The governance of unemployment benefits in Italy. Regional policy responses to the global economic crisis

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Abstract
This article contributes to the debate on regions as spaces for politics and policies by providing qualitative evidence on the organizational bases of the labour markets of Lombardy and Emilia Romagna, two large Italian regions, in the aftermath of the 2008 Global Financial Crisis. The article seeks to make two related contributions. First, it argues that regions have been the main drivers of change in labour market policies. Second, it shows that regions elicited a path-altering system by patching up a hybrid administrative structure and by converting policy goals from income maintenance to welfare to work, paving the way for the recent labour market policy reforms of the Fornero Law in 2012 and the Renzi government Jobs Act of 2014.

1. Introduction
With the outbreak of the global economic crisis of 2008 most European countries introduced emergency policy measures to fill in the gaps of existing coverage systems by adopting Short-Time Work policy schemes (Hijzen and Venn 2011). Anti-crisis packages aimed at maintaining employment relationships while subsidizing a reduction in work time. In line with this trend, Italian policymakers relaxed regulations by extending coverage and duration of benefits (Mulé and Di Stefano 2014). Policymakers were able to quickly implement ‘emergency social shock absorbers’ (ESSA), aimed at preventing a total collapse of the economy.

Analysts assert that the policy of emergency social shock absorbers ‘clearly constitutes a major institutional innovation in Italian labour market policy’ (Sacchi et al 2011: 478). Yet scholars have paid scant attention to ESSA. There are two reasons for such lack of interest. On the one hand, there seems to be an ambiguity regarding the drivers of policy change; on the other hand, it is unclear whether the policy change is incremental, with the patching up of administrative structures, or innovative, implying a conversion of policy goals. In Heritier's (2001) terms, patching up is an incremental change that consists of adding new elements with new underlying principles to old structures ruled by old principles. ‘The result of ‘patching up’ existing structures as a response to required changes are hybrid administrative structures consisting of various and diverse administrative principles and policy instruments’ (p.54). It should be noted that as a mode of institutional change patching up differs from ‘layering’. The
former refers to *hybrid* administrative structures, coexisting without necessarily being incoherent, while the latter features institutions with a ‘highly disjointed pattern’ and ‘incoherence’ characterized by a mechanism of differential growth, where the new institutions eventually crowd out the traditional system (Streeck and Thelen, 2009, p. 119). While both patching up and layering are incremental modes of change, patching up does not set in motion differential growth nor it is intended to supplant the traditional system. Patching up refers to the manufacturing of hybrid administrative structures.

The second mode of institutional change brought about by the implementation of ESSA is conversion. Different from patching up, here institutions are not so much ‘amended or allowed to decay as they are redirected to new goals, functions, or purposes’ (Streeck and Thelen, 2008, p. 121, *emphasis in original*). Such redirection may be induced by changes in power relations or as a result of new environmental challenges. In both cases, policymakers deploy existing institutional resources to new ends, shaping new goals that alter the core objectives of a policy programme.

This article argues that patching up and conversion are different aspects of the multidimensional space of regional labour market policies in the aftermath of the global financial crisis.¹ Our work shows that Italian policymakers responded to the economic downturn by orchestrating a ‘hybrid system’ of unemployment benefits characterized by patching up of central and regional administrative structures and by conversion of policy goals from income maintenance to welfare to work. The result is a path-altering system with radically different policy goals, paving the way to the *Jobs Act*, the recent Renzi Government labour market policy reform of 2014 centred on active labour market policies.

What is more, the path-altering system of unemployment benefits has consolidated regional identities by strengthening pre-existing network coordination policies. Network coordination springs from the fact that discretionary power in setting eligibility and entitlement rules to ESSA is thrust upon regional governments and their social partners. The main reason is that emergency social shock absorbers are not codified in the law and, consequently, the concession of benefits is not a right for workers. In Italy, the target population for emergency social shock absorbers is set out each year in the regional ‘social pact’ between local policymakers and their social partners. This means that the category of workers covered by the scheme rests upon decisions taken at the regional level.

¹ The multidimensionality of policy change is discussed in Capano and Hewlett, 2009.
If the concession of benefits depends on the outcome of local bargaining, it goes without saying that regions should be conceived of as ‘spaces for politics and policies’ with distinct logics and strategies of action. This is also because regions represent local interests at the national level and implement ESSA regulations at the subnational level. Such process of decentralization is in line with European trends towards devolution of social policies to the subnational level, the shift from the welfare state to welfare regions (Kazepov, 2010; Wright, 2014).

