



UNIVERSITÀ  
DEGLI STUDI  
DI BRESCIA



PhD Program

*Economic Sociology and Labour Studies - 31th cohort*

SPS/09, SPS/07, IUS/07, SECS-P/07, SECS-P/10, SECS-S/04, M-PSI/06

Doctoral Thesis

**TOWARDS NEW PUBLIC EMPLOYMENT SERVICE?**

**Finding the optimal design of  
public-private contracting arrangements  
Evidence from two regional cases**

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ACADEMIC YEAR 2017/2018

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## INTRODUCTION

The debate on public employment service (PES) in Italy can be considered as historically full of unanswered questions. The current Italian government is currently discussing the possibility to empower this field in the perspective of a new comprehensive reform strategy concerning passive and active labour market policies (PLMPs and ALMPs). These kinds of policies, in recent times, are increasingly receiving much attention because of their potential to ease a wide range of labour market problems. Last labour market reforms have brought in a new light the Italian system of PES, gaining a renewed strategic role in the redefinition of the labour market policies of this country. The reorganization of PES represents one of the four main delegations introduced by the so called “Jobs Act”, together with the restructuring of unemployment benefits (UBs), the flexibilization of work contracts and the creation of new benefits for work-life balancing. PES has already represented one of the most recent new areas of public services subjected to contracting-out. This sector usually is organized as a large public bureaucracy with local offices that offer labour market information, placement services, and other active labour market policy measures for the unemployed. In addition, in some countries PES also administers the provision of income support for jobseekers (OECD, 2001; Thuy *et al.*, 2001). Between the nineties and early two-thousands, many countries have reformed traditional systems, previously characterized by public monopoly. Whereas placement services traditionally have been delivered in-house by public servants, the outsourcing of part of these services to private providers gained considerable importance internationally (Mosley, 2003; Sol and Westerveld, 2005). At the same time, the European Employment Strategy (the so called “Luxembourg process”, launched at the end of 1997, by European Council held in Luxembourg) has very much emphasized the role of PES in implementing a preventive and active approach against long term unemployment. Also Italy has experienced strong changes in this field, before now. In the last twenty years, there has already been an important process of reorganization of PES. An essential ingredient of this process is represented by PES decentralization towards regional authorities, starting from the decree 469/1997. While such decentralization is part of a larger process of devolution from central government to regional authorities, the principle of bringing PES governance closer to local labour market needs is deemed to be important in transforming this field. It has been a deep rescaling of competencies in social and employment policies, where regions are now responsible for social and labour policies. As a matter of fact, since the second half of the nineties, various innovations and reforms have been promoted in order to, firstly, increase the flexibility of the market regulation and, secondly, develop a new approach towards ALMPs. Beyond that, the opening to private operators, first with the tool of temporary work, introduced by “Treu Reform” (law 196/1997), and then completed with the “Biagi Reform” (decree 276/2003), enabled the access of new private providers in the system, the so called “employment agencies” (*agenize per il lavoro*). PES passed from the management of the State to the one of the regions, flatly modifying

their functions from the bureaucratic and numerical regulation of demand and supply to the promotion of network coordination among local actors and the delivery of ALMPs. The juridical status of unemployed has turned into a contractual and conditional one, depending on some binding conditions: to be without a job and immediately willing to be employed and/or involved in the active measures proposed, besides undertaking active job searching. The framework dramatically changed, due to the decentralization process that moved the legislative power to regions and the delivery and planning functions to provinces and local actors (public and private ones). The main effects of these reforms became immediately visible in terms of both new duties and responsibilities for the regions (planning, coordination and definition of general aims of regional labour market policies) and a new and wider involvement of private actors (for-profit and non-profit organizations) in the delivery of services. In this way, reforms to improve the quality, accessibility and universality of welfare services went hand in hand with reforms of the governance of these services, with an increasing weight of the horizontal and vertical subsidiarity principle. Often dissatisfaction with “traditional” institutions created a climate favouring the quest for new forms of governance. This process of devolution demanded drastic organizational changes, including: the adoption of more function oriented forms of counselling; an attempt to define common basic functions to be performed in the new PES, in order to avoid differences between regions; the diffusion of “individualized” services offering tailored project of re-employment or training to some specific target groups, such as long-term unemployed, women and young unemployed (CNEL 2002; Dau 2003; Fargion 2003; Ministero del Lavoro e delle Politiche Sociali 2003). The relationship between public and private operators started to be regulated on regional basis. In particular, local governments received the opportunity to exploit the competences acquired to differentiate their policies in order to obtain legitimacy and consent. As consequence, a plurality of regional models has been implemented, revealing high level of regional differentiation concerning the degree of market exposure of their PES, conditioned to their level of capacity building. The link between the regulation of market-based governance and the level of discretion for regional actors, as consequence of the decentralization, would be then affected by their policy histories. Local contexts of policy-making and their suitability and willingness to become marketized affect the usage of local discretion (Zimmermann *et al.*, 2014). Within the frame of rules defined at the national level, regions have created very different PES models. There could have been an equalization between public and private operators, in terms of power and tasks, showing a decline of public hands, or otherwise, the employment centres can continue to be at the core management of the system, ensuring the (ex-)provincial employment centres to be the main providers. Anyway, the existence of a regional regulation is not a full guarantee of operability and efficiency of the system and Italian PES, therefore, despite the deep reorganization process started in the Nineties, still show limitations and problems, due to a significant delay in the implementation and a high degree of territorial fragmentation. The question of the relationship between public and private operators is, in fact, still uncertain, articulating itself on very different local governance models. Furthermore, the decentralization process, implemented without promoting ideas, modes and structures of coordination (among the



regions, among the different policies, among the local and national institutions appointed to manage active and passive measures) has brought to a strongly differentiated asset in the various territorial contexts, where different constellations of private and public actors, under different regional means and regulative approaches, create disparate and even divergent fields of opportunities and binds. In addition to this, apart from some local exceptions, the employment services developed just some basic functions on the labour market activation policies and maintained a bad reputation among people and firms, thus ending up continuing to play a marginal role in the development of the labour market dynamics (Borghini and Van Berckel 2007). The implementation of the Jobs Act has been directed precisely at the overcoming of such limits. In particular, one of the decrees implementing the Jobs Act, the no. 150/2015, aims at the reorganization of the entire legislation about Italian PES and ALMPs.

To achieve this goal policy-makers decided for a new shift of policy competence, from regions to the State again. This change required a constitutional reform, which failed with the rejection of the constitutional referendum held on the 4<sup>th</sup> of December 2016.

However, many changes introduced by the decree 150/2015 remained in place. In particular, we identify two innovations, specifically conceived in the perspective of a neo-centralistic design, despite the failure of the constitutional reform: the creation of a new organization on national level, the National Agency for Active Labour Market Policies (*Agenzia Nazionale per le Politiche Attive del Lavoro* - ANPAL); the introduction of a new national active labour market scheme, the “reintegration voucher” (*assegno di ricollocazione* – AdR), attempting to promote a quasi-market model of service delivery. This last scheme represents one of the major innovations in the renewal of the active labour market policies in Italy, relying on a quasi-market mechanism to deliver the employment services. According to this scheme, the jobseeker, after an accurate profiling phase, carried out by staff of the employment centre, receives a voucher quantified in terms of his difficulty to get a job. The same jobseeker, at that point, can freely choose how to spend those resources, among the provision of services provided by public and private operators, in competition to “gain” the public resources directly assigned to the user, whereas the public provider can continue to act as one of the competing actors.

The implementation of this tool, together with a national accreditation regime, in the aims of the ANPAL, should create the ground for the homogenization of the regional public-private contracting arrangements. Carmel and Papadopoulos (2003) define this kind of changes as “operational policy reforms”, distinguishing them from “formal policy reforms”, where the first affect the organization of services delivery, that is, the PES governance, the second the content-related aspect of services. The main interest of this work will be on the “operational” aspects set by the Jobs Act related to the field of ALMPs and PES. The awareness of the policy-makers about the limited effectiveness of Italian PES represents the motivation that probably has induced them to opt for a greater market exposure of regional PESs. This has resulted in the promotion of the AdR, as new national active labour market scheme introducing a quasi-market in employment services. Marketization can be considered one of the main governance aspects of PES mainly because supported by the assumption that contestability increases the efficiency and effectiveness

of provision. Not by chance marketization has probably been discussed and investigated most (Van Berkel et al., 2011). Studies in this field have made clear that this phenomenon is not related exclusively to liberal welfare states (Considine, 2001; Bredgaard and Larsen, 2005; Sol and Westerveld, 2005; Struyven and Steurs, 2005; Van Berkel and Van der Aa, 2005). At the same time, marketization of employment services can be characterized with problems of opportunistic behaviour from the side of private providers, related to the risk of adverse selection of the subjects assisted.

Given the greater market exposure required for the implementation of the AdR, and considering that, since the previous decentralization and marketization reform processes, each region has been confronted with the implementation of different public-private contracting arrangements, generating even divergent trajectories in their models, the following questions arise:

- *what are the consequences of market-based governance in regional contexts?*
- *may quasi-market models produce better results than other models?*
- *may the AdR represent an optimal design of public-private contracting arrangement for Italian regional PESs?*

An “optimal design” could be approximated as the one able to take into account both economic (efficiency and effectiveness of the performance) and social goals (equity of the performance, avoiding opportunistic behaviour of private providers involved). In this way it will be possible to know what the consequences of a greater market exposure of Italian regional PESs could be, considering both the impact in terms of effectiveness and equitability of the outcomes.

This analysis is realized by means of a comparison between two regions considered as the two most dissimilar cases in the context of PES Italian regional differentiation: Lombardy and Emilia-Romagna. These two cases can be placed at the extremes of a hypothetical continuum defined on the basis of the degree of market exposure of PES regional models. Lombardy in particular has caught the attention showing a quasi-market model very similar to that of the AdR, giving the possibility to test the mechanisms of the new national scheme, not yet fully implemented, using a local experience already well established.

More in general, the two cases are comparable not only in terms of capacity building and level of economic development, but especially regarding their political and institutional contexts, being characterized by a symmetrical and divergent trajectory of formation of their models. This has been the result of a layering process favoured in both the cases by a similar strength of different actors’ coalitions.

The research then will go for an in-depth analysis of market-based governance in regional contexts, relying on the methodology of policy evaluation, much used for studies in this field. Since we are interested in the outcomes of such aspects towards jobseekers, the work will solely consider ALMPs addressed to labour market supply, putting aside in the research the interventions for labour market demand. Anyway, the most interest drawn by ALMPs’ studies is usually oriented mainly towards interventions for jobseekers (Marocco, 2013).

The work will proceed as follows. Chapter one will introduce the topic concerning ALMPs and PES. Much attention will be given to the tools applied in this context and to the role of the PES, as well as to its governance, as major determinant of its success. Current feature of ALMPs and PES can be considered the result of the emergence of the current activation paradigm, with a relevant and influent role exerted by the international organizations, as OECD and, in particular, EU, inducing countries to converge towards a similar policy agenda, but remaining in a context of persistent diversity. The comprehension of the way the concept of activation has evolved over time, will be then fundamental to understand the reasons why today some particular features concerning PES governance are required and much stressed in supporting it. These characteristics will be described in chapter two, introducing the theoretical background used to study marketization of employment services, as one of the main traits arising, and on the basis of which the empirical analysis of this work will be conducted. Before to conduct the empirical analysis, we will need to reconstruct the main features of the Italian PES system, showing the reasons determining the situation of high regional differentiation and describing the framework of the last labour market reform process. Each of the two regions selected as cases for the research will be analysed in a specific chapter, number four for Lombardy and five for Emilia-Romagna. Last chapter will be left to some conclusion. We will see how the trade-off presented by literature about marketization in PES between effectiveness and equity is completely confirmed. The situation of great exposure to the market of Lombardy boost the employment opportunities for the participants to active labour market initiatives, following a quick-job entry approach which appears to be not adequately able to mitigate the opportunistic behaviour of private providers largely involved. On the contrary Emilia-Romagna region will show how the limited market exposure of its system reveals a very low level of effectiveness, however showing that probably the efforts are concentrated on the most disadvantaged participants to active labour market initiatives. There will be few rooms to talk about an optimal design of public-private contracting arrangements looking at these two cases, considering that both are not able to take into account both economic and social goals at the same time. Anyway, this analysis can lead towards important considerations related to the new quasi-market model promoted at the national level and concerning the extent of regional differentiation still in place in the context of Italian regional PESs. Further considerations will follow, focusing on the other obstacles still limiting the performance of Italian PES and marking the attention on the policy proposals currently at the top of the agenda.

The author is grateful to his supervisor Paolo Perulli for his constant guide and support in the research.

Special thanks also to Wolfgang Streeck, Marco Leonardi, Francesco Giubileo and Raffaele Guetto for their very helpful and valuable interaction.



# 1. ACTIVE LABOUR MARKET POLICIES AND THE ACTIVATION PARADIGM

## 1.1. What are active labour market policies?

Labour market institutions are deemed to have a great influence on the level and structure of employment. This holds for institutional features such as the regulation of employment protection (e.g. dismissal protection, fixed-term contracts), minimum wages, tax/benefit system as well as active labour market policies (ALMPs). This is the reason why policy makers implement labour market reforms in order to stimulate job creation. Labour market reforms are always linked to expectations for a sustainable reduction of structural and cyclical unemployment. Most notably, in the aftermath of the Great Recession there is renewed interest in the potential for ALMPs to help ease a wide range of labour market problems.

Over the last two or three decades, both macro and micro studies have greatly improved our understanding of labour market institutions. At the same time, empirical evidence has also influenced the design of labour market reforms themselves, not least in the area of ALMPs. While the broader institutional setup of labour markets, comprising wage setting, the tax-benefit system, employment protection or training regimes plays an important role with respect to employment and unemployment rates, well-designed ALMPs can also make a positive difference (Eichhorst and Konle-Seidl, 2016). According to Dar and Tzannatos (1999) they can be used for the following purposes: increase the allocative function of the labour market, direct the distributional outcomes of them, increase the political acceptability of reforms, correct market failures or, even when such a failure does not exist, to divert an “economically efficient” outcome to a “socially desirable” one. Not by chance, this wide range of tasks has made this field an object of study at the same time both for economics, sociology and political science. Anyway, the notion of ALMPs encompasses different kinds of tools.

Crepon and Van der Berg, in their review (2016), decide to start from the distinction between policies that are supposed to improve the individual matching process and those that are supposed to improve individual productivity<sup>1</sup>.

Other scholars rely on broader classifications of ALMPs and this could be better in order to depart from the risk of oversimplification of the real world. Dar and Tzannatos (1999) have identified three constitutive elements to define the function of ALMPs: mobilization of labour supply, development of employment-related skills, promotion of efficiency on the labour market. Within

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<sup>1</sup> At the same time, they add a third category, represented by interventions aimed at improving the knowledge of the job-seekers about their labour market conditions, not in relation to the properties of vacancies but rather concerning the knowledge about their real range of opportunities.

this framework, the more common ALMPs are represented by: direct job creation, through public works programs; job search assistance; training/retraining for unemployed adults and those at risk of unemployment; micro-enterprise development, consisting in supporting unemployed people in starting up small businesses; wage/employment subsidies to firms in order to hire unemployed individuals.

Bonoli (2010) suggests distinguishing between four different ideal-types of ALMPs: incentive reinforcement, employment assistance, occupation and human capital investment. The first ideal-type refers to measures that aim at strengthening work incentives for benefit recipients (tax-credits, in-work benefits, benefit conditionality and time limits on reciprocity); the second to measure in which the main goal consists in removing obstacles to labour market participants (placement services, job-subsidies, counselling and job search programmes); the third in promoting labour market (re-)entry, in keeping jobless people busy to prevent human capital depletion associated with unemployment spell (job-creation scheme in the public sector, training non-related to a particular job); last ideal-type consists in vocational training and basic education. We can rely on a classification inspired to the ideal-types of Bonoli, distinguishing six categories of ALMPs: employment assistance, training, self-entrepreneurship, public works, subsidized-employment, work incentives.

*Employment assistance* refers mainly to the matching function, to the main objective of matching jobs with job-seekers, consisting of measures aiming at removing obstacles to labour market participation, without necessarily impacting on work incentives. The reference here is not only on job-matching, but also job-counselling/orientation, job-search programs and also monitoring on job seekers efforts.

During their search, job-seekers may experience personal obstacles finding information about the labour market. They can use services set up to assist them in their job search and receive training on how to use them by meeting with a counsellor. Sometimes, this involves only a workshop lasting a few hours, but it can also involve regular meetings over long periods. The intensity of the assistance received is often linked to the number and frequency of the appointments. Nevertheless, such assistance does not always come alone. Sometimes it is accompanied by monitoring of the job-seeker's efforts to get a job. Appointments between counsellor and job-seeker also serve to check if the latter is trying hard enough. As we will see, active job search is considered a prerequisite for the benefits that job-seekers receive. Thus, monitoring should involve the threat of sanctions. These may be triggered by a missed appointment, by an effort considered lackadaisical (such as a low rate of applications), or by rejecting a suitable job offer, deemed as acceptable by the counsellor.

The main advantage of employment assistance is twofold: it may help to reduce the length of unemployment and it may represent very often a point of "access" for unemployed people, that may address also to find other ALMPs of interest for them and to get key resources to face their unemployment spell. The main limitation of this ALMP, instead, is represented by the need of continuous performative efforts necessary to provide assistance with effectiveness and efficiency.

Especially in periods characterized by huge unemployment phenomena it becomes difficult to assist effectively all the job seekers needing assistance. Public staff and resources could become no more sufficient and this leads to the need to involve private services to deliver employment assistance, a circumstance which, as we will see further, is not always easy to manage.

We have never to forget that it matters also the proportion between placement and other activities within the category of “employment assistance”. This may become a relevant issue when it is taken into account, as we will see in the next chapters, the risk of unintended consequences. This could be the case for situations of high reliance on provisions like counselling, orientation, job-search programs, providing less effective job-placement that could be considered more expensive in terms of both resources and efforts for the operators.

*Training*, respect to the previous category, concerns the priority given to skill acquisition (or its consolidation/improvement/reorientation), that will enable job-seekers to compete for jobs, increasing their potential for productivity. It refers to the help for new entrants to the labour force and redeployed workers, with the idea to provide new chances to people not being able to profit from their education or whose skills have become obsolete. For these reasons training may be considered the “cornerstone” of ALMPs (Crepon and Van der Berg, 2016, 15). In the expectations it should lead towards better quality jobs. Training programs may differ in priority given according to different trade-off: general education vs. specific skills, soft vs. hard skills, and to the type of learning activities, whether in classroom, on the job, or alternating educational courses and work (*id.*). They differ also for the high investment they represent in terms of money or time. Since it can be considered the most expensive ALMP, especially in period when the economy is not growing, it is often exposed to the risk of being put in second order. The attempt to save costs concerning human-capital development may led to rely more on “soft skills courses” at the expenses of the traditional skill training. These are courses, often group-based, aiming at improving basic skills concerning job-search, motivation and orientation (Weishaupt, 2011).

Lechner *et al.* (2011), in a similar way, distinguish between short training periods, as lasting less than six months, and long ones, lasting more. When well-targeted they can be addressed at the beneficial of specific disadvantaged groups, such as youth and women. On the contrary, if poorly targeted, they may result in deadweight loss. This circumstance happens when those who benefit from the training program are the same who would have got jobs anyway. Another potential limitation could be represented also by the decrease in job-search intensity during the course of the training.

*Self-entrepreneurship* corresponds to programs aiming at creating and promoting small-scale new businesses, start-ups and providing self-employment, by means of technical assistance and, above all, credit support. They take very often the form of tax-credits, which could be or not targeted to the purchase of specific stuffs concerning the start-up phase.

The main goal here is to promote entrepreneurial spirit, especially related to youth. These programs, in fact, are often associated with either age requirements favouring young people or

local development programs related to economically depressed areas. However, the risk of deadweight loss is present also here when we consider that for some subjects this kind of new businesses could have been formed anyway without assistance.

*Public works* are publicly funded low-wage employment programs used to address poverty and create temporary employment, especially for disadvantaged groups (Dar and Tzannatos, 1999). They consist of work experience programs in the public or non-profit sector. These programs should be intended as mainly income-generating schemes with the objective not to promote labour market re-entry, but to keep job-seekers busy, also in order to prevent the depletion of human capital associated with frequent or long-lasting unemployment spells (Bonoli, 2010). More often, we are talking about jobs of low productivity. In some cases, they can be associated to short training courses. They can be linked to access of benefits, in order to deny this access to unemployed people refusing this kind of jobs. One of the main limitations of these programs may derive from the stigma associated to these jobs, with the risk of penalizing individual employability.

*Work incentives* refer to measures mostly aiming at strengthening the incentive-induced behaviour of benefit recipients. It is possible to distinguish between positive and negative work-incentives. The formers may not be related exclusively to benefit recipients, but targeted groups, and consist of tax credits. More often, work incentives are considered from the negative point of view, representing all the measure introducing benefit conditionality. The conditionality can be achieved curtailing benefits, both in terms of duration, benefit rates and reciprocity, leaving rooms for sanctions in the event the behaviour of the recipient has not fulfilled its commitment. This kind of measures very often can be applied, as we will see, by means of quasi-contractual arrangements between operators and job-seekers, introducing commitments for both. Benefits can also be made conditional on participation in work-schemes and public works.

*Subsidized employment* is used to make employers willing to take the risk to hire unemployed people who may (or may not) have a low productivity (Crepon and Van der Berg, 2016). In this case, the government pays part of the salary for a period of time following which firms may decide to hire the individual and pay the entire salary.

These interventions are usually designed for specific targets, such as long-term unemployed or youth. These subsidies may vary according to the population targeted, not only in terms of particular disadvantaged categories, but also in terms of the entire category of employee or only newly minted jobs. They usually correspond to: direct transfer to the employer, tax rebate, payroll tax subsidies for workers, vouchers attributed to the eligible public handing them over the potential employer.

At the same time, the rate of subsidies may vary or not according to the length of contracts (Caliendo *et al.*, 2005). These interventions could be advantageous because they can create incentives for employment on permanent basis. However, there could be deadweight loss if we



consider that it could be possible that those hired with subsidies would be hired anyway. We should also consider another limitation due to the opportunistic behaviour of the employers, in the situation in which they look at these workers as cheap labour, laying them off once the period of subsidy is finished.

*Tab 1.1 Classification of ALMPs*

<b>Active labour market policy types</b>	<b>Aim</b>	<b>Tools</b>
Employment assistance	remove obstacles to labour market participation	job-counselling/orientation, job-search programs, job-matching
Training	increase skill acquisition	soft-skill training vs. hard-skill training, return to education
Self-entrepreneurship	promote small-scale new businesses	technical assistance and tax-credits
Public works	keep the jobseekers busy preventing from the risk of human capital depletion	publicly funded work experience programs
Work incentives	strengthening the incentive-induced behaviour of benefit recipients	Positive: tax credits, in-work benefits Negative: benefit conditionality
Subsidized employment	make employers willing to take the risk to hire unemployed people who may have a low productivity	direct transfer to the employer, tax rebate, payroll tax subsidies for workers, vouchers

## **1.2. The role of Public Employment Service**

In this context we refer to Public employment services as the «the governments most important delivery arms of labour market policies» (Weishaupt, 2011, 63), especially ALMPs. PES is then related to the organization of ALMPs' delivery. We will focus on the main features of PES, first looking at its contribution for institutions, jobseekers and firms and then deepening PES governance, as major determinant of its success.

If we try to find what could be the outcomes of PES for institutions, we are substantially interested to know how it can affect formal and informal rules around the transitions of people from unemployment to employment and vice-versa.

We have to start from the consideration that labour market regulation is closely linked to macroeconomic management. Across Europe, nations are facing the consequences of economic changes and, thus, governments need to predict proactive measures and plan sufficient skilled workforce. The predictability of economic developments and the effects on employment still remain within the short-term events. The development of models to predict the needs of the workforce is necessary for a closer link between the policy of the labour market with the dynamics

of the economy. The growing changes on attitudes and actions on labour markets and public service providers have been responsible for a growing attention to the role and outcomes of PES. It can be generally considered as an instrument to support the effective functioning of the labour market. Particular importance is assigned to the ability of the PES for vigorous action aimed at ensuring the maximum impact of LMPs (Terziev and Arabska, 2015). Its core activity, in particular, is represented by the improvement of the correspondence between demand and supply of labour force. In order to achieve this objective, PES should have a more comprehensive look at the demand and supply of labour force, considering the numerous transitions that constantly take place in the labour market and in the individual professional development (Terziev and Dimitrova, 2015).

PES then should represent part of a comprehensive framework, being intertwined with effective systems of social protection and education, ensuring continuity between various transitions in professional development and going beyond institutional and geographical boundaries.

Some of the major transitions in the professional development are the transitions between the labour market and the education system and transitions from job to job. In this context PES should closely interact more than ever with various stakeholders in order to identify and profile skills and bringing them in compliance with the demand, as well as skills training. Persons seeking or changing their jobs should receive an opportunity to self-ensure continuity, improving the control of their own careers. At the same time, PES has also to perform a very important socio-distribution function, especially in the presence of disadvantaged groups in the labour market, taking into account the transition from employment to unemployment and preventing extreme poverty and social deprivation (*id*).

However, the question whether the PES is able to reduce search frictions in the labour market, the core goal set by governments, which finance the PES, still remains unanswered. On this point, we can consider the role and contribution of PES respect to jobseekers in relation to their supposed efficiency in terms of ability of crowding out private search effort (Pissarides, 1979). As is often the case, not all vacancies are registered with PES, despite the advances in technology would make possible for PES to centralize job applications and vacancies, in order to mitigate coordination frictions (Holzner and Watanabe, 2015).

Formal and informal rules can interact also concerning the outcomes of PES for jobseekers. Jobseeker will be one of the fundamental actors of this work. Here, we will limit to say that the role of PES, in a wider perspective, can be measured in terms of opportunity provided for jobseekers as alternative to the search for a job using private or informal channels. We can move from the consideration that this is only a way unemployed or employed people find or change their jobs. Almost always, they are able to place only a small part of jobseekers compared to the other means. Concerning job-search methods there the most recurrent distinction is between formal and informal means (Reyneri 2011). The former included those channels regulated both by “market mechanisms” such as newspaper ads, private placement agencies not involved in PES, direct application, firms’ databases, and public authorities, where we find PES and also open competition for bureaucracy roles. The latter, instead, included all those channels regulated by

personal contacts, both related to relatives and friends and professional area, often coming from previous workplace acquaintances or previous experiences. There are a lot of studies about the positive effects coming from the use of personal contacts in terms of the easiest way to find a job, explaining the advantages of what is known as “old boys network” in terms of an easier transmission of information (Rees 1966, Holzer 1988) and gaining also an advantage in terms of wages (Corcoran et al. 1980; Simon and Warner 1992; Rosenbaum *et al.* 1999). The most classical and remarkable contribution is that of Granovetter (1973, 1974, 1983), finding an explanation in the social structure, with the conceptual powerfulness of the distinction between strong and weak ties. The idea at the basis of Granovetter’s study is that people find jobs thanks to the information conveyed by social networks and, in this context, weak bonds (interpersonal relationships) are more important than deep-rooted relationships, like those between relatives or friends. The author argued that for diffusion across networks, weak ties are more valuable than strong ones. Weak ties can act as a “bridge” which connects otherwise disconnected social groups, differently from strong ties, because if someone is strong tied to someone else, those around their tie will also be tied to them and ties will be redundant. This is because all social networks offer various resources, such as information about job opportunities, and so, by connecting with a greater number of social networks, via weak social ties, it is possible to gain access to more possible employment opportunities. However, these results are also connected with an inefficient placement, with suboptimal allocation in the labour market. Job opportunities coming from informal means result in poorer positions, in terms of both job-quality and wages, because vacancies are not assigned to the most skilled for those positions, but to those better connected. In consideration of this, PES and public regulation acquire a crucial role in relation to equity reasons, in order to grant an equal distribution of opportunities, promoting people not well connected despite having good skills (Reyneri 2011). The transitions support should, at the same time, be directed to the employers as well. On this point it is relevant to consider firm differences in terms of their size. In particular, small and medium firms more often need support in announcing job vacancies that require qualifications and are attractive to job seekers, development of human resources management based on qualifications and creation of measures to retain staff (Terziev and Dimitrova, 2015). Concerning services addressed to employers, it is sufficient to say here that, inside employment offices of PES, there could be teams dedicated both to jobseekers and employers as well as separate professional teams dedicated to each client category. Some caseworker has *direct*, more intensive contacts to employers, while others rely more on *indirect* contacts. The latter comprehends intermediation channels such as vacancies posted in newspapers or on the Internet. It also comprehends a specialization within the employment office, where some caseworkers specialize on maintaining close contacts to employers while the other caseworkers use them as intermediaries. Caseworkers differ also in their perception of the role of employers: some consider them as an additional client group, which should be offered good services; others would not treat employers as a client group by itself but rather consider employer contacts only as a means to offer better services to their unemployed. In these respects, a more intensive contact with firms could provide caseworkers with additional insights on the job market. Such an informal

knowledge might assist caseworkers in matching unemployed to appropriate employers. Caseworkers might also gain some private information on job openings or receive information earlier. The most effective traditional approach is visiting firms regularly, but, on the other hand, such an approach could be time consuming and thus it could reduce the amount of time available for counselling and further assistance for recruitment processes (Behncke *et al.*, 2007). It is for this reason that, at the same time, web-based tools to reach employers are increasingly important. Other possibilities are represented by: employers' weeks, job fairs, speed meets, networking with the help of mass-media, goal-oriented visits, the development of consultancy services and the prevention of (collective) redundancies.

Anyway, many employers still conceive PES as a sort of last resort, perceiving that the vacancy notification is more often an additional administrative burden instead of a concrete possibility (de Koning and Gravesteijn, 2011).

### 1.2.1. PES governance

When PES is considered it is very important to have a clear understanding of the concept of "governance". This concept could be subjected to different definitions. Weishaupt defines it as «the institutional structures of authority transposing public law into action» (*ibidem*). According to Fuertes *et al.* governance should be understood generally as «an all-encompassing framework of interactions (including the principles funding them), institutions, structures, mechanisms and processes for solving societal problems and creating social opportunities», and specifically as «modes of coordinating individual or organizational actions» (2014, 73). Where the conception of "coordination" should be considered in relation to working jointly for the pursuit of a common goal, or to the process aiming at achieving a state of minimal redundancy (Peters, 1998). Considine and Lewis (2003) draw a specific typology to analyse governance of PES. They distinguish governance forms between procedural, corporate, market and network, with specific claim, source of rationality, mechanisms of control and key drivers behind service delivery. "Procedural governance" is related to bureaucratic organisations using top-down approach, with central regulation of service delivery aiming at achieving universal treatment of clients. "Corporate governance" refers to the introduction of business-type managerial models, basing its regulation on goal-driven plans. "Market governance" can be distinguished for the reliance on contracting-out and marketization. "Network governance" is characterized by joint-action, co-production or cooperation, with leadership shared within collaborative structures. As we can see, the concept of governance is widely discussed in this context, and more in general in social policies. We can refer to the definition of Kooiman and Bavinck (2005, 17) considering governance as «the whole of public as well as private interactions taken to solve societal problems and create social opportunities. It includes the formulation and application of principles guiding those interactions and care for institutions that enable them». According to this definition, PES is a public agency, that could also involve private actors, aiming at solving a societal problem called

unemployment, where principles guiding its interactions are laid down in the operational policies above mentioned, requiring particular organizational capacities.

To go deeper in the comprehension of this concept, we shall adopt the distinction of Weishaupt (2011, 65) between the “forms” of PES, or we would say its “structural governance”, referring to the institutional structure of authority, and the “functions” of PES, or its “functional governance”, referring to the operational principles and methods. The former can be further divided along two crossing dimensions: vertical, related to the distribution of power between levels of government, and horizontal, related to the kind of relationship between public and non-public providers. The vertical dimension refers to the main distinction between “state-operated services”, correspondent to a state-led governance, and a “locally operated services”, correspondent to a shared governance. In the first case the power is concentrated at the central level, following a top-down approach, in which the minister in charge has direct authority over and responsibility for PES, using both regional and local offices. In the second situation the power is shared with local authorities. These can rely on their exclusively autonomy over the choice of policy measures or they can act in cooperation with the central level. However local governments may be conditioned from the national one by government funding. According to the horizontal dimension PES can vary a lot depending both on the degree of involvement of non-public operators and on the forms of these ones, including “private for-profit”, “private not-for-profit” and “membership-based” forms (*id.*, 64). Concerning the degree of involvement we can find situation of high involvement, in which we find either mainly “private oriented services” - this can be the case especially for contracting-out and marketization, in which services are outsourced to a large extent to private for profit providers -, either mainly “public oriented services”, referring to the case in which public operators concentrate the functions in their hands.

Private for-profit operators correspond to the form of private employment agencies. They may work alongside public offices, or they could be involved in PES. Alongside PES and private for-profit operators, there could be private not-for-profit operators, corresponding mainly to social NGOs. Very often the role of not-for-profit agencies originates from their traditional involvement in providing social services for the long-term unemployed, poor or socially excluded in the past. There could be also “membership-based” entities, set up by social partners, either in the unilateral or bilateral form. These represent the first original and spontaneous forms historically raised at the end of the 19<sup>th</sup> century. As we will see, they have been challenged, sometimes becoming forbidden, and very often replaced by the State authority. However, they resist in many countries, above all Nordic ones.

Functions of PES or functional governance, as well, can be further divided along two crossing dimensions concerning main goals of PES, from one hand, and the kind of relationship between operators and users, from the other. According to the main goals of services, the trade-off could be identified in economic vs. social concerns. Economic goals are associated with efficiency and effectiveness of measures delivered, while social goals are related to equitability concerns. Considering the relationship between operators and users, instead, the trade-off is between administrative vs. managerial approach. The first case corresponds to public bureaucracies, as

historically in the form of State monopolies. Here operators consider their action as compliance with procedures and the relationship with users is hierarchical. In the managerial approach, which we will see being very common in recent reform trends of PES, users are approximated to “customers” and operators considers their action as maximization of the service quality and customer satisfaction. The relationship between them is (quasi-)contractual, relying on tools that commit both the operators and job-seekers to tasks and duties.

Table 1.2 reassumes all the governance dimensions of PES. These analytical tools show their usefulness in order to analyse PES in case studies. They combine each other allowing us to identify main characteristics of PES models, although we should never consider each dimension always in a pure form.

Tab. 1.2 Governance dimensions of PES (Weisahupt, 2011)

Structural governance (Forms of PES)							Functional governance (Functions of PES)				
Vertical level		Horizontal level					Relationship between operators and users		Main goals of the system		
Distribution of powers between levels of government		Involvement of non-public operators			Degree of involvement						
		State operated model	Locally operated model	Private for-profit operators	Private no-profit operators	Membership-based entities	Private oriented services	Public oriented services	Administrative approach	Managerial approach	Economic goals

### 1.3. The concept of activation

Active labour market policies are often considered as synonymous of “activation policies”. Nevertheless, this equivalence would need be more clarity. In making sense of this ambiguity, ALMP should be considered as a key component of activation. Or rather, the latter should be intended as the result of the application of the former. This means that, depending on the kind of ALMPs applied, the concept of activation might be described by different approaches. The starting point could be identified in the dichotomy between human investment and incentive-based policies (Bonoli, 2010): the former improving human capital essentially by financing extensive vocational training programmes (Swenson, 2002), the latter referring to approach developed in various English speaking countries, which combines placement services with stronger work incentives or penalties (like time-limits on reciprocity, benefit reductions, and the use of sanctions) to move people from unemployment assistance into employment, the so called “workfare” approach (King, 1995; Peck, 2001). As Martin argues in his review (2014), the question is often posed in terms of a sort of trade-off between a “work-first approach” and a “train-first approach”. The rationale for such a shift in the way the activation concept is declined is related to the opportunity costs of investing in training for the unemployed, especially those exposed to high risks of long-term unemployment, fall during periods of steep downturn.

Investment in training risks to be more expensive than spending on other ALMPs relying more on the faster way to bring people back into employment.

Further authors have attempted to produce various denominations, always related to the same meanings. Torfing (1999), for example, consider the “workfare” not as a specific declination of activation, but as an equivalent of activation, to distinguishing subsequently between “offensive” and “defensive” workfare. “Offensive workfare”, in these respects, relies on improving skills and empowerment, finding its example in the Danish case, while “defensive workfare” relies on sanctions and benefit reduction, finding its example in the US case.

This distinction appears very similar to that of Taylor-Goby (2004), simply replacing “offensive workfare” with “positive activation” and “defensive workfare” with “negative activation”. Barbier (2004), at the same time, refers to “liberal activation” for the use of work incentives/sanctions and benefit conditionality and “universalistic activation”, whereas the reliance is more on human capital investment. Quite similar also the distinction found by Clegg (2005) between “circulation” and “integration”. The former should correspond to policy mechanisms in which there is an improvement of the chances of an unemployed person to get in contact with potential employers. The latter refers to policy mechanisms that more directly bring jobless into employment, like in the case of work incentives and benefit conditionality. Dingelday (2007) gives her contribution putting again specific emphasis to the concept of “workfare”, related to incentive-based policies to move jobless from social assistance towards employment, approach characteristic of English-speaking countries, respect to “enablement”, more related to human-capital investment to increase the level of employability of jobseekers, approach characteristic of Scandinavian countries.

More in general, we can consider activation as a paradigm evolved over time, as it changes the role played by ALMPs in the economy over time. The OECD defines the objective of activation as «to bring more people into effective labour force, to counteract the potentially negative effects of unemployment and related benefits on work incentives by enforcing their conditionality on active job search and participation in measures to improve employability, and to manage employment services and other labour market measures so that they effectively promote and assist the return to work» (OECD, 2013).

In this consideration, we are referring to the activation paradigm emerging since Nineties. Until that period, the concept of activation was viewed in a very narrow sense: it meant increasing public resources going into a range of ALMPs tools as opposed to spending public resources on PLMPs. Then, ALMPs started to be embedded since late Nineties and early Two-Thousands in an activation framework favouring a combination of supportive and demanding policies (Eichhorst et al., 2008). In the context of activating labour market policies benefit receipt has been made conditional upon job search activities and/or participation in ALMP scheme. Activation regimes may differ greatly in their scope and intensity across European countries, reflecting their different starting points, histories, institutional settings and cultures. Nevertheless, the main issue in studying activation paradigm is represented by convergence on a same agenda of labour market reforms across countries. In particular, starting from Nineties, even in presence of very difference

conditions, countries seem to have shared common core elements characterizing the emergence of the modern activation paradigm.

However, we cannot go further if before we do not go deeper in this evolution of the activation paradigm, understanding why and in which direction this concept has changed over time.

## **1.4. The emergence of the activation paradigm**

### *1.4.1. Active manpower policies, crises and divergent responses*

The post-WWII period, throughout the Fifties, has been characterized by rapid economic growth across European countries, unemployment remaining very low, to the point that it is called the “golden age” of welfare state, characterized by policies expanded both in coverage and rates of compensation (Regini, 1995; Toniolo 1998). Full employment became an attainable goal<sup>2</sup>, then signing an inversion in priorities, passing from unemployment to labour shortages. ALMPs and other labour market interventions were limited to voluntary participation and used for small groups. In the context of full employment, whatever form of labour exchange were first concerned with filling job-vacancies and paying out unemployment benefits.

From this perspective, the main change occurred during Sixties, spreading from the concept of “active manpower policies” (AMPs) throughout western Europe (Weishaupt, 2011, 83). The born of this concept is credited to two trade union economists, Gosta Rehn and Rudolf Meidner. Their model was adopted by Swedish government after elections of 1957 giving mandate for Social Democrats and spreading the Swedish view for ALMPs.

The two economists were able to place their discussion about manpower policy in the context of economic growth and full employment, seeing it as a means for sustaining non-inflationary growth. According to Rehn-Meidner model, ALMPs were able to help to reduce structural unemployment and ensuring that counter-cyclical policy did not run into inflationary spiral. Wage increases were settled at the central level, at the highest rate possible and equalizing wage level for workers. This meaning that firms which survived only paying low-wages needed to rationalize, otherwise if inefficient they would be forced to shut down. The combination of these two elements then led to increases in overall productivity of the system, keeping low the rate of unemployment. Workers laid off by firms were to be retrained by means of specific programs or treated with mobility grants in order to improve the adaptability of them. The success of this model was soon evident for the fulfilment of three very desirable social and political goals: enhance overall productivity of the national economy; keep inflation low; improve individual skills (*id.*).

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<sup>2</sup> As envisioned in ILO Convention 88/1948 and later with ILO Convention 122/1964



The spread of the “Swedish view” was due also to the appointment of Gosta Rehn as director of the OECD’s Manpower and Social Affairs Directorate, from 1962, soon after the born of the organization<sup>3</sup>, until 1974. This model then became disseminated throughout western advanced economies (Lenert, 1964; Rothstein, 1985). Not by chance, in 1963 OECD choose Sweden as first case study for its first country review<sup>4</sup> on manpower policy, presenting it as a benchmark for other countries (OECD, 1963). However, it was the key recommendation developed the subsequent year to represent the milestone of the dissemination of ideas about “active manpower policies” in this period from OECD, frequently used as reference point for national reform efforts (OECD, 1964). To summarize these key recommendations, we shall follow the three categories used by Weishaupt (2011, 87): “goals”, presenting the main objectives to be fulfilled in national reforms; “governance”, focusing on the design of PES to organize and implement policies; “instruments”, regarding the contents for policies (Box 1.1).

*Box 1.1 OECD 1964 Key recommendations*

Goals of active manpower policies

1. Promote economic growth by contributing to the increase overall productivity potential and its utilization
2. Supplement fiscal and monetary policies designed to maintain high levels of employment and business activity
3. Pursue an expansionist effect on employment and production but an anti-inflationary effect on cost and prices
4. Assist firms’ economic restructuring efforts
5. Encourage geographical and occupational mobility

Governance of labour market policies

1. Creation of a central labour market authority to organize PES
2. Develop local/regional PES offices to assist flow of labour
3. Endow Pes with sufficient resources in order to provide access to vocational guidance and job-counselling to all categories of workers
4. Employers’ and workers’ organizations shall play a positive role in promoting economic growth and better life-standards of people
5. Gathering and dissemination of information and labour market data from a public body

Instruments of AMPs

1. AMPs designed as supply-side measures, improving skills of jobseekers
2. Public authority supervising that the total training capacity is adequate for the entire economy, in a context of training opportunities provided by employers
3. Dissemination of information about job-openings outside the home area and collaboration between PES and local housing authorities
4. Special measures for disadvantaged groups to promote their participation in “useful employment”, particularly in cases of labour shortages
5. Provide adequate unemployment benefits and compensation in case of either redundancies or need of retraining or readjustments

<sup>3</sup> The OECD was founded in Paris on the 14<sup>th</sup> of December 1960, in correspondence to the termination of the Organization for European Economic Cooperation, born in 1948 to manage the “Marshall Plan” of economic help from the United States. Its main objective was to assist advanced industrial economies in their economic growth, keeping inflation under control. The dissemination of innovative economic ideas and the exchange of national viewpoints were the main means through which to achieve this goal.

<sup>4</sup> Country review procedures have represented the most applied tool for policy diffusion by OECD.

These provisions were reinforced, in the same year, by ILO Convention 122, compelling countries to an active labour market policy, «designed to promote full, productive and freely chosen employment» (art. 1). The aim of these policies should be oriented towards: provide work for everyone who is available to work, make this work productive, freedom of choice for the individuals, with opportunities to qualify and use skills.

What we can register in this phase is also the consideration that, progressively, PES was not anymore considered as a “passive” institution, designed almost exclusively to the registration of unemployed people to determine their eligibility for benefits. They started to receive responsibility to provide adequate implementation of AMPs, despite until that moment the use of manpower policies across Europe had been marginal and typically relegated to assist special targets, like youth.

More in general, national labour policies regimes, across western countries, during this period were characterized by processes of partial convergence and institution-building, characterized by the modernization of PES, through the establishment of centrally steered systems, supply-side AMPs above all conceived to promote non-inflationary economic growth and general trust in economic planning.

However, labour market policy regimes, after the “golden age”, began to be under stress after the first oil crisis in 1973, registering an important grow in unemployment as a consequence of the jump in the prices of oil and other commodities (Table 1.3).

*Tab. 1.3 Increase in unemployment as a percentage of civilian labour force between sixties and seventies*

Country/Years	1960-1973	1974	1975	1976	1977	1978	1979	1974 - 1979
Austria	-1,33	1,42	1,85	1,91	1,70	2,20	2,23	0,81
Belgium	-0,83	2,54	4,56	6,02	6,83	7,40	7,67	5,12
Denmark	-1,08	3,60	4,93	6,41	7,42	8,38	6,05	2,45
France	1,14	2,56	3,42	3,80	4,27	4,45	5,03	2,46
Germany	-0,02	2,16	4,03	4,00	3,89	3,72	3,24	1,08
Ireland	0,03	5,39	9,33	9,09	8,81	8,29	6,83	1,44
Italy	0,76	5,42	5,92	6,75	7,21	7,28	7,75	2,34
Netherlands	1,59	2,81	5,31	5,64	5,45	5,43	5,49	2,68
Portugal	0,75	1,78	4,56	6,42	7,55	8,13	8,19	6,41
Spain	1,25	3,25	4,69	4,60	5,23	7,00	8,71	5,46
Sweden	0,74	1,98	1,62	1,71	1,96	2,46	2,27	0,29
United Kingdom	0,84	2,08	3,28	4,91	5,25	5,16	4,69	2,61

Source: OECD.stat

As we can see in table 1.3 countries experienced an increase in unemployment during the seventies, which appears very relevant in comparison to the previous decade.

The initial response taken by European government was characterized by continuous reliance on typical Keynesian measures based on deficit-spending. With the economy changing respect to the previous period, from one of labour shortages to one of oversupply, policy makers changed also

the way AMPs were applied, from supply-side measures to more demand-side ones. They became socially-oriented, explicitly counter-cyclical tools supporting employment during economic downturns. The main goal was no longer to assist firms and workers in phases of economic restructuring, but to ease the transition back into employment (Weishaupt, 2011). More programs were introduced regarding wider training, subsidized employment in contexts of local development, wage subsidies and public works (OECD, 1976).

However, policy makers and economists started to cast doubts about Keynesian paradigm observing that unemployment remained high during the Seventies, as well as inflation. According to the critique to Keynesian economic policies expressed by Milton Friedman (1991), Nobel Prize in Economics in 1976, the inflation was caused by the excessive expansion of the money supply, while the unemployment was a consequence of labour market frictions. Friedman disseminated ideas about the impossibility to reduce unemployment by means of expansionary demand policy and the level of it should be considered as a reflection of wages set at levels exceeding the workers' productivity and labour market institutions which were too "rigid" and then responsible for the frictions.

Despite these new policy options remained in minority during Seventies, the response designed by the economist would have soon signed the shift of paradigm, from "Keynesianism" to "Monetarism". It was with the second oil crisis, in the 1979, that another rise in unemployment was triggered, also because of the surge of a new generation of workers when the baby boom generation reached the working age. In addition to this, European industries began increasingly to face with global competition from various emerging economies, in particular from the countries of South-East Asia (the so called "Asian Tigers").

At the beginning of eighties Keynesianism was largely abandoned or phased out and three main explanations became mostly used in public debate among economists and policy-makers: the weakness of the demand, the rising costs of labour and the role of rigidities in labour, capital and products markets. It is during this period that started to emerge divergent responses of labour market policy regimes across western Europe. By the end of eighties three different patterns had emerged, representing what Esping-Andersen (1990) would have called "the three worlds of welfare capitalism". In his important contribution this author explains in terms of historical-institutionalist approach the reasons leading to qualitative different development trajectories in welfare regimes. Considering the extent to which the welfare states "decommodifies", we can distinct three ideal-types: "social-democratic welfare regimes", "conservative (or corporative) welfare regimes" and "liberal welfare regimes". Many historical-institutionalist scholars identify welfare state origins and initial trajectories in the strength of actors' coalitions engaged in struggles over distributional outcomes. Coalitions across societal groups together with the existence of large political parties, such as Social Democratic or Christian Democratic families or market liberal orientation, holding power over different periods of time, determine the form and the generosity of states social regimes (Esping-Andersen, 1985, 1990; Korpi, 1983; Rueschemeyer *et al.* 1992). Large labour union movements, coupled with a hegemonic Social democratic party have led to the creation of generous and universal welfare states (Stephens,

1980). Christian democratic prevailing parties have ruled welfare states more reliant on the role of families in providing social services and making generous benefits conditional on employment (Epsing-Andersen 1985, 1990; Kersbergen, 1995). The lack of both the two previous parties in a strong position, together with fragmented social interests, have led to liberal welfare states, characterized by universal but minimalist welfare provisions.

In the trajectory of “social-democratic regimes”, Nordic countries did not completely abandon the “Swedish model” affirmed in the previous period. During the seventies and the eighties, they continued to extend the welfare services and were characterized also by important participation of female labour force, whereas employment opportunities for women were due to good provision of work-life balance measures. Policy choices and programs continued seek the legitimization of social partners, whose role in influencing labour market policies was never doubted. The massive welfare state was maintained with high taxation but keeping on the same time to provide generous and prolonged benefits both for firms and for unemployed people.

In the trajectory of “conservative regimes”, continental countries unemployment was addressed relying on demand-reducing measures, like early exit, protracted education opportunities and reduction of working hours. The first one, in particular, consisted of three strategies: measures assisting older long-term unemployed to receive benefits and then passing progressively towards retirement; early retirement offered to older workers with long-work history; options for workers in ill conditions. These measures became important for firms because they gain the possibility to cut exceeded labour force in a more “pacifist” and “socially-responsible” way.

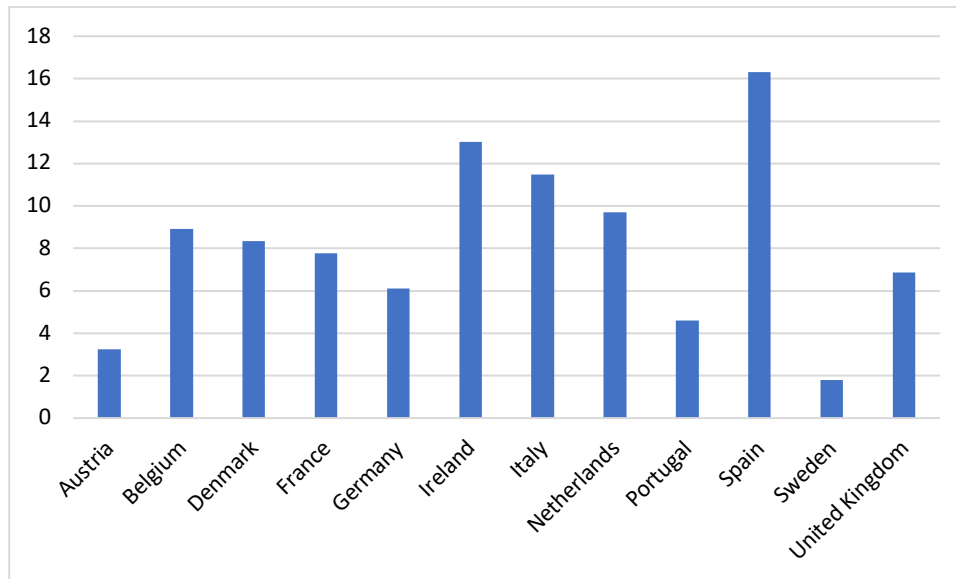
The male-breadwinner model was consolidated, leaving no rooms for gender equalization, with low rate of employment for women, differently from Nordic countries. ALMPs, in this case, were mostly applied to long-term unemployment, but expenditure for PLMPs was still largely predominant anyway. The maintenance of the welfare state came most from payroll-taxes, as well as with the influent contribution of social partners. More in general, these countries in this period were still able to keep inequality low.

The trajectory of “liberal regimes”, mainly during Margaret Thatcher era in UK, and to a lesser extent also Ireland, represented the experiences mostly relying on the monetarist paradigm, following strategies of deregulation, privatization and marketization. In addition to this, the role of social partners was fully emptied, from welfare state in general and in particular labour market regulation. Benefits were also cut and reduced in a flat rate form. From the point of view of ALMPs, both demand-side and supply-side measures were reduced. In particular, only very young school leavers maintain the right to participate to training initiatives (Lindsay and Mailand, 2004). Many other forms of training and work programs were dismantled in favour of work incentives fostering faster transition of job-seekers back to employment. The end of the “welfare dependency” represented the main goal of this age, reducing the role of the State in favour of that of the market, consequently spreading inequalities.

### 1.4.2. The role of European Union and international dimension

At the beginning of the Nineties unemployment remained a salient issue across western European countries<sup>5</sup> (figure 1.1)

Fig. 1.1 Rate of unemployment in 1990



Source: OECD.stat

In addition to this, the issue of skills shortages started to emerge, highlighting the increasing mismatch of jobseekers' skills and employers' demands, facing both the rapid changes in technology and the challenge brought to the European system by the globalization of the economy (Blanchard, 2006). At the same time, during this period, further important demographic changes occurred, especially with the birth rates decline and the growth of life expectations, bringing in the public debate the issue of the sustainability of old age social security systems. Due to the budget constraints introduced by the Maastricht Treaty, there were not anymore rooms to address unemployment managing aggregate demand, registering an increasingly reliance on monetarist agenda for economic policies. For what concerns employment and social policy, instead, the framework created by EU started to play an important role, as new actor in this context. In 1993 the European Council settled in Copenhagen started to conceive the need to develop a comprehensive strategy to the pursuit of growth, competitiveness and the reduction of unemployment. For this purpose, the Council invited the Commission to present a White Paper. The Commission at that time was headed by the French socialist Jacques Delors, who presented the White Paper "Growth, competitiveness and employment. The challenges and ways forward

<sup>5</sup> The rate of unemployment was 10.6%, with considerable levels for youth (20.6%) and women (12.2%) (OECD, 1994b)

into the 21<sup>st</sup> century”, outlining his perspective of a strong social-dimension to counterbalance the essential neo-liberal view underlying the Maastricht Treaty. Indeed, Delors proposed to adopt the same logic of Maastricht. Alongside the new European economic governance, strengthened with the pursuit of a single currency, the White Paper set medium and long-term targets for social policies, imaging a model bringing together competition and solidarity at the same time. The main goal was then to build a sort of "Social Maastrich", aiming at creating, by the year 2000, 15 million new jobs. In this sense, it was no longer enough to focus only on economic growth, but deep interventions on the labour market were also necessary, in order to overcome the problem of structural unemployment, especially youth and long-term unemployment, addressing also the problem of skill shortages and mismatch. Education and training became, now, the fundamental tools to combat long-term unemployment and to facilitate the employment of young people. In particular, the strategic role of new active labour market policy regime emphasized not only the importance of training and qualification for the job-seekers, but also the operational principles regarding the relationship between state and job-seekers, to be characterized by new “contractual” forms.

By reorganizing the educational and training system, it could be assumed that some of the resources allocated to UBs would be diverted, instead, to training programs, in particular for young people without qualifications and for the long-term unemployed. According to the Commission document, the distinct element of all actions concerning training must be the recognition of human capital, a basic element underlying the entire structure of the proposals in the White Paper. Investment in human capital as resource able to make the economic system more competitive (European Commission, 1993).

The following year, also OECD demonstrated dynamicity on these issues, publishing the “Jobs Study”, which would become the focal point for all subsequent OECD reform proposals, with ten recommendations to its Member states (Box 1.2)(OECD, 1994).

*Box 1.2 Ten recommendations of the OECD Jobs Study, 1994*

1. Set macroeconomic policy such that it will both encourage growth and, in conjunction with good structural policies, make it sustainable, i.e. non-inflationary.
2. Enhance the creation and diffusion of technological know-how by improving frameworks for its development.
3. Increase flexibility of working-time (both short-term and lifetime) voluntarily sought by workers and employers.
4. Nurture an entrepreneurial climate by eliminating impediments to, and restrictions on, the creation and expansion of enterprises.
5. Make wage and labour costs more flexible by removing restrictions that prevent wages from reflecting local conditions and individual skill levels, in particular of younger workers.
6. Reform employment security provisions that inhibit the expansion of employment in the private sector.
7. Strengthen the emphasis on active labour market policies and reinforce their effectiveness.
8. Improve labour force skills and competences through wide-ranging changes in education and training systems.
9. Reform unemployment and related benefit systems — and their interaction with the tax system — such that societies' fundamental equity goals are achieved in ways that impinge far less on the efficient functioning of the labour markets.
10. Enhance product market competition so as to reduce monopolistic tendencies and weaken insider-outsider mechanisms while also contributing to a more innovative and dynamic economy.

The emphasis for ALMPs here was strictly connected to the need of more flexible labour markets as key instrument for economic growth and job creation, to the point that the OECD Jobs Study was interpreted as neo-liberal prescriptions and deregulatory approach, giving particular weight to five labour market institutions: minimum wages, employment protection legislation (EPL), unemployment benefits, tax wedge, wage-setting arrangements (Watt, 2006). ALMPs in the context of the OECD became more related to the need of making more efficient and effective job-matching and placement services, relying on work-incentives reinforcement, differently from the more employability-oriented recommendations. In this context, with the aim to encourage the participation of all groups in society, these prescriptions included also the expansion of atypical or non-standard employment relationships.

In the same year the Essen Council recalled the objectives of the White Paper, reaffirming the importance of taking a strategy to face the unemployment problem inside the EU, while further steps towards the consolidation of the single currency were occurring, with many implications for national budgetary rules of Member countries. Among the conclusion of the meeting in Essen, the Council advanced five guidelines (Box 1.3) (European Council, 1994).

*Box 1.3 Five Guidelines of the Essen Council*

- 1) Central role of the vocational training in improving employment opportunities;
- 2) Increase employment-intensiveness of growth by means of more flexible organization of work, a wage policy encouraging investments and productivity and the promotion of local initiatives creating jobs.
- 3) Reduction of non-wage costs;
- 4) Improvement of the effectiveness of labour market policies moving from passive to ALMPs;
- 5) Facilitate the access to the labour market for categories such as young people, long-term unemployed and women.

The institutionalization of a “European Employment Strategy” (EES) was achieved at the Amsterdam Summit in 1997. The White Paper and the Essen European Council thus inserted, for the first time in the body of the original Treaty, a Title dedicated to the employment (Title VIII), in the context of the revision work that would create the Amsterdam Treaty, indicating that employment policy objectives became equally as important as macro-economic objectives.

Member States agreed on a multilateral surveillance process and on a permanent, treaty-based Employment Committee, with the aim of policy coordination among national LMPs. In relation to this, EES should not to be considered a policy, in the strict sense of the term, not corresponding to effective powers, rather as procedure, which defines objectives and issues recommendations to Member States to achieve them (Raveaud, 2007).

On the basis of this procedure, the European Council, every year, together with labour ministries of each Member State, should agree on “employment guidelines”, following a Commission proposal and establishing common priorities for Member’s States LMPs. Then, every Member State should draw up a “national action plan”, addressed to Council and Commission, describing how the employment guidelines would be implemented at the national level. Commission and Council would examine these plans jointly collecting the feedbacks in a “joint employment report”. Finally, the Commission intervened to review the action plans and to propose country specific recommendations, issued by the European Council.

This procedure was based on the definition of objectives by the EU ruling bodies and the transposition by Member States, representing a kind of governance relying on a continuous and participate learning process (Zeitlin, 2008) and attempting to encourage Member States to exchange best practices, transfer and adapt them to different contexts, in order to improve national policies. The EES, at least in its first phase, was conventionally referred to as "Luxembourg Process" since, at the Luxembourg European Council in November 1997, it was decided to immediately apply the provisions on employment included in the Treaty, despite the revisions decided in Amsterdam were not yet in force. The employment guidelines, adopted from that year, were divided into four "pillars": improving *employability*; developing *entrepreneurship*; encouraging *adaptability* of business and their employees; strengthening policies for *equal opportunities* (Box 1.4)(European Council/European Union, 1997).



*Box 1.4 First Guidelines of the EEC for the period 1997-2002.*

**Employability Pillar**

Guidelines 1 and 2: Implementing preventive and employability-oriented strategies, building on the early identification of individual needs and ensuring that young/long-term unemployed persons are offered a new start in the form of training, retraining, work practice, a job or other employability measure after 6/12 months respectively.

Guideline 3: Shifting people from welfare dependency to work and training by increasing the number of unemployed people in ALMP measures, gradually achieving the average of the three most successful Member States, and at least 20 percent.

Guidelines 4 and 5: Developing partnerships as a framework for the provision of training and lifelong learning.  
Guidelines 6 and 7: Facilitating the transition from school to work.

**Entrepreneurship Pillar**

Guidelines 8, 9 and 10: Reducing overhead costs and removing the administration burden to promote business activities, especially for small and medium-sized business enterprises, exploiting all of the available opportunities for job-creation, including the social economy, encouraging self-start-ups.

Guidelines 11 and 12: Making the tax system more employment friendly by reducing labour and non-wage labour costs, in particular for unskilled and low-paid work.

**Adaptability Pillar**

Guidelines 13 and 14: Inviting social partners to negotiate flexible working arrangements and to examine the possibility of more adaptable types of work contracts.

Guidelines 15: Re-examining the obstacles to investment in human resources and possibly provide for tax and other incentives for the development of in-house training.

**Equal Opportunities Pillar**

Guideline 16: Reducing the gap in unemployment rates between men and women and actively supporting the employment of women.

Guideline 17: Improving access to care services.

Guideline 18: Facilitating the return to work after child bearing.

Guideline 19: Giving special attention to people with disabilities.

We have to focus, in particular, on the first pillar, which was the only one in which quantitative targets were included. The concept of *employability* was becoming one of the key words of the process of convergence in this field, aiming at increasing people's ability to actively seek employment, to find and maintain it, or to find it once it is lost (Gualmini and Rizza, 2013).

The fulfilment of quantified targets with respect of early interventions, preventive strategies, the individualization of services and increase in ALMPs' participation rates, went necessarily through the creation of an adequate "infrastructure" of PES, capable of delivering such measures adequately.

