

Make them work! In-work benefits after the pandemic in the reform of Italy's minimum income scheme

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## Make them work! In-work benefits after the pandemic in the reform of Italy's minimum income scheme

### 1. Introduction

Minimum income schemes (MIS) have undergone profound changes in recent years. Differently from the past, when they were mainly conceived as passive measures of last resort for the poor, over the years they have increasingly turned into active tools to foster transitions from welfare to work for a growing variety of target groups at risk of poverty, including the working poor (Marchal *et al.* 2017; Barbieri *et al.* 2018; Cantillon *et al.* 2020). Along with stricter time limits, work obligations to receive the benefit, active labour market policies (ALMP), and dedicated social services (housing, education, childcare, and healthcare) to facilitate social inclusion, most governments introduced in-work benefits (IWBs) as an integral part of MIS, to enhance incentives to take up work. Generally speaking, IWBs can be defined as direct earnings subsidies or tax credits or equivalent work-contingent benefits aimed at alleviating in-work poverty and increasing work incentives for low-income workers and their families (Vandelannoote and Verbist 2020; Van Der Linden 2021). IWBs differ in terms of size and design, as well as in the policy context in which they operate.

In this paper, we argue that their appeal is expected to increase due to the effects of the COVID-19 pandemic on the labour market. The pandemic has resulted in an unprecedented labour market shock, with millions of jobs put at risk as a consequence of the restrictions and the recurrent lockdowns. The COVID-19-related confinement measures have had asymmetric impacts on the labour market, not only on

the different economic sectors but also on diverse workforce groups. As shown by the OECD (2022), in low-paying occupations, hours worked fell by over 28% across OECD countries, 18 percentage points higher than the fall seen among high-paying occupations. Pouliakas and Branka (2020) estimated that about 45 million jobs in the EU-27 labour market (23% of total EU-27 employment) were faced with a very high risk of COVID-19 disruption, while another 22% of the EU workforce – mostly medium to lower-skilled service providers – was exposed to some significant risk. In terms of workforce groups, their findings indicate a higher risk for women, older employees, non-native workers, lower-educated and employed in small firms.

The post-pandemic economic and employment recovery – albeit stifled by the negative effects of Russian aggression of Ukraine – may hide some long-lasting effects that disproportionately affect low-skilled individuals in some occupations projected to expand before the pandemic. At the individual level, scarring effects of unemployment may occur (Arulamalam *et al.* 2001; Gregg and Tominey 2005). At the sectoral and occupational level, the post-pandemic era may see reduced employment chances for low-skilled workers. In particular, some low-skilled, but non-routine occupations, mostly in services (food and accommodation, corporate buildings maintenance and cleaning, corporate travels, personal services) may suffer from the structural diffusion of remote working (Ice *et al.* 2021; Dubina *et al.* 2021)<sup>1</sup>.

If this is the case, the importance of IWBs in social protection systems is likely to grow, due to their dual objective: to complement the income of low-income workers (possibly due to reduced worked hours) and to minimize the risk of poverty trap for those on welfare, making every bit of work pay. Besides job retention support, which has so far absorbed most resources to prevent unemployment (OECD 2022), the

<sup>1</sup> In their projections for the US labour market, Dubina *et al.* (2021) show that personal care and service occupations and food preparation and serving-related occupations will experience sustained employment growth in the next decade. However, such growth is entirely due to a recovery of pandemic-related job losses incurred in 2020. Thus it will take 10 years for such occupations – which were projected to significantly contribute to employment growth *before* the pandemic – to reach the employment levels of 2020.

asymmetric impacts of the pandemic call for a variegated set of policy tools, including IWBs, which increase the net return of labour for those employed at the margin of the labour market.

In this paper we focus on the place of IWBs in different welfare regimes, to provide insights on the emerging relationships between MIS and IWBs in developed welfare states. In this regard, the design of the IWB linked to the Italian MIS, *Reddito di cittadinanza* (RdC, Citizenship Income), stands out for its weakness. Current policy debates revolve around how it should be reformed. The right-wing government led by Giorgia Meloni has committed to its radical reform, if not dismantling, precisely for those closer to the labour market, the «employable» recipients. Based on evidence of how the pandemic has impacted on the characteristics of RdC beneficiaries more attached to the labour market, and of low-wage workers who become unemployed, we argue that – on the contrary – reform should focus on making MIS compatible with work, and incentivise MIS beneficiaries to enter gainful employment.

Next section reviews the structure and goals of IWBs in different institutional contexts, in general terms first, and then providing examples from the Anglo-Saxon welfare regime (UK), the Nordic one (Sweden) and the Continental one (France and Germany). The design and functioning of IWBs in Italy are then reviewed and assessed, in particular in operation with RdC. Section 3 provides evidence on the impact of the pandemic on labour market characteristics of workers who rely or may have to rely on safety nets in Italy, to show the emergence of changing patterns after the pandemic which call for better IWBs. Section 4 briefly indicates some directions for reform of the welfare-to-work nexus in the RdC, broadly inspired by the workings of IWBs in the UK, German and French contexts. The final section concludes.

## 2. In-work benefits in comparative perspective

### 2.1. *The structure and goals of IWBs in different institutional contexts*

IWBs have been at the core of the making-work-pay strategies put forward to raise the disposable income of low-income

families and low-paid workers (Pearson and Scarpetta 2000; OECD 2003, 2005). They have two main objectives: first, increasing employment incentives for disadvantaged groups, while remaining in, or taking up, low-paid work; second, providing them with extra-income to cover their living costs (Immervoll and Pearson 2009; Corlet and Gardiner 2015; Verbist and Vandelannoote 2020; Sherlock *et. al.* 2021). Across countries, eligibility criteria, targeting and benefits amounts can vary significantly, depending on a wide range of circumstances, such as having one or more children, working a minimum number of hours, or work criteria, thus reflecting whether the benefit is aimed at raising the disposable income of working individuals or easing transitions into employment. Moreover, benefits can be individual or family-based, with different distributional effects.

Most studies on IWBs have pointed towards positive labour supply effects. It means that such schemes can contribute to raise employment among target groups, especially in the case of individual-based IWBs (Immervoll and Pearson 2009; Vandelannoote and Verbist 2020). By contrast, as far as poverty reduction is concerned, Vandelannoote and Verbist (2020) highlight stronger positive effects within household-based systems, that is when the unit of eligibility is the family rather than the single beneficiary. In this case, however, the labour market participation of the second earner, mostly women, often results penalised (Kenworthy 2019; Burkhauser and Corinth 2021). Other studies (Neumark and Wascher 2008; McKnight *et. al.* 2016) have shown that the introduction of an IWB is more effective in fighting poverty than the minimum wage (MW). Indeed, MW increases are not necessarily related to decreases in poverty rates, since most people at risk of poverty do not work or live in households with very low work intensity (Vandelannoote and Verbist 2020). Additionally, while increases in the MW may help increase the labour earnings of some low-income families or low-paid workers, they may push other marginalised groups out of the labour market due to higher labour costs (Burkhauser and Corinth 2021), while the introduction of IWBs can increase the earned income, without burdening labour costs. However, the same authors have also emphasised how without a binding MW, IWBs may create incentives for employers to keep down wages and pay the workers less. All these considerations militate towards the

joint introduction of IWBs and a binding MW (AAVV 2021; Burkhauser and Corinth 2021; Brülle 2022), to minimize the risks of exploitation or labour market exclusion of marginal categories, and actually make the best of both schemes.

The effects of IWBs can vary considerably according to the different institutional contexts in which they operate. As pointed out by several authors (Immervoll and Pearson 2009; Corlet and Gardiner 2015; Figari 2011) it is difficult to draw conclusions focusing on IWBs as isolated measures, without considering the comprehensive institutional setting devoted to support (low) income and contrast poverty. This means considering the institutional complementarities between IWBs, MW, MIS, as dedicated policies against poverty, and other welfare subsidies (Corlet and Gardiner 2015). At the same time, it means considering the overall policy objectives of IWBs, which tend to differ in different welfare regimes.

