

# **Social Enterprises, Social Capital and the Quality of Economic Development: the Case of Italy**

**Fabio Sabatini**

**University of Siena  
Department of Economics**

**University of Rome La Sapienza  
SPES Development Studies Research Centre**

**Paper prepared for delivery at the seminar**

***Reviewing OECD experience in the social enterprise sector:  
policy insights for countries of Central East and Southeast  
Europe***

**hosted by the OECD LEED Trento Centre for Local Development.**

**Trento, November 15-19, 2006**

Useful material for the study of social capital, civil society and social enterprises are available on the

## **Social Capital Gateway**

**[www.socialcapitalgateway.org](http://www.socialcapitalgateway.org)**

Web site providing resources for the study of social capital and economic development, which has been acknowledged as 'an exemplary material for teaching and learning economics' by

***The Journal of Economic Education***

and is linked as a useful resource for social sciences by hundreds of research institutions all over the world.

## Main problems facing the empirical research on social capital and economic development

### 1. Conceptual vagueness and the coexistence of a great variety of definitions.

It seems virtually impossible to provide a single, universal, definition of what social capital is, and a unique, underlying, method of measurement to be used within the empirical research.

**Social capital is generally referred to as 'features of social life-networks, norms, and trust, that enable participants to act together more effectively to pursue shared objectives'**

### 2. Incomparability in sampling designs and question wording.

Empirical works every time address different social capital's dimensions, therefore adopting particular measures, derived from diverse data sources.

### 3. The widespread use of "indirect" indicators.

This has led to considerable confusion about what social capital *is*, as distinct from its *outcomes*, and what the relationship between social capital and its outcomes *may be*. Research reliant upon an outcome of social capital as an indicator of it will

necessarily find social capital to be related to that outcome. Social capital becomes tautologically present whenever an outcome is observed.

#### **4. The widespread use of measures of trust drawn from the *World Values Survey*.**

The aggregation of such data creates a measure of what can be called “macro” or “social” trust which loses its linkage with the social and historical circumstances in which trust and social capital are located.

#### **5. The inability to account for the multidimensionality of social networks within the broader concept of social capital.**

There are different kinds of networks, which can in turn foster or hamper economic development. The problems related to the use of the density of voluntary organizations as a proxy for measuring social capital.

#### **6. The tendency to focus exclusively on economic growth instead of accounting for the broader concept of development and for its “quality”.**

**7. The inability to carry out a satisfactory assessment of the form and direction of the causal nexus connecting social capital and economic development.**

## Main features of this paper

**1. The provision of an operational definition of the concept, focusing exclusively on its “structural” components, identified with social networks.**

The exclusion from the measurement toolbox of all “indirect” indicators popularized by recent empirical research and of measures of social trust.

**2. The explicit acknowledgement of social enterprises as a tool improving social cohesion and local development** and thus as a form of “social capital” or, at least, as a dimension of the social structure directly encouraging the accumulation of social capital and fostering development processes.

**3. The acknowledgement of the very multidimensionality of the concept of social networks within the broader concept of social capital.**

Instead of focusing on a single aspect of the social structure and considering it as representative of the concept as a whole, the analysis identifies three main social capital’s dimensions.

- 1)** Informal (strong) ties connecting family members (the inclusion of such ties in an empirical analysis is quite a novelty for the economics literature) – 18 indicators
- 2)** Informal (strong and weak) ties connecting friends and acquaintances – 12 indicators

**3)** Formal (weak) ties connecting members of voluntary organizations – 6 indicators.

Each one is in turn described by a composite set of multiple indicators.

**4. The use of multiple, non-cognitive, indicators catching people's effective behaviour.**

Data are drawn from multipurpose surveys carried out by the Italian National Bureau of Statistics (Istat), which constitute a suitable tool for the measurement of social capital.

**5. The building of synthetic indicators for each social capital's dimension and for the concept as a whole, respectively by means of a series of *principal component analyses* and a *multiple factor analysis*.**

Such indicators are a novelty in the literature and provide researchers with new valuable tools to be used as raw data within further empirical investigations. Moreover, the use of multivariate analysis techniques allows to point out the existence of latent sub-dimensions for each aspect of the social capital concept.

**6.A first attempt to account for the broader concept of development**, through the inclusion in the analysis of indicators of:

- a. **human development**
- b. **“social quality”**
- c. the state of health of **urban ecosystems**.

The concept of social quality synthesizes: **a) the efficiency of public health services**, **b) the degree of gender equality**, **c) the degree of labour precariousness** and **d) the quality of schools infrastructures**.

Such indicators have never been used within the social capital empirical research.

**7.**The use of a **principal component analysis** to carry out a first, preliminary assessment of the **structure of correlations** connecting all these variables – i.e. social enterprises, social capital and economic development’s diverse aspects.

**8.****The attempt to go beyond correlation** and to shed light on the **form and direction of the causal nexus** connecting social capital to the quality of economic development through the use of **structural equations models** (SEMs).

This technique has grown up in psychometrics at the beginning of the 70s and, although **its application is a novelty for economic studies**, it proves to be particularly suitable for the investigation of multidimensional phenomena like social capital and economic development.



9. My findings (from this and other papers) clearly show that:

- a. there are **different kinds of social capital, exerting diverse (positive or negative) influences on economic development**, widely depending on the (social, political, cultural, institutional) features of the context we are taking into account. As stated by Coleman, a particular form of social capital can be good for a particular purpose in a certain area, but can be useless or even harmful in different contexts.
- b. Social enterprises are proved to exert a positive influence, both on those social capital's dimensions in turn fostering the quality of economic development and on development itself.

