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# When it rains, it pours. The effects of the Covid-19 outbreak on the risk of poverty in Italy

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## **When it rains, it pours**

### The effects of the Covid-19 outbreak on the risk of poverty in Italy

by GIANLUCA BUSILACCHI and MATTEO LUPPI

#### 1. *Introduction*

How is the Covid-19 pandemic modifying the structuration of social risk? Which categories are the most exposed to deprivation and fragility in the new post-pandemic era? Exhaustive answers to these questions will emerge in the coming years when it will be possible to have a clearer idea and an effective measure of the effects of Covid-19 on the economy and individual wellbeing.

This article focuses on a specific aspect of the possible emergence of new social risks: is the Covid-19 pandemic changing trajectories of impoverishment and the profile of poverty in Italy? To provide a preliminary answer to this question, we analyse a particular group of the population exposed to severe risk of deprivation, namely the beneficiaries of Caritas centres. The analysis focuses on Italy, which represents a fascinating case for analysing poverty structure and changes in it. Indeed, in this country the systems protecting against traditional social risks, especially in terms of poverty, are historically weaker. From this point of view, the Covid-19 pandemic can be considered a sort of stress-test for the social protection system in general and for «poverty regimes» (Saraceno *et al.* 2020). Furthermore, the focus on a marginalised group of the population, despite limiting the generalisability of our findings, allows us to grasp variations and changes that can be interpreted as signs of the future evolution of the Italian poverty structure and the emergence of new social risks.

The empirical analysis focuses on a very marginalised population, namely Caritas household beneficiaries. By employing clustering processes, the analysis compares two rounds of the

Caritas survey *Monitoring the minimum income schemes for Caritas beneficiaries* carried out in November-December 2019 and summer 2020. The analysis is able to assess how the marginalised population changed during the pandemic in terms of three crucial dimensions of household poverty: working capacity, degree of vulnerability and income.

The next section of the article focuses on the potential effects of the Covid-19 pandemic on the marginalised population, linking this reasoning to the Italian case and exploring the more significant dimensions to identify the possible impacts of the recent outbreak. The third section presents the data and methods employed and discusses the empirical results, while the final section provides concluding remarks.

## 2. *How the Covid-19 outbreak affects the extent of social risks: the risk of poverty in Italy*

What is the effect of the pandemic on extension of the risk of poverty? With *extension of risk* we refer not only to a possible increase in the poverty rate but also to the type of social groups exposed to risk. The main aim of the present work is to understand whether new poverty profiles are emerging and whether the impacts of the pandemic on social marginalisation are determining new vulnerabilities and impoverishment trajectories for specific social groups. Indeed, those who are already more vulnerable and more exposed to traditional social risks could be affected much more than others by the *Covid risk*. This holds in particular with regard to the reproduction of the risk of poverty, which the economic and occupational crisis connected with the pandemic led a great part of global society to. In this regard, Lucchini and Sarti (2005) identify three areas of exposure to social risks: fragility, where there is a lack of support networks; vulnerability, where there is a situation of risk of poverty; and finally poverty as such, where economic deprivation is acknowledged. It is therefore important to focus on this specific aspect of the poverty risk to assess whether the pandemic determines new trajectories of impoverishment, especially in Italy.

The pandemic is determining a recessive phase in the economy, which is bringing about an increase in unemployment and poverty. Although during the last year some income maintenance policy

measures were introduced – the *reddito di emergenza* and other social safety nets – the (absolute) poverty rate in 2020 increased to a record level: 9.4% of the population, compared to 7.7% in 2019, which means 5.6 million poor people<sup>1</sup>. This trend might generate two different effects concerning the extension of poverty risk. The first is that individuals who are already vulnerable and exposed to poverty risk have even less ability to deal with it, with the possibility of being trapped in a *deprivation loop*, not only at the economic level. In fact, it is well-known that poverty, meaning economic deprivation, is correlated with other forms of deprivation and insecurity (at the levels of housing, jobs, health, education, etc.). In other words, those who are unemployed or have a temporary job, those who are ill or have a poor education and those who do not possess a home are more likely to fall into poverty and are more vulnerable in a crisis produced by a pandemic.

The second effect is a possible increase in the social risk for people and social groups previously in a secure situation, who may fall into a marginality situation because of a weakening of their social protection assets caused by the pandemic. 2020 data, for instance, show that even if the poverty risk is still greater for the unemployed and people who live in the South, the main increase in the poverty rate occurred among households in the North (+1.8%) and working households (+1.8%).

Before going deeper into this issue with the empirical analysis in the next section, it is necessary to locate this topic within the recent discussion on the «Italian model of poverty» (Morlicchio 2012), in particular to show why the Italian case is so interesting to study and why the pandemic might represent a stress-test for the Italian model of poverty. Indeed, it is possible to assume that Italy is more likely than other countries to suffer from the pandemic in terms of a worsening of living conditions<sup>2</sup>, and it therefore needs to be monitored.

The reasons underlying this assumption are connected to three factors: the traditional features of the Italian model of poverty;

<sup>1</sup> At the same time, relative poverty decreased (from 11.4% to 10.1%) because of a fall in average consumption, to which the poverty threshold is linked (Baldini, Taddei 2021, *Torna a crescere la povertà assoluta nell'anno della pandemia*, lavoce.info).

<sup>2</sup> Furthermore, it needs to be considered that Italy was the first among Western countries to be hit by the pandemic. Therefore, its socio-economic effects, in addition to those regarding healthcare, found the people unprepared and so it could have had a greater impact.

our country's historical delay in the fight against poverty through social policies; and the increase in the poverty rate in the decade before the pandemic following the 2008 crisis.