In the Anglo-Saxon countries, where labour markets are highly deregulated and the MW is low, IWBs have been the main strategies to improve the income of low-wage earners (Verbist and Vandelannoote 2020). The UK Family Income Supplement in 1971 (FIS) and the US Earned Income Tax Credit in 1975 (EITC) were the first IWBs introduced in the Western countries, as a negative income tax for low-income working families.

In recent years, other European countries have also introduced IWBs and work incentives, from rebates of social contributions paid by employees in order to increase net wages for low-paid workers, to tax reductions for low- and moderate-income earners, to tax credits as in the Anglo-Saxon context, or the (lump-sum or proportional) disregard of additional work income for benefit recipients (Verbist and Vandelannoote 2020).

There are, however, significant differences in terms of institutional settings and goals of work incentives. In general terms, while Anglo-Saxon IWBs are more generous and tend to emphasise the fight against poverty (Nichols and Rothstein 2015; Kenworthy 2019; Burkhauser and Corinth 2021), in Continental Europe IWBs are less generous and tend to stress work-incentives for low-paid workers and people entitled to MIS (Immervoll and Pearson 2009; Figari 2011). These differences can be explained by the residual nature of the welfare protection in the Anglo-Saxon welfare states, where IWBs tend to absorb most resources against poverty and social exclusion

(Verbist *et al.* 2007) and by contrast the presence of more generous unemployment benefits, higher MW and dedicated measures to fight poverty and social exclusion in the Continental European countries. Due the outreach of their welfare states, Nordic welfare states tend not to rely on IWBs, as Denmark and Norway have no IWBs, while Sweden and Finland only have earned income tax credits in place.

To provide examples, in what follows we will briefly sketch the main features of IWBs in four countries: the UK, where IWBs historically play an antipoverty function for low-income families, Sweden, where they only target low-paid workers, and France and Germany, where they function as individual transfers to support both low-paid workers and welfare recipients.

## 2.2. IWBs in UK, Sweden, France and Germany

In the UK, IWBs have recently undergone major shifts. In 2012 the previous Working Tax Credit, a transfer aimed at topping-up the earnings of low-income households, was replaced by a new conditioned IWB, the Universal Credit (UC), which absorbed six existing benefits and tax credits (Housing Benefit, Income Support, Jobseeker's Allowance, Employment and Support Allowance, Child Tax Credit, and as said Working Tax Credit). At present UC, which is expected to reach all the benefit claimants by the end of 2024, is a monthly payment for unemployed and low-income families to cover the living costs. It is made of a basic «standard allowance» and extra payments depending on family composition, health condition or disability of beneficiaries, housing and childcare costs. In addition, it requires strong work conditionality. Under UC each beneficiary is placed in 1 of 4 conditionality regimes, which set the work conditions to be satisfied in order to receive the benefit, according to the working status. Generally, they range from actively seeking employment, to completing training and maximising working hours for low-paid working beneficiaries (Clegg 2015; Thornton and Iacoella 2022). UC can be cumulated with a paid job at a 55% taper rate. This means that for every £1 the beneficiary earns, the benefit is reduced by 55p. Introduced to simplify benefits and incentivise paid work, UC led to a dismantling of the UK tax credit system as it had evolved in the previous decades, introducing low-paid workers

to an unprecedented regime of job search requirement, enforced by sanctions and aimed at promoting extra working hours and multiple jobs (Clegg 2015; Wright and Dwyer 2022).

Sweden is a peculiar case, as only in 2007 the centre-right government introduced an IWB (Earned Income Tax Credit – EITC, *jobbskatteavdraget*), which however functions as a deduction on income from work ranging between €1,300 and €3,400 per year. EITC can be claimed by all workers, while non-working people and welfare recipients cannot claim the tax deduction. As such, EITC, which was expanded five times between 2008 and 2019, only provides incentives to those employed in low-income jobs (Cronert and Palme 2019; Scarpa 2021).

In France the *Prime Activité* (PA) is an IWB introduced in 2016 as a result of the unification of previous schemes. With the introduction of PA, anti-poverty policies have been reorganized in two different pillars: on the one hand the *Revenu de Solidarité Active-Socle* (RSA-Socle), an unlimited, non-taxable minimum income, and on the other, the PA, paid monthly to all persons aged 18 years and over (including students in internships or apprenticeships) who received in the previous three months an income from work (self-employed or employed) or an allowance (including the RSA-Socle) below a given threshold. Such threshold varies according to employment and family status. For an individual with income from employment or social benefits only, this threshold is set at 1.5 times the net legal MW, or approximately €1,990 net per month<sup>2</sup>. For the self-employed, reference is made to annual taxable income, with a threshold of around €35,000 for professionals and artisans. The amount of PA is calculated on the basis of a lump sum of about €586 per month, increased according to the number of children and dependants. An individual bonus may then be added to the lump sum for each household member whose monthly income (calculated over the past three months) is above €653. The bonus increases with the member's income up to a value of €170 when monthly income reaches €1,328, then remains constant. The total amount of PA at household level is calculated summing the lump sum and all the individual bonuses with 61% of total household income,

<sup>2</sup> All values for Prime Activité refer to 2022.



and then subtracting the total household income, comprised of all labour, property and capital incomes, unemployments benefits, family allowances, social assistance benefits (including *RSA-socle*) and rent support transfers. Each euro of earned income (until the income threshold is reached) thus reduces the PA amount by only 39 cents (39% taper rate).

As compared to France, Germany presents a relatively under-structured system of IWBs, as they actually are work incentives linked to the drawing of the German MIS (*Arbeitslosengeld II*), which is however a large scheme indeed, with above 5.5 million beneficiaries every year. As such, rather than a fully fledged *in-work* benefit, what Germany has in place is what the OECD calls an «*into-work* benefit», to encourage MIS beneficiaries' re-insertion into the labour market, which also caters to low-income workers. With the Hartz reforms between 2003 and 2005, income support was reorganised around two main pillars. On the one hand, the unemployment insurance benefit (*Arbeitslosengeld I*), financed through social contributions and functioning along social insurance principles. On the other the means-tested MIS (*Arbeitslosengeld II*), financed by general taxation and devoted to all those able to work (i.e., at least 3 hours per day for the next 6 months) whose resources fall below a given threshold, thus including low income workers. The amount of the benefit is set for a single person at €449 per month in 2022 and increased according to the household composition. In addition, recipients may receive, under certain conditions, additional allowances for food, personal care, household goods, and everyday needs. With an increased pressure to accept job offers, active measures – based on the signature of an insertion agreement with public employment services – rely on a mix of sanctions and work incentives. In case of repeated refusal of job offers, sanctions may entail a benefit cut up to 100%. At the same time, work incentives envisage cumulating the subsidy with income from work, through exemptions that reduce the gross income on which the amount of the benefit is calculated. The first 100 euro per month of earned income is not included in the gross income calculation; between €100 and 1,000 per month earned income is only counted for 80% (exemption equal to 20%); between €1,000 and 1,200 earned income is only counted for 90% (exemption equal to 10%). The ceilings within which the exemptions apply are approximately €1,200 per individual beneficiary and €1,500 with at least one

dependent minor child. At the time of writing, the Federal Parliament (*Bundestag*) approved a reform of *Arbeitslosengeld II*, to be replaced by *Bürgergeld*, entailing higher benefit amounts (for instance, €502 per months for a single person) and in particular a lesser focus on re-employment, in favour of training of beneficiaries. A cooperation pact would replace the insertion agreement, and a grace period of 6 months would be introduced, during which sanctions for lack of compliance would be waived. The reform is at time of writing undergoing Mediation procedure, as the Federal Council (*Bundesrat*) has not approved of it. In any event, the work incentives do not seem to differ from those of ALG II.

