

# Distant and different? Lockdown and inequalities in Italy

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# The paper

- Simulates the short-term effect of two months of lockdown on the Italian income distribution;
- evaluate the effect of adopting alternative social protection approaches;
- co-authored with: *Letizia Ravagli, Maria Luisa Maitino, Nicola Sciclone (IRPET)*.

# Simulation scenario

- We simulate the drop in income attributable solely to the lockdown period;
- March - April 2020 strict lockdown and business-as-usual after;
- Why not a more 'credible' scenario?

# What is a 'credible' scenario?

*Table A1 – Estimates of GDP drop for 2020 in Italy*

Institutions	date	GDP drop (%)
Confindustria	March 31st	6
CNC	March 27th	9.26
IFO	April 3d	8.65
Irpet	April 1st	12.3
Prometeia	March 27th	6.5
Unicredit	April 6th	15
Istat	April 7th	1.9
OECD	April 1st	4
IMF	April 14th	9.1
SVIMEZ	April 9th	8.4

Note: GDP change is forecasted under a similar assumption of approximately two-month lockdown. # #

# Alternative scenarios

No-protection scenario is compared with:

- measures in place + emergency;
- ForumDD proposal;
- solidarity income.

# Model

- MicroReg: tax-benefit static microsimulation model;
- version 20017, based on 2017 EU-SILC survey on income and living conditions (Maitino et al., 2017);
- Weights re-calibrated to obtain consistency with ISTAT Labour Force Survey.

# No-protection scenario

- essential sectors identified with ATECO;
- workers in 12 EU-SILC ATECO have different probability of being locked down (Monte Carlo);
- in the no-protection scenario non-essential workers are assumed to get zero income for two months;
- in the 'implemented' scenario all social protection measures + 'cura Italia'.

# ForumDD proposal

- **New allowance for self-employed workers:** 80% of income from work for the previous year bounded within a maximum and a minimum (25th and 75th percentiles);
- **RdC extension:** removal of the residence for foreign citizens real estate and property assets requirements.



## Solidarity income (Cinelli and Costagliola, 2020)

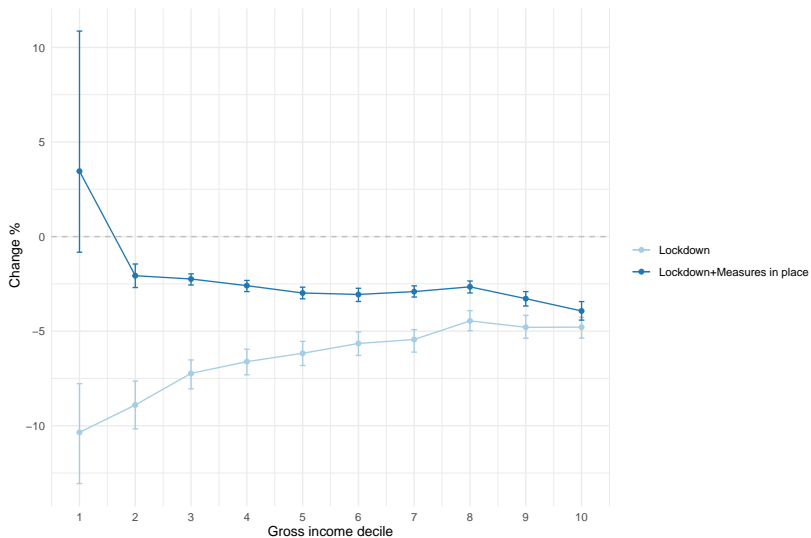
- **Solidarity income:** to all families 900 euro per head of household + 600 euro for each adult + 300 euro for each child;
- no cost to public finances, as it is fed by “freezing” the incomes – for two months – of all workers and pensioners.

