

FIRST REPORT ON SECOND WELFARE IN ITALY

2013

edited by Franca Maino and Maurizio Ferrera

In partnership with



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CORRIERE DELLA SERA

FIRST REPORT ON
SECOND WELFARE IN ITALY

2013

Edited by Franca Maino and Maurizio Ferrera

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The project entitled **Percorsi di secondo welfare** (Paths of second welfare), led by Franca Maino (Department of social and political sciences, Università degli Studi di Milano) with the scientific supervision of Maurizio Ferrera (Centro Einaudi and Università degli Studi di Milano), is being carried out by Centro Einaudi in partnership with ANIA, Compagnia di San Paolo, Fondazione Cariplo, Fondazione Cassa di Risparmio di Cuneo, Fondazione Cassa di Risparmio di Padova e Rovigo, Fondazione con il Sud, KME Group, Luxottica, and Corriere della Sera.

Started in May 2011 with the aim of furthering and broadening the debate on the transformations of the welfare state in Italy, the project looks in particular at what are referred to as “second welfare” measures and initiatives, carried out through the use of non-public resources coming from companies, foundations, associations, and other bodies in the third sector. The activity is built starting from a gathering of data aimed at characterizing and monitoring the experiences currently in progress. Recognizing and analyzing what exists is in fact essential for promoting impact assessments capable of providing a stimulus not only for debate but also for tangible promotion of second welfare.

In the autumn of 2011, a website – www.secondowelfare.it, also reachable from www.centroeinaudi.it – was opened. Moreover, in addition to an informative newsletter, a series of *Working Papers* has been published since late 2012.

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Extract

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CENTRO EINAUDI AND THE “PERCORSI DI SECONDO WELFARE” PROJECT

The idea that protection from risks – risk of losing one’s job, of illness, of poverty – is a social problem, which must therefore find a collective solution and not be left to the chance or fortunes of individuals, does not mean that this protection must be borne entirely by the State or by the public sector in general. This has resulted in at least two interpretations: the first, that protection, to be effective, must have the objective of empowering the individual, and therefore including the individual’s active participation in all cases in which this can be realistically done; the second, that a multitude of subjects (profit and nonprofit: at the two extremes, consider insurance companies and the varied world of volunteering associations) can and in fact must be involved and play a role in the protection schemes.

In Italy, both these interpretations long remained outside how the welfare model was theorized and above all translated into practise: the former – theorizing – was conditioned by the idea of “all for all, borne by the State”; the latter – practise – was highly distorted by local disparities and above all by the differing contractual strength and “appropriation” capacity of organized categories and groups. And each of these interpretations were loathe to consider both budget constraints and the social transformations that rendered the historic forms of protection progressively impracticable and/or seriously flawed. Italian welfare should have come to terms with all this at least twenty years ago (the final report by the Onofri Commission, whose recommendations went largely unapplied, dates to 1997); today, needs are skyrocketing in the current crisis, right when budget constraints are tightening.

However, the question of welfare reform is badly posed if we go no further than calling for reducing the expenditure. The truth is that a society capable of protecting its weakest members is one destined to be stronger and wealthier, as Luigi Einaudi clearly saw: “How many useful inventions, how many scientific discoveries, how many masterpieces of sculpture, of painting, of poetry, and of music, could never reach perfection, because man, who would have been able to bring these things to life, had from the earliest years to suit himself to hard, brutal labour that kept him from allowing the qualities arising from nature to sprout and become fruitful? Would economic production itself not perhaps be greatly different from what it is – and greater – if all could equally give proof of their aptitudes for work, invention, initiative, and organization? Production is what it is, starting from the premise that only a minority of the elect can reach positions of control, but it would be quite different if the selection of the elect could be made from the universe of mankind” (Lessons on social policy, 1949). Einaudi wrote these words in Switzerland between 1943 and 1944, during the darkest years of the War, when thinking about how to rebuild Italy might have seemed to be an idle dream. Yet unfortunately, they have not lost their currency today – all the more so when we consider that one of the main results of an effective

welfare system can and must be that of sustaining social mobility. It is a result that has been largely unachieved—just think of how little protection is offered to women’s working (and career) aspirations.

Every year for almost three decades, Centro Einaudi has done research on the savings of Italian households, based upon an opinion survey and aimed at measuring savers’ perceptions, motivations, and choices. In particular, the analysis of the declared motivations is illuminating: while thirty, twenty, and even only fifteen years ago, home buying was largely prevalent, today saving — which has narrowed in the meantime, but because of shrinking income and by no means because it is considered useless — is seen as a tool to obtain protection from risks (of illness, job loss, insufficient pension in old age) as well and especially as a resource capable of ensuring the future of our children, whose access to economic independence is too often delayed indefinitely.

Indeed, saving — and this too was crystal clear to Luigi Einaudi — casts a bridge between present and future. This bridge makes it possible to transform individual aspirations into plans for ourselves, for our families, and for other people when it is employed to build a business. It is this bridging function, this providing a safe path over stormy waters, that welfare too — from public or private sources — should theoretically perform: remedying to the extent possible the injustice of individual destinies, and allowing people and families to make long-term plans.

This planning dimension is crucial in individual lives, and it is crucial for the collective destinies of a country. But today, slightly under two fifths of Italians (39 percent) declare they live day to day, and more than a third (34 percent) state that their horizon does not extend beyond the next six months (“Eurobarometro,” spring 2013). Giving citizens back their future is the first challenge that politics has before it.

Rethinking welfare is a very important part of this challenge. But reform cannot be achieved based on mere considerations of expense, or on the basis of ideological considerations and principle alone, which all too often — and as we have seen all too well — lend themselves to masking advantageous positions, corporate greed, and the abandonment of those in greatest need of protection, or who are less vocal, or organized, or attractive at the ballot box. It is a matter of straddling the divide between theory and practice, between politics and policy, between values and numbers on balance sheets: it is precisely the divide that Centro Einaudi has been trying to straddle for fifty years. It is also a matter of trust: in individuals, in families, in market operators, and in those of the third sector.

This is why Centro Einaudi has enthusiastically accepted the invitation to coordinate the Percorsi di secondo welfare (Paths of second welfare) project, and in fact has invested in this project to make it grow with the support of the historical partners. Mapping, analyzing, beginning to assess the many and varied initiatives of non-public welfare — the object of the two-year work available online at www.secondowelfare.it — restores the image of a society that, even in the harsh economic crisis currently being suffered, innovates and attempts to build networks of skills and resources. One that attempts to cope with emerging needs that are not covered in the current public welfare system, and to think up brand new models and strategies for collaboration between different players that start out remote from one another, both public and private. Essentially, a society that attempts to provide answers and not just ask for them. Therefore, on the pages that follow, we have sought to gather, firstly, the reasons — the reasonable reasons — for confidence.

Giuseppina De Santis
Director, Centro Einaudi

EXECUTIVE SUMMARY

The crisis of the traditional public systems of social protection has spurred the search for new ways to respond to citizens' needs.

Many European countries are currently carrying out interesting experiments lying outside the public sphere and involving a large range of subjects, such as private insurers and sectoral pension funds, banking foundations and other charitable institutions, the enterprise system and trade unions, associations, and local authorities.

We have given these new forms of social protection (and investment) the name “**second welfare**.” The adjective “second” has a dual connotation:

- ❶ second in time: these are forms grafted onto the trunk of “first” welfare, the one built by the State during the twentieth century, above all during the three golden decades of postwar prosperity (1945-1975);
- ❷ secondary in function: second welfare comes in addition to the schemes of first welfare, bridges its gaps, and spurs its modernization by trying out new organization, management, and financial models and venturing into spheres of need as yet unexplored (and in part unexplorable) by the public.