### 2.3. *IWBs in Italy*

As seen, in the continental European countries IWBs perform a dual function. On the one hand, they function as individual transfers to support low-paid workers; on the other they tend to discourage the inactivity trap among beneficiaries of out-of-work benefits, by making more convenient to cumulate a subsidy and a (low-paid) job (Immervoll and Pearson 2009; Figari 2011). The diffusion of IWBs in countries such as Germany and France can thus be interpreted as active complements of the institutional correctives (MIS and MW) introduced to mitigate the growing dualisms between insiders (the high-skilled workers in the core high value added sectors, who remain well protected despite pressure towards deregulation) and outsiders, employed at the margin of the labour market in non-standard jobs and relatively less protected by the traditional Bismarckian welfare state (Emmenegger *et. al.* 2012).

While sharing many features of this picture of labour market and social protection segmentation (Sacchi and Vesan 2015), Italy stands out as regards IWBs, due to the peculiarities of its out-of-work income support system. It is well known (Sacchi 2018, Vesan and Pavolini 2018) how income support was for a long time only geared to insiders, in the guise of short-time work (*cassa integrazione*), while unemployment protection was rudimentary. Short-time work beneficiaries are still on the company's payroll and – until Regulation (EU) 2019/1700, see below – counted as fully employed in official statistics. So there was formally no need for IWBs in this regard. Even when a

special unemployment benefit for those insiders who underwent collective dismissals, mobility allowance (*indennità di mobilità*), was introduced in 1991, it came with special hiring incentives attached. When unemployment protection was reformed for all workers, in 2012 and again in 2015, an IWB was devised. However, it is extremely cumbersome and difficult to implement even for the national social security administration. Rather than through IWBs (although built in the rules of income support schemes, as into-work benefits), Italy has traditionally catered to work insertion on the labour demand side, via hiring incentives for benefit recipients (in which case employers receive part of the unconsumed unemployment benefit). A fully-fledged IWB (integrative treatment, *trattamento integrativo*) worth up to €1,200 has been in place since 2014 for those in paid employment whose yearly income is below €15,000 (2022 rules). Thus, with the limited exception of the cumbersome IWB attached to unemployment benefits, Italy – in spite of the features of its welfare state – seemed to cluster with the Nordic countries, Sweden or Finland in particular, rather than France or Germany. When the first ever nation-wide MIS (Inclusion income, *REI – reddito di inclusione*) was introduced in 2018, however, it envisaged an in-built IWB that resembled the German case. In REI, income from work was valued at 80 percent rather than in full (up to a maximum of €3,000), both in terms of access to the measure (thus complementing low income) and its maintenance (thus encouraging the take-up of regular employment). This would occur forever, that is, as long as the beneficiary was included in the income support program.

A new means-tested MIS (RdC) was then introduced in 2019, supplanting REI. RdC provides relatively generous benefits: up to €500 per month for a single person, plus an housing allowance up to €280 per month; amounts are equalized using a rather flat equivalence scale, penalizing large households. RdC is supposed to work both as a dedicated social safety net to fight poverty and social exclusion and an ALMP to encourage beneficiaries to enter the labour market (Saraceno *et al.* 2021), with a spectrum of sanctions echoing the German Hartz IV. However, a proper IWB was not envisaged.

As a matter of fact, the current design of RdC provides mechanisms that are unfavorable to both accessing the scheme for low-income workers and the combination of the subsidy and labor income for those who find employment while draw-

ing the benefit, and may therefore give rise to the poverty trap. Indeed, on the one hand, income from work enters in full into the definition of household income considered for the purpose of accessing the measure. On the other, it does not provide, except for the very initial period, an incentive to find employment in the regular economy.

If a recipient of the RdC starts working under an employment contract, the subsidy is reduced – other things being equal – by 80 cents for every euro earned. However, this incentive persists only until the first update of the income and wealth resources declaration (ISEE, *Indicatore della situazione economica equivalente*, an indicator of the equivalized economic conditions of the applicant, assessed at the household level). After the ISEE has been updated (at the latest, one year after), the marginal effective tax rate becomes 100 percent: for every euro earned, the RdC is reduced by one euro.

If starting self-employment, the incentive is again temporary, consisting of maintaining the subsidy for two monthly payments. If the activity is started in the first 12 months of receiving the RdC, a lump-sum transfer equal to 6 months of RdC (possibly reduced by the incentive already drawn) is recognized as an «additional» benefit.

To have provided in the RdC such a high marginal effective tax rate (100 percent) in case a beneficiary starts working is a clear disincentive to find regular employment, also constituting an obstacle to the emergence of the underground economy: every euro of additional declared income, as opposed to «off-the-books», translates in perspective into an equal reduction of the subsidy.

These limitations of RdC are even more consequential when assessed against a backdrop of increasing risks for low-income workers of having to rely on MIS, after the pandemic. The next section provides evidence of such risks, which should not be ignored by policymakers who plan to reform RdC.

### 3. Pandemic impact on low-income workers

#### 3.1. *Empirical strategy, data and methods*

In this section we first investigate how the pandemic has impacted on labour market profiles of RdC beneficiaries, then

we look at the impact of the pandemic on transitions into unemployment. Such analyses rely on two different sources of data.

To investigate how the labour market profile of RdC beneficiaries changed during the pandemic, we rely on the 2021 cross-sectional dataset from the Participation, Labour and Unemployment Survey (PLUS) conducted by the Italian National Institute for Public Policy Analysis (INAPP). In addition to information on a wide range of individual characteristics related to socio-economic and labour market conditions for about 42,000 individuals, the 2021 INAPP-PLUS survey also provides reliable statistics on labour market phenomena which are rare and are more marginally explored in the Eurostat Labour Force Survey (EU-LFS), such as access to various welfare measures, including the RdC. A dynamic computer-assisted telephone interview (CATI) approach was used to administer the questionnaire to a sample of residents aged 18-74 selected through stratified random sampling of the Italian population<sup>3</sup>.

To analyse how the pandemic modified the profiles of workers exposed to transitioning into unemployment we rely on the 2021 INAPP-PLUS survey and to the 2019 yearly cross-sectional dataset from the EU-LFS. The latter is an extensive household sample survey which provides quarterly and yearly data on labour participation of people aged 15 and over and those outside the labour force, covering all industries and occupations. Employing two different data sources for this analysis allows us to solve a conundrum concerning actual microdata availability on the labour market conditions of Italians. At the time of writing, quarterly and yearly 2021 EU-LFS data are still not released, whereas, due to the modifications related to the entry into force of Regulation (EU) 2019/1700, the 2021 Italian LFS (*Rilevazione Continua delle Forze di Lavoro*), which informs EU-LFS, cannot be compared with the 2019 release of the Italian LFS, which adopts the old (pre-EU Regulation) definition of unemployment. The new harmonised time series has yet not been released. At the same time, the strategy of using the 2018 cross-sectional INAPP-PLUS dataset is precluded, as the information on the occupation in the last job for unemployed individuals is collected only at the first digit

<sup>3</sup> See Appendix 1 on INAPP-PLUS dataset for information on the stratification of the survey sample.

of the occupation classification rather than the fifth as in the 2021 dataset, thus preventing identification of the NACE sector for these individuals through stratification technique (see Appendix 1). On the bright side, INAPP-PLUS and EU-LFS both allow for the same identification of individuals' conditions in the labour market<sup>4</sup>, provide the same information concerning individual labour market characteristics and are representative of the active Italian population. Although aware of the sample size difference, with the EU-LFS yearly sample considerably larger than INAPP-PLUS one, when considering the limitations concerning data availability, we believe this strategy allows to analyse the impact of the pandemic on the Italian labour market in a «satisficing» manner.

The analysis of the variations of RdC beneficiaries' labour market profiles before and after the pandemic outbreak is based on the following empirical strategy. The INAPP-PLUS respondents aged between 18-64 years who were employed 12 months before the interview constitute the sample population of a Multinomial logit model with a dependent variable that takes values equal to 0 for those who never benefitted from the RdC, 1 for those who enter the measure before the pandemic outbreak (March 2020) and 2 for those who had access to RdC during or after the pandemic.

