Integrating and decentralizing the employment services.  
the case of Lombardy and Milan

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Abstract

This paper explores the functioning of a (supposed) networked system for the provision of employment services implemented by the government of the Lombardy region, in northern Italy, which was inspired by the principle of horizontal subsidiarity incorporated in the Italian Constitution in 2001 together with increased regional autonomy. Strongly supporting this principle and the related implications for the provision of public services, the Lombardy regional government devised an employment services system centred on a series of instruments which both (i) empower individuals at risk of social exclusion and build a services path which is tailored to their needs and characteristics, and (ii) involve a network of public and private actors linked to the Regional Administration and among themselves. Analysis of the implementation of this system does show that a considerable effort was made to apply the principles of quasi-markets and horizontal subsidiarity, and the related conditions for effective functioning as suggested by the literature. However, a closer scrutiny shows some weaknesses both as regards the real role played by the private sector as well as the weak policy integration (multi-level) developed by the devised system.

Introduction

The financial support of the European Commission (7th FP, “Local Worlds of Social Cohesion” LOCALISE - grant agreement no. 266768,) is gratefully acknowledged. The qualitative data was gathered within the Localise project, while the quantitative data is drawn from the dataset of a project carried out by CRISP (Interuniversity Research Centre on Public Services, University of Milano - Bicocca) in collaboration with the Lombardy regional government. We thank Serida Lucrezia Catalano, Alessio Bertolini and Paolo Graziano for collecting the vast majority of the interviews and translating it to English.
This paper explores the functioning of a networked system for the provision of employment services implemented by the government of the Lombardy region, in northern Italy, with a specific focus on the actual implementation of such services in a specific municipality. The design of this system was inspired by the principle of horizontal subsidiarity, which was incorporated in the Italian Constitution in 2001 (art. 118, Title V) together with increased regional autonomy, stating that public administrations at different levels of government should favour initiatives by individuals and civil society organizations aimed at addressing public needs. Strongly supporting this principle and the related implications for the provision of public services, the Lombardy regional government devised an employment services system centred on a series of instruments which both (i) empower individuals at risk of social exclusion and build a services bundle tailored to their needs, and (ii) involve a network of public and private actors linked to the Regional Administration and among themselves. The approach seems in line with the integration of policies put forward by the European commission. Nonetheless, in the Southern welfare regime, and in Italy for sure, actors and policy fields function according to very divergent logics: social welfare services are traditionally related to social work or treatment provision, but rather weakly connected to labour market inclusion. The Lombard subsidiarity and individualisation of intervention thus poses the challenge of revising and combining different approaches in social and employment policies for integrated social cohesion policies.

As this employment services' system has been in operation since 2007, this paper aims to analyze its functioning with a specific focus on the following design and implementation issues:

- How is the system designed and structured in order to (i) promote the involvement of the desired categories of service providers, and the establishment of small-scale networks on their part; and (ii) ensure the connection between centralised policy goals and decentralised service provision?
- To what extent do the operating conditions of the principle of horizontal subsidiarity (Colombo 2008) characterise the system?
- To what extent is local implementation distant from legal provision?
- To what extent does the approach triggers the creation of a network governance arrangement based on the public actor?

The paper is organised as follows. Section two and three describe the theoretical framework and the methodology, while section four analyse the case study and present the results. Section five illustrates some concluding considerations and suggestions for future research.

**Governance, quasi-market and subsidiarity governance**

The Lombardy model can be analysed by means of a framework which extends and qualifies the theory of quasi-markets originally put forward by the British scholar Julian Le Grand (Bartlett, Le Grand 1993). The framework consists of the following components (Brugnoli and Vittadini 2008):

- a) separation between services financing and provision;
- b) freedom of choice, with the support of instruments such as accreditation systems and quality control and evaluation;
- c) fiscal subsidiarity, with instruments such as vouchers, endowments, tax deductions.

The separation between the public actor financing the services and the actor(s) providing them, usually a mix of private and public organisations, is one of the main features of the theory of quasi-markets (Bartlett, Le Grand 1993). Both private and public actors compete by offering services to users who can choose their preferred supplier, while the price of the services is paid by a public entity (Le Grand 2007). In this system, the public actor does not directly provide services, but maintains responsibility for the regulation and governance of the system, in addition to financing. Quasi-markets require a number of conditions to be satisfied, in order to be more efficient and responsive – relative to alternative arrangements – without being less equitable. For instance, the structure of the market needs to be competitive both on the demand and supply side, and providers need to be motivated by financial considerations at least to some extent, but at the same time there should be mechanisms to avoid incentives to cream-skimming (Bartlett, Le Grand 1993). Giving freedom of choice to users implies valuing the individual with his/her own needs (Le Grand 2003). Moreover, within a competitive system, freedom of choice is not only intrinsically valuable but also instrumental, as it generates incentives for providers to offer effectively a high-quality and responsive service. However, giving decision-power to the user requires mechanisms that limit excess demand (and
excess provision) of a service which is not directly paid by the end user; it also requires incentives for providers that ensure an appropriate balance between own and collective interest (Le Grand 2003). Whenever citizens are unable to exercise choice, adequate support instruments need to be established (Fazzi 2000). Access should be ensured in practice: informal barriers such as transport or transaction costs should not hinder opportunities of choice.

Two additional conditions relevant to freedom of choice are: availability of accurate and independent information on services’ features, both on the demand and supply side, and minimization of transaction costs. Offering adequate levels of information to users may be particularly expensive for service providers, and this may push up prices (Greve 2003). On the other hand, providers cannot be entirely relied upon for complete and transparent information on quality, which requires an independent monitoring and evaluation system to be set up (Bartlett, Le Grand 1993). Not all users are able to fully understand the information they are provided with, and service suppliers may require an additional fee for the provision of information, with negative implications for equity. Even where information is available, it may be so vast that choice becomes difficult. Lastly, transactions taking place within quasi-markets are often complex and multidimensional, and involve sophisticated service activities, with high uncertainty on the needs and future demand for these types of services. As a consequence, transaction costs may be high both ex-ante, as they refer to preparation, negotiation and safeguard of an exchange contract, as well as ex-post, as they refer to the monitoring of results and dispute resolution. At the micro-level, transaction costs may impact on individuals’ freedom of choice as they affect dimensions such information, control, size and variety of the offering, time required to choose, and new administrative systems (Greve 2003).