The *First report on second welfare* in Italy provides an overview and some interpretations and assessments of what is going on in our country as well. The *Report* is the result of the two-year work of the *Percorsi di secondo welfare* (“paths of second welfare”) project, carried out by Turin’s Centro di Ricerca e Documentazione Luigi Einaudi in collaboration with the Department of Social and Political Sciences at Università degli Studi di Milano. Originally promoted by *Corriere della Sera*, the initiative has been supported by Ania, Compagnia di San Paolo, Fondazione Cariplo, Fondazione con il Sud, Kme, Luzzottica and, since 2013, by Fondazione Cassa di Risparmio and Cuneo and Fondazione Cassa di Risparmio di Padova e Rovigo.

The *Report* is divided into two parts. The first describes the main players in second welfare in Italy, while the second illustrates the dynamics of evolution in certain particularly significant sectors, such as company, insurance, charitable, and “community” welfare, especially on the local level.

Clearly emerging from the *Report* are the **achievements and promises of second welfare**. These may be summarized in the following points.

Growing economic importance of second welfare

The third sector’s impact on GDP may be assessed at more than 4 points, with about 670,000 wage-earning employed people, in addition to almost 5 million volunteers. Social cooperatives (an Italian invention) number more than 11,000, and foundations

more than 6,000. Prominent among these are Foundations of banking origin, whose € 42 billion in assets in 2012 have enabled them to distribute almost € 1 billion through 22,000 actions; of these, nearly one half – in terms of number of actions and sums distributed – went to sectors directly included in the sphere of welfare.

Not including supplementary pensions – already present for some time in almost all major corporations –, more than 80% of Italian businesses with more than 500 employees have embarked on some sort of company welfare initiative, and a full 43% offer at least two types of welfare packages for their workers.

The insurance sector is also slowly taking action to cover social risks. However, its effect is still less than that recorded in the other developed countries, especially as regards long-term care. The potential for expansion is thus large, also considering the growing consumer interest found by opinion research, as well as the fact that families' out-of-pocket healthcare expenses range between 25 and 30% of total healthcare spending.

Major achievements in the “discovered” need areas

Second welfare initiatives partially offset the social risks most neglected by the Italian public welfare model: striking a work-life balance, non-self-sufficiency, poverty and social exclusion, and housing deprivation.

Innovative solutions in terms of governance, organization and intervention mechanisms

Some banking institutions have spearheaded promising social finance initiatives: social bonds, co-financing, and credit facilities to third-sector subjects.

Foundations of banking origin have initiated many autonomous “demonstration actions” to respond to needs in an innovative way, and are promoting new models of partnership between public and private parties, institutions and nonprofits, and local and national players.

Entrepreneurialism and creativity of local welfare

Instead of surrendering to budget constraints, many local authorities and some Regions have undertaken virtuous paths to reduce waste, raise efficiency, and establish new partnerships with the private sector and the third sector. For example: Lombardy has set up an innovative system of “networks for striking a work-life balance”; Liguria has introduced a new contribution scheme open to all residents to cover the risk of non-self-sufficiency.

Role of second welfare in alleviating the social consequences of the economic crisis

The sharp increase in poverty, unemployment without benefits, and vulnerability (which has now reached the lower levels of the middle class) has spurred the financial mobilization of a number of players, and especially of the community foundations, often in collaboration with local authorities and trade unions. In many cases, the goal has been to go beyond the logic of emergency subsidies, by trying out micro-credit solutions accompanied by targeting counselling and tutoring.

The *Report's* data and analyses thus confirm the importance and potentials of second welfare in Italy as well. However, the *Report* does show some **darker areas and critical points** that merit reflection.

Risks of a “mismatch” between first and second welfare

The “demonstration” expansion of second welfare initiatives into the sphere of new risks may weaken the incentives for recalibrating first welfare, thus consolidating the trend towards maintaining the status quo, supported by the (erroneous) perception that “everything has already been done” to reform first welfare, and second welfare can see to everything else.

Lacking essential levels defined by the State, second welfare may exacerbate sectoral and territorial disparities.

Especially in the case of company welfare, second welfare may accentuate the segmentation between employment sectors, and that between insiders and outsiders.

The difficulty of “creating a system”

The proliferation of initiatives by multiple players in multiple settings may create redundancies or inconsistencies between programmes, while some needs may remain uncovered.

Territorial disparity

Although recent years have seen some progress (for example, thanks to *Fondazione con il Sud*, but also the *La.Fem.Me* project for trialling measures to strike a work-family balance in companies in the southern regions), second welfare tends to concentrate in Central and Northern Italy, while its speedy development in Southern Italy would be essential, not only as a tool for responding to needs, but also as a driver of job growth.

Weakness of monitoring and assessment mechanisms

The lack of coordination and benchmarking may hinder the spread of good practises, raise the cost of innovation, and cause positive experiences to disappear while maintaining negative ones.

Still insufficient acceptance of the new paradigm of social investment

Due also to the economic crisis, many of the new initiatives aim to respond to the clearest and most immediate (as well as better represented from the associative standpoint) needs, and to neglect the “social investment” requirements recommended by the European Union, and especially those regarding children under 3 years of age, adolescents, NEETs (Not in Education, Employment, or Training), and working mothers.

The *First report on second welfare* offers a precious starting base for beginning a strategic reflection on the transformation of the Italian social model. But it also casts light on the need for more in-depth and systematic research capable of orienting this reflection more effectively, thanks also to comparison with experiences in other countries.

SECOND WELFARE: WHY? AN INTRODUCTION

BY MAURIZIO FERRERA

1. THE SETTING: WHAT'S THE PROBLEM?

It has been at least fifteen years that European countries have been trying with great effort to reform their social models, patterned upon now outmoded economic and demographic structures. This effort has followed some common inspiring principles, often developed by the European Union: sustainability and efficiency, “flexecurity,” inclusion, social protection as a “productive factor,” public/private partnership, and priority to investments favouring women and children and aimed at coping with the “new risks.” The experience of the Nordic countries has always been the reference point in terms of concrete policies. At the turn of the new century, the so-called “third way” ushered in by Tony Blair affirmed itself, for its part, as a propulsive setting capable of giving a sense of value and of defining a planning agenda for the path of modernization. The echo of this “third way” then spread to countries with ideological and cultural traditions different from those of the English-speaking world.

This season has yielded important fruit. Almost all the countries of the European Union have taken hand to their pension systems in response to demographic challenges and problems of financial sustainability. Labour policies and markets have been reformed, based on principles of conditionality and activation. Some progress has been made on the front of policies in favour of women and children, non-self-sufficiency, and the fight against poverty and exclusion. However, with the exception of certain settings (in addition to Scandinavia, the Netherlands and, in part, the United Kingdom and Ireland), the overall appraisal falls short of expectations. The internal structure of social expenditure and the institutional organization of public welfare are quite similar to those of fifteen years ago. And the situation remains particularly disappointing for our country, which still suffers from an overgrown pension system, strong imbalances to the detriment of all “new welfare” policies, and persistent problems of sustainability and efficiency.

The fact is that the welfare state’s modernization strategy followed thus far was founded upon an overly ambitious and perhaps politically unrealistic premise. Acknowledging the financial constraints, it was taken for granted that the reforms might take place mainly through “recalibrations” within public welfare: fewer pensions, more social services; less to fathers, more to children; fewer benefits, more opportunity. As far as efficiency was concerned, it was hoped that the adoption of new public management approaches might in its turn yield quick, meaningful, and politically acceptable results. Some steps in these directions have actually been made. But the path of recalibration has clashed (and not only in Italy) hard against the enormous resistance of the interests constituted around entitlement programmes – insurance benefits based upon acquired rights. Pension reforms have left entire generations of workers un-

scathed, and will get into full swing (with their savings, moreover, diminished by the ever-aging population) only towards mid-century. The public resources to be spread among the various programmes have been truly few: support for new risks and needs, for women, for children, and for the frail and elderly will have to wait. Especially in Southern Europe, reorganization of the broad public delivery and service apparatus – a reorganization that has also been met with institutional, political, and trade-union resistance – has proceeded quite slowly.