In the analysis of the impact of the pandemic on transitions into unemployment, we focus on individuals aged between 18-64 years who were in paid employment<sup>5</sup> 12 months before the interview<sup>6</sup> and, in this population, we select two groups: *a) the target population*, those who at the time of the interview were unemployed because they were dismissed, made redundant, or as a consequence of the expiring of their fixed-term contract; *b) the reference population*, those who remained stably and continuously employed during the 12 months. The empirical

<sup>4</sup> Both surveys allow to identify the population of interest, that is those in paid employment in the labour market 12 months before the interview, through the variables related to the working condition during the reference week.

<sup>5</sup> Due to data limitations, we focus only on employees in this analysis. EU LFS data does not allow to differentiate between self-employed with or without employees and does not provide income information for this category of workers.

<sup>6</sup> As a further selection, we excluded from both target and reference populations those who declared to be/have been employed in the following sectors: activities of extraterritorial organisations and bodies; activities of households as employers, undifferentiated goods- and services-producing activities of households for own use; and armed force.

analysis regarding the determinants of the transition toward unemployment in the two reference periods is developed through estimation of Probit models where the dependent variable is a dummy that takes value equal to 1 for the target population and 0 otherwise (i.e. the reference population).

In both analyses we focus on a similar set of independent variables, which relate to the labour market status pertaining to the last job, for those unemployed, and to the actual job, for those in employment. We measure such status through three variables<sup>7</sup>: (1) international standard classification of occupations – ISCO, one digit; (2) statistical classification of economic activities in the European Community – NACE, 1 digit<sup>8</sup>; (3) decile of monthly net wage from the main job. In EU-LFS and INAPP-PLUS datasets the wage decile values are not reported for those unemployed. To impute these missing values, we adopt a two-stage regression method in the framework of multiple imputation (Rubin 1987; Schenker and Taylor 1996). First, we use a logistic regression imputation method<sup>9</sup> to fill missing values of the binary variable reporting if an individual has a missing value for the income decile or not, and then (for those having a missing value) we use the predictive mean matching imputation method proposed by Raghunathan *et al.* (2001) to fill missing values of the income decile variable. Via this method, imputed values are calculated as the mean value of a number of closest observations (or nearest neighbours) which is set to 50 in our estimates<sup>10</sup>. All regression models for imputation count a large set of covariates<sup>11</sup>. To improve the

<sup>7</sup> Due to the different labour market status of the target and reference population, unemployed and employed, EU-LFS data do not allow for measuring this status through other variables, such as tenure, overall experience or type of contract (open-ended vs fixed-term).

<sup>8</sup> INAPP-PLUS survey does not collect this information directly for unemployed individuals. See Appendix 1 for information on our imputation method.

<sup>9</sup> For these models, the samples were comprised of our target population plus all employees (in employment) regardless of their recent working history.

<sup>10</sup> The closeness is based on the absolute difference between the linear prediction for the missing value and that for the «known» values. The closest observations are those reporting the smallest differences.

<sup>11</sup> They are: the age group (5 years), household composition, citizenship, years of residence in the country, education level, number of unemployed members in the household, number of children in the household aged 15 or less, NACE (1 digit), European Socio-economic Groups, and regions (NUTS 2).



robustness of our results, our imputed values are calculated as the average of 50 replications of the above procedure.

All models we run control for gender (reference category: male), age in classes of ten years (reference category: 35-44), number of children in the household aged less than 15 years (reference category: none), level of education (reference category: upper secondary), citizenship status (reference category: Italian), and employment status (reference category: continuously employed). Furthermore, the model related to transitions includes regional (NUTS 2) fixed effects to control for territorial heterogeneity of the labour market, whereas the model related to RdC addresses the latter aspect by including groups of regions (NUTS 1) fixed effects. Our final sample consists of 13,296 observations for the RdC model and 134,425 and 9,710 observations, respectively for 2019 and 2021, for the transitions model.

### 3.2. Results

Our analysis proceeds in two steps. First, we look at the profiles of those who were receiving RdC in 2021, highlighting changes in the labour market profile of those who claimed the benefit before and after the pandemic outburst (descriptive statistics of the population and the variables included in the model are reported in Table A1 in Appendix 2). Since we want to focus on potential recipients of IWBs, that is those relatively close to the labour market, we selected only those beneficiaries who were employed one year before the interview<sup>12</sup>. While this analysis allows us to detect the changing profiles of arguably more employable beneficiaries of the Italian MIS after the pandemic, in our second step we want to investigate their possible *future* changes. We thus broaden our scope to take into account potential beneficiaries of safety nets among those with a stronger labour market attachment. We highlight changes in profiles of those who became unemployed before and after the pandemic, as compared to those who remained in employment.

<sup>12</sup> At time of interview they may be unemployed, or employed. In the latter case, they may have been continuously employed for the past year, or have experienced unemployment spells before finding a new job.



TABLE 1. Access to RdC by workers before and after Covid-19 pandemic outbreak

		Access before pandemic outbreak	Access after pandemic outbreak	
Age	18-24 years	-0.11	-0.75	
	25-34 years	1.14***	0.28	
	35-44 years	0.06	0.06	
	55-64 years	-0.15	-0.41	
Gender	Female	0.17	-1.32***	
Number of children in household below 15 years of age	One	0.25	1.52***	
	Two	0.01	0.65*	
	Three Or More	1.50**	2.14***	
Education	Upper Secondary	-0.32	0.04	
	Bachelor /Tertiary	-0.90*	0.84**	
	Master Or Higher	-1.03*	0.55	
Occupation	Managers	-0.06	0.64	
	Professionals	-0.58	-0.61	
	Technicians and associate professionals	-0.13	0.19	
	Clerical support workers	-0.38	-0.11	
	Service and sales workers	-0.16	0.39	
	Plant and machine operators and assemblers	0.26	0.20	
	Craft and related trades workers	0.05	-0.77	
	Economic sector	Agricultural	0.40	-0.60
		Water supply, sewerage, waste management	0.25	0.80
		Construction	1.02*	-0.29
Wholesale and retail trade, repair of motor vehicles		-0.15	-0.43	
Transportation and storage		1.31**	-1.25	
Accommodation and food service activities		0.62	-1.00**	
Information and communication		0.36	-0.48	
Financial and insurance activities and Real estate activities		1.47*	-0.17	
Professional, scientific and technical activities		-0.39	-0.66	
Administrative and support service activities		-1.59	-2.01**	
Public administration / and Education	0.30	-1.57**		
Monthly net wage decile	Education	0.59	-1.33***	
	Human health and social work activities	-0.03	-2.48***	
	Arts, entertainment and recreation	-1.07	-2.16***	
	Other service activities	0.15	-1.55***	
	First	0.15	1.67***	
	Second	0.45	1.44***	
	Third	-0.32	1.01**	
	Fifth	0.98*	0.93*	
	Sixth	-0.33	1.28***	
	Seventh	-0.83	0.35	
Nationality	Eight	0.31	-0.44	
	Foreign	0.37	1.19*	
Employment status	Employed with recent unemployment spells	-0.40	0.82	
	Unemployed	0.59	1.19***	

TABLE 1. (follows)

		Access before pandemic outbreak	Access after pandemic outbreak
Area of residence	North-West Italy	-0.53	-0.08
	North-East Italy	-1.29***	-0.83***
	Center Italy	-0.67*	-0.83**
	Islands	-0.67	0.05
Constant	-4.23***	-4.37***	
Observations		13,296	

Source: INAPP-PLUS survey 2022 release. Sample weights used. Own elaborations.