# Alternative approaches

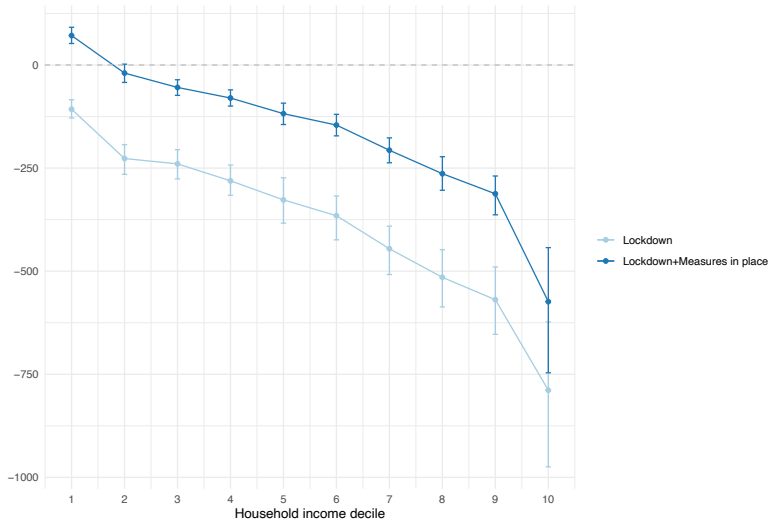
*Table 1 – The costs of measures to mitigate the effects of the lockdown*

<b>MEASURE</b>	<b>billion EUR</b>
<b>“Cura Italia” Decree</b>	
Ordinary and extraordinary CIG net of existing CIG	5.1
Allowance for self-employed (total cost for workers in lockdown)	2.39
Additional cost to the State	7.49
<b>Proposals by the Inequality and Diversity Forum</b>	
Ordinary and extraordinary CIG net of existing CIG	5.1
New allowance for self-employed	5.53
Extended Citizens Income	5.04
Additional cost to the State	15.67
<b>Solidarity Income</b>	
Solidarity income (a)	92
Lower incomes and pensions (b)	133
Lower tax revenue (c)	41
Additional cost to the State (b-c-a)	0

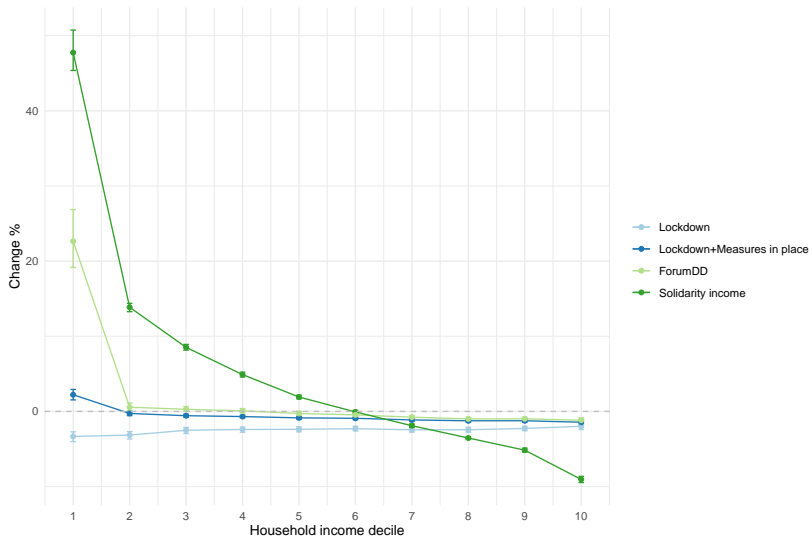
# Workers: no-protection Vs. measures implemented



