The effects of Reddito di Cittadinanza on Labour Market Participation and Material Deprivation: evidence from an impact evaluation

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In 2019 the Italian government introduced the first national minimum income scheme in Italy. Before this measure, fighting poverty has been left at the margin of the political agenda, with a large variety of limited local interventions resulting mainly in a heterogeneous and fragmented landscape. The guaranteed minimum income scheme (Reddito di Cittadinanza) consisted in a monthly means-tested cash benefit, given to individuals whose household income was below 9360 EUR per year. Additionally, depending on the employability of the beneficiaries, the benefit was also subject to a series of conditionalities, such as the adherence to a personalized project for work activation («Work Pact») or social inclusion («Social Inclusion Pact»), and the participation to collectively useful activities. Indeed, in line with the activation approach that is guiding welfare states reforms across Europe, Reddito di Cittadinanza has been conceived as serving a double purpose: fighting poverty and social exclusion and, at the same time, favoring the beneficiaries' labour market participation.

Going beyond the political narratives around it, the overall purpose of this paper is to assess the impact of Reddito di Cittadinanza on its beneficiaries, taking into account, in line with its hybrid nature, its effect on both their participation in the labour market and their material deprivation . To do this, we will exploit the data of the Inapp-PLUS (Participation Labour Unemployment Survey) of 2021, which collected information on 46,000 respondents aged 18 to 74. The first aspect will be measured based on whether the respondents have worked in the week prior to the survey: a variable that directly gives an up-to-date estimation of their active participation in the labour market. Moreover, for those who declared they did not undertake any work activity, the Inapp-PLUS survey allows to track if they had a job and the reasons that kept them from working (e.g. reduced activity of the firm for economic reasons, part-time or seasonal jobs, scarcity of work, etc.), giving a precious insight on the quality of their jobs. On the other hand, material deprivation will be assessed in relation to the proportion of household's income that the respondents employ monthly for necessary expanses (i.e. mortgages or rent and food), their ability to face unexpected expanses and whether they were forced to postpone medical care due to economic reasons. To estimate the causal impact of Reddito di Cittadinanza, we will adopt a counterfactual approach, with the objective of analysing what would have been the outcomes on the beneficiaries if they had not taken the benefit. The control group will consist of potential beneficiaries (i.e. those whose request has been rejected and those who did not request the benefit but intend to do so) who are expected

to present, for a given set of socio-economic variables, similar values to the treated group (i.e. the actual beneficiaries). The effect of Reddito di Cittadinanza will be estimated combining coarsened exact matching and entropy balancing procedures.

We expect that the two groups will display similar percentages of employed respondents and similar characteristics regarding the quality of their jobs: hence, despite minor differences between groups, receiving the Reddito di Cittadinanza will have a limited impact on beneficiaries' participation in the labor market. On the contrary, we foresee a larger and positive impact on all the outcome variables related to material deprivation.

By providing a comprehensive evaluation of the effect of the guaranteed minimum income on both the objectives stated in the original design of the policy, this paper seeks to have a threefold aim. Firstly, enriching the literature on the topic, which focuses either on descriptive analysis or on specific aspects of the policy (e.g. activation requirements, employment effects, etc.). Secondly, analysing the potential limits of the link between anti-poverty measures and active labour market policies. Finally, showing that minimum income schemes are to be considered essential social policy tools, capable of protecting the most vulnerable households from poverty and deprivation and, at the same time, of responding to new and unexpected social risks.