Note: Sample restricted to workers (excluding top two deciles of monthly net wage) in paid employment, close to the labour market (employed 12 months prior to the interview). Standard errors are clustered by regions (Nuts 2 level). Occupations: ISCO first digit. Sectors: NACE first digit. Reference categories: age 45-54; gender: male; children: none; education: lower secondary or below; occupation: elementary occupations; sector: manufacturing; income decile: fourth; nationality: Italian; working condition: always employed over the past 12 months; area of residence: South.

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

The changing pattern of RdC beneficiaries is shown in Table 1. Focusing on the labour market variables, the evidence shows that, across the population, the likelihood to access RdC has not increased for any specific occupation as compared to elementary occupations, while manufacturing (reference category) tends to be associated with an increased likelihood to become a MIS beneficiary, after the pandemic. Also, as compared to the fourth decile, workers in the first three wage deciles became more likely to access RdC with the pandemic (this is also true for those in the sixth decile).

To better explore this pattern, Figure 1 shows average predicted probabilities of accessing RdC before and after the pandemic outburst, broken down by wage decile. Clearly, the pandemic has brought about higher likelihood to enter RdC for low-wage workers (workers in the first three deciles). Focusing on low-wage workers only, Figure 2 shows that a pattern emerges for selected occupations: low-wage technicians, clerical support workers, and service and sales workers have increased their likelihood to access RdC after the pandemic<sup>13</sup>.

<sup>13</sup> The predicted probabilities reported in Figure 2 have been estimated from a further model on the RdC beneficiary profiles. To focus on these profiles in low-

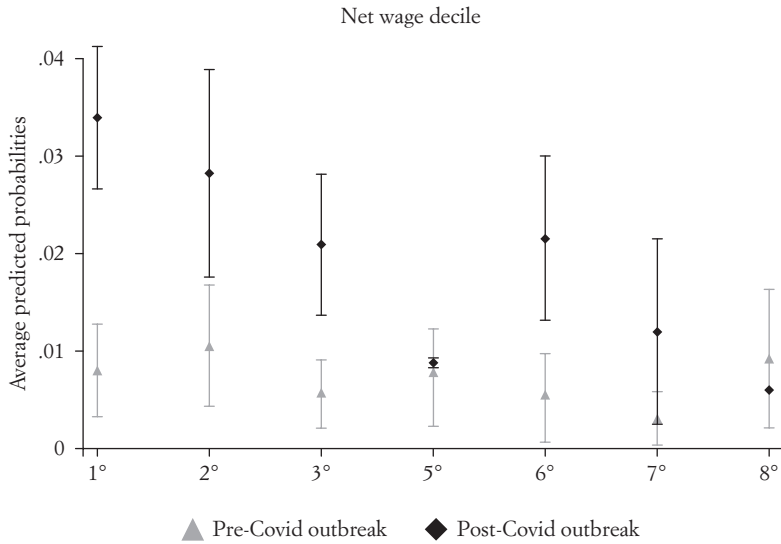


FIGURE 1. Average predicted probabilities of being a beneficiary of RdC before and after the pandemic outbreak by decile (1 to 8) of monthly net wage.

Source: INAPP-PLUS survey 2022 release. Sample weights used. Own elaborations.

Note: Sample restricted to workers (excluding top two deciles of monthly net wage) in paid employment, close to the labour market (employed 12 months prior to the interview).

No increase in predicted probabilities is statistically significant for economic sectors with respect to low-wage workers.

As gauged from access to the Italian MIS, the impact of the pandemic has therefore been more forceful, among those closer to the labour market, for those employed in manufacturing, and for low-wage workers. Among the latter, three occupations stand out: technicians, clerical support workers, and service and sales workers. These are the categories that would benefit the most from IWBs, as recipients of MIS who are closer to the labour market, but in the low-wage segment.

wage groups, this model restricts the sample to those with a net wage comprised within the first four deciles. Results are available upon request. Also, in order to ease the reading of the results, Figure 2, as Figures 3 and 4 below, report the predicted probabilities for the categories of the variables of interest only if there is a statistically significant difference between the «pair» of estimation (2019-21; before pandemic-after pandemic outburst).

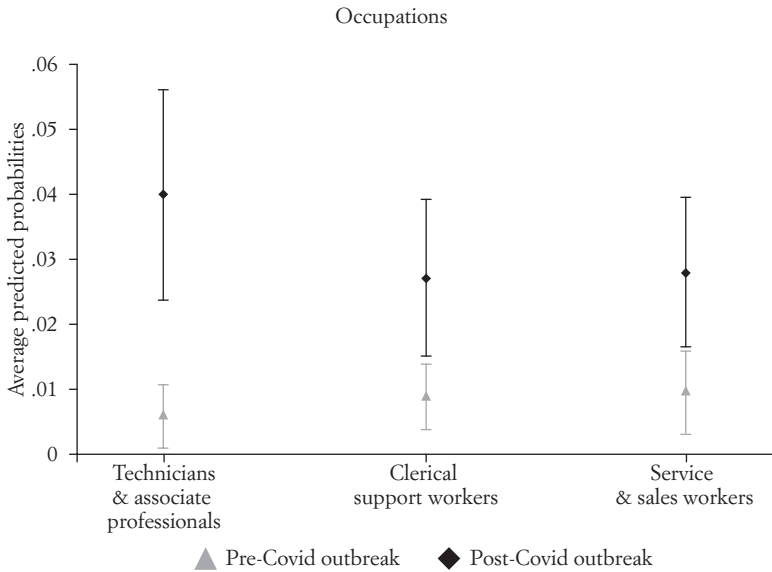


FIGURE 2. Average predicted probabilities of being a beneficiary of RdC before and after the pandemic outbreak by selected occupations, first four deciles of monthly net wage.

Source: INAPP-PLUS survey 2022 release. Sample weights used. Own elaborations.

Note: Sample restricted to workers in paid employment, close to the labour market (employed 12 months prior to the interview), belonging to the first four deciles of the net wage distribution. Occupations: ISCO first digit.

Some other variables are also worth mentioning, although we treat them as controls. There is a clear nationality bias, increasing likelihood of non-Italians to access RdC after the pandemic outburst, and a gender imbalance, with men been most hit. A reverse skill-biased change also seems to occur: as compared to the low-educated, those with graduate and post-graduate education swing from being less likely to access RdC before the pandemic to being more so after its outbreak. Also, the presence of under-15 children in the household severely increases the likelihood of accessing RdC after the pandemic, as compared to childless households.

The latter results however highlight a limitation of this approach. Access to RdC is a matter of resources at the household level, so observing if and when the benefit was accessed cannot be entirely related to individual labour market status

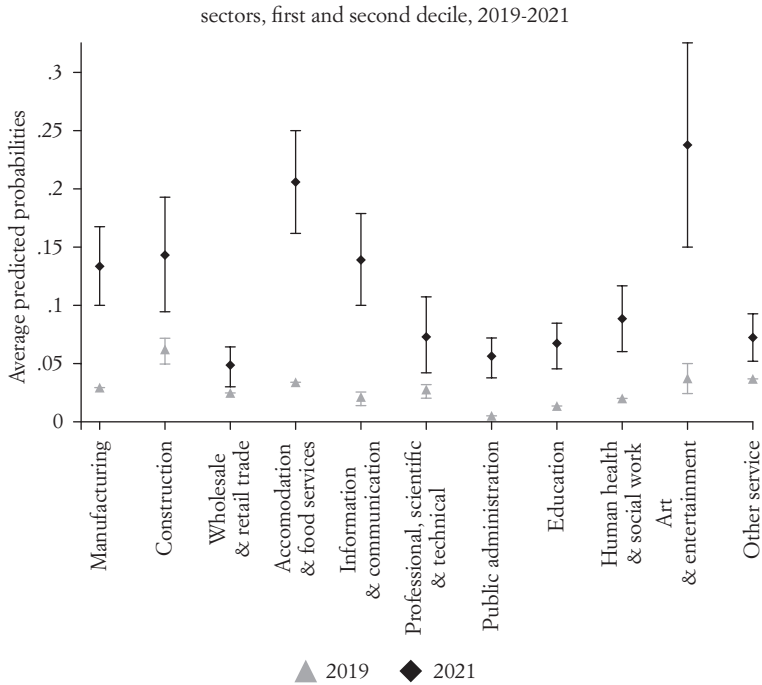


FIGURE 3. Predicted probabilities of becoming unemployed in the 12 months prior to the interview by economic sector for workers belonging to the first two deciles (first panel) and the third and fourth deciles (second panel) of net wage distribution.

