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No country for young people. Poverty and Age in Italy, 1948-2018

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No country for young people.

Poverty and Age in Italy, 1948-2018

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May 22, 2018

Abstract

The paper explores the changing risk of poverty for older and younger generations of Italians throughout the republican period, 1948 to the present day. We show that poverty rates have decreased steadily for all age groups, but that youth has been left behind. The risk of poverty for children aged 0-17, relative to adults over 65, has increased steadily over time: in 1977, children faced a risk of poverty 30 percent *lower* than the elderly, but by 2016 they are 5 times *likelier* to be poor than someone in the age range of their grandparents. This intergenerational reversal of fortune is unprecedented in Italy's post-WW2 history. We also assess the impact of the Great Recession on living standards by age, finding that the young have been hit hardest, particularly in Southern regions. What explains the extra poverty risk associated with young age? Our analysis points to the welfare state, which offers better protection for the elderly than it does for the young and their families. We find that the impact of cash transfers on the incidence of child poverty is considerably lower in Italy than in most comparable countries. Overall, in the last seven decades, Italy has become no country for young people.

Key words: poverty; living conditions; wellbeing; great recession; age; cash transfers.

JEL classifications: C42, D31, I3, I32, N30.

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1 Introduction

In 1961 Italy celebrated its one hundredth anniversary as a unified country. After overcoming the hardships of the postwar years, Italians achieved remarkable improvements, not only in terms of economic growth (GDP, private consumption, and many other non-monetary socio-economic indicators), but also in terms of distribution of the benefits of such growth: recent studies have documented that both inequality and absolute poverty declined in the long run (Vecchi 2011). It is no accident that those years were to be labeled as *miraculous* in the literature that flourished after World War II (Toniolo, 2013).

Fifty years later, in 2011, the sesquicentennial anniversary of Italy's unification took place amidst difficult years, marked by a multiple-dip crisis, with high overall unemployment, and youth unemployment even higher and obdurately on the rise. Plummeting investments were feeding concerns about the future. With no signs of new economic miracles in sight, celebrations kept an overall low profile. The "reversal of fortunes" that followed a period of unprecedented prosperity and growth has prompted a renewed interest in the issue of poverty, both in academic and institutional circles. The notions of the reversibility of economic miracles, of a "crisis" that may be more endemic than temporary, and thus better described as a "decline", have recently began to resonate with the public. The question of the distribution of prosperity across younger and older generations is part of this ongoing debate, the underlying concern being not only intergenerational fairness, but future growth, and Italy's ability to rebound: a country where younger generations are crippled by hardship, instead of thriving, is one where the future does not look bright.

The topic of age and wellbeing has been approached from different angles. Rossi (1997), and Boeri and Perotti (2002) denounced the inadequacy of a welfare state skewed in favor of older generations. Berloffa and Villa (2007, 2010), and Brandolini and D'Alessio (2011) investigated intergenerational differences in household incomes – they tested the idea of younger Italians lagging behind their parents' living standards. Schizzerotto, Trivellato and Sartor (2011) also asked the question "Are today's young worse off than yesterday's young?", and offered a well-documented (overall positive) answer. Cannari and Franco (1997), Saraceno (1997), Toniolo and Vecchi (2007), and Brandolini (2010) focused on children. On the whole, however, the link between poverty and age in Italy is still under-researched.

With this paper, we aim at investigating how the incidence of poverty has varied with age during the post-WW2 years. We are not aware of any systematic investigation analyzing and comparing living standards of the young and the elderly over the entire postwar period. The contribution of this paper is threefold. First, we focus on the trend of *absolute* poverty separately by age categories – this is the main yardstick that we have chosen for our analysis. Secondly, we extend the time horizon of the analysis, covering both the aftermath of the Second World War, and the most recent years, those hit by the so-called Great Recession (the financial and economic crisis starting in 2007). We do so by using eclectic historical statistical sources, although the Bank of Italy's Survey on Household Income and Wealth (SHIW) and Istat's EU-SILC are the main datasets that we rely on. Thirdly, we analyze the causes of observed trends, and place them in an international context. With all the methodological and conceptual caveats that are in order, we argue that Italy has turned into a country increasingly unfavorable to young generations. The benevolence shown in the early stages of Italy's economic development (Vecchi and Coppola, 2006) has faded – Italy is no longer a country for young men (and women: Mancini, 2018).

The paper is organized as follows. Section 2 sets out concepts, methods and data used for the empirical analysis. Section 3 provides a descriptive reconstruction of the historical macroeconomic context, focusing on the long-run trends of poverty and inequality. Section 4 provides an overview of the intertemporal profile of poverty rates by age, and section 5 is devoted to the impact of the Great Recession. Section 6 discusses the impact of cash transfers on child poverty, and section 7 summarizes the main findings.

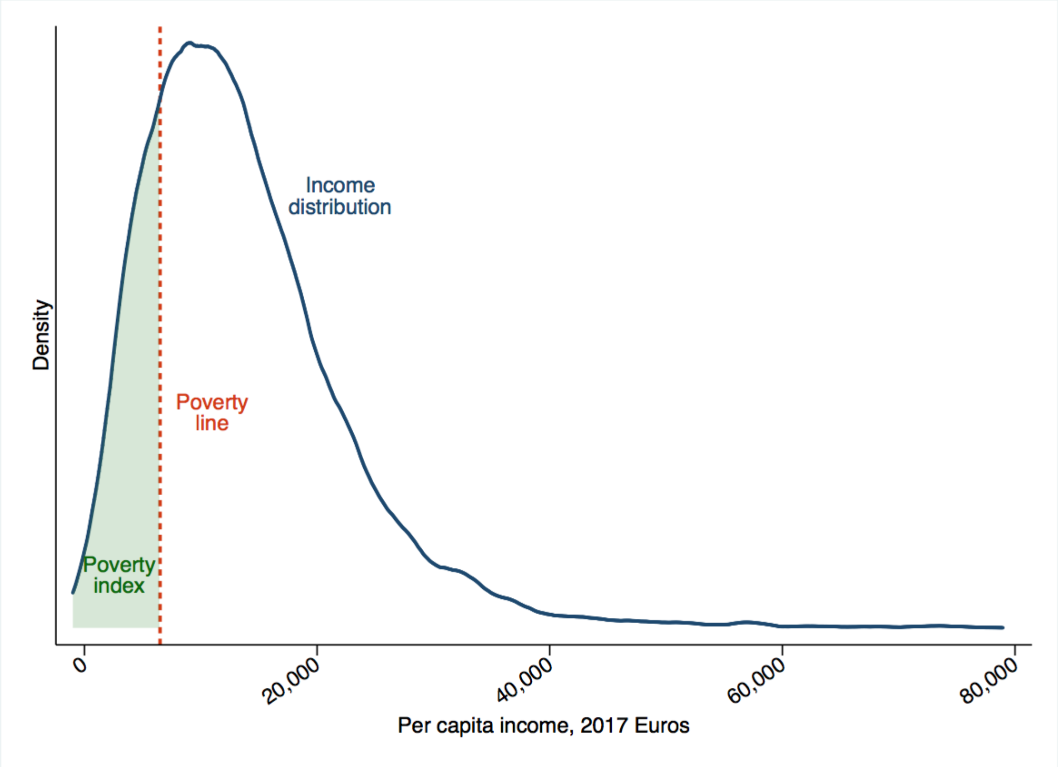
2 Concepts, data and definitions

This section provides a short overview of the way we *define*, *measure* and *estimate* poverty in the rest of the paper, and discusses the pros and cons of the approach taken in regard to each of these steps.

Defining poverty is probably the most contentious issue. This stems from the fact that the standard of living is a multidimensional concept: few scholars would question the idea that economic well-being is only one of many attributes of human life that contribute to one's overall standard of living (Aaberge and Brandolini, 2015). In practice, the largest portion of the economic literature, as well as most of the international practice, is based on a unidimensional conceptual framework, where the level of either income or expenditure serves as a proxy to account for the many facets that define well-being. The replacement of a vector of attributes with a scalar wipes out the analytical difficulties of dealing with a multidimensional definition of standard of living, but is not without certain shortcomings. A radical critique comes from the capability–functionings perspective (Sen 1985, 1992), according to which there is no escape to the intrinsic multidimensional nature of well-being: while it is undisputable that a person with a sufficiently high income will be able to improve some non-income attributes, income (or consumption expenditure) alone may not be taken as a synonym of wellbeing (Bourguignon and Chakravarti, 2003). In this paper we follow the mainstream among economists, and embrace a theoretical framework which relies on a unidimensional monetary definition of the standard of living.

