

SOCIAL POLICIES EXPENDITURE IN CALABRIA ACCORDING TO TERRITORIAL PUBLIC ACCOUNTS

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1. Introduction

Europe 2020 Strategy (European Commission, 2010; European Council, 2007 and 2010) relies on the following three mutually reinforcing priorities: *smart growth*, developing an economy based on knowledge and innovation; *sustainable growth*, promoting a more resource efficient, greener and more competitive economy; and *inclusive growth*, fostering a high-employment economy, delivering economic, social and territorial cohesion (European Commission, 2010, p. 10). For the purpose of reaching these priorities, European Commission proposes to fulfil by 2020 some targets relating to five thematic areas: employment, education, poverty and social exclusion, R&D and innovation, and climate change and energy. Unemployment and poverty are major issues in most EU countries, and as concerns this, EU aims to have three quarters of the population aged 20-64 have jobs and to lift at least 20 million people out of the risk of poverty or social exclusion by 2020 as compared with the year 2008 (European Commission, 2010). Proceeding from this perspective, EU targets have been translated into national targets. Focusing on the employment target, Italy is still about a 4 percentage point below its national target on employment. In particular, in 2019, the lowest employment rates in the EU were observed in southern Italy too: less than 50% of the working-age population was employed in Sicilia (44.5%), Campania (45.2%) and Calabria (45.3%). With regard to the target related to poverty, the number of people at risk of poverty and social exclusion has increased between 2008 and 2018, and is still too high in Italy (Table 1); thus, the highest rates of risk of poverty or social exclusion were recorded in the above-mentioned regions: Campania (53.6%), Sicilia (51.6%) and Calabria (44.5%) (Eurostat 2019a; 2019b).

Table 1 – National Europe 2020 indicators. Italy: most recent data and targets.

Topic	Headline indicator	Data	Year	Target
Employment	Employment rate age group 20-64, total (% of population aged 20-64)	63.5	2019	67
Poverty and social exclusion	People at risk of poverty or social exclusion (cumulative difference from 2008 in thousand)	1,360	2018	-2,200

Source: Europe 2020 headline indicators from Eurostat.

The new policy framework is also the basis on which Cohesion Policy has been developed for the 2014-2020 programming period. The overarching objective of cohesion policy has been to reduce “disparities between the various regions and the backwardness of the least-favored regions” through “actions leading to the strengthening of its economic and social cohesion” (European Regulation, 1987), and Lisbon Treaty (2007) and Europe 2020 Strategy (European Commission, 2010) introduced the territorial cohesion. The Partnership Agreement (European Regulation, 2013) is the national programming instrument for the European Structural and Investment Funds allocated to Italy for the 2014-2020 programming period (European Commission, 2014; 2016).

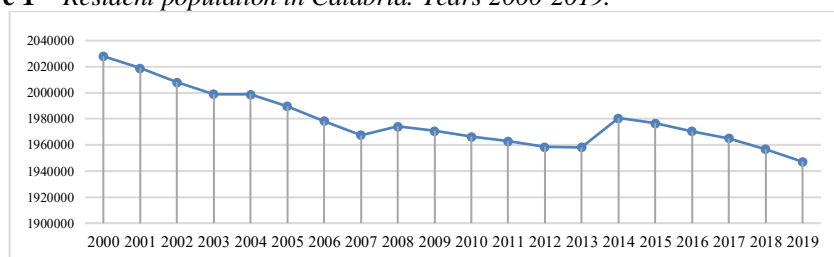
Hence, a solid information tool concerning the territorial distribution of government expenditure and revenue in the individual regional territories is crucial for the implantation of cohesion policy. It is the Territorial Public Accounts (TPA) system (AA.VV., 2007) that performs this function: it provides information referring to the universe of Public Administration and the Extended Public Sector monitoring public financial resources flowing into each territory. In this way, the information required by the principle of additionality of Community resources in relation to National resources is guaranteed by ensuring that the Structural Funds really bring added value.

This paper focuses on Calabria, one of the most disadvantageous Italian regions as regards employment and poverty and social inclusion, which is the recipient of European structural and investment fund (Ifel-Fondazione Anci, 2020). Specifically, following a general demographic, economic and social analysis, this study focuses on the regional expenditure on social policies, using the TPA as data source.

