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**THE EFFECTS OF GOVERNMENT SATISFACTION AND POLITICAL TRUST ON ATTITUDES TOWARDS SOCIAL INVESTMENT: EVIDENCE FROM POLICY AND FISCAL TRADE-OFFS IN ITALY**

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**THE EFFECTS OF GOVERNMENT SATISFACTION AND  
POLITICAL TRUST ON ATTITUDES TOWARDS  
SOCIAL INVESTMENT**

EVIDENCE FROM POLICY AND FISCAL TRADE-OFFS IN ITALY

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## Abstract

This thesis investigates the effects of government satisfaction and political trust on public attitudes towards the ‘social investment’ state in Italy. In the thirty years following the Second World War, advanced industrial economies established the welfare state to protect (male) breadwinners against income loss due to old age, disability, sickness, or unemployment. However, since the post-war years, the structure of social risks has changed dramatically. The dilemmas of modern societies comprise long-term unemployment, in-work poverty, precarious jobs, single parenthood, and a growing difficulty in reconciling work and family life. These challenges have called for a recalibration of the traditional welfare state towards a ‘social investment’ model focused on the generation, preservation, and mobilisation of human capital. However, welfare state recalibration remains, for some countries more than others, an arduous challenge. Welfare state institutions successfully adapted to the emergence of new social risks in the Nordic countries, but not in Southern Europe, still lagging behind. Why has it been so difficult for some welfare states to implement future-oriented strategies? Under which conditions would citizens be willing to accept welfare state modernisation based on social investment measures? Focusing on the Italian case, this thesis argues that a recalibration towards future-oriented reforms is complicated by the low levels of political trust that characterise the Italian welfare regime. Relying on micro-level data from the eighth wave of the European Social Survey (ESS), the empirical analysis investigates the effects of governmental trust and satisfaction on the willingness of Italian citizens to support recalibration towards social investment, financed through retrenchment of existing social benefits or tax hikes. The evidence confirms that trust and satisfaction encourage the disposition of Italians to support investment-based reforms that are costly in action at present, with uncertain future outcomes. Overall, these findings suggest that governments’ trustworthiness broadens our understanding of the political viability of future-oriented policymaking under financially constrained scenarios.

**Keywords:** Italy; public opinion; trade-offs; welfare state recalibration; government satisfaction; political trust; social investment; ESS

# Chapter 1

## Introduction

### 1.1. New Social Risks, Fiscal Austerity, and the Demand for ‘Social Investment’

#### 1.1.1. *Research Interest*

For most advanced economies, the thirty years following the end of World War II were characterised by a constant proliferation of social protection mechanisms and ever-more generous welfare states, which shielded the developed OECD world from risks of income loss due to old age, sickness, unemployment, or disability, and secured unprecedented levels of social cohesion (Häusermann et al., 2015). Because of the then-dominant social structures, consisting of industrial societies with a clear separation of labour and domestic roles between men and women, the welfare state of the time was conceived to reduce the dependency of male breadwinners from the vagaries of labour markets (Bonoli, 2007). With the event of widowhood as the sole exception, women did not directly benefit from welfare institutions during the years immediately after the war. However, since the 1970s, the transition from an industrial to a post-industrial world, concomitant with a period of significant economic stagnation<sup>1</sup>, has changed the socioeconomic trends of our societies (Bonoli, 2007). The heightened levels of wage inequality that characterised the transition from the manufacturing industry to a service economy often implied, for the low-skilled and those at the bottom of the wage distribution, in-work poverty<sup>2</sup> and precarious employment. New patterns of family arrangements, such as high divorce rates, an increase in the occurrence of single parenthood, and the entrance of females into the labour market, have curtailed the centrality of the male

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<sup>1</sup> The 1970s recession, which affected much of the Western world, was characterised by a period of ‘stagflation’, where uneven economic growth, wage stagnation, and high inflation rates were combined with rising unemployment due to a rampant decline in manufacturing jobs (Zarnowitz and Moore, 1977). For further reading, please see: Zarnowitz, V. and Moore, G.H., 1977. The recession and recovery of 1973-1976. In *Explorations in Economic Research, Volume 4, number 4.*, pp. 1-87. NBER.

<sup>2</sup> Low-skilled workers in the post-industrialisation era are predominantly occupied in the low-value-added service sector, which includes low-productivity jobs such as cleaning and retail sale (Pierson, 1998).

breadwinner in social policy. The new social risks, married with changing economic and family structures, have moved the target of the welfare state to the young, the low-skilled, and the women (Bonoli, 2007).

Concurrently, the 1970s recession led governments to enter an era of ‘permanent austerity’ (Pierson, 1996; 1998), further consolidated by the 2008 Great Recession<sup>3</sup>, after which fiscal austerity had taken place as the standard macroeconomic policy adopted by national economies to respond to the global financial crisis (Bremer and Bürgisser, 2023). It is during this time of unfavourable economic conditions that the focus of welfare state scholars and policymakers shifted towards efforts of cost containment, pushing for a readjustment of the traditional consumption-based model in favour of a ‘social investment’ state (Armingeon and Bonoli, 2007; Esping-Andersen, 2002; Hemerijck, 2015). In other words, from this point onward, the financial sustainability of welfare states became contingent on governments’ readiness to adapt social policies to structural economic changes (Häusermann et al., 2015).

But have all welfare states equally adapted to the new social risks posed by the post-industrial knowledge economy? The comparative political economy scholarship depicts an alarming discrepancy between the successful Nordic countries<sup>4</sup>, which have promptly directed social protection towards women, families, and the low-skilled, expanding their arsenal of activation and family measures, and the worrying situation of Southern Europe<sup>5</sup>, which has largely neglected the changing patterns of social risks (Bonoli, 2007). So why have some countries succeeded in

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<sup>3</sup> For further reading, please see: Taylor-Gooby, P., Leruth, B. and Chung, H. eds., 2017. *After austerity: Welfare state transformation in Europe after the Great Recession*. Oxford University Press.

<sup>4</sup> According to Arts and Gelissen’s (2002) overview of welfare states typologies, the Nordic model, also named *Social-democratic* (Esping-Andersen, 1990) or *Scandinavian* (Leibfried, 1993; Ferrera, 1996) typically includes Iceland, Sweden, Denmark, Norway, and Finland. Some authors diverge and also consider Belgium, The Netherlands and Austria as falling into the Nordic typology.

<sup>5</sup> In this thesis, Ferrera (1996) and Bonoli (1997) classification of welfare states will be adopted, according to which the Southern model, also referred to as ‘*Mediterranean Rim*’, consists of Italy, Spain, Portugal, and Greece. Some authors diverge and also consider France, Ireland, and Switzerland as falling into the Southern typology. A separate ideal type, named *Late Female Mobilization*, is brought forward by Siaroff (2000) and includes, besides the European countries already mentioned, also Japan. For access to a complete overview of typologies of welfare states, please consult: Arts, W. and Gelissen, J., 2002. Three worlds of welfare capitalism or more? A state-of-the-art report. *Journal of European social policy*, 12(2), pp.137-158.



recalibrating their welfare regimes, whilst others have failed? The research interest of this thesis lies on these premises.

### **1.1.2. Research Questions**

Welfare state recalibration towards social investment serves the purpose of transforming contemporary social insurance from a passive consumption-based system aimed at repairing *ex-post* the damage against social risks, to a future-oriented regime focused on the development of human skills, and capable of coping with structural transformations *ex-ante* (Beramendi et al., 2015). Thus, to face the challenges of globalised modern economies, governments have been forced to integrate new instruments of social assistance, such as work-family reconciliation policies, conditional cash-transfers, childcare provision, education, and skill-focused active labour market policies (ALMPs) (Beramendi et al., 2015; Bremer and Bürgisser, 2023; Garritzmann, Neimanns and Busemeyer, 2021).

However, in times of stringent fiscal constraints, limited resources, and growing social demands, welfare institutions struggle to maintain current levels of social protection, whilst also developing new social policy measures. Thus, in the age of ‘permanent austerity’, social investment can only be financed through an increase in taxation, a growing public debt, or a cutback in existing benefits (Garritzmann, Neimanns and Busemeyer, 2021). Although the social investment pillar is highly popular amongst the general public (Neimanns et al., 2018), such consensus dramatically drops when citizens are faced with realistic scenarios in which recalibration comes at the cost of tax hikes or benefit retrenchment (Ballard-Rosa et al., 2016). As reforms need to be counterbalanced to be politically viable, salient trade-offs have become ubiquitous in social security politics.

On this matter, an important research question remains understudied in the extant scholarship, one that this contribution wishes to address: How does the paradigm shift towards social investment play out at the micro-level? More concretely, under what conditions can existing social

benefits be retrenched so that welfare states are adapted to rising social investment demands? Does trust in the political system matter in mitigating attitudes towards salient social policy trade-offs? In detail, this thesis examines public opinion towards the expansion of ALMPs at the expense of unemployment benefits first, and the provision of childcare services and benefits for families at the cost of tax hikes then. Albeit very different from each other, these trade-offs address two prominent social risks in the globalised service economy, the risk of unemployment and the incapacity to reconcile work and family life. Answering these important questions is crucial to understand the political viability of future-oriented social investments in the long-term.

## **1.2. The Role of Political Trust in Support for Social Investment**

### ***1.2.1. Outline of the Argument***

In studying public preferences towards trade-offs, it is of theoretical interest to explore the often-overlooked role played by government satisfaction and political trust in mitigating attitudes towards welfare adaptation. The main argument the thesis advances is that high-trusting individuals are more prone to support social investment reforms implying difficult trade-offs, even when policies imply short-term costs and uncertainties, such as tax hikes and welfare retrenchment, and benefits are only perceived into the distant future (Jacobs, 2008). The empirical case examined focuses on Italy. The Italian welfare state model, together with Italians' high levels of mistrust towards their democratic institutions, provide an ideal context for testing the argument outlined above and study the role of political trust and government satisfaction in mitigating public opinion towards social policy trade-offs.

### ***1.2.2. The Italian Case***

The Italian welfare state has undergone important reforms over the last twenty years, placing a strong emphasis on liberalisation (the introduction of open-ended contracts and fixed-term employment) and on renewed policies of income support schemes (Sacchi and Vesan, 2015).

Following the direction of social policy reforms in post-industrial capitalist Europe, the period since the mid-1990s has also been characterised by the introduction of social investment elements with a focus on activation and work conditionality (Sacchi and Vesan, 2015). In summer of 2011, the sovereign debt crisis spurred a few attempts to reorient welfare state schemes towards social investment and coverage against the new social risks (Sacchi, 2018). However, despite various efforts to guarantee the shift to a more up-to-date social protection system, the actual implementation of ALMPs has never been enforced to completion. Activation policies have failed to protect against the structural patterns brought forward by technological and demographic change. Most measures were preoccupied with increasing hiring subsidies for employers, instead of expanding training and re-qualification to help re-integrate benefit recipients into the labour market (Sacchi and Vesan, 2015).

Moreover, in Italy, implementation problems are exacerbated by an enormous regional heterogeneity in both labour market opportunities and institutional capacity (Sacchi et al., 2023). The latter point corroborates the central argument brought forward by the thesis and is key to understand why activation measures have been so difficult to enact. The inefficiencies of Public Employment Services (PES), administered regionally and therefore subject to territorial variability in resource capacity, contribute to the decline of Italians' trust that their government will mend coordination failures among regions and create a geographically homogeneous system that provides the same quality of employment services and training nation-wide (Sacchi and Vesan, 2015).

A modern and comprehensive welfare system, designed to fight poverty and social exclusion, is built on traditional income support and on the activation and empowerment of beneficiaries, fundamental pillars of the social investment strategy. According to Stefano Sacchi (2015; 2018; 2023), one of the most prominent scholars of the Italian welfare state, social investment remains the field of social policy in which Italy lags alarmingly behind when compared to other major European countries. The territorial divide in employment opportunities, along with frail

organisational structures, and lack of coherent coordination between the national government and the regional political-administrative cultures, all contribute to a downward spiral of credibility that the central government will act as an insurer against the new social risks of contemporary society.

### **1.3. Academic Relevance**

To test the main assumption on the mitigating role of political trust and government satisfaction on public attitudes towards welfare state trade-offs, the analysis exploits a subset of data from the eighth wave of the European Social Survey (ESS), focusing on the Italian sample and including a representative population of more than 2600 Italian citizens. Often, the drawback of surveys is that respondents are confronted with their position on individual policy fields but are not forced to face realistic constrained scenarios under which they need to prioritise between reforms. Extant research in welfare adaptation mainly studies public opinion towards unidimensional social policies but fails to capture the salient trade-offs embedded in the multidimensional recalibration of the welfare state under a context of austerity (Garriztmann, Neimanns and Busemeyer, 2023).

From a methodological point of view, and thanks to the valuable trade-off questions on welfare attitudes integrated in Round 8 of the ESS (2017), the thesis was able to move one step forward and focus on citizens' social policy priorities, contributing to an emerging literature studying public opinion towards welfare trade-offs (see Garriztmann, Neimanns and Busemeyer, 2023; Bremer and Bürgisser, 2023; Gabriel and Trüdinger, 2011; Garriztmann, Neimanns and Busemeyer, 2018; Häusermann, Kurer and Traber, 2019, among others). Thus, the study adds to the scholarship on the politics of trade-offs, turning from the macrolevel to the microlevel individual foundations of public preferences for welfare state recalibration.

Scholarly research in Italian politics has devoted a lot of effort in understanding the causes of stubbornly below average levels of trust in the political system in Italy, but far less efforts have been committed to understanding the attitudinal consequences of mistrust. This thesis maintains that the more people trust political actors and institutions, the more prone they are to accept

investment reforms vulnerable to the dominance of short-term costs over long-term benefits and, consequently, have faith that their government is ‘doing the right thing’ (Garriztmann, Neimanns and Busemeyer, 2023). The persistent difficulty of the Italian welfare regime to successfully enact social investment reforms, and the declining levels of political trust in Italy, led the thesis to investigate whether these trends were linked, and, particularly, whether trust and satisfaction in political institutions mitigate attitudes towards reforms. This plausible assumption remains empirically unexplored, and, to the best of the author’s knowledge, there is no comprehensive research of this type focused on Italy to date<sup>6</sup>. The main findings confirm the theoretical expectation of the role of political trust in moderating support for welfare reforms and hold when controlling for different socio-demographic factors and alternative explanations commonly found in the literature.

To sum up, the thesis contributes to two important debates. First, it broadens the literature on the formation of welfare attitudes towards trade-offs, by adding to the well-known explanations of material self-interest and ideological positions, a third one, government satisfaction, and drawing attention to its salience particularly for the Italian public opinion. Second, the thesis expands the large scholarship of trust in political institutions, by examining not only the causes, but also the consequences of trust, or lack thereof, for the successful application of welfare reforms, especially in the event of difficult trade-offs under constrained scenarios.

#### **1.4. Societal Relevance**

This contribution also carries important societal ramifications. Welfare state recalibration creates reform winners and losers. Especially in times of fiscal austerity, no reform is able to give ‘something for nothing’ (Garriztmann, Neimanns and Busemeyer, 2023). The findings of the

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<sup>6</sup> Nonetheless, an important within-country studies have motivated the topic of the thesis and are therefore worth mentioning: a study by Gabriel and Trüdinger (2011) focused on political trust in Germany and its effect on Germans’ willingness to accept healthcare, pension and family policies. Please see: For Gabriel and Trüdinger, please see: Gabriel, O.W. and Trüdinger, E.M., 2011. Embellishing welfare state reforms? Political trust and the support for welfare state reforms in Germany. *German Politics*, 20(2), pp.273-292.

research demonstrate that political trust is able to effectively moderate reform opposition. This leads to the most important societal implication of the thesis, which illustrates the urgency for governments to earn public support if difficult, future-oriented reforms are to be successfully enacted. On this note, and drawing conclusions from the empirical evidence, the thesis conveys the message that compensating welfare recipients who see their benefits at risk due to social investment measures might be of utmost importance to foster trust in political actors and institutions, which is, in turn, a necessary condition to promote future-oriented policies.

This essential policy implication is useful to keep in my mind for the implementation of the new welfare state reform in Italy, promoted in May 2023 by the Meloni administration and set to replace the previous Basic Income Scheme (*“Reddito di Cittadinanza”* - RdC) instituted in 2019. In contrast to the RdC, the Meloni welfare reform has a significantly more limited scope, mostly in terms of welfare eligibility<sup>7</sup>, which has contributed to an important retrenchment in the pool of social benefits recipients: only 29 percent of the families that were previously entitled to the RdC can now access the new income support scheme. The predictions show that this will be a cost-saving move of more than 2 billion euros (Il Sole 24 Ore, 2024). According to the Meloni government, the previous basic income scheme has been dismantled in favour of a more modern approach focused on activation strategies aimed at re-integrating the jobless into the labour market (Ministero del Lavoro e delle Politiche Sociali, 2023). However, out of 249,000 “able to work” unemployed who have been receiving their final checks under the RdC in recent months, only 20 percent applied for the ALMPs under the new measures (Il Sole 24 Ore, 2024). Among those who applied, the numbers reveal a very limited participation in the Public Employment Services (PES) provided by the regions. On the one hand, the Center and the South (Molise, Basilicata, Sardinia, Puglia, Sicily), with their restricted availability of resources, have not managed to start some of the trainings yet; on the other hand, in the Centre-North (Emilia Romagna, Tuscany, Veneto), where

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<sup>7</sup> The estimated cost of the *Reddito di Cittadinanza* was €8 billion per year. Meloni’s welfare reform is expected to cost €5.4 billion per year (Il Sole 24 Ore, 2024). Please find online: <https://www.ilsole24ore.com/art/ecco-l-identikit-chi-ha-chiesto-l-assegno-inclusione-o-supporto-la-formazione-AFh1A5OC>.

resource capacity is high but unemployment levels are fairly low, there have been some challenges in assembling training classes because not enough people enroll.

