **employees' salaries** (or 67%) up to a maximum of £2,100 a month, and the employers will cover **social contributions**.
- Support to customers (firms should offer a payment freeze on loans and credit cards for up to three months, extended for 6 months)



Key Policy Responses: EUROPEAN UNION

- EU budget and **Next Generation EU** (NGEU) recovery package: funds split between grants and loans, channeled through a special **Recovery and Resilience Facility** (RRF) and to existing EU budget programs. Most of the money is set to be committed in 2021-23.
- High-debt countries hit hard by the pandemic (e.g., Italy and Spain) and Eastern European countries will be the biggest net **beneficiaries** from the RRF (30% of the budget will be targeted towards **climate change**-related spending).
- Latest package (4% of EU27 GDP): to finance **health** related spending and **companies**, with a focus on **SMEs**; a temporary loan-based instrument (SURE) to protect **workers** and **jobs**;
- incentivize banks to provide **liquidity** to SMEs and midcaps;
- **monetary** policy support - interest rates lowered below the average deposit facility rate.



Key Policy Responses: FRANCE

- 1st budget (around 8% of GDP), followed by a package of public guarantees (close to 15 % of GDP):
 - ✓ boosting **health** insurance and supplies; **liquidity** support through postponements of social security and **tax** payments for companies; support for **wages** of short-timeworkers; direct financial support for affected **microenterprises, liberal professions, independent workers, and low-income households**;
- additional allocation for equity investments or **nationalizations** of companies in difficulty; exceptional exempt from **social security contributions**; preservation of rights and benefits under the **disability** and active **solidarity** income schemes; support measures for the **hardest-hit sectors** (e.g. including incentives to purchase greener vehicles and **green investment** support for the auto and aerospace sectors).



Key Policy Responses: GERMANY

- Federal government budgets: €156 billion (4.7% of GDP) in March 2020, €130 billion (3.9% of GDP) in June 2020, and €60 billion (1.7% of GDP) in March 2021, spent on: **healthcare** equipment, **hospital** capacity and **vaccine**; expanded access to short-term work subsidy to preserve **jobs** and workers' **incomes**, expanded **childcare** benefits for low-income parents and easier access to basic income support for the **self-employed**;
- grants to **small business** owners; **interest-free tax** deferrals and funding for **start-ups**; temporarily expanded duration of **unemployment insurance** and **parental leave** benefits.
- The stimulus package in June comprises a temporary **VAT reduction**, income support for families, grants for hard-hit SME's, financial support for **local governments**, expanded **credit guarantees**, and subsidies/investment in **green energy** and **digitalization**.



Key Policy Responses: SPAIN

- about 7.4% of GDP to: **health** services; **unemployment** benefit for workers temporarily laid off; measures on **social services**, **education** and support to **firms**; direct aid for **corporate solvency** support and extraordinary benefit for **self-employed** workers, including **seasonal** self-employed; increased **sick pay** from 60% to 75% of the regulatory base, paid by the Social Security budget (€1.6 billion);
- introduction of a new means-tested **Minimum Income** Scheme (about €3 billion annually);
- new **rental** assistance programs and additional contribution to the State Housing Plan 2018-21; strengthened unemployment protection for workers not qualified for unemployment benefits; investment in **digitalization** and **innovation** in the **tourism** sector; €25 million to autonomous communities funding **meals for children** affected by the school closure; financial assistance to the **education** system and other industry and sectoral support measures.

Covid-related support measures

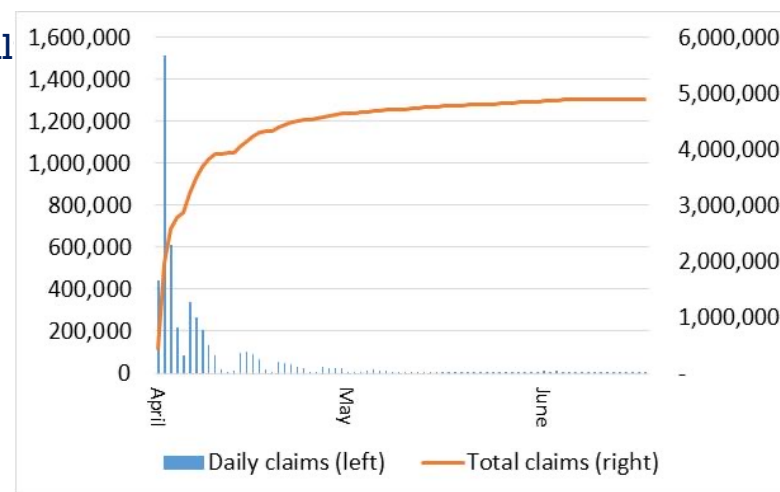
BONUS 600 €/1000 € (March, April, May)

SELF-EMPLOYED / EMPLOYEES

Allowances of 600/1000 € paid monthly to the following categories of workers:

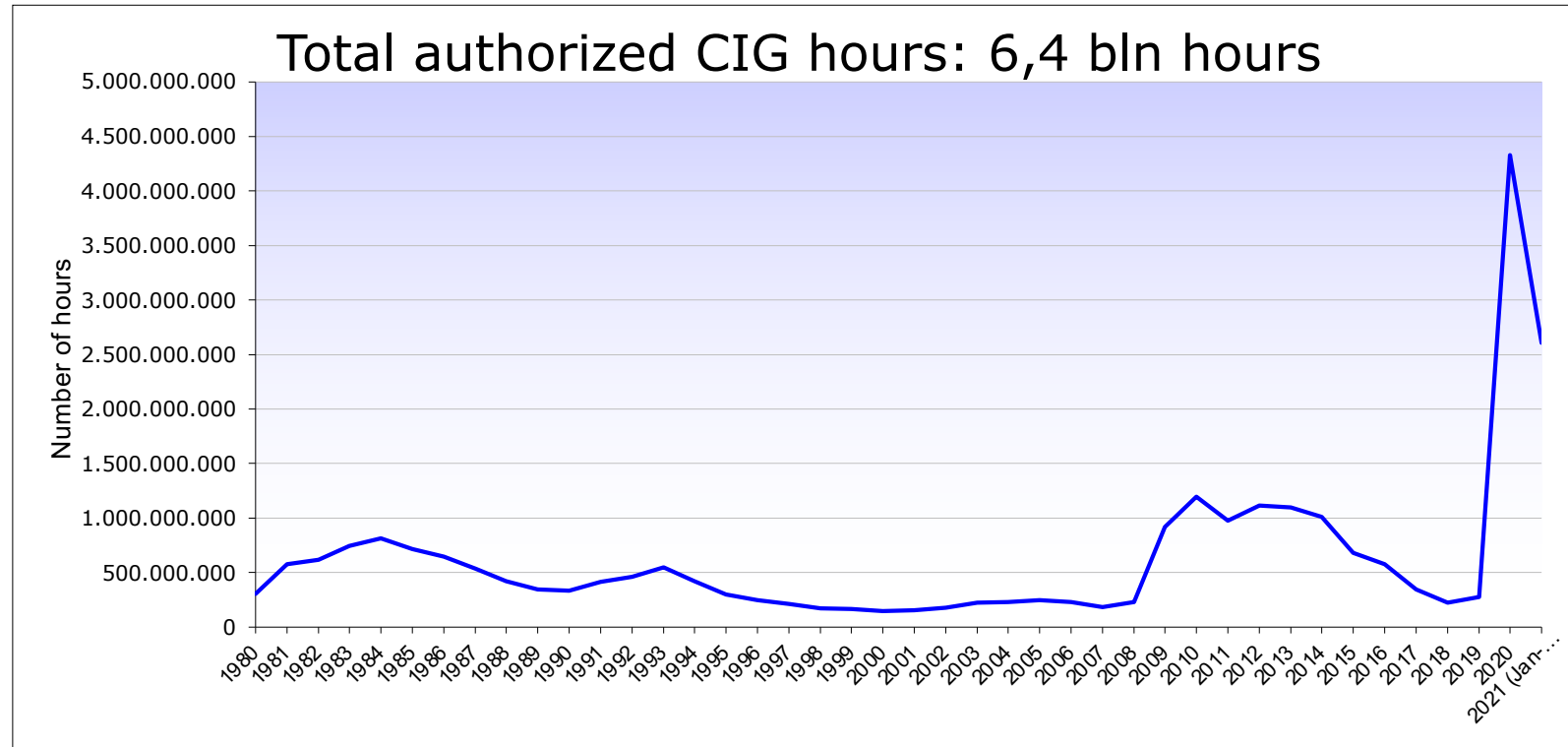
1. Parasubordinati (freelancers and collaborators)
2. Self-employed workers (artisans, shopkeepers, agricul
3. Seasonal workers of tourism
4. Agricultural employed workers (temporary hands)
5. Workers in the entertainment industry
6. Seasonal workers of other sectors than tourism
7. On-call workers
8. Casual workers
9. Door to door sellers
10. Arts Music Spectacle sectors
11. Colf domestic workers