2. The regional reference framework

The total population in Calabria is 1,947,131 (1 January 2019, provisional data), equal to 3.2% of the Italian population. Population trends between 2000 and 2019 are shown in Figure 1: except for the period 2013-2014, there was mainly a decreasing trend. In 2019 there is a total growth rate equal to -10‰. This results from a low birth rate (7.5‰ in 2019) and a high mortality rate (10.4‰) – explained by the gradual ageing of the population (old age index 163.3% in 2019) – that cause a natural decrease of its population (-2.9‰), and by a lack of attractiveness of the territory expressed by a negative net migration (-7.1‰). The latter point is reflected in a series of critical points that characterize the region in social and economic areas.

In 2018, with 16.98 thousand Euros – slightly above 16.91 thousand Euros in 2017 – Calabria was the region with the lowest per capita GDP in Italy. GDP in volume at regional level decreased by -0.81%, showing the most significant decline in the entire national territory.

Figure 1 – Resident population in Calabria. Years 2000-2019.

Source: own elaborations based on data obtained from ISTAT.

Household final consumption expenditure per inhabitant was 14.19 thousand Euros, marking thus only a modest increase of +0.41%. Calabria was also the last region of Italy in the ranking by disposable income per inhabitant with 12.74 thousand Euros, with a positive change of +1.33% (Table 2). Moreover, in 2017 (the last year with regard to which information is available) Calabria was the region with the highest weight of the informal and illegal economy (21.8% of added value), in particular, because of irregular work inputs (9.4% of added value) (ISTAT, 2020).

Table 2 – Main indicators of territorial economic accounts in Calabria. Year 2018 (in thousand EUR and % changes on 2017).

Regional gross domestic product per inhabitant (in thousand EUR)	16.98
Household final consumption expenditure per inhabitant (in thousand EUR)	14.19
Household disposable income per inhabitant (in thousand EUR)	12.74
GDP growth rate – volume (%)	-0.81
Household final consumption expenditure growth rate – volume (%)	+0.41
Change in household disposable income – growth rate in value (%)	+1.33

Source: Indicators of territorial economic accounts obtained from ISTAT database.

Indeed, the structural limits of the Calabria labor market remain facing up to unemployment and precarious work. Table 3 shows a set of indicators related to employment (2019): Calabria is the third last region in Italy for employment rate and the first one in unemployment rate (in descending order). Even the situation of youth employment is not reassuring. Besides, Calabria has the highest work irregularity rate in Italy (2012). Table 4 shows a set of indicators related to poverty and social exclusion. In 2018, almost one in every two people was at risk of poverty or social exclusion in Calabria, in line with the average of Southern Italy (45.0%), and about 17 points higher than the Italian average. This indicator, while still remaining strong, declined, as compared with the previous year (46.3%) because a lower incidence of poverty (36.4% in 2017). 14.2% (considerably down from 22.4% in 2017) lived in households with very low work intensity (ISTAT, 2019).

Table 3 – *Main territorial indicators of employment. Calabria-Italy. Most recent data (%)*.

	Year	Calabria	Italy
Unemployment rate (15 years and over)	2019	21.0	10.0
Youth unemployment rate (15-24 years)	2019	48.6	29.2
Employment rate (20-64 years)	2019	45.3	63.5
Youth employment rate (15-29 years)	2019	21.4	31.8
Incidence of long-term unemployment	2019	64.1	57.1
Irregularity rate	2012	28.9	12.0

Source: Territorial indicators for development policies obtained from ISTAT database.

Table 4 – *Poverty and social exclusion indicators. Calabria-Italy. Year 2018 (%)*.

	Calabria	Italy
People at risk of poverty or social exclusion	44.5	27.3
At risk of poverty rate	32.7	20.3
Severe material deprivation rate	15.3	8.5
People living in households with very low work intensity	14.2	11.3

Source: EU-SILC (Statistics on Income and Living Conditions) obtained from ISTAT database.