This situation of limited membership and participation is where the findings of the thesis can have concrete societal implications for the Italian case, by helping policy-makers and decision-makers form their judgments and actions on the grounds of empirical research oriented towards the improvement of social policies. As the new measures are promoted as activation policies, aiming to offer employment services and training to facilitate labour market re-integration, the Meloni government should be wary not to undermine the social capital needed to implement such reforms to fruition. It will then be critical for the new administration to part ways from the structural inequities and inefficiencies of past attempts.

## **1.5. Overview of the Thesis**

In order to make the argument on the crucial relationship between government satisfaction and public attitudes towards welfare state recalibration, the remainder of the thesis is structured as follows. Chapter 2 develops the theoretical rationale upon which the empirical investigation is founded. First, it reviews the existing state-of-the-art literature, highlights its shortcomings and identifies the research gaps that this contribution wishes to address. Second, it provides the reader with a brief depiction of the Italian welfare regime and outlines the essential attributes of the country's most recent welfare state reform. Finally, the theoretical framework culminates with the presentation of the main hypotheses guiding the research.

Chapter 3 operationalises the concepts laid out in the theory and describes the methodological approach and research design. A detailed explanation of the survey and of the dependent, independent and control variables will be integrated with a reflection on the internal and external validity of the investigation.

Chapter 4 engages in the empirical analysis. The role of government satisfaction and trust in Italian political institutions will be tested against citizens' support for salient trade-offs in welfare

state recalibration. Moreover, theoretically-relevant controls will be included to the analysis as potential alternative explanations; their effects are then interacted with the main explanatory variables of the study. The findings are visually presented and interpreted.

Chapter 5 discusses the key results, assessing the thesis's contribution to the literature of welfare state research and the broader societal ramifications. Finally, the investigation concludes with a summary of the main findings, a reflection on the potential caveats and some suggestions for avenues of future research.



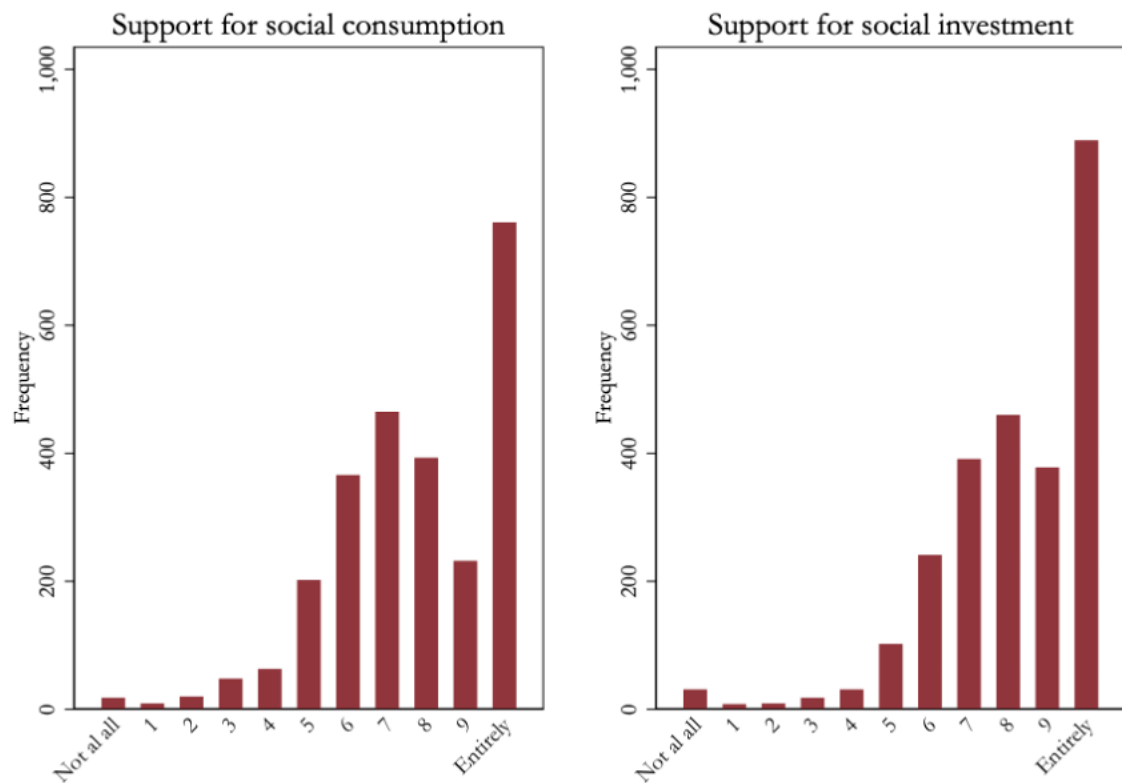
## Chapter 2

# Theoretical Framework

### 2.1. Literature Review and Motivation

Most of the existing literature on welfare state attitudes employs ‘unconditional’ questions in which respondents are asked to evaluate individual policy reforms, whilst neglecting their costs. Addressing this lacuna in the research agenda and following the steps of several path-breaking studies in this field (please see, Hansen, 1998; Boeri et al. 2001; Neimanns et al., 2018; Armigeon and Bürgissen, 2020; Hetherington, 2012; Häusermann, Kurer, and Traber, 2019; Garriztmann, Neimanns and Busemeyer, 2023), the thesis focuses on Italian citizens’ policy preferences under more realistic reform trade-offs. As corroborated by Figure 1, in an unconstrained scenario, both social investment and traditional consumption-based measures are highly praised. Italian citizens are strongly in favour of the government providing an adequate standard of living for the unemployed (social consumption), but they also agree with the government supplying childcare services to help working parents reconcile work and family life (social investment). However, once trade-off scenarios are accounted for, welfare state recalibration towards future-oriented policies becomes politically difficult (Hemerijck, 2018).

Thus far, prominent research on the politics of trade-offs and welfare state attitudes (with the exception of Garriztmann, Neimanns and Busemeyer, 2023) focused on the well-known determinants of public preferences - narrow material self-interests and ideological standpoints - in examining opinion-formation processes, whilst largely overlooking at the role exercised by political trust. On the other hand, a substantial portion of the existing scholarship on political trust has concentrated efforts in understanding the roots and causes of declining levels of trust in political institutions (Citrin and Stoker, 2018), but mostly disregarded the consequential effects of mistrust and dissatisfaction on reform decisions (for exceptions see Kumlin and Haugsgjerd, 2017; Hetherington, 1999; Harring, 2016). The present contribution attempts to fill this research gap.



**Figure 1.** Support for social investment and social consumption. *Notes:* Level of agreement/disagreement to the statements: “The standard of living of the unemployed should be the government’s responsibility” (left-panel) and “The provision of childcare services for working parents should be the government’s responsibility” (right-panel). *Source:* Computed from Round 8 of the ESS (2017). Author’s own elaboration.

Aligned with the view adopted in this thesis, Chanley, Rudolph, and Rahh (2001) conceive trust as a fundamental pillar of social coordination, able to reduce the transaction costs of difficult political decisions. If the premise that a high-trusting individual is more willing to conform to government action is true, then it is plausible to speculate that an electorate who believes the government to behave ‘honestly, fairly and in predictable ways’ will be more inclined to accept social policy reforms, even when they are perceived as detrimental and threatening to one’s own living conditions (Chanley, Rudolph, and Rahh, 2001; Gabriel and Trüdinger, 2011; Tyler, 1998). According to this line of research, countries, such as Italy, with a low stock of political trust will have more issues of non-compliance in the face of unpopular government decisions.

This thesis has built on the analysis of several important investigations. First, Jacoby (1994) identified political trust as excising a degarming role in attitudes towards government spending in

the United States. More to the focus of the thesis, subsequent scholarship focused on the conditions under which trust matters in shaping public opinion towards welfare reforms. Hetherington (2005) found that political trust matters the most in moderating public opposition especially among those groups who see their benefits taken away as a result of a proposed policy, i.e., the material losers of the reform. In the same year, Rudolph and Evans (2005) showed that political trust performs an important mitigating role not only on narrow material self-interests, but also on those policy constituencies asked to sacrifice ideological principles. Theoretical conjectures from the literature place benefit reduction as ideologically at odds with left-leaning individuals, whilst the expansion of social assistance programs and state involvement lies in conflict with the ideological right, usually supportive of small governments (Ballard-Rosa et al., 2016).

Combining these arguments together, Garriztmann, Neimanns and Busemeyer (2023) provided important empirical evidence in support of the assumption that government trust functions as a cognitive heuristics in determining policy support, even among those who bear the material or ideological costs of the reforms. Specifically, they draw inferences from a novel experimental survey focused on aggregated observations from several countries all very different from each other. However, comparative cross-country research (see Edlund, 1999, among others) has shown that, even for welfare states with similar attributions and endowments, the determinants of public support for future-oriented policymaking might be of different nature. For example, Svallfors (1999) was unable to replicate Jacoby's (1994) findings in a cross-country comparison between Sweden and Norway. Accordingly, this thesis presents a point of departure from the cross-country comparative approach, by concentrating on a single country, Italy, and maintaining that one should practice cautiousness when generalising empirical evidence that might be context-sensitive to different welfare regimes. The motivation behind this work is therefore to examine the role of government trust and satisfaction in ameliorating support for welfare recalibration policies with embedded trade-offs among Italian respondents. This argument is further developed in the following.

## **2.2. Welfare State Recalibration in Italy**

The Italian case has been selected as the focal point of this work because of the clear and visible retrenchment elements of its most recent welfare state reform, introduced in May 2023 by the Meloni government. In simple words, the reform proposes an expansion in an area of welfare that is particularly relevant to the coverage of the new social risks, ALMPs, at the cost of severe cutbacks in the audience of beneficiaries that are eligible to apply for income support schemes and social benefits. For this reason, the Meloni reform is considered here as a real-life representation<sup>8</sup> of the policy trade-off examined in this contribution. Hence, the empirical findings of this work, which aim to shed light on the political viability of future-oriented recalibration measures, will be useful to evaluate the recent ‘activation turn’ in Italian welfare state policy. Before diving into the specific attributes of the new reform, it is pertinent to highlight the unfavourable structural pre-conditions for the development of social investment that characterise the Italian welfare regime.

### ***2.2.1. The Shortcomings of the Italian Welfare System***

Italian public expenditure on reforms focused on welfare state modernisation toward social investment has always been modest, at best. Since the 2000s, the Italian welfare regime has registered the lowest share amongst its European counterparts, with Poland as the only expectation, in expenditure, as a percentage of GDP, on childcare and family policies, work-life reconciliation, active labour policies, and tertiary education (Saraceno and Keck, 2010). Kazepov and Ranci’s (2017) influential contribution delineated specific configurations of the Italian welfare system that interfere with the enactment of social investment policies.

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<sup>8</sup> The second social investment policy treated in this thesis, work-family reconciliation, has not been discussed in regard to the Meloni welfare reform because female labour market policies and strategies for work-life reconciliation have been almost entirely neglected from the Budget Law of 2023. First, most funds were only allocated for the year of 2024, leaving the years after insofar uncovered from social protection policies directed towards women and families. Second, the few incentives mentioned in the Budget Law were mainly aimed at households with two or more children, leaving families with only one child, or those who cannot have any due to financial constraints, outside of the realm of social assistance (La Repubblica, 2023). Finally, the inadequacy of the paternity leave in Italy, limited at only 10 days, has also not been addressed, remarking the cultural and structural differences in child rearing responsibilities between mothers and fathers. For this reason, there was no significant turn to social investment in this policy field that could be discussed and evaluated in light of the empirical findings.

First, forceful gender disparities make work-family reconciliation very difficult in Italy. The gender employment gap for individuals aged 25-49 is almost double the size compared to that of other major European countries, and the negative impact of motherhood on female employment is the greatest in Europe (Eurostat, 2015). Several factors help explain this phenomenon: i) The segregation of Italian female workers in the secondary market, consisting of low-pay, highly precarious temporary work (Kazepov and Ranci, 2017); ii) Huge gender disparities in household organisation, with a highly unequal division of domestic labour and childcaring responsibilities (Anxo et al., 2011); iii) Inadequate public expenditure on social services for families, including work-life reconciliation policies and childcare provision (Saraceno and Keck, 2010). The latter point reveals the weaknesses of the institutional configurations of the Italian welfare system, which adopts a traditional imagery of the family (with women as the main caregivers), and therefore directs social protection efforts mostly towards men, as the only active participants in the labour market. To be effective, social investment policies aimed at boosting employment and redistribution need to specifically address these structural and institutional issues.

Second, the share of in-work poverty in Italy has been on the rise in the past decade. As per above, social protection mechanisms are not the same across different segments of the population. Young people especially suffer from weak protection, as they are often engaged in low-paid and precarious jobs (Sacchi and Vesan, 2015). Moreover, in the last decade, the quality of employment in Italy has suffered from a further drop: between 2005 and 2013, the new jobs created were predominantly low-value-added, low-qualified, and temporary, whilst high-skilled or semi-skilled work is diminishing by the sight, contributing to the rise of in-work poverty (Sacchi and Vesan, 2015). Insofar, reforms have only marginally considered these context-sensitive socio-economic configurations, and the Italian government has not applied strategies to address them structurally. To combat in-work poverty, well-designed activation policies focused on *up-skilling* are needed. In light of these considerations, the most recent welfare state reform in Italy will be discussed and evaluated.

### ***2.2.2. From the ‘Basic Income Scheme’ to the Meloni Reform***

This section describes the most recent anti-poverty measures introduced in Italy by the Meloni administration in May 2023: the “Inclusion Allowance” (“*Assegno di Inclusione*” – ADI) and the “Support for Training and Employment” (“*Supporto per la Formazione e il Lavoro*” – SFL) (Sacchi et al., 2023). Table 1 summarises the main differences on eligibility criteria, income requirements, annual benefit amount and duration between RdC, ADI, and SFL.

On the one hand, the ADI<sup>9</sup> can be defined as an “atypical” minimum income scheme in the European panorama<sup>10</sup>. On the other hand, the SFL is a measure of job activation, which relies on a temporary economic transfer coupled with a series of ALMPs aimed at the “absolute poor” defined as “employable” - that is, “able to work” (Ministero del Lavoro e delle Politiche Sociali, 2023). The previous anti-poverty measure, *Reddito di Cittadinanza* (RdC), has been dismantled in favour of these new instruments focused on the “active inclusion” of the impoverished population into the labour market, on a supposed path towards the adjustment of the Italian welfare system to the challenges of post-industrial knowledge economies (Ministero del Lavoro e delle Politiche Sociali, 2023). However, from the end of 2022, two fundamental pillars of the Meloni government’s approach became apparent.

First, a universalistic minimum income scheme aimed at all individuals in conditions of need has been dismissed in favour of the re-instatement of strict eligibility criteria. Resultingly, a considerable segment of the disadvantaged has been excluded from welfare support, which is now only granted to households in which at least one of the members is: i) a minor; ii) disabled; iii) has reached the age of 60; or iv) is included in care and assistance programs under local health services.

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<sup>9</sup> Besides being below the threshold for economic need, families requesting support must live in the same household with at least one person belonging to the following categories: i) suffering from an illness or disability ii) being of minor age, or iii) being over 60 years of age (Ministero del Lavoro e delle Politiche Sociali, 2023).

<sup>10</sup> The large majority of European minimum income schemes are characterised by a governing principle of selective universalism: protecting all people in need, regardless of the “category” to which their family unit belongs (Sacchi et al., 2023).

Table 1. Brief comparison of essential reform characteristics between the RdC, ADI, and SFL.

	<b>Reddito di Cittadinanza (RdC)</b>	<b>Assegno di Inclusione (ADI)</b>	<b>Supporto per la Formazione e il Lavoro (SFL)</b>
Eligibility criteria	All households meeting the citizenship and monetary benchmark.	All households meeting the citizenship and monetary benchmark and having at least: i) a family member who is underage; ii) disabled; iii) 60 years of age or older; iv) or in disadvantaged conditions and included in care and assistance programs.	Individuals aged 18-59 of families not eligible for the ADI but satisfying the monetary benchmark.
Household income	Less than 9.360 euros.	Less than 9.360 euros.	Less than 6.000 euros.
Annual benefit amount	Integration of family income up to 6,000 euros. Minimum amount 480 euros. The threshold must be multiplied for the equivalence scale <sup>11</sup> .	Integration of family income up to 6,000 euros. Minimum amount 480 euros. The threshold must be multiplied for the equivalence scale.	No equivalence scale. Each beneficiary receives an allowance of 350 euros per month.
Benefit duration	18 months. It can be renewed, upon application, for 18 months further.	18 months. It can be renewed, upon application, for 18 months further.	Consistent with the duration of the planned activities and projects of job activation. In any case, not exceeding 12 months. Not renewable.
Households beneficiaries (in thousands of units)	1.717 thousands.	854 thousands.	N/A.