For freelancers and self-employed, with 33% reduction in
Income, the allowance
Since May was 1000 €



CIG usage trends

21



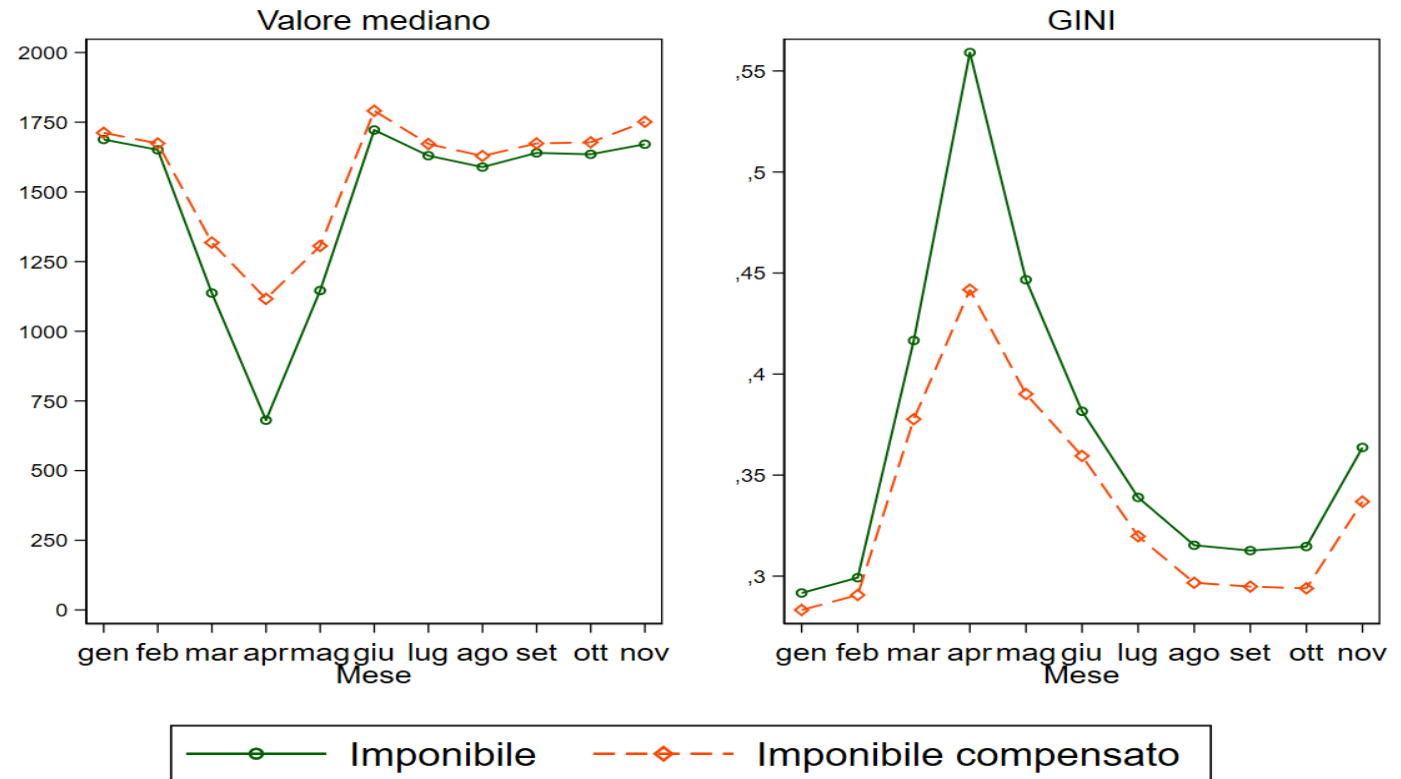
From April 2020 to October 2021, 6.4 billions CIG-Covid hours have been authorized, out of which:

2.7 billions for ordinary CIG, 2.3 billions for ordinary Solidarity Fund allowances, 1.4 billions for in Derogation CIG (“*in deroga*”)

Has CIG-COVID been effective as counter-cyclical buffers? YES ²²

Imponibile refers to the earnings dynamics without the CIG provision

Imponibile compensato includes the CIG provision



CIG almost halves the wage drop, and inequality increases only by 55% instead of 93%, among CIG beneficiaries. Even stronger protection for women and young workers

