Bologna, 8 June 2007

4TH EUROFRAME CONFERENCE ON ECONOMIC POLICY ISSUES IN THE EUROPEAN UNION
TOWARDS AN AGING AND GLOBALISING EUROPE:
CHALLENGES FOR THE EUROPEAN SOCIAL MODEL(S)

Social protection transfers between insurance and assistance:

A retrospective analysis of the Italian system in a reform perspective

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Abstract:

This paper examines the Italian social assistance system in order to identify its performance over time. The focus is on the elderly individuals. The aim is to gain hints on possible directions for reform, in the light of the population aging and of the facing-out of the pension reform of mid-nineties. The paper provides an analysis of the institutional characteristics of the two main instruments that are explicitly oriented at the elderly individuals: social pension and minimum pension. The objective is to highlight the explicit as well as the implicit policy design in terms of poverty contrast among the elderly. To do so, poverty indicators officially adopted by the public institutions, such as the Italian Poverty Commission and the National Institute of Statistics, are used. Furthermore, the paper gives an assessment of the ex-post performance of the social pension based on data from the Bank of Italy Survey of Households Income and Wealth (BISHIW). This part of the analysis gives also attention to those individuals' and household's characteristics that are ignored by the law requisites for the access to the protection scheme; the presupposition is that a more complete view of the state of need of the potential beneficiaries may help improving the effectiveness and the efficiency of the social protection. Finally, the ability of the social pension scheme to prevent the entry/facilitate the exit from poverty is examined by means of transition matrices for different categories of elderly individuals.

JEL classification: H55, I32, I38.

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1. Introduction

In Italy social protection to the elderly individuals has always been based on pension transfers. A major role has been played by pensions formally included in the *insurance system*, mainly minimum pensions, which actually did not benefit elderly individuals only. Protection relied only marginally on tools explicitly classified within the assistance system like the social pension and the disability pension.

The pension reform implemented in the mid-nineties established for the insurance scheme a switch from a defined-benefit system to a notional contributory system. This change is going to reduce the replacement rate for the incumbent pensioners. After 20 years of wage-indexation of the insurance pensions, the reform also established the return to price indexation and abolished the minimum pension. All these factors contribute to reducing the purchasing power of future pensioners. Under such circumstances, the protection granted by the insurance system so far will gradually weaken. As a result, the role played by "formally" assistance transfers is necessarily going to increase.

This paper examines the existing assistance transfers in order to identify their performance over time. The focus is on the social pension and minimum pension, since they are explicitly oriented at the elderly individuals. The aim is to gain hints on possible directions for reforming the assistance system in the light of future developments implied by the population aging and the facing-out of the insurance pension reform.

The first part, of the paper provides a description of the institutional characteristics of social and minimum pensions in order to highlight the explicit and the implicit policy design in terms of poverty contrast among the elderly. To do so, we use poverty indicators produced by the National Statistics Institute (Istat) and used by public institutions, such as the Italian Poverty Commission.

The second part of the paper tries an assessment of the ex-post performance of the social pension on data from the Bank of Italy Survey of Households Income and Wealth (BISHIW). The perspective is twofold: from one side, the focus is on the effectiveness of the policy tool, in order to understand whether improvements are necessary to ensure a more successful performance of the scheme; from the other, the focus is on the efficiency, to identify possible margins for expenditure saving in the light of the more general financial constraints binding the development of public finances in Europe. Attention is also given, where possible, to those individuals' and household's characteristics that are ignored by the law requisites for the access to the protection scheme, but that may be significant in capturing the state of need of the potential beneficiaries and therefore could significantly help improving the effectiveness and the efficiency of the social protection if adequately considered. Hints on the ability of the social pension scheme to prevent the entry/facilitate the exit from poverty are obtained by the analysis of transition matrices for different categories of elderly individuals.

2. The Italian social protection: an overview

The basic principles of the Italian social protection system are stated by Article 38 of the Constitutional Law, enforced in 1948:

"Every private citizen unable to work and un-provided 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."

A long debate took place over time about the interpretation of Article 38. The emphasis was on the ambivalent nature of social protection.[3] The debate affected the implementation of the system in the following years.

Nowadays, there is unanimous agreement on the conclusion that the Italian Constitutional Law prescribes a *two-tier protection* based a categorical/selective right to insurance, on one hand, and on a universalistic right to assistance, on the other. The first tier is granted to workers (i.e. those who contributed enough during their working life to gain the access to an insurance scheme); the second to all citizens in state of need (including those who did not work or who did not work enough to gain the access to the insurance scheme). The protection to *workers* is recognised a "higher status".

The legislation implemented these two tiers mainly by granting money transfers. Following the Constitutional principles, the level of the transfers should be set at the subsistence level for the assistance instrument and to some higher level (able to ensure an "adequate" standard of living) for the insurance one. The adjustment in the main benefits levels over time not always responded to this criteria, as we show in the following analysis.

The implementation of Article 38 initially concerned the insurance tier only. The *emphasis on workers* is responsible for maintaining until today, to some extent, the categorical and group-specific nature that had characterised the Italian welfare state at its origins.[4] It also accounts for what is usually defined as the "labour-centric" nature of the social protection,

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[3] Following Paci (1987), two main positions have characterised scholars' discussion. The first one (see, for instance, Cinelli, 1982) pushed a categorical view, interpreting the guaranty of the Constitutional Law to workers as a right to those levels of the living standards employees achieved when working; protection to workers is the rule, protection to every citizen is only an extension. The second view (see, Persiani, 1985) interprets Art. 38 as a prescription of a different "intensity" in the degree of protection. The main goal would be to guarantee a *minimum level of protection to all citizens* (to be tax-financed) based on a universalistic principle. The protection of *workers* would have a "higher status": it would concern not only subsistence, but an adequate support related to their participation in the national production. An extra-protection should be granted according to the social security contributions that individuals paid during their working life. In most industrialised countries systems contributions have been extended also to employers and society, based on social solidarity principles.

[4] The birth of the Italian welfare state dates back at the end of the XIX century. The first scheme to be introduced was the compulsory insurance against labour accidents in the industrial sector (1898); by that time old age insurance was regulated, but still on a voluntary base. Thereafter, compulsory insurance against disability, old age and unemployment for dependent workers (1919) were enforced. Illness insurance (1926), family allowance (1934) and survivors' pensions (1939) followed, all directed at dependent workers and at their households.

testified by the overwhelming share of resources devoted to social insurance (Chart 1) as opposed to the very low shares devoted to employment policies and to social services. It may explain the proliferation of instruments aimed at pursuing very similar policy objective, but usually differentiated according to category of beneficiaries.[5]

The focus on the *economic conditions of workers*, meaning of those who managed to enter the labour force, also explains the particularly high share of resources devoted to pensions. Income support has been the major pursued objective. This feature of the system favoured elderly people in the first place, but not only them: large use of pensions concerned young people as well, when disabled or under peculiar conditions that justified the entitlement to early retirement. Most of these characteristics have been inherited by the present system.

The development of a system mainly based on insurance pensions ended up by favouring an anomalous use of the insurance to grant the implementation of the universalistic rights prescribed by the assistance tier. Indeed, "de facto" some policy tools formally classified within the insurance tier have been very often designed or at least used to pursue assistance goals.[6]

Pensions, in particular, became in several cases the main instrument to grant assistance and lost the link to contributory financing that should characterise insurance: in 1958 the minimum pension was introduced, i.e. an integration of the insurance pensions in case the level of the benefit matured by the retired workers were considered insufficient. Minimum pensions have been (and still are) the most relevant instrument of income support, so that they play a major role in poverty contrast. This tool became increasingly hybrid over time, making it very difficult for the beneficiaries to perceive the extent to which the transfer was granting an insurance right rather than an assistance one. A similar tool within the assistance tier, the social pension, was introduced in 1969 only. The requisites for the access and the level of the benefits, however, are different; in some cases this difference lacks apparent logical reasons and presumably reflects only the stratification of normative action over time.

As a result, in the Italian welfare state *assistance and insurance became intrinsically interwoven*.[7] Still today, the system lacks policies *explicitly* oriented at contrasting poverty and social exclusion in a broad sense[8].

The pension reform implemented in the mid-nineties stressed the need for a clear distinction between insurance and assistance. After the transition, when the new pension regime system will be fully operating, the insurance scheme will switch from a defined-benefit system to a notional contributory one (a pro-rata system is enforced during the transition). This change is going to reduce the replacement rate for the incumbent pensioners. Minimum pension is going to disappear. Since after 20 years of wage-indexation the reform also established the return to price indexation for insurance pensions, the protection so far granted by the insurance system will gradually weaken. The role played by assistance transfers is necessarily going to increase due to the extension of the potential beneficiaries.

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5 Matteuzzi (1996) observes that the same assistance goal is pursued by many Institutions by different instruments and according to different policy designs.

6 One well-known example is given by the insurance disability pensions, which for a long time were exploited as a poverty-contrast tool by allowing also socio-economic conditions among the requisites for the access.

7 The characteristics and the problems related to the Italian pension system have been the object of many studies. See, for example, Castellino (1976).

8 This depends, to some extent, on the rigid "architecture" of the social protection. This is the opinion, for example, of Negri and Saraceno (1995).

Under these circumstances, a retrospective study of the existing tools may be useful. The assessment of their performance, their weaknesses, their ability to reach the targets, their degree of efficiency or inefficiency, are all relevant aspects to be investigated in a reform perspective.

One issue that is always difficult to tackle in policy assessment is the identification not only of the *explicit* but also of the *implicit* targets a particular scheme is pursuing. In the case of social protection, this issue may prove to be particularly relevant in the light of the strict interweaving between the *assistance and insurance tiers*: indeed the actual use and performance of each single instrument may have been distorted by the presence of *interaction* effects from other complementary or substitute tools the potential beneficiaries could rely on. *In the light of the foreseen separation of assistance and insurance, these reinforcing effects are going to disappear so that they need to be considered carefully for a correct assessment of the future performance of the social protection system*.

Annex 1 gives a brief description of the main instruments in the Italian social protection, classifying them according to their "formal" belonging to the assistance or the insurance tier.

3. Elderly assistance: social pension and minimum pension

The objective of assistance to the elderly individuals in the Italian system is pursued primarily by two instruments of income support: minimum pension and social pension. They were meant to be the pillars of the welfare state since its early stage. *Social pension* is formally placed inside the public *assistance* tier and *minimum pension*, within the *insurance* one. Table 1 summarises the evolution of the characteristics of these two instruments over time.

The *social pension* ("pensione sociale") was introduced in 1969. The beneficiaries are all the citizens who were not entitled to an old age/disability/survivors pension within the insurance tier, once they reached 65 years of age. Social pension is conditional on means testing. Eligibility is subject to an income ceiling that considers both the direct beneficiary's and, for married individuals, their spouse's income.

The social pension is designed to guarantee a minimum-income corresponding to the access income-ceiling fixed by law. Therefore, such ceilings – rather than the actual social pension payments per se – must be considered as the relevant benchmark for the assessment of the performance of the social pension scheme against poverty.[3] The sources of income considered for the ceiling determination exclude imputed rents, capital income, and income from households' components other than the spouse. The last exclusion presumably responds to policy design criteria, although these have not explicitly stated in the official reports.

[3] The benefit is paid *in full amount* only to single individuals with no income or, in case of married individuals, when *also* the couple's income is below a minimum threshold. It is paid *in a partial amount* to single individuals with positive incomes below the income ceiling (set equal to the social pension amount) and, to married individuals, when the couple income is below a maximum ceiling. This transfer is determined to guarantee the beneficiaries with integration necessary to achieve the relevant maximum income ceiling for the eligibility in both cases. In the case of a couple, the maximum and the minimum thresholds differ exactly by the amount of the social pension. Therefore, the minimum threshold is a floor that corresponds to the zero-income condition of the individual living alone. The maximum threshold is the ceiling above which the right to the benefit ceases; hence it represents the "highest" level of the minimum income granted to the couple.

The pension amount and the income ceilings have been modified over time due both to discretionary increases and to an automatic re-valuation mechanism based on the cost-of-living index.

Since 1985, the social pension has been supplemented by a so-called "social integration". In 2002, the Budget Law revised the social integration discipline: all kind of pensioners who are over 70 years of age and have incomes below set thresholds are now entitled to a social integration guaranteeing a (higher) minimum-income[9]. The potential effect of this measure is to create a common level of minimum protection to all the individuals who are over 70 years of age, regardless of the kind of pension to which they are entitled.

In 1976 the automatic re-valuation system switched from price-based to wage-based for most insurance pensions, but the new mechanism excluded assistance benefits like social pensions, which continued being indexed to prices only. The 1995 pension reform established the return to price indexation for insurance pensions as well. In the meantime, however, in the presence of a real increase in incomes, the relative position of social pensioners had worsened. The income-ceilings had grown less than the actual incomes of the potential beneficiaries, making the access constraints more binding and correspondingly reducing the number of those who were entitled to the scheme. This phenomenon was reinforced by a stronger incentive to shift to other pension schemes, for which the benefit level was higher. For both reasons, the number of the social pensions has always been low (around 5 percent of the overall number of pensions).

Overall, the slower dynamics of the automatic adjustment was only partly compensated by the discretionary increases of the benefit, especially in the beginning. In real terms, if we exclude the significant discretionary increase in year 1999, the basic transfer – i.e. net of the social integration – has been stable since the late 1970s (Chart 2).

The *minimum pension* ("pensione minima") has been the most relevant tool in terms of both the extension and the level of the granted protection. It was introduced in 1958 and consists of a sub-minimum compensation integrating the old age/disability/survivors pensions of the insurance tier that are below a ceiling set by law. The beneficiaries are those pensioners who had matured an insurance pension at their retirement age but which is considered insufficient (by the standards explicitly recognised for workers by the Constitutional principle and retained higher than the sustenance level by subsequent legislation). They must have contributed for at least 15 years.

The level of the minimum pension differed for many years according to the kind of pension to be supplemented and the age of the recipient. In 1974 a uniform benefit was introduced regardless of age. In 1980-85 a higher minimum pension was set for those who contributed more than 15 years and for those aged more than 65 years.

In 1983 the assistance objective became more transparent, when the benefit became means tested. The income ceiling, which was applied also to the existing pensions, was initially introduced for the recipient's income only. Personal income subject to the personal income tax must not exceed twice the annual amount of the minimum pension.[10] With the 1995 pension reform an income test for the cumulated income of the couple – on the same lines of the test for social pensions – was introduced. The ceiling is equal to 4 times the annual

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[9] The social integration was initially set so as to guarantee 516,46 euros per/month for 13 months; it has been raised to 559,91 euros this year.

[10] The reference annual amount is 13 times the monthly benefit.

benefit.[11] Compared to the social pension, the ceiling for the cumulated income of the couple appears to be particularly high.

In 1988 a "social integration" was introduced to supplement also minimum pensions. the amount was lower than the corresponding integration for social pensions and the income test was stricter. In 2002, the above-mentioned integration – up to a common ceiling for over 70-years old pensioners – was introduced also for the minimum pension. Given the higher level of the minimum pensions this implies a lower social integration is granted. For beneficiaries over 70 years of age, the same minimum income is now granted for the different kind of pensions. This innovation made even more explicit the very same nature of the minimum and the social pension in terms of income support pursued within assistance goals, although a different treatment is still reserved to the younger pensioners.

The minimum pension is gradually reducing its weight due to the pension reform of the mid-ninities, which abolished it for pensioners under the new fully notional contributory scheme.[12] In the new regime a constraint was introduced on the retirement age (at least 65 year) based on the matured level of the pension, which cannot be less than 1.2 times the elderly social benefit (the transfer equivalent to social pension which was then introduced). For insurance pensions the reform established the return to price indexation so that the level of the benefit in real terms – the dynamics of which had already slowed down during the 1980s – has been substantially stable since then (Chart 2).

Minimum pension is still in place for those pensioners who are subject to the transitory "pro-rata" regime. The area of the beneficiaries and the level of the expenditure from the pensions' supplementation are significant. In its last available Report, on year 2005, INPS (National Social Protection Institute) quantifies the number of integrated pensions in more than 30 percent of the total number of pensions (Table 2). The highest share concerns the Insurance Fund of the independent workers in agriculture (around 55 percent). Classifying by type of pension, INPS finds that integration concentrates on disability benefits (60 percent), presumably due to the low contributory period requirement (5 years). As far as the geographical area is concerned, more than 40 percent of the integrated pensions are paid in the South and Islands, 32 percent in the Centre and 26 percent in the North.