Regarding the first factor, it is useful to recall the features that make the Italian model particularly ineffective in the fight against poverty. The notion of a «poverty model» or «poverty regime» involves the combination of regulation of the job market, public and private responsibility to counter social risks and role division in the household. In the Italian case this complex regulatory system is based on solidarity that is expected at the family level to contrast poverty, on a dualistic job market at the territorial level and on regulatory intervention by the welfare state that is both scarce and mainly based on social insurance measures (Saraceno *et al.* 2020). The introduction of the *reddito di cittadinanza*, despite the importance of this reform in filling the gap in the Italian delay in introducing a minimum income scheme for all the poor, is very recent and we cannot yet evaluate its structural impact on poverty risk. In any case, we assume that a single social policy does not change the general framework of Italian social protection: Italy still remains one of the European countries that least prevent the risk of poverty through social policies (Busilacchi, Gallo, Luppi 2021).

At the general level, the result is low effectiveness in the fight against poverty in such a way that poverty in our country becomes such a broad social risk that it can also be defined as «integrated poverty» (Paugam 2005). At the specific level, the risk of poverty assumes three prevalent features (Morlicchio 2012): territorial localisation (living in the South); a family character (having a large family) – a risk factor that has been increasing since the 1990s (Saraceno 2015); and an aspect that is linked to the family working situation (living in a household without at least one income). These features together expose Italy to a potential worsening of the conditions for deprivation following the pandemic.

At the same time, the emergence of new forms of fragility unlike the traditional ones – such as the presence of poverty also in the big cities in Northern Italy (Gori 2017) and the growing phenomenon of the working poor in our country – leads us to question whether we are facing a new poverty model where the risk of impoverishment is changing compared to the traditional categories of risk in the past. In the next section, we will try to answer this question through an empirical analysis.

As for the second factor, the traditional Italian delay in the fight against poverty through social policies, Italy has for a long time been one of the least effective European countries in the fight against poverty. Every year Eurostat indicators show the poverty rate before and after social transfers: the differential between these measures is a proxy for the efficacy of social protection systems in reducing the poverty risk in each member state. For several years the European average has been a differential of around 9%, whereas in Italy this value is around 5% (4.9% in 2017, the last available data; only Romania and Greece perform worse, at 4.7% and 3.8% respectively).

What are the reasons behind such ineffectiveness in the fight against poverty? The problem is not one of overall social expenditure, which is average in comparison with European levels, but the inefficacy of its internal composition, which is highly fragmented, extremely categorical, and mainly based on social security logic. In this way, the risks that are more protected against are linked to belonging to specific categories, often related to the work position. It is not by chance that Italy is one of the countries where protection against poverty risk for the elderly with retirement benefits is greater, whereas protection against poverty risk for minors is very low, and universalistic protection against the risk of poverty and social exclusion is generally inadequate. The inefficacy of the fight against poverty through social policies is determined more generally by features of the Italian welfare state model. Even measures to contrast poverty have been influenced by patronage particularism, institutional fragmentation of interventions and territorial differentiation in the implementation of services, which have characterised other spheres of our welfare state too, together with a sort of confusion regarding the separation between assistance and social security which has contributed to making the system of income maintenance measures unfair (Negri, Saraceno 1996; Benassi 2000). Especially in this field, «political action has often followed a particularistic logic aimed at a search for consent, thus determining a multiplication of the services and their progressive extension to broader and broader sets of beneficiaries». This, together with a lack of an overall vision, has contributed to the low efficacy and efficiency of expenditure at the redistributive level (Benassi, Palvarini 2013, 31). Kazepov (1996) identifies some features that make these policies ineffective, such as categoriality, inconsistency of

tools and imbalance in the internal distribution of expenditure, which in turn determine low overall effectiveness and a sort of passive subsidiarity that gives households and local institutions high responsibility without providing adequate resources. In this regard it is important to note that around 90% of the expenditure on social assistance in Italy consists of monetary transfers and only 10% is devoted to services (Fondazione Zancan 2015). We will not dig into the causes of this delay in the development of policies to contrast poverty in Italy by referring to the relevant literature on the topic (among others, see Negri, Saraceno 1996; Morlicchio 2012; Benassi, Palvarini 2013; Busilacchi 2013; Gori 2020). Thanks to the introduction of the *reddito di inclusione*, before, and then of the *reddito di cittadinanza* our country has filled the main gap in the fight against poverty, that is a lack of a universalistic measure of minimum income for all the poor. Our opinion is that these (recent) reforms do not change the structural features of the Italian poverty model, both because for this measure to produce structural effects a long time is needed and because this is just one policy instrument that consists of around 7 out of the total of 40 billion euro of policies aimed at income support in Italy (Busilacchi, Perri 2018).

As for the third factor, the worsening of the extension of the poverty risk during the last decade, it is worth noting that the impact of the great recession – which started in 2008 – on poverty in Italy has been greater than in other countries and is due to traditional features of the Italian economy, its territorial dualism and government choices in reaction to the crisis, especially with regard to anti-poverty policies (Saraceno *et al.* 2020).