# 1) Strong ties connecting family members (bonding social capital)

Adopted indicators measure:

- **Family size**  
For example: families with 5 components and more for every 100 families of the same area, couples with children, for every 100 families of the same area, people aged 14 and more particularly caring relatives other than parents, children, grandparents and grandchildren, or counting on them in case of need, for every 100 people of the same area.
- **Spatial proximity**  
For example: people aged 15 and more with children living 16 kilometers away or more (in Italy or abroad) for every 100 families with children of the same area, people aged 15 and more with children living within 1 kilometer (cohabitants or not) for every 100 families with children of the same area.
- **Frequency of encounters**  
For example: people meeting their brothers and/or sisters everyday for every 100 people with brothers and/or sisters of the same area, people aged 6 and more meeting family members or other relatives everyday for every 100 people of the same area, people aged 6 and more never meeting their family members and other non cohabitant relatives for every 100 people of the same area.
- **The quality of relationships**  
For example: people aged 6 and more playing with children once a week or more for every 100 people of the same area, people aged 14 and more declaring themselves satisfied of relationships with their relatives for every 100 people of the same area.

- The measure of this form of social capital is given by the first factor resulting from a principal component analysis on a set of 18 indicators representing several features of the family. The first principal component explains about **62%** of the total variation of data.

Factor loadings and active variables- factors correlations		
Label	Axis 1	Axis 2
SODDPAR	0,71	0,29
INCPARTG	-0,43	-0,47
NOINCPAR	0,66	0,43
NOPARENT	0,60	-0,41
MUM1KM	-0,98	-0,05
MUM16KM	0,95	0,07
FIG1KM	-0,82	0,46
FIG16KM	0,66	-0,53
GIOBAM2S	-0,75	0,18
NOGIOBAM	0,87	0,10
FAMSINGL	0,82	-0,16
FAM5COMP	-0,97	0,05
COPPPFIG	-0,96	0,04
COPNOFIG	0,90	-0,12
FRATELTG	-0,83	-0,28
VMUMTG	-0,79	-0,42
VFIGTG	-0,50	0,35
CONTPAR	0,36	0,47

Italian regions ranking based on bonding social capital endowments				
Rank	Region	Factor scores	Contributions	Squared cosines
1	Campania	-5,90	16,96	0,88
2	Puglia	-4,72	10,86	0,83
3	Calabria	-4,36	9,25	0,71
4	Basilicata	-3,84	7,19	0,72
5	Sicilia	-3,37	5,54	0,59
6	Sardegna	-2,82	3,87	0,47
7	Umbria	-1,26	0,77	0,15
8	Marche	-0,20	0,02	0,01
9	Molise	-0,06	<i>outlier</i>	0,00
10	Abruzzo	0,08	0,00	0,00
11	Veneto	0,53	0,14	0,05
12	Trentino Alto Adige	0,56	0,15	0,03
13	Lazio	1,49	1,09	0,15
14	Lombardia	1,65	1,32	0,41
15	Emilia Romagna	2,65	3,42	0,65
16	Toscana	2,67	3,47	0,62
17	Friuli Venezia Giulia	3,15	4,83	0,43
18	Valle d'Aosta	3,76	6,89	0,57
19	Piemonte	4,56	10,10	0,89
20	Liguria	5,39	14,14	0,77

## 2. Informal networks of friends and acquaintances (bridging SC)

- This variable is measured by the first factor obtained from a PCA performed on a dataset of 11 variables representing people social engagement or, in other terms, what can be referred to as relational goods' consumption.  
The first principal component explains the **63%** of the total variation of data.

Indicators of the informal networks of friends and neighbors	
Label	Description
ASSPORT	Non profit sport clubs for every 10.000 people of the same area.
BAR2S	People aged 6 and more attending bars, pubs, and circles at least once a week for every 100 people of the same area.
CENAF2S	People aged 6 and more having dinner outside more than once a week for every 100 people of the same area.
INCAMI2S	People aged 6 and more meeting friends more than once a week for every 100 people of the same area.
MUBAR	People aged 14 and more attending pubs and bars to listen to music concerts for every 100 people of the same area.
NOBAR	People aged 6 and more never attending bars, pubs and circles for every 100 people of the same area.
NOCENF	People aged 6 and more never having dinner outside for every 100 people of the same area.
NOPARLCO	People aged 6 and more never talking with others for every 100 people of the same area.
NOPARVIC	People aged 6 and more never talking with neighbors for every 100 people of the same area.
PARCON2S	People aged 6 and more talking with others once a week or more for every 100 people of the same area.
PARVIC2S	People aged 6 and more talking with neighbors once a week or more for every 100 people of the same area.

Italian regions ranking based on bridging social capital endowments				
Rank	Region	Factor scores	Contributions	Squared cosines
1	Trentino Alto Adige	-4,34	16,23	0,72
2	Valle d'Aosta	-3,35	9,70	0,79
3	Veneto	-2,71	6,33	0,56
4	Emilia Romagna	-2,69	6,24	0,60
5	Friuli Venezia Giulia	-2,21	4,22	0,69
6	Marche	-1,69	2,46	0,51
7	Toscana	-1,30	1,46	0,33
8	Lombardia	-0,93	0,74	0,12
9	Umbria	-0,61	0,32	0,11
10	Piemonte	-0,36	0,11	0,05
11	Sardegna	0,06	0,00	0,00
12	Molise	0,24	0,05	0,01
13	Abruzzo	1,00	0,87	0,39
14	Liguria	1,36	1,59	0,43
15	Basilicata	1,43	1,75	0,11
16	Lazio	1,64	2,33	0,35
17	Calabria	2,94	7,44	0,68
18	Sicilia	3,68	11,69	0,62
19	Puglia	3,91	13,16	0,67
20	Campania	3,93	13,31	0,85

### 3. Voluntary organizations (linking social capital)

- This variable is shaped by weak formal ties connecting people from different socioeconomic backgrounds within the boundaries of voluntary organizations. This measure is given by the first factor resulting from a PCA performed on a set of 6 variables representing different dimensions of associational participation. The first principal component explains about **67%** of the variation of the data.

Indicators of social capital as voluntary organizations	
Label	Description
AIUTOVOL	People aged 14 and more who have helped strangers in the context of a voluntary organization's activity, for every 100 people of the same area.
AMIVOL	People aged 6 and more who, when meeting friends, carry out voluntary activities for every 100 people meeting friends of the same area.
ORGANIZ	Voluntary organizations for every 10.000 people
RIUASCU	People aged 14 and more who have joined meetings in cultural circles and similar ones at least once a year for every 100 people of the same area.
RIUASEC	People aged 14 and more who have joined meetings in ecological associations and similar ones at least once a year for every 100 people of the same area.
SOLDASS	People aged 14 and more who have given money to an association at least once a year for every 100 people of the same area.