Measuring poverty is also far from straightforward. Two main choices matter. First, the choice of a monetary indicator used to proxy the living standards, in practice, the choice between income versus consumption expenditure. Second, the choice of a poverty line. According to Deaton (1997), and Deaton and Zaidi (2002), consumption expenditure is the best choice – it is consistent with the standard microeconomic theory, and it works well empirically. Atkinson (2015) argues that "the choice between consumption and income depends on the purpose of the analysis. In the case of poverty measurement, the answer depends on which of two different conceptions we espouse. The first concept is concerned with the standard of living; the second concept is concerned with the right to a minimum level of resources. Historically, studies of poverty have adopted the first approach (…). Over time, however, attention began to shift to a broader definition of poverty based on the capacity to participate in the life of society, and with this came the interest in the concept of minimum rights to resources, the disposal of which is a matter of individual decision" (p. 35). Meyer and Sullivan (2012) provide a balanced illustration for the case of the United States, and end up using both measures, which is a most sensible exercise when a country can offer such a possibility. This is the case of Italy, where we are in a position to explore both measures. The Bank of Italy's Survey on Household Income and Wealth (SHIW) – see Brandolini (various years) – is a large-scale nationally representative survey that covers the years 1977-2016, and focuses on household income. Similarly, the National Statistical Institute (Istat) runs a yearly survey focused on household consumption expenditures, with data publicly available from 1980 to the present day. In this paper we concentrate on SHIW's income data, as far as the historical trend of poverty is concerned (section 4), and on Istat's expenditure data for international comparisons (section 5). Figure 1 shows the distribution of per capita income in 2016, which represents the first building block required to measure poverty.

Figure 1 – The three building blocks of poverty measurement



Source: our elaboration on SHIW 2016.

Secondly, the poverty line. Poverty cannot be defined independently of the historical and social context of reference (Citro and Michael 1995). Some scholars advocate the use of a *relative* poverty line, i.e. a cutoff value identified in relation to the overall distribution of income (Foster 1998); other scholars have favored an *absolute* poverty line, i.e. a value corresponding to how much a household is expected to spend to meet its basic needs. The *relative poverty line* is typically defined as a fraction of the average level of income of a reference social group (Townsend 1962, 1979; Atkinson 1998). The most common type of relative poverty line sets the threshold as a given percentage for the median, e.g. the European Union uses a poverty line equal to 60 percent of the median (equivalized) income. In contrast, absolute poverty lines are based on estimates of the cost of basic food needs (i.e., the cost of a basket considered minimal to enable an individual to live a healthy and socially active life) in a specific country (Ravallion, 1994, 2016). We use *absolute* poverty lines when analyzing the trend of poverty over time in Italy (Section 4): in particular we choose a poverty line derived from the official Istat poverty lines for the year 2006 (corresponding to 5,557 euros/adult/year in 2017 prices), and apply it, adjusted for inflation, to all years in the span going from 1977 to 2016 (the period covered by SHIW microdata).[1] We fall back on the EU standard of using *relative* poverty lines when making international comparisons (Section 5).

Finally, *estimating* poverty requires suitable data and the choice of one or more specific poverty measures. Regarding the latter, many are available in the literature. The common practice has become to focus on the headcount poverty ratio, defined as the proportion of individuals classified as poor out of the total population. We follow this conventional approach, in order to maximize comparability with both the literature and official publications. However, despite its popularity, the headcount poverty ratio is arguably not the best measure (Sen, 1976). Foster, Greer and Thorbecke (1984) introduced an interesting class of poverty measures, now commonly referred to as FGT-measures, that satisfy desirable properties. Zheng (2007) has reviewed and assessed a large portfolio of other measures.

One more technical issue warrants attention in our context: poverty indices, in particular the poverty headcount, are commonly interpreted as counts of *individuals* in poverty, although they are derived from *household*-level data on income or expenditure. The transition from household to individual welfare requires assumptions on how resources are shared within the family, on differences in individual needs (between children and adults, for instance), and economies of scale (some goods, such as household appliances, do not require proportionally higher expenditure for them to be enjoyed by a higher number of family members). It has been shown that estimates of the number of elderly or children in poverty are sensitive to the choice of these assumptions (Deaton and Paxson, 1997). Our estimates are based on household equivalent income, which is defined as the total income accruing to the household, divided by the number of adult equivalents residing in that household. Household equivalents are, in turn, defined on the basis of the OECD-modified scale, which assigns a value of 1 to the household head, of

[1] This choice is due to the lack of a series of periodically updated and consistently defined poverty lines that covers the whole period (Istat's official poverty lines are available starting in 2005). Rather than introducing distorsions due to inconsistent updating methods, we opted for a fixed threshold.

0.5 to each additional adult member and of 0.3 to each child (Hagenaars et al., 1994).

A final remark concerns comparability among surveys. A growing literature suggests that changes in survey design need to be considered when analyzing trends in consumption, inequality or poverty over time (Lanjouw and Lanjouw, 1997; Beegle et al. 2012). Seemingly minor changes in survey design – such as *i)* different methods of data capture (e.g., diary versus recall), *ii)* different respondents (individuals versus households), *iii)* different reference periods for which income or consumption are reported – can have significant effects on the poverty measures and may distort time comparisons. Regarding the Bank of Italy's Survey of Household Income and Wealth (SHIW), which is the basis for much of the analysis presented in the following sections, Baffigi et al. (2016) indicate 1985 as a turning point that marked the restructuring of the survey: among other innovations, the size of the sample was doubled, the sampling procedure was improved, and the survey became biannual instead of annual. Other relevant innovations, such as the introduction of a panel component in 1989, left the main survey unaffected. It is worth noting that the publicly available SHIW microdata, covering the period 1977-2016, are the result of a massive recovery and harmonization effort by the Bank of Italy, and incorporate adjustments to improve comparability over time as much as possible.

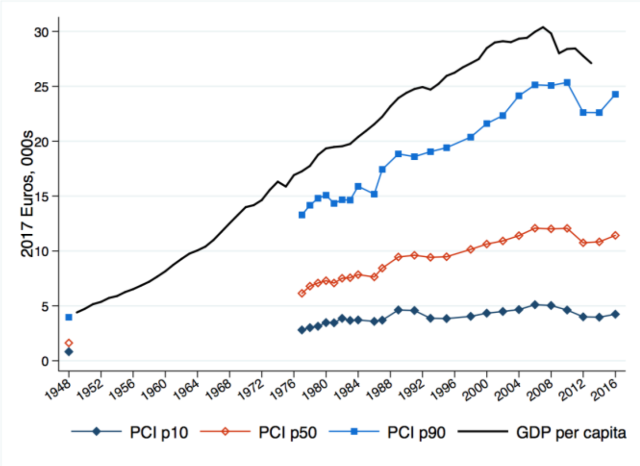
3 Poverty and inequality trends in Postwar Italy

Italy is among the ten richest countries in the world today in terms of share of global GDP (World Bank WDI, 2017). This is reflected in the living conditions enjoyed by a majority of Italians, which are, by global standards and by many fundamental indicators, no less than prosperous. Italy's current status as a country that has "made it" is not without contradictions and challenges, which manifest in large disparities in wellbeing outcomes within the country, pockets of deprivation that still linger for certain categories of the population, and doubtful prospects for future growth. These nuances, some of which are the subject of this paper, are better understood when the current situation is set in historical context.

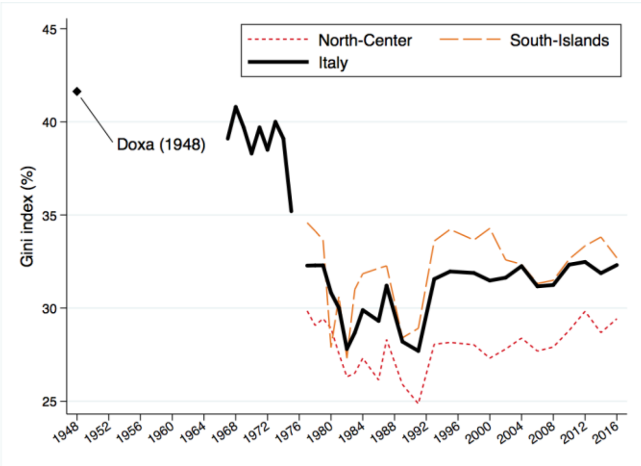
Our historical knowledge on the many facets of Italy's modern economic growth has greatly improved in the past few years. Amendola and Vecchi (2017) and Amendola, Salsano and Vecchi (2017) have identified the long-run trends of both inequality and poverty over the period 1861-2011. Figure 2 focuses on the post-WW2 period, and shows the results obtained after updating those estimates with the most recent waves of the Bank of Italy's SHIW.