As information asymmetries can hinder the effective functioning of quasi-markets and limit freedom of choice, it is necessary to implement appropriate mechanisms to address this problem. Accreditation and evaluation systems play an important role in this respect, because they provide information on the available offerings and their characteristics, while also ensuring a certain degree of quality (Scrivens 1996). The outcome of the accreditation process consists of the granting of accreditation status, and may include recommendations for continuous quality and safety improvement (Trivellato et al. 2011). Linked to accreditation is the issue of monitoring and evaluation, which is particularly important in quasi-markets as it ensures that providers behave in the appropriate way, and that users can exercise choice (Brugnoli & Vittadini 2008).

Fiscal subsidiarity may be defined as the set of public resources aimed at supporting the demand and supply of services. Such resources can take the form of direct or indirect transfers (e.g. vouchers, endowments) or tax deductions, exemptions, and other fiscal benefits (Brugnoli & Vittadini 2008, Agasisti et al. 2010). While vouchers and endowments are used to support demand, fiscal benefits are used to support the supply of services, at least in Italy where there is no comprehensive fiscal federalism.

Case Selection and Methodological Concerns

The research focuses on the analysis of a single case study: the employment services system implemented by the Lombardy regional government. However, in order to underpin the role of the private sector, a more local approach was adopted, as the analysis of a single Province/Municipality allows assessing specific implications of subsidiarity. Two sources of data have been used to assess the impact at the regional level and one more specific for the local level:

1. The dataset related to a project carried out by CRISP in collaboration with the research institute IReR and the Lombardy regional government.
2. Information and details on the institutional dimensions and characteristics, which are provided by the Lombardy regional government and are publicly available.
3. Interviews with selected key actors, including representatives of public institutions participating in the system, directors of agencies providing employment and/or training services, etc.
As regards the choice of the local level to be investigated, the team preferred Milan as opposed to other provincial capitals (twelve of them)\(^1\) or minor municipalities (1535). The selected case was required to have the following socio-economic and governance features: solid economic structure (as social service provision is directly linked to the average level of income), a number of employment service providers high enough to produce a quasi-market structure and the possibility to have a certain degree of collaboration between the Provincial government (entitled with employment service provision) and the Municipal government (entitled with social service provision and part of employment or training services). The latter aspect includes the fact that cooperation should be higher when the Municipality represents a large share of the provincial population.

**Fig. 1 Urban index and GDP per capita in the eleven\(^2\) provinces (Municipal inhabitants/provincial one, GDP thousands of euros)**

Source: Istat 2008, 2009

Per capita GDP points towards the selection of Milan, as it is the province with the highest income per capita - thirty-eight thousand euro (Istat 2008) (Fig. 1) - and also the one with the highest urban level (share of the provincial population which live in the capital city). Moreover, it ranks first as regards different important measures: the total number of employment services providers (SPs), the ratio of SPs per number of provincial municipalities and also the number of SPs per square kilometre (ranks second). All these variables coherently convey the image of Milan as the best case to be selected among the provinces of Lombardy. Only one measure is not consistent: the number of service providers per inhabitants. Nonetheless this province is one of the few (along with Brescia, Bergamo and Monza) with enough SPs to allow the presence of a competitive market among SPs (Tab. 1), as it is required by the quasi-market approach. Moreover, the Province of Milan has the highest number of accredited SPs. The city of Milan is covered by a single “Area Plan” for social services, which is an important aspect to assess policy integration between employment service and social service. Milan was also acknowledged to be one of the most intriguing example of governance *ante litteram*. The so-called Ambrosianum welfare (i.e. implemented by the city of Milan) (Polizzi and Vitale 2010) stressed the importance of a multi-stakeholder approach. One of the key features of this local welfare was the specific social composition of the civil society in Milan, a rather composite and heterogeneous panorama ranging from grass root groups to formalised top down bureaucratic national organizations. Despite some tendencies of collateralism (Biorcio 2007, Bassoli and Pincella 2010) typical of the Italian civil society, overall local organizations showed enough autonomy and also a good influencing capacity towards ruling parties (*ibidem* 24). Given all the elements pointing to a fully-fledged application of the subsidiarity model, the city was selected for the qualitative in-depth analysis. Within the Localise project\(^3\) some twenty interviews were carried out to depict the overall functioning of the Ambrosianum welfare,

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\(^1\) There are twelve provincial administrations since 2009 because the Province of Monza (created in 2004) became fully functioning only in 2009. Comparative used in the paper are from the year 2008/2010 in order to present data coherent with the situation during the introduction of the endowment system.

\(^2\) Data on Milan are mixed with those on Monza and Brianza, because we relied on official euro-statistics which date back to 2008/2009 when disaggregated data was not available.

\(^3\) See acknowledgment.
with a specific stress on the functioning work endowments. The interviewees were selected following a positional method enriched with a ‘snowball’ approach in the latter phase. The annex provides a list of all interviewees, and additional information can be found on the Localise website.