Italian regions ranking based on participation to voluntary organizations				
Rank	Region	Factor scores	Contributions	Squared cosines
1	Trentino-Alto Adige	-10,60	<i>outlier</i>	0,81
2	Veneto	-3,22	15,31	0,83
3	Toscana	-2,97	13,01	0,77
4	Friuli Venezia Giulia	-2,03	6,07	0,47
5	Valle d'Aosta	-1,81	4,80	0,68
6	Emilia Romagna	-1,70	4,28	0,47
7	Lombardia	-1,42	2,97	0,35
8	Liguria	-0,96	1,36	0,66
9	Marche	-0,60	0,53	0,10
10	Piemonte	-0,36	0,19	0,03
11	Umbria	-0,31	0,15	0,02
12	Sardegna	0,00	0,00	0,00
13	Molise	0,22	0,07	0,01
14	Calabria	1,53	3,43	0,70
15	Lazio	1,79	4,72	0,78
16	Basilicata	1,81	4,84	0,48
17	Abruzzo	2,13	6,66	0,91
18	Puglia	2,21	7,21	0,83
19	Sicilia	2,49	9,12	0,89
20	Campania	3,22	15,28	0,98

## 4. Social enterprises

- **The role of social enterprises**

According to Kramer (1981), third sector organizations may play different roles in a modern economy:

- a.** the pursuit of specific groups' interests or, more in general, of people's well-being;
- b.** the provision of public services;
- c.** wealth redistribution among different individuals or social categories.

Such a "functional" definition is perfectly coherent with social capital's definitions provided by the social sciences literature.

- **The relevance of social enterprises**

The basic idea is that a social environment rich of participation opportunities, as shaped by the contemporary presence of formal social networks and social enterprises, raises the possibility to build bridges fostering the diffusion of knowledge and social norms of trust and reciprocity, thereby improving social cohesion and the accumulation of social capital. More in particular, **social enterprises may exert a positive influence on social cohesion by nurturing the creation of new networks and providing a notable example of the effectiveness of collective action for the pursuit of shared interests.**

- According to the Istat's survey on Italian social enterprises, Northern regions generally exhibit the highest number of social enterprises, with some notable exceptions. The richest region is Lombardia (1.010 enterprises), followed by Veneto (462), Lazio (454), Piedmont (434) and Sicily (431).
- In order to carry out a more in-depth analysis of the territorial distribution of social enterprises, accounting for the diverse demographic relevance of each region, we have normalized absolute values according to data drawn from the population census conducted by the Istat in 2001.
- Overall, in Italy there are an average of 9.7 social enterprises for every 100.000 people. Such ratio tends to be higher in Northern regions (with 11.0 social enterprises in North-Western regions and 10.8 in North-Eastern ones), in respect to Central regions (9.1) and Southern Italy (8.5).

<b>Table 16.</b> Italian regions' classification based on the presence of social enterprises.				
Rank	Region	Amount	Percentage (in respect to the national amount)	Social enterprises for every 100,000 people
1	Valle d'Aosta	34	0,6	28,4
2	Molise	79	1,4	24,6
3	Sardegna	294	5,3	18,0
4	Basilicata	83	1,5	13,9
5	Trentino A.A.	118	2,1	12,6
6	Umbria	99	1,8	12,0
7	Lombardia	1010	18,3	11,2
8	Emilia Romagna	444	8,1	11,1
9	Abruzzo	135	2,4	10,7
10	Liguria	163	3,0	10,4
11	Piemonte	434	7,9	10,3
12	Veneto	462	8,4	10,2
13	Friuli V.G.	120	2,2	10,1
14	Marche	148	2,7	10,1
15	Puglia	387	7,0	9,6
16	Lazio	454	8,2	8,9
17	Sicilia	431	7,8	8,7
18	Toscana	289	5,2	8,3
19	Calabria	163	3,0	8,1
20	Campania	168	3,0	2,9

Source: Istat (2006)



## Adopted indicators - Social capital's supposed outcomes

- **Per capita income**, measured by a **dimensional index**, computed as:

$$index = \frac{\text{effective value} - \text{minimum value}}{\text{target value} - \text{minimum value}}$$

where the minimum value is 5.000€ and the target value = 40.000€. The index can thus be expressed as follows:

$$Income = \frac{\log(\text{effective value}) - \log(5.000)}{\log(40.000) - \log(5.000)}$$

Raw data are drawn from **Lunaria's** annual report on the national budget law.

- **Human development**, as measured by the **adjusted human development** index, i.e. the human development index suitably **corrected to take into account Italy's level of wealth**. Particularly, the **index of life expectancy** has been computed adopting 50 and 85 years respectively as minimum and target levels, the index summarizing literacy and schooling has been replaced by the **rate of high school attendance**, and the index of per capita income has been replaced by the dimensional index reported above.

Raw data are drawn from **Lunaria's** annual report on the national budget law.

- **Social quality**, as measured by the **index of social quality**. This index aims to account for **four dimensions of well-being**: the efficiency of public health services, gender equality, labour precariousness and the quality of public school infrastructures. The index of social quality is the arithmetic mean of the following indexes

- 4) **Health services efficiency** is measured through an index expressing people's opinion on the national health care system, with regard to three particular aspects given by **medical assistance, nursing assistance, and hygienic conditions**.

Raw data are drawn from the **Istat's multipurpose surveys**.

- 5) **Gender equality** is measured through an index aiming to capture **women's integration into the labour market** (as expressed by the difference between men's and women's employment rates) and **women's involvement in local politics** (as expressed by membership in regional councils).

Raw data are drawn from **Lunaria's** annual report on the national budget law.

- 6) **Labour precariousness**, given by the ratio between three variables representing precariousness and the regional labour force. The three variables are the number of workers with provisional contracts (*lavoratori interinali* and *lavoratori a tempo determinato*), the number of the so-called *co-co-co*

(*collaboratori continuati e coordinati*) and the number of people looking for a job:

$$\text{Labour precariousness} = \frac{\text{workers with provisional contracts} + \text{cococos} + \text{people looking for a job}}{\text{regional labour force}}$$

The index ranges from 1 (highest precariousness) to 0.

