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Human development and well-being
during the great recession. The non-
profit sector as a capability enhancing
workplace

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Title: HUMAN DEVELOPMENT AND WELL-BEING DURING THE GREAT RECESSION. THE NON-PROFIT SECTOR AS A CAPABILITY ENHANCING WORKPLACE.

Abstract

The current financial crisis poses severe challenges to the economic system. Specifically, the increasing unemployment and the contraction of firms' labor demand induce a higher social vulnerability, leading to capability deprivation of individuals (Sen 1999), new sources of poverty, and social exclusion. Consequently, labor productivity is reduced and, due to the fiscal pressure, labor costs increase.

The analysis sheds a light on a perverse adjustment mechanism that might run the economic system into a vicious circle: enterprises during crises tend to reduce labor costs by firing employees; people run the risk of an economic marginalization and tend to abandon the labor force in favor of household production. In this scenario, the non-profit sector can exert a crucial role as, by lowering the monetary costs of labor and capital, it can offer employees a capability developing workplace context, where they can experience a reduction of their vulnerability by finding an alternative source of employment.

Specifically, we propose a model aimed at regulating the interaction between the formal and the informal sector (NPOs, third sector, cooperatives). The main innovation regards the existence of n non-profit activities that can lower the monetary costs of labor and capital by paying a share of wages and dividends in real terms. In this perspective there is room for the public sector to assign a value to the economic activities that foster social capital, contribute to reduce inequality and increase individual and collective well-being.

A statistical analysis of the Italian economic system based on this framework stresses the importance of citizens and firms' participation at political, economic and social level in finding an equitable, sustainable and durable way out of the crisis. Specifically, we focus on the importance to restate the assessment measure of poverty: not only income and expenditures figures, but also contextual factors and capability development opportunity count for building equitable and sustainable life conditions.

Key Words: Non- profit institutions; Welfare, well-being and poverty; Vulnerability and social exclusion; Cooperatives Enterprises; Informal Economy; Household Production

JEL Classification: L 33; I 3; P 13; E 26; D 13.

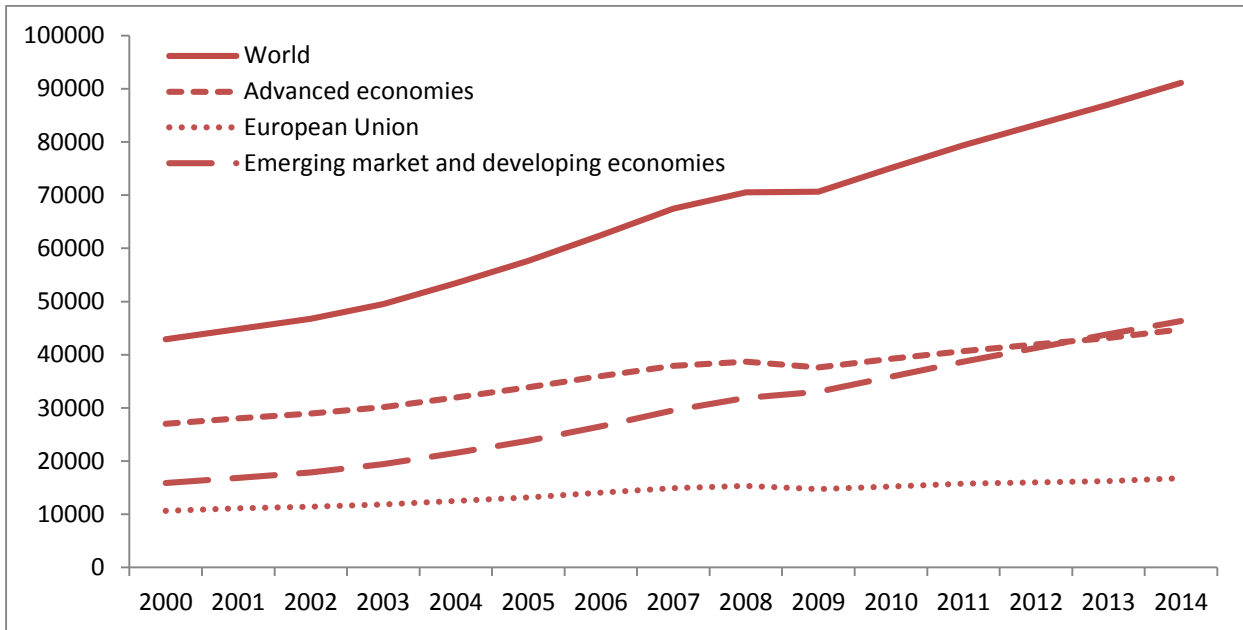
1. INTRODUCTION – The Great Recession posits severe challenges in seemingly unrelated fields. At an economic and financial level, the increasing unemployment and the decreasing labor market demand are the major effects to be observed in the global economic system. At a social and human level, individuals' vulnerability and capability deprivation (Sen, 1999) together with their consequences in the medium term, i.e. increased poverty also in developed countries and social exclusion, are now issues at stake even in the so-called "advanced economies".

These issues, however, are only seemingly unrelated, and we show how by integrating in a simple microeconomic framework a standard production process and the third sector's activities it is possible to generate synergies both for profit oriented firms and non-profit institutions. In this framework, the public sector plays a role of regulator. Moreover, it assigns a value to the economic activities that foster human development, contributing also to reduce inequality and to increase individual and collective well-being.

Specifically, while profit oriented firms have major concerns for the current crisis, and tend to preserve their economic stability, non-profit institutions focus their attention on the negative effects of the Great Recession on individual well-being and on participation in the labor market. Therefore, an exit strategy from the crisis can be found in a higher degree of participation and agency at individual level, and more specifically, in public policies and market strategies aimed at empowering citizens and firms.