### Tab. 1 Density of Service Providers (SP) per inhabitants, size and number of municipalities

<table>
<thead>
<tr>
<th>Service Providers</th>
<th>Inhabitants</th>
<th>Density (Inh/km²)</th>
<th>Size (km²)</th>
<th>Sp per 100.000 Inh</th>
<th>SP per 100 km²</th>
<th>Municipalities</th>
<th>Sp per Municipality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bergamo</td>
<td>75</td>
<td>1.098.740</td>
<td>404</td>
<td>2723</td>
<td>7</td>
<td>2,75</td>
<td>244</td>
</tr>
<tr>
<td>Brescia</td>
<td>91</td>
<td>1.256.025</td>
<td>263</td>
<td>4784</td>
<td>7</td>
<td>1,90</td>
<td>206</td>
</tr>
<tr>
<td>Como</td>
<td>41</td>
<td>594.988</td>
<td>462</td>
<td>1288</td>
<td>7</td>
<td>3,18</td>
<td>160</td>
</tr>
<tr>
<td>Cremona</td>
<td>27</td>
<td>363.606</td>
<td>205</td>
<td>1771</td>
<td>7</td>
<td>1,52</td>
<td>115</td>
</tr>
<tr>
<td>Lecco</td>
<td>24</td>
<td>340.167</td>
<td>417</td>
<td>816</td>
<td>7</td>
<td>2,94</td>
<td>90</td>
</tr>
<tr>
<td>Lodi</td>
<td>14</td>
<td>227.655</td>
<td>291</td>
<td>782</td>
<td>6</td>
<td>1,79</td>
<td>61</td>
</tr>
<tr>
<td>Mantua</td>
<td>33</td>
<td>415.442</td>
<td>178</td>
<td>2339</td>
<td>8</td>
<td>1,41</td>
<td>70</td>
</tr>
<tr>
<td>Milan</td>
<td>162</td>
<td>3.156.694</td>
<td>1999</td>
<td>1579</td>
<td>5</td>
<td>10,26</td>
<td>134</td>
</tr>
<tr>
<td>Monza e Brianza</td>
<td>53</td>
<td>849.636</td>
<td>2095</td>
<td>405</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pavia</td>
<td>27</td>
<td>548.307</td>
<td>185</td>
<td>2965</td>
<td>5</td>
<td>0,91</td>
<td>190</td>
</tr>
<tr>
<td>Sondrio</td>
<td>12</td>
<td>183.169</td>
<td>57</td>
<td>3212</td>
<td>7</td>
<td>0,37</td>
<td>78</td>
</tr>
<tr>
<td>Varese</td>
<td>61</td>
<td>883.285</td>
<td>737</td>
<td>1199</td>
<td>7</td>
<td>5,09</td>
<td>141</td>
</tr>
</tbody>
</table>

Source: Minister of interior 2012, Istat 2011

### Main findings

This section relies on empirical data from a selection of endowment programmes to gauge the extent to which the Lombardy system does conform to the principles of quasi-markets and horizontal subsidiarity. The data was provided by GEFO, the regional information system used to store and organize the administrative data which are gathered from various sources, with the collaboration of the DG Education, Training and Employment of the Lombardy regional administration. Data on the beneficiaries’ employment condition after the conclusion of the endowment programme was obtained from the so-called ‘compulsory communications’ (comunicazioni obbligatorie) which public and private employers are required to transmit to provincial administrations4. The data refers to the implementation of the following endowment programmes published in the year 2009: training endowment and work endowment (programme n. 291 and 334), welfare support endowment (programme n. 309).

The main features of the beneficiaries of all five endowment programmes – before the beginning of the programmes themselves - are outlined in Table 2 below. The total number of beneficiaries exceeds 96 thousands; however, data are missing for a number of variables for approximately 7,000 beneficiaries. The relevant total number of beneficiaries is referred to in the table.

### Tab. 2 Main features of the selected endowments’ beneficiaries

<table>
<thead>
<tr>
<th>Variable</th>
<th>Female %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender (tot. 88,911)</td>
<td></td>
</tr>
<tr>
<td>&lt;= 20</td>
<td>63</td>
</tr>
<tr>
<td>21-25</td>
<td>125</td>
</tr>
<tr>
<td>26-30</td>
<td>125</td>
</tr>
<tr>
<td>31-35</td>
<td>135</td>
</tr>
<tr>
<td>36-40</td>
<td>136</td>
</tr>
<tr>
<td>41-45</td>
<td>131</td>
</tr>
<tr>
<td>46-50</td>
<td>102</td>
</tr>
</tbody>
</table>

4 Data on endowments are as of June 1, 2010. As for compulsory communications, data gathered until August 22, 2010 were processed, so as to produce a comprehensive view of the situation as of July 31, 2010.
### Table

<table>
<thead>
<tr>
<th>Variable</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>51-55</td>
<td>7.5</td>
</tr>
<tr>
<td>≥ 56</td>
<td>10.8</td>
</tr>
<tr>
<td>No education</td>
<td>0.9</td>
</tr>
<tr>
<td>Primary education</td>
<td>0.3</td>
</tr>
<tr>
<td>First-level secondary education</td>
<td>7.6</td>
</tr>
<tr>
<td>Second-level secondary education (2-3 years)</td>
<td>9.6</td>
</tr>
<tr>
<td>Second-level secondary education (4-5 years)</td>
<td>21.6</td>
</tr>
<tr>
<td>Tertiary education (3 years) + IFTS training course</td>
<td>26.6</td>
</tr>
<tr>
<td>Tertiary education (4-5 years)</td>
<td>4.1</td>
</tr>
<tr>
<td>Doctorate and other postgraduate qualifications</td>
<td>29.2</td>
</tr>
<tr>
<td>Nationality (tot. 88,911)</td>
<td></td>
</tr>
<tr>
<td>Foreign</td>
<td>17.6</td>
</tr>
<tr>
<td>Single</td>
<td>48.2</td>
</tr>
<tr>
<td>Married</td>
<td>44.9</td>
</tr>
<tr>
<td>Divorced</td>
<td>2.6</td>
</tr>
<tr>
<td>Judicially separate</td>
<td>3.6</td>
</tr>
<tr>
<td>Widowed</td>
<td>0.8</td>
</tr>
<tr>
<td>With children (tot. 96,163)</td>
<td>49.7</td>
</tr>
<tr>
<td>Single parent</td>
<td>31.3</td>
</tr>
</tbody>
</table>

**Source:** IReR (2010)

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### 4.1 The case of Employment Services in Lombardy

The national laws n.469/1997 and 30/2003 opened the market to private employment services providers, which were to coexist with the traditional public system of the Employment Centres (*Centri per l’Impiego - CPI*). The latter were established by the provincial governments, responsible for the management and provision of employment services (individual and collective) such as information, guidance, and pre-selection to hasten the matching between labour supply and demand. The provinces exercise, on an exclusive basis, the administrative functions conferred by the Regions in the management of the mobility lists and of the emergency measures to support the unemployed; they also handle the employment of disabled people and manage unemployment lists. On the contrary, municipalities not have any responsibility for employment and training, but have vast competencies on social service provisions.