3. Social policies expenditure in Calabria according to Territorial Public Accounts (TPA)

3.1. Territorial Public Accounts system

Territorial Public Accounts (TPA) system is responsible for measuring and analyzing – at regional level – the incoming and outgoing financial flows of public administrations, as well as of the entities relating to the extended component of the public sector. The Extended Public Sector (EPS) consists of the Public Administration and the Extra PA. TPA system is part of the National Statistical System (SISTAN). It is currently subordinate to the Territorial Cohesion Agency, and consists of a Central Technical Unit, and of 21 local units operating in each Region. The construction of TPA is carried out according to a sector-based classification with 29 items attributable to ten macro sectors: general administration (general administration); general services (defense, public security, justice, non-recoverable charges); knowledge, culture and research (education, training, R&D, culture and recreational services); integrated water cycle (integrated water service); environment and land management (environment, waste disposal, other hygiene and health measures); health (health); social policies (social security and wage subsidies, employment, measures in the social field); productive activities and public works (agriculture, sea fishing and aquaculture, industry and handicrafts, trade, tourism, other public works, other economic, housing and town planning); mobility (road network, other transport); infrastructure networks (telecommunications, energy). Information from TPA database is now widely used for both analysis and assessment

of policy choices. In fact, TPA system data provides useful guidance for the government policy and the consequent operational choices, which are used by institutions at national and international level (Bank of Italy, SVIMEZ, EU, Court of Auditors, OECD, etc.) (AA.VV., 2007; CPT-Agenzia per la Coesione Territoriale, 2019; Agenzia per la Coesione Territoriale-CPT, 2019; 2020).

3.2. Consolidated public expenditure in the extended public sector in Calabria

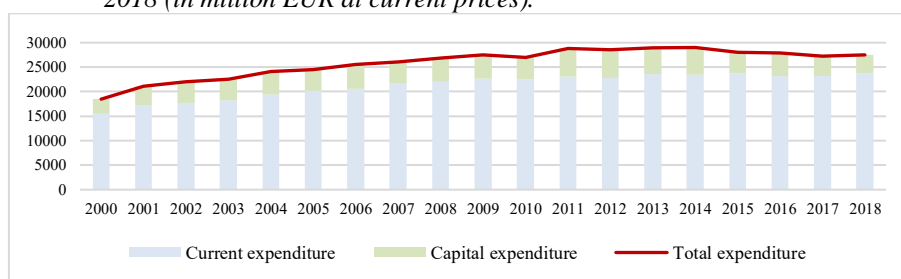
In 2018, the consolidated public expenditure of the EPS in Calabria amounted to 27,461.76 million Euros (Table 5). There was a slight increase of 0.95%, as compared to the previous year, because of the two expenditure constituents: the increasing current expenditure (+2.67%), and the capital expenditure that went through contraction, as compared to 2017 (-8.88%) (Figure 2). Moreover, the percentage composition of total expenditure by economic category shows that it was averagely composed of 82.19% by current expenditure, and of 17.81% by capital expenditure (years 2000-2018).

Table 5 – EPS-Consolidated expenditure in Calabria by economic category. Year 2018 (in million EUR at current prices and %).

	Million EUR	(%)
Current expenditure	23,771.49	86.56
Capital expenditure	3,690.26	13.44
Total expenditure	27,461.76	100.00

Source: own elaborations based on data obtained from TPA.

Figure 2 – EPS-Consolidated expenditure in Calabria by economic category. Years 2000-2018 (in million EUR at current prices).



Source: own elaborations based on data obtained from TPA.

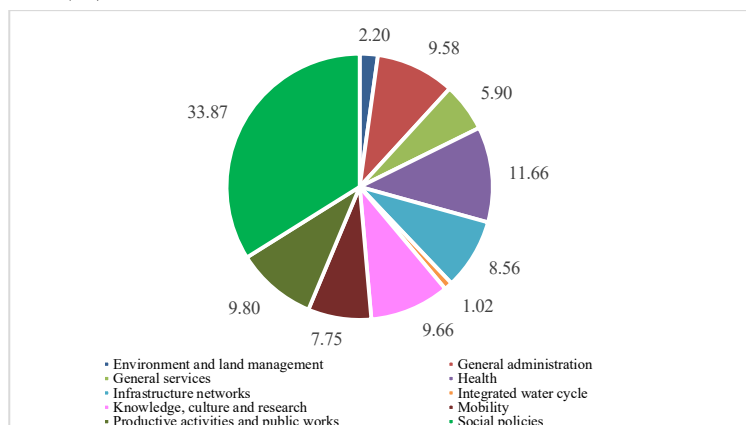
The examination of expenditure by government level (Table 6) shows that Central Governments have had an average of almost 60%, and the remaining part has been divided up among the regional governments, therefore, the national public enterprises, the local governments, and the local public enterprises.