By integrating different sectors (public, private, non-profit), an exit strategy from the crisis emerges satisfying at the same time the main issues of individual well-being, human development and stability of the economic system, coherently with the main goals defined at European and international level. In the following paragraphs, we illustrate the data collected at global and European level, with a specific focus on the Italian case. Data show how the evidence of *GDP* growth does not correspond to convergence and to less inequality in per capita *GDP*.

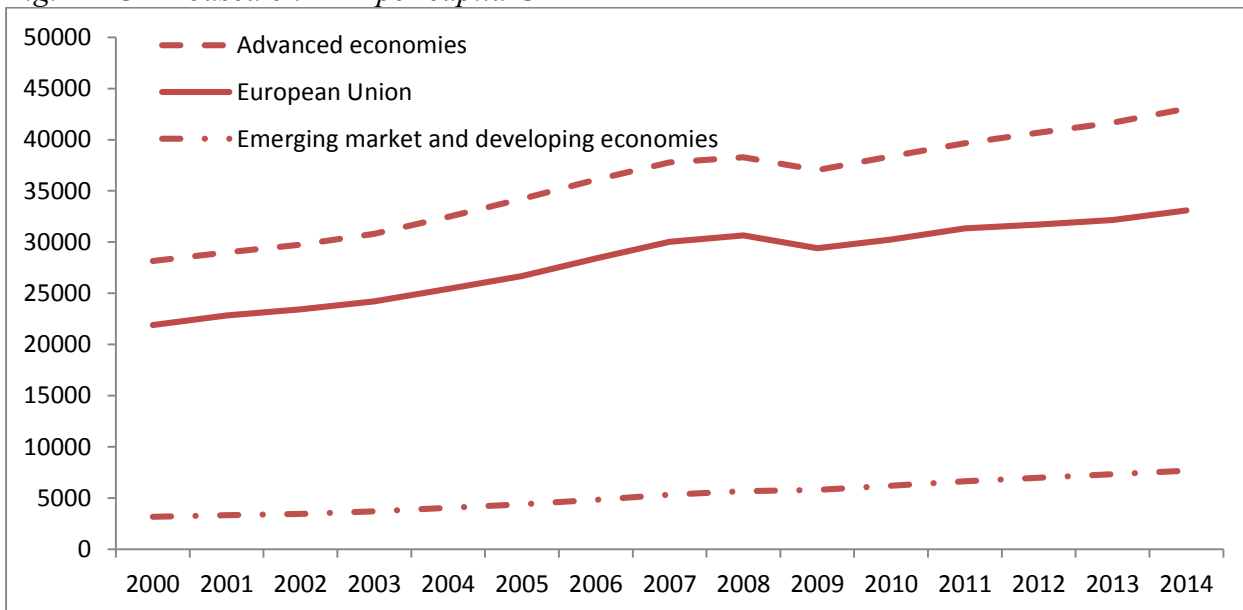
2. GROWTH, HUMAN DEVELOPMENT AND INSTITUTIONS DURING THE GREAT RECESSION – Despite of the generalized perception about the effects and the challenges posed by the Crisis to the global economic system, the world real *GDP* is increasing, and its composition between "*Advanced economies*" and "*Emerging markets and developing economies*" exhibits some sort of convergence. Also in the European Union (EU) there is evidence of growth, even if at lower rates. Similar results are provided by the observation of the *GDP* measured in PPP (Purchasing Power Parity), with even better results in terms of convergence (see Fig. 1). Specifically, since 2013, "*Emerging markets and developing economies*" own a higher share of *GDP* than that one produced in the "*Advanced economies*".



Source: our elaboration on IMF data (2014).

However, data on GDP per capita measured in PPP tell another story. Even if at world level the GDP per capita is on a significant growth trend, there is still a huge gap among the “Advanced economies” and the “Emerging markets and developing economies” in terms of economic well-being. Moreover, a weak convergence emerges only in relative terms rather than in absolute values (see Fig.2).

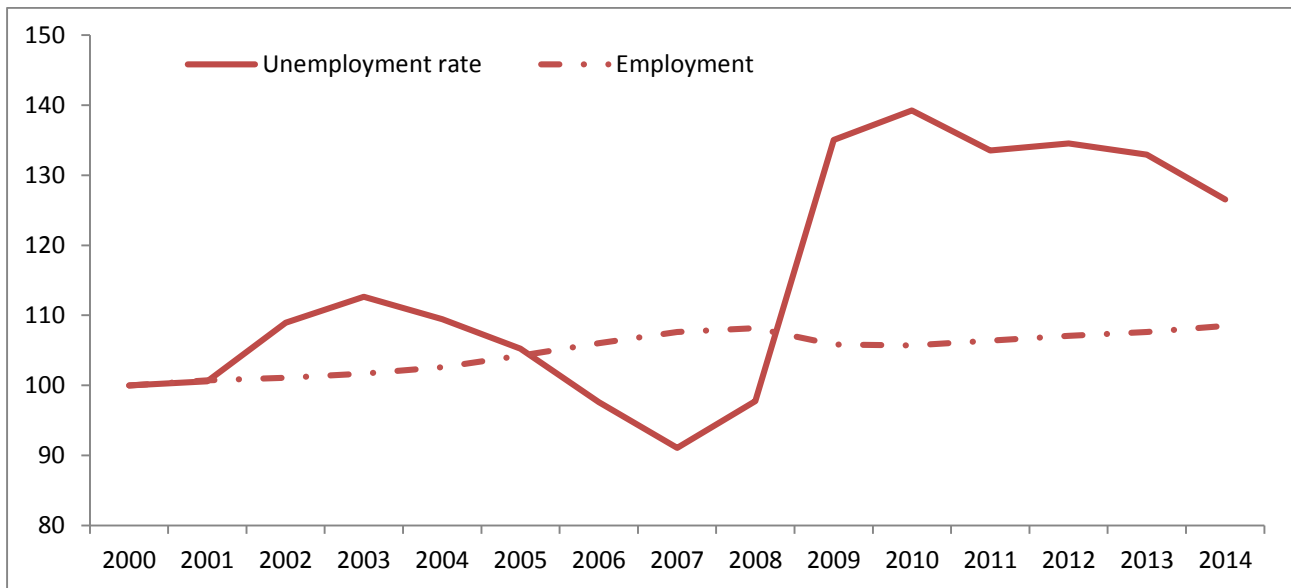
Fig. 2 – GDP based on PPP per capita GDP



Source: our elaboration on IMF data (2014).