Interaction between CIG and firing ban: Italy and Spain in particular

23

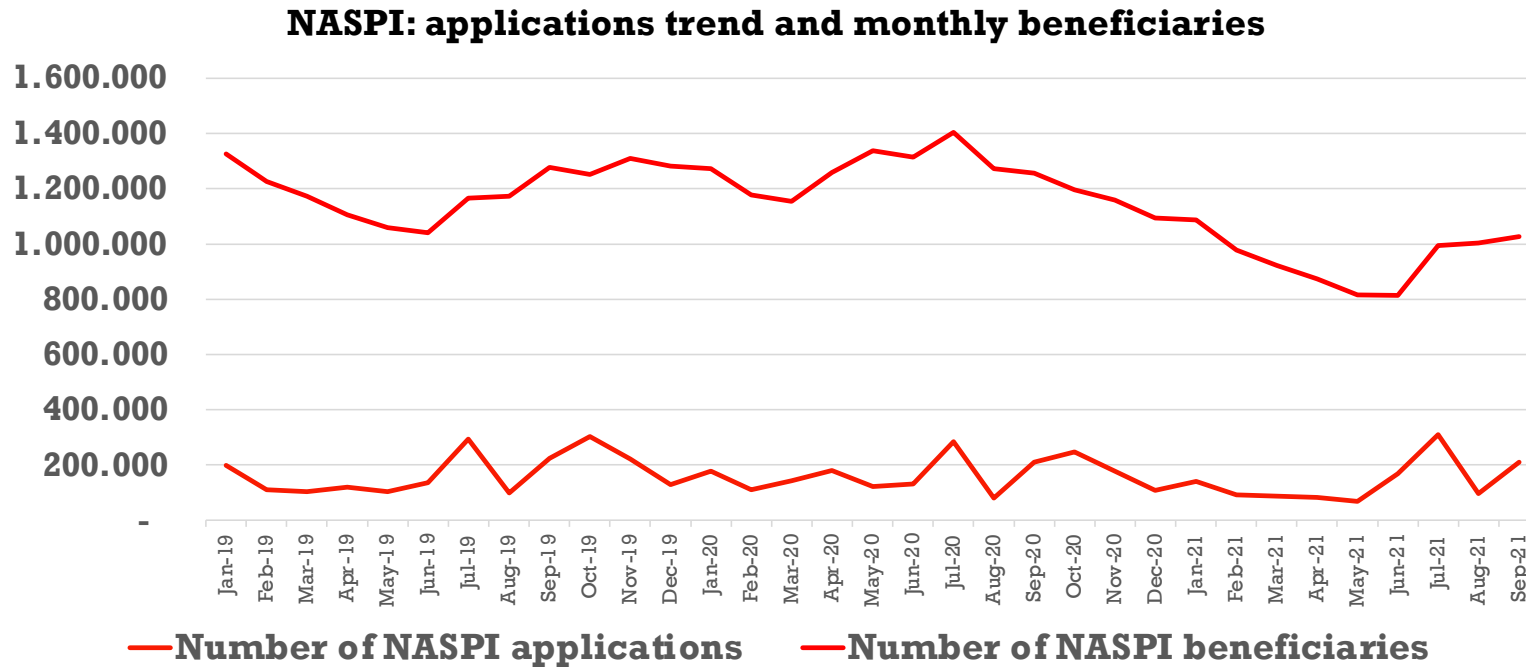
ECONOMIC FIRING BAN

Apart from CIG, several provisions have been enacted during the pandemic.

Starting from the first months of 2020, a firing ban has been introduced (gradually extended until June 2021), for both individual and collective firings justified by objective reasons.

Starting from July 1st 2021, the firing ban has only been maintained for firms eligible for the CIGO in the textile sector (where CIG COVID has been preserved) and for employers who use the ordinary CIGO without additional contribution, until the expire of the treatment of Cassa Integrazione to be used until 31 December 2021.

Interaction between CI&G and firing ban



The increase in the number of beneficiaries in the first months of 2020 was due to the sharp contraction in the number of permanent employees and to the extension of existing treatment until August. In the following months, the number of beneficiaries contracted sharply as a result of the firing ban and of the fewer activations of fixed-term contracts

CIG: 2022 reform

Extension to workers previously excluded

Extension to companies previously excluded

CIGS: extended to all companies over 15 employees, not covered by bilateral Solidarity Funds

CIGO: unaffected

FIS: companies up to 5 employees which fall within areas where no bilateral solidarity funds are established

Ensuring more generous treatment for low-income workers

Less stringent requirements

reduction from 90 to 30 days of minimum seniority requirement on the firm

Unemployment subsidies more generous

Unemployment benefit for self-employed entertainment workers (ALAS) Law Decree no.73/2021 and ISCRO

ALAS is a monthly cash benefit, in force from 1/1/2022, granted to self-employed entertainment workers in the event of involuntary unemployment,

- **Beneficiaries:** self-employed entertainment workers with at least 15 days of contributions in the previous year, with income up to 35,000 euro/year.
- **Duration:** The coverage is granted for half the days of contributions in the year before the end of the last contract. Maximum 6 months.

Beneficiaries estimate: 6.000

ISCRO:

From 1 January 2021 for free lance/independent workers

Requirements:

Income previous year <50% average 3 years before

Income y-1 >=8145 euro

IsCro= 250 euro x 6 months or 25% of previous year income (over 6 months)

RdC/PdC recipients

27

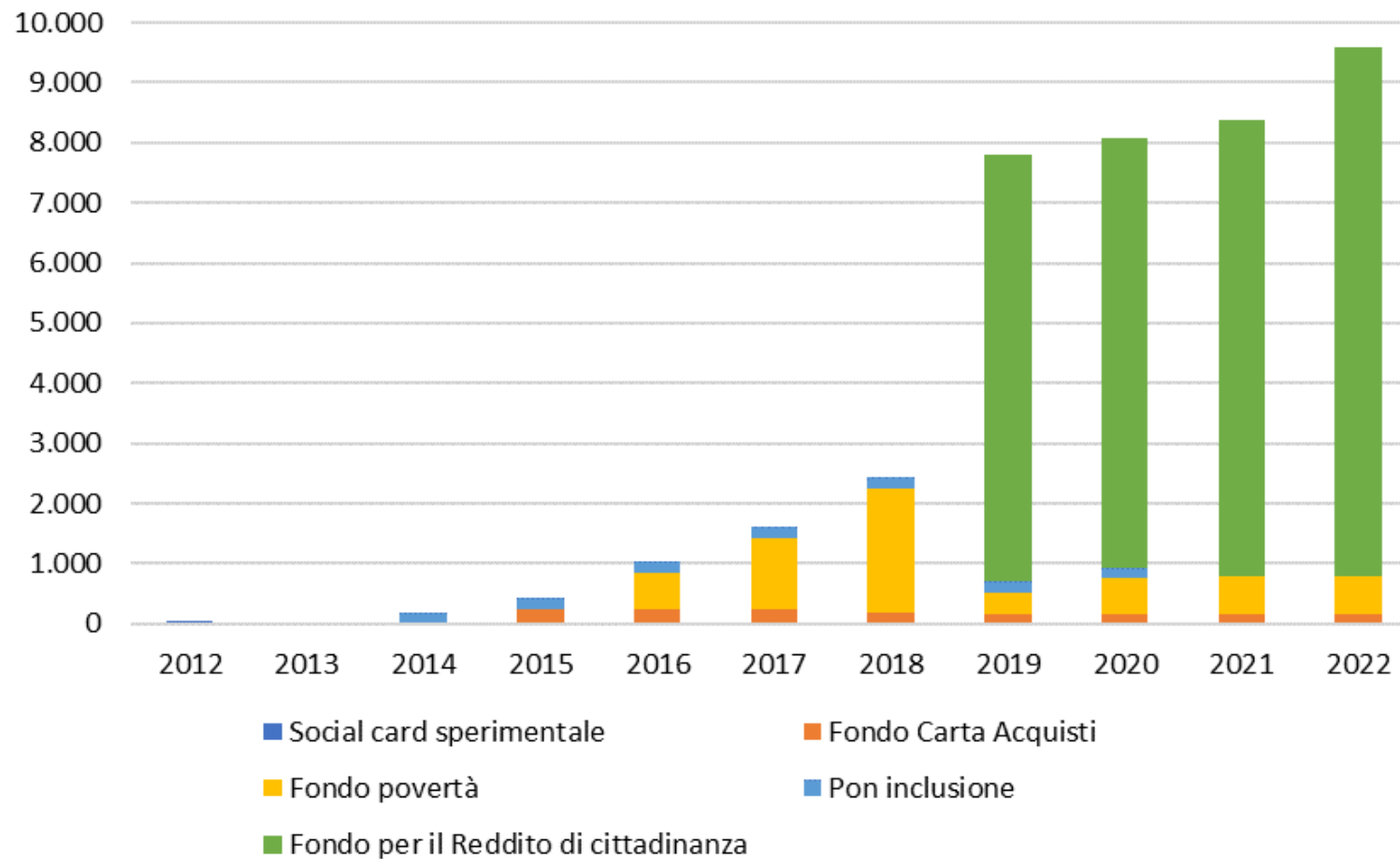
Peak: May 2021, Rdc + Rem = 5 million people

