

Assessing Policy Action: The Case of Elderly Assistance in Italy

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Introduction

In the industrialised countries population ageing resulted in a rising demand for social protection by elderly individuals. Implications for the performance of welfare states were severe and are bound to worsen in the future. The response by fiscal authorities has been slow. Reforms in the social protection schemes were announced, mainly under the pressure of fiscal consolidation, but they proved difficult to find the necessary consent.

Old age is associated not only with a fall in income opportunities, as a result of the exit from the labour market, but also with problems related to health, security, and social integration. In Italy, most of these problems have traditionally been solved within the family. Private voluntary organisations played a major role as well. Family ties, however, have been affected by demographic and social changes occurred during the last decades. While the share of elderly people over the population dramatically rose, female activity ratios increased and the average number of households' members gradually decreased. New categories of socially excluded citizens emerged. Among these elderly persons living alone and lacking some basic level of assistance certainly represent a relevant share.

In the light of such changes, policy makers need to understand whether the traditional instruments to assist people in their old age are still adequate. The question is not only a quantitative one, but rather a qualitative one. To this aim, a different kind of approach in the policy evaluation is probably needed.

This paper focuses on the assistance policies to contrast poverty and social exclusion among the elderly with specific reference to the Italian social security system. In assessing these policies the paper aims at moving beyond the traditional practice followed by policy makers, based on measured income of individuals, to adopt a more comprehensive set of individuals' characteristics to assess their well-being. In doing so, it conceptually refers to a notion of poverty in the streamline of Sen's capability approach.

As a case study, the attention is concentrated on one particular tool of the Italian system, the social pension (*pensione sociale*). Social pension is a minimum income guarantee to elderly individuals who are outside the public insurance pension scheme reserved to workers. Although social pension expenditure is of secondary relevance under a quantitative viewpoint, an evaluation of its performance is essential in the light of the increasing role it is going to play after the pension reforms of the '90s.

This paper is organised in three Parts. Part 1 gives a historical review of the evolution of the social security system in Italy and describes the background of the social pension origins. Part 2 analyses the social pension performance as a money transfer. The first Paragraph describes the institutional characteristics of social pension and their evolution over time. In the second, social pension is assessed as a minimum income policy instrument, considering its performance against poverty risks; particular attention is given to the role played by the family size. In Part 3 an attempt is made to evaluate the position of elderly individuals by considering a more comprehensive dimension than mere personal income. The analysis is based on data from the Banca d'Italia Survey of Household Income and Wealth (BI SHIW). The first Paragraph illustrates the position of social pensioners in the sample according to the main economic characteristics, as individuals and within their households. The second Paragraph looks at some indicators of the quality of life, comparing social pensioners with other categories of individuals. The third Paragraph focuses on the demographic characteristics of social pensioners and their family composition. Conclusions follow.

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1. Social security in Italy

1.1 *The origins of the welfare state*²

The Italian social security system was originally established as a “corporatist” regime³ at the end of the XIX century, following the compulsory social insurance scheme embraced by Germany. After World War II, the Italian Constituent Assembly partially revised the inspiring principles. Elements of a universalistic model, already present in other European countries,⁴ were introduced. An explicit recognition of citizenship rights, calling for the provision of benefits to all individuals independently of their belonging to specific social groups, was stated.⁵

As a result, the Constitutional provision is characterised by the overlapping of universalist and corporatist criteria. In Article 38 of the Constitutional Law (Table 1) both assistance principles applying to all citizens and insurance ones applying only to workers, are built-in. The boundary between the two criteria is not always clear-cut. More precisely, Art. 38 in the first two Paragraphs acknowledges two main rights: *a)* the right to *sustenance* and to *social assistance* for all the *citizens* who are unfit for work or do not possess the resources needed for their survival; *b)* the right to *the provision of “adequate” means of support* to all the *workers*, in case of old age, inability, illness, accidents or involuntary unemployment.

This ambivalence has been a major issue in the long ongoing debate on social security in Italy.⁶ A broad consent has been reached about the interpretation of the Constitutional provision as being intended to explicitly design different degrees of protection: a *minimum* level of protection for all the needy *citizens* (including non-workers and those workers with an insufficient contribution history to have access to a pension scheme) and a *higher* level of protection, identified by “adequate” means of support, to *workers* (who contributed sufficiently enough to join a pension scheme).⁷

² “If true democracy can be only when every citizen is able to express his/her personality without obstacles in order to actively contribute to the community life, then ensuring his/her political freedom in theory won’t be enough, but it is necessary to put him/her in a position to practically make use of it. Since a very easy experience shows how economic needs prevent poor people from the practical possibility to exploit political freedoms and the egalitarian rights formally stated by law, it follows that we can talk of true political freedom only in a legal framework where freedom comes together with a guaranty of a minimum economic welfare for all. Without this, those who are victims of misery loose any real opportunity to attain that active participation to the community life promised by the traditional freedom rights. This does not destroy the fundamental political value of freedom rights: it only asks for them to be fuller and richer; to cease being empty legal schemes, and to be filled with economic substance. To go back to formulas, it asks for integrating political freedom with a minimum of social justice, which is a necessary condition and the lack of which is equivalent to the legal suppression of those rights for the needy.” (Piero Calamandrei, 1945, abstract from preparatory works for the Italian Constitution; our translation).

³ We qualify as “corporatist” an insurance scheme, such as a professional category’s one, where people belonging to a particular group (usually workers of a particular sector) pool their resources to guarantee each other against risks independent on their individual behaviour or choices. Historically, social security public systems originated from making enrolment to such corporatist insurance schemes compulsory.

⁴ In England, for example, a pension scheme for people over 70 had been introduced in 1908, while in Sweden a basic pension based on a universalistic criterion and financed by tax revenue had been passed in 1913.

⁵ The positions that had prevailed since then were oriented towards occupational solutions, mostly foreseeing the public social security as an insurance scheme, to be preferably confined to specific categories of worker and firms representing homogeneous risk groups for which actuarial principles were easier to apply. Workers of the industrial sectors were the first beneficiaries of these schemes, just like in Germany and Austria. However, as Ferrara (1993) explains, proposals favouring the introduction a “global” insurance scheme, virtually extended to the entire population, had been already put forward in the first two decades of the XXth century, under the impact of the insufficient assistance offered by corporatist institutions against the needs raised by the World War I. In 1919 two proposals were brought to the Italian Parliament. The first one promoted a global insurance scheme, which should have provided a compulsory insurance to all workers with income below a threshold and extended the insured risks to illnesses, labour accidents, temporary and permanent disability, death, and involuntary unemployment; among the suggested benefits were also health insurance to the workers families, a benefit in case of temporary disability, a survivors benefit for the spouses and children unable to earn incomes. The second one proposed the introduction of public health service. However, this was only a parenthesis in the political scenario of those years, characterised by an attempt to reconcile the positions of industrial workers and middle-classes. In the 1920s the fascist party came into power and, being supported by big industrial capitalists and land *rentier*, stopped this innovative process and enhanced the corporatist feature of the Italian social security system.

⁶ For a description of the debate see Paci (1987).

⁷ The basic distinction between these two “formal rights” bears also implications in terms of the accomplishment of the “effective rights”. Indeed, it is easier for an employee to enforce the right to social insurance than it is for a citizen to enforce a generic right to social assistance. The explicit link between contribution and benefit makes the entitlement to the benefit somehow stronger in the case of workers: the benefit is something due by society *in exchange for* the individual participation to national

The system outlined by the Italian Constitution was not immediately implemented. The “corporatist” schemes prevailed for a long time. Universalistic features can be traced back only starting from the second half of the ‘60s and, later on, at the end of the ‘70s. The first step was represented by the introduction of the so-called *minimum pension* and of the *social pension*. However, the process towards some universalistic features of the system was mitigated, with respect to the original design, by the actual legislative process, which introduced extensive selectivity in the entitlement criteria. The second step was more resolute and brought to the creation of a National Health System (NHS). Looking at the picture as a whole, however, the institutional forms largely prevailing in the Italian social security system still are more insurance oriented and inspired by the corporatist model.

The economical and social changes that followed the rise of social security produced an increasing demand for purely assistance services. In the absence of deep reforms, the social security system gradually adapted to the new needs. Insurance tools were increasingly used also for purely assistance purposes. Assistance and insurance targets became frequently overlapping and very difficult to be traced back from a mere exam of the policy instruments characteristics.⁸ The complexity of the present Italian legislation is mainly the result of this evolution.⁹

The main characteristics of the Italian welfare state are summarised in Charts 1 and 2. Chart 1 shows the three main components of social protection expenditure (health, insurance, and assistance) and splits it up according to whether it is directed to services (like, for example, in the case of health and, sometimes, of assistance services offered at a local level), or benefits (taking the form of money transfers, like pensions, or benefits in kind, like the provision of food, clothes, etc.). The overwhelming share of insurance expenditure is immediately apparent, especially with respect to assistance. Insurance takes exclusively the form of money transfers, particularly of pensions. The predominance of pensions is confirmed by Chart 2, where expenditure is classified according to a functional criterion: old age has always been the most protected social risk.

1.2 *The introduction of social pension*

According to the view prevailing immediately after the Constitution Bill was passed, a “basic pension” system was the best way to comply with the Founding Fathers determination. This led to the institution of a so-called Integration Fund (*Fondo integrazione*)¹⁰ and of a Social Solidarity Fund (*Fondo di solidarietà sociale*)¹¹, both aimed at guaranteeing some minimum subsistence level to the existing pensions. The connection between contributions and benefits was formally broken for the first time.¹² These institutions, however, were not particularly successful in their actual implementation. The pension system was revised at the beginning of the ‘50s,¹³ when a “pay-as-you-go” scheme was enacted. The reform moved along the corporatist mainstream. A sub-minimum compensation, also called “minimum pension”, was introduced, the amount of which was initially differentiated by age, sector of occupation, type of labour (dependent vs. autonomous). During the 1950s and until mid-1960s the corporatist system enlarged. By that time, the right to a subsistence pension in the old age still relied on the individuals’ participation in the labour force, for at least a very short period of time, and not on their state of need. Any individual without previous occupation was not entitled to any benefit.

In the 60s’ the introduction of an assistance benefit granted on universalistic criteria was taken into consideration again in the Report of the *Commission on labour, social insurance and cooperation*. In the official documents,¹⁴ a two-tier regime was favoured as a long-term goal, where corporatist/occupational

production. However, sometimes this perception can be misleading: for example, every time the benefit exceeds the correspondent contribution or the distinction between insurance and assistance weakens due a partial tax financing.

⁸ On this matter see, for example, Negri and Saraceno (1996).

⁹ For an extensive analysis of the Italian welfare system a useful reference is Ferrera (1984, 1993, 1997, 1998).

¹⁰ Decree Law 177/1945.

¹¹ Decree Law 689/1947.

¹² For a review about the origins of social and minimum pension see, for example, Castellino (1976) and Ferrera (1993).

¹³ Law 218/1952.