In Italy, recent research findings add weight to previous work showing that the success of regional involvement in policymaking and implementation stems from the quality of subnational institutions (Fargion and Gualmini, 2012). This raises the question of how to select the regions for comparative analysis, given that qualitative comparative work involves purposeful, rather than random, selection of the cases. We adopt the ‘most similar systems design’, which compares similar cases as possible. The logic behind the most similar systems design is that the factors that are held constant through the selection of cases cannot be said to explain observed variations thus eliminating a number of possible explanations. One advantage of the ‘most similar systems design’ as a comparative strategy is that the researcher, by holding some variables constant, can more productively isolate the factors responsible for the differences between the case studies (Rihoux and Ragin, 2009; Sartori, 1991). However, it is important to acknowledge the limits of the chosen research design. The ‘most similar systems design’ does not allow to control whether the argument holds across contrasting cases and thus the researcher may extrapolate regional differences that are not so sharp nationwide.

The case selection in our empirical work does not, however, aspire to offer a representative sample of Italian regions. It is well known and documented that Italian regions are characterized by significantly different political, institutional and economic performance (Putnam, 1993). Against this background, it is unlikely that any region could be selected as a ‘representative case’. Our research design follows a different strategy. As mentioned above, it is based on the ‘most similar systems design’, which allows to keep at least some crucial variables constant. Such variables in our case studies are political stability and high levels of economic performance enjoyed by Lombardy and Emilia Romagna. We believe that for the purposes of our empirical work the advantage of the chosen comparative method outweighs its limits for two reasons. Firstly, holding constant regional political stability means that the

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2 For arguments considering regions as spaces for politics see the Special Issue of *Regional and Federal Studies*, n. 3, 2010.
factors affecting the implementation of ESSA cannot be explained by the changing colour of
the regional political leaders. This similarity in the political arena between Lombardy and
Emilia Romagna adds simplicity to our research efforts. Secondly, similar levels of regional
economic performance reduce the complexity of the analytical framework and thus facilitate
clarity.

The data we draw upon consist of qualitative research methods that integrate an analysis of
national and regional documents, reports and laws with in-depth semi-structured interviews
conducted with local actors selected on a criterion of relevance, i.e., according to their role in
implementing the emergency social shock absorbers. 3

2. Insiders, outsiders and ‘mid-siders’

The unemployment benefit system in Italy is well known for its weaknesses, such as the dual
labour market with sectors protected and others left with no safety nets. One reason for such
weakness is the fact that unemployment benefits have never been part of a ‘system’ of
benefits but have instead been extended and rearranged if and when economic crises urged
government intervention.

Similarly to other Bismarkian welfare regimes, In Italy unemployment benefits are tied to
occupational status (Esping-Andersen 1990; Ferrera 1993; Gualmini and Rizza 2013). One
consequence is the formation of a dual labour market characterized by the lucky ‘insiders’ and
the unlucky ‘outsiders’. Insiders are core workers (public employees and workers employed
in medium–large firms) who benefit from a high level of job protection and are also entitled
to generous income-replacement. By contrast ‘outsiders’ have low levels of job protection and
cannot rely on any kind of income protection. This duality between insiders and outsiders has
been central to labour market policy research. Recently, however, Jessoula et al (2010) have
argued that:

    focusing only on the ‘insiders’ and the ‘outsiders’ runs the risk of missing a major part
    of the story. … there is evidence of a third category of workers that do not have access
    to the same (high) level of protection as the insiders, but, on the other hand, are
    employed and can be entitled (to a certain extent and with not negligible variations) to
    some contributory unemployment….We call these workers ‘mid-siders’” (pp.563-564).

The authors divide the category of ‘mid-siders’ into two sub-groups: workers employed in
micro and small firms, with lower level of job protection and much less generous

3 In total 46 interviews were conducted in 2011.
unemployment benefits than the insiders; and the heterogeneous world of ‘atypical workers’.  

Our empirical work will take a narrower approach focusing on dependent workers because ESSA mostly affected this subcategory. Jessoula et al. maintain that the numerical relevance of these workers in the Italian case supports the adoption of a new analytical category. Table 1 illustrates that in 2009 the average size of firms was 3.9 employees and that 94.8% of firms had less than 10 employees. In addition, the data show that workers employed in micro and small firms constitute about 40% of total employment (see Table 1).

**Table 1 about here**

‘Mid-siders’ had been traditionally not eligible for benefits perhaps because it was thought that the economic system would be strong and flexible enough to re-employ small numbers of workers if and when such firms went bust. But the unemployment insurance scheme that is still the core institution of Italian labour market policies was built in quite a different era. The underlying assumption was that periods of unemployment would result from short-lived economic downturns. This assumption was largely accurate in the postwar period of economic boom and full employment. However, under radically different economic conditions the unemployment insurance scheme in its conventional form proved to be ill-suited to performing the same objectives.