Raw data are drawn from **Italia Lavoro** (workers with provisional contracts), **Ires-Cgil** (*co-co-cos*), and **Istat** (*Indagine trimestrale sulle forze di lavoro*).

- 7) **Public school infrastructures**, as assessed through the weighted average of **52 indicators of the school environment's quality** collected by **Legambiente** at the provincial level (weights are given by each province's population and, for the regional level, by each region's population).
- **The state of health of urban ecosystems**, as measured by an index of urban ecosystems drawn from **Legambiente's** annual report on the quality of urban environments. The index is computed as the weighted average of **20 key indicators** including, for example, air monitoring results, pedestrian precincts, the efficiency of public transports services and of water softening systems.

- A **capital-labour** indicator is built drawing on **CRENos'** data as the ratio:

$$K/L = \frac{K_{AG} + K_I + K_{MS} + K_{NMS}}{L_{AG} + L_I + L_{MS} + L_{NMS}}$$

where  $K_{AG}$ ,  $K_I$ ,  $K_{MS}$  and  $K_{NMS}$  are the total gross capital stock respectively used in agriculture, industry, market services and non-market services, while  $L_{AG}$ ,  $L_I$ ,  $L_{MS}$  and  $L_{NMS}$  are units of labour employed in the same sectors.

## Summarizing we have:

### 3 Social cohesion variables

**Social enterprises**

Strong family ties or **bonding social capital**

Strong and weak ties connecting friends and acquaintances or **bridging social capital**

Weak ties connecting members of voluntary organizations or **linking social capital**

### 5 variables representing social capital's supposed economic outcomes

Human development

Per capita income

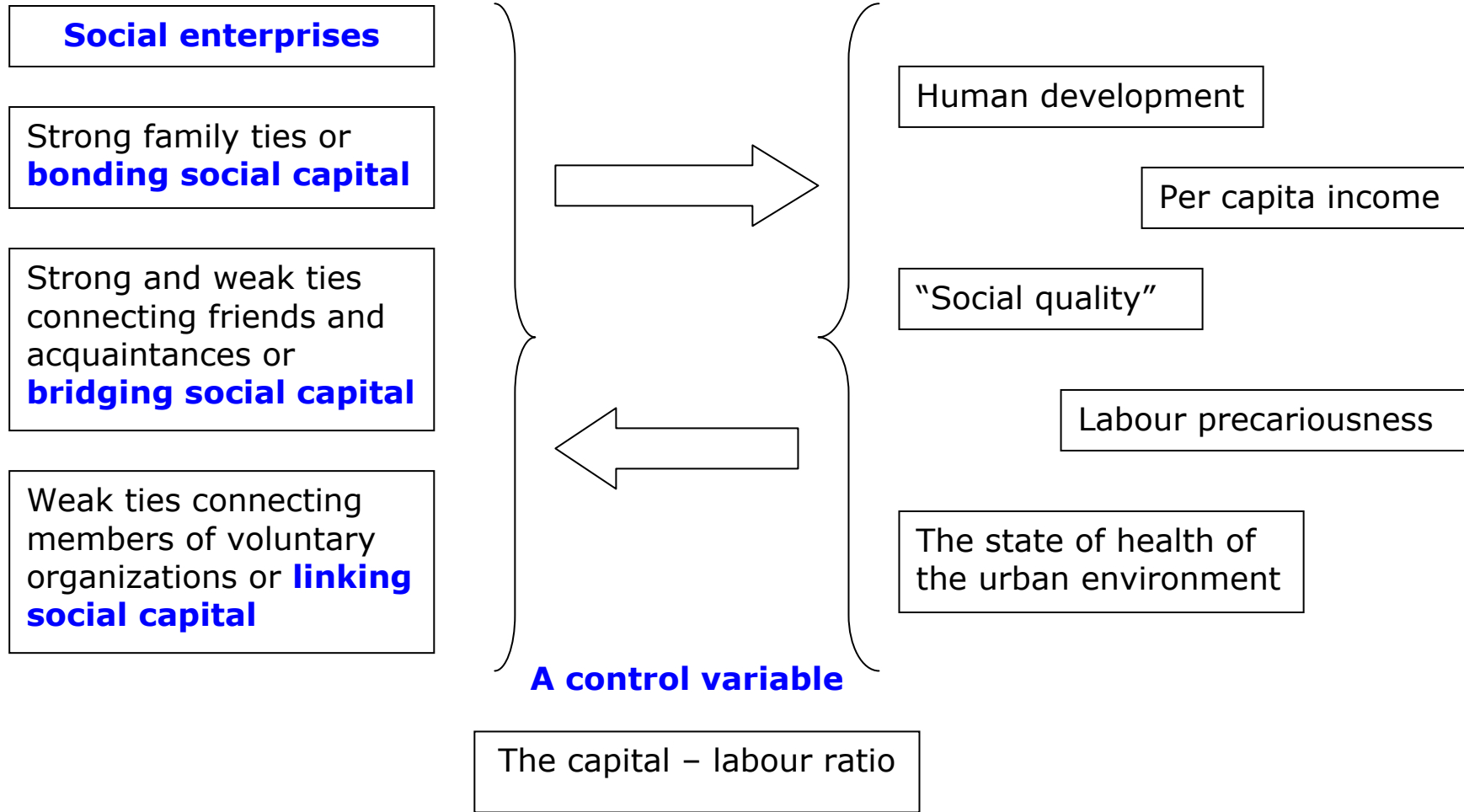
"Social quality"