Are there alternative strategies, or at least ones complementary to recalibration and to organizational and management restructuring, that make it possible to speed up the transition towards a new and more effective economic and social model? The investigation we present in this *Report* started from that question – one crucial to the European countries' destinies of "well-being."

2. *Second welfare: what does it mean?*

To seek an answer to the question, we have to look outside the strictly public perimeter, focusing attention on the market and society, and above all on new forms of intertwinement, collaboration, and synergy between these two settings – as well as, often, between them and the public sector. Starting from Dario Di Vico's original idea (cf. *Corriere della Sera*, 15 June 2010), we chose to give these new forms of social protection (and investment) the name *second welfare*. The adjective "second" has a dual connotation:

- ❶ second in time: these are forms grafted onto the trunk of the "first" welfare, the one built by the State during the twentieth century, above all during the three golden decades of postwar prosperity (1945-1975);
- ❷ secondary in function: second welfare comes in addition to the schemes of first welfare, bridges its gaps, and spurs its modernization by trying out new organization, management, and financial models and venturing into spheres of need as yet unexplored (and in part unexplorable) by the public. Above all, second welfare mobilizes additional non-public resources made available by a vast range of economic and social players.

To prevent objections, let us immediately make clear that speaking of second welfare in positive terms is not the same thing as proposing private in place of public spending. Rather, it is a matter of mobilizing and making rational, efficient use of additional resources for growing needs and expectations, in a setting of highly constrained public finance and of political resistance to – as well as the economic inadvisability of – increased tax pressure, at least on income from work. First welfare (in particular, its standards of delivery) is not cast into doubt in its basic productive and redistributive function, but is merely supplemented from the outside where demands are unmet.

What are the possible sources of additional financing and organizational innovation capable of nourishing second welfare? An initial inventory includes: private insurers and sectoral pension funds, banking foundations and other charitable institutions, the enterprise system and even trade unions, associations, and local authorities, also through possible purpose taxes (more politically palatable than just plain taxes). To some degree, second welfare can also be fed by the system of partnerships of beneficiaries: the share of public social expenditure financed by co-pay or out-of-pocket household contributions equals 16% of the total on average for the OECD, but less than 4% in Italy.

More flexible and more tailored to the profiles of specific people, categories, and territories, second welfare should develop upon a minimum regulatory base defined on the local level, but also on the national and European-Community level. The best European experiences of welfare mix are those that have been able to beneficially intertwine private and associative initiative with public incentives and opportunities, including those with a community source. To prevent unfair forms of group “closure” the State should then continue to play a role of monitoring, assessment and, where necessary, penalization: but without red tape and intrusive regulation: a State cut down to size in terms of departments and offices (and therefore costs), yet more equipped in terms of institutional capacities.

3. Other countries: what are they doing?

Better known under such labels as “welfare mix,” “societal welfare,” “welfare community,” and the like, the set of initiatives we prefer to call “second welfare” is already clearly in evidence in many countries in the European Union. Let us look at private insurers: in the past decade, their role has seen rapid growth, and not only in the traditional sector of supplementary pensions. The case that most emblematically represents (and symbolizes) this transformation is Sweden, until yesterday a model without parallel of universal public welfare. Here, private insurers entered into a protection setting considered by the manuals as “uninsurable” in the absence of public intervention, due to the high risks of moral hazard. In fact, following the restrictions that impacted unemployment benefits, many Swedish workers joined private income insurance schemes: in the event of job loss, the insurance policy supplements the public benefits, or extends them after they expire. The beneficiaries trust it – particularly young people: the new schemes came into being thanks to collaboration between trade unions and insurance companies. This intertwinement between first and second welfare in so delicate a sector is one of the most innovative experiments currently in progress in Europe. Private activism has also spurred the return of the old mutual aid societies. For example, Folksam (a workers’ association created in 1908 to “fight social injustice”) recently launched a set of new all-inclusive policies protecting income in the event of various risks, including serious illness.

Perhaps the most emblematic sector in which many forms of second welfare have already developed in Europe is that of care services. With the increase in the elderly population and women’s employment, many countries have seen the rapid growth of a new “social tertiary sector” to meet the needs and demand not covered by first welfare in the field of health, care work, education, cultural activities, recreation, and more generally “facilitating daily life.” The subjects that operate in these fields vary from young people’s micro-businesses to the emerging services multinationals ready to invest capital (two thirds of Dutch nursery schools are now operated by a single large English corporation). A leading role is played by charitable institutions and nonprofit foundations, which not only provide resources, but act as a driving engine in terms of organization, networking, and experimentation. France and Great Britain count almost 5 million workers employed in the social tertiary sector, while Italy has fewer than 3 million (Eurostat data accessible online: the shadow market is largely included).

Another subject always increasingly active in Europe on the second welfare front are (large) businesses. According to OECD estimates, “non-mandatory” benefits delivered by businesses now represent approximately 14% of the total social expenditure in Great Britain, and about 7% in France, Germany, and Sweden. The development of company welfare can bring undisputed benefits: from alleviating the pressure on the public budget to strengthening ties between businesses and the local territories, from raising employee loyalty to co-promoting the new, mixed economy of services just mentioned, and its virtuous circles, with positive effects also on the growth of GDP, on women’s employment, and on gender equality more generally.

Although highly promising in the current setting, the development of company welfare has traditionally raised two orders of doubts in debates among experts.

- ❶ The first regards the implications of distribution. By its very nature, this kind of welfare tends to accentuate the segmentation of the labour market, the gap between insiders (in this case, workers covered by company packages and their family members) and outsiders. Already a half-century ago, the noble fathers of the European welfare state (for example, Beveridge or Titmuss) warned against this risk, and recommended containing within reasonable limits both tax welfare (exemptions, deductions, detractions) and employment welfare. Compared with public welfare (or, perhaps better: compared with benefits and services delivered by the public), both in fact tend to favour the middle class and to exclude the poorest.
- ❷ The second order of doubt is political in nature. If the middle classes get used to having dedicated (and presumably high quality) social benefits before the welfare state has consolidated a decent and uniform network of services for all, building this network will become more and more difficult. America’s experience stands as proof of this, especially in the area of healthcare. In the United States, health protection linked to the labour contract developed quite early in historical terms, also under the pressure of insurance companies and medical associations. This produced a strong coalition of interests that, ever since the 1960s, has constantly and effectively opposed any federal attempt to create any kind of mandatory national healthcare system (Obamacare is example enough of this), with the well-known result that to this day, approximately 20% of the American population – the medium/low-income earners – is without coverage.

In the countries of Central and Northern Europe, where employment welfare is broader, for some time there has been, however, a minimum base of uniform protections (not only in healthcare, but in the social field as well). In those countries, the risks reported by Beveridge and Titmuss were greatly reduced, and the inequalities in accessing benefits in the event of need are rather contained. In the countries of Southern Europe, these risks are higher, given the local disparities and gaps still present in services or in the fight against poverty. The development of company and contractual welfare is to be hoped for in this area as well, but it will have to take into account the risks of accentuating segmentations and disparities.