The 2003 reform introduced the so-called Private employment agencies (*Agenzie private per il lavoro - APL*) which need to obtain an authorization at the national level, and are then allowed to provide services such as intermediation, temporary work provision, recruitment, training, and so on.

Italian regions are granted significant freedom in the choice of the specific model for the management and provision of employment services. Public and private providers may seek accreditation at the regional level, and thus become instruments of active policy and receive public resources to perform the related necessary activities. Regional governments are bound to create a list of all private and public accredited providers, and to define rules and norms for accreditation and for cooperation between private and public providers.

The Lombardy regional government reformed its training and employment policies through the regional law n. 22/2006, toward the implementation of the principle of horizontal subsidiarity. This implied a reorganisation of the competences and roles of different institutions, and the definition – together with local public bodies and the trade unions, of specific measures aimed at increasing employment. This allowed the establishment of a market with public and private bodies, where the role of public institutions has in theory been reduced. In fact, the regional government only maintains a role of coordination of the various participating actors, and of monitoring, evaluation, and control. For this aim three specific bodies were created: the Regional agency for education, training, and employment (Agenzia regionale per l’istruzione, la formazione e il lavoro), the Regional labour market observatory (Osservatorio regionale del mercato del lavoro) and the Independent evaluator (Valutatore indipendente).

The employment services system in Lombardy is structured as a quasi-market by design as far as the following features are concerned:
Clear separation between the public actor financing the services, and the public and private bodies which provide them.

The public actor regulates the system, and relies on instruments such as the ‘endowment’ to transfer financial resources to the providers which are actually chosen by the users.

Providers need to satisfy certain requirements which are verified through a process of authorization (at the national level) and accreditation (at the regional level), and compete with each other to attract users.

Services are provided by several public, private, and non profit organisations.

Users can freely choose among providers (as long as the latter are accredited).

The regional government is also in charge of monitoring and evaluation, which is carried out through the activities of three bodies (Albonetti & Violini 2008).

**Multiple providers**

The regional market for employment services consists of public and private providers, which are authorized and accredited in the fields of training and employment services. Accredited organizations are included in an official list kept by the regional government, and participate in the implementation of the regional policies foreseen by Lombardy’s Regional Action Plan, often with the related access to public resources.

An essential feature of quasi-markets and horizontal subsidiarity is the separation between the financing and the provision of services. This requirement is satisfied by design in our case study. The market is indeed characterized by multiple providers: the regional list of accredited employment services providers includes 239 organisations (as of July 29, 2011); the regional list of accredited providers of education and vocational training services includes 674 organisations (as of July 19, 2011). However, in order to ensure freedom of choice and avoid monopoly situations, the quasi-market of service providers needs to be competitive. As 199 service providers have requested the endowment for programme 291, the average number of endowments per provider would be 124. However, the actual endowment distribution quite concentrated as it is clear from table 3.

<table>
<thead>
<tr>
<th>Programme</th>
<th>Number of SP working</th>
<th>Average number of endowments</th>
<th>Break even points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme 291</td>
<td>199</td>
<td>124</td>
<td>50% endowment by 10% SP</td>
</tr>
<tr>
<td>Programme 334</td>
<td>178</td>
<td>82</td>
<td>60% endowment by 12% SP</td>
</tr>
<tr>
<td>Programme 309</td>
<td>141</td>
<td>477</td>
<td>70% endowment by 30% SP</td>
</tr>
</tbody>
</table>

Source: IReR (2010)

**Freedom of choice and the accreditation system**

Freedom to choose requires the ability for users to access information about who are the players in the relevant market and their characteristics. This information need is addressed through a three-tier evaluation system: (i) ex ante evaluation through accreditation; (ii) ex post evaluation through a rating which includes the results of the accreditation process and the providers’ performance on the activities financed with public funds; (iii) evaluation of the general impact of implemented employment policies, based on an assessment of the performance of the individual service providers as well as the overall network of providers.

In order to choose among the accredited providers, users need to be provided with all the necessary information at a reasonable cost. To this aim, the Lombardy region website includes a large section dedicated to the DG Education, Training, and Employment, where introductory as well as detailed information on policies and actors is published (in addition to specific information on the various endowment programmes as they are published at different times), including:

- the regional list of accredited employment services providers, and that of accredited providers of education and vocational training services;
- the rankings of services providers based on the relevant ratings;
- a searching tool which allows explorations based on types of training courses, names or locations of providers, and free keywords;
While this articulated information system surely supports the users’ decision-making process, a number of issues need to be taken into consideration when assessing actual freedom of choice.

First of all, the endowments within each programme are provided on the basis of a first-come, first-served principle, until the available resources are fully used. This generates the risk that not all targeted users are in fact granted access to the endowments. Those who are younger, with a higher level of education, and are former employees of medium and large-sized enterprises tend to have easier access to the programmes. This is likely because these categories are easier to contact on the part of the providers: in fact, it appears that in most cases the providers recruit the beneficiaries, rather than the beneficiaries choose among the providers (IReR 2010). This aspect is critical because the system cannot perform as expected. If beneficiaries do not choose their SPs, service providers will be able to manage the programme independently of their performance as long as they are able to recruit new beneficiaries. This was especially true in the case of the Welfare support endowment (programme 309), which was assigned under different rules relative to the other two programmes, as the request was to be submitted by firms in crisis for the benefit of their (both permanent and temporary) employees (IReR 2010). This implied the inclusion of the firm in a list maintained by the regional administration, which could be accessed by service providers. The latter could then, in turn, contact the firm and the potential beneficiaries in order to offer their services.