Source: Author's own elaboration. Data from Sacchi et. al., 2023.

<sup>11</sup> Index converting the differential costs in nominal incomes of households with different composition and size with respect to a "benchmark" type (FAO, 2005).

The approach of the Meloni reform is therefore immediately marked by a strong “conditionality”, a principle according to which the benefits of the welfare state are accessible only by virtue of belonging to a certain group (Sacchi et al., 2023). In other words, being poor is not enough anymore to receive welfare support, it is also necessary to fall into a category considered worthy of protection.

Second, for the poor who do not fall into the protected categories, there is some economic support under the SFL measure, but this however must be momentary, short-lived and never renewable (Sacchi et al., 2023). Although access is based on financial requirements, even more stringent than those of the ADI, the provision of the SFL, which amounts to a fixed sum equal to 350 euros per month, is conditional on participation to professional re-qualifications, trainings and employment services, and is limited to the duration of these projects, for a maximum of 12 months and non-renewable (Sacchi et al., 2023). At first sight, this could appear as a step towards welfare state adaptation, diverting the focus of social policy to activation strategies based on human capital mobilisation to cover for the new social risks. However, the configuration of the SFL, with its extensive use of *negative incentives*, such as sanctions, benefit reductions, and heightened conditionality, appears more as a fulfilment obligation than an investment in building the skills of the unemployed, from a perspective that distances activation from its empowering element and brings it closer to a measure to keep expenditure under control in the face of a one-off monetary incentive (Sacchi et al., 2023; Bonoli, 2010). On this note, Bonoli (2010; 2013) differentiates between two types of ALMPs: *workfare* and *upskilling*.

The first type, which closely resonates with the structure of the SFL, has a strong pro-market orientation with no focus on human capital generation. It works through measures that create incentives to work for benefit recipients via the use of sanctions and increased conditionality, so that receiving passive social transfers becomes conditional on participation to activation projects. The literature shows that the ‘punitive’ approach adopted by *workfare* policies has not proven to be effective in creating real incentives for the unemployed to re-enter the job market (Bonoli, 2013).



The second type also has a strong pro-market orientation, married with an important focus on human capital investment. It mainly promotes activities that are directed towards the improvement and development of capabilities for the unemployed, especially those whose skills have become obsolete, mostly through vocational training and re-qualifications, but also by improving job search and placement (Bonoli, 2010).

An evaluation of the SFL, however, requires knowing how ALMPs are actually offered, and whether any of the structural inefficiencies and problems of territorial institutional capacity have been addressed. As there were no significant measures taken to improve the coordination failures of the regionally-administered PES, in all likelihood, the SFL will turn out to be a *una tantum* monetary transfer of the non-extendible duration of one year, with no significant achievements in terms of its activation component.

The Meloni reform, therefore, constitutes a step backward to the *status quo* prior to July 2018, when, for the first time in Italian history, a universal minimum income scheme was introduced, in line with the countries of the European Union (Sacchi et al., 2023). The new strictly categorical approach carries severe consequences for the horizontal equity of the country. By way of example, a 60-year-old single person can receive the ADI (without conditionality) as long as their income is equal to 6,000 euros, while a 58-year-old out-of-work couple with no underage children and no income does not receive any monetary support apart from, possibly, a temporarily one-time-only receipt of the SFL. Hence, the severe changes in eligibility criteria of the Meloni reform generate visible winners and losers (Sacchi et al., 2023). In the transition to the ADI, over half of the families who were previously entitled to the RdC (around 929 thousand families, 54.1 percent) will remain excluded from the new measure because of their household composition (Sacchi et al., 2023). The cutback in the number of beneficiaries entails significant savings for the public budget. Assuming a complete take-up for both measures, RdC and ADI, Sacchi et al. (2023) calculated a reduction in annual expenditures of approximately 3.6 billion euros and, for the most part, these savings are retrieved from the exclusion to welfare of households with a single component.

In conclusion, the significant reduction in the pool of potential beneficiaries compared to the RdC generates both for the first year and, above all, for future years - given the non-renewability of the SFL - a saving of resources for the public budget, to the detriment of the fight against poverty and inequality in Italy. The use of criteria that are primarily oriented to large families to access income support enhances the idea, well-rooted in the structural configurations of the Italian welfare system, that caring for young children or elderly people is, by definition, incompatible with paid work. Conversely, those who do not share similar responsibilities, according to the approach of the reform, do not encounter any difficulties of in-work poverty and low-value employment. In this way, the reform fails to consider work-life reconciliation and does not intervene in mitigating skills obsolescence and the contextual aspects that affect the actual employability of the subjects. The outcome is then twofold: on the one hand, the possibilities of job activation for the ADI recipients are mortified by taking for granted that certain family responsibilities cannot, *a priori*, be reconciled with work commitments; on the other hand, the importance of activation is emphasised for those who - not having similar responsibilities - have no “excuses” for not (trying to) re-enter the labour market. Should they not succeed, the burden falls entirely on them, with the unrealistic expectation that a training course, of very short duration, and a brief monetary support are sufficient to bring the unemployed closer to the job market. All of this, without considering the unsolved, and largely neglected, deficiencies in the regional resource capacity of the PES, which do not always guarantee that the training programmes will ever take place. Hence, the empowerment and capacity-building function of the ALMPs has been lost in the new instruments. The direction undertaken, more than the adaptation of the Italian welfare state towards the coverage of the new social risks, seems a missed opportunity to align, once and for all, to the international and European standards of modern social protection (Lodigiani and Maino, 2022). Far from encouraging the take-up of employment, the fundamental aspects of the reform highlight an image of mutual mistrust between the Italian government and its citizens: on the one hand, the government lacks faith in the ability of individuals to use the opportunities for growth offered by the activation paths; on the other

hand, the public (judging from past experiences of ALMPs malfunction) is sceptical on the ability of the government to offer similar opportunities, as corroborated by the limited applications and membership to the SFL to date, not enough to even start the activation projects in some regions (Il Sole 24 Ore, 2024).

Overall, the Meloni reform does not respond to citizens' quest for sustainable social protection in the face of the new social risks; this significantly hurts civic consensus and the legitimacy of government action. In turn, the overall implementation of the enacted reforms might be at risk. The widespread mistrust in the political system among Italians is further explored in the following.

### ***2.2.3. Trust in Political Institutions***

Finally, a brief overview on the literature on political trust shows that Italy is an emblematic case of mistrust in its institutions of democratic representation (Bordandini, 2020). In the first major international survey published in 1963, *The Civic Culture*, the authors noted that "Italians tend to see administration and politics as threatening and unpredictable forces, for which they have no influence and control over" (Maraffi, 2013). Matters were not so different in subsequent studies, despite the radical transformations that have occurred in Italy both in the party system and at the institutional and legislative level. Some of the most important international surveys, the Eurobarometer, the ESS, and the World Value Survey, have all confirmed over the years the persistence in Italy of the attitudes already described by Almond and Verba in 1963: dissatisfaction with the functioning of democracy, of the political-administrative system, and distrust in political parties. Comparing the average trust in national governments and in parliaments of the EU15<sup>12</sup> countries between 2001 and 2018, Italy places, according to data from the ESS and the Eurobarometer, among the last three classified (Bordandini, Santana, and Lobera, 2020). According to the argument brought forward in this contribution, plausibly, a shift towards social

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<sup>12</sup> The 15 countries comprising the European Union from 1 January 1995 until 30 April 2004: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the UK.

investment is complicated in Italy by below average levels of public support. Thus, government satisfaction and trust can be important for earning the social capital necessary to implement investment-based welfare reforms. The theoretical expectations of the thesis are developed below.

### **2.3. Theoretical Expectations**

The considerations presented thus far lead to the core subject of the thesis: the effects of government satisfaction and political trust on Italians' policy preferences towards social investment. Government trust and satisfaction are therefore understood as civic resources positively affecting public attitudes towards complex welfare reforms leading to risky changes to the *status quo*. According to Hetherington (2005), the mitigating role of political trust is exercised also when ideological or material sacrifices are imposed on policy constituencies as a result of the reform trade-offs.

Pointedly, the empirical work tests these premises on social investment reforms, in which benefits are expected to emerge in the future, but the costs are perceived *hic-et-nunc* (Garriztmann, Neimanns and Busemeyer, 2023; Jacobs, 2016). In fact, the modernisation of the welfare state in favour of an 'activation turn' focused on the promotion of human capital inherently carries a substantial degree of uncertainty and risk.

First, estimating the impact of future-based policymaking on socioeconomic outcomes is a difficult task, particularly in a country like Italy, where the current state of the economy and adverse labour market conditions do not assure that social investment efforts will actually pay off (Kazepov and Ranci, 2017). Structural issues concerning the pervasiveness of low-paid, low-qualified, unprotected jobs tamper the effectiveness of activation policies focused on re-training programmes. As a result, social investment in education for the unemployed may lead to an overcrowd of qualified workers and no jobs to match their skills. The undersupply of good-quality permanent work in Italy means that up-skilling the jobless will not necessarily lead to productivity growth and lower unemployment rates (Kazepov and Ranci, 2017). However, although the future

returns of social investment are uncertain, the costs for the implementation are generally felt in the present.

Second, a paradigm shift towards a social investment model of welfare takes time and therefore calls for a long-term political commitment. Policies which require durable investment efforts bring an additional layer of uncertainty as to whether future governments will choose to persist and carry out the implementation phase of the reforms introduced (Garriztmann, Neimanns and Busemeyer, 2023; Jacobs and Matthews, 2017).

Finally, financial constraints in welfare budgets in an era of ‘permanent austerity’ (Pierson, 1998) have curtailed policymakers’ room to manoeuvre: an expansion of the social investment strategy is only possible at the expense of cuts in the traditional compensatory function of social policy, or, alternatively, by raising taxes and/or increasing public debt. However, these fiscal and policy trade-offs are deeply unpopular among the electorate (Garriztmann, Neimanns and Busemeyer, 2023; Pierson, 2000; Ballard-Rosa et al., 2016).

Examining the trade-offs involved in welfare state recalibration focusing on the Italian case, a country whose socio-economic pre-conditions seem particularly adverse to social investment (Kazepov and Ranci, 2017), provides an ideal context to test the plausible conjecture on the mitigating effects of government trust on public support for difficult (and uncertain) reforms. The main theoretical expectation here is that Italian citizens who place high trust and satisfaction in their government will be more prone to believe that the latter is acting on their best interest. This is true even when government action implies significant short-term costs. According to Hetherington (2005), under situations of risk and uncertainty, trust in the political system is activated as cognitive heuristics: in the face of complex issues, people rely on positive feelings of trust to facilitate the opinion-formation process of the decisions at hand. In other words, political trust and government satisfaction, through cognitive heuristics mechanisms, increase public support for future-oriented welfare state reforms. Hence:

*Hypothesis 1:* The higher the political trust and government satisfaction of Italian citizens, the more likely they are to support future-oriented welfare state reforms implying salient trade-offs. Thus, trust and satisfaction play a mitigating role in the formation of welfare state attitudes.

Welfare state research has emphasized two well-known explanations, material self-interest and ideological standpoint, as the main determinants in the formation of attitudes towards social policy reform (see, among others, Blekesaune and Quadagno, 2003; Yang and Barrett, 2006). The degree of uncertainty resulting from investment-based policies is not equally shared across segments of the population. Welfare reforms generally create winners and losers, depending on beneficiary status, respective labour market positions, and financial situations (Garriztmann, Neimanns and Busemeyer, 2023). Extensive scholarship in behavioural economics has shown that, in the presence of complex decisions, people become risk- and loss-averse, that is, they prefer situations with low uncertainty and tend to value losses over gains (Kahneman & Tversky, 1979). Thus, through the processes of cognitive heuristics explained above, reform losers bearing positive feelings towards political institutions should have more faith that the government will act on their behalf, and, in the end, on their best-interest. In other words, this thesis expects the attenuating role of political trust and government satisfaction to be particularly salient among those who endure the direct and visible personal costs of the trade-off scenarios (Garriztmann, Neimanns and Busemeyer, 2023; Hetherington, 2005).

In a time of fiscal austerity, welfare state expansion is typically financed from: i) a retrenchment in other social policy areas; ii) taxation hikes; iii) an increase of public debt. When funding for welfare reforms comes from cuts in consumption-based social benefits, a *policy* trade-off looms. In this case, the reform losers are those welfare beneficiaries who see their income support measures at risk. For the policy trade-off examined in this thesis, which concerns a reduction in unemployment insurance (UI) spells in exchange of an increase in active labour market policies (ALMPs), the unemployed appear the clear and visible losers of the reform. Therefore, this

contribution expects the jobless, or those at immediate risk of becoming unemployed, as more opposed to trade-offs coming at the expense of UI benefits retrenchment. However, at high levels of political trust and government satisfaction, this opposition should attenuate.

Bearing in mind constraints in welfare budgets, if funding for social programmes is financed from taxation increases or higher public debt, a *fiscal* trade-off looms. In this research, the focus lies on the expansion of work-family reconciliation policies at the cost of “much higher taxes for all”. According to Ballard-Rosa et al., (2016) and considering the progressive nature of the Italian taxation system, the wealthiest individuals should be more opposed to tax hikes. However, given the ambiguous wording of the ESS question, which speaks of a tax increase for all, it has not been possible to clearly depict the material losers of the proposed reform scenario. Therefore, the second hypothesis has been examined only for policy trade-off. Thus:

*Hypothesis 2 (material self-interest):* At higher levels of political trust and government satisfaction, Italian citizens are more likely to support future-oriented welfare trade-offs, even when they bear the direct material costs of the reform. Thus, government trust and satisfaction effectively mediate the negative effects of material self-interest on social policy preferences.

Lastly, building on Garrizmann, Neimanns and Busemeyer’s (2023) theoretical framework, the thesis explores the role of ideological standpoints. According to Iversen and Soskice (2001), left-leaning individuals are generally more sensitive to curtailing social assistance for the disadvantaged. Therefore, examining the policy trade-off scenario, the left-wing constituency should be particularly opposed to the retrenchment of unemployment spells.

Fiscal reform trade-offs, conversely, impose higher ideological costs on right-wing individuals. Conservative ideology aligns with reform propositions of lower taxation and reduced governmental activity in the economy (Ballard-Rosa et al., 2016). Moreover, the expansion of work-family reconciliation policies, such as parental leave or early childcare provision, boost female labour participation and threaten long-established family roles, shifting the target of welfare away

from the traditional male breadwinner. This may impose greater ideological costs on the most conservative constituencies (Gabriel and Trüdinger, 2011). Given these considerations, the theoretical expectation is the following:

*Hypothesis 3 (ideological standpoints):* An increase in government satisfaction and political trust leads to increased levels of support for future-oriented welfare reforms, even when these imply sacrifices in ideological principles. That is, trust and satisfaction effectively mitigate the adverse effects of ideological standpoints on welfare attitudes.

To test these hypotheses, the thesis uses two proposed trade-off scenarios: 1) the expansion of activation policies, at the cost of reduced unemployment spells; 2) the increase in social services for working parents (especially mothers), at the expense of taxation hikes. The next chapter presents a detailed explanation of the research design and operationalisation of the concepts outlined in the theoretical framework.



## Chapter 3

### Research Design

This thesis wishes to shed some light on the determinants of policy preferences for future-oriented welfare state reforms under budget constrained scenarios. The main assumption, focused on the mitigating role of political trust and satisfaction, is tested exploiting a large international survey, the European Social Survey (ESS). The empirical analysis is conducted on the case of Italy, confirming a robust relationship between government satisfaction and support for welfare trade-offs. Given the observational nature of the data at hand, with surveys conducted in a non-experimental setting, the findings of the thesis are only of correlational type and, therefore, causality cannot be inferred from the observed relationships.

#### 3.1. The European Social Survey (ESS)

Conventional survey questions typically ask respondents whether they support or oppose a given policy. Unidimensional questions such as “Are you in favour or against an increase in training and services for the unemployed?” are ubiquitous in standard surveys. However, asking about public opinion whilst neglecting real-life contexts, for example a condition of fiscal austerity, can create distortions in the answers provided. Many scholars, particularly in the field of economics (Bertrand and Mullainathan, 2001), are sceptical of the usage of surveys to infer public priorities and preferences. However, the unique advantage of Round 8 of the ESS is the presence in this particular edition of multidimensional questions including salient fiscal and policy trade-offs, which allow to measure micro-level attitudes towards conflicting welfare state reforms. Studying individual preferences in the context of multidimensional trade-offs, rather than asking unidimensional questions on policy positions, significantly strengthens the internal validity of the examination. Proposing trade-off scenarios under realistic budget constraints in which respondents are forced to make difficult choices resembles real-life situations and therefore attenuates biases and confounding effects (Bertrand & Mullainathan, 2001; Häusermann, Kurer,

and Traber, 2019). Moreover, Round 8 offers a multidimensional measure of political trust which provides fine-grained information on public confidence in various governing institutions, further promoting internal validity. In point of fact, this edition of the ESS includes the most comprehensive measure of political trust up to date (Garriztmann, Neimanns and Busemeyer, 2023).