¹⁴ The first ones were the *Preliminary Report* on the reform of social security of 1963 and the *Proposals for a reform of the social security system* of the same year, both by CNEL. The follow-up of those studies was the *Five-Year National Economic Plan for 1966-70* (Law 685/1967). See CNEL (1963a, 1963b) and Law 685/1967; for a comment on the *Five-Year National Economic Plan*, see also D’Antonio (1967).

and universalistic criteria co-existed. The scheme should have provided a “basic pension” regime for all individuals, accompanied by complementary compulsory regimes for the different categories of workers. In the transitory period, a co-ordination of the corporatist regimes and their progressive extension to new categories of workers was supported, accompanied by the introduction of a new non-professional regime for the other needy citizens. As a result, the so-called *social pension bracket* (*fascia di pensione sociale*) was introduced. It was a basic pension guaranteeing a minimum to all the pensioners, i.e. previous workers, independently of the particular scheme individuals belonged to. The range of the beneficiaries of this minimum pension was widened in 1969, within a new important reform, by introducing the *social pension* (*pensione sociale*).¹⁵ The eligibility of the social pension was granted to Italian citizens over 65, without income or with income below a threshold set by law (at the same level of the social pension bracket). The high “contributive dividend” granted by the economic growth of those years, however, was mainly devoted to an improvement of the corporatist regime of dependent workers and less into the financing of universalistic guarantees.

At this stage the system was devised on several levels. At the bottom was a basic pension granted to all workers, by the social pension bracket, and to all the other needy citizens, by the social pension. On top of these were some “professional” complementary old age/disability/survivors regimes, enacted by the different categories of workers on compulsory grounds. These “professional” regimes also prescribed some minimum pension level, by means of sub minimum compensation, generally set well above the basic protection offered by social pension (Chart 3).

However, in a context of progressive extension of social protection, the system was soon affected by deep distortions. The basic assistance offered by social pension and social pension bracket failed due to the unsatisfactory level of the benefits relative to the professional minimum pensions,¹⁶ which gained prominence over time. The differentiated levels of protection prescribed by the Law provision generated an implicit incentive for individuals to try and switch from the “basic regime” to the “professional one”. This attitude did not find a solid obstruction by public administration. On the contrary, the access to the professional pension regimes was allowed in many cases after a very few years of labour activity, with a more or less explicit intention to achieve assistance targets¹⁷.

The preference for instruments typical of the “professional regime”, made the “basic regime” increasingly inadequate.

As a result, the most important role in elderly assistance in the Italian system has been played by the “minimum pension”. This accounts for the low level of assistance expenditure characterising figures of the Italian welfare state. Indeed, being designed as a sub-minimum compensation integrating to a minimum level the annuity of the “insurance” pension (to previous workers), minimum pensions are not disentangled from other pension data and are usually classified among the insurance expenditure.

Since the pension reform of 1995, a more explicit distinction between insurance and assistance pensions has been stated. In the long run, citizens whose contributions give rise to an insufficient pension will not enter the insurance pension schemes; in such cases income support will be guaranteed by social pension, rather than by integrated minimum pensions as in the previous system. The role of assistance pensions, especially if considering population ageing, is then to become crucial.

2. Social pension as a minimum income instrument

2.1 *The characteristics of social pension*

Social pension is a form of minimum income conditional on means testing. Entitlement is subject to an income ceiling that considers both the direct beneficiary’s and the spouse’s income. The benefit is

¹⁵ Law 153/1969.

¹⁶ “The ‘*fascia di pensione sociale*’ for all workers rapidly lost meaning, in the absence of a re-valuation over time. For the same reason social pension was actually unable to satisfy the increasing demand for assistance and basic pension treatments”. See Paci (1987), p. 274.

¹⁷ One enlightening example are the so-called “baby pensions”. They were awarded to individuals who contributed for a very few years. They were typically young (sometimes in their 40s’) women with children. In this case the objective of the policy was to favoured children care. The monetary transfer in form of a pension was actually a substitute for the lack of assistance services. Having a high life expectation these beneficiaries were obviously doomed to weigh on the social security system for a long time.

paid *in full amount* only to single individuals without any source of income¹⁸ or to the married individuals when also the couple's income is below a minimum threshold. It is paid *in a partial amount* (necessary to reach the relevant income threshold) to single individuals with positive incomes below the social pension amount and, to married individuals, when the couple income is below a maximum ceiling. This partial amount guarantees the integration necessary to achieve the relevant maximum income ceiling for the entitlement.¹⁹ As an assistance instrument, social pension does not give rise to a right for beneficiaries' survivors.

The social pension regime has been subject to minor legislative changes since its introduction in 1969. Both the pension amount and the income ceilings have been re-valued over time using the cost-of-living index. Discretionary increases were also implemented, the most relevant of which were enacted in recent years.

Since 1985, a so-called "social integration" has been awarded to those beneficiaries whose income was below a different ceiling.²⁰ In 1988, this integration was raised; it has been increased again after more than a decade, in 2000 and 2001, differentiating by age brackets (from 65 to 75 and over 75 years).

Since 1996, social pension has been replaced by a similar benefit called *assegno sociale per gli anziani* (elderly social benefit). This was applied to new beneficiaries only and did not abolish social pension for all those who were already inside the social pension scheme. Eligibility conditions are substantially the same as the social pension ones. However income ceilings are different and the benefit amount is higher.

In 2002 the Budget Law revised the social integration discipline. All pensioners who are over 70 years and have incomes below a given ceiling are now entitled to a social integration guaranteeing a minimum income corresponding to the ceiling itself. The potential effect of this measure is to create a common level of minimum protection to all the over-70 individuals, independently of the kind of benefit they are entitled to. For social pension beneficiaries the new regime should apply automatically, since by year 2000 they all have reached 70 years of age.

In assessing the social pension performance as a measure against poverty, an important issue to take into account is the adjustment rules, if any, to the dynamics of prices or wages. The automatic revaluation of pensions was introduced in Italy in 1969; it was meant to be effective starting from 1971. Adjustment was provided on an annual basis and it linked pensions to the trade union cost-of living index. Since then, the mechanism has been revised several times. In 1976 a switch from a price-based to a wage-based system was established for indexing most employee pensions.²¹ However, assistance retirement benefits like social pensions kept on being indexed to prices only. The exclusion of a link to real wage implicitly assumes that productivity performance has not to be reflected in the dynamics of purely assistance benefits. The characteristics of the revaluation mechanisms - like the choice of the variable to adjust to, the frequency and the timing of the adjustment, the differences in the treatment of the various categories of pensioners, and so on - obviously have a huge impact on the income distribution of individuals and households. A comparison of the evolution over time of the annual amount of social pension, the annual average negotiated wage for white and blue-collar workers, and the minimum pension, shows that the ratio of social pension to the average wage rose from just above 10 per cent in late '60s to almost 25 per cent in year 2000. The ratio of social pension to the minimum pension amount stabilised around 60 per cent after a few years; it reached higher values only since 1984 due to the above-mentioned integration.

¹⁸ Law recognises as relevant to the income threshold determination only some sources of income. In particular, those subject to the personal income tax (*Irpef*), excluding revenue from property houses used as own residence. Incomes from financial assets, being subject to a proportional withholding tax and not to the personal income tax, are excluded.

¹⁹ In the case of a couple, maximum and minimum thresholds differ exactly by the amount of social pension, so that the minimum threshold corresponds to the zero-income condition of the individual living alone.

²⁰ The ceiling for the integration is related to the level of social pension inclusive of the integration. It depends, again, on the marital status. Differently from the case of social pension, however, incomes considered for means testing against the ceiling are *all incomes*, including those that are tax-exempt and taxed by withholdings (obviously the difficulty in assessing all incomes makes the test less reliable) and income from property houses used as residence. Ceilings also take into account of incomes from members of the family other than spouses.

²¹ The switch was enacted by Law 160/1975. The wage indexation system was subject to some other revisions (Law 177/1976, Law 730/1983, Law 41/1986, Presidential Decree 525/1988, Law 43/1992), which however maintained the linkage to wages in the automatic adjustment of most pensions. For a description of pension indexation and for an evaluation of the new system at that time see, among others, Morcaldo (1977), Ceriani and Sartor (1984), Franco and Morcaldo (1988). The pension reform of 1995 established the return to price indexation.

2.2 Social pension and poverty

If social pension is devised as a minimum income, the benefit amount and the income ceilings for the access should be set at a subsistence level. Table 2 shows a comparison between the social pension and some other “subsistence income” measures.

Column (A) gives the official relative poverty line values set by the Italian Poverty Commission for a two-individual household. Following the *International standard poverty line*, the Commission computes the poverty limit as the monthly amount corresponding to the average annual per-capita consumption, extracted from a sample of consumers. The Commission’s methodology has changed since 1997 due to a revision of the sample; the break is signalled in the Table by a dotted line. Column (B) gives the corresponding poverty limit obtained for a one-individual household by applying the equivalence coefficient 0.599 of the “Carbonaro” scale²² (which is adopted by the Poverty Commission). The time series is available since 1980 and needs to be estimated for previous years.

Data used by the Italian Poverty Commission are those of the Household Consumption Survey by the Italian Institute of Statistics (Istat). Another source of consumption data is Istat National Accounts (NA). Per-capita monthly consumption according to the NA is given in column (C). The average values of household consumption used by the Poverty Commission are systematically below those obtained by the NA, mainly due to a different methodology (choice of the relevant consumption items, etc.) for the purposes of constructing the poverty line. The ratio between the values from the two different sources (Household Survey over NA) is shown in column (D). Given the definition of the poverty line, the ratio between the poverty line for 1-individual and the NA per-capita consumption should be constantly equal to 0,599, if the consumption data from the two sources were the same. The ratio of column (D) is used to estimate the 1-individual household poverty line for period 1969-79.

Columns (F) and (G) show the amounts of the monthly minimum pension and of the social pension, respectively. Finally, column (H) and column (I) give the ratios of minimum and social pension to the poverty line limit.

While minimum pension has been more or less around the values of the poverty line, social pension has always been below. Initially, social pension was less than half of the poverty line limit. Afterwards, in period 1975-84, the average ratio rose to around 70 per cent. In 1985-99, considering the social pension amount only – i.e. not inclusive of the integration enacted since 1985 - the ratio fell down to 60 per cent. The integration played a major role in this period.²³ It brought the ratio between social pension and the poverty line limit above 80 per cent in 1985. The ratio increased up to 91 per cent in 1988. However, due to the lack of an automatic revaluation of the integration over time, the ratio has rapidly during the nineties (column I). It was raised again to 80 per cent in 2001. Since 2002, due to the revision of the social integration discipline by the 2002 Budget Law, *the integration is designed to guarantee a minimum income above the poverty line for the first time.*

Summarising, apart from the most recent developments, *social pension always remained below the poverty line limit* so that it could not be considered sufficient to avoid poverty for an individual relying only on this source of income, if the same standards of the Poverty Commission are adopted. The results show the implicit setting of a quasi-poverty line benchmark, leaving a poverty-gap open. The benchmark has been around 60-70 per cent of the poverty line, on average, until mid eighties and around 80 per cent during the nineties. The intent was presumably to avoid disincentives to labour supply during the working life. As a matter of fact, however, it had some undesirable implications because it produced an incentive to exploit insurance pension improperly, as we argued before. Laxity in the law requirements for the access to the pension schemes, indeed, made it easy for many “pseudo-workers”²⁴ to have access to a minimum pension rather than to other assistance benefits, like social pension.

These results refer to a single individual. They do not consider an important feature in evaluating the capability of social pension as a subsistence income: the role played by *family size*. One interesting

²² See Carbonaro (1985).

²³ This was around 81,000 lire a month in period 1985-87 and something around 135,400 lire in period 1988-2000. It has been 162,500 lire since then, with an increase in last two years. Since 2002 the social integration system was reformed.