Macro-region	Households	Monthly payment
Italy	1.457.171	544,57
North	397.454	472,28
Centre	273.431	506,01
South/Islands	946.286	579,70

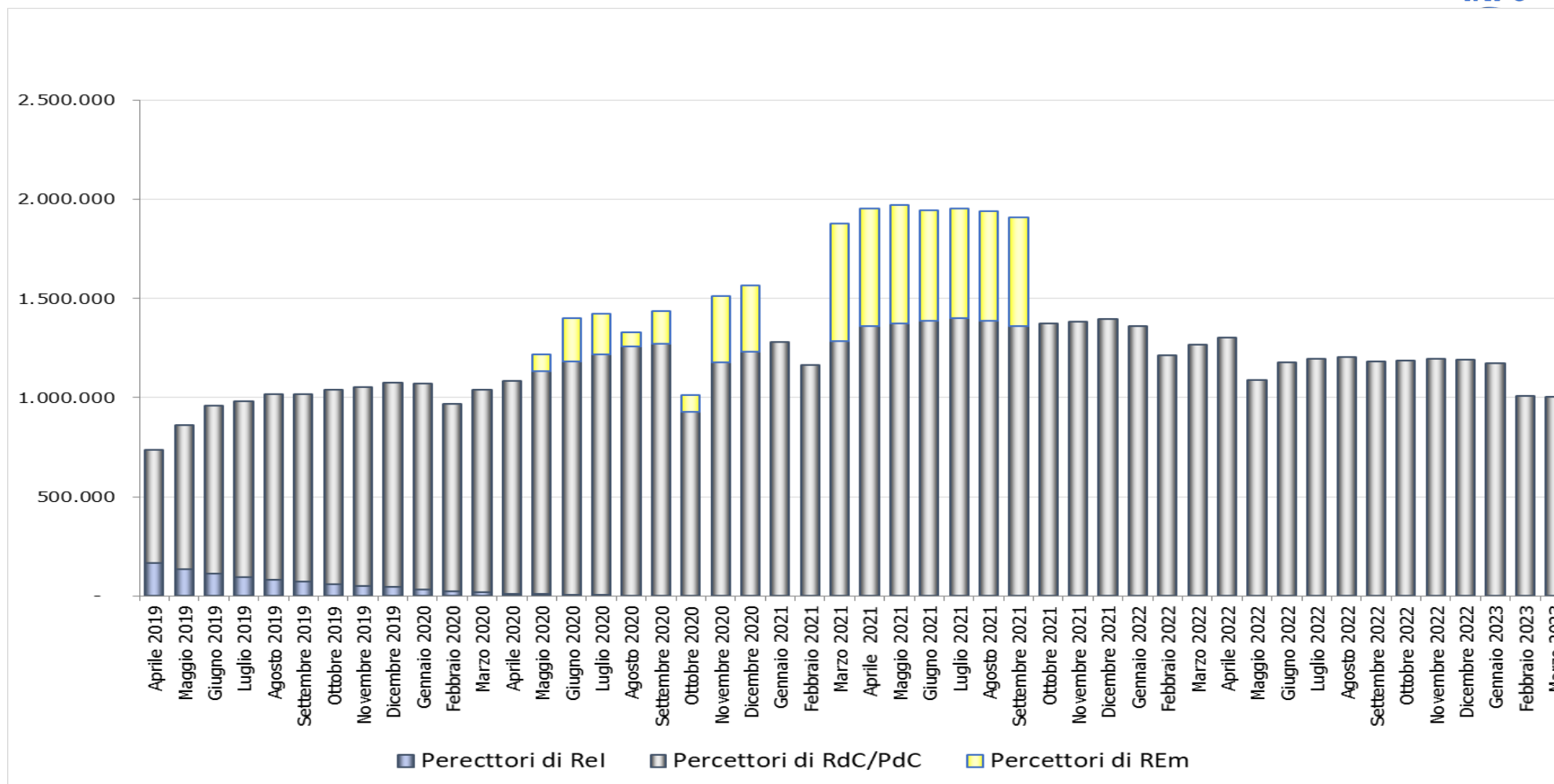
RdC: 3,9 milioni people involved + 1,1 million people in
REM

- Only 1/3 of **beneficiaries** has pension contributions during 2018-2019...
- Among these, 72% are employees (likely low-skilled, fixed-term or with unemployment benefit)
- The remaining part is composed by domestic, agricultural workers or self-employed
- With respect to their average counterpart in terms of demographics, **beneficiaries work 34 weeks less per year**