# Households (absolute change)



# Households (relative change)



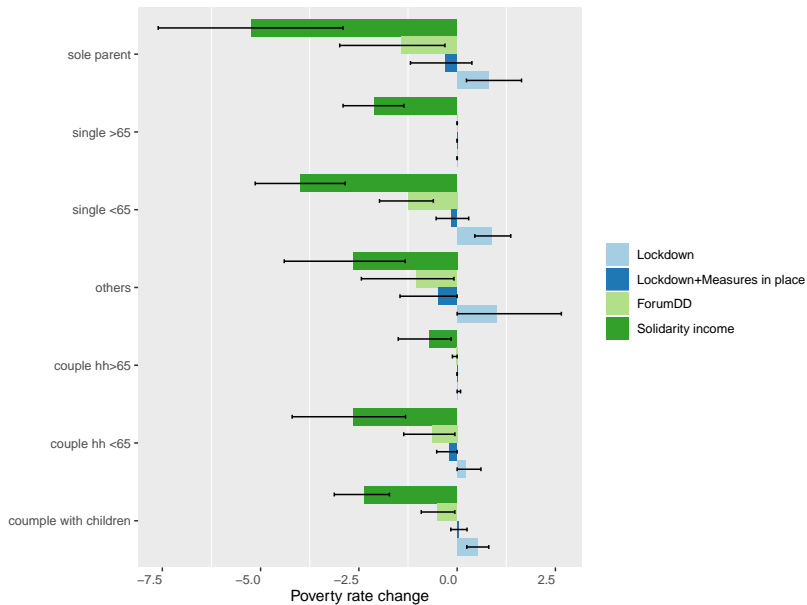
# Households (inequality change)

*Table 3 – The effect of lockdown on inequality*

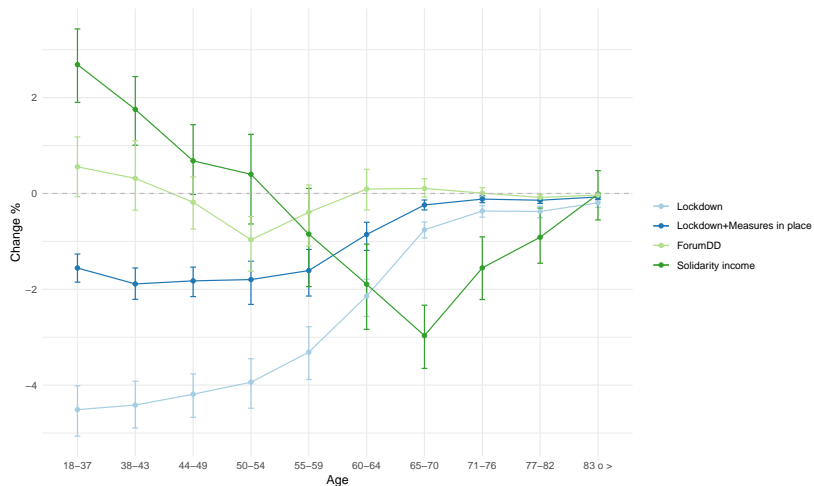
<b>Scenario</b>	<b>Gini</b>	<b>C.I.99%</b>	
Disposable income pre Covid19	0.3396	0.3328	0.3465
Lockdown	0.3419	0.3334	0.3517
Existing measures	0.3373	0.3310	0.3463
Forum DD	0.3309	0.3241	0.3371
Solidarity Income	0.3036	0.2978	0.3096

Note: the Gini coefficient is calculated on the equivalent disposable household income (OECD scale), 99% confidence intervals are obtained through random re-sampling.

# Poverty

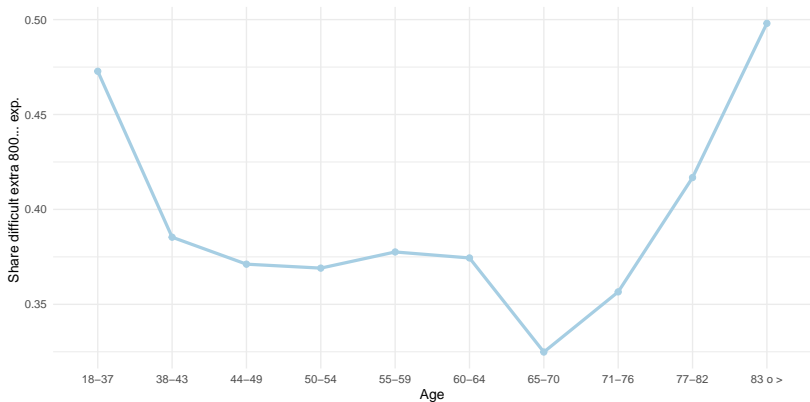


# The Achille's heel: younger households





# Difficulty covering an unexpected expense of 800 euro



# Conclusions

- why it still make sense to present this?
- A partial exercise: not all inequality is income inequality;
- on paper measures in place did protect residents during the first lockdown;
- but for younger households.