Source: LFS data 2022 release for 2019 and INAPP-PLUS survey 2022 release for 2021. Sample weights used. Own elaborations.

Note: Sample restricted to workers in paid employment, who were employed 12 months prior to the interview and then remained always employed or were unemployed at time of interview. Sectors: NACE first digit.

and circumstances. Although it is well known that «poverty comes in couples» (Esping-Andersen 1999) and evidence on assortative mating provides the structural underpinning for this (Förster and Vindics 2022), in order to assess the likelihood of being a future beneficiary of safety nets, including MIS (and thus IWBs), we need an inquiry into those profiles mostly hit by pandemic among low-wage workers, comparing the likelihood of transitioning out of employment before and after the pandemic, by sector and occupation.

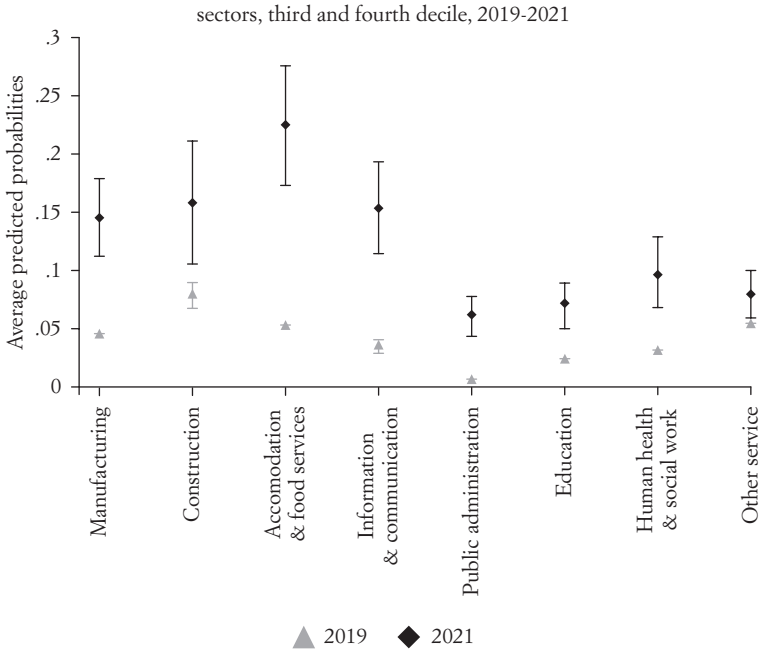


FIGURE 3. (follows).

We show this based on two Probit models (descriptive statistics in Table A.2 and Model results in Table A.3 in Appendix), calculating the change in predicted probabilities of transitions into unemployment by occupations and sectors for low-wage workers.

Figure 3 displays predicted probabilities for low-wage workers of becoming unemployed before and after the pandemic by economic sector. The first panel shows probabilities for those in the first and second wage decile, the second panel for those in the third and fourth decile. In most sectors there has been an increase in the likelihood of transitioning into unemployment between 2018/19 and 2020/21. Workers employed in accommodation and food service and in information and communication services are particularly hit by the pandemic both in the first and second and in the third and fourth deciles of the wage distribution, followed by those employed in manufacturing and (less starkingly) in construc-

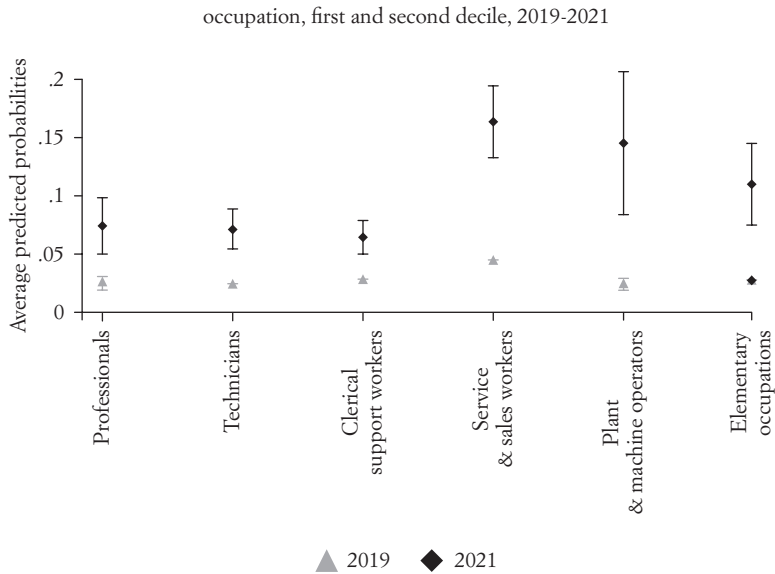


FIGURE 4. Predicted probabilities of becoming unemployed in the 12 months prior to the interview by occupation for workers belonging to the first two deciles (first panel) and the third and fourth deciles (second panel) of net wage distribution.

Source: LFS data 2022 release for 2019 and INAPP-PLUS survey 2022 release for 2021. Sample weights used. Own elaborations.

Note: Sample restricted to workers in paid employment, who were employed 12 months prior to the interview and then remained always employed or were unemployed at time of interview. Occupations: ISCO first digit.

tion. Among the lowest wage workers (first two deciles), the sector of arts, entertainment and recreation really stands out. As for occupations (Figure 4), both among the first and second wage decile (first panel) and among the third and fourth decile (second panel), three occupations display distinctively higher probabilities of transitioning into unemployment after the pandemic as compared to before: service and sales workers, plant and machine operators, and elementary occupations.

The analysis carried out on transitions into unemployment helps assess the increased risks involving low-wage workers after the pandemic. Those who experience increased risks are workers in arts, entertainment and recreation, accommodation and

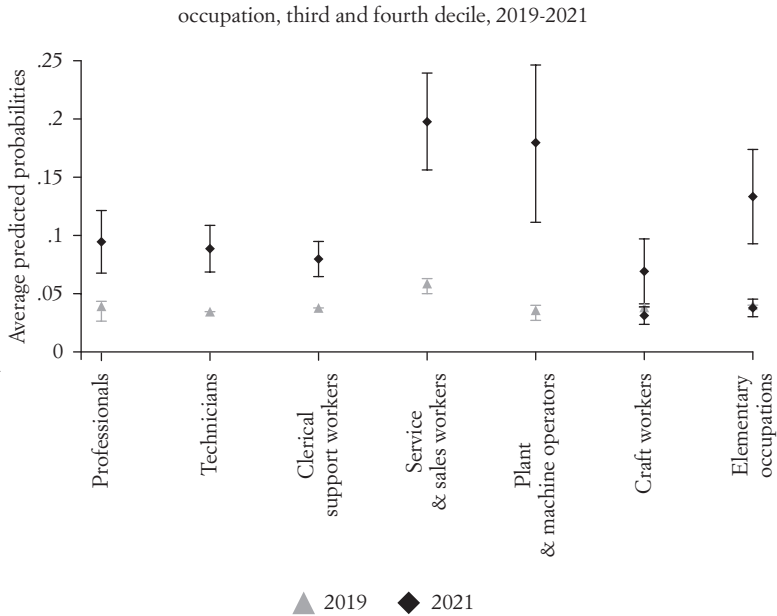


FIGURE 4. (follows).

food service and in information and communication services, as well as workers in service and sales, plant and machine operators, and elementary occupations. These are individual labour market risks, which do not necessarily translate into poverty risks at the household level. However, they may, at a presumably higher level than before. If they should, such workers would be in need of ALMP, and IWBs alongside income support.