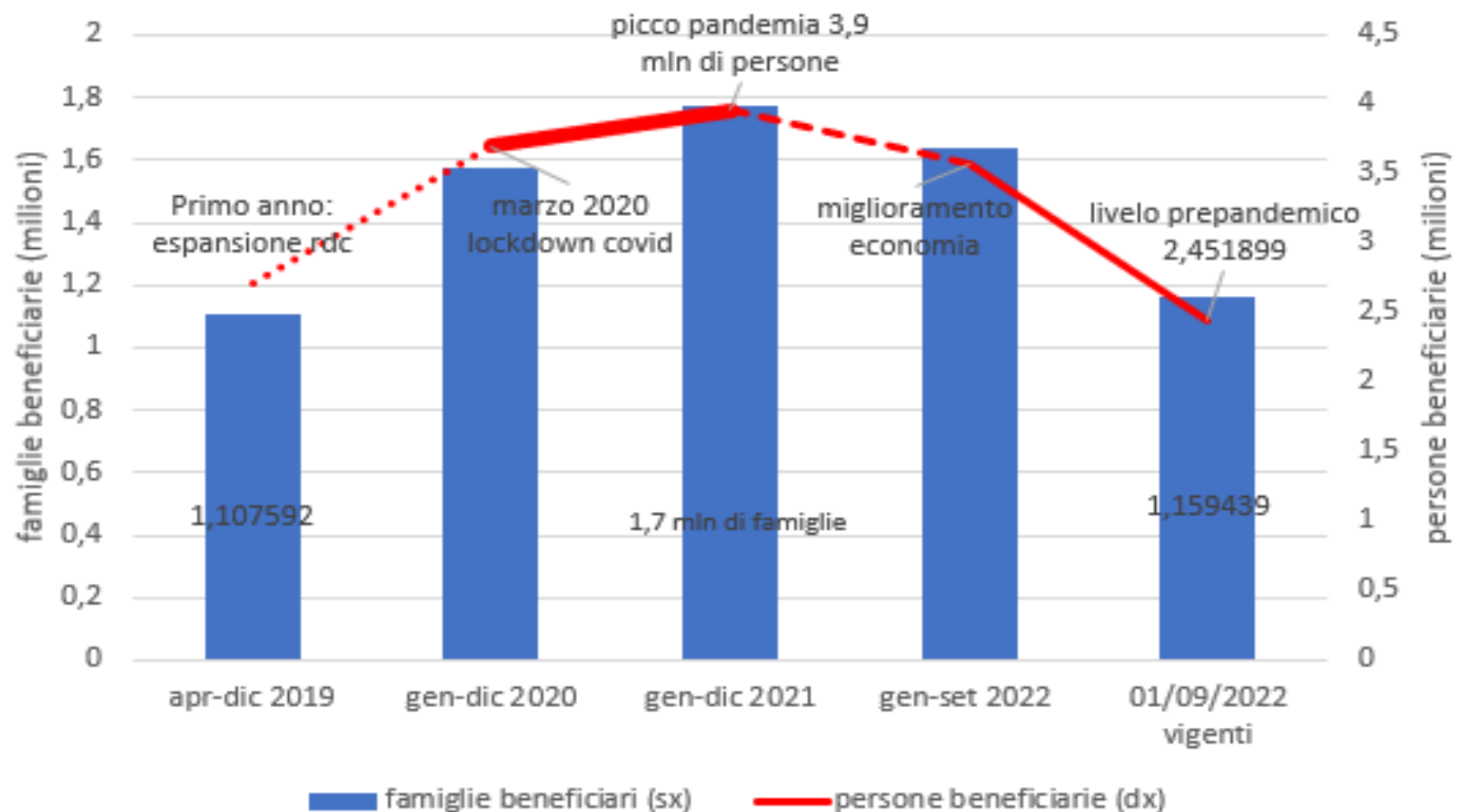
Public Funds against poverty (mln €)



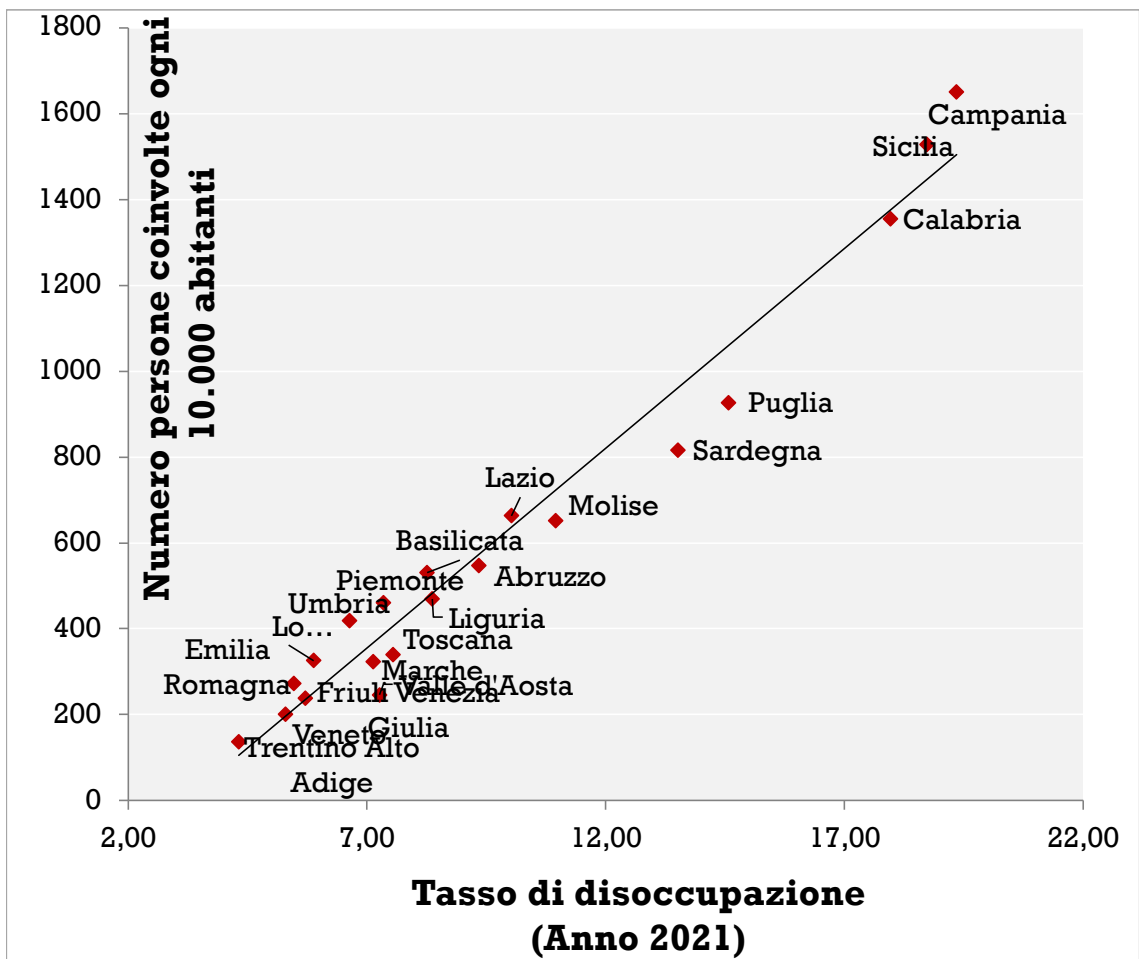
Public income support recipients: Rel, RdC/PdC, REm