Other studies carried out on INPS data by the Ministry of the Economy and Finance[13] show that in year 2002 the average amount of the annual integration was above 3 thousand euros and represented 60 percent of the average integrated pension (Table 2). Although the share of the integrated pensions was lower for the Employees Insurance Fund (above 25 percent, against for instance almost 60 percent for the independent workers of agriculture), what we call the "average integration rate" (i.e. the ratio between the average integration and the average integrated pension) was the highest: almost 63 percent. From this information, the amount of the overall expenditure for the insurance pension supplementation was in that year around 14 billion euros, around 1 percent of GDP.

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11 For those who retired in 1994, the first year of implementation of the new discipline, the ceiling for the couple is more favourable, 5 times the annual benefit.

12 For a synthetic illustration of Dini pension reform see Banca d'Italia (1995b).

13 These analyses are particularly detailed and were carried out by the RGS (Ragioneria Generale dello Stato) for years 1999-2002.

4. The implicit policy design

The analysis of benefit levels over time seems to indicate that a process of convergence between the two assistance instruments has actually occurred, although it is still.

By looking at the social pension and minimum pension basic transfers, it appears that the ratio between the two stabilised around 60 percent little after social pension introduction and it increased to around 75 percent only in recent years (Table 1). Considering the social integrations implemented during the 1980s, however, the ratio shows a sudden increase, around 70-80 percent, and then follows an oscillating trend. Since 2002, the social integration for recipient aged over-70 has levelled out the amount of the two transfers.

These developments point to some implicit policy design in the last decades, possibly directed at homogenising the protection for the two categories of pensioners and at clarifying the assistance nature of minimum pensions. So far, however, this process is confined to the *older beneficiaries*. If this is the case, two considerations may be done: 1) the present system is not transparent, since it actually operates through multiple transfers (the basic integrations plus the "social" ones) even to get to similar positions; 2) the present system maintains a highly differentiated treatment of the beneficiaries, for instance by age, so that it is even more hybrid than it was in the origin. There is definitely room for simplification.

The analysis of the benefit levels is not the only factor in the assessment of the instruments. Both social and minimum pension are designed *so as to guarantee a minimum-income corresponding to the access income-ceiling fixed by law*. The income ceilings (their level, as well the sources of incomes included and the mechanisms governing the overlapping between the individuals and the couple thresholds) represent the relevant parameters for assessing the performance of the two schemes against poverty. While in case of single individuals the benefit coincides with the ceiling, so that the focus on the benefit is correct, in case of married recipients the focus has to be shifted directly on the income thresholds.

4.1 Social pension, minimum pension and the official poverty measures

Both social and minimum are formally directed at individuals, not at households. Therefore, we start by considering the conditions of the individuals and ignoring other household components. Although the benefit may be paid in partial amount, both for the minimum and for the social pension we consider the full payment level, since this represents the minimum income granted by the system (the ceiling). In order to assess the performance of social and minimum pension, the benefit levels are contrasted against poverty indicators.

The official relative poverty line used during the past decades by the Italian Poverty Commission refers to a two-individual household and is given by the average annual per capita consumption computed on a sample of consumers.[14] A two-individual household is considered *poor* when consuming less than the country per capita consumption. The equivalent thresholds for households of different size can be obtained by applying an equivalence scale. The scale officially adopted by Istat in poverty statistics is the "Carbonaro" scale, which belongs to the Engel equivalence scale family and is based on the household size

[14] The official methodology has changed since 1997, due to a revision of the sample, so that the poverty line presents a break in that year.

only.[15] For one-individual households, the equivalence coefficient is equal to 0.599.[16] Although also other measures of relative poverty are now officially computed, in a retrospective assessment of the assistance policies we need to consider those indicators that were available to policy makers at the time, since they presumably based their decision upon the measurement of poverty they could rely on then.

Chart 3 presents the monthly amounts of the minimum and social pensions as shares of the official poverty line. The chart is split in two: the first part considers the basic benefits only, and the second one includes the social integration enacted in 1985 for social pension and in 1988 for minimum pensions. The reference recipient is over 70 years old, so that the integrated pensions become particularly generous in the last period. For these pensioners only, regardless of the kind of pension they receive, the amount of the benefit was set to a level that *shifted the granted income around the poverty line*.

While the amount of the minimum pension remained around the values of the poverty line for most time, the amount of the social pension has always been below, with the only episode of the years after 2001 due to above-mentioned social integration to the over-70.

For minimum pensions the situation is worse with the new measure of the poverty line, but still the poverty gap is limited is size especially when considering the social integration. Furthermore, it has to be reminded that *for minimum pensions the income ceiling is set at twice the level of the minimum pension, so that the individual may reach a minimum income well above the poverty line* (as better shown in the next paragraph).[17]

As far as social pension is concerned, in the first period the benefit was less than half the poverty-line threshold. Afterwards this ratio rose; in the period 1975-84 it was, on average, around 70 percent (column K, Table 4). In the period 1985-99 the weight of the social pension basic transfer (excluding the social integration) fell down to 60 percent of the poverty line. The integrated benefit was around 80 percent in 1985; however, due to the lack of an automatic revaluation of the social integration, the ratio of overall benefit rapidly declined during the nineties. It increased again to 80 percent in 2001. The rise in 2002, for the over-70 recipients was significant but, again, in the absence of an automatic adjustment, gradually decreased in the subsequent years. In 2007 a new discretionary increase of the social integration has already been passed.

We may conclude that *the social pension scheme set, "implicitly", a quasi-poverty-line benchmark for the elderly individuals and hence left a poverty-gap open*. None of these characteristics of the social pension scheme have ever been explicitly addressed in official

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15 See Carbonaro (1985).

16 The official time series for the poverty line is available only since 1980. To compare the social and minimum pension levels to the poverty line since their introduction, some estimate of the poverty line for previous years is needed. Data used by the Italian Poverty Commission are those of the Household Consumption Survey by the Italian Institute of Statistics (Istat). For previous years we use consumption data from Istat National Accounts (NA). A comparison of the per capita consumption between the two sources for the available years shows that consumption used by the Poverty Commission is systematically lower, possibly due to the sampling procedure followed for the purposes of constructing the poverty line. The relationship is stable. Therefore, in estimating the 2-individual household poverty line from NA for the period 1969-79, we applied the average historical ratio between the data from the two different sources (the ratio is almost 80 percent). To translate the resulting series into the 1-individual household poverty line, we then used the corresponding coefficient of Carbonaro equivalence scale.

17 The level of minimum pension would be significant only in case of zero-incomes, which is not very likely (unless in particular cases), since as a general rule these beneficiaries must have already gained the right to an insurance pension. The relevant ratio of the minimum income granted by minimum pension and the poverty line is shown in column L, Table 4 and is well above unity.

reports that described the legislative changes or appraised their financial impact. The size of the poverty-gap left by the social pension was on average around 30-40 percent of the poverty line until mid-eighties and around 20 percent during the nineties.

The reason behind this feature of social pension design was, presumably, to avoid disincentives to labour supply during the working life (by not guaranteeing a total protection against poverty for citizens who did not work or did not work long enough). However, the scheme was not adequately calibrated to this purpose. As a matter of fact it produced a strong incentive to exploit insurance pension improperly. Laxity in the law requirements for the access to the pension schemes made it easy for many "bogus-workers"[18] to gain the access to a minimum pension rather than to other assistance benefits, like a social pension. Those who entered the social pension scheme were mainly individuals who had not worked, typically women.

4.2 The role of the marital status

Although social and minimum pensions are directed to individuals, the income thresholds – and hence the minimum income granted to the beneficiary – are different for recipients living in a couple. In the case of minimum pensions the role of different family structures has been taken into account only through the tax system until 1994, when the couple's cumulated income became relevant for the access. The motivation seems to sit primarily in the need for financial consolidation. In the case of social pensions, on the contrary, which are exempt from the personal income tax, the role of the family size has entered through the setting of different income ceilings for the eligibility since the origin: the instrument was explicitly born as an assistance one and, as such, it was subject to means-testing. In both cases, however, the family structure is relevant only for single vs. married beneficiaries. No other member of the households is taken into consideration.

The different ceilings set for the access for single or married beneficiaries imply the definition of an equivalence scale by legislators. The equivalence coefficient computable from the *social pension* as the ratio of the single income ceiling over the couple's one has always been below 30 percent, against a value of 59 percent of the analogous coefficient in the "Carbonaro scale" (clumn D, Table 4). This choice suggests the *lack of consideration of the economies of scales of 2-component households and, on the contrary, the intent of favouring married individuals with respect to single for reasons that are not explicitly stated*. This is a general feature of many schemes in the Italian social protection.

More similar to the Carbonaro equivalence scale is the coefficient implicit in the *minimum pension ceilings* (equal to 50 percent). It should be kept in mind that *the level of the ceilings is systematically higher than the corresponding level for social pensions*, so that it is the single income ceiling which differs more between the two schemes.

Chart 4 shows the income ceilings of social pension against the poverty lines for single and married individuals in real terms.[19] For the *single individual* the ceiling is just above half the poverty threshold, pointing to the insufficient performance of social pension alone in

[18] 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 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.

[19] The computation is at February 2007 prices.

avoiding poverty, as stressed above. *On the contrary, the income ceiling set for the couple potentially places these households well above the poverty line.* Chart 5 shows the same variables for the *minimum pension*: both ceilings are set above the corresponding poverty lines.

The apparent inconsistency of the implicit equivalence scale of social pension may find some ex-post explanations that point to implicit objectives of the policy maker. For instance, the scheme could have been designed so as to include a "family allowance" component to individuals living in a couple. This extra-benefit, on top of the income support that is paid given to the single beneficiary, would be motivated by the awareness that the income ceiling for the single individual would leave a poverty gap open.

Moreover, the floor set for the couple's income (under which the benefit is paid in full amount) is such that, in the absence of any source of income of one component, the income of the second recipient places the couple around the poverty line (column O, Table 4). Therefore, by receiving the social pension, the couple may move much above the poverty line.

One interpretation of these implicit design could be the following: by granting to single individuals only a reduction of the poverty gap – rather than its complete offset – the social pension scheme implicitly relies on the presence of some help to these beneficiaries by other household's components. On the other hand, by granting to married individuals a couple's income above the poverty line, the policy maker rejects the idea that the couple must rely on the income support from other members of their families and allows a complete offset of the poverty gap. This view presumably stemmed from the socio-economic conditions of the Italian households at the times the scheme was designed, when elderly individuals once left alone were more easily going to live within their children' families than the couples were. Anyway, *the insurance pension scheme, through higher minimum pensions and survivors pensions, was expected to do much of the protection. Social pension was to play a residual role* and was really meant to be the ultimate safety net.

In a *reform perspective*, it is therefore important to establish whether these implicit assumptions are still realistic and, if not, what the actual situation of the beneficiaries is once we look at the income position of the overall households including also components other than spouses. The first step is to understand who the social pension beneficiaries are and what their economic and social conditions are today. More precisely, it is important *to assess those characteristics of the targeted individuals and of their households that are ignored by the access conditions to the social pension scheme and that are more correlated with poverty risks nowadays*.

5. Poverty among the social pensioners: some empirical analysis on survey data

The focus in this paragraph is confined on the mere analysis of the poverty conditions among those who benefit from the social pension, in order to *assess whether the design of social pension – even though it is not immediately or exclusively directed at this goal, as we have shown – has been sufficiently capable of contrasting poverty once the overall economic position of the beneficiaries' households is considered*. In other words, the relevant impact of the social pension we are interested in is not on the individuals' income position but on their household's equivalent income. In order to address the issues raised in analysing the implicit policy design of the social pension scheme and to gain some insight about the actual performance of the social

pension, we carried out some empirical analysis based on micro-data. The data source is the Bank of Italy Survey of Households Income and Wealth (BISHIW).[20] Minimum pensions are not considered because the dataset we use does not distinguish whether a given insurance pension is the result of the minimum integration or not. Some estimation of the integration would be needed. This is going to be a future development of the work, by making use of data from the RGS. In this paper we limit the discussion to the illustration of the main statistics of RGS.

The approach is somewhat more static and descriptive, although some very simple analysis of poverty dynamics is also presented in the next paragraph.[21] The interest is not so much in quantifying the effects of changes in the level of the transfer on poverty incidence, but in assessing how the implementation of the social pension design has performed with respect to a theoretical scheme specifically aimed at eliminating poverty incidence among the elderly.[22]

5.1 Individual and household characteristics of selected sub-groups of elderly

Although the number of social pensioners in the survey data may be low to draw strong conclusions, some facts emerge quite clearly from simple descriptive statistics and they are consistent with the analysis carried out so far. Charts 6-9 show the distributions of elderly pensioners, compared to those of social pensioners, by residence area, sex, age and family position.

Social pensioners are mostly women, are more likely spouses or members of the household other than the head of the family, tend to live in the South of Italy (the poorest area), and are on average older.

Contrary to the sub-sample of the elderly pensioners, the number of social pensioners in the position of spouses has been decreasing over time, while the heads of the households has increased correspondently. The prevailing of the spouses – which characterises the survey data until the late 1990s – reversed in the following years. Given the sex and the age of these individuals, it is very likely that this phenomenon is associated with an increase in the number of single social pensioners, with all the implications illustrated before in terms of the degree of protection associated to the benefits they received.

Data of RGS show that in 2002 more than 81 percent of minimum pensions were directed at women. Moreover, in order to get an annual minimum pension that was on average around

[20] On the BISHIW see the Banca d'Italia website (*www.bancaditalia.it*), various issues of Banca d'Italia *Supplement to the Statistical Bullettin*, Brandolini and Cannari (1994) and Brandolini (1999).

[21] For econometric evidence on the dynamics of poverty among social pensioners and elderly individuals in BISHIW see Monacelli (2007), where a probit model is estimated on two-wave consecutive panels.

[22] A preliminary clarification is needed. Since assistance pensions are means-tested, a causality issue may arise once we want to analyse the ability of these instruments to protect the beneficiaries against poverty. However, based on the previous analysis of the institutional characteristics of the scheme, the causality issue proves to be less serious than it may appear at a first sight. In particular, in the case of social pension the level of the benefit recognised to single individuals (mostly below the poverty line), the level of the income test for married individuals (above the poverty line), the consideration for only part of the household income for the access, and the existence of the more generous minimum pension reserved to workers (so that there is little scope for poverty trap mechanisms based on incentives to work less, in case of the social pension), all make the link between poverty and the right to a social pension less strict than in a typical minimum income scheme.

100 euros lower than average the pension of males, females were paid an annual integration almost 500 euros higher (Chart 10).[23]

5.2 Poverty incidence and intensity

Table 5 summarises the main static indicators of poverty, from each year's survey, for all the individuals in the sample and for several sub-groups of elderly individuals. These descriptive statistics confirm findings by other studies in terms of the incidence of poverty in Italy, which is systematically lower for elderly people, especially when beneficiaries of pensions; the only exception is given by the sub-group of the social pensioners, who are characterised by higher poverty rates in the overall period.[24]

The head count ratio (HC), given by the percentage of the individuals living in a poor household, is higher for social pensioners than for the overall sample, except in the most acute years of cyclical economic downturns, occurring in early to mid-nineties and mid-decade of 2000s (Chart 11). This result may have two explanations:

(a) the fact that we use *a relative poverty line*. This choice depends in the interest on the ability of social pension to protect the beneficiaries compared to the position of the others, rather than compared to an abstract reference position – kept fixed over time – as it would be if using an absolute poverty line. The relative poverty line is influenced by the cyclical behaviour of the economy: while in "good times" GDP growth tends to increase all incomes and to raise the relative poverty measure accordingly, in "bad times" the opposite is likely to occur. If the poverty line lowers during "bad times", and if the relative worsening of a particular group is less pronounced than the overall average, the HC index of such a group – social pensioners in our case – may improve;

(b) the genuine fact that the social pension scheme is not capable of protecting the elderly individuals against the risk of falling into poverty – and this shows up particularly in "bad times". This would be consistent with the fact that social pension is designed to leave a poverty gap open for part (the unmarried) of the beneficiaries.

The income poverty gap (IPG), i.e. the average distance from the poverty line, is systematically lower in the case of social pensioners compared to the overall sample (Chart 12). This result points to the social pension *actually ensuring a curb to the poverty gap*, without insulating completely the beneficiaries from poverty, as pointed to by the analysis of the institutional design of the scheme. The gap that is left open exceeds 20 percent on average for social pensioners only in 1993, the worst recession year, and 2000 due to the low level the benefit reached before the main discretionary increase discernable in the 2002 sample. It compares with an average poverty gap for the overall sample that, in the worst years, was higher than 30 percent.