Fiscal subsidiarity and the endowment system
The instrument designed and implemented by the Lombardy regional government to finance access to training and employment services for specified targets of users is the endowment (dote). Based on labour market dynamics and policy priorities, different endowment programmes with a predefined duration are announced and subsequently implemented. These are usually targeted at specific groups of individuals, such as temporary workers, or employees of firms in difficult financial conditions, etc. Individuals are provided with a financial endowment, which they can use to acquire labour market services supplied by public or accredited private agencies. These agencies, together with the individuals/customers, draft a ‘Personalized Plan of Activities’ which clearly states the commitments to be fulfilled by both parties, thereby forcing the agency to supply the agreed services (or otherwise lose access to public funding), and the individual to progress along the pre-identified path (or otherwise lose the right to the endowment).

Tab. 4 Services path within the selected five endowment programmes according to gender, age group, and education.

<table>
<thead>
<tr>
<th></th>
<th>introductory interviews and definition of the services path</th>
<th>training</th>
<th>internship and job placement</th>
<th>n. interviews</th>
<th>n. training courses</th>
<th>n. internships etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>88.3</td>
<td>80.3</td>
<td>47.7</td>
<td>5.04</td>
<td>1.39</td>
<td>0.89</td>
</tr>
<tr>
<td>M</td>
<td>88.4</td>
<td>74.9</td>
<td>36.3</td>
<td>5.22</td>
<td>1.29</td>
<td>0.62</td>
</tr>
<tr>
<td>&lt;26</td>
<td>77.0</td>
<td>84.5</td>
<td>53.7</td>
<td>4.14</td>
<td>1.37</td>
<td>0.94</td>
</tr>
<tr>
<td>26-40</td>
<td>91.3</td>
<td>76.7</td>
<td>43.6</td>
<td>5.28</td>
<td>1.33</td>
<td>0.80</td>
</tr>
<tr>
<td>&gt;40</td>
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<td>27.6</td>
<td>5.51</td>
<td>1.33</td>
<td>0.61</td>
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<tr>
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<td>94.8</td>
<td>4.80</td>
<td>1.35</td>
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<td>Secondary</td>
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<td>54.0</td>
<td>4.23</td>
<td>1.43</td>
<td>0.99</td>
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<tr>
<td>Tertiary</td>
<td>81.1</td>
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<td>24.9</td>
<td>5.64</td>
<td>1.29</td>
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</tr>
<tr>
<td>Total</td>
<td>81.7</td>
<td>71.8</td>
<td>38.8</td>
<td>5.13</td>
<td>1.34</td>
<td>0.76</td>
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<td>96,163</td>
<td>88,911</td>
<td>88,911</td>
<td>88,911</td>
</tr>
</tbody>
</table>

Note: the first three columns report the % of beneficiaries who received at least one service; the last three columns report the average number of services received.
Source: IReR (2010)

The services offered within the programmes examined in this paper may be grouped under the following three headings: (i) introductory interviews and definition of the services path; (ii) training; (iii) internship and job placement. Table 4 shows the distribution of these services among the beneficiaries based on their main characteristics. The mostly frequently provided group of services is the first one (introductory interviews and definition of the services path), which was accessed by more than 80% of the beneficiaries; more than 70% attended a course, whereas almost 39% accessed an internship or a job placement programme. Each
beneficiary attended more than one support meeting with the provider (on average more than 5 per beneficiary), while attending only one training course and only one job placement programme.

4.2 Province and Municipality of Milan: a complex relationship

Before presenting the main results at the local level, we need to clarify the relative importance of the Province of Milan and the Municipality with respect to the Region. Overall, Provincia di Milano prepares an annual action plan setting out specific, expenditures allocations, evaluation and monitoring (via the Provincial Observatory on Labour Market). Given the need of a strong multi-level coordination, the Province has developed strong relations with the Regional level, above all with ARIFL (Agenzia Regionale per l'Istruzione, la Formazione e il Lavoro – ARIFL) especially as regards the definition of objectives. These aspects do not affect the endowment system, which was set up independently by the Region. Moreover the Municipality of Milan, which has no formal responsibility in the field, developed specific service throughout the years. However, the coordination between these two administrative levels is very weak. In this respect much more integration is needed, especially for labour and social policies, for which the Comune has most competencies.

D: Integration should be ideally conceived in this sense: given that the person is unique, if a person has both social problems (for which the Comune is in charge) and employment ones (for which the Provincia is in charge), the Comune and the Provincia must be able to work together on this person. Indeed, the risk is that there are people who are more capable and get 5 subsidies and others not even one, precisely because the two public institutions do not dialogue between each other.

The need of a more personalised approach is put forward by the endowment system, although social services are not part of the picture. A more integrated approach would allow not only a more holistic intervention on the person - taking into account her multiple needs - but also to avoid segmentation, overlapping and thus inefficiencies. If we take into account a multi-stakeholder approach to governance, there are only a few hints of formal cooperation among institutional actors and the private sector. The most important tool is the Provincial Commission for Labour Issues (Commissione Provinciale del Lavoro) which involves entrepreneurial organisations, trade unions and professional associations (associazioni di categoria). This commission is convened 3 or 4 times a year, but has a limited role and does not impact significantly on policy development.