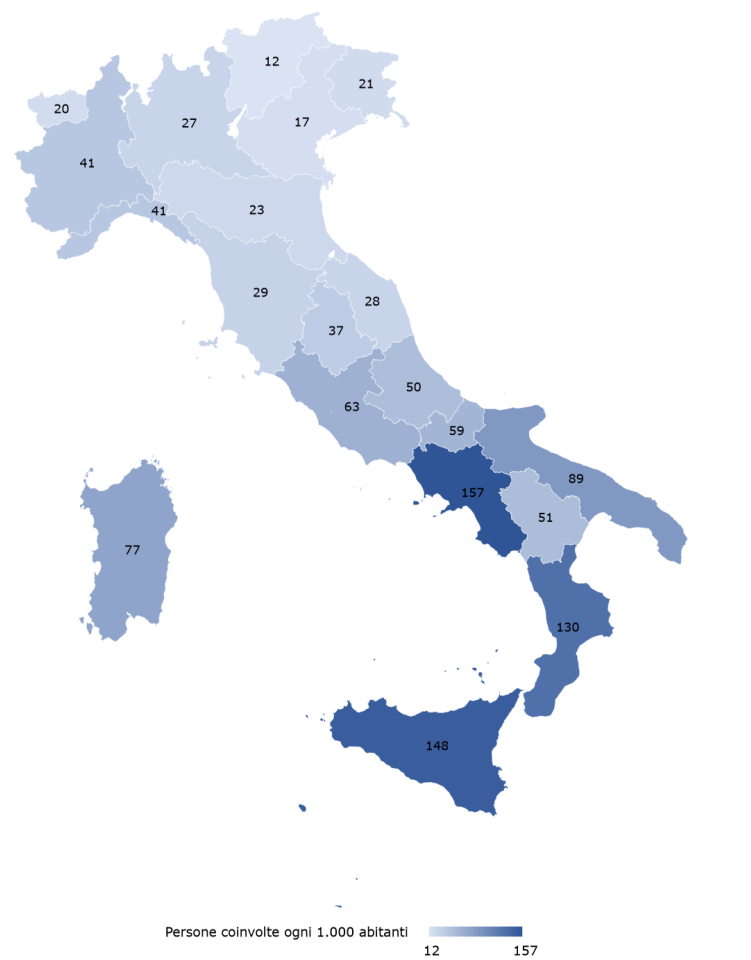
Evoluzione del rdc/pdc 2019-2022



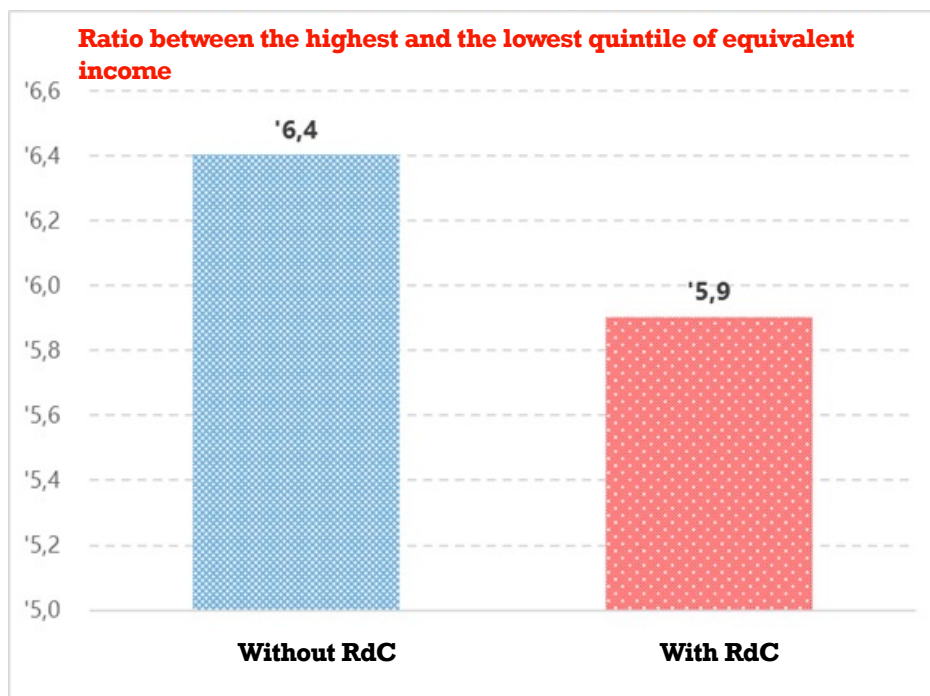
Reddito di cittadinanza e disoccupazione



Reddito di cittadinanza per regione ogni 1000 abitanti



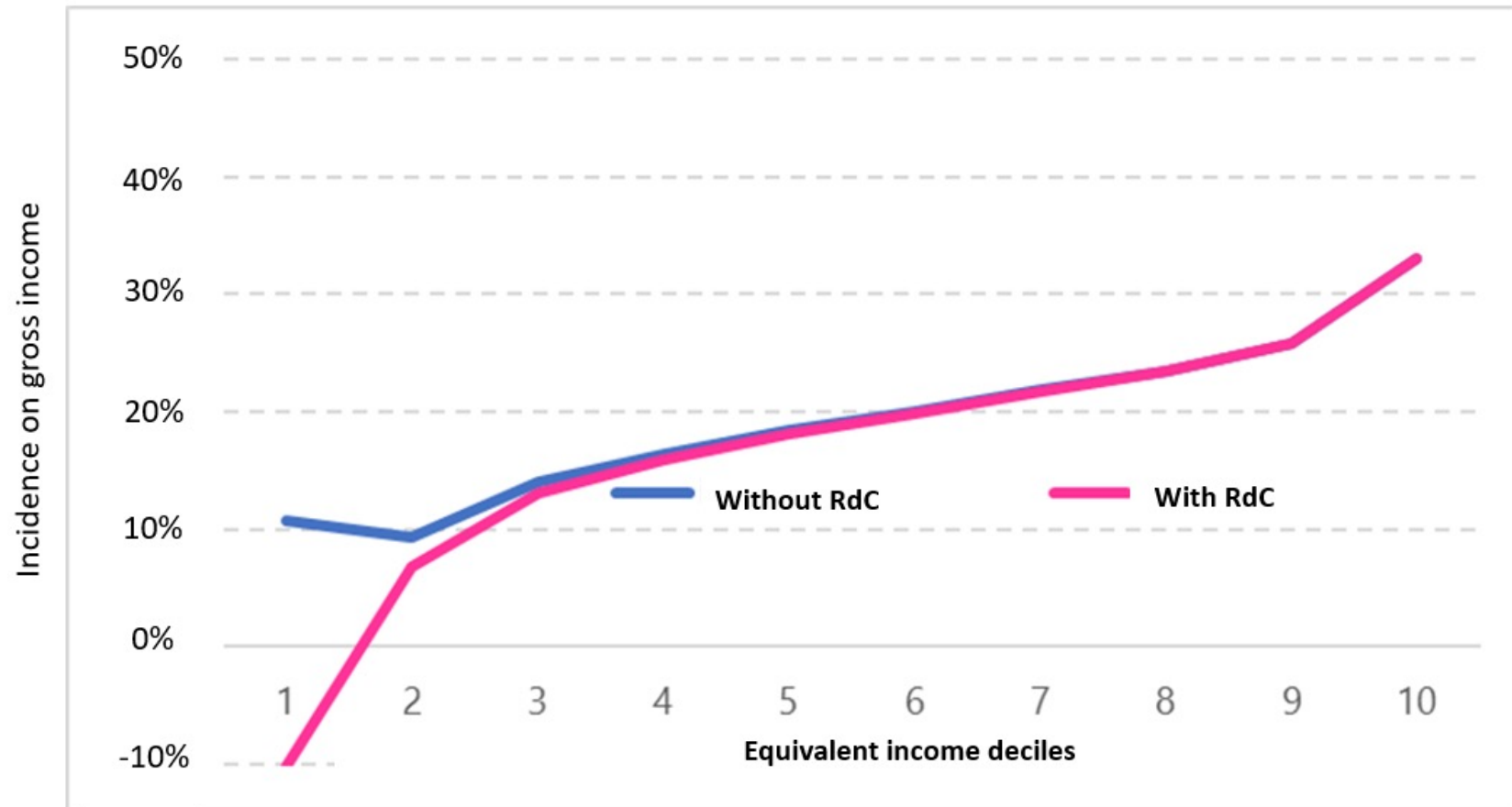
With the RdC the income quintile share ratio (S80/S20), poverty gap and inequality were reduced