²⁴ The expression is used by Paci (1987), p. 276. It is meant to emphasise the fact that in many cases beneficiaries were persons who had been working for a very few years (5 were enough in some cases) and could then enter the insurance pension scheme only by contributing in a very limited way.

issue to analyse, indeed, is about the equivalence scale legislators implicitly assumed between the single individual's and the couple's income when setting the social pension income ceilings (Chart 4).

The equivalence coefficient is around 23-24 per cent. Hence, excluding the above-mentioned "social integration", the minimum income granted by social pension to one individual living alone is something less than one fourth of the minimum income of the same individual when belonging to a couple. As a result, the coefficient assumed by the Poverty Commission in defining the poverty line is something like 2.5 times the coefficient implicit in the social pension scheme (59.9 per cent). This suggests a *lack of consideration of the economies of scales of 2-component households by the social pension scheme and even more the intention of favouring married individuals*.

The income ceiling of the *individual living alone* is just above half of the poverty threshold, pointing at an insufficient performance of social pension alone in avoiding poverty. Indeed, it is the integration to bring the annuity up to 70-80 percent of the poverty line. On the contrary, the income ceiling of a couple (more than 4 times the single's) ends up by potentially place these households well above the poverty line. This is at least the case for 2-component households without any other non-income components.

One can interpret this feature of social pension as a sign of a "non-universalistic nature". Indeed, social pension actually works as a sort of subsistence income scheme only contingent on the individual belonging to a couple. Since the "formal" target of social pension is the individual, this measure works as if the beneficiaries' position should be somehow privileged when married, possibly to protect them from some additional poverty risk coming from the presence of a family. And, incidentally, this risk seems very highly evaluated according to implicit equivalence scale.

On the same lines, a second feature of the social pension benefit seems relevant, i.e. the disregard of income from household components other than spouse when setting the ceiling for individuals who live in a family. Hence, for example, given the same marital status, for individuals living with other relatives no different income ceiling is prescribed in order to take into account of the extra-resources they can rely on or the extra-burden they face, with respect to any other social pensioner living alone. This problem must have been clear to legislators, at some point, as they considered other relatives' presence in setting the income ceiling for the access to the social integration.

In general, the disregard of incomes from other household components can potentially produce deep differences in poverty risks. One ex-post explanation for the legislators' choice could be traced back to the social relationship prevailing when social pension was introduced. The phenomenon of elderly, single, individuals who live alone was not so much widespread, as elderly parents generally lived with their sons or daughters when widows/widowers, benefiting from the economies of scale in consumption offered by belonging to a household. Elderly couples, more likely to live by themselves, were certainly more at poverty risk, and so deserved a more generous treatment. This model actually prevailed in the Italian society for a long time, so that the scheme could probably work well enough in the past. However, we can expect such conditions are not to prevail in the future, due to changes in the structure of our society, making it necessary to re-think about the overall scheme.

There could be another ex-post interpretation for the very low equivalence scale coefficient implicit in the social pension income limits. It can be argued that in the social policy design, as it historically developed, social pension was used as a family allowance, on top of those already awarded explicitly with that purpose (*assegni per il nucleo familiare*). Under this view, social pension could be considered like a "targeted family allowance", which was granted to the elderly people and hence was linked to the presence of a spouse only, assuming that they do not have any "children" economically depending on them.

Concluding, if social pension has to be considered a minimum income instrument, the criteria behind the definition of the income ceilings should probably be re-examined. Consolidated definitions of an official "subsistence income" measure and of an equivalence scale²⁵ are necessary.

25 As we already mentioned, in 1995 the Poverty Commission proposed the introduction of a minimum income benefit for all citizens with insufficient incomes. The aim of the proposal was to "... *guarantee some minimum subsistence conditions and favour the social integration of the beneficiaries* ..." which was pursued by "*a cash transfer, called 'assegno di minimo vitale', ... and other policy measures of social integration, diversified according to needs, abilities and specific conditions of the individuals* ..." (see *Commissione di indagine sulla povertà e sull'emarginazione*, 1995, p. 19). The Poverty Commission suggested for this new benefit that both the amount and the means test be identical to those of the social pension. Just like the social pension, the minimum income benefit should have been fully paid only in the absence of income and as integration to the income threshold otherwise. The Commission also prescribed that income ceilings be calculated taking into account of the households' characteristics by *ad hoc* equivalence scales (p. 23). A later proposal, by the *Commissione per l'analisi delle compatibilità*

3. Social pension as a policy tool against social exclusion

The question we want to focus on in this Part of the paper is whether *a money subsidy*, particularly social pension, *is the most adequate means of assistance to elderly people*. Old age is a status involving different degrees of physical as well as mental ability determining a person's self-sufficiency. If this is the case, standardisation of assistance instruments could prove neither economically efficient for the Government, nor particularly effective for the beneficiaries. To investigate this issue, a more satisfying approach than a simple assessment of the income conditions consists in evaluating a range of well-assorted indicators, to gain a multivariate description of the individuals' position.²⁶

To see how the situation of social pension beneficiaries can be differentiated under these respects too, we used data of the Bank of Italy Survey of Household Income and Wealth (BI SHIW) from the 1993 and 1995 samples.²⁷ The choice to use specifically 1993 and 1995 surveys depends on the availability of two sets of information in those years, which turn out particularly useful for our analysis. The 1993 questionnaire included a section about quality of life (the use of both public and private services, for example); the 1995 questionnaire included a section on the perception of the health status. Moreover, we are mainly interested in a retrospective analysis of social pension and its evolution over time, so that mid-nineties seem to be an appropriate period to look at.

Data on social pensions are collected in a special section of the questionnaire, devoted to pensions. Here individuals are asked to report what kind of pension they received during the year, the monthly amount, the number of monthly payments.²⁸

Data on pensions have been matched with those from the general questionnaire about personal and household income, household consumption and wealth, demographic characteristics and family composition. They have then been merged with information concerning quality of life from sections on housing and on private and public services consumption, on perception about health, and other information, depending on the availability in the 1993 and 1995 surveys.

3.1 *Considering the economic characteristics of individuals and households*

As already stressed above, entitlement to a social pension is subject *only* to the income conditions of the individuals and of their spouse. It is independent of the access to economic or non-economic support from the other family components. In this Paragraph we analyse the economic position of social pensioners taking into account both all sources of personal incomes and households' incomes in per-capita terms.

To evaluate the performance of social pension targeting we started by constructing a poverty index for all the individuals of the BI SHIW, by which comparing the social pensioners to other categories of citizens and assessing the poverty incidence among social pensioners before and after the social pension payment. The poverty index is a relative one. The poverty line for a two-individual household was obtained from the sample by computing the average per capita income²⁹ of the households in the group of interest. This value was then converted into a poverty line for households with a different number of

macroeconomiche della spesa sociale, in 1997, put forward a new instrument aimed at substituting the existing family benefits. It was essentially a minimum income for individuals, as the family composition was only taken into account in order to convert individual income requirements by suitable equivalence scales (for a detailed description, see Bimbi, Bosi, Ferrera, and Saraceno, 1997, and Matteuzzi, 1996). In 1997 a minimum income (*reddito minimo di inserimento*) was introduced on an experimental basis in 315 Municipalities, overall. It has not been generalised yet.

²⁶ See, for example, Brandolini and D'Alessio (1997).

²⁷ See Banca d'Italia (1997, 1999).

²⁸ As far as data on social pensions are concerned, there are quality problems to underline. Under the denomination of social pension individuals seem to have included sometimes also other assistance benefits (presumably minimum pensions). Indeed, the sample includes a few individuals, claiming to have received a social pension, who are less than 65 years old so that they cannot be beneficiaries of a social pension by definition; moreover, the reported level of the social pension is too high in several cases. The individuals reporting inconsistent information have been obviously excluded. However, results must still be interpreted with some caution.

²⁹ After computing a poverty line on both income and consumption, we chose to use income instead of consumption, as it is done by the Poverty Commission, favouring the higher quality of income data available in the BI SHIW.

components by applying the Carbonaro equivalence scale. The poverty indicators are based on head count ratios; i.e. show *the percentage of individuals in each particular subgroup who live in a poor family*. Results are given in Table 3. For the overall sample our indicator substantially coincide with results from others studies on the same survey.³⁰

The poverty rate is higher among young than elderly people.³¹ Elderly are on average in a relatively good position, especially if retired. However, this result does not concern social pension beneficiaries, whose poverty index is second only to young individuals'. Information on the performance of social pension can be drawn by the comparison of the bold numbers: targeting of social pension does not seem particularly good. Of individuals who received a social pension almost 40 per cent in 1993 and almost 30 per cent in 1995 were living in a poor household, meaning that far more than half of the social pension beneficiaries were not in poverty conditions. More interestingly, even though social pension reduced by a 25 percentage points the poverty incidence of social pensioners' households, it still left a particularly high percentage of poor households (around 11-12 per cent).

In summary, on one hand there is some over-expenditure signalling *a loss of efficiency*, on the other hand there is an unsuccessful performance in contrasting poverty signalling *a lack of effectiveness*.

Starting from these results, we moved towards a more detailed analysis of the characteristics of social pensioners to gain some knowledge about the areas of failure of social pension as a policy tool against poverty.

First of all, we classified individuals into brackets of social pension amount.³² From the 1995 sample³³ we obtained information about the average age, the number of the household members, the average values of the different sources of the individuals' personal income and their household income (expressed in per-capita terms).

For individuals in all brackets, income from pension and transfers is the main source of personal income. A second relevant source is income from capital, which, however, is characterised by a high dispersion; by this variable, we capture the influence of financial wealth. Recalling that individuals falling into the initial brackets receive only part of the social pension amount, because the income ceiling constraint is binding, an inverse relationship between personal income and social pension transfers should be expected. Actually, since incomes included in the income ceiling are those subject to the personal income tax only (so that, for example, all the incomes from financial assets are excluded) a negative link could not necessarily emerge once the *overall* personal income is considered. However, SHIW confirms the inverse relationship for most brackets (the higher bracket is characterised by a relevant weight of the personal income from capital and of other transfers).

On average, social pension payments contribute only for less than a half to the per-capita household income (Chart 5). Ratios of social pension and personal income to the per-capita consumption show that social pension accounts only for a low percentage of the per-capita household consumption, so that social pensions beneficiaries seem to rely on the support of other family members for their consumption.³⁴

When personal income is considered, the same conclusion substantially holds, although higher percentages are obviously found (Chart 6). No social pensioner needs to rely on other family members' income for his/her food consumption. As expected, for the individuals in the lower bracket the amount of social pension alone would not be sufficient to guarantee food consumption, but the gap is well compensated by other sources of income.

³⁰ See, for example, Addabbo and Baldini (2000). They compute from the 1995 survey a poverty rate for all the individuals in the sample equal to of 12.4. Their poverty line is fixed at the median income rather than the average, as done in this paper, and they use the equivalence scale adopted by ISE rather than the Carbonaro scale. As far as the equivalence scale is concerned, however, as they notice: "*The elasticity of this scale to the number of components is ... very close to that of the equivalence scale traditionally used in studies of poverty and inequality in Italy, is derived by Carbonaro (1985)*" (p.292).