Objectives explicitly addressed by the European Commission through communication 641/1998 - with the emblematic title "Modernizing employment services to support the European Employment Strategy"- specified that national PESs were a key tool for the EES. An essential institution for the development of all pillars, with an absolutely central role in the functioning of national labour markets. The Commission made the case that four basic requirements should be fulfilled in order to discharge PES's responsibilities under the EES: gain substantial access to

vacancies, make arrangements for systematic case management for all registered unemployed jobseekers, contribute to the coordinated delivery of counselling, guidance, training services, implementation of job subsidy schemes, transforming employment offices into “one-stop shops” at the local level and implement a large part of the measures in favour of reintegration of workers on the labour market and develop strong partnerships with other relevant actors on the market (European Commission, 1998). The Commission later added further specific recommendations, concerning: the development of service enterprise features, the use of modern information and communication technologies to improve client services, case management and early interventions, the need to continuous monitoring and in-depth analysis of labour markets, coordination of PES functions and the need to build partnerships with labour market stakeholders (European Commission, 1999). Following the guidelines drawn up at EU level, PES should then represent a potential tool for employment growth. In these terms, the increase in public spending for its operation would trigger a reduction in unemployment, (almost) correspondingly to the investment made. The Commission, aware of the economic and organizational effort thus imposed, ensured, at the same time, that it would co-finance the investments necessary for the modernization of employment services through the European Social Fund<sup>6</sup>(ESF).

In particular, the EU recognized the need for the modernization of the national PESs along the principles of New Public Management, as new emerging paradigm of public administration, becoming increasingly popular in public sector reforms. Principles concerning the way to manage the public sector applying principles taken from the private sector (Hood, 1991; Pollit *et al.*, 2007). The main idea, in this context, is the transformation of state bureaucracies into modern management agencies, by means of incentives for contracting-out, increasing competition, deregulation and more contractual relationship between bureaucrats and users, to be considered like customers (Osborne and Gaebler, 1993; Pollit and Bouckaert, 1995, 2000, 2004; Weishaupt, 2010). Particular emphasis is put on performance evaluation and on the concept of “Management by Objectives” (MBO), used to verify, on the basis of measurable indicators, the efficiency and effectiveness of public services. The practical principles of MBO consist of target setting, decentralised operationalisation and implementation, monitoring of (ongoing and final) results, and practical conclusions based on a final performance assessment. The comprehensive study conducted by Mosley *et al.* (2001) about MBO developments in PESs of European countries, led to the main conclusions that they help to set priorities in labour market policies and standards in terms of which PES work can be assessed, focus on the policy outputs and impacts, provide means to improve both effectiveness and efficiency of policies, support adequately the implementation of EES.

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<sup>6</sup> The Regulation (CE) n. 1081/2006 of the European Parliament and of the European Council, addressing the use of the ESF for the programming period 2006-2013, established that, among the activities for which the Member States could have availed themselves of the Community co-financing, included those addressed to 'modernizing and strengthening labour market institutions, in particular employment services' (Article 3, paragraph 1, letter b).

Parallel to the EES, then, the OECD assessed Member countries' policies and their application of the "Jobs Study" recommendations, by means of "Jobs Study implementation reviews" and various "Employment outlooks". These studies progressively moved towards conclusions very similar to those of the EU regarding the need of PES modernization by embracing NPM and private service orientation. OECD stressed the need to integrate core functions of PES - job brokerage, PLMPs administration and referral of the job-seekers to ALMPs - by setting up "one-stop shop offices", as well as the use of profiling techniques and reliance on NPM lines, focusing on MBO and contracting-out (OECD, 1997). In particular, the introduction of market signals was considered fundamental to enhance efficiency and effectiveness of PES operations. This "market competition" should have been made possible liberalizing rules and regulations governing private employment agencies.

In this regard, it is important to underline two judgments produced by the European Court of Justice, at the beginning of the Nineties. The sentences "Macrotron" (C-44/1990) and "Job Center II" (C-55/96), declared the monopolistic system of PES incompatible with the Community competition law, due to abuse of a dominant position. Consequently, the ILO also ended up adapting itself to the new panorama of the labour market and producing new regulatory processes, in order to overcome the restrictions introduced with the past regulation. The new Convention n. 181 of the 1997 has made a fundamental change in the liberalization of the placement function, leaving, after almost fifty years, full space to private employment agencies, and thus giving impetus to the dismantling of public monopoly. Among the functions pertaining to private providers, in addition to the intermediation between supply and demand, it also made provision for temporary employment, consisting of hiring workers in order to make them available to firms, establishing their tasks and supervising their execution. Free services for users represented the only condition posed to private employment agencies.

The Lisbon European Council, held in March 2000, marked a significant change in the path of the EES, configuring what is considered to be its second phase, known as "Lisbon Process" or "Lisbon Strategy". This Strategy has introduced two different kinds of innovation. The first, concerning policy agenda, related to the commitment of the EU towards medium-term goals for economic competitiveness, employment and social cohesion. The second, concerning the governance approach, inaugurating the so-called "open method of coordination", based on «iterative benchmarking of national progress towards common European objectives and organized mutual learning» (Zeitlin, 2008, 436). Such approach would represent one of the most important legacy of the Lisbon Strategy, being used for many social policy areas, such as social inclusions, pensions, health care, encouraging mutual learning both among member countries and between them and the European institutions (Zeitlin, 2005).

According to the conclusions of the Lisbon Council, the overarching aim of the EU has been «to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion» (European Council, 2000, 2). In this context, EES became part of the new Lisbon Strategy for what concerning employment. The following year, with the Stockholm Council, EES was strengthened

with hard targets to be achieved by the 2010, of which the main one was an overall EU employment rate equal to 70% and, in particular, 60% for women. In addition to this, the Stockholm Council of 2001 set further targets, both for the 2010 - raising the average EU employment rate for older men and women (aged 55–64) to 50% - and for the midterm – overall employment rate for 2005 of 67% and 57 for women.

In 2002 the European Commission conducted a five-year review of the EES. To underpin the review of the EES the Commission coordinated an impact evaluation, based on national policy impact evaluation studies following a common thematic breakdown, and carry out an EU-wide employment performance assessment. The evaluation of the past five years points to clear structural improvements in the EU labour market, considering some successful outcomes such as 10 million jobs being created in Europe between 1997 and 2002, unemployment declined by more than 4 millions and labour participation, driven largely by women, grew by nearly 5 millions. Despite marked differences between Member States and the difficulty of establishing clear causal relationships between overall performance and specific policies, over the same period a significant degree of convergence of national employment policies towards the objectives and the guidelines defined under the EES can be discerned. However, despite progress, the review still identified some challenges in terms of responding to demographic trends, the emergence of bottlenecks, regional differences in performance, and the ongoing economic and social restructuring, globalisation and enlargement<sup>7</sup> (European Commission, 2002<sup>8</sup>).

The slow progress toward Lisbon targets led the EU institutions to set up a task force with the aim of revising the Strategy. Two mid-term reviews, in 2003 and 2004, were realized by the “High Level Group”, chaired by Wim Kok, former Dutch prime minister (Kok 2003, 2004). These reports sharply criticized the Strategy. The first report ended up with three priorities to reform EES: improving the supply of labour (i.e. by means of more effective activation strategies, increased female participation, active ageing); enhancing the adaptability and flexibility of labour markets and augmenting the share of investments in human resources. The second one emphasized the weakness of the open method of coordination, proving to be ineffective and underlining that governments do not show commitment to implement the Strategy nationally, lacking political will, whereas in many cases the legislation resulted not in line with the original directive or excessively complex. Some observers address this lacked political will to the aspect that government were frightened by the risk of loosing consensus with the implementation of the Strategy, revealing the failure of the EES in the objective of de-politicize employment policies by creating grounds for European convergence. In these respects, the Commission recommended to

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<sup>8</sup> EC (2002a) ‘Taking Stock of Five Years of the European Employment Strategy’, COM (2002) 416 final. Brussels: European Commission.

intensify peer pressure on Member States, relying on more transparency of the process of national implementation.

These critiques were welcomed by the incoming president of the European Commission Barroso, announcing a “New Start” for the Lisbon Strategy. This relaunched Lisbon Strategy was characterized by a new institutional design, resulting from the combination of the European Employment Guidelines with the Broad Economic Policy Guidelines into a single framework of 24 “Integrated Guidelines for Growth and Jobs”, dividing for macroeconomic, microeconomic and employment specific chapters.

Searching for a new model of employment policy, Lisbon Strategy saw in the growing paradigm of “flexicurity” a new possible avenue (European Commission, 2007). A concept that certainly has been widespread and much abused. Despite it was born in Netherlands<sup>9</sup>, in the public debate it has been always referred to the Danish labour market policies, in the form of the so-called “golden triangle”(see box 1.5), represented by the interplay of three key aspects: flexibility, given by easy “hiring and firing” for employers; social security for workers, given by both generous PLMPs and well-functioning ALMPs, enabling them to easier transitions from unemployment to employment. The attractiveness of this model, then, came by its potential role of third way between flexibility ascribed to liberal welfare states and social safety nets of the traditional Scandinavian welfare regimes (Madsen, 2004).

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<sup>9</sup> A new approach to labour market flexibility and security was adopted at the end of 1995 when the Dutch Minister of Social Affairs and Employment, Ad Melkert attempted, in a memorandum called ‘Flexibility and Security’ (Flexibiliteit en Zekerheid, December 1995), to strike a balance between flexibility and (social) security. This memorandum contained an interrelated set of starting points and proposals for modifying the dismissal protection enjoyed by employees in standard employment relationships, abolishing the permit system for temporary work agencies in respect of their placement activities and enhancing the legal position of temporary agency workers, whose relationship with the agency is to be considered, in principle, a standard employment contract. In the autumn of 1995, the very concept has been developed. The sociologist and member of the Dutch Scientific Council for Government Policy (Wetenschappelijke Raad voor het Regeringsbeleid, WRR) Hans Adriaansens launched the concept in speeches and interviews. Adriaansens defined the concept as a shift from 'security within a job' toward 'security of a job', holding a plea for a different attitude towards flexibility (among workers) and for flexible and activating social security system (Wiltaghen and Troos, 2004)

### Box 1.5 The Danish model

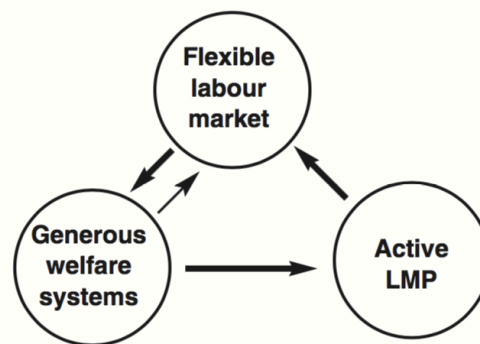
During the nineties Denmark caught international interest experiencing a dramatic decline in unemployment. From 9,6% in 1993 the rate of unemployment fell to 4,3% in 2001, while registering at the same time an increase in the employment rate up to 76,2% marking a record level among EU Member States. This has stimulated the ideas about the existence of a unique Danish model.

Despite being traditionally associated to Nordic countries, Denmark has showed a lower level of employment protection, much more comparable to liberal welfare states than Scandinavian ones. The non-restrictive employment protection legislation allows employers to dismiss workers with short notice. On the contrary the UB system has been aligned with other Nordic Countries, characterized by universalism and high net income replacement rates. In that period, the vast majority of unemployed people members of an unemployment insurance fund received unemployment benefits calculated at the rate of 90% of their previous earned income, with a ceiling of Dkr 162 000 (21 800 euros) per year (2003), for a maximum period of 4 years until 1994, then reduced to 2 years in 1996 and to one year in 1999.

The third element, ALMPs, has been characterized by a decentralized system implemented after a general labour market reform coming into force in 1994, after strong political pressure to break long-term unemployment. The decentralization of policy implementation relies on regional tripartite labour market councils, which are empowered to design interventions to fit local needs.

The labour market reforms introduced in between 1994 and 1999 realigned the whole set-up of passive and positive incentives. The time “threshold” for activation was decreased to 4 years in 1996 and to 12 months in 1999. An option for early activation at three months was introduced for users at risk of becoming long-term unemployed. Compulsory activation started to increasingly rely on individual action plans. At the same time was introduced a wide range of non-financial incentives, including high-quality training, remaining in the hands of the State.

Fig. represents the so-called “golden triangle”. The two arrows linking the flexible labour market and the generous welfare system are indicating workers affected by unemployment and returning into employment after a short spell of unemployment. Those not able to return quickly into employment are assisted by ALMPs, favouring their re-entering into the labour market (Madsen, 2004).



At the same time, however, a series of conditions has to be met in order to implement flexicurity as in the Danish model:

- Labour market policies cannot generate jobs by themselves, therefore pressure from the demand side is required, creating ground for favourable economic and labour market conditions, where ALMPs play an important role in securing workers' skill supply;
- Trade unions and employers' organizations, together in a corporatist governance framework, have always played an important role in the implementation of flexicurity;
- The system is costly, both generous PLMPs and well-designed ALMPs require massive injection of resources in order to provide good level of security.

In these respects, flexicurity had the potential to represent an alternative to the traditional common idea of making employers more responsible by setting high employment protection. As ALMPs are one of the components of flexicurity, there is an obvious role for PES to play in supporting flexicurity. In particular, in this context, PES plays a crucial role to provide people with the assistance they need to keep their skills up, as well as providing them with adequate UBs if they were to lose their job for a period of time. This role calls for PES to enable and motivate inactive people capable of work so that they can move from passive benefit schemes into employment. The increasing flexibility and diversity of the labour market represent the double challenge of supporting unemployed jobseekers in the transition to employment and to offer services to employers to improve labour market transparency (European Commission, 2007).

Flexicurity became strongly supported by the European Commission, seeing in it a means to reinforce the implementation of the Lisbon Strategy, suitable for the modernization of labour markets and the creation of “more and better jobs” (*id.*), by increasing at the same time adaptability, employment and social cohesion. Elsewhere in Europe the flexicurity debate has been highly politicized, receiving much attention and being taken up for reforms in many countries. However, as it resulted from a first comparative assessment of flexicurity implementation made by Wilthagen *et al.* (2003) at the end of the Nineties, reforms showed different kind of combinations between flexibilization and security, revealing that these different possibilities of trade-off between the two factors seemed to correlated with corporatist systems and other traditions of social partnership, consultation and coordination where it is always required a certain degree of mutual trust. This aspect is related to the fact that flexicurity’s implementation, in these respects, is largely connected to path-dependency considerations.

Nevertheless, the role of flexicurity after the outbreak of the economic crisis, from 2007, seems to be not unambiguous. If we look at Danish levels of employment and unemployment in this period it comes no surprise that the low level of EPL has led to more volatile changes over the business cycle (Madsen, 2013). A positive assessment of flexicurity has been expressed by the OECD (2012), underlining the role Danish welfare system as “buffer” in periods of crisis, where the decrease in GDP per capita is compensated by generous benefits and social policies aiming at helping especially lowest incomes. However, other observers, like Crouch (2014), have highlighted how, despite EU have embodied flexicurity in its strategy, policies imposed on the debtor countries involved in the crisis have put in second order the positive contribution to economic success that might be made pursuing most possibilities of security, stressing much more the need for flexibilization than high levels of income retention and hindering the role of trade unions in the official literature.

During this period, influenced by the policy framework created by the EU, the OECD reassessed its decade-old JS in 2006 (OECD 2006). The “Reassessed Jobs Study” seemed to gradual move towards EES. Prescriptions in terms of deregulation of labour market institutions, charged to be neo-liberal oriented, left partially the floor to activation, need for generous UBs, removal of existing barriers to labour force participation, especially for under-represented groups, flexicurity, lifelong learning. Despite the underlining that there was no golden road for labour market

performance, English speaking and Scandinavian countries were appreciated for their results. Concepts like activation, new issues concerning PES and flexicurity, in these regards, acted as “bridges” between EU and OECD, helping the exchange of ideas and practices between the two organizations (Weishaupt, 2011).

More in general, the bursting of the international economic crisis has undermined the revival of the Strategy. The objectives set for 2010, which were already proceeding slowly, would have been completely missed, although in some countries, according to the EU Commission (2010), some interesting progress were made, and, at the overall level, EU institutions underlined the positive influence of the exchange of good practices.

Following the adoption of the Lisbon Treaty in 2007, the Commission in 2010 gave a new name to the Strategy, calling it “Europe 2020”, and reformulating the targets, setting them on the same year to which the title referred (European Commission, 2010). Europe 2020, in particular, has been designed to deliver socially and environmentally sustainable growth. Employment goals have been changed around the new target of 75% employment rate, integrated together with other objectives related to education, energy, research and development and social exclusion<sup>10</sup>.

This new framework wanted to lay the foundations for a sort of EU exit strategy with respect to the crisis. On this basis, layered into Europe2020, we can identify in particular two initiatives set to address and improve the social dimension of the EU: Social Investment Package (SIP) and Youth Guarantee (YG), adopted both in 2013 (Box 1.6).

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<sup>10</sup>Europe 2020 is organized around five EU Headline Targets. In addition to the employment target there are: 3% of EU GDP must be invested in R&D; the "20/20/20" goals concerning climate / energy must be achieved; the school dropout rate must be less than 10% and at least 40% of young people must have a degree or diploma; 20 million fewer people anymore at risk of poverty. The headline targets are supported by 10 ‘Integrated Guidelines’ covering economic, environmental, employment and social issues, and seven ‘flagship initiatives’, the latter concerning institutional innovations. The policies adopted in these areas have to be reported in “National Reform Programmes” (NRPs). Concerning the policy objectives, two of the Integrated Guidelines are devoted to employment policy, and one to social exclusion.



### Box 1.6 Social Investment Package and Youth Guarantee

SIP represents a comprehensive paradigmatic approach that emphasizes the need to invest on individuals and their skills enhancing their labour market participation and combines this with other priorities, such as care responsibilities (European Commission, 2013). It implies investing in early childhood, schools, vocational training, upper tertiary education, activation and life-long learning (Morel et al, 2012). At the same time, temporary leave from the labour market should be facilitated without fear of job loss, putting emphasis on a universalist welfare state concept. SIP provides then an overarching policy framework to coordinate economic, labour market and social policies. Member States can receive specific recommendations in the area of social investment through Europe 2020 (European Commission, 2013)

Parallel to the launching of the SIP, the initiative “Youth Guarantee” has attempted to address youth unemployment. It was another instrument layered onto the existing Europe 2020 framework. This program has aimed at ensuring that all young people under 25 get a concrete offer, either in terms of employment or education, within 4 months after having left formal education or become unemployed. The purpose has been to avoid the inactivity trap among young people, particularly those not in education, employment or training (the so called “NEET”). Member State progresses in this area are reported in “National Youth Implementation Plans”, started to be reported in 2014. The importance of this initiative came also from the massive amount of resources - 6 billion of euros - reserved for its implementation (co-funded with Member States) (De la Porte and Heins, 2015). In particular, PESs have been central players in the implementation of the Youth Guarantee in almost all EU countries, becoming the main YG service provider and in charge of coordinating relevant partnership experiences (European Commission, 2014). At the same time YG has provided many possibilities for PES to improve their structures and functioning.

At the same time, the role of PES to support these measures and, more in general, to be capable to deliver ALMPs adequately, was remarked by the creation, in 2014, of the “European Network of Public Employment Services” (PES Network)<sup>11</sup>. This new institution has aimed at strengthening cooperation between Member Countries and the European Commission<sup>12</sup> and developing joint initiatives for the exchange of information and practices, inside the framework of the EU 2020 Strategy, in order to improve effectiveness, efficiency and quality of services offered at the national level. PES Network is consulted by the Council and the European Parliament, the Commission and other European institutions and is governed by a steering committee (PES Board) made up of representatives of national governments and the Commission. However, it has been observed that Europe 2020 and its framework created to provide ground for EU to leave behind economic crisis, can be considered very weak if compared, both in terms of goals, surveillance and enforcement mechanisms, to the EMU initiatives concerning the fiscal consolidation of the eurozone, namely “Fiscal Compact”, “Six Packs” and “Two Packs”. We might say that the instruments developed in response to the crisis have even altered the existing EU institutional framework with regard to labour market and social policy, putting as first-order objective the fiscal consolidation in the crisis context (De la Porte and Heins, 2015).

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<sup>11</sup> Decision 573/2014 / EU

<sup>12</sup> The PES Network include also non-Member European countries as Norway and Iceland

## 1.5. Three national experiences of reforms between Nineties and Two-Thousands

In this paragraph we will present reforms implemented between Nineties and Two-thousands in Sweden, Germany and United Kingdom. We can use this short overview about these three national cases, each one representative of one of the “worlds of welfare capitalism” (Esping-Andersen, 1990), in order to observe how they started from that period to rely on a similar policy agenda for their national reforms concerning LMPs. This exercise will be useful to understand to what extent we can effectively talk about “convergence” and how effective have been also the prescriptions formulated by supranational levels, in particular the EU level.

### 1.5.1. *United Kingdom*

The most recent configuration of British’s PES is the result of the projects implemented during the second half of Nineties, strongly oriented to the NPM principles. With the victory of the New Labour in the 1997 elections, there has been the introduction of new ALMPs schemes, in which PES assumed an absolutely central position, starting from the development of one-stop shop centres at the local level, in order to create a strong integration between social services and a single point of reference for a wide range of subjects and functions. In 2001, “Jobcentre Plus“ (JCP) was created, resulting from the merger of the Benefit Agency, responsible for the delivery of social benefits, and the Employment Service, responsible for employment assistance and matching services. According to the MBO approach, the functioning of the JCP is characterized by a strong emphasis on monitoring and performance evaluation. This new central structure agrees a series of annual targets with the Secretary of State for Work and Pensions. On the basis of these, the performance of services is shown for each month, highlighting the relative deviations from the expected value, either positive or negative. The most important target for understanding the British case is surely represented by the “job outcome”, relative to the number of unemployed people leaving the system of subsidies to enter the labour market. Each subject placed corresponds to a score, depending on the category to which it belongs, which is higher in terms of level of disadvantage for particular local areas. The reliance on this target makes immediate the idea of the typical work-first approach of this system and the new balance between rights and responsibilities on which all the welfare reform plans of the New Labour were focused. This is an approach characterized by short-term initiatives aimed at including the unemployed person in the labour market, according to a "quantitative" logic, which overshadows the quality of the work itself. The objective of JCP has been, in fact, to place the unemployed in the short-term period, “pushing” them into the occupational circuit, through a service that is as "holistic" as possible (Sartori 2013). Users follow a path with several stages, the so-called “jobseeker's journey”. After

a first contact with an operator, who acquires all the personal information of the applicant to verify the existence of the conditions to receive the benefit, it follows (within few days) an appointment with a personal advisor. This is one of the key figures in the whole process. The personal advisor provides a work-focused interview to the user, aimed to define his work profile, based on previous skills and career, in order to address him towards the most appropriate placement program. The interview produces a specific report, the “claimant commitment”, better known as “jobseeker's agreement”, which defines the obligations and rights of the unemployed, specifying actions and programs on which the Jobcentre commit to assist the jobseeker (the so-called action plan). To the jobseeker has been then required to go there every two weeks for an interview aimed at verifying the active engagement in the search for a job. If difficulties persist in the placement, every six months a new “restart” is scheduled, by means of a new in-depth interview, again with the personal adviser, to update the action plan. The job placement programs to which the seekers were addressed were an integral part of the reform plan designed by the New Labour government, under the ambitious name of “New Deal”. Some of them were mandatory, others optional, depending on the category of users interested. Mandatory were the “New Deal for Young People”, for under-24 unemployed for at least six months, and the “New Deal 25 Plus”, for over-25 unemployed for more than 18 months. On the other hand, the optional programs have been turned to particular categories, in order to avoid their exposure to the danger of social exclusion. These categories were: over-50 after six months of unemployment (“New Deal 50 Plus”), unemployed recipients of disability benefits (“New Deal for Disabled People”) and unemployed lone parents (“New Deal for Lone Parents”). The dynamic was the same for everyone. After an “entry phase” (gateway period), under the individualized assistance of the personal adviser, further options followed, intensified according to the level of employability of the seeker, varying between: subsidized employment, return to education, training courses, voluntary works and public works. During these programs jobseekers hold their benefit, the “jobseeker allowance”. Those who refused a program had to be sanctioned with the suspension of the payment of the same benefit. The New Labour put a lot of emphasis on the New Deal underlining even the injection of some elements typical of the Scandinavian model (Gualmini and Hopkin 2012). Later on, with the advent of conservative government in 2010, it was announced the goal of creating a single welfare-to-work scheme. In 2011 the “Work Program” (WP) has been launched, a universal program aimed at assisting all recipients of benefits. The role of PES and the figure of the personal adviser remained central, but at the same time private providers and organizations outside the JCP circuit were gaining space. The characteristics of the conditionality remain in the hands of the JCP, which maintains both the monitoring of the actual job-search efforts performed by jobseekers and the sanctioning power over them, acting on the basis of the providers' reports regarding waste or lack of commitment. More in general, UK PES has never been found under a public monopoly regime. The degree of freedom for private employment agencies has always been very broad. There has never been a real coordination with public agencies, prevailing a competitive design among the services delivered. Indeed, we can neither talk about real competition, given that public and private providers have always insisted on different user basins: the private ones on the “white

collar sector”, the public ones more focused instead on the working class (Sartori, 2013). Despite the increase in the market share of private providers wanted by the Thatcher governments, it was the New Labour, starting from 1997, to decisively enhance and strengthen the role of private operators in PES. Not necessarily through a competitive logic, but also through innovative partnership strategies. From this perspective, the most significant experience has been that of the “Employment Zones” (EZs). These were areas defined on the basis of weak employment conditions, where the jobseekers were assigned to private providers, even with the task to deliver subsidies. For each EZ, providers could act in a monopoly or in competition with each other depending on the type of contracting arrangement defined at the central level. The financing was then based on the results achieved. The job-placement in the context of the EZs followed three phases, retracing the strategy of the New Deal programs: the first one consisting of four months, with the identification of the objectives through the action plan, the second one, of twenty-six weeks, with the start of a placement program, the third one, depending on the persistence of difficulties at the end of the twenty-six weeks, when the job-seeker returned to the JCP and, after eighteen months, had to be redirected to another EZ. In some areas there was a greater effectiveness in placement of the weaker subjects, rewarding the flexibility applied by providers (Hales *et al.*, 2007).

### 1.5.2. Germany

At the beginning of the new century, the "red-green" coalition government presided over by Social Democratic chancellor Gerhard Schröder decided to set up a commission that would have the task of producing an "important structural reform of the German labour market. The proposals of the Hartz Commission, named after the president chairing it<sup>13</sup>, were collected in a broad report which, from 2003 to 2005, was largely transposed into four separate legislative acts (“Hartz I-II-III-IV”). The Hartz reforms represent the legislative frameworks on which LMPs in Germany are currently held. The reform of PES, starting from 2004 with Hartz III, became, together with the reform of social safety nets (“Hartz II”), one of the main steps of the changes made. One of the first transformations occurred with the change in the name of the national coordination organization, from "Federal Office for Labor" (*Bundesanstalt für Arbeit*) in "Federal Employment Agency" (*Bundesagentur für Arbeit*). However, this should not be considered as a fully-fledged agency (Konle-Seidl 2008), since it independently sets targets and objectives to be pursued. At the basis of the reform, above all, the design for which the local employment centres, also under the new name of "local employment agencies" (*Agenturen für Arbeit*), must assume the characteristics of unitary structures according to the model of the one-stop shop, tracing a new system of multi-purpose centres, competent for both employment services and the delivery of different types of

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<sup>13</sup> Peter Hartz was an important German manager, as human resources director of Volkswagen. The commission also registered the participation of a team of personalities from the German business landscape, as well as representatives of employers 'and workers' associations.

benefits. At the intermediate level of the *Länder* are placed the "Regional Directorates" (*Regionaldirektionen*) with the task of coordinating the activities of local agencies. Above all, it is the Federal Agency holding the task of ensuring homogeneity throughout the country. In reality, the current system of PES in Germany is divided into several one-stop shops, due to the resistance encountered in the implementation by municipalities, concerning their prerogatives with regard to social assistance<sup>14</sup>.

Local employment agencies, competent for the unemployment insurance benefit (*Arbeitslosengeld I*), are associated with the municipalities in another structure, the Jobcentre, with the aim of coordinating active measures with social assistance managed by the municipalities, combining the delivery of the social assistance benefit (*Arbeitslosengeld II*) by the BA and the payment of the rent or other social expenses by the municipality. As a consequence, more often, agencies are responsible for the short-term unemployment, whereas, on the contrary, the Jobcentres are addressed more to the long-term unemployed. The need to build a system that was tailored to the needs of users meant that the rationalization of the employment centres took place at the sign of the reduction of the load of users for each operator, in order to facilitate the "customization" of the services offered. Each centre has its own budget and a wide discretionary power, with the objective of being able to organize services and interventions as much as possible respondent to the specific needs of users. At the first contact by the user corresponds an initial pre-profiling phase. Subsequently, an operator responsible for the subsidies intervenes, in order to verify the rights of the subject and after this the same jobseeker is assigned to a personal adviser, for an in-depth interview. This should provide a more accurate profiling, placing the user in one of the six targets built through the criteria of employability (distance from the labour market and risk of long-term unemployment). The jobseeker can be directly placed, on the basis of available vacancies, or alternatively destined to the program deemed most appropriate for him by the personal advisor. Unemployed and personal advisor agree on an action plan, formalized through an "integration agreement" (*Eingliederungsvereinbarung*), which contains obligations and rights of the unemployed and the program for which it is intended. Programs can be: training, job creation, subsidized work and self-employment support. The training is divided into different types: short-term training, basic professional training, return to education, German language courses for foreigners. Different, especially at the level of basic vocational training, are programs that start from the school, such as supported placement and incentives for firms offering apprenticeships to hire young people. The programs related to continuous training are instead intended to favour the job reintegration of the unemployed or the retraining, perhaps achieving a professional qualification that allows to find an employment in another sector with greater demand. A fundamental innovation at the base of the new Hartz schemes has been the design of

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<sup>14</sup> With the "option clause", 69 municipalities have been given temporarily exclusive competence for administering the new system.

job-to-job placement, the preventive approach such as all workers, at least three months before the termination of the relationship, are obliged to communicate to the local agency the coming status of unemployment, in such a way as to favour an immediate relocation. The penalty against the person who fails to comply corresponds to a temporary curtailment of UBs.

It should be emphasized that the Hartz reforms also went in the direction of strengthening the market devices in the outsourcing of PES (Kone-Seidl 2005), enhancing the role of third parties to improve the system. The public monopoly of the placement was abolished in 1994, as a result of the “Macrotron sentence”. The role of private providers is very similar to the English context, where the devices used do not replace the public service but try to integrate and complete the latter and innovate the practices (Finn, 2005). One of the more discussed tools in this sense have been the “personal service agencies” (*Personal Service Agenturen* - PSA), no longer in force since 2009. Each local agency would have activated one of these structures internally or stipulating an external contract with a private employment agency. These were temporary employment agencies, which employed the hardest unemployed people to place. The agencies were selected through tendering procedures, whose participation was subjected to the particular requisites (competence, experience, performances), building a ranking on the basis of which the public administration stipulated contracts with the private employment agency deemed most deserving in terms of the best price and quality of the service provided. The contract contained vacancies to be covered in relation to certain "target" groups of disadvantaged individuals. The private employment agency would have received remuneration for every unemployed hired, established *ex-ante* by the call for tenders, aimed at covering the costs of the assistance, plus a share for the achievement of certain results in the placement of the subjects. In particular, a sum was established for a first placement, which increased depending on the duration of employment. At the PSA, however, the possibility of rejecting the unemployed assigned by the local agencies was reserved, if considered to be particularly hard to assist. It is not difficult to think about what may have been the reasons that led to the rethinking of this system.

The PSAs were naturally brought to "welcome" the easiest to place subjects, according to the phenomenon of the “creaming”, about which we will talk deeper later on. Practice facilitated by the absence of sanctions against private employment agencies. Indeed, the possibility for the public administration to terminate the contract with the PSA was guaranteed, but this choice was almost never implemented due to the high transaction costs associated with the call for a new public tender (Sartori 2013). The search for greater effectiveness and efficiency through the introduction of market mechanisms, by encouraging competition between private employment agencies, clashed also due to the excessive rigidity at the entrance, due to the requirements for participation in the tender. Currently, the activation of such mechanisms is left to the discretion of the public local administration. Private providers may also be involved through another mechanism, represented by the voucher system. Those unemployed for more than 6 weeks are entitled to a voucher of 2.000 euros amount, which can be spent at the private employment agency chosen by the subject. These agencies are then paid only on condition that the jobseekers are placed in an employment relationship of at least fifteen hours a week and for at least three months.

Here, once again, there is the search for a competitive dynamic among private providers. This does not equally avoid the risk of adverse selection, taking charge only of the most desirable subjects, as well as the search for an employment in the shortest possible time, even at the cost of providing unsuitable jobs for the characteristics of the jobseekers.

The framework of German LMPs would not be complete if we did not mention what was the fundamental objective of promoting a "low-wage labour market area" (Gualmini e Rizza 2011). Measures of this type concerned the stimulation of marginal work, as an instrument for stabilizing regular work and encouraging the emergence of informal work. These are the "Mini-jobs", granting a "wage" up to 450 euros, and the "Midi-Jobs", from 450 euros to 850 euros, "salaries" aimed at both unemployed and workers employed in other marginal jobs, and who can therefore perform more Mini-jobs. In the first type, social security contributions are not paid by the employee, while in the second they tend to contribute to the standard contribution as close to 850 euros as the maximum remuneration possible (Schmid and Modrack, 2008).

### 1.5.3. Sweden

The Swedish PES change has occurred in the mid-2000s, starting from the structure, oriented towards a configuration supposed to be more efficient. This new "Administration for the labour market" (*Arbetsförmedlingen*) is articulated in a "National labour market agency" (AMS), with ramifications in "Areas of the local labour market". Specifically, the national territory is divided into four macro-areas, which in turn are divided into several regions of the labour market, identified on the basis of hiring percentage of firms and commuting. At the local level, the employment centres operate in every city. Every year, they must achieve results that meet the targets set by the central level, which then monitors the trends. However, there is no reward mechanism, neither for the achievement nor for the non-achievement of these (Sartori 2013). According to the same reform process, we could also talk here, with a good approximation, about experiences of employment centres built on the one-stop shop model. The current system provides, in fact, that the "Tax Agency", the "Agency for pensions" and the "Agency for Social Insurance", have to deliver a series of services at the same time in terms of both social assistance and employment assistance. However, these are experiences that do not include, among the services offered, the delivery of UBs, and that only concern certain areas of the country, usually characterized by a fairly problematic unemployment rate. The registration of the jobseeker is however a mandatory condition for the eligibility of UBs.

He is assigned to a tutor ("coach") for the entire period of unemployment. Within one month he agrees with the subject on an "individual action plan" (*individuell handlingsplan*), updated every six months. Every month the subjects are required to prepare a "report" on the activities undertaken for the job search (*aktivitetsrapport*), together with the further initiatives included in the individual action plan. In the first interview, using profiling techniques, users are placed in one of the four targets built according to the risk of long-term unemployment, in order to offer the

program that best suits the needs of the subject (Konle-Seidl 2008). In any case, the unemployed person is obliged to accept any proposal made to him, even for jobs that involve disqualifying tasks or particular territorial movements. The relationship between public and private employment can be defined as "peaceful coexistence" (Sartori 2013). The public monopoly fell in the nineties as well and then private employment agencies have been completely liberalized. Despite this, there is not a fully competitive configuration between public and private sector, because the two are aimed at different groups of users: those who are less specialized and less qualified to the public; subjects with a higher professional approach instead, to the private providers. The logic is the same as in the German case, private providers are *kompletterande aktörer*, they intervene in a complementary way rather than becoming a substitute for the public actors, sometimes establishing cooperative mechanisms. For example, as previously mentioned, since all unemployed are obliged to enrol in employment centres in order to receive UBs, private employment agencies refer to the same database of public operators. It should be stressed, however, that ALMPs are almost completely outsourced. The public administration, in any case, announces tenders that can also be attended by trade unions and other public bodies, based on the proposed projects. ALMPs have traditionally played a strategic role in the Swedish macroeconomic equilibrium as we have seen in the previous pages, becoming influencing in other countries following the initiatives developed by Gosta Rehn. It is not by chance that ALMPs in Sweden absorb an important share of state resources. The Swedish secret concerning full employment achievement corresponds to a high level of labour supply that can be used through measures aimed at increasing the skills and adaptability of workers. In this context, the government has repeatedly stressed the need to focus on segments of those most at risk such as: young people, disabled, long-term unemployed and over fifty. In this respect, the profiling techniques of employment centres play a key role. The unemployed are assigned to an active labour market program, distinguishing between two macro categories: training / retraining and work programs, which give entitlement to an allowance, equal to 65% of the previous income if insured, or if not insured, equal to a flat amount; work placement programs, usually public works (of which Sweden has a great tradition) which instead give the right to a real salary. Since the end of the Nineties, significant elements of workfare have been introduced in Sweden, both by centre-left governments and by centre-right governments, aimed at injecting greater elements of conditionality on subsidies. Among these, very important, when the subject ends his period of perception of UBs, is the activation of a so-called "umbrella program": the "Job and Development Program" (*Jobb-och utvecklingsgarantin - JOB*), evolution of the previous "Activity Guarantee" (*aktivitetsgarantin - AG*), which was a framework within which a series of measures are offered to users. In the first phase, with a total duration of 450 hours, the jobseekers participate in the first type of programs, of short duration, related to research, advice and guidance, pretraining, vocational training, work experience, work training, support for self-employment. Everything takes place with a close relationship with a personal coach. If within the 450 days the participants have not yet found an employment, they are assigned by the respective coach to a job placement program, mainly concerning public work, accompanied by measures such as incentives for hiring



and social security contributions for employers. After two years the subjects are again subjected to an examination of their skills in order to get a new destination within further training activities. The subjects lose their economic benefits at any time they choose either to abandon the program or to refuse a job without justified reason.

In any case, it should be said that, in terms of LMPs, Sweden, like other Scandinavian countries, should be distinguished by the role historically assumed by social partners. They are very "third" operators, alternative to both the public sector and the private sector, providing member-based organizations of unemployment insurance and employment assistance for workers. These are entities created on the basis of collective agreements between trade unions with employer representative organizations. This phenomenon, going ever more expanding (to date there are about 20 collective agreements of this type), has further marked the plural and diversified character of the Swedish PES system. The initiatives of the social partners do not act as complementary structures to the public ones, but they are conceived as "substitutes", where the public is deficient

## **1.6. Understanding institutional change**

To understand the rise of the modern concept of activation we have focused on temporal and cross-national institutional changes occurring in labour market policy regimes. This exercise has been important to understand how the activation paradigm has emerged, with implications arising from its features that will be at the centre of our next steps of analysis in the following chapters.

Before going on with this, we are able to say something about direction of institutional change and addressing questions concerning the trajectories of it (Weishaupt, 2011). On this point, scholars associated with the historical-institutionalist school have produced the most influential scholarship on welfare state development (Ebbinghaus 2006; Esping Andersen 1990; Hall and Soskice, 1997; Palier 2010; Pierson 1994, 1996, 2001; Rothstein and Steinmo 2002; Streeck and Thelen, 2005; Visser and Hemerijck, 1997).

Many historical-institutionalist scholars identify welfare state origins and initial trajectories in the strength of actors' coalitions engaged in struggles over distributional outcomes. Coalitions across societal groups together with the existence of large political parties, such as Social Democratic or Christian Democratic families or market liberal orientation, holding power over different periods of time, determine the form and the generosity of states social regimes (Esping-Andersen, 1985, 1990; Korpi, 1983; Rueschemeyer *et al.* 1992). Large labour union movements, coupled with a hegemonic Social democratic party have led to the creation of generous and universal welfare states (Stephens, 1980). Christian democratic prevailing parties have ruled welfare states more reliant on the role of families in providing social services and making generous benefits conditional on employment (Esping-Andersen 1985, 1990; Kersbergen, 1995). The lack of both the two previous parties in a strong position, together with fragmented social interests, have led to liberal welfare states, characterized by universal but minimalist welfare provisions.

Once welfare state has been structured, when explaining institutional continuity, historical-institutional analyses argue that subsequent government's room for manoeuvre is conditioned by historical policy "legacies", that is to say that these legacies make policies *path dependent*, where «path dependency refers to the idea that the longer an institution remains in place, the more actors adjust their behaviour and expectations according to this particular institutional setting, and thus, the more resilient it will become to radical changes» (Weishaupt, 2011, 39). The reliance on particular institutions generate "winners", who in turn will have the interest in preserving the status quo and, at the same time, will make investment in alternative institutions costly. Pierson (2004) called this "institutional inertia", whereas positive feedbacks lead to a single *equilibrium*, which will be resistant to change. In other words, institutions become "locked-in" as politicians refrain from pursuing policies that damage their political consensus. Hall and Soskice (2001) identify a different causal mechanism explaining institutional continuity, consisting in "institutional complementarities", a set of institutions that reinforce each other. In this view there could be two different types of *equilibrium*: "liberal market economies" (LMEs) and "coordinated market economies" (CMEs). Rather than on political actors their explanation relies on firms being reluctant to dismantle well-established institutional configurations.

More in general, the analytical paradigm of this tradition relies on what Streeck and Thelen (2005) define as "punctuated equilibrium model", sharply distinguishing between long periods of institutional stasis periodically interrupted by exogenous shocks allowing for more or less radical reorganization (Streeck, 2011). This leading to the tendency to understand all the observed changes as minor adaptive adjustments to altered circumstances, in the function of continuous reproduction of existing systems.

To empower the theorization, the two authors attempted to broaden historical-institutional analytical tool kit, proposing a set of five causal mechanisms that describe reoccurring patterns, namely *displacement*, *layering*, *drift*, *conversion* and *exhaustion*. These representing analytic tools to explain modes of incremental and transformative change (see box 1.7).

*Box 1.7 Causal mechanisms proposed by Streeck and Thelen (2005, 31)*

*Displacement* describes a process in which change occurred through shifts in the relative salience of different institutional arrangement within a system.

*Layering* is related to processes in which new institutions are added onto existing ones, gradually shrinking the domain for the old institutions.

*Drift* refers to the situation in which external conditions require adaptation, but actors refrain from doing so making gradually obsolete the existing institutions.

*Conversion* describes the situation in which institutions are redirected towards new goals and functions.

*Exhaustion* refers more to gradual breakdown of institutions over time.

While external shocks have not to be considered condition for incremental and yet transformative change, the source for institutional change, triggering the causal mechanisms of displacement, layering, drift, conversion and exhaustion, should be found paying particular attention to the interplay between rational actors, the distribution of power among them and the institutions in which they are embedded (Hall and Thelen, 2009; Streeck and Thelen, 2005).

More in general we would say that the modern concept of activation emerged after the second oil crisis at the end of Seventies, when unemployment increased in all countries, following a major reorientation by national governments. Active measures previously conceived to supplement macroeconomic demand-management, inside the Keynesian framework, were turned to focus on supply-side of the labour market, as Keynesianism has been phased out, registering in parallel the growing influence of Monetarism. This turn has introduced the consideration of the concepts of workfare and benefits conditionality, toward a “job-first” strategy, increasingly relying on policies resembling the US-style (Handler, 2003, 2004). Work as best form of welfare becomes the essence of the activation turn. This argument could be easily related to the international forces of economic globalization and capital mobility, severely constraining the space of manoeuvre of national governments (Scharpf, 2000), forcing them to reduce public-expenditure for welfare and deregulate labour markets (Gilbert, 2002; Goldberg and Rosenthal, 2002). At the same time a new concern for emerging social risks had progressively to be considered by national governments, in relation to ageing, demographic shifts, new family structures, leading to the need to increase labour market participation for under-represented groups to make European welfare models still sustainable. However, the lack of a clear point of reference for national reforms issued different competing ideas about labour market policies and institutions, leading countries toward divergent responses, outlined by Esping-Andersen (1990) as “three worlds of welfare capitalism”, clustered in Anglophone, Continental and Scandinavian countries.

With the born of European Union the refusal of a pure form of monetarism lead the communitarian institutions toward the search for a “European strategy”, consistent with the common European market and the creation of single currency, attempting to add a Social Chapter to the Maastricht Treaty and improve European integration in social policy fields. EMU, indeed, has imposed strict targets on national debts and inflation, with policy-makers loosing important grounds to manage economic growth, remaining with labour market policies as only means to address unemployment. Countries started to converge on a similar policy agenda for their national reforms, as our brief overview has shown. This convergence has been strong regarding ALMPs applied and requiring PESs capable to deliver such interventions, reorganised mainly along NPM lines. At the same time also benefits have progressively become more targeted, tightening entitlement criteria and strengthening eligibility and job-search criteria. This trajectory of convergence is generally associated with institutional mix from the Scandinavian welfare regime and the Anglophone one, outlining a unique Anglo-Scandinavian focal point of reference, whose characteristics can be drawn with the emergence of the concept of flexicurity. However, as Weishaupt (2011, 33) points out, it should be better to talk about convergence combined with persistent national diversity, realizing a “process of institutional hybridisation”. The way in which labour market policies have

been implemented at the national level persists in differences because governments retain some of their original institutional characteristics, despite transforming large parts of their configurations.

Using the analytical tool kit provided by Streeck and Thelen (2005), we would say that this the emergence of the activation paradigm, and the related convergence across European countries in the way it is declined, could be interpret as an institutional change in two stages, characterized first by “layering” and then by “conversion”. The former refers to the process in which a new role played by ALMPs, related with the deregulation of labour markets and the reduction of public-expenditure for welfare, in accordance with the emergence of Monetarism, have gradually shrunk the domain for previous active manpower policies conceived to supplement to macro-economic demand management inside the framework of Keynesianism. New programs were gradually added alongside well-established old institutions, increasingly acquiring political support. This is somehow consistent with the fact that throughout most of the seventies, representatives of pure monetarist remained in the minority among the political elites. Most of these prescriptions, as we have seen, were implemented firstly and extensively in Anglophone countries, while progressively influencing also other countries which, at the same time, do not completely abandon their firmly political established institutions.

The result of the way in which this change has been declined by countries has registered persistent diversity between them, clearly evident in the “three worlds” described by Esping-Andersen (1990). “Conversion” is then used to describe the situation in which ALMPs of countries are redirected towards new principles, goals and functions, following a similar policy agenda for national reforms and implying also further changes in the governance of PES, prompted by the ground settled by the EU level. The role played by EU could be consistent with what Djelic and Quack (2003) say about multilevel governance systems. As a consequence of the budget constraints introduced by the realization of EMU, labour policies have become the only lever possible to manage employment levels. The multilevel European governance has become the framework used both by the national political elites to legitimize the choices made on labour market policies on the national level and the system by means of which attempting to adjust supranational rules that apply to them. The result of this process could be synthetized in the growing interest acquired by the flexicurity paradigm, seen as a mix realized from the Anglophone and Scandinavian systems.

## 2. STUDYING PES GOVERNANCE

In the previous chapter we have seen how European countries have been characterized by partial convergence on a similar institutional framework, reflecting the emergence of a new policy agenda during nineties, but still in a context of persistent diversity. Different policy reforms have increasingly put emphasis on activating unemployed people by implementing various governance changes in PES. As we have said, this kind of changes have been characterized also by a reorganization in line with the paradigm of NPM. Already from eighties, the concept of New Public Management (NPM) came up and led to a shift in the perception of the role of the state in public discourses. In this framework, several countries, increasingly from Nineties, have adopted reforms addressing the relationship between state, individual and providers of welfare services.

There have been changes in the governance of PES regarding both its structural and functional dimension. More in general, if we use the categories seen in the first chapter of the previous chapter, the main trajectories of PES reform have followed the direction of more locally operated services, increasingly involving non-public operators, following a more managerial approach in the relationship with users and more oriented towards economic goals. These should be considered as main directions of reform, not meaning that all countries have implemented the same changes and to the same extent, but rather combining them in many ways and with different degrees.

In this chapter we will first describe the core elements defining PES governance emerging in support of the activation paradigm: performance management, autonomy from the government, decentralization, individualization and “contractualization” of services, integration between passive and active labour market policies and marketization. In particular, from here on, we will look at those processes that some scholars (Carmel and Papadopoulos, 2003; Van Berkel *et al.*, 2011) have called reform of operational policies, distinguishing these ones from the formal policies, where the latter intervenes on the substantial, content-related, aspects of social policies and the former regulate the organization of policy delivery. More specifically, operational policies have the potential to affect the ways in which the provision of social policies is organized, with the possibility to draw conclusions about their governance (Borghini and Van Berkel, 2007).

In particular, we will look more closely on marketization, as most discussed and investigated trait of PES governance changes, deepening the theoretical background and the literature interested in the involvement of private providers in PES.

## 2.1. The core elements of PES governance emerging with the activation paradigm

### 2.1.1. Performance management

PES' process of convergence has moved from a traditional administrative approach ('management by regulation') to an output-driven approach with agreed goals and realistic targets ('management by objectives') (Larsson, 1999). MBO approach is led by the application of quantified targets aiming at continuous performance improvement. *Ex ante* formulated operational objectives are followed by *ex post* measurement of outputs and outcomes, monitoring ongoing and final results and developing conclusions based on performance assessment.

On the one hand, the specification of operational objectives and indicators needs to be centrally coordinated to some extent, in order to avoid policy fragmentation. On the other hand, the implementation of labour market policy may concede autonomy to operational units at local level in order to permit adaptation of labour market policy to territorial particularities (Mosley et al., 2001).

In order to improve both effectiveness and efficiency of labour market policies, performance management would help to clarify priorities in labour markets, set standards that can be fairly assessed, increasing also the transparency of the process.

One of the main issues in the debate about performance management concerns the definition of the performance indicators and what to measure. An overview of some possible indicators in the context of active labour market programs can be considered that of Osborne and Gaebler (table 2.1) (1992, 356-7).

Tab. 2.1 Overview of performance indicator in active labour market programs (Osborne and Gaebler, 1992, 356-7)

Indicator	General definition	Operational definition
Output	Volume of units produced	Numbers of people assisted
Outcome	Effectiveness/Quality of production: degree to which it creates the desired outcomes	Numbers of people placed in jobs, working and not in receipt of welfare after six months, one year and beyond. Further impact on their lives (i.e. general deprivation)
Programme efficiency	Cost per unit of output	Cost per assisted subject
Policy efficiency	Cost to achieve fundamental goals	Cost to achieve desired decrease in unemployment, poverty rate, welfare caseload
Policy effectiveness	Degree to which fundamental goals and citizens needs are met	Effect on larger society: poverty rate, welfare caseload, crime rate etc..

### *2.1.2. Autonomy from government*

PES may assume a relatively autonomous status vis-à-vis the government. They can be under the direct control of the government or run in the form of autonomous public bodies, receiving different degree of autonomy from the government. The difference between these two forms is that, in the former, PES is delegated to implement policies defined by the government, while in the latter they can propose policies within guidelines set by government. This is often referred to the distinction between quasi-independent or independent executive agencies, in relation to the degree of centralized decision-making. Independent agencies are institutions provided with decision-making and financial autonomy. This means that, despite these bodies remain under public law, they are not run directly by the ministry, operating relatively independently from governmental control, with the possibility of governmental appointees sitting or chairing the supervisory boards-

However, both agencies and autonomous bodies can be accountable on the basis of contractual obligations with the Ministry. More in general contractual agreements with the government are usually related with performance measurement, negotiating goals to be achieved together with standards of service quality and on the efficiency in the use of the resources assigned.

### *2.1.3. Decentralization*

Decentralization is defined as the process in which local authorities receive more autonomy from the central level, devolving policy competences to regional or local governments. This means that policy authority shifts from national government to regional or local elected political representatives (Pollit and Bouckaert, 2000). The extent and form of this autonomy varies across countries according to different degrees of political decentralization. Most of the reasons why national governments decide to opt for decentralization in LMPs and PESs relate to societal changes and policy responses to these changes requiring policy making and policy delivery processes in proximity to the contexts and actors interested by these changes (OECD, 2003). The rapid change interesting labour markets has local dynamics and specificities, with the consequence that PES clients are characterized by varied needs and influenced by local employment opportunities. Regional or local actors then receive the authority to develop services and policy programs adjusted to local labour market circumstances. In these respects, devolving autonomy to local offices would enhance local discretion, on the grounds that, in principle, they should be more aware and in a better position to address the needs of their labour markets. At the same time, traditional regulatory approaches had become increasingly obsolete, especially in areas with economic problems. Decentralization would make national offices generally tasked with coordinating Labour Ministries and/or other government departments, providing nationwide monitoring and setting common rules for action, organisation and staff. Regional/district offices would develop local objectives and priorities, support and coordinate the activities of local offices.

Local offices are those that at the end of the structure deliver services and deal directly with users. In this context, capacity building becomes one of the most important issues, requiring the regional or local level receiving autonomy to be able to coordinate local actors, analyse local needs, implement programs, monitor and evaluate performance, comply with accountability standards and targets (Mosley, 2009).

Decentralized structures, however, do not necessarily imply decentralized decision-making.

In particular, the use of new public management instruments, such as performance indicators, may influence local decision-making processes. Local offices gaining more flexibility with decentralization can often be committed to the achievement of ambitious quantitative performance targets established by the central level to make them accountable, with the risk of reducing ground for local discretion. To overcome these risks, much importance is put on negotiations between central and local structures, in order to agree on objectives and results to be achieved. In this way, targets should be formulated taking into account local particularities. The participation of local offices in target setting and monitoring of performance, however, tends to be more developed where PES is functionally independent from government (*id.*). At the same time, a very important role can be played also by PES' source of revenue in determining their degree of autonomy in local decision-making processes, as it is the case with ESF for EU Member States.

#### *2.1.4. Integration between active and passive labour market policies*

The need to raise overall employment levels has led PESs to the expansion of the traditional borders for their clientele, going beyond the most “typical” figures of jobseekers, corresponding to short-term unemployed receiving UBs and then including also under-represented and disadvantaged groups - such as women, long-term unemployed, social assistance recipients, lone parents, disabled and immigrants – whereas governments increasingly aim for their activation.

In order to find new ways to deal with this increased level of diversity among clientele of PES, new approaches have emerged, very often corresponding to the institutionalization of unified structures at the local level, the so called “one-stop-shop centres”, multifunctional organisms that can take on all the needs of the users, bridging PESs and welfare services. These structures have integrated the traditional functions of the employment offices with institutions providing benefits and social assistance services.

Above all, the most significant evolution has been represented by the integration created between passive and active labour market policies, so that through the former it is possible to control the use of the latter. This is supposed to be the most efficient way to implement benefit-conditionality. The increasing reliance on benefit-conditionality indeed requires maximum control of the information regarding the ALMPs delivered and compliance of unemployed people with their obligations. The same operators have the right to deliver employment assistance and manage UBs for the same jobseeker, applying directly sanctions in the event the jobseeker is not complying with his commitments. PES have the responsibility to register unemployed people and to check



the continued eligibility of recipients. It is through these procedures of registration and payment of UBs that PES come into contact with the unemployed, especially those receiving benefits, who traditionally form the bulk of their clientele.

These multifunctional organisms led also to the simplification of the access to the system for the users with the creation of a single and more user-friendly gateway to offer a great variety of services for various categories of subjects. The one-stop shop centres indeed should prevent the requirements for users to be referred from one agency to another.

These structures would thus become more attractive for both jobseekers and employers, with the potential of establishing further integration also with other relevant stakeholder, like social partners, vocational training centres, private providers and further welfare institutions (European Commission, 1998).

At the same time, one-stop-shop model represent a more client-oriented approach, following the “customer service” logic of the NPM.

Good information flows become then crucial in order to efficiently handle user by benefit. In cases where PES and benefit provision are not integrated in the same structure, complex systems for the exchange of information between PES and other social security services are usually in place. Related to this, ICT tools can help greatly in reducing difficulties in information flows and minimize the possibility of benefit abuse.

#### *2.1.5. Individualization and contractualization of services*

The aim of finding new approaches in order to increase labour market participation, seeking to activate more “atypical” jobseekers, has been characterized in PES by the search for new forms of interventions. These correspond to the expansion of employment assistance far beyond the traditional matching function, giving more space to actions like job-counselling, tutorship, coaching. While jobseekers are subjected to pressure to actively seek jobs, operators are under pressure to be more user-oriented and fulfil the objective assigned to them according to the MBO framework.

The employment assistance is now delivered in more individually tailored ways, codifying “individual action plans”, agreements signed both from the side of the operators and that of the users, committing them with mutual tasks and responsibilities. The plan codifies actions in terms of type of measures applied, as well as specific timing for appointments between personal advisor and job-seeker. Operator and user identify goals in the job-search process and strategies to reach those goals. The user commits himself to the fulfilment of the steps agreed, while the advisor commits to assist the user and to provide the resources which may be required. This relationship with jobseekers is increasingly relying on their self-responsibility, but, more in general, it is often the case that the jobseeker is taken in charge always by the same figure, becoming his “personal advisor”, for the all duration of the assistance.

We can then define “individualization” of services the delivery process of employment assistance which should take specifically into account jobseekers’ features, in relation to the labour market’s particularities. In order to better deliver assistance in relation to personal characteristics, individualization is often associated with a “profiling” phase of the jobseekers. The profiling phase can take place either with formal, standardized, quantitative procedures or informal, non-standardized qualitative ones. In most of the cases the result of the profiling corresponds to a categorization of the jobseeker in terms of “distance” from the labour market, associating to this measure a proportional intensity of assistance, where those deemed “job-ready” receive the lowest assistance and do not need detailed action plans, considering the higher probability of finding a job on their own. Regarding the type of instruments applied, much more variation can be found among countries. To the extent that it is followed a stricter workfare approach, as in English-speaking countries, there can be more reliance on soft-skills courses, at the expenses of hard ones, in order to realize a quick and effective job-entry for jobseekers. While on the contrary Nordic countries continue to invest on traditional costly hard-skill training.

The “contractualization” of services then might be considered a consequence of individualization and it is related also with the integration between passive and active measures. User and operator specify what should be the commitments related to the delivery of employment assistance and benefits. When he does not comply with them he is sanctioned by cutting his benefits. The agreement set between operator and user do not represent a legal contract, rather a moral one (to the point that we might better call them “quasi-contract”), that can be easily related, more in general, with the way to conceive the relationship between State and citizens arising from the principles of NPM (Hood, 1991).

#### 2.1.6. Marketization

Undoubtedly, the introduction of markets for the provision of social services is the most salient and contested form of new governance that European welfare states have been confronted with. Traditionally, PES had a monopoly-status in most countries, being the only institution providing job-placement (Freedland *et al.*, 2007). They progressively started to allow private employment agencies to operate only during nineties, making PES operating in a competitive market, and to develop partnerships with no-profit organizations (e.g. social partners, third sector organizations)<sup>15</sup>, as well as with other public service providers (e.g. schools and Universities)<sup>16</sup>. As a matter of fact, the end of the public monopoly on job placement services and the introduction

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<sup>15</sup> The partnership between PES and third sector organisations often concerns support for the more difficult to place clients (disabled people, the socially excluded, substance abusers). Collaboration is based on the skills and experience of non-profit organisations in dealing with vulnerable groups.

<sup>16</sup> includes different levels of networking from simple exchange of information to common protocols. It can rely on formal or informal agreements and is justified by the need for delivering multidimensional and integrated services to their target users.

of privately provided placement services marked the start of marketized services (Van Berkel *et al.*, 2012).

Dealing with increasing diversity of labour market needs, governments often encourage relationship between public and private providers in order to involve more specific know-how and employment services which PES cannot deliver alone. Most PES now involve external providers in the delivery of labour market policies, outsourcing specific services or realizing general collaboration. Arrangements for the involvement of private employment agencies may include different contracting forms, all of them generating very different market-based outcomes. These contracting forms often reveal the characteristics of quasi-markets (Van Berkel *et al.*, 2012).

Countries, in these respects, vary with regard to the relative market shares of the labour market intermediaries, ranging from a strongly public to mainly private sector driven system of employment services. Market forces have been used to open up government organizations to the market. This has produced the shift from bureaucratic monopoly providers towards independent, competitive providers. Without meaning that the activities are completely ‘left’ to the market, because the government can also continue to play its own role as provider. In a broader sense, contracting-out means that the former public sector function is subjected to private sector competition, where the public provider can continue to act as one of the competing actors.

According to the market outcome generated, we can observe here a certain trend towards what has been called “marketization” (Van Berkel *et al.* 2012). Crouch (2014, 8) defines marketization as «the introduction or extension of markets in any area of life», specifying that «marketization will normally be expected to have two consequences: gains in efficiency that flow from the rational cost-effectiveness of the market; and losses in the damage done by the negative externalities that marketization almost necessarily produces» (*ibidem.*). As also OECD (2005) has stressed some of these “negatives externalities” in the case of the involvement of private provider in PES needs to be avoided.

Nevertheless, marketization should not be intended as synonymous of “privatization”. With privatization a former public sector function is moved permanently into the private sector, with a change in the owner’s structure and in the way of financing (Struyven *et al.*, 2002). First of all, the providers are not necessarily private, but they could be also public actors different from PES core agencies (i.e. schools and universities). In addition, profit maximization is not necessarily the main objective of these providers, as is the case in conventional markets. More in general, the state remains involved in the financing of the services through budgets or vouchers for services (Nyssens, 2010).

Of the various aspects of PES governance emerging in support of the activation paradigm, marketization has probably been discussed and investigated most (Van Berkel *et al.*, 2011). Studies in this field have made clear that this phenomenon is not related exclusively to liberal welfare states (Considine, 2001; Bredgaard and Larsen, 2005; Sol and Westerveld, 2005; Struyven and Steurs, 2005; Van Berkel and Van der Aa, 2005).