Figure 2 – Trends of household income, inequality and absolute poverty, Italy 1948-2016

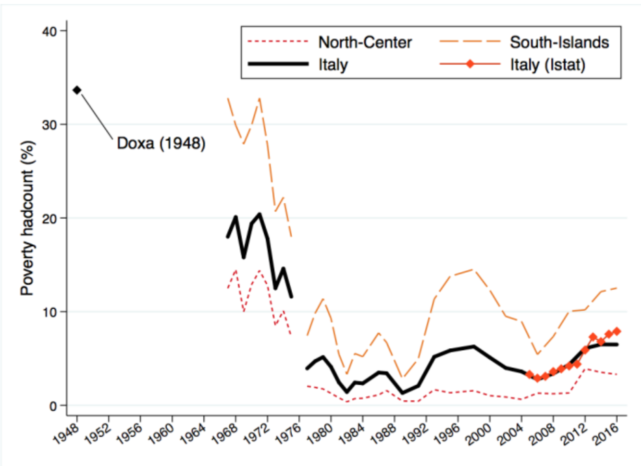
a. Quantiles of household per capita income vs. GDP per capita



b. Inequality (Gini index, %)



c. Absolute poverty (headcount poverty rate, %)

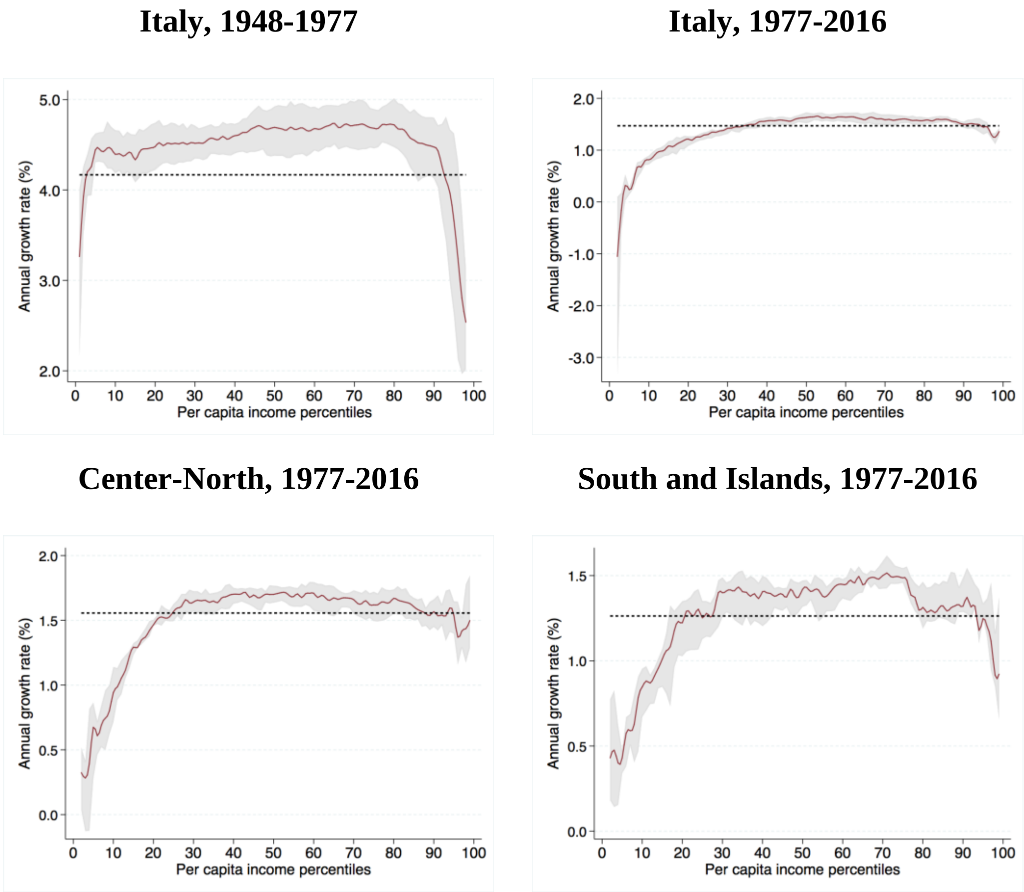


Sources and notes: Panel a: GDP from Bank of Italy, percentiles of per capita income based on SHIW. Panels b and c: estimates for 1948, 1967-1975 are from Amendola et al (2017); estimates for 1977-2016 in panel c are based on SHIW data on per adult equivalent income, as per the OECD-modified scale.

Three main conclusions can be gathered from Figure 2. First, Italy has experienced an unquestionably great improvement in wellbeing, visible in all metrics when we compare 1948 to recent years. Real median income is almost seven times as high in 2016 as it was in 1948: poverty has been "vanquished", and is now below 10%, down from a level of more than 30% just after the War, inequality is significantly diminished. The second conclusion is that these improvements seem reversible. In fact, the trends of both poverty and inequality tip upwards in recent decades. Third, as should be expected in a country as scarcely integrated as Italy, both levels and trends of inequality and poverty differ widely across geographical macro-areas. After more than 150 years the "questione meridionale" is still in the data (Felice 2011, 2013; Daniele and Malanima 2011).

These contrasting facts call attention to the issue of distribution of gains in wellbeing, to the "winners and losers" that emerge during times of profound economic transformation and modernization. The analysis of the so-called growth incidence curves (GIC), first introduced by Ravallion and Chen (2003), adds important insights to this picture. Macro-area specific GICs for the Postwar period are shown in Figure 3.

Figure 3 – Growth incidence curves, 1948-2016



Sources: our estimates based on Luzzatto Fegiz (1949), SHIW (1977-2016).

Note: GICs for Center-North and South-Islands refer to the distribution of per capita income within each macro-area.

The top-left panel of Figure 3 connects the distribution of income extracted from one of the earliest nationally representative surveys of household income, carried out by the Doxa Institute in 1948, to the first available wave of the Banca d'Italia Survey on Household Income and Wealth, started in 1977. The curve suggests that during the first decades after the War we observe a shift of the entire income distribution, with most segments of the population enjoying large gains in income – the bottom decile of the distribution, together with the very top, may have lagged behind the bulk of the population, although their incomes also rise during this period. The other three panels of Figure 3 focus on the years 1977-2016. The shape of the GIC for Italy as a whole suggests that economic growth during this period has not been pro-poor – this is how we interpret the upward slope for the bottom two-three deciles of the distribution. The quality of growth – seen from a distributional standpoint – reveals a negative trait, lack of inclusiveness: the income of the poorest among the poor grows, but at a slower pace than for the non-poor. The geographic breakdown (bottom panels) shows that a similar story holds true both in the northern and southern regions. The main difference between the two areas is not on the quality of growth but its intensity: the Centre-North grows more rapidly than the South and the Islands. Divergence, that is, an increase of the average North-South gap, is clearly visible from the GICs in Figure 3.

This section provides the backdrop for the analysis of the link between poverty and age. What role did younger and older generations play in Italy's postwar success story, when wellbeing was achieved? Did these roles change during the recession years? And are the differences between Northern and Southern regions relevant when we look at the incidence of poverty across generations? These questions are addressed in the next section.

4 Poverty among children and the elderly, 1948-2018

4.1 From the War to the Miracle

It is not easy to come across clear-cut evidence on the living standards of specific population groups, such as the youth or the elderly, for times that predate the onset of modern household income and consumption surveys. A few recent studies have added to our knowledge of child wellbeing during Italy's post-Unification history, arguing that Italy has traditionally been a place not hostile to children (Cinnirella et al. 2017). Other indicators are in agreement, overall, with this trait of Italian history (e.g., A'Hearn and Vecchi, 2017). There is no quantitative evidence, however, on how age related to poverty and deprivation more generally before the Second World War.

When the focus shifts to the Postwar period, and the interest is on direct indicators of poverty, the information available becomes relatively more abundant. The first examples of "modern" enquiries on the incomes and standard of living of Italians appeared in the Forties and Fifties, and although coordinated and consistent efforts to carry out actual income and expenditure surveys would not start until later, these pioneering enquiries hold information that is invaluable for welfare analysts. Microdata for these early surveys have not yet resurfaced, despite the best efforts of archivists and historians. Our ability to produce estimates disaggregated by population groups, such as children and the elderly, is therefore entirely dependent on published results and summary statistics.

The 1948 Doxa inquiry on the incomes of Italian families, with its multitude of tabulations exploring many different angles of Italians' daily life at the time, is the earliest of such attempts. The Doxa Institute was a private research-oriented polling company, founded in 1946, immediately after the Second World War, by Pierpaolo Luzzatto Fegiz, a professor of Statistics at the University of Trieste (Rinauro 2002). Leading with the question, "Is it possible to administer a modern state without recent and reliable data on the level and distribution of national income? Probably not" (Luzzatto Fegiz 1949: 123), he wrote to Luigi Einaudi in July 1947, with a request for funding a large-scale survey on the incomes and expenditures of Italian families – see Baffigi, Cannari and D'Alessio (2016). The Ministero del Bilancio, delle Finanze e del Tesoro reacted promptly and, as early as December of the same year, 16 million Italian lire (corresponding to 250,000 euro at 2017 prices) were granted to Doxa. By December 1948, 10,700 households had been interviewed, and preliminary results were made publicly available.

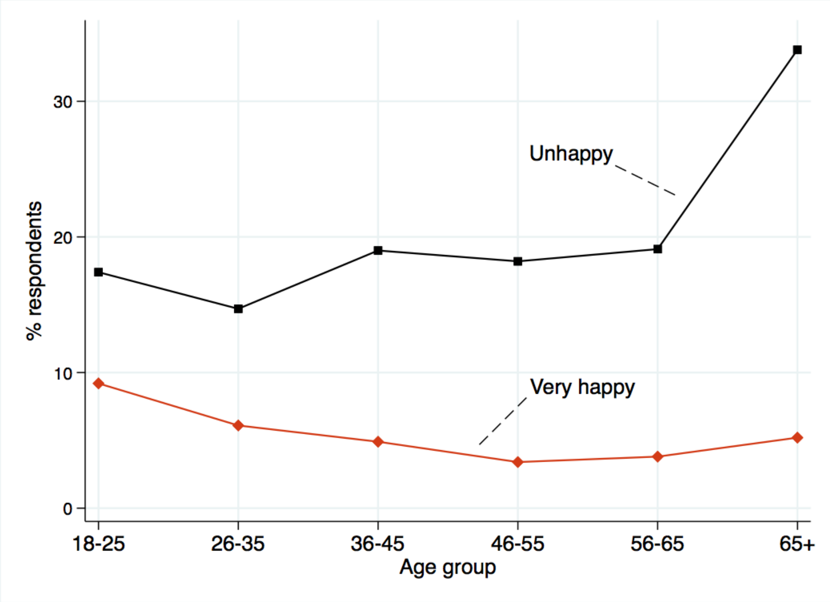
While the 1948 Doxa report (Luzzatto Fegiz, 1949) contains evidence on the overall distribution of incomes ("Una prima conclusione balza evidente dall'esame dei grafici: l'Italia è un paese di povera gente", p. 42), the link between age and poverty is not considered, and incomes are never disaggregated by age groups. Similarly, Luzzatto Fegiz (1950) did not share any additional detail on poverty risks separately by age.