³¹ This is a well-known result for the Italian case (see, among the others, Cannari and Franco, 1997). Many studies, however, consider only monetary income or consumption expenditure, excluding (due to difficulties in collecting the relevant data) transfers in kind, i.e. benefits in the form of goods and services publicly offered. The lack of consideration of these factors certainly affects the evaluation of the economic status of all individuals. However, the problem is particularly serious in the case of young people, who mainly benefit from public services, like education or health, especially in their early years. This aspect should be more carefully investigated in order to verify how much of the poverty conditions of young people could be actually reduced by a more complete analysis.

³² Up to 280,000 lire per month; between 280,000 and 300,000; between 300,000 and 350,000; between 350,000 and 450,000; between 450,000 and 500,000. Remember the precautionary remark expressed before.

³³ In the following paragraphs, comments are referred to data from the 1995 survey, unless otherwise stated. Results have been obtained from both surveys. Differences are not relevant in most of the cases.

³⁴ We obviously disregard here the differences induced on personal consumption by age or any other personal characteristic.

Other interesting information on the welfare position of social pension beneficiaries can be obtained by contrasting their situation with the larger group of elderly individuals (i.e. those who are over 65). In Chart 6 the two relevant sub-samples are classified into 5 age brackets. As far as the contribution of the personal income to the household per-capita income is concerned, data of the elderly show different situations. The over-65 personal income is always above 100 per cent of their families' per-capita income, meaning that, on average, the elderly contribute to the sustenance of other members of the household. As we have seen, the opposite occurs for the social pension beneficiaries. Moreover, while personal income of social pension beneficiaries is generally below per-capita household consumption, suggesting lack of self-sufficiency, this is not the case for the over-65 as a whole, who contribute in financing consumption or savings of other members of their households. This result is confirmed when looking at consumption on food: personal income of the elderly is much higher in terms of the per-capita consumption of the households they belong to (more than 4 times).

3.2 *Considering some indicators of the quality of life*

In order to have other useful information in evaluating the welfare position of social pensioners inside the most general category of the elderly, we considered some indicators of the quality of life collected by the BI SHIW. Table 4 gives the distribution of social pensioners and elderly individuals with respect to some real wealth indicators, housing conditions, public and private service use and corresponding per-capita household expenditure, and perception of health conditions.

Section (a) illustrates some indicators of real wealth position for year 1995. Among the others the survey includes the subscription of private insurance (other than the compulsory ones, like car accident insurance), the purchase or sale of precious objects, durable and estate properties. Out of the total number of households with at least one social pension beneficiary component, 9 per cent subscribed a life insurance. Around 2 per cent subscribed an insurance against accident/illness; 15 per cent an insurance against damages. Only less than 2 per cent subscribed to a complementary pension scheme. These percentages are not far from those of the wider sub-sample with at least one elderly component, the only exception being insurance against illness, which is significantly lower in the case of social pensioners. Purchase of precious commodities and means of transport regards around 6-7 per cent of the social pensioners' households, while around 7 per cent claim to have purchased house equipment.

Section (b) considers housing conditions more in details. The first result concerns property of the residence house. In 1995 almost 60 per cent of the social pensioners' households owned their residence; only 23 per cent rented the place they lived in. Of the remaining 17 per cent, almost 8 per cent lived in houses used on a free basis (probably belonging to relatives, friends or in exchange of services). This percentage was higher in the over-65 sample (5 per cent), supporting the hypothesis of a higher degree of self-sufficiency for the average elderly than for the average social pensioner. Most of the dwellings of social pensioners were located in the city centre or in the near distance. The area was considered "upscale" by 19 per cent of the interviewed households (against 21 per cent of the families belonging to the elderly sub-sample) and not particularly "run-down" by the large majority (65 per cent). The residence house itself was considered belonging to a "modest" or "low-income" category by the most; no interviewed household valued their own residence as "luxury", but at least 4.5 per cent considered their place "upscale". Note that the social pensioners' evaluation is more low quality oriented than the evaluation by the elderly sample. Finally, 21 per cent of the households reported their residence house to have been subject to some renovation during the previous 5 years (23 per cent in the over-65 sample). Around 24 per cent declared their houses had more than one bathroom (more than 13 per cent in the elderly sub-sample) and 64 per cent had a central or an independent heating system (72 per cent of the over-65 sample). Indexes in the last row of the Table show that social pension beneficiaries' households are characterised by housing conditions which are systematically worse than those of elderly individuals' households (the ratios for almost all variables indicating "better conditions" are lower and vice versa). However, in most cases differences in the indexes are not particularly large.

The following set of indicators concerns public and private service *expenditure* and are available from the 1993 sample. Section (c) of the Table shows that the percentage of social pensioners' households *using both public and private services* is in general slightly lower than in the elderly sample, except for medicines. This result could suggest a lesser ability of the average social pensioner's household to make use of public services involving a more complex and "less passive" access. Indeed, it requires a lesser effort to buy medicines when someone is ill than it requires getting into the routine of medical

examinations in public institutions. In the case of *private services*, with respect to public services, differences in the percentages of social pensioners' sub-sample and those of the elderly sub-sample are greater. The only case in which the result is reversed is hospitalisation, but the index is somehow insignificant due to the very low number of individuals it is computed on.

Section (d) shows the average per-capita *expenditure on public and private services*. For most services, the social pensioners' sub-sample reveals a lower average expenditure compared to the elderly sub-sample, enhancing the results on the services use. As far as public transportation is concerned, for example, social pensioners' households spend on average less than the elderly individuals' households do, suggesting a higher utilisation of public transport by the older components of the families (for which a preferential tariff is often enforced).

Data on health services are complex to interpret. In 1993 social pensioners' households spent, in per-capita terms, more in private hospitalisation and less in public hospitalisation than the elderly households did. However, their expenses in laboratory examinations were lower both in private and in public institutions. They also spent more in medicines than elderly household components did. As far as doctor's appointments are concerned, it is interesting to note that social pensioners' families resorted to public institutions more than elderly families in the case of specialists controls, generally more expensive when provided privately, but not in the case of generic controls.

Social pension families directed their expenditure on health services relatively more towards medicines than towards laboratory examinations or specialist medical controls, with the exception of specialists' visits, probably related to the presence of serious illnesses. As already mentioned, one explanation could be a different attitude of social pensioners' families toward illnesses: they seem more prone than others to privilege "self curing", probably because of a lesser awareness about their health conditions. This attitude is often correlated with low levels of education and poorer economic conditions, which as we saw characterise social pensioners. Some hint in favour of this interpretation can be traced in the results of the questionnaire on the perception of health condition introduced in the 1995 survey. A comparison between the answers given by social pension beneficiaries and over-65 individuals is given in Section (e) of the Table. Although a virtually identical response about the presence of permanent illnesses and disability, social pensioners sub-sample is characterised by a higher percentage of individuals considering their own situation "good" or "normal"; correspondingly, a lower percentage of individuals consider their health conditions "very bad" or "bad", as well as "very good".

An attempt to summarise the results concerning both economic and some quality of life indicators is presented by Brandolini and D'Alessio (1997). The authors developed an indicator computed as the percentages of individuals suffering from deprivation in five main areas (health, job and working conditions, housing conditions, monetary economic resources and social relationships). They proposed three different categories of this synthetic index of deprivation (one considering only the worst performance among the five, two summing up all the percentages by both a non-weighted and a weighted procedure). Results for the main sub-samples analysed in this work are given in Chart 8.

The "status" of all the individuals in the survey is used as the benchmark for all the other categories. The first interesting result concerns young people: it reverses completely the conclusion obtained by standard poverty indexes based only on economic information. The same applies to the pensioners, who appear to be less well off than the elderly in general. The sole result which is not only confirmed but even amplified concerns social pension beneficiaries: they represent the most deprived category according to any of the different versions of the index.

3.3 *Considering the demographic characteristics and family composition*

Results obtained by the economic indicators, from one side, and by quality-of-life indicators, from the other, attain more to the family status than to the single individual position. Family condition is obviously very important, mainly because it influences the possibility for one person to rely on someone else's help in case of need. This element is usually taken into account, only under an "economic" point of view, by the use of equivalence scales correcting income or consumption for the economies of scale induced on the expenditure capacity by the household size.³⁵ However, when moving toward a broader

³⁵ As to this matter, in 1999 the Italian system introduced a new indicator, named ISE (*Indicatore di Situazione Economica*), for assessing eligibility of households asking the access to means-tested social services (Decree Law 109/1998, Presidential

definition of welfare one should consider also other aspects, like for example domestic assistance offered by other family components, the degree of exposure to social exclusion anyhow measured, etc. .

In Table 5, for example, individuals are classified by demographic variables, like sex, geographical residence area, age, and education level. An economic variable (household income brackets) is considered as well. The percentage of individuals living in poor households is also indicated. From the regional distribution several interesting points emerge which is worthwhile underlining. While the majority of the elderly and of the pensioners lives in the North of the country, the majority of the social pension beneficiaries lives in the South, i.e. the pensioners in the South are less in number but belong primarily to the social pensioners category. The higher poverty rates characterising these individuals mostly accounts for the higher poverty index attached to the overall pensioners' sub-group in the South. It has also to be stressed that the percentage of pensioners in the North is higher than the percentage of the elderly, implying a remarkable number of under-65 people getting a pension. This is not the case when considering distributions for the Centre and the South.

According to age brackets statistics, all the sub-groups of elderly, elderly pensioners and social pensioners show that a big share (around one third) of the individuals are in their seventies (between 70 and 75 years old). A high share of people, however, is also represented by individuals who are over-80 - the so-called "big oldies", who suffer particularly from problems related to a lack of self-sufficiency (more than 20 per cent). Social pension beneficiaries are mainly women (percentages are around 90) against a more balanced distribution in the elderly and of the elderly pensioners' sub-samples (below 60 per cent of women); given the higher life expectation of women, this characteristic is correlated to the age distribution. Data confirm the well-known correlation between the economic situation of individuals and their education level. A very high percentage of social pension beneficiaries who just reached the elementary school level or did not have any education at all.

Most of these characteristics give indications of lower standards of living for the social pensioners. Many of them are correlated with income, so that the clustering of the individuals into household income brackets shows that a proportion of poor families is bigger in the social pension beneficiaries than, for example, in the elderly sub-group. In order to better ascertain the best policy strategy, some very useful insights turn out from the analysis of the *household composition*: the number of family components, their age and the co-living situation, the role played by the single individual inside the family (if he/she is the head, a spouse, a relative or not).

As far as the *household size* is concerned, the majority of individuals in the entire sample (almost 60 per cent) live in 3-or-4-component households. In the case of the elderly, the most frequent family structure is the 1-2-component. Around half of the elderly pensioners, especially social pension beneficiaries, live in couples. More than the other sub-groups do. It has to be stressed that among those who live alone, social pensioners are on average much poorer than the other categories of individuals.

Charts 9-10 classify the individuals of the entire survey, as well as those in the main relevant sub-samples (elderly, pensioners, elderly pensioners and social pensioners), according to two other variables which are relevant to the definition of the household's composition: *family position* (i.e. *role of the individual within the family*) and *family type* (i.e. the *composition of the family based on members age* into "elderly only", "adults only", "elderly and adults", and so on). The bars also distinguish between those individuals who live in poor (black) or non-poor (grey) households.