Labour precariousness

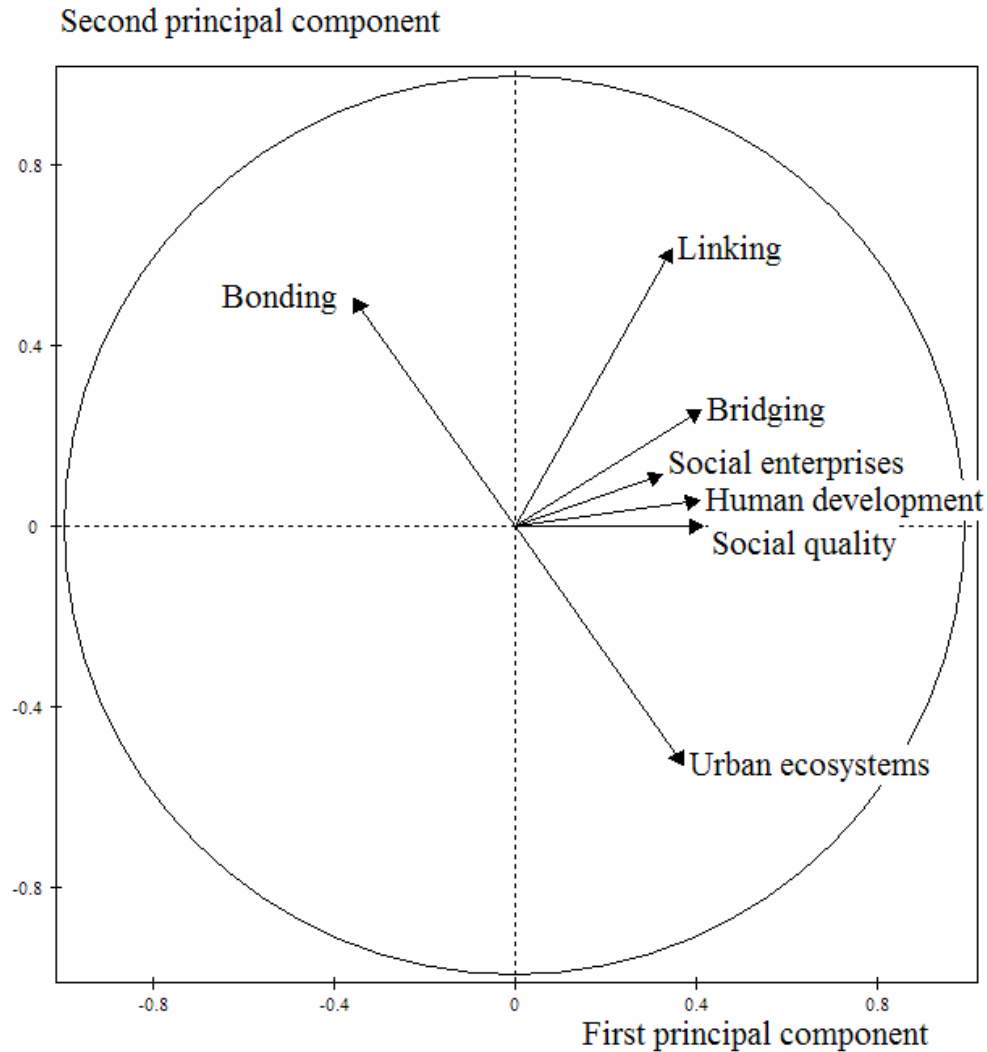
The state of health of the urban environment

### A control variable

The capital - labour ratio



# An exploratory analysis – Social capital, social enterprises and the quality of development



The correlation circle highlights the structure of relationships among variables. Oversimplifying:

- two variables are positively correlated if they are close to each other, and not correlated if they are orthogonal. If they are on the opposite side of the centre, then they are significantly negatively correlated.
- When variables are too close to the centre, it means that some information is carried on other axes and that any interpretation might be hazardous.

## A new econometric strategy - structural equations models

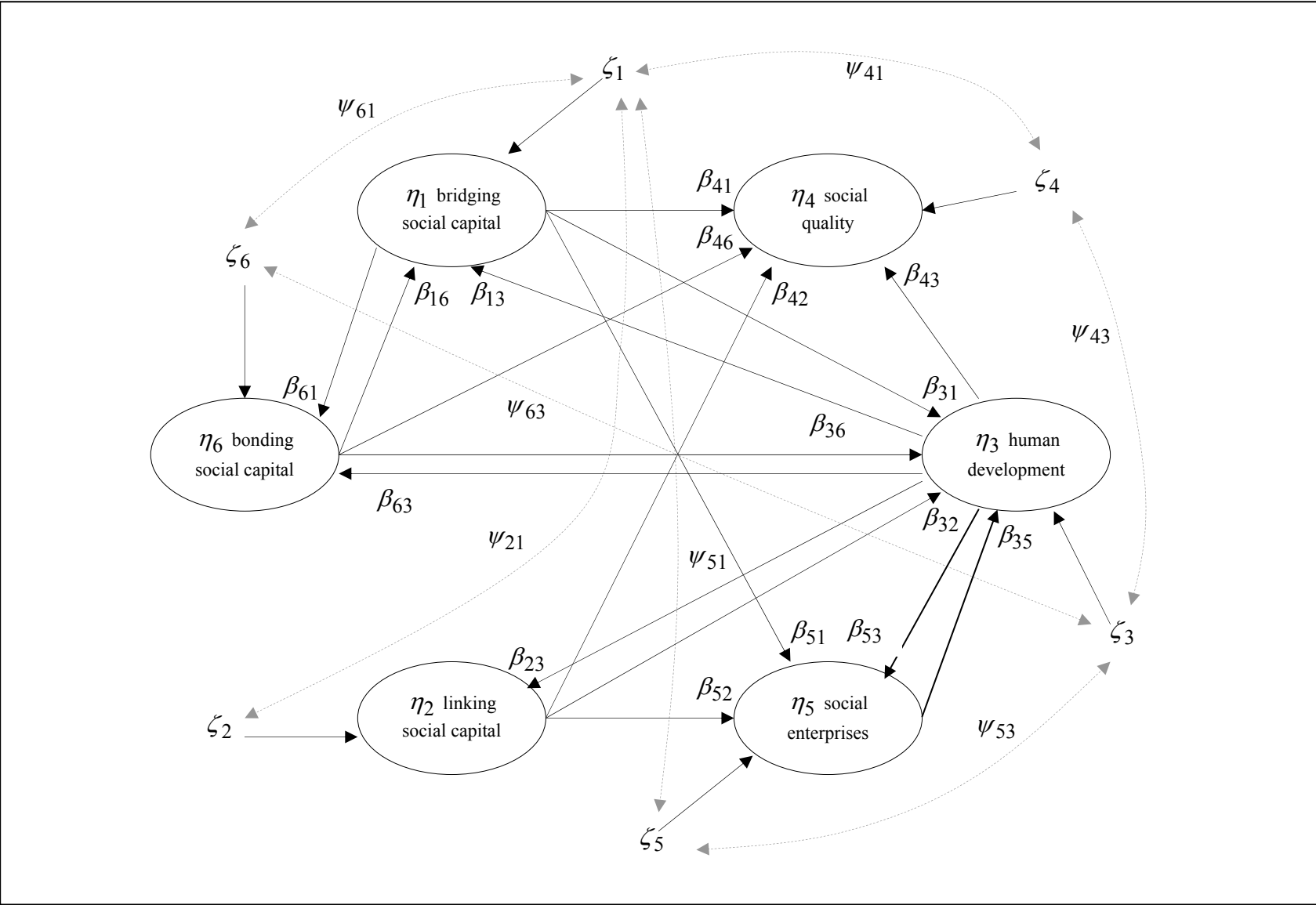
- In this paper, linkages connecting such variables are studied by means of structural equations models.  
In these models we have not a single regression equation explaining (trying to explain) the way in which a dependent variable (for example income or development) is influenced by a range of independent variables (for example physical, human and social capital).
- In structural equations models, each variable which is **independent** in an regression equation is **dependent** in an other. So:
  - we have not exogenous variables
  - we have a system of simultaneous equations
  - within which we have to estimate not only beta-parameters connecting endogenous variables, but also the correlations among error terms.
- Such a strategy allows to account for the great variety of linkages connecting social capital's different dimensions with the diverse dimensions of economic development