It is not by chance that in 2017 Italy registered a record for individuals below the absolute poverty threshold (over 5 million). This represented a significant worsening of the economic situations of the worst off in our country. Such situations did not happen in the same way everywhere in Europe. According to Eurostat, in the decade 2008-2018 Italy was among the countries where the number of people facing poverty risks increased, analogously to Spain, and only Greece and Luxembourg did worse than us (although the latter was starting from very low rates). This worsening did not affect all the poverty categories equally. For example, the over 65s are the only category that has not experienced an increase in poverty in recent years. Their situation has relatively improved compared to other age classes,

thus generating a marked horizontal iniquity among categories and generations (Busilacchi 2020).

Some features of the Italian poverty model have frozen, such as the higher risk of poverty for large families and for young persons compared to the elderly. The role of family solidarity has been ambivalent, as on the one hand it provides a poverty risk cushion but on the other hand it has become the only tool to contrast risk and has therefore discouraged other protection strategies. In this way, the family is no longer a protection place but has become a place where risk is reproduced.

In the light of these recent transformations, it is interesting to investigate what has happened and what is happening with regard to poverty risk in Italy now that beside the longstanding economic crisis there is also a new economic and employment crisis due to the pandemic.

There seems to be a progressive erosion of the main forms of social integration for the most fragile individuals – the guarantees offered by a job, the density of family ties and the efficacy of welfare systems (Ranci 2002b) – and therefore the risk of extension of an area of social vulnerability understood as a «life situation characterised by a precarious[ness] entering into the access channel to fundamental material resources and/or by the fragility of the relational fabric of reference» (Ranci 2002a, 25).

Are these transformations partially transforming the dynamics of impoverishment and extending the risk of social vulnerability? Are poverty profiles changing when it comes to individuals who are most exposed to social risks? In order to analyse these connections, in the next section we show the results of an empirical analysis on a sample of individuals exposed to the above fragilities.

### *3. How the Covid-19 outbreak affects the extent of poverty risk in Italy: an empirical analysis*

#### *3.1. Data, method and research strategy*

To answer our research questions and to look at how poverty and social risks for the poor are changing, particularly as a consequence of the outbreak of the Covid-19 pandemic, we have the opportunity to employ data that allows a close look



at the marginalised Italian population, namely those surveyed in the first and second rounds of the Caritas survey *Monitoring the minimum income schemes for Caritas beneficiaries*. The two rounds conducted in November-December 2019 and June-July 2020 allow the initial impact of the Covid-19 outbreak to be studied. Although the two rounds are not of a longitudinal nature, the sampling method and the territory involved<sup>3</sup> are the same, resulting, as the analysis below suggests, in two comparable samples. Furthermore, a similar questionnaire structure was adopted in both surveys<sup>4</sup>, except that the Covid-19 module was only included in the second round. The interviews were carried out by Caritas operators exclusively adopting a face-to-face approach in the first round and a mixed approach (face to face and telephone) in the second round as a result of the social distancing measures.

Concerning the sampling technique, not all the territorial units involved were able to provide the basic socio-demographic characteristics of their beneficiaries, and none gathered information at the household level. To overcome these limitations, we employed a (probabilistic) systematic sampling design. In a first step, samples for each territorial unit involved were defined according to the average of the monthly new Caritas beneficiaries in the previous year<sup>5</sup>. In a second step, for each territorial unit we allocated the sample evenly across the centres' opening days for the entire period surveyed. Finally, in order to ensure a random selection of the respondents, each territorial unit involved was provided with daily sampling forms to guide the selection of respondents<sup>6</sup>. This sampling strategy allowed us to obtain a

<sup>3</sup> The territorial units which took part in the surveys are (Caritas dioceses): Caltanissetta, Castellaneta, Catanzaro, Cuneo, Gorizia, Iglesias, Jesi, Lecce, Lucca, Milano, Molfetta, Pescara, Potenza, Ragusa, Udine and Verona. The survey was carried out in the main Caritas listening centres (*Centri di ascolto*) in each territorial unit. These centres constitute a first and open form of support for everybody since there is no need to meet any criteria to receive help.

<sup>4</sup> The two questionnaires are available on request.

<sup>5</sup> For the first round the samples were defined based on the average influx of beneficiaries in November and December 2018. In contrast, the estimation of the second round quotas is based on the June and July 2019 average influx.

<sup>6</sup> For each opening hour of the centres affiliated to each territorial unit, these forms indicated to the Caritas operators the sampling rate (*passo di campionamento*) – basically, how many and which (e.g. the first, the third and the twentieth) beneficiaries to select for the survey. To account for a methodological and ethical motivation, we

representative sample of the Caritas beneficiaries in the territorial units involved in the survey.

The samples in the two rounds are similar in size (795 observations in the first round and 756 in the second) and territorial distribution. In both cases, around 55% of the beneficiaries reside in the North of Italy, around 20% in the Centre and 25% in the South, Sardinia and Sicily. Obviously, the survey is not representative of the Italian poor population or of the entire pool of Caritas beneficiaries at the national level. However, it provides a sample of the Caritas beneficiaries in the territorial units involved in the survey, which ensures a certain degree of generalisability.

Like any survey, the Caritas survey has advantages and disadvantages. As mentioned above, the data are not representative of the national population but of a subgroup of it. However, the population surveyed constitutes a group that is usually under-represented in more common and national surveys, namely the marginalised population. The questionnaire, which was tailored to investigate the situation of this marginalised population, allows a precise analysis of their vulnerability and related exposure to social risks. Furthermore, a crucial advantage of these data is the availability of a 2020 round, which allows initial conclusions to be drawn on the impact of the Covid-19 outbreak on the marginalised population<sup>7</sup>.