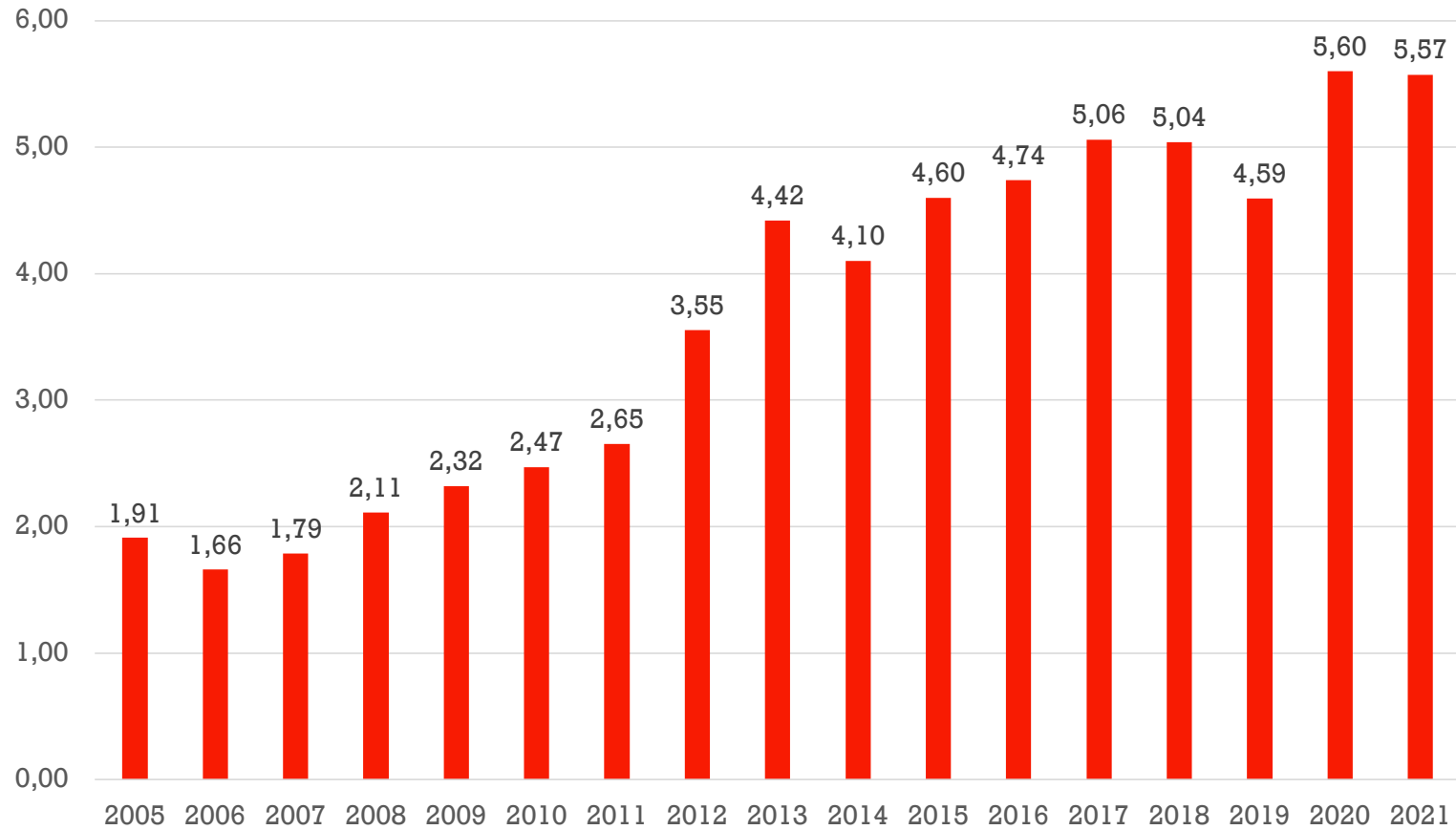
Reduction in Poverty Gap Ratio with RdC	from 39,2% to 33,4%
Reduction in the Gini index with RdC: -0.7 percentage points	from 33,9% to 33,2%

Microsimulation on RdC: net effect by income deciles

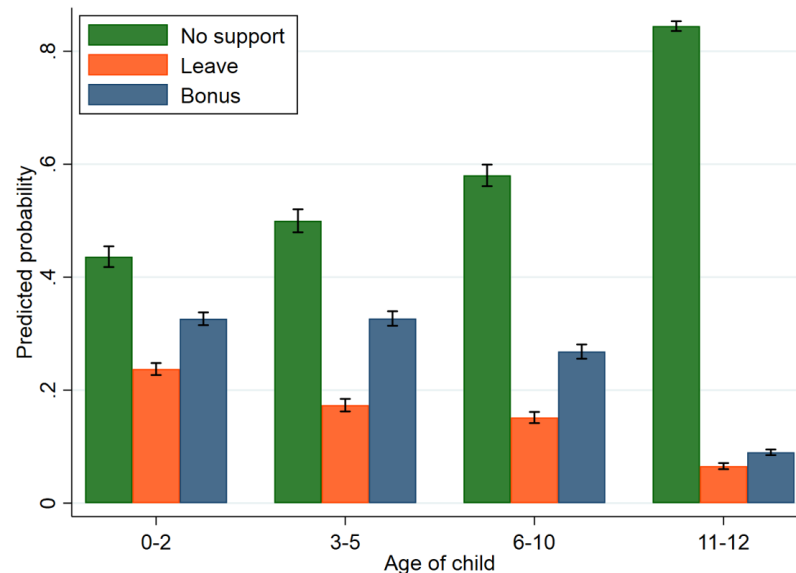
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Povert  assoluta in Italia, 2005-2021



Family policy during the pandemic Take-up by child's age



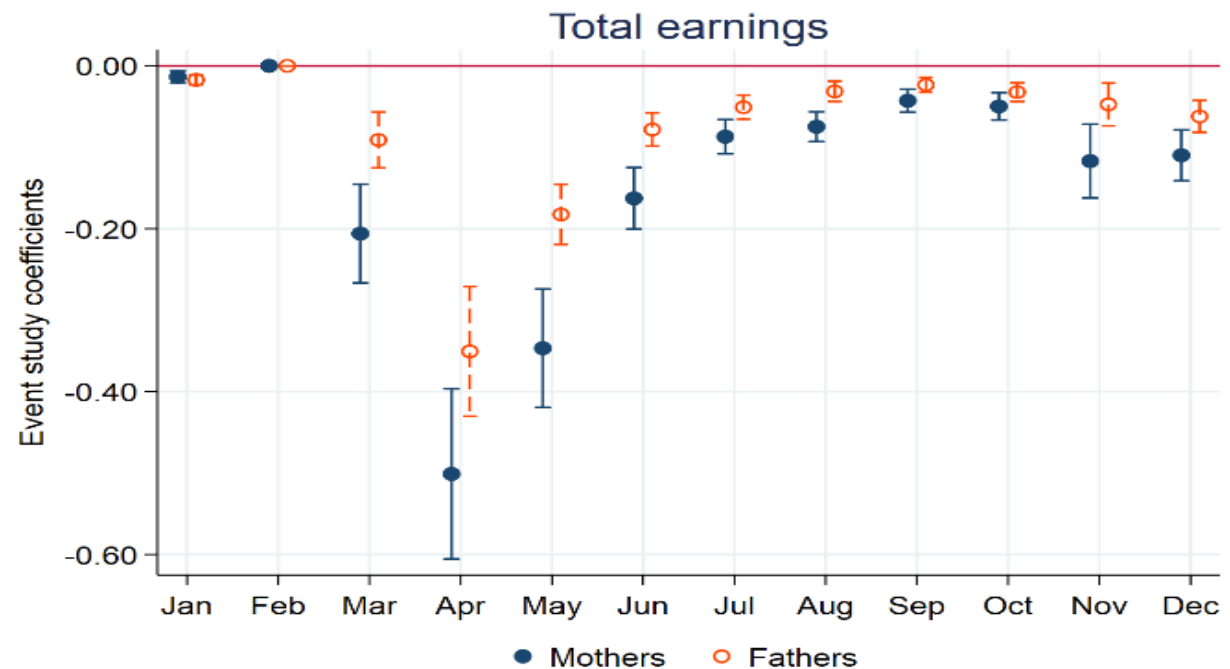
To understand the characteristics of mothers who took advantage of these forms of support compared to those who did not benefit of them, we need to identify mothers with at least a child below the age of 12 in 2020. To this purpose, we use data on the applications for maternity leave of mothers working in the private sector at the time of delivery