Despite limited cooperation among actors during policy development, the picture is different at the service delivery level. The Province created in 2008 a network of seven AFOL - Agenzie per la Formazione, l'Orientamento e il Lavoro (Agencies for Training and Work Orientation) designed specifically to deliver employment services. More specifically, AFOLS' aim was to establish active employment policies by considering the specificity, needs and priorities of local communities. The network was also established to overcome previous fragmentation, allowing each territory to have comparable services thanks to the cooperation of Province and municipalities. Indeed all AFOLs, except the one of Milan city, are co-participated by the Province (33%) and the municipalities which are grouped within a given AFOL (67%). Co-participation means that one structure (AFOL) may respond to the citizen’s needs in an integrated way using either the services provided by the Province (previously managed by Employment Centres - CPI - and Vocational Training) or those provided by the municipalities (previously run as Vocational Training centres or rhapsodic employment services). The general idea was to create a single front-office for all public employment-related services. However, this idea did not work out for Milan, whose AFOL is entirely run by the Province because the municipal administration refuses to join the structure.

C: I guess that one of the reasons why the municipality of Milan did not enter in the Milan City-AFOL is for its wish to outshine and excel!

The chapter relies on the findings of the Localise project, which also contains a larger account on the administrative relationship (Catalano, Bertolini and Graziano 2012). An account of the socio-economic impact of the crisis can be found in Lodigiani (2011).
The fact that the municipality of Milan has a long tradition and well organized employment services is probably one of the reasons for its refusal. The refusal, however, created room for overlapping, duplications and inefficiencies because of a lack of communications.

C: This has contributed to reducing communications between the province and the municipality with respect to labour matters. Anyway, with the ‘Salva Italia Decree’ [Law n. 214/2011 converting the Law Decree n. 201/2011] on the basis of which provinces are entitled exclusively with the tasks of political direction and coordination of the activities of the municipalities, the province and the municipality will be compelled to do something and to talk each other on these subjects.

Overall, the situation of Milan is very peculiar: on the one side its AFOL is entirely owned by the Province, on the other there are two centres for career orientation (Polo Orientamento and Job caffè) and three Vocational Training Centres6. One of these centres (Vigorelli) also provides services to firms (both training and free counselling7). The Municipality provides additional services with its own Sportello Lavoro (Labour front-office) and the CELAV (Centre for Job Mediation). As for training, the municipality offers a range of self-financed courses8 which may not cross the endowment system at all, because the system is characterised by a firm-based model and is more expensive9.

Cav: The municipality presents a given number of candidates to the firms. In turn the firms select those who are deemed suitable. So, the municipality, along with the firm, creates a vocational training course. [...] It is expensive because we pay all the training courses. The potential candidates are those who arrive via CELAV, through the Sportello Lavoro (Labour front-office) of the Sector Labour and Training, and through the letters sent to the mayor [...]. This model works very well. It requires a strong public investment, and also an investment in social responsibility by the company. We ask the team leaders within the firm to participate in the training process. And this training becomes targeted, co-created and co-designed. There are three actors that must be involved: the person, who should be activated in the requalification process, the firm, which must be willing to participate in the job placement, and the public institution that provides not subsidies but training and incentives.

4.3. that hinders the implementation of the endowment system

Given this fragmentation, the 2006 introduction of the endowment system was not very welcomed because it compressed local authorities’ freedom. Indeed before the endowment system was introduced, planning of employment and training policies was made by project calls and funds were allocated to the public institutions or the private organizations whose projects were selected.

C: With the planning by projects there was too much money allocated in the hands of the institutions with the consequence that the terrain has become too treacherous [...] With the introduction of the endowment, the problem of the project’s opacity was overcome. Indeed, the endowment is given to the final user, therefore it is a ‘front-office’ procedure which moves away the expenditure’s responsibility from politics and administrative management10.

6 The three centres are: Bauer (photography and visual communication), Paullo (hairdressing, beauty and fashion) and Vigorelli (computer science, technology and language of the media, chemistry and environment, systems of certification - security and human resource management).
7 In particular with respect to administrative assistance, pre-selection, traineeships, employment for people with disabilities, corporate crises and support for the workers’ outplacement.
8 Food and catering; arts and crafts; communication, advertising, publishing; electronics and computer; languages for the job; fashion and dressmaking; social and educational professions; social and health professions; public and private ‘green’ design; tertiary and services for firms.
9 Together with training, the individual generally receives a requalification incentive, a meal voucher and transportation costs.
Moreover the local environment was not able to fully operate within the system. Indeed the local AFOL, under the provincial resolution 25 (19/03/2009), was the unique manager of the Mobility Lists\(^{11}\) (*Liste di Mobilità*) and all the related procedures. Although the procedure is compulsory (thus firms have to provide information and employees have to register), the fact that these lists are completely managed by the AFOL creates an information gap with respect to the other service providers.

\[M: \text{I must say that some employment agencies provide a better service than AFOL. The latter exploit the fact that it overlaps with the Centri per l’Impiego which workers are obliged to register in; then it delivers services related to work, creating a sort of monopoly that frankly does not allow the system to grow.}\]

As a result, the public AFOL acts as a ‘quasi-monopolist’ in delivering training and employment services.

\[M: \text{The AFOL might be present with other service providers, but becomes a monopolist by taking advantage of the fact that it holds a very valuable asset which gives it a competitive advantage: the mobility lists. It happens that when it enters into a network, it becomes the leader just because it has this information. In fact, this does not necessarily imply that it always delivers good quality services.}\]

Different actors confirm the situation, although to a different extent. Generally, the endowment system has had greater consequences on service delivery, rather than policy development. In particular, while some institutional actors stress the introduction of the endowment as a way to boost transparency and overcome corruption, others – particularly those belonging to the private sector or employers’ associations – emphasize its role in having brought about a ‘race to the bottom’ in service’s quality.

\[M: \text{I think that the tool of ‘dote’ is a nice intuition because it gives more freedom of choice to people. In addition, it gives more importance to the services that the territory might offer. Anyway, in practice, it turned out to have very negative consequences. Indeed, services’ providers and institutions were mainly worried about trying to ‘grab’ people so as to reach a ‘critical mass’ suitable to create a class for activating a given training irrespective of people’s needs. And the results have often been embarrassing! Furthermore, the ‘dote’ does not take into account the ‘mediation’ role that is exercised by both firms’ associations and trade unions.}\]