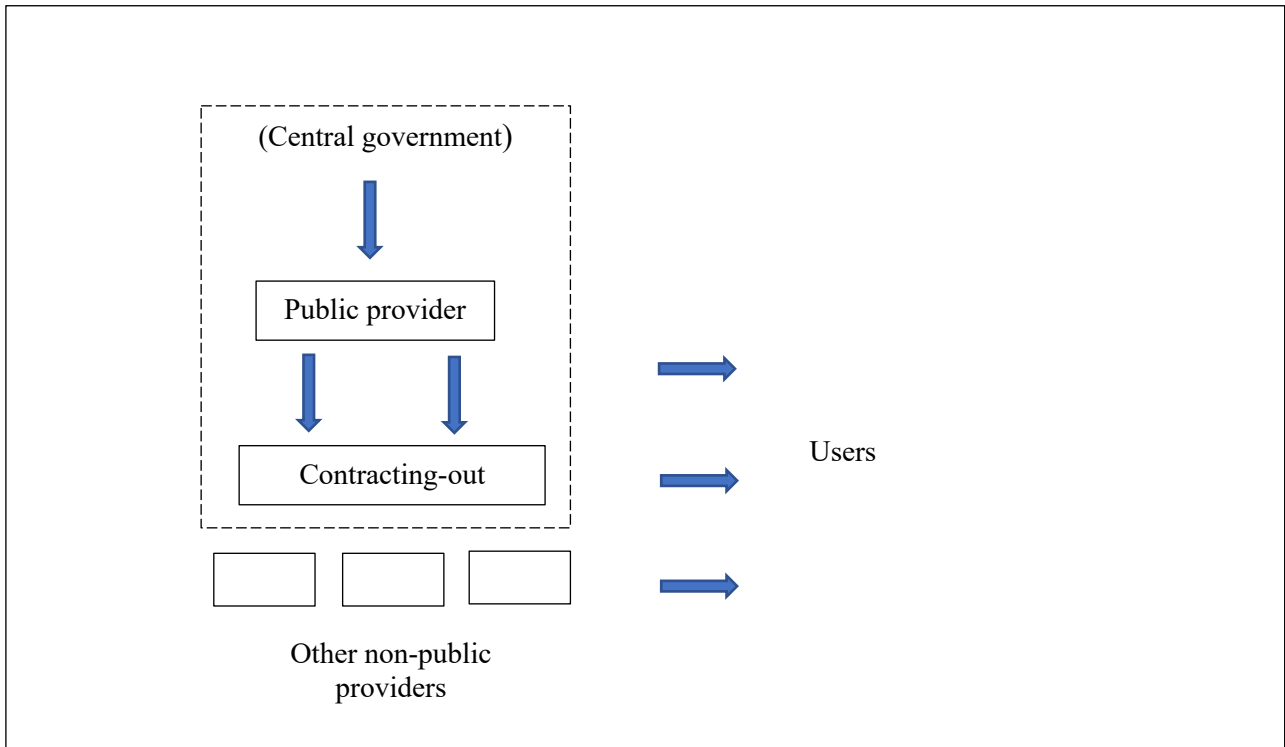
Marketization can be considered one of the main governance aspects of PES mainly because supported by the assumption that contestability increases the efficiency and effectiveness of provision. However, national reforms under this label show a variation on regulation characteristics, which hold the potential to crucially affect the implementation of ALMPs. In particular, when marketization is combined with decentralization process, the outcome of ALMPs, in particular, comes to be affected by the lower tiers of policy implementation. An important element interplaying with marketization, in this regard, could be then considered the level of discretion of local actors. That is, the way the activation paradigm is translated into practice may depend on its implementation at the local level, framed by the discretion local actors have with regard to the marketized services and the related involvement of private providers. As consequence of what we have seen dealing with decentralization, also in this context then capacity building becomes fundamental to enable public agencies to manage a market exposure of the system at the local level. These agencies, indeed, have to gain insights from users' needs, to develop the procedures necessary to involve private providers and monitor and evaluate their performance (Van Berkel *et al.*, 2012)

## **2.2. Models of service delivery**

The introduction of market forces stems from the pressure to improve effectiveness and efficiency in the public sector, together with the expectations related with the increase in quality and flexibility of services and responsiveness to individual needs, offering at the same time more choice for users. Providing that certain conditions are met, such as the presence of a large number of participants and, with it, the absence of collusion as well as the widespread knowledge of existing technologies, which must also be freely accessible, contracting-out mechanisms should be able to ensure the selection of the most efficient producer (Bosi *et al* 2008). In economic literature, the role of competition and contestability is concerned for: using competitive pressure to constrain activities and drive producers to keep prices down; organizing according to the best known techniques of production; innovating to avoid economic annihilation (Webster and Harding 2000). Contracting-out is therefore intended as a «device to capture some of the desirable features of a free market» (*id.*, p. 10) – the assumption being that market-based delivery will produce these desired effects. Ideal-typically marketisation involves a clear split between purchasers and providers of services (Struyven *et al.*, 2002). Inside this conceptual framework, the introduction of a quasi-market for public services can be considered as a specific model of service delivery, to be differentiated from the traditional model and a fully privatized model. In each model the following roles are distinguished: the resourcer, the purchaser, the provider and the user (Struyven and Steurs 2004). According to the traditional model, in contexts where the role of the public actor is still relevant, publicly funded services are provided by the public

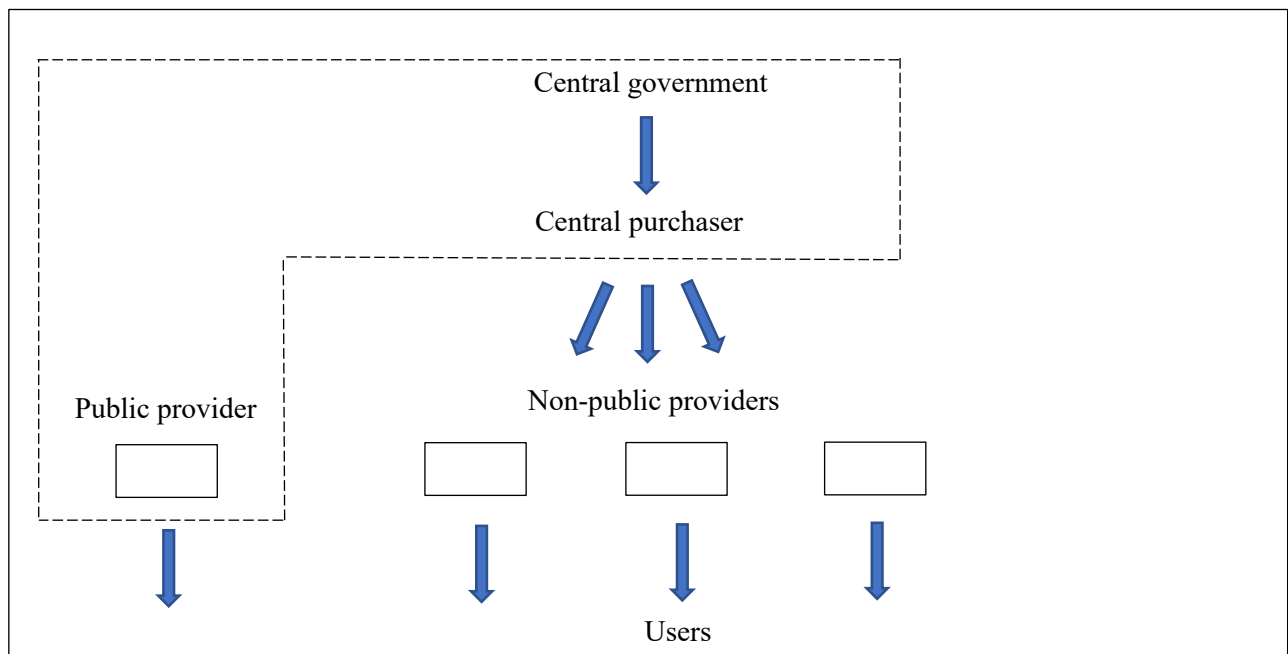
provider, with some parts usually being contracted out to other non-public providers. In this case the government combines the role of resourcer, purchaser and provider (figure 2.1)

Fig. 2.1 Traditional model of service allocation (Struyven and Steurs, 2004, 227)



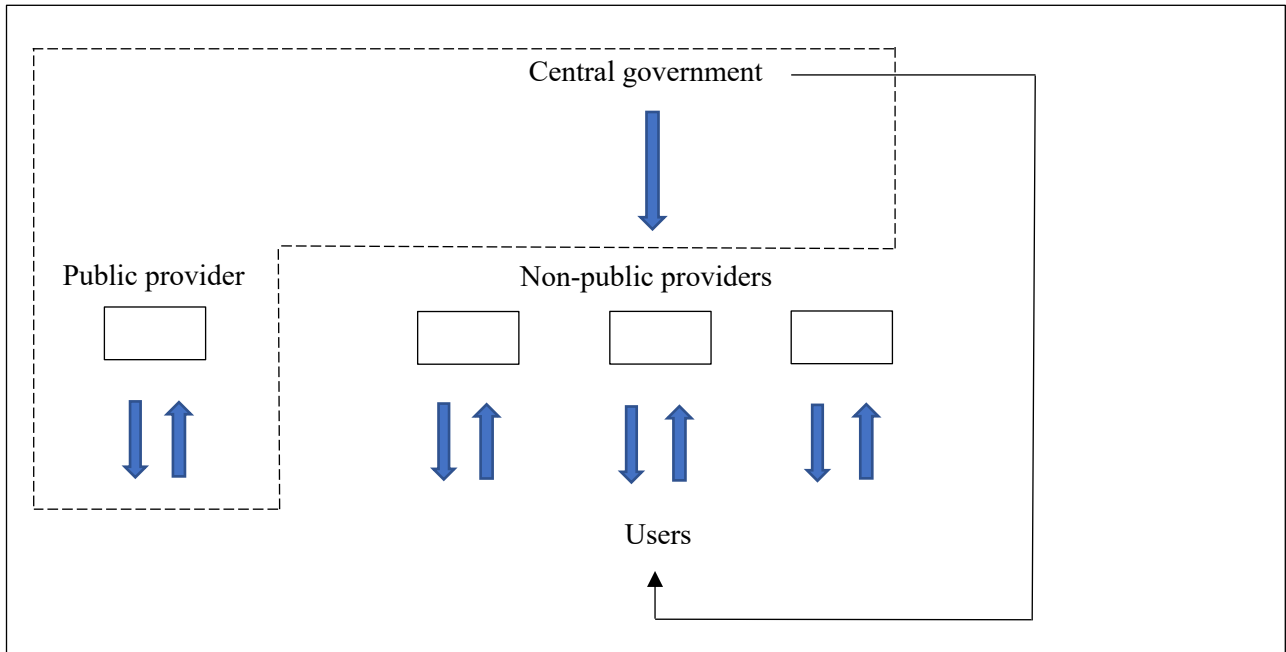
In a quasi-market model, instead, there is a separation between the financing function of the government and the supply function. We can have also a first form of quasi-market, in which there is a single public purchaser contracting with non-public providers, competing with each other. In this case the State holds both the resourcing and the purchasing function (figure 2.2). Further aspects of differentiation in the quasi-market model could be found in the nature of contracts between purchasers and providers. On this point, Struyven *et al.* (2002) distinguish between classic contracts and trust contracts. Trust contracts are concluded for longer periods than classic contracts, are less detailed and require more intense cooperation between purchaser and provider. At the same time, the distribution of tasks between the two could be different. Purchasing agencies can leave the decisions about the kind of measures to deliver to the providers, or they may intervene more directly in this specification (Jewell, 2007).

Fig. 2.2 *Quasi-market model*



The split between purchasers and providers implies that the core agencies identified in the above as purchasers of services do not at the same time provide similar services in-house. As a general rule, the agencies that act as purchasers on the market of activation services belong to the traditional core agencies responsible for providing income protection and employment services (benefit agencies, local welfare agencies or PES agencies). But this hardly is the case: in most countries, the purchasers also act as providers. This is the case for quasi-market voucher based, a kind of model much more recurrent. Here, funds go directly to the user, through the ownership of restricted funds in the form of vouchers, who can make a choice between different providers on the market (figure 2.3).

Fig. 2.3 *Quasi-market model voucher-based (Struyven and Steurs, 2004, 228)*



The role of the users does not provide for a fully free application, which is expressed in terms of willingness to pay as in a fully privatized model, nor a compulsory consumption, such as in a public monopoly, but passes through the ownership of this restricted funds, or vouchers, to be spent to a given service package offered by providers. In this case, the State has only the role of resourcer, while the user is acting as a purchaser of services. Since, as we have said, that of voucher-based represents the most recurrent model we will always refer to this when talk about quasi-market in the rest of the work. More in general, however, conditions for providers to enter the quasi-markets are crucial for the introduction of competition and these may be subject to forms of national state regulation. In the next paragraph we will see how the marketization and contracting-out forms have been studied and can be analysed.

### 2.3. Neo-institutional economics

In their analysis of contracting-out, researchers and scholars have made use of neo-institutional economics, aiming to explain structure, behaviour, efficiency and change of economic institutions. It represents a key point in the analysis of different institutional arrangements. This range of theories comprises transaction cost economics, property rights approach and principal agent theory (Furuboth and Richter 1998, Picot and Wolff 1994).

### *2.3.1. Transaction cost economics*

The existence of transaction costs means the possibility or not to sign “complete” contracts, that are those in which there is the possibility to predict and regulate all the contingencies that may occur in the various states of the world. They are particularly strong when there is incomplete or asymmetric information, specific inputs, inability to fully specify the relevant bargaining elements. The contracts are said incomplete whenever some relevant variable for the purpose of bargaining is not observable. Following the studies of Williamson (1975, 1985), the conditions in which most easily are generated transaction costs, and therefore incomplete contracts, are the following: limited rationality, opportunism and small numbers of competitors. Based on these factors it is possible to predict that the transaction costs related to the use of the market tend to grow, on the one hand, with the increase of the limits of rationality of the actors in a complex environment, and, on the other, with the consequent decrease in the number of competitors and the rise of the degree of opportunism of the negotiating parties. Each class of transactions can be realized either through market exchanges or through the hierarchical form. However, there is a different amount of transaction costs. This means that the choice between hierarchy and market depends on the degree to which these different mechanisms may mediate economic transactions to lower transaction costs. In these terms, transaction costs and incomplete contracts represent the two key concepts to understand the outsourcing phenomena that today take place in the public sector. Using the same approach, Barney and Ouchi (1984) found, next to the “pure” market structures and hierarchies, intermediate forms that combines different mechanisms of control. It is in this respect that stands the form of the “quasi-market”, as a mechanism of mixed government represented by the approximation of the characteristics of a market in a hierarchical structure. Similarly, “b-markets” and “c-markets” represent other forms of market supported by mechanisms similar to, respectively, those typical of bureaucracy and clan. The main point of this argument is that the mechanisms of government have to provide the means by which economic actors can get information related to the value of the incentives and contributions of an exchange of goods or services. Returning to Williamson (1975), external modes generate the necessary information through competition in open markets, the internal ones get this purpose by law acceptance of a legitimate authority, in place of a competitive market. The quasi-markets, in this view, are based on nearly complete separability and non-uniqueness of the organizational units or individual tasks in defining the quasi-prices to be used in order to manage a transaction. In this case, each unit is treated as an investment centre of profit and the government tasks, through the hierarchy of the state, is limited to the monitoring of a single measurement of the results. Performance and compensations for economic units in a quasi-market can be measured relatively unambiguous. However, whereas the interpretation of the quasi-market signals is not completely unambiguous, the unit in question would not need to fall into a hierarchy and would be less expensive the recourse to the market. More often, however, the evaluation of the performance of the unit in question is partially ambiguous, and then a further addition to the subjective evaluation of the ‘quasi-price’ mechanism would be required. It is the degree of ambiguity of performance



evaluation, concept already introduced by Alchian and Demsetz (1972), which may lead to the inability to measure the performance of the parties into an exchange, assigning them a value. Characteristics of transactions associated with the ambiguity, in this respect, may be the consequence of specific resources or uniqueness of the goods or services exchanged. The greater the ambiguity in the evaluation of performances, the more complex (and far from the forms of pure market) should be the government mechanism needed. Otherwise there could be a rise of the conditions for the opportunistic behaviour of the parties. Which is just one of the market crises causes cited by Williamson (1975), meaning that we should move from pure forms of market towards intermediate forms. A quasi-market reflects the case in which the ambiguity of the performance is medium. If this was high, this would mean a return to the hierarchical control, in its pure form, governing more complex performance evaluations (Barney and Ouchi, 1984). Similarly, a decrease in ambiguity would lead performance to be dealt more efficiently through forms of pure market. The ambiguity is clear when we look at the fact that the quality of such services is difficult to be specified *ex ante* and to be monitored or evaluated properly *ex post*. The evaluation cannot be restricted to a measurement in terms of output, but it must be related to a target result and this is made even more complex by the fact that this result also depends on the behaviour of the service recipients.

### 2.3.2. *Property rights approach*

Power and control matter when contracts are incomplete. If the terms of a transaction can always be renegotiated, the specific investments will depend crucially on the ability to control the use of productive assets when renegotiation takes place. In this context, asset ownership becomes the essential source of power and control. That is, different ownership structure will affect the production of goods or the delivery of services. This means that, in absence of constraints, a party is more likely to own an asset if it has an important investment decision to take (Hart, 1995). A property right can be defined as a set of rules specifying the use of scarce resources and goods (De Alessi, 1980; Furubotn and Pejovich, 1972). Rules that may be codified by law or contract or even institutionalized by social norms together with pattern of more or less formal sanctions. According to property rights approach, the efficiency of organizations depends on the direct assignment of property rights to an individual. In other words, property rights may be defined with respect to the right to use resource directly. The allocation of this rights, so, becomes fundamental. There is a substantial difference if they come to be private or public. Following this line of reasoning, firms in private ownership are expected to work more efficiently because efficiency gains are directly attributable to an individual. The key question is: how have property rights to be defined so that the economic system generates optimal outcomes? According to Grossman and Hart (1986), it is possible to identify a firm with precise assets and confer residual rights of control over the firm's assets: the right to decide how these assets have to be used, except to the extent that particular usages have been specified in an initial contract. The difference

between public or private modes of production does not rely on the existence of competition. We may have competition also in a public system, for instance, as in the case of quasi-market. The difference relies in the allocation of the residual rights of control (Hart and Moore, 1990). In the case of contracting-out, in these terms, we can find a situation in which the ownership of the assets remains public, but the residual rights of control are in the hands of private providers (Bosi *et al.*, 2008). Hence, the government does not prescribe what private providers have to do, but rather pays them a defined amount for outcomes, and there is a high degree of flexibility for providers in the way they can organize services.

### 2.3.3. *Principal-agent theory*

Principal-agent theory does not concern whether to deliver a service with a public or a private organization. The key point is always the question of how to make an agent (an employee or a contractor) acting in the interest of the principal (an employer or a purchaser) (Eisenhardt, 1989; Gibbons, 1998; Sappington, 1991). Conflict arises when there is asymmetric information between the two parties. That is, risk aversion on the side of the agent, uncertainty, and divergence of the agent's goals, from that of the principal. In the situation of contracting-out, the consequence will be that the public authority, in the position of the principal, could be unable to observe the actions that a contracted private provider, acting as agent, may undertake, and at the same time the public authority must assume that the provider may maximize its own utility rather than work for the goals of its principal. Following these assumptions, the main risk of contracting is moral hazard (Picot and Wolff, 1994). Moral hazard occurs after the contract has been signed and can be defined as that condition in which the agents maximize their own utility to the detriment of that of the principal, in the context of a situation in which their actions cannot be fully observed. In both cases, the agents have divergent interests from those of the principal. At the same time, however, the principals are only able to observe results, which may be influenced by factors other than effort, making rewards based on results difficult. In the case of employment services, the government is unable to observe the effort of private providers to place participants into jobs, since a successful job-matching might be the consequence of many variables, not necessarily due to employment services. The only variable that usually is available is the number of placements achieved, though this outcome does not necessarily include any information on the contribution of the provider to this placement. At the core of the principal-agent relationship is the difference between the objective function of private providers and that of the government. The private providers' goal is to maximize their profits, whereas the government tries to manage cost and benefits in a difficult trade-off between unemployment benefits and reintegration costs. Thus, the government needs to design mechanisms that simultaneously maximize both objective functions. Agency theory aims at developing governance structures that allow for a solution or at least an attenuation of this trade-off. The basic idea is that, «under certain circumstances, it may be possible for a principal to induce agents to behave exactly as the principal would if the principal

shared the agents' skills and knowledge» (Sappington 1991, 46). Bruttel (2005), describes three sets of governance mechanisms that aim at solving or mitigating the principal-agent problem of moral hazard (Ebers and Gotsch 1999): incentive mechanisms, information mechanisms, and control mechanisms. The intent behind incentive mechanisms is to find a design through which to align the interests of the agent to those of the principal. This can be achieved by designing payment structures in which the agent's maximization of its own profits also maximizes the utility of the government, for example. A very common strategy is to differentiate payments according to target groups. Ideally, profiling instruments are used to classify jobseekers according to their needs with respect to the services that would be most useful in helping them to find a new job (Hasluck, 2004; Konle-Seidl, 2011). Within these groups the net impact on outcomes is assumed to be identical, which still creates problems. Information mechanisms aim directly at the overcoming of information asymmetry by increasing the government's information about the providers' efforts. A widely used tool is performance benchmarking (Behn and Kant, 1999; Courty and Marschke, 2004). An increased transparency can be achieved also by direct monitoring. For both, benchmarking and monitoring, an accurate IT platform could be essential. Finally, control mechanisms use extensive rules and regulations that state in great detail how providers have to deliver their services. Most research focuses on only one of these mechanisms at a time. In particular, the design of performance-based payment structures and performance evaluating benchmarking systems have attracted considerable interest. The design of these mechanisms, above all, appears to be decisive when contracting-out, and particularly quasi-market model, have to face the two main problems that may occur with the involvement of private providers, that are the problems known as "creaming" and "parking" (Donahue, 1989; Le Grand and Bartlett, 1993; Smith and Lipsky, 1993, Courty and Marschke, 2003; Dockery and Stromback, 2001; Struyven and Steurs, 2005). Both the two are related to the concept of "adverse selection" (Akerlof 1970). Since contracting-out is built around incentive-induced behaviour, there are suboptimal consequences if incentives are not designed well. An optimal contract would reward providers on the basis of their net impact on the condition of a jobseeker. As we have already said, the greater their contribution to the placement of a jobseeker, the higher their payment should be. However, it is very difficult to evaluate the net impact of treatment on an individual client. It is often the case that measuring usually take only the gross results (total placements) as a proxy for the provider's impact. Nevertheless, by only taking into account the gross results, the government implicitly assumes that the impact is constant for all the job-seekers. Because providers are paid on the basis of crude placement results, they are encouraged to assist those who are easiest to place regardless of whether the provider's service actually makes any difference. This behaviour corresponds to the phenomenon of "creaming". On the other end, "parking" describes the situation in which providers take the short way to gain the paid outcome, choosing the easiest program to treat the jobseekers, without helping them at all. Very often, this is the case for an extensive use of job-search training activities, more difficult to evaluate in terms of contribution to a successful result, instead of effective job-matching, of which the results are directly observable. It is clear,

therefore, that in these cases of sub-optimal design public-private contracting arrangements there are very important social implications in terms of the equitability of performances.

#### **2.4. Quasi-markets in social policies**

In this framework the introduction of the concept of quasi markets in the context of social policy has been marked by Le Grand (1991), showing how markets for providing social services are similar to and differ from conventional markets. Together with Bartlett (1993) they have used the criteria to study public management, such as the comparison between the concept of user and that of “customer”.

The quasi-market model, as already said, gives particular emphasis to the separation of financing function (which is public) and supply (which should consider public and private providers compete with each other). In particular, welfare-quasi-markets differ from conventional markets in several ways: non-profit organizations competing for public contracts, sometimes in competition with for-profit organizations, consumer purchasing power either centralised in a single purchasing agency in opposition to the system of the vouchers and, in some cases, consumers represented in the markets by agents instead of operating by themselves. Whereas in the model of contracting-out the service provider has to be accountable towards the public body with which it has a contractual relationship, one of the principal features of quasi markets approach is, instead, to give greater voice and ability to control and choice to the recipient of the service. The service provider then becomes accountable directly to the citizen, in addition to be also responsible respect to the public authority and public goals. However, the possible information asymmetries which can arise from these new quasi-markets may make too weak this kind of accountability. In order to strengthen that accountability, the public body establishes and verifies some requirements and the behaviours that providers need to take, to protect the interests of citizens, being subject to correct incentives. Le Grand and Bartlett (1993) introduce the question of the application of quasi-markets specifying a number of conditions they have to meet if they want to succeed in delivering social policies. These concern market structure, information, transaction costs and uncertainty, motivation and cream-skimming. According to these conditions, quasi-market have to be judged on the basis of criteria such as efficiency, responsiveness, choice and equity. Concerning market structure, a first observation regards the aspect that prices established on the quasi-market are different from purely free market prices because they are not formed directly by the interplay of demand and supply but are either administered or negotiated prices with the intervention of a state authority. As in an ordinary market, competition exists between various providers, but these are not necessarily driven by profit maximization. That is, on the supply side there are a variety of forms of ownership, not only private for profit organizations, but also public ownerships, trust and collectively owned non-

profit making organizations. While, on the demand side, price formation does not reflect user preferences, since it is regulated by the government agency. In this situation, government funding is justified on the grounds that purely private provision will result in sub-optimal consumption levels where positive social externalities are present and economic justice principles are relevant. If these organisations do not face hard budget constraints, the consequences of loss-making decisions are not necessarily bankruptcies. In this context price-setting behaviour may not reflect cost-constraints and may lead to the weaknesses in the ability of the quasi-market to achieve efficiency. Moreover, if they should be more efficient than the system they replace, any extra transaction cost they create must not be higher than any cost savings that may be generated by the forces of competition or by other aspects of the quasi-market. At the same time, an important condition for markets to operate efficiently is that both sides of the market concerned have access to accurate information. The reference is to the monitoring of service quality as an essential part of any quasi-market system. Otherwise, providers may engage in opportunistic behaviour, exploiting their informational advantage to reduce cost at the expense of quality. The third condition concerns motivation related to the side of providers, which ought to be motivated at least in part by financial considerations. If they are not, they won't respond appropriately to market signals introduced. However, on the provider side, there are no-profit providers, with unclear motivation. Finally, cream-skimming, as we have already anticipated, as synonymous of creaming, deals with issues concerning equity, since providers should not discriminate among users in favour of those who are less expensive. If inequity is completely to be avoided in quasi-markets, there must be restricted opportunities for cream-skimming.

## **2.5. Comparative international approach**

Empirical basis of research to study contracting-out of employment services could be described by comparative international approach, coming from the analyses of those countries which have proceeded furthest with such models in a large scale. They use, for the large part, qualitative means exploring patterns of the new trends of the contracting-out logic and the implementation of quasi-market models in employment services.

Struyven and Steurs (2004) try to show some evaluation results for the first two countries experiencing quasi-market reforms in employment and training services, those of Australia and the Netherlands. They distinguish between formative and summative evaluation. Formative evaluation aims at providing information for further programme improvement; summative evaluation aims to determine the effects and impact of a particular programme, especially for those decisions concerning funding. The lesson from the reforms appear to be positive respect to the previous experiences, in particular for Australia, finding that market system leads to more cost-effective performance. However, this was only a rough view, since there was no strong

empirical evidence. In addition, both the two system still suffered a lack of transparency of information and strong interference by the bureaucratic sphere. More in general, Considine (2001) and Sol and Westerveld (2005) show the first comparative in-depth studies of these reforms, looking at United Kingdom, the Netherlands, Australia and New Zealand, the former, and adding to the same cases also Belgium, France, Germany, and Finland, the latter. Especially in the first one, they are countries which have been among the boldest reformers within the OECD, yet each adopting different models. Considine uses the employment assistance as most important service of the modern welfare state to explore two shifts in the paradigms of governance in Western bureaucracies: the shift towards the increasing use of privatization, private firms and market methods to run core public services and the conscious attempt to transform the role of citizenship from ideals of entitlement and security to notions of mutual obligation, selectivity and risk.

Among the issues explored the most remarkable has been represented by the condition of the unemployed individual as a contract partner. The case of Australia, in particular, is one of the more interesting experiences, both for researchers and scholars. This because Australia undertook a radical step in 1998 in contracting-out most of its public employment services to private providers and non-governmental agencies, on a competitive tender basis, almost abolishing any form of public provision. The new system has been called “Job Network” (subsequently changed in “Job Services Australia” in 2009) and soon it placed Australia amongst world leaders in the outsourcing of such services and it becomes the subject of much interest from international bodies like the OECD (2001). Eardley (2003), on the basis of the evidence available on the outcomes of this radical shift, finds too that the Australian way of outsourcing has been successful in efficiency gains, reducing costs to government while making only modest improvements, if at all, in macro employment outcomes. But he finds also some limitations of this model due to consideration of equity and social justice, referring to continuing problems of access to services by particular groups and the acknowledged problems of “parking” of harder to assist job seekers, including also the possibility that the quality of service for some users has declined. The case of the Job Network is used also by Finn (2011a) to show to what extent also the UK, further country case receiving much attention for its reforms in this field, has been influenced by comparisons with developments in the contracted out Australian employment assistance system. Reviewing the Australian experience, he finds that the evidence from this country suggests that marketization and outcome-based incentives have the potential to induce innovation, flexibility and efficiency savings, as already said. More critical evaluations suggest, however, that providers may receive less costly job-search assistance or “park” harder to place job seekers.

In the evolution of this system there has been much “learning by doing” and constant adaptation. Successive reforms have sought to establish a market and payment structure able to reduce parking and improve service quality. However, as the author points out, in this process of market shaping, policy makers introduced greater specification of service requirements and regulation of processes, then reducing the scope for flexibility and innovation. Finn have enlarged his focus including in the comparison also the cases of Germany, United States, Canada and the Netherlands (2011b ,2015), finding in each of these countries that private providers can, under certain

contractual arrangements, improve outcomes for particular groups and bring innovation to service delivery and that the competitive pressure they bring may also prompt improved PES performance. However, these experiences stress the important need of extended systems of monitoring and evaluations. The way in which tendering procedures are built may be also the cause for lowest price bids, resulting in poor service quality. To face the problem of “parking”, instead, several countries undertook subsequent reforms moving away from simply paying grants or awarding cost-reimbursement or fixed-price contracts towards the introduction of “payment by results” and outcome-based contracting. In these new contracts public authorities placed greater emphasis on measuring and paying for the “outputs” delivered, with a growing trend towards making a more or less significant proportion of provider income dependent on the employment outcomes secured. In consideration of this, the British approach to what has been known as “black box contracting” has developed on the basis of the core principle that providers have flexibility to use their skills to design and deliver services for jobseekers, but their income is largely dependent on securing long term employment outcomes. This is meant to ensure that the provider focuses on delivering job outcomes and that the public purchaser pays less for activities unlikely to produce a job outcome (Finn, 2012). International organisations such as the OECD (2014) assess the British system as highly effective in reducing benefit caseloads and in promoting high levels of employment. Despite success, there are significant weaknesses, highlighting that the system performs less well in disadvantaged areas and for the most disadvantaged groups. Something that has been intensified by welfare reform, expenditure cuts and by changing welfare to work caseloads (Finn, 2015).

With even different results, for what concerns the Dutch government’s approach to the “reintegration market”, one of the more detailed study is that of Koning and Heinrich (2010). The authors analysed the impact of the contract changes using panel data that enabled them to control for the varying characteristics of different cohorts of claimants and to develop explicit measures of selection into the programmes. They found evidence that the transition towards stricter outcome-based systems of payment for providers (passing from the principle “no cure, less pay” to “no cure, no pay”) were associated with evidence of “creaming”, where providers selected or refused more employable participants, but found that these effects had little impact on job placement rates. Bredgaard and Larsen (2006, 2008) compare models adopted by the Netherlands, Denmark and Australia. The logic of quasi-market, in each of these countries, goes beyond the fact that they represent three very different labour markets and welfare models. A very interesting finding is that the item of the free user choice can hardly be applied as a driver to improve the service quality. They highlight that often choice is exercised on the basis of idiosyncratic factors and not the quality of the provider. It is also uncertain whether the individual jobseeker can be expected to possess the knowledge and capacity necessary to make an informed choice, leading to rejection of the least qualified and selection of the provider with the best outcomes. Furthermore, there seems to be a trade-off: the more freedom of choice the individual jobseeker is given, the higher the transaction costs. It is shown as a common experience in all three countries that quasi-markets have difficulties in catering to the needs of the most

disadvantaged jobseekers, which has major barriers to (re)enter the labour market. Creaming and parking of jobseekers is almost unavoidable within a framework of market-economic logic, as outcomes of activities are uncertain and these jobseekers have a host of complex problems requiring long-term and cost-heavy initiatives. Avoiding creaming and parking calls for extensive public monitoring and regulation. So, according to the authors, public regulation is nevertheless vital: on the one hand to actually create real market conditions, and on the other to prevent socially undesirable consequences inherent in the market model. The fact that the market could not operate without new forms of regulation is also one of the main findings of the comparison between Denmark and United Kingdom by Larsen and Wright (2014). By comparing the starting positions and divergent trajectories of marketization in these two very different welfare systems, they find some common traits in how it so far has been difficult to make marketization deliver on its promises. They see in both cases difficulties for the contracted-employment services to reduce bureaucracy, save money through innovation, realize user choice, prevent poor quality services or increase efficiency/effectiveness through better job outcomes.

Data from a Dutch study of frontline workers in purchaser and provider agencies is presented by Van Berkel (2014) which analyses frontline practices of risk selection and monitoring. Interpreting provider behaviour in terms of risk selection may not be as straightforward. The widespread occurrence of risk selection processes throughout service provision chains makes rather difficult to attribute risk selection unequivocally to rational provider behaviour. The monitoring process, in this context, is experienced as an administrative burden, especially by staff in provider agencies, but it also has elements which operators consider as making a positive contribution to service provision processes in circumstances where actions of purchasers and providers need to be coordinated. This could be partly related to the double function of monitoring in the context of contracting-out: monitoring provider behaviour as well as monitoring user behaviour.

Van Berkel *et al.* (2012) analyse and compare governance reforms in the policy areas of activation and income protection for unemployed people in nine European countries – UK, Germany, France, Italy, Sweden, Finland, Czech Republic, Netherlands and Switzerland – attempting to represent Europe's diversity in various ways.

This analysis showed that all countries abandoned monopolistic state provision, most of them by introducing privately provided services. Each country involved in the analysis has its specific mix, but the involvement of the state in financing the services is given in all countries.

Although marketization is clearly the common trend, a considerable degree of diversity of quasi-markets in Europe can be observed, in particular concerning the roles of various purchasers and providers and their relationships. Anyway, a full split between purchasers and providers hardly exists in any country.

Zimmermann *et al.* (2014) use the comparison between three most different countries regarding worlds of welfare - Germany, Italy and the UK - to show a link between the regulation of market-based interventions and the level of discretion for local actors with regard to these measures and their local policy histories. Local contexts of policy-making and their suitability and willingness



to become marketized affect the usage of local discretion. Even though local discretion is relatively high both in Italy and Germany, we observe much lower degrees of marketization in Germany than in Italy. In the UK, local discretion is weak and the national level has secured the implementation of marketization via a centralized system. Thus, notwithstanding a common marketization trend, its scope and its national adaptation varies in function of the embedded relationships among levels of governments and stakeholders and not necessary in function of the national welfare regime type. Our analysis could be considered the answer provided to the questions left open from this kind of studies, calling for a more in-depth analysis of market-based governance at the local level, referring to the particular context of Italian regions.

## **2.6. The contribution of policy evaluation**

In the continuing effort to improve service programs policy-makers are increasingly recognizing the importance of rigorous policy evaluations. They want to know what the labour market programs are able to accomplish and, in particular, how they should operate to achieve maximum effectiveness. They need information about which programs work for which groups, and they want conclusions based on evidence. The perspective of learning by monitoring, described by Sabel (1993), put in place rules «designed to oblige the actors to take notice of the unintended burdens created by their transactions and to arrive at a common view to reshape their activities so as to avoid them» (*id.*, 52). Monitoring policies, then, refer to a comprehensive set of activities based on the collection and elaboration of information of socio-economic phenomena and the delivery of policy initiatives, used in the decision-making process for adjusting the course of policy actions. Monitoring tools, in this sense, become necessary elements in order to create sustainable policy cycles and to guarantee to produce more appropriate responses to challenges than any yet existing. The “signals” of policy actions obtained in this way can thus increase the transparency and accountability of the decision-making process (Gianelle and Kleibrink, 2017). Anyway, these are not so clear mechanisms in the reality and monitoring can constitute a significant challenge for policy makers and operators of the system.

Evaluations should be designed to maximize the use of available data, as long as these are valid indicators of important concepts and are reliable. Available data may, for example, include government statistics, individual administrative records and information collected by researchers. We can consider some basic principles of program evaluation design and the way they are applied in the field of our interest, focusing in particular on the techniques that will be used later on in this work. These basic features will be accompanied with examples coming from the literature about ALMPs and employment services evaluations. Harrel *et al.* (1996) distinguishes four activities for a comprehensive evaluation (despite very often either the target audience or the available resources limit the focus to one or two of these activities): impact evaluation,

performance monitoring, process evaluation, cost evaluation. Impact evaluation is related to questions of causality, estimating whether the program has achieved its intended effects or, on the contrary, any unintended consequences, positive or negative. Performance monitoring provides information on key aspects of how a system or program is operating and the extent to which specified targets are being attained. Policymakers work with this activity in order to assess the program's performance and accomplishments. Process evaluations focus on the reporting of the procedures and activities with which a program works. Such evaluations are precious in particular to identify problems faced in delivering phases, but also to replicate a program or to adapt program strategies. Cost evaluations address the expenses related with a program or program components, preferably in relation to alternative uses of the same resources and to the benefits being produced by the program, assessing the achievement of a maximum cost-effectiveness. Considering that impact evaluation will be the main activity in our analysis, a specific focus on this design will follow.

### *Impact evaluations*

The choice of an impact evaluation design begins by identifying the design that offers the strongest capacity for isolating the independent causal effects of the program. In our analysis, to examine the post-assistance outcomes we have to estimate the effectiveness of employment services, finding the real contribution of them. It may be that some jobseekers who obtained a job after participating to a specific measure would have done so anyway.

The employment impact of a labour market program then can be measured by comparing the work situation of the beneficiaries with respect to their relative "counterfactual situation", that is, the one that would have been observed for the same subjects in the absence of this kind of program. A net impact study is necessary, therefore, to determine the extent to which outcomes after assistance are a function of referral to and participation to PES initiatives. What we are looking for, in other words, is a measure of the "employment net impact". Net impact is obtained by comparing the outcomes of a group of jobseekers who are referred to a program (treatment group) with the outcomes for a similar group who are not involved in the assistance, despite having eligible characteristics for the intervention (control group). This means that estimates of net impact indicate the difference between intervention and no intervention, since it is a measure of the treatment effectiveness which takes into account outcomes that would have occurred also in the absence of assistance.

Two possible designs are possible for impact evaluations: experimental and quasi-experimental. They all share the strategy of comparing program outcomes with some measure of what would have happened without the program.

The construction of a valid control group is crucial to accurately measuring net impact. Some evaluations have used an experimental approach, which involves randomly assigning job seekers to a treatment group and a control group, comparing outcomes between these groups. Provided that the sample sizes are large enough, this approach can be expected to control for factors that

are likely to have a substantial impact on outcomes, including traditionally unobservable characteristics such as level of motivation, attitudes and behaviour. If careful design and implementation are achieved, random assignment potentially provides the most rigorous method of measuring net impact.

Experimental designs are the most powerful and produce the strongest evidence. They require that individuals or groups, such as unemployed people, must be assigned by randomizing procedure to one or more groups prior to the start of services. The "treatment" group or groups will be designated to receive particular services designed to achieve clearly specified outcomes. A "control " group receives no services. The treatment group outcomes are compared to control group outcomes to estimate impact. Because chance alone determines who receives the treatment, the groups can be assumed to be similar on all characteristics that might affect the outcome measures except the program. Any differences between treatment and control groups, therefore, can be attributed with confidence to the impacts of the program. Although experiments are the preferred design for an impact evaluation on scientific grounds, random assignment evaluations are not always the ideal choice in real-life settings. Random assignment raises questions related to ethical concerns. Public opinion may resist treating similar jobseekers differently on the basis of a randomizing procedure or may view random assignment as exploiting vulnerable populations and powerless people. Carefully designed procedures for randomization may be able to overcome such resistance. One strategy is random selection of these to receive services from a list of those who meet eligibility requirements when resources are not available to serve everyone who is eligible. Providing services for some clients at a later time may satisfy community concerns about fairness and be consistent with available staff and resources. Great care needs to be taken to ensure that the control group is not denied essential services they would otherwise have, that the benefits to participants and the community are carefully explained, and that program staff and participants understand and support the research.

Experiments typically require high levels of resources: money, time, expertise, and support from program staff, government agencies, funders and the community. This aspect makes important the consideration whether the results that are likely to be obtained justify the investment (*id.*). Considering that the adoption of a random assignment methodology is far from easy in practice, the alternative is represented by quasi-experimental approaches. Like experiments, quasi-experimental evaluations compare outcomes from program participants to outcomes for comparison groups that do not receive program services. The critical difference is that the decision on who receives the program is not random and the treatment and control groups are selected after intervention. Comparison groups are made up of members of the target population as similar as possible to program participants on factors that could affect the selected outcomes to be observed. Multivariate statistical techniques are then used to control for remaining differences between the groups.

Usually, evaluators use existing population groups for comparison those who live in a similar area, or are registered at the same employment centres, or undertake the same kind of initiative,

observing their records for the same time interval. Use of non-equivalent control group designs requires careful attention to procedures that rule out competing hypotheses regarding what caused any observed differences on the outcomes of interest.

A threat to validity is the process of "selection " the factors that determine who receives services. Some of these factors are readily identified and can be used as control variables in statistical models, such as meeting program eligibility criteria. However, it is often not easy to consider all these factors.

For example, program participants may receive services because they are more motivated, skilful, or socially well connected than non-participants. Such differences are not easy to measure during a program evaluation, needing to find variables able to approximate these unobservable. In these contexts, recent labour market history could be an interesting variable to be used in order to approximate for unobservable characteristics. In particular, people with the same labour market history will probably be very similar, and therefore comparable, even by skills, qualification level and other unobservable features that affect the probability to find a job (Heckman *et al.*, 1999).

#### *2.6.1. Experimental and quasi-experimental approaches*

The international literature is not always unambiguous in assessing the impact of ALMPs. The meta-analysis realized by Card *et al.* (2010) focused on 97 studies implemented from 1995 to 2007, finding that training programs show negative or insignificant results in the short run (up to one year from the completion of interventions), but more positive impacts than other ALMPs in the long run. Kluve (2010) performed a meta-analysis too, based on 137 impact evaluations of ALMPs programs, carried out in 19 countries. The results showed clearly that the impact depends most on the type of tool applied. In these respects, public works seem to produce negative effects and, on the contrary, wage subsidies are more effective in increasing employment rates. Modest positive effects, instead, for training programs.

Benmarker *et al.* (2012) use a randomized experiment to empirically assess the effectiveness of contracting-out employment services to private placement agencies in Sweden, planning the experimental procedure together with the central administration. Unemployed people were randomized into an experimental group and a control group, distinguishing three target groups: Those assigned to the experimental group were then given an opportunity to switch from the PES to a private placement agency during the trial period, while those in the control group remained at the PES. There is no overall difference in the chances of finding employment between private providers and PES, but there are some changes according to different categories of unemployed. In particular, private providers perform better at providing employment services to immigrants, whereas they may be worse for adolescents. Hägglund (2009) presents experimental evidence on the effects of intensified placement efforts compared to standard services on subsequent employment and earnings of participants for Sweden. Due to small caseloads, he finds mainly

insignificant effects. Nevertheless, intensified services seem to reduce unemployment among the treated compared to standard services. Krug and Stephan (2013) implement a randomized field experiment, within three local labour agencies, to investigate if such services might be more effectively be provided in-house by public authorities. They show that half a year after random assignment, in-house provision resulted in significantly lower days in unemployment. The positive effect arises from exits into employment as well as from withdrawals from the labour market. Behaghel *et al.* (2013) perform a large-scale randomized controlled experiment which compares two ways of delivering intensive counselling programs for job-seekers at risk of long-term unemployment. In the public version, the program is implemented by government caseworkers who are given more resources and more time to work with the beneficiaries. In the private version, private firms bid to offer a similar service, and are paid part at enrolment and part at delivery. The authors have found that private agencies exercised less effort on those who had the best chance to find a job in the absence of the program, highlighting the incentive problem in designing contracts for the services.

Despite many advantages, field experiments are quite complex in this field of study, considering possible ethical problem in the assignment of jobseekers to particular treatments and the fact they are costly. Very often, as we have seen, these are possible with the contribution of governments and the joint work of public administrations. Many researchers have tried to adopt different quasi-experimental approach for their evaluations, in order to overcome these limits. One of the techniques most applied for non-experimental approach is propensity score matching, by means of a control group for the non-intervention, comparing those receiving the treatment of employment-services with those non-subjected to the same measures, while having comparable characteristics of eligibility (for example those refusing to apply). Several researches try to evaluate programs using this kind of techniques. Sianesi (2004) investigated the effects of Swedish ALMPs' system finding mixed impact: participating in ALMPs increases employment opportunities, but at the same time it allowed participants to rely on the UBs system, with jobseekers entering into a program just at the time of their benefits' exhaustion.

Winterhager (2006) proposes an evaluation of the contracting-out reforms in this country, using propensity score matching. He finds that the effects on the employment probabilities of the unemployed remain small and negative, suggesting that this might be explained by deficits in the contract management. In another insight (Winterhager *et al.* 2006) it has been analysed the introduction of job placement vouchers scheme in Germany, exploiting administrative data. They have found positive treatment effects on the integration into employment in both West Germany and East Germany and higher deadweight effects in East Germany than in West Germany. Also Bernhard and Wolff (2008) make take advantage of administrative data to construct a control group. They analyse the effectiveness of the temporary assignment of needy job seekers to private placement services by comparing their outcomes with respect to employment, unemployment and benefit receipt with those of the control group. In some cases, the assignment to private providers appears to be relatively more effective for groups of job seekers who are rather hard to place. Despite positive employment effects for some subgroups, however their results imply that the

assignment to private providers is generally ineffective and, in some subgroups, counterproductive regarding the goal of avoiding unemployment and benefit receipt. Interesting studies making use of propensity score matching are also represented by the application in South-American countries, in order to evaluate the role of PES as opposed to the large phenomenon of informal job. Here, we propose two examples. The results of Pignatti Morano (2016), regarding the case of Colombia, show that participating in the PES increases the probability of having a formal (rather than informal) job. By contrast, participation in the PES has a negative effect on hourly wages. Vera (2013) examines whether, in Perù, jobseekers who use PES find a job quicker than those who use alternative job search methods, revealing that, on average, jobseekers who use the PES have longer unemployment spell.

Some of these studies concern also the case of Italian PES reforms. Naticchioni and Loriga (2011), for example, exploiting the longitudinal dimension of the Labour Force Survey data, design an evaluation structure that allows observing outcomes in both the short (at most 3 months) and the long run (at most 12 and 15 months). In this framework, PES users show a lower probability of finding a job in the short term, because of a lock-in effect, while in the long term this probability turns out to be positive. They also show that PES effects in the long term are much less pronounced when considering as outcome variable the probability of finding a permanent job, a proxy for the quality of the job, suggesting that PES impacts are to a large extent driven by the use of temporary contracts. Barbieri *et al.* (2001), instead, use a quite similar approach to explore the determinants of the probability of enrolling to PES and the effect of such decision upon the probability of finding a job. The most relevant factors appear to be those related to age and educational level. As for age there appears to be an inverted U-shaped pattern, with a maximum of the enrolment probability for individuals in the 25-34 years bracket and a minimum for the most aged ones (55 and over). A similarly inverted U shaped pattern appears for the educational levels, with a maximum probability for high school graduates and a minimum for people with tertiary level of education males, households' heads, middle aged, more educated individuals, and the fact of having previous work experiences appear to find more easily a job, Factors resulting negatively correlated with job-finding opportunities, in that context, turn out to be the condition of student and the duration of unemployment.

The present work aims at representing an important addition to the Italian literature on the evaluation of regional PES. These kind of studies in Italy are still at an early stage. To our knowledge the present work may represent one of the few studies focusing on contractual arrangements of Italian regional PES. In these respects, we can present some previous findings from what Pastore and Pompili (2019, 4) call “grey literature”, referring to both published articles and further contributions mainly based on evaluations carried out for the ESF, but never published as journal articles. Several analyses in this context focus on the impact of vocational training programs, both on-the-job and off-the-job.

Some studies may be interesting because related to the case of Lombardy.

Formez (2015) collects very rich of information about Dote Unica Lavoro program, but limited to the probability of completing the program by the jobseekers and the main determinants of the

completion of it. It showed that women and older people, have less chances to complete DUL than men. As for the educational title, graduated jobseekers have higher probability to complete the program. Some specific measures, such as job-search assistance and skill certifications, are associated with higher probability as well. Hard-training tools are associated with negative probabilities, with women particularly penalized.

First results about the DUL program in Lombardy could be found in Regione Lombardia (2017), in the final report of the Regional Operational Program for the ESF. However, this work does not show details of the evaluation, but it just presents that the impact evaluation revealed that, already at the first month after the program, the probability of being employed for the participants was 40% higher than for the non-participants. There are no elements to say how the estimation was performed. Previous evaluation concerning Lombardy and its first quasi-market schemes was performed by Ismeri Europa (2011). The policy evaluated concerned both training and job-matching in the two years 2009 and 2010. The impact was positive on the long run, registering a probability of becoming active job-seekers 8 percentage points higher for the participants. Duranti and Sciclone (2017) focused on the case of Tuscany region over the years 2007-13, finding substantial impact on the short run for on-the-job training courses, in particular for the eldest jobseekers. Similar kind of positive impact for on-the-job training courses was found by Pastore and Pompili (2019), with net impact of 5% on average. This kind of hard-skill training caused also positive impact of 3% on average on the probability to find permanent work.

Ghirelli et al (2019), evaluated regional program from Umbria, finding different impact according to the type of contract considered as outcome, with higher effect for the apprenticeship contract. At the same time substantial gender variation in the effect was found too, explained by different choices in terms of field of study.

### **3. THE ITALIAN CONTEXT**

In this chapter we will provide an overview of the main features of Italian PES system, attempting to outline its role inside the framework of LMPs of this country. We will begin from the historical background of Italian PES. The public monopoly was created in the post-war period and characterized to be complete ineffective and totally inefficient. It was considered part of the Italian “original model” of LMPs, which created for long times the conditions to reproduce the huge gap between outsiders and insiders on the labour market. Reform processes occurred during nineties have radically changed this perspective but creating new problems. The combination between decentralization and marketization of PES has led the system towards a situation of high level of regional differentiation concerning market exposure of local PESs. We will depart from this context to present our research design, aiming at studying this regional variability in terms of different and alternative designs of public-private contracting arrangements. The analysis will be anticipated by an overview of the last important labour market reform in Italy, the so-called Jobs Act. Inspired by the flexicurity approach, this reform aimed at revitalizing the context of Italian PES and ALMPs, introducing many interesting changes, which are implemented very painfully still today. Anyway, we will concentrate our efforts on the features of the new active labour market scheme supposed to be promoted on the whole country and changes in the PES governance it requires. This will constitute the starting point for our empirical analysis.

#### **3.1. The born of the “original model”**

From the post-war period, the key legislative reference in the field has been represented by law 264/1949, the so-called “Fanfani Reform”<sup>17</sup>. This reform was conceived as application of the ILO Convention 88/1948.

Every ILO Member State had to implement PES free for everyone, organised in such a way as to be able to adapt to changes in the economic context and characteristics of the population. The design formulated by the government aimed at the edification of a public monopoly of PES. It was not anymore accepted any form of management by trade unions, as it was previously. It was believed that the monopolistic form should respect equality principles, on the basis of which all people could be able to find a job starting from equal basis, avoiding the possibility that different non-public operators could be responsible for the matching function. This was, however, a strict interpretation of the ILO convention, where ILO did not forbid the activity of private no-profit organization, such as membership-based

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<sup>17</sup> From the name of its Amintore Fanfani, the Minister of Labour of that period.



organizations, like trade unions. It was very probable, on the contrary, that the Italian government used the opportunity of an international legitimacy in order to replace the role achieved by trade unions in the placement activities in the post-war period, fearing the excessive power in their hands.

Despite PES was designed to be absolutely central in the context of a new LMP framework emerging in the post-war period, the implementation revealed a system completely ineffective and inefficient, resulting to be hyper-bureaucratic and over-centralized (Gualmini, 1998).

The “Provincial offices of labour and maximum employment” (*Ufficio provinciale per la massima occupazione* – UPMO) were created, as local branches of the Ministry of Labour, with the only task to register the unemployed inhabitants of the province under their legal competence. Anyway, the relationship between operators and users followed exclusively an administrative approach. Jobseekers were obliged to be registered into “placement lists”, differentiated according to economic sector, qualifications and social conditions. These lists followed a strict chronological order and were managed by tripartite commissions at the provincial level. The “unemployment seniority” became the main mechanism to scroll the lists. In this context, an employer wishing to hire someone had to refer exclusively to his UPMO, making a numerical request by category and qualification. The stipulation a contract, then, should therefore have been made between the employer and those workers, necessarily registered in the placement list of that province, according to needs, qualification and economic sector of the firm and respecting the chronological order of registration. This designation bound legally the employer. He could only avoid the designation, but could not, in any case, participate to the “selection” of his future employees. On the contrary he could select particular workers from other firms without any restrictions.

That system soon became more respondent to the need of those already employed, shifting from a job to another, rather than for those looking for a job for the first time. In other words, monopolistic PES favoured the dualism between “outsiders” and “insiders”, that would become typical of the Italian original LMPs model, together with the absence of universal schemes concerning PLMPs and the rigidity of work contracts, exclusively designed on permanent basis as unique form. PLMPs were characterized by different schemes and progressively became over-reliant on wage-supplement schemes (*Cassa Integrazione Guadagni*). At the same time, at the beginning of seventies, law 300/1970, well-known as “Workers Statute” (*Statuto dei Lavoratori*), introduced the legal reinstatement in the event of unfair dismissals, obliging the employer by decision of a labour court. In this context, active manpower policies remained an unknown concept.

It’s quite obvious that the mechanism of the numerical request came to be a relevant obstacle, limiting the autonomous negotiation between labour demand and supply. The matching then tended to be increasingly realized on informal, and even illegal basis, trying to bypass the rigidity of the system. The possibility to shift directly from a job to another created the incentive for employment relationships of convenience.

As consequence of the economic crisis which interested Italy as well as other western countries, between the end of seventies and early eighties, policy-makers started to design some new

instruments attempting to change Italian PES and open for the first time to the concept of ALMPs. More precisely, from eighties till mid-nineties we can identify a process of exhaustion of the of Italian PES, gradually leading towards its breakdown, until the point in which “Fanfani Law” still will remain in law but completely emptied of all the elements introduced in the post-war period. This process of exhaustion can be synthetized in three main changes: the new prerogatives acquired by regions, the abolition of the numerical request mechanisms, and the definitive end of the State monopoly with the liberalization of the system.

Starting to conceive supply-side measures, one of the most important innovations of this period can be considered national reform of vocational training, occurred with law 845/1978. This represented the first policy decentralized at the regional level. As we have seen from chapter one, training, especially vocational, could be considered a “cornerstone” of ALMPs. The recently created regions, then, should be considered as actors involved in the process of delivery of active labour market initiatives since this period. Ten years after, the prerogatives of regions on labour market regulation were further slightly strengthened, with law 56/1987, introducing the possibility to create new institutions, the regional agencies, as technical entities for planning and monitoring of PES’s activities, as well as implementing new (soft and experimental) active labour market initiatives. In the same period, it was law 223/1991 which finally eliminated the numerical request mechanism. It was replaced by the free possibility left to the employer to hire the jobseekers on the basis of his own choice<sup>18</sup>.

### 3.2. The end of the “original model”

The beginning of nineties coincided with the restructuration of the Italian political system, following a crisis that was, at the same time, economic and political. New Italian governments, since 1994, regardless of their political colour, have succeeded each other attempting to realize new seasons of intense reformism. Even Italy was receiving the influence from the international context, in particular from the EU level, in order to converge towards a similar policy agenda.

This season was introduced by two important social pacts: the “Ciampi agreement” on 1993 and the “Pact for Work” on 1996. The first one putting as new goal the introduction of the temporary work contract (*lavoro interinale/lavoro in somministrazione*), the second one aiming at opening to the market the system by means of the liberalization of the operators (Marocco, 2011). It has been the “Treu Package” to reach, in 1997 (law no. 196), both the objectives. This reform was able to put an end to the State monopoly, breaking the last pillar of the previous system. This objective was achieved, first of all, through the introduction of temporary work, and, subsequently, supplemented by law 469/1997 with the regulation of the intermediation between

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<sup>18</sup> Anyway, this provision maintained some restrictions for firms with more than ten employees: 12% of the hires had to be reserved for weaker targets, according to categories defined by the regional commission.

labour demand and supply by private employment agencies. New temporary employment agencies became known as *agenize interinali*. Similarly to the *Personal Service Agenturen* of the German experience, they became a point of reference for temporary work, job-brokering, as well as supporting work reintegration. The “Treu Package” was a relevant reform also from the point of view of the renewal of ALMPs. It was outlined, in particular, an organic discipline for vocational training, emphasizing above all the dimension of school-to-work transition, relying both on existing tools (apprenticeship and training-work contracts) and on new ones, such as the internship, which aimed at making easier the first contact of young jobseekers with the labour market.

Among the government programs of the new centre-left coalition of this period there was also a renewed orientation towards federalism, aiming at redesigning country's institutional structure. The “Bassanini reforms”, in this context, were a complex of delegated laws and legislative decrees with the objective of reorganizing the relationship between national and subnational levels. In the context of these, the decree 469/1997 remained one of the most important achievements of this process of decentralization, assigning to regions the competence for PES and ALMPs. Regions acquired these new responsibilities, then taking on the task of further conferring, through their secondary legislation, these powers to the provinces, following a design in which the initiatives would have been better delivered in relation to the characteristics of the local labour markets. In particular, from the point of view of the new structure of the system, the old UPMO were transformed into new structures dependent on the provinces: the "employment centres" (*Centri per l'Impiego – CPI*), designed according to local basins of 100.000 inhabitants. The provinces were now responsible for the management and delivery of ALMPs through these new public operators. Whereas, only the coordination and monitoring of the system remained in the hands of the State, in addition to the competence for UBs.

Regions went to attribute to the provincial institutions the ability to contract additional services with external private operators, collaborating, by means of agreements, with the CPIs. At the same time, all the administrative functions remained exclusive competence of the public operator. Only in some cases it was specified that the agreements could have been conditioned to prior tendering procedures for the identification of the provider to involve.

From our perspective these processes could be considered as what we have defined as “operational policy reforms”. Anyway, beyond the organizational transformations, there was also the attempt to change the functions of PES, insisting above all on the relationship between operator and user. On this point it was revised the legal status of “unemployed” as starting change. In this sense, the decree 181/2000 specified the conditions creating the eligibility to get a certification of unemployment status released by CPIs, the “declaration of immediate availability” (*Dichiarazione di immediate disponibilità – DID*), further necessary to be eligible for UBs. This legal status then corresponded to the condition of whom is «without work and immediately available to be hired or to look for a job»<sup>19</sup>, according to the strategies defined together with PES.

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<sup>19</sup> Art. 1, letter c, as modified by the subsequent decree 297/2002.

Both the user's profile and that of the operator came out completely redesigned. In particular, the action of the latter was no longer limited to mere administrative obligations. The priority became the prevention of long-term unemployment, preparing a series of interventions that constituted a nucleus of minimum services to be standardized throughout the whole country. Interventions focused on the form of the orientation interview, proposal of placement, training or retraining, and modulated on different timescales depending on different targets. Therefore, a new relationship between operators and users was outlined, which would then be progressively translated into a real "agreement" between them, on the basis of which to agree on the active labour market initiatives to join, consistent with the subject's skills and needs (Liso 2006). At the same time, mechanisms of benefit-conditionality were put in place in case of non-compliance with what was agreed with the operator, in order to depart from the traditional administrative approach. Despite, as we will see later on, the benefit-conditionality will remain largely unapplied, even today.

The new applied for these purposes was the "service pact", representing the adaptation of the Italian system to a new form of "contractualization" of the relationships between operators and the users, with a new stipulation of rights and duties between operators and jobseekers replacing old administrative procedures.

With the change of coalition and the rise of new Berlusconi government in the period 2001-2006, however, there was a new impetus on the on the policy making in this field. The Biagi Reform represented the main labour market reform of this period, becoming impressive above all for the massive flexibilization introduced for work contracts. In the design of this reform there was also the wish to achieve a better definition of the possible public-private contracting arrangements that, until then, had remained uncomplete. The involvement of private providers, indeed, found an organic discipline within this new labour market reform, aiming at increasing the market share of services. The activities of private employment agencies went then beyond the temporary contracts. The new objective was to create multi-purpose operators, which were delegated to one or more of the activities of intermediation, research and selection of personnel and support for professional reintegration. Anyway, for each of these activities, the need to meet certain criteria was required. The public actor should have remained in a position of control, establishing these criteria by means of the tool of accreditation. This tool represents a prerequisite for the delivery of services using public funds, establishing the requirements for the access to the system.

Biagi Reform stated that there should have been regions to set the criteria, implementing their own accreditation regimes on local basis. Regions should have decided to recognize to accredited providers the possibility to deliver active labour market initiatives financed with public resources, following the service standards defined in their accreditation regimes. More in general, accreditation represented the tool with which regions could manage their public-private contracting arrangements. Therefore, the key issue became how to regulate the contracting-out of services, that is to what extent expose the regional PES to the market.

According to requirements, contents and goal of the accreditation regimes there has been different arrangements, either more cooperative or complementary or competitive oriented. Differently

implemented by regions and defining their governance concerning the involvement of private providers.

### 3.3. From hyper-centralism to hyper-fragmentation

The period from the “Treu Package” to the Biagi Reform can be considered a season of innovation in the context of Italian LMPs. We can synthesize saying that these reform processes, over the past twenty years, have been characterized by two trajectories: the decentralization of competent institutions and the marketization of services. The main effect of the entire reorganization process was evident both in terms of new tasks and powers in the hands of regions, and in the involvement of a number of new private providers (both for-profit and non-profit) in the delivery of ALMPs. In this sense, reforms aimed at improving the quality, accessibility and universality of PES have gone along with changes in the governance of the same services, with an increasing importance of the vertical and horizontal dimension of governance (Borghi and Van Berkel, 2007). Nevertheless, these two trajectories have been implemented without promoting any coordination, neither between institutions at different levels of government nor in relation to the relationship between public and private operators.

More in general, we have to observe that the implementation of regional accreditation regimes has proceeded very painfully (Tiraboschi, 2015). For many regions it has been implemented just in very recent years, more often due to the "boost" received from the need to implement the "Youth Guarantee" program. Today in all regions, with the exception of the autonomous province of Bolzano, the accreditation regime has been implemented. A particularity which reveals also how it has been relevant also the difference among regions in terms of their capacity building (Ascoli, 2011).

Table 3.1 shows this different timing among regions for the implementation of an accreditation regime, expressed in terms of the year in which it has been introduced the accreditation regime.