Considering the non-longitudinal nature of the two rounds of the Caritas survey, which excludes a direct analysis of potential Covid-19 impacts, the research strategy employed aims to understand how the profiles of the sampled population at the household level vary between the two rounds. Cluster analysis is a suitable methodology to support this research as it allows observations to be grouped according to defined characteristics. To build typologies of marginalised households, this clustering process employs three indexes (see table 1): the household work activity rate; the household degree of vulnerability; and the type

impose a restriction: we exclude from the sample recent Caritas beneficiaries (those who contacted the Caritas centres for the first time less than a month before the interview).

<sup>7</sup> Indeed, to the best of our knowledge, at the time of writing the only accessible data to perform such an analysis are those from the Banca d'Italia's Special Survey of Italian Households.

of family unit<sup>8</sup>. The first two variables identify a dimension related to income poverty<sup>9</sup> and a dimension related to household social risks. The selection of the household work activity rate as a proxy for economic poverty is for two reasons. The more common household income variable presents a distribution highly skewed toward the left, making it a suboptimal distribution for cluster analysis. Furthermore, income poverty, in terms of lack of economic resources, is already taken into account in the household degree of vulnerability (see table 3). However, we performed a cluster analysis substituting the work activity rate with household income as a robustness check. The twelve vulnerabilities (see note 8) on which the second index is built allow a large spectrum of potential social risks to be covered. On the one hand, by adopting a more traditional approach this index captures social risks like unemployment, lack of economic resources, health-related issues and housing problems. On the other hand, new social risks are also captured, like caring-related (both in terms of provision and needing) issues, lack of social relations, loneliness and education-related issues. The selection of the third index has two motivations. As mentioned above, family resources, especially material and non-material ones, still represent a large welfare source for the Italian population, particularly in low-income groups. Therefore, the inclusion of the type of family unit among the clustering indexes is a key element. Furthermore, the type of family unit allows a clear and more useful interpretation of the clustering results as it constitutes an interpretative category transversal to social groups.

<sup>8</sup> These three indexes are built as follows. The household work activity rate is the ratio between the total number of active household members (those aged over 16 and not in education) as the denominator and the number of employed family members as the numerator, considering as employed members workers in the regular and grey economy and retired family members. The household degree of vulnerability is the sum of the single household vulnerabilities reported by the Caritas beneficiaries. In particular, in both questionnaires the respondents replied to a set of twelve household vulnerabilities (Lack of economic resources; Employment issues; Housing problems; Health-related issues; Caring-related issues; Lack of social relations; Immigration-related issues; Lack of Italian language knowledge; Educational-related issues; Alcohol and drug abuse issues; Justice-related issues; other types of vulnerabilities) and the index represents their cumulative value. The type of family unit index is constructed according to the relation between the family members and their age.

<sup>9</sup> It should be considered that all the respondents in both rounds of the survey are long-term beneficiaries of Caritas services. This indicates that these beneficiaries constitute a group of the population highly exposed to the risk of poverty.

To define profiles of Caritas beneficiaries, we performed separate cluster analyses on the two samples, employing the ward method in both cases and testing the outcomes with  $R^2$ , semi-partial  $R^2$  and pseudo  $t^2$ . Both the tests and the dendrograms<sup>10</sup> suggested that the best cluster number was five groups in both the analyses performed. Table 2 summarises the characteristics of each of the ten clusters identified (five groups in each round). The next section provides the cluster analysis results and their interpretation through other relevant dimensions.

### *3.2. Results*

Before digging into the characteristics of the groups identified, table 1 shows the distribution of the three clustering variables in the two rounds, allowing a first look at both the characteristics of the Caritas beneficiaries and changes over time. In both rounds, couples with children (regardless of their age) constitute the main type of family unit. Furthermore, as the third column indicates, this family type became even more prominent, passing from 42.1% to 52.1%, an increase of 10 percentage points.<sup>11</sup> This increase was offset by a reduction of a similar intensity in the number of single-person households (-10.8%). In the 2109 survey this type of family unit represented the second largest group whereas in 2020 it was «overtaken» by single-parent households, which show a stable incidence in the total sample of around 21% in both rounds.

The household work activity rate index indicates that although a large proportion of the households in both samples were inactive (43.5% and 37.7%) the 2020 round shows a little decrease in their incidence (-5.8%) with respect to the previous year, a change also confirmed in relative terms (-3.1%). Moreover, the 2020 survey shows an increase between the two rounds of households in which around a half to three-quarters of employable family members (the «40%-75%» modality in table 1) are employed (+3.9% in relative terms). Analysis of the distribution

<sup>10</sup> Cluster analysis outcomes and dendrograms are available upon request.

<sup>11</sup> This result is also confirmed when looking at the relative difference between the two rounds, taking the pool of samples as reference terms: couples with children show a relative increase of 5.2%.

of the household vulnerability degree variable indicates a certain level of stability between 2019 and 2020. Indeed, even if the changes over time show a slight reduction in the incidence of those with a limited degree of vulnerability, the relative difference between the two rounds is constantly below one percentage point.