To gain some insight about the performance of social pension – if we consider also any household's source of income other than those considered by the Law's income ceilings – we can compare the poverty incidence measured by the HC index, including or excluding from the household's equivalent income the social pension received by the beneficiaries. Again, given the small size of the social pensioners' sub-sample, this evidence must be considered

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23 A complete Table is given in the Statistical Annex.

24 See also Monacelli (2004).

cautiously. However, it gives some flavour of how the scheme has been actually working in the last two decades.

Table 6 illustrates the computations for each year. It is a contingency table classifying the individuals receiving a social pension according to three possible situations: *(a)* the household succeeding in crossing the poverty line; *(b)* the household failing to cross the poverty line; *(c)* the household being already above the poverty line.

(a) The percentage of social pensioners in the first column is a rough measure for the "effectiveness rate". The value is on average around 25 percent until 2000, and rises above 40 percent in 2002.

(b) The percentage in the second column gives indications about the "ineffectiveness rate" (like an α statistical error). This index is on average quite high during the period (around 11 percent), signalling that the level of the benefit is presumably insufficient to avoid poverty if other conditions within the families do not help. It gives an indirect measure of the impact from the social pension design leaving a poverty gap open for single beneficiaries.

(c) The percentage in the third column may be interpreted as an "inefficiency rate" (a sort of β statistical error). It offers an indication of the potential fraction of the beneficiaries that may be the subject of resource savings. The high value, 60 percent on average across all the surveys, points to a targeting method that could be clearly improved, if the only objective of the social pension scheme is to contrast poverty. Alternatively, it gives *a measure of the weight of other "collateral" targets pursued by the scheme*: the high values characterising all the surveys would confirm that a significant component of social pension has been used as family allowance to the elderly couples, independently of the poverty-contrast objective.

These indicators are static and hence are only able to give a rough image of the impact of the policy design over time. Changes in the indexes across the surveys obviously reflect the different underlying conditions of the households in each year, making time comparisons particularly difficult. However, there are some clear cases in which a correlation may be established between legislative changes in the social pension scheme and, at least, the direction of the change in the indexes. For instance, the recent improvement in the effectiveness rate may be associated to the significant increase in the basic transfer implemented in 1999 and the increase in the social integration for beneficiaries over 70 years of age (more than the 70 percent of the social pensioners) enforced in 2002. The impact of the differentiation of the transfers by age could also be reflected in the decrease of the inefficiency rate, signalling that age should be considered among the relevant factors in view of improving the design targeting. The increase in the ineffectiveness rate in the late 1990s, however, points to the existence of other relevant factors to consider in order to address the degree of poverty risk exposure; for instance, in those years a role may have been played by the decrease in the fraction of spouses among the social pensioners and the increase in the heads of household, meaning that a relevant share of the beneficiaries has presumably become single. This could call for a better calibration of the implicit equivalence scale.

More generally, to improve the efficiency and the effectiveness of social policies reducing *poverty incidence*, we need to identify the main factors associated with poverty conditions.

Previous econometric work carried out on the same data[25] show that *individuals* are *less exposed to poverty if pensioners, with the relevant exception of the social pensioners*. The *co-living situation within the household seems to play a relevant role*, if considered *in interaction with other households' characteristics*. This suggests a direction for identifying new factors for targeting social transfers in general, in order to better pursue an objective of poverty contrast.

5.4 Some hints on the dynamic performance of pensions

In evaluating policies against poverty, the dynamic aspects are of major relevance.[26]

A simple way to analyse poverty incidence over time is to build up transitions matrices from the 2-wave consecutive panels available between 1987 and 2004.[27] The share of those who were poor in the first period of the panel and stayed poor in the second, gives some information about poverty *persistence*. These shares tend to increase for all the groups during the 1990s recession and to remain higher than in previous years until 2004. *This trend is less clear for the sub-sample of social pensioners, for which however the size becomes extremely small*. The transition matrices show that, since the mid-ninieties, for the overall sample of the individuals, poverty status in the second year of each panel mainly reflects a persistence phenomenon, while the opposite holds for the social pensioners sub-sample (Chart 13).

The evidence illustrated so far is consistent with what already emerged from the static analysis of poverty intensity, i.e. that the social pension primarily curbs the poverty gap rather than avoiding poverty.[28]

6. Conclusions

The analysis of the institutional characteristics of the social protection to the elderly in Italy shows that it is mostly based on *minimum* and *social* pensions. Although these instruments were born with different purposes and within the two different tier of the welfare state (insurance and assistance, respectively), a process of *convergence in the use and the level of protection seems to have occurred over time*.

Minimum pensions have prevented the individuals from entering into poverty. *Until the eighties they were not means-tested* at all, and only in the *mid-nineties*, with the pension reform, the test was extended to the *couples' cumulated income*. In the same occasion, minimum pensions were abolished, although they still will account for a large share of pension expenditure until the completion of the transition from a defined-benefit system towards the

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25 See Monacelli (2007).

26 One important issue in carrying out dynamic analyses is the choice of the poverty line. A relative poverty line, changing over time with the conditions of the economic system, has the nice implication of avoiding the need for a time-adjustment, to take into account at least the effects of inflation (as in the case if using an absolute poverty line, which is by definition referred to a specific year). However, it also has the unpleasant feature of making the poverty benchmark dependent on the cyclical behaviour of the economy. Here we use a relative poverty line.

27 The comparison of the poverty incidence for the individuals of the entire sample and for selected sub-groups computed on data from each year survey and on the 2-wave consecutive panels reveals significant differences in the exact level of HC ratios, especially when the sub-group size becomes smaller (as it is the case for social pensioners). However, the dynamic patterns do not seem to diverge, so the panels should be good enough to describe the time trends.

28 Here, obviously, the use of a relative poverty line could affect results, since poverty intensity is generally lower, as show above, for social pensioners.

new notional contributory system (the integration alone accounted for 1 point of GDP in 2002). During the last decade, since the reform, the assistance nature of minimum pensions became more explicit and the convergence towards social pension clearer.

As far as social pension is concerned, the analysis of the implications of the "institutional" characteristics point to the level of the benefit being *implicitly* designed to *limit the poverty intensity of single individuals within a threshold*, quantifiable *around 80 percent of the poverty line*. For *married individuals the benefit goes beyond the sustenance objective and implicitly recognises an extra-benefit for the family*. Micro data show that, taking into account the economic conditions of the overall household, social pension has succeeded in taking the households out of a poverty status on average in more than 25 percent of the cases, while it has failed in more than 10 percent; it was paid to individuals who were not living in a poor household in around 60 percent of the cases. Individuals who benefit from a social pension have a higher odd of living in a poor family, with respect to other categories of individuals, although the poverty gap has been on average lower. The probability of falling into poverty is statistically higher, but only during economic downturns. Poverty on average is more widespread – although less intense – and is characterised by more a cyclical than a persistent nature.

Chart 1 - Social protection expenditure *(as a percentage of GDP)*

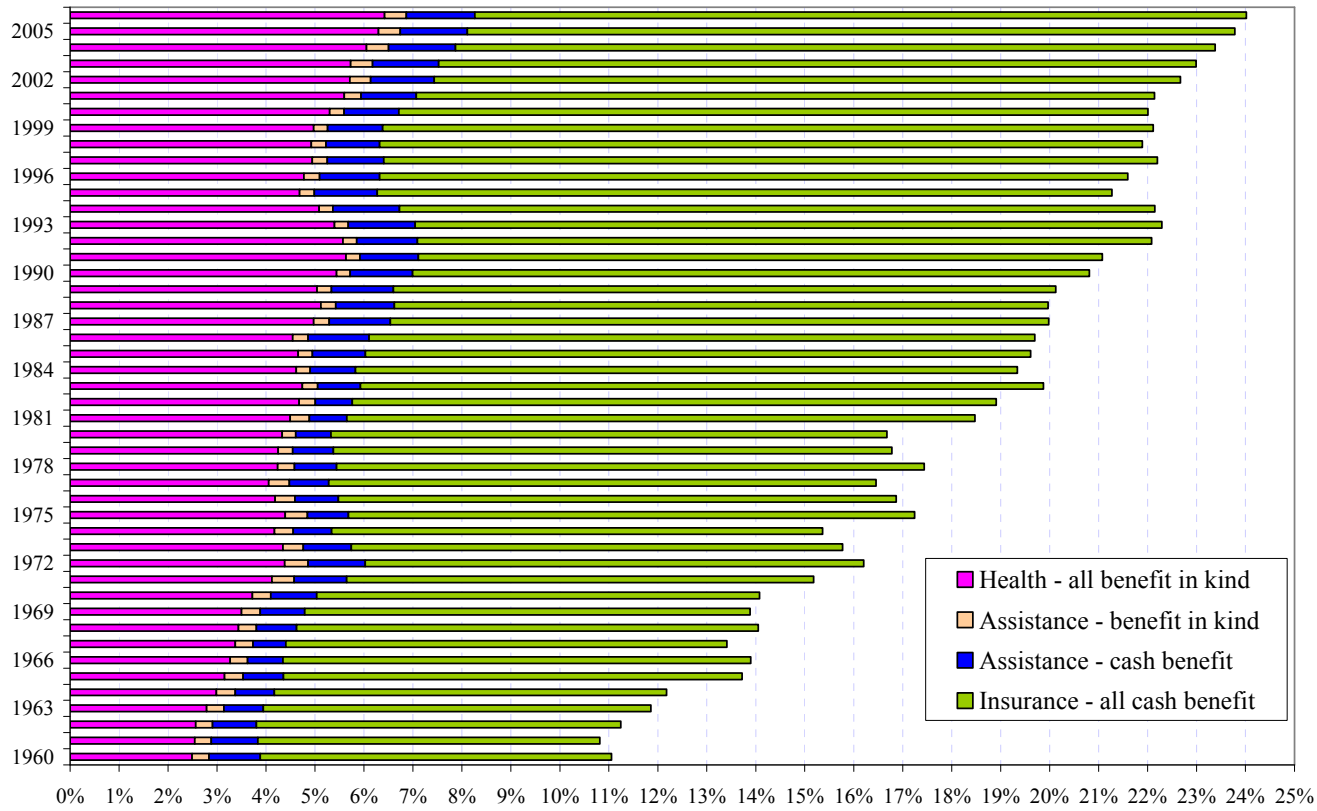
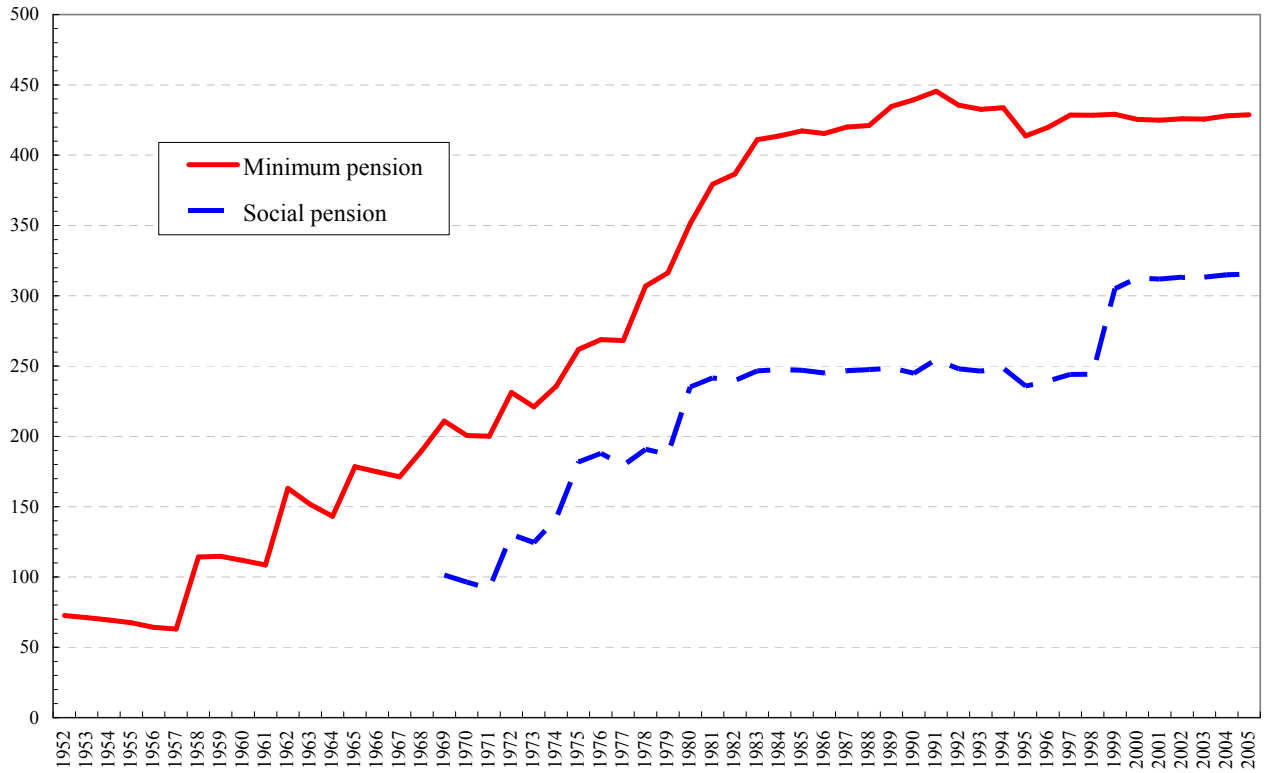


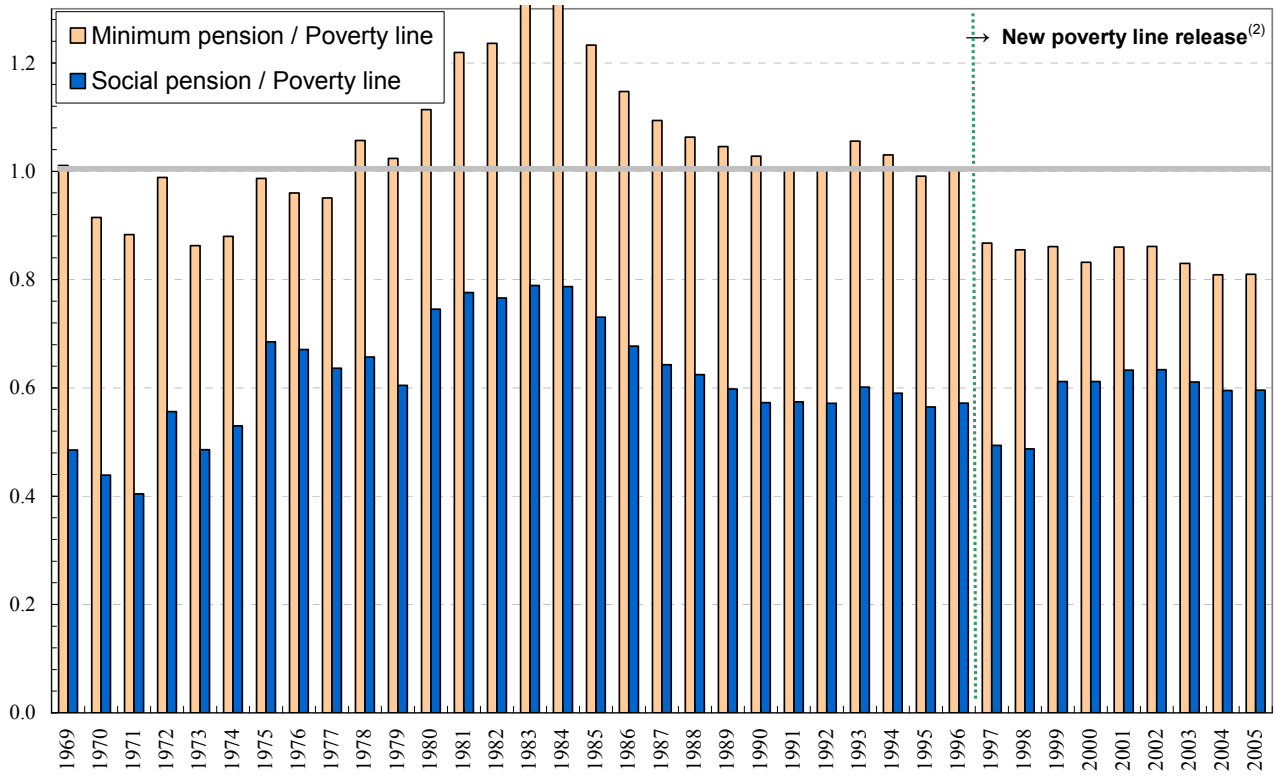
Chart 2: Social pension(1) **and minimum pension** *(annual benefit in euros - constant prices)*



