



The impacts of the Renzi government's economic policies on income distribution

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Introduction

- Italy has one of the **highest income inequality** in the European developed countries (Eurostat, 2014).
- Italy experienced a **double-dip Great Recession**.
- Since 2014 the Italian government reacted with policies aimed at
 - encouraging private consumption
 - stimulating economic growth.
- We focus on the effects of the Renzi government's main economic policies introduced in 2014 and in 2015 focussing on the **redistributive impact of these measures on income inequality**.

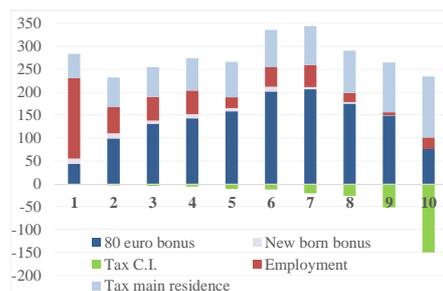
The policies

- New born bonus:** addressed to families with children born between 1st January 2015 and 31st December 2017 and with the value of the Indicator of the economic situation (ISEE) lower than 25,000 euro. The bonus amounts to 80 euro per month, paid for the first three years of a child's life. For an ISEE indicator below 7,000 euro per year, the amount is doubled to 160 euro per month.
- 80 euro bonus:** addressed to employees with a taxable income lower than 26,000 euro and higher than 8,000 euro receive up to 80 euro per each month in occupation. The benefit linearly decreases from 80 euro if yearly income is above 24,000 euro and expires at 26,000 euro.
- Increase of capital income taxation:** the tax on interests paid on corporate bonds and on bank and postal accounts, on dividends and on capital gains was increased from 20% to 26% and the tax on private pension returns was increased from 11% to 20%.
- Elimination of the property tax on main residences.**
- Increase in the employment rate** as a consequence of the labour market reform (Jobs act) and a reduction in the social security contribution for firms.

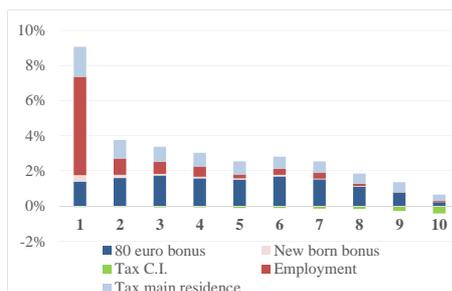
Main results

- Model:** Euromod (IT_2015)
- Data:** IT-SILC 2012

Change in individual disposable income. Distribution by equivalent income deciles.



Percentage variation in individual disposable income. Distribution by equivalent income deciles.



Measures of income distribution, inequality and poverty after the introduction of some policies

	Benchmark	Benefits	Benefits and tax C.I.	Benefits, tax C.I. and employment	Benefits, tax C.I., employment and main residence taxation
Ratio (percentile 90°/10°)	4.00	3.92	3.91	3.88	3.86
Gini	0.33	0.32	0.32	0.32	0.32
Poverty rate	18.5	17.9	17.9	17.5	17.2

Conclusion

Our results showed that **the main economic policies introduced by the early Renzi government, with the only exception of the labour market reform, affected all income deciles with marginal differences.**

- The redistributive effects of these policies are very limited.** For instance, the "80 euro bonus", by being *means-tested at the individual and not at the household level*, was distributed also to households in top deciles, showing scope for better targeting of transfer policies.
- The main distributional result pointed out by our analysis is a **reduction of the poverty index**. This is due to the fact that poorest families account for the largest share of unemployed workers, who are likely to largely benefit by an increase in the number of job offers.
- This result is however to be taken with caution, as **the effect of the Jobs Act reform could fade away as the reduction in the cost of social contribution is withdrawn.**
- Moreover, at present there is no clear evidence on the actual size of the occupational change and of its distribution among the population of unemployed workers, which could jeopardize the reliability of our simulations.

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