While the crisis is accompanied by a persistent, even if slightly decreasing, income inequality among the North and the South of the world, in the advanced economies its major consequence has been that of raising the unemployment rate during the years 2007-2010, as a consequence of a “not increasing” employment rate.

Fig.3 – Employment and unemployment in advanced economies



Source: our elaboration on IMF data (2014).

This fact is even more evident in the Euro area, where the level of employment increased until 2007, and then decreased for the whole period of observation. As a reaction, the unemployment rate raised from 7,59% in 2007 to 12,05% in 2013. Specifically, the increasing unemployment in the Euro area is associated with a higher level of social vulnerability and capability deprivation (Sen, 1999), that leads to new sources of poverty and social exclusion. The numbers provided by the European Commission for 2011 are striking, considering that the EU has been always taken as an area characterized by a relatively high economic well-being¹:

- over 120 million people (almost 24% of EU population) are at risk of poverty or social exclusion;
- close to 9% of all Europeans live in severe material deprivation;
- 17% of Europeans live on less than 60% of their country's average household income;
- 10% of Europeans live in households where no one has a job;
- there is a wide gap among the welfare systems of EU countries in reducing the poverty risk;
- 12 million (more women than men) are living in poverty in the EU;
- specific populations such as the Roma are especially challenged.

On the other hand, the human development indicators (per capita GDP was mentioned before) are significantly higher than in other parts of the world. However, the human development framework cannot be reduced only to the three dimensions of the HDI (namely, education, health and GDP per capita). Due to its multidimensional nature, it should account also for other measures of well-being, mostly related to the concept of capability and agency.

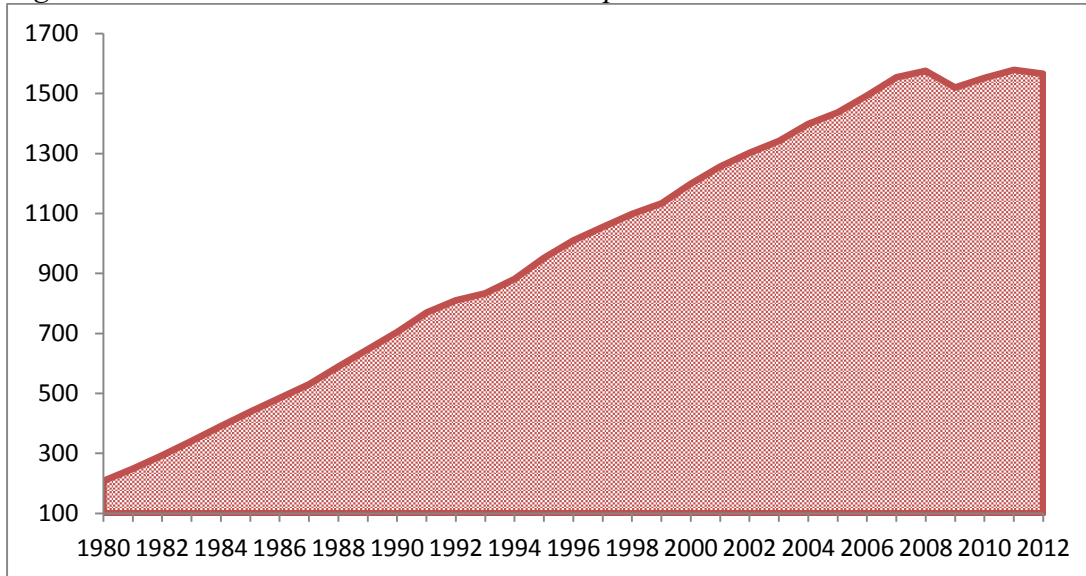
Given these premises, when speaking about developed countries, deprivation might depend mostly on relational and social issues rather than on individual capabilities. Specifically, we would like to stress the negative impact that “bad” institutions can have on human development. In brief, the causes of the European systemic fragility might be deeply rooted in the malfunctioning of the social, institutional (public and private) and economic framework. In the rest of the paper, we focus on the Italian economic system. Specifically, the analysis of the major pathologies of the Italian economic system may reveal useful to identify an exit strategy from the Crisis that could be adopted also in other countries with similar economic conditions.

¹ <http://ec.europa.eu/social/main.jsp?catId=751&langId=en> (last check: 4th December 2014).

3. THE EFFECTS OF THE LACK OF AGENCY ON THE ITALIAN PRIVATE SECTOR – In this section we briefly summarize the major issues involving the Italian market economy. Specifically, we illustrate the main consequences of the Great Recession on: i) the Italian *GDP*, 2) the productivity of labour, iii) the economic dynamism and iv) the labour market.

3.1. *A simple GDP decomposition* – At aggregate level, the Great Recession has interrupted the long run trend of growth of the Italian *GDP* measured at current prices. As it is illustrated in Figure 4, indeed, since 2007 the Italian nominal *GDP* is stationary around an average level of 1.557,5 billions of euro.