*Tab.3.1 Timing of implementation of regional accreditation regimes for PES*

<b>Regions</b>	<b>Introduction of the accreditation regime</b>
Tuscany	2005
Lombardy	2007
Friuli-Venezia Giulia	2009
Abruzzo	2010
Campania	2010
Veneto	2011

Piedmont	2012
Puglia	2012
Sardinia	2012
Molise	2012
Marche	2013
Lazio	2014
Calabria	2014
Autonomous Province of Trento	2014
Sicily	2015
Emilia-Romagna	2016
Umbria	2016
Aosta Valley	2016
Liguria	2017
Basilicata	2018
Autonomous Province of Bolzano	-

The increased autonomy of regions has allowed them to freely realize their own models realize (albeit not all, as we will see, have succeeded), following different public-private contracting arrangements and consequently affecting space and resources allocated to the operators involved. The choice for a particular model often reflected the experiences of public-private relationships already established in each territory. In particular, local governments received the opportunity to exploit the competences acquired to differentiate their policies in order to obtain legitimacy and consent. It is important, indeed, to consider that for each social policy of local competence there are different implementation paths, related to the role played by the political-institutional actor in the respective regulatory choices, as consequence of certain dynamics of political consensus (Trigilia, 2016). This means that the implementation process could be influenced by political and ideological factors. In particular, here we are referring to the possibility that a more liberal culture might be more favourable to market-based resource allocation mechanisms (Lopez de Silanes et al., 1997).

In consideration of this, the lack of implementation of an accreditation regime in some regions could not be due solely to inefficiencies, but it has been the expression of specific political choices of the regions that within their autonomy have expressed their opposition to the involvement of private providers, choosing to continue to give centrality to the public actor with a limited market exposure of their local PES (Lella, 2016). An example can be represented by the cases of Marche, Tuscany, and Emilia-Romagna, which have also attempted to promote appeals, then rejected, to the Constitutional Court<sup>20</sup>. These aspects make the idea of the extent by which the decentralization process has strengthened regions, both from the institutional and political perspective, making

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<sup>20</sup> The reference here is to the sentence 50/2005, related to a set of disputes in terms of LMPs concerning the delegations of Biagi Reform.

them able to activate a role of "veto-player" in cases of contrast with the central level. Indeed, in the situation in which a region would have not implemented the accreditation regime, this would have continued to rely on the configuration defined by the "Bassanini Reform", acting by means of public agreements. At the same time the possibility to get the resources autonomously, from the ESF, left for regions an exit strategy, with the possibility to not comply with the decisions taken at the central level (Ferrera, 2008).

The characteristics of the political-institutional contexts can be then a relevant aspect to describe the formation of different, and even divergent trajectories, in PES governance, concerning the regulation of the relationship between public and private operators.

We might say that the possibility given to regions to develop their own models, as a consequence of the processes of decentralization and marketization described, has been then conditioned both from the capacity building of local governments to adequately support the implementation of these reforms, resulting in a very delayed process over time, and, above all, from political choices of the same governments concerning spaces and resources allocated to the operators involved, in particular respect to non-public operators.

This aspect, in addition to the different characteristics of local labour markets, can be easily linked to the level of territorial differentiation which is typical of the Italian social policies (Ambra *et al.*, 2013). Italy, in fact, more than other European countries, shows such a variability at regional level that would allow to talk of both "local labour markets" and "regional welfare systems" (Calza Bini, 2001; Kazepov, 2009).

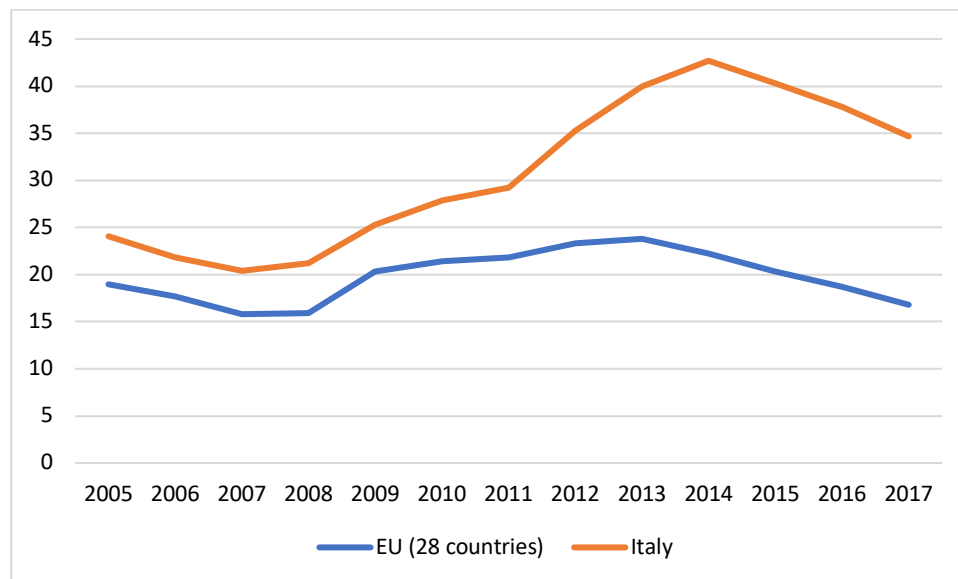
We will try later on to go deeper in this regional differentiation, attempting to explain it looking at the particular aspect of market exposure of local PESs. Anyway, we will have a look before to the Youth Guarantee Program, introduced in 2014, which can be considered an important step in the development of the regional accreditation regimes, inducing regions to regulate their own contracting arrangements.

### **3.4. Youth Guarantee Program in Italy**

The implementation of the Youth Guarantee program in Italy has represented one of the greatest challenges faced by regional PESs. Respect to the communitarian Recommendation, where the target was identified in young jobseekers with age between 15 and 24 years, the Italian government decided to extend the coverage until 29 years old.

Italy can be considered seriously affected by youth unemployment, posing risks to social cohesion and constraining potential output growth, as well as by mismatch which favours low-profile jobs due to growing problems of overeducation (ISTAT 2016). This problem has been even more relevant during the years of the economic crisis (Figure 3.1).

Fig.3.1 Rate of unemployment by age 15-24



Source: Eurostat

The “Youth Guarantee implementation plan”, presented by the government on December 2013, has set out the need of an ambitious and comprehensive strategy. Launched on May 2014, this program so far has acted as a driver of reform and innovation in PES governance, intervening both on the side of functional governance, concerning the relationship between users and operators, and on the side of the structural governance, regarding the relationship between State and regions and the involvement of private providers.

For the first aspect, YG has contributed, in particular, to the establishment of a profiling methodology, in order to better deliver personalized measures and individual pathways. Participation in the Youth Guarantee consists of different steps. First, young people must register online to show their interest in the program. A dedicated website for the YG in Italy allows young people not already registered with the PES to sign up to the YG scheme. The site also has an internal section for YG providers, and facilities for companies to post job opportunities that are published in the portal and to sign up to employment incentive schemes. Secondly, young people registered receive an appointment at the CPI where they are interviewed and can formally sign up for the program, effectively becoming participants. Finally, a number of participants are given access to ALMPs, e.g. internships, vocational training, employment support programs, return to education, self-entrepreneurship and community service. The national level is responsible for the national YG database, which brings together data collected by local levels.

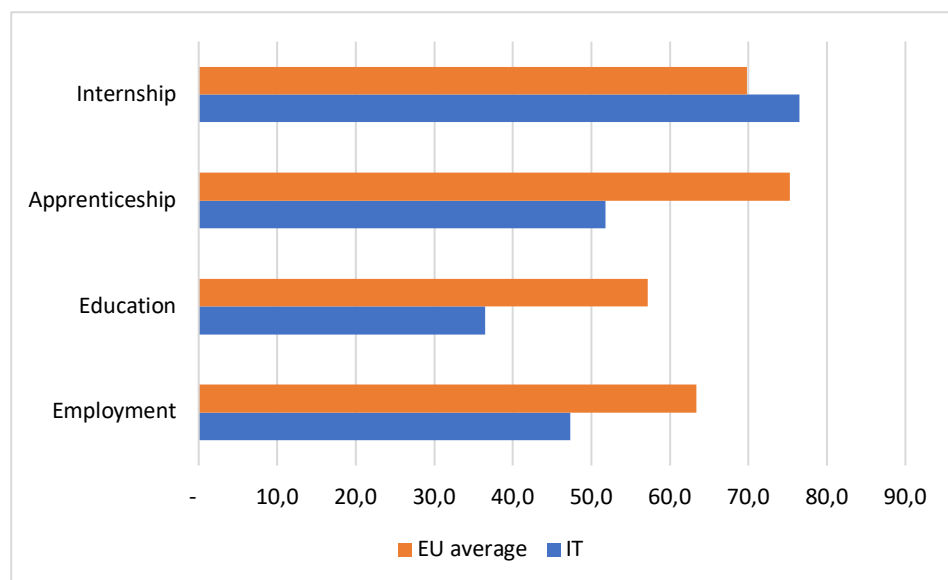
Regarding the involvement of private providers, each region had to define its own local implementation plan (with the possibility of foreseeing further interventions) discussing it with the Ministry of Labour and Social Policies. The aim of the government, more precisely, has been to set a multilevel governance between State and regions, where the latter have the responsibility of implementing active labour market initiatives addressed to the beneficiaries and defining on



which initiatives and how to involve private providers. This process, as we have already anticipated in the previous paragraph, has induced many regions to accelerate the definition of their accreditation regimes. Anyway, YG has introduced a first national accreditation regime, favoured by the possibility left to the young jobseeker to register in any place at the national level, regardless his administrative residence. Clearly the regional implementation plans, concerning the definition of the involvement of private providers for the YG program, has very often ended up reflecting the kind of relationship between public and private operators, especially for those models of service delivery already well consolidated<sup>21</sup>.

From the YG monitoring data collected until 2016, we know that the 60,6% of those leaving the Italian YG scheme in 2016 took up an offer within 4 months of registration. At the same time, on average, more than three quarters (75.2%) of those in the scheme at any time during the year had been waiting for an offer for more than 4 months, suggesting a progressive accumulation of young people that are not being treated on time. Anyway, it should be underlined that the provision of different kind of ALMPs for Italy is far below the EU average for all the categories, except that of internships which, on the contrary, register a massive recourse, superior to the EU average (figure 3.2). It can be considered certainly the main tool applied in the context of Italian YG program, despite further analysis would be needed in order to find out if there could be some form of opportunistic behaviour in these cases.

*Fig.3.2 Proportion of young people leaving the YG in 2016 and known to be in a positive situation 6 months after exit by type of offer (% exits, excluding not applicable situations)*

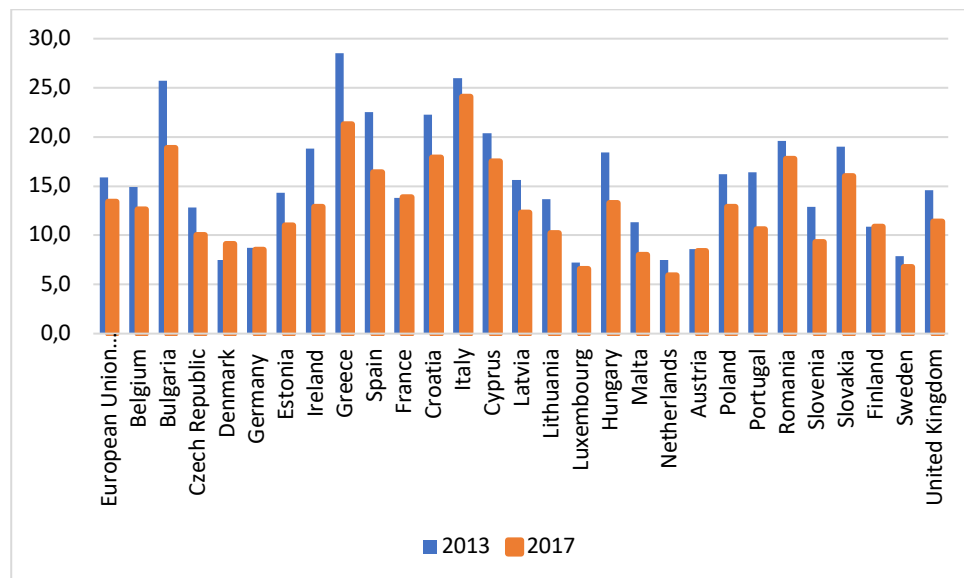


Source: YG Database

<sup>21</sup> An example could be provided by the continuity between YG program and DUL program in Lombardy: <http://www.bollettinoadapt.it/la-garanzia-giovani-lombardia-tu-per-tu-con-lassessore-valentina-aprea/>

Coverage of the NEET population has improved compared to 2014, but still remains low (14.1%). Registration is voluntary through an online portal. Young people registered with the PES but not in the YG may still receive an offer or benefit from national or regional measures but are not covered by the data. However, the proportion of young people still in the programme who have not received any offer for more than 4 months remains very high (75.2 %). The share of young people not in education, employment or training (NEET) covered by the Youth Guarantee scheme, while increasing, is still low (14.1 %). The NEET rates have been declining in Italy the last two years, falling from above 26 % in 2013, one year before the implementation, to 24 % in 2017 (figure 3.3) . However, these levels are still high and the situation remains challenging.

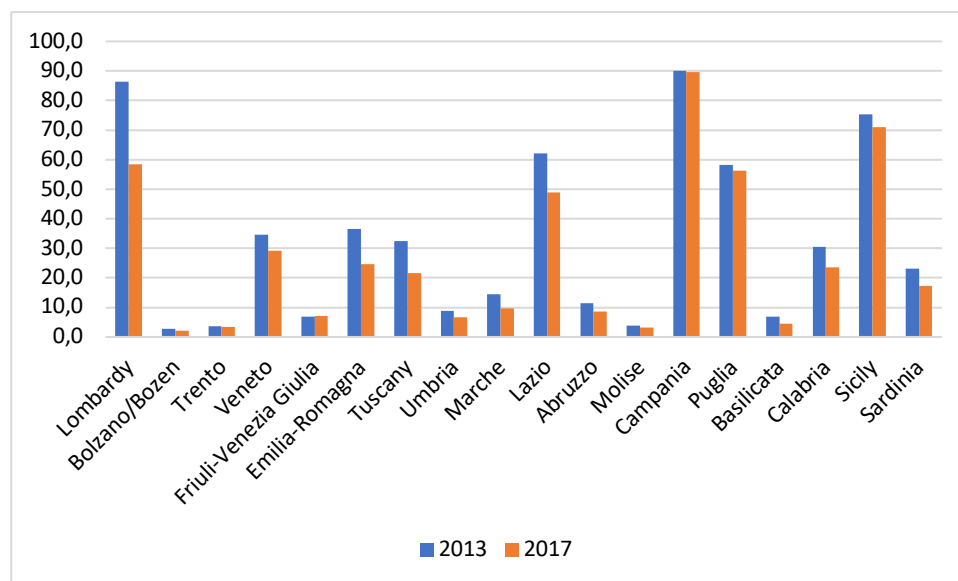
Fig.3.3 Neet rates in European countries comparing 2013 and 2017



Source: Eurostat

However, if we look at young people unemployed (between 15 and 24 years) for the same time interval we can find still relevant disparities among Italian regions, marking once again the huge gap between North and South on youth unemployment during these years, despite some improvements (Figure 3.4).

Fig.3.4 Rate of unemployment by age 15-24 and region of residence



Source: Eurostat

### 3.5. The Jobs Act<sup>22</sup>

The outbreak of the world economic crisis found Italian LMPs still far from the European policy trends, mainly for the delays related both to social benefits, PES and ALMPs. After the emergency in which took place the “Fornero Reform”, in 2014 and 2015, the Italian government set a goal to modernize labour market institutions by implementing the Jobs Act (law 183/2014) as major reform of the labour market. In March 2014, with the so called “Poletti decree” some preliminary new measures were introduced to foster employment and simplify bureaucratic procedures for temporary contracts. Subsequently, in December 2014, a wide-ranging law was passed enabling eight legislative decrees in the following months, all adopted by September 2015. The Jobs Act has represented a very ambitious reform, creating a new comprehensive regulatory framework for Italian LMPs. Law 183/2014, precisely, has intervened on five fields: rationalization of unemployment benefits; revitalization of PES and ALMPs; simplification of bureaucratic procedures related to the employment relationship; reorganization of the existing work contract typologies and new incentives related to work-life balance.

Our interest is concentrated on the second point, that of PES and ALMPs, of which a deep reform came with the decree 150 on September 2015.

<sup>22</sup> A version of this paragraph will be published for the OECD research “Connecting people with Jobs: Italy”, of which the author has been part of the team.

This reform has represented the attempt of the Italian government to move towards the flexicurity approach. The strengthening of ALMPs introduced by the “Jobs Acts”, in this sense, represents the third major pillar such approach, in addition to the changes in employment protection legislation (flexibility) and changes in the benefit system (security), similarly affected by the same reform process. While there have been many attempts to advance labour market flexibility and passive labour market policies during the past thirty years, so far the provision of active labour market policies has been always lagging behind.

The changes introduced by the decree 150/2015 aspire to make Italian PES more effective and efficient. However, the implementation of such changes remains currently jeopardized due to the problems of territorial differentiation we have seen: different models of service delivery at the local level, with a different degree of market exposure.

The next paragraphs will provide the overview of recent changes in the institutions involved in Italian LMPs and the state of play. We will start from the other two “vertices” of the “golden triangle” of flexicurity, flexibility of contracts and solid UBs, before to consider the main changes occurred to the last one, that of ALMPs and PES, at the centre of our analysis.

### *3.5.1. Changes in the employment protection legislation and exemptions on social security contributions*

Historically, firing costs have been high for permanent contracts in Italy which has hindered job creation and increased labour-market duality with respect to permanent and fixed-term workers. Increasing labour market flexibility has been the aim of different reforms since the nineties when different types of fixed-term contracts were introduced. This, however, did not increase flexibility, but rather fostered the dualism as the fixed-term contracts were used for not only facing demand uncertainty, but also as a screening device before hiring on a permanent contract (Sestito and Viviano, 2016). We know that dualism registers worrisome economic and employment implications. On the one hand, the so-called “two-tier reforms” expose temporary workers, in comparison with workers with more stable contracts, to occupational experiences marked by significant pay gaps (even with equal duties performed), by recognition of lower protections and by critical social security perspectives, due to lower contribution rates and contributory discontinuity. On the other hand, from the point of view of employment trends, the development of margin flexibility would be subject to the “honeymoon” effect: in the short term, fixed-term contracts - mainly due to reduced or zero costs from layoffs - they would incentivize employment growth in the phases of economic growth, whereas during the negative economic phases there are considerable employment losses, mainly due to the non-renewal of contracts expiring. Therefore, marginal flexibility leads to employment volatility in relation to economic cycles but has no obvious effect on general labour demand. This is because the decrease in employment protection influences both the incentives to hire and lay off workers, and there is no reason to expect a priori that one effect will dominate the other (Boeri and Garibaldi, 2007).

If we look at the EPL (“Employment Protection Legislation”) index, elaborated from OECD to express the degree of protection in employment in each country, Italy still presents a significant strictness in the protection of workers from layoffs. However, we must always consider that, in last twenty years, this rigidity has been attenuating with stronger acceleration than in other countries. EPL index from 1998 - the year of the “Treu Package”, the reform that first has introduced massive flexibility in Italian labour market – to 2013, before the Jobs Act, has registered for Italy a reduction about three times higher than the EU15 average.

Anyway, it has been remarked that this fall has never shown any statistically significant correlation with occupational dynamics and a reduction in unemployment, as demonstrated by robust literature of empirical studies (Baker *et al.*, 2005; Blanchard, 2005; Howell *et al.* 2007).

To cope with this problem, in 2008, the economists Tito Boeri and Pietro Garibaldi (2008) proposed a new single employment contract (*contratto unico di inserimento*<sup>23</sup>) that should have gradually replaced temporary contracts. The original design of this proposal involved an initial phase of high flexibility on exit, characterized by a period of three years during which the employer was not committed to re-employ the employee in the event of unfair dismissal, but just to monetarily compensate him (higher compensation in case of higher tenure). After this phase the worker should have received the right of reinstatement<sup>24</sup>. By this proposal, the initial phase should make the permanent employment relationship cheaper and firms would then tend to substitute this contract for the plethora of temporary contracts<sup>25</sup>.

The “Fornero reform” in 2012 (law no. 92/2012) and the recent Jobs Act in 2015 (law no. 183/2014 with several legislative decrees until September 2015 for implementation) were attempts to actually decrease the firing costs and the uncertainty of these costs for open-ended contracts. The uncertainty of firing costs was cut even further by the Jobs Act by restricting the grounds for reinstatement in cases of dismissal without just cause. It was only applied to newly signed permanent contracts (after the 7<sup>th</sup> of March 2015) of firms with more than 15 employees. Additionally, the Jobs Act replaced the multitude of forms of open-ended contracts with one permanent contract type (*contratto a tutele crescenti*) with severance payments increasing with the job tenure. By OECD estimates the strictness of employment protection legislation for permanent workers against individual dismissals has fallen from 2.74 to 2.54 in 2015 (preliminary estimations by Garda (2017), decreasing somewhat the gap in protection to temporary contracts.

The Jobs Act involves partially similar ideas as the proposal by Boeri and Garibaldi. Firms received effectively more flexibility on exit as the reinstatement in the event of unfair dismissal

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<sup>23</sup> The proposal was even presented in parliament for discussion. It was the bill 2000/2010, the so called “Nerozzi bill”, never approved.

<sup>24</sup> This consideration should be related to the importance that has always received the article 18 of law 300/1970 (known as “Statute of Workers” *Statuto dei Lavoratori*) stating that the worker with a permanent contract has the right of being reinstated back into his job position by the employer in the event of unfair dismissal, ascertained by a labour court. The article 18 of law 300/1970 has been reduced in his legal provision already by the Fornero Reform and then definitively abolished by the Jobs Act.

<sup>25</sup> To reconstruct the debate over the single employment contract in the Italian context: <http://www.bollettinoadapt.it/il-dibattito-sul-contratto-unico-di-lavoro-tra-mito-e-realta/>

was abolished. This provision was introduced in the conviction that by doing so firms would be less reluctant to hire on permanent basis. Instead of reinstatement, a financial indemnity which increases with seniority was introduced, as envisaged by the original idea of the single employment contract. Nevertheless, the modification regarding the event of unfair dismissals is not limited to the first three years of the new contract. The increase in protection for the new open-ended contract no longer concerns “rigid” protection of reintegration in the event of unfair dismissals, but regards only the monetary aspect, because the compensation that is due to the worker becomes explicitly and formally linked to the years worked in the firm. In the intention of the government this should have made the employers more able to calculate preventively “firing costs” in cases of lawsuits. Nevertheless, considered that the new rule applies from March 2015, this may result, at the same time, in much more inequality on the labour market, whereas at the same time there could be workers hired on permanent basis, but divided in two groups, some of them with the right of reinstatement in the event of unfair dismissals and some others not<sup>26</sup>.

Additionally, the new permanent contracts were exempted from the social security contributions in 2015 (capped at 8.060 EUR annually for the first 3 years). In 2016, the social security exemptions were reduced (up to 3.250 EUR in 2 years). The budget for 2017 extended the social security exemptions for two more years but limited them only to students newly hired to firms where they completed their internship or traineeship (up to 3.250 EUR) or young workers hired in the southern regions with permanent or internship contracts (up to 8.060 EUR, (OECD, 2017). According to the Italian National Institute for Social Assistance (*Istituto Nazionale Previdenza Sociale*, INPS), the number of new open-ended contracts increased indeed as expected in 2015 but fell again in 2016 when the social security exemptions were cut. The number of fixed-term contracts increased as well in 2015 (though marginally) but continued to increase in 2016. The rise of new permanent contracts rose in 2015 both in terms of new hirings with permanent contracts as well of conversions of fixed-term contracts to permanent contracts (INPS, 2016). Additionally, the survival rates of employment relationships started by permanent contracts in 2015 using the social security exemptions have been higher in 12 and 18 months after the start of the relationship than the survival rates of those permanent contracts that did not use the social security exemption (signed in 2014 or 2015; INPS, 2017). In 2019 it will be possible to estimate if these employment relationships have higher survival rates also beyond 36 months, the maximum period of social security exemptions for permanent contracts signed in 2015.

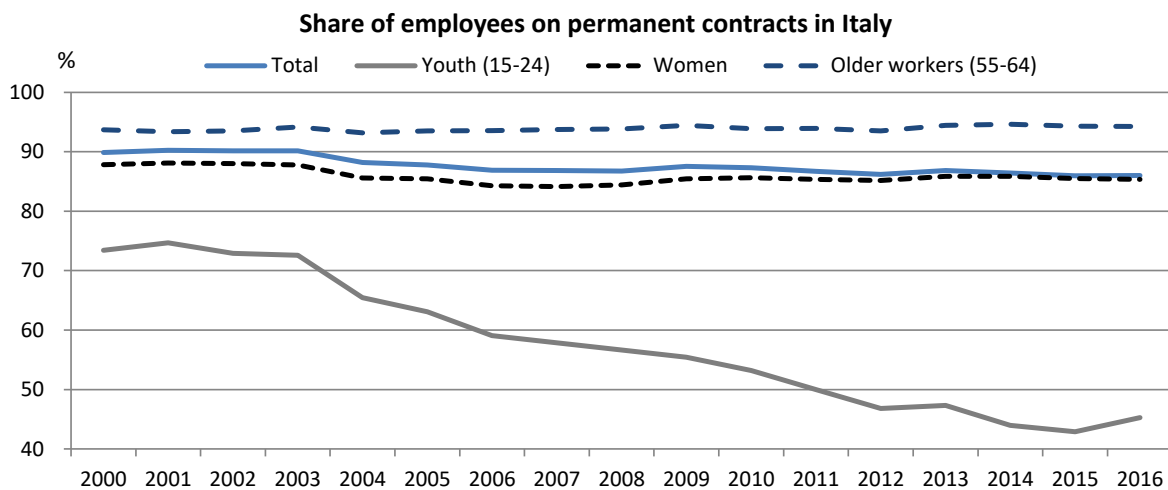
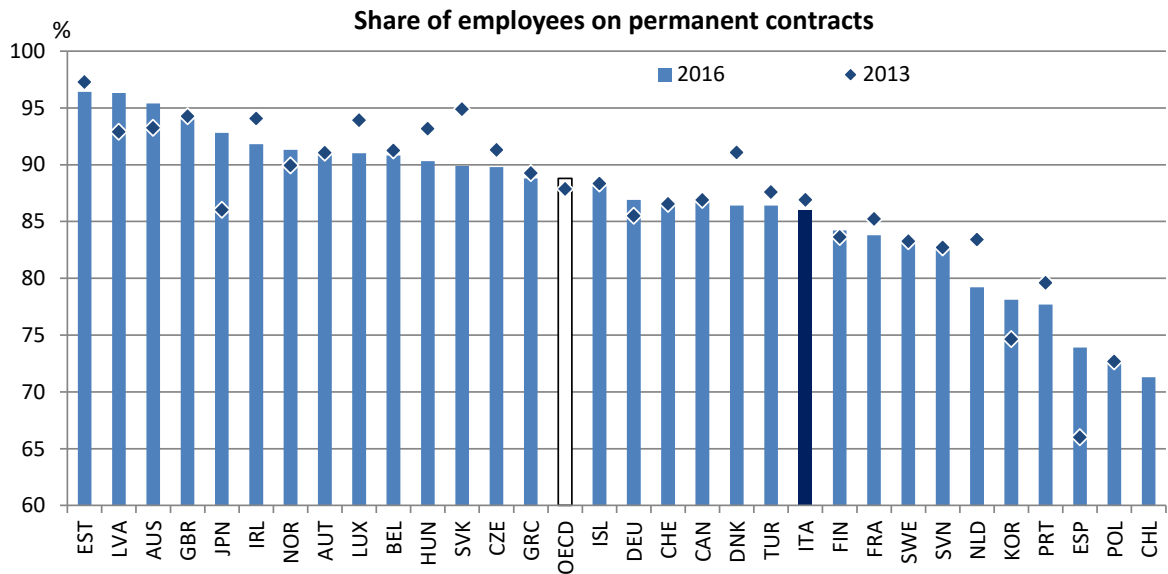
Despite the higher number of permanent contracts and their longer actual duration in 2015, the statistics for the share of employees with permanent contracts has not visibly changed, yet (figure 3.5). The share of employees with permanent contracts has slightly decreased over the years and remained stable during the past few years in Italy, whereas this share has slightly increased on average in the OECD countries (particularly in Spain and Japan). The use of fixed-term contracts

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<sup>26</sup> The Fornero reform reduced the scope of art. 18 of law 300/700 stating that the labour court must decide to apply or not the reinstatement, on case-by-case basis. Differently from the Jobs Act, this change was applied for all the workers with a permanent contract.

has been particularly common practice in Italy for young employees. During the past years, more than half of the young employees were working on short-term contracts. In 2016, the share of permanent contracts for young employees saw a slight increase, though it is questionable if this change will remain during the coming years.

Figure 3.5 The share of permanent contracts among all employees in Italy and in comparison with other OECD countries<sup>27</sup>



Source: OECD Labour Force Database.

<sup>27</sup> In the first picture data for Australia are from 2015, not 2016.

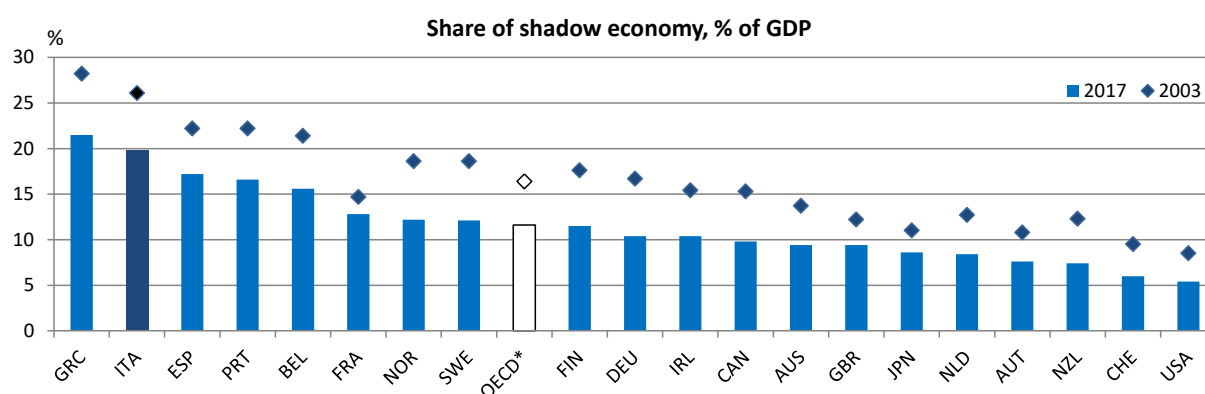
Sestito and Viviano (2016) have estimated that the exemptions on social security contributions and changes in the employment protection legislation did manage to reduce duality on the Italian labour market and encouraged labour demand. However, the larger part of the effect can be attributed to the social security exemptions. They show that the probability of finding a permanent job increased for non-employed, temporary workers in other firms as well as for temporary workers in the same firms (conversion of contract to permanent). Fana *et al.* (2017) have shown similarly that the effect of new permanent contracts has emerged mainly through monetary incentives, but also that the new permanent contracts were mostly transformed from fixed-term contracts, that a remarkable share of new permanent contracts were part-time jobs, that the increase in employment concerned mostly older employees and that the new permanent jobs emerged more in low-skilled and low-tech service sectors.

However, more time is needed to estimate the longer term effects of the exemptions on the social security contributions and the changes in the employment protection legislation. Besides increasing employment, in the aim of the policy-makers, the reduction in employment protection would have the potential to increase productivity through improved labour allocation and skill match as the firms can more easily adapt their workforce according to changing demand conditions and technology and as the workers have better opportunities to find better matching jobs (OECD, 2013).

The exemptions from the social security contributions and the changes in the employment protection legislation together with concentrating all the inspection activity related to undeclared work in a single new body (National Inspection Agency) would have also the potential to decrease the extent of undeclared work in the Italian labour market. A recent estimate by Schneider and Boockmann (2017) puts the share of the shadow economy to close to 20% of GDP in 2017 (figure 3.6). Although the share has recently decreased, it is still higher than in many other OECD countries. A study by the Study Foundation (*Fondazione Studi*) of Labour Consultants (*Consulenti del Lavoro*) claimed that in 2015 the number of informal employments decreased to 1.9 million people i.e. by 200.000 people from the year before due to the Jobs Act and three-year social security contributions exemptions (Consulenti del Lavoro, 2016). If the conversion of informal employment to formal employment indeed has taken place, the statistics for the additional employment contracts might overestimate the impact of the Jobs Act and the exemptions on the social security contributions.



Figure 3.6 Share of shadow economy among OECD countries



Source: Schneider and Boockmann (2017)

### 3.5.2. Changes in the benefit system: harmonization and universalization of benefits

A wide part of the Jobs Act has been concentrated on changes concerning PLMPs. The Italian benefit system has been characterized by long-lasting problems of fragmentation, limited and unequal coverage, generosity and absence of any link with ALMPs. The new measures have attempted to address these issues looking at three main objectives: reducing grounds for wage supplementation schemes, rationalizing the previous system into a main universal insurance scheme, supported by a social assistance benefit; strengthening the link between active and passive measures.

#### *Wage supplementation schemes*

Italy's passive policies have historically been over-reliant on wage supplementation schemes (*Cassa Integrazione Guadagni - CIG* and *Cassa Integrazione Guadagni Straordinaria-CIGS*). Even though these used to be very generous schemes, they limited the potential for mobility across firms and reallocation to more productive jobs, they left room for opportunistic behaviour due to the lack of conditionality and they covered only some workers while many others lacked effective protection (Calligaris *et al.*, 2016). There was no single scheme, but many segmented ones limited primarily by company size and by age of the worker.

Wage supplementation schemes (*Cassa Integrazione Guadagni – CIG*) have always represented a substantial share of all the Italian PLMPs. These schemes – “ordinary supplementation fund” (*Cassa Integrazione Guadagni Ordinaria – CIGO*) and “extraordinary supplementation fund” (*Cassa Integrazione Guadagni Straordinaria – CIGS*) – were introduced in the 1950s and 1960s to help firms cope with temporary difficulties or lengthier processes of restructuring. Nevertheless, over time these schemes are used increasingly to cover permanent redundancies.

Since they are not universal, one of the consequences of the massive reliance on these schemes have been the high level of differentiation in the coverage of workers, mainly by contract type and seniority, firm size and sector of activity as well as by the discretion by public authority, who can decide upon the access to the funds<sup>28</sup>. The generosity of wage supplement schemes has made them preferable compared to the unemployment benefit schemes for both employers and employees, replacing up to 80% of the wage and with a contribution up to the employers never higher than 8% of the benefit.

These schemes became functional substitute for a defective UB system, though only for the workers in specific sectors. On the firm side, at the same time, they have represented an instrument of internal flexibility in response to the strict EPL (Sacchi *et al.*, 2011). Table 3.2 compares CIGO and CIGS with the two general UB schemes<sup>29</sup> – full requirements unemployment benefit (*Indennità di disoccupazione a requisiti pieni*) and reduced requirements unemployment benefit (*Indennità di disoccupazione a requisiti ridotti*) existing before the Fornero reform, showing how CIG was preferable.

Table 3.2 Comparison between general UB schemes before Fornero reform and wage supplementation schemes

	Full Requirements Unemployment benefit	Reduced Requirements unemployment benefit	Ordinary supplementation fund	Emergency supplementation fund
Entitlement criteria	52 weeks of contribution in the last 2 years	78 worked days in the year the benefit is claimed for	Dependent workers of firms authorized to access the fund (non-standard workers excluded)	Dependent workers of firms authorized to access the fund (non-standard workers excluded) with at least 90 days of contributions
Duration	8 months (12 for over 50)	Number of days in the reference year, with a maximum of 180	3 months in a row, extendable up to 12 months in 2 years	Up to 48 months for restructuring (24 + 12 + 12)
Amount:	60% of gross wage up to 6 months; 40% for the following 2 months; 30% for further months	35% of previous wage up to 120 days; 40% afterwards; ceilings as for CIG	80% of hourly gross wage per non-worked hour; ceilings: 892 € gross per month for gross monthly wage up to 1,931 €; 1,073 €/month above	

This reliance on wage supplementation schemes has become even much stronger when, in response to the economic crisis, the government introduced the so called ‘social shock absorbers in derogation’ (*ammortizzatori sociali in deroga - AD*) with decree 185/2008, relaxing the entitlement criteria for both wage supplementation (*Cassa Integrazione Guadagni in Deroga – CIGD*) and mobility allowance<sup>30</sup> (*Mobilità in deroga*). These new criteria allowed regional

<sup>28</sup> A provincial tripartite committee chaired by representatives of the Ministry ultimately decides over the granting of CIG following negotiations with unions, and negotiates also possible extensions, on a case- by-case basis.

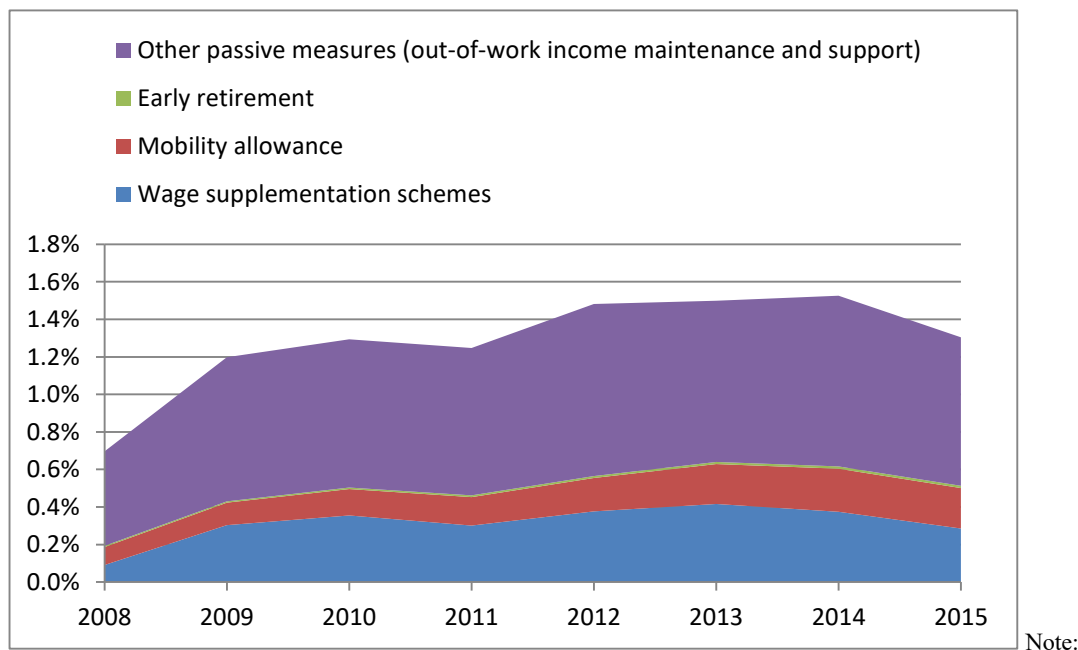
<sup>29</sup> The system of unemployment insurance included at the same time a variety of ad-hoc schemes (e.g. unemployment benefits for agricultural or construction workers)

<sup>30</sup> This scheme was introduced in early 1990s by law 223/1991. It was a very generous scheme too, particularly in terms of length. It could be considered as a scheme integrating CIGS, thus it was paid either at the end of CIGS provisions or when the firm was not able to grant the inclusion in CIGS for part of workers, putting them, once

authorities to include firms that were previously not covered due to their sector or size as well as employees on non-standard contracts. New admitted firms accessed without contributing to the insurance, being on charge of the State budget. At the same time the maximum potential period for wage supplementation was extended virtually indefinitely<sup>31</sup>. For this purpose, the government earmarked almost 12 billion euros between 2009 and 2015 (8.1 billion for CIGD and 3.5 billion for *Mobilità in deroga*) partially co-financed by regions and ESF. In addition to this, wage supplementation schemes continue to lack conditionality, since there has never been any link with active labour market measures.

The share of wage supplementation schemes and mobility allowance forms around 40% of the total expenditure of PLMPs in Italy (Figure 3.7). This share increased to that level during the crisis due to the introduction of AD.

Figure 3.7 Share of wage supplementation schemes and mobility allowance on the total expenditure for PLMPs (percentage of the GDP)



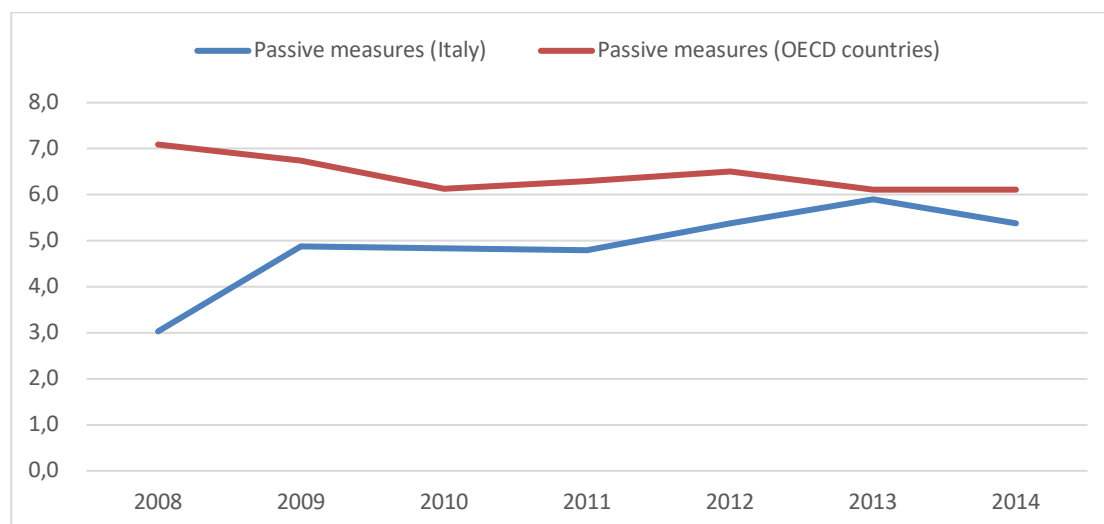
Source: Eurostat

The coverage of PLMPs in Italy has always been under the average of the OECD countries despite the high level of expenditure (figure 3.8), as the coverage of workers has been unequal and fragmented. The increase in the number of recipients after 2011 is due to the relaxed criteria of AD, showing again a decrease after 2013.

authorized, in these “mobility lists”. Like CIG, it was subject to the same procedures of authorization by public authorities.

<sup>31</sup> The extension was regulated by regional tripartite agreements, conditionally on the availability of resources in the regional budgets, where resources were assigned to regions after rounds of negotiations with the Treasury Ministry.

Figure 3.8 Share of recipients of PLMPs comparing Italy with OECD average (participant stocks as a percentage of the labour force)



Source: OECD/Eurostat

The government decided for a progressive reduction of AD<sup>32</sup> in 2012 (the Fornero reform). At the same, two new general unemployment schemes were introduced – “Social Insurance for Employment” (*Assicurazione Sociale per l’Impiego* – ASPI) and “Mini- Social Insurance for Employment” (mini-ASPI). These were to replace all the other schemes existing until that point (with the exemption of unemployment benefits for agricultural workers).

Later on, in 2015, the harmonization of CIGO and CIGS occurred with the Jobs Act, by means of the decree 148/2015. The new norms have reduced ground for redundancies, extending their usage and better linking with ALMPs.

The coverage of contract types has been extended to all employees, the length reduced considering CIGO and CIGS cumulated up to a maximum of 24 months over a moving five-year period. The cost for firms is made more responsive to the actual use of the schemes, by making their contribution proportional to the extent of the CIG used<sup>33</sup>.

Bureaucratic procedures are simplified too by smoothing the access procedure to the funds: the authorization is now granted directly by INPS and local committees have been abolished<sup>34</sup>.

<sup>32</sup> Fornero reform abolished CIGS in the events of bankruptcy or insolvency and mobility allowance (from the 1<sup>st</sup> of January of 2017). In order to extend coverage to sectors not covered by CIGO and CIGS, “bilateral solidarity funds” were introduced, to be established by social partner as part of collective agreements and entirely relying on insurance contributions of both employers and employees.

<sup>33</sup> For the first 12 months, there will be an increase equal to 9% of the wage lost by the worker, which will rise to 12-15% once the 12-month threshold of use is exceeded.

<sup>34</sup> For CIGS it has been also abolished commitments towards unions in terms of preventive communications

Concerning the link with ALMPs, workers whose working hours are reduced by more than 50% are required to sign the "personalised service pact" with employment services, as well as other recipients of UBs, following the same principles of conditionality later introduced by the decree 150/2015.

### *Unemployment benefits*

The substantial change provided by the Jobs Act in the system of unemployment benefits (UBs) has intervened following two main lines. First, it extended the previous system of UBs by creating a single main insurance scheme called “New Social Insurance for Employment” (*Nuova Assicurazione Sociale per l’Impiego*, NASPI, see Table 2) and a smaller specific one for dependent self-employed workers (*Disoccupazione collaborator*, DIS-COLL). Secondly, it introduced a means-tested scheme to address poverty risks (*Reddito di Inclusione*, REI).

*Table 3.3 Comparison between the old system (ASPI and Mini-ASPI) and the new one*

	Social Insurance for Employment (ASPI)	MiniASPI	New Social Insurance for Employment (NASPI)
Entitlement criteria	13 weeks of contributions in the four years before the beginning of the period of unemployment, and at least 30 working days in the 12 months preceding the same period.	first contribution payment at least two years before the beginning of the period of unemployment. 12 months of contributions in the two years preceding the same period	13 weeks of contributions during the 12 months preceding the beginning of the period of unemployment.
Duration	Half the number of weeks for which contributions were paid in the four years before the start of unemployment. Maximum duration is 24 months in 2015 and 2016	from 10 to 16 months depending on age	Half of the number of weeks for which contributions were paid over the 12 months preceding the beginning of unemployment.
Amount:	75% of the first €1,195 of wages 25% of wages over €1,195 The maximum allowance is €1,300. The benefit decreases by 3% each month starting from the fourth month.	75% of the first €1,195 of wages 25% of wages over €1,195 The maximum allowance in 2015 is €1,167. The benefit decreases by 15% after the first six months and by a further 15% after 12 months.	75% of the first €1,195 of wages 25% of wages over €1,195 The maximum allowance in 2015 is €1,167.

The Jobs Act reform of PLMPs started on March 2015 with the introduction of NASPI. This instrument has replaced previous two schemes that were created by Fornero reform in 2012 (ASPI and Mini-ASPI), harmonizing entitlement and eligibility criteria and extending both coverage and duration of the benefit (Table 3.3). With the exemption of the unemployment insurance for agricultural workers, NASPI represents now the single unemployment insurance scheme in Italy, being fully implemented from the 1<sup>st</sup> of May 2015.

The integration of the previous schemes has resulted in more relaxed entitlement criteria. First of all, contrary to the previous system, NASPI applies also to workers whose contract has been terminated consensually or by resignation. At the same time, an increase in the coverage rate of unemployment benefits has been achieved by loosening the entitlement criteria.

Table 3.4 shows the number of unemployed people entitled to NASPI in 2015 and 2016 and compares this with the situation in which they would have filled requirements to access the previous ASPI/Mini-ASPI system. In both years, the number of benefit recipients would have been almost 6% lower. The new system appears to benefit particularly the workers on temporary contracts. This effect could be due to the more relaxed entitlement criteria. It would mean that the new scheme might enable an easier accumulation of working records, as career breaks have probably smaller impact on the benefit entitlement.

*Table 3.4 Extension in coverage of NASPI compared to previous ASPI/Mini-ASPI system (years 2015-2016)*

	2015			2016		
	Total number of recipients	Number of recipients who would have not been entitled to ASPI/Mini-ASPI	% of persons not entitled under the old system	Total number of recipients	Number of recipients who would have not been entitled to ASPI/Mini-ASPI	% of persons not entitled under the old system
<b>Total</b>	<b>1.300.385</b>	<b>73.616</b>	<b>5,7%</b>	<b>1.579.311</b>	<b>91.800</b>	<b>5,8%</b>
Open-ended contracts	429.650	15.007	3,5%	581.998	19.339	3,3%
Fixed-terms contracts	625.486	38.061	6,1%	726.631	50.553	7,0%

*Source: INPS (2017)*

The new scheme has not changed the criteria establishing the amount of the benefit compared to ASPI, granting 75% of the monthly “standardized” wage<sup>35</sup> for those who earn up to a threshold of 1.195 euros per month<sup>36</sup>. For wages above the threshold, the benefit is equal to 75% of it plus 25% of the difference between the monthly wage and the threshold itself, limiting the maximum benefit at 1 300 euros<sup>37</sup>. However, the main effect of NASPI occurs due to its duration. This benefit is granted for a number of weeks equal to half the weeks of insurance contribution<sup>38</sup> in last 4 years, while this window of time to find weeks of insurance contribution for ASPI was restricted to only one year.

The maximum potential period of NASPI is now in total a few months longer than ASPI used to have (table 3.5). The increase is particularly high for open-ended contracts due to the higher

<sup>35</sup> The amount of the benefit is related to the taxable wage of the last four years divided by the number of contribution weeks and multiplied by the number 4,33.

<sup>36</sup> For ASPI, this threshold was established at 1.180 euros.

<sup>37</sup> This threshold is revalued annually on the basis of the variation in the index of the consumer goods for the workers' and employees' families in the year before.

<sup>38</sup> Contributions are paid by employers in the share of 1.61% of the wage for permanent contracts, 3% for fixed-term contracts.

number of recognized weeks of contributions in the period before unemployment that are used to establish the duration of benefit. This means that people working more continuously (with less career breaks) might benefit more from the new system.

Table 3.5 Extension in duration of NASPI compared to previous ASPI/Mini-ASPI system (years 2015-2016)

	2015			2016		
	Total number of benefits granted	Average duration of NASPI (months)	Average duration of ASPI (months)	Total number of benefits granted	Average duration of NASPI (months)	Average duration of ASPI (months)
<b>Total</b>	<b>816.574</b>	<b>13,8</b>	<b>10,9</b>	<b>966.716</b>	<b>13,8</b>	<b>12,8</b>
Open-ended contracts	319.410	17,7	11,3	433.603	17,5	13,1
Fixed-terms contracts	383.480	11,8	10,7	405.398	11,4	12,5

Source: INPS (2017)

With the same decree that regulates NASPI, also two other new schemes have been introduced, complementing the main one. The first one is an unemployment benefit for dependent self-employed workers (*Disoccupazione collaboratore* - DIS-COLL)<sup>39</sup>. Its access requires a minimum of three months of contributions, from the beginning of the year preceding unemployment. The duration and amount of the benefit are the same as for the NASPI, with the only difference that the maximum duration cannot exceed six months. It represents the first protection introduced for an emblematic category in the Italian dual labour market: the dependent self-employed workers, mainly referring to collaborators (*collaborazione a progetto*), whose share in Italian labour market has dramatically increased after the liberalization of this kind of contracts by the Biagi Reform in 2003.

Another important novelty in the chapter of passive labour market policies is the introduction of an unemployment assistance scheme, the *Assegno Sociale di Disoccupazione* (ASDI) that relies on general taxation. This benefit is targeted to those unemployed who have not fulfilled the minimum entitlement criteria of NASPI or who have exhausted its maximum period, but who continue to be unemployed and also in poverty<sup>40</sup>.

<sup>39</sup> This scheme originally corresponded to an experimental and temporary measure in the intentions of the government, since most of this kind of contracts (“project collaborations” – *collaborazioni a progetto*) have been abolished with the Jobs Act, being transformed in the new permanent contract type from the 1<sup>st</sup> of January 2016. There remain, instead “continuative coordinated collaborations” (*collaborazioni coordinate e continuative*) contract form used in cases of some particular categories. The government decided to confirm DISCOLL as stable measure after the decree 81/2017, addressing the benefit to those workers paying the threshold of 34% of unemployment benefit contribution at the “separated insurance” of INPS (“*gestione separata* INPS), a fund for specific and residual categories of self-employed workers.

<sup>40</sup> The amount of this unemployment benefit was equal to 75% of the NASPI, and it was due for a maximum duration of six months after the period of the unemployment insurance if the worker remained in a situation of particularly difficult conditions: yearly household income not higher than 5.000 euros, being close to the retirement age (at least 55 years old) or having children. In addition to this, the recipient had to fulfil a specific “personalized project” conditioning the benefit to the active job search

However, with the decree 147/2017, ASDI has been replaced by “Inclusion Income” *Reddito di Inclusione* (REI)<sup>41</sup>, extending both benefit coverage and duration. REI was originally designed with entitlement criteria related both to the family composition<sup>42</sup> and the household’s income<sup>43</sup> and then changed with budgetary law 2018 removing family requirements from the 1<sup>st</sup> of June 2018. . All the components of the household have to agree to a “personalized project”, involving not only employment services but also social assistance services. The benefit is then conditioned not only to active job search, but also to other commitments, such as health care and prevention or attendance to school for minors, in order to help families to overcome poverty and address social exclusion.

REI represents an institution that exists in almost all OECD countries. It is usually expensive for public budgets since it is paid with general taxation, and this is the reason why, where it exists, it is strongly conditioned to the obligation of the unemployed to actively seek work and to accept job offers by employment services. In the intentions of policy-makers, the introduction of this new means-tested unemployment benefit would bring Italy in the best conditions to complete its own income support system conforming to the most widespread model in Western Europe, with the protection against unemployment organized on two pillars, social insurance and social assistance (Sacchi, 2014).

#### *The link between passive and active labour market policies*

The intention of the government has been to change the traditional characteristics of UBs in Italy: high benefit level, but low and highly fragmented coverage and poor link with ALMPs. The main goal of the Jobs Act has been to reduce the reliance on wage supplementation schemes, to introduce more “harmonization” and “universalization” of UBs and linking their duration to the previous labour market history, to introduce means-tested measures complementing insurance ones, and to strengthen the principle of conditionality.

To this purpose, the link between passive and active labour market policies has been improved by the decree 150 of September 2015 which strengthened the principle of conditionality by introducing three changes: more gradual application of sanctions in case jobseekers are not

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<sup>41</sup> This scheme has resulted from the combination between ASDI and “Sustainment for the Active Inclusion” (*Sostegno all’Inclusione Attiva – SIA*), introduced in 2016, a social assistance scheme to address poverty based on households’ income and managed by municipalities.

<sup>42</sup> To obtain the benefit there should have been in the household at least one of these conditions: an older unemployed (over 55), a child, a pregnant woman, a disabled.

<sup>43</sup> Household’s income not superior than 6.000. This threshold is accompanied by the provision of ISRE (income indicator in relation to the composition of the family nucleus) up to 3.000 euros, real estate not exceeding 20.000 euros and movable up to 10.000 euros (6.000 euros for singles, 8.000 euros for couples). The amount of the benefit is not more related to the previous wage, but it is on fixed rates depending on family composition, until a maximum of about 500 euros in case of five people in the household. REI, therefore, assigns an allowance lower than ASDI on monthly basis, but for a longer duration, up to 18 months.

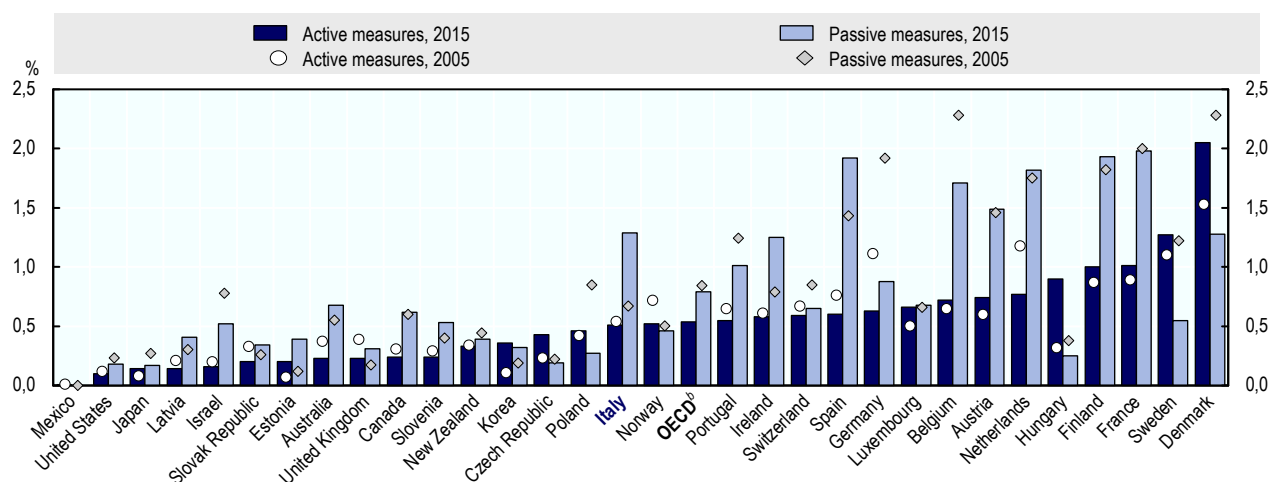


complying with commitments agreed, the creation of the state agency for active policies and the design of a connection with INPS (the institution responsible for the delivery of the benefits). This decree introduced for the first time a principle of gradual sanctions for jobseekers not respecting commitments agreed with operators in their personal service pacts (*patto di servizio personalizzato*), proceeding according to different steps of curtailments of benefits depending on the kind of obligation not fulfilled.

This represents an important change since until the Jobs Act the application of conditionality was expressed with more rigidity, establishing a complete loss of the benefit in any lack of commitments for the obligations with employment services. Despite this definition, conditionality was never applied in practice. Nevertheless, it is not sure that more flexibility will improve the application of conditionality (see the next section). In these respects, one of the objectives of the new state agency should be also to define a structure aiming at managing the integration between passive and active policies, despite that the competence over subsidies remains in the hands of INPS. The Italian system is indeed not a one-stop-shop for the clients due to this fragmentation in the administration of labour market policies. To this point the decree 150/2015 has introduced specific provisions concerning the relationship between public employment offices and INPS, establishing that the former have to communicate to the latter the sanctions to be applied. The decree, to this point, explains that they should interact by means of an integrated single IT system, aiming at sharing information about both PLMP and ALMP users. The finances saved by applying sanctions on benefits are used to finance the system of ALMPs. So far, the implementation of such infrastructure has not been completed.

Nevertheless, the main challenge seems to remain in the lack of sufficient resources for employment services in order to better address their matching function and enabling well-functioning mechanisms of conditionality. Comparing Italy with other OECD countries, the share of public spending on active measures remains still quite low respect to that on passive measures (figure 3.9). This feature could be related to the substantial growth in expenditure for passive labour market policies during the years of the economic crisis, due to the massive reliance on wage supplementation schemes as policy response adopted in that period, while the expenditure for ALMPs remained the same as ten years before. This resulted in an increase in the difference between the expenditure on active and passive measures.

Figure.3.9 Public spending on active and passive measures, percentage of GDP, 2010-2015 average<sup>44</sup>



Source: OECD/Eurostat and Grubb and Puymoyen (2008)

Despite that there is now a single and universal scheme with NASPI, the Italian LMPs continue to reveal a very unbalanced relationship regarding the expenditure on active and passive measures, being in favour of the latter. A similar situation can be seen in other Mediterranean countries such as Portugal and Spain.

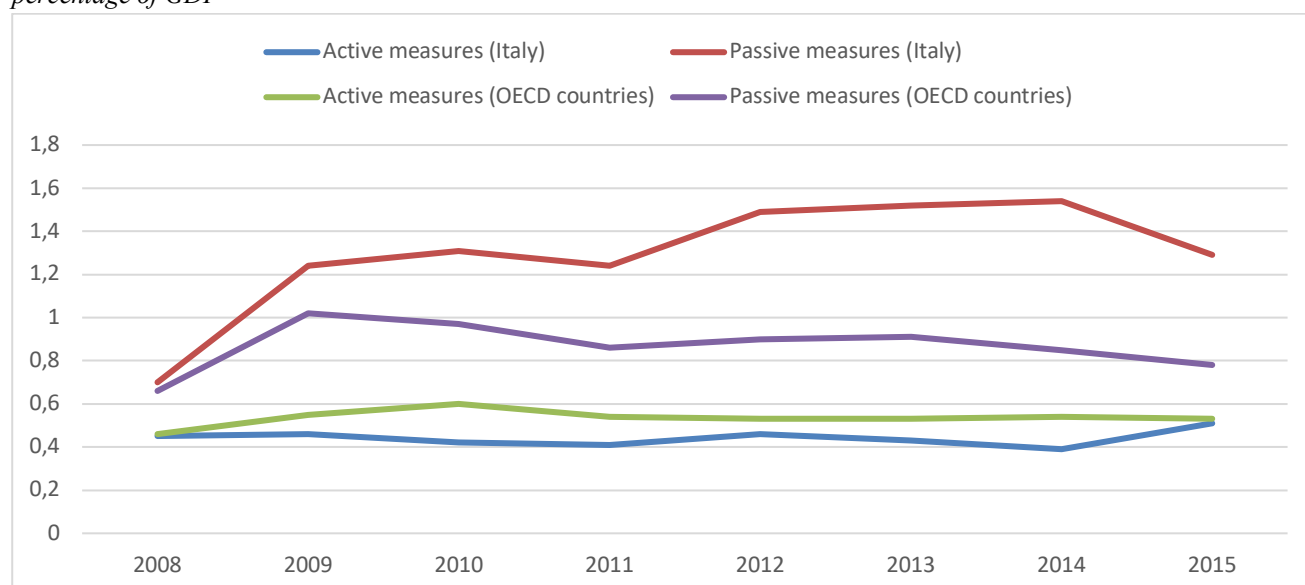
Figure 3.10 shows how these levels have changed during recent years, until the Jobs Act. PLMPs' expenditure has been always above the OECD average, even growing between years 2011 and 2014, while ALMPs' expenditure has been always below the OECD average, even decreasing during the same period. So far, the Jobs Act seems to not change this feature, despite putting more efforts on active measures. Some inversion, showing an increase in expenditure for active measures and a decrease in expenditure for passive measure can be seen after the 2014. However, if the conditionality mechanisms will not work, as it is so far the case, the picture will continue to be very difficult to reverse.

<sup>44</sup> Countries are ranked in increasing order of active measures in 2015. For more details about the categories, see Grubb and Puymoyen (2008).

Data refer to FY 2004/05 for the United Kingdom and New Zealand (instead of 2005); they refer to FY 2011/12 for the United Kingdom, to 2014 for Estonia and to FY 2014/15 for New Zealand (instead of 2015).

Unweighted averages of 31 OECD countries where both active and passive measures are shown for all years referring to the respective panel, i.e. except Chile, Greece, Iceland and Turkey.

Figure 3.10 Public spending on active and passive measures over time, comparing Italy with OECD average, percentage of GDP



Source: OECD/Eurostat

### 3.5.3. Changes in PES and ALMPs

#### *The National Agency for Active Labour Market Policies*

The starting point of the decree 150/2015 can be certainly considered the creation of the ANPAL, as new organisation on national level.