Chart 8 classifies individuals of each sub-sample by the *family position* among, in the order: heads of family, spouses, sons or daughters, parents, relatives other than these, and non-relative members. More than 60 per cent of the elderly and of the pensioners are the head of the family. This percentage halves in the case of social pension beneficiaries. Note that in this case poverty incidence is also particularly high. Social pensioners are mainly represented by spouse members (more than 50 per cent), presumably women as already noticed. In one fourth of the cases, social pension beneficiaries are parents or other relatives, while the same ratio does not exceed 15 percentage points for the elderly and is even less for the pensioners. This result is consistent with the hypothesis that a large part of the social pensioners rely on other relatives' support. While the poverty rates are relatively low for spouses or parents, they are extremely high for the heads of family components, probably living alone, or for the relatives other than parents, presumably co-habitant with other elderly family members.

Decree 221/1999). ISE considers both total household income and some real and financial assets. The sum is converted by an equivalence scale that takes into account not only the number of members but also some other characteristics of the household signalling difficult situations (presence of children in the absence of a spouse, presence of handicapped components, etc.).

To explore this last aspect, we performed another exercise, consisting in clustering individuals according to the *family type*. This classification shows (Chart 9) that the “elderly only” type is more present in the social pensioners’ sub-sample; again, these individuals are also poorer on average. In the case of the elderly individuals and of the elderly pensioners’ groups, the percentage of people living in “only elderly” families is not particularly lower, as it reaches more than 58 per cent. However, conclusions on the status of individuals belonging to these groups are not as straightforward to draw as one could expect.

If we consider the poverty indexes for different family types on the complete sample, the “only elderly” households seem systematically exposed at a lower poverty risk. Even when we consider the elderly or the elderly pensioners, they do show the lowest poverty rates. *Social pensioners’ households represent the only relevant exception*; the poverty incidence rate among the “only elderly” type reaches 16 per cent. Families where elderly and adults live together are still relatively protected. However, this result again is not as straightforward to interpret as it seems.

More understanding in evaluating the social pensioners’ exposition to poverty risk stems from an analysis of the *interactions* between geographical and family characteristics. Here we give one example.

From data by family type we understand that the “elderly only” type is more present in the North of Italy, except for the social pensioners sub-sample; i.e. the elderly co-habitation type of family is less present in the South, but the majority of this households are composed by social pensioners. This could be interpreted as a sign of a more widespread possibility of social pensioners to rely on adults in the South than in the North.

However, by a more detailed analysis, we can infer how poverty determinants can work differently in the two areas, due to diverse economic and social dynamics.

Chart 11 gives the distribution of individuals for the family types “elderly only” and “elderly and adults” by geographical areas for the sub-samples of the elderly, elderly pensioners and the social pensioners. Clock-wise from 12, the pie sections represent the percentages of individuals, in the relevant category, who live in the North (white), the Centre (black) or the South (grey) of Italy; following each section, the striped portions represent the corresponding percentages of poor individuals.

For *elderly and pensioners* in general, a comparison between “elderly only” families and “elderly and adult” families shows that the presence of adult members does not affect dramatically the poverty index in *the Centre and in the North of Italy*. On the contrary, *in the South* the presence of an adult increases the poverty ratios extra-ordinarily. Again, *social pensioners’ households represent an exception*; in this case, exactly the opposite outcome is obtained. One possible conclusion from these results is that very different phenomena take place in the two areas of Italy. In the Northern and Central areas, co-habitation of the elderly with adults does not substantially change the poverty risk elderly people would face if living alone. Actually, in the North of Italy, the presence of adults seems to reduce the poverty rate showing that the elderly components of the household rely somehow on the economic support of the adults. On the other hand, in Southern areas, there is room for an opposite case where adults, being in poverty conditions because under or unemployed (the poverty index among adults families in the South is more than double the same index for Italy), have to rely economically on the elderly. This is true except when the elderly member of the family is a social pensioner: being already exposed to a high poverty risk himself, he is not in the position to sustain other family members.

Summary and conclusions

Social security systems are presently subject to generalised reforms in many industrialised countries, due to several, distinguished reasons. Most of them concern the financial constraints imposed by public finance disequilibria, like the rise of public expenditure induced by the expansion of both the amount of benefits and the categories of beneficiaries included in the systems. A very relevant factor will be the progressive ageing of population. Other reasons relate to qualitative issues, like an apparent inadequacy of policies to face new social needs. Under these circumstances, the revision of welfare policies is now perceived as inevitable. The role for assistance policies, especially those oriented to elderly people security, is of major relevance. In this paper, we have concentrated on one example of policy tool concerning the elderly assistance in the Italian system: *social pension*.

The social pension amount has always been below the values of the poverty line for a single individual, so that this instrument alone has not guaranteed a minimum income sufficient to avoid poverty. However, due to the equivalence scale implicit in the statutory income ceilings for the entitlement for single and married individuals, social pension works as an instrument against poverty only

in the case of individuals belonging to a couple. Although ex-post explanations for such an implicit choice could be possibly traced back to social and economical characteristics of the Italian system in the past, it is hard to argue those same reasons are still going to be sound in the future. Societies have deeply changed in the last decades, making a re-thinking of the social security systems necessary and urgent.

By poverty indicators from the 1995 and 1993 BI SHIW data, we have shown that elderly are on average in a relatively good position, especially if retired, with the relevant exception of social pension beneficiaries. Among the individuals who received a social pension, more than half were not in poverty conditions before the payment. Social pension reduced the poverty rate by 25 percentage points but still left more than 10 per cent of poor households. The scheme lacks both in efficiency and in effectiveness. Results from the BI SHIW, support the hypothesis that the performance of the social pension scheme as a policy instrument to challenge poverty is not satisfactory. The relationship between the amount of the benefit and many of the demographic and family characteristics relevant in assessing the welfare position of individuals are not particularly solid.

Supplementary “non-economic” information suggests that social pensioners are more needy than other categories of citizens. Data more strictly related to quality of life (like housing conditions, public services exploitation, etc.) suggest lower standards, as well. Demographic characteristics show that, on average: social pensioners are older than other comparable categories of individuals; there is a higher presence of women; that they use to live more in couples, among “elderly” households, in the South of Italy; that they can rely less on other family members’ support.

Although most of these factors are correlated with lower incomes, higher income transfers are not necessarily the best policy tool to reduce social exclusion and poverty risks. To define the best policy strategy, more detailed information about the targeted groups is needed. For example, the analysis of the family composition (according to the type of co-living situation by age) classified by geographical area could be particularly enlightening. In the North of Italy co-habitation of the elderly with adults, rather than only among elderly, entails a slight reduction of the poverty rate in the North, showing that the elderly components of the household rely somehow on the economic support of the adults. On the other hand, in Southern areas (less clearly in the Centre of Italy), the poverty rate increases. Adults, being in poverty conditions, seem to rely economically on the elderly. Such a result is very robust in the case of the southern areas. It holds for the entire sample and for any of the sub-samples except when the elderly member of the family is a social pensioner, who is not in the position to sustain other family members.

The conclusions of our exercise strengthen the need for developing new methodologies in assessing policy action performance and proposing directions for possible reforms. They suggest that these issues deserve, at least, more attention.

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Table 1: The Constitution of Italy (selected articles on social security principles)

Art. 3

All citizens are invested with equal social status and are equal before the law, without distinction of sex, race, language, religion, political opinions and personal or social conditions.

It is the responsibility of the Republic to remove all obstacles of an economic and social nature which, by limiting the freedom and equality of citizens, prevent the full development of the individual and the participation of all workers in the political, economic and social organisation of the country.

Art. 4

The Republic recognises the right of all citizens to work and promotes such conditions as will make this right effective.

Every citizen shall undertake, according to his possibilities and his own choice, an activity or a function contributing to the material and moral progress of society.

Art. 31

The Republic facilitates, by means of economic and other provisions, the formation of the family and the fulfilment of the tasks connected therewith, with particular consideration for large families.

It safeguards maternity, infancy and youth, promoting and encouraging institutions necessary for such purposes.

Art. 32

The Republic provides health safeguards as a basic right of the individual and in the interest of the community, and grants medical assistance to the indigent free of charge.

No one may be forced to undergo any particular medical treatment, save under the provisions of the law. In no case shall the law violate the limits imposed by proper respect for the human person.

Art. 34

Education is available to everyone.

Elementary education, imparted for at least eight years, is compulsory and free.

Capable and deserving pupils, even if without financial resources, are entitled to attain the highest grades of learning.

The Republic gives effect to this privilege by means of scholarships, of contributions to the families of the pupils, and other provisions, to be obtained by competitive examination.

Art. 38

Every private citizen unable to work and unprovided with the resources necessary for the existence is entitled to private and social assistance.

Workers are entitled to adequate insurance for their requirements in case of accident, illness, disability, old age, and involuntary unemployment.

The disabled and persons incapable of employment are entitled to education and vocational training.

The responsibilities laid down in this Article are entrusted to organs and institutions provided or assisted by the State.

The freedom of private assistance is affirmed.

Table 2: Minimum and Social pension benefits compared to poverty line indicators

Year	Poverty line for		Monthly per-capita consumption ⁽³⁾	(B)/(C) ratio	Poverty line (B) back-estimated using (D) ⁽⁴⁾	Monthly amount ⁽⁵⁾		Ratio between	
	2-individual household ⁽¹⁾	a 1-individual household ⁽²⁾				minimum pension ⁽⁶⁾	social pension ⁽⁷⁾	minimum pension and poverty line (F)/(E)	social pension and poverty line (G)/(E)
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1969			56,500		26,793	27,083	13,000	1.01	0.49
1970			62,444		29,612	27,083	13,000	0.91	0.44
1971			67,807		32,155	28,383	13,000	0.88	0.40
1972			73,941		35,064	31,871	16,500	0.91	0.47
1973			89,372		42,381	35,833	20,583	0.85	0.49
1974			111,520		52,884	46,529	28,004	0.88	0.53
1975			129,580		61,448	60,613	42,088	0.99	0.68
1976			159,410		75,594	72,529	50,700	0.96	0.67
1977			191,380		90,755	86,288	57,742	0.95	0.64
1978			221,610		105,090	111,042	69,008	1.06	0.66
1979			272,960		129,441	132,492	78,271	1.02	0.60
1980	267,257	160,087	349,260	0.46	160,087	169,129	115,429	1.06	0.72
1981	314,408	188,330	417,640	0.45	188,330	216,467	137,804	1.15	0.73
1982	367,952	220,403	469,000	0.47	220,403	261,571	161,954	1.19	0.73
1983	422,266	252,937	539,410	0.47	252,937	317,750	190,567	1.26	0.75
1984	470,426	281,785	618,870	0.46	281,785	358,858	215,438	1.27	0.76
1985	549,270	329,013	693,500	0.47	329,013	394,521	267,171	1.20	0.81
1986	623,878	373,703	767,080	0.49	373,703	416,608	327,008	1.11	0.88
1987	691,788	414,381	836,970	0.50	414,381	440,929	340,308	1.06	0.82
1988	749,385	448,882	920,690	0.49	448,882	464,175	408,138	1.03	0.91
1989	838,260	502,118	1,018,100	0.49	502,118	506,642	425,267	1.01	0.85
1990	914,266	547,645	1,103,600	0.50	547,645	542,613	442,279	0.99	0.81
1991	1,010,336	605,191	1,210,800	0.50	605,191	584,346	469,696	0.97	0.78
1992	1,041,651	623,949	1,328,938	0.47	623,949	621,013	489,267	1.00	0.78
1993	1,024,973	613,959	1,353,354	0.45	613,959	634,496	496,967	1.03	0.81
1994	1,094,296	655,483	1,446,887	0.45	655,483	657,821	510,708	1.00	0.78
1995	1,143,355	684,870	1,562,245	0.44	684,870	678,654	522,167	0.99	0.76
1996	1,190,274	712,974	1,644,854	0.43	712,974	715,325	543,075	1.00	0.76
1997	1,430,315	856,759	1,732,102	0.49	856,759	743,221	558,567	0.87	0.65
1998	1,476,000	884,124	1,820,502	0.49	884,124	755,842	566,204	0.85	0.64
1999	1,492,315	893,897	1,901,573	0.47	893,897	769,438	682,283	0.86	0.76
2000	1,568,791	939,706	2,010,143	0.47	939,706	781,733	709,963	0.83	0.76
2001	1,557,189	932,756	2,072,606	0.45	932,756	802,046	751,454	0.86	0.81
2002	1,594,422	955,059	2,137,546	0.45	955,059	823,717	768,528	0.86	0.80
						(1,083,340)	(1,083,340) ⁽⁸⁾	1.13	1.13