4. ITALY: WHERE DO WE STAND?

The second welfare strategy appears particularly promising for our country. According to the OECD, Italy’s non-public social expenditure equals 2.1% of GDP. We are below

Sweden (2.8%), France and Germany (3.0%), and Belgium (4.5%), not to mention the United Kingdom (7.1%) and the Netherlands (8.3%). Unlike other countries our private spending has, moreover, remained almost unchanged over the past decade. In other words, there are margins for expansion that could bring the welfare sphere resources equalling several billion euros (let us recall that in Italy, one GDP point is worth almost € 20 billion). It should also be kept in mind that, despite the crisis, Italian households are continuing to save: in 2012 two families out of five did so (38.9 %; *Indagine sul Risparmio e sulle scelte finanziarie degli italiani*, Centro Einaudi-Intesa Sanpaolo, 2013); and this is in spite of the sharply declining savings rate in recent years (3.4% in 2012, against the EU average 7.2%, OECD data). Moreover, the amount of savings remains high, as does the spread of real estate ownership: among the elderly, about 80% own their home (65% in France, 55% in Germany). When families are asked why they save (in forms, moreover, that are not always suited to meeting their needs), by far the prevalent response is the one of generic “precaution” (coping with unforeseen events, 43.2%); the set of reasons connected with “our children’s future” comes in second, with 14.5%, followed by the need to supplement pensions, with 12.7% (*Indagine sul Risparmio*, cit.).

It is clear that if we could direct at least a portion of these resources to the new social tertiary sector, the benefits would be many: growth would be spurred and employment stimulated, and families would be relieved of a burden of do-it-yourself benefits which causes them to function poorly and seriously penalizes women, especially when there are children, or the frail and elderly. In other words, it would be possible to neutralize, at least in part, the many traps of “familism,” which is reproduced over time (in a sort of vicious circle), due also to the scant availability of alternatives to the production and consumption of services within the household. To be sure, in this way, savings would be impacted, at least initially. But over the medium term, income earners would increase, especially among young people, with beneficial effects in terms of well-being for all.

The path of second welfare is the most promising one for activating this virtuous circle. And if one of the first challenges is that of mobilizing spending, then a major role is to be played by insurers, which must make an effort to introduce new instruments capable of attracting savings to “service” uses. Opinion research shows that if there were an innovative, advantageous offer of insurance products (in private or mutual form), many savers would be interested in investing in this direction (34.7% would like to have insurance against illness, 33.6% insurance against accidents and disability, 33.4% a policy for long-term care; certainly, the translation of these choices into practice is currently hampered by shrinking income, but also by reasons of a cultural and institutional nature, as well as, in all likelihood, the lack of “targeted” instruments; *Indagine sul Risparmio*, cit.).

In France, the introduction of tax incentives and vouchers for the purchase of services has generated a full-blown wave of new consumption in “the personal and family tertiary sector,” which is worth at least one additional GDP point per year, and has created nearly a half million jobs since 2006. Of course, Italian youths would be unable to afford private policies; but their parents or grandparents can – especially those that are homeowners. In Sweden one of the subjects intermediating the new private schemes of income protection is the homeowners’ association. It would not be a bad thing if, instead of keeping their children at home until they are thirty or forty years of age, Italian families were to capitalize on their real estate asset to “insure” that the youths will leave home, spurring them, with a policy in their pocket, to play all the wagers of flexibility.

In the area of private savings, banks can also obviously make an important contribution, taking their inspiration above all from the English-speaking world's experiences of "social finance" ("social bonds" and "social impact bonds"). In the 1960s, the savings of a great many Italians co-financed, through bond purchases, the construction of the Autostrada del Sole. Even if the infrastructure we need is essentially of a social nature, we could perhaps repeat that extraordinary experience today.

The third sector is another subject of primary importance for launching second welfare in Italy. The Italian mutualist-cooperative tradition is strong, and has features of originality and excellence in comparative terms. However, a qualitative shift is needed, and the Foundations of banking origin (another Italian speciality) are the only player with a critical mass adequate for promoting this shift, in both financial and organizational terms. The Foundations' payments already support a multitude of interventions in the territories, quite often aimed at responding to new risks; more generally, the Foundations play a precious role as broker within local civil societies, stimulating and supporting social innovation. Therefore, the Foundations today are ideal candidates for becoming catalysts in a virtuous "originating structuring" of second welfare, both within it and in terms of relations with first welfare. There is no guarantee that they wish to, know how to, or above all will be able to do it, due also to outside resistance and obstacles. But the potential is there. It would be a sin not to make the most of it.

A similar argument may also be made for company and contract welfare. Non-mandatory social expenditure borne by the enterprise system is less than one tenth of Germany's or France's: here as well, the potential is quite great and should be encouraged, for example in the area of tax and contract incentives. However, the risks of differentiation and inequalities connected with the development of these experiences, especially in Southern Europe, were discussed above. Greater activism by businesses (and trade unions) in Italian welfare is surely to be hoped for, but it will have to take into account the danger of exacerbating segmentations and disparities beyond thresholds of economic and social workability, and of political acceptability.

5. THIS REPORT

Against the background of the problems, challenges, potentials, and tendencies discussed thus far, this *Report* aims to provide an initial overview and some interpretations and assessments of what is going on in our country in terms of second welfare. The *Report* is the result of the two-year work of the *Percorsi di secondo welfare* ("paths of second welfare") project, carried out by Turin's Centro di Ricerca e Documentazione Luigi Einaudi in collaboration with the Department of Social and Political Sciences at Università degli Studi di Milano. Originally promoted by *Corriere della Sera*, the initiative has been supported by Ania, Compagnia di San Paolo, Fondazione Cariplo, Fondazione con il Sud, Kme, Luxottica and, since 2013, by Fondazione Cassa di Risparmio di Cuneo and Fondazione Cassa di Risparmio di Padova e Rovigo.

The *Report* is divided into two parts. The first describes the main players in second welfare in Italy (enterprise system and trade unions, the insurance world, the third sector, and Foundations), from the functional and developmental standpoint. The second part, on the other hand, more deeply examines certain experiences deemed emblematic

of that second welfare that already exists in Italy: from them, confirmation is obtained of its development potential and of its positive impacts, but also of some critical areas. Far from presenting itself as systematic and comprehensive research, the *Report* aims to be a starting point, a base of information, ideas and considerations upon which to build a debate that is empirically grounded, pragmatic, and free of prejudice.

The evolution of European welfare has followed long cycles of expanding public intervention and of relaunching private and associative initiative. Making room today for second welfare does not mean suggesting that the State take a step back, or a devaluation or gradual eroding of its achievements. It means trying out new forms of protection in a historical phase in which (in spite of the economic crisis, which will sooner or later come to an end) “the economic condition of many families makes it possible to seek a new balance between benefits offered and financed by society at large, and the contribution of individuals and their associations.” This is not a quotation of Tony Blair. These words were already said thirty years ago (in an essay translated into Italian by Centro Einaudi and entitled *La nuova libertà*) by the great German sociologist Ralf Dahrendorf, an advocate of a modernization project aimed at strengthening and increasing the life chances of European citizens, ensuring them not only fairness, but also new options of choice. That project is still (and in fact, more than ever) current. We took inspiration from it in how we organized our work of investigation and reflection.

THE PROMISES OF SECOND WELFARE AND OPEN QUESTIONS. A CONCLUSION

BY FRANCA MAINO AND MAURIZIO FERRERA

1. ACHIEVEMENTS AND PROMISES

At present, the public resources to be allocated to modernizing welfare and to the so-called “social innovation” are truly modest in Europe. Especially in the economically weaker countries, the stringent budget constraints of the Fiscal Compact (which will enter force in 2015) in fact risk being translated into further reductions in benefits and services. This certainly cannot be the only response to the emergence of new risks and needs exacerbated by the economic crisis, and contradicts the need to relaunch a model of inclusive growth. Precisely to avoid this scenario, a number of countries are increasingly proposing and trialling forms and instruments of support for and supplement to state welfare that also involve non-public players in the role of parties financing and delivering services and transfers, as well as being partners in the processes of designing and governing change.