TAB. 1. *Descriptive statistics of the clustering variables*

	Survey 2019		Survey 2020		Variation 2019-20	
Type of family unit	%		%		%	
Single-person household	26.3		15.5		-10.8	
Single parent (underage)	13.2		14.3		1.1	
Single parent (over 18)	8.1		7.4		-0.6	
Couple (minor)	36.2		44.8		8.6	
Couple (over 18)	5.9		7.3		1.4	
Multi-Household Families	4.0		4.4		0.3	
Couple (no child)	6.3		6.4		0.1	
Household work activity rate	%	cum.	%	cum.	%	cum.
Inactive	43.5	43.5	37.7	37.7	-5.8	-
33% or less	11.1	54.6	9.4	47.1	-1.7	-7.5
40%-75%	26.7	81.3	34.1	81.2	7.5	-0.1
Totally active	18.7	100.0	18.8	100.0	0.0	-
Household vulnerability degree	%	cum.	%	cum.	%	cum.
0 o 1	13.5	13.5	15.3	15.3	1.9	-
2	33.1	46.5	34.1	49.5	1.1	2.9
3	28.4	75.0	26.5	75.9	-2.0	1.0
4	14.7	89.7	14.3	90.2	-0.4	0.5
5 or more	10.3	100.0	9.8	100.0	-0.5	-

Source: Authors elaborations based on Caritas survey *Monitoring the minimum income schemes for Caritas beneficiaries*, first and second round

Table 1 seems to suggest that the changes over time in Caritas beneficiary households can be summarised as more (younger) couples with (under-age) children, with more working activities and similar or slightly less exposure to social risks. These first considerations seem to indicate that the *emerging profiles of Italian poverty* are increasing in number even among the marginalised population

of Caritas beneficiaries. Indeed, the share of (young) working couples with minors expanded between the two surveys. These results are also in line with the first ISTAT (2021b) estimation of the absolute poverty outlook in 2020. The recent document, which requires some caution in its interpretation (Rosolia 2021), indicates that in 2020 absolute poverty was increasing in all types of families except single-person households. Furthermore, this increase is particularly strong for households with four or more members, single-parent households (+2.9%) and couples with one or two children. Above all, the document shows that the incidence of absolute poverty among minors reached a new peak in 2020: 13.6% (+2.2%), the highest incidence since 2005 (ISTAT 2021a). The ISTAT data indicate that the poverty risk among the Italian population is expanding as a consequence of the Covid-19 outbreak, and the Caritas data seem to suggest a similar trend, especially concerning households with minors. Furthermore, our data confirm what emerges from a previous analysis that employs a longitudinal approach (Luppi, 2021): among Caritas beneficiaries, the impact of the Covid-19 outbreak has been greater among active and medium-high income families (see table A1 for the household income variation).

### *3.3. Profiles of the marginalised population*

Table 2 summarises the main characteristics of the two sets of clusters obtained from the cluster analysis<sup>12</sup>. The first crucial result is the similarity between the two sets of clusters. Besides suggesting the reliability of the sampling and clustering process, this stability indicates that the Caritas beneficiary households can be grouped in five stable typologies, with limited changes over time concerning their exposure to economic and social risks. The two sets of clusters indicate that the logic followed by the clustering process is grouping similar types of family units, especially in terms of the number of adult members and similar exposure to social and economic risks. Indeed, single parents and single-person households each cluster together in clusters (the 1st and 5th groups) differentiated primarily by the differ-

<sup>12</sup> Table A2 in the appendix reports the descriptive statistics of the clustering variables for the two sets of clusters obtained.

ent work activity rate and secondly by the household degree of vulnerability. Similarly, couples with children are split into the second and fourth clusters, which are respectively marked by medium/high working activity with medium-low vulnerability and low working capacity with medium-high/high vulnerability. In contrast, the third cluster identifies households only composed of adult members with quite a high degree of exposure to social risks. Even the sizes of the clusters are stable between the two rounds. The two groups identifying couples with children (2nd and 4th) account for more than 50% of each sample, while the single-person household and single-parent clusters constitute around 40%. However, due to the reduction in single-person households in 2020, cluster 5 is smaller by around 5% compared to 2019. Following this preliminary description, it is possible to name the identified clusters as follows: *active singles/parents* and *inactive singles/parents*, identifying clusters one and five; *active couples with minors* and *inactive couples with children*, identifying clusters two and four; and *vulnerable adult families*, identifying cluster three.

TAB. 2. *Summary of clustering outcome*

Clustering outcome	Type of family unit	Household work activity rate	Household vulnerability degree	% on total sample
2019	1° Single/single parent	Totally active	Medium-low	13.7
	2° Couple with children	Medium	Medium-low	33.0
	3° Household without children	Medium-high	Medium-high	6.4
	4° Couple with children	Low	High	19.1
	5° Single/single parent	Inactive	Medium-high	27.8
2020	1° Single/single parent	Medium-high	Medium-low	14.8
	2° Couple (child underage)	High	Medium-low	30.7
	3° Household over 18	Across-the-board	Medium-high	11.9
	4° Couple with children	Low	Medium-high	20.4
	5° Single/single parent	Inactive	High	22.2

Source: Authors elaborations based on Caritas survey *Monitoring the minimum income schemes for Caritas beneficiaries*, first and second round

The more interesting variations between the 2019 and 2020 surveys concern the clusters related to couples with children. As table A2 indicates, in the 2020 data the *active couples with*