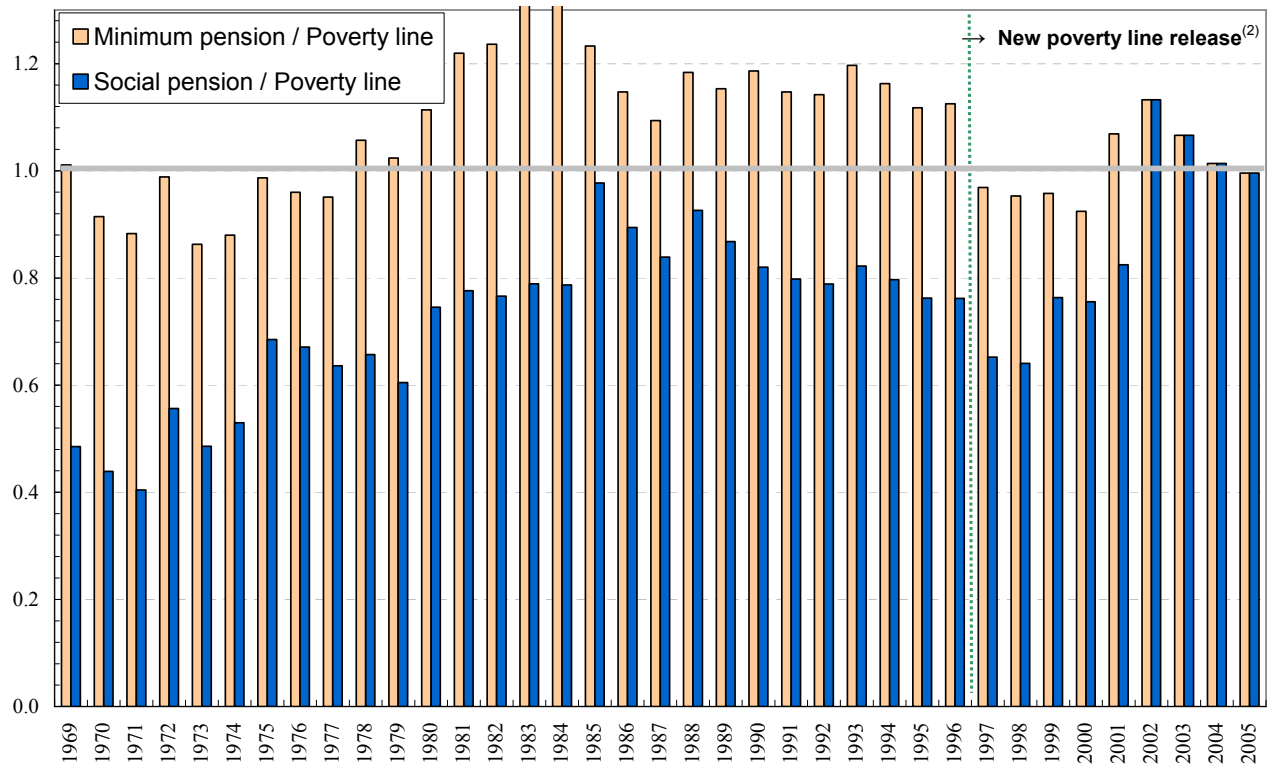
(1) Basic transfer, excluding the social integration.

Chart 3: Social pension and minimum pension(1) *(monthly benefit - ratio of the poverty line)*

Basic Transfer



Integrated transfers



(1) Beneficiaries over 70 years of age. – (2) Dotted line denotes changes in the statistical methodology for the poverty line computation.

Chart 4: Social pension income ceilings(1) and family size

(annual amounts in euros - constant prices)

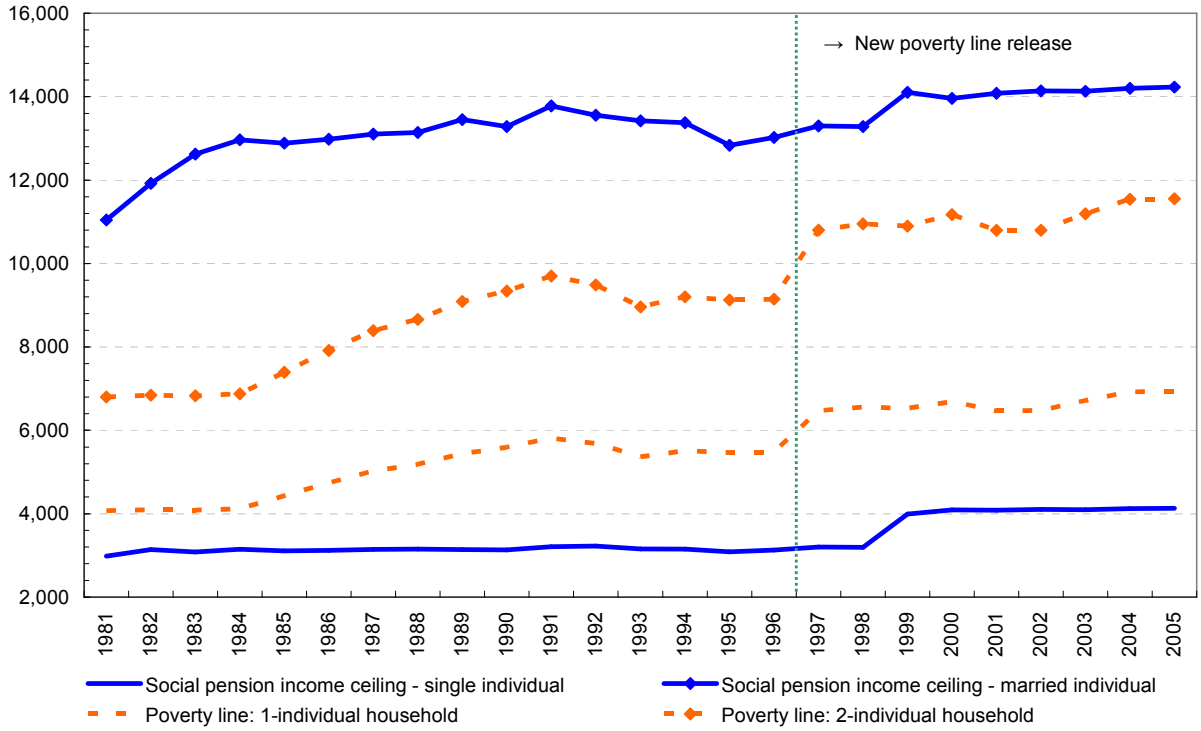
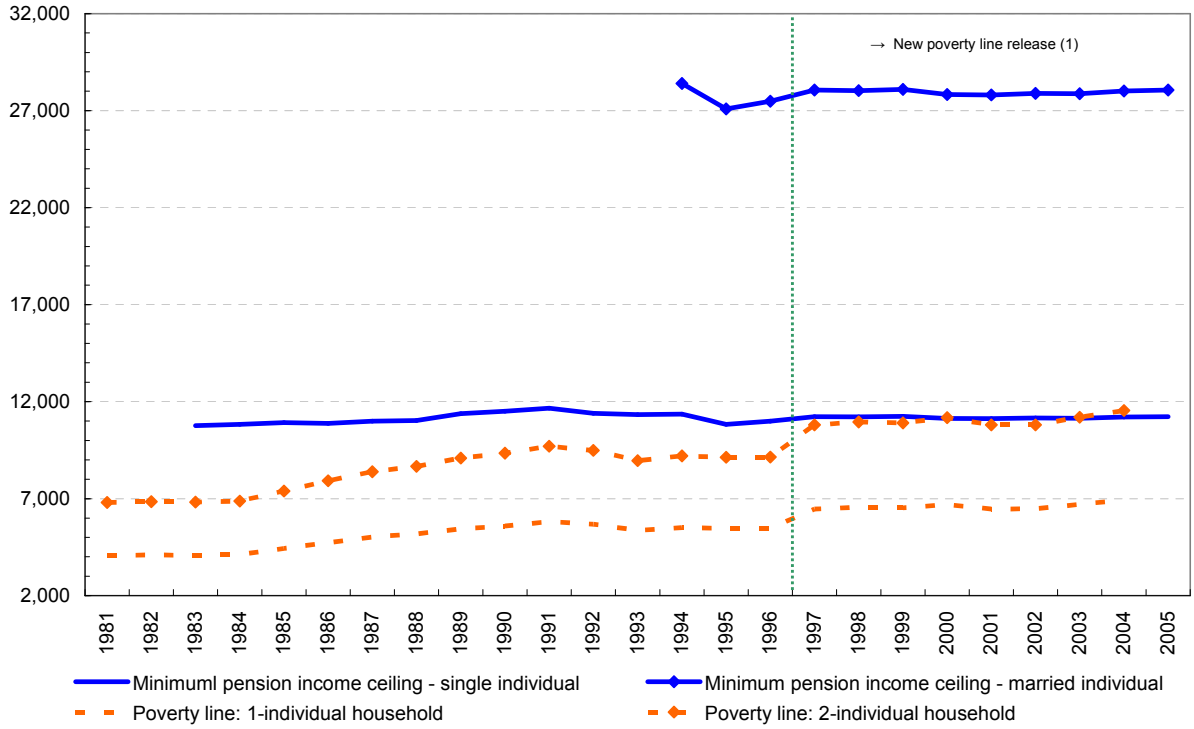


Chart 5: Minimum pension income ceilings(1) and family size

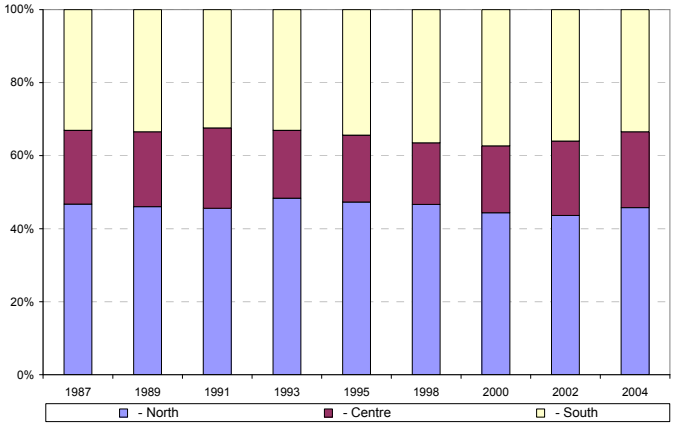
(annual amounts in euros - constant prices)



(1) Dotted line denotes changes in the statistical methodology for the poverty line computation.

Chart 6: Distribution by geographical area *(BISHIW)*

Elderly pensioners



Social pensioners

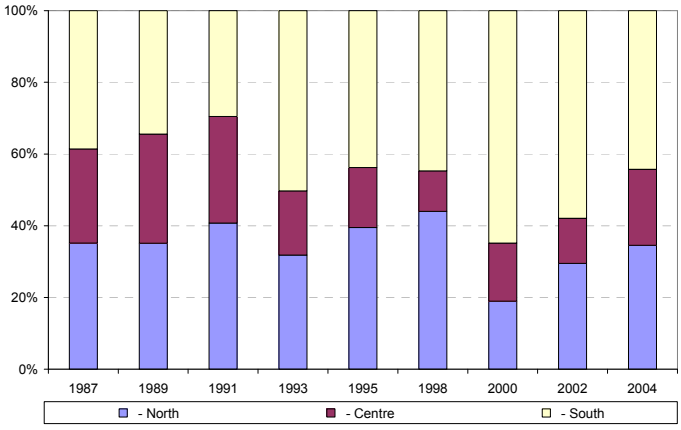
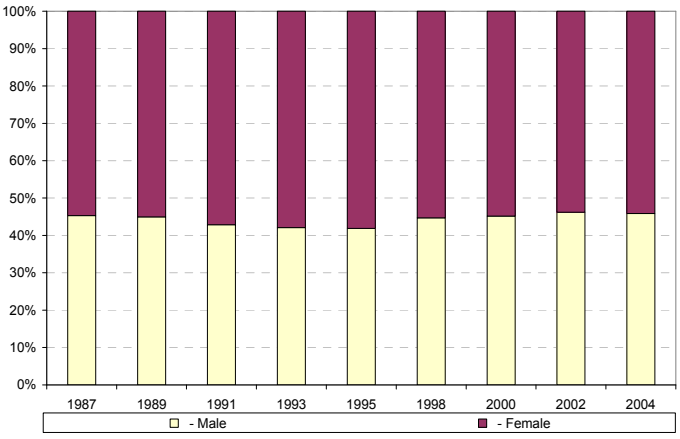


Chart 7: Distribution by sex *(BISHIW)*

Elderly pensioners



Social pensioners

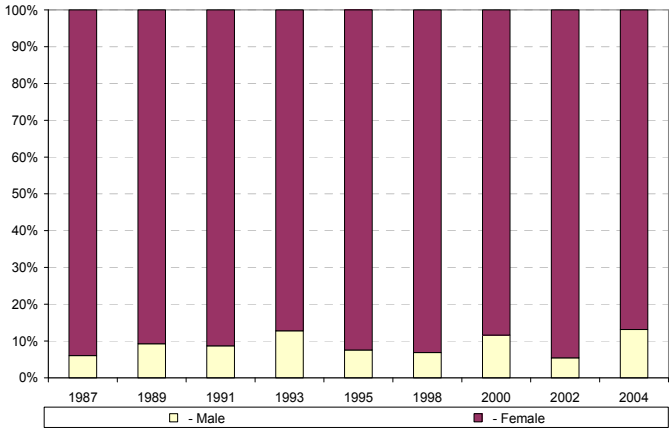
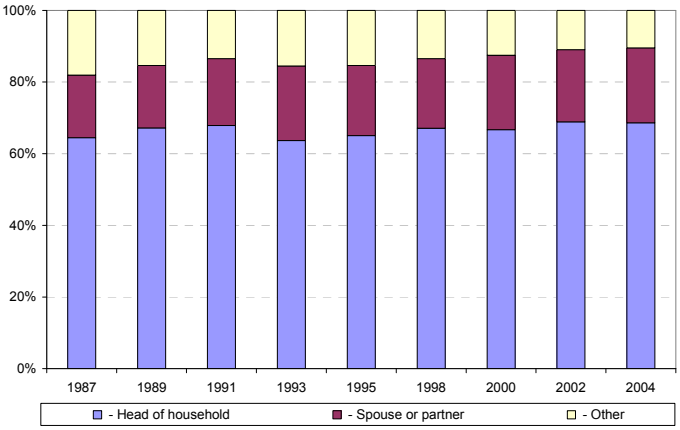


Chart 8: Distribution by position within the household *(BISHIW)*

Elderly pensioners



Social pensioners

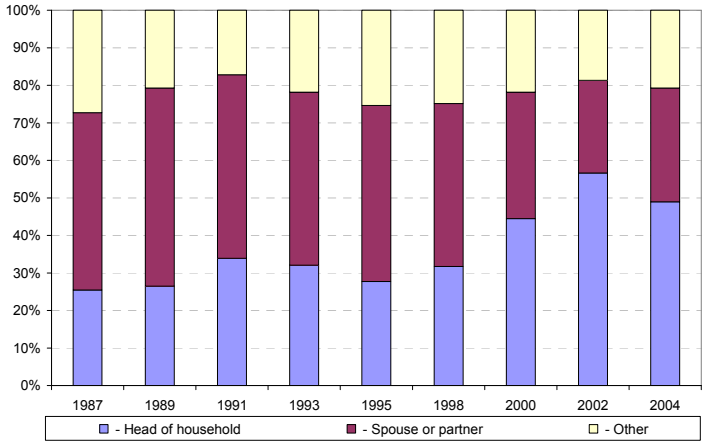
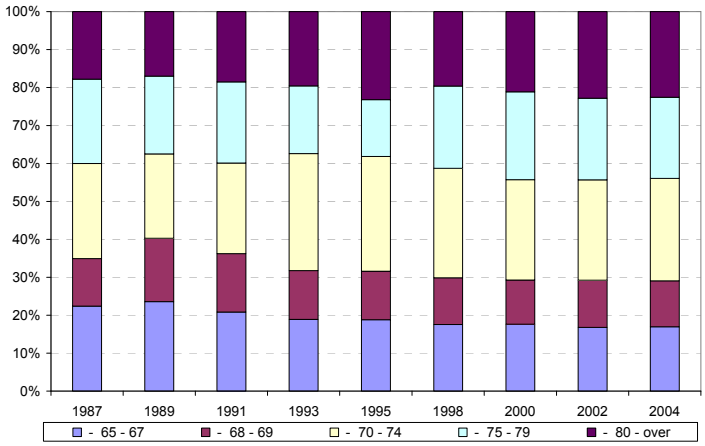