As is sadly known, our country’s situation is particularly critical: the welfare state no longer appears able to deal adequately with the needs expressed by society and by the local territories. Given the very high level of public debt, the rapidly ageing population, and the specific negative historical features (imbalances, gaps, inefficiency, waste, and even corruption) that are hallmarks of the Italian welfare model, the problems are destined to remain even after the emergency connected with the economic crisis has been overcome. In this *Report*, we deeply analyzed one of the possible strategies for dealing with this model’s structural difficulties: that of promoting the development of a second welfare fed by non-public resources and populated with a great number of private subjects and those from the private social sector. The above pages cast light on these subjects’ features, the increasingly wide and articulated range of their activities, and their potential for further growth.

By its very nature, second welfare is marked by dynamics of spontaneous evolution triggered by associative and charitable initiatives, contractual market or “quasi-market” experiments, and the enterprise of intermediate bodies and of the local territories. While in the past forms of mutual aid played above all a role supplementing the needs that did not (yet) find a response and coverage under any form, today second welfare operates above all on the basis of a logic that integrates existing programmes, and comes in addition to them, which is to say it is aimed at completing what first welfare already guarantees. Second welfare is also called upon to perform a function of stimulating first welfare. This takes concrete shape in support for and, in fact, direct contribution to renewing organizational models and traditional practises, until promoting a paradigm shift: not dismantling, but modernizing and reorienting social protection, to the point of transforming it, in certain settings, into social “promotion” – a vehicle of empowerment for its beneficiaries.

Our data and analyses have yielded results that clearly confirm the importance taken on by second welfare in our country, and the broad spaces that exist for its further expansion. We may sum up our results in five main points:

- ❶ second welfare has already attained a fully respectable importance: economically, financially, and in terms of employment. Far from being a phenomenon just coming into being and detectable only through targeted and sophisticated analytical lenses, second welfare is already today a reality that directly and concretely impacts the living conditions of millions of Italians, and Italians of all ages;
- ❷ the activities (schemes, initiatives, experiments) of second welfare have given life to important, recognizable, and recognized achievements, demonstrating an ability to cope efficiently and effectively with new types of risks and needs inadequately covered by public welfare;
- ❸ these achievements were possible thanks also to innovative solutions on the level of instruments, organization, and governance;
- ❹ enterprise and creativity (and increasingly often, “social innovation,” to use the European Union’s terminology) have regarded not only non-public subjects, but public ones as well, and municipalities and regions in particular. Increasingly confined by financial constraints, some of these institutions have undertaken decisive operations to streamline their expenditure models, and have taken pains to mobilize the commitment of their own territories, in financial terms as well;
- ❺ the development and action of second welfare has played a major role in mitigating the social consequences of the economic crisis.

Let us examine each point separately. With reference to the **importance of second welfare economically, financially, and in terms of employment**, the numbers speak for themselves. Looking at the third sector in general, nonprofit institutions active in Italy as of 31 December 2011 numbered little more than 300,000, representing 6.4% of the juridical/economic units present in the country. They count on the working contribution of more than 5.7 million people: approximately 4.8 million are volunteers (83.3%), 681,000 are employed workers (11.9%), and 271,000 are workers under collaboration contracts (4.8%). Taking into consideration employees alone, the third sector currently represents 3.4% of our country’s work force. The Italian nonprofit sector confirms being constituted mainly of non-recognized associations and of recognized associations (respectively, slightly more than 200,000 and approximately 68,300, equal to 66.7% and 22.7%). They are followed by social cooperatives (11,264, equal to 3.7%), foundations (6,220, equal to 2.1%), and institutions with another juridical form (corresponding to 4.8%), represented chiefly by church bodies recognized under civil law, committees, mutual aid societies, and healthcare or educational institutions (Istat 2013). In terms of economic value, the 2011 “turnover” from this varied set of subjects was estimated at € 67 billion, equal to 4.3% of GDP (Unicredit Foundation 2012).

Taking a closer look at the Foundations system (which we have fully dealt with in this *Report*, cf. chapters 4 and 5), we know that – according to the latest Istat surveys – those operating in Italy number 6,220; as for the third sector average, they are relatively more present in the sectors of education and research (11% of all nonprofit outfits active in this area) and of charity and promotion of volunteering (9.9%) (Istat 2013). Prominent in the system are Foundations of banking origin (FOB). Their establishment (regulated by law no. 218/1990) changed our country’s philanthropic landscape over the past twenty years. In 2012, FOBs had assets exceeding € 42 billion. That same year,

they carried out 22,000 actions in favour of their own territories, distributing a total of € 965.8 million (Acri 2013). Also worthy of note are the 32 community Foundations. Of these, 15 came into being within a project spearheaded by Fondazione Cariplo, and their total assets amounted to € 227 million in 2012, increasing by about 3% over the year before. These outfits, which developed at the end of the 1990s, aim to “democratize charity” by spreading the culture of giving. Every year, they inject several million euros into their respective territories, producing interesting multiplier effects. In 2012, the 15 community Foundations in Lombardy exceeded € 22.5 million in distributions, thanks to which more than 2,300 projects of social utility were funded.

As regards the enterprise system – even excluding the complementary pensions present in almost all large corporations – more than 80% of Italian businesses with more than 500 employees have embarked on some sort of company welfare initiative, and a full 43% offer two or three different types of welfare for their own employees (Ascoli, Mirabile and Pavolini 2012). Company welfare initiatives are appreciated by workers, who attribute to them an “extra value” up to 70% higher than the costs actually incurred by the company. It is surprising to note that, against a 25% actually “earned” thanks to the business’s intervention in financing the benefit and in drawing up the convention, the remaining 45% is actually of a “social/emotional” nature. Thus, the workers’ employee engagement index grows by 30% when welfare is introduced, and by 15% when an already existing benefit is improved. It is therefore a real investment: € 150 used in this way can bring a € 300 gain, between actual savings and increased productivity (Rizzi, Marracino and Toia 2013).

The insurance sector is also slowly taking action to cover social risks. However, its effect is still less than that recorded in the other developed countries, especially as regards long-term care. The potential for expansion is thus large, also considering the growing consumer interest found by opinion research, as well as the fact that families’ out-of-pocket private healthcare spending ranges between 25% and 30% of total healthcare spending. It bears adding that currently 83% of this private spending is incurred directly by families, while less than 4% is intermediated by insurance companies and about 14% by nonprofit mutual organizations. However, when families spend without insurance or mutual intermediation, the cost to be borne is far higher: in other words, if a supplementary insurance and mutual second welfare were to develop, households would be spending less, or could enjoy a greater number of benefits and services. Our country now counts more than 500 contractual and voluntary supplementary funds and about 2,000 mutual health organizations, many of which born from the collective bargaining of large categories of employed workers; these organizations self-finance for more than € 4 billion, delivering services to more than 5 million people. However, this recent proliferation of intermediaries clearly attracts only a small portion of the private spending flows.