Table 6 – EPS-Consolidated expenditure in Calabria by government level. Year 2018 and mean years 2000-2018 (%).

	2018 (%)	Mean 2000-2018 (%)
Central governments	62.57	59.18
Local governments	7.06	8.80
Regional governments	13.29	14.86
Local public enterprises	4.76	2.46
National public enterprises	12.33	14.69
Total	100.00	100.00

Source: own elaborations based on data obtained from TPA.

Figure 3 shows the average expenditure of the EPS by macro sector. It should be noted that the distribution reveals the concentration of a great part of EPS financial flows in social policies.

Figure 3 – EPS-Consolidated expenditure in Calabria by macro sector. Mean years 2000-2018 (%).

Source: own elaborations based on data obtained from TPA.

In particular, in 2018, the social policies macro sector recorded significant outgoing financial flows of public administrations and of the entities relating to the extended part of the public sector, equal to 11,007.20 million Euros, namely, to 40.08% of the total regional consolidated expenditure. The next to come are health (11.58%) and general administration (9.65%) (Table 7).

3.3. Social policies expenditure

Social policies expenditure includes outgoing financial flow in administration, operation and support relating to three sectors: social security and wage subsidies,

employment and measures in the social field. Some examples of social policies expenditure are provided below: social protection measures (sickness and invalidity pensions, old age and survivors, measures to assist families, employment, housing, social exclusion), and the provision of benefits in cash and in kind, financed either by contributions paid or by general taxation; the promotion of employment for young people, women and disadvantaged groups; fight against discrimination in the working field; labor market observatories; rest homes and other residential facilities (AA.VV., 2007, pp. 83-84).

Table 7 – *EPS-Consolidated expenditure in Calabria by macro sector. Year 2018 (in million EUR at current prices and %).*

	Million EUR	(%)
Social policies	11,007.20	40.08
Health	3,179.30	11.58
General administration	2,649.01	9.65
Knowledge, culture and research	2,335.32	8.50
Infrastructure networks	2,187.11	7.96
Productive activities and public works	2,100.80	7.65
General services	1,934.15	7.04
Mobility	1,228.18	4.47
Environment and land management	601.98	2.19
Integrated water cycle	238.70	0.87
Total	27,461.76	100.00

Source: own elaborations based on data obtained from TPA.

In Calabria, the macro sector of social policies accounts for most of the expenditure of the extended public sector, because of the numerous interventions of the various levels of government in the social field, in the social security, and in the wage subsidies. This predominance has largely been due to the expenditure for social security and wage subsidies which commits a large part of the expenditure of the EPS through the payment of pensions. The value of expenditure in the social policies of the EPS in 2018 amounted to about 11 billion Euros, of which 9 billion Euros were allocated to social protection (Table 8). In 2018, Calabria spent 5,354.83 Euros per capita on social policies (constant 2015 euro per capita).

Figure 4 shows the evolution of total consolidated expenditure in social policies in Calabria between 2000 and 2018. The value of expenditure in the social policies of the EPS in the last year of which data are available was 5 billion higher than in 2000 (5,990,977.39 thousand Euros). The temporal trend shows the prevalence of an annual growth trend, even if with some exceptions to its linearity: from 2010 until 2015, there was an alternation between periods of decrease and periods in which expenditure instead returned to growth, and then resumed until 2018 an increasing trend. This trend could be explained by the needs arising from the evolution of

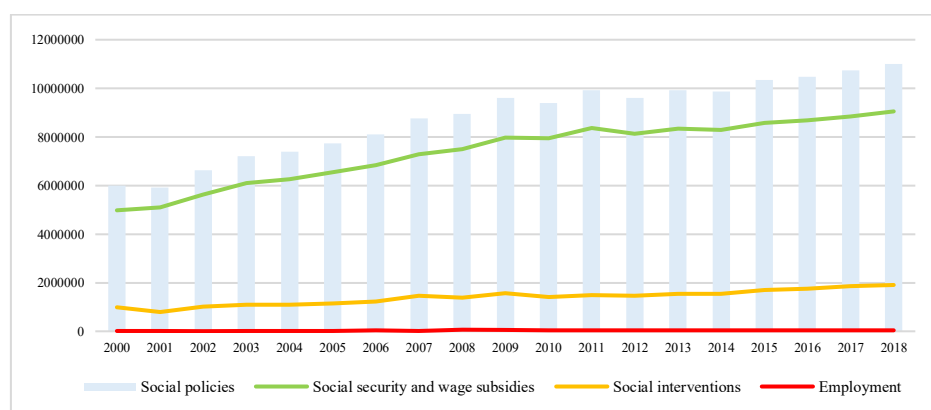
variables such as the financial crisis, which has exacerbated the levels of poverty of the population and tested the labor market, as well as the ageing of the population, seem to have given a boost to the increase in expenditure.