Notes: Dotted lines denote changes in the statistical methodologies. (1) For a 2-individual household the poverty line is equal to the average per-capita monthly consumption, according to the International standard poverty line. - (2) For a 1-individual household the poverty line is computed applying to (A) the coefficient of the "Carbonaro equivalence scale" 0.599. - (3) Source: Istat, per-capita consumption expenditure of households from the National Accounts. They differ from values implicit in the poverty line (based on the same Consumption Survey by Istat), due to the methodology of the Poverty Commission. - (4) For period 1969-79, the average value of (D) for 1980-99 has been used. - (5) Annual amount, paid for 13 months, divided by 12 months. - (6) For period 1969-73 the amount corresponds to the minimum old age pension for a previous dependent worker who was over 65: at that time the minimum pension was differentiated by the kind of benefit (old age, disability or survivors), by the activity (dependent or independent work) and by the age (under or above 65). Since 1985 the monthly benefit also includes the "social integration" for individuals who are over 65 and have an income below a given amount (enacted by Law 140/1985 and modified by Law 544/1988) - (7) Since 1985, the social pension includes the "social integration" prescribed by Law 140/1985 and Law 544/1988. Since 2001 the "social integration" differentiated by age (enacted by Law 388/2000) is included in the amount for individuals between 65 and 75 years of age (due to the eligibility requirements, the youngest social pension beneficiaries were 65 in 1995). (8) In 2002, two figures are computed: the first one gives the amount of the social pension including the social integration for 65-70 individuals (according to Law 388/2000); the second, in parentheses, is the minimum guaranteed level of social pension according to the new floor introduced for all categories of pensioners by the 2002 Budget Law.

Table 3: Individuals living in poor households (% points)

	<i>1993</i>	<i>1995</i>
<i>All individuals</i>	12,57	12,47
<i>Elderly (over-65)</i>	4,78	5,11
<i>Young (under-18)</i>	13,92	13,92
<i>Pensioners</i>	5,47	5,43
<i>Elderly pensioners</i>	4,56	5,07
<i>Elderly other than pensioners</i>	8,67	5,82
<i>Social pension beneficiaries</i>	12,49	11,21
<i>Social pensioners before social pension payment</i>	37,20	26,70
<i>Pensioners other than social pension beneficiaries</i>	5,23	5,27
<i>Elderly other than social pension beneficiaries</i>	4,44	4,92

Source: Bank of Italy SHIW, years 1993 and 1995.

Table 4a: Real wealth conditions (*BI SHIW; year 1995*)

	ass1	ass2	ass3	ass4	acqui1	acqui2	acqui3	vend1	vend2
	<i>(% of households)</i>								
<i>Social pensioners</i>	9.09	1.70	15.34	1.70	1.70	4.55	7.39	100.00	1.70
<i>Over-65</i>	8.34	2.76	22.64	5.25	3.10	6.54	14.13	0.16	2.26
<i>Ratio</i>	1.09	0.62	0.68	0.32	0.55	0.70	0.52	634.7	0.75

- ass1** - life insurance (except complementary pensions)
ass2 - complementary pensions
ass3 - damage insurance (except car insurance)
ass4 - accident and illness insurance
acqui1 - precious objects purchase (jewellery, antiques, etc.)
acqui2 - transport means purchase (cars, boats, bicycles, etc.)
acqui3 - house equipment (furniture, electric machines, cameras, TVs, etc.)
vend1 - precious objects sale
vend2 - transport means sale

Table 4c: Public and private services use (*BI SHIW; year 1993*)

	services				lab exams		medical exams		medicines
	public transport	private transport	public hospit.n	private hospit.n	public inst.ns	private inst.ns	public inst.ns	private inst.ns	
	<i>(% of households)</i>								
<i>Social pensioners</i>	39.63	44.82	20.43	2.44	57.62	8.84	45.73	24.70	83.54
<i>Over-65</i>	43.74	53.35	24.82	1.68	61.68	11.02	48.41	27.38	83.03
<i>Ratio</i>	0.91	0.84	0.82	1.45	0.93	0.80	0.94	0.90	1.01

- godabit2** - residence estate tenancy
ubic11 - residence location: agricultural areas
ubic12 - residence location: city outskirts
ubic13 - residence location: between city centre and outskirts
ubic14 - residence location: city centre
ubic21 - residence location self-evaluation: valuable area
ubic22 - residence location self-evaluation: degraded area
ubic23 - residence location self-evaluation: none of the previous two
catabit1 - residence category self-evaluation: luxury
catabit2 - residence category self-evaluation: high standard
catabit3 - residence category self-evaluation: standard
catabit4 - residence category self-evaluation: economic
catabit5 - residence category self-evaluation: "popular"
catabit6 - residence category self-evaluation: "ultra-popular"
altrfab - other estate property (other than residence)
ristr - re-building works in the residence estate in the last 5 years
bagni - presence of two or more bath-rooms
riscald - presence of autonomous heating

Table 4b: Housing conditions (BI SHIW; year 1995)

	godabit1	godabit2	ubic11	ubic12	ubic13	ubic14	ubic21	ubic22	ubic23	catab2	catab3	catab4	catab5	catab6	alrfab	ristr	bagni	riscaled
	<i>(% of households)</i>																	
<i>Social pensioners</i>	58.52	22.73	5.68	28.41	30.11	31.82	19.32	15.34	64.77	4.55	46.59	27.84	16.48	4.55	7.95	21.59	23.86	64.77
<i>Over-65</i>	68.49	19.93	8.74	27.70	29.94	28.97	21.06	8.93	69.43	5.91	51.63	27.63	11.97	2.42	17.23	23.53	13.00	72.82
<i>Ratio</i>	0.85	1.14	0.65	1.03	1.01	1.10	0.92	1.72	0.93	0.77	0.90	1.01	1.38	1.88	0.46	0.92	1.84	0.89

Table 4d: Average household per-capita expenditure on public and private services (BI SHIW; year 1993)

average number of age household component (units)	services						lab exams						medical visits					
	public transport	private transport	public hospit.n	private hospit.n	public institutions	private institutions	public institutions	private institutions	public specialist	private specialist	public institutions	private institutions	public generic	private generic	public institutions	private institutions	public generic	private generic
	<i>(lire)</i>																	
<i>Social pensioners</i>	74.4	2.6	30.623	381.512	16.357	27.041	19,047	7,586	22,421	46,217	700	368	154,130					
<i>Over-65</i>	73.3	2.4	37.794	494.042	21.663	25.549	24,291	11,403	19,817	64,902	1,427	350	150,192					
<i>Ratio</i>	1.02	1.07	0.81	0.77	0.76	1.06	0.78	0.67	1.13	0.71	0.49	1.05	1.03					

Table 4e: Perception of health conditions (BI SHIW; year 1995)

	Health conditions						presence of any permanent illnesses	presence of any form of disability
	very good	good	normal	bad	very bad			
	<i>(% of individuals)</i>							
<i>Social pensioners</i>	4.55	26.70	39.20	24.43	5.11	55.11	18.18	
<i>Over-65</i>	5.86	21.30	36.71	29.49	6.57	51.50	20.96	
<i>Ratio</i>	0.78	1.25	1.07	0.83	0.78	1.07	0.87	

Table 5: Individuals classified by demographic and economic characteristics: composition and poverty index ⁽¹⁾
(Bank of Italy SHIW; year 1995)

	All individuals		Elderly		Pensioners		Elderly pensioners		Social pensioners	
	% of which:		% of which:		% of which:		% of which:		% of which:	
	total sample	% of poor	the sub-sample	% of poor	the sub-sample	% of poor	the sub-sample	% of poor	the sub-sample	% of poor
Sex										
Male	48.58	12.48	40.40	4.82	45.21	5.22	42.19	4.71	7.14	18.82
Female	51.42	12.46	59.60	5.32	54.79	5.59	57.81	5.33	92.86	10.63
Geographical area										
Nord	44.40	3.09	47.73	1.06	50.47	1.19	47.62	0.86	38.32	5.03
Centre	19.20	4.00	18.54	1.13	18.38	2.14	18.57	1.19	18.88	1.51
South and Islands	36.40	28.39	33.73	13.05	31.15	14.23	33.81	13.13	42.81	21.02
Age ⁽²⁾										
From 65 to 68	38.77	17.28	20.88	6.91	0.70	4.15	19.36	6.70	17.17	11.58
From 68 to 70	14.70	15.33	13.13	4.04	0.97	20.79	12.90	4.37	17.78	11.94
From 70 to 75	13.39	10.11	29.52	6.31	3.56	10.43	29.87	6.29	31.92	10.23
From 75 to 80	17.95	8.08	14.32	2.79	35.47	5.90	14.80	2.87	12.90	0.00
More than 80	15.19	4.70	22.15	3.97	59.30	4.61	23.07	3.92	20.22	18.96
Education										
None	16.70	19.67	28.10	11.11	22.95	11.73	29.03	10.77	41.33	19.30
Elementary school	25.99	14.03	48.69	3.82	48.96	4.16	48.52	3.73	46.93	6.89
Middle school	27.16	14.54	12.66	0.98	15.76	4.04	12.37	1.07	6.61	0.00
High school	25.13	6.02	8.36	0.14	9.92	0.61	7.97	0.00	4.82	0.00
Degree	5.02	1.56	2.20	0.00	2.40	0.00	2.11	0.00	0.32	0.00
Household income brackets										
Up to 20 million lire	15.04	62.18	27.48	17.50	22.48	21.37	28.29	16.77	32.61	34.38
From 20 to 40 million lire	35.16	8.86	40.72	0.75	38.80	1.61	40.64	0.80	41.05	
From 40 to 60 million lire	25.16		17.07		20.15		16.43		11.58	
From 60 to 80 million lire	13.30		8.40		10.05		8.42		7.99	
More than 80 million lire	11.33		6.33		8.53		6.21		6.77	
Total	100	12.47	16.43	5.11	24.35	5.43	15.46	5.07	0.64	11.21

(1) Head count ratio on a poverty line calculated according to the International standard on disposable income. - (2) For age brackets consider the right-hand scale in the case of all individuals and pensioners; the left hand scale in all the other cases.