Second point: the schemes, initiatives, and experiments of second welfare have given life to major achievements, demonstrating **an ability to cope efficiently and effectively with new types of risks and needs** inadequately covered by public welfare, such as exclusion, vulnerability (exposure to poverty risk), housing deprivation, striking a work-life balance, and in part non-self-sufficiency as well. As is known, the economic crisis during these years has led to a sharp weakening of the middle class, and to the corresponding increase in the number of what are referred to as “vulnerable” people: those who, although suddenly finding themselves in a condition of strong economic difficul-

ty, do not consider themselves and are not considered poor. More and more often – and due to a destabilizing event ascribable in most cases to the crisis – persons living in conditions of “normality” are finding themselves thrown into situations of economic and social distress they are unable to cope with on their own. Many Foundations have chosen to respond precisely to this kind of need. An emblematic example is the Trapezio project (cf. chapter 4) promoted by Compagnia di San Paolo and by Ufficio Pio in the city of Turin beginning in 2011, which aims to bring in and support individuals experiencing forms of temporary vulnerability. The objective is to prevent poverty through a stabilization process, and then to reverse the trend towards deteriorating living conditions and, in the end, to achieve the complete recovery of the beneficiaries’ economic independence. The economic crisis and social and demographic transformations are undermining what should be one of the cornerstones of social policies: the right to a decorous home. In housing policy, the synergy between first and second welfare is translated into the passage from public residential housing to social housing. In this case as well, second welfare initiatives aim to privilege that grey area of outsiders, coming mostly from the so-called “impoverished middle class” whose income is too high to access public housing but insufficient to turn to the private market.

Then there are needs that originate from the transformations in the labour market, the productive system, and the structure of the family, giving rise to the need for new protections and ways of striking a work-life balance. On this front as well, we have found clear dynamics of adaptation and renewal, above all in the form of company welfare. Many businesses grant flextime, paid family leave, parental leave, and reimbursement of childrearing costs, such as nursery school and educational expenses. Then there are supplementary pension and healthcare funds. Health – whether it is a matter of health insurance or a healthcare fund, or of company-funded check-ups and prevention programmes – and income support (which is particularly felt as regards maintaining income during old age, but also appreciated in the form of expense reimbursements and vouchers) remain the linchpins of company welfare systems. Increasingly, added to these are “work-life balance” measures and instruments, mostly hinging on flexible scheduling and support measures for working women. Education and training have also started to be added to the company welfare basket: these areas of intervention are relatively “new” – or rather, have only recently been recognized as benefits.

In the area of the responses to the needs of striking a balance between family life and work, aimed at supporting the family’s care needs (childcare, but also, to a slow but growing degree, also care for the non-self-sufficient elderly) while keeping the burden of responsibilities and commitments from falling upon women and even conditioning her career prospects, we have investigated two of the most interesting developments: that of the local networks for striking a work-life balance (*Reti territoriali di conciliazione*) set up between 2011 and 2013 in Lombardy (cf. chapter 10), and the case of the Municipality of Modena, where, to prevent the closure of municipal nursery schools, a participated charitable foundation established under private law (*Fondazione di partecipazione di diritto privato*) was created and, in 2012, entrusted with the operation of five schools (cf. chapter 9).

Among the new needs that are the object of second welfare initiatives, we may also list support for parenting. With regard to the community Foundations (cf. chapter 5), we discussed, for example, the project by Fondazione di Monza e Brianza aimed at dealing with the new forms of adolescent – and, more generally, family – fragility: in 2011, ten calls for competitive bidding were issued, for a total value slightly exceeding

€ 1 million, through which 80 projects were financed. The beneficiaries were prevalently youths and minors (49% of distributions), with actions aimed at promoting youth volunteering, educational support, cultural offerings and initiatives to prevent disadvantage; these were followed by distributions for the disabled (28%) and for vulnerable and troubled families (13%).

Third point: **innovative solutions on the level of instruments, organization, and governance.** On this front, our survey found highly significant innovation activities.

We have described in detail (cf. chapter 2) some of the most interesting company welfare initiatives by large (ATM, Luxottica, Nestlé Italia, SEA Aeroporti, Tetra Pak, Ubi Banca and Unipol Assicurazioni) and medium-sized enterprises (such as Colorificio San Marco, with two production sites in Veneto). But we have also drawn attention to new instruments potentially capable of spreading company welfare among small-sized enterprises, which we know represent more than 95% of the Italian productive fabric: network contracts, development pacts, and regional calls for bids dedicated precisely to this type of enterprise. Also of particular interest was the development of second-level bargaining (company, between companies, and territorial) which allows the agreements to include welfare measures as well. Of the many analyzed cases, here we mention Lombardy's regional framework Agreement for the promotion of company welfare interventions and striking a work-life in the system of small- and medium-sized enterprises, signed by trade unions and representatives of SMEs in Lombardy in April 2013. The agreement came into being with the dual objective of fostering the economic growth of businesses, and enhancing their "social responsibility," with particular attention to the condition of women. A fundamental passage also makes clear the intention of using territorial bargaining as a privileged tool for getting local institutions and third sector associations involved as well.

Among the chief players in instrumental and organizational innovation are the Foundations of banking origin. Thanks to many of these, the territories are seeing the rise of networks and collaborations suitable for identifying local needs and the best options for coping with them. In several cases, partnerships were born that involve public and private parties, institutions and nonprofits, and local and national players. While it is true that FOBs do not have sufficient resources for substituting public intervention even in specific need settings (cf. chapter 4), it is also true that they can initiate "demonstration" actions addressing those that do have the necessary strength for dealing with needs on a broader scale – like public administrations, in fact. Some Foundations have good abilities to diagnose the problems emerging in the territories, analyze current policies (or their absence), and ponder possible alternative solutions. Moreover, albeit with a certain degree of difficulty, the (large) Foundations have seen a gradual development of that culture of monitoring and assessment, both *in itinere* and *ex post*, that is still virtually absent in public administrations. Some FOBs have recently started trialing "Mission Related Investments," – the use of part of their assets in operations that, for returns that are certain but lower than those normally required, directly support the territories' economic and social development. An additional objective of these operations is to aggregate financial resources originating from other subjects, thus generating an interesting multiplier effect. In 2011, Mission Related Investments totalled € 3.533 billion, equal to 7.1% of the total of active ones and to 8.2% of the Foundations' overall assets.

The social finance front offers many interesting possibilities as well. UBI Banca has successfully developed bonds that, in addition to guaranteeing a return on investment, offer subscribers the possibility of supporting initiatives of recognized social value. Banca Prossima has in its turn set up an online platform through which private parties can lend money directly to nonprofit organizations. Fondazione Cariplo and Borsa Italiana (the Italian stock exchange) offer companies that decide to be quoted on the stock market the opportunity to support nonprofits by paying a contribution at the moment of the IPO. These are just some of the examples of social finance that have got going in recent months in our country, and that aim to change the existing relationships between the world of finance, private parties, and the third sector. At a time when obtaining economic resources is often complicated, especially for outfits not used to relating with the financial sector, these innovative instruments may be an important response for changing the rules of the game.

Chapter 8 analyzed Fondazione Housing Sociale, operating on national territory since 2004, in addition to some social housing projects: Parma Social House, Sharing Hotel Residence in Turin, the block of flats in Turin called “*A casa di Zia Jessy*,” the Abitare project of Ufficio Pio in Turin, and Agenzia di Intermediazione Sociale dell’Abitare (AISA), whose objective is to create a network of subjects facilitating access to homes for those in a situation of housing deprivation. It has already been mentioned that these initiatives play an important role of supplementing first welfare with also for those parties that are slightly above the need thresholds that first welfare requires. In addition to, as it were, functional and financial innovation (second welfare brings additional resources), these initiatives stand out for their adoption of a new governance model in relations between housing providers (which include new players originating from the third sector and from the private sector) and the public authority: collaboration relationships that can result in benefits – from relaunching construction to urban balance – that go above and beyond merely offering housing solutions to the disadvantaged.

Fourth point: **enterprise and creativity not only of non-public subjects, but of public ones as well, and of municipalities and regions in particular.** Despite the constraints imposed on municipal financing by the Domestic Stability Pact (*Patto di Stabilità Interno*) and the cuts to state transfers, the municipalities have continued to perform their function of providing social support. In 2010, 17.1% of the current spending by municipal administrations was destined for this function, which was thus confirmed as one of the main intervention items. Family and minors, the elderly, and persons with disabilities are the main recipients of local welfare benefits: nearly 83% of the resources employed is concentrated on these three areas of users. So, albeit within the restricted ambit of possibility, municipalities have made an effort to fill the voids left by the central government.