*minors* cluster identifies almost exclusively couples with minors (95.7%). In contrast, in the same cluster in the 2019 round this type of family unit accounts for around 75% (this difference is also confirmed in relative terms: 2020 cluster +14.2%). In line with the descriptive statistics previously presented, this result further indicates that this type of family unit was the most affected by the Covid-19 outbreak. Furthermore, looking at the cluster characteristics, especially working activity capacity, the result seems to indicate the entry (or at least enlargement) among the Caritas beneficiaries of a social group usually less exposed to poverty and marginalisation: working couples with minors and with limited exposure to social risks. This result is also confirmed by a recent analysis of Caritas beneficiary data, which highlights that these trends concern the marginalised population in general, and among them Caritas beneficiaries that acceded to the main Italian minimum income scheme (*reddito di cittadinanza*) in 2020 (Luppi 2021). The other interesting variations between the two clusters concern the average levels of the working activity rate. In this regard, the variations only interest the groups that in 2019 presented a certain degree of average level of working activities. Indeed, the *inactive couples with children* and *inactive singles/parents* clusters, which identify the two groups of Caritas beneficiaries more exposed to marginalisation (no or minimal household working activities and a high degree of vulnerability) saw their average characteristics unchanged between the two rounds. These results indicate that these groups were only marginally affected by the Covid-19 outbreak (see table 3), probably because they were already severely marginalised. Compared to the other clusters, their marginal deterioration between 2019 and 2020 was therefore less severe. On the other hand, table 2 indicates that the working activity rates of the remaining three clusters vary differently between the two rounds. The *active couples with minors* cluster shows an increase in the average level of working capacity due to the narrowed focus on couples with minors, which present the highest work activity index among the family unit types<sup>13</sup>. In contrast, the *active singles/parents* and *vulnerable adult families* clusters

<sup>13</sup> 65.2% of the households in this group are characterised by at least half or more of the active family members being employed, whereas the average value in the remaining sample drops to 32.1%.



present a negative variation. In particular, the *vulnerable adult families* cluster presents the largest variation between the rounds. In 2020, the households were almost equally distributed across modalities of the working activity rate, while in 2019 the beneficiaries exclusively presented high and very high working activity rates. This result was quite unexpected for two reasons. First, the *vulnerable adult families* cluster is the only one recording an increase in the average respondent's age<sup>14</sup>, while the other four groups vary in the opposite direction, in line with the overall sample variation. The share of respondents aged over 45 in the 2020 sample shows a reduction of -8.1% compared to the 2019 sample. Second, the data indicate that the working-related impacts of Covid-19 are closely linked with the respondents' ages: the share of households not affected by a working suspension or unemployment between the two rounds grows, almost linearly, with growth in the respondents' ages<sup>15</sup>. However, the reduction in working capacity in the *vulnerable adult families* cluster can be partially explained by the incidence of inactive households among beneficiaries aged between 55 and 64, which is the age group that presents the highest incidence (53.3%). Similarly, the negative variation between the two rounds in the *active singles/parents* cluster is driven by an important reduction in the average working capacity of single-parent households with under-age children. In this case, the share of inactive households in total single-parent households with under-age children went from 34.2% in 2019 to 53.7% in 2020, a relative increase of 5.9%.

Table 3 summarises the work- and income-related impacts of the Covid-19 outbreak for each cluster identified in the second round. The findings support the cluster analysis outcomes. Compared to the other groups, the *vulnerable adult families* and *inactive couples with children* clusters experienced minor exposure to both types of impacts. Around 40% of the households in both clusters experienced a work-related impact<sup>16</sup>, while slightly less than half the households experienced an income reduction of a

<sup>14</sup> The increase in the average respondent's age in the cluster is particularly due to a reduction in the relative incidence of the youngest beneficiaries (34 years or -7.1%) and an increase in that of those aged 55-64s (+5.6%) in the 2020 sample.

<sup>15</sup> 34 years or less, 44.4%; 35-44 years, 7.9%; 45-54 years, 54.8%; 55-64 years, 57%; 65+ years, 81.5%.

<sup>16</sup> We mean that at least one family member lost his/her job or had to suspend his working occupation.

quarter or more due to Covid-related impacts. In contrast, the *active couples with minors* cluster was by far the most exposed to work-related Covid-19 impacts, with around two out of three households experiencing such issues. However, it should be considered that for a large share of households belonging to this cluster the Covid-19 work-related impacts were of a temporary nature. Indeed, the suspension of work in around 70% of the households had finished by the time of the 2020 interview<sup>17</sup>. In addition, the *active couples with minors* cluster records the greatest consequences concerning income reduction, with around 60% of the households experiencing a negative income variation. These figures further confirm what was highlighted by the cluster analysis: among Caritas beneficiaries, (young) active couples with minors experienced the greatest effects of the recent pandemic outbreak.

TAB. 3. *Working capacity reduction (unemployment and suspension) and household income reduction due to Covid-19 outbreak by cluster identified*

Type of covid outbreak impact	Clusters (% on total cluster)					Total
	1	2	3	4	5	
Household work capacity						
At least one family members	50.9	61.2	40.0	37.7	36.9	47.0
Household income						
Reduced by at around a quart or more	57.8	59.3	54.2	49.0	48.4	54.0

Source: Authors elaborations based on Caritas survey *Monitoring the minimum income schemes for Caritas beneficiaries*, first and second round

Although the *vulnerable adult families* cluster shows the largest variation in the working activity rate between the two rounds, its share of households affected by work-related Covid-19 impacts is quite limited compared to the other clusters. This finding further confirms that the between-rounds decrease in the household working activity rate can be partially explained by the share of inactive households of respondents aged 55-64 years and partially by variation in the cluster composition. In the *active singles/parents* cluster, the Covid-19 impacts reported in table 3 mainly concern

<sup>17</sup> The share of households in which the temporary work suspension was over by July 2020 was close to 50% in the other clusters, except for the fifth cluster, where the figure drops to 26.7%.

young and adult households. Indeed, single-parent and single-person households with a respondent aged below 55 account for around 85% of the total households affected by Covid-19 work-related impacts and 75% of those affected by economic ones.