On October 12, 1951 the Camera dei Deputati approved the implementation of the first institutional large-scale inquiry into poverty and into the means to combat it (*Inchiesta sulla miseria in Italia e sui mezzi per combatterla*). Although the stated goal of the initiative was quantifying poverty, the methods used do not meet modern standards and fail to deliver a sound poverty profile. As noted by Braghin (1978), the committee decided not to calculate a poverty line – as illustrated in section 2 – but opted for an eclectic approach, grading poverty into four levels (poor, needy, average, and high), and establishing disparate indicators of living standards (the number of people per room, the frequency of consumption of certain food items such as meat, sugar and wine, and the conditions of clothing and footwear), a solution that Amendola et al. (2017: 341) described as "undefined at the conceptual level". More than 4,000 pages, organized in sixteen tomes, were produced to present the results of the enquiry, but no specific attention is paid to the age factor.

After the *Inchiesta sulla miseria,* very little was accomplished during the 1950s in terms of social surveys. The absence of detailed information on incomes by age in the major sources of the 1940s and 1950s suggests proxy variables are needed. [2] For this, the Doxa Institute is, once again, the most useful for our purposes. In 1956, Doxa celebrated the first decade of activity and printed a commemorative book, a collection of surveys previously published in the *Bollettini Doxa*. In Luzzatto Fegiz (1956), the link between living standards and age only shows up when it comes to discussing "happiness". "Perhaps it is silly to ask a stranger point blank – 'Do you feel happy or unhappy in this moment?'; but if one repeats the question to thousands of people from every region, age and social class, and compares the answers of different groups, then one can learn a great deal." (p. 74) – this is how the survey is introduced. Figure 4 shows the pattern of happiness by age in 1947.

[2] De Meo (1965, 1973) reports inequality indices for the distribution of household expenditures, based on Istat's household budget surveys for 1953-54 and 1963-64 – the time trend is to be interpreted with caution due to inconsistencies across surveys and methods.

Figure 4 – "Very happy" and "unhappy" Italians, by age cohort, in 1947

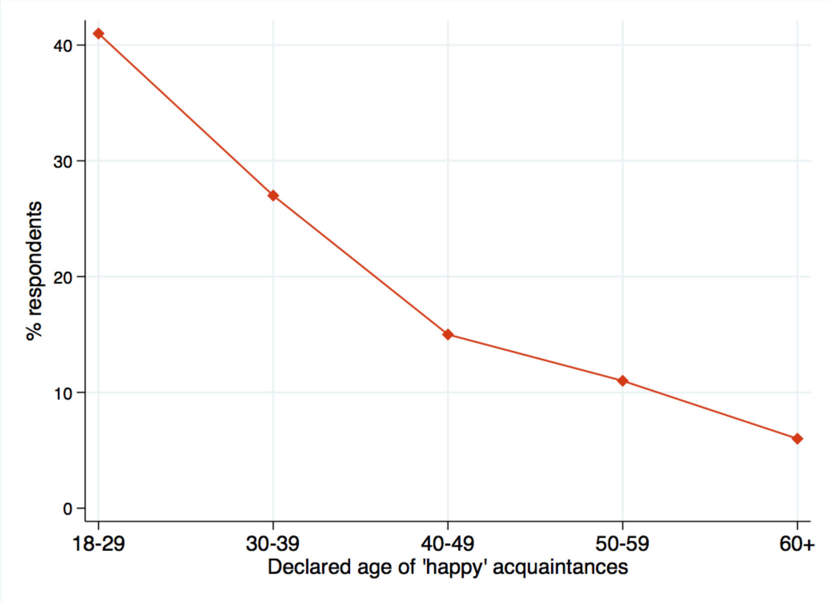


Source: our elaboration from Doxa (1956).

Figure 4 shows that, in the aftermath of World War Two, happy Italians are a minority. In line with the findings of the 1948 Doxa survey on the low incomes of Italians, poll results indicate that very few individuals reported being "very happy", about 5% of the entire population, compared to 18% who report being "unhappy". Figure 4 shows that the peak of happiness reached 10% for the youngest cohort, and then sadly declined through the course of life. Similarly, aging went hand in hand with unhappiness: in 1947, by the age of 65, one Italian out of three reported being unhappy. The gender gap, not available by age, suggests that the incidence of unhappiness was 20 percent among women compared to 16 percent among men.

Luzzatto Fegiz (1966) reports the findings of another Doxa survey carried out in 1956, on the "joy and sorrow" of a sample of 1,000 *adults*. Results of the happiness of the respondents are not available by age category, but an interesting question was asked: "Among your acquaintances, is there anyone you consider perfectly happy? Could you describe this person? How old are happy people?". Figure 5 shows the results. Again, this proxy suggests that in the mid 1950s young people are the happy ones, or at least they are thought to be so by those close to them.

Figure 5 – Age of happy people among one's acquaintances, Italy 1956



Source: our elaboration on Luzzatto Fegiz (1966: 310).

Surveys of income and consumption continued to be in short supply in the early-mid-1960s, with the exception of the Doxa polls.[3] The reduction in the scholarly interest towards poverty in this period can be attributed to the strong increase in average living standards occurring during the "economic miracle", which convinced many observers that severe poverty, or better yet misery, was a problem of the past. What attracted attention instead was the phenomenon of immigration from the backward areas of the South to the booming cities of the North, and the process of integration that followed (Morlicchio, 2012). A few surveys were carried out on specific population sub-groups, while other surveys – notably those by the Bank of Italy and Istat – were being designed and piloted; however, it was not until the second half of the 1970s – unsurprisingly, since that was the end of a long period of economic expansion – for poverty to receive the attention of both the academic community (mainly thanks to sociological studies) and policy makers.

[3] During the first half of the 1960s, both Istat and the Bank of Italy carried out pilot surveys – some which can be used to produce national-level poverty estimates. More details are in Amendola et al (2017).

4.2 From the 1970s to the new millennium

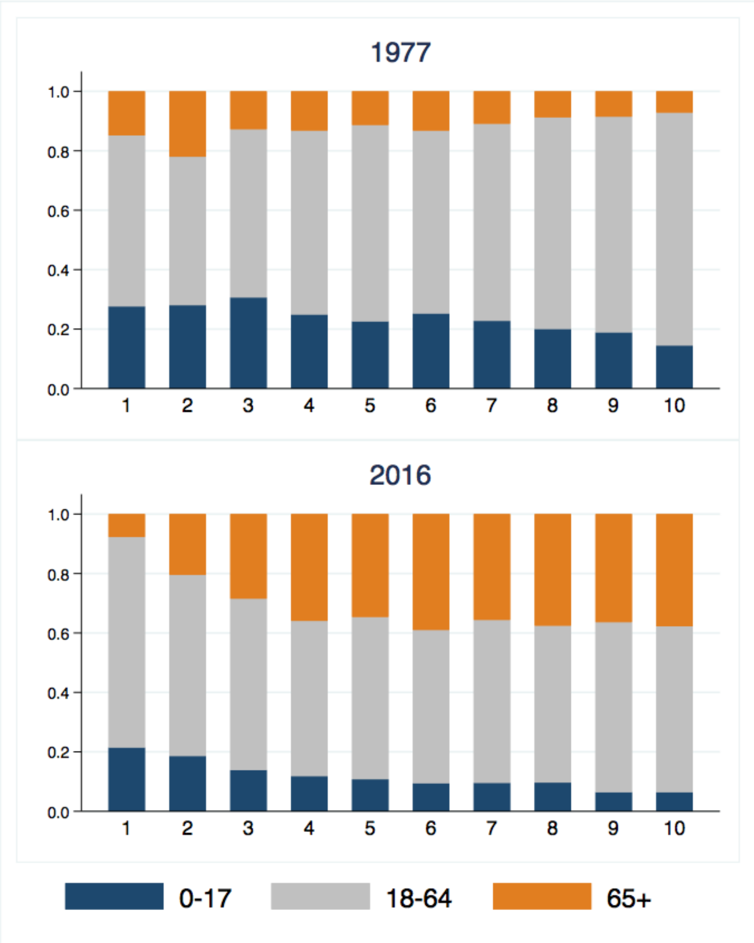
The first institutional poverty estimates for Italy were computed for the years 1973 and 1978, thanks to an initiative funded by the European Economic Community (EEC), within an experimental program named “Action against Poverty” (Sarpellon, 1982). The definition of a poverty line followed the tradition of Walter Runciman and Peter Townsend in the 1960s and 1970s: “Poverty can be defined objectively and applied consistently only in terms of the concept of relative deprivation. (…) Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or are at least widely encouraged or approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities” (Townsend 1979: 31). This is what Sarpellon (1982) and collaborators did, in practice, by adopting the so-called “international standard of poverty line” (Beckerman 1978), which classified as poor all households with a per capita expenditure 50 percent lower than the average expenditure in Italy.