According to the *Report*, in the face of the economic crisis, instead of retreating many municipalities have undertaken a path of renewal. First of all, efforts have been made to make budgets more efficient and better targeted, by reducing non-essential spending, streamlining offices, and trimming waste. The priority agenda was then reset, by concentrating interventions on covering the most acute needs – unemployment and new poverty – in the attempt to maintain acceptable levels of social cohesion. Lastly, the modes of intervention have changed, through the adoption of new forms of governance and collaborations – including financial ones – with other local players (partnerships, co-funding, and participatory planning, to cite only the main strategies). In

other words, local authorities have sought to transform themselves from being the only (or main) producers of services into being promoters of networks capable of bringing the greatest possible number of players – from public to private ones, from citizens' movements to the for-profit and nonprofit sectors – to the table. It may thus be said that we have begun to experiment with a new model of local (or “place-based”) social protection, in which the public is changing its role: on the one hand, it is acting as director in a large and flexible constellation of partners, some endowed with financing capacities that can be considerable; on the other, it continues to guarantee the universality of basic benefits and takes action in those places where the “network” does not arrive.

Some examples illustrated in the *Report* provide an idea of the scope of the change and of the roads possible in the future. The traditional area plans (*Piani di zona*), which in certain areas of the country have already acquired a fair degree of maturity, have been revisited and strengthened as a tool suitable for reflecting upon the needs and upon the practicable responses. Compared with tradition, the area plans are being used in a new way: participatory planning is being adopted and expanded to a wide range of players (including potential co-funders); there is a transition from the logic of *tables* to that of *processes*; work is no longer towards a specific objective, but is cross-cutting. The involvement of private parties becomes a way not only to obtain additional resources, but also to include new players in defining the collective agenda, channelling their action into furrows governed by norms debated in public places, and thereby avoiding hidden or opportunistic dynamics. This, of course, is the declared ambition for some of the experiences that were analyzed. Its actual achievement must of course grapple with the risks of wishful thinking, dirigisme, and confusion. “Direction” is not improvised, and many administrations are likely not to have institutional capacities adequate for performing this function.

Again in local welfare, it is also worth pointing out the spread of the so-called “welfare communities,” soft welfare instruments aimed at promoting reception, socialization, and self-help and mutual-help activities. Just consider such projects as “time banks,” libraries self-managed by parents, and consortia to promote the sale of locally-sourced products, which, with other initiatives, were analyzed in chapter 5.

As for the regional level, from the standpoint of institutional innovation it is above all worth mentioning once again the local networks for striking a work-life balance (*Reti territoriali di conciliazione* – RTC) set up in Lombardy (cf. chapter 10), which have also attracted the interest of EU institutions. Looking at the experience as a whole after two years of trialling, the 13 networks have actually managed to involve a broad and differentiated array of players, bringing diversified interests, resources, and skills. The strategy of raising awareness of and information about the issue of striking a balance between family responsibilities and participation in the labour market thus appears to have been spearheaded, and in this case it appears that the Region may be said to have played a decisive role as director and driving force. Another positive example is the local mutual health fund supplementing the National Health System, established in March 2013 in the Region of Liguria: it will allow citizens who join it (upon paying a contribution) to enjoy healthcare services supplementing the essential assistance levels defined by the State, and the elderly to receive more supplementary home care. The chief innovation of this regional mutual health organization lies in the fact that it is open to all and, since it is not profit-oriented, it has the objective of providing all citizens with collective bargaining power with the supply (even the private supply) of services and benefits in the

health, social/health, and social-assistance field. Regional recognition requires the mutual organization to comply with the schemes provided for by quality protocols and guidelines, and to submit to monitoring as regards the supplementary activities.

Lastly, the fifth point: **second welfare helps mitigate the effects of the economic crisis**. As already discussed, the long and difficult economic situation has accentuated precariousness and impoverishment even among those who earlier appeared sheltered from these risks. The *Report* has identified a wide range of second welfare initiatives aimed at responding to this dynamic: the innovation lies not only in the addition to the public response, but also in the attempt not to limit itself to one-off emergency aid. By way of example we may mention three initiatives among the many analyzed. The project entitled *Reciproca solidarietà e lavoro accessorio* (“mutual solidarity and accessory work”) started in 2010 in the municipality of Turin trialled a scheme of assistance to the unemployed, involving them in activities promoted by nonprofit bodies that have “community care” as their reference; participants in the project are paid using the instrument of vouchers for accessory work. *Fondo emergenza lavoro* (“work emergency fund”), promoted in 2009 by Fondazione della Comunità del Novarese in collaboration with Fondazione Banca Popolare di Novara, trade unions (CGIL, CISL, UIL), the Prefecture, the Province, the Municipality, and the Diocese of Novara, trialled forms of aid to vulnerable families, supplementing economic support in the event of unemployment with forms of aid to cope with housing problems. Fondazione Comunitaria del Ticino Olona, on the other hand, activated a “microcredit project” aimed at supporting families at poverty risk that find themselves having to finance “extraordinary, essential, and sustainable” needs (paying rent, household utilities, school expenses and taxes, healthcare expenses, and so on). The project is an interesting partnership model, promoted by the Foundation with the involvement of several institutions and local administrations.

2. Risks and open questions

Despite the promising picture that has just been outlined, it is necessary to conclude by mentioning some darker areas and critical points that merit reflection for the future. It has been repeated a number of times that the development of second welfare is to be seen favourably insofar as it can create synergies with first welfare, in a logic of integration, complement, and stimulus to innovation. The achievement of these synergies cannot be taken for granted. Moreover, by its very nature second welfare is exposed to the risk of generating perverse effects that can in part be neutralized, and in part cannot: in the latter case, it is indispensable to be fully aware, also so as not to raise expectations. The darker areas that emerged from the *Report* may be summarized in the following points:

- ❶ the risk of a “mismatch” between first and second welfare;
- ❷ the difficulty of “creating a system”;
- ❸ territorial disparity;
- ❹ weakness of monitoring and assessment mechanisms;
- ❺ incomplete acceptance of the paradigm of social investment.

In the first place, it is a matter of avoiding the **risk of an opportunistic “mismatch” between first and second welfare**, with negative implications in terms of efficiency

and fairness. The expansion of “demonstration” or pilot second welfare initiatives into the sphere of new risks may weaken the incentives for recalibrating first welfare, thus consolidating the trend towards maintaining the status quo, supported by the (erroneous) perception that “everything has already been done” to reform first welfare, and second welfare can see to everything else. This is not the case. There are still broad margins for rebalancing, streamlining, and recovering efficiency within public social spending, which may free up resources to be dedicated to the new risks. Non-self-sufficiency, daycare centres, family policies, and inclusion cannot find a response only with the resources and instruments of second welfare, however important the trials that have been started – and considerable the growth potentials – may be. The State, moreover, cannot shrink from its task of defining the essential levels for rendering service, as well as of monitoring and assessing that they are actually complied with.

Then there is the risk – already mentioned in the Introduction – that second welfare may accentuate and exacerbate the segmentation of our labour market. This is true above all for company welfare. On the one hand, the examples of Italian and foreign multinationals offering more articulated company welfare systems to their employees are continuing to increase; on the other, we see small- and medium-sized enterprises often without the financial and organizational resources to introduce these schemes, and, if they are interested and willing, they still do not reach a critical mass sufficient to obtain advantageous conditions in bargaining with suppliers. The problem takes on major dimensions if we consider that, in Italy, workers in SMEs amount to more than 80% of the employed, against a European average of 67%. Large companies risk transforming themselves into “islands” of relative well-being for their employees, in contrast with the great majority of the work force. We have seen that efforts have been made to also help small- and medium-sized enterprises access second welfare; however, large-scale access is anything but taken for granted.