Originally, ANPAL was conceived with the idea to return to a centralized State-led operated model, in which the agency would have had the responsibilities of managing directly the whole PES system. The reasons for this choice had to be found in the awareness of policy-makers about the failure of the decentralization introduced by previous reforms at the end of nineties, resulting in high levels of fragmentation, and thus to increase the effectiveness of ALMPs centralizing the competencies for employment services. The context become even complex after law 78/2015 with which provinces were abolished and responsibilities for employment services have been transferred from provinces to the regions, without transferring the corresponding budget. This has added severe repercussions on the already problematic implementation process, because it represents a crucial enabling mechanism. On July 2015, an agreement between State and regions established the costs for the local offices to be shared (2/3 and 1/3 accordingly), although the negative outcome of the referendum in the end of 2016 put this agreement in jeopardy. As of now, a solution has still not been reached (Pinelli et al., 2017). However, this shift of competencies required a constitutional reform to be approved with a referendum, held on the 4<sup>th</sup> of December 2016, which resulted in the rejection of the reform and thus in the failure of the original project.

Due to the negative outcome of the referendum, its role was redefined as the coordinator of the network of employment services. The network of employment services is established with the decree 150/2015 giving it the task to introduce actions and services aimed at improving the efficiency of the labour market for both employers in terms of satisfying skill needs and for jobseekers by providing support for labour market integration. The network consists of many different actors:

- ANPAL as coordinator of the network, monitored and steered by the Ministry of Labour and Social Policies;
- regional structures for active labour market policies. The regions have the competencies to provide the employment services through their local employment centres (CPI), which previously, were in charge of provinces;
- INPS (the National Institute for Social Protection) being in charge of UBs, a national centralised organisation;
- INAIL (the Institute for Insurance against Accidents at Work) cooperating with PES regarding job integration of people with work-related disabilities;
- private (accredited) providers of employment services providing active measures alongside PES;
- inter-professional funds for lifelong training and bilateral funds (i.e. funds for training measures for which the task of supervision is given by the reform to ANPAL);
- ISFOL (the Institute for the Development of Workers' Professional Training) changed by the same decree in INAPP (National Institute for Public Policy Analysis). Some staff of ISFOL was transferred to ANPAL as part of the reform. The main task of INAPP is to study, monitor and evaluate public policies, including labour market policies;
- “Italia Lavoro S.p.A.” changed to “ANPAL Servizi S.p.A.” and transformed into an in-house entity of ANPAL. While Italia Lavoro used to be a joint-stock company owned by the Ministry of Economy and Finance mainly to manage locally the provision of employment services from ESF funding, the transformed “ANPAL Servizi” (now a joint-stock company owned by ANPAL) should assist and support ANPAL in its activities. As ANPAL Servizi contrary to ANPAL has employees also at the regional level, it assists also regions and CPIs locally (though considering the guidelines from ANPAL);
- the Union of the Chambers of Commerce, Industry, Crafts and Agriculture (called *Unioncamere*) regarding an input for trainings (anticipating skill needs), universities and upper secondary schools regarding training provision.

All these organisations existed in some form also before the reform. Thus, the creation of this network was a slight rearrangement of responsibilities between the organisations rather than creating a new set-up of employment services. Even ANPAL is not an independent agency, being still steered and monitored by the Ministry (similarly to several other organisations in the network of employment services).

Though ANPAL coordinates the network, it is not responsible for ALMPs. The Ministry of Labour and Social Policies together with the regions identify the relevant strategies, objectives and priorities. Specifically, the Ministry of Labour and Social Policies acting together with the State-Regions Conference is responsible for fixing three-year strategies and yearly objectives regarding active labour market policies and for defining minimum service levels throughout the

country. The Ministry and the Regions sign yearly framework agreements regulating the relations and obligations concerning the management of employment services and active labour market policies, the activities that are outsourced from the private accredited operators and the duties entrusted to ANPAL. Consequently, the governance of PES in Italy involves the Ministry of Labour and Social Policies and ANPAL on the national level and 21 regions steering the CPIs. The agency is hence not tasked with setting the objectives and strategies for PES in Italy but has the power to coordinate the activities between the relevant stakeholders to develop these strategies.

ANPAL coordination of the network of employment services should go through common tools offered to regions, aiming at improving the ability of the local government level to deliver the services, as well as monitoring and evaluating territorial performance.

In this respect, the decree introduces a new form of accreditation, now based on the national level. As well as foreseeing, as defined by the previous Biagi Reform, that regions define their own accreditation schemes, the reform recognizes that private providers can now make their request of accreditation directly to the ANPAL, becoming accredited on the entire national territory. To this purpose, ANPAL has set up a specific national registry for these operators. This provision has been specifically conceived also to overcome the problem of providers wanting to operate in regions without an accreditation scheme (or with a stricter one). More in general, in the intention of the policy makers, this kind of provision is intended also for the majority of regions without a consolidated system, due to the recent introduction in time we have seen in the previous paragraph.

Among the tools in the hands of ANPAL we find also the goal to realize an integrated single IT system of active labour market policies (*Sistema Informativo Unitario*- SIU). A well-functioning and supportive IT infrastructure is an integral part of a modern PES, the backbone for the tasks that it performs. A well-developed IT infrastructure and digitalisation, in particular, should have the potential not only to increase the efficiency (doing more with less) and effectiveness (targeted measures, better matching of vacancies and jobs, data supported decision making) of the public employment services, but also customer satisfaction and transparency can be enhanced (Pietersen, 2016). The highly fragmented division of responsibilities for employment services in Italy over the past decades has led to an abundance of IT systems and databases on provincial and regional levels. Due to this fragmentation it has never before been possible to have an overview of the number of clients registered with PES, monitor the activities of local employment offices or evaluate the effectiveness and efficiency of employment services provided across Italy. Before the reform there were no unique online platforms available for the jobseekers or employers facilitating the communication with the system of employment services and supporting the matching of jobseekers and vacancies across Regions.

Therefore, the Jobs Act and the related strategic documents assign ANPAL several tasks related to digitalisation, the IT infrastructure and data exchange. The new SIU should serve as the basis for monitoring the activities and effectiveness of the Regions and the CPIs allowing introducing performance management in the system. SIU has an application that allows integrating data from

the existing Regional IT systems. It will have also functionalities to exchange data with other organisations such as providing data on activation conditionality on benefit recipients to INPS and receive data about the jobseekers from the databases concerning education information, income and income tax returns data, land and real estate data. Data exchange is envisaged also with INAPP to enable it to evaluate training activities and active labour market policies. SIU should also benefit the jobseeker clients and citizens to integrate data from the online registration platform (data about jobseekers declaring their availability to work, DID) and proving them a “worker’s dossier” i.e. generating a file containing the information about them available in the system. In the context of this goal, ANPAL has implemented in November 2016 the first SIU version. Subsequently, from December 2017 the agency has introduced the provision that the certifications of unemployment status should be released only by the online channel. The release of this certificate has always represented the first step at the entrance in a local employment centre, and its telematic form is conceived to reduce the workload of the public operator. To strengthen conditionality the online DID has been connected also to the procedure to apply for UBs. In this respect, the decree 150/2015 established that the request for NASPI should be intended as an equivalent of the declaration of unemployment. Once the request for the benefit is released INPS should send it to the local employment centre in charge. For the purposes of conditionality, then, in the reverse direction, employment centres should send to INPS communications related to the sanctions that should be applied in terms of benefits reductions for non-respected commitments by the jobseekers. Anyway, the interoperability of INPS data on UBs recipients is still proceeding following a very slow and laborious implementation.

The first steps building this infrastructure have not gone however very smoothly for ANPAL. To date, the data quality is not high enough yet to serve as a reliable input in the decision-making process and performance management system.

### *Strengthening benefit-conditionality*

Besides restructuring the PES system, the Jobs Act also targets the content and above all the quality of ALMPs.

The Jobs Act aims at harmonizing the concept of ALMPs and setting minimum quality standards in the otherwise diverse regionalised system. The decree 150/2015 defines the basic concepts such as the status of unemployment and it identifies general principles of ALMPs. As the responsibilities to design and provide active measures have been decentralised over the past years, the set of measures provided in different parts of Italy are varied. The Jobs Act outlines the set of active labour market policies that has to be available for the jobseekers across Italy. However, regions can (and they do) deliver additional measures to this minimum set of measures. The Jobs Act calls also for the establishment of minimum quality standards for the outlined active measures with the help of ANPAL. The agreement for these minimum standards was reached with the Regions the first time in the end of 2017 and these are fixed in the “Triannual Strategy for the Action on Active Policies”. However, monitoring of the implementation of these minimum

quality levels has remained yet problematic. The preliminary performance management system has to be developed further to accommodate monitoring of the quality of services<sup>45</sup>.

The other major change in the concept of labour market policies is the shift from passive towards active labour market policies. As the aim is to increase the activity of jobseekers and make benefit receipt conditional on activity, on the one hand, and, on the other, to increase the personalised support for the jobseekers, a new “individual service pact” is introduced by law. After registration through an online system as unemployed, a jobseeker has to contact a local employment office within 30 days to confirm the status as unemployed and the local employment office has to propose an individual service pact within 60 days after registration. The service pact is in essence an individual action plan (or job integration agreement) used in some form by all of the public employment services in the European Union (Tubb, 2012; Wittenberg *et al.* 2016)<sup>46</sup>.

The service pact lays down mutual obligations of the jobseeker and the employment office. The operator commits to deliver measures according to the individual needs of the jobseeker (e.g. job search counselling, training, reintegration voucher, UBs) and the jobseeker agrees to participate in these activities, take steps to find employment and accept suitable job offers. A failure to comply with these activities (no-show to an appointment in the employment office, failure to participate in an active measure or refusal of a suitable job offer) incurs sanctions on benefits ranging from the reduction to the termination of unemployment benefits (NASpI and DIS-COLL, REI), as well as the reduction or loss of income support measures (CIGO, CIGS, Solidarity Contract and Solidarity Funds). Although the conditionality on benefits existed in the legislation already before the introduction of the Jobs Act, these principles have never been implemented (Pinelli *et al.*, 2017). At the same time, provisions related to conditionality already introduced in the past, did not take into account any graduality of the sanctions, implying the full loss of the benefit for the recipient regardless the kind of violation.

The decree 150/2015 has aimed at enforcing the implementation by foreseeing disciplinary and financial sanctions for the staff in employment offices failing to apply the sanctions on benefit recipients and rewards them in case of compliance. The employment offices have to communicate the events of jobseekers violating their activities to ANPAL and INPS which executes the resulting benefit adjustments. The regions receive 50% of the benefits saved due to applying sanctions to be used for incentive tools for staff in local employment offices and the remaining 50% of benefit savings goes to the national fund for ALMPs.

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<sup>45</sup> The set of indicators agreed in the Triannual Strategy for the Action on Active Policies in December 2017 contain some indicators related to this area (e.g. number of active measures provided and the share of participants in employment after 3, 6 and 12 months). However, no target for these indicators has been set yet nor are there any data available yet as of summer 2018.

<sup>46</sup> Besides the concept of the service pact, also the individual action plans have been used by the Italian Regions. Even though the decree 150/2015 provides only the concept of the service pact, some Regions/CPIs sign two different agreements with the jobseeker, the service pact targeting more the services to be provided and the individual action plan targeting more the pathways to work. However, the provision of services and the pathways to work should be complementary and integrated into one administrative activity to decrease administrative burden in the offices.

Regardless of the mechanism provided in the Jobs Act for conditionality, this concept is still not implemented in Italy. The biggest obstacle at the moment is that the concept of a suitable job offer is not yet furnished. The law obliges the Ministry of Labour and Social Policies to define it based on a proposal by ANPAL. As this is not done, the CPIs and operators are afraid to apply the activation conditionality due to the possible lawsuits as it would not be possible for them to prove that the job offer was suitable. Nevertheless, even if the term of suitable job offer will be defined, there would be difficulties for the operators to prove that the jobseeker refused it. Thus, also the processes and IT systems have to be amended to support the application of benefit-conditionality. The staff in the CPIs have to be trained to implement such measures, making them aware of its objectives and build the know-how to use the appropriate tools. The monitoring and performance management system have to be developed further to accommodate ALMPs<sup>47</sup>. Nevertheless, it will be unavoidable that the application of conditionality will incur some lawsuits from jobseekers and the regional authorities have to devote some additional budget for legal costs. Yet, the additional legal costs will be marginal compared to the additional benefits that the application of activation conditionality brings if implemented properly.

Additionally, the online tools for communicating violations of the activities by jobseekers and the following sanctions to the INPS, as we have seen in the previous sub-paragraph, have not become fully functional yet, meaning that the data exchange is not properly facilitated and any communication attempt is at the moment rather burdensome. Furthermore, we have to remember that the number of vacancies mediated by PES is very low, which also makes it harder for the operators in the CPIs to apply the benefit-conditionality (refer jobseekers to suitable jobs). More in general, conditionality has been proven to be the most difficult to implement and several further changes have to be made in the system before conditionality could take effect successfully, taking a few years despite of the additional new mechanisms provided by the Jobs Act.

#### *The “reintegration voucher”: developing a quasi-market model of service delivery*

Among the task assigned to the ANPAL we can find also the promotion of the *assegno di ricollocazione* (AdR), a scheme conceived, in the intentions of the policy maker, as one of the major innovations for the renewal of ALMPs in Italy and consistent with the goal of overcoming regional fragmentation. According to this scheme, the jobseeker, after an accurate profiling phase, carried out by employment centres, may receive a voucher quantified in terms of his employability (the harder to place jobseekers needing more intensive support). The same jobseeker, at that point, can freely choose how to spend those resources, among the provision of services delivered by public and private operators, in competition to “gain” the public resources directly assigned to the user through the voucher. As we will see more specifically later on, this provision aims at increasing the role of private providers, in order to compensate the limited resources of the public

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<sup>47</sup> In the set of indicators agreed in the “Triannual Strategy for the Action on Active Policies” on December 2017, also indicators for the sanctions applied on benefit recipients and for the number of service pacts signed are included. However, no target has been set for these indicators yet nor is it clear how to gather the data for them.



providers as well as stimulating competition between the public and private providers, thus aiming at a major market exposure of the system. In this respect, we could say that the AdR should be related also with the national accreditation regime, which aims at favouring the involvement of private providers and therefore might be considered as a precondition for the implementation of the AdR.

This scheme should not be completely considered as novelty, since it had been however anticipated already in the previous two years. The first time it appeared the mention to a *contratto di ricollocazione* was with the budgetary law of 2014, leaving to regions the task to promote the measure in an experimental way. Subsequently, the experimentation has found only few policy translations in regional schemes –Lazio and Sicilia, with Sardinia and Veneto applying the scheme only limited for workers receiving benefits for the outplacement – due to limited resources assigned from the government for its implementation<sup>48</sup>. One year after, in the context of the decrees implementing the Jobs Act, the decree 22/2015 re-introduced a new discipline for this scheme, merging it with the reorganization of the UBs. In this case the measure was not more linked to regional experimentations and presented as national scheme, addressed to all the jobseekers. However, the subsequent decree 150/2015 has again rewritten the entire discipline. The scheme has been presented always as a national scheme, but the area of the recipients has not more coincided, in the design of the decree 150/2015, to all the jobseekers, since the access to the measure has been restricted only to UBs recipients, receiving NASPI from at least 4 months, probably due to the persistence in funding problems. We might then say that with this change the scheme has lost its original universal address, despite this restriction in the area of the recipients has put in evidence one of the first goal of the policy makers with the introduction of the AdR: to build a strong link between passive and active policies. Nevertheless, the AdR has been conceived as a measure activated on voluntary basis. In the design of the decree 150/2015, the unemployment benefit recipient from at least 4 months at the moment of the definition of the individual service pact in an employment centre, may ask to the operator for the AdR. So far as the employment centre does not call the jobseeker within 60 days, this can make a request for the AdR directly to the ANPAL. Once the jobseeker has been profiled he can choose from which operator to spend the voucher, with a duration of 6 months for the delivery of the assistance, with the possibility to extend for another 6 months if the placement has not been achieved. As we have already anticipated, two important aspects of the scheme are the characteristics of the payments for the operators, since they are targeted to the features of the beneficiary, growing in relation to his employability, and they are outcome-based, granting the reimbursement of the voucher obtained only in case of positive successful placement. In relation to this last aspect, the norm of the decree 150/2015 does not specify what should be considered a positive successful outcome in terms of placement and this, as we will see, may have significant consequences. We can only suppose that a valid duration of an employment contract for a successful outcome might be computed in a minimum of 6 months. This reference is obtained indirectly, since the decree specifies that the

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<sup>48</sup> The Labour Ministry assigned 55 millions for the Active labour market policies fund” (*Fondo Politiche Attive*) divided in 15 millions for the 2014, 20 millions both for 2015 and 2016.

assistance is suspended whether the user obtain a contract of this duration (Valente 2017). The AdR represents one the innovations introduced by the Jobs Act that most symbolize the change in the paradigm in Italian labour policies, from the previous “job-protection” – responsible for the dualization of the labour market - towards the search for the modern concept of “flexicurity” (Caruso and Cuttone, 2015). More precisely, this instrument should provide the element of “security”, to compensate the massive flexibilization of employment relationship introduced with the elimination of the reinstatement in case of unjustified dismissal. The new scheme becomes the result of the attempt to shift the protection from the employment contract - and then the employer – to the labour market, whence the importance of ALMPs. In these terms the AdR should have become a scheme with the potential to catalyse all the other activation schemes already existing.

However, the first implementation of the AdR has not been very encouraging. Starting from March 2017, ANPAL has begun a first experimentation with the AdR, sending an invitation letter, for the participation to the measure, to 30 thousand potential beneficiaries. The response has gone far below the expectations of the policy maker, with only 3 thousand potential beneficiaries agreeing to participate at the experimentation. Yet, the provision of reintegration voucher during its piloting year in 2017 has not been viewed as a success as the take-up has been lower than expected, the employment outcomes have been weak. The initial evaluation results by ANPAL show no statistically significant increase in employment rates due to the vouchers (ANPAL, 2017a) and the information on job quality has been missing. In order to re-enhancing the AdR, the government, in the budgetary law 2018 has chosen to extend this scheme among the measures to support outplacement processes for workers of companies in crisis. The AdR, in these terms, remains an instrument on which the policy-makers seem to continue to invest.

Nevertheless, we remain still very far from the goal to create a universal scheme of ALMP, able to collect all the activation initiatives already delivered and addressed them to all the jobseekers.

### **3.6. Finding the optimal design of public-private contracting arrangement**

#### *3.6.1. Selection of the cases and guiding hypotheses*

This chapter has provided an overview of the last labour market reform. We have seen how Italian PES system has been historically characterized by many limitations. The activation of Italian unemployed people remains an issue at the top of the labour policies agenda, where its success is still uncertain.

Last ALMPs’ reform have aimed to increase the quality of ALMPs and to restructure the system of PES. We can approximate these two fields of reform to the distinction made by Carmel and Papadopoulos (2003) between “operational” and “formal” policy reforms, where the latter define

the content-related aspects of ALMPs – referring to the renewed set of policy tools and the link between active and PLMPs strengthened -, the former defines the organization of policy delivery, then affecting the governance of PES.

Relying on the governance dimensions defined in the first chapter, we can find that the main attempt concerning PES governance has been to intervene on the “forms” or “structural governance”, both at the vertical level, concerning the relationship between different levels of government and at the horizontal level, concerning the involvement of non-public operators. The first aspect has been interested by the born of the new state agency and its role of coordination of the national network of the employment services, as well as a sort of “substitutive power”, whether regions do not fulfil the essential levels of ALMPs. This has represented, more precisely, the attempt to change the distribution of powers between national government and regions, following a new neo-centralistic design. The shift of the system back towards a state-led operated model, in the intentions of the policy-makers, would have overcome the limits due to the current high levels of regional differentiation. However, as we have largely said so far, the rejection of the constitutional referendum, necessary to realize this shift of competence, has quite compromise the implementation of that design.

We can therefore focus on changes occurred at the horizontal level, where there seems to be the attempt to increase the market exposure of PES. The awareness of the policy-makers about the limited effectiveness of the public operators represents the motivation that probably has induce them to opt for a larger involvement of private providers. This has resulted in the promotion of the AdR, as new national active labour market scheme introducing a quasi-market in employment services. An option that could be also related to the functional governance for what concerns the enhancement of the economic goals of Italian PES, by means of the efficiency gain that should be associated to the competition between providers. At the same time, the introduction of the AdR could be easily related also to the introduction of a new central accreditation regime, alongside regional accreditation regimes. The implementation of a competitive framework indeed requires a substantial participation of non-public operators, favoured by means of a new channel, in which “gateway” for the access of private operators is represented directly by ANPAL (Marocco, 2016). After the rejection of the constitutional reform the central level recognizes the regional competence but now requires to regions to make their accreditation criteria consistent with the functioning of the AdR. The implementation of this tool, together with the national accreditation regime, in the aims of the ANPAL, should create the ground for the homogenization of the regional public-private contracting arrangements.

We have seen how, after labour market reforms between Nineties and early Two-thousands started in the middle Nineties, the involvement of private provider has been regulated in different ways from Italian regions. Every region has been confronted with the implementation of different public-private contracting arrangements, generating even divergent trajectories in their models. The Lombard model, in particular, arouses much attention because it has developed practices that seem to have inspired the design of the AdR. Here, since 2013, ALMPs have been managed with the program *Dote Unica Lavoro* (DUL), a quasi-market in employment services as well (Giubileo,

2013; Pastore, 2015). Following the prescriptions of the Biagi Reform, the Lombard policy-makers have pushed towards a system mainly built on competition between public and private actors, putting in place a complete equality of status among them, and leaving to the region the main tasks to plan and evaluate the implementation of the policies. The design of this system was inspired by the principle of “horizontal subsidiarity”, as incorporated in the Italian Constitution in 2001, together with increased regional autonomy, stating that public administrations should favour initiatives by individuals and civil society organizations aimed at addressing public needs. These are the basic traits of a so called “Lombardy model” that we can find, more generally, in other policy areas, such as health care and social policies. DUL corresponds to a voucher and consists of an economic entitlement that the eligible user can spend in order to “purchase” (a package of) strictly defined active labour market measures, provided by accredited operators, either employment centres or private for profit (mainly) or no profit providers. The jobseekers who fulfil given requirements for the eligibility may choose among these providers the one they will submit the application with and spend the resources attached to the voucher. The similarity with the AdR appears very evident. Taking into account the risk of moral hazard from private providers, DUL and AdR are very similar also from the point of view of the incentives used to align the interests of the agent to those of the principal. In both the programs, the classical solution has been to design payment structures in which the agent’s maximization of its own profits also maximizes the utility of the government. This means, from one hand, that the payment structure should indicate different payments for the providers, according to different target groups placed, putting a strong emphasis on the profiling phase. From the other, payments are outcome-based, that is, recognized only on the basis of the placement results achieved. Nevertheless, some differences are still in place between the two programs, considering the recipients and the role of CPIs. For the first, the AdR is restricted to those unemployed receiving NASPI from at least four months, whereas the DUL program is also addressed to those not receiving UBs. For the second, in the case of DUL CPIs are fully equalized to private operators. They too need to be accredited and to compete at the same floor of the privates, whereas in the AdR the public employment centres are still conceived as gateway for the users, they are responsible for the access to the program, have to perform the profiling phase to jobseekers, remaining out of the competition, which is reserved exclusively to private providers.

As we have seen, at the opposite of the Lombard system, there could be some regions, like Emilia-Romagna, Marche and Tuscany, which took an openly hostile attitude towards the system designed since the Biagi Reform, refusing a larger involvement of private for-profit providers in employment services. In fact, they have realized policies that have sought to defend more strongly the position and the role of the public actor. This does not mean that these regions still rely on public monopolies. Indeed, there could be a different way to concern the involvement of private providers. Emilia-Romagna, in particular, has never regulated any accreditation regime until the 2016, not for delays in the implementation but as a consequence of a precise choice of contrariety. Here a full centrality of the public actor has remained in place for long time. Private providers are involved only in a “complementary” framework, they enter in support and never replacing the

public operators. The regional government holds a strong role of coordination, planning and evaluation, while the CPIs remain at the core management of the delivery function. The form in which privates have been involved, until the implementation of the regional accreditation regime, has been that of public open tendering processes, with public open calls or even agreements with public authorities, usually on project basis, above all for the delivery of specific tools of which public operators are not equipped. Jobseekers are assigned to specific providers, as emerged from the tendering processes, directly by the public operator, without any choice for them. Payments are for the major part process-related, also because there are no structured forms of evaluation. Considering the situation of high level of regional differentiation, the new challenges putting in place by the aim of implementing a national scheme based on a quasi-market in employment services now raise the question whether this model is better than others.

We have discussed in chapter 2 about the implication of marketization and involvement of private providers in employment services. As we have already said, quasi-market in employment services are often confronted with problems of opportunistic behaviour from the side of the private providers, due to asymmetric information between the two parties. These problems are usually known as “creaming”, the situation in which providers are paid on the basis of crude placement results and then encouraged to assist those users who are easiest to place, and “parking”, the situation in which providers take the short way to gain the paid outcomes, choosing the easiest program to treat the users, without helping them at all (usually by recurring to soft-skill training activities instead of effective job-matching).

In this work our aim will be to understand what could be an optimal design of public-private contracting arrangement. Defining an “optimal design” the one able to take into account both economic (efficiency and effectiveness of the performance) and social goals (equity of the performance, avoiding opportunistic behaviour of private providers involved). We are interested to know what the consequences of a greater market exposure of Italian regional PESs could be. In particular, whether a particular model of service delivery, such as the quasi-market model (voucher-based), might configure an optimal design of public-private contracting arrangement for Italian regional PES.

To answer this question, we will present a comparison between two regions, Lombardy and Emilia-Romagna, that we consider as most dissimilar cases in the context of Italian high levels of differentiation of regional PESs. Relying on the horizontal dimension of the structural governance of PES, we should say that we are comparing respectively “private oriented services” versus “public oriented services”.

Lombardy as the case with a maximum exposure to the market, where its governance is characterized by a large participation of private providers involved on competitive basis, as in the quasi-market model of service delivery.

Emilia-Romagna as the case with a minimum exposure to the market, where its governance is characterized by a limited participation of private providers involved on complementary basis, as in a traditional model of service delivery.

Further aspects related to the political and institutional characteristics of the two territories allow this selection of cases. In both cases the traits of each PES governance model can be correlated to the strength of actors' coalitions in the local contexts of policy-making. Coalitions across societal groups around large political parties (such as Left Democrats before and Democratic Party after 2007 in Emilia-Romagna) or confessional movements (as in the case of *Comunione e Liberazione* in Lombardy) have characterized these regional political systems during the period of decentralization process, in which the governance of their PES has emerged and consolidated.

The two regions then can be described by a common process of layering defining two symmetrical, despite divergent, trajectories of formation of their respective PES governance models, along high level of stability of their respective regional political majorities, with a quite identical time extension of a single president chairing the government during the years of the decentralization<sup>49</sup>. We will describe this evolution along three main stages over time: the period before the decentralization, characterized by “proto-models”; the decentralization phase with the emergence first and then the consolidation of the models and finally the period following the Jobs Act, with the attempt to preserve and adapt the models.

The substantial traits of difference between the two cases have emerged after the decentralization occurred in late nineties. Both the two regions have realized reforms implementing the reorganization of competencies between national and sub-national levels and main regulation of the involvement of non-public providers, soon after the two turning points represented by Bassanini reform in 1997 and Biagi Reform in 2003. After the latter, in particular, we can find in each case an organic and comprehensive labour-market regulation (regional law 22/2006 in the case of Lombardy and regional law 17/2005 in the case of Emilia-Romagna). Each one of these contains the main traits of the respective governance. Main traits of governance have then progressively settled until what we have identified as an ideal consolidation phase of each model: the stipulation of a local pact, on the basis of the political initiative of the regional government. Despite the two initiatives have been quite different, these can be likewise useful for our analysis. The consolidation of the two systems comes to be achieved just before the Jobs Act and its reform of ALMPs and PES. Soon after this, both the two models have made efforts in order to defend their features and prevent from new changes required by the national level, signing special agreements with the Labour Ministry. Table 3.6 synthetizes the common steps of development followed by the two PES models.

*Tab.3.6 Common steps of development followed by the two cases*

Before the decentralization (1978-1997)	“Proto-models”	common adhesion to a national model, distinguishing only for very
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<sup>49</sup> This is represented by the length of presidency of two of their main political figures: Roberto Formigoni, from 1995 to 2013, in the case of Lombardy, leader of centre-right coalitions; Vasco Errani, from 1999 to 2014, in the case of Emilia-Romagna, leader of centre-left coalitions.

		few differences concerning tools adopted <sup>50</sup>
After the decentralization (1998-2015)	emergence of the models	comprehensive regulation over local labour markets soon after Biagi Reform, defining clearly the kind of relationship between public and private providers
	consolidation of the models	local pacts starting from the political initiatives of the regional governments
After the Jobs Act (after 2015)	preservation and adaptations of the models	agreements with the national ministry to preserve own peculiarities

This comparison, then, should make us able to understand what both the advantages and limits of a larger share of market services and its social implications could be. Something that we can consider of social interest, considering the current public debate and reform process of Italian PES. We can imagine testing the new national scheme, not yet fully implemented, using those territorial experiences already well established which resembles it, as for the case of Lombardy. We have formulated two main general hypotheses to guide our analysis:

*H1: The larger the market exposure of PES the larger will be the effectiveness of the system*

According to the literature on contracting-out of employment services, marketization is considered as a vehicle for more efficiency and effectiveness. We are not able to evaluate the efficiency because we have knowledge just about the overall amount of resources applied in our cases, but not about the extent with which these have been specifically used for particular interventions. Indeed, we will focus on the effectiveness of the systems.

That is, the reasons for marketization should be found in the possibility that they can boost the performance of the system in terms of placements. If this hypothesis is true we should then expect a superior level of effectiveness in the case of Lombardy respect to the case of Emilia-Romagna. We have already said above that the DUL program has developed some incentives which are present also in the AdR design. Regarding this point this hypothesis will take also into account the incentive of outcome-based payments, that should overcome uncertainty by intervening on the structure of payments, supposed to be able to enhance the effectiveness of the operators recognizing the remuneration only in case of effective placement achieved.

*H2: The larger the market exposure of PES the lesser will be the equity of outcomes, showing more penalization in terms of employment opportunities for the most disadvantaged jobseekers, as a consequence of a higher risk of opportunistic behaviour from the side of private providers.*

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<sup>50</sup> The competencies on vocational training are considered the first attribution in terms of possibility of intervention on the labour market for regions, moving from law 845/1978 at the national level. They represent the core of the first local initiatives on labour market

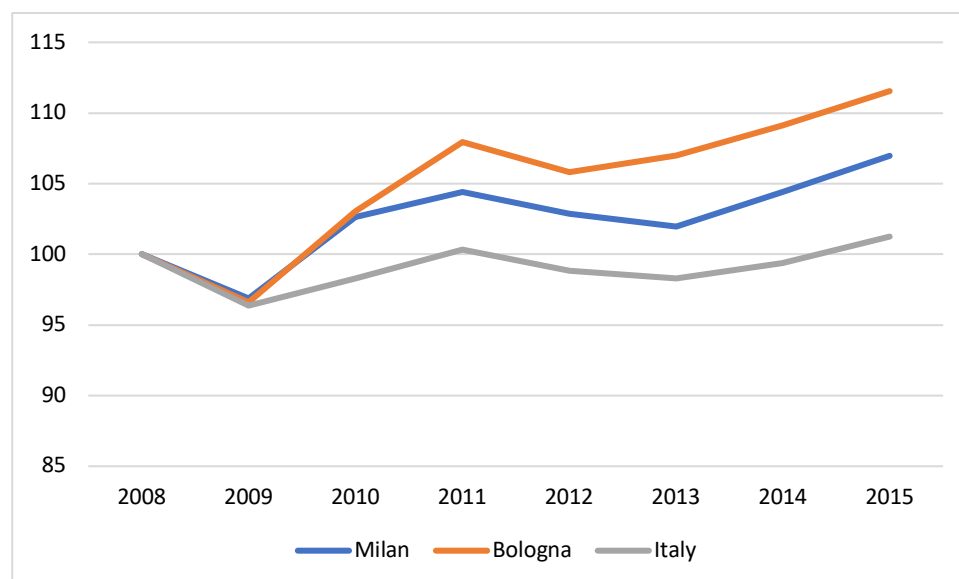
If this hypothesis is confirmed, we should expect more penalization for the most disadvantaged jobseekers in the case of Lombardy respect to that of Emilia-Romagna.

Relying on principal-agent theory, we could say that the two cases represent two different options to overcome the uncertainty from the side of the principal, respect to the risk aversion from the side of the agent. That is, the way in which the principal gets information related to the contributions of the providers is different. In the case of Emilia-Romagna uncertainty should be overcome by the option for a strong position of the public actor, able to gain high level of control over the behaviour of the private providers involved.

The application of the “targeting” incentive, present both in AdR and in DUL, should overcome uncertainty by intervening on the structure of payments, supposed to be able to induce providers to place those most disadvantaged paying more for them. The second hypothesis will consider also this aspect, respect to the extent of which this incentive is effectively able to avoid opportunistic behaviour.

To test our hypotheses, we decide to observe the area of the two metropolitan cities of these regions, Milan for Lombardy and Bologna for Emilia-Romagna. These two areas present both a high level of economic development. If we observe the period of the economic crisis the territories reacted with similar trend. The dynamic of the economic recovery after the crisis is very similar with a GDP increase superior respect to the Italian trend (fig. 3.11).

Fig. 3.11 GDP variation in the two cities during the period of the economic crisis (2008=100)



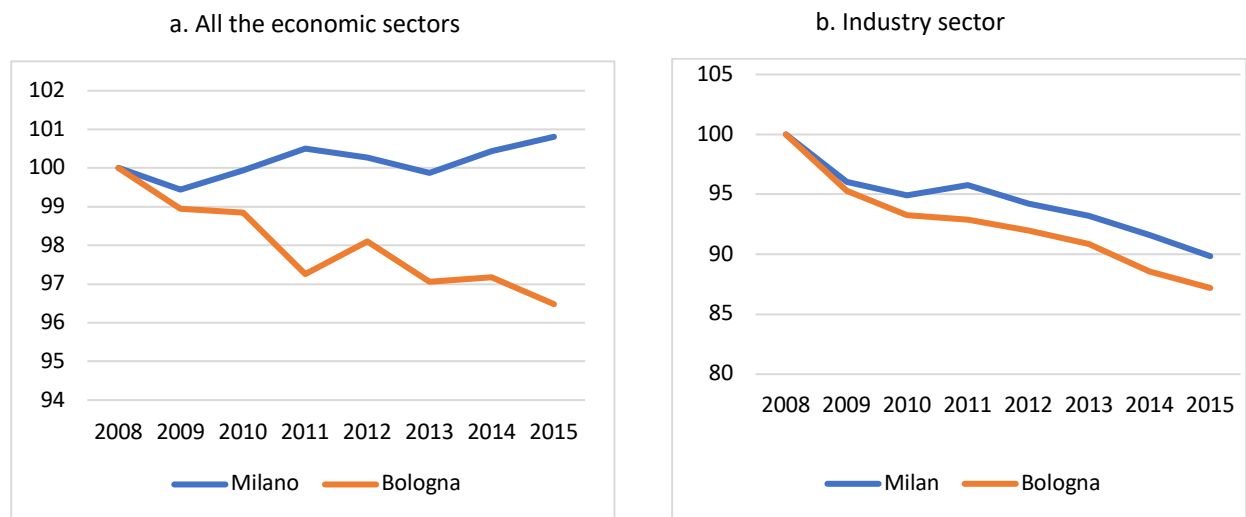
Source: Eurostat

Despite the overall level of economic competitiveness, the two economic contexts still present some substantial differences. When we look at the business demography, we can find that after the 2009 the two areas show an opposite trajectory concerning the population of active firms, quite positive in the case of Lombardy, definitely negative that of Emilia-Romagna (figure 3.12a).



We can understand more in detail the difference between the two contexts when we restrict the observation just to the industry sector. In particular with the crisis the number of active enterprises in the industry sector has constantly fallen in both the cases (figure 3.12b). The trend characterizing the industry sector for Bologna appears to be very similar to the overall one. In all the region, from the 2011 the number of total firms has constantly diminished (Unioncamere, 2016). We can guess that probably the economic context of Milan has been characterized by firms from other sectors replacing those from industry. This could be consistent with the huge expansion of the tertiary sector as typical features of the economic context of Milan respect to that of Bologna, and more in general also of the rest of Italy (Camera di Commercio di Milano, 2017; Assolombarda, 2017).

Fig. 3.12 Population of active enterprises during the period of the economic crisis (2008=100)



Source: Eurostat

More in general we can consider these two cities as the heads of metropolitan and urban areas in a particular context able to perform on the global economic competition, as the North of Italy. In such a context we can imagine the role LPMs subjected to local regulation should be that of public policies aiming at the sustaining the economic competitiveness of the firms' networks, as well other areas of public policies, such as economic, industrial and infrastructure (Perulli, 2012).

We will find how, in their evolution, one of the common aspects between the two models has been the role of LMPs aiming at supporting the adaptability workers and unemployed people to the economic changes and to firms' need, in particular when we consider the role of vocational training.

In order to establish the criteria to compare the measures implemented ALMPs in the two cities we have to consider a substantial difference in the operational characteristics of the two systems. In the case of Lombardy, the DUL represents a universal scheme. In Emlia-Romagna there is not a universal equivalent, since the delivery of ALMPs is fragmented according to many programs. In consideration of this, we have to choose a criterion to discriminate which measures we should

observe. Since the whole DUL program is financed by the European Social Fund (ESF), we decide to look at all the initiatives which are correspondingly financed with the ESF also for the case of Emilia-Romagna. For what concerns the period of observation, we have to consider that DUL has been introduced on the October of the 2013 and then a reasonable focus could be on all the DUL participations completed in the first two years of implementation, 2014 and 2015, starting from the 1<sup>st</sup> of January 2014. In the case of Bologna, we should restrict on the single 2015, in consideration of some data limitations we will consider later on. In both cases we will stop on the September of 2015, considering the introduction of the new discipline from the decree 150/2015. The table 3.7 summarizes the structure of the comparison.

*Tab. 3.7 The comparison*

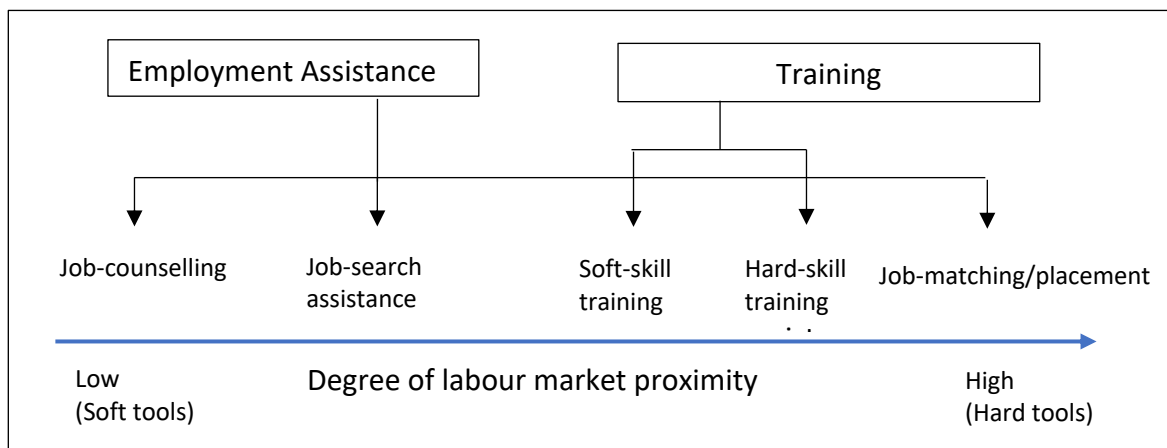
<b>Model of service delivery</b>	Quasi-market model	Traditional model (tendering procedures and agreements)
<b>Design of the public-private contracting arrangement</b>	Competitive, equalization between public and private	Complementary, prevailing role of the public over the private
<b>Cases of observation</b>	Milan MC	Bologna MC
<b>Criteria to select the objects of observation in each system</b>	Active labour market initiatives financed by ESF – all the treatments completed in the period of interest	
<b>Period of observation</b>	January 2014 – September 2015	January 2015 – September 2015

We have to remember that different types of ALMP may have different effects. Thus, it will be fundamental to specify carefully the kind of tools delivered in each case. Starting from the classification presented in table 1.1, the present study will be focused on employment assistance and training, because these represent the ALMPs that could be contracted out by regional PESs. Nevertheless, it is possible to be more accurate in the further distinction among the tools included in these two categories. The set of tools used within each can be further classified according to their degree of “labour market proximity”. This means that we classify each tool on the basis of its capacity to minimize the distance of the jobseeker from the labour market. Job-matching in the successful case corresponds to the start-up of an employment relationship. The labour market proximity will be maximum because the delivery of this measure would end up with an employment relationship, thus fully eliminating the distance from the labour market. Hard-skill training most often corresponds to advanced course to achieve particular job-related skills. It massively reduces the distance from the labour market multiplying the chances for the jobseeker to find a job correspondent to the new skills acquired. Soft-skill training, job-search assistance and job-counselling only partially reduce the distance of the jobseeker from the labour market, since they should deliver just general knowledge about the labour market and how to improve job-search activities and/or soft-skills.

The jobseeker is neither directly placed, nor enabled for a job by means of specific skills, but he is just tutored to find a job by himself.

This classification will become useful to distinguish the approach followed by each model, referring to the main distinction presented in chapter one between workfare or work-first approach and human-capital or enabling approach. High levels of labour market proximity require provider to put more efforts in taking charge of jobseekers. Figure 3.13 shows a continuum which goes from the extreme of minimum degree of labour market proximity/soft tools, to the extreme of maximum degree of labour market proximity corresponding to job-matching/placement. The more it grows this degree the more it increases the extent to which the policy should be oriented towards direct placement. The activation plan for jobseekers may include and cumulate different among these tools. For our purposes, for each individual we will focus on the maximum tool applied on the basis of this classification. However, each of the cases will show the way in which the specific tools combine.

Fig. 3.13 Tools classified according to the degree of placement orientation



### 3.6.2. Data and methodology applied

The analysis of the cases will be presented in the following two chapters. Each one will show, first, the trajectory characterizing the historical-institutional perspective of its model. This part will rely on the analysis of official sources from the administrative archives of each region. We will be then able to understand the historical background, the main features and aims of the systems subsequently to be analysed. The analysis will proceed performing an evaluation of each system, relying on a quantitative methodology.

In order to answer to the first hypothesis, we need to examine the effectiveness of PES regional systems assessing the real contribution of them. It may be that some jobseekers who obtained a job after participating to a specific measure would have done so anyway. A net impact study is necessary, therefore, to determine the extent to which post-assistance outcomes are a function of

referral to and participation to the initiatives evaluated. What we need is to compare the work situation of the beneficiaries with respect to their relative "counterfactual situation", that is, the one that would have been observed for the same subjects in the absence of this kind of program. Reconstructing a counterfactual situation, in our case, means to exploit the possibility of observing the work situation of those subjects not-subscribing the program, defined as "controls" or "control groups", which are comparable to the group of the treaties, in terms of observable characteristics relevant for the selection process (Martini and Sisti, 2009). Far from being practicable a random assignment of jobseekers to a treatment and a control group, which we know could be crucial to accurately measuring a net impact, we will adopt the quasi-experimental technique of propensity score matching, based on the analysis of administrative data. This represents one of the most used techniques, with regard to studies in this field (Bryson *et al*, 2002). For the purpose of the identification strategy, the greatest limit to be faced when choosing similar techniques is given by the consideration of the non-observable characteristics relevant for the selection process. This is the case, for example, of motivational influences that can play an important role in the choices of participation in a program, especially in cases of voluntary participation. In such cases, it is crucial to have a careful selection of the variables to be taken into account, in order to exploit all the observable features available and to ensure that they are as close as possible to the non-observable ones, as we have already said. Unfortunately, the data at our disposal are not fully able to ensure that we can reconstruct with sufficient richness of information the characteristics of the subjects we are examining. The use of administrative data, in fact, gives us, on the one hand, the opportunity to obtain almost the total coverage of the population of interest, on the other, we have always to remember that this information is not collected for research purposes.

Starting from the consideration of the enrolment procedures we may have a general pool of jobseekers registered as unemployed at a certain point in time, but only one part of them joins active labour market initiatives. Many jobseekers then register without following any program, despite having characteristics of eligibility, just because they have to register in order to be eligible for UBs. In this work the control group will then include all those jobseekers who have certified their unemployment status at a particular point in time the period observed, without participating to any active labour market initiative in the subsequent period. On the contrary the treatment group will include those jobseekers who have joined active labour market initiatives after certificating their unemployment status.

This makes us able to obtain a situation in which we can distinguish two different groups, participants and non-participants, whose features can be comparable. Participants and non-participants are then matched on the basis of their estimated probability to belong to the treatment group. This "propensity score" is estimated by maximizing a likelihood function based on a standard equation, where all the variables which can influence both the probability of becoming treated and the outcome in case of non-participation are included. In the literature are often distinguished sets of variables such as socio-demographic attributes, qualification, recent labour market history and regional indicators (Winterhager *et al* 2006; Naticchioni and Loriga 2011; Bernhard and Wolff 2008). Once we control for a vector of observable characteristics, it is thus

not necessary to match on all the covariates, but it is sufficient to match on the propensity score. In our case we will rely on information related to socio-demographic attributes, educational and professional qualifications and recent labour market history. The administrative data at our disposal have made us able to find almost the same observable characteristics in both cases. Indeed, we can distinguish our subjects for age, gender, education, citizenship, month of registration and duration of unemployment. Age is grouped in: 15-29 years, 30-44 years and over-45 years. The education variable distinguishes between compulsory, secondary and tertiary education. The month of registration will be helpful, instead, in order to control for seasonality of employment. The unemployment spell variable distinguishes those who at the time of registration are in a more or less long-term unemployed condition: less than 1 year, more than 1 year and less than 2, more than 2 years (at least two years in the case of Bologna). In the case of Milan, we are able to observe the previous labour market history for the three years period before our window of observation (2011-2012-2013), while in the case Bologna the previous labour market history has limited to the two years before the window of observation (2013-2014). The information on the labor market histories is crucial because it should also capture unobservable variables (Caliendo *et al.*, 2017).

Information on the outcome variables and the labour market histories is derived from “compulsory communications” (COs – *Comunicazioni Obbligatorie*). These represent administrative communications that employers have to send to employment centres whenever an employment relationship is started, modified, renewed or terminated. The outcome will be observed after the beginning of the treatment, while active labour market initiatives are ongoing.

We know from the CIA that the results could be biased when the outcome is partly dependent on selection of individuals to be treated. Selection bias should be present then if the assignment to the treatment correlates with outcome. At the same time, as we have already said, the limitations due to administrative data can make this assumption hard to respect. In our case the consideration of information related to the previous labour market history for a large period should assume that this condition is satisfied in both cases.

Anyway, in the case of Bologna, it has been possible to use as control variable also the maximum level of qualification achieved in the period before the observation, distinguishing for: no experience, non-qualified professions, qualified professions, executives and managers.

For the purpose of the estimation strategy, once the individual propensity to be part of the program is estimated, the strategy of identifying the effect of the program is based on combining each “unity of treatment” to that “untreated” with the most similar propensity score, in order to obtain a measure of the employment impact of the policy through the difference between the participants to the program (treaties) and their matched controls. In this work it has been decided to use the radius matching method (Caliendo and Kopeinig, 2005). The matching in this case is restricted to untreated units which fall into a propensity score difference of 0.01 in absolute value. The impact is presented as the average treatment effect of the treatments, known as the “Average Treatment effect on the Treated” (ATT), that with the radius method used by us it is calculated through the following formula:

$$\frac{1}{N^{TR}} \sum_{i=1}^{N^{TR}} (Y_i^T - \bar{Y}_{(i)}^C)$$

Where:

$N^{TR}$  represents the number of units treated finding at least a matching inside the range ( $N^{TR} \leq N^T$ );

$Y_i^T$  represents the value of the outcome variable of the  $i$  unit treaties;

$\bar{Y}_{(i)}^C$  represents the average value of the outcome variable for the control unit matched to the  $i$  treated unit.

Since the standard errors of the ATT will not take into account that the propensity score has been estimated we will replace them with the technique of bootstrap, performed with 100 re-samplings. As robustness check we will implement also the matching methodology of Mahalanobis approach, where the selection of the control group is more rigorous as it selects only observations in the control group which are identical to those in the treatment group, from the viewpoint of the observable characteristics (Sianesi, 2004; Pompili and Pastore, 2019). At a first stage, we will consider all the work contracts that are obtained by the participants after the treatment, focusing our attention on the employment status of the observed subject at a certain point in time after the beginning of the program. In this way, it will be possible to evaluate what could be the attachment of the subject to the local employment circuit after the participation to the active labour market initiatives.

In a second phase, we will consider as dependent variable the probability of being employed or not, considering only the first regular employment obtained after participating in active labour market initiatives, in order to evaluate the characteristics of the kind of job provided by the operators, referring to the duration of the contracts obtained. In these respects, the stability of the employment will be considered to be information about the employment quality provided (Dengler, 2019).

In order to answer to the second hypothesis, it will be analyzed the correlation between post-assistance outcomes and the personal observable characteristics of the jobseekers. We will use as outcome variable the same used for the second step of evaluation, referring to the first employment contract got by the jobseekers after the programs. We will use the tool of multinomial logistic regressions, focusing, in turn, on the interaction between the participation to the program and the observable characteristics of the subjects (Scarano and Guetto, 2017).

The dependent variable used distinguishes three categories: get no employment, get a short-term contract and get a long-term contract. At the coefficients given by multinomial logistic regressions we will be able to compare the probability of a given outcome with the base outcome. This tool allows us to compare, for each observable characteristic, the main effect, reflecting the trend of

the local labour market for those non-participating to active labour market initiatives, with the interaction effect found for those participating, being interested only in sign and significance of the effects. The interaction term will be used then to test whether treatment changes the relationship between one observable characteristic and the dependent variable.

Nevertheless, application and interpretation of logistic regression require to be very careful (Mood, 2010) as well as interactions in non-linear models (Norton, 2004; Mandic et al., 2012).

Logistic regression estimates do not behave like linear regression estimates because of the risk of being affected by unobserved heterogeneity. In these respects, the computation of marginal effects in some cases will help us to interpret the model.

On the basis of the observable variables, it was possible to specify five models for the case of Lombardy and six for Emilia-Romagna:

## **Lombardy**

Equation 1: No employment /Employed with short-term contract/ Employed with long-term contract =  
 $\beta_0 + \beta_1 \text{Age} + \beta_2 \text{Treatment} + \beta_3 \text{Age} \times \text{Treatment} + \beta_4 \text{Gender} + \beta_5 \text{Education} + \beta_6 \text{Citizenship} + \beta_7 \text{Unemployment Spell}$

Equation 2: No employment /Employed with short-term contract/ Employed with long-term contract =  
 $\beta_0 + \beta_1 \text{Age} + \beta_2 \text{Gender} + \beta_3 \text{Treatment} + \beta_4 \text{Gender} \times \text{Treatment} + \beta_5 \text{Education} + \beta_6 \text{Citizenship} + \beta_7 \text{Unemployment Spell}$

Equation 3: No employment /Employed with short-term contract/ Employed with long-term contract =  
 $\beta_0 + \beta_1 \text{Age} + \beta_2 \text{Gender} + \beta_3 \text{Education} + \beta_4 \text{Treatment} + \beta_5 \text{Education} \times \text{Treatment} + \beta_6 \text{Citizenship} + \beta_7 \text{Unemployment Spell}$

Equation 4: No employment /Employed with short-term contract/ Employed with long-term contract =  
 $\beta_0 + \beta_1 \text{Age} + \beta_2 \text{Gender} + \beta_3 \text{Education} + \beta_4 \text{Citizenship} + \beta_5 \text{Treatment} + \beta_6 \text{Citizenship} \times \text{Treatment} + \beta_7 \text{Unemployment Spell}$

Equation 5: No employment /Employed with short-term contract/ Employed with long-term contract =  
 $\beta_0 + \beta_1 \text{Age} + \beta_2 \text{Gender} + \beta_3 \text{Education} + \beta_4 \text{Citizenship} + \beta_5 \text{Unemployment Spell} + \beta_6 \text{Treatment} + \beta_7 \text{Unemployment Spell} \times \text{Treatment}$

## **Emilia Romagna**

Equation 1: No employment /Employed with short-term contract/ Employed with long-term contract =  
 $\beta_0 + \beta_1 \text{Age} + \beta_2 \text{Treatment} + \beta_3 \text{Age} \times \text{Treatment} + \beta_4 \text{Gender} + \beta_5 \text{Education} + \beta_6 \text{Citizenship} + \beta_7 \text{Previous Qualification} + \beta_8 \text{Unemployment Spell}$

Equation 2: No employment /Employed with short-term contract/ Employed with long-term contract =  
 $\beta_0 + \beta_1 \text{Age} + \beta_2 \text{Gender} + \beta_3 \text{Treatment} + \beta_4 \text{Gender} \times \text{Treatment} + \beta_5 \text{Education} + \beta_6 \text{Citizenship} + \beta_7 \text{Previous Qualification} + \beta_8 \text{Unemployment Spell}$

Equation 3: No employment /Employed with short-term contract/ Employed with long-term contract =  
 $\beta_0 + \beta_1 \text{Age} + \beta_2 \text{Gender} + \beta_3 \text{Education} + \beta_4 \text{Treatment} + \beta_5 \text{Education} \times \text{Treatment} + \beta_6 \text{Citizenship} + \beta_7 \text{Previous Qualification} + \beta_8 \text{Unemployment Spell}$

Equation 4: No employment /Employed with short-term contract/ Employed with long-term contract =  
 $\beta_0 + \beta_1 \text{Age} + \beta_2 \text{Gender} + \beta_3 \text{Education} + \beta_4 \text{Citizenship} + \beta_5 \text{Treatment} + \beta_6 \text{Citizenship} \times \text{Treatment} + \beta_7 \text{Previous Qualification} + \beta_8 \text{Unemployment Spell}$

Equation 5: No employment /Employed with short-term contract/ Employed with long-term contract =  
 $\beta_0 + \beta_1 \text{Age} + \beta_2 \text{Gender} + \beta_3 \text{Education} + \beta_4 \text{Citizenship} + \beta_5 \text{Previous Qualification} + \beta_6 \text{Treatment} + \beta_7 \text{Previous Qualification} \times \text{Treatment} + \beta_8 \text{Unemployment Spell}$

Equation 6: No employment /Employed with short-term contract/ Employed with long-term contract =  
 $\beta_0 + \beta_1 \text{Age} + \beta_2 \text{Gender} + \beta_3 \text{Education} + \beta_4 \text{Citizenship} + \beta_5 \text{Previous Qualification} + \beta_6 \text{Unemployment Spell} + \beta_7 \text{Treatment} +$   
 $+ \beta_8 \text{Unemployment Spell} \times \text{Treatment}$



## 4. THE CASE OF LOMBARDY

### 4.1. The development of the model

#### 4.1.1. *Before the decentralization*

First interventions by Lombardy on vocational training have preceded the national reform of 1978. With the regional law 93/1975 regional government decided to follow up the need to govern this field on the territory. It is probably for this reason that after 1978, regional administration decided to realign its already designed policy with that emerged at the central level in 1980 (with r.l. 95). Already in that period, Lombardy claimed explicitly at the concept of “active labour market policy” and the role of the region on the realization of a policy design consistent with the needs and features of the territory. As we can read among the first objectives of law 95/1980:

“Vocational training is a public service and it represents a tool of active labour policy. Its purpose is to contribute to the growth of workers' personality through the acquisition of a professional culture and to make effective the right to work, favouring employment, production and the evolution of work, in harmony with scientific and technological progress, within the objectives of economic planning and the regional development plan.”

Source: Art. 2, regional 95/1980.

The priorities of the Lombard vocational training system were set in relation to the development and updating of professional skills required by firms belonging to the industrial fields and, especially, by artisanship and small and medium-sized firms. The logic of interventions did not seem to neglect special care to the most vulnerable categories on the labour market. One of the first innovations introduced by this reform was the “Chapter 908” of regional budget, in which were included resources connected to training and re-training of both unemployed and workers exposed to unemployment, with particular reference to workers belonging to firms in difficult economic conditions.

The most important measure introduced during these years to support the weakest targets on the labour market, however, has been represented by regional law 9/1991 promoting subsidized employment initiatives addressed to the most disadvantaged jobseekers, giving resources for four particular kinds of interventions: local projects associated to particular areas characterized by industrial decline and to those zones with a rate of registration to unemployment lists superior to the average; incentives for hiring particular targets; support to the creation of new businesses by

particular targets; support of the female labour force taking into account equal gender opportunity on the labour market.

More generally, self-entrepreneurship represented one of the main forms of intervention. An important regulation, in this regard, can be traced back to the mid-Eighties, with incentives aimed at creating new start-ups, especially by young unemployed. Among the first regional interventions in the area of support for businesses, regional law 32/1986 was oriented to the sector of cooperatives supported by economic contributions. The promotion of youth employment through the creation of new business initiatives was then the main objective of law 68 of the same year, with financial contributions covering costs related to the start-up phase, up to half of the expenses incurred during the first year of activity. Most of the funds delivered with this provision, in particular, were used to finance purchasing of capital goods at reduced rates. Ten years later, it was regional law 35/1996 to intervene to support the development of smaller companies, by means of subsidized loans to small and medium-sized firms in order to make investments that would entail new hiring. In particular, this policy was oriented to the coverage of expenses related to investments reserved for the innovation of plants and technologies used by companies.

The evidence about the distribution of resources of the ESF (IRS, 1999) confirmed that most of those connected to “activation measures” were related to enterprise development projects, especially for youth, in a superior proportion respect to those addressed towards most disadvantaged jobseekers.

The relationship developed by local policy-makers with social partners during the eighties revealed a proficient cooperation with social partners concerning planning and evaluation of each intervention, especially regarding the reintegration of workers involved in outplacement and dismissal processes (Gualmini and Alti, 2000). Progressively this kind of dialogue would have been extended also to other social private non-profit actors, that will subsequently represent an influent subject for the development of this model. With great attention for the role of families and Third sector.

#### *4.1.2. After the decentralization*

Lombardy's features, some of them already sketched in the previous paragraph, started to emerge after the decentralization, coming to be collected in the first regional law concerning local regulation of LMPs, regional law 1/1999. Not by chance, this reform can be considered as the prosecution of schemes introduced by previous norms 68/1986 and 9/1991.

Concerning the new local structure of PES, about 60 new CPIs were established. This first reform process is characterized also by the attempt to improve the information function through the creation of a new technical regional agency (*Agenzia regionale per l'impiego*), in order to monitor labour market and to provide technical support to the new provincial CPIs. The regional reform implemented also subsidized employment measures addressed to youth jobseekers, combined with internship programs, as new tool introduced by Treu Reform. Starting from this phase,

indeed, internship would have become one of the most considered active labour market initiative to address youth unemployment.

The definitive emergence of a Lombard PES governance concerning the relationship between public and private operators, should be identified with the approval of the regional law 22/2006. It replaced law 1/1999 and represents the most comprehensive local labour market legislation currently in law, following the implementation of the provisions introduced by the Biagi Reform. This regional reform has been articulated into four main parts, related to both operational and formal policies: role of the regional government, structure and network of the operators, evaluation of services, objectives and targets for the interventions. It seems to be in continuity with the main priorities already followed with the previous local regulations: incentives for enterprise development and self-entrepreneurship, focus on the weakest targets on the labour market, the importance of internships, emphasis on processes of training and re-training, integration between work, training and education. At the same time, we can find some new objectives concerning the development of changes and new needs on the labour market, such as: a clearer relevance of gender equal-opportunity; a better work-life balance; the orientation towards a model of life-long learning; the necessity to govern new trends regarding geographical mobility of workers and the immigration flux of non-EU citizens; a new emphasis on internalization of the local labour market and related employment services.

These are all objectives that should be addressed by the regional government, assuming functions of planning, coordination, control and evaluation. In particular, through the "Regional Action Plan", the regional government establishes the criteria for the allocation of public resources to be assigned for the implementation of each type of measure. One of the main results of this reform, from the point of view of the new structure designed, has been the reduction of the role of provinces, now mere candidates for the assignment of services, with a correspondent strengthening of the regional government (Varesi, 2007). On the basis of the new criteria for the accreditation introduced by regional law 22/2006, provincial CPIs, despite being indicated by national reforms as main operators responsible for the delivery of services, have been equalized to the other non-public actors involved, starting from the introduction of the requirement to be accredited as well as all the other non-public providers.

The accreditation in the regional law 22/2006 then represents the "gateway" for all the operators and, in particular, it is required both for private and for public operators, even CPIs.

At the same time, there is neither exclusive competence for public operators concerning bureaucratic functions. In other words, it is admitted the possibility of a full substitution of public operators by private providers. Following the reform occurred with the decree 181/2000, it has been specified that non-public operators involved may receive public funds assigned by the region to deliver ALMPs and including also the possibility to release certificates of the employment status (DID). Every accredited operator, in particular, should be able to provide: the certificate of the unemployment status, an interview of the jobseeker, proposal for initiatives and personalized measures of job-matching or training and then also verify that these commitments have been respected by the jobseeker.

Following the criteria defined by r.l. 22/2006, the subsequent year has been then implemented the accreditation regime, with the regional decree 6273/2007.