- Hundreds of models – accounting for all the possible linkages connecting variables – have been tested. In the paper **the model with the best goodness of fit** (and few refinements) is presented.
- A reduced form of the model is as follows,

$$\begin{bmatrix} \eta_1 \\ \eta_2 \\ \eta_3 \\ \eta_4 \\ \eta_5 \\ \eta_6 \end{bmatrix} = \begin{bmatrix} 0 & 0 & \beta_{13} & 0 & 0 & \beta_{16} \\ 0 & 0 & \beta_{23} & 0 & 0 & 0 \\ \beta_{31} & \beta_{32} & 0 & 0 & 0 & \beta_{36} \\ \beta_{41} & \beta_{42} & \beta_{43} & 0 & 0 & \beta_{46} \\ \beta_{51} & \beta_{52} & 0 & 0 & 0 & 0 \\ \beta_{61} & 0 & \beta_{63} & 0 & 0 & 0 \end{bmatrix} \cdot \begin{bmatrix} \eta_1 \\ \eta_2 \\ \eta_3 \\ \eta_4 \\ \eta_5 \\ \eta_6 \end{bmatrix} + \begin{bmatrix} \zeta_1 \\ \zeta_2 \\ \zeta_3 \\ \zeta_4 \\ \zeta_5 \\ \zeta_6 \end{bmatrix} \begin{bmatrix} 1 & & & & & \\ & \psi_{21} & 1 & & & \\ & 0 & 0 & 1 & & \\ & \psi_{41} & 0 & \psi_{43} & 1 & \\ & \psi_{51} & 0 & \psi_{53} & 0 & 1 \\ & \psi_{61} & 0 & \psi_{63} & 0 & 0 & 1 \end{bmatrix}$$

where  $\eta_1$  is **bridging social capital**,  $\eta_2$  **linking social capital**,  $\eta_3$  **adjusted human development**,  $\eta_4$  **social quality**,  $\eta_5$  **social enterprises**, and  $\eta_6$  **bonding social capital**.  $\zeta_i$ , with  $i=(1,\dots,6)$ , are the errors related to endogenous variables.





## Main findings

- The **negative relationship between bonding social capital and economic development** proves to be **biunique**:
  - not only strong family ties may hamper human development
  - but they also deteriorate themselves with higher levels of development.

Banfield's amoral familism early thesis is thereby confirmed

- **Bridging and linking social capital are positively affected by human development, but only linking social capital exerts a positive reverse effect. On the contrary, bridging social capital negatively influences human development.**
- Weak ties connecting friends and acquaintances (i.e. bridging social capital) **are reinforced by bonding social capital. (...)**

From the *amoral familism* → to forms of *amoral friendships*?

- **Social quality is positively influenced by human development, bonding social capital and bridging social capital.** The relationship with linking social capital is weakly negative.

This is mostly due to the role of **labour precariousness** in building the social quality index.

- Social enterprises exert a positive influence on social quality, largely due to the positive effect on two of its basic components, labour precariousness and the quality of health public services.
- Human development exerts a weakly positive effect on the growth of social enterprises, which in turn exert a positive reverse effect.
- There is a negative relationship between the presence of social enterprises and that of the social capital of voluntary organizations, suggesting the possibility that each one of these two forms of organizations could crowd out the other.