Second point: the **difficulty of “creating a system.”** The proliferation of locally scattered initiatives spearheaded by a variety of players may result in an incomplete or overly disordered configuration of second welfare, incapable of grasping and capitalizing on complementariness and synergies between the spheres of the State, the market, the third sector, and the family. To the contrary, the capacity for social innovation must be gradually promoted and activated – thanks to the networks of players, and within models of multi-stakeholder and multi-level governance – in the overlapping areas between the four spheres (cf. chapter 1), giving public institutions, particularly at the local level, the task of coordinating and monitoring the processes, while avoiding the creation of “duplications” on the one hand and, on the other, the persistence of functional “voids.”

Third point: **territorial disparity.** The development of second welfare does not appear immune to our country’s great problem: the gap between north and south, and, more generally, accentuated territorial fragmentation. If the economic and social fabric of Central and Northern Italy allows resources in addition to public ones to be mobilized, and fosters the development of new initiatives, thanks also to the presence of charitable bodies and of greater institutional capacities by public administration, in Southern Italy the economic stagnation, the weakness of the intermediate bodies, the gaps, and the scant activism of public welfare by no means make for fertile terrain to get second welfare off the ground from below. With reference to company welfare, Italia Lavoro has

sought to shorten the distances by launching the La.Fem.Me project (cf. chapter 2), created to foster women's employment in the regions of Southern Italy through economic development and the supply of services for striking a work-family balance. The system of FOBs has established Fondazione con il Sud, with the objective of fostering, in Southern Italy, the growth of modern philanthropy and the consolidation of social networks with roots in the territories, capable of creating new synergies between the various components of civil society. However, strong doubts remain that second welfare initiatives, effective and of this scope, can be spontaneously generated by other subjects in southern society. The start of the new programming phase of EU funds might be a good occasion for activation, but only provided that there is strong direction from the outside.

Fourth point: the **weakness of monitoring and assessment mechanisms**. Of the myriad second welfare initiatives discussed in this *Report* (and at www.secondowelfare.it), only some have started towards achieving a greater stability and putting down roots in the territory. Are they the most efficient and effective? Of course, this cannot be taken for granted. This results in a triple challenge: 1) monitoring and assessing the initiatives that arise and are developed; 2) understanding what initiatives can be transformed by trials and pilot projects into programmes stable enough to be able to count on a continuous flow of resources; 3) leveraging monitoring and assessment to “create a system” by spearheading and sustaining a process that is incremental and begins “from below” but is also cumulative, which is to say founded upon benchmarking, spreading good practises, and learning. The lack of suitable forms of coordination and benchmarking may hinder the spread of good practises, raise the cost of innovation, cause positive experiences to disappear while maintaining negative ones, and obstruct synergies. Let us take company welfare, for example. As already stated, there are many (large) businesses that offer welfare packages. But there are still few attempts to export successful models onto a larger scale, and it often seems that to achieve the same goals, each company is starting from scratch and is failing to capitalize on the many good practises already present and widespread on the territory. In short, there is no overarching direction contributing to a broader spread and replicability of practises found to be positive and virtuous, while at the same time avoiding the duplication, within a given context, of similar experiences promoted by subjects that, if accompanied, could collaborate more. Within the context of the “Social Investment Package” adopted in the spring of 2013, the European Union has placed renewed emphasis on the dynamics of social innovation, and provides resources and expertise to follow its developments, also through analysis activities: it would be best to take advantage of this opportunity.

Fifth point: the development of second welfare is to be seen as a **cultural challenge as well, a stimulus to adopt with greater conviction the paradigm of social investment**. In the Introduction, we quoted a passage written more than thirty years ago by Ralf Dahrendorf, which already focused on the problem of the relationship between public, collective, and individual responsibility in the sphere of social protection. Today, in response to this farsighted focus, we have to reopen reflection on the classical concept of universalism understood as *all-inclusive coverage of all the population, for all needs worthy of protection, and in a form completely free of charge*. It appears appropriate to counter this conception (of doubtful sustainability not only from the economic and financial stand-

point, but also in terms of distributive justice) with the alternative of *progressive universalism*: access extended to the entire population, but with selective filters capable of calibrating the benefits basket based on the intensity of the need and of the beneficiaries' economic situation. This means guaranteeing less to those who need less, and/or asking those who can afford it, based on their economic situation, for a progressively higher share in order to access the guaranteed benefits (the share would still remain lower than the actual cost of the service and its price on the private market).

Today, the principle of progressive universalism lends itself well to acting as a linchpin for recalibrating first welfare. It is at the same time the one most in line with the “virtuous fit” between first and second welfare that was hoped for above, and with the emerging paradigm of social investment. To be convinced of this the reader need only read some of the salient passages in the recent EU Communication *Towards Social Investment for Growth and Cohesion* (COM, 2013, 83 final), reported in the following box.

Towards social investment for growth and cohesion: the European Union's strategy

To meet the Europe 2020 targets, a new approach is needed, recognising the budget constraints and demographic challenges that Member States face. Social policies need to be both adequate and fiscally sustainable, as these are two sides of the same coin. This implies the divergence between Member States in investing in these policies first of all using the available resources more efficiently and effectively, through simplifying, better targeting and considering conditionality when designing policies. Both universalism and selectivity need to be used in an intelligent way.

The Commission urges Member States to better reflect social investment in the allocation of resources and the general architecture of social policy. This means putting greater focus on policies such as (child)care, education, training, active labour market policies, housing support, rehabilitation and health services.

Resources for social policies are not limited to those from the public sector. A non-negligible part comes from people and families. In addition, non-profit organisations provide social services on a substantial scale. These range from homeless shelters, support for the elderly, people with disabilities, to advice centres on social benefits in general. Social enterprises can complement public sector efforts, and be pioneers in developing new markets, but they need more support than they are receiving now. The for-profit parts of the private sector would need to be further encouraged to use the potential of social investment through, for instance, a healthy and secure social and working environment. This is not limited to Corporate Social Responsibility alone and includes for example on the job training, in-house childcare facilities, health promotion and accessible and family-friendly workplaces. In the social area, Member States still make insufficient use of more innovative approaches to financing, including by using participation of the private sector and financial engineering through instruments such as micro-finance, policy based guarantees and Social Investment Bonds which should strive for budgetary savings.

Innovation is an essential element of social investment policy since social policies require constant adaptation to new challenges. This means developing and implementing

new products, services and models, testing them, and favouring the most efficient and effective. Social policy innovators need an enabling framework for testing and promoting new finance mechanisms, for instance, and measuring and evaluating the impact of their activities. Social policy innovation needs to be upscaled, embedded into policy-making, and connected to priorities such as the implementation of Country Specific Recommendations, including through the use of the ESF.

As the above passages show, the Communication makes three clear pleas:

- ❶ to adopt a new conception of universalism;
- ❷ to recalibrate welfare towards social investment policies;
- ❸ to capitalize on second welfare, in a general setting of promoting social innovation.

Starting in 2014, the European Commission intends to strengthen monitoring of the Member States' progress in these directions, within the context of the procedures of the European Semester and based on the information and commitments contained in the national reform programmes. It is our hope that this *Report* might be able to provide the Italian government with a base of information and operative starting points, of use not only for appreciating and capitalizing on the second welfare we already have, but also for actively supporting its further development – alongside all the non-public players we have discussed – in line with European guidelines.

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