As a robustness check, we created two further sets of clusters employing the household income variable instead of the household work activity rate. For the 2020 survey, the best number of clusters remained stable at five groups, while for 2019 the tests indicated that the best solution is three clusters. In contrast, the suboptimal selection suggests a division in five groups. The results for the three 2019 clusters indicate that the two main clusters obtained (41.4% and 34.0% of the sample) are skewed toward low and very low-income households (73.6% and 65.7%). However, adopting the two sets of five clusters, the descriptive statistics of the clustering variables indicate minimal differences in the type of family unit index distribution compared to our main results (see table A4). The first and fifth groups identify clusters of single and single-parent households, the second and the fourth identify couples, especially with minors, and the third identifies households with adult members. Furthermore, as table A5 indicates, the clustering on household income largely coincides with the results of our principal analysis, and, if not, the beneficiaries fall in the more similar clusters (e.g., the first and the fifth, the second and the fourth).

TAB. 4. *Main vulnerabilities by clusters, and relative variation to 2019 survey*

Types of vulnerabilities	Cluster 1°		Cluster 2°		Cluster 3°		Cluster 4°		Cluster 5°	
	%	var. 2019	%	var. 2019	%	var. 2019	%	var. 2019	%	var. 2019
Lack of economic resources	97.3	6.5	93.1	5.7	96.6	2.5	91.6	0.2	98.2	3.6
Employment issues	54.6	-2.3	55.2	-8.2	71.3	-3.2	84.1	-2.1	84.8	5.6
Housing problems	27.1	4.2	21.2	-2.1	18.4	2.7	28.1	7.0	38.6	12.4
Health issues	27.1	4.2	19.9	-12.5	52.3	1.4	30.1	-20	44.4	3.2
Caring issues	10.5	0.4	10.2	-1.6	18.5	-7	8.5	-11.2	28.6	11.4
Lack of social relations	16.7	6.6	5.7	0.4	13.6	-4	6.5	-6.0	26.8	6.9
Immigration/languages issues	8.6	-5.1	21.3	6.5	11.6	-4.1	16.3	3.2	9.9	-1.3
Educational issues	0.9	-0.9	3.5	2	0	0	3.8	-0.8	9.3	7.5

Source: Authors elaborations based on Caritas survey *Monitoring the minimum income schemes for Caritas beneficiaries*, first and second round

To further understand the characteristics of the five profiles of Caritas beneficiary households identified, table 4 unpacks the household vulnerability degree index by reporting the incidence of the main vulnerabilities for each cluster. As the table suggests, the vulnerability related to «lack of economic resources» affects almost all the Caritas beneficiary households and is scarcely informative of the characteristics of each profile. In contrast, joint interpretation of the other forms of vulnerabilities together with the previous results and those reported in the appendix allow a better definition of the Caritas beneficiary household profiles.

The *inactive singles/parents* cluster identifies the most marginalised group among the Caritas beneficiaries. In particular, this cluster represents middle aged (35-55 years) very low income (around 80% have a monthly household income below €500. See table A3) single-parent households excluded from the labour market and critically exposed to several dimensions of social risks: housing problems, health issues, caring issues, lack of social relations and educational issues. In a similar vein, the *inactive couples with children* cluster also identifies a high-risk group in the population: middle aged (35-55 years) medium-low income<sup>18</sup> couples with children with critical access to the labour market and housing problems, health issues and immigration issues. The *vulnerable adult families* cluster instead represents both multi-adult households and older couples (50% of the beneficiaries are aged 55 or more) marked by medium economic resources compared to the average level of the Caritas beneficiary households. Because of the high average age of this group, the main vulnerabilities are primarily related to health issues and caring issues. Furthermore, table 4 suggests a critical risk of permanently dropping out of the labour market, especially for beneficiaries aged 55-64 years. As has already emerged, the *active couples with minors* cluster identifies an emerging profile among poor households. Indeed, it clusters together young (almost 80% are aged below 44) large households (average size: 4.5 members) of medium-income working couples with minors, of which an important share are characterised by foreign backgrounds. The *active singles/parents* cluster primarily identifies adult and senior active

<sup>18</sup> Around 80% of the households have a monthly household income below €800, but compared to the previous cluster the size of the family, and therefore the potential economic resources needed, is larger: 4.3 family members instead of 2.1.

medium-income single-person households (73% have a monthly household income under €800 but the average family size is quite limited: 2.2 members<sup>19</sup>) with primarily housing and health issues. It is interesting to note that the two groups identifying single-adult households are the most exposed to a deterioration in the risk of lack of social relations and support. Although this finding is linked to the specific types of family units characterising these clusters, it is important to note that the *inactive single-parent* cluster presents both the greatest change over time and the highest incidence of this social risk, indicating that a lack of household social relations and support is closely linked to a marginalised situation. Indeed, despite a certain degree of stability in this cluster between the two rounds, both in terms of household income and household work activity rate, it shows a deterioration in all the other types of vulnerabilities (except those related to a household migrant background). This consideration indicates that, besides the emerging groups that the Covid-19 outbreak forced into the marginalised population, the frailer and more vulnerable groups of Caritas beneficiary households further worsened their already more marginalised situations.

#### 4. Conclusion

This article has focused on the potential impacts of the Covid-19 outbreak on the Italian population exposed to the risk of poverty. It has aimed to understand whether new vulnerabilities, new poverty profiles and new impoverishment trajectories are emerging and which social groups are the most affected by the new social risks arising with the pandemic.