As portrayed by the poverty committee chaired by Sarpellon, Italy in the 1970s is a country where the risk of poverty follows a U-shaped pattern with respect to the number of family members: it is higher than the average for persons living alone and for households with 6 or more members. From this result, we can infer that the risk of poverty was not particularly high for households with 1 or 2 children, while large families faced a significant risk of poverty. According to Sarpellon (1982, p. 118), “… poverty is more frequent among the elderly living alone and among large families; the first group is prevalent in the Centre-North, the second one typically in the South”. The report also highlights the presence of a significant divide between the South and the rest of the country. The three major “causes” of poverty are identified in: *i)* inadequacy of earned incomes; *ii)* lack of earnings (unemployment); *iii)* pensions of insufficient amount. Each of these three causes is more frequently found in the Southern regions, producing much higher poverty rates. The renewed interest in poverty during the ’80s is testified also by the establishment, in 1984, of a new governmental Commission of inquiry on poverty, composed of experts from academia and social organizations. The first Commission was chaired by Ermanno Gorrieri, a Catholic trade unionist active for a long time in the study of tax-benefit policies towards families. The method of analysis that the Commission adopted had many points in common with the work coordinated by Sarpellon, in particular the choice for a relative poverty line, applied to consumption data, considered more reliable than income. Its results showed a prevalence of poverty among the elderly living alone and very large families, particularly in the South.

After conducting pilot surveys in the early 1960s (whose results were not published), the Bank of Italy began to collect data on households' income and wealth in 1965, with an annual (later biannual) nationally representative survey, the Survey of Household Income and Wealth (SHIW). The survey underwent changes in its design and data collection, and the 1977 wave is the earliest for which microdata are available (Baffigi et al. 2016). Just prior to that threshold, the early SHIW waves provide some evidence that younger families enjoyed higher living standards than the older ones. For example, the survey for 1969 (Bank of Italy, 1971) found that the share of households owning some basic durable goods (television, refrigerator, washing machine) was much higher for those with head aged 31-50 than for those with head older than 65 years of age. Further, only 48.1% of single persons and 69.9% of households with two persons owned a refrigerator, against 83% of households with 6 members. But 1977 marks the beginning of a "modern" era for poverty analysis, one that enables detailed profiles to be produced examining poverty incidence across subgroups of the population, such as children and the elderly.

Figure 6 approaches the question of how income varies with age, and compares 1977 to the most recent SHIW wave available. It shows the Italian population divided into groups, each corresponding to a decile of the distribution of equivalent incomes.[4] Each bar represents the composition of each decile group in terms of age cohorts.

Figure 6 – Share of age groups in per adult equivalent income deciles, 1977 and 2016



Note: Authors' elaboration on SHIW.

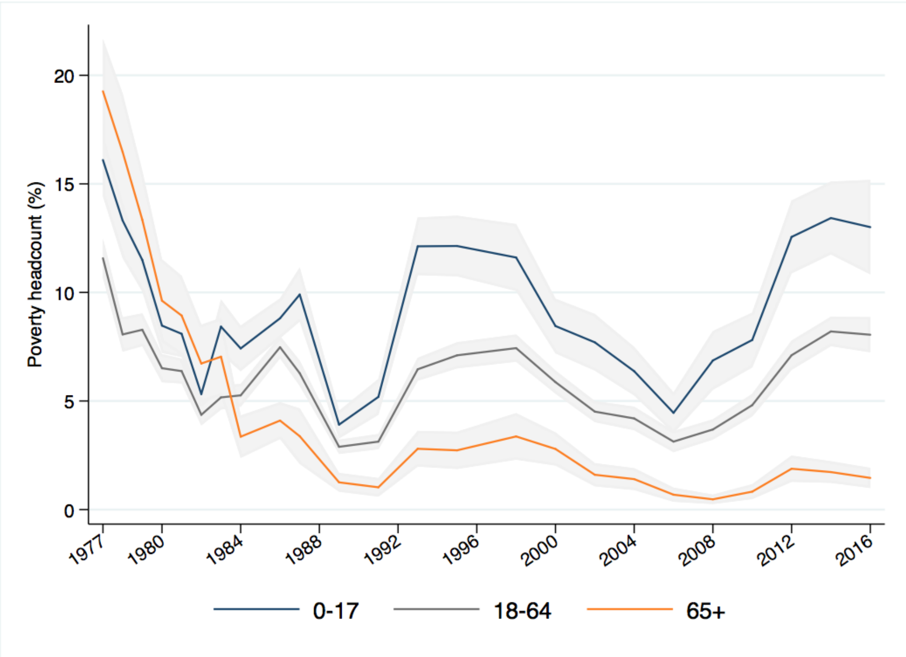
The upper panel describes a (young) world where the rich are overwhelmingly prime-age individuals, and rarely over-65s. Youth and the elderly are both more frequent in below-median income deciles, but the share of older cohorts decreases faster with income. Older generations in 1977 Italy seem to fare worse than the general population, a finding that is not at odds with the proxy evidence for the 1940s and 1950s. The situation shown by the lower panel is widely different. Over-

[4] Equivalent income is defined as household income divided by the number of adult equivalents in the household, which is in turn defined according to the OECD-modified equivalence scale (Hagenaars et al., 1994).

65s are now almost 40% of the richest decile, and their frequency increases sharply with income. The opposite happens to under-18s.

These effects incorporate both demography (the population has aged between 1977 and 2016) as well as intergenerational mobility: people who were born before the War and Baby Boomers (younger and prime-age cohorts in 1977) maintained their relative position in the income distribution, while newer generations (those who were under 18 in 2016) are not as well-off as their counterparts of 40 years prior. A sharper view of the forces at play is given by the analysis of the trend in absolute poverty rates, shown in Figure 7.

Figure 7 – Poverty profile by age of individuals, 1977-2016



Note: Poverty line (5,557 euros/adult/year in 2017 prices) derived from the Istat official absolute poverty rate in 2006, then applied, adjusted for inflation, to all years. Shaded areas are 95% confidence intervals for poverty rates.

The upper panel shows the incidence of absolute poverty by age groups in Italy, from 1977 to 2016. In the mid-70s, poverty was still high both among the young (0-17 years of age) and the elderly (over 65). The SHIW data are thus fully consistent with the picture of poverty that emerges from the report of Sarpellon (1982), focused on the same period. The next 40 years are characterized by a clear change: the incidence of poverty decreases for the older generations, whereas it remains high for the younger ones. The report of the Commission of inquiry on poverty published in 1996, based on consumption data, confirms the presence of this trend for the first part of the period under consideration, finding that from 1980 to 1994 the risk of poverty increased in particular for households with non-elderly heads. Furthermore, that period saw a decline in the incidence of poverty for pensioners, and an increase for households of manual workers. At the end of the period, in 2016, the poverty rate is very low for the elderly, and high for the other age classes. While in the 1970s the youth were slightly less poor than their grandparents, now the opposite is true. At the onset of the great recession, a precise "Italian model of poverty" has emerged, according to which "poverty is an essentially Southern phenomenon, and concerns in particular large households with children" (Morlicchio 2012, p. 179). The basic difference with the results of Sarpellon, 40 years later, is that the elderly have disappeared from this model of poverty.

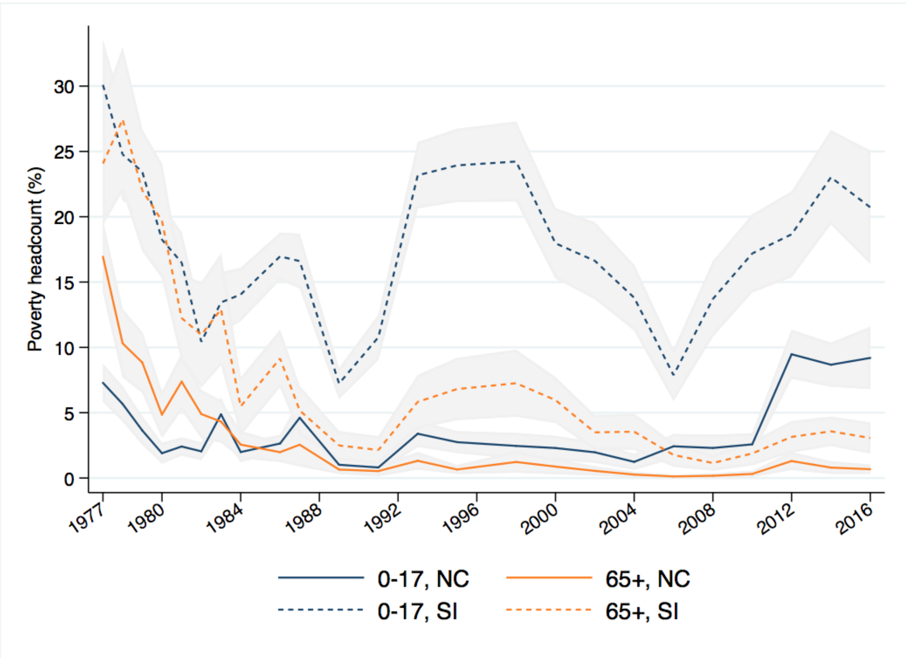
4.3 The Great Recession

The crisis starting in 2007 has had profound consequences on poverty, reinforcing the long-run trend described above: it barely touched the elderly, who are protected by a social security system that is skewed in favor of pension expenditure, while poverty for working-age families soared. The increasing generosity of the pension system explains why poverty rates for the elderly have continued to decrease during the last few decades, and also why they are not strictly correlated with the economic cycle. The other age groups, on the contrary, have suffered from strong increases in the incidence of poverty both during the financial and economic crisis of the first part of the 1990s and following the onset of the global recession of the last decade.