#### 4. Reforming the Italian minimum income scheme

In the previous sections we have argued that after the pandemic the relevance of IWBs may become more prominent, as the risk of having to rely on safety nets on the part of given categories of formerly employed individuals may increase. These workers are predominantly low-wage workers in sectors and occupations particularly exposed to structural changes



that seem to unfold in post-pandemic labour markets. Such intuitions seems to find corroboration in the analysis of the beneficiaries of the Italian MIS, where low-wage workers in service and sales occupations are more likely to become beneficiaries of RdC after the pandemic, as well as in the analysis of transitions into unemployment in the post-pandemic Italian labour market. Among low-wage workers, more at risk are those employed in service sectors including accommodation and food, and in service and sales occupations and elementary occupations.

These potential beneficiaries of safety nets, including MIS, pose specific challenges to the welfare state. On the one hand, they are likely to be more easily re-employable than the average MIS beneficiary. On the other, they have intense needs for targeted re-skilling services, as they would probably need to find employment in a different economic sector or occupation than they used to be employed in (Basso *et al.* 2021). This calls for well-functioning ALMP, catering to such needs rather than based on general training or community service employment programmes. At the same time, they still need income support while re-training and/or looking for a decently paid job. Given their characteristics, it would pay off to have IWBs, to incentivize gainful employment. In this regard, rather than denying access to MIS to «employable» claimants, a new scheme should be reformed to provide much higher incentives to find a job than with RdC.

Thus, a reformed MIS in the Italian context needs to be redesigned so as to make it a genuine IWB, which encourages the start of regular employment (employed or self-employed) while unemployed through the provision of an affordable taper rate. At the same time, the MIS can function structurally as an income top-up scheme under compatibility rules that are more favorable to maintaining employment than is the case today, avoiding the risk of a worker leaving employment to obtain the benefit.

The analysis of IBWs carried above indicates three possible directions of reform.

The first direction is the one taken in the Anglo-Saxon world, thus thoroughly reforming the income support system towards the introduction of a highly conditional IWB. This would entail an overall reform of the tax code, and potentially the introduction of a negative income tax. It would also

impact upon many social protection benefits, as done in the UK, which detracts from its feasibility. Also, it would require a high level of administrative capacity to assess family income in real time.

A second direction of reform leads to making more articulated, following the German experience, the mechanism for exempting the share of labor income (employed and self-employed) that contributes to the definition of family economic resources on the basis of which, access to MIS and its amount are determined.

A third direction of reform leads to the provision of a taper rate structurally lower than 100 percent, for example by setting it at 60 percent, so as to increase disposable income from work in combination with the subsidy up to a given level, which could be linked to the tax-exempt income threshold (in 2022 equal to €8,174 for paid employee income and €5,500 for the self-employed). This could be combined with a total disregard of the first earned income up to €2,000-3,000 (as will be the case for 2022, albeit only for seasonal workers). This proposal would be inspired by the basic functioning of the French *Prime Activité*.

## 5. Conclusions

As a consequence of the pandemic the linkage between IWBs and minimum income is likely to gain prominence, given the potential impact of asymmetric employment shocks on low-income workers. This article highlighted the role of IWBs in the institutional setting and functioning of the welfare state, in general, and with respect to MIS in particular, with a view to avoiding poverty traps. It also aimed to identify the changing profiles of workers who become MIS beneficiaries as well as the risk of becoming unemployed after the recent pandemic outbreak in Italy, as an indirect way to show how more exposed categories may well benefit from more effective IWBs in such country.

The review of the policy design and objectives of schemes devoted to supporting low-income workers in different institutional contexts brought to the fore the absence of a proper link between MIS and IWB in the Italian case. Consideration of the profiles of disadvantaged low-income workers in Italy

calls for the urgent introduction of a fully-fledged IWB. Italy's MIS needs to be (re-)designed so as to minimize the risks of a poverty trap, encouraging the take up of regular employment (employed or self-employed) while unemployed, through the provision of an attractive marginal effective tax rate. The analysis of IBWs carried in this article indicates three possible directions of reform, inspired respectively by the UK, German and French experience. While the debate on the reform of RdC in Italy tends to focus on its curtailment – or even discontinuation – for those deemed «able to work», we maintain that precisely those beneficiaries closer to the labour market should be targeted with a mix of income support and active labour market policies. In this context, the overhaul of the rules presiding over the welfare to work linkage should take pride of place.

## Appendix 1

### *The INAPP-PLUS Dataset*

#### *Stratification*

The stratification of the INAPP-PLUS survey sample is based on population strata by NUTS-2 region of residence, degree of urbanisation (i.e. metropolitan or non-metropolitan area), age group, sex and employment status (i.e. employed, unemployed, student, retired or other inactive status). One of the key elements in this dataset is the absence of proxy interviews: only survey respondents are reported, in order to reduce measurement errors and partial non-responses. The INAPP-PLUS datasets provide individual weights to account for non-response and attrition issues, which usually affect sample surveys. Similarly to other empirical studies relying on the same dataset (see, among others, Clementi and Giammatteo 2014; Filippetti *et al.* 2019; Bonacini *et al.* 2021), all descriptive statistics and estimates reported in this paper are weighted using these individual weights.

#### *Imputation of the economic sector for the unemployed*

INAPP-PLUS survey does not collect information on the economic sector directly for unemployed individuals. To avoid this

limitation, we attribute this information starting from a known similar population. We select in the 2020 yearly cross-sectional dataset of EU-LFS a population similar to that of our interest, namely those who were employed 12 months before the interview and unemployed in the reference week. We stratify this population by age (twelve groups), gender, educational level (four groups) and the three-digit ISCO code obtaining 1,693 strata, allowing us to attribute the NACE 1-digit information to 64% of our target population in INAPP-PLUS data. A further round of stratification based on the same variables but limiting the detail of the ISCO code variable at the second digit (1,431 strata) allows us to attribute the NACE 1-digit information for a further 28% of our target population, resulting in the overall imputation of the missing information to 92% of our target population.

## Appendix 2

TABLE A.1 *Descriptive statistics of variables included in Table 1 (RdC beneficiaries)*

Variables	Values	%
RdC Beneficiary	No	96.52
	Yes, entered RdC before pandemic outburst	1.56
	Yes, entered RdC after pandemic outburst	1.92
Age	18-24 years	6.12
	25-34 years	21.39
	35-44 years	23.28
	45-54 years	28.86
	55-64 years	20.36
Gender	Male	49.34
	Female	50.36
Number of children in household below 15 years of age	No children	70.82
	One	17.23
	Two	10.85
	Three or more	1.11
Education	Lower secondary or below	30.31
	Upper secondary	48.17
	Bachelor /tertiary	17.28
	Master or higher	4.24
	Occupation (ISCO code 1-digit)	Managers
Professionals		12.50
Technicians and associate professionals		13.22
Clerical support workers		31.86
Service and sales workers		16.09
Craft and related trades workers		10.52
Plant and machine operators and assemblers		5.64
Elementary occupations		9.67

TABLE A.1 (Follows)

Variables	Values	%
Economic sector (Nace 1-digit)	Agriculture, forestry and fishing	2.21
	Manufacturing	13.88
	Water supply, sewerage, waste management	1.05
	Construction	5.94
	Wholesale and retail trade, repair of motor vehicles	10.46
	Transportation and storage	6.53
	Accommodation and food service activities	5.33
	Information and communication	5.04
	Financial and insurance activities and Real estate activities	3.84
	Professional, scientific and technical activities	4.92
	Administrative and support service activities	1.08
	Public administration	8.72
	Education	10.14
	Human health and social work activities	8.35
	Arts, entertainment and recreation	1.34
	Other service activities	11.17
	Monthly net wage decile	Below the 1st
Between the 1st -2nd decile		12.65
Between the 2nd – 3rd decile		15.03
Between the 3rd – 4th decile		12.22
Between the 4th – 5th decile		13.40
Between the 5th – 6th decile		14.26
Between the 6th – 7th decile		8.49
Nationality (citizenship of birth)	Between the 7th – 8th decile	10.88
	Italian	97.76
Employment status	Foreign	2.24
	Employed	83.23
	Employed – spell of unemployment	11.33
Area of residence	Unemployed	5.44
	North-West Italy	29.82
	North-East Italy	22.48
	Center Italy	21.12
	South-Italy	17.92
Observations	Islands	8.66
		13,296

*Source:* INAPP-PLUS survey 2022 release. Sample weights used. Own elaborations.