In our analysis we assumed that the pandemic might generate two different and simultaneous effects: first, it might increase the risk of poverty and vulnerability of the traditional poor, entrapping them in a *deprivation loop*. For these individuals and households, the period of crisis produced by the pandemic might increase deprivation, not only at the economic level but also at a multidimensional level. Second, for a different group

<sup>19</sup> In 2020, 40.2% of the household belonging to this cluster are single-person households, whereas the remaining are single-parent households with under-age children (42.8%) and single-parent families with adult children (17%).

of people previously in a more secure situation, the pandemic may represent an event that weakens their resources, both at the economic and multidimensional level: these individuals have been hit by a new unpredictable risk and they could experience, maybe for the first time, a condition of vulnerability and marginality.

Signs of this potential polarisation among poverty profiles were already visible before the pandemic arrived. In recent years the official national statistics on poverty (Istat<sup>20</sup>) have indicated a gradual slippage among the groups of people most exposed to (absolute) poverty. On the one hand, this slippage is moving along the generational line: thanks, also to the arrival of baby boomers in retirement age and a progressive precarisation of the younger generations, an inverse relationship between poverty and age has emerged, with the young generations increasingly exposed to the risk of poverty. On the other hand, the slippage is moving toward new forms of risk. Two clear pieces of evidence in this regard are the rise of in-work poverty among Italian households, indicating an erosion of the protective role of work (Raitano *et al.* 2018), and the increase in child poverty, which identify one of the most exposed categories in the Italian poverty model: (large) families with minors.

Our results confirm that this process of polarisation is visible even among the more marginalised group in the population and indicate that the *new profiles of poverty* are those that are expanding the most. In particular, among the latter, working couples with minors are the most affected. Furthermore, the analysis of household vulnerabilities and their variation over time shows that nevertheless the Covid-19 outbreak also severely hit the more traditional marginalised categories. These findings seem to suggest that, on the one hand, among the marginalised population new poverty profiles, namely (young) active couples with minors, are emerging as well as among the poor Italian population. On the other hand, the relative situation of the more traditional profiles in the marginalised population was hardly affected by the Covid-19 outbreak, not in terms of household income or employment but only in higher exposure to social risks. These findings indicate that the new and traditional poverty profiles identify the categories less protected by the Italian

<sup>20</sup> We refer to the ISTAT annual reports on statistics on poverty (*Le statistiche dell'ISTAT sulla povertà*).

welfare system. The first profile can be read as a result of an unfavourable combination of specific socio-economic traits (i.e. young households with minors, low working activity, migrants) less protected by the social system. The second profile can be seen as a result of the sedimentation of historical disadvantages that become more pronounced where the traditional *safety net* role of the family is weak (i.e. older singles). In both cases, evidence indicates that the Covid-19 outbreak has worsened their exposure to social risk. For the new poverty profile, this happens mainly through direct mechanisms, like income and working capacity reduction, whereas for the traditional poverty profile the deterioration is a consequence of a thinning of formal and informal safety nets.

In this reasoning, the potential limitation of the data employed, especially the lack of national sample representativeness, needs to be considered. However, we believe that their significant advantages partially offset the possible limitations of the data used: focusing on a marginalised population (usually not wholly included in national surveys) and the availability of a 2020 round.

A further potential factor intervening in our results concerns the recent introduction of the *reddito di cittadinanza* (Rdc) and the Italian government's specific measures to react to the implications of Covid-19. Although, also due to the impact of the pandemic, a comprehensive assessment of these measures is premature, evidence indicates that they, and especially the Rdc, constitute an important measure to fight poverty but with limited capacity to modify the structural characteristics of the Italian poverty model (Gallo, Luppi 2019). This consideration, which is also partially confirmed by our results, calls for a modification of the design of the leading Italian poverty measure, especially toward more inclusive access and a fairer redistribution of resources among the different poverty profiles.

Is the Italian poverty model therefore changing? A definite answer is yet to come. Only in the next year will we be able to assess the structural effects of the economic crisis produced by the pandemic, on the one hand, and the impact of the Rdc on the poor, on the other hand.

Certainly, new vulnerabilities and impoverishment trajectories are emerging, and they need to be seriously considered in social policy to prevent an extension of these new social risks.



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### **When it rains, it pours. The effects of the Covid-19 outbreak on the risk of poverty in Italy**

Covid-19 caused one of the worst economic and social crises in the contemporary world. Its impacts are transversal to social groups and countries, although since the beginning Italy has been hit hard with a large spectrum of implications. As has recently been clearly pointed out for the Italian case, low income and marginalised individuals constitute the groups most exposed to Covid-19 effects. Furthermore, these effects remain evident even when taking into account the Italian government's specific measures to react to the implications of Covid-19. This study aims to understand which categories are most affected by the pandemic among the poorest and most marginalised populations. The analysis is based on the first (2019) and second (2020) rounds of the Caritas survey *Monitoring the minimum income schemes for Caritas beneficiaries* carried out in 16 territorial units covering 13 Italian regions. These surveys have the advantage of gathering information on a marginalised segment of the population which is scarcely accounted for in regular national surveys. The analysis shows that among the marginalised population active (young) households with minors, a new poverty profile, are the most affected by Covid-19, but it also finds a critical impact on more «traditional» profiles of marginalised households in terms of higher exposure to social risks.

*Keywords:* poverty, Covid-19, social risk, vulnerability, Italian model of poverty.

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