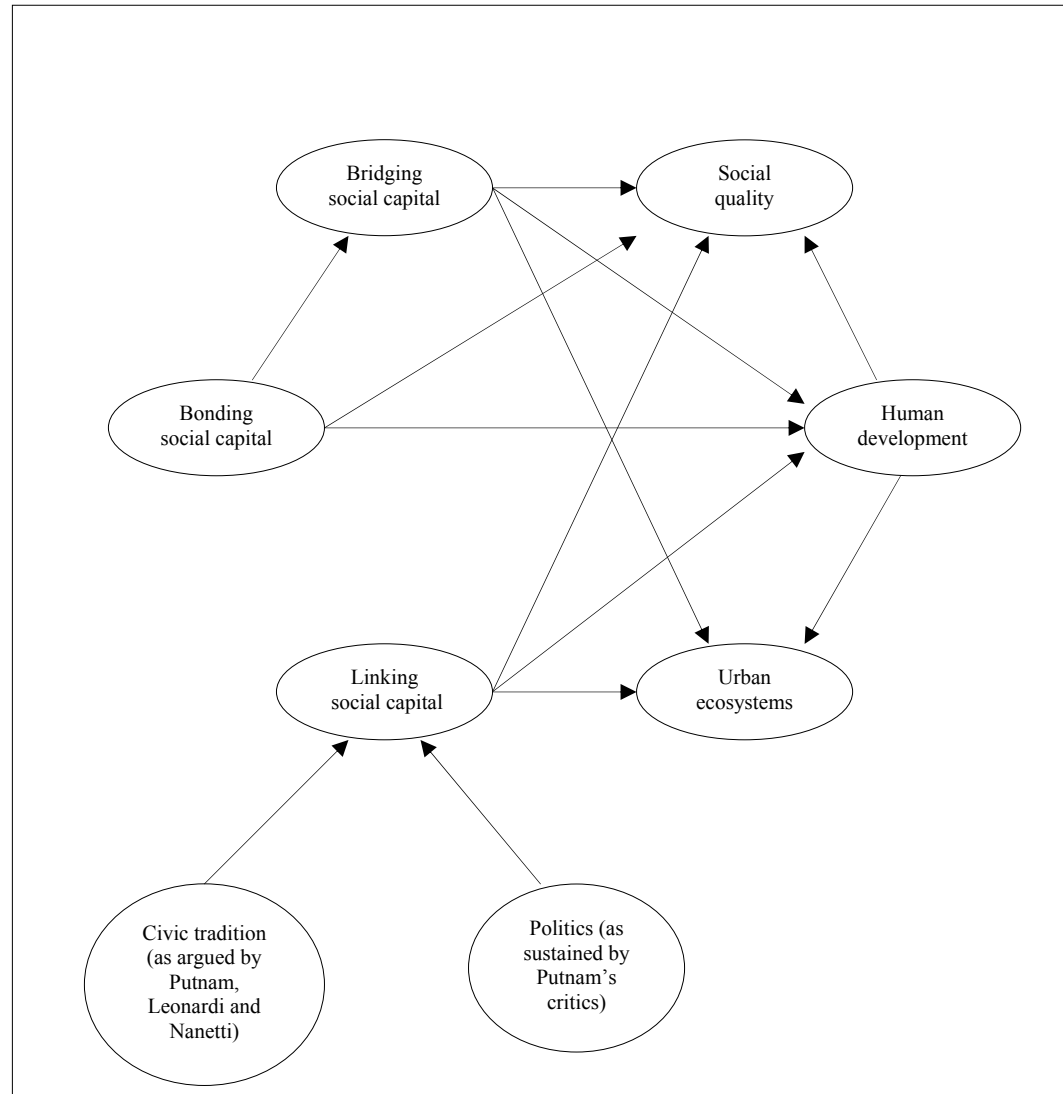
## The place of these findings within the social capital literature

- The positive developmental effect of linking social capital sounds as a relevant proof of **Putnam's claims on the role of voluntary organizations, therefore contradicting great part of the economics and political science literature in the field.**
- According to Putnam, associations function as "schools of democracy", in which cooperative values and trust are easily socialized. The claim is that:
  - a.** in areas with stronger, dense, horizontal, and more cross-cutting networks, there is a spillover from membership in organizations to the cooperative values and norms that citizens develop;
  - b.** in areas where networks with such characteristics do not develop, there are fewer opportunities to learn civic virtues and democratic attitudes, resulting in a lack of trust.
- Several notable studies have questioned Putnam's thesis, pointing out a negative relationship between the density of voluntary organizations and economic growth (Keefer and Knack, 1993, Heliwell, 1996, Knack and Keefer, 1997).

- **Knack and Keefer (1997)**: cooperation and solidarity connected with the presence of voluntary associations work better at the level of smaller communities. If the economic goals of a group conflict with those of other groups or of unorganized interests, the overall effect of group memberships and activities on economic performance could be negative ... Although the ability of groups to articulate their interests is likely to be an important restraint on government, it also provides groups a way to capture private benefits at the expense of society.
- In Italy, the density of voluntary organizations is in most cases connected with a deep tradition of civic involvement and social participation. According to Putnam (1993), 'Stocks of social capital, such as trust, norms and networks, tend to be self-reinforcing and cumulative. Virtuous circles result in **social equilibria** with high levels of cooperation, trust, reciprocity, civic engagement, and collective well-being ... Defection, distrust, shirking, exploitation, isolation, disorder, and stagnation intensify one another in a suffocating miasma of vicious circles. This argument suggests that there may be at least **two broad equilibria toward which all societies that face problems of collective action (that is all societies) tend to evolve and which, once attained, tend to be self-reinforcing**' (Putnam, Leonardi and Nanetti, 1993, 177).

## Politics: the “missing link”?

The Italian regions exhibiting higher levels of civic participation and civic awareness are those **historically administered by centre-left coalition local governments** or characterized by a tradition of deep involvement in **local community affairs** (this is the case of TTA and VA). In these regions, **civil society has developed in close contact with active political participation**, and has been largely informed by **ideological principles**, not directly connected to the pursuit of personal or sectarian advantages.



- Unfortunately, it is not possible to adopt the measure of active political participation built in section 2.3.4 to provide a first preliminary test of the hypothesis on the role of politics.
- In Italy, political participation is high not only in regions characterized by deep traditions of civic involvement, like those governed by centre-left coalitions, but also in less developed Southern regions, where political militancy often constitutes a mean to pursue narrow, sectarian, interests and to obtain patronage favours, rather than a way to participate in collective affairs