Multinomial logit model, controlling for experience, age, # children, occupation, contract type, region
Predicted probability at different child's age groups

The gendered impact of the pandemic

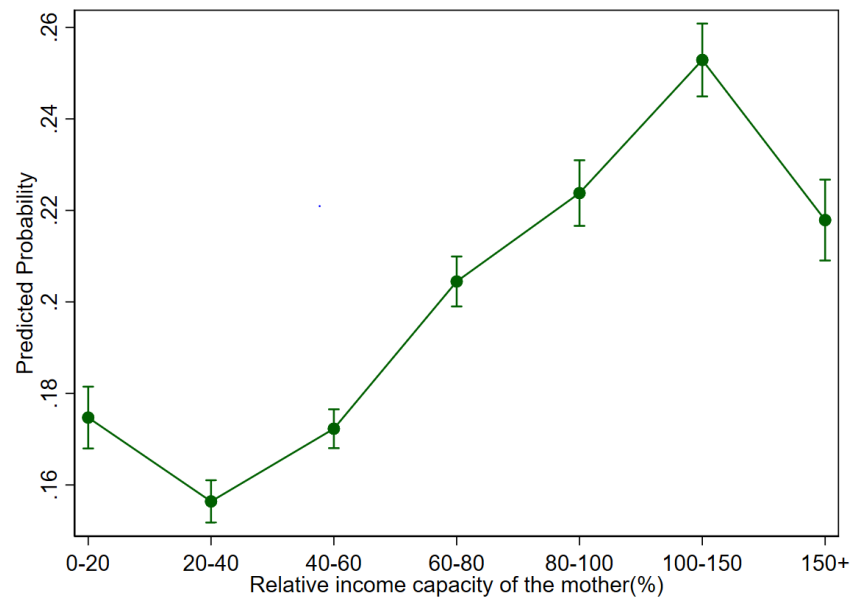
1. segregation of woman in some sector
2. School closure
3. Woman in non essential sector - closed

The figure shows striking differences between mothers and fathers, with the former experiencing a considerably larger penalty in terms of reduced labor market earnings than the latter, especially in the months between March and June. Differences become smaller during the summer but start to widen again in November and December, when most schools closed again.



Fonte De Paola e Lattanzio, 2021, dati INPS

Fathers' use of COVID-19 leave



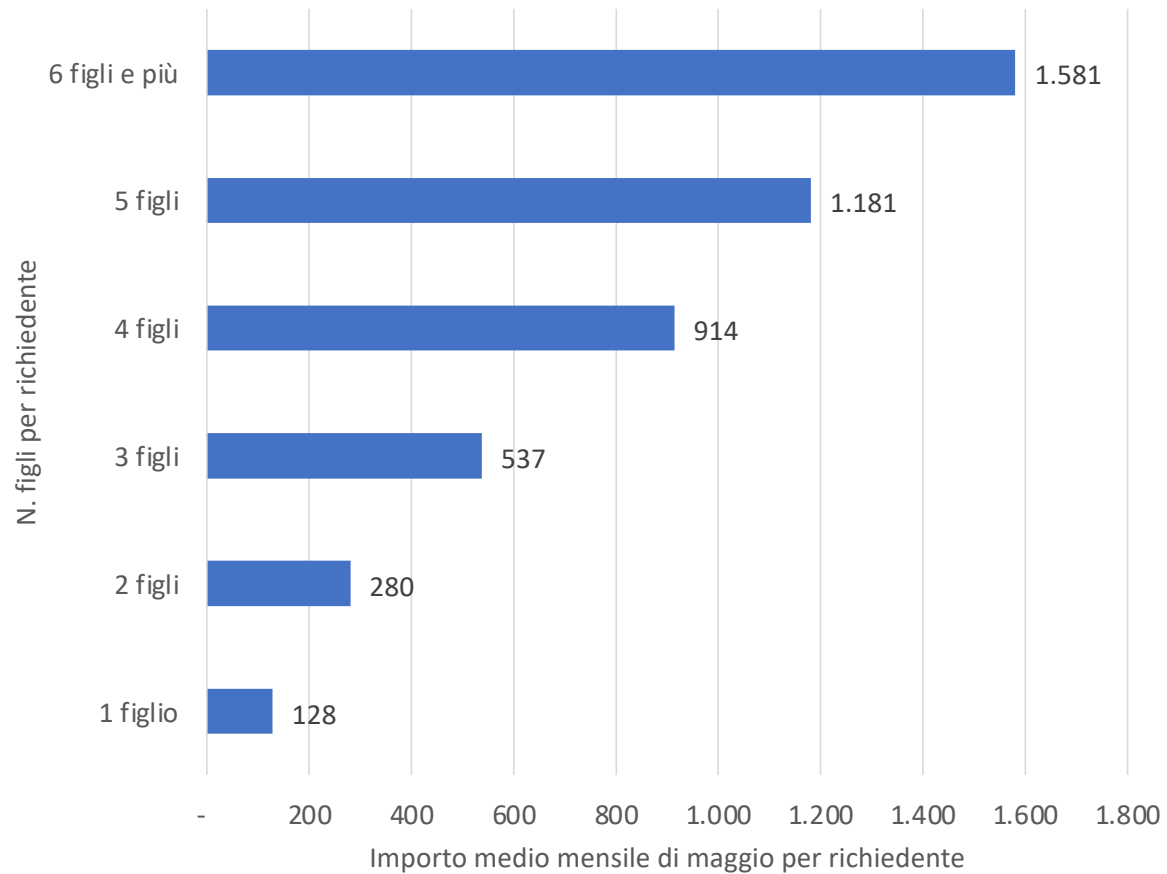
How does take-up varies in relation to ratio between mother's and father's income?

When relative income capacity of mother increases, father's take-up increases

Trend observed as long as ratio < 100

Fonte De Paola e Lattanzio, 2021, dati INPS

Universal single allowance for children:
ASSEGNO UNICO since june 2021
average ammount by number of children maggio 2022



Conclusions

39

- 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.