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The redistribution of income in Italy

According to the Istat microsimulation model FaMiMod, in 2016 public policies reduced inequality by 15.1 percentage points of the Gini index: from 45.2 estimated for the *primary* household income earned on the market, to 30.1 relating to the *disposable* income. Pensions and other public transfers have had a greater redistributive impact (10.8 points) than social security contributions and taxes (4.3 points).

The tax and benefit system improved its position in the income parade for 56.6% of individuals with no or very low market incomes, belonging to the poorest 20% of the population. At higher levels of market income, the share of transfers in total gross income decreased whilst that of taxes and social contributions increased, worsening the position of individuals living in households with the highest market incomes, as it should be expected in an equality-oriented system, and, besides, of about half of the individuals in the second quintile, with middle-low household incomes.

Pensions funded by compulsory social insurance schemes (employment, old age and survivors' pensions plus work-related disability allowances) constituted the main redistributive policies. The importance of social assistance transfers (social pensions, unemployment benefits, family allowances, etc.) decreased with rising income.

The progressivity of the personal income tax with respect to household income was mainly due to tax credits. The effective *gross* tax rate, *i.e.* before tax credits, displayed a moderately increasing profile below 24,000 euros and stabilized around 14% for higher incomes. Tax credits boosted progressivity: the effective *net* tax rate increased by 8 percentage points between 12,000 and 80,000 euros.

Taxation and the other redistributive policies increased the risk of poverty for the individuals aged 15 to 24 (from 19.7 to 25.3%), for the ones aged 25-34 years (from 17.9 to 20.2%) and, besides, for children younger than 14 years (from 20.4 to 25.1%).

Some type of households were less protected from the risk of poverty by the welfare system, namely single-parents, young and adult couples with children as well as young singles and young couples without children.

The key policy measures policies relating to household incomes issued in Italy during the period 2014-2016 were the "80 euros bonus" to the employees, the increase of the "fourteenth allowance" for the retired and the "active inclusion support" to low-income households. In 2016, these polices improved the equality of the distribution of disposable incomes (from 30.4 to 30.1 of the Gini index) and reduced the risk of poverty (from 19.2 to 18.4%)

For more detailed information please refer to the Italian version

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