The reason Italy has been selected as the focus of this investigation is twofold: i) its role as one of the most prominent exponents of the Southern model of the welfare state; ii) its recent turn towards retrenchment of social benefits in favour of a strict incentive-based activation strategy. Hence, the findings of the study might assist Italian policy-makers and decision-makers in understanding the social capital needed for these reforms to come to fruition.

The survey involves strict random probability sampling and is conducted by a professional survey institute, Ipsos<sup>13</sup>, engaged in a one hour-long face-to-face computer-assisted interview. Besides a variety of core topics repeated from previous rounds of the survey, Wave 8 includes questions covering Welfare Attitudes in a Changing Europe, suitable to satisfy the research interest of the thesis. For Italy, the overall sample size was approximately 5600 individuals, distributed across 170 municipalities. Everyone living in Italy was eligible for the survey, as long as they had at least 15 years of age and lived in a private residence. The interviews took place between September and November of 2017, with a response rate of 49.7 percent (ESS, 2017).

## **3.2. Operationalisation**

### ***3.2.1. Dependent Variables***

The operationalisation of the theoretical framework is a crucial step to test the reliability and soundness of the research design. The dependent variables were retrieved from two trade-off questions included in the survey. Both of them juxtapose long-term gains to short-term losses.

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<sup>13</sup> For an in-depth review of the data collection process, please consult the interviewers' manual for Italy: [https://stessrelpubprodwe.blob.core.windows.net/data/round8/fieldwork/italy/ESS8\\_fieldwork\\_and\\_interviewer\\_instructions\\_IT.pdf](https://stessrelpubprodwe.blob.core.windows.net/data/round8/fieldwork/italy/ESS8_fieldwork_and_interviewer_instructions_IT.pdf). To find out more about the ESS in general, please see: <https://www.europeansocialsurvey.org/>.

Round 8 of the ESS opens the Welfare Attitudes segment with the sentence: “In the next 10 years the government may change the way it provides social benefits and services in response to changing economic and social circumstances”. The first dependent variable consists of a policy trade-off question in which respondents were forced to prioritise between a social investment strategy, ALMPs, and a consumption-based unemployment protection policy:

“Now imagine there is a fixed amount of money that can be spent on tackling unemployment. Would you be against or in favour of the government spending more on education and training programs for the unemployed at the cost of reducing unemployment benefit?”

The second dependent variable is concerned with a fiscal trade-off in which respondents had to choose between the expansion of policies aimed at work-family reconciliation, at the expense of taxation hikes:

“Would you be against or in favour of the government introducing extra social benefits and services to make it easier for working parents to combine work and family life even if it means much higher taxes for all?”

For both questions respondents could choose from the following categories: “Strongly against”, “Against”, “In favour”, “Strongly in favour”, “Refusal”, and “Don’t know”. The last two categories were dropped, and, for ease of interpretation, the answers were dichotomised into support or opposition for the reforms.

### ***3.2.2. Main Explanatory Variables (MEVs)***

The addition of new core questions capturing multidimensional measures of political trust is certainly one of the greatest features of Round 8 of the ESS. Having access to such a comprehensive range of dimensions of trust elevates the internal validity of the study. For the first

main explanatory variable (MEV), the analysis operationalises a question weighting satisfaction with the current government:

“Now thinking about the Italian government, how satisfied are you with the way it is doing its job?”

The answers were coded from 0 to 10 and ranged from “Extremely dissatisfied” to “Extremely satisfied”. As before, the categories “Refusal” and “Don’t know” were excluded from the analysis. The second MEV includes various aspects of trust in the political system. Respondents could choose a score from 0 to 10 (0 indicating ‘no trust at all’ and 10 ‘complete trust’) based on how much confidence they placed in each of the following institutions:

- i) Parliament.
- ii) The legal system.
- iii) Politicians.
- iv) Political parties.

It is imperative to notice that the questions on political trust and government satisfaction were asked before the trade-off questions, hence ruling out issues of reverse causality.

### ***3.2.3. Methodological Choices***

To estimate the effects of government satisfaction and political trust on support for welfare reforms, the analysis used logistic regressions on the dichotomised dependent variables, the policy trade-off first, and the fiscal trade-off to follow. Binomial logistic modelling is particularly useful when analysing survey data, especially if the dependent variables are dichotomised (Berman and Wang, 2015). Logit estimation techniques become a compelling choice if one is trying to predict the probability of a binary outcome based on one or more predictor variables (Masami, Jones and Kraner, 2013). Lastly, survey data may include issues with correlated independent variables, which

can be problematic for some modelling techniques. Logistic regression however is relatively robust to multicollinearity, meaning it can still provide reliable estimates of the relationships between the MEVs and the outcome even when predictors are correlated. For all these reasons, logistic seemed the natural statistical method for the scope of the investigation (Angrist and Pischke, 2014). Nonetheless, to check for reliability, the analysis was also replicated using different estimation techniques: i) probit regressions; ii) ordered logistic regressions on a four-point scale (“Strongly against”, “Against”, “In favour”, “Strongly in favour”). The effects of government satisfaction and political trust on support for reform trade-offs remained robust when testing for these models. Moreover, the regressions were run with and without a series of socio-demographic and theoretically-relevant controls, to check for consistency and robustness when expanding model specifications. Finally, as further explained below, interaction analysis was performed on the operationalised material self-interest and ideological standpoint explanations.

#### **3.2.4. Control Variables**

To reduce the incidence of omitted variable bias, models were run with and without a series of control variables. The first list pertains to socio-demographic characteristics: educational attainment (highest level of educational degree), household income (recorded into quintiles), gender, children living at home, current labour market situation (paid work, student, unemployed, retired), age, adults per household (whether the household size is larger than just one person).

In a further step, and according to the relevant explanations found in the literature, the analysis explores related theoretically-relevant variables: i) ideological standpoint (operationalised as placement on the right-left wing scale – 0 meaning a complete alignment with the left, 10 with the right); ii) materialistic self-interest (computed with the unemployed status variable first, and risk of becoming unemployed variable after); iii) regional variations (the sample was divided into North, Centre, and South and Islands); iv) government electoral support. Table 2 presents further details on questions wording and variable operationalisation.

As mentioned, to control for endogeneity problems, all models have been run with and without both groups of control variables. Then, the material self-interest hypothesis (operationalised with the unemployed group and those at risk of being unemployed) and the ideological standpoint hypothesis (operationalised with the left-right placement scale) have been interacted with the MEVs to test if the interaction effects strengthened the mitigating role of government satisfaction and political trust on attitudes towards welfare reforms. Descriptive statistics for all variables is available in the Appendix, Table A1.

For material self-interest, the models have been run only for the policy trade-off question (PLMPs vs ALMPs). This is because in this scenario, it is less challenging to identify the short-term materialistic losers<sup>14</sup> of the reform, that is those individuals who see their benefits at risk: the unemployed and those likely to be unemployed and looking for work in the next 12 months (as stated in the ESS). However, for the fiscal trade-off question, work-life reconciliation vs higher taxes, it is not so clear-cut to pick out winners and losers. As the wording of this second dependent variable speaks of “much higher taxes for all”, virtually everyone could be a potential reform loser. Similarly, winners are also hard to detect. Although at first glance it might appear that working parents are the reform winners, the family policy can be beneficial for single parents too, or even for those individuals who do not have children but have postponed the decision to start a family for lack of finances.

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<sup>14</sup> Even though, if we take a closer look, the sample of the ESS still leaves limited scope for a more fine-grained characterisation of winners and losers also in the policy trade-off question. The lack of a distinction between short-term and long-term unemployment does not allow to unequivocally identify policy supporters and opposers. For example, a long-term (older) unemployed person might be considered a reform loser because they lack intention of exiting unemployment, hence activation and up-skilling policies are for them futile. However, a short-term (younger) unemployed person might be considered a reform winner because they may need and want to get back to work and therefore embrace ALMPs with the hope to be better prepared to face the vagaries of current labour markets. However, this mechanism could also work the other way around. Unfortunately, the framing and wording of the trade-off questions in the ESS does not allow us to make this fine-grained distinction, and therefore to depict materialistic reform winners and losers unequivocally. This implies that the material self-interest explanation cannot be tested without the willingness to make strong assumptions by considering the whole unemployed group as reform losers in the policy trade-off question.

### 3.3. Limitations

This segment discusses some concerns and limitations of the research design. First and foremost, although Round 8 of the ESS surely carries important merits and innovations (such as the introduction of trade-off questions and multidimensional measures of political trust), as a cross-national survey it inherently fails to account for the national and historical differences of its adhering countries. The absence of a large-scale comprehensive national survey including questions on specific real-life reforms tailored to the Italian welfare state is perhaps the biggest caveat of this within-country research. Furthermore, being the ESS an international survey (Round 8 covers 23 countries), each national representative sample is too small to meaningfully detect differences in marginal effects across regions and geographical areas. In spite of numerous attempts, results for the regional variations conducted in this study were inconclusive due to the very narrow  $N$ . The availability of a large-sample able to depict geographical differences would have further strengthened the internal validity of the study, especially in a country that is exemplary for its huge territorial heterogeneity in job opportunities, unemployment rates, and institutional capacity. Understanding and measuring these effects is of utmost importance to design compensation policies with a regional focus.

Furthermore, a sample in which respondents could evaluate entire policy packages other than trade-off measures focusing on single reforms would help delineate a complete utility curve of public support for welfare state recalibration<sup>15</sup>. However, given the data at hand, this is something that the present contribution was unable to perform. Presenting respondents with a policy bundle<sup>16</sup>

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<sup>15</sup> For example, see Häusermann, Kurer, and Traber (2019) for a conjoint experiment on Swiss' attitudes towards pension reforms, measured by a comprehensive policy bundle of possible trade-off scenarios. Please find: Häusermann, S., Kurer, T. and Traber, D., 2019. The politics of trade-offs: Studying the dynamics of welfare state reform with conjoint experiments. *Comparative political studies*, 52(7), pp.1059-1095.

<sup>16</sup> For examples of conjoint survey experiments and split-sample designs where respondents are able to evaluate realistic policy bundles, please see: 1) Bremer, B. and Bürgisser, R., 2023. Public opinion on welfare state recalibration in times of austerity: Evidence from survey experiments. *Political Science Research and Methods*, 11(1), pp.34-52. 2) Garritzmann, J.L., Busemeyer, M.R. and Neimanns, E., 2020. Public demand for social investment: new supporting coalitions for welfare state reform in Western Europe?. In *The Future of the Social Investment State*. Routledge, pp.44-61. 3) Horiuchi, Smith and Yamamoto, 2018. Measuring Voters' Multidimensional Policy Preferences with Conjoint Analysis: Application to Japan's 2014 Election. *Political Analysis*, 26, pp. 190–209. DOI: 10.1017/pan.2018.2.

would also mitigate some of the framing issues of standard surveys, which result in the impossibility of identifying reform winners and losers from question wording. All in all, these elements taken together constitute significant limitations, useful for the reader to keep in mind when consulting the remainder of the thesis.



Table 2: List of questions wording and operationalisation.

<b>Variable</b>	<b>Operationalisation</b>
Government satisfaction	“Now thinking about the Italian government: How satisfied are you with the way it is doing its job?” (0: extremely dissatisfied; 10: extremely satisfied)
Trust in country’s parliament	“Please tell me on a score of 0-10 how much you personally trust each of the institutions I read out. 0 means you do not trust an institution at all, and 10 means you have complete trust.”
Trust in the legal system	“Please tell me on a score of 0-10 how much you personally trust each of the institutions I read out. 0 means you do not trust an institution at all, and 10 means you have complete trust.”
Trust in politicians	“Please tell me on a score of 0-10 how much you personally trust each of the institutions I read out. 0 means you do not trust an institution at all, and 10 means you have complete trust.”
Trust in political parties	“Please tell me on a score of 0-10 how much you personally trust each of the institutions I read out. 0 means you do not trust an institution at all, and 10 means you have complete trust.”
Educational attainment	“What is the highest level of education you have successfully completed?”
Household income	“Please tell me which letter describes your household's total income, after tax and compulsory deductions, from all sources?”; recoded into quintiles for the analysis
Female	0: Male; 1: Female
Children at home	Children living at home or not (1 if there is at least one child in the household, 0 otherwise)
Current situation	Main activity, last 7 days. Recoded for the analysis into the following categories: 1: paid work; 2: studying; 3: unemployed; 4: retired; 5: other.
Age	Age of respondent
Adults per household	1: lives with husband/wife/partner; 0: otherwise
Risk of unemployment	“Please tell me how likely it is that during the next 12 months you will be unemployed and looking for work for at least four consecutive weeks?” (1: not at all likely; 2: not very likely; 3: likely; 4: very likely)
Left-right placement	Placement on left right scale. Recorded for the analysis: 0: left; 1: centre; 2: right.
Government Electoral Support	Party voted in the last national election: 1: Partito Democratico (PD); 2: Sinistra Ecologia e Libertà (SEL); 3: Rivoluzione Civile (Ingroia); 4: Movimento 5 Stelle; 5: Scelta Civica (con Monti); 6: UDC; 7: FLI; 8: Popolo della Libertà (PdL); 9: Lega Nord; 10: Fratelli d’Italia; 11: Radicali Italiani (Amnistia giustizia e libertà); 12: FARE – Giannino; 13: La destra; 14: Other. Recorded for the analysis into: 1-6: Left and Centre-Left; 6-13: Right and Centre-Right.
Regions	Northern regions have been coded as 1: Piemonte, Valle d’Aosta, Liguria, Lombardia, Provincia Autonoma di Bolzano, Provincia Autonoma di Trento, Veneto, Friuli-Venezia Giulia, Emilia-Romagna; the Centre as 0: Toscana, Umbria, Marche, Lazio; South and Island as 2: Abruzzo, Campania, Puglia, Basilicata, Sicilia, Sardegna.

## Chapter 4

# Empirical Findings

### 4.1. Average Marginal Effects of Government Satisfaction and Political Trust on Support for Social Investment

Chapter 4 presents the key findings of the empirical analysis. In order to test the hypotheses postulated in the theoretical framework, a series of logistic regressions was conducted. In view of the key argument, the analysis first explores whether political trust and government satisfaction matter as determinants of public support towards social investment reforms in Italy. Then, to check for robustness and internal validity, the examination will include a series of theoretically-relevant controls. Finally, the analysis will introduce to the estimation models the interaction effects between government satisfaction and political trust on the one hand, and the well-known explanations found in the literature on the other: namely, material self-interests and ideological standpoint. At the end of the chapter, a number of robustness checks to assess consistency and reliability will be performed.

#### *4.1.1. Do Government Satisfaction and Political Trust Matter?*

Table 3 presents the average marginal effects (AMEs) of the MEVs, government satisfaction and the multidimensional measures of political trust, on public support for welfare state recalibration. It should be mentioned that all models in Table 3 include the following of socio-demographic controls: age, gender, education, financial situation, household composition, and employment status. However, the regressions have been run with and without these controls, and the significance of the coefficients was strengthened in the models with the controls, indicating an improvement in the overall fit. Thus, the relationship between government satisfaction and support for welfare trade-offs is robust and not an artifact of omitted variables. The models in Table 3 report the coefficients with the socio-demographic controls. In the examination of the first hypothesis (H1), stating that government satisfaction and political trust matter in mitigating

Table 3. Average marginal effects of government satisfaction and political trust on support for policy trade-offs (ALMPs vs PLMPs) and fiscal trade-offs (work-family reconciliation vs higher taxes).