Chart 9: Distribution by age *(BISHIW)*

Elderly pensioners



Social pensioners

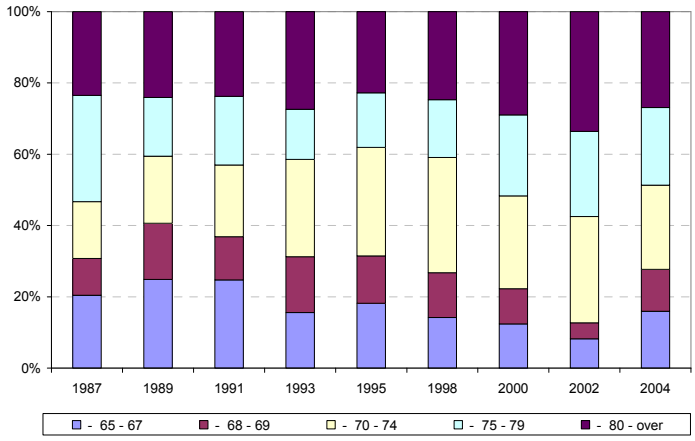
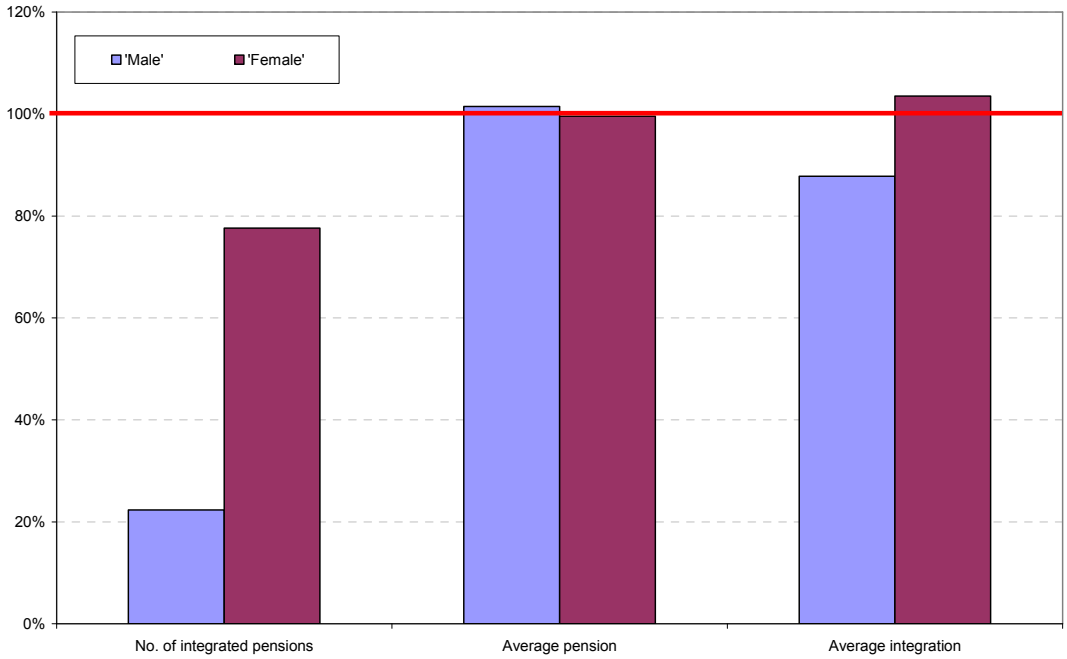


Chart 10: Integrated pensions by sex *(2002)*



Source: RGS (2005)

Chart 11: Poverty incidence *(Head Count Ratios - BISHIW)*

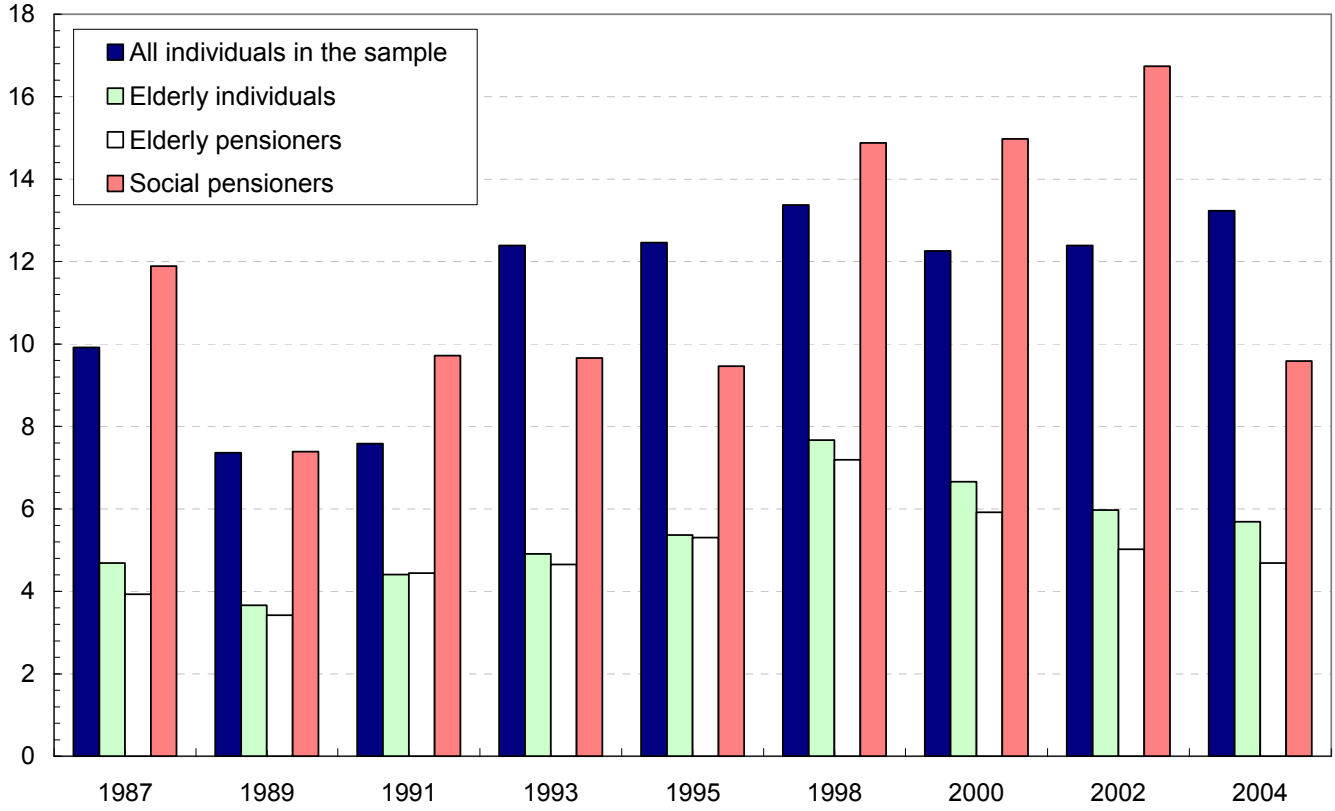


Chart 12: Poverty intensity *(Income Poverty Gap Ratios - BISHIW)*

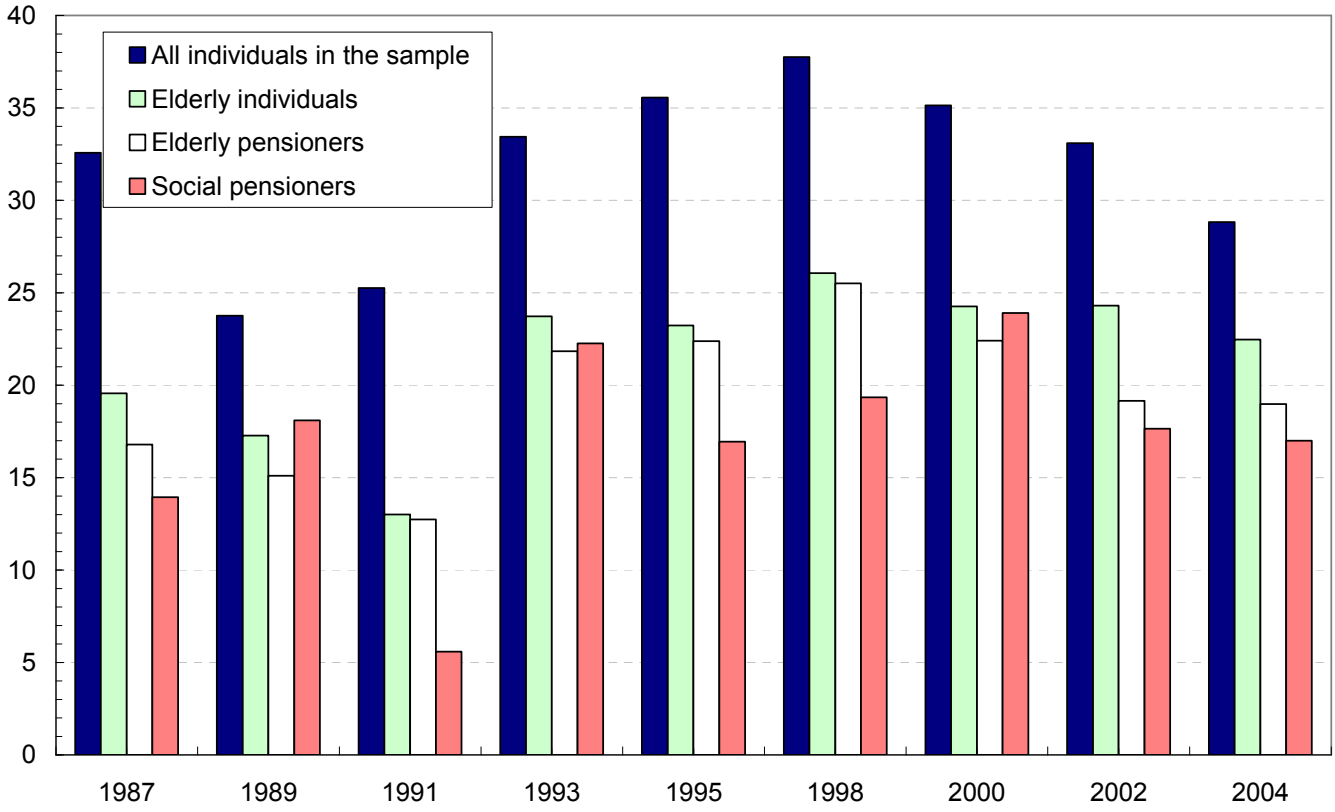
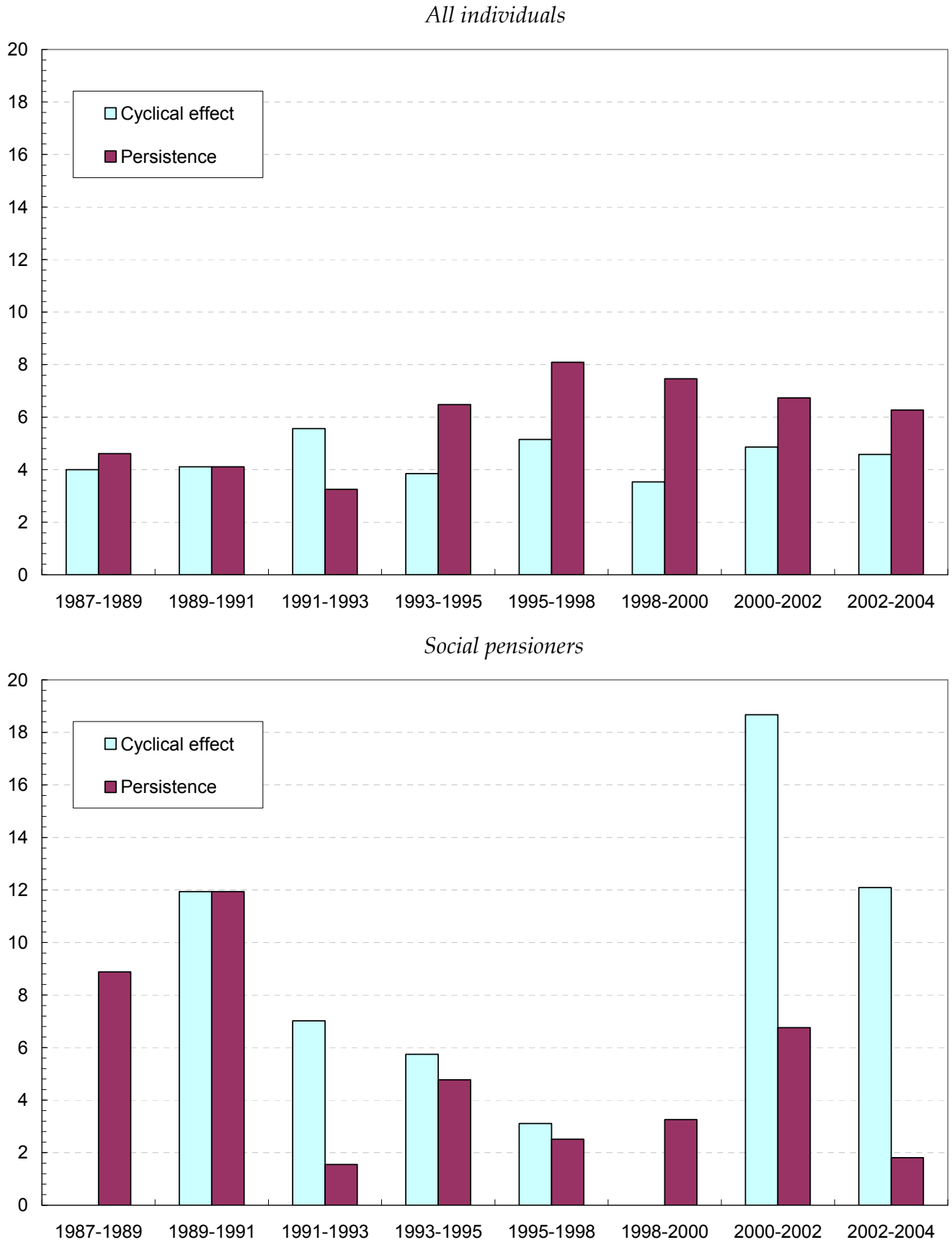


Chart 13: Poverty incidence analysis *(2-wave panels - BISHIW)*[1]



(1) The indexes measure the share of individuals who are poor in the second year of each 2-wave panel and were not poor in the first year (*cyclical effect*) or were poor in the first year (*persistence*).