*Note:* Sample restricted to workers (excluding top two deciles of monthly net wage) in paid employment, close to the labour market (employed 12 months prior to the interview).

TABLE A.2 *Descriptive statistics of variables pertaining to Figures 3 and 4 on exiting employment*

Variables	Values	2019	2021
Out of employment in the last 12 months		2.14	4.26
Age	18-24 years	4.31	3.59
	25-34 years	17.88	17.12
	35-44 years	26.22	23.57
	45-54 years	31.76	32.09
	55-64 years	19.84	23.62
Gender	Male	53.36	53.50
	Female	46.64	46.50
Number of children in household below 15 years of age	No children	66.21	67.24
	One	19.93	18.65
	Two	12.10	12.65
	Three or more	1.76	1.47
Education	Lower secondary or below	28.69	27.46
	Upper secondary	48.33	47.33
	Bachelor / tertiary	5.54	5.24
	Master or higher	17.45	19.97
Occupation (ISCO 1-digit)	Managers	1.23	1.23
	Professionals	14.63	15.71
	Technicians and associate professionals	18.51	14.76
	Clerical support workers	15.34	32.82
	Service and sales workers	17.66	13.71
	Craft and related trades workers	12.56	8.94
	Plant and machine operators and assemblers	8.36	4.59
	Elementary occupations	11.70	8.22
Economic sector (NACE 1-digit)	Manufacturing	23.04	15.39
	Water supply, sewerage, waste management	1.38	1.00
	Construction	4.80	5.20
	Wholesale and retail trade, repair of motor vehicles	12.33	9.88
	Transportation and storage	6.00	6.59
	Accommodation and food service activities	5.67	4.28
	Information and communication	2.91	5.50
	Financial and insurance activities	3.21	4.96
	Professional, scientific and technical activities	3.67	5.91
	Administrative and support service activities	4.92	1.19
	Public administration	6.00	10.50
	Education	8.93	9.98
	Human health and social work activities	9.48	8.12
	Arts, entertainment and recreation	1.06	1.36
	Other service activities	6.61	10.14
Income decile	Below the 1st	8.12	10.06
	Between the 1st-2nd decile	9.83	9.98
	Between the 2nd-3rd decile	10.34	11.08
	Between the 3rd-4th decile	9.81	9.30
	Between the 4th-5th decile	10.29	10.44
	Between the 5th-6th decile	10.70	12.17
	Between the 6th-7th decile	10.19	7.28
	Between the 7th-8th decile	9.38	9.59
	Between the 8th-9th decile	10.88	11.05
	More or equal to 9th decile	10.45	9.06
Citizenship of birth	Italian	88.46	98.30
	Foreign	11.54	1.70
Observations		134,425	9,710

*Source:* LFS data 2022 release for 2019 and INAPP-PLUS survey 2022 release for 2021. Sample weights used.

TABLE A.3. *Transition out of employment. Multivariate models results (Probit marginal effects)*

		2019	2021
Age	18-24 years	0.33***	0.57***
	25-34 years	0.12***	0.22***
	35-44 years (ref. cat.)	0.00	0.10
	45-54 years	-0.05*	0.00
	55-64 years	-0.19***	-0.27***
Gender	Male (ref. cat.)	0.00	0.00
	Female	-0.06***	0.09
Number of children in household below 15 years of age	no children (ref. cat.)	0.00	0.00
	One	-0.02	-0.09
	Two	-0.05	-0.36***
Education	Three or more	0.08	0.26
	Lower secondary or below	0.02	0.07
	Upper secondary (ref. Cat.)	0.00	0.00
	Bachelor /tertiary	0.06	-0.24***
Occupation (ISCO 1 digit)	Master or higher	0.09**	-0.09
	Managers	0.88***	-0.96**
	Professionals	-0.03	-0.21
	Technicians and associate professionals	-0.11**	-0.24**
	Clerical support workers	-0.05	-0.33***
	Service and sales workers	0.19***	0.30**
	Craft and related trades workers	-0.06	-0.43***
	Plant and machine operators and assemblers	-0.05	0.23
	Elementary occupations (ref. cat.)	0.00	0.00
	Economic sector (NACE 1 digit)	Manufacturing (ref. cat.)	0.00
Water supply, sewerage, waste management		0.08	-0.06
Construction		0.36***	0.05
Wholesale and retail trade, repair of motor vehicles		-0.06	-0.56***
Transportation and storage		0.02	-0.33*
Accommodation and food service activities		0.09*	0.35***
Information and communication		-0.12	0.01
Financial and insurance activities		-0.11	-0.80***
Professional, scientific and technical activities		-0.00	-0.37**
Administrative and support service activities		0.04	0.21
Public administration		-0.64***	-0.55***
Education		-0.31***	-0.47***
Human health and social work activities		-0.17***	-0.27**
Arts, entertainment and recreation		0.14*	0.53***
Other service activities		0.12***	-0.39***
Income decile		Below the 1st	-0.27***
	Between the 1st-2nd decile	-0.21***	-0.05
	Between the 2nd-3rd decile	-0.09**	-0.02
	Between the 3rd-4th decile (ref. cat.)	0.00	0.00
	Between the 4th-5th decile	0.04	-0.34***
	Between the 5th-6th decile	-0.21***	-0.88***
	Between the 6th-7th decile	-0.44***	-1.19***
	Between the 7th-8th decile	-0.83***	-1.84***
Between the 8th-9th decile	-1.21***	-1.90	
More or equal to 9th decile	-1.93***	-2.10	

TABLE A.3. (Follows)

		2019	2021
Citizenship of birth	Italian (ref. cat.)	0.00	0.00
	Foreign	0.15***	0.37*
Constant		-1.88***	-1.27***
Observations		134,425	9,710

Source: LFS data 2022 release for 2019 and INAPP-PLUS survey 2022 release for 2021. Sample weights used. Own elaborations.

Note: Sample restricted to workers in paid employment, who were employed 12 months prior to the interview and remained always employed afterwards, or were unemployed at time of interview.

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### **Make them work! In-work benefits after the pandemic in the reform of Italy's minimum income scheme**

*Summary:* As a consequence of the pandemic the linkage between in-work benefits (IWBs) and minimum income schemes (MIS) is likely to gain prominence, due to the potential impact of asymmetric employment shocks on low-income workers. Framing the characteristics of IWBs in the institutional setting and the functioning

of the welfare state in a selected number of European countries, this article draws lessons for the Italian case on the role of these kinds of measures in avoiding poverty traps. Using EU-LFS data and INAPP Plus data, the article analyses, in the Italian case, the variation before and after the pandemic outbreak in the profiles of MIS beneficiaries close to the labour market and of those workers who have become unemployed. Evidence indicates that the variations in the profiles of MIS beneficiaries and those transitioning into unemployment after the pandemic outburst call for the introduction of a fully-fledged IWB. This should be properly linked with MIS to minimize the risks of a poverty trap, and encourage the take-up of regular employment. Rather than dismantling MIS support for the «employable» recipients, evidence suggests that reform should focus on making MIS compatible with work through the IWB scheme.

JEL Classification: L38 - Public Policy; Welfare; I38 - Well-Being, and Poverty: Government Programs; Provision and Effects of Welfare Programs; P16 - Capitalist Institutions; Welfare State.

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