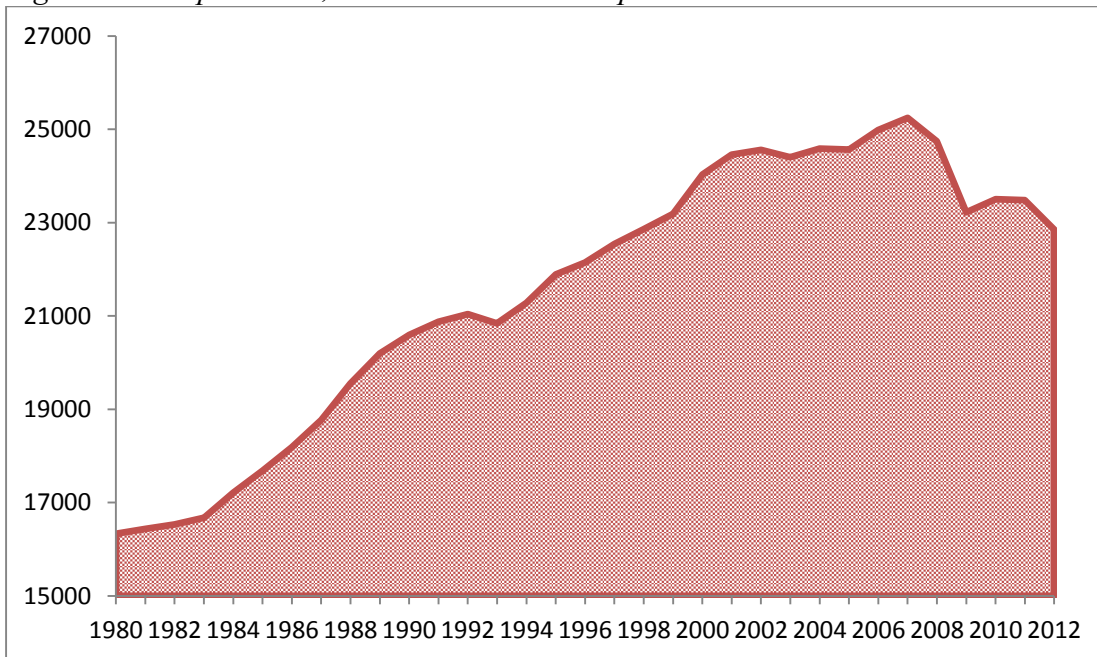
Fig. 4 – The Italian *GDP* measured at current prices



Source: our elaboration on IMF Data (2013).

The identity $Nominal\ GDP \equiv GDP\ Deflator \times per\ capita\ real\ GDP \times Population$ provides a simple criterion to analyze qualitatively the Italian *GDP* dynamics. Specifically, the level of prices increased along all the period of observation, even if its growth trend decreased. However, the negative trend of the per capita real *GDP* since 2007 is even more striking, with a cumulative drop in five years of 2.390 € (from 25.243,34 € in 2007 to 22.853,21 € in 2012), completely unexpected if compared to the previous long run positive trend.

Fig.5 – Per capita GDP, measured at constant prices



Source: our elaboration on IMF Data (2013).

Finally, since the beginning of 2000 the Italian population, after several decades of stationarity, entered in a phase of rapid growth.

This simple decomposition of the *GDP* determinants highlights how the nominal *GDP* stationarity has even more worrisome consequences in terms of welfare and human development. Specifically, in the light of a partial deceleration of prices, it implies a significant drop in per capita *GDP*, in front of an increasing population that instead raises the need for more growth and jobs. Specifically, a lower individual income might be highly correlated with a higher level of social vulnerability and with new types of poverty.

3.2. The stagnation of productivity – The low growth rate of *GDP* is the mirror of the low growth rate of productivity of labor in the last 10 years. The Italian productivity delay makes evident how important it is to overcome the current incentive system, which seems to be costly and ineffective. Specifically, economists suggest shifting toward more capital-intensive processes, sustained by investments in innovation, trade facilitation procedures and ICTs. Moreover, we suggest as a complementary policy to foster participation and agency of citizens and firms as a crucial determinant of productivity and growth (see paragraphs 5 and 6).

Fig.6 – Productivity, hour worked and value added at basic prices in Italy



Source: ISTAT, (2014).

3.3. *The labor market* – The analysis of the ISTAT data regarding the main aggregates of the Italian labor market show how the Great Recession determined a significant increase in the unemployment rate (from 6,1% in 2006 to 10,63% in 2012), accompanied by a decrease in the employment rate (from 39,67% in 2007 to 37,65% in 2012). The level of social exclusion, also in the light of the increasing demographic trend, rose significantly during the crisis, worsening the reputation of the public and private Italian institutions.

It can be noticed also how, while the ratio between total workers and regular workers remained almost constant in the last decade, and particularly during the crisis, the total amount of hours worked reached a peak in 2007 (45,75 millions), then declined sharply until in 2012 (43,21 millions, that means 5,55% less). It seems, then, that the negative impact of the crisis on the level of employment has been partially absorbed by reducing the number of hours worked per employee (from 35,8 in 2000 to 33,7 in 2012).