Table 8 – *EPS-Social policies expenditure in Calabria by sector. Year 2018 (in thousand EUR at current prices and %) and mean years 2000-2018 (%).*

	2018		Mean 2000-2018
	Thousand EUR	(%)	(%)
Social security and wage subsidies	9,049,612.14	82.22	83.93
Social interventions	1,906,371.30	17.32	15.69
Employment	51,219.72	0.47	0.38
Total	11,007,203.16	100.00	100.00

Source: own elaborations based on data obtained from TPA.

Figure 4 – *EPS-Social policies expenditure in Calabria by sector. Years 2000-2018 (in thousand EUR at current prices).*



Source: own elaborations based on data obtained from TPA.

The examination by government level of social policies expenditure shows that in Calabria the management of the macro sector is mainly a matter of central responsibility: thus, about 98% of expenditure goes directly through central government funds, and in particular, about 95% through provident societies (Table 9).

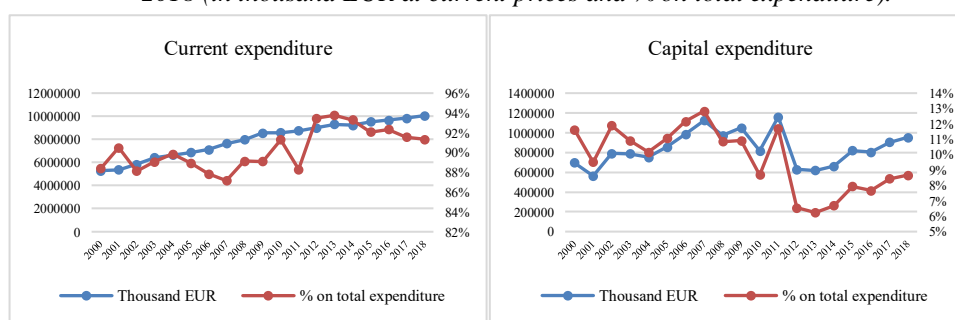
Highlighting the subdivision of the EPS expenditure between current and capital expenditure, in the period 2000-2018, we note that in Calabria, averagely speaking, the first aggregate accounts for 90.29%, while the second accounts for 9.71%. Current expenditure, in absolute terms, has tended to increase.

Table 9 – EPS-Social policies expenditure in Calabria by government level and type of entity. Year 2018 (in thousand EUR at current prices and %) and mean years 2000-2018 (%).

	2018		Mean 2000-2018
	Thousand EUR	(%)	(%)
<i>Central governments</i>	10,822,886.99	98.33	98.16
State	366,894.41	3.33	2.45
Provident societies	10,455,992.58	94.99	95.71
<i>Local governments</i>	107,359.78	0.98	1.19
Municipalities	102,473.19	0.93	0.98
Provinces and metropolitan cities	4,874.64	0.04	0.19
Mountain communities and various unions	11.95	0.00	0.01
<i>Regional governments</i>	50,464.93	0.46	0.57
Regional government	50,464.93	0.46	0.57
<i>Local public enterprises</i>	24,658.74	0.22	0.06
Companies and institutions	24,285.24	0.22	0.06
Participating companies and foundations	373.50	0.00	0.00
<i>National public enterprises</i>	1,832.72	0.02	0.02
Italia Lavoro	1,832.72	0.02	0.02
Total	11,007,203.16	100.00	100.00

Source: own elaborations based on data obtained from TPA.

Capital expenditure has developed non-linearly: after a considerable reduction recorded between 2011 and 2013, it increased again both in absolute terms, and as a percentage of total expenditure (Figure 5).

Figure 5 – EPS-Current and capital expenditure for social policies in Calabria. Years 2000-2018 (in thousand EUR at current prices and % on total expenditure).