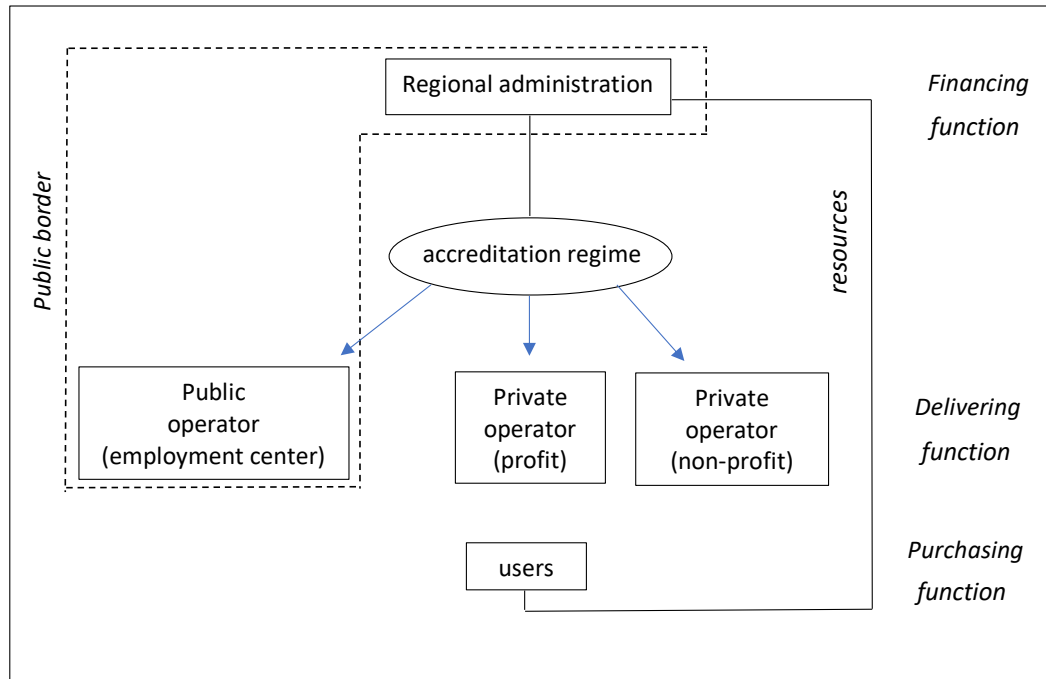
It can be considered a “soft” regulation, concerning two main aspects: it is released for an indefinite period and, above all, it specifies only economic and organizational requirements. This means that in this regulation it was not introduced any particular requirement concerning performance and effectiveness in order to maintain the accreditation. As we will see, performance aspects will be more related to the evaluation procedure of the system, connected to the distribution of resources. The access to the system could be defined also as “direct” because, once accredited, the operators does not need any further contractual agreement or tendering procedure to participate to the delivery of services and to the distribution of resources (Violini and Cerlini, 2011). This structure of accreditation adopted by Lombardy has been then functional to the realization of a quasi-market model based on the competition of the operators. It is for this reason that accreditation has been regulated in a “soft and direct” way. It facilitates the participation of non-public providers and makes CPIs fully equalized to them, in terms of powers and tasks, in order to push them into the competitive mechanism.

The most important aspect to understand the regulation of the relationship between public and private operators built during these years by Lombard policy-makers rises from the first principle specified in the regional law 22/2006: the freedom of choice for the users, an issue strictly consistent with the design introduced by Biagi Reform<sup>51</sup>. This principle, then, finding in the case of Lombardy its operational translation in the development of the quasi-market model voucher-based. From the point of view of the allocation of public resources, this means that the resources are assigned, by the regional administration, directly in the hands of the users. In this way, operators should compete each other in order to attract voucher to themselves, “selling” their services and gaining resources associated to the vouchers. Thus, we find a clear separation between financing function (regional government), purchasing function (users) and delivery function (operators) (figure 4.1). In this sense, the entrance to this system is regulated through the accreditation and the kind of “soft and direct” regime of Lombardy makes it easier the involvement of private providers, in order to achieve that level of competition between operators conceived as a mean to improve quality of services in terms of both effectiveness and efficiency in the use of public resources.

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<sup>51</sup> “Regions [...] create appropriate lists for the accreditation of public and private operators operating in their territory in compliance with the guidelines defined by them in accordance with article 3 of Legislative Decree 21 April 2000, n. 181, and subsequent modifications, and of the following principles and criteria: guarantee of free choice for citizens, within a network of qualified operators, appropriate for size and distribution to the demand expressed by the territory itself” (Art. 7, c. 1, lect. a, decree 276/2003).

Fig.4.1 Structure of the Lombard quasi-market model



To understand this model, we should enlarge our view and look also at the other social policy areas in Lombardy. Precisely, starting from the reform of the regional health service at the end of the Nineties (r.l. 31/1997), the freedom of choice principle for the user has been followed not only for the labour market reform in 2006, but also for the reform of the educational and training system, with the r.l. 19/2007 and for the reform of the social-assistance sector occurred with r.l. 3/2008. These reforms took place in a decade from 2000 to 2010, which saw the realization of the "Lombard model" in all the social policy areas.

Competition, as a common issue in all of them, has represented the mechanism more functional to the freedom of choice for the citizens. This principle, as we have seen, has become the core value around which regional policy-makers have built up the system. In this building process an important consideration should be made upon the relevant ideological factors influencing choices policy-makers did in that period, considering the strength of actors' coalitions. In these respects, Roberto Formigoni has been four-time elected president of the regional government (1995, 2000, 2005, 2010), heading it for almost eighteen years.

This figure, as many other exponents of Lombard politics and administration, came from the movement known as *Comunione e Liberazione*<sup>52</sup>. This movement has always been characterized

<sup>52</sup> This Catholic ecclesial movement was founded in Italy by the priest and theologian Luigi Giussani. It was born from the intention of reconstructing a Christian presence in the student environment. In 1954 Giussani founded *Gioventù Studentesca* (GS), a movement that initially took place within the *Azione cattolica* in the Berchet high

by a radical critique of Italian public intervention in social policies, considered strongly intrusive and inefficient. According to this thought, such a kind of welfare state would not be able to grant services of good quality or even to effectively protect the weaker segments of the population. It was represented as obstacle to the civil society, preventing this one from exploiting its potential. The critical issues of public intervention, in this view, would contrast with the potential strength of civil society in its various articulations, with the crucial role of Third Sector and the family inside it. Social policies, instead, should leave space to civil society and enhancing it fully, transforming public welfare from an obstacle, in this conception, to an instrument for its development. Reforms should not, therefore, take on tasks that civil society can already do, but make every effort to put its various expressions to the point of acting with the greatest possible autonomy (Vittadini, 2002).

In these terms this model is very reliant on the principle of subsidiarity, characterized by the idea that individual self-responsibility becomes decisive both in private affairs and in public sphere. The emphasis placed on citizens' freedom of action is therefore the result of the conviction of the potential that civil society exploits when it is left free to act constructively (*id.*). The public actor should only regulate the initiatives respondent to the needs of the community that social groups autonomously promote. This is the reason why the State becomes no longer the exclusive provider of services, but it should be intended as the guarantor of a system populated by “self-responsible citizens” (question marks of the author)(Abelli, 2005).

As a consequence of this ideological convictions, the critique towards strong public interventionism finds its answer in the set of solutions developed by the New Public Management paradigm. This can be considered consistent with the main ideological framework seen for three main aspects:

- citizens are no longer conceived as users but as consumers, with freedom of choice among services expressing their preferences;
- the introduction of a market logic represented by the competition between providers in order to replace the public actor in being respondent to citizens' needs;
- the development of systems for the measurement and evaluation of the performance.

Freedom of choice for the users, in fact, can only be realized when they are aware of the effectiveness and capacity of the operators among which they can choose. According to the design of r.l. 22/2006, the evaluation process should be based on the achievement of the objectives set by regional administration, the consistency between interventions and employment opportunities for users. To enforce this mechanism, regional decision-makers has connected the distribution of the resources to the evaluation process. In particular, from r.l 22/2006 it has been established that

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school of Milan, where the priest dedicated himself to the teaching of the Catholic religion. The movement, which in 1969 will take the current name of *Comunione e Liberazione* (CL), has been based on the conviction that the Christian event, lived in eucharist, is the foundation of the authentic liberation of man. The main aims of the ecclesial movement are the mature Christian education of its members and collaboration in the mission of the Church in all areas of contemporary society (Giussani, 2003).

a share of at least the 75% of resources should be assigned on the basis of the evaluated performance of the providers.

In this view, each provider should receive a numerical score related to its performance based on specific evaluation criteria, thus introducing a quantitative logic in the evaluation process, aiming at realizing a rating system. This task should be entrusted to an independent evaluator, chosen by means of public tendering procedures, with the aim of disseminating the data resulting from the evaluation process in the context of a public ranking (D'Onofrio and Morocco 2013).

The aim of the regional government chaired by Formigoni has been to aggregate all these principles, common to different social policy areas, in a local pact that would have represented the basis for further developments. To these purposes, Formigoni's government after his election for the last mandate, in 2010, was intended to realize a "Pact for Welfare". However, a political scandal broking out in 2013 led towards the anticipated breakdown of this regional government, causing also the fact that this political initiative has never been completed and did not receive any official signature. Nevertheless, despite this non-complete process, we can consider its contents as a term of reference for the consolidation of the Lombard model, leaving aside the aspect that it had to be abandoned for exogenous problems.

In order to follow this line of reasoning we can consider two institutional documents to understand the main features of this pact: the guidelines inspiring preliminary consultation, with the final report after it (regional decrees 3481/2011 and 4296/2012), and Formigoni's end-of-term report of his last mandate, including a substantial chapter related to social policies<sup>53</sup>. The consultation resulted in many meetings with different actors of the territory, among municipalities, provinces, local health authorities, social partners, both public and private stakeholders<sup>54</sup>.

We can synthetize two "keywords" emerging from this consultation and that, subsequently, should have been included in the "Pact for Welfare": individualization and subsidiarity.

The stressed concept of the individual at the centre of the system is consistent with the workfare perspective assumed by this region. The workfare view, in particular, was the answer to the political choice of regional decision-makers in favour of a "welfare of responsibility", in which individual capacity and potential should be enhanced in a protagonist role of "social entrepreneurship", for the very first satisfaction of social needs. The reference is clearly on the individualization of measures. Measures should be targeted on individual needs and then accounted in a multidimensional perspective. The concept of individual responsibility is therefore strictly connected with that of freedom of choice for the selection of providers, in order to simplify

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<sup>53</sup> We have first of all to specify that this initiative have not concerned specifically LMPs, but it was oriented mainly to care services. However, as we have already said, Lombard model has been characterized in all field of social policies by the same main principles and then, according to our perspective, it has been solved by a common pattern of governance regarding care services as well as LMPs.

<sup>54</sup> Precisely, it had been made 20 meetings with regional welfare general administration, 15 with social directors of local health authorities, about 40 distinguishing by bilaterial meetings and round tables with social partners (not only unions but also other organizations such as forum of families, catholic organizations, Third sector forum and other associations dealing with assistance purposes) and with institutional actors (province administrations, hospital administrations, INPS, INAIL, prefectures).

access to services and stimulate users' participation, enhancing the quality of the system. Subsidiarity, that we have already mentioned, appears to be related to that of structural governance. Indeed, it refers, from the horizontal dimension, to the relationship between different operators, and from the vertical dimension, to the relationship between different levels of government. The latter concerns, in particular, the role of the regional government, committed to define standards for the accreditation and to assess the performances achieved. The former regards the involvement of private providers, recalling the typical values already described of market exposure of the system and trust given to the role of Third sector organizations, in the aspiration to realize a system in which resources and interventions should not continue to rely exclusively on public institutions.

Apart from the fact that the "Pact for Welfare" has never been formally produced and officially signed, due to the breakdown of Formigoni's regional government experience, employment services have been developed around these same principles, immediately after the 2006 regional reform and continuing with progressive adaptations and improvements.

As we have seen the logic determined by freedom of choice for users in the access of services, in the context of a quasi-market, has been regulated by the mechanism of voucher, conceived as a "purchasing-title" for the selection of services. In the Lombard model such a framework has led to the design of the so called *sistema dotale*, from the name *dote* (literally "endowment") with which has been called the voucher system. The evolution of this kind of system has registered a substantial change in its structure in 2013, passing from multiple schemes to a single one.

Until 2013 vouchers were assigned to particular categories of subjects, identified from time to time as recipients of specific initiatives. The recipients of the initiatives could obtain vouchers through a procedure that took place entirely on-line. Each individual could benefit, in a single year, of more than one *dote*, until a maximum spending limit.

The two main programs were *Dote Lavoro* and the *Dote Formazione*. Recipients of *Dote Lavoro* were citizens resident in Lombardy aged less than 64 proving to be people looking for employment, including workers expelled from the labour market due to company crises, subjects with no experience, not exclusively recipients of UBs, workers involved in outplacement processes and workers belonging to disadvantaged categories, suspended from the extraordinary re-integration funds.

The value of a voucher was on average about 1.500 euros. In addition, to those subjects whose social and economic conditions made necessary further support, a contribution of up to 3,000 euros was foreseen (equal to 300 euros for each month, up to a maximum of 10 months). For the purposes of remuneration for accredited institutions, Lombardy region recognized from 700 to 1.300 euros to the operator who took in charge a jobseeker, being able to get him a job with a duration not less than 6/12 months.

As regards *Dote Formazione* the objective was to promote employability and increase the level of skills and life-long learning, with particular attention to those who were at risk of exclusion from the labour market.



To access *Dote Formazione* it was necessary to be resident or domiciled in Lombardy and to be unemployed with age not superior to 35 and holding a secondary education title.

The amount of a single voucher for the provision of services of the regional vocational education and training system amounted to a maximum of 5,000 euros in relation to the type and quantity of services used. It was possible to use one or more training services provided by an operator accredited by the region for a maximum duration of 24 months starting from the date of assignment of the *dote*.

In addition to this two "basic" programs in 2009 and in response to the effects of the economic crisis, "Dote system" was integrated by specific devices aimed at supporting specific targets with the delivery of ALMP, such as: recipients of social shock absorbers in derogation (*Dote Lavoro ammortizzatori sociali in deroga*); people with disabilities (*Dote lavoro persone con disabilità*); disadvantaged subjects (*Dote soggetti deboli*); police force operators (*Dote formazione operatori di polizia*); temporary workers (*Dote lavoratori in somministrazione*) and advanced training (*Dote*). A first potential problem of the previous system was to be found in the kind of services delivered. To the beneficiaries of *Dote Lavoro* were often offered orientation and scouting activities, complemented by training courses. The skill-balance was a less frequent service but still relevant, while support for self-entrepreneurship was the least common service.

In general, it emerged that job-matching was less frequent compared to the training activities. Moreover, towards those who had lost their jobs, it was evident the difficulty of settling the training path undertaken with concrete possibilities of placement.

On the other hand, the training was provided in the absence of an explicit demand for skills from firms. Sometimes it was also complained an inadequate attitude on the part of the training agencies, organizing pre-packaged and standardized courses, poorly responsive to the needs of workers (Expert Italia, 2009).

A second problem of the previous "Dote system" concerned the criticalities of the competitive model. The market share of private provider was about the 70% in the system and public operators proved often to be unable to compete. In addition, the probability of opportunistic behaviour by private providers was always high, with the classical risks of creaming and parking.

It appeared a scenario in which the private operators operated in sectors traditionally covered by public employment centres (such as orientation and job-search training) while there has been a scarce presence in services less covered by public operators and needing more specialization, such as job-matching (Eupolis, 2014).

In other words, the private provider naturally tends to accomplish for the most part vocational training and orientation, obviously easier tasks to carry out, while ignoring, probably because not economically convenient, the action for which they have been explicitly involved, the job-matching.

Starting from October 2013, all these criticalities led to the shift towards the definition of a single scheme, the *Dote Unica Lavoro*<sup>55</sup>, replacing the previous multiple types of vouchers, which will be our object of evaluation. This program has soon become the centre of the regional planning for ESF, both at the end of the 2007-2013 cycle and at the core of the 2014-2020 one. The recipients can only be residents or domiciled in Lombardy and should be in particular: young unemployed up to 29 years, unemployed (regardless of previous employment) whether they perceive benefits or not, but also workers of companies located in Lombardy, in the presence of specific conditions (cessation of activity, bankruptcy proceedings, solidarity contracts, layoffs). In order to overcome problems of moral hazard of the previous systems it has been changed the structure of payments for private providers, introducing the mechanism of “targeting” and making the reimbursement of the provider “outcome based” (Bruttel 2005). Recipients have been divided according to their level of employability, in such a way that each target receives a total budget available, proportioned to the level of employability. This action is implemented by means of the profiling phase and could be performed both by public and private operators, according to the user’s preference.

The amount of the voucher is calculated in terms of time spent without work, for the main part.

This criterion is, then, combined with other three variables influencing the probability to get a job: age, gender and education. Each of these variables is articulated in different specific conditions, each one giving a score.

The sum of the scores determines the person's four possible need bands (*fasce d’aiuto*), corresponding to different level of assistance intensity:

- target 1 "low intensity" (1-49 points): this includes people able to place or being reintegrated to the labour market independently or requiring minimal support;
- target 2 "medium intensity" (50-74 points): this category includes people who need intensive services for placement or reintegration to the labour market;
- target 3 "high intensity" (75-100 points): this category includes people who need intensive services for a medium / long period and strong individual support for placement or reintegration in the labour market;
- target 4 "other assistance" (0 points): this includes people who need services to maintain their position in the labour market.

More precisely, the amount of the voucher grows in relation to the *fascia d’aiuto* assigned, meaning that the profiling phase determines *ex-ante* the expected remuneration for the provider. It follows, then, the elaboration of a "personalized insertion plan" (PIP), a plan defining services tailored to the needs of the voucher recipients, establishing mutual commitments between user

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<sup>55</sup> Decree of the regional general director for education, training and work 9254/2013

and operator. PIP should specify a tutor guiding the user during all phases of implementation of the voucher, sketching a timesheet of the interventions.

The interventions are chosen within a unique basket of active labour market measures: “acceptance and orientation” (“access to services, specialized interview, definition of the path, skill assessment, analysis of the attitudes towards entrepreneurship, support to network creation, orientation and job-search training, continuous accompaniment”), “skill consolidation” (“coaching, tutoring and accompaniment to the internship / work experience, certification of skills acquired in non-formal and informal areas, promotion of knowledge specific to business management, training activities”) “services for job-placement and / or self-entrepreneurship” (“job-matching, support to new business”). The maximum duration of the program varies according to the *fascia di aiuto* assigned, in particular it is equal to six months for targets 2, 3 and 4, only three months in the case of target 1. On the basis of the outcome-based structure of payments the reimbursement of the voucher to the provider is recognized only in case of a “successful employment outcome”, defined as a work contract of duration of at least six months. If at the end of the first program, precisely at the end of the last measure activated, the successful employment result is not achieved, the user may apply again to the program. Being able to access up to a maximum of three vouchers in a year (the so called *borsellino dote*).

The configuration of DUL program have respected also the criteria established from r.l. 22/2006 regarding the attachment between the distribution of resources and the evaluation process, by means of a share of the 75% of all the resourced assigned. This assignment distinguishes between two components: a “fixed” and a “performance” one.

The fixed component has a total weight of about 25% and allows all operators to participate in the distribution, 40% is proportional to the value of the vouchers charged in previous years, recognizing the value of operators who demonstrate greater capacity and effectiveness. The last 35% is destined to operators which, on the basis of the vouchers charged in previous years, have shown a performance above the average in terms of placement of the participants to the program. *De facto*, operators which do not meet the objectives set by the regional plan are excluded from the distribution.

Considering all the mechanisms structuring Lombard PES governance related to the involvement of private providers, we can state that the DUL program can approximate the mechanisms we have seen from principal-agent theory aimed at avoiding the risk of opportunistic behaviour from the side of the private providers involved (Bruttel, 2005). The outcome-based and targeted remuneration should correspond to the structure of incentives supposed to be able to maximize the utility of both provider and government; the evaluation process determining the distribution of resources on the basis of the performance of the operators should correspond to the information supposed to be able to increase the governments’ information about the effective providers’ efforts; the accreditation provide those standards for the access to the services that should correspond to public regulation concerning the way the providers have to deliver services (Table 4.1 ). We have already said and we will see again later on that this represent an important aspect in confronting the DUL program with the AdR.

Tab. 4.1 Mechanisms present in the DUL program to mitigate opportunistic behaviour according to Bruttel (2005)

Incentives: The agent's maximization of its own profits also maximizes the utility of the government	Payment structure: Outcome-based payments and targeting
Information: Increase the governments' information about effective providers' efforts	Evaluation process: Strong evaluation of the providers, in order to assign resources on the basis of their performance
Control: Rules and regulation that state how providers have to deliver their services	Accreditation regime: quality standards at the access and guarantee a minimum level of service

#### 4.1.3. After the Jobs Act

Despite showing a very similar configuration with the design introduced by the decree 150/2015 for what has concerned new ALMP instruments such as the AdR, regional policy makers have soon seemed to be worried about the possibility of any possibility of modification induced by the central level. For this reason, soon after the September of 2015, on December it was signed the agreement between the national government and Lombardy.

The defence of the Lombard PES governance can be seen in particular on the regulation of the profiling phase, which is not exclusively assigned to CPIs in the DUL program, differently from the Adr. As we have seen, this for Lombardy should have resulted in a strict limitation, respect to the prerogatives gained by private operators, able to provide profiling by themselves. The agreement, in these respects, have ensured that not only this phase but all the fields of interventions regarding employment services specified by the decree should rely on the regional network putting public and private operators on the same floor. At the same time, all the interventions outlined by the decree 150/2015 should be delivered inside the framework of the DUL program (table 4.2). This in order to continue to give to this program the maximum centrality in the regional model.

Tab. 4.2 Comparison between active labour market measures provided in the DUL program and those classified by the decree 150/2015

List of active labour market measures provided in the DUL program		List of services to be provided by regions according to decree 150/2015 (art. 18, c.1)
Acceptance and orientation	Access to services	basic orientation, skills analysis in relation to the local labour market

		situation and profiling (art.18, c.1, lett. a)
	Specialized interview	specialized and individualized orientation, through the assessment of skills and analysis of any needs in terms of training, work experience or other active labour policy measures, with reference to the adequacy of the job demand profile expressed at territorial, national and European level (art. 18, c.1, lect. c)
	Definition of the path	
	Skill assessment	
	Analysis of the attitudes towards entrepreneurship	individualized orientation to self-employment and tutoring for the steps following the start-up of the company (art. 18, c.1, lect. d)
	Support to network creation	
	Orientation and job-search training	help in finding a job, even through group sessions, within three months of registration (art. 18, c.1, lect. b)
	Continuous accompaniment	
Consolidation of skills	Coaching	
	Tutoring and accompaniment to the internship / work experience	promotion of work experience for the purpose of increasing skills, including through internships (art. 18, c.1, lect. g)
	Certification of skills acquired in non-formal and informal areas	
	Promotion of knowledge specific to business management	individualized orientation to self-employment and tutoring for the phases following the start-up of the company (art. 18, c.1, lect. d)
	Training activities	start-up of training activities for the purposes of professional qualification and retraining, self-employment and immediate work placement (art. 18, c.1, lect. e)
Services for job placement and / or self-entrepreneurship	Job-matching	
	Business support	

From the year 2015 the configuration of the DUL program has also been progressively updated by regional policy-makers. Despite having recognized an important role to private providers, these kinds of modification followed some considerations related to the effects of such a kind of involvement, trying to avoid unintended consequences. In particular we can register further changes in the distribution of resources, according to changes in the composition of targets. The consideration of the most disadvantaged targets on the labour market has led to the introduction of a new “band” corresponding to a new level of assistance intensity. This has been

the case of the new *Fascia 3 Plus*, representing a particular “spin-off” of the band *Fascia 3*- high intensity assistance. This has been addressed to unemployed people in strong conditions of disadvantage, on the basis of the following criteria: unemployment exceeding 36 months; family income not exceeding 18.000 euros; being not recipients of other benefits. Only for this new band has been established that these recipients receive a "participation fee" for their participation to the program. Such a change has been accompanied by changes in the structure of components at the basis of the evaluation the performance. In particular, in the new configuration for the distribution of resources it has been introduced a specific component of "taking charge of disadvantaged groups". This has been a specific provision for operators respecting regional criteria addressed to the assistance of jobseekers in high condition of disadvantage. In addition to the fixed component of 25%, for these "qualified" operators has been foreseen a 20% of the total distribution of resources, of which: 10% of the total allocation of resources proportionally to the placements of *Fascia 3*, 10% of the total allocation of resources proportionally to take charge in the *Fascia 3 Plus*. As a consequence, the performance component has been lowered to 55%, of which: 25% is assigned proportionally to the placement results achieved, 30% to operators above the average of the employment results.

#### 4.2. The evaluation of the model

The evaluation of the DUL program would make us able to get a first answer for our two guiding hypotheses regarding the consequences of a quasi-market model in terms of effectiveness and equity. With regard to this, as we have seen, this program has been equipped with incentives supposed to avoid the opportunistic behaviour of private providers, common also to the AdR scheme. To this purpose we will evaluate DUL observing its first period of implementation, from the 1<sup>st</sup> of January 2014 until the 30<sup>th</sup> of September 2015, in the area of the Metropolitan City of Milan. That is, the period from the start of the program and the situation preceding the new national reform for ALMPs and PES introduced with the decree 150/2015. Table 4.3 presents the total number of measures delivered within the DUL program in the period observed using the list of active labour market measures already listed in the previous table 4.2.

We have simplified these measures in four main categories of ALMPs: “basic services” (*servizi di base*), “individual orientation” (*accoglienza e orientamento*), corresponding both to a general employment assistance and soft-skills courses like job-search training, “skill consolidation” (*consolidamento competenze*), corresponding to more specific hard-skill training; “services for job-placement”, corresponding to job-matching/placement services. One of the most interesting features for this case of study is that all the 10.823 jobseekers treated are assisted by means of placement services as final tool delivered. This is an important aspect to get a first insight of this model. In the table 4.3 we can see how the measure are cumulated for the jobseekers treated.

Tab.4.3 Measures delivered with the DUL program in the period of observation and total number of jobseekers treated with different combination of them.

Type of measures				
Basic services	Individual orientation	Consolidation of skills	Job-matching/ Placement services	N. of jobseeker treated with the combination
				1.730
				7.937
				1.156

Table 4.3 clearly shows how the final tool delivered is always represented by placement. However the most recurrent path corresponds to a first approach with PES characterized by the first two steps of soft employment assistance. Just a small part of the jobseekers joins hard-skill training. On the contrary, there is another small proportion which after a very first access to the services is addressed directly to the placement, even skipping further soft measures.

With regard to the costs incurred for the first implementation of the program (from October 2013 to June 2015), 48 millions of euro have been invested from the budget of the 2007-2013 ESF cycle. The subsequent financing of DUL, from June 2015 and so on, has registered an additional 60 millions of euro from the 2014-2020 ESF cycle. In both the cycles the DUL program has represented the central scheme around which the policy-makers set the main goals of LMPs. The resources for DUL, in particular, have been addressed to promote the activation of the long-term unemployed and of those with the greatest difficulty of placement, as well as the support of people at risk of long-term unemployment, by means of interventions favouring adaptation to the changing conditions of the economic context and the updating of skills throughout the working life.

#### 4.2.1. Design of contracting

More generally, and as already anticipated, the DUL program, characterized as a quasi-market model, exposes itself to a number of possible problems. Competitive experiences of this kind are exposed to the risk that the economic interest, considered in its original intentions as a vehicle of effectiveness and efficiency, may lead private providers to try to minimize the risk of failure in placement. That is, if the ultimate goal of private providers is to get voucher reimbursement, they will tend to follow the easiest way to achieve this objective. In the case of the DUL program, the regional administration exposes itself to the risk of being not able to observe the actual efforts made by the operators to achieve the placement of the users in charge. Providers, in particular, may only make use of jobseekers who are easy to place, that is, those more skilled and which

require less expensive interventions (creaming). Likewise, private operators may shift public resources to interventions for which achievement of the results is easier, such as orientation activities, where it is more difficult to find evidence of the effectiveness of the interventions, looking for the easiest way to get a remuneration (parking).

Therefore, we know that if the institutional design for the involvement of private operators is not able to disincentive the opportunistic behavioural phenomena, employment results will inevitably be suboptimal in terms of equity.

We move from the consideration that the model drawn up by Lombardy, with the creation of the DUL program, can be related to the incentives proposed by Bruttel (2005) to avoid the moral hazard risks of the principal agent theory, which anticipates the policy design of the AdR introduced by the decree 150/2015. We focus then on the design of the payment structure for private providers, supposed to be able to align agent's interests with those of the principal. We have already mentioned that payments are necessarily considered outcome-based, since they are constrained to the achievement of a certain employment outcome for the jobseeker in charge. We have seen also that this program makes the payments depending on different user targets, so that the remuneration is as bigger for the operator as higher is the level of disadvantage of the user. Targeting and outcome-based payments are present also in the AdR scheme. It is for this that our evaluation of the Lombard model represents an interesting opportunity, not only to confirm or not our main hypotheses, but also, more specifically, to test whether these incentives - targeting and outcome-based payments - applied to quasi-market models are actually able to mitigate the opportunistic behaviour of private providers.

#### *4.2.2. Data, identification and estimation strategy*

##### *Data and characteristics of the sample*

Our analysis focuses on the area of the Metropolitan City of Milan, as representative of the regional system. We observe the first two years of implementation of the DUL program, including in the analysis all the services recorded from the 1<sup>st</sup> of January 2014 and the 30<sup>th</sup> of September 2015, just until the introduction of the new norms from the decree 150/2015. For each of these years, it has been possible to observe the employment result of all the subjects for a period of time of at least two years. The data used come from the union of three administrative archives, provided by the labour market observatory of the Metropolitan City of Milan (*Osservatorio del Mercato del Lavoro di Milano* - OML) and by the regional agency for work and education (*Agenzia Regionale Istruzione Formazione e Lavoro* - ARIFL). We have been able to build a dataset of 26,251 observations crossing the fiscal codes of the observed subjects over three types of information. The first corresponds to the certification of unemployment status (DID) provided by the OML. The second information is provided by ARIFL and refers to the measures received by jobseekers who have subscribed at least once the DUL program within the same time range. In



our analysis, we are considering only the first participation of the subjects, from the beginning of their unemployment spell. The last information is represented by the compulsory communications of employment (*comunicazioni obbligatorie*), representing records of each employment contract signed, its extension and termination on the territory, provided by the OML, covering the four-years period 2014-2015-2016-2017 and we will rely on them for the analysis of the employment outcomes after the program. To these, we have added the compulsory communications of the previous period respect to the one in which we observe the program, over the three-year period 2011-2012-2013, in such a way as to reconstruct the labour market history of the subjects observed. For this reason, we have taken into consideration only those subjects whose labour market history can be reconstructed from the 1<sup>st</sup> of January of the 2011 until the 31<sup>st</sup> of December of the 2017<sup>56</sup>.

### *Identification strategy*

The information at our disposal has allowed us to build five independent variables: age, gender, education, citizenship, duration of unemployment<sup>57</sup> spell and month of registration.

The “treatment group” is made up of 9.862 jobseekers who have participated to the program between the 1<sup>st</sup> of January 2014 and the 30<sup>th</sup> of September 2015. These are people who are unemployed at the beginning of the program. As we have already said, although program allows repetitions and the possibility to obtain more than one voucher, only data concerning the first participation to the program is considered.

The “control group” consists of 16.389 observations. These are unemployed subjects having the last certification of unemployment recorded between the 1<sup>st</sup> of January 2014 and the 30<sup>th</sup> of September 2015 and did not participate to the program during this period. The mandatory communications, finally, allow us to build the outcome variables for both the two groups.

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<sup>56</sup> We have to remember that we cannot observe a subject finding a job in a territory other than Milan in the same period of observation, because he is recorded in another district. The criterion we use - taking into account only those subjects whose labour market history can be reconstructed from 2011 to 2016 - allows us to partially overcome this administrative limitation, since we are considering only people who live and work in the province of Milan.

<sup>57</sup> Regarding unemployment spell, using the COs it has been possible to summarize the previous work history of the subjects by means of the construction of a dummy variable (1 = employed, 0 = unemployed), for each month, in the period between 1<sup>st</sup> of January 2011 and the 31<sup>st</sup> of December 2016. Indeed, at the time of the combination with the data of the COs for the three-years period 2011-2012-2013, many of the subjects included in the treatment database lacked information about a previous labour market history traceable month for month, as for the rest of the sample. However, it has been easy to recover for this lack by using the information contained in the treatment database, finding recorded the voice related to the unemployment spell of the subjects at the time of registration for the participation to the program. This allowed us to standardize this type of information to that obtained starting from the dummies on the monthly employment condition of all the other subjects, resulting in a single variable "duration of unemployment spell" valid for all the units.

### Estimation Strategy

The probability to be treated has been estimated by means of a probit regression that has as dependent variable this probability and as independent variables the observable characteristics of the subjects (table 4.4).

Tab. 4.4 Probit regression of the probability to participate to the DUL program

<i>Variables</i>	<i>Propensity score</i>
<b>Age</b>	
15-29 (ref.)	-
30-44	0.398*** (0.021)
Over-45	0.531*** (0.023)
<b>Gender</b>	
Female	-0.097*** (0.017)
<b>Education</b>	
Compulsory (ref.)	-
Secondary	0.183*** (0.023)
Tertiary	0.132*** (0.027)
<b>Citizenship</b>	
Foreigner	-0.882*** (0.026)
<b>Unemployment spell</b>	
< 1 year (ref.)	-
1-2 years	0.356*** (0.025)
> 2 years	0.133*** (0.019)
<b>Month of registration</b>	
January (ref.)	-
February	0.092*** (0.034)
March	0.089*** (0.033)
April	-0.228***

	(0.037)
May	0.168***
	(0.035)
June	0.084**
	(0.034)
July	-0.375***
	(0.034)
August	-0.260***
	(0.045)
September	0.058*
	(0.034)
October	0.065
	(0.039)
November	-0.226***
	(0.050)
December	-0.466
	(0.055)
Constant	-0.645***
	(0.055)
Observations	26,251

Standard errors in brackets

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

The table 4.4 shows us the characteristics influencing the probability to participate to the DUL program. We can see that this probability increases as age grows, an aspect that could be due to the start of the Youth Guarantee Program in the same period redirecting to it many among the youngest jobseekers. Having high degrees of education is another characteristic that influence the probability to be part of the treatment, in particular for those with high school diploma. The propensity score is also positive associated with longer period of unemployment, in particular those between one and two year of unemployment. On this point we have already considered from the ESF planned policy aims that long-term unemployed subjects represent one of the main targets to whom is explicitly addressed the DUL program. On the contrary being a woman and a foreign jobseeker are characteristics which decrease the probability to participate to the DUL program. Concerning the period of registration there could be just a slight evidence of seasonality of the employment. The probability to enter in the treatment, respect to the beginning of our window of observation, is higher for winter period (February and March) and that preceding (May and June) and following summer (September and October).

The analysis has been limited only to those observations on the common support. This restriction has implied the exclusion of 7 treated units from the support.

The table 4.5 shows the balancing test we have perform to verify the balance between treatment and control group.

Tab. 4.5 Balancing test

Variable	Sample	Mean		Colonna1	%reduct	t-test
		Treated	Control	%bias	bias	p>t
<b>Age</b>						
30-44		0,45246	0,43395	3,7		0,003
		0,45246	0,4505	0,4	89,4	0,779
over 45		0,35391	0,25035	22,7		0,000
		0,35391	0,35029	0,8	96,5	0,591
<b>Gender</b>						
female		0,49792	0,52072	-4,6		0,000
		0,49792	0,48677	2,2	51,1	0,113
<b>Education</b>						
Secondary		0,60679	0,52468	16,6		0,000
		0,60679	0,61737	-2,1	87,1	0,123
tertiary		0,22241	0,21862	0,9		0,470
		0,22241	0,22372	-0,3	65,4	-0,823
<b>Citizenship</b>						
foreigner		0,0663	0,25328	-52,8		0,000
		0,0663	0,06988	-1,0	98,1	0,313
<b>Unemployment spell</b>						
1-2 years		0,16634	0,10342	18,5		0,000
		0,16634	0,166	0,1	99,5	0,948
> 2 years		0,27501	0,24193	7,6		0,000
		0,27501	0,27254	0,6	92,5	0,695
<b>Month of registration</b>						
February		0,1186	0,09281	8,4		0,000
		0,1186	0,11405	1,5	82,4	0,314
March		0,1184	0,09885	6,3		0,000
		0,1184	0,11524	1,0	83,8	0,485
April		0,06451	0,09067	-9,8		0,000
		0,06451	0,06451	0,0	100,0	1,000
May		0,10987	0,08115	9,8		0,000
		0,10987	0,11665	-2,3	76,4	0,128
June		0,1052	0,08445	7,1		0,000
		0,1052	0,1053	-0,0	99,5	0,982
July		0,08208	0,13405	-16,8		-0,000
		0,08208	0,07843	1,2	93,0	0,340
August		0,03523	0,05388	-9,0		0,000

	0,03523	0,03792	-1,3	85,6	0,309
September	0,11195	0,09848	4,4		0,000
	0,11195	0,11322	-0,4	90,5	0,775
October	0,06689	0,06083	2,5		0,049
	0,06689	0,07362	-2,8	-11,1	0,062
November	0,02977	0,04045	-5,8		0,000
	0,02977	0,02963	0,1	98,7	0,953
December	0,02035	0,03856	-10,8		0,000
	0,02035	0,01774	1,5	85,7	0,176

Considering that after the matching the mean of the bias is equal to 1%, we can say that the matching procedure sufficiently balance the distribution of all covariates between the two groups (Caliendo and Kopenig, 2005).

In the next paragraphs we will move towards our two steps of evaluation.

#### 4.2.3. Impact on the probability to be employed

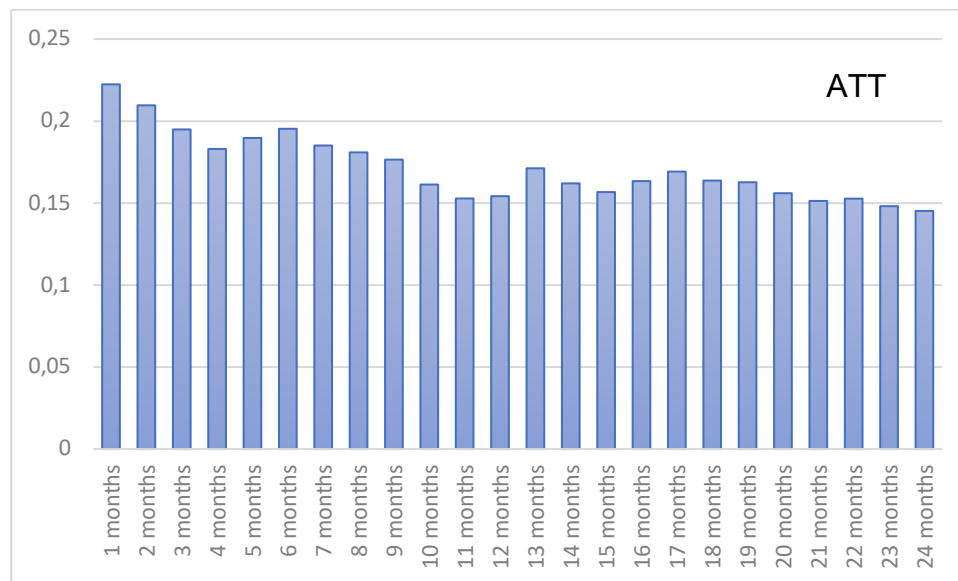
We have first measured the impact of the program considering only the employment condition at a certain period after the beginning of the program, considering all the possible employment contracts obtained by jobseekers, in order to evaluate what could be the attachment to the local labour market after the DUL participation. As we can see at the top of the table 4.6, treaties have a probability to be employed, at a period of 6 months after program, greater than 19 percentage points higher than controls. With regard to the 12-month effect, we can observe how the impact of the program is reduced, even though there is still a considerable effect of 14 percentage points.

Tab. 4.6 Impact evaluating the employment condition at a certain point in time after the beginning of the treatment

<i>Matching</i>	<i>after 3 months</i>	<i>after 6 months</i>	<i>after 12 months</i>	<i>after 18 months</i>	<i>after 24 months</i>
Before matching	0,175 (0,006)	0,185 (0,005)	0,136 (0,005)	0,144 (0,005)	0,128 (0,006)
ATT After matching	<b>0,201***</b> (0,006)	<b>0,201***</b> (0,006)	<b>0,158***</b> (0,005)	<b>0,168***</b> (0,005)	<b>0,150***</b> (0,006)
Mahalanobis	0,205 (0,007)	0,204 (0,006)	0,158 (0,006)	0,170 (0,006)	0,150 (0,007)

In all the cases we can see a very high impact. In particular, the probability of being employed in the short-term period is 20 percentage points superior for those undertaking the program respect to the non-participants. Mahalanobis gives always comparable estimations. Until two years of distance from the beginning of the treatment, despite slightly decreasing, the impact remains considerable on the long-term.

Fig. 4.2 ATT over time



More in detail, after balancing for the observable characteristics, the probability of being employed increases in every case, suggesting that we are in presence of a negative selection at the entrance of the program. Considering the characteristics that would affect the probability of being part of the program (table 4.4), this would mean that there is a strong incidence exerted by two of them, such as the old age and the longer period of unemployment, lasting more than a year, generally associated with greater difficulty to get a job.

These first results already show a great level of effectiveness of the DUL program. Those who decide to participate have much more chances to be employed and able to remain attached on the labour market, even on the long-term. We know from the design of the program that in order to get the remuneration attached to the voucher the providers should be able to place participants on jobs with a minimum duration of at least six months. In the second step of evaluation we will take in consideration just this aspect, distinguishing the first employment contract that the subjects are able to get after the treatment on the basis of its duration. We will then perform the matching changing in turn the outcome variable to find out: the probability to get an employment contract of at least 6 months of duration, of more than 12 months, more than 18 months and at least 24 months. In this way we should be able to distinguish between the impact of short-term versus long-term contracts got as first entrance to the labour market after the treatment.

In order to go deeper on the incentive of outcome-based payments for the providers able to place the participants on jobs lasting at least 6 months, we decide to distinguish also as outcome variable the probability to get as first employment contract with a duration of at least 6 months but maximum 12. Looking at this specific outcome we may have the opportunity to find out to what extent there is a reliance on short-term contracts, representing the evidence of a possible opportunistic behaviour of the providers.

*Tab. 4.7 Impact evaluating the first employment contract obtained of: at least 6 months of duration, at least 6 months and maximum 12 months of duration, more than 12 months of duration, more than 18 months of duration, more than 24 months of duration.*

<i>Matching</i>	<i>at least 6 months of duration</i>	<i>at least 6 months and maximum 12 of duration</i>	<i>more than 12 months of duration</i>	<i>more than 18 months of duration</i>	<i>at least 24 months of duration</i>
Before matching	0.148 (0,004)	0.083 (0,003)	0.064 (0,003)	0.049 (0,003)	0.044 (0,002)
ATT	<b>0.160***</b>	<b>0.086***</b>	<b>0.074***</b>	<b>0.059***</b>	<b>0.055***</b>
After matching	(0,005)	(0,004)	(0,003)	(0,003)	(0,002)
Mahalanobis	0,161 (0,005)	0,086 (0,004)	0,075 (0,003)	0.060 (0,003)	0,056 (0,003)

In the first case, the effect is still high, showing a probability of getting this type of contract superior for the treaties by 15 percentage points. Considering contracts of a duration of at least one year, the effect is reduced considerably. The probability of getting a job of at least one year after the DUL program is more than 7 percentage points higher than those who do not participate to the program. This is a substantial reduction, even in relation to the effect found taking into account all the employment relationships after the program, especially for the comparable period of 12 months after the beginning of the treatment (table 4.6). This means that only in about half of the cases which determine the employment condition after 12 months, as in that evidence, this is represented by the first contract obtained after the program.

The effect is exactly the difference between the one observed considering only contracts with a duration of at least 6 months and the effect observed taking into account only contracts of a duration of at least one year. What turns out is that more than half of the effect of contracts with minimum duration of at least 6 months is due to short-term contracts, expiring within one year. A result that we could associate with the incentive of outcome-based payments, where for an operator it is sufficient to provide a contract of at least 180 days of duration to get the remuneration

of the voucher. We could therefore suppose that the 8.3% percentage points effect of the program might be due to opportunistic behaviour of the providers.

However, when we look at longer contractual durations, it turns out that the impact is stabilized around 5 percentage points. This means that the program is still effective even from the point of view of long-term contracts.

More in general, we can collect so far sufficient elements to get a preliminary confirmation of our first main hypothesis, claiming that the quasi-market model developed by Lombardy region with the DUL program returns a very good level of effectiveness.

Anyway, we need to answer more fully about the possible risk of opportunistic behaviour of the providers. In the next paragraph we will look more closely at the relationship between the short-term contract got after the participation – synthesized in the outcome already analysed of contracts lasting at least 6 months and maximum 12 – and the personal observable characteristics of the recipients of the program. We will focus now on the incentive of “targeting”, which makes the remuneration bigger growing the disadvantaged conditions of the participants. This exercise will give us the possibility to answer to the second main hypothesis of our work, affirming that the larger participation of private providers exposes employment services to the risk of moral hazard.

#### *4.2.4. Effects observing personal characteristics*

As we have discussed in the previous paragraph, the prevalence of short-term contracts as first employment relationship obtained after the DUL program leads us to suppose that we may be in presence of opportunistic behaviour of the providers.

We have already explained how the incentives of the DUL program are designed in such a way as to increase the remuneration for the operator in relation to the level of disadvantage of the jobseeker in charge. Likewise, this aspect does not exclude that providers may also prefer a lower but easier gain by continuing to concentrate efforts on those who provide less risk and are easiest to place. What we should verify is, therefore, the degree to which operators are sensible to the incentive of targeting designed by the program. To better specify our second main hypothesis, we have then formulated two alternative sub-hypotheses.

The first one refers to the case where providers are sensible to the incentive of the system. Opportunistic behaviour would arise from the tendency to maximize profits through the placement of the most disadvantaged jobseekers, providing higher earnings, on contracts of duration just sufficient to get the voucher reimbursement. In this case, we expect to find that the individual characteristics associated with greater employment difficulties would increase the probability to get short-term contracts after the program, rather than long-duration contracts.

The second one refers to the case where operators are not sensible to the incentives of the system. Opportunistic behaviour would arise from the tendency to minimize costs through placement of the jobseekers easiest to place, without necessarily seeking the maximum possible gain, but certainly implying less resources, on contracts of duration just sufficient to get the voucher



reimbursement. In this second case we expect to find that the individual characteristics associated with lesser employment difficulties would increase the probability to get short-term contracts after the program, rather than longer duration contracts.

To test these alternative sub-hypotheses, we use the tool of the multinomial logistic regression, through which we analyse the effects of the characteristics of subjects on the probability to obtain a short-term contract, rather than long-term one.

In particular, we focus on the interaction between the participation to the program (treatment) and the personal observable characteristics at our disposal, as in the models explained in paragraph 3.6.2. The dependent variable distinguishes three categories: get no employment, get a short-term contract (between 6 and 12 months of duration) and get a long-term contract (at least 12 months of duration). The latter is used as reference category<sup>58</sup>.

*Tab.4.8 Multinomial logistic regression of the probability of being unemployed, employed with a contract of duration between 6 and 12 months or with a contract of more than 12 months of duration. Coefficients related to the probability of get a short-term contract rather than long-term one. Interaction effects between participation to the program and age.*

<i>Variables</i>	<i>EMPLOYMENT OUTCOME</i>
	<i>(Reference category: employed with a contract of more than 12 months of duration)</i>
	<i>Employed with a contract of duration between 6 and 12 months</i>
<b>Age</b>	
15-29 (ref.)	-1.059***
30-44	(0.0941)
	-1.887***
Over-45	(0.111)
<b>Treatment</b>	
Treated	-1.747***
	(0.106)
<b>Treatment*Age</b>	
T* 30-44	1.816***
	(0.141)
T* over-45	2.153***
	(0.157)
<b>Gender</b>	
female	-0.428***
	(0.056)
<b>Education</b>	
compulsory(ref.)	-
secondary	1.027***
	(0.080)

<sup>58</sup> For simplicity, and given our specific interests, we do not include the results regarding probability to get no employment.

tertiary	1.612*** (0.095)
<b>Citizenship</b>	
foreigner	-1.279*** (0.077)
<b>Unemployment spell</b>	
Less than 1 year (ref.)	
More than 1 year and less than 2	0.208*** (0.087)
More than 2 years	0.388*** (0.072)
Constant	0.772*** (0.114)
Observations	26.251

Standard errors in brackets

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

Table 4.8 shows the interaction between age and treatment. We can see how the probability of getting a short-term contract, rather than a long-term one, among subjects not participating to the program, decreases as the age grows. The coefficients of interaction between age and treatment are positive and statistically significant. In particular, what is of main interest, is that this positive effect is reversed with the trend of the local labour market, meaning that probably the operators counteract the trend subjects may find if they do not participate to the program.

Tab. 4.9 Multinomial logistic regression of the probability of being unemployed, employed with a contract of duration between 6 and 12 months or with a contract of more than 12 months of duration. Coefficients related to the probability of get a short-term contract rather than long-term one. Interaction effects between participation to the program and gender.

<i>Variables</i>	<i>EMPLOYMENT OUTCOME</i>
	<i>(Reference category: employed with a contract of more than 12 months of duration)</i> <i>Employed with a contract of duration between 6 and 12 months</i>
<b>Age</b>	
15-29 (ref.)	
30-44	-0.151*** (0.070)
Over-45	-0.689*** (0.077)
<b>Gender</b>	
Female	-0.730***

	(0.085)
<b>Treatment</b>	
Treated	-0.728***
	(0.084)
<b>Treatment*Gender</b>	
T*female	0.659***
	(0.115)
<b>Education</b>	
compulsory(ref.)	
secondary	0.979***
	(0.080)
tertiary	1.507***
	(0.094)
<b>Citizenship</b>	
foreigner	-1.349***
	(0.081)
<b>Unemployment spell</b>	
Less than 1 year (ref.)	
More than 1 year and less than 2	0.230***
	(0.088)
More than 2 years	0.437***
	(0.072)
Constant	0.371***
	(0.129)
Observation	26.251

Standard errors in brackets

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

Table 4.9 shows the interaction between the participation to the program and gender. Even in this case we find that the operators counteract the main effect. Therefore, women have less chances respect to men to get a short-term contract with respect to contract of longer duration, but those who participate to the DUL program have more probability respect to male jobseekers to find such kind of positions.

Tab. 4.10 Multinomial logistic regression of the probability of being unemployed, employed with a contract of duration between 6 and 12 months or with a contract of more than 12 months of duration. Coefficients related to the probability of get a short-term contract rather than long-term one. Interaction effects between participation to the program and education.

<i>Variables</i>	<i>EMPLOYMENT OUTCOME</i>
	<i>(Reference category: employed with a contract of more than 12 months of duration)</i>
	<i>Employed with a contract of duration between 6 and 12 months</i>

---

<b>Age</b>	
15-29 (ref.)	
30-44	-0.162*** (0.069)
Over-45	-0.726*** (0.077)
<b>Gender</b>	
Female	-0.352*** (0.058)
<b>Education</b>	
compulsory(ref)	-
secondary	1.593*** (0.116)
tertiary	2.768*** (0.158)
<b>Treatment</b>	
Treated	0.883*** (0.147)
<b>Treatment*Education</b>	
T*secondary	-1.415*** (0.164)
T*tertiary	-2.325*** (0.202)
<b>Citizenship</b>	
foreigner	-1.184*** (0.083)
<b>Unemployment spell</b>	
Less than 1 year (ref.)	
More than 1 year and less than 2	0.223*** (0.087)
More than 2 years	0.432*** (0.072)
Constant	-0.347 (0.132)
Observation	26.251

---

Standard errors in brackets

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

Table 4.10 shows how the probability of getting short-term contracts, rather than long-term contracts, among non-participants increases as the level of education grows. The interaction terms between education and treatment are instead negative and statistically significant, reversing the sign of the effect of education among the participants. The participation to the program therefore

increases the probability of short-term employment among the less educated, in contrast to the "natural" trend of the local labour market.

Tab. 4.11 Multinomial logistic regression of the probability of being unemployed, employed with a contract of duration between 6 and 12 months or with a contract of more than 12 months of duration. Coefficients related to the probability of get a short-term contract rather than long-term one. Interaction effects between participation to the program and citizenship.

<i>Variables</i>	<i>EMPLOYMENT OUTCOME</i>
	<i>(Reference category: employed with a contract of more than 12 months of duration)</i>
	<i>Employed with a contract of duration between 6 and 12 months</i>
<b>Age</b>	
15-29 (ref.)	
30-44	-0.125* (0.069)
Over-45	-0.656*** (0.077)
<b>Gender</b>	
Female	-0.365*** (0.058)
<b>Education</b>	
compulsory(ref)	
secondary	0.931*** (0.080)
tertiary	1.441*** (0.094)
<b>Citizenship</b>	
foreigner	-1.836*** (0.102)
<b>Treatment</b>	
Treated	-0.647*** (0.071)
<b>Treatment*Citizenship</b>	
T*foreigner	1.454*** (0.171)
<b>Unemployment spell</b>	
Less than 1 year (ref.)	
More than 1 year and less than 2	0.229*** (0.087)
More than 2 years	0.442*** (0.072)
Constant	0.384*** (0.125)

Observation	26.251
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Standard errors in brackets

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

From table 4.11 we can consider the interaction between being a foreigner and participating to the DUL program. This aspect represents another evidence of an opposite sign between the interaction term and the main effect. Foreign workers on the local labour market have less chances respect to Italians to get a short-term contract rather than remaining. Those who participate to the program, on the contrary, register a higher probability to get a long-term contract.

Tab. 4.12 Multinomial logistic regression of the probability of being unemployed, employed with a contract of duration between 6 and 12 months or with a contract of more than 12 months of duration. Coefficients related to the probability of get a short-term contract rather than long-term one. Interaction effects between participation to the program and unemployment spell.

Variables	EMPLOYMENT OUTCOME
	<i>(Reference category: employed with a contract of more than 12 months of duration)</i>
	<i>Employed with a contract of duration between 6 and 12 months</i>
<b>Age</b>	
15-29 (ref.)	
30-44	-0.112 (0.066)
Over-45	-0.642*** (0.074)
<b>Gender</b>	
Female	-0.367*** (0.056)
<b>Education</b>	
compulsory(ref)	
secondary	0.988*** (0.075)
tertiary	1.503*** (0.094)
<b>Citizenship</b>	
foreigner	-1.310*** (0.075)
<b>Unemployment spell</b>	
Less than 1 year (ref.)	
More than 1 year and less than 2	0.506***

	(0.161)
More than 2 years	0.743***
	(0.111)
<b>Treatment</b>	
Treated	-0.219***
	(0.071)
<b>Treatment*Unemployment spell</b>	
T* more than 1 year and less than 2	-0.387***
	(0.194)
T* more than 2 years	-0.507***
	(0.147)
Constant	-0.011
	(0.099)
Observation	26.251

Standard errors in brackets

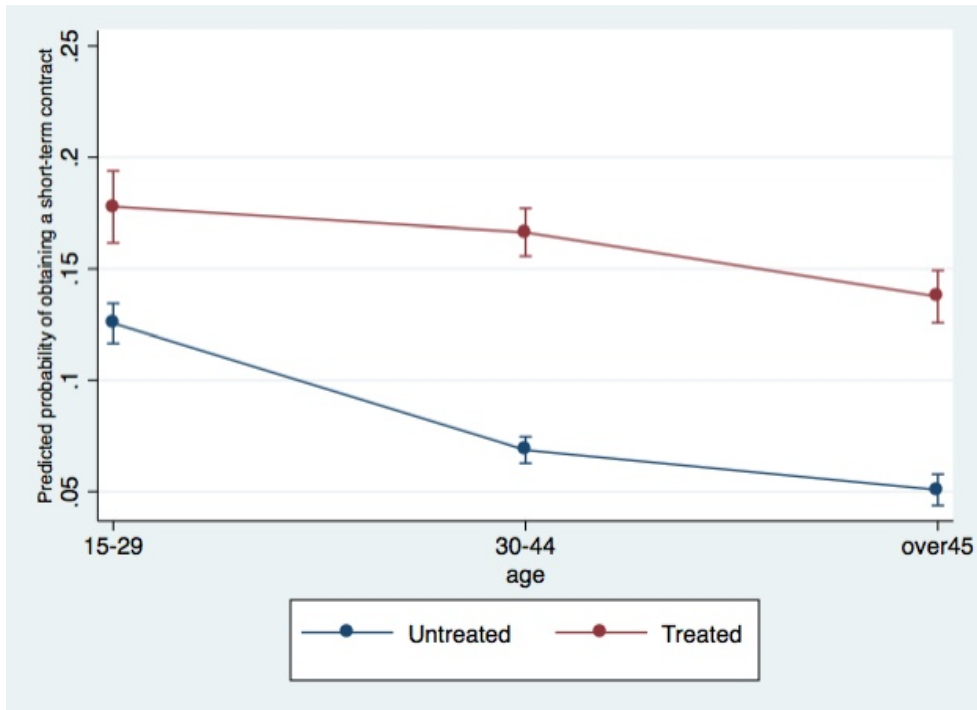
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Finally, with table 4.12 we observe the interaction between the participation to the program and the unemployment spell. We can see, first of all, that the probability to get short-term rather than long-term contracts among non-participants increases as the duration of the unemployment spell grows. The interaction term has an opposite sign and it is statistically significant. Participating to the program therefore increases the probability to get short-term contracts among subjects with shorter periods of unemployment.

To help the interpretation of the multinomial logistic regressions performed so far we plot in fig. 4.3 the predicted probability of obtaining short-term employment by each of the interaction terms analysed. The picture is more helpful for the case of gender, foreign citizenship and unemployment spell, where we can see that marginal effects follow reversed directions. Further interpretation, instead, would need for age and education where the predicted probability is always superior for those treated but direction of the marginal effects is the same, decreasing as age grows and increasing as education increases.

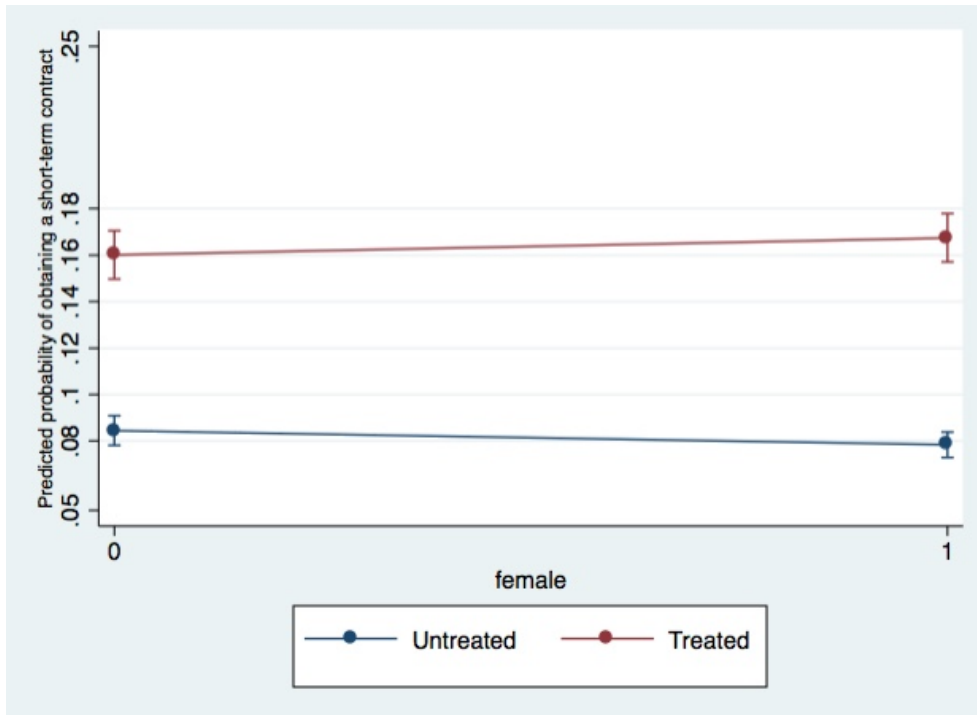
Fig. 4.3 Predicted probability of obtaining a short-term contract by treatment and observable characteristics

a) Age

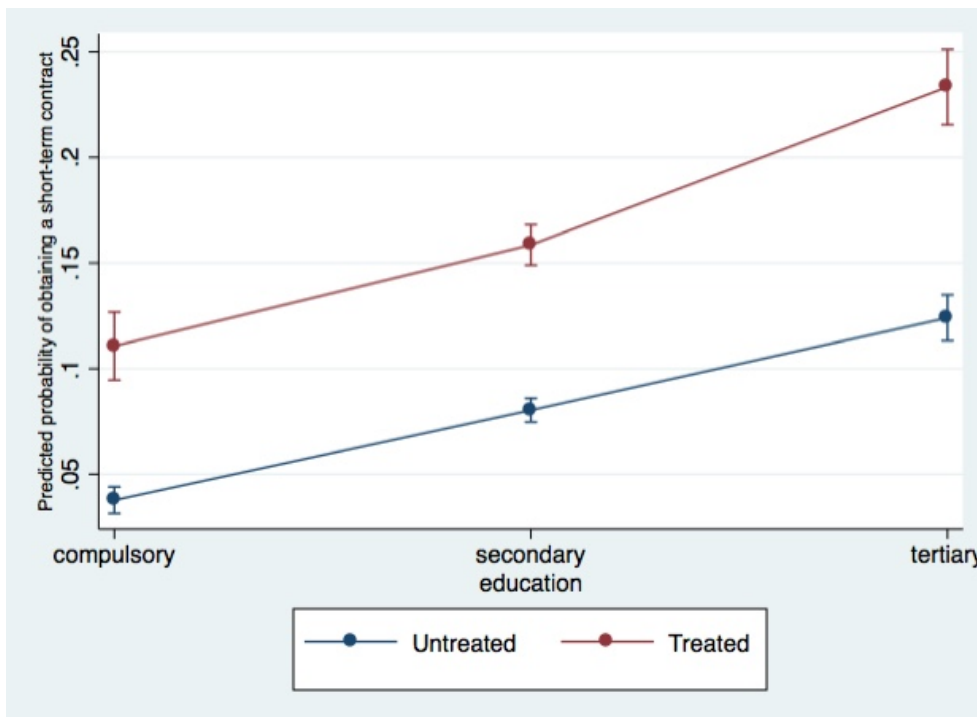




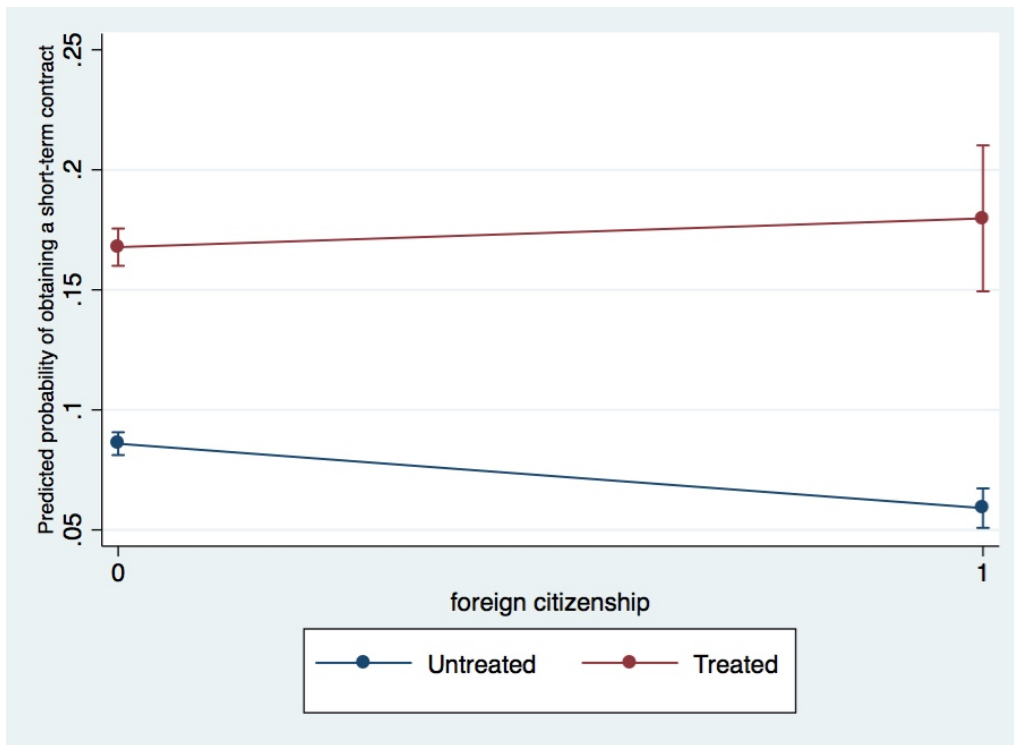
b) Gender



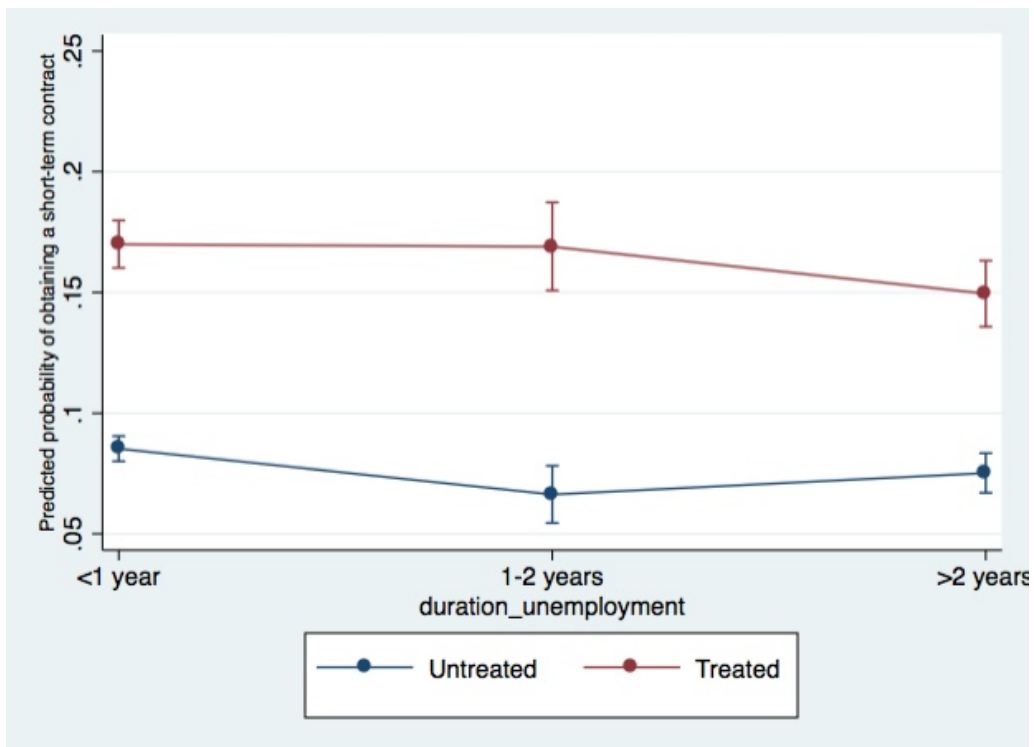
c) Education



d) Citizenship



e) Unemployment Spell



#### *4.2.5. Comments and potential critique*

The results in terms of effectiveness show us a system which can achieve a very strong employment impact. Taking into account all the employment relationships that the jobseekers can get after the program, we can see how the effect remains very high both after 6 months and after one year, regardless the number of jobs got by the same subject. So far, this could represent a very first evidence to confirm our first main hypothesis. In particular, the presence of the incentive of outcome-based payment for private providers might effectively contribute to boost the employment results. In relation to this incentive, private providers receive voucher reimbursement only if jobseekers in charge are able to get a work contract of at least 6 months of duration. When we look at the first employment contract got after the program we find again high employment impact, but at the same time there is a strong recourse to short-term contracts and precarious jobs. At this stage we have developed two further sub-hypotheses following the second main one, wondering whether private providers are effectively sensible to the incentive of targeting.