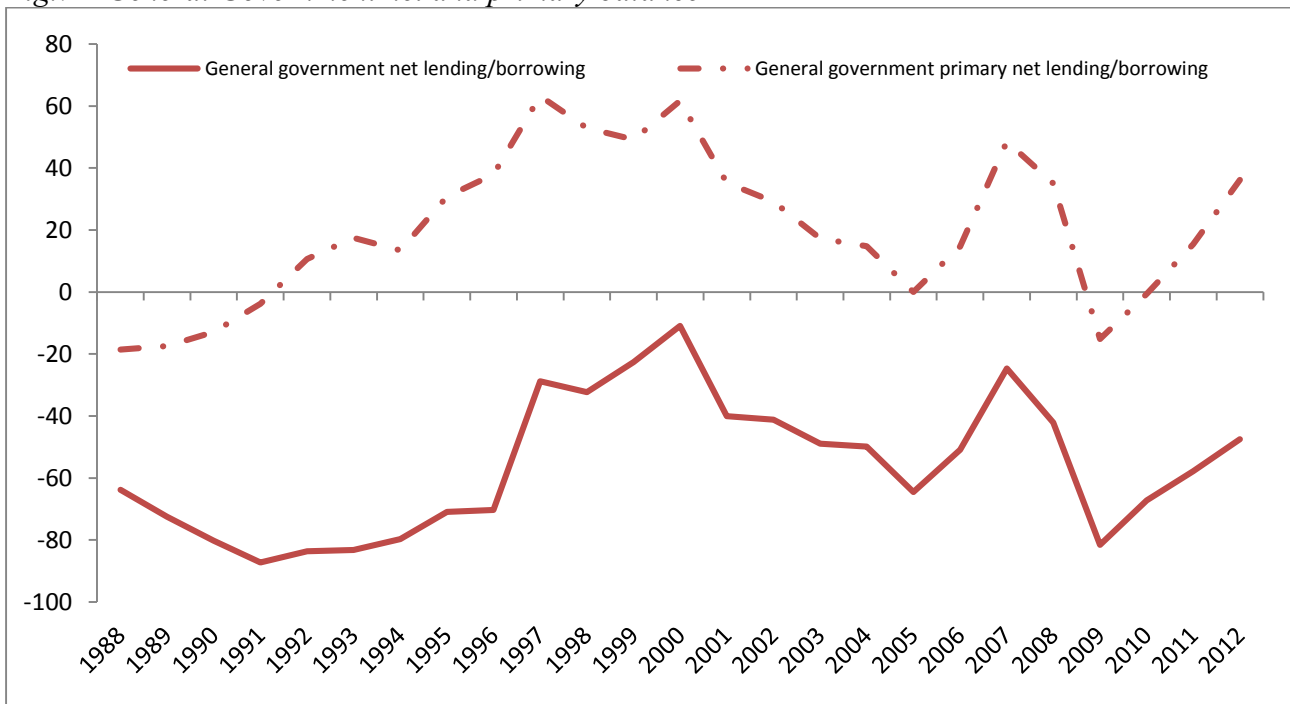
3.4. *The economic dynamism* – Data highlight how the Italian entrepreneurial structure is characterized by the presence of a myriad of micro-firms, and how the Great Recession had a negative impact in terms of lower economic dynamism (lower gross turnover rate). Specifically, according to ISTAT data in 2010 there were more than 63,5 firms per 1,000 inhabitants in Italy (64,2 in 2001), one of the highest levels in Europe, with an average of 3,9 employees (3,8 in 2001). In the same year, the birth rate of firms was at 6,7 (in 2001 it was 7,8), while the death rate of firms was at 7,7 (in 2000 it was 7,0). As a result, the gross turnover rate passed by 14,8 in 2001 to 14,4 in 2010. Even if with substantial differences in the number of firms and in the average number of employees per firm, the data collected for Centre-North and Southern Italy highlight similar trends.

Even if, by one side, the significant fragmentation of the Italian economic structure might find a counterpart in the lack of competitiveness, on the other hand, the massive presence of micro-firms might constitute a fertile entrepreneurial environment for “grassroot innovation” processes, which might contribute to foster human development and revitalize economic growth.

4. THE UNSUSTAINABILITY OF THE ITALIAN PUBLIC SECTOR – In this section we briefly summarize the main issues regarding the Italian public sector. Specifically, we account for: i) the unsustainability of the general government balance; ii) the increasing trend of the Italian public expenditure; iii) the territorial imbalances between Centre-North and Southern Italy; iv) welfare inequalities at territorial level .

4.1. *The general government balance* – As regards the Italian public sector, the general government balance is characterized by a significant increasing trend of both revenues and expenditures. However, it is worth noticing how, compared to the *GDP*, while the expenditure remained close to a value of 50%, in the last 25 years the revenues raised from less than 40% to almost 50%. According to this perspective, the Government should have acted as a net lender for the Italian economy. Instead, while the General Government net balance is negative during the whole period of analysis, the General Government primary balance is positive since 1992, except that for 2009 and 2010, and the difference can be explained in terms of the net interests paid on the debt. Specifically, during the period 1988-2012, on average the Italian Government has paid every year net interests for an amount equal to the 5% of the Italian *GDP*.

Fig.7 – *General Government net and primary balance*



Source: Our elaboration on IMF Data (2013).

4.2. *The Italian public expenditure* – The Italian public expenditure is among the highest on the international scene and its structure has several peculiar features. Specifically, the “Giarda Report” (Italian Government, 2012) stresses the excessive amount of the public expenditure, and its unbalanced composition characterized by the significant share assigned to the payment of interests and pensions. Moreover, territorial imbalances emerge in the analysis of its distribution at regional and local level. These findings indicate the need to review and possibly cut the expenditure, but not all the public expenditure can be reviewed. As illustrated in the Giarda Report, the reviewable expenditure is of almost 295 billions of euros. The most important component is the share of the expenditure in goods and services (135,6 b€), followed by wages (122,1 b€), transfers to firms and contribution to production (24,1 b€), contribution to households and social institutions (13,2 b€). In terms of government levels, the highest share is that of the local health institutions (33,1%), followed

by Regions, Commons and Provinces (24,3%), State, Central Administration and Social Security (37,4%), Universities and local institutions (5,2%) (Italian Government, 2012).