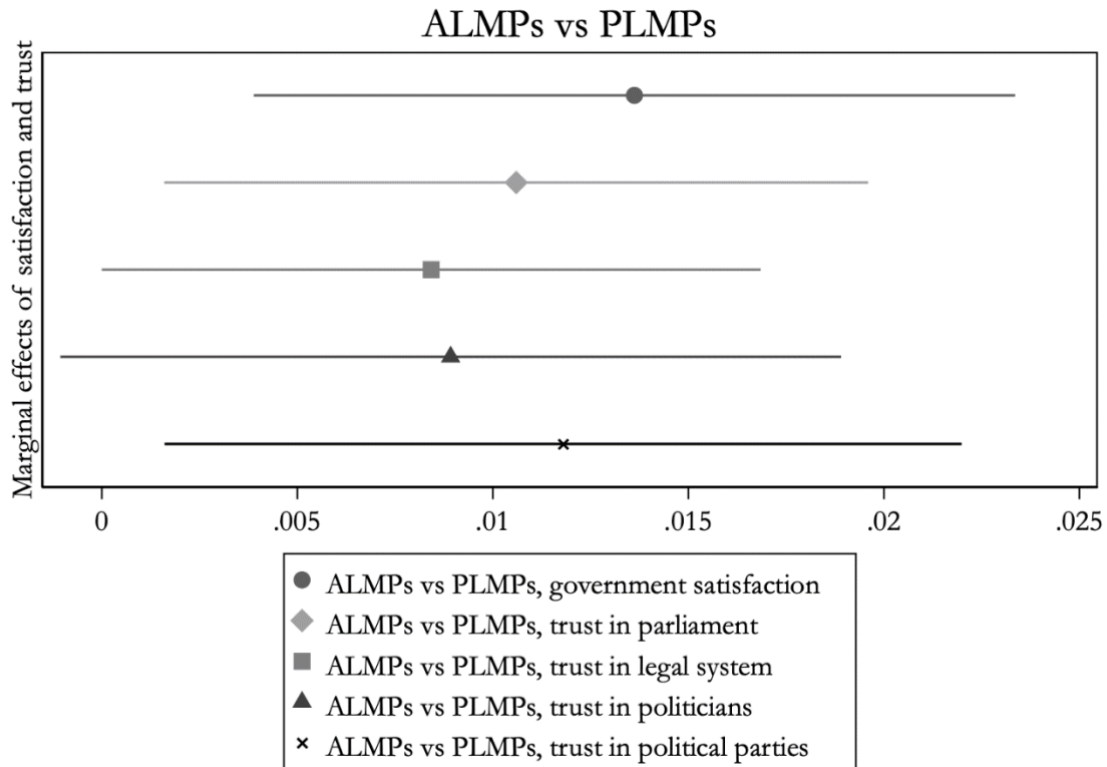
	ALMPs vs PLMPs					Work-family reconciliation vs higher taxes				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Government satisfaction	0.014 ***					0.019 ***				
	(0.00)					(0.01)				
Trust in parliament		0.011 **					0.021 ***			
		(0.00)					(0.01)			
Trust in the legal system			0.008 *					0.016 ***		
			(0.00)					(0.01)		
Trust in politicians				0.009 *					0.018 ***	
				(0.01)					(0.01)	
Trust in political parties					0.012 **					0.016 ***
					(0.01)					(0.01)
Controls for socio-demographics	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
N	1337	1358	1354	1362	1359	1327	1351	1346	1356	1354
PR2	.02	.02	.02	.02	.02	.02	.02	.02	.02	.02

Average marginal effects; Logistic model. Standard errors in parenthesis. Full regression in Appendix Table A2 for Model 1 through 5, and in Appendix A3 for Model 6 through 10.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

support for social investment reforms among the Italian population, the analysis finds significant effects for all models. Model 1 through 5 present the findings for the policy trade-off: ALMPs at the expense of a reduction in PLMPs; Model 6 through 10 show the effects for the fiscal trade-off: work-life reconciliation at the cost of higher taxes.

Moreover, for ease of interpretation, the average marginal effects for the policy and fiscal trade-offs are also visualised in Figure 2 and Figure 3, respectively. Strongly confirming the theoretical expectations of Hypothesis 1, a clear and consistent significance of the estimated coefficients is reported for all models: government satisfaction and political trust are positively and significantly associated with an increase in public support for future-oriented social investment policies, even when they imply visible present-day costs, such as tax hikes or a cutback in existing benefits. The estimated effects remain robust for both dependent variables. Specifically, a one-point change in government satisfaction increases support for ALMPs by 1.4 percentage points, and support for

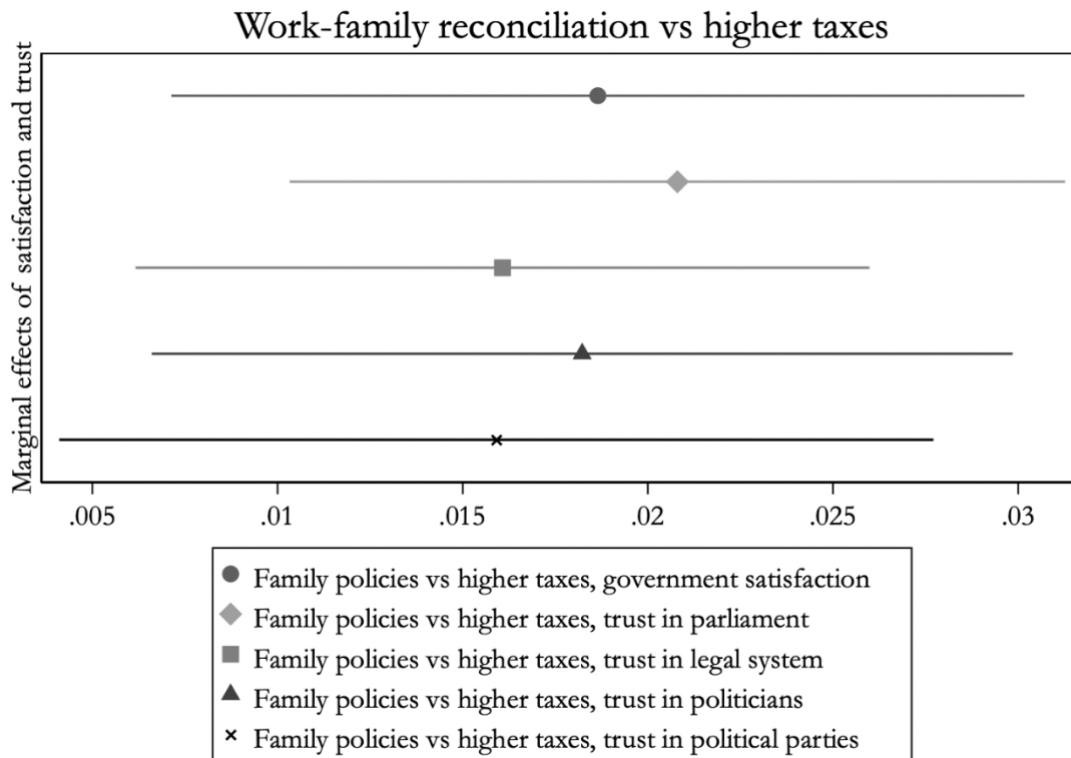


**Figure 2.** Average marginal effects of government satisfaction and political trust on support for activation policies. Logistic regression with 95% confidence intervals. Based on Table 3.

work-family reconciliation policies by 1.9 percentage points. These effects are significant at the 99 percent level.

The difference<sup>17</sup> between the highest- and the lowest-satisfied individuals in support for ALMPs amounts to 12 percentage points; such distance between groups becomes even larger for the fiscal trade-off question, reaching almost 18 percentage points. Across the different measures of political trust, the effects size is similar; most of them show positive and significant results, with the exception of a weaker significance level in trust in the legal system and in politicians for the policy trade-off question. Trust in parliament seems particularly salient for childcare policies financed via higher taxation: a one-unit increase in trust here leads to a 2.1 percentage points increase in

<sup>17</sup> The distance between individuals at the extremes of government satisfaction/dissatisfaction and trust/mistrust has been computed from the *margins* function on Stata, which allows to calculate the predicted probabilities of the outcome variable for different values of the predictor. Once the predicted probabilities for the lowest/highest levels of government satisfaction (or political trust) were calculated, then the difference between them was further computed on Stata.



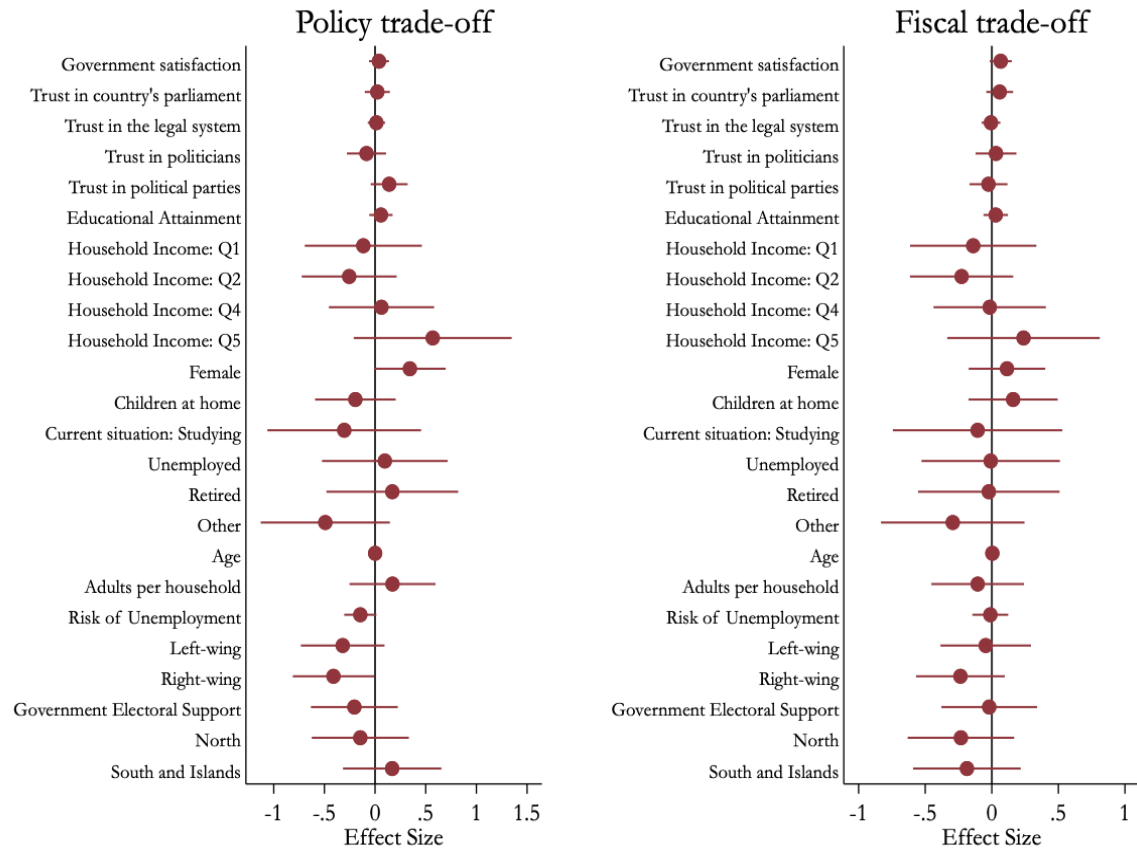
**Figure 3.** Average marginal effects of government satisfaction and political trust on support for work-family reconciliation policies. Logistic regression with 95% confidence intervals. Based on Table 3.

support for the reform trade-off, and this effect is significant at the 99% level. Here, the distance between the highest- and lowest-trusting individuals reaches 20 percentage points. All in all, these findings convincingly confirm the expectation of Hypothesis 1 that government satisfaction and political trust matter in increasing support for the ‘social investment’ state at the expense of *hic-et-nunc* costs. The consistent significance of the results across models gives the analysis confidence on the robustness and internal validity of the results.

## 4.2. Determinants of Social Investment Preferences

### 4.2.1. *Socio-demographic Controls*

Next, to add robustness to the analysis, the examination looks at additional variables against the background of existing research. Besides the socio-demographic variables, the logistic regressions are run with and without a series of theoretically-relevant controls: risk of unemployment, ideological standpoint (left-right placement scale), regional divide (North, Centre and South and Islands), and government electoral support. Figure 4 graphically displays the determinants of public support for social investment reforms, with all model specifications included, and plots point coefficient estimates and confidence bands. The full regression models are presented in Table 4 and Table 5. For the most part, the socio-demographic control variables behave largely in the expected direction. Although their effect size is bigger than that of the MEVs, none of them show significance at conventional levels. Nonetheless, the direction of association is still briefly presented here, as it is believed to contribute to the overall understanding of the phenomenon being studied. First of all, among the socio-demographic controls, being female and with higher levels of educational attainment is associated to an increase in support for social investment policies. It is plausible to assume that a shift towards social investment is welcomed by women as they often perceive less direct benefits from the traditional social protection systems designed for male breadwinners (Bonoli, 2007). Similarly, there are good reasons to expect women's support for work-family reconciliation policies, as, in dominant social structures, the gender separation of domestic and labour roles features women staying at home with children and men working. From theory, an expansion in the arsenal of activation policies should consolidate females labour market position (Bonoli, 2007). Further, as one would expect, having children at home is negatively associated to support for activation policies at the expense of passive cash-transfers, but positively associated to the work-family reconciliation trade-off aimed at increasing childcare services to make life easier for working parents. For household income, belonging to the richest quintile is associated with support for ALMPs, plausibly because these groups are less likely to experience



**Figure 4.** Determinants of public support for social investment policies. *Notes:* Coefficients and 95% confidence intervals are plotted; Logistic regression; Policy trade-off (left-side), based on Table 4. Fiscal trade-off (right-side), based on Table 5.

labour market risk and unemployment spells themselves (Garritzmann, Busemeyer, and Neimanns, 2018). The working class and those at the bottom end of the income distribution are more opposed to a shift towards activation at the cost of a reduction in unemployment benefits; similarly, and likely due to their financial situation, this group is at odds with an increase in taxation in favour of childcare policies. Overall, and aligned with the theory, families with lower incomes tend to prefer consumption-based measures. However, as already mentioned, these effects are not significant.

#### 4.2.2. Direct Effects of the MEVs

Moving to the MEVs, albeit the effects size is small compared to that of the control variables, the confidence bands for government satisfaction and for the multidimensional measures of political

Table 4. Direct effects of government satisfaction and political trust on support for ALMPs, including theoretically-relevant control variables.

	ALMPs vs PLMPs				
	(1)	(2)	(3)	(4)	(5)
Government satisfaction	0.014** (0.01)				
Trust in country's parliament		0.013** (0.01)			
Trust in the legal system			0.010* (0.00)		
Trust in politicians				0.013** (0.01)	
Trust in political parties					0.016*** (0.01)
Risk of Unemployment	-0.022* (0.01)	-0.023* (0.01)	-0.023* (0.01)	-0.024** (0.01)	-0.023* (0.01)
Left-wing	-0.047 (0.03)	-0.052* (0.03)	-0.058* (0.03)	-0.058* (0.03)	-0.061* (0.03)
Right-wing	-0.063** (0.03)	-0.065** (0.03)	-0.059* (0.03)	-0.065** (0.03)	-0.064** (0.03)
North	-0.018 (0.04)	-0.005 (0.04)	-0.009 (0.04)	-0.009 (0.04)	-0.012 (0.04)
South and Islands	0.028 (0.04)	0.042 (0.04)	0.035 (0.04)	0.041 (0.04)	0.040 (0.04)
Controls for socio-demographics	✓	✓	✓	✓	✓
<i>N</i>	998	1007	1006	1011	1010
PR2	.04	.04	.04	.04	.04

Logistic model. Estimated coefficients. Standard errors in parenthesis.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

trust are very narrow, indicating high statistical significance, to the contrary of the controls, which, as seen above, are not significant. This is confirmed by the results of Table 4 and Table 5. The findings strengthen Hypothesis 1 by showing that the positive effects of government satisfaction and political trust on reform support remain robust across model specifications, even when the added variables are theoretically salient, and often found in the literature as the main explanations for changes in public attitudes. Table 4 and 5 show that a one-unit increase in government satisfaction raises policy trade-off support by 1.4 percentage points, whilst support for the fiscal trade-off amounts to 2.4 percentage points. All models are statistically significant. When running the regressions without the socio-demographic and theoretically-relevant controls, the difference between a low- and a high-satisfied individual in support for the policy trade-off amounts to 10



Table 5. Direct effects of government satisfaction and political trust on support for family policies, including theoretically-relevant control variables.

	Work-family reconciliation vs higher taxes				
	(1)	(2)	(3)	(4)	(5)
Government satisfaction	0.024*** (0.01)				
Trust in country's parliament		0.021*** (0.01)			
Trust in the legal system			0.012** (0.01)		
Trust in politicians				0.021*** (0.01)	
Trust in political parties					0.018*** (0.01)
Risk of Unemployment	-0.004 (0.02)	-0.003 (0.02)	-0.004 (0.02)	-0.004 (0.02)	-0.003 (0.02)
Left-wing	-0.014 (0.04)	-0.013 (0.04)	-0.017 (0.04)	-0.014 (0.04)	-0.019 (0.04)
Right-wing	-0.051 (0.04)	-0.054 (0.04)	-0.053 (0.04)	-0.055 (0.04)	-0.056 (0.04)
North	-0.055 (0.04)	-0.037 (0.04)	-0.042 (0.04)	-0.046 (0.04)	-0.047 (0.04)
South and Islands	-0.039 (0.04)	-0.029 (0.04)	-0.038 (0.04)	-0.029 (0.04)	-0.031 (0.04)
Controls for socio-demographics	✓	✓	✓	✓	✓
N	988	993	993	997	997
PR2	.02	.02	.02	.02	.02

Logistic model. Estimated coefficients. Standard errors in parenthesis.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

percentage points. Once all control variables are added, this difference increases by 2 percentage points. This means that the selected control variables help explain a share of the observed effects of trust and satisfaction and therefore better capture this relationship by accounting for additional layers of variation in the data. Overall, the increased model specifications add robustness and precision to the findings, allowing us to soundly confirm the theoretical expectation of Hypothesis 1: political trust and government satisfaction play a mitigating role in the formation of welfare state attitudes among Italian citizens.