Chart 1: Social protection benefits and services in Italy (GDP ratios)

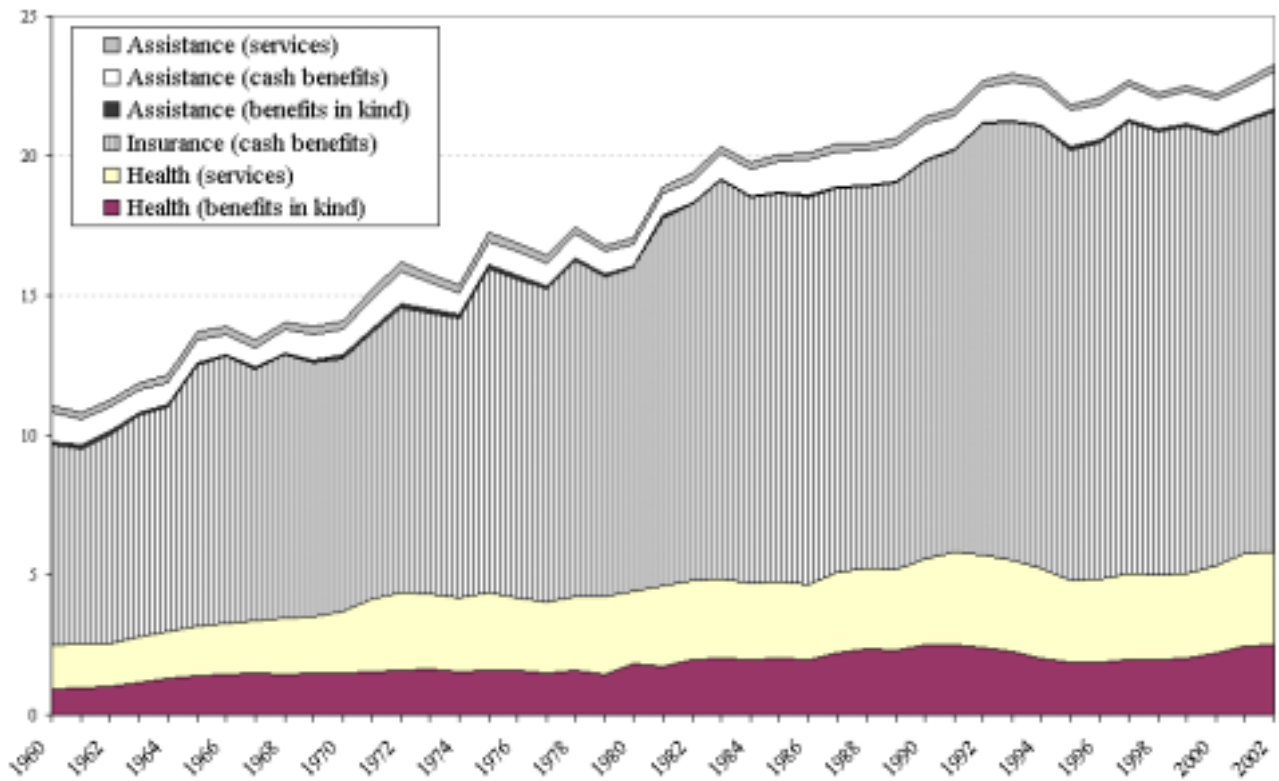


Chart 2: Social protection cash benefits in Italy by types of risks (% composition)

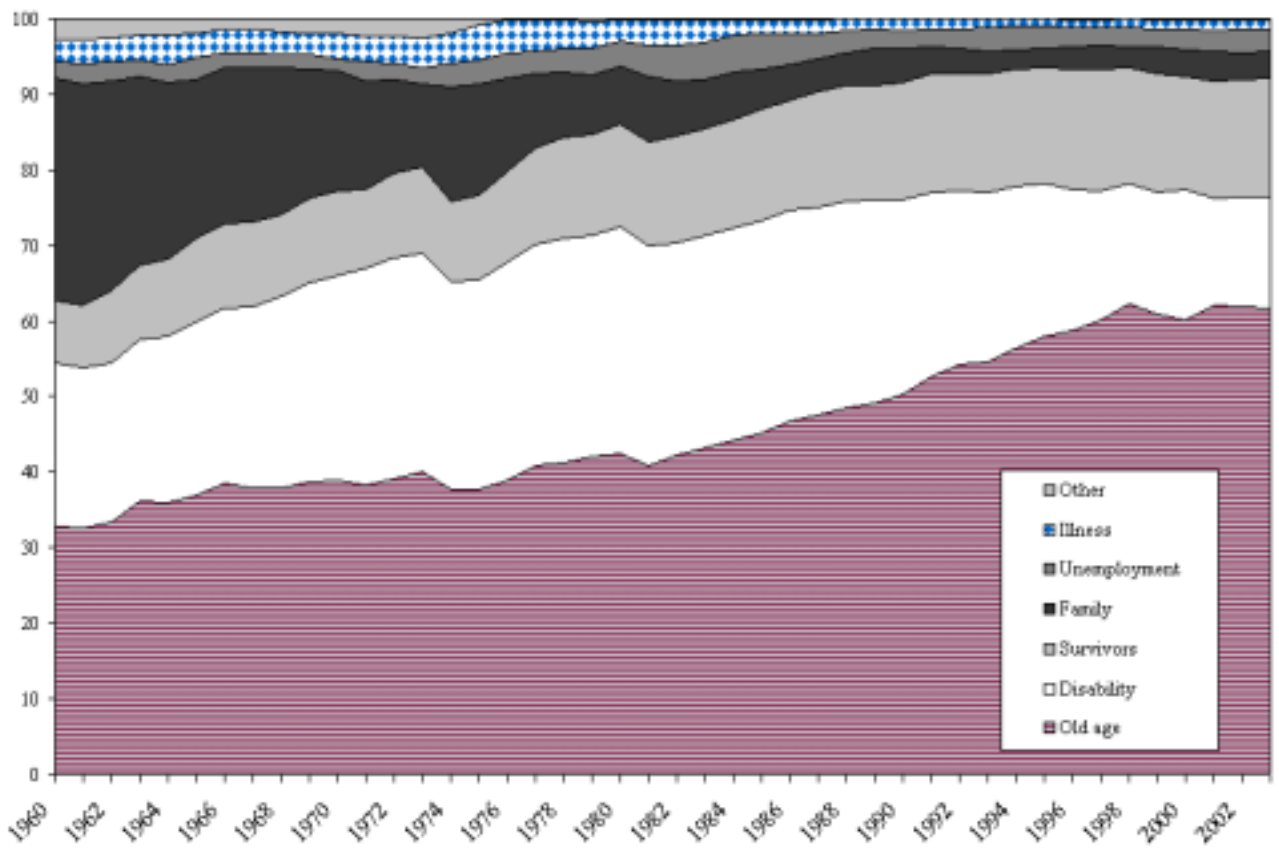


Chart 3: Social pension and minimum pension compared (monthly benefit in lire)

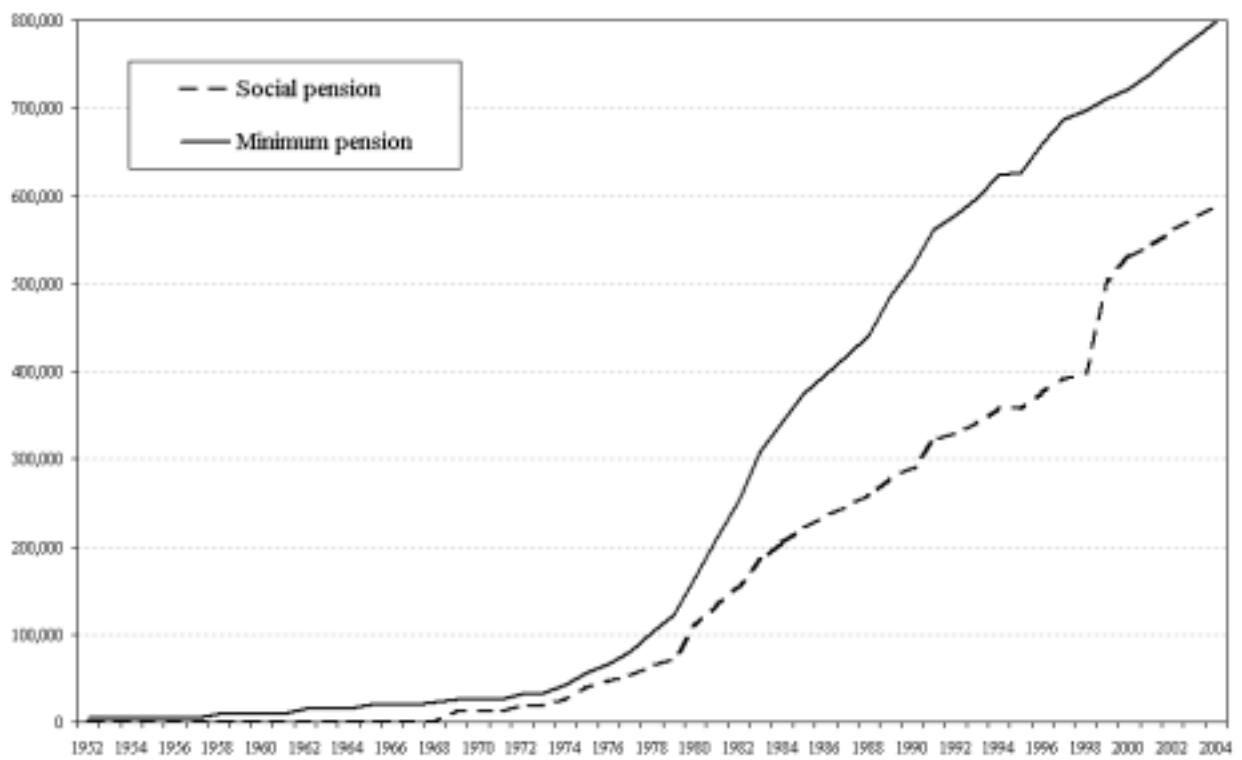


Chart 4: Social pension and family size (annual amount in lire)