4.3. The territorial imbalances and inequality in the availability of public resources. – The DPS² yearly report (2013) collects analytical issues regarding the public expenditure, its main components (capital and current expenditure) and its territorial distribution in the light of changes in the revenues collected and in other variables of interest (as an example, the level of population and the level of economic activity). Specifically, in the DPS report it is documented how the Italian total primary public expenditure (net of interests service) measured in per capita values at current prices decreased from 2009 to 2011 by 5%, falling to a value of 10.160 €, with strong territorial differences (10.650 in the Center-North, 8.735 in Southern Italy). These findings determine a consistent change with respect to the long run increasing trend of growth at the yearly rate of 1,4% observed in the period 1996-2008. Moreover, the negative change has been strongly unbalanced in its composition, as the major reductions come from cuts to the capital expenditure. It is also worth noticing how the stationarity of the current expenditure has not been sufficient to guarantee an adequate selectivity in public choices or at least the invariance of the resources dedicated to the relevant sectors for collective services (DPS, 2013).

4.4. Italy and welfare inequality – We have measured the level of welfare in Italy by comparing a set of indicators published by ISTAT (ISTAT 2013a, ISTAT 2013b) for EU-27, Italy and Southern Italy. We grouped the indicators in five major areas regarding the demand and supply of public services (“Security”, “Healthcare and social assistance”, “Education and human capital”, “Environment and local public services”, “Transport and infrastructure”). The analysis stresses the best performance of the Italian public sector with respect to the EU-27 average in terms of security and transports, but also the worst performance in terms of healthcare and social assistance, education and human capital, environment and local public services. Moreover, the analysis highlights the worst performance of Southern Italy with respect to the national average in all the fields considered. Such differences can explain the spread in the expectation of life between the Center-North and the Southern part of the country, which is, however, among the highest values at EU-27 level.

5. BEYOND A STANDARD VIEW: THE ROLE OF THE THIRD AND THE NON-PROFIT SECTOR AS A CAPABILITY-ENHANCING WORKPLACE – The results summarized in the previous paragraphs can at least partially explain the financial fragility of the Italian economy, especially in comparative terms. In our opinion, the Italian economy should manage its structural weaknesses by maturing a long-term view including also capital stocks (economic, environmental), and human and social issues in the economic reasoning. Specifically, the net financial wealth of the Italian households is among the highest in the world, as recently documented by the Bank of Italy (2013). Then, crowdfunding procedures might help to mitigate the credit crunch and the high cost of capital that thwarts the Italian economy. Moreover, if the unemployment rate is high due to lack of resources and high labor costs, crowdsourcing procedures might facilitate the diffusion of “grassroot innovations” and the autonomous employment of high skilled labor force at the local scale, therefore improving the economic dynamism. Thirdly, the empowerment of the third sector might help to reduce the public expenditure allocated to provide collective services, contributing to the spending review process and redirecting the private sector toward more sophisticated and innovative economic activities.

5.1 An exit strategy based on people participation and agency – An exit strategy from the Crisis passes through a higher degree of participation and agency at microeconomic level, and more specifically, through public policies and market strategies aimed at empowering citizens and firms’ participation and agency. Specifically, in this paper we focus on the crucial role exerted by the non-

² Department for Development and Cohesion Policies of the Ministry of the Economy and Finance.

profit sector as a capability-enhancing workplace. Indeed, by lowering the monetary costs of labor and capital and by facilitating “grassroot innovations”, the third sector and the non-profit institutions of the so called “social economy” can offer people a capability developing workplace context, where they can experience a reduction of their vulnerability by acquiring additional functionings, developing new capabilities and finding alternative sources of employment.

The key feature of the model is that of assuming the existence of n non-profit activities that might, at the same time, provide an additional revenue (in monetary or in real terms) and reduce the cost of consumption by reducing the share of goods and services bought on the market (Viganò and Salustri, 2014). Specifically the third sector and non-profit institutions can be considered as capability-enhancing workplaces as they: i) provide an alternative source of employment during crisis; ii) represent a flexible and capability enhancing context where people are highly involved and committed to their job, and required to expand their competences and capabilities; iii) offer people the opportunity to reduce their vulnerability by acquiring additional functionings (Arvidson, 2009; Chapman et alii, 2010; Macmillan, 2012).

5.2 The theoretical framework – In resilient working systems households can substitute their primary job with other activities in order to obtain additional sources of income and consumption with respect to the costly consumption C and the primary income w . It is worth noticing how the existence of an alternative source of employment might allow households to afford levels of expenditure that could not be reached only with the primary job income. We assume that the third and non-profit sector works as a capability enhancing workplace, specifically improving the conversion factors that turn goods and services into functionings (Kuklys, 2005; Kuklys and Robeyns, 2005; Robeyns, 2005). Therefore, due to a higher income and better conversion factors, households involved in the non-profit sector might acquire better and more numerous functionings. Moreover, if returns (monetary and non-monetary) on the resilient activity are higher than those ones offered by the primary employment, workers might decide to shift their primary job to this new source of employment. Then, a resilient activity might be either a complement, or a substitute of the primary job (Borzaga and Tortia, 2006; Becchetti et alii, 2013).

As regards the supply side, we assume that the production sector is made of a profit and of a non-profit sector. In the profit sector (industry A) operates a single firm, while the non-profit sector (industry B) is made of numerous firms that operate in perfect competition. The economy is endowed with N “non-profit workers” plus Q “qualified workers”. Industry A sells a qualitatively differentiated product Y_A , that is obtained by combining social and qualified activities, which are imperfect substitutes. On the other hand, industry B sells only welfare services Y_B , that are bought directly by households as final consumption goods or by the profit-oriented firm and used as intermediate outputs in substitution of non-profit workers’ activities. In modelling the production process, we assume that industry A ’s production function exhibits decreasing returns to scale, due to the presence of a fixed factor K . Industry B ’s production function uses only labour N , where N indicates the activity of non-profit workers.