Table 1 – Minimum and Social pension benefits, Integrations and Income Ceilings

Year	Monthly Transfer			Annual Transfer			Social Integration					
	Minimum Pension (PMIN)	Social Pension (PSOC)	Social Transfer (ASSOC)	PMIN	PSOC	ASSOC	PMIN age>75 *(a)*	Annual	PSOC age<70	Annual	PSOC age>70	Annual
1952	2.58			33.57								
1953	2.58			33.57								
1954	2.58			33.57								
1955	2.58			33.57								
1956	2.58			33.57								
1957	2.58			33.57								
1958	4.91			63.78								
1959	4.91			63.78								
1960	4.91			63.78								
1961	4.91			63.78								
1962	7.75			100.71								
1963	7.75			100.71								
1964	7.75			100.71								
1965	10.07			130.92								
1966	10.07			130.92								
1967	10.07			130.92								
1968	11.31			147.04								
1969	12.91	6.20		167.85	80.57							
1970	12.91	6.20		167.85	80.57							
1971	13.53	6.20		175.91	80.57							
1972	16.53	9.30		214.85	120.85							
1973	17.43	9.81		226.60	127.56							
1974	22.18	13.35		288.36	173.56							
1975	28.90	20.06		375.64	260.84							
1976	34.58	24.17		449.50	314.21							
1977	41.14	27.53		534.77	357.85							
1978	52.94	32.90		688.18	427.68							
1979	63.16	37.31		821.11	485.08							
1980	84.98	56.89		1,104.78	739.54							
1981	109.49	69.70		1,423.36	906.05							
1982	129.86	80.49		1,688.22	1,046.37							
1983	158.66	95.16		2,062.52	1,237.04							
1984	176.60	105.72		2,295.83	1,374.34							
1985	193.41	114.55		2,514.37	1,489.15				38.73	503.55	38.73	503.55
1986	204.41	120.59		2,657.38	1,567.70				38.73	503.55	38.73	503.55
1987	216.06	126.95		2,808.78	1,650.29				38.73	503.55	38.73	503.55
1988	227.45	133.63		2,956.82	1,737.23		25.82	335.70	64.56	839.24	64.56	839.24
1989	250.22	143.16		3,252.90	1,861.10		25.82	335.70	64.56	839.24	64.56	839.24
1990	268.33	149.54		3,488.23	1,944.02		41.32	537.12	64.56	839.24	64.56	839.24
1991	289.65	165.71		3,765.51	2,154.17		41.32	537.12	64.56	839.24	64.56	839.24
1992	298.38	170.02		3,878.98	2,210.23		41.32	537.12	64.56	839.24	64.56	839.24
1993	308.92	176.03		4,015.94	2,288.45		41.32	537.12	64.56	839.24	64.56	839.24
1994	321.99	184.38		4,185.81	2,396.88		41.32	537.12	64.56	839.24	64.56	839.24
1995	323.53	184.38		4,205.95	2,396.88		41.32	537.12	64.56	839.24	64.56	839.24
1996	341.02	194.34	247.90	4,433.21	2,526.46	3,222.69	41.32	537.12	64.56	839.24	64.56	839.24
1997	354.32	201.73	257.56	4,606.10	2,622.46	3,348.24	41.32	537.12	64.56	839.24	64.56	839.24
1998	360.33	205.37	261.95	4,684.32	2,669.80	3,405.31	41.32	537.12	64.56	839.24	64.56	839.24
1999	366.81	260.71	318.32	4,768.58	3,389.20	4,138.14	41.32	537.12	64.56	839.24	64.56	839.24
2000	372.68	273.90	332.39	4,844.78	3,560.74	4,321.09	41.32	537.12	64.56	839.24	64.56	839.24
2001	382.36	281.31	340.68	4,970.67	3,657.08	4,428.85	92.96	1,208.51	64.56	839.24	85.22	1,107.82
2002	392.69	288.91	350.57	5,104.97	3,755.83	4,557.41	123.77	1,609.01	142.03	1,846.35	227.55	2,958.15
2003	402.12	295.85	358.99	5,227.56	3,846.02	4,666.87	114.34	1,486.42	142.03	1,846.35	220.61	2,867.96
2004	412.18	303.25	367.97	5,358.34	3,942.25	4,783.61	104.28	1,355.64	142.03	1,846.35	213.21	2,771.73
2005	420.02	309.02	374.97	5,460.26	4,017.26	4,874.61	96.44	1,253.72	142.03	1,846.35	207.44	2,696.72
2006	427.58	314.58	381.72	5,558.54	4,089.54	4,962.36	88.88	1,155.44	142.03	1,846.35	201.88	2,624.44
2007	436.14	320.88	389.36	5,669.82	4,171.44	5,061.68	123.77	1,609.01	142.03	1,846.35	239.03	3,107.39

(continue)

(cont'nd) **Table 1**

Year	Income Ceiling PMIN			Income Ceiling PSOC			Income Ceiling ASSOC		Ratios PSOC/PMIN	
	Single	Couple 1994 *(b)*	Couple post 1994	Single	Couple lower limit	Couple higher limit	Single	Couple	Basic trasfer	Integrated transfer *(c)*
	(both binding)			*(both binding)*			*(the looser binding)*			
1952										
1953										
1954										
1955										
1956										
1957										
1958										
1959										
1960										
1961										
1962										
1963										
1964										
1965										
1966										
1967										
1968										
1969				80.57	na	na			0.48	
1970				80.57	na	na			0.48	
1971				80.57	na	na			0.46	
1972				120.85	na	na			0.56	
1973				127.56	na	na			0.56	
1974				173.56	na	na			0.60	
1975				260.84	na	na			0.69	
1976				314.21	na	na			0.70	
1977				357.85	na	na			0.67	
1978				427.68	na	na			0.62	
1979				485.08	na	na			0.59	
1980				739.54	na	na			0.67	
1981				906.05	2,258.03	3,164.07			0.64	
1982				1,046.37	2,928.98	3,975.35			0.62	
1983	4,125.04			1,237.04	3,603.60	4,840.65			0.60	
1984	4,591.66			1,374.34	4,121.69	5,496.03			0.60	
1985	5,028.74			1,489.15	4,443.21	5,932.36			0.59	0.79
1986	5,314.75			1,567.70	4,771.93	6,339.64			0.59	0.78
1987	5,617.55			1,650.29	5,045.78	6,696.07			0.59	0.77
1988	5,913.64			1,737.23	5,311.19	7,048.42			0.59	0.78
1989	6,505.81			1,861.10	5,830.57	7,691.67			0.57	0.75
1990	6,976.45			1,944.02	6,115.26	8,059.28			0.56	0.69
1991	7,531.03			2,154.17	6,741.39	8,895.56			0.57	0.70
1992	7,757.96			2,210.23	7,012.04	9,222.27			0.57	0.69
1993	8,031.89			2,288.45	7,229.73	9,518.17			0.57	0.69
1994	8,371.61	20,929.03	16,743.22	2,396.88	7,458.46	9,855.34			0.57	0.69
1995	8,411.90	21,029.74	16,823.79	2,396.88	7,568.57	9,965.45			0.57	0.68
1996	8,866.43	22,166.07	17,732.86	2,526.46	7,977.27	10,503.73	3,222.69	6,445.38	0.57	0.68
1997	9,212.20	23,030.49	18,424.39	2,622.46	8,291.07	10,913.53	3,348.24	6,696.48	0.57	0.67
1998	9,368.63	23,421.58	18,737.26	2,669.80	8,429.27	11,099.07	3,405.31	6,810.62	0.57	0.67
1999	9,537.15	23,842.88	19,074.30	3,389.20	8,581.01	11,970.21	4,138.14	8,276.27	0.71	0.80
2000	9,689.56	24,223.89	19,379.12	3,560.74	8,709.74	12,149.78	4,321.09	8,642.18	0.73	0.82
2001	9,941.33	24,853.33	19,882.66	3,657.08	8,941.65	12,600.36	4,428.85	8,857.70	0.74	0.77
2002	10,209.94	25,524.85	20,419.88	3,752.83	9,186.50	12,942.38	4,557.41	9,114.82	0.74	1.00
2003	10,455.12	26,137.80	20,910.24	3,846.02	9,406.98	13,253.03	4,666.87	9,333.74	0.74	1.00
2004	10,716.68	26,791.70	21,433.36	3,942.25	9,642.16	13,584.41	4,783.61	9,567.22	0.74	1.00
2005	10,920.52	27,301.30	21,841.04	4,017.26	9,825.37	13,842.63	4,874.61	9,749.22	0.74	1.00
2006	11,117.08	27,792.70	22,234.16	4,089.54	10,002.21	14,091.72	4,962.36	9,924.72	0.74	1.00
2007	11,339.64	28,349.10	22,679.28	4,171.44	10,202.26	14,373.70	5,061.68	10,123.36	0.74	1.00

(a) In 2001 the social integration was increased by different amounts according to age; the amount in the Table corresponds to the older pensioners (over 75). – *(b)* For individuals who retired in 1994 only, the couple income ceiling is set at 5 times the minimum pension transfer (rather than 4 times). – *(c)* The ratio considers the social integrations to the oldest (over-75 for minimum pension, and over-70 for social pension)

Table 2 – Distribution of Integrated pensions by category f recipients and type of risk (2005)

Type of pension	Total No. Pensions	Integrated Pensions		
		No.	% of Total No. of Integrated Pensions	% of Total No. Pensions of the Same Kind
Employees	10,017,920	2,592,792	56.51%	25.88%
Independent workers: artisans	1,917,309	1,059,684	23.10%	55.27%
retailers	1,395,882	485,387	10.58%	34.77%
farmers	1,213,242	450,030	9.81%	37.09%
Total	**14,544,353**	**4,587,893**	**100.00%**	**31.54%**
Seniority	3,240,588	136,817	2.98%	4.22%
Old age	5,436,912	2,046,728	44.61%	37.65%
Disability and Inability	2,061,346	1,237,735	26.98%	60.04%
Survisors	3,805,507	1,166,618	25.43%	30.66%
Total	**14,544,353**	**4,587,898**	**100.00%**	**31.54%**

Source: INPS (2005)

Table 3 – Average amounts of integrated pensions by category of recipients and type of risk (2002)

	No. Pensions	Average Pension (€ per/year)	No. Integrated Pensions	Average Integrated Pension (€ per/year)	Average Integration (€ per/year)	Average integration rate	Share of integrated pensions
	(a)	(b)	(c)	(d)	(e)	(f)=(e)/(d)	(g)=(c)/(a)
Employees	9,366,309	8,444.84	2,651,387	4,991.48	3,129.30	62.7%	28.3%
Independent workers: artisans	1,192,094	7,077.83	470,567	5,263.09	2,919.94	55.5%	39.5%
retailers	1,050,783	6,283.15	442,544	5,100.02	2,707.78	53.1%	42.1%
farmers	1,872,202	5,369.36	1,102,550	5,186.71	3,039.51	58.6%	58.9%
Total	**13,481,388**	**7,728.37**	**4,667,048**	**5,075.28**	**3,047.01**	**60.0%**	**34.6%**
Seniority	2,944,441	13,794.94	133,485	5,140.46	913.05	17.8%	4.5%
Old age	4,762,868	6,594.97	1,987,237	4,986.10	2,801.58	56.2%	41.7%
Inability	59,445	9,885.21	10,626	5,127.06	1,911.92	37.3%	17.9%
Survisors	3,500,374	5,303.59	1,112,491	5,133.77	2,476.26	48.2%	31.8%
Disability	1,907,682	5,799.41	1,300,114	5,147.69	4,199.42	81.6%	68.2%
Disability transfers	306,578	6,341.70	123,085	5,146.29	2,408.22	46.8%	40.1%
Total	**13,481,388**	**7,728.37**	**4,667,038**	**5,075.28**	**3,047.01**	**60.0%**	**34.6%**

Source: RGS (2005)

Table 4 – Minimum and Social pension benefits: Ratios to the Poverty Lines and Implicit Equivalence Scales

Year	Social pension annual income ceiling for a		Social pension minimum floor	Implicit equivalence scale	Minimum pension annual income ceiling for a		Implicit equivalence scale	Poverty line annual limit for a		Implicit equivalence scale	1-individual income ceiling / poverty line		2-individuals income ceiling / poverty line		2-individuals income floor / poverty line
	1-individual household	2-individual household	2-individual household	(A)/(B)	1-individual household	2-individual household	(E)/(F)	1-individual household	2-individual household	(H)/(I)	social pension (A)/(H)	minimum pension (E)/(H)	social pension (B)/(I)	minimum pension (F)/(I)	social pension (C)/(I)
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
1981	906	3,164	2,258	0.286				1,167	1,949	0.599	0.78		1.6		1.2
1982	1,046	3,975	2,929	0.263				1,366	2,280	0.599	0.77		1.7		1.3
1983	1,237	4,841	3,604	0.256	4,125			1,568	2,617	0.599	0.79	2.63	1.8		1.4
1984	1,374	5,496	4,122	0.250	4,592			1,746	2,915	0.599	0.79	2.63	1.9		1.4
1985	1,489	5,932	4,443	0.251	5,029			2,039	3,404	0.599	0.73	2.47	1.7		1.3
1986	1,568	6,340	4,772	0.247	5,315			2,316	3,866	0.599	0.68	2.29	1.6		1.2
1987	1,650	6,696	5,046	0.246	5,618			2,568	4,287	0.599	0.64	2.19	1.6		1.2
1988	1,737	7,048	5,311	0.246	5,914			2,782	4,644	0.599	0.62	2.13	1.5		1.1
1989	1,861	7,692	5,831	0.242	6,506			3,112	5,195	0.599	0.60	2.09	1.5		1.1
1990	1,944	8,059	6,115	0.241	6,976			3,394	5,666	0.599	0.57	2.06	1.4		1.1
1991	2,154	8,896	6,741	0.242	7,531			3,751	6,262	0.599	0.57	2.01	1.4		1.1
1992	2,210	9,222	7,012	0.240	7,758			3,867	6,456	0.599	0.57	2.01	1.4		1.1
1993	2,288	9,518	7,230	0.240	8,032			3,805	6,352	0.599	0.60	2.11	1.5		1.1
1994	2,397	9,855	7,458	0.243	8,372	16,743	0.50	4,062	6,782	0.599	0.59	2.06	1.5	2.1	1.1
1995	2,397	9,965	7,569	0.241	8,412	16,824	0.50	4,244	7,086	0.599	0.56	1.98	1.4	2.0	1.1
1996	2,526	10,504	7,977	0.241	8,866	17,733	0.50	4,419	7,377	0.599	0.57	2.01	1.4	2.0	1.1
1997	2,622	10,914	8,291	0.240	9,212	18,424	0.50	5,310	8,864	0.599	0.49	1.73	1.2	1.7	0.9
1998	2,670	11,099	8,429	0.241	9,369	18,737	0.50	5,479	9,147	0.599	0.49	1.71	1.2	1.7	0.9
1999	3,389	11,970	8,581	0.283	9,537	19,074	0.50	5,540	9,249	0.599	0.61	1.72	1.3	1.7	0.9
2000	3,561	12,150	8,710	0.293	9,690	19,379	0.50	5,824	9,723	0.599	0.61	1.66	1.2	1.7	0.9
2001	3,657	12,600	8,942	0.290	9,941	19,883	0.50	5,781	9,651	0.599	0.63	1.72	1.3	1.7	0.9
2002	3,753	12,942	9,187	0.290	10,210	20,420	0.50	5,929	9,881	0.599	0.63	1.72	1.3	1.7	0.9
2003	3,846	13,253	9,407	0.290	10,455	20,910	0.50	6,298	10,497	0.599	0.61	1.66	1.3	1.7	0.9
2004	3,942	13,584	9,642	0.290	10,717	21,433	0.50	6,624	11,040	0.599	0.60	1.62	1.2	1.6	0.9
2005	4,017	13,843	9,825	0.290	10,921	21,841	0.50	6,743	11,239	0.599	0.60	1.62	1.2	1.6	0.9
2006	4,090	14,092	10,002	0.290	11,117	22,234	0.50								
2007	4,171	14,374	10,202	0.290	11,340	22,679	0.50								

Table 5: Poverty indicators (1) *(BISHIW)*

	1987	1989	1991	1993	1995	1998	2000	2002	2004
Sample poverty line (2)	4,150	5,274	6,002	6,460	7,117	8,246	8,814	9,648	10,491
Official poverty line (3)	4,287	5,195	6,262	6,352	7,086	9,147	9,723	9,881	11,040
Ratio (sample/official)	0.97	1.02	0.96	1.02	1.00	0.90	0.91	0.98	0.95
All individuals in the sample									
Sample size	25,092	25,151	24,931	24,013	23,924	20,901	22,268	21,148	20,582
Head Count Ratio	9.9	7.4	7.6	12.4	12.5	13.4	12.3	12.4	13.2
Relative Income Gap	32.6	23.8	25.3	33.4	35.6	37.7	35.1	33.1	28.8
Elderly individuals									
Sample size	3,009	2,891	3,244	3,747	3,807	3,087	3,855	4,318	4,425
Head Count Ratio	4.7	3.7	4.4	4.9	5.4	7.7	6.7	6.0	5.7
Relative Income Gap	19.6	17.3	13.0	23.7	23.2	26.1	24.3	24.3	22.5
Elderly pensioners									
Sample size	2,751	2,643	2,940	3,494	3,560	2,816	3,468	3,851	3,962
Head Count Ratio	3.9	3.4	4.4	4.7	5.3	7.2	5.9	5.0	4.7
Relative Income Gap	16.8	15.1	12.7	21.8	22.4	25.5	22.4	19.1	19.0
Social pensioners									
Sample size	197	207	193	328	268	188	257	196	176
Head Count Ratio	11.9	7.4	9.7	9.7	9.5	14.9	15.0	16.7	9.6
Relative Income Gap	13.9	18.1	5.6	22.3	16.9	19.3	23.9	17.6	17.0

(1) Both poverty lines are expressed in euros and refer to a 2-individual household. (2) Per capita income. (3) Per capita consumption.