### ***4.2.3. Theoretically-relevant Variables: Policy trade-off***

Focusing on the policy trade-off only, the analysis takes a closer look at the theoretically-relevant variables that have been added to the estimation models: material self-interests, ideological standpoints, and the Italian regional divide. Surprisingly, for the direct material losers theorised in Chapter 2, the unemployed category, the effects are insignificant and run in the wrong direction. This could be due to some flaws in the survey design, which does not entail that the theorised effects cannot be observed in real-life situations. For example, the ESS does not allow to differentiate between short-term and long-term unemployment. However, a long-term unemployed respondent, who has been unoccupied for some time, might embrace the shift towards ALMPs, with the hope to be up-skilled and better prepared to face the vagaries of current labour markets. However, this mechanism could also work the other way around: a long-term unemployed might be opposed to the perspective of an income loss due to benefit reduction because they do not intend to get back in the job market. By similar logic, the narrow size of the Italian subset of the ESS does not allow to properly detect differences in social policy preferences between those who are unemployed and actively looking for a job, and the small group of respondents who has no intention of exiting their current unemployment status. In fact, when zooming into the unemployed category, the sample distinguishes between the job-seekers, which amount to 206 respondents, and the unemployed who are not looking for work, only 46. Being able to closely examine the observed effects by unemployment type would be invaluable to study the narrow material self-interest hypothesis on its interaction with government trust.

Adding to the material self-interest explanation, for those who foresee being at risk of job loss in the immediate future, it might be important to have prompt access to other sources of income to sustain themselves until a new occupation is found. Plausibly, as they are currently in-work at the time the survey is taken, activation policies focused on re-training might not be valuable for them. Hence, the assumption here is that this group will be opposed to the proposed reform

scenario. This is indeed what we find, with the unemployment risk variable, which leads to a 2.5 percentage points decrease in support for ALMPs, and this result is significant at the 95% level.

According to Garritzmann, Neimanns, and Busemeyer (2023), theory suggests that being left-wing is associated with a stronger opposition to retrenchment in existing social benefits. Contrary to this theoretical assumption, however, for Italian respondents, belonging to either the left- or right- ideological placement scale, is negatively and significantly correlated with opposition for the activation reform. Surprisingly, and against all expectations, the effect size is actually 1 percentage point larger for those aligning with right-wing values. Being a right-leaning person decreases support for ALMPs by 6.5 percentage points, and this result is significant at the 95% level. Thus, opposition for ALMPs at the expense of a reduction in unemployment benefits seems evenly distributed across the Italian electorate. This finding is at odds with existing research on ideological standpoints and welfare state attitudes<sup>18</sup>, and is therefore worth exploring in future research.

Finally, moving on to the geographical divide, we also see an opposite trend than what theory<sup>19</sup> and empirical observation would suggest. As the South and Islands suffer from huge unemployment rates and scarce job opportunities, one would expect to find this geographical area in strong opposition to a reform mining the existing social benefit system. Nonetheless, the coefficients for all models present a positive sign. Quite surprisingly, the North appears more opposed to benefit retrenchment than the South. Furthermore, none of the results report significance.

#### ***4.2.4. Theoretically-relevant Variables: Fiscal trade-off***

As mentioned in Chapter 2, for the second dependent variable, fiscal trade-off, narrow material self-interests are more arduous to identify. As the question wording speaks of promoting work-

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<sup>18</sup> See, for example: Garritzmann, Neimanns, and Busemeyer, 2021; Bremer and Bürgisser, 2023; Garritzmann, Busemeyer, and Neimanns, 2018; Rudolph and Evans, 2005; Busemeyer and Neimanns, 2017; Gabriel and Trüdinger, 2011; Häusermann, Kurer, and Traber, 2019; Jacoby, 1994; among others.

<sup>19</sup> See, for example: Sacchi, 2018; Sacchi and Vesan, 2015; Bonoli and Emmenegger, 2010; Sacchi et al., 2023; among others.

family reconciliation policies at the cost of “much higher taxes for all”, the vagueness of the trade-off makes it difficult to pinpoint the material winners and losers of the reform. Although one might think of families with children, and especially women, as material winners, these results are not confirmed in the analysis. The positive association is there, but the relationship is not statistically significant. However, there could be another potential explanation for the results we observe. The Italian natality rate is among the lowest in the world, and the absence of job security and welfare childcare support are the main factor behind the alarming decline of birth-rates in the country (The Guardian, 2023). Therefore, and plausibly, one can speculate that the material winners of family policies can also be those individuals who do not have children and have postponed the decision to start a family for lack of finances and support. However, this conjecture cannot be empirically tested with the data at hand. In a similar vein, if material winners cannot be clearly identified, the same applies to the reform losers. This point is further elaborated below.

For the household income variable, the position of the richest is ambiguous. Although taxation is progressive, and one could therefore assume that the wealthiest households (belonging to the fourth and fifth quintile) will be opposed to carrying the fiscal burden of the reform on their shoulders, at the same time these families are plausibly composed of dual working parents. This could mitigate their opposition towards a tax increase in favour of an expansion of childcare services. Indeed, among the Italian population, this is what we find, albeit at non-significant levels. Those belonging to the wealthiest quintile seem more willing to pay higher taxes to expand the arsenal of family policies, whereas families at the bottom of the income distribution, already in a difficult financial situation, are negatively associated with support for the reform trade-off. However, once again, these relationships are not significant at conventional levels.

Given the ambiguousness of the question wording, the fiscal trade-off will be taken out of the analysis focusing on the interaction effects between government satisfaction and material self-interest. However, this remains an interesting investigation to be addressed in future research.

In respect to the ideological standpoint explanation, theory<sup>20</sup> suggests that those subscribing to a right-leaning position are generally more opposed to increases in taxation as well as childcare policies than the political left. This is indeed confirmed by the empirical findings of the analysis. However, the ideological standpoint variables in the fiscal trade-off do not express statistical significance.

Finally, the variables accounting for regional heterogeneity in public preferences do not add valuable information to the study. The progressivity of the Italian taxation system would suggest that the rich Northern<sup>21</sup> regions would be much more opposed to tax hikes than the poorest South and Islands<sup>22</sup>. However, from the results, both the North and the Southern areas are equally opposed to an increase in taxation, with no significant variance among them. A potential reason for the lack of resonance to the theoretical expectation on the Italian regional divide is the narrow *N* of the sample used, which is a subset of a bigger international survey. The response rate across geographical areas in the dataset is not balanced: the Northern regions count for 49.70 percent of the Italian respondents, whilst the other half is unevenly distributed between the Centre and the South and Islands. Due to this discrepancy in frequency of responses, the analysis performed on the geographical areas is not informative and does not hold enough statistical power to meaningfully detect regional variations. It is plausible to think that this is not because such effects are not observed in real-life, but because the sample, already quite small, is too unbalanced. Hence, some of these effects might be better captured by individual-level variables such as household income or unemployment risk. However, the heterogeneity in regional preferences in Italy is worth exploring in future within-country investigations.

To sum up, the analysis on the determinants of public preferences towards social investment reveals distinct patterns of support among different groups and constituencies. However, and

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<sup>20</sup> See note 18.

<sup>21</sup> Piemonte, Valle d'Aosta, Liguria, Lombardia, Provincia Autonoma di Bolzano, Provincia Autonoma di Trento, Veneto, Friuli-Venezia Giulia, Emilia-Romagna.

<sup>22</sup> Abruzzo, Campania, Puglia, Basilicata, Molise, Calabria, Sicilia, Sardegna.

importantly, even when accounting for these competing predictors, government satisfaction and political trust still remain statically significant across all models as mitigators of public support towards the reforms. In the next section, the second and third hypotheses of the study will be tested to examine whether satisfaction and trust can attenuate the negative effects of those who bear the direct costs of the reforms. To do this, the interaction effects between the MEVs and the operationalised material self-interests and ideological standpoints will be explored.

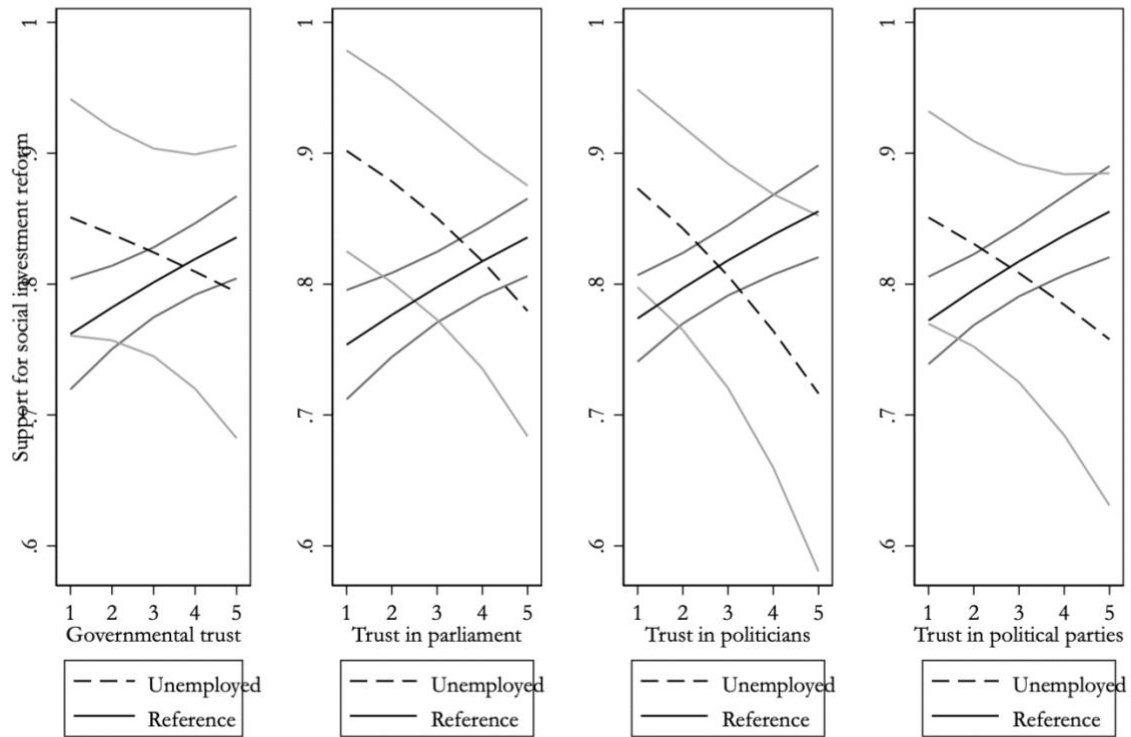
### **4.3. Theorised Interaction Effects**

Do government satisfaction and political trust still matter for the formation of welfare state attitudes when interacted with other, more well-known, explanatory factors: i) material self-interest (H2) and ii) ideological standpoint (H3)? As mentioned above, because the fiscal trade-off question is not designed in a way that makes costs visible and clear for respondents, it will be excluded from the analysis on material self-interest. Overall, the assumption is that, in times of ‘permanent’ austerity, the opposition for trade-offs between social investment and present-oriented policies is mitigated by the trustworthiness of political actors and their governing institutions, even among the direct losers of the welfare reforms.

#### **4.3.1. *Material Self-interest***

Welfare state politics maintains that support for different reforms varies across policy constituencies due to narrow self-interest (Garritzmann, Neimanns, and Busemeyer, 2021; Bremer and Bürgisser, 2023; Hetherington, 2005). Focusing on the policy trade-off and guided by Hypothesis 2, in this segment, the contribution examines the interaction effects between government satisfaction and trust in the political system with materialistic costs. To operationalise the material self-interest hypothesis, the analysis identifies those groups most likely to lose from the proposed trade-off scenario based on individual beneficiary status. Specific policy constituencies react more sensitively to reforms for which they bear the direct costs (Horiuchi, Smith, and Yamamoto, 2018). As the ALMPs vs PLMPs trade-off implies a ‘reduction in existing

## ALMPs vs PLMPs



**Figure 5.** Interaction effects between government satisfaction and trust, and the theorised material reform losers, the unemployed. *Note:* Average marginal effects plotted; predicted probabilities on the minimum and maximum values of government satisfaction and political trust; 95% confidence intervals; based on the margins of Table A4 of the Appendix.

unemployment benefits’, the unemployed have been identified as the clear and visible material losers of the reform and have therefore been coded with the value of ‘1’. Figure 5 visualises the interaction effects between government satisfaction and multidimensional measures of political trust with the unemployed category as predicted probabilities. The dashed line depicts the unemployed group, the light grey lines represent the 95 percent confidence intervals. The black solid line shows the reference category (those who are currently in paid work), and their confidence intervals are plotted in lighter black.

The theoretical expectation behind H2 is that, although reforms typically create winners and losers, satisfaction and trust in governing institutions should mitigate opposition for future-oriented welfare policies, even when these imply visible present-day costs for given groups.

However, the results do not present supportive evidence for the mitigating effects of government trust on the unemployed. In fact, the findings shown in Figure 5 highlight that the very opposite trend is true for the Italian sample. Government satisfaction and the different operationalisations of political trust mitigate support for the reform by 4 percentage points among the reference group – the employed – (whose lines slope straight and upward), but not among the theorised material losers of the policy, the unemployed (shown by the downward-sloping dashed lines). For them, on the contrary, the effects run in the wrong direction. As mentioned above, it is not possible to account for the different effects between the group of unemployed respondents who are actively looking for work, and those who are not. A bigger survey sample would allow to test with more precision the theorised interaction effects of material self-interest by also adding an additional layer and distinguishing between unemployment type. This is not viable with the data at hand. Overall, this seems to suggest that the unemployed category, as operationalised in this dataset and because of issues of data quality, cannot be tested with accuracy as the hypothesised material losers of the policy trade-off. Hence, the findings presented above need to be interpreted with caution.

However, this does not necessarily rule out Hypothesis 2 on the role of the main independent variables in mitigating support for social investment policies among materialistic losers. To test for this, the empirical analysis uses another potential predictor: (perceived or actual) unemployment risk. The interaction effects between government satisfaction, political trust and the risk of becoming unemployed are displayed in Table 6. Here, the direction of the association aligns with the theoretical expectations of Hypothesis 2: government satisfaction and political trust (slightly) increase support for the policy trade-off even among those who are likely to become unemployed in the immediate future. Unfortunately, the interactions are not significant at conventional levels. Being (or feeling) at risk of unemployment lowers support for activation policies by 8.9 percentage points; at high degrees of government satisfaction this opposition is reduced by 2.2. percentage points. Moving from the lowest- to the highest-satisfied individual at risk of job loss amounts to an almost 8 percentage points increase in support for activation.



Table 6. Interaction effects of the MEVs with material self-interest (risk of unemployment) on support for ALMPs.

	ALMPs vs PLMPs				
	(1)	(2)	(3)	(4)	(5)
Government satisfaction	0.130** (0.06)				
Government satisfaction x unemployment risk	-0.022 (0.03)				
Trust in parliament		0.127** (0.06)			
Trust in parliament x unemployment risk		-0.025 (0.03)			
Trust in the legal system			0.095* (0.05)		
Trust in the legal system x unemployment risk			-0.018 (0.02)		
Trust in politicians				0.164** (0.07)	
Trust in politicians x unemployment risk				-0.044 (0.03)	
Trust in political parties					0.122* (0.07)
Trust in political parties x unemployment risk					-0.010 (0.03)
Unemployment risk	-0.089 (0.11)	-0.077 (0.11)	-0.079 (0.13)	-0.068 (0.10)	-0.136 (0.10)
Controls for socio-demographics	✓	✓	✓	✓	✓
Controls for concomitant variables	✓	✓	✓	✓	✓
N	998	1007	1006	1011	1010
PR2	.04	.04	.04	.04	.04

Marginal effects; Logistic model. Standard errors in parenthesis.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Identifying and studying the interaction effects for those respondents who foresee becoming unemployed in the near future (in the next 12 months, according to ESS wording) has been proven to be a good alternative measure for material self-interests, because this group might find it particularly valuable to have access to an immediate source of income replacement should the event of unemployment occur. However, the interaction effects, although substantial in size, do not report statistical significance.

Overall, the analysis has found some empirical evidence of a positive association between government satisfaction and political trust as moderators of support for future-oriented welfare reforms among those at actual (or perceived) risk of unemployment. The non-statistical significance of the findings, however, as well as the opposite trends observed for the unemployed category, lead us to reject the theoretical conjecture outlined in Hypothesis 2. Although the risk of unemployment variable is, in itself, a significant predictor of social policy preferences for the reform trade-off, its interaction effects with government satisfaction show that the latter is not sufficient to increase support among this group. On a final note, and as already mentioned, the surprising results for the unemployed category on the Italian sample should be further investigated with more appropriate data.