Finally, government balance is defined as the algebraic sum of the lump sum taxes and subsidies plus the income-proportional taxes and subsidies applied on wages and household production’s activities. We assume that government balance (GB) can be split in two parts, one regarding industry A ’s activities (GB_1), and one inherent industry B ’s activities and household production (GB_2). During recessions, GB_2 can be set in deficit (more subsidies than taxes) to facilitate the research of resilient activities in industry B and in household production, while GB_1 can be set in surplus (more taxes than subsidies) to keep GB in equilibrium. Similarly, in periods of expansion, GB_1 can be set in deficit in order to incentivize participation in industry A ’s activities, while GB_2 can be set in surplus to maintain GB in equilibrium. Then, in the short run, the public sector can influence the sectorial *mix* (profit and non-profit) in the production sector through an *ad hoc* choice of fiscal policy instruments. Specifically, during crises government can redistribute from workers employed in industry A to

workers employed in industry *B* and unemployed workers by rising the (net) marginal tax on industry *A*'s wages to finance a tax cut or a subsidy on industry *B*'s wages or a transfer to low income individuals and unemployed. Moreover, when industry *A*'s labour demand drops, a positive change in households' lump sum subsidies might be useful to provide a minimum level of welfare and to make household production economically sustainable³ (Cachon and Harker, 2002; Vining and Globerman, 1999).

5.3 The outcomes of the model – Laying on these considerations, the theoretical model provides several highlights on the functioning of the non-profit sector as a capability-enhancing workplace. The first issue regards its social orientation. Specifically, during crises, while the profit sector tends for its nature to use its market power to obtain extra profits and finance new investments, the non-profit sector lays on its informal nature and on a more flexible management system to reduce endowments' costs, improve adaptive strategies, and improving non-profit workers' conversion factors.

The second issue is a technical specificity of the governance: the governance mechanism that seems more suitable to drive a successful non-profit organisation is the multi-stakeholdership (Sacchetti and Tortia, 2014), a flat governance based on participation of patrons and members in the decision processes, promoting a higher level of individuals' agency.

The third issue is the shift of the public administrations towards the subsidiarity paradigm that enhances public sector's role of regulator among for profit and non-profit issues. For what concerns specifically the welfare services, this paradigm implies an innovative institutional and policy design aimed at empowering the local communities, by involving the non-profit and the third sector as partners of the PA (i.e. – participative welfare).

A fourth point regards the intrinsic motivation of workers in the non-profit sector. Specifically, intrinsic motivated workers are not just willing to accept lower wages, but they can choose the non-profit as workplace for several reasons, including not economic ones (Frey, 1997; Pencavel et alii, 2006; Mosca et alii, 2007; Narcy, 2011; Becchetti et alii, 2013). Indeed, a flexible working place where people are highly involved in deliberation and decision processes gives individuals the opportunity to experience an entrepreneurial activity and valorises the recognition of multiple perspectives, inducing individuals to improve their competences and agency.

6. ENHANCING PEOPLE'S WELL-BEING AND AGENCY – A socioeconomic theory addressing the principles of human development might constitute the missing link between endogenous and exogenous factors. We refer to the different forms of people's participation at microeconomic level, e.g. the opportunities offered by the informal economy (ranging from volunteer work, social and recreational activities, community development initiatives, non-marketable activities, to welfare service and paid work), as a determinant of well-being and quality of life because of their potential to expand individuals' functionings and agency.

Being the informal sector largely invisible in official economic statistic, the difficulty lays in measuring the economic contribution of these institutions to growth, development and economic well-being, even if the efforts by the informal sector (e.g. the work of volunteers) to the formal economy are of fundamental importance for determining the quality of life of societies (Salamon et alii 2011). In the remainder of the paper we try to bridge the research on the capability approach with issues regarding the well-being of individuals, as measured by a recent research conducted in Italy by the National Institute of Statistics (ISTAT).

In our understanding of well-being indicators, we move from the paper by Anand *et al.* (2010), where the authors use subjective well-being (life satisfaction) data to test two hypothesis:

³ A formalized version of the model has been provided in Viganó and Salustri, (2014) , “*Matching profit and non-profit needs: how NPOs and cooperatives contribute to growth in time of crisis*”, *Annals of Public and Cooperative Economics* 86(1).

- whether a wide set of capabilities based on Nussbaum's list⁴ are indeed related to human well-being;
- whether there is any variation between people in the weights they might ascribe to their capabilities.

Specifically, Anand *et al.* present an ordinary least squares model of subjective well-being as a function of more than 60 capability indicators plus two dummy variables used to control for current and expected work status. As many indicators do not exhibit a significant coefficient, they present a second model obtained through a backward elimination procedure, showing that 17 capability indicators do have coefficients significant at the 5% level. To pursue the issue of robustness, Anand *et al.* introduce socio-demographic controls and personality variables, but only three indicators out of seventeen result to be not significant⁵.

In brief, Anand *et al.* illustrate a picture in which life satisfaction is highly multivariate with respect to capabilities, "a finding that underlines the value of the vector approach to welfare as well as the multivariate treatment of poverty". Specifically, "where poverty proves stubbornly resistant to attempts at alleviation by conventional economic means, it suggests that a wider range of quality of life issues, if addressed by policy, could have a significant impact on quality of life" (Anand *et al.*, 2010). The authors specify also how, from a practical perspective, it "would be particularly valuable to link some of the capability indicators [...] to environmental variables that policy-makers can influence" (Anand *et al.*, 2010). Finally, they suggest how "the questions developed [...] illustrate the sorts of data that policy-makers and capability researchers alike could gather both in one-off and in regular surveys" (Anand *et al.*, 2010).

Relying on these issues, in the following section we briefly introduce a multivariate measure of well-being that might be used to address the major issues on which channeling the efforts of the private (profit and non-profit) and of the public sector, but also to assign an economic value to non-marketable issues.