The shift of the risk of poverty from the elderly to the young is not confined to Italy but represents a trend common to other rich economies (OECD 2014, 2015). It is mainly due to two simultaneous factors: the increasing importance of pension expenditure on the welfare states of rich and ageing countries, and the changes in their labor markets, with stagnating wages and increasing unemployment levels, particularly in the last decade, affecting households with working-age adults. The youth have managed to maintain positive income growth rates only in countries with strong and effective welfare states or those marginally affected by the global recession. The replacement of the elderly by the youth as the age group most at risk of income poverty is also not a recent event but has been ongoing during the last few decades. The global recession has only accelerated this process. The increase in the youth poverty rates in Italy after 2007 has been particularly significant due to the depth of the recession, producing a fall of about 10 percentage points in GDP from 2007 to 2013.

However, the observation of the dynamics of poverty at the national level conceals profound territorial differences. Figure 8 separates the poverty rates for the Centre-North and the South, showing only what happened to the two extreme age classes for the sake of clarity.

Figure 8 – Poverty profile by age of individuals, North-Center vs. South-Islands, 1977-2016



Note: Poverty line (5,557 euros/adult/year in 2017 prices) derived from the Istat official absolute poverty rate in 2006, then applied, in real terms, to all years. Shaded areas are 95% confidence intervals for poverty rates.

Many important facts emerge. First, the long-run fall in the elderly poverty rate has involved the whole of Italy, not only its richest part. Furthermore, the difference in elderly poverty rates across areas is now much lower than in the 1970s. Forty years ago, in the South the poverty rates of the elderly and the young were similar and very high. Afterwards, only the elderly of the southern regions markedly improved their living standards, leaving the youth behind. Turning to the younger generations, until some years ago the clear correlation between their poverty rate and the economic cycle was due mainly to the South, given the steadily low poverty incidence in the Centre-North. The Great Recession, however, interrupted this stability and produced a marked increase in the poverty risk also for the youth living in the Central and Northern regions. After 40 years, poverty has again become a problem that concerns the youth who live in all regions of Italy (Gori, 2017).

This recent increase in poverty rates for the youth living in the Centre-North is only partially due to the inflow of immigrant households, which typically have low incomes, high fertility rates and concentrate in these regions because of greater job opportunities. The top panel of Table 1 shows the incidence of poverty among the youth by area of residence and nationality of the head: after 2006, in the Centre-North poverty increases also for the young living in households with an Italian head. Moreover, the bottom panel of Table 1 shows how, with the great recession, poverty increases also for small families, especially in the South.

Table 1 – Poverty headcount (%) for children aged 0-17, by household characteristics, North-Center vs. South-Islands

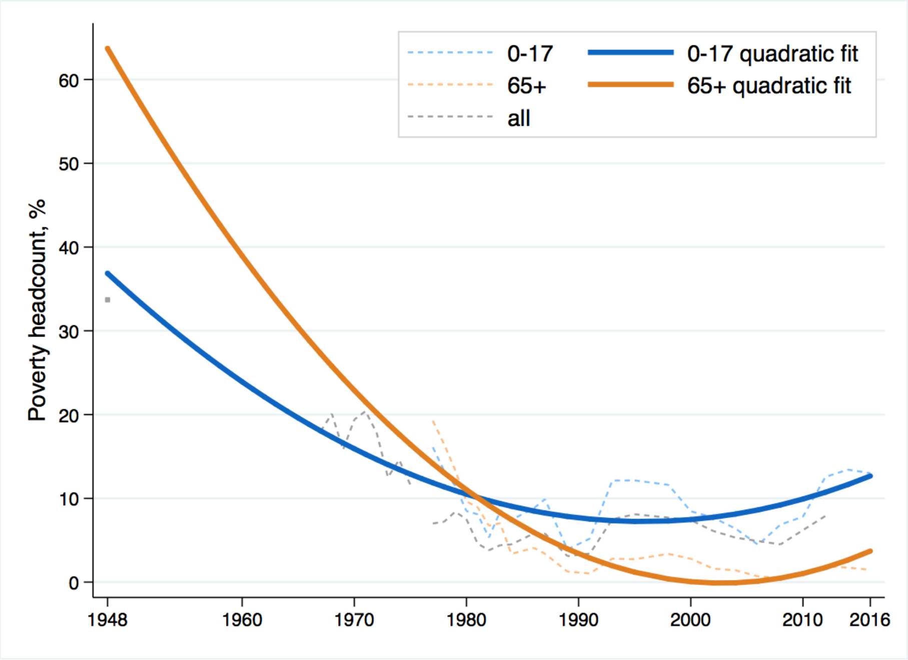
	2006		**2016**	
	North Center	**South Islands**	**North Center**	**South Islands**
Nationality of household head				
Italian	1.2	5.7	2.6	12.6
Not Italian	2.4	7.0	15.0	31.8
Number of children in household				
1 child	2.2	9.7	3.1	19.9
2 children	1.7	6.7	7.1	15.7
3 or more children	5.0	7.8	22.6	39.1

Source: Our estimates based on SHIW.

The findings presented above indicate that the great recession has partly changed the defining characteristics of the Italian "model of poverty". It is true that poverty risks have substantially increased for those who are at the core of this model, that is, households with many children and low wages or weak labor market attachment, particularly if they live in the South. What is new is that the risk of poverty has soared also for household types hitherto protected from it, like households with only one child living in the Centre-North or households of employees. Poverty ceases to be limited to specific areas of the country (the South) and household categories (large families) and becomes generalized, while its age structure is still more skewed against children.

The evidence reviewed in this section points to a long-run pattern in poverty among children and the elderly during the 70-year-long Republican history of Italy, one that features a striking paradigm change about halfway through. Poverty rates for the elderly population (people over 65) appear to have been initially highest, before they converged to the level prevailing among younger Italians (children under 18) throughout the postwar period and the years of the "Miracolo"; the two trend lines joined up sometime around the early-mid 1980s, and then, describing a pattern resembling a pair of scissors, diverged again, this time with young and elderly Italians occupying opposite places in the poverty ranking. Figure 9 visualizes this stylized fact, by retropolating poverty rates by age group to 1948.

Figure 9 – The "scissors" pattern of child and elderly poverty rates, 1948-2016



Sources: For total poverty rates, Amendola and Vecchi (2017). For child and elderly poverty rates, SHIW. Child and elderly poverty rates are back-projected to 1948 using a quadratic polynomial regression fit.

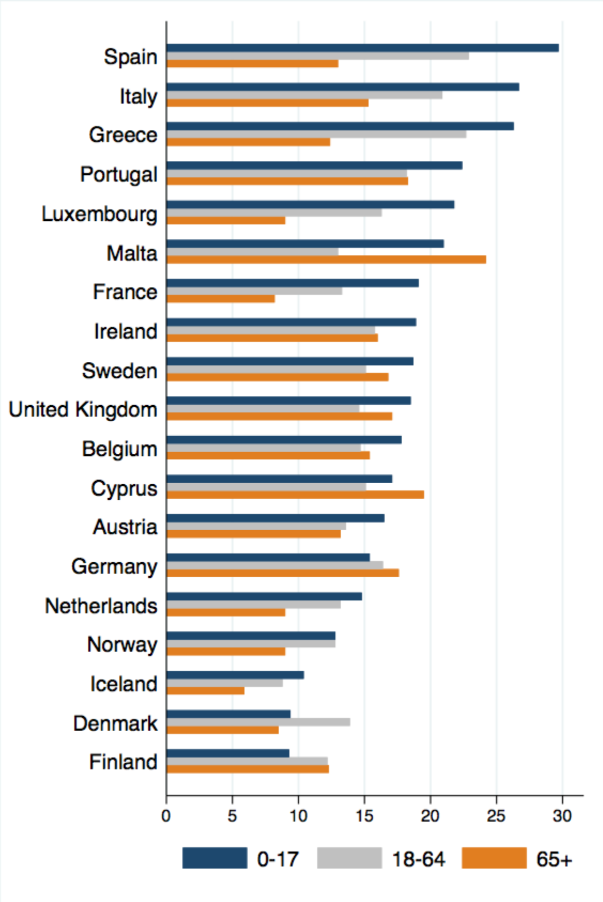
5 Explaining trends in child poverty

Why is the risk of poverty currently so high for younger generations in Italy? As documented in section 4.3, the crisis that started in 2007 was particularly severe in the country, producing a significant increase in poverty among families with children due to the rise in unemployment for people of working age and to the stagnation in earnings. But can the crisis take all the blame for the significant extension of child poverty in Italy, or are there other structural causes?