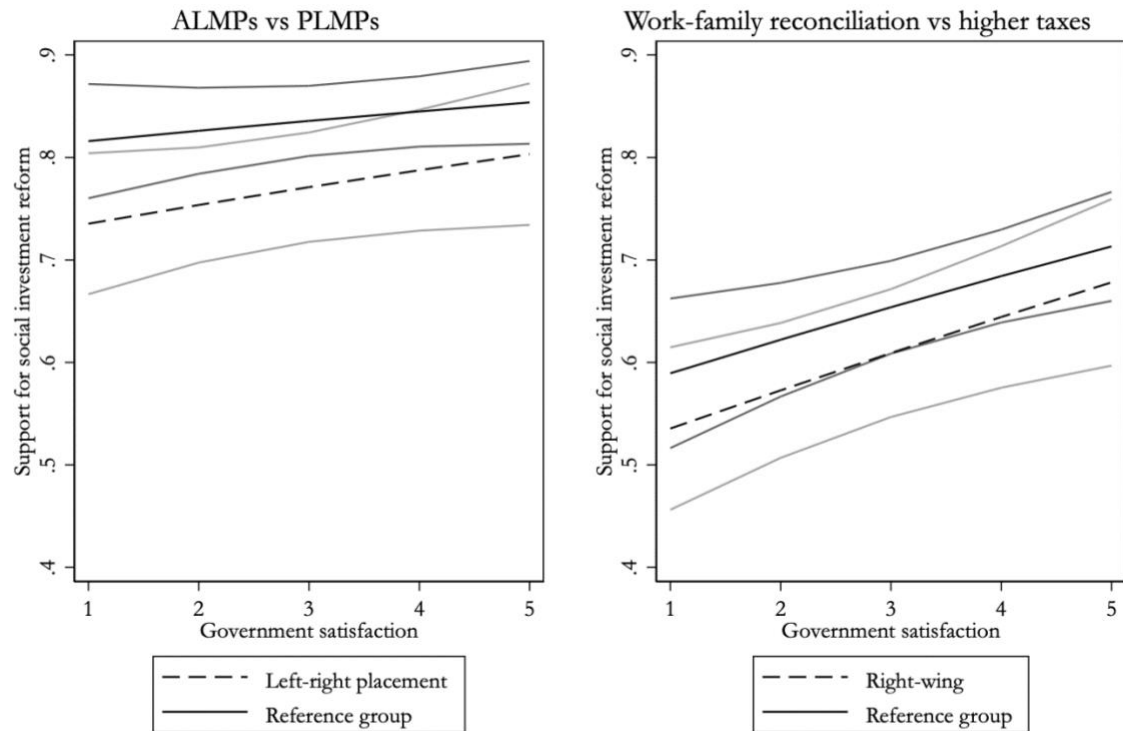
#### ***4.3.2. Ideological Standpoints***

Hypothesis 3 maintains that government satisfaction and political trust should also moderate the ideological costs of reform trade-offs. According to the scholarship<sup>23</sup> on the formation of welfare attitudes, left-leaning individuals are usually more opposed to the retrenchment of social consumption benefits. However, the empirical evidence collected so far shows that, for Italian respondents, the political right seems to be equally against the activation turn as its left-leaning counterpart. An alternative view on the role of partisanship in the social consumption vs social investment dilemma has been introduced by Garritzamann, Busemeyer, and Neimanns (2018). According to their seminal work, individuals conforming with right-leaning values should also be opposed to benefits retrenchment, because of the inherent focus on equality of opportunities and socioeconomic mobility of ALMPs, which goes against the logic of status maintenance of a welfare model focused on the male breadwinner (Garritzamann, Busemeyer, and Neimanns, 2018). Curtailing social transfers should therefore see both the left and the right constituencies in opposition to the reform. Because this conjecture is confirmed in Figure 5, examining the

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<sup>23</sup> See note 18.

## Ideological Standpoint



**Figure 6.** Interaction effects between government satisfaction and ideological standpoint. *Note:* Average marginal effects plotted; predicted probabilities on the minimum and maximum values of government satisfaction; 95% confidence intervals.

interaction effects for the policy trade-off, the author has decided to aggregate responses for left and right ideological predispositions.

For the fiscal trade-off, the extant literature on attitudes towards taxation (Ballard-Rosa et al., 2016; Garritzmann, Neimanns, and Busemeyer et al., 2023) shows that the right-side of the political spectrum is generally more opposed to tax hikes and large-scale state interventions (Kumlin, 2004). Moreover, the most conservative segments of the population might be also ideologically opposed to work-family reconciliation policies, which alter the traditional imagery of family roles and shift the focus of welfare assistance away from male breadwinners. Thus, right-leaning respondents have been coded as ideological losers in the work-family reconciliation trade-off. For both reforms, the centrists have been kept as the reference point. The left-side of Figure 6 plots the marginal means of the policy trade-off on the interaction effects, shown as predicted probabilities, between

ideological values (left-right scale) and government satisfaction; the right-side displays the predicted probabilities of the interaction effects of satisfaction with the right-wing group for the fiscal trade-off. As before, the dashed line plots the ideological losers, with 95 percent confidence bands shown in light grey; the reference group is plotted in black solid lines. The lines in the graphical representation of the interaction effects slope upwards and in the expected direction. However, the confidence intervals greatly overlap, showing that the effects do not carry statistical significance. Nonetheless, it is still worth to explore more in-depth the observed associations.

In the policy trade-off, among those incurring ideological costs (the left and right categories, with the centre kept as the reference point) the difference<sup>24</sup> between the lowest- and highest-satisfied individual in support for activation amounts to 15 percentage points.

Moving to the fiscal trade-off, the marginal effects graphically displayed in Figure 6 show that the distance between high-satisfied and low-satisfied ideological losers (right-wing respondents) in support for family policies at the expense of tax hikes amounts to 14.2 percentage points. Moreover, a low-satisfied individual among the reference category, those at the centre of the political spectrum, is 8.7 percentage points more likely than a low-satisfied right-wing individual to accept increases in taxation to aid work-family reconciliation. However, at extreme levels of government satisfaction, the effects of ideology are muted, and support for work-family reconciliation among ideological losers and the centrists becomes equivalent.

It is important to note, however, that these interaction effects are not significant at conventional levels. Interaction effects may not always manifest as statistically significant coefficients in logistic regression models, especially if the effects size is small. However, when aggregated across different levels of the interacting variables, the effects may become more pronounced and informative, leading to significant differences in predicted probabilities. This is why the analysis has chosen to visualise and interpret the interaction results using marginal effects. The reliability of margins

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<sup>24</sup> See note 17 for a reminder on the explanation of how the marginal effects between individuals at the extremes of satisfaction/dissatisfaction, trust/mistrust are computed and calculated.

plotted from logistic regressions provide a more comprehensive understanding of meaningful patterns between variables, conditional effects, and uncertainty associated with the estimates (Masami, Jones and Kraner, 2013; Berman and Wang, 2015).

In sum, the empirical findings have found weak support for the theoretical argument advanced in Hypothesis 3. Although there is some evidence of a positive mitigating effect of government satisfaction on reform support among ideologically-motivated opposers, this result is statistically insignificant. Moreover, the findings seem to show that government trust exercises roughly the same effects among right- and left-wing constituencies. Further, the interaction coefficients shown in Table A5 of the Appendix, are insignificant and much smaller in size than the negative effects exercised by ideologically-motivated reform opposition. These results, taken together, reject Hypothesis 3 and imply that increases in government satisfaction alone might not be sufficient to overcome ideological principles and guarantee support for welfare reforms.

#### **4.4. Robustness Checks**

The findings remain robust in a variety of checks. First, as seen above, the results hold when accounting for a series of control variables, pertaining to socio-demographic characteristics, as well as theoretically-relevant predictors, operationalising concepts of ideological standpoints, material self-interests, and regional heterogeneity. The introduction of these controls not only did not change the results but strengthened the effects of government satisfaction and political trust, increasing the precision of the estimated coefficients by including groups that might be more sensitive to government trust than others.

To check for consistency, all models were run using ordered logistic regressions on a four-point scale (“Strongly against”, “Against”, “In favour”, “Strongly in favour”). The results here, shown in Table 7 and Table 8, greatly support the findings of the binomial logistic regressions. The difference is that, in this estimation technique, it is possible to observe a fine-grained distinction

Table 7. Replication of main findings using ordered logistic regressions on a four-point scale. Direct effects of government satisfaction and political trust on support for social investment reforms.

	ALMPs vs PLMPs				
	(1) Government satisfaction	(2) Trust in parliament	(3) Trust in the legal system	(4) Trust in politicians	(5) Trust in political parties
Strongly against	-0.002** (0.00)	-0.002* (0.00)	-0.001 (0.00)	-0.001 (0.00)	-0.001 (0.00)
Against	-0.008** (0.00)	-0.006** (0.00)	-0.005* (0.00)	-0.003 (0.00)	-0.004 (0.00)
In favour	0.002* (0.00)	0.001 (0.00)	0.001 (0.00)	0.001 (0.00)	0.001 (0.00)
Strongly in favour	0.009** (0.00)	0.006** (0.00)	0.005* (0.00)	0.003 (0.00)	0.005 (0.00)
Controls for socio-demographics	✓	✓	✓	✓	✓
N	1337	1358	1354	1362	1359

Ordered logistic model. Standard errors in parenthesis.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

between individuals with strong approval/disapproval rates in government satisfaction and political trust, and those whose opinion is not as definitive.

For the former category lying at the extremes and not as pliable, the effects of satisfaction and trust are negative and smaller in size. For those who lie in the middle, whose position is still declared as ‘against’ or ‘in favour’, but not as clear-cut, a change in government satisfaction holds the most substantial effects in support for the reform trade-offs. The results for the ordered logistic models are substantial, significant, and all running in the expected directions, heightening the credibility and reliability of the findings, as they zoom-in on the precise conditions under which respondents are more likely to accept future-oriented welfare policies.

Moreover, there is strong supportive evidence for the effects of trust and satisfaction on attitudes towards social investment also when replicating the analysis using Probit estimates. The results, displayed in Table 9, are strikingly similar to the logistic models in both effects size and significance. Both ordered logistic and Probit models were run with socio-demographic controls. Overall, the findings are robust to a range of empirical tests and alternative estimation techniques.

Table 8. Replication of main findings using ordered logistic regressions on a four-point scale. Direct effects of government satisfaction and political trust on support for social investment reforms.

	Work-family reconciliation vs higher taxes				
	(1) Government satisfaction	(2) Trust in parliament	(3) Trust in the legal system	(4) Trust in politicians	(5) Trust in political parties
Strongly against	-0.004*** (0.00)	-0.005*** (0.00)	-0.003*** (0.00)	-0.004*** (0.00)	-0.004*** (0.00)
Against	-0.013*** (0.00)	-0.016*** (0.00)	-0.011*** (0.00)	-0.013*** (0.00)	-0.012*** (0.00)
In favour	0.012*** (0.00)	0.014*** (0.00)	0.010*** (0.00)	0.012*** (0.00)	0.011*** (0.00)
Strongly in favour	0.006*** (0.00)	0.007*** (0.00)	0.005*** (0.00)	0.006*** (0.00)	0.005*** (0.00)
Controls for socio-demographics	✓	✓	✓	✓	✓
N	1327	1351	1346	1356	1354

Ordered logistic model. Standard errors in parenthesis.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Table 9. Replication of main findings using Probit estimation modelling. Direct effects of government satisfaction and political trust on support for social investment reforms.

	ALMPs vs PLMPs					Work-family reconciliation vs higher taxes				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Government satisfaction	0.013*** (0.00)					0.019*** (0.01)				
Trust in parliament		0.011** (0.00)					0.021*** (0.01)			
Trust in the legal system			0.009** (0.00)					0.016*** (0.01)		
Trust in politicians				0.009* (0.00)					0.018*** (0.01)	
Trust in political parties					0.012** (0.01)					0.016*** (0.01)
Controls for socio-demographics	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
N	1337	1358	1354	1362	1359	1327	1351	1346	1356	1354
PR2	.02	.02	.02	.02	.02	.02	.02	.02	.02	.01*/

Probit model. Standard errors in parenthesis.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

## Chapter 5

### Discussion and conclusion

#### 5.1. Discussion of the Main Findings

Under what conditions can Italian decision-makers and policymakers successfully enact social investment measures that generate benefits in the long-run, but that are costly in action at present? The objective of the thesis was to shed light on the factors that promote, or hinder, the expansion of the ‘social investment’ state in Italy. To answer this research question, the thesis has argued, and later empirically showed, that, for the Italian case, in times of fiscal austerity, government satisfaction and political trust significantly increase the predicted probability of support for future-oriented welfare recalibration. This finding holds true across various model specifications, robustness checks, and for all multidimensional measures of political trust. The mitigating effects of government trust remain significant and robust even when adding to the estimation models other theoretically-relevant variables, including the well-known rival explanations found in the literature: narrow material self-interests and ideological standpoints. However, the interaction effects between material and ideological costs – those groups for whom the reforms do not bear positively on living conditions or ideological values – and government satisfaction show weak evidence in support of the conjecture on the moderating effects of the MEVs on welfare attitudes among reform losers. When the material self-interests hypothesis is tested on the unemployed, surprisingly, the results show the opposite trend as to what predicted in the theory: contrary to expectations, the unemployed category favours an activation turn at the expense of the reduction in unemployment spells. The variable capturing the risk of becoming unemployed, however, behaves largely as one would expect. The interaction effects between government satisfaction and unemployment risk run in the theorised direction, that is, individuals at actual (or perceived) risk of job loss are strongly opposed to a retrenchment in income support schemes, but this negative effect is attenuated at high levels of government trust and satisfaction. By the same token,



ideological standpoints, computed as placement in the left-right political scale, show that individuals belonging to either left or right ideology are at odds with support for benefit cutbacks. However, this opposition can be in part mitigated by governmental trust. Similarly, for the fiscal trade-off, the association between government satisfaction and right-leaning individuals runs in the expected direction, with the right-wing more strongly opposed to increases in taxation and work-family reconciliation policies than the ideological left. Once again, government satisfaction can attenuate some of these negative effects. However, none of the observed interactions are statistically significant. Rather, these theoretically-relevant variables, which operationalise the hypothesised reform losers, seem to stand on their own as crucial determinants of attitudes towards the proposed reform scenarios. The non-findings of the interaction effects, which lead us to the rejection of the second and third hypothesis of the study, however, should not diminish the relevance of the main results, which effectively and robustly confirm the mitigating role of government satisfaction and political trust on support for future-oriented welfare reforms among the Italian general population.

## **5.2. Main Contributions**

From a theoretical perspective, the thesis has contributed to the scholarship of welfare state research in several ways. Most of the existing literature focuses on policymaking and the shift towards social investment at the macro-level. However, the thesis expands this research area by focusing on the micro-level foundations of individual policy preferences among the Italian respondents of the ESS. Compared to most research on public opinion towards welfare states, the present study focuses on three fundamental aspects. First, it investigates attitudes towards the trade-offs embedded in the development of a potential new model of welfare, the ‘social investment’ state, and not public opinion on a particular social policy arrangement. Second, government satisfaction and political trust have been examined as potential mitigating factors of public support towards future-oriented policymaking, and not, as already done in several studies,

as the aftermath of unpopular welfare state institutions. Third, the focus of the research lied on the policy consequences, and not the causes, of the scarce stock of political trust and social capital on Italian welfare state reforms.

Substantively, the empirical evidence finds the role of government trust crucial in promoting positive attitudes towards future-oriented policies, even when other, more well-known, explanations are controlled for: being at risk of unemployment or retaining strong ideological positions. These findings implicate that political trust and government satisfaction have meaningful consequences for the accomplishment of a modern Italian welfare state. A policymaker's room to manoeuvre is exacerbated by citizens' trust in their government and political system. The bigger the trust, the higher the willingness to accept future-oriented reforms. Although it is not claimed by this contribution that government satisfaction and political trust are the only factors that matter in explaining the successful enactment of the 'activation turn', however, it can be derived from the evidence that government trustworthiness is one essential, and often overlooked, tool for Italian policymakers to implement difficult and salient reforms under fiscal austerity. In this sense, government satisfaction and political trust might be considered necessary but not sufficient conditions for the successful implementation of social investment measures in Italian welfare state politics.

The unbalanced expansion of welfare state services to the detriment of a large segment of the impoverished population could trigger public opposition, in particular among those who are asked to sacrifice narrow self-interests or ideological values to sustain these reforms. These findings present a 'Catch-22' scenario. On the one hand, countries with below average levels of political trust also suffer from low reform capacity, and, therefore, underdeveloped activation measures. On the other hand, policy constituencies in these countries still demand protection against the new social risks and the vagaries of labour markets.

According to Kumlin (2004), personal welfare experiences generate feedback effects, as individuals take their discontent towards malfunctioning aspects of the welfare state, as a sign that

governments and political actors are not functioning adequately. Therefore, on a more general note, the empirical investigation concludes that policymakers need to think carefully about what kind of welfare reforms they want to enact and how they would compensate reform losers to craft a majority support coalition to carry out the reforms to completion. The next section will specifically address the real-life societal implications of the empirical study to the most recent Italian welfare state reform.

### ***5.2.1. Implications for the Meloni Reform in Italy***

The contribution carries important ramifications for the reform capacity of the Italian welfare state in an era of budget constraints. In this thesis, Italy has been treated as an adverse socio-economic and institutional case for the complex processes of welfare state recalibration. To briefly reiterate what already explained in Chapter 2, Italian policymakers have to deal with structural issues, difficult to eradicate: i) the disconnection between the education system and labour demand, which makes efforts of human capital investment fruitless, leading to an over-educated population but not necessarily an increase in employment quality and productivity; ii) childcare provision and services which do not effectively promote female labour market integration, because of the extensive gender inequality in the division of domestic roles, and the gender-based institutional constraints in the labour market; iii) the pervasiveness of low-paid, unprotected, flexible jobs, especially among the young, which tamper the usefulness of re-qualification trainings and ALMPs, making them ineffective in decreasing (youth) unemployment and producing good-quality work (Kazepov and Ranci, 2017); iv) the persistence of regional heterogeneity in the institutional capacity of Public Employment Services (PES), which hinder the expansion of adequate national activation policies (Sacchi and Vesan, 2015). These structural conditions delineated by Kazepov and Ranci (2017) explain why, in Italy, social investment policies, once adopted, still not yield the expected results. The activation measures designed to date are not tailored to tackle these structural and institutional socio-economic configurations. Moreover, negative personal experiences and

evaluations of welfare state performance strongly correlate with hampered levels of political trust (Kumlin, 2004). Vice versa, an improvement of Italy's welfare system (De Cecco, 2007) would certainly lead to Kumlin's (2004) theorised feedback effects and increment government satisfaction, and, in turn, reform capacity. Therefore, one can plausibly point at the gradually rising levels of inequality, and the ineffectiveness of public services, mostly subject to local issues of scarce institutional capacity, as contributing to the declining levels of political trust and government satisfaction in Italy.