6.1. *Accounting for human development in Italy: a measure of well-being* – Since 2011, the CNEL and ISTAT have developed the project "Measures of well-being" to find a measure of equitable and sustainable well-being coherent with the main recommendations provided in the Stiglitz-Sen-Fitoussi report (CMEPSP, 2009). The approach adopted, mostly relying on the idea of quality of life and sustainability, is coherent also with many of the recommendations of Anand *et al.* Specifically, the analysis is multidimensional, it links capability indicators to environmental variables (public services and sustainability indicators) and all data are gathered in a unique database available for policy-makers and researchers. Indeed, the "Equitable and Sustainable Well-being" (BES) accounts for twelve dimensions, namely: health, education and training, work and life balance, economic well-being, social relationships, politics and institutions, security, subjective well-being, landscape and cultural heritage, environment, research and innovation, quality of services. Each dimension is articulated in a subset of indicators that illustrate its main characteristics (overall, 128 indicators have been collected).

In the following table we summarize the trends in well-being for Italy monitored by comparing the changes in each indicator with respect to the 2008 assessment. We notice how several dimensions exhibit a positive change in the majority of the indicators (namely, health, education and training, environment, R&D, quality of services), however in most cases changes are mainly negative (work-life balance, economic well-being, social relationships, security, subjective well-being). We highlight how this simple statistical evidence supports our initial hypothesis that lack of well-being in Italy is due to social and relational issues (see paragraph 2). The negative effect of the Great Recession on

⁴ Life expectancy, bodily health, bodily integrity, senses imagination and thought, emotions, practical reason, affiliation, other species, play and control over the environment.

⁵ Anand *et al.* present also two analyses of the model estimated for two sets of population subsamples (specifically, for a breakdown of respondents by gender, and for respondents below and above 45 years of age), and a more heterogeneous picture emerge, but the evidence does not influence our concerns for Anand *et al.* research.

human well-being and development now is more evident, and relies on the relational aspects of life and on the interaction among people and the economic system. Specifically, as for our initial analysis regarding the GDP growth at global level, also in the case of Italy an overall assessment on the level of well-being exhibits a positive trend in the majority of the indicators, therefore highlighting an increase in well-being. However, being deprivation a multidimensional phenomenon, social constraints might inhibit specific social groups to appreciate the benefits of the improvements achieved in other fields.

Table 1. Trends in well-being (2008-2014)

Dimension	+	=	-	n.
<i>Health</i>	11	3	3	17
<i>Education and training</i>	4	2	2	8
<i>Work and life balance</i>	3	4	5	12
<i>Economic well-being</i>	3	2	5	10
<i>Social relationships</i>	3	3	5	11
<i>Politics and Institutions</i>	3	6	3	12
<i>Security</i>	2	1	4	7
<i>Subjective well-being</i>	0	2	1	3
<i>Landscape and cultural heritage</i>	2	1	2	5
<i>Environment</i>	7	3	1	11
<i>Research & Innovation</i>	4	2	1	7
<i>Quality of services</i>	10	2	1	13
<i>n. of indicators</i>	52	31	33	116

Source: our elaboration on ISTAT data (2014). For each dimension the cell "+" counts the number of indicators that exhibited a positive trend, the cell "-" counts the number of indicators that exhibited a negative trend, and the cell "=" counts the number of indicators that remained stationary.

7. CONCLUDING REMARKS – In this paper we have tried to highlight several bridging issues among human development, the third and the non-profit sector and the concept of well-being. We suggest the existence of a mostly unexplored interconnection between the crisis of the economic system and the under-development of the third and of the non-profit sector. Both at macroeconomic and microeconomic level, labor is among the major issues to address.

Specifically, at macroeconomic level a stagnating productivity hinders the creation of new growth and jobs, rising the need of welfare services and social support, specifically social insurance schemes financed with public funds. At individual level, instead, the deteriorating conditions on the labor market might be associated to increased poverty, worst social relationships and lack of security. Overall, these bad outcomes determine new sources of capability deprivation, worsening the individual level of well-being. These connections might work also in the other way round. "Bad" social institutions inhibit large shares of population to enjoy the main benefits of the recent achievements in terms of well-being, therefore recalling the need for the empowerment of social innovation processes, driven by the action of the non-profit institutions.

The model proposed suggests how the co-determination of profit and non-profit institutions, under the supervision of the public sector, might work as an efficiency-enhancing mechanism. Improving the overall level of information on the effective supply of the non-profit sector, discouraging rent-seeking activities and enabling the diffusion of best practices and innovations, the existing gap between market and non-market activities can be narrowed. At individual level instead, the non-profit sector constitutes a capability-enhancing workplace of fundamental importance to rebalance the capability deprivation of individuals.

Finally, as regards well-being, we rely on its multidimensionality and on its sensitiveness to subjective, socioeconomic and environmental issues, as documented in recent researches conducted at national and international level. We suggest how the data collected by the ISTAT on equitable and sustainable well-being (BES) could be used to assess several issues regarding the capability approach and the human development; the twelve dimensions of BES, when they do not directly refer to Nussbaum's list, could be used as complements of it in order to test the influence of the economic system on the capabilities of individuals.

Finally, we suggest how, rather than focusing on more traditional determinants of growth and well-being (expansionary fiscal policy, health, education, R&D...), the major issues to be considered at policy level are people and firms' participation and agency. Therefore, the Great Recession might be managed by: i) developing a long term vision accounting also for the human and relational dimensions of growth, development and well-being, rather than only for the economic and environmental ones; ii) fostering SMEs and citizens' participation, respectively, in the production process and in the labor market; iii) empowering the third sector and non-profit institutions in interpreting their role of fundamental engines of the human development processes.

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