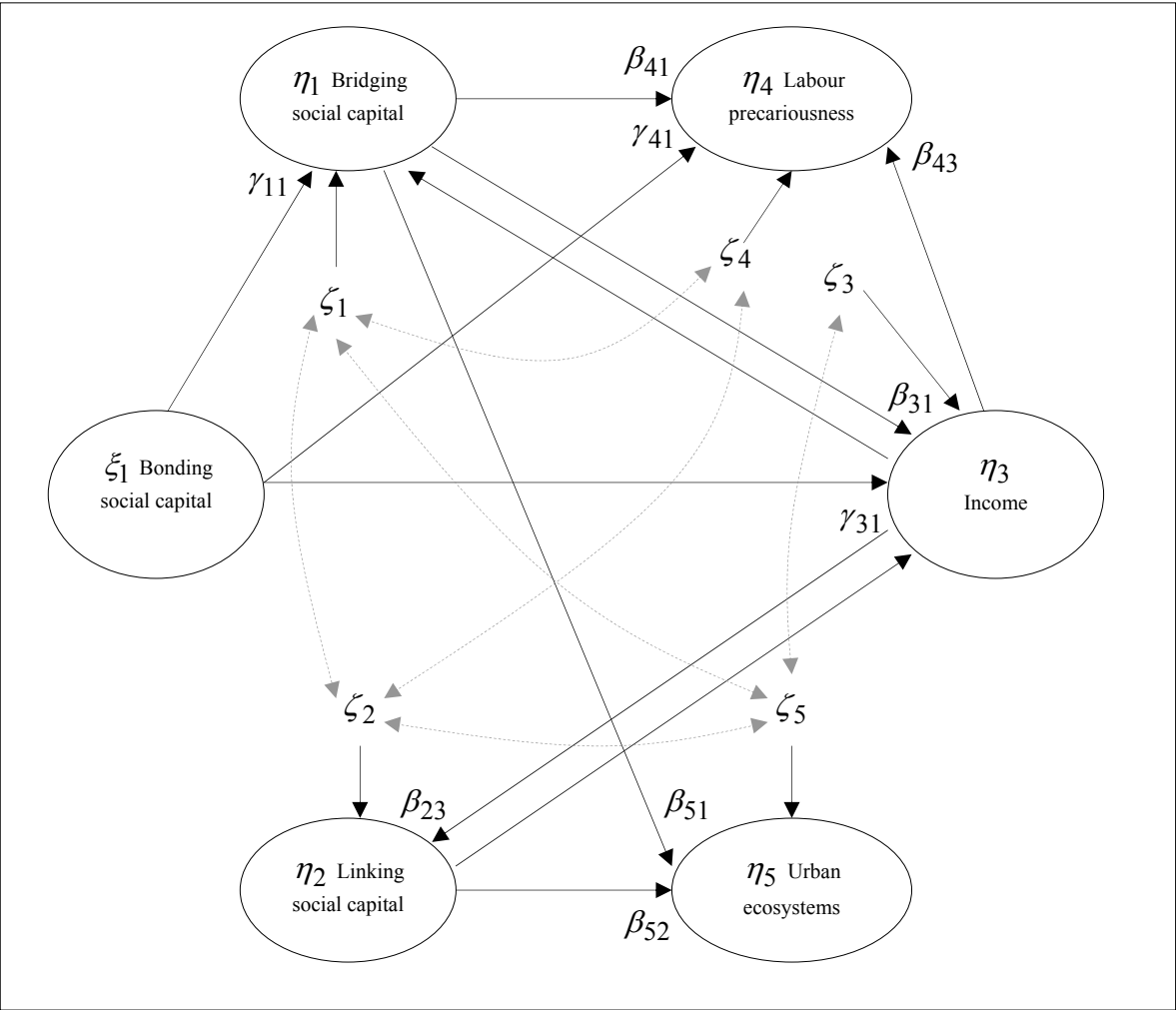
## Social capital, labour precariousness and the economic performance

- In respect to the previous model, we **replace**:
  - a. the index of social quality with an **index of labour precariousness**

The idea of taking into account such variable grows out from the wide debate on the role of social networks in the job market matching mechanisms, which has been recently nourished by the OECD through the recommendation of active labour market policies based on the establishment or the improvement of workers' personal networks.
  - b. the adjusted human development index with a dimensional **index of per capita income**
- and we treat bonding social capital as an exogenous variable (in the previous model, strong family ties were influenced both by social and economic factors)

$$\begin{bmatrix} \eta_1 \\ \eta_2 \\ \eta_3 \\ \eta_4 \\ \eta_5 \end{bmatrix} = \begin{bmatrix} 0 & 0 & \beta_{13} & 0 & 0 \\ 0 & 0 & \beta_{23} & 0 & 0 \\ \beta_{31} & \beta_{32} & 0 & 0 & 0 \\ \beta_{41} & 0 & \beta_{43} & 0 & 0 \\ \beta_{51} & \beta_{52} & 0 & 0 & 0 \end{bmatrix} \cdot \begin{bmatrix} \eta_1 \\ \eta_2 \\ \eta_3 \\ \eta_4 \\ \eta_5 \end{bmatrix} + \begin{bmatrix} \gamma_{11} \\ 0 \\ \gamma_{31} \\ \gamma_{41} \\ 0 \end{bmatrix} \cdot [\xi_1] + \begin{bmatrix} \zeta_1 \\ \zeta_2 \\ \zeta_3 \\ \zeta_4 \\ \zeta_5 \end{bmatrix} \begin{bmatrix} 1 & & & & \\ \psi_{21} & 1 & & & \\ 0 & 0 & 1 & & \\ \psi_{41} & \psi_{42} & 0 & 1 & \\ \psi_{51} & \psi_{52} & \psi_{53} & 0 & 1 \end{bmatrix}$$





## Main findings

- Linking social capital positively affects income, while bonding and bridging social capital exert a negative influence.
- Income positively affects bridging social capital and, to a lesser extent, linking social capital.
- Bonding social capital confirms its ability to foster bridging social capital. Its negative influence on income is thus twofold: there is a direct effect, moving straight to income, and an indirect effect, passing through bridging social capital.
- The positive effect of linking social capital on the state of health of urban ecosystems is confirmed.
- The model shows that **bonding social capital is able to exert a positive effect on labour precariousness**.
- Even if there is the possibility for social networks to “close” the labour market, increasing the contractual strength of insiders, hampering matching processes’ efficiency and therefore sharpening unemployment, weak ties are likely to play a positive role in determining job satisfaction of employed workers. In the Italian regions, weak ties within social networks of friends and acquaintances seem to increase job’s quality through a reduction of workers’ precariousness.

- **All these relationships are confirmed if controlling for the role of physical capital.**