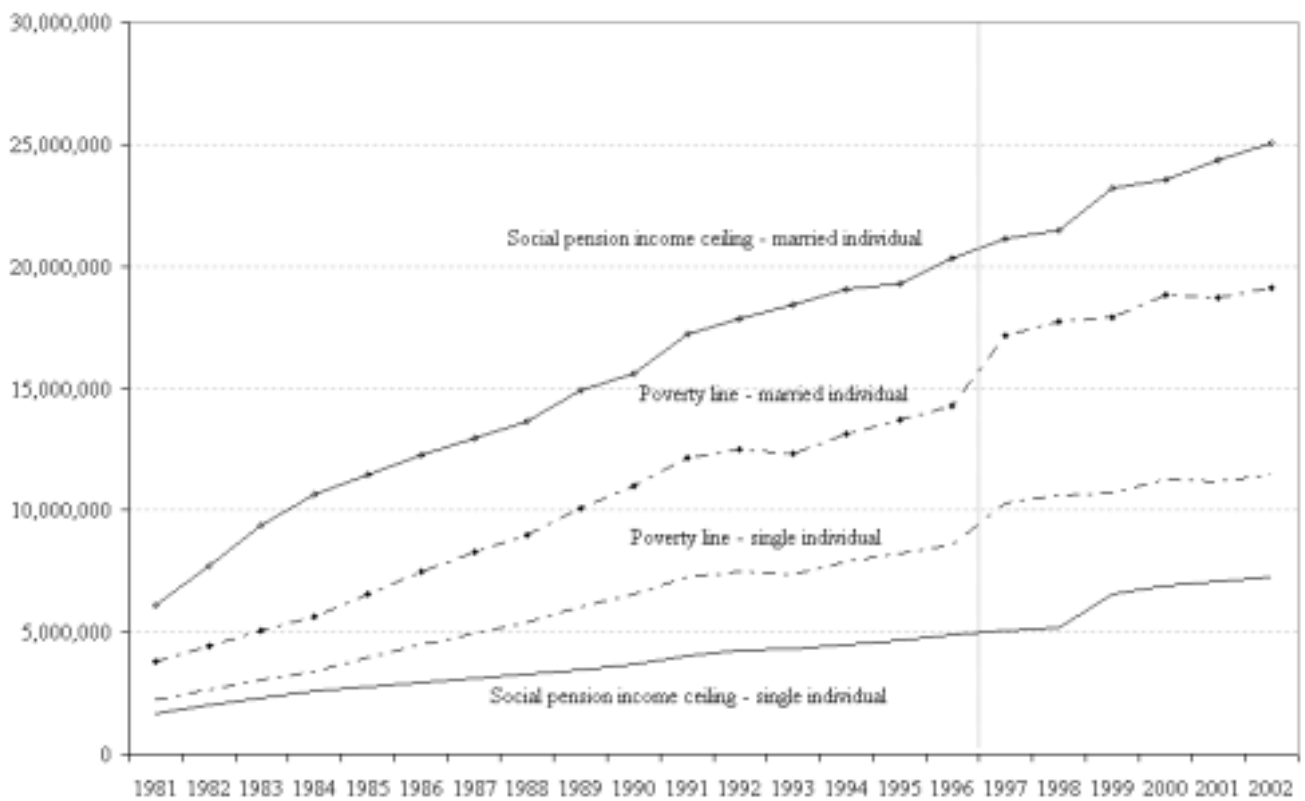


Chart 5: Social pension compared to income and consumption indicators

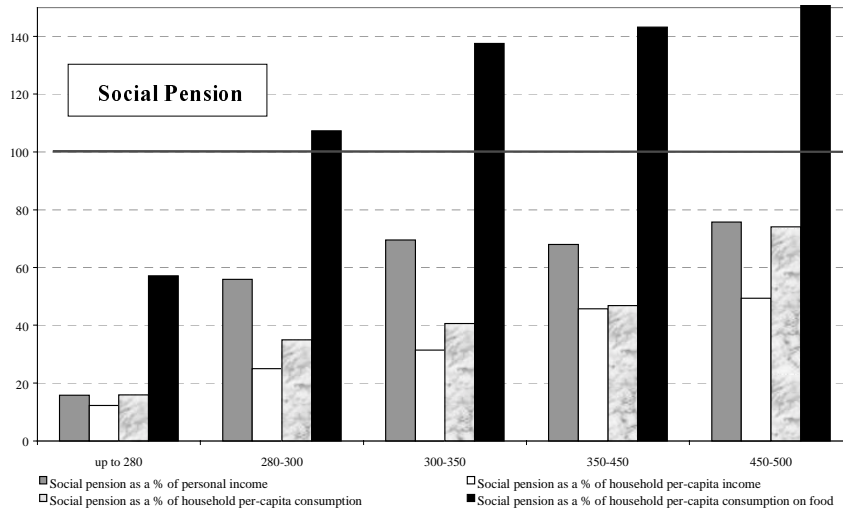


Chart 6: Personal income compared to household's income and consumption indicators

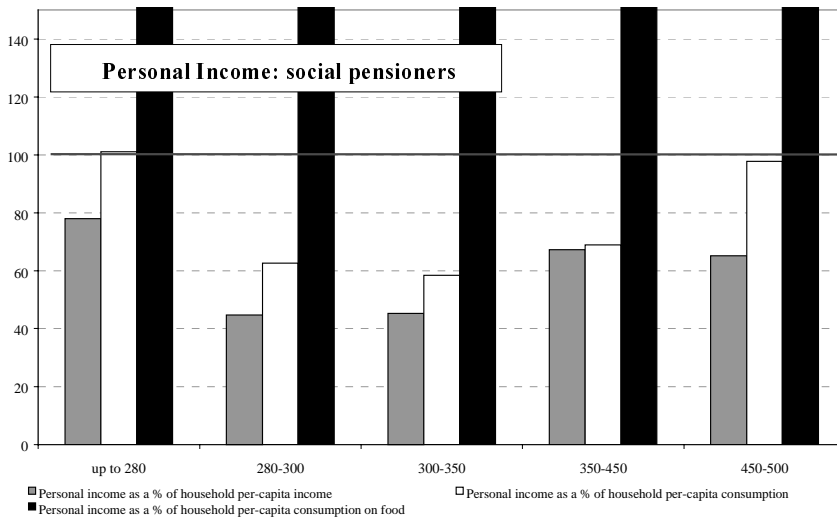


Chart 7: Personal income: Social pensioners and Elderly compared

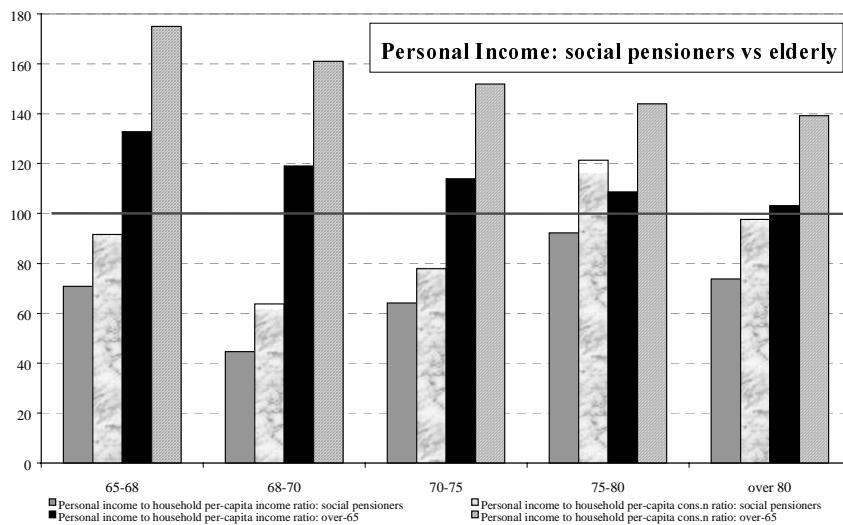


Chart 8: Deprivation index (*standardized scores with respect to the entire sample*)

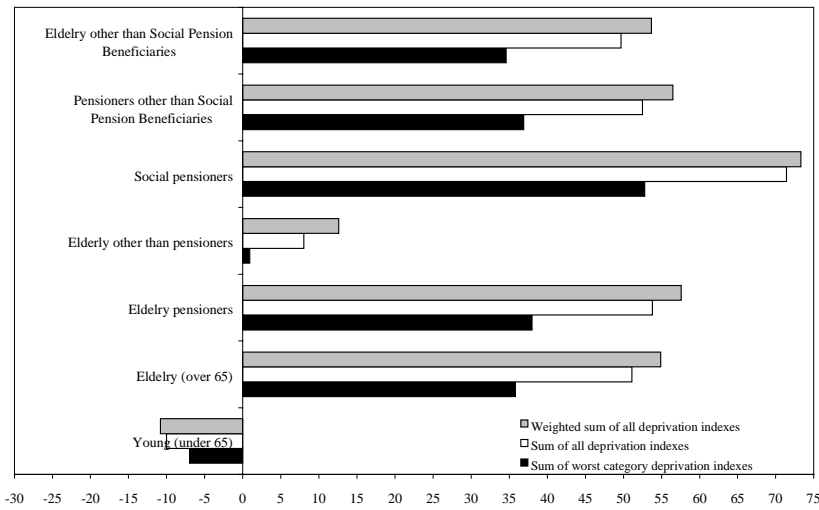
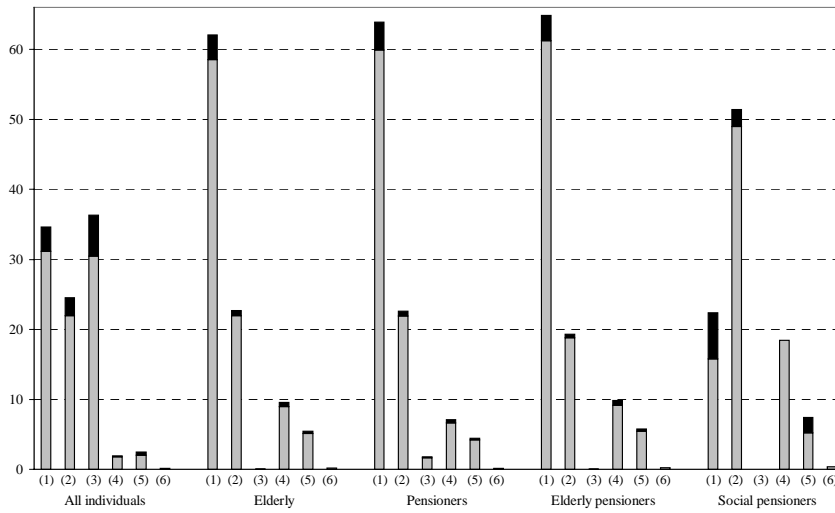
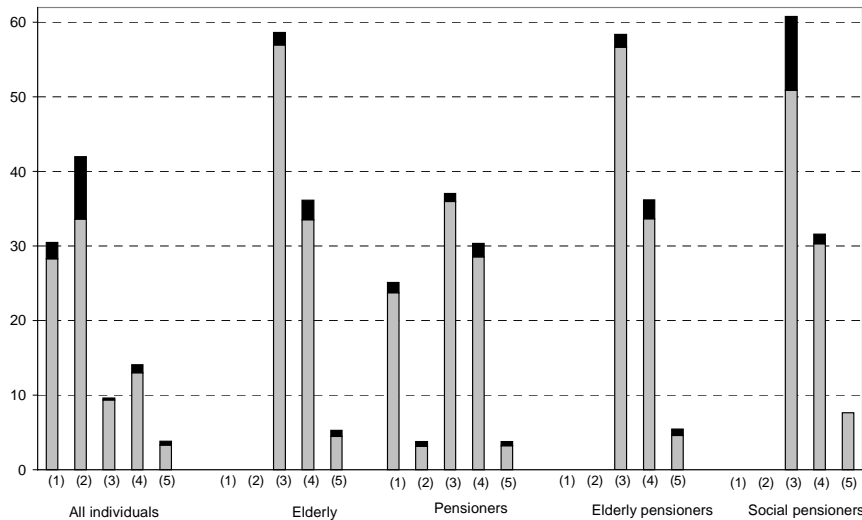


Chart 9: Individuals classified by households' characteristics: position within the family



(1) Head of family; (2) Spouse; (3) Son/Daughter; (4) Parent; (5) Relative other than previous; (6) Member other than relative.

Chart 10: Individuals classified by households' characteristics: family types



(1) Adults only; (2) Adults and minors; (3) Elderly only; (4) Elderly and adults; (5) Elderly adults and minors.

Chart 11: Elderly individuals and pensioners classified by family type, geographical area, and household's poverty status.