Source: own elaborations based on data obtained from TPA.

Specifically, in 2018, the main items of expenditure were current account transfers to households and social institutions, which alone accounted for almost all current expenditure, and for about 85% of total expenditure. Also, there are the

shareholdings and contributions and the granting of loans, which constituted almost all of capital expenditure (Table 10).

Table 10 – EPS-Social policies expenditure in Calabria by economic category. Year 2018 (in thousand EUR at current prices and %) and mean years 2000-2018 (%).

	2018		Mean 2000-2018
	Thousand EUR	(%)	(%)
Staff costs	131,981.71	1.20	1.70
Purchase goods and services	90,510.08	0.82	0.74
Current account transfers to households and social institutions	9,356,887.28	85.01	84.50
Current transfers to private enterprises	11,633.43	0.11	0.21
Interest expense	4,497.08	0.04	0.13
Corrective and compensatory revenue items	336,917.12	3.06	2.25
Current account not attributable	121,909.45	1.11	0.77
<i>Current expenditure</i>	<i>10,054,336.15</i>	<i>91.34</i>	<i>90.29</i>
Real estate assets and works	17,312.57	0.16	0.30
Movable property, machinery, etc.	15,623.70	0.14	0.13
Capital transfers to households and social institutions	4,444.64	0.04	0.08
Capital transfers to private undertakings	434.70	0.00	0.02
Shareholdings and contributions	660,560.70	6.00	6.34
Granting of credit, etc.	254,231.69	2.31	2.83
Non-attributable capital amounts	259.01	0.00	0.00
<i>Capital expenditure</i>	<i>952,867.01</i>	<i>8.66</i>	<i>9.71</i>
Total	11,007,203.16	100.00	100.00

Source: own elaborations based on data obtained from TPA.

4. Conclusions

According to the Territorial Public Accounts, in Calabria, the macro sector of social policies accounts for most of the expenditure of the extended public sector. The upward trend of social policies recorded in the last years could be explained by the needs arising from the financial crisis which has exacerbated the levels of poverty of the population and tested the labor market, as well as the ageing of the population. Current expenditure accounts for a large part of total expenditure in the macro sector of interest although the percentage weight of capital expenditure has increased in recent years. Investment is the key to economic and social growth, and from this perspective, this analysis stresses the importance of investment programs to support a region particularly afflicted by financial and social problems, mobilizing, for example, substantial resources to make capital investments useful for boosting growth, thus contributing to the objectives of cohesion policy. Moreover, the economic assistance is not sufficient on its own to counter poverty or social exclusion, so the integration of income must be accompanied by active measures

aimed at the inclusion of people and at the autonomy. Finally, integration between Community, National and Regional funds and programs should be encouraged as a means of implementation.

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SUMMARY

Social Policies Expenditure in Calabria According to Territorial Public Accounts

Europe 2020 Strategy puts forward three mutually reinforcing priorities: smart growth, sustainable and inclusive growth, and with this in view proposes to fulfil by 2020 some targets relating to five thematic areas: employment, education, poverty and social exclusion, R&D and innovation, and climate change and energy. Unemployment and poverty are major issues in most EU countries, and Italy, especially its southern regions, still lag behind in terms of achievements of objectives. This paper focuses on Calabria, one of the most disadvantaged Italian regions with regard to employment and poverty and social inclusion. Specifically, following a general demographic, economic, and social analysis, this study focuses on the regional expenditure of the extended public sector (EPS) on the macro sector of social policies – it includes three sectors: social security and wage subsidies, employment and measures in the social field – using Territorial Public Accounts (TPA) as data source. The expenditure analysis is based on the TPA 2000-2018 time series. In 2018, the consolidated public expenditure of the EPS on social policies in Calabria amounts to 11,007.20 million Euros. In Calabria, the macro sector of social policies accounts for most of the total expenditure of the EPS because of the numerous interventions in the social field, especially in the social security and in the wage subsidies. Social policies management is mainly a matter of central responsibility. Current expenditure accounts for a large part of total expenditure in the macro sector of interest, in particular the current account transfers to households and social institutions. This analysis stresses the importance of investment programmers to support a region particularly afflicted by financial and social problems, mobilizing, for example, substantial resources to make capital investments useful for boosting growth.

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