In this respect, it is possible to find the presence of a parking phenomenon, to the extent that part of the participants would end up being "parked" on jobs that are going to end in short time. It should be specified that the DUL program avoids the risk of parking, in the strict sense, just with the prevision of outcome-based payments, which implies the voucher reimbursement only when a job is effectively found. Therefore, providers cannot escape the proof of effectiveness by shifting their efforts towards activities that are ambiguous to evaluate. However, representing the parking a situation in which the operator is only concerned with the achievement of the easiest way to get a remuneration, in our case this would just correspond to the situation where a subject is placed on a short-term contract, just sufficient to grant the faster way to get the remuneration. Then, we have seen how this massive recourse to short-term contracts is related also to a phenomenon of creaming, observing how those being more likely to be employed with these employment relationships are the subjects with more disadvantageous characteristics. Incentives, indeed, are such as to ensure higher remuneration by placing the hardest to place on "easier-to-use" jobs, in order to offset the high cost of taking in charge the most disadvantaged.

This would allow providers to continue to place the most skilled subjects on more stable contracts and more structured job-placement projects. Even if there aren't the same opportunities for earnings, this would nevertheless enable operators to be respondent to the demands of qualified personnel from the firms of the territory.

These results would stimulate some suggestions respect to the aim of introducing, at national level, schemes based on a quasi-market model and specifically with the incentives we have observed. The level of effectiveness is very impressive but decreasing over time. This would probably mean that there might be a quick job-entry approach. This could be consistent with the workfare perspective of the Lombard model as demonstrated by the total reliance on job-matching/placement among the measures delivered in the program. Despite the great level of effectiveness, from the point of view of the equity of the outcomes, we have seen how the incentive of targeting, linking the value of earnings proportionally to the level of disadvantage of

the subjects, is not effective at all to mitigate opportunistic behaviour of the providers. However, we have found that providers are respondent to the incentives of the system. This means that operators are induced to take on the most disadvantaged people. Out of the employment services, the “natural” trend of the labour market of Milan, in the time window we have observed, shows the placement of young and well-educated subjects on short-term contracts. On the contrary, operators seem to contrast this tendency. We wonder to what extent, in the absence of these incentives, operators could continue to place disadvantaged subjects on both short-term and longer-term contracts. However, the minimum duration of contracts required to obtain the remuneration linked to the voucher entails a high exposure to opportunistic behavioural risks and therefore requires the need to be revised if it is decided to apply an active labour market policy program similar to DUL on the national scale.

## 5. THE CASE OF EMILIA-ROMAGNA

### 5.1. The development of the model

#### *5.1.1. Before the decentralization*

Emilia-Romagna, before the decentralization, has been characterized by a system of vocational training respondent to the needs of local businesses but at the same time with the mission to include weakest targets of people, as youth, long-term unemployed, women and disabled. The system was also designed to be responsive to changes in technologies and industrial innovation and oriented towards experimental solutions to intervene on the labour market and better the matching between labour demand and supply.

First intervention on vocational training occurred with regional law 24/1979. The first objective of this law was to integrate and reduce the gap between educational system and local labour market. It's for this reason that much attention was addressed to the target of youth unemployed, in order to facilitate their first entrance to the labour market. More in general, in the distribution of resources descending from the ESF, Emilia-Romagna has always confirmed this attention for weak categories on the labour market. The participation of other non-public operators at the initiatives of the ESF has not been limited, with the involvement of both for-profit and no-profit, engaged through the instrument of the public agreement.

Placement of young jobseekers came to be realized also relying on incentives to self-entrepreneurship. Among this kind of interventions, we can find regional law 29/1987 providing subsidies for start-ups realized by young jobseekers, trying also to keep on encouraging investments on technologies and industrial innovations. In this context acquired a particular role also the business form of the cooperative, very recurrent on this territory. That of 1987, however, represented also a package containing the widest spectrum of measures, in which there was again the element of the search for inclusion of the weakest categories.

In addition to youth, specific targets of these measures were represented by women and disabled people. In the first case, female participation in the labour market had been encouraged, through self-entrepreneurship too, and also placing much emphasis on equality with male workers.

This provision also included a very first experimental idea of local employment services, aimed at favouring the matching between job demand and supply, conceived from the point of view of services limited to support a very first form of orientation.

It was not already emerged any attitude towards private actors. More in general, a common trend in all the interventions on the labour market by Emilia-Romagna followed a continuous attention to the participation of a plurality of social and institutional actors, both in the programming and implementation phases of all the measures.

In the same way, Emilia-Romagna in many aspects anticipated the devolution subsequently introduced by the Bassanini reform, realizing an articulate design of functions devolved to the provinces. In this period, it was created also a regional labour market observatory. An organization arisen from the first need to create a centre for the collection of information and monitoring local labour market trends.

The set of interventions seen, although oriented towards specific objectives, did not seem to be integrated within an organic discipline. Different measures seemed to be overlapped on each other, but never within a logic of integration. This type of local organic reform came at mid-nineties, with regional law 45/1996, where also the concept of active labour policy came to fruition, integrating the existing measures with vocational training.

Basically, from the point of view of the main contents, we could find:

- a first definition of the internship as tool addressed to youth unemployment,
- the provision of outplacement programmes for workers involved in collective dismissals,
- projects for public works.

At the same time, from the organizational perspective, we could find the attempt to empower the experimental project of local employment services. Respect to the very first provision at the end of the eighties, public operators were demanded to a very first management of the matching between labour demand and supply. It is in these respects that the internship became an incisive tool, as placement measure most used for youth unemployment and often also included among the measures applied in cases of outplacement programs addressed to the category of workers involved in collective dismissals.

### *5.1.2. After the decentralization*

Emilia-Romagna has been the first region to implement the decentralization introduced with “Bassanini Reform”, first with r.l. 25/1998 and then with r.l. 7/2000.

We can synthesize three main goals to be pursued with the new PES model emerging in this phase implementing the “Bassanini Reform”: efficiency on the labour market; improvement of the matching function; integration between LMPs and education; modernization of monitoring systems to analyse the labour market. This, however, without forgetting the emphasis on the equal conditions of access for all the citizens to the labour market. An element that, as we have seen, is typical of the Emilian case. The organizational tasks of the new system were now demanded to the provinces. Old offices were replaced creating 35 CPIs, respecting the proportion of one per 100 thousand inhabitants. The real challenge for these new institutions was to replace the only bureaucratic activities of the old offices with the new mission of delivering ALMPs. Here we can

find a very first discipline regarding the involvement of private providers, where it was established that CPIs might make partnership with other entities operating on the labour market, both public and private. The reference was to the new temporary employment agencies, at that time recently introduced by Treu Reform. However, this discipline was limited to state that this involvement should be regulated after public tendering procedures and on the basis of qualitative standards defined by the regional government. Finally, in order to improve the information function, in this period we find also the born of a technical regional agency (*Agenzia Emilia-Romagna Lavoro*). The real milestone by means of which emerged definitively the Emilia-Romagna model has been represented by regional law 17/2005, achieving a definitive organic reform of labour market policies.

In particular, this reform has been the result of the entire reorganization and completion of the regional system for employment services following Biagi Reform. It can be analysed using to the distinction between operational and formal policies we have already seen.

As reform of formal policies, it has included both the provision of new ALMPs and administrative functions redefined by law 181/2000. In particular, bureaucratic procedures then consisted of:

- the release of the certificate of employment status;
- the management of compulsory communications of employment;
- the management of special placement procedures for disabled (so called *collocamento mirato*)

In addition to these activities, we can distinguish a new configuration of ALMPs according to four main categories:

- information and orientation, both for employers and for jobseekers;
- initiatives to improve matching between labour demand and supply;
- initiatives to improve employability through personalized measures;
- special programs to support employment for disadvantaged categories.

As reform of operational policies, law 17/2005 showed a clearer definition of the role of the regional level respect to the provincial one. Functions of coordination and planning were assigned to the region, the management of employment services to the provinces.

The emerging regional PES governance showed also a clearer and defined attitude towards private operators. As we have already said, Biagi Reform provided a tool for structuration of the involvement of private providers, the regional accreditation regime. Emilia-Romagna has soon showed a very hostile attitude towards this new device, being afraid from the consequences of an excessive marketization of services. It would have taken 13 years, as we will see later, to the definitive implementation of its accreditation regime. Nevertheless, with law 17/2005 Emilia-Romagna already specified some criteria in the event of a future implementation of the accreditation regime. In doing so, local policy-makers anticipated some restrictions to the accreditation, specifying *ex-ante* particular conditions for the involvement of non-public operators. In particular, we can distinguish three main forms of restrictions, intervening on formal and operational aspects of the accreditation, related to: the procedures required, the function

conceived for the private operators and the contents of the interventions admitted for private providers. The first restriction, related to the procedure, requires that the complete implementation of the accreditation should have always been followed by a subsequent phase of public tendering procedure. This meaning that the single accreditation alone is not sufficient to be involved in PES. The second restriction regards the function and the role assigned to private providers and it represents the main trait for the regulation of the relationship between public and private operators in Emilia-Romagna, stating and highlighting that the involvement of private providers should be intended always as integrative and in support, never as substitutive, of public operators. The contracting-out, then, should not be conceived as a way to improve efficiency and effectiveness of the system by replacing public with private, but in terms of improving the quality of services providing more specialized services in addition to those of the public and of which the public operator is not provided. This regulation has expressed a clear distance from a logic of competition, claiming for a different more collaborative and complementary logic.

The third restriction, concerning contents supported by private operators, is expressed by the *ex-ante* standardization of all the interventions considered for the entire regional system of PES. This specification has been conceived for all the actors of the system, not only privates, but also provinces, in order to create clear spaces and borders for their respective actions. This standardization should ensure homogeneous levels of intervention throughout the region, identifying optimal levels then used to set accreditation criteria

Table 5.1 synthetizes these restrictions, distinguishing area, structure and aim of the restrictions.

Tab. 5.1 Restrictions to the accreditation for employment services in Emilia-Romagna.

Area of restriction	Structure of the restriction	Aim of the restriction
1. Procedure	Public tendering procedures always required after the accreditation	The accreditation alone not sufficient to be involved
2. Functions	Private providers always as integrative, in support of public operators and never in substitution of them	Clear distance from a logic of competition in favour of a more complementary design.
3. Contents	<i>Ex-ante</i> standardization of services for the action of the providers	Create clear spaces and borders for all the actors of the regional system. Guarantee homogeneity of intervention throughout the region, identifying optimal levels then used to define accreditation criteria

The standardization of the services had been achieved only four years after, with a regional decree adopted on the 14<sup>th</sup> of December 2009 (n. 1988) (table 5.2).



Tab. 5.2 First standardization of the services in 2009, distinguishing by jobseekers and employers.

<i>Services for jobseekers</i>	<i>Services for employers</i>
Information	Information
Access to the services	Access to the intermediation system
Orientation interview	Jobs-matching
Orientation and self-promotion	Management of the compulsory hiring
Skill certification	Management of the compulsory communications
Assistance actions for training and placement	
Access to the intermediation system	
Jobs-matching	
Hiring procedures for the public sector	
Management of the compulsory employment of disabled	
Management of the unemployment status	
Management of the work dossier	
Management of the mobility lists	

Despite the fact that the process of standardization should have been definitely completed by the 1<sup>st</sup> of January 2010, then activating the subsequent implementation of the accreditation, this operation was newly delayed because of the breakdown of the economic crisis. The difficult economic situation has been translated in a context where employment services ended up being inundated with workers who received social shock absorbers and mobility allowances in derogation. At that time, energies and resources of the employment services no longer went into the investment of the standardization that was planned but were heavily concentrated on the support for company crises, protocols and agreements with provinces, putting the regional department for work and social policies on the front line.

During these years, the lack of the accreditation regime did not certainly correspond to a system which was not operative. The involvement of private providers has been always implemented, relying on the channels still defined by “Bassanini Reform”, competitive tendering procedures or agreements.

As previously mentioned, the possibility that the ESF can directly assign resources to regions then enabled Emilia-Romagna to apply an exit strategy. Exit from the national legislation, defending, on the basis of a political choice, its own idea of limitation of private providers, conceiving the accreditation as a tool favouring an easier and faster entrance of private providers into the system. The “regional operational program of the ESF for the years 2007-2013 can show a confirmation of this orientation, where there is a clear specification of its features concerning the relationship between different operators:

“More specifically, Emilia-Romagna region intends to propose to the regional system a model of governance based on territorial cohesion and inter-institutional cooperation which stimulates, on the one hand, the concertation and implementation of shared policies among the various subjects, to encourage overall system development, on the other the realization of consistent practices of good administration in the public sector. The governance model that will

address the 2007-2013 EU programming period should enable the regional system to achieve the highest levels of effectiveness required by the relevance of the objectives set by the Region. [...] This requires a greater degree of cooperation among the actors of the system, together with the correct and effective identification of the relevant levels of responsibility and competence regarding planning and implementation of the active labour policies that will be co-financed by the ESF.”

Source: *Regional operative program Emilia-Romagna 2007-2013, section 3.3.2 “Social partners”, p. 50.*

On the basis of this programming phase the region has kept on involving private providers still holding the public actor, both provinces and region, at the core management of the system. At the end of this ESF cycle, in 2014, however, regional policy-makers continued to wait to complete the implementation of the accreditation since, as we know, the new national government led by Matteo Renzi reopened the debate on the opportunity for a new process of labour market reform. The new national procedure for the accreditation introduced by the decree 150/2015, indeed, has then forced regional policy-makers to define once and for all their own regulation, in order to avoid the risk of being bypassed from the new channel set at the national level. However, this implementation has been completed not before a significant political initiative that, in our analysis, we can consider as consolidation of the Emilian PES model. This is represented by the “Pact for Labour”, a local pact on the basis of the initiative of the new regional government, related to a large injection of resources for investments<sup>59</sup>, reporting the signature of many social partners active on the territory, on the July of 2015<sup>60</sup>, after a wide consultation phase started one year before. The pact contains all the features that we can consider as typical of this model:

- the attention for the quality of employment,
- the importance of equal-opportunity on the labour market, concentrating efforts on the weakest categories on the labour market,
- the emphasis on consultation of social-partners in decision-making processes,
- the improvement of school to work transitions,
- the strategic role assigned to investments on innovations and technologies,

Some other important values, connected to major global changes and needs, have been also developed inside the pact, like legality culture, administrative simplification and sustainability of the economic development.

In this context, conceived as a strategic priority for achieving the objectives of the pact has been also the of the creation of a new regional employment agency (*Agenzia regionale per il lavoro*), now with managerial powers (differently from the technical organism previously introduced in

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<sup>59</sup> About 15 billion of euros for the period 2015-2020,

<sup>60</sup> The “Pact for Labour” has been signed on the 20<sup>th</sup> of July 2015, from the President of Emilia-Romagna Stefano Bonaccini with CGIL, CISL, UIL, ANCI, UPI, Legautonomie, UNICEM, AGCI, Confcooperative, Legacoop, CNA, Confartigianato, Confcommercio, Confesercenti, CIA, Coldiretti, Confagricoltura, Confindustria, Confapindustria, Confservizi, Unioncamere, ABI, Third Sector Forum, University of Bologna, University of Modena and Reggio Emilia, University of Parma, University of Ferrara, Regional Educational Office, the Metropolitan City of Bologna, 8 provinces administrations and 9 provincial capital-cities.

2005) with the aim to reorganize the public employment centres, as consequence of the national institutional reorganization following the Delrio Reform.

The task of the regional agency has been intended to implement the political guidelines produced by the regional government, shared with local institutions and discussed with social partners, in order to coordinate and strengthen the network of regional PES. In this frame, looking at the future introduction of the accreditation, the pact describes the idea of an “active network for employment” to connect different actors involved but, once again, remarking the fundamental aspect, already introduced by the regional legislation of the 2005, that private providers should be involved only following an integrative and supporting way, never substitutive, respect to public operators.

### *5.1.3. After the Jobs Act*

The definitive implementation of the Emilian accreditation regime comes at the end of 2016, one year after the approval of the decree 150/2015. However, soon after the introduction of the decree 150/2015 in September, already one month after, on the 18<sup>th</sup> of October the regional government signed an agreement with the Ministry Labour and Social Policies. We identify with this agreement, again with a symmetrical evolution respect to what happened at the same time for Lombardy, the process of “defence” and “adaptation” of the Emilia-Romagna PES model carried out by regional policy-makers.

At the core of this act there is the relationship between the regional government and the role of the ANPAL. The region has committed to recognize powers and tasks of the new state agency, firstly in its role of monitoring and coordination for the achievement of the essential levels of services, but at the same time recognizing also the implementation of the AdR and the new national accreditation regime. We can synthesize the correspondent “exchange-gain” for Emilia-Romagna into the “operational autonomy” left to the region, giving us rooms to talk about the attempt to preserve the main features of the Emilian PES model. Despite the fact that this kind of agreements were intended by national policy-makers also to regulate a possible sharing of functions with the agency<sup>61</sup>, Emilia-Romagna decided to not allow specific transfers to the agency. Regional policy-makers affirm the complete operational management of PES in the hands of regional administration<sup>62</sup>, that in Emilia-Romagna had already taken place with the realization of the local network for employment services and the born of the regional agency. In addition to this, and most important, the region has gained the recognition of the main trait of its governance

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<sup>61</sup> The decree 150/2015, at the art. 11, 1<sup>st</sup> comma, letter e), specifies that on the basis of the agreement between Ministry and regional government it could be possible to specially transfer to ANPAL one of the activities listed in the decree at the art. 18, 1<sup>st</sup> comma, as activities considered as “employment services and ALMP”, institutionally in the hands of regions.

<sup>62</sup> In particular, art. 1, 5<sup>th</sup> comma, says “ the Emilia-Romagna Region is responsible for the operational management of the ALMPs and the responsibility for the public territorial articulations assigned to them. “

concerning the involvement of private providers, confirming that private providers have to be considered only in an integrative way and never in substitution of public operators. In these terms, the “operational autonomy” comes to be expressed above all in the way Emilia-Romagna has continued to follow its own governance model reflecting the way in which the involvement of private providers is conceived.

The agreement then created ground to definitively set the regional accreditation regime, one year later, on November 2016 (with regional decree no. 1959).

Differently from the accreditation regime of Lombardy, this is the case of an “heavy accreditation”, in relation to its structure and, in particular, from the point of view of the requisites that the applicant provider must be able to demonstrate to get the accreditation and to maintain it over time, since it is not recognized on permanent basis.

The most important element concerning the design of Emilian accreditation regime can be considered its division in two main areas, each one then resulting in two different lists of accredited operators. It is possible to identify a first area of accreditation concerning “standard interventions”, conceived for jobseekers and employers, and a second area concerning “interventions for the inclusion”, specially oriented towards most disadvantaged categories (table 5.3). This specification has then replaced the standardization of services established in 2009.

*Tab. 5.3 The two areas of accreditation for Emilia-Romagna PES, with a correspondent new standardization of services.*

Area of accreditation 1	Services for jobseekers	Information Matching Promotion of mobility opportunities Training Promotion of self-employment Orientation Certification of skills
	Services for employers	Information Assistance to firms’ professional needs Matching
Area of accreditation 2	Services for jobseekers	Support to the placement and the social inclusion of disadvantaged people.

In this context private provider once accredited takes part to the “active network for the employment”. According to the area of accreditation they want to apply they should demonstrate the fulfilment of particular requirements, concerning stuffs, networking capacity and, for the maintenance of the accreditation status, also targets to be fulfilled in terms of effectiveness of their performance. In particular, the main distinction between the two areas comes to be related

to networking capacity. This feature should be intended as the commitment for the candidate provider to demonstrate its ability in having built in recent years relationships with other actors involved in the same mission of activation, not only companies but also universities, schools and public institutions for example. On this point, the second area of accreditation, more oriented towards social inclusion, specifies the commitment to demonstrate also relationships with public institutions involved in social policies and health care services on the territory. Relationship to be demonstrated by means of agreements or contracts with an object related to categories most disadvantaged. This is interesting because it could be easily connected to that we have seen being a very essential trait in the nature of the Emilian LMPs, the emphasis and the attention on the weakest targets. An aspect which is then strictly related to the idea of limitation of private providers, in the fear for opportunistic behaviour of private providers. In other words, with the fear that these people come to be abandoned or forgotten by the system.

While in the case of Lombardy the accreditation seems to be the first starting point for the development and the full operability of that model, in the case of Emilia-Romagna it appears almost the final step of the building of this model, where its main identity trait for a long time has corresponded to the simple fact of the absence of any accreditation regime, representing this a signal of the political choice of counteracting a greater exposure of the system to the market.

Many of these novelties are still in course of implementation, being first introduced during 2017.

## **5.2. The evaluation of the model**

The late regulation of the accreditation regime, for this region, as we have already said, has not meant that this region had not developed its own model. Despite some exchange-gain in terms of autonomy with the agreement signed with the Labour Ministry, Emilia-Romagna has accepted both the new national accreditation criteria and the new AdR scheme. Moving from the consideration that the implementation of such scheme, relying on the competition of the operators and then requiring a larger market share of services, could be a serious challenge for this region, we then try to evaluate Emilian system of PES, looking at the period immediately preceding the new national reform and observing the area of the Metropolitan City of Bologna. That is, the last period we can observe concerning this case in its “pure” governance model, without the possible influence of the changes required by the national reform for ALMPs and PES occurred with the decree 150/2015.

This would allow us to understand the characteristics of a model supposed to be the opposite respect to the Lombard one, and then also respect to the that proposed at the national level.

Considering that we are interested in the situation preceding the new national reform for ALMPs and PES introduced with the decree 150/2015 we will evaluate Emilia-Romagna’s system relying on measures defined according to the first standardization of services in 2009, listed in table 5.2, which has been valid for the period of our interest, until the introduction of the accreditation

regimes for private providers occurred in 2016, providing a new standardization. In the table 5.4 we have simplified these measures using three categories similar to those already applied for the case of Milan: “individual orientation and self-promotion” (*orientamento e autopromozione*), corresponding both to a general employment assistance and soft-skills courses (mainly job-search training activities); “training assistance” (*azioni di accompagnamento per l’inserimento professionale e la formazione*), corresponding to hard-skill training; “access to the intermediation system and job-matching” (*accesso al sistema di intermediazione e incontro domanda/offerta*), corresponding to job-matching.

Differently from the case of the Metropolitan City of Milan, in this case we are able to observe only ALMPs delivered in the year 2015, then restricted from the 1<sup>st</sup> of January to the 20<sup>th</sup> of September in order to cover the period preceding the national reform.

Table 5.4 shows how the measure are cumulated for the jobseekers treated.

*Tab.5.4 Measures delivered in the Emilian system in the period of observation and total number of jobseekers treated with different combination of them.*

Individual orientation and self-promotion	Training Assistance	Access to the intermediation system and job-matching	N. of jobseeker treated with the combination
			1.059
			438
			5.539

In this case placement services do not always correspond to the final tool delivered, although representing the prevailing measure applied here as well. The path appears quite simple. There is a first step characterized by orientation and soft-skill training; it could represent either the only tool applied - and there is a substantial number of jobseekers who stop their path here -, or jobseekers may be then addressed alternatively towards hard-skill training and placement as final measures. Hard-skill training represent just a small proportion, probably due to cost reasons. The general picture shows that approximately the 20% of the final measures delivered is represented by soft (mainly) and hard(partially) skill training.

The initiatives object of our observation corresponds to the first ones implemented from the ESF cycle 2014-2020. In this context, the priorities addressed for the employment chapter by this region are on the path of the policy style we have considered also in the previous paragraphs: to act on the skill level and enhance the employability of people in order to better support both school-to-work and job-to-job transitions. The goals for which the resources are addressed refer also to the activation of NEETs, the need to cope the gender-gap, adaptability and responsiveness of the workers respect to changing conditions of the local economic context and the modernization

of the system of employment services. About the costs, resources addressed for LMPs are the 62,4% of the total of 786milions destined for the six years period.

### *5.2.1. Design of contracting*

Emilia-Romagna system, as already largely said, can be approximated as the case in which the market share of PES is the least extensive and the centrality of the public actor remains maximum. It's enough to recall that this is a case in which a competitive framework for the relationship between public and private operators has been explicitly refused, despite the topic has gained new attention with the last reform of ALMPs. Policy-makers, in this case, beware from the possibility that an excessive involvement of private providers may be associated with the attempt to minimize the risk of failure in placement, tending to follow the easiest way to achieve the goal to get public funds. Here we should recall our guiding hypotheses. As we have already considered talking about the case of the Metropolitan City of Milan, according to literature on marketization of employment services, the reasons to increase market exposure should be found in the possibility that this can enhance the effectiveness of the employment services. This has been our first hypothesis, already quite confirmed by the experience of the DUL program in Lombardy region. In order to continue our analysis on this point, we have now to transfer this consideration on the case of Emilia-Romagna region and develop the same hypothesis observing the Metropolitan City of Bologna. In consideration of this, we should expect a very low level of effectiveness respect to the case of Lombardy, as a consequence of the limited market share of services. At the same time, recalling our second hypothesis, we know from principal-agent theory that moral hazard occurs when the government is not sufficiently able to observe the actions that a contracted private provider undertakes. In the case of Emilia-Romagna, the role of the public actor, still at the core management of the system, should make the administration in a position able to maintain a maximum control over the agents, making more observable the behaviour of private providers and reducing possibilities for moral hazard.

### *5.2.2. Data, identification and estimation strategy*

#### *Data and characteristics of the sample*

We have chosen to focus on the area of the Metropolitan City of Bologna, considering it representative of the regional system as well as we have done for Milan in the case of Lombardy. For the period considered, the nine months preceding the “Jobs Act “(referring to the decree 150/2015), it has been possible to observe the employment result of all the subjects for a period of time of at least two years. The data in this case come from the regional labour agency of the Emilia-Romagna – *Agenzia regionale per il Lavoro dell’Emilia-Romagna*, combining

information related to the certification of unemployment status (DID), the records about measures delivered and the contracts signed on the territory by means of the compulsory communications of employment (CO), taking into account their extension and termination and covering the three-years period 2015-2016-2017, for the observation of the employment outcomes after the program. We have been then able to build a dataset of 20.014 observations which crosses the fiscal codes of the observed subjects over the three types of information. As we have already done for the previous case of Milan, to these we have added the compulsory communications of the previous period respect to the one in which we observe the program. However, differently from that of Milan where we went far until the 2011, in this case we have been able to go back only until the 2013, then our window to observe previous labour market history of the subjects corresponds to the two-years period 2013-2014. As a consequence, we have considered only those subjects whose labour market history can be reconstructed from the entire period of observation going from the 1<sup>st</sup> of January of the 2013 until the 31<sup>st</sup> of December of the 2017<sup>63</sup>.

### *Identification strategy*

The information at our disposal has allowed us to manage six independent variables: age, gender, education, citizenship, maximum level of qualification achieved in the previous period, duration of unemployment spell and month of registration. The unemployment spell has been obtained from the CO summarizing the previous labour market history of the subjects by means of the construction of a dummy variable (1 = employed, 0 = unemployed), for each month and for all the subjects, in the period between 1<sup>st</sup> of January 2011 and the 31<sup>st</sup> of December 2016. The “treatment group” is made up of 7.036 jobseekers participating to any program delivered by operators of the metropolitan area of Bologna between the 1<sup>st</sup> of January 2015 and the 30<sup>th</sup> of September 2015. Following the same approach by Sianesi (2004), we will evaluate the Emilian system in its totality, considering all the various measures applied aggregated as it was a single “program”. The “treatment” then will correspond to any initiative a first-time unemployed in the period observed can join.

We have excluded subjects who participated to an active labour market initiative in the previous year. The “control group” consists of 12.978 jobseekers. These are unemployed subjects having the last certification of unemployment recorded in the same period and did not participate to any initiative. The compulsory communications, finally, allow us to build the outcome variables for both the two groups.

### *Estimation Strategy*

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<sup>63</sup> Respect to Milan, the administrative records of Bologna present the advantage to make us able also to look at jobs found in other territories, despite different jurisdiction. The communication of a new jobs after the registration in an employment centre of Bologna has been collected in any case, despite the province in which the position has been activated.



The probability to be treated (propensity score) has been estimated by means of a probit regression that has as dependent variable this probability and as independent variables the observable characteristics of the subjects (table 5.5).

Tab 5.5 Probit regression of the probability to participate to an active labour market initiative

<i>Variables</i>	<i>Propensity score</i>
<b>Age</b>	
15-29 (ref.)	
30-44	-0.030 (0.024)
Over-45	0.059** (0.025)
<b>Gender</b>	
Female	0.014 (0.019)
<b>Education</b>	
Compulsory (ref.)	
Secondary	0.086*** (0.022)
Tertiary	0.080*** (0.027)
<b>Citizenship</b>	
Foreigner	0.374*** (0.021)
<b>Previous level of qualification</b>	
Non-qualified professions (ref.)	
No experience	0.204** (0.079)
Qualified professions	0.007 (0.030)
Executives and managers	-0.032 (0.038)
<b>Unemployment spell</b>	
< 1 year (ref.)	
1-2 years	-0.056 (0.040)
> 2 years	-0.135* (0.073)
<b>Month of registration</b>	
January	

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February	-0.084*** (0.039)
March	-0.101*** (0.039)
April	0.027 (0.039)
May	0.017 (0.039)
June	0.104*** (0.040)
July	0.166*** (0.039)
August	0.083*** (0.042)
September	0.107*** (0.038)
Constant	-0.597*** (0.045)
Observations	20,014

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Standard errors in brackets

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

If we take a first look at the probability to be part of the treatment, that is, in our case, the probability to participate to an active labour market initiative in the area of the Metropolitan City of Bologna, we can find which are the most influencing characteristics on this propensity. In these regards we can observe that the youngest and oldest unemployed, with a good level of education and no experience have much higher probability to enter the treatment. The intermediate category of the age (between 30 and 45 years old) as well as being a woman and having already qualified working experiences, are not characteristics which significantly affect the probability to participate to an active labour market initiative. Anyway, other characteristics influencing the propensity are more associated to more disadvantaged conditions on the labour market, like in the case of foreigners unemployed. In the case of the month of registration there could be the evidence of some seasonality, considering, respect to the beginning of our period of observation, that winter months, such as February and March, are significant and associate to a negative probability to participate to an active labour market initiative, whereas the same probability is positive for all the months related to the summer period, from June to September. Probably, this aspect reflects the seasonality of those fixed-term contracts ending before summer.

As for the unemployment spell before the registration, there is a slightly significant lower probability in the case of longer duration of unemployment, probably because of the incidence of a population of unemployed people more exposed to the fragmentation of careers and more used to job-to-job periods, like those who are entitled for unemployment benefits.

The analysis has been limited only to those observations on the common support. However, this restriction has not implied the exclusion of any treated from the support.

The table 5.6 shows the balancing test we have performed to verify the balance between treatment and control group.

Tab. 5.6 Balancing test

Variable	Sample	Mean		% bias	%reduct	t-test
		Treated	Control		bias	p>t
<b>Age</b>						
30-44	U	0,36718	0,38165	-3,0		0,044
	M	0,36718	0,36878	-0,3	89,0	0,844
over 45	U	0,36392	0,35144	2,6		0,078
	M	0,36392	0,36508	-0,2	90,7	0,886
<b>Gender</b>						
female	U	0,54319	0,52974	2,7		0,069
	M	0,54319	0,54012	0,6	77,2	0,715
<b>Education</b>						
secondary	U	0,4293	0,41586	2,7		0,066
	M	0,4293	0,42976	-0,1	96,6	0,956
tertiary	U	0,22522	0,22492	0,1		0,962
	M	0,22522	0,22308	0,5	-619,5	0,761
<b>Citizenship</b>						
foreigner	U	0,33811	0,2213	26,2		0,000
	M	0,33811	0,33487	0,7	97,2	0,684
<b>Previous level of qualification</b>						
no experience	U	0,20437	0,18947	3,7		0,011
	M	0,20437	0,20481	-0,1	97,1	0,949
qualified professions	U	0,5429	0,54454	-0,3		0,824
	M	0,5429	0,54379	-0,2	45,7	0,916
executives and managers	U	0,13019	0,15226	-6,3		0,000
	M	0,13019	0,12686	1,0	84,9	0,554
<b>Unemployment spell</b>						
1-2 years	U	0,05134	0,06118	-4,3		0,004
	M	0,05134	0,04892	1,1	75,4	0,509
> 2 years	U	0,21912	0,20727	2,9		0,050
	M	0,21912	0,21892	0,0	98,3	0,977
<b>Month of registration</b>						

February	U	0,09843	0,11959	-6,8		0,000
	M	0,09843	0,09693	0,5	92,9	0,765
March	U	0,10339	0,12976	-8,2		0,000
	M	0,10339	0,09997	1,1	87,0	0,502
April	U	0,11459	0,11643	-0,6		0,698
	M	0,11459	0,11412	0,1	74,1	0,929
May	U	0,11147	0,11442	-0,9		0,529
	M	0,11147	0,1123	-0,3	72,0	0,876
June	U	0,10637	0,09585	3,5		0,018
	M	0,10637	0,10933	-1,0	71,8	0,571
July	U	0,13076	0,10441	8,2		0,000
	M	0,13076	0,12736	1,1	87,1	0,547
August	U	0,0885	0,08091	2,7		0,064
	M	0,0885	0,0901	-0,6	78,9	0,739
September	U	0,13799	0,1239	4,2		0,004
	M	0,13799	0,14172	-1,1	73,6	0,524

We can observe from the table 5.6 how the standardized bias is reduced considerably, on average 0.6%, after the matching, concluding that the matching procedure sufficiently balance the distribution of all covariates between the two groups (Caliendo and Kopeining, 2005). In the next paragraphs we will move towards our two steps of evaluation.

### 5.2.3. Impact on the probability to be employed

We start from the consideration of all the employment contracts obtained by jobseekers after their participation, focusing on the employment status of the subjects at a certain period after the beginning of the treatment, in order to evaluate what could be the attachment to the local employment circuit after the participation to active labour market initiatives.

Tab. 5.7 Impact evaluating the employment condition at a certain point in time after the beginning of the treatment

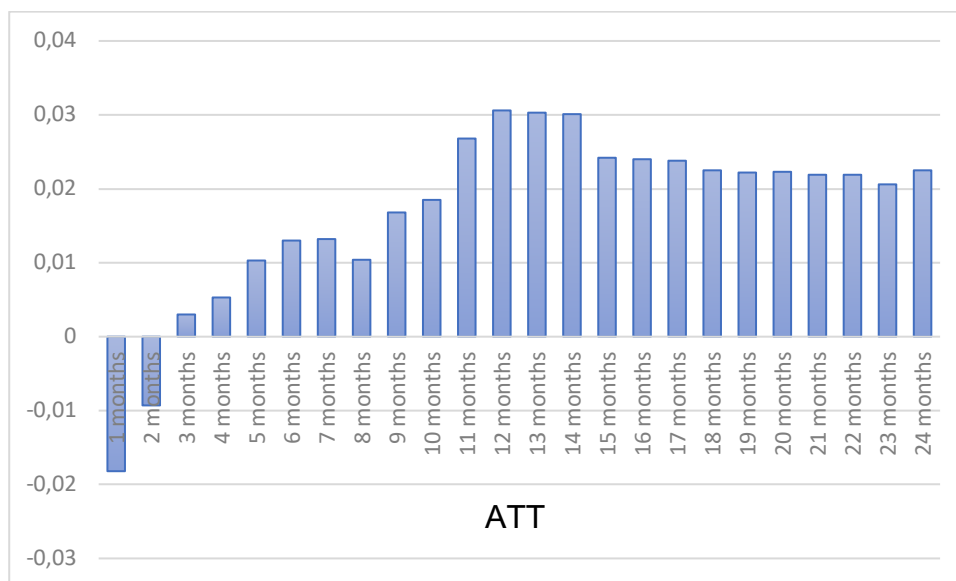
<i>Matching</i>	<i>after 3 months</i>	<i>after 6 months</i>	<i>after 12 months</i>	<i>after 18 months</i>	<i>after 24 months</i>
Before matching	0,006 (0,007)	0,016 (0,007)	0,036 (0,007)	0,028 (0,007)	0,031 (0,007)
ATT After matching	<b>0,004</b> (0,008)	<b>0,013*</b> (0,007)	<b>0,031***</b> (0,007)	<b>0,023***</b> (0,006)	<b>0,023***</b> (0,007)

Mahalanobis	0,004	0,015	0,030	0,018	0,019
	(0,008)	(0,008)	(0,007)	(0,008)	(0,007)

We can see from table 5.7 how the effect changes in relation to the reference period. The impact is generally low, but always positive. In particular, it tends to grow until one year from the beginning of the treatment, and then to decrease after this threshold, remaining 2 percentage points superior for those participating to active labour market initiatives respect to the non-participants at two years of distance from the treatment, but probably continuing to decrease. Mahalanobis approach gives quite comparable estimation, with the only difference of a slightly more pronounced reduction on the long run.

The increase in the effect from 3 to 12 months could be due to the progressive overcoming of an initial lock-in effect, as we can see also in figure 5.1.

Fig. 5.1 ATT over time



These results can represent the evidence that the services are able to provide not a very high level of effectiveness, despite we could say still sufficient if we look that a positive impact remains even on the long-term. This means that those participating to active labour market initiatives may get always a slightly higher probability to be employed respect to those who do not participate. In particular, we can register also how, after balancing for the observable characteristics, the probability of being employed is quite always a bit reduced, suggesting that we are in presence of a little positive selection at the entrance of the program, that is, before the matching the effect of

the participation to active labour market initiatives was overestimated. Considering the variables that would affect the probability of being part of the program (table 5.5), the positive selection could be a consequence of the incidence of those unemployed well-educated and those with short period of unemployment spell, characteristics associated with more advantage to get a job.

To go deeper on these issues, we can now move towards the second step of evaluation, performing the impact estimation considering as outcome only the first job got by the subjects after the treatment, focusing on the duration of the employment contract to get some conclusion about the first entrance in the labour market after the participation to active labour market initiatives.

We proceed distinguishing as outcome, on the basis of their duration, five kinds of contracts that users may get after the program: at least 6 months of duration; maximum 12 months of duration<sup>64</sup>; more than 12, more than 18 and more than 24 months of duration.

*Tab. 5.8 Impact evaluating the first employment contract obtained of: at least 6 months of duration, maximum 12 months of duration, more than 12 months of duration, more than 18 months of duration, more than 24 months of duration.*

<i>Matching</i>		<i>at least 6 months of duration</i>	<i>maximum 12 months of duration</i>	<i>more than 12 months of duration</i>	<i>more than 18 months of duration</i>	<i>more than 24 months of duration</i>
Before matching		-0,009 (0,006)	-0,013 (0,006)	-0,005 (0,005)	-0,003 (0,005)	-0,006 (0,005)
ATT	After matching	<b>-0,003</b> (0,006)	<b>-0,006</b> (0,006)	<b>-0,002</b> (0,005)	<b>-0,000</b> (0,005)	<b>-0,003</b> (0,005)
Mahalanobis		-0,001 (0,007)	-0,003 (0,007)	-0,001 (0,006)	0,001 (0,006)	-0,002 (0,006)

In this second stage we can find that the effect is always completely null, regardless the different kind of employment contract considered as first entrance in the labour market after the treatment for the jobseekers (table 5.8). In all the cases, changing the outcome variable does not produce any difference and it is always non-significant. It seems that, in absence of particular incentives, there is no changing behaviour from the side of the operator, neither in sense of opportunism nor to better the performance of the operators in terms of effectiveness. The kind of employment contract provided by the operators doesn't matter. This means that the effectiveness of the system,

<sup>64</sup> In this case we use a different outcome variable to consider the “short-term contracts” respect to the case of Lombardy. Since here we are not considering particular incentives such as outcome-based payments, as in the DUL program.

in this case, could not be described in terms of the duration of the first employment contract got after the treatment.

#### 5.2.4. *Effects observing personal characteristics*

So far, we have seen how the Emilian system, when looking at the case of the Metropolitan area of Bologna, shows a low level of effectiveness. These considerations have allowed us to answer to our first hypothesis and confirm what we had already found out observing the case of Milan. The larger market share of services really enhances the effectiveness of employment services. Anyway, we have still to answer to our second main hypothesis, related more to equity considerations and social goals of the Emilian model. This implies the analysis of the interaction between the participation to an active labour market initiative and the personal observable characteristics of the subjects. In this case we have not developed sub-hypothesis like in the case of Milan, because we are not considering specific incentives for the providers, as in DUL program for the structure of payments<sup>65</sup>. We are simply interested in observing which categories of jobseekers, and to what extent, in this case where the market share of services is limited, are those who can benefit more from the system. We have already analysed, for the case of Lombardy, that some rooms for opportunistic behaviour could be find in the difference between the placement on short-term contracts of those most disadvantaged jobseekers and on long-term contracts of those most advantaged. Now, instead, according to the literature about principal-agent theory we should expect that, considering the role of the public actor in this situation, there should be less opportunistic behaviour of the operators. In particular, we should find less evidence of operators enhancing the placement of those more job-ready and easiest to be placed. We rely again on the tool of the multinomial logistic regressions, with exception that, in this case, we decide to change the reference category for the dependent variable. We decide to look at the two categories of getting a work contract with the duration of maximum one year and getting a work contract of more than one year of duration, using as base outcome the probability to remain unemployed.

*Tab. 5.9 Multinomial logistic regression of the probability of being unemployed, employed with a contract of maximum 12 months of duration or with a contract of more than 12 months of duration. Interaction effects between participation to active labour market initiatives and age.*

<i>Variables</i>	<i>EMPLOYMENT OUTCOME</i>	
	<i>(Reference category: Being unemployed)</i>	
	<i>Employed with a contract</i>	<i>Employed with a contract of more</i>

<sup>65</sup> This time we don't need to find out possible explanation for the behaviour of the providers respect to the particular category of the contracts with a duration between 6 and 12 months, as consequence of the existing structure of payments of the DUL program. In consideration of this we have decided to limit the analysis to the category of contracts lasting maximum 12 months, approximating this as "short-term contracts".

	<i>maximum 12 months of duration</i>	<i>than 12 months of duration</i>
<b>Age</b>		
15-29 (ref.)	-	-
30-44	-0.290*** (0.0525)	-0.428*** (0.060)
Over-45	-0.862*** (0.0573)	-0.803*** (0.065)
<b>Treatment</b>		
Treated	-0.062 (0.065)	-0.406*** (0.080)
<b>Treatment*Age</b>		
T* 30-44	-0.029 (0.087)	0.372*** (0.104)
T* over-45	0.066 (0.092)	0.608*** (0.106)
<b>Gender</b>		
female	-0.288*** (0.0349)	-0.170*** (0.040)
<b>Education</b>		
compulsory(ref.)	-	-
secondary	0.181*** (0.040)	0.168*** (0.047)
tertiary	0.124*** (0.050)	0.220*** (0.057)
<b>Citizenship</b>		
foreigner	-0.361*** (0.0423)	0.068 (0.046)
<b>Previous level of qualification</b>		
non-qualified professions(ref.)	-	-
no experience	0.678*** (0.163)	0.619*** (0.185)
qualified professions	0.178*** (0.058)	0.265*** (0.067)
executives and managers	0.204*** (0.072)	0.459*** (0.083)
<b>Unemployment spell</b>		
Less than 1 year (ref.)	-	-
More than 1 year and less than 2	-0.673*** (0.084)	-0.547*** (0.095)



More than 2 years	-0.719*** (0.153)	-0.607*** (0.173)
Constant	-0.314*** (0.073)	-0.965*** (0.085)
Observations	20,014	20,014

Standard errors in brackets.

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

Table 5.9 shows the interaction between age and treatment. We can see how the interaction term reveals that the action of the services makes significant and positive the probability to get a long-term contract rather than remaining unemployed as the age grows. The particularity of this effect is that if we look at the main effect, the same probability is negative and then shows a penalty for the older worker (which is significant also for the short-term contract). Putting this in other words, the operators are able to counteract this effect and reverse it. The older workers who decide to participate to active labour market initiatives have a higher probability to get a long-term contract rather remaining unemployed, respect to the trend for them on the local labour market.

Tab. 5.10 Multinomial logistic regression of the probability of being unemployed, employed with a contract of maximum 12 months of duration or with a contract of more than 12 months of duration. Interaction effects between participation to active labour market initiatives and gender.

<i>Variables</i>	<i>EMPLOYMENT OUTCOME</i>	
	<i>(Reference category: Being unemployed)</i>	
	<i>Employed with a contract of maximum 12 months of duration</i>	<i>Employed with a contract of more than 12 months of duration</i>
<b>Age</b>		
15-29 (ref.)		
30-44	-0.299*** (0.043)	-0.308*** (0.050)
Over-45	-0.837*** (0.046)	-0.591*** (0.053)
<b>Gender</b>		
female	-0.281*** (0.042)	-0.236*** (0.049)
<b>Treatment</b>		
Treated	-0.033 (0.052)	-0.149** (0.083)
<b>Treatment*Gender</b>		
T*female	-0.016 (0.072)	0.162** (0.083)
<b>Education</b>		

<hr/>		
compulsory(ref.)		
secondary	0.182*** (0.040)	0.172*** (0.047)
tertiary	0.127** (0.050)	0.223*** (0.057)
<b>Citizenship</b>		
foreigner	-0.359*** (0.042)	0.081* (0.045)
<b>Previous level of qualification</b>		
non-qualified professions(ref.)		
no experience	0.681*** (0.163)	0.632*** (0.185)
qualified professions	0.178*** (0.058)	0.272*** (0.067)
executives and managers	0.204*** (0.072)	0.467*** (0.083)
<b>Unemployment spell</b>		
Less than 1 year (ref.)		
More than 1 year and less than 2	-0.673*** (0.084)	-0.554*** (0.094)
More than 2 years	-0.721*** (0.153)	-0.617*** (0.172)
Constant	-0.328*** (0.071)	-1.059*** (0.084)
Observations	20,014	20,014
<hr/>		

Standard errors in brackets.

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

Table 5.10 shows that the probability to get a long-term contract, rather than remaining unemployed, grows for female jobseekers when they participate to active labour market initiatives. Again, as for age, it seems that the operators are able to counteract the general trend on the labour market, reversing the sign of the effect, whereas on the local labour market women have a lower probability to get a contract respect to remain unemployed. Again, also here, participating to active labour market initiatives shows an opposite effect, positive and significant in the case of contracts lasting more than one year.

*Tab. 5.11 Multinomial logistic regression of the probability of being unemployed, employed with a contract of maximum 12 months of duration or with a contract of more than 12 months of duration. Interaction effects between participation to active labour market initiatives and education.*

<i>Variables</i>	<i>EMPLOYMENT OUTCOME</i>
	<i>(Reference category: Being unemployed)</i>
<hr/>	

	<i>Employed with a contract of maximum 12 months of duration</i>	<i>Employed with a contract of more than 12 months of duration</i>
<b>Age</b>		
15-29 (ref.)		
30-44	-0.295*** (0.0430)	-0.317*** (0.0504)
Over-45	-0.838*** (0.0468)	-0.608*** (0.0532)
<b>Gender</b>		
male (ref.)		
female	-0.286*** (0.0349)	-0.169*** (0.0403)
<b>Education</b>		
compulsory(ref.)		
secondary	0.243*** (0.0497)	0.235*** (0.0582)
tertiary	0.146** (0.0613)	0.305*** (0.0697)
<b>Treatment</b>		
Treated	0.0541 (0.0626)	0.0838 (0.0719)
<b>Treatment*Education</b>		
T*secondary	-0.185*** (0.0827)	-0.176* (0.0954)
T*tertiary	-0.0500 (0.0973)	-0.225** (0.111)
<b>Citizenship</b>		
Italian (ref.)		
foreigner	-0.360*** (0.0423)	0.0790* (0.0460)
<b>Previous level of qualification</b>		
non-qualified professions(ref.)		
no experience	0.678*** (0.163)	0.537*** (0.185)
qualified professions	0.178*** (0.0580)	0.280*** (0.0676)
executives and managers	0.203*** (0.0727)	0.481*** (0.0833)
<b>Unemployment spell</b>		
Less than 1 year (ref.)		
More than 1 year and less than 2	-0.696*** (0.0846)	-0.629*** (0.0952)

More than 2 years	-0.703*** (0.153)	-0.511*** (0.172)
Constant	-0.206*** (0.0834)	-0.962*** (0.103)
Observations	20,014	20,014

Standard errors in brackets.

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

With table 5.11 we can observe how the probability to get contracts rather than remain unemployed, when it is considered the interaction with the treatment, decreases as the degree of education increases. In particular, we can find that those with the diploma as maximum degree of education have a lower probability to get both short-term contracts and long-term ones rather than remaining unemployed, with respect to the less educated. In the same way, those with a university degree show that the same probability is even lower, but just in the case of long-term contracts. This is the third evidence about a “counteraction result” of the operators with respect to the “natural” effect of the local labour market, whereas, as one could expect, those with higher probability to get an employment contract rather than remaining unemployed should correspond to those better educated. This means that, probably, the operators are able to concentrate their efforts on those less educated (consistently with the characteristic of being older unemployed), who are more penalized on the local labour market.

Tab. 5.12 Multinomial logistic regression of the probability of being unemployed, employed with a contract of maximum 12 months of duration or with a contract of more than 12 months of duration. Interaction effects between participation to active labour market initiatives and citizenship.

Variables	EMPLOYMENT OUTCOME	
	<i>(Reference category: Being unemployed)</i>	
	<i>Employed with a contract of maximum 12 months of duration</i>	<i>Employed with a contract of more than 12 months of duration</i>
<b>Age</b>		
15-29 (ref.)		
30-44	-0.295*** (0.0430)	-0.320*** (0.0504)
Over-45	-0.839*** (0.0468)	-0.616*** (0.0532)
<b>Gender</b>		
male (ref.)		
female	-0.287*** (0.0349)	-0.170*** (0.0403)
<b>Education</b>		
compulsory(ref.)		

secondary	0.179*** (0.0407)	0.173*** (0.0473)
tertiary	0.129** (0.0507)	0.228*** (0.0577)
<b>Citizenship</b>		
Italian (ref.)		
foreigner	-0.353*** (0.0539)	-0.0654 (0.0599)
<b>Treatment</b>		
Treated	-0.0375 (0.0419)	-0.156*** (0.0510)
<b>Treatment*Citizenship</b>		
T*foreigner	-0.0145 (0.0832)	0.358*** (0.0903)
<b>Previous level of qualification</b>		
non-qualified professions(ref.)		
no experience	0.681*** (0.163)	0.536*** (0.185)
qualified professions	0.178*** (0.0580)	0.279*** (0.0676)
executives and managers	0.204*** (0.0727)	0.489*** (0.0833)
<b>Unemployment spell</b>		
Less than 1 year (ref.)		
More than 1 year and less than 2	-0.697*** (0.0846)	-0.624*** (0.0952)
More than 2 years	-0.707*** (0.153)	-0.528*** (0.172)
Constant	-0.176*** (0.0820)	-0.883*** (0.099)
Observations	20,014	20,014

Standard errors in brackets

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

When we look at the citizenship (table 5.12) we can find that the probability to get a contract of longer duration rather than remaining unemployed, becomes positive and significant when it is taken into consideration the treatment, whereas on the local labour market it is non-significant. Looking at the main effect we could only say that foreign workers have a lower probability to obtain a short-term contract rather than being unemployed. The interaction term shows, on the contrary, that they get more chances to get even long-term contracts when they join active labour market initiatives.

To conclude our analysis on the interaction between treatment and personal observable characteristics of the subjects, here follow the results regarding previous level of qualification and duration of unemployment spell (respectively table 5.13 and table 5.14), where we do not find any significant effect regarding the interaction terms between these variables and the participation to an active labour market initiative.

Tab. 5.13 Multinomial logistic regression of the probability of being unemployed, employed with a contract of maximum 12 months of duration or with a contract of more than 12 months of duration. Interaction effects between participation to active labour market initiatives and previous level of qualification.

Variables	EMPLOYMENT OUTCOME	
	<i>(Reference category: Being unemployed)</i>	
	<i>Employed with a contract of maximum 12 months of duration</i>	<i>Employed with a contract of more than 12 months of duration</i>
<b>Age</b>		
15-29 (ref.)		
30-44	-0.294*** (0.0430)	-0.318*** (0.0504)
Over-45	-0.838*** (0.0468)	-0.612*** (0.0532)
<b>Gender</b>		
male (ref.)		
female	-0.287*** (0.0349)	-0.170*** (0.0403)
<b>Education</b>		
compulsory(ref.)		
secondary	0.179*** (0.0408)	0.173*** (0.0473)
tertiary	0.129** (0.0507)	0.230*** (0.0577)
<b>Citizenship</b>		
Italian (ref.)		
foreigner	-0.356*** (0.0423)	0.0809* (0.0460)
<b>Previous level of qualification</b>		
non-qualified professions(ref.)		
no experience	0.674*** (0.170)	0.584*** (0.193)
qualified professions	0.201*** (0.0723)	0.247*** (0.0840)
executives and managers	0.193** (0.0880)	0.439*** (0.100)
<b>Treatment</b>		

Treated	-0.0118 (0.108)	-0.102 (0.127)
<b>Treatment*Previous level of qualification</b>		
T* no experience	0.0175 (0.134)	-0.0773 (0.159)
T* qualified professions	-0.0640 (0.119)	0.0941 (0.139)
T* executives and managers	0.0409 (0.145)	0.138 (0.165)
<b>Unemployment spell</b>		
Less than 1 year (ref.)		
More than 1 year and less than 2	-0.698*** (0.0846)	-0.630*** (0.0952)
More than 2 years	-0.706*** (0.153)	-0.511*** (0.172)
Constant	-0.188*** (0.0899)	-0.896*** (0.110)
Observations	20,014	20,014

Standard errors in brackets

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

Tab. 5.14 Multinomial logistic regression of the probability of being unemployed, employed with a contract of maximum 12 months of duration or with a contract of more than 12 months of duration. Interaction effects between participation to active labour market initiatives and unemployment spell.

<i>Variables</i>	<i>EMPLOYMENT OUTCOME</i>	
	<i>(Reference category: Being unemployed)</i>	
	<i>Employed with a contract of maximum 12 months of duration</i>	<i>Employed with a contract of more than 12 months of duration</i>
<b>Age</b>		
15-29 (ref.)		
30-44	-0.294*** (0.0430)	-0.316*** (0.0504)
Over-45	-0.838*** (0.0468)	-0.589*** (0.0532)
<b>Gender</b>		
male (ref.)		
female	-0.287*** (0.0349)	-0.178*** (0.0403)
<b>Education</b>		

<hr/>		
compulsory(ref.)		
secondary	0.179*** (0.0408)	0.172*** (0.0473)
tertiary	0.129** (0.0507)	0.228*** (0.0577)
<b>Citizenship</b>		
Italian (ref.)		
foreigner	-0.357*** (0.0423)	0.0812* (0.0460)
<b>Previous level of qualification</b>		
non-qualified professions(ref.)		
no experience	0.693*** (0.163)	0.645*** (0.185)
qualified professions	0.178*** (0.0580)	0.274*** (0.0676)
executives and managers	0.204*** (0.0727)	0.486*** (0.0833)
<b>Unemployment spell</b>		
Less than 1 year (ref.)		
More than 1 year and less than 2	-0.643*** (0.100)	-0.676*** (0.120)
More than 2 years	-0.750*** (0.156)	-0.588*** (0.175)
<b>Treatment</b>		
Treated	-0.0512 (0.0423)	-0.0533 (0.0482)
<b>Treatment*Unemployment spell</b>		
T* more than 1 year and less than 2	-0.130 (0.185)	0.347 (0.196)
T* more than 2 years	0.0840 (0.0869)	-0.119 (0.104)
Constant	-0.320*** (0.0698)	-1.094*** (0.0835)
Observations	20,014	20,014
<hr/>		

Standard errors in brackets

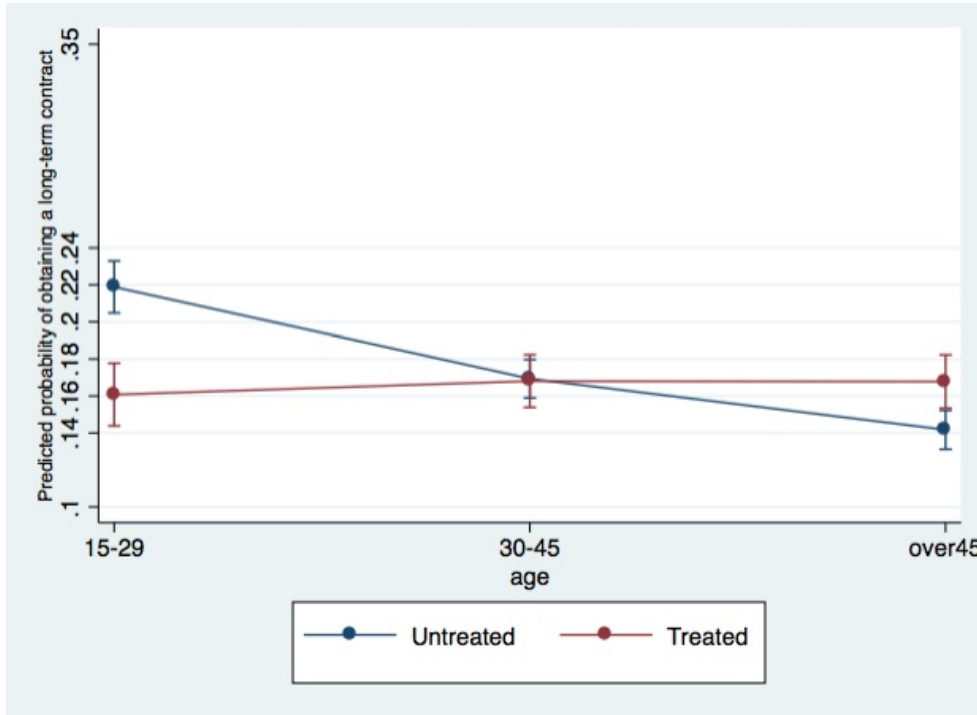
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

To help the interpretation of the multinomial logistic regressions performed so far we plot in fig. 5.2 the predicted probability of obtaining long-term employment by each of the interaction terms analysed found with significative effect. The picture is always clear with respect to the findings of the regressions. Considering age, gender, education and foreign citizenship we can see how marginal effects follow reversed directions, passing from untreated to treated condition.