A comparison with other countries may turn out to be useful in this respect. For this comparison, it is easier to rely on relative poverty rates (whereby a person is poor if the equivalent income of his/her family is lower than 60% of the median disposable income of the country of residence). Figure 10 shows the incidence of relative monetary poverty computed according to the Eurostat criterion for the countries of western Europe, distinguishing among three age classes: less than 18, from 18 to 64, and over 64. A person is here defined as poor if he/she lives in a household with disposable equivalent income lower than 60% of the median of the same variable, computed at the national level. Countries are ordered according to decreasing values of poverty rates for the younger group.

For most countries, poverty rates are highest for children, the exceptions being Malta, Cyprus, Germany and Finland. All large Mediterranean countries are placed at the top end of the graph, with very high poverty rates for young people. At the other extreme are countries from continental and northern Europe. The fact that Italy shares its position with the other Mediterranean countries suggests that there may be some common characteristics in their social structure or in their tax-benefit systems that contribute to explaining the high incidence of poverty among the youth.

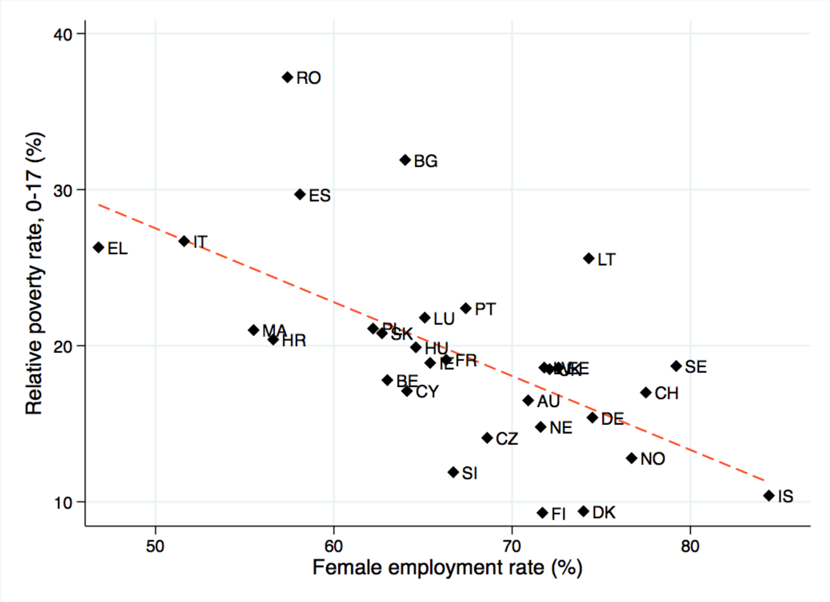
Figure 10 - Relative poverty rates by age, 2016



Note: Relative poverty line set at 60% of median equivalent income. Source: Eurostat

One of the relevant economic factors that these countries have in common is the low employment rate for women. The presence of many households with only one earner does indeed significantly account for high poverty rates among children. Figure 11 shows the presence of a significant negative relationship between relative youth poverty and the employment rate of women aged 20-64 across European countries in 2016. The simple correlation coefficient is -0.47, meaning that a 1% increase in the female employment rate would translate on average into a reduction of nearly half one percentage point in the youth poverty rate. According to this estimate, which is only suggestive but significant, if Italy had the same female employment rate that is on average observed in Europe (65.3% instead of 51.6%), its youth poverty rate would decrease from 26.7% to 20.3%. In other words, nearly one quarter of children who are now in relative poverty could escape from it.

Figure 11 - Child (0-17) relative poverty rate and employment rate of women aged 20-64 in European countries in 2016



Note: Relative poverty line set at 60% of median equivalent income. Source: Eurostat

On the other hand, one child out of five would still remain relatively poor, a higher percentage than those observed in Continental and Northern countries. Lack of work, therefore, is not sufficient to explain the high incidence of poverty among Italian children (Saraceno, 2015).

Other similarities among Southern European countries concern the structure of their tax-benefit systems. Since the contribution of Ferrera (1996), it is customary to add to the typical three-way split of European welfare systems (Conservative, Social democratic and Liberal; Esping-Andersen, 1990) the Mediterranean one, which is typical of Southern European countries. Its main characteristics are the presence of a fragmented social protection system, that provides unequal treatment to citizens, depending on their position in the labour market and on their age. Some groups are much more protected than others. In particular, there is a striking difference across generations, whereby the elderly can often benefit from generous pensions, while the young will be penalized by the pension reforms of the last two decades and currently suffer from the under-development of many policy instruments that would be primarily targeted towards them, like housing benefits or social housing, early childcare, money transfers to households with children, or training and active labour market policies (Lynch 2006, Marì-Klose and Moreno-Fuentes 2013, Leonardi and Pica 2015).

While the countries that belong to the Mediterranean welfare regime are less similar than a simple classification would suggest, and their welfare systems are currently involved in processes of change and adaptation to external factors like the recession and the globalization process, certain common aspects may nonetheless help to explain the presence of some social phenomena.[5] The relatively high poverty rate among children is surely one of the more important. In the next section we concentrate on one important aspect of the Mediterranean situation welfare regime that can play a significant role on child poverty, i.e. the distributional impact of cash transfers.

In Southern European countries, expenditure on cash benefits tends to be dominated by pensions, with fewer resources allocated to households and social exclusion. Transfers to households are often not universal; rather, they depend on the labour market position of adults. In Italy, for example, family allowances to households with children (*Assegno al nucleo familiare*) are reserved to families of employees, excluding the self-employed and those who have never worked, and are financed by social security contributions, not by general taxation. A universal minimum income scheme against poverty, called Rei (*Reddito di inclusione*) subject only to a test of income and wealth, has been introduced in Italy only as from July 2018. Before Rei, many poor households with children were excluded from any cash transfer (Natali and Saraceno 2017, Baldini et al. 2018).

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[5] Chauvel and Schröder (2014) have shown that Conservative welfare regimes are more conducive to income inequalities between generations, because they fail to protect younger cohorts from high youth unemployment, while making lifetime earnings highly correlated with a favorable entry into the labor market.

To analyze the impact of cash transfers on youth poverty, we use the Eu-Silc database and compare the incidence and distribution of cash transfers for selected European countries, *i.e.* Italy, France, Germany, Spain, UK and Sweden. Data come from the Eu-Silc survey for 2016. In this sample, cash transfers other than pensions are classified in the following categories: family/children-related allowances, social exclusion not elsewhere classified, housing allowances, sickness benefits, unemployment benefits, disability benefits, and education-related allowances. We study their effects on the distribution of income, ordering individuals, in each country, in terms of the pre-transfer disposable equivalent income of the household of residence. This pre-transfer income includes pensions but not the 7 categories of cash benefits listed above.[6]

Table 2 - Incidence of relative poverty (%) before and after cash transfers

	Children (<=17)			**Whole population**		
	Before transfers	After transfers	variation	Before transfers	After transfers	variation
IT	32.7	27.0	-5.7	23.8	20.7	-3.2
FR	31.6	19.5	-12.1	20.9	13.8	-7.1
DE	25.9	15.2	-10.7	21.2	16.5	-4.7
UK	36.6	18.5	-18.1	25.6	15.9	-9.7
ES	32.4	29.2	-3.2	26.5	22.3	-4.3
SE	30.5	18.5	-12.0	23.8	16.0	-7.7

Note: Relative poverty line set at 60% of median equivalent income. Source: our elaborations based on Eu-Silc 2016

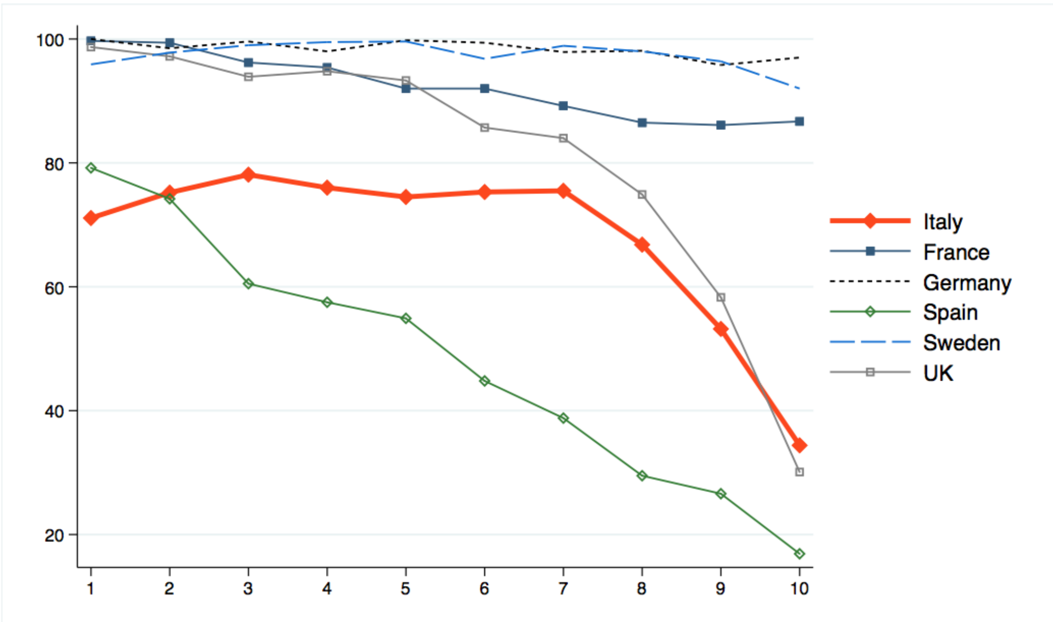
First, we examine in Table 2 how these transfers, taken together, reduce the incidence of poverty in the transition from pre- to post-transfer equivalent disposable income. With the exception of Germany, the before-transfers poverty