The ‘race to the bottom’ effect is a direct consequence of the ‘logic of quantity’. Indeed, since any person might spend their endowment freely, it is difficult to reach the critical mass that would give the economic incentive to service providers to implement the service and, in a latter stage, to improve the quality of the delivered services. At the end, because of the ‘critical mass’ mechanism, service providers often offer the services that are attractive rather than useful.

\[C: \text{The problem is that it is very difficult to defeat the logic of the ‘quantity’ (of courses and people attending them) that is entrenched in many training provider institutions, and replace it with the logic of the ‘quality’. Anyway, the process has been launched.}\]

Moreover, as already described previously, there is a problem of (self-)selection bias. Indeed the distribution of the endowment beneficiaries is skewed towards high educational level. In the words of a municipal civil servant:

\[V: \text{The endowment […] is a policy tool that accentuates the loneliness of the unemployed […] Although aimed at creating a condition of more freedom it concretely becomes an element of solitude, because a}\]

\(^{10}\) Future research should devote more attention on understanding of the complex system by third parties. Indeed this key actor interprets the *dote* as a voucher (with personal responsibility) on the contrary it is an endowment with the administrative responsibility given to the SP.

\(^{11}\) In the so-called *Liste di Mobilità* (Law no. 223/91) are listed all the people collectively laid off from firms with more than 15 employees under three circumstances: cessation, variation or reduction of the activity. Additionally there are also those people fired individually by smaller companies in analogous situation.
high-skilled person is better able to understand how to spend it, but other unemployed have much more difficulties.

Therefore, two aspects become intertwined: high-skilled people have easier access to the system, but the system isolates the beneficiary in their choice. The freedom of choice thus does not imply that people are necessarily capable to select what is the best for them. Another factor was also observed by local actors (a trade union in this case). The system is quite interesting but the beneficiaries’ loneliness is coupled with a (negative) proactive stance of the service providers, which actively look for beneficiaries in order to provide services (or filling up existing courses).

P: The system does not work because the law establishes that no indemnity be provided to those who do not take part in an active labour policy, but there is not control. At this stage the endowment system comes in: the service provider looks for [possible beneficiaries] by calling them directly at home, because it is the only way to intercept the relative money.

Overall the situation is considered as critical by many actors, so that an agreement was signed on June 9, 2011 between the main entrepreneurial organisation (Assolombarda12) and the major Italian trade unions (C.G.I.L, C.I.S.L. and U.I.L) to promote training, vocational training and active labour policies which might better respond to companies’ and workers’ needs. The agreement launched, on an experimental basis, trainings grounded on corporate processes, so that for each corporate process the relative training is activated (e.g. with respect to accounting: the training implies learning to read balance sheets and to build budgets).

C: The agreement […] is a crucial step to spur the institutions to make more virtuous active interventions towards the workers. Within the agreement it was launched a training based on corporate processes and their critical aspects: this allows to overcome the logic of a training based on very 'generic' courses and develop competences that should serve to surmount precisely these critical aspects. In this way, it is also possible to overcome the problems intertwined with the ‘dote’, because the worker is not left completely by himself but has a training supply that can also allow him to think about what the labour market might require from him.

Given this agreement, as well as other stakeholders’ pressures, the Lombardy Region started to revise the endowment tool and approved in June 2012 the calls for presenting ‘ARP - Azioni di reimpiego in parternariato’ (Partnership actions for reemployment). This is not a new tool, but allows an intermediate role to entrepreneurial organisations and trade unions in the planning of interventions. This aspect, not recognized within the previous endowment system, opens to the creation of partnerships and networks which involve both private and public actors, besides entrepreneurial organisations and trade unions.

M: This is an attempt to involve all the actors in an intelligent way, because through this system they have an incentive in trying to understand issues and suggest tools […] not with the purpose of grabbing resources but by looking at the results. We believe this is one of the possible models.

[...]the change was due to the critical aspects of the endowment systems. People are not able to self-organise. The single person does not have the tools to select the best service. Moreover, the system did not accept our [organised interest] intermediary role. There was a period in which the Region wanted a direct relationship with the citizen. We are an intermediary institution, with its own functions recognised by enterprises. The same applies to trade unions. The Region moved a step back, redefining our role, putting aside the sterile concertation, also because the previous model did not work.

12 Assolombarda is an association of about 5,500 companies with more than 300,000 employees in the provinces of Milan, Lodi, Monza and Brianza, and hundreds of thousands around the country and the world. It groups national and international small, medium and large companies that produce goods and services in all the sectors.
Additionally, ARPs aim at overcoming the problem of the ‘critical mass’. Indeed the partnership should be a competitive network\(^\text{13}\) of public and private actors that offer quality services shifting from the idea of generic training to targeted services. More precisely, it should create dedicated services for *homogeneous groups* of workers who are recipient of a ‘*Dote Ricollocazione*’ for facilitating their reemployment, with a stronger emphasis on employability and self-consciousness.

* M: I think that the real problem is to know the job market. It is useful to have good tools and skills but then if you do not give indications on how to act or on how to build the personal path and thus having in mind the job market, things cannot work.

**Concluding remarks**

The implementation of the Lombardy system of employment services does show that a considerable effort was made to apply the principles of quasi-markets and horizontal subsidiarity, and the related conditions for effective functioning as suggested by the literature. However, some trends and dimensions deserve closer scrutiny, as well as medium to long-term examination.

As for the conditions put forward by the quasi-market and horizontal subsidiarity perspectives, the Lombardy market for employment services is surely characterised by multiple providers. Data from the selected programmes show, however, that there is a concentration of endowments with a small number of providers. These may be larger and more diversified firms with significant internal and external resources, which may end up benefiting from this condition at the expense of smaller and less diversified providers. The specific local case analysed suggests another explanation linked to the quasi-monopolistic position occupied by privileged public institutions and the proactive stance played by some private service providers, which actively seek out possible beneficiaries.