Table 6: Assessment of social pension performance *(BISHIW)*

Year	Effectiveness rate	Ineffectiveness rate (alfa-error)	Inefficiency rate (beta-error)
1987	22.0	11.9	66.2
1989	23.2	7.4	69.5
1991	28.2	9.7	62.1
1993	30.2	9.7	60.2
1995	27.2	9.5	63.4
1998	21.0	14.9	64.2
2000	32.4	15.0	52.6
2002	40.2	16.7	43.1
2004	34.7	9.6	55.7

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ANNEX 1 – The social assistance instruments

Within the Assistance Tier

The instruments that can be formally classified *inside the social assistance* are mainly three.[27] The first, and the oldest, is represented by the *social pension* ("pensione sociale"); the beneficiaries are all the citizens over 65 who did not mature the right to an old age pension (mainly individuals who did not get into the labour market, or did so for insufficient periods, particularly women). A second instrument is the so-called *civil disability pension* ("pensione di invalidità civile"). The beneficiaries are citizens affected by disabilities preventing them from having access to the labour market and whose income is below a threshold. The level of the benefit is linked to the degree of disability. Totally disable people who are not self-sufficient also receive a disability allowance to face costs from assistance services they need; the nature is not that of an assistance benefit but rather of a horizontal equity measure. Finally, the system provides a set of *minimum income* measures administered at the local level by Municipalities. The guarantee is not set at a unique level and conditions are not assessed by the same standards, so that they may change also significantly among different geographical areas. Only recently, a uniform measurement tool for the economic situation of individuals has been introduced at the national level, the so-called Equivalent Economic Situation Indicator (ISEE). A minimum income directed to all deprived citizens, the *inclusion minimum income* ("reddito minimo di inserimento", RMI) was implemented only in 1997 on an experimental basis, in 315 Municipalities, and it has not been generalised yet.[28]

Within the Insurance Tier

Among the assistance instruments formally placed *inside the social insurance* system is the *disability pension* ("pensione di invalidità"), reserved to individuals who became disables after entering the labour market and contributing the insurance system for at least 5 years. Until 1984, thanks to a very broad definition of disability, this transfer was used to support income in the economically disadvantaged areas of the country, since disability was referred not only to the physical conditions of the individuals but also to the socio-economic context they were living. This anomalous use of the transfer is a typical example of the intertwining of insurance and assistance. It was corrected in the second half of the '80s. The most important instrument, in terms of the protection actually granted, is certainly the so-called *minimum pension* ("pensione minima"), a transfer integrating insurance old age/seniority/disability pensions up to a given ceiling for all the workers who matured the right to retirement. In 1983 the assistance goal became more transparent due to the introduction of selectivity criteria for the access based on the income level. A third instrument is the *family allowances* ("assegni familiari"). The beneficiaries are households of workers, pensioners and unemployed individuals whose family income is below a threshold differentiated by family size and in case of presence of difficult conditions (like family members being handicapped, etc.). These allowances are classified among the insurance expenditure since they were originally devised as an occupational scheme based on contributory financing. After a major reform in 1988 an income ceiling for the eligibility was introduced, which made this instrument definitely assistance oriented. Besides the original objective of horizontal equity, the scheme, as it is conceived today, pursues an explicit objective of vertical equity and poverty contrast. The share of the expenditure for family allowances shrank over time, and stayed almost constant in the last decades.

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[27] For a detailed description of the Italian social assistance policies, see Monacelli (1998).

[28] The introduction of the RMI followed previous attempts. 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). Later on, in 1997, the *Commissione per l'analisi delle compatibilità macroeconomiche della spesa sociale* put forward the proposal of a new instrument aimed at substituting the existing family benefits. It was essentially a minimum income for individuals (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).

Statistical Annex 1: Integrated pensions by age and sex *(2002)*

AGE/SEX		Seniority				Old Age				Inability				Disability			
		No. Pensions	Average Pension (€ per/year)	Average Integration (€ per/year)	Average Integration Rate	No. Pensions	Average Pension (€ per/year)	Average Integration (€ per/year)	Average Integration Rate	No. Pensions	Average Pension (€ per/year)	Average Integration (€ per/year)	Average Integration Rate	No. Pensions	Average Pension (€ per/year)	Average Integration (€ per/year)	Average Integration Rate
< 50	Male	0	-	-	-	0	-	-	-	744	4,887.56	1243.98	25.45%	3,489	4,783.17	3867.61	80.86%
	Female	0	-	-	-	0	-	-	-	569	4,923.98	1283.75	26.07%	2,895	5,000.98	4284.4	85.67%
	Total	0	-	-	-	0	-	-	-	1,313	4,903.34	1261.21	25.72%	6,384	4,881.94	4056.61	83.09%
50 - 54	Male	75	2,576.88	382.64	14.85%	6	5,441.87	2000.23	36.76%	402	4,948.93	1342.22	27.12%	7,020	4,801.45	3862.59	80.45%
	Female	202	2,200.97	287.46	13.06%	11	4,800.47	2185.79	45.53%	550	4,955.71	1535.56	30.99%	7,256	5,010.34	4396.24	87.74%
	Total	277	2,302.75	313.23	13.60%	17	5,026.84	2120.3	42.18%	952	4,952.85	1453.92	29.36%	14,276	4,907.62	4133.83	84.23%
55 - 59	Male	3,929	4,761.05	610.54	12.82%	21	4,833.19	533.75	11.04%	696	4,945.20	1434.29	29.00%	12,365	4,823.81	3869.61	80.22%
	Female	11,510	4,556.83	724.04	15.89%	1,196	4,823.54	2130.48	44.17%	992	4,984.71	1848.26	37.08%	15,119	4,998.20	4448	88.99%
	Total	15,439	4,608.80	695.16	15.08%	1,217	4,823.71	2102.93	43.60%	1,688	4,968.42	1677.57	33.76%	27,484	4,919.74	4187.78	85.12%
60 - 64	Male	15,522	5,043.53	791.07	15.68%	1,244	4,947.84	1565.54	31.64%	1,068	5,303.10	1531.95	28.89%	22,056	4,892.35	3821.44	78.11%
	Female	30,304	5,092.32	1008.68	19.81%	293,376	4,776.50	2451.39	51.32%	1,375	5,153.48	2363.36	45.86%	32,634	5,003.27	4383.69	87.62%
	Total	45,826	5,075.80	934.97	18.42%	294,620	4,777.23	2447.65	51.24%	2,443	5,218.89	1999.89	38.32%	54,690	4,958.54	4156.94	83.83%
65 - 69	Male	20,603	5,390.62	700.51	12.99%	69,763	5,249.09	1745.61	33.26%	1,219	5,331.16	1608.35	30.17%	37,718	5,124.07	3734.14	72.87%
	Female	23,786	5,218.11	1066.93	20.45%	402,826	5,104.61	2766.56	54.20%	1,078	5,144.53	2832.05	55.05%	68,654	5,073.96	4323.28	85.21%
	Total	44,389	5,298.18	896.86	16.93%	472,589	5,125.94	2615.85	51.03%	2,297	5,243.58	2182.64	41.62%	106,372	5,091.73	4114.38	80.81%
70 - 74	Male	17,663	5,400.14	718.38	13.30%	105,375	5,314.53	1900.92	35.77%	871	5,311.20	1749.13	32.93%	64,790	5,327.54	3670.42	68.90%
	Female	3,654	5,133.75	1508.62	29.39%	362,745	5,073.88	2918.22	57.51%	528	5,123.52	3212.17	62.69%	140,320	5,135.46	4323.74	84.19%
	Total	21,317	5,354.48	853.84	15.95%	468,120	5,128.05	2689.22	52.44%	1,399	5,240.37	2301.3	43.91%	205,110	5,196.13	4117.37	79.24%
75 -79	Male	4,259	5,305.96	1183.62	22.31%	101,869	5,181.21	2056.54	39.69%	329	5,356.18	1850.74	34.55%	88,798	5,387.51	3786.18	70.28%
	Female	862	4,817.70	2903.43	60.27%	288,212	4,882.54	3212.01	65.79%	152	5,108.50	3698.79	72.40%	225,897	5,091.41	4359.78	85.63%
	Total	5,121	5,223.78	1473.11	28.20%	390,081	4,960.54	2910.26	58.67%	481	5,277.91	2434.74	46.13%	314,695	5,174.96	4197.93	81.12%
80 - 84	Male	846	5,222.46	2155.12	41.27%	63,657	4,841.73	2228.9	46.04%	23	5,187.32	1937.85	37.36%	71,253	5,473.19	3943.86	72.06%
	Female	106	4,528.49	3029.68	66.90%	153,326	4,751.23	3660.09	77.03%	22	5,196.35	3570.23	68.71%	214,380	5,039.55	4345.41	86.23%
	Total	952	5,145.19	2252.5	43.78%	216,983	4,777.78	3240.22	67.82%	45	5,191.73	2735.9	52.70%	285,633	5,147.72	4245.24	82.47%
85 - 89	Male	76	5,121.46	2688.82	52.50%	27,669	4,697.10	3052.94	65.00%	1	6,713.98	3699.55	55.10%	46,424	5,492.82	4142.08	75.41%
	Female	16	4,912.98	3557.81	72.42%	65,240	4,865.40	3642.75	74.87%	7	5,101.98	3929.83	77.03%	138,195	5,053.44	4278.85	84.67%
	Total	92	5,085.20	2839.95	55.85%	92,909	4,815.28	3467.1	72.00%	8	5,303.48	3901.05	73.56%	184,619	5,163.92	4244.46	82.19%
> 90	Male	13	5,017.70	2839.04	56.58%	13,322	4,831.73	3449.86	71.40%	0	-	-	-	23,876	5,459.61	4224.8	77.38%
	Female	69	4,709.64	3254.32	69.10%	37,379	5,047.88	3803.77	75.35%	0	-	-	-	76,975	5,130.97	4314.05	84.08%
	Total	82	4,758.48	3188.48	67.01%	50,701	4,991.09	3710.78	74.35%	0	-	-	-	100,851	5,208.77	4292.92	82.42%
TOTAL	**Male**	62,986	5,256.75	776.89	14.78%	382,926	5,125.92	2104.51	41.06%	5,353	5,182.95	1539.46	29.70%	377,789	5,320.75	3869.29	72.72%
	Female	70,509	5,036.59	1034.68	20.54%	1,604,311	4,952.73	2967.96	59.93%	5,273	5,070.32	2290.03	45.17%	922,325	5,076.80	4334.64	85.38%
	Total	133,495	5,140.46	913.05	17.76%	1,987,237	4,986.10	2801.58	56.19%	10,626	5,127.06	1911.92	37.29%	1,300,114	5,147.69	4199.42	81.58%

(cont'nd) **Statistical Annex 1: Integrated pensions by age and sex** *(2002)*

AGE/SEX		Disability benefit				Survivors				TOTAL			
		No. Pensions	Average Benrfit (€ per/year)	Average Integration (€ per/year)	Average Integration Rate	No. Pensions	Average Pension (€ per/year)	Average Integration (€ per/year)	Average Integration Rate	**No. Pensions**	**Average Pension (€ per/year)**	**Average Integration (€ per/year)**	**Average Integration Rate**
< 50	Male	15,280	4,970.95	2507.28	50.44%	11,642	4,994.08	2590.05	51.86%	31,155	4,956.57	2660.38	53.67%
	Female	8,317	5,012.89	2630.99	52.48%	43,932	4,951.29	2485.53	50.20%	55,713	4,962.79	2588.44	52.16%
	Total	23,597	4,985.73	2550.88	51.16%	55,574	4,960.25	2507.42	50.55%	86,868	4,960.56	2614.24	52.70%
50 - 54	Male	8,054	5,019.75	2134.09	42.51%	7,120	4,877.07	2638.85	54.11%	22,677	4,898.15	2807.79	57.32%
	Female	6,912	5,042.13	2291.72	45.45%	37,974	4,840.34	2447.19	50.56%	52,905	4,881.14	2676.42	54.83%
	Total	14,966	5,030.08	2206.89	43.87%	45,094	4,846.14	2477.45	51.12%	75,582	4,886.24	2715.83	55.58%
55 - 59	Male	11,180	5,037.40	1994.01	39.58%	9,863	4,757.93	2520.73	52.98%	38,054	4,865.23	2586.09	53.15%
	Female	11,528	5,061.97	2342.4	46.27%	61,566	4,782.39	2400.76	50.20%	101,911	4,823.01	2499.96	51.83%
	Total	22,708	5,049.88	2170.88	42.99%	71,429	4,779.01	2417.33	50.58%	139,965	4,834.49	2523.37	52.20%
60 - 64	Male	17,035	5,076.66	1974.12	38.89%	14,155	4,650.94	2387	51.32%	71,080	4,928.60	2357.42	47.83%
	Female	10,495	5,093.92	2703.95	53.08%	91,326	4,760.71	2370.62	49.80%	459,510	4,818.67	2482.93	51.53%
	Total	27,530	5,083.24	2252.34	44.31%	105,481	4,745.98	2372.82	50.00%	530,590	4,833.40	2466.11	51.02%
65 - 69	Male	12,592	5,393.27	2117.32	39.26%	17,855	4,641.08	2247.69	48.43%	159,750	5,181.86	2164.7	41.77%
	Female	7,810	5,271.66	3134.14	59.45%	127,059	5,098.41	2395.79	46.99%	631,213	5,106.44	2801.86	54.87%
	Total	20,402	5,346.72	2506.56	46.88%	144,914	5,042.06	2377.54	47.15%	790,963	5,121.67	2673.17	52.19%
70 - 74	Male	5,280	5,608.99	2331.33	41.56%	22,532	4,660.11	2068.01	44.38%	216,511	5,264.47	2361.24	44.85%
	Female	5,013	5,417.14	3465.04	63.96%	164,806	5,304.90	2430.85	45.82%	677,066	5,145.78	3087.55	60.00%
	Total	10,293	5,515.55	2883.48	52.28%	187,338	5,227.35	2387.21	45.67%	893,577	5,174.54	2911.56	56.27%
75 -79	Male	1,925	5,667.30	2457.87	43.37%	24,254	4,687.60	1983.78	42.32%	221,434	5,216.76	2728.57	52.30%
	Female	1,395	5,455.83	3858.91	70.73%	175,896	5,336.41	2491.29	46.68%	692,414	5,067.10	3404.4	67.19%
	Total	3,320	5,578.44	3046.56	54.61%	200,150	5,257.79	2429.79	46.21%	913,848	5,103.37	3240.64	63.50%
80 - 84	Male	101	5,743.84	3003.08	52.28%	16,281	4,676.99	1919.8	41.05%	152,161	5,122.56	2998.96	58.54%
	Female	140	5,558.96	3958.57	71.21%	135,145	5,386.98	2595.5	48.18%	503,119	5,045.05	3666.09	72.67%
	Total	241	5,636.44	3558.14	63.13%	151,426	5,310.64	2522.85	47.51%	655,280	5,063.05	3511.18	69.35%
85 - 89	Male	8	5,435.77	3892.44	71.61%	11,527	4,722.71	1906.89	40.38%	85,705	5,132.03	3488.52	67.98%
	Female	20	5,537.24	3448.19	62.27%	83,246	5,436.03	2780.15	51.14%	286,724	5,121.76	3698.88	72.22%
	Total	28	5,508.25	3575.11	64.90%	94,773	5,349.27	2673.94	49.99%	372,429	5,124.12	3650.47	71.24%
> 90	Male	0	-	-	-	7,185	4,784.70	2010.22	42.01%	44,396	5,161.84	3633.45	70.39%
	Female	0	-	-	-	49,127	5,441.17	3110.96	57.17%	163,550	5,204.98	3835.6	73.69%
	Total	0	-	-	-	56,312	5,357.41	2970.51	55.45%	207,946	5,195.77	3792.44	72.99%
TOTAL	**Male**	71,455	5,153.52	2175.61	42.22%	142,414	4,719.70	2177.56	46.14%	**1,042,923**	**5,151.11**	**2675.55**	**51.94%**
	Female	51,630	5,136.28	2730.15	53.15%	970,077	5,194.56	2520.11	48.51%	**3,624,125**	**5,053.46**	**3153.91**	**62.41%**
	Total	123,085	5,146.29	2408.22	46.80%	1,112,491	5,133.77	2476.26	48.23%	**4,667,048**	**5,075.28**	**3047.01**	**60.04%**

Source: RGS (2005).