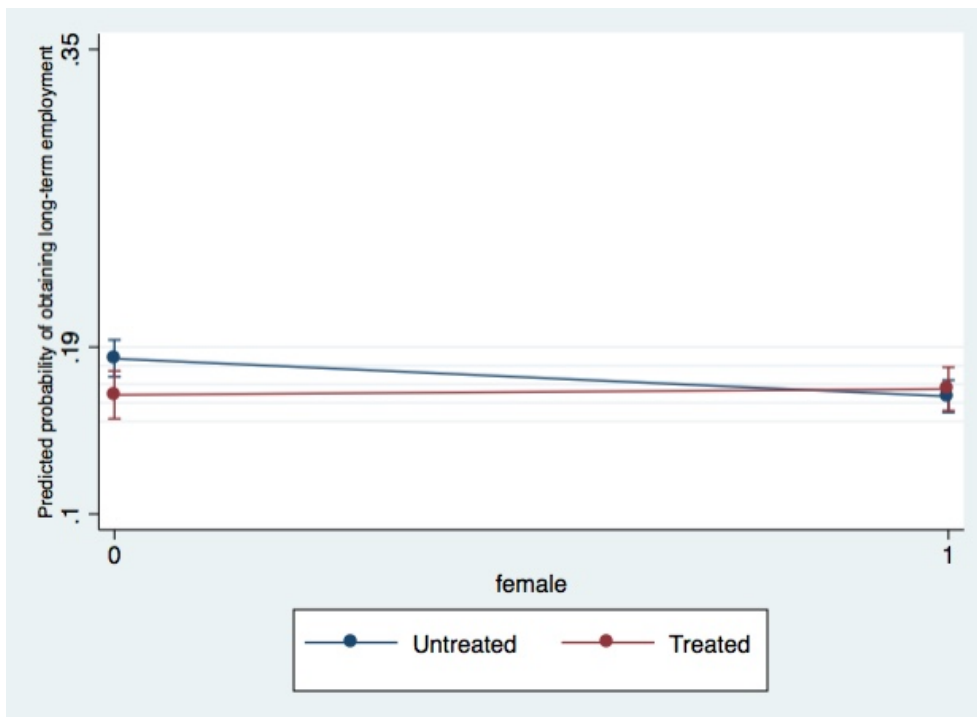


5.2 Predicted probability of obtaining a long-term contract by treatment and observable characteristics

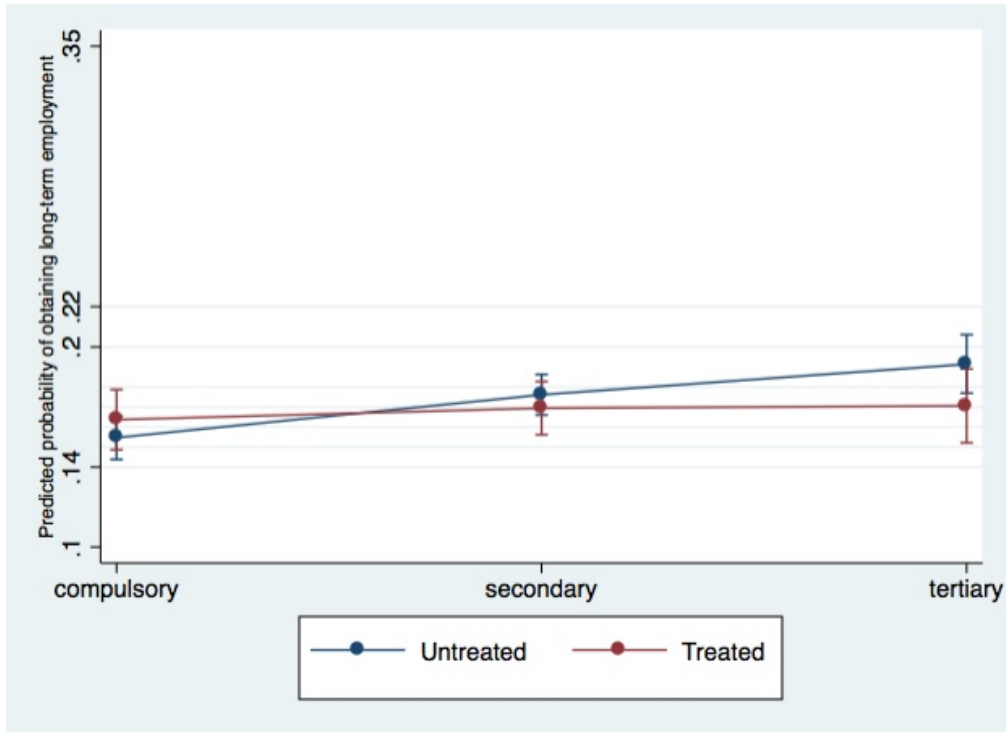
a) Age



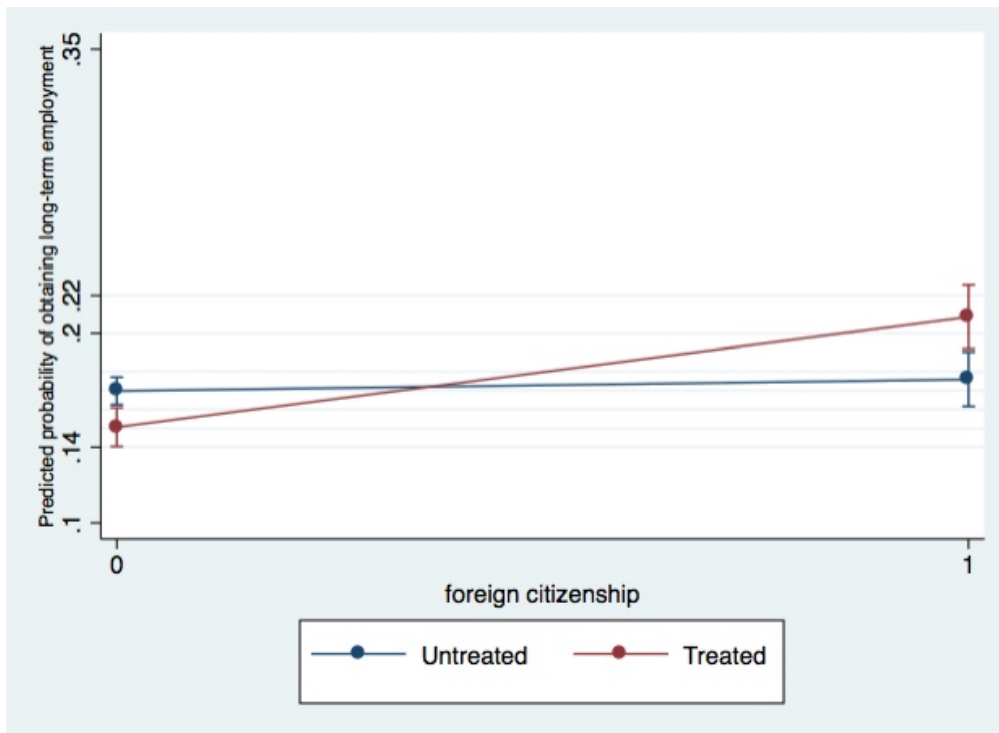
b) Gender



c) Education



d) Citizenship



### *5.2.5. Comments and potential critique*

The results in terms of effectiveness show us a system with a quite low employment impact. Considering all the employment relationships that the jobseekers can get after active labour market initiatives, we can register how the effect is small but still positive, especially after one year, characterized by a progressive increase until that period, probably as consequence of the overcoming of an initial lock-in effect. It could be considered a sufficient performance if we look at the overall Italian context. On the contrary, we could not say the same thing if we look at the first employment relationship obtained after the participation to an active labour market initiative. There is no effect respect to jobs of particular duration rather than others. Jobseekers participating to active labour market initiatives should not expect a greater or lesser effectiveness in terms of duration of the job provided, respect to those not participating. This might be an evidence that, in absence of particular incentives, there is no changing behaviour from the side of the operator, neither in sense of opportunism nor to better the performance of the operators in terms of effectiveness.

So far, then, we have got further elements to find a confirmation of our first main hypothesis, related to the increase in effectiveness lead by a larger market share of services. In context like Emilia-Romagna, where there is a limited exposure of the system to the market, the degree of effectiveness is low compared to the Lombard system where the exposure can be considered the maximum.

On the contrary, despite participating or not to an active labour market initiative does not return any effectiveness in terms of duration of the employment contract obtained after active labour market initiatives, the argument is different when we look at the duration of contract in relation to personal observable characteristics. This exercise enables us to find out differences between participants and not participants in terms of the employment contract obtained after the initiative. In this case, where private operators are involved on a lesser extent, we have found that those participants with some of the most disadvantaged characteristics, such as older jobseekers, women, less educated and foreigners, are positive associated with longer duration of contracts, where being part of active labour market programs counteract and reverse the trend for them on the local labour market, in the absence of treatment. The aspect that those most disadvantaged participating to an active labour market initiative are favoured on placement on longer duration contracts appears to be consistent with the aims of the regional programs designed in relation to the ESF, where the Emilia-Romagna's system has explicitly set the goal of fighting against precariousness of employment. The central role of the public operators, then, in this case, allows the system to take care for less advantaged workers, even on more stable jobs, respect to the situation on the local labour market, where they have less chances even for short-term contracts. We can find that there is no evidence for creaming and then confirm the second main hypothesis saying that the larger market share of services enhances the risk of opportunistic behaviour.

Nevertheless, this “equity considerations” can be related to the argument regarding effectiveness we have made above. The stronger efforts put to assist those most disadvantaged could be probably related with a loss in the overall effectiveness of the system and where the effects can be seen more on the long-term, leaving rooms to think about a prevalent orientation towards a long-term human-capital development approach.

## **6. BEYOND MARKETIZATION: FURTHER CHALLENGES FOR PES**

### **6.1. The optimal design**

Italy has searched for its own declination of the activation paradigm for almost thirty years. In relation to this, last labour market reform has attempted to produce a definitive “closure” of the “golden triangle” defined by the concept of “flexicurity”, outlined by the trajectory of partial convergence started from the nineties that we have examined in the first chapter, which is generally associated with institutional mix from the Scandinavian welfare regime and the Anglophone one. A wide part of the Jobs Act has been concentrated on changes concerning PLMPs. We can synthesize saying that the new measures have attempted to rationalize the previous system towards the creation of a main universal insurance scheme, supported by the introduction of a social assistance one. At the same time this reform has attempted to lower the firing costs for permanent contracts in order to increase flexibility. The last vertex necessary to “close” the triangle is the strengthening of ALMPs, historically very weak in the Italian context. The decree 150/2015 has attempted to achieve this goal. This reform has renewed the content-related aspects of ALMPs, redefining the policy tools and trying to strengthen the link between active and passive measures by the enhancement of benefit-conditionality. Our focus has been more oriented towards the PES governance concerning the involvement of private providers. We make use of this dimension as key aspect to analyse Italian regional differentiation. This variability has been due both to delays in the implementation of accreditation regimes, the tool outlined by the Biagi Reform for regions to define their own contracting-out option, and to precise choices made by regional governments concerning the degree of market exposure of their systems. This last aspect, which has been of main interest for us, has been a consequence of the willingness and suitability to become marketized expressed by regional contexts of policy-making.

This could be true, in particular, when it is taken into account the resistance to implement an accreditation regime manifested by some regions such as Emilia-Romagna, Tuscany and Marche, reflecting the strength of local coalitions around large left-wing parties. Differently from a more liberal culture, as in the case of Lombardy, more favourable to market-based mechanisms. The topic of territorial fragmentation, and the necessity to overcome it, has been always at the top of the public debate concerning Italian PES reform. In particular, this debate has become even stronger with the constitutional reform designed by Renzi government, which aimed at realigning the competence on employment services between state and regions moving them from the latter to the former in order to restore a state-led operated model. The rejection of that reform by mean of the referendum held on the 4<sup>th</sup> December of 2016, then, left the issue open and unchanged. As

consequence, the role of the new state agency, conceived in the perspective of the return of the policy competence in the hands of the state, has needed to be redefined. However, other novelties introduced by the decree 150/2015 have not been abandoned, despite the competence on employment services has remained in the hands of the regions. A new national regime of accreditation has been implemented, representing a mean to bypass regional channels of accreditation if these have set stricter criteria. At the same time, the government has relaunched the AdR, as new national active labour market scheme based on a quasi-market model. Therefore, the way to overcome regional fragmentation put forward by national policy-makers seems to be accompanied by the attempt to promote this model on the whole country.

An option put forward probably in the belief of the limited effectiveness of public operators.

We know from the literature we have examined in chapter two that the possible information asymmetries which can arise as result of the shift towards the increasing marketization of employment services can expose users to the risks of adverse selection. This deals with issues concerning equity, assuming that private providers may maximize their own utility assisting only those who are less expensive because more skilled and job-ready. In consideration of these well-known results we have become interested to the implications related to the implementation of this quasi-market model in the context of Italian regional PES systems, analysing similar or alternative experiences.

We have chosen to deal with regional fragmentation choosing those which are supposed to be the most dissimilar cases of regional PES models concerning the design of public-private contracting arrangement: Lombardy and Emilia-Romagna. The institutional change of these models has been characterized by a common process of layering over time, resulted in two symmetrical but divergent trajectories of evolution of their respective models, arising from two very different local political systems.

In the case of Lombardy, we find a system more oriented to a workfare approach, in which the activation of the subjects relies first on their own "social entrepreneurship". In this context, the marketization should be considered the result of the choice made by policy-makers in order to better respond to the freedom of choice and preferences by individuals. It has been realized a system in which the complete equalization, in terms of tasks and powers, between public and private operators, has been functional to make them compete each-other, setting a quasi-market model voucher-based. The larger the market share of employment services the more this should lead towards more efficiency and effectiveness. Furthermore, the current universal active labour market program in Lombardy, *Dote Unica Lavoro*, seems to resemble the design of the AdR, giving us the possibility to anticipate some evaluation about this scheme.

In the case of Emilia-Romagna, on the contrary, we find a system in which the activation of the subjects aims at integration and social cohesion. The public actor here opts to remain at the core management of the system. An excessive market exposure of services is beware for the possible risks of adverse selection, decreasing the equity of the performance and, thus, discriminating the weakest targets. Private operators are involved on complementary basis, when the public operator alone is not able to provide specialized knowledge. This case has given us the possibility to

compare the quasi-market models with a radically alternative design of public-private contracting arrangement.

We have developed our analysis performing an evaluation of both the systems using the metropolitan city areas of each region. Respect to our first main hypothesis, for which a larger exposure to the market effectively enhances the effectiveness of the system, we have evaluated the two systems observing both the impact respect to the employment condition of the participants at different periods after the beginning of the treatment and the impact respect to a different duration of the first job obtained after the treatment. On both these two different kinds of outcome we have registered a superior level of effectiveness for the case of Lombardy respect to the case of Emilia-Romagna. On the basis of this result we should confirm the first main hypothesis. In particular the incentive of outcome-based payments, which implies the voucher reimbursement only when a job is effectively found, appears to be able to boost effectiveness, but it still leaves some rooms for opportunistic behaviour. Indeed, once it is introduced a fixed threshold for the reimbursement, this induces the providers to provide contracts with a duration just sufficient to fulfil the threshold.

More in general the impact, in the case of Lombardy, seems to decrease over time, indicating an orientation towards a quick job-entry approach, that might be due to the need for the providers to get fast remuneration of the vouchers and then to rely on quick job-matching services. This feature could be related to the fact that a lot of providers are temporary employment agencies thus able to easily place subjects on temporary employment relationships. The priority given to the placement, as fast as possible, in this sense, may risk putting in second order further objectives more related to the human capital development (Sol and Westerveld, 2005; Marocco, 2013). In these respects further research probably would need about “gaming”, a possible third type of opportunistic behaviour (Formez, 2017). It corresponds to the situation in which providers and recipients agree on a solution to achieve the easiest way to maximize both their utility: to obtain the reimbursement for the providers, to get a job for the jobseeker. It is different from creaming and parking since the asymmetric information occurs at detrimental of the government but without damaging users. It could be the case that providers agree with jobseeker to activate the DUL program only once they are sure that they can provide a job. This represents a case which would need to be explored by means of qualitative methods.

Emilia-Romagna shows that the impact tends to increase over one year, then slightly starting to decrease, probably indicating an initial lock-in effect. This feature might be due to the fact that jobseekers are still participating to training activities on the short-term period and then the system might be oriented more towards a long-term human capital development. The level of effectiveness in the Emilian case however remains low and always inferior to the Lombard one. There is still an overall positive impact over time revealing the attachment of the subject to the labour market at some distance from the treatment. But when it is taken into account only the first job obtained after the treatment, distinguishing for its duration, the effect becomes null, revealing that the participation to active labour market initiatives in this case makes no difference in terms of the duration of the employment contract got respect to those not participating. The duration of

the first contract got after the treatment, in this sense, is not a characteristic able to describe the effectiveness of this system.

Moreover, the main difference between the two approaches reflects the type of prevailing tool applied as well. We have seen that the general set of tools that could be applied in both cases are quite comparable. However, the reliance of measures characterized by maximum labour market proximity in the case of Lombardy is massively pronounced. In this context job-matching/placement measures represent the final tool delivered in the totality of the subjects. This situation is substantially different from that of Emilia-Romagna, which maintain some rooms for softer measures and particularly training. Further research would need concerning the effects of the specific tools applied. Such exercise could be useful in particular for training, comparing it with previous studies concerning other regional programs.

As we were saying, concerning the first employment contract obtained after the treatment, we have registered in Milan a substantial concentration of the impact around the minimum threshold of duration required by the system to recognize the remuneration to the private providers. We have been induced from this to suppose that this could be an evidence of possible opportunistic behaviour of the providers. When it has been considered the relationship between this kind of contracts and the personal observable characteristics of the subjects we have found that there might effectively be some risk aversion from the side of the providers. In particular, the presence of incentives related to the structure of payments, such as the “targeting”, is indeed affecting the behaviour of the providers. They are induced to assist the most disadvantaged jobseekers, but in a way that they are placed on work contracts of short-term duration, just sufficient to get the remuneration and to minimize the costs of taking in charge the most disadvantaged. Providers, at the same time, are then allowed to continue to place the most skilled subjects on more stable contracts and more structured job-placement projects.

The targeting incentive, linking the value of earnings proportionally to the level of disadvantage of the subjects, reveals to be not completely able to mitigate the opportunistic behaviour of the providers. Therefore, the equity of outcomes appears to be much superior, as expected, in the case of Bologna, where the operators are able to provide more opportunities for the most disadvantaged unemployed people. Active labour market initiatives in the area of the metropolitan city of Bologna, are able to favour more those most distant from the labour market in finding stable positions. Ageing, female gender, less education and foreigner citizenship, in particular, are the same features confronted to be affected by creaming in the case of Milan and, on the contrary, more helped in the case of Bologna.

From this exercise we get some important indications. The typical trade-off between effectiveness and equity, well-known when studying marketization of employment services, has been confirmed. The intuition of Italian policy-makers that the public operator alone could not be very effective is right. Nevertheless, once private providers are massively involved, this may imply a greater exposure to the risk of opportunistic behaviour. At least, outcome-based payments prove to be an incentive able to boost effectiveness but if a fixed threshold for the duration is required, the risk is then higher to concentrate contracts around this threshold. On the contrary, we can



imagine a situation in which, for instance, the remuneration may be not fixed and set as growing over time, thus incentivizing providers to place jobseekers on contracts of longer durations. This might help more the most disadvantaged, if we consider that the two incentives related to the structure of payments are intertwined and the targeting has shown that providers might be effectively sensible to it.

AdR is characterized by the same incentives and there could be the case that it may reproduce the same problems showed with the DUL program in Lombardy. In addition to this, there should be notice that, in this case, the presence of private employment agencies is higher respect to many other territories. Thus, we cannot be sure that a quasi-market could be well implemented in other contexts. On the other side, we can register from the lesson of Emilia-Romagna that a certain involvement of private providers could not be ignored. Anyway, once public operator does its job it is not always a lost cause. When it is able to concentrate its efforts on those jobseekers most distant from the labour market, the role of public operator could not be underestimated. This is consistent with the consideration of the public operator concerning employment services, generally considered to be more focused on weakest targets (ISFOL, 2012, 2016). At the same time, services may become less usable for those most job-ready but needing to be assisted too, for example those young and well educated looking for their first experience.

More in general, an optimal design of public-private contracting arrangement may not be identified among our two cases. However, they show that whether to involve private provider on larger basis, as in the cases of quasi-market models, there should be a very careful design of all those governance mechanisms able to avoid opportunistic behaviour, despite there seems that it cannot be fully eliminated. Emilia-Romagna shows the case of a model exclusively relied on complementary and project basis, without outcome-based remuneration. A possible compromise could be that of keep on relying on this governance but implementing the same incentives related to the structure of payments we have seen for DUL and envisaged also by AdR.

The role of public operators could probably be more effective if they can be empowered in terms of resources and staffs, as well as by means of a better interaction between central and local levels. This is the case of further main limitations of Italian PES that we will treat in the next paragraphs.

## **6.2. Redefining ANPAL's role**

The implementation of the Jobs Act regarding ALMPs has not been quick and smooth during the first years as the cooperation between the stakeholders has remained limited. It remains a crucial task to redefine the ANPAL's role in the changed set-up of the system due to the negative outcome of the referendum of 2016 and to lay down its strategy.

On the one hand, the lack of a clear mission is obstructing cooperation within ANPAL as an organization itself (especially regarding the cooperation between ANPAL and its in-house entity "ANPAL Servizi", but also employees from previously different organizations such as from

INAPP and the Ministry of Labour and Social Policies) as the objectives of the organisation and the strategy to achieve the objectives are not understood in the same way by the internal stakeholders. On the other hand, the lack of a strategic view is impeding the cooperation of ANPAL with other partners in the Network of employment services as there is no clarity what the exact role of ANPAL is and what kind of support the regional authorities could expect from it. Regarding internal stakeholders, the strategy should for instance treat the “ANPAL Servizi” staff as an integral part of the organisation, its extension to the Regions and CPIs. ANPAL should define its main clients which should be rather the regions and the CPIs it is serving and not directly jobseekers and employers. The strategy should lay down the mission which should be above all the provision of support structures, activities and knowledge to these clients, regions and CPIs. What this comes down to is that ANPAL has to acknowledge that it is not a mere department in the Ministry of Labour and Social Policies anymore, but an independent entity. These aspects are necessary in order to establish the coordination and monitoring mechanisms in the system and to support the stakeholders with appropriate tools and measures. Indeed, coordinating the system of employment services to overcome the problems of fragmentation has been identified as one the main objectives by ANPAL. However, during the first years of activity, ANPAL has been struggling in this role and the stakeholders perceive the progress to be slow (OECD, 2018). Missing the goal of re-shifting the competence over employment services again in the hands of the central level, the law does not provide ANPAL with further tools to establish the powers to coordinate the system and it has not been possible to apply the available tools fully yet. ANPAL, indeed, has the right to manage labour market programmes directly in case the essential service standards are not being respected and to support the regions in case the essential service standards are not guaranteed, by managing these services directly. Thus, by law ANPAL can intervene in the management of the CPIs in case of bad performance. However, the essential service levels and the indicators for monitoring the CPIs were agreed upon only in December 2017 in the “triannual strategy” and are not yet fully functional as of summer 2018. This means that ANPAL has not been able yet to use these tools to coordinate and harmonize the system of employment services. Anyway, these tasks cannot be done regardless the capacity to build trust among stakeholders through its activities to encourage collaboration in the system. Indeed, even when the appropriate infrastructure and methodologies will be eventually developed and imposed, these do not ensure cooperation between the stakeholders. Collaboration and trust can be considered the keys for the success of a system with many actors, yet these features are perceived to lack by the stakeholders as the conflicts have been an historical issue. Though many of the stakeholders share their views about which are the main challenges facing the Italian labour market, the ways to solve them are not always shared. The huge differences in development level among the regions in terms of employment services make it harder to reach agreements on harmonization of services satisfying all counterparts. The challenge for ANPAL is thus to propose strategies and methodologies which entail some improvements for all the regions, but would not be unreachable for some (OECD, 2018).

However, ANPAL is still very new in the role as a coordinator and has not been able to establish itself fully as such. The ability of ANPAL to coordinate and harmonize the system depends largely on its capabilities to lead the negotiations on implementing the Jobs Act. These capabilities pass also from the negotiations to draw up the strategic plans (the triannual strategies, the “Plan to strengthen employment services and measures”). As there are more than 20 Regions with different levels of development and resources that ought to agree with these plans and methodologies, the negotiations are slow and the progress of implementation cumbersome. For example, the preparation of the “Plan to strengthen employment services and measures” started in 2016 and was agreed upon in the end of 2017. However, the additional hiring and training of the staff for the CPIs, which was one of the points in the plan that the Regions looked forward to the most, had not started yet by summer 2018. As the progress of reforming the system is thus slow, the contributions of ANPAL are less evident for the other stakeholders and thus the credibility of ANPAL is harmed.

A good start has been made to build the IT systems and to develop cooperation with relevant partners for data exchange. However, if we look at the first IT applications, the front-line staff in the CPIs reveals an increase in workload since the start of the reform and the introduction of these new applications. Yet, the staff have not received training on how to use the new systems and are not aware of the strategic plans regarding IT developments. This unawareness encourages resistance to the reform and further decreases the credibility of ANPAL. Anyway, it has to be kept in mind that it takes time to develop an appropriate IT infrastructure that supports the business model.

The quality of the systems developed by ANPAL is of ultimate importance regarding its credibility among the stakeholders. The development process should be planned to minimize negative side-effects to the staff in the CPIs, above all the integration of different applications and their fit to the processes should be given more consideration (OECD, 2018).

### **6.3. The long-lasting demand for resources<sup>66</sup>**

That of resources is an historical strong Italian deficiency concerning its PES system, failing even during the years of the harsh economic crisis that would have required instead a strengthening of the employment services, in the same way as happened in other European countries (on this point see Bergamante and Marocco, 2014).

As the services are delivered to jobseekers by the staff in the local employment offices, adequate front-line human resources are vital to make the changes in the service concept foreseen in the strategic plans. However, the number of staff in local offices is currently too low, the infrastructure

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<sup>66</sup> A version of this paragraph will be published for the OECD research “Connecting people with Jobs: Italy”, of which the author has been part of the team.

and process design do not support their work process, the qualification of the staff is too low to provide quality service and the staff lacks the motivation to implement the new concepts. The measures to overcome these obstacles provided in the “Plan to strengthen employment services and measures” seem to be not sufficient.

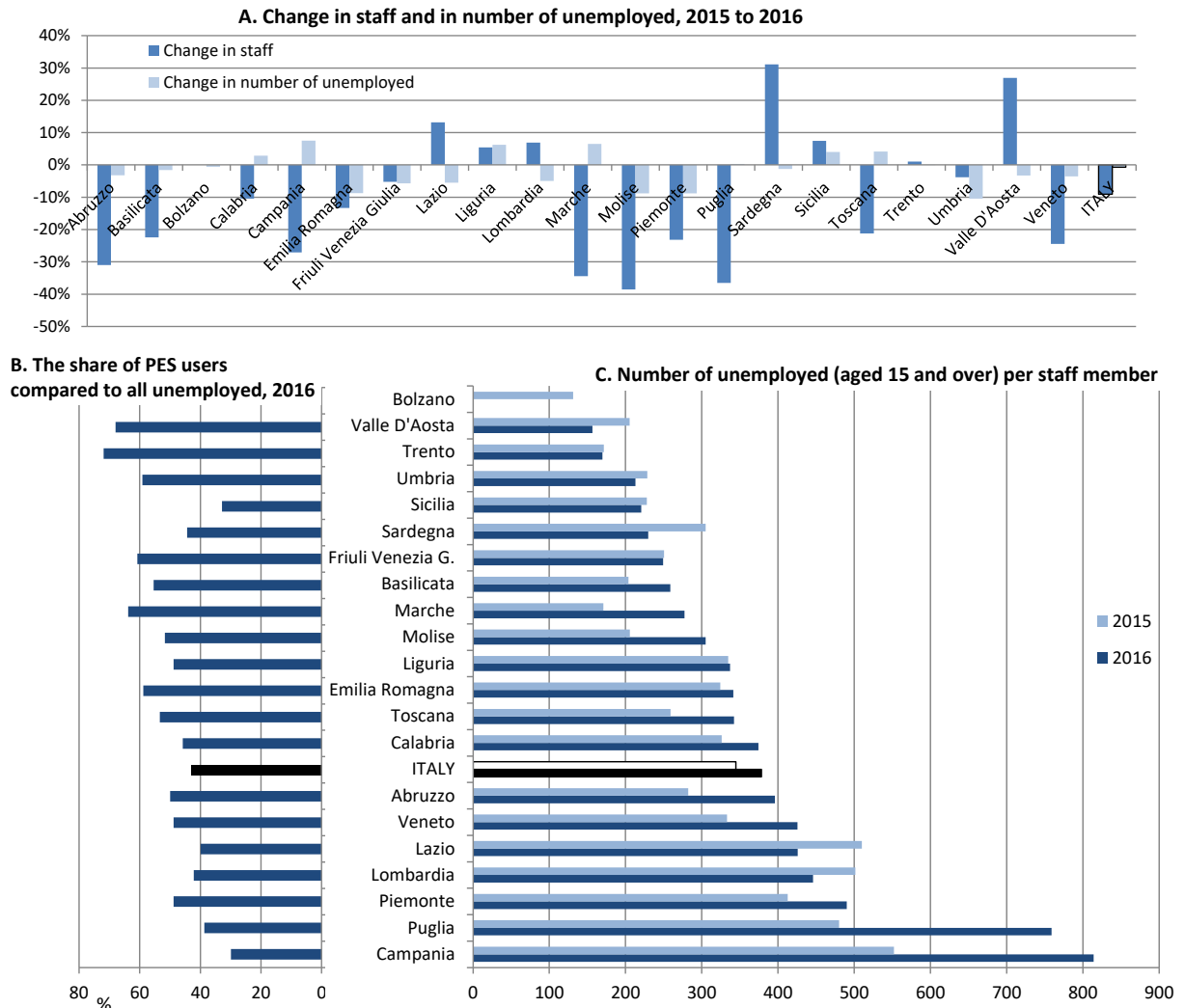
### *6.3.1. The number of staff is modest*

Although the Jobs Act aims at the empowerment of PES, the number of staff in the system of has in reality declined since the beginning of the reform. On top of that, the regional disparities regarding human resources available in the system have increased. This has led to differences in the capabilities to provide active measures between the regions and even within regions. The Plan to strengthen employment services and measures, agreed on December 2017, has foreseen 1600 additional hires, increasing the number of employees barely to the level that existed before the reform, but not more than that. In consideration of this, the role of private providers has continued to represent a mean to overcome the shortage of human resources. Nevertheless, even if the strategies and processes will be adapted in the Italian PES system, it will not be easy to implement ALMPs with the available level of staff as intended in the Jobs Act.

Just before ANPAL, the new coordinator of employment services, became fully operational, there were 7.934 staff members employed in the local CPIs (end of 2016, excluding the autonomous province of Bolzano) (ANPAL, 2017b). This is almost 10% less than a year before (data from (ISFOL, 2016) while the number of unemployed people decreased only about 1% during the same period. The decrease took place partly because the number of additional staff on temporary contracts declined (from about 750 to 450 people) and because people on permanent contracts reaching retirement age were not substituted with new hires. The use of additional staff members on temporary contracts used to be more common practice before the reform while many local offices are not able to take advantage of that anymore. The use of additional staff on temporary contracts enabled the system not only to have additional workforce, but as it was possible to hire people with more specialised skills, it also helped the local employment offices to provide some level of active measures.

In 2017 the decrease in staff numbers continued reaching 7.503 employees by the end of the first quarter (ANPAL, 2017b). The changes have increased the disparities in terms of resources between regions, as some of them already having relatively low staffing lost employees (such as Campania, Puglia, Piedmont) and some regions with relatively higher numbers of staff hired additional employees (such as Valle D’Aosta, Trento, Sicily, Sardinia; Fig 6.1).

Fig .6.1 Recent changes in PES staff numbers by regions<sup>67</sup>



Source: ANPAL (2017b), ISFOL (2016), number of unemployed from ISTAT, OECD calculations (2018)

While there are large differences between regions in the indicator of the number of unemployed per staff member, the actual caseloads of front-line staff are somewhat more similar across regions. On the one hand, the processes are set up differently, thus freeing more resources for the front-line counsellors in some offices than in others. On the other hand, the share of potential users who actually use the services from local employment offices varies. When taking into account that the share of users among the total number of unemployed tends to be lower in those

<sup>67</sup> Panel A, B, C: weighted average for Italy.

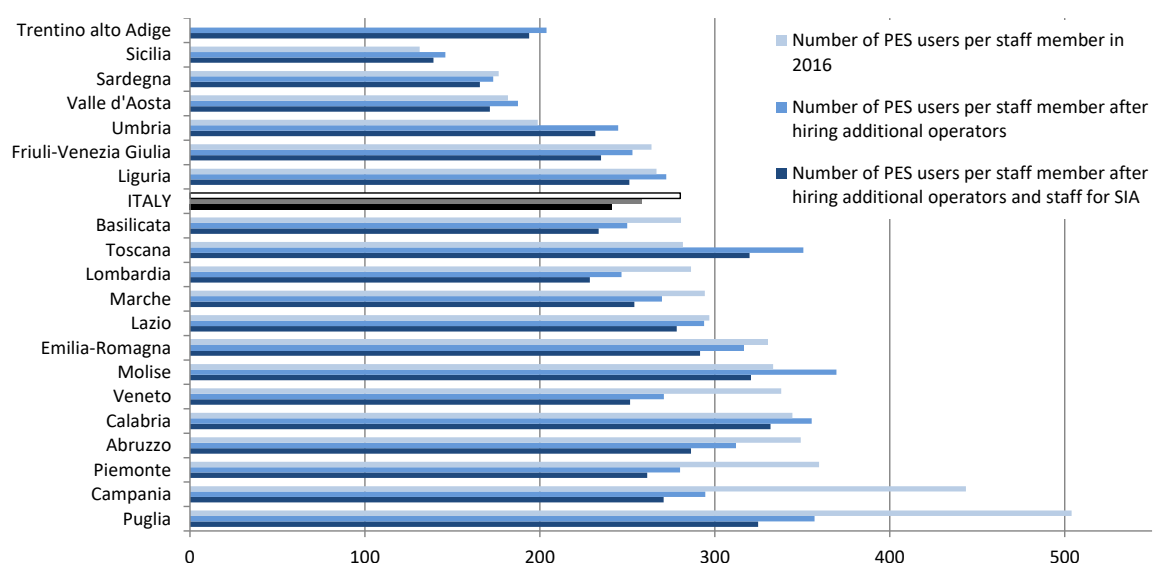
Panel C represents the potential caseload per staff member, not the real caseload as not all unemployed register in the PES.

Panel B: Share of unemployed who have contacted PES at any point in the past regardless of the reason (only half of the users contacted PES for active job search and a majority contacted PES for administrative reasons). The indicator for Trento represents Trentino alto Adige (Trento and Bolzano autonomous regions together).

Panel A and C: no data available for staff numbers in Autonomous region of Bolzano in 2016.

regions where the potential clientele is higher (figure 6.1c), the differences between regions become smaller (Fig 6.2). However, the question arises then whether the share of jobseekers using the help of PES has declined in those regions because the PES does not have enough resources to attend to them. In addition, there are disparities not only between regions but also within regions as the local offices previously steered by the provinces have sometimes developed different business models and hence some local offices are more capable of delivering ALMPs than others.

Fig. 6.2. Caseloads in PES by regions<sup>68</sup>



Source: ANPAL (2017b), OECD calculations (2018).

The “Plan to strengthen employment services and measures” foresees 1000 additional front-line staff members for the local offices to reinforce the delivery of ALMPs. These additional staff members are expected to conduct similar tasks and have similar skills as the front-line officers currently. Additionally, 600 people are expected to be hired in local offices for the implementation of REI. Thus, these recruits are expected to have a more advanced and specialised set of skills to be able to provide social services such as psychological counselling. As we have already anticipated, hiring the additional 1.600 officers will increase the number of staff in local offices back to the pre-reform level, but not more than that.<sup>69</sup> Thus, the plan to strengthen employment services will not provide additional human resources to the system in real terms. Nevertheless,

<sup>68</sup> The number of PES users in 2016 is used for all three indicators depicted in the graph. PES users defined as unemployed who have contacted PES at any point in the past regardless of the reason (only half of the users contacted PES for active job search and a majority contacted PES for administrative reasons).

The baseline for staff numbers is as of 15/03/2017 as in ANPAL (2017<sup>[26]</sup>), however the number of staff might be lower by the time the additional employees will be hired (and thus the caseloads will remain higher).

No data available for staff numbers in Trentino- Alto Adige in 2016.

<sup>69</sup> In fact, it is lower than the number of personnel in local employment offices during the previous years as the number of personnel has continued a decrease already through several years (see for example (Mandrone and D'Angelo, 2014<sup>[31]</sup>)).

the additional recruitments will help harmonize the resources between regions, also with respect to the level of specialised officers.

The additional 1600 people will be hired using financial resources from the European Social Fund, which however is only a temporary solution considering the programming period being up to 2020. Yet, any more permanent additions of employees to the system are hindered as the number of employees in the Italian public sector is capped. It means that any addition of staff to the public employment services would have to take place simultaneously with a decrease or relocation of staff in the other segments of public sector. As the civil servants in Italy have very high job protection, this solution is unlikely for PES system and would need a much wider agreement on the reorganization of the public sector in Italy.

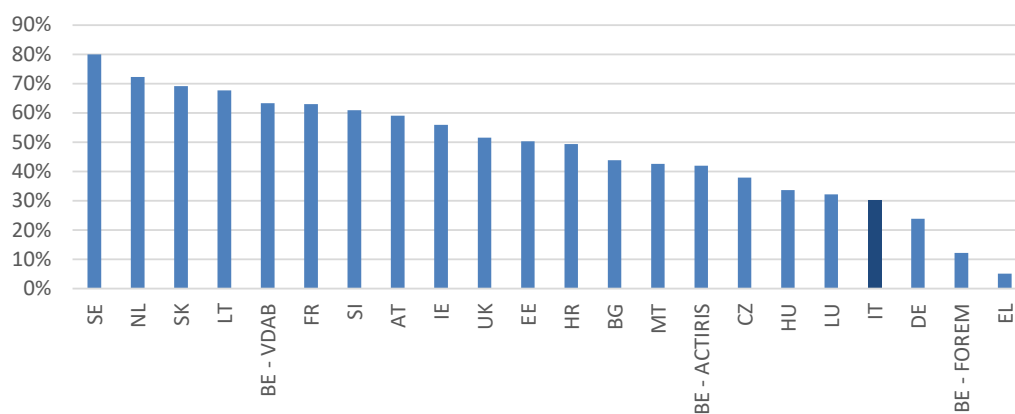
### *6.3.2. Processes are ill-designed*

Though the share of PES staff working at least partially in the front office is high at 83.5% (ANPAL, 2017b), the share who are dedicated servicing jobseekers is only 30%, being rather low compared to the other PESs in the EU (figure 6.3). A large share of personnel is overwhelmed with administrative tasks, leaving very limited capacity to serve jobseekers. As the number of staff members is scarce to begin with, the set-up of processes leaves basically no capacity for counselling and activating jobseekers or reaching out to employers.

There remain many elements to state that the Italian PES governance, related to its functional dimension concerning the relationship with the users, is still far from shifting from an administrative towards a managerial approach.

The focus on administrative tasks rather than counselling the jobseekers stems partially from the organisation culture and the mentality in the CPIs, as a sort of legacy from the previous system defined since the Fanfani Reform. This is something that ANPAL cannot influence directly as it does not manage the CPIs in the new set-up. Yet, ANPAL plays a role how the central processes and systems are set up.

Fig. 6.3. Share of staff in PES dedicated to servicing job-seekers in EU, 2017<sup>70</sup>



Source: Peters (2016)

One of the examples of inefficient resource management is the current set-up for the process of registering unemployed. Jobseekers are required first to register online through a tool developed by ANPAL. However, jobseekers get their status as registered unemployed only after physically visiting a CPI and confirming their unemployment status (DID). The forms filled in online are printed in the office, signed and then archived. This is merely an administrative act and does not involve counselling. This activity absorbs most of the capacity of the front-line officers and is viewed by them even more inefficient than the system before the additional online tool was implemented. A simplification of this system could save resources while potentially not creating grounds for abuse. This online tool and the process of using it should be developed further so that the online process should not be duplicated physically in the office.

Other administrative activities involve for example certifying that the jobseeker is indeed registered by the employment office for the sake of being eligible for benefits and services from other institutions. This is at the moment time consuming due to the lack of data exchange between the different organisations. However, there are plans to develop the necessary tools for data exchange and a freely accessible “worker dossier” which should eliminate these administrative tasks in the future. Another example of excessive administrative burden can be found in the transition of powers to the regions. Under the steering of provinces databases were developed on the provincial level, but the data have not been always successfully migrated to the regional/national databases creating additional administrative burden for the CPI staff to re-collect the data. Thus, some inefficiency stems from the transitional period to the new system.

Nonetheless, besides the new IT tools not being fully developed (parts of processes not covered), they are also prone to breakdowns and not yet fully integrated with each other (multitude of

<sup>70</sup> Data for only these PES which deploy staff members servicing job-seekers. No sufficient data available for Cyprus, Denmark, Finland, Latvia, Poland, Portugal and Romania. The data for Spain refers only to benefit officers (excluding staff in charge of ALMPs).



different applications) or with other processes. For example, a new application developed by ANPAL and implemented since the 4<sup>th</sup> of December 2017 aims at gathering the data about the jobseekers in the same manner across Italy and at assuring that the information would be centrally available for all registered jobseekers. However, due to the strong focus on the validity of the data, it lacks yet efficiency gains in the view of local employment offices. This in turn adds to the low buy-in to the reform and the undertakings of ANPAL by the local level staff decreasing their morale to contribute to the change. While the IT systems and data exchange between different organisations have a huge potential to gain in efficiency by supporting the processes and decreasing paperwork, these benefits only emerge when the systems are well designed and implemented. Though data validity and strict procedures are important to detect fraud and avoid abuse, it is not viable as the central aim of building the IT structures.

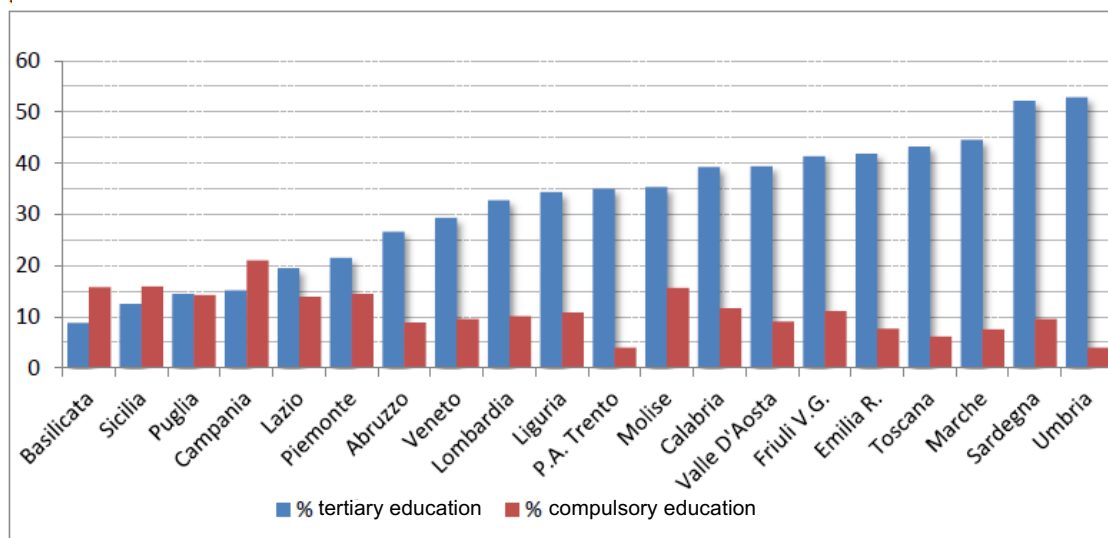
In addition, duties such as accounting, personnel management or archiving are also among the responsibilities of the staff members in the local offices, sometimes carried out by the same people in charge of servicing jobseekers and employers. These tasks further limit the scarce resources for front-line counselling. It means that some efficiency could be gained and more resources could be freed up for implementing active measures if some tasks would be outsourced and/or consolidated to the regional/national level. The consolidation could involve not only the “back-office” activities, but also some of the administrative activities regarding the jobseekers. A call centre set up by ANPAL on November 2016, for instance, provides information for jobseekers and employers, but also to the staff in the CPIs and private service providers concerning mainly the IT tools (ANPAL’s portal, DID), the AdR, further employment incentives, Youth Guarantee Program (ANPAL, 2018). Considering that during the first year of its activity the call centre was contacted about 3.000 times a month which is only about 0.1% of the average number of CPI users, there is still some room for developing its activities further, reaching more clients and respectively decreasing the administrative burden in the CPIs.

### *6.3.3. Staff is lacking qualification and motivation*

The education level and skills of the employees in the local employment offices is currently low making it difficult to provide services of the quality needed to implement the Jobs Act. While the new tools and methodologies introduced with the reform require new and even more advanced skills, the training of the staff in the local employment offices has not taken place yet. The “Plan to strengthen employment services and measures” includes some instruments to address the shortage of skills by hiring additional employees with specific skills and by training the staff in the local offices. Yet, the training plans need to be developed further to reach all the staff members and provide basis for continuous improvement.

Just over a quarter of staff (27.9%) has tertiary education while the majority has an upper-secondary degree and a substantial part of staff has lower secondary education or less<sup>71</sup> (12.3%). The structure of staff by education level has improved very slightly over the past few years not because of hiring new staff members with higher education, but due to the retirement of staff members with lower education levels (ANPAL, 2017b; ISFOL, 2016). Indeed, there is a strong reverse correlation between age and the level of education in employment offices (figure 6.4). There are large variations in the education level across the employment offices. While in Umbria and Sardinia more than half of the staff members have tertiary degree, the share of highly educated in Basilicata, Sicily and Puglia is less than 15%. As the education level tends to be lower in the Regions where also the number of employees in the CPIs is relatively lower, it makes the potential to deliver adequate services highly questionable there. Noteworthy is also the blend of Regions in the both ends of the scale, diverging from the traditional South-Italy versus North-Italy narrative. There is a mix of Regions from the South and North having staff with very low qualifications likewise to the Regions in a relatively better situation.

Figure 1.4 Share of staff with tertiary degree and the average age by regions, 2016.



Source: Data from ANPAL, 2017b).

The lack of competencies of staff in local employment offices is perceived by all the different stakeholders of the PES system to hinder the implementation of ALMPs. This view is shared by some staff members themselves making them feel they lack the skills for their jobs and demotivating them. The “Plan to strengthen employment services and measures” will help to relieve the issue of low competencies to some degree. First, 600 out of the 1.600 additional employees to be hired are expected to have specific competencies to be able to help the jobseekers furthest from the labour market. Nevertheless, the specialised staff members will constitute only

<sup>71</sup> It means that a non-negligible part of the staff has not even completed the compulsory part of the education system.

a small fraction of the total staff being able to deliver also a fraction of services. To increase the quality of active measures, it has to be made sure that also the remaining part of the additional staff members to be hired will have appropriate qualification levels to support jobseekers and employers.

Secondly, the plan foresees training for the existing employees. ANPAL Servizi, the in-house body of ANPAL, is expected to develop a methodology for the training to target the skills the staff is lacking. The aim of the training is to harmonize the knowledge and use of the newly developed tools and instruments thus harmonising the level of service provision. In particular, the skills of using IT tools and databases, skills to match vacancies and jobseekers and the skills to analyse the training needs of the jobseekers are targeted. This training is vital to implement the reform in the system, i.e., to introduce ALMPs and modernise the processes. The training to increase competencies of the front-line staff has to reach all employees of the CPIs, requiring non-negligible investments of time and financial resources. Additionally, a plan for the continuation of the training has to be drawn up to keep the skills of the staff continuously up to date along with the improvement of the methodologies, developments of the IT infrastructure and new recruits. At the moment, the existing plans do not cover these aspects yet sufficiently (OECD, 2018).

More in general, the staff members in local employment offices feel unsatisfied with their jobs and are unmotivated to contribute to the system. There are a number of underlying causes. The lack of staff, insufficient skills and training as well as inefficient processes and support structures leading to high workloads are responsible. In addition, the low level of feedback about the work performed is degrading motivation. Thus, further developments in the performance management system are necessary to overcome that. Secondly, as there is a lot of uncertainty regarding the reform (such as arguing about the funding of the staff costs between different levels of government) and as the communication about the changes in the system to front-line counsellors has been weak, the employees feel insecure and overlooked. Yet, the staff in the CPIs remain in the system, because employment possibilities are bleak otherwise. Therefore, the reform in the system of employment services has to be implemented with the help of existing employees and requires drawing up a communication plan of the reform agenda and the strategy of ANPAL to inspire commitment among the front-line staff. The regional units of “ANPAL Servizi” should be utilized to implement the communication plan.

Regardless of the shortage of resources and the disruption from change, staff members in employment services usually find motivation to do their in being aware that they are helping the jobseekers. They see their efforts paying off when jobseekers get employed, thus feeling their job is rewarding. However, in most of the system this aspect of the work is entirely missing. Front-line employees perceive their tasks to be of administrative nature, not as assisting the jobseekers to get back to employment. They do not get the feedback when a person gets employed, neither through the tasks they are fulfilling nor through a statistical overview, report or performance management system.

On the one hand, it requires a change in the nature of tasks to shift the focus away from administrative activities to more support and counsel the jobseekers and employers. On the other

hand, a performance management system including indicators and targets showing the value added of the public employment services (such as indicators for labour market integration rates and vacancies filled) would make the contributions of the staff more evident. The indicators should be broken down at least to a local employment office level to create the feeling of ownership among the staff and encourage them to take responsibility for the labour market outcomes. These indicators and the respective break-downs were proposed by ANPAL within the “triannual strategy” and agreed on by regions on December 2017. As of now, none of the monitoring activities has taken place, because the necessary integrated IT systems (SIU) have not been fully developed, yet.

Additionally, the staff of regional ANPAL Servizi can serve as a contact point and mediator between ANPAL and the local employment offices to inspire commitment to the reform in the local offices and provide feedback of the challenges and needs for adjustment to the reform agenda to ANPAL. Regional ANPAL Servizi has to cooperate with regional administrations to fit the change agenda provided by ANPAL to the regional plans.

In the next paragraph we will see how the issue of resources might be remarkably addressed by new policy arising in the period in which the author is writing.

#### **6.4. Reading the possible agenda for future PES reforms: the “Citizens Income”**

The topic of PES limitations has recently risen again in the public debate with the introduction of the so called “Citizens Income” (*Reddito di Cittadinanza* – RdC) on January 2019. This would represent a new minimum income scheme: the amount of the benefit is established around a “poverty threshold”, corresponding to 780 euros. The recipients are the households which can cumulate the following main conditions: being European citizen and resident in Italy from at least ten years, having the household income inferior to 9.360 euros. RdC represents a means-tested scheme as well as REI, replacing it despite its recent introduction. In particular, this reform has become interesting for its declared intention to implement a strict connection between passive and active labour market policies. Those who should become the recipients of the RdC should need to follow a strict path for the activation following the “Employment Pact” (*Patto per il Lavoro*) agreed with employment services. This agreement has a variant called “Social Inclusion Pact” (*Patto per l’Inclusione Sociale*), activated for cases of high social disadvantage and absorbing the whole set of interventions already foreseen for the REI. Therefore, it is evident that the RdC should rely on strong mechanisms of conditionality. For what we have seen talking about the performance of the Italian PES, these aspects appear clearly far from the current level of the Italian system. The implementation of the strict connection between active and passive measures, which characterizes RdC goals, requires a massive injection of resources, more than what had to be expected from the process of the “Plan to strengthen employment services and measures”. The perspective emerging from the 2019 budgetary law is currently moving around a number equal to

24 billion of euros until 2021, of which 2 billion of euros should be destined to PES between 2019 and 2020.

Much of the public attention has been captured from the enigmatic figure of the “navigator”. The navigator should be the specialized figure hired in the process of further strengthening of PES necessary to implement the conditionality of RdC. The role of this figure should be that of providing advanced support to the jobseekers’ placement. The original intention of the government was to hire of six thousands of navigators in charge of ANPAL Servizi. Nevertheless, the scope of this process has been reduced by the agreement signed between regions and government on March 2019, halving the original number of navigator and considering them as technical advisors of the public employment centres. Further massive recruitment should be postponed to 2020 and 2021, corresponding to a future total number of seven thousands new operators<sup>72</sup>.

The functioning of the proposed RdC resembles closely that of the *Arbeitslosengeld II* in Germany. As well as RdC, also in that case the benefit is addressed towards those unemployed who are not able to reach a minimum threshold of income (also here about 800 euros), filling the gap until it, even for workers receiving a wage inferior to the threshold. Those who receive this benefit have to commit to participate to active labour market initiatives following tasks and duties agreed with the operators of the PES structure responsible for the *Arbeitslosengeld II* (the “Jobcentres”). At the same time, however, the provision of the benefit is not limited to the delivery of the income until the threshold above mentioned. Further money is granted the basis of rent and other house expenses recognized, the presence of children and every is recognized by the operator as suitable for the improvement of the social disadvantage or the employability of the recipient.

What is more interesting for the present study is that the RdC has been linked to the reintegration voucher – AdR, with the aim of relaunching this policy. Thirty days after the individual activation plan is signed with the public employment center, the recipient of the new benefit should receive the reintegration voucher.

However, so far the discussion concerning the relationship between public and private providers in the context of the RdC has been quite limited. Indeed, this should be a relevant aspect if we consider that the recipients of the RdC are supposed to be the most disadvantage unemployed people on the labour market, thus seriously opening the question about the extent of private providers’ involvement<sup>73</sup>. We could even expect that this reform could be also implemented insisting on and reproducing the present situation of regional differentiation of contractual arrangements.

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<sup>72</sup> On this point it is helpful the reconstruction of Giubileo, F. and Pastore, F. (2019), *Reddito di cittadinanza, c’è il rischio che i navigator siano più preparati dei loro capi*, article on website (<https://www.ilfattoquotidiano.it/2019/03/19/reddito-di-cittadinanza-ce-il-rischio-che-i-navigator-siano-piu-preparati-dei-loro-capi/5045397/>).

<sup>73</sup> Something has been said by the Five Star Movement, as electoral proposal in terms of “avoiding private temporary employment agencies” ([https://www.movimento5stelle.it/parlamento/pdf/volantino\\_RdC\\_diritti\\_v3r1.pdf](https://www.movimento5stelle.it/parlamento/pdf/volantino_RdC_diritti_v3r1.pdf))

There should be clearly recognized, instead, the aspect that in recent years the interest for Italian PES is growing on the agenda, after long times in which this subject had previously receiving marginal attention just timid and inadequate responses.

We have already observed a renewed interest from the Jobs Act, by means of the decree 150/2015, which has put in place some promising elements. However, as we have seen, the implementation of this reform, as well as all future ones, will largely depend on the capacity of the policy-makers to take simultaneously and carefully into account all the factors we have described as main limitation of the Italian PES.

### 6.5. The German lesson

The search for a “one-fits-all” governance for all the Italian regions, given our findings, comes to be a real chimera. Anyway, this must not represent an obstacle in the search for alternative policy proposals. In particular, from our experience we can find some interesting rooms to look at the German system of PES as the one implementing a governance model in the middle of the trade-off between effectiveness and equity<sup>74</sup>.

More in general, it’s not a novelty that, especially with the Jobs Act, policy makers have been explicitly declared that the German regulation of the labour market represented a “model” to follow<sup>75</sup>.

Before 2004 Germany showed a labour market performance not so superior respect to Italy. Hartz Reforms can be considered one of the main factors (despite not the only one<sup>76</sup>) determining the reversal of that situation and the rediscovered success of German labour market. As we have seen, “Hartz Reforms” consisted of four different legislative packages intervening by reducing the generosity of previous UBs system, introducing new low-wage subsidies, reorganizing PES, creating more flexibility on work contracts. Concerning the delivery of UBs Germany is characterized by a binary system, dividing the delivery of the insurance scheme (*Arbeitslosengeld I*) from that of the social assistance one (*Arbeitslosengeld II*). This corresponds to two different PES structures at the local level: the “employment agencies” for the first and the “Jobcentres” for the second. The stakeholders of this system declare that the reasons behind the split is essentially due to a substantial difference between the two categories of recipients. Especially the management of ALGII and the active measures delivered to its recipients require very special

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<sup>74</sup> At the time of writing the author is performing further research about the case of Germany. Some of the information that follow here correspond to some very preliminary insights got from stakeholders interviewed in the region of North-Rhine Westfalia and at the federal level during the period from April to August 2018. Precisely the author has interviewed 3 figures from the federal employment agency, 3 from the regional directorate, 3 from *Zentral* and *Sud* Jobcentres of the city of Cologne and 2 from the employment agency of the same district.

<sup>75</sup> This has been a public statement of the former Italian Prime Minister Matteo Renzi ([https://www.huffingtonpost.it/2014/05/31/matteo-renzi-germania-modello-europa-cambia-verso\\_n\\_5422298.html](https://www.huffingtonpost.it/2014/05/31/matteo-renzi-germania-modello-europa-cambia-verso_n_5422298.html))

<sup>76</sup> On this point see Ferrera (2014), *Minijob e servizi all’impiego, il modello Tedesco*, article on website (<https://maurizioferrera.wordpress.com/2014/11/25/minijob-e-servizi-allimpiego-il-modello-tedesco/>)

preparation from the staff, since they are dealing with a situation of very high distance from the labour market. Operators have to consider this more disadvantaged situation and even the risk of exposure to social stigma for the recipients going to their structure. Employment services hence should not only be able to activate jobseekers and offer them suitable job-offers but also to deal with their social conditions, being prepared to all the set of possible problematic issues may arise. This aspect deals with resources, staff skills, staff motivation and both functional and structural governance aspects of this system.

In both the two kind of local PES offices, the staff is organized to work in teams, dealing with different stages of assistance: some teams work with the orientation and first contact, some others on the front-line counselling and some others in the back-office. There is a clear separation of roles, in which, in particular, the back-office require very specialized skills concerning the issue of the computation of the exact amount of resources to be delivered to the recipients. On this point, if we think at the recent introduction of the REI in Italy, for instance, and especially the introduction of the RdC we have to register a very high distance respect to the situation described in Germany. In the context of the hard situation concerning resources and staff interesting Italian PES, REI (today, and probably RdC tomorrow) represents a further element to be managed in a situation of already deep overload for the operators.

At the same time, and more in general for PES, the German regulation of the labour market emerged with the Hartz Reforms, seem to show a much higher managerial approach in relation to the functional governance of PES. NPM principles have been implemented emphasizing the dimension of the MBO in a top-down configuration which is able to manage the differentiation between local labour markets. Here the federal agency has not simply tasks of coordination but represent the real headquarter of all the LMPs of the country. It projects policies and takes decision for the local structures. The MBO approach is set around targets defined according to a continuous “performance dialogue” with local authorities, of which the aim is exactly to take into account the variability of local labour markets. Following the top-down line once the target at the superior level is set, i.e. between State and regions, the negotiation moves towards the next level, until the local structure is achieved and targets are defined even inside local offices and among operators, for Jobcentres as well as for employment agencies.

We have seen how much that of a managerial approach represents another precarious issue in the Italian context, despite many attempts from the early two-thousands until now to introduce tools supposed to incentivize this dimension. Here comes again the argument of the resources. In the German context, the distribution of resources largely depends on the set of targets between the federal-level and the sub-national ones. This means that the local structures should receive resources only when they agree on objectives to be achieved on the labour market and these are effectively achieved.

The Italian context of regional PESs are still relying on the ESF to finance their policies at the local level. Despite this represents a fundamental source in the context of social policies, we have seen that it may also put in place a potential possibility of exit for regions respect to the decisions taken at the national level. A massive injection of resources from states to regions, to the extent

that this becomes the main entrance of resources for regional PESs, might then help also to make regions more accountable. At the same time this situation should enhance also ANPAL's role of coordination.

The large amount of resources for PES proposed by the new government may catch this dimension. A massive public investment then should firstly help according to these lines: not only to improve resources and staffs, but also as strategic device to strengthen the relationship between national and sub-national levels, making the latter more accountable. However, there is a third and last one, but not least, concerning the role of private providers. A system with more resources may not need anymore to contract-out services, especially when there is the fear of opportunistic behaviour from the side of the private providers. In the German context active labour market initiatives are carried out on the major part by public operators. An adequate amount of resources allows them to hold the core functions of the system. Private are involved on project-basis for specific needs. Emblematic is the role of their "reintegration voucher", which has already introduced a quasi-market similar to that of the AdR. This tool is considered by the stakeholders as very marginal, a sort of *extrema ratio* or a provision delivered on explicit request from the user. The basic issue of the public operators becomes: "why should we leave to private providers what we are to do on our own?" (quotation marks of the author). On the contrary, the AdR has been represented in the Italian context as scheme which can aspire to become the universal one, collecting all the active labour market initiatives already existing today. The situation in the middle of the trade-off between economic and social goals, or we would say better between effectiveness/efficiency and equity, can be easily seen in the combination of aspects of a well-designed MBO approach, able to overcome the regional labour market differences relying on a deep process of performance oriented negotiations between the federal level and the local ones, and of a prominent role for public operators, where the involvement of private providers is very limited. The governance concerning the relationship between different levels of government should increase the efficiency and effectiveness of the system setting clearly the targets to be achieved on the local level, making the distribution of resources depending on the achievement of these targets, in a context in which the ESF resources are not decisive for the implementation of ALMPs. At the same time the last share of public investments makes the operator on the local level able to provide on themselves for the delivery of active labour market initiatives, in a context in which the need to rely on private providers is less pronounced, minimizing the risk for opportunistic behaviour. Anyway, the minor market exposure of services would not mean alone that the adverse selection of the jobseekers is completely avoided. Operators at the local levels receive constantly pressure by their superior levels in relation to the achievement of the targets agreed with the federal management and this would not exclude that, due to these performance targets to be achieved, the same public operator could be responsible for adverse selection. For example, imaging the situation in which to decrease the unemployment it's easy to "park" a jobseeker to soft-skill training measures. However, these aspects should not undermine the main features that Italy can learn from the German lesson, moving from the consideration of similar features between the two contexts: a situation of high regionalism, a national agency and a late



approach towards flexicurity. A better specification of the distribution of competences between different levels of government and a massive injection of public resources, in order to make the ESF less decisive, to empower public staff skills and to minimize the need to involve private providers, may represent the right combination for Italian PES.

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