Providers in our case study tend overall to be motivated at least partially by financial considerations: several (such as temporary work agencies) are private, for-profit firms. As for the risk of cream-skimming, it is not clear how this is addressed at the current stage, if at all. Possibly a strong mechanism lies with the fact that resources are given to the provider at the end of the Personalised Plan of Activities, and not once a medium-term employment outcome has been reached. This would likely induce providers to take on difficult users and provide them with services anyway, independently from the likelihood of a successful outcome in the longer term. Data on transaction costs borne by providers and by users are not available, but some considerations may nonetheless be proposed. The regional administration provides a significant amount of information, including providers’ ratings and rankings which can be easily and quickly understood by prospective users with high human and social capital. However, as the educational level decreases, this possibility also decreases. This reduces the risk that people experience difficulties in choosing because they don’t fully understand the information they are provided with, but it leaves the problem of accessing information that may not be available to the general public. Moreover, public institutions such as AFOL (for Milan) are better placed to intercept potential beneficiaries given their role of incumbent in the labour market field. Indeed most unemployed have incentives to enrol in the CPI in order to have some social benefit, thus are likely to be informed about the endowment system by a public actor which also play the role of service provider.

A last major dimension which requires closer examination is that of the overall equity of this system: the available data show that those who are younger, with a higher level of education, and are former employees of medium and large-sized enterprises tend to have easier access to the programmes. This selection bias of beneficiaries is supported by a system which works on a first-come, first-served basis: a quota system would allow greater opportunity of access to all the categories included in the programme (IReR 2010). Moreover, the regional law n. 19/2007 which drove most the reforms mentioned here uses frequently the terms

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\(^{13}\) Networks must consist of at least three actors including necessarily an actor licensed for providing services to work (who has taken charge of some recipients of the ‘*Dote Ricollocazione*’) and two other subjects, among local authorities, social partners, districts, chambers of commerce, grant making foundations, consultant/outplacement firms, accredited operators (at work and/or training), national licensed operators, employment agencies, third sector organizations, companies.
‘individual’ (persona) as well as ‘freedom’ (libertà); terms such as ‘society’, ‘equity’, ‘inequity’, ‘cohesion’ are notably absent (Trivellato 2008). It is desirable that future research, as well as the regional administration’s evaluation effort, will address questions such as the following: Will it be possible to implement (at acceptable costs) an information system which satisfies all the requirements of a comprehensive and reliable information system? Will private and public providers left to their autonomous initiative be able to deliver the expected results without negative impacts on equity?
References
IRer (Istituto Regionale di Ricerca della Lombardia) (2010), Sperimentazione Valutatore Indipendente ai sensi dell’art. 17 della l.r. n. 22/06 e dell’art. 27 della l.r. 19/07 relativamente al biennio di attività 2008/2010. Valutazione delle performance degli operatori beneficiari della l.r. 22/06 e della l.r. 19/07, Volume I, Rapporto finale, novembre.


Annex 1. List of interviews

1) B. (municipal level)
   Interview date: 5 June 2012
   Role: Director - Economic Planning and Social Budget, Social Policy Directorate General

2) Son. (municipal level)
   Interview date: 5 June 2012
   Role: Director’s Staff - Economic Planning and Social Budget, Social Policy Directorate General

3) A. (municipal level)
   Interview date: 7 June 2012
   Role: Elected Representative, Sinistra per Pisapia - Federazione della Sinistra - President - Equal Opportunities Committee

4) Cav. (municipal level)
   Interview date: 8 June 2012
   Role: Director - Directorate General Labour Policy, Economic Development and University

5) V. (municipal level)
   Interview date: 14 June 2012
   Role: Director - Settore Servizi per gli Adulti, l’inclusione sociale e l’immigrazione e direttrice CELAV

6) C. (provincial level)
   Interview date: 15 June 2012
   Role: Former Director - Directorate General, Economic Development, Training and Labour Policies

7) G. (municipal level)
   Interview Date: 19 June 2012
   Role: European Policy Expert - Mayor’s staff

8) DN (provincial level)
   Interview Date: 20 June 2012
   Role: Provincial Government Representative - Vocational Training and Labour Policies (among other portfolios)

9) Pac. (provincial level)
   Interview Date: 21 June 2012
   Role: Director - International and EU Relations

10) Ver. (third sector)
    Interview Date: 28 June 2012
    Role: Trade Union Secretary - CGIL, Lombardy

11) S. (municipal level)
    Interview Date: 4 July 2012
    Role: Director - Social Policy Directorate General

12) P. (third sector)
    Interview Date: 6 July 2012
    Role: Trade Union, Director - Labour Policy Unit

13) Mo. (municipal level)
    Interview Date: 10 July 2012
    Role: Elected Representative, City Council - City Council Leader of a minority group

14) Pag. (provincial level)
    Interview Date: 16 July 2012
    Role: Provincial Government Representative - Social Policies (among other portfolios)

15) M. (third sector)
    Interview Date: 18 July 2012
    Role: Business Association, Assolombarda, Director - Vocational Training, Research and University

16) Sta. (provincial level)
    Interview Date: 19 July 2012
    Role: Provincial Government Representative - Equal Opportunities and Youth Policies

17) B (municipal level)
    Interview Date: 16 November 2012
    Role: Director - Labour and Training policies Unit (along with an employee)

18) Fac. (municipal level)
    Interview Date: 16 November 2012
Role: Middle-level bureaucrat - Labour and Training policies Unit
19) Gu. (municipal level)
   Interview Date: 20 November 2012
   Role: Director - Fondazione Welfare Ambrosiano
20) Ue. (provincial level)
   Interview Date: 22 November 2012
   Role: European Policy Expert