[6] Equivalent incomes are once again obtained using the OECD-modified equivalence scale. The analysis is conducted at the individual level, associating with each person the disposable income of his/her family. Pre-transfer income is defined as household disposable income minus cash transfers different from pensions. Since we use for each cash transfer the microdata provided in the survey, we do not need to hypothesize specific take-up rates.

rates among children are similar in all countries. The reduction in the incidence of child poverty produced by cash transfers is, however, much lower in the two Mediterranean countries. In the UK, for example, the risk of poverty before transfers among the youth is higher than in Italy, but transfers manage to reduce its incidence in the UK by as much as 18 percentage points, as against less than 6% in Italy.

The fact that cash transfers prove ineffective when it comes to reducing poverty may be due to two different factors: a low concentration of benefits towards the poor, or limited total expenditure on these transfers, or both. First, we look at the concentration of benefits, starting with the share of poor children who receive them. After dividing the individuals of each country in deciles of pre-transfers disposable equivalent income, we compute in Figure 12 the share of children living in households that receive at least one cash transfer, by decile.

Figure 12 - % of children reached by cash transfers, by deciles of pre-transfers income



Source: our elaborations on Eu-Silc 2016

Three facts emerge from the cross-country comparison in Figure 12. First, the Continental-Nordic countries have universalistic systems, able to cover nearly the whole population of children. Second, the UK presents more targeted transfers, but coverage in the lowest deciles is complete. Italy and Spain show markedly lower coverage rates among the poor. The categorical nature of transfers and the absence (in 2015, the year of reference for the income data used) of universal minimum income scheme translates into the presence of a share of the poor that is left without any cash subsidy. This share is particularly high in Italy, where about 30% of children of the first decile are not reached by any transfer at all.

A more precise measure of the selectivity of benefits towards the poor is provided by the coefficient of concentration, which measures the degree to which a transfer is concentrated on the lower side of the income distribution. After sorting the observations of each country by their disposable pre-transfer equivalent income, we compute the coefficient of concentration for total transfers for both the whole distribution (first row of Table 3) and only for persons aged 17 or less (second row of results). The concentration coefficient can vary between -1 and +1. The more negative it is, the more the expenditure for a transfer is targeted towards the poor (for more details about this coefficient, see Baldini and Toso, 2009).

Table 3 - Some statistics on the concentration and incidence of total transfers

	IT	**FR**	**DE**	**ES**	**SE**	**UK**
	concentration					
concentration coefficient, all persons	-0.19	-0.33	-0.22	-0.29	-0.25	-0.48
concentration coefficient, only children	-0.24	-0.39	-0.37	-0.35	-0.39	-0.56
	incidence (%)					
incidence on disposable income, all persons	7.0	10.3	10.3	9.1	14.0	10.4
incidence on disposable income, only children	9.0	15.5	16.4	8.7	19.6	17.8
incidence on disposable income of the poor, all persons	17.1	45.0	42.8	27.6	54.1	44.3
incidence on disposable income of the poor, only children	20.3	54.2	53.3	27.5	62.9	58.2

Source: our elaborations based on Eu-Silc 2016

According to the results in Table 3, total transfers reduce inequality in all countries, but in Italy their concentration towards lower incomes is modest. Even Sweden, with a universalistic welfare state, has cash transfers that are more concentrated towards the poor, in particular when considering only the distribution of incomes in families with children.

The ability of transfers to reduce poverty depends not only on their concentration, but also on their amount. The lower section of the table shows that the incidence of total transfers is particularly low in Italy, both on the incomes of the whole population and on those of the households with children. Italian children, for example, live in households where only 9% of the disposable income comes from public transfers, as against 19.6% in Sweden and 16.4% in Germany. The difference is more striking among the poor: the incidence of total transfers on the disposable incomes of poor households with children is only 20.3% in Italy, as against more than 50% in France, Germany and the UK, and 62.9% in Sweden. We can therefore conclude that cash transfers do not substantially impinge on child poverty in Italy because they are both of limited amount and not very much concentrated towards the poor.

6 Conclusions

The paper has addressed the link between poverty and age in Italy during the decades following World War II. A clear-cut pattern has emerged. On the one hand, we find that during the last 60 years or so the incidence of poverty decreases for all age groups. A lack of suitable data for the 1950s and the 1960s prevents us from producing firm estimates of poverty rates by age that go all the way to the beginning of the period, but a number of other sources suggest that this was indeed the case. On the other hand, if we focus on the poverty risk for two age ranges at opposite ends of the life cycle – children younger than 18 and adults 65 and older – and draw the two separate time trends over the last 60 years on the Cartesian plane, with the poverty risk on the y-axis and time on the x-axis, we obtain a pattern resembling a pair of scissors. One blade, pointing downwards with a steep slope, describes the decreasing trend of the poverty risk faced by the elderly; the second blade, also pointing downwards, although much more gradually, describes the slower decrease of the poverty risk for the youth. The crossing of the two blades is situated, for Italy as a whole, around the mid 1980s. This is the first time, in the country's republican history, that such a re-ranking takes place: the younger one is, the higher one's chances of being poor. What had been, up to that point, *convergence* of poverty risks of children and the elderly to a lower overall level, becomes *divergence*. In fact, since the early 2000s the poverty incidence among children more than doubles, unlike the rate among the elderly, which is stationary. Beginning from the mid-1980s, Italy becomes no country for young people.

The same scissor-like pattern of age-specific poverty risks is found both in the Center-North and in the Southern regions, but differences in levels are large and worth highlighting. Irrespective of age, living in the South of Italy currently more than doubles the risk of poverty with respect to living in the Northern regions. This gap was even more dramatic toward the beginning of the period considered, and has been reducing steadily over time. However, while over the last 4 decades people over 65 living in the South have followed the general population in catching up with Northern regions, the same is not true for children. If anything, children in the North have seen their poverty risk *increase* in recent years, reducing the gap with the South in the most dreadful of ways.

The pattern of a shrinking poverty risk for the elderly, while the youth remains vulnerable, is confirmed, and even exacerbated, during the recession starting in 2007. Overall, our findings support the notion that young Italians – children and kids, and particularly those in the South – are more vulnerable to downturns in the business cycle than the elderly. This was not the case in the past.

We have explored some of the reasons that might contribute to explaining this phenomenon, that is particularly severe in Italy but by no means exclusive to the country. Our findings are consistent with the time trend of the expenditure for pensions (increasing rapidly throughout the period here considered) and the expenditure for education (decreasing steadily, as a percentage of total spending) – see Latino et al. (2017). Over the last few decades, successive cohorts of new pensioners have approached retirement after working careers characterized by low unemployment spells and steadily increasing wages. The need to provide for a greater stock of pensions (both in number and average amount) did not leave enough space to reform the welfare state adequately, in order to tackle the new social risks that the crisis and the globalization process have produced. The main victims of the combined effect of the economic crisis and of the painfully slow reform process of the tax-benefit system have been the younger generations. Further evidence-based support to this claim comes from the analysis carried out on cash transfers: an ill-designed system, not effective in reducing the youth poverty rate. Other examples of political choices (or inaction) with a negative effect on the young could easily be adduced.

We began the paper by mentioning the well-known "economic miracle" that took place in the 1950s and early 1960s. The expression was born to describe the ballooning GDP of those decades. Welfare analysts interested in inequality and poverty have good reasons to call attention to the 1970s, years when we observe a sharp decline of both poverty and inequality measures, and that also, perhaps, deserve the epithet of "miraculous". In this paper, we find that the miracle extended to the 1980s for older Italians: the incidence of poverty among individuals aged 65 or more was 15-20 percent in 1977 and 1979, and less than 2 percent in 1989. No miracle of comparable magnitude benefitted young people: the incidence of poverty among individuals aged 17 or less was 10-14 percent in 1977 and 1979, and 4 percent in 1989. More importantly, the elderly continued their march towards a poverty-free existence, while the youth did not. As a matter of fact, young Italians today face approximately the same risk of poverty as their equals in age in the 1970s. No economic miracle has happened for them, and none is expected. The implication is the need for a welfare state reform that balances the scales – intergenerational equity should be upgraded to a long- overdue first place in the list of public priorities in Italy.

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