What do these findings imply for the political viability of the Meloni reform? There are reasons to believe that the newly-elected administration also failed to consider these context-sensitive socio-economic and labour market trends. The predominant aspect of the Meloni welfare reform lies in its conditional nature. The strict eligibility criteria of the new anti-poverty measures (ADI and SFL) make distinctions amongst the poorest in ways that strengthen the structural inequities of the Italian welfare system and forcefully enhance ineffectiveness and inefficiency. Inequality is heightened because similarly critical financial situations are treated in radically different manners. Ineffectiveness and inefficiency because the reform is bureaucratically cumbersome, comprised of two distinct measures, the ADI and the SFL, but no clear-cut, and easy-to-access, differences among them in regard to the composition of eligible beneficiaries, around which marginal changes in income or in individual and family attributes shift the eligibility criteria from one measure to the other, or directly exclude them from any social assistance programme altogether. It is likely that the cumbersomeness of the policy design will make access to either of the measures very difficult, discouraging the (young, single, and uneducated) unemployed to apply for assistance, thus increasing cost savings (Sacchi et al., 2023). But if an anti-poverty measure is needed in Italy, then the objective should be to reach the entire audience of potential beneficiaries, not otherwise.

In some ways, more than the desired and much needed turn towards social investment, the Meloni reform resonates with a *workfare* perspective, that is, a regime of severe, restrictive and often punitive conditionality for welfare beneficiaries (Sacchi et al. 2023). The eligibility rules of

the measures are inspired by criteria of deservingness based on specific attributions and societal roles: either being 60 years old, having very young children, or a very large family. All of this without considering the most important criteria of selection for an anti-poverty instrument: the actual living conditions of the applicants. Thus, instead of promoting the right to social assistance and work-life reconciliation, the measures avoid considering these issues altogether. From this point of view, the Meloni reform appears to be a missed opportunity to boost equality, social cohesion, and the effectiveness of public services. As theorised by Bonoli (2010; 2013) the emphasis on ALMPs, for example, could have focused on the development and promotion of human skills and capabilities, according to an *upskilling* type of activation strategy, whilst also fostering individual societal responsibility towards communities. Instead, the SFL has been crafted as a punitive type of *workfare*, focused on the heightened use of sanctions and work conditionality, far from a more optimistic (and effective) perspective of *welfare-to-work* (Sacchi et al., 2023). A shift towards this direction would have differentiated, on a positive light, the Meloni reform from the RdC, which was initially proposed as an empowering activation instrument, but, also because of the context-sensitive complications of the Italian case, eventually came to be a pure monetary transfer. Overall, the Meloni reform certainly does not dismantle support for the poor altogether, but it surely impoverishes it, depleting past efforts towards a more comprehensive, universal, and socially-inclusive welfare state. Most of all, and from the point of view of this thesis, the significant retrenchment in social security eligibility might hamper Italian citizens' trust that they will be protected against economic hardship in the face of an ever-evolving knowledge economy. Bearing the unsolved structural and institutional issues in mind, accepting a future-oriented 'activation turn', requires an important leap of faith that might not be encouraged by the *workfare* model based on negative incentives presented in the new reform. Hence, to foster government satisfaction and political trust, and avoid negative electoral repercussions, the government should think of ways to better compensate those individuals excluded from the pool of welfare beneficiaries. In turn, and

according to the findings of the thesis, this will increase reform capacity and facilitate the successful enactment of difficult investment-based social policies during an era of ‘permanent austerity’.

### **5.3. Avenues for Future Research**

The findings also lead to interesting avenues for future research. First, on a methodological level, a larger nation-wide survey is needed to better capture regional heterogeneity in public preferences, as well as the distinct territorial socio-economic contexts of public services. Moreover, a wide national sample conducted in an experimental setting would not only strengthen the internal validity of the study and capture the multidimensionality of opinion-formation processes, but also allow to address issues of causal interpretation, which cannot be inferred by exploring observational data in correlational analyses such as the present.

Second, another big caveat of the empirical research is the reliance on standard survey questions, with their inherent limitations and shortcomings. From an operationalisation perspective, it would be crucial to design an experimental survey able to avoid issues of question framing, and capable of introducing various policy trade-offs simultaneously with the form of ‘policy packages’, including not only issues of unemployment benefits and work-life reconciliation policies, but also education, pensions and healthcare. For example, Häusermann, Kurer, and Traber (2019), crafted an original experimental survey using a conjoint analysis design for the Swiss electorate, where respondents could express their evaluation on balanced reform packages in multiple policy fields, which combined retrenchment as well as compensation elements. After all, in a real-world setting, when voting for a political party, people evaluate entire policy bundles and not individual reforms. Conjoint experiments are therefore a promising method to assess multidimensional reform packages and capture citizens’ desires and policy priorities. Hence, an experimental survey would be more adequate to study the within-country context of this thesis.

Third, from a substantive point of view, an interesting avenue of future research would focus on the politics of compensation, whilst studying the conditions under which political trust can be

fostered to strengthen reform potential. In a context of fiscal austerity, once trade-offs are introduced, the popularity of social investment policies drops, especially when these reforms come at the cost of the existing compensatory functions of the welfare state. Hence, compensation becomes a fundamental strategy to heighten public levels of trust in governing systems (Häusermann, Kurer, and Traber, 2019). In sum, as speculated above, to increase support for welfare state recalibration, policymakers should tailor compensation to the relevant opposition groups (Häusermann, Kurer, and Traber, 2019). A key question for future scholars is then how policy constituencies can be convinced to give up some benefits to support policies that address the new social risks. Plausibly, policymakers confronted with limited public support and reform capacity constraints will need to combine material compensations with solidaristic pleas.

Finally, an obvious starting point for future researchers relates to the issue of external validity. The empirical evidence here is limited only to the Italian case, and one should therefore exercise cautiousness when generalising these results to other welfare systems. It would be pertinent to further zoom-in, for results comparability, on a detailed country-by-country analysis performed on Round 8 of the ESS, to determine if similar government compositions and electoral constituencies lead to analogous outcomes in welfare state attitudes. However, this clearly lies outside the scope of this thesis.

## Appendix

*Table A1.* Descriptive statistics for all variables.

	Mean	SD	Min	p25	p50	p75	Max	Count
ALMPs vs PLMPs	2.93	0.68	1.00	3.00	3.00	3.00	4.00	939
Work-family reconciliation vs higher taxes	2.68	0.69	1.00	2.00	3.00	3.00	4.00	939
Government satisfaction	3.40	2.27	0.00	2.00	3.00	5.00	10.00	1035
Trust in country's parliament	3.61	2.48	0.00	2.00	4.00	6.00	10.00	1035
Trust in the legal system	4.68	2.54	0.00	3.00	5.00	7.00	10.00	1035
Trust in politicians	2.56	2.30	0.00	0.00	2.00	4.00	10.00	1035
Trust in political parties	2.58	2.30	0.00	0.00	2.00	4.00	10.00	1035
Educational attainment	3.44	1.78	1.00	2.00	4.00	4.00	7.00	1035
Household Income	2.78	1.23	1.00	2.00	3.00	4.00	5.00	1035
Female	0.48	0.50	0.00	0.00	0.00	1.00	1.00	1035
Children at home	0.39	0.49	0.00	0.00	0.00	1.00	1.00	1035
Current situation: Employed	0.51	0.50	0.00	0.00	1.00	1.00	1.00	1035
Current situation: Studying	0.07	0.26	0.00	0.00	0.00	0.00	1.00	1035
Current situation: Unemployed	0.09	0.29	0.00	0.00	0.00	0.00	1.00	1035
Current situation: Retired	0.23	0.42	0.00	0.00	0.00	0.00	1.00	1035
Current situation: Other	0.09	0.29	0.00	0.00	0.00	0.00	1.00	1035
Age	49.27	18.13	15.00	35.00	50.00	63.00	92.00	1035
Adults per household	0.59	0.49	0.00	0.00	1.00	1.00	1.00	1035
Risk of Unemployment	1.61	1.23	0.00	1.00	1.00	2.00	4.00	1035
Left-right placement	0.99	0.73	0.00	0.00	1.00	2.00	2.00	1035
Government Electoral Support	0.24	0.43	0.00	0.00	0.00	0.00	1.00	1035
Regions	1.91	0.90	1.00	1.00	2.00	3.00	3.00	1035



Table A2. Average marginal effects of government satisfaction and political trust on support for policy trade-off (ALMPs vs PLMPs). Performed on the Italian sample. Full regression.

	ALMPs vs PLMPs				
	(1)	(2)	(3)	(4)	(5)
Government satisfaction	0.014*** (0.00)				
Trust in country's parliament		0.011** (0.00)			
Trust in the legal system			0.009** (0.00)		
Trust in politicians				0.010* (0.01)	
Trust in political parties					0.013*** (0.01)
Educational Attainment	0.011 (0.01)	0.010 (0.01)	0.011 (0.01)	0.012 (0.01)	0.011 (0.01)
Household Income: Q1 [Ref: Q3]	-0.026 (0.04)	-0.034 (0.04)	-0.033 (0.04)	-0.034 (0.04)	-0.034 (0.04)
Household Income: Q2	-0.044 (0.03)	-0.048 (0.03)	-0.050 (0.03)	-0.050 (0.03)	-0.049 (0.03)
Household Income: Q4	0.005 (0.03)	0.005 (0.03)	0.006 (0.03)	0.006 (0.03)	0.007 (0.03)
Household Income: Q5	0.085** (0.04)	0.086** (0.04)	0.086** (0.04)	0.087** (0.04)	0.089** (0.04)
Female	0.018 (0.02)	0.014 (0.02)	0.013 (0.02)	0.014 (0.02)	0.014 (0.02)
Children at home	-0.034 (0.03)	-0.035 (0.03)	-0.036 (0.03)	-0.035 (0.03)	-0.036 (0.03)
Current situation: Studying [Ref: Paid work]	0.011 (0.05)	0.028 (0.05)	0.028 (0.05)	0.032 (0.05)	0.028 (0.05)
Unemployed	0.038 (0.04)	0.032 (0.04)	0.031 (0.04)	0.034 (0.04)	0.036 (0.04)
Retired	0.018 (0.04)	0.020 (0.04)	0.026 (0.04)	0.024 (0.04)	0.026 (0.04)
Other	-0.011 (0.04)	-0.015 (0.04)	-0.014 (0.04)	-0.010 (0.04)	-0.007 (0.04)
Age	0.001 (0.00)	0.001 (0.00)	0.001 (0.00)	0.000 (0.00)	0.000 (0.00)
Adults per household	0.023 (0.03)	0.028 (0.03)	0.025 (0.03)	0.029 (0.03)	0.029 (0.03)
<i>N</i>	1337	1358	1354	1362	1359
PR2	.02	.02	.02	.02	.02

Average marginal effects; Logistic model. Standard errors in parenthesis.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Table A3. Average marginal effects of government satisfaction and political trust on support for fiscal trade-off (work-family reconciliation vs higher taxes). Performed on the Italian sample. Full regression.

	Work-family reconciliation vs higher taxes				
	(1)	(2)	(3)	(4)	(5)
Government satisfaction	0.019*** (0.01)				
Trust in country's parliament		0.021*** (0.01)			
Trust in the legal system			0.016*** (0.01)		
Trust in politicians				0.018*** (0.01)	
Trust in political parties					0.016*** (0.01)
Educational Attainment	0.011 (0.01)	0.007 (0.01)	0.009 (0.01)	0.009 (0.01)	0.010 (0.01)
Household Income: Q1 [Ref: Q3]	-0.043 (0.04)	-0.040 (0.04)	-0.046 (0.04)	-0.048 (0.04)	-0.051 (0.04)
Household Income: Q2	-0.054 (0.04)	-0.058 (0.04)	-0.065* (0.04)	-0.058 (0.04)	-0.060 (0.04)
Household Income: Q4	0.001 (0.04)	-0.011 (0.04)	-0.008 (0.04)	-0.011 (0.04)	-0.008 (0.04)
Household Income: Q5	0.057 (0.05)	0.055 (0.05)	0.055 (0.05)	0.060 (0.05)	0.064 (0.05)
Female	0.046* (0.03)	0.041 (0.03)	0.043 (0.03)	0.044 (0.03)	0.045 (0.03)
Children at home	0.022 (0.03)	0.020 (0.03)	0.021 (0.03)	0.021 (0.03)	0.019 (0.03)
Current situation: Studying [Ref: Paid work]	0.020 (0.06)	0.022 (0.06)	0.039 (0.06)	0.018 (0.06)	0.017 (0.06)
Unemployed	0.004 (0.05)	-0.017 (0.05)	-0.008 (0.05)	-0.013 (0.05)	-0.010 (0.05)
Retired	0.014 (0.05)	0.004 (0.05)	0.006 (0.05)	0.005 (0.05)	0.012 (0.05)
Other	-0.009 (0.05)	-0.018 (0.05)	-0.015 (0.05)	-0.014 (0.05)	-0.010 (0.05)
Age	-0.000 (0.00)	0.000 (0.00)	0.000 (0.00)	0.000 (0.00)	0.000 (0.00)
Adults per household	0.000 (0.03)	0.004 (0.03)	0.000 (0.03)	0.002 (0.03)	0.000 (0.03)
N	1327	1351	1346	1356	1354
PR2	.02	.02	.02	.02	.01*/

Average marginal effects; Logistic model. Standard errors in parenthesis.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Table A4. Interaction effects of the MEVs with material self-interest (unemployed) on support for ALMPs.

	ALMPs vs PLMPs				
	(1)	(2)	(3)	(4)	(5)
Government satisfaction	0.118*** (0.04)				
Government satisfaction x Unemployed	-0.225* (0.12)				
Trust in parliament		0.130*** (0.04)			
Trust in parliament x Unemployed		-0.381*** (0.11)			
Trust in the legal system			0.079** (0.03)		
Trust in the legal system x Unemployed			-0.138 (0.10)		
Trust in politicians				0.140*** (0.04)	
Trust in politicians x Unemployed				-0.397*** (0.11)	
Trust in political parties					0.144*** (0.04)
Trust in political parties x Unemployed					-0.299*** (0.11)
Unemployed	0.747 (0.48)	1.438** (0.56)	0.658 (0.56)	1.030** (0.45)	0.751* (0.43)
Controls for socio-demographics	✓	✓	✓	✓	✓
Controls for concomitant variables	✓	✓	✓	✓	✓
<i>N</i>	998	1007	1006	1011	1010
<i>PR2</i>	.04	.05	.04	.05	.05

Logistic model. Estimated coefficients. Standard errors in parenthesis.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Table A5. Interaction effects of the MEVs with ideological values (left-right placement) on support for social investment reforms.

	ALMPs vs PLMPs					Work-family reconciliation vs higher taxes				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Government satisfaction	0.070 (0.06)					0.139*** (0.05)				
Left x Government satisfaction	0.037 (0.09)					-0.112 (0.07)				
Right x Government satisfaction	0.029 (0.09)					0.014 (0.08)				
Trust in country's parliament		0.045 (0.06)					0.088** (0.04)			
Left x Trust in country's parliament		0.006 (0.08)					-0.018 (0.07)			
Right x Trust in country's parliament		0.118 (0.08)					0.041 (0.07)			
Trust in the legal system			0.037 (0.06)					0.030 (0.04)		
Left x Trust in the legal system			-0.005 (0.08)					0.001 (0.07)		
Right x Trust in the legal system			0.073 (0.08)					0.066 (0.06)		
Trust in politicians				0.066 (0.06)					0.090* (0.05)	
Left x Trust in politicians				-0.010 (0.09)					- 0.005 (0.07)	
Right x Trust in politicians				0.074 (0.09)					0.024 (0.07)	
Trust in political parties					0.076 (0.06)					0.080* (0.05)
Left x Trust in political parties					-0.001 (0.09)				- 0.025 (0.07)	
Right x Trust in political parties					0.101					0.033

					(0.09)				(0.07)	
Left wing	-0.445	-0.375	-0.363	-0.366	-0.399	0.330	0.010	-	-	-
	(0.36)	(0.36)	(0.44)	(0.30)	(0.30)	(0.31)	(0.30)	(0.38)	(0.26)	(0.26)
Right wing	-0.508	-	-	-	-	-0.236	-0.361	-	-	-
	(0.33)	(0.32)	(0.38)	(0.27)	(0.27)	(0.28)	(0.27)	(0.32)	(0.23)	(0.23)
Controls for socio-demographics	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Controls for concomitant variables	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<i>N</i>	1327	1351	1346	1356	1354	988	993	993	997	997
PR2	.04	.04	.04	.04	.04	.03	.02	.02	.02	.02

Logistic model. Estimated coefficients. Standard errors in parenthesis.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

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