Statistical Annex 2: Overall sample *(BISHIW - Data weighted by survey coefficient PESOFL)*

	1987	1989	1991	1993	1995	1998	2000	2002	2004
Sample size	25,092	25,151	24,931	24,013	23,924	20,901	22,268	21,148	20,582
Sum of weights	24,263	24,033	23,670	23,418	23,120	19,447	21,531	21,211	20,439
Head count ratio	9.92	7.36	7.58	12.39	12.46	13.37	12.26	12.39	13.23
Income poverty gap	32.57	23.76	25.26	33.44	35.56	37.75	35.14	33.08	28.82
Poverty related variables									
Poverty line	4,150	5,274	6,002	6,460	7,117	8,247	8,814	9,648	10,491
- ISTAT Poverty line	4,287	5,195	6,262	6,352	7,086	9,147	9,723	9,881	11,040
Average income									
- equivalent	10,312	13,143	14,966	16,021	17,537	20,313	21,636	23,660	25,872
- household	15,135	18,715	21,214	22,803	24,705	27,599	29,223	31,740	33,469
- personal	8,190	9,942	10,977	11,497	12,333	14,448	15,473	16,414	17,851
- personal/household (%)	54.11	53.12	51.75	50.42	49.92	52.35	52.95	51.71	53.34
Povery gap									
- mean	1,352	1,253	1,516	2,160	2,531	3,113	3,097	3,192	3,024
- median (Q2)	923	909	1,137	1,802	2,064	2,644	2,485	2,378	2,342
- Q1	355	394	461	675	950	1,163	1,104	1,303	907
- Q3	1,990	1,614	2,452	3,270	3,611	4,400	4,626	4,746	4,413
- (Q3-Q1)/Q2	1.77	1.34	1.75	1.44	1.29	1.22	1.42	1.45	1.50
Households characteristics									
Average family size	3.65	3.55	3.53	3.53	3.47	3.35	3.31	3.28	3.19
Geographical area									
- North	44.48	44.31	44.62	44.57	44.42	44.52	44.61	44.72	45.12
- Centre	19.10	19.10	19.20	19.18	19.20	19.20	19.21	19.30	19.21
- South	36.42	36.58	36.17	36.24	36.38	36.28	36.18	35.98	35.68
Family type									
- Adults only	25.93	29.29	30.07	28.64	30.54	30.13	30.00	30.90	32.23
- Elderly only	8.44	8.80	9.27	10.18	10.56	12.11	12.28	12.12	13.66
- Adults and minors	47.91	45.16	43.02	44.19	40.55	40.57	41.07	39.63	38.01
- Elderly and minors	0.03	0.05	0.02	0.05	...	0.02	...	0.02	0.02
- Adults and elderly	12.85	12.30	12.92	12.37	14.49	13.62	13.82	14.57	13.80
- Adults, minors and elderly	4.85	4.40	4.70	4.57	3.86	3.56	2.83	2.77	2.29
Individuals characteristics									
Age									
- 0 - 30	41.90	40.96	39.72	39.87	37.98	35.85	34.19	32.88	31.61
- 31 - 40	13.56	12.81	13.27	14.38	14.67	15.07	15.99	15.91	15.75
- 41 - 40	13.73	14.34	13.85	13.40	13.20	13.74	13.78	15.27	15.35
- 51 - 65	17.41	17.81	18.38	16.60	17.79	17.69	18.11	17.82	18.14
- 65 - over	13.41	14.08	14.78	15.75	16.37	17.66	17.93	18.11	19.14
Gender									
- Male	48.75	48.61	48.66	48.61	48.59	48.52	48.54	48.62	48.51
- Female	51.25	51.39	51.34	51.39	51.41	51.48	51.46	51.38	51.49
Role within the household									
- Head of household	33.08	34.43	34.60	34.54	35.19	36.75	37.16	37.77	39.37
- Spouse or partner	24.80	25.02	24.87	24.34	24.56	24.91	24.95	24.82	24.73
- Daughter or Son	37.59	35.92	36.15	36.19	35.61	34.24	33.17	32.92	31.15
- Other	4.53	4.62	4.38	4.93	4.64	4.10	4.72	4.49	4.75
Education (*)									
- None	12.47	15.59	15.23	17.80	16.61	16.08	15.76	13.96	13.34
- Primary school	34.07	29.59	29.00	26.98	26.17	23.96	23.96	23.71	22.52
- Secondary school	25.74	27.78	27.41	29.11	26.97	26.89	27.02	27.84	28.53
- High school	21.14	22.41	23.44	21.48	25.14	26.76	26.69	28.03	28.41
- Graduate	6.03	4.45	4.75	4.48	4.99	6.20	6.48	6.34	7.04
- Post-graduate	0.55	0.19	0.16	0.14	0.12	0.12	0.09	0.11	0.16

(*) In 1987 sample, statistics are computed only over the 13,304 income recipients.

Statistical Annex 3: Elderly sub-group *(BISHIW - Data weighted by survey coefficient PESOFL)*

	1987	1989	1991	1993	1995	1998	2000	2002	2004
Sample size	3,009	2,891	3,244	3,747	3,807	3,087	3,855	4,318	4,425
Sum of weights	3,602	3,617	3,764	3,914	4,062	3,658	4,116	4,087	4,144
Head count ratio	4.69	3.66	4.41	4.91	5.37	7.67	6.66	5.97	5.69
Income poverty gap	19.56	17.27	13.01	23.73	23.23	26.06	24.26	24.30	22.47
variables									
Poverty line	4,150	5,274	6,002	6,460	7,117	8,246	8,814	9,648	10,491
Average income									
- equivalent	10,087	12,765	14,575	15,939	17,775	21,062	22,382	24,034	26,138
- household	11,494	13,833	16,053	17,520	19,263	21,611	22,952	24,792	26,114
- personal	5,637	7,178	8,119	8,766	10,164	12,270	12,955	13,929	15,277
- personal/household (%)	49.04	51.89	50.58	50.03	52.76	56.78	56.45	56.18	58.50
Povery gap									
- mean	812	911	781	1,533	1,653	2,149	2,139	2,344	2,357
- median	663	577	435	1,192	1,410	1,353	1,884	1,730	2,178
- Q1	199	277	114	409	420	494	757	863	670
- Q3	1,138	1,246	1,302	2,426	2,550	3,138	3,086	3,139	3,541
- (Q3-Q1)/Q2	1.42	1.68	2.73	1.69	1.51	1.95	1.24	1.32	1.32
Households characteristics									
Geographical area									
- North	45.40	45.54	46.02	47.98	47.48	46.68	44.45	43.11	44.90
- Centre	21.05	20.52	22.00	18.80	18.29	17.45	18.03	20.42	20.70
- South	33.55	33.94	31.99	33.22	34.23	35.87	37.52	36.46	34.40
Family type									
- Adults only	...	...	...	...	...	...	...	...	...
- Elderly only	56.86	58.47	58.31	60.89	60.08	64.39	64.24	62.90	67.07
- Adults and minors	...	...	...	...	...	...	...	...	...
- Elderly and minors	0.10	0.15	0.06	0.15	...	0.06	...	0.05	0.06
- Adults and elderly	35.43	34.59	34.66	32.32	34.92	31.28	32.26	33.89	30.24
- Adults, minors and elder	7.61	6.78	6.96	6.64	5.00	4.28	3.50	3.15	2.63
Individuals characteristics									
Age									
- 65 - 67	23.66	25.20	22.50	19.80	20.29	19.32	18.74	18.78	18.58
- 68 - 69	12.73	16.77	15.49	13.05	13.05	13.11	11.97	12.75	12.16
- 70 - 74	24.83	21.87	23.74	30.68	29.89	27.83	26.58	26.19	27.65
- 75 - 79	21.69	19.97	20.32	17.56	14.52	20.84	22.59	20.61	20.66
- 80 - over	17.69	16.19	17.95	18.92	22.25	18.90	20.13	21.67	20.95
Gender									
- Male	43.59	42.94	40.94	40.14	40.18	42.41	42.28	42.81	42.03
- Female	56.41	57.06	59.06	59.86	59.82	57.59	57.72	57.19	57.97
Role within the household									
- Head of household	61.35	63.30	63.86	61.14	62.26	63.74	63.12	64.19	63.79
- Spouse or partner	20.61	21.37	23.07	23.82	22.90	23.52	24.73	25.03	25.93
- Daughter or Son	0.14	0.34	0.11	0.15	0.04	0.03	0.02	...	0.13
- Other	17.90	14.98	12.96	14.89	14.81	12.71	12.13	10.78	10.14
Education (*)									
- None	35.11	25.53	23.39	28.87	28.00	25.70	24.57	20.44	18.32
- Primary school	47.20	55.30	55.59	51.35	48.59	49.21	50.82	54.59	53.88
- Secondary school	9.88	10.26	10.14	9.91	12.70	12.15	12.68	11.68	14.55
- High school	5.72	6.60	8.76	7.70	8.42	9.55	9.19	10.04	9.87
- Graduate	1.92	2.22	1.99	2.12	2.26	3.33	2.68	3.18	3.33
- Post-graduate	0.17	0.09	0.13	0.04	0.03	0.07	0.06	0.06	0.04

(*) In 1987 sample, statistics are computed only over 3,402 income recipients.

Statistical Annex 4: Elderly Pensioners *(BISHIW - Data weighted by survey coefficient PESOFL)*

	1987	1989	1991	1993	1995	1998	2000	2002	2004
Sample size	2,751	2,643	2,940	3,494	3,560	2,816	3,468	3,851	3,962
Sum of weights	3,355	3,372	3,453	3,695	3,819	3,350	3,755	3,634	3,693
Head count ratio	3.93	3.42	4.44	4.65	5.30	7.19	5.92	5.02	4.69
Income poverty gap	16.79	15.10	12.73	21.83	22.39	25.51	22.41	19.14	18.99
Poverty related variables									
Poverty line	4,150	5,274	6,002	6,460	7,117	8,246	8,814	9,648	10,491
Average income									
- equivalent	10,050	12,816	14,389	15,852	17,615	20,816	22,221	23,616	25,979
- household	11,353	13,800	15,759	17,381	18,962	21,300	24,083	24,004	25,659
- personal	5,466	7,099	7,941	8,747	9,968	12,026	12,737	13,649	15,179
- personal/household (%)	48.14	51.44	50.39	50.33	52.57	56.46	52.89	56.86	59.16
Povery gap									
- mean	697	796	764	1,410	1,593	2,104	1,975	1,847	1,992
- median	516	574	430	1,114	1,260	1,163	1,812	1,387	1,729
- Q1	142	232	78	390	394	494	634	648	611
- Q3	1,058	1,218	1,302	2,173	2,492	2,721	2,675	2,648	2,976
- (Q3-Q1)/Q2	1.78	1.72	2.85	1.60	1.66	1.91	1.13	1.44	1.37
Households characteristics									
Geographical area									
- North	46.77	46.04	45.61	48.35	47.31	46.62	44.38	43.60	45.79
- Centre	20.17	20.53	22.01	18.61	18.32	16.92	18.31	20.41	20.77
- South	33.06	33.44	32.39	33.04	34.36	36.46	37.31	35.99	33.44
Family type									
- Adults only	...	...	...	...	...	...	...	...	...
- Elderly only	57.47	58.37	58.88	60.61	59.94	64.27	64.13	63.47	67.21
- Adults and minors	...	...	...	...	...	...	...	...	...
- Elderly and minors	0.11	0.16	0.07	0.16	...	0.06	...	0.06	0.07
- Adults and elderly	34.78	34.62	33.98	32.44	34.95	31.31	32.36	33.31	29.98
- Adults, minors and elderl	7.65	6.85	7.07	6.79	5.10	4.37	3.51	3.16	2.74
Individuals characteristics									
Age									
- 65 - 67	22.38	23.59	20.82	18.87	18.79	17.55	17.63	16.75	16.95
- 68 - 69	12.52	16.69	15.41	12.90	12.82	12.30	11.64	12.47	12.11
- 70 - 74	25.07	22.23	23.87	30.85	30.21	28.86	26.45	26.45	26.98
- 75 - 79	22.26	20.52	21.41	17.82	15.01	21.69	23.16	21.54	21.40
- 80 - over	17.78	16.97	18.49	19.56	23.17	19.60	21.12	22.80	22.56
Gender									
- Male	45.33	44.98	42.89	42.10	41.90	44.70	45.16	46.21	45.90
- Female	54.67	55.02	57.11	57.90	58.10	55.30	54.84	53.79	54.10
Role within the household									
- Head of household	64.47	67.02	67.80	63.56	65.03	67.10	66.70	68.90	68.55
- Spouse or partner	17.50	17.36	18.66	20.81	19.57	19.39	20.76	20.16	20.90
- Daughter or Son	...	0.28	0.10	0.16	0.04	0.04	0.02	...	0.13
- Other	18.03	15.33	13.44	15.47	15.36	13.48	12.51	10.94	10.42
Education (*)									
- None	35.60	25.79	24.22	29.78	28.94	26.81	25.22	20.88	18.21
- Primary school	47.30	56.20	55.88	51.18	48.41	49.21	50.98	55.78	54.63
- Secondary school	9.79	9.20	9.95	9.51	12.43	11.36	12.04	10.72	14.44
- High school	5.46	6.45	8.13	7.40	8.07	9.07	0.38	9.63	9.50
- Graduate	1.72	2.31	1.70	2.09	2.12	3.48	2.70	2.92	3.17
- Post-graduate	0.13	0.05	0.13	0.04	0.03	0.07	0.06	0.07	0.05

(*) In 1987 sample, statistics are computed only over the 3,343 income recipients.

Statistical Annex 5: Social Pensioners *(BISHIW - Data weighted by survey coefficient PESOFL)*

	1987	1989	1991	1993	1995	1998	2000	2002	2004
Sample size	197	207	193	328	268	188	257	196	176
Sum of weights	230	221	234	317	258	228	323	235	167
Head count ratio (%)	11.89	7.39	9.72	9.66	9.46	14.88	14.98	16.74	9.59
Income poverty gap (%)	13.94	18.09	5.58	22.26	16.95	19.34	23.91	17.64	16.99
Poverty related variables									
Poverty line	4,150	5,274	6,002	6,460	7,117	8,246	8,814	9,648	10,491
Average income									
- equivalent	8,000	10,650	12,075	12,627	14,564	16,152	15,637	17,787	20,069
- household	9,303	12,918	13,822	14,996	17,777	18,600	16,211	18,227	20,642
- personal	2,759	3,509	4,129	4,463	4,794	5,993	6,256	7,742	8,355
- personal/household (%)	29.65	27.16	29.87	29.76	26.97	32.22	38.59	42.48	40.47
Povery gap									
- mean	578	954	335	1,438	1,206	1,594	2,107	1,702	1,782
- median	495	577	78	1,254	920	1,203	1,397	1,856	754
- Q1	105	316	42	610	537	816	623	648	611
- Q3	564	1,325	427	2,538	1,957	2,578	3,185	2,051	2,821
- (Q3-Q1)/Q2	0.93	1.75	4.94	1.54	1.54	1.46	1.83	0.76	2.93
Households characteristics									
Geographical area									
- North	35.19	35.13	40.77	31.84	39.48	44.00	18.97	29.51	34.54
- Centre	26.19	30.45	29.73	17.89	16.78	11.29	16.20	12.56	21.20
- South	38.61	34.42	29.50	50.28	43.74	44.70	64.83	57.92	44.26
Family type									
- Adults only	...	...	...	...	...	...	...	...	...
- Elderly only	63.35	62.08	69.32	64.82	59.69	63.12	67.82	66.92	70.51
- Adults and minors	...	...	...	...	...		...	...	...
- Elderly and minors	0.22	...	...	...	...	0.44	...	...	...
- Adults and elderly	28.07	30.03	25.09	26.31	32.44	28.50	29.21	31.92	27.91
- Adults, minors and elderl	8.35	7.89	5.56	8.87	7.87	7.94	2.97	1.16	1.58
Individuals characteristics									
Age									
- 65 - 67	20.43	24.90	24.77	15.61	18.22	14.19	12.40	8.24	15.98
- 68 - 69	10.31	15.74	12.11	15.64	13.25	12.59	9.91	4.47	11.70
- 70 - 74	15.98	18.84	20.12	27.33	30.42	32.31	26.02	29.80	23.66
- 75 - 79	29.80	16.46	19.22	14.04	15.34	16.20	22.75	23.92	21.75
- 80 - over	23.47	24.06	23.78	27.38	22.76	24.71	28.93	33.57	26.90
Gender									
- Male	6.03	9.29	8.68	12.79	7.59	6.90	11.60	5.45	13.13
- Female	93.97	90.71	91.32	87.21	92.41	93.10	88.40	94.55	86.87
Role within the household									
- Head of household	25.46	26.44	33.89	32.01	27.73	31.74	44.47	56.62	48.92
- Spouse or partner	47.25	52.85	48.94	46.06	46.90	43.44	33.72	24.72	30.37
- Daughter or Son	...	...	...	0.10	...	...	...	...	...
- Other	27.29	20.71	17.17	21.83	25.37	24.82	21.81	18.66	20.71
Education (*)									
- None	48.92	35.28	35.31	46.28	43.95	43.32	51.66	44.38	24.73
- Primary school	45.55	54.12	53.11	43.65	53.59	49.03	42.48	50.14	62.75
- Secondary school	5.21	10.08	9.38	7.96	8.41	4.74	2.47	3.35	9.43
- High school	0.32	0.22	1.70	1.59	3.28	2.00	3.39	2.13	3.09
- Graduate	...	0.29	0.50	0.52	0.78	0.91	...	...	...

(*)In 1987 sample, statistics are computed only over 229 income recipients.