For this reason, regional governments resorted to emergency social shock absorbers specifically for unemployed ‘mid-siders’ (in the narrower denotation of the concept adopted in this work: ‘mid-siders’ such as temporary and atypical workers were excluded from ESSA). It should be recalled that the traditional unemployment protection system in Italy is established only for dependent workers who are employed in firms with more than 15 employees. Hence coverage chiefly depends on firm size. In this scenario, regional governments introduced ESSA with a dual aim: to provide income maintenance to unemployed or suspended workers employed in firms with less than 15 employees but also to help micro and small enterprises to overcome a period of turbulent economic crisis. Both these aims were crucial to reduce uncertainty, preserve human capital and protect the

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4 In a footnote the authors remark that in a comprehensive discussion of the Italian labour market, the self-employed should also be considered among the ‘mid-siders’ (footnote 2, p. 581).
economic system from collapsing. In so doing, as one interviewee observed, ‘ESSA prevented a social revolution’ by maintaining acceptable levels of stability and social cohesion.

By expanding coverage to ‘mid-siders’, regional governments moved into what Lauria et al. (2007) have dubbed ‘nobody’s land’. Evidence suggests that ‘nobody’s land’ was dramatically hit by the economic crisis. A member of the trade union association in Lombardy described the situation as follows: ‘the crisis was a Tsunami … the number of firms filing requests for ESSA was growing by the day.’\textsuperscript{5} Table 2 shows that the number of unemployed who benefitted from ESSA rose from 282,480 in 2009 to 398,944 in 2010 and slightly dropped to 352,013 in 2011. In three years there was a rise in beneficiaries of about 25%.\textsuperscript{6}

\textbf{Table 2 about here}

ESSA allowed Italian regions to overcome the strict limits to eligibility and entitlement rules of the ordinary unemployment benefit system by providing them with discretionary power. Discretionary power enabled regional policymakers and their social partners to modify the size of the firms selected as well as the type of work contract and benefit duration (Barbieri 2009, p. 84). In this way it was possible to mitigate social unrest with thousands of firms suddenly going bust and thousands of workers finding themselves unemployed.\textsuperscript{7} The ISFOL report of 2014 illustrates that in 2012 75,000 small firms - about 90% of the total number of small firms (with less than 15 employees) were authorized to arrange ESSA for their workers. In this manner such firms continued their productive activity without closing down. ESSA made possible the reduction of working hours or suspension of the worker for a period, thus preserving human capital.

In addition, ESSA beneficiaries were able to requalify and retrain. Between 2009 and 2012, 653,000 ESSA beneficiaries were interviewed by the local ALMP services (ISFOL, 2014, p. 9).

\section*{3. Patching up and conversion}

To understand the importance of emergency social shock absorbers, it is worth exploring the conditions and processes that brought them about. Italy had been struck by economic crises in the past but the so-called ‘mid-siders’ were left without coverage. Why then were ESSA formally introduced in 2009? One way to answer this question it to inspect theories of policy

\textsuperscript{5} It is employers and not workers who file a request for the concession of emergency social shock absorbers benefits which must be approved by the public authority.

\textsuperscript{6} ESSA benefit duration is maximum 12 months (Art. 7-ter, co. 3, Law n. 33/2009).

\textsuperscript{7} Interview to head of Work protection and re-employment office (\textit{Tutela del lavoro e interventi per il reimpiego}), Lombardy.
change. Punctuated equilibrium approaches contend that policy change is the result of exogenous shocks or critical junctures, which alternate to long periods of stability (Baumgartner and Jones, 2002; Cartwright, 1994; Sabatier and Jenkin-Smith 1993); others maintain that exogenous shocks have an in-built capacity to overcome the stickiness and the stability bias of institutions (Capoccia and Keleman, 2007; Pierson, 1998). Influence on institutions is exerted from extra-institutional sources at the macro level and not in the organisation itself. Such interpretations seem to be supported by one interviewee, a representative of the Lombardy employers’ association (Confindustria):

The global crisis changed everything. It suddenly appeared in September 2008 after the summer holidays, there was a dramatic decline in orders of about 60-70%… Surely ESSA helped many firms to survive the economic crisis.

In this view the global financial meltdown was an exogenous shock that explains the diffusion of ESSA. Our central question however concerns the origin of the policy rather than its diffusion, namely: who advocates change? The heavy emphasis on exogenous forces tends to blend out political bargaining and the role of agency. As Häuserman argues, in order to understand policy change ‘we need a strong focus on the behaviour and preferences of actors, who can combine different policy goals or policy dimensions in ways as to allow for political exchange and for the formation of reform coalitions’ (2009, p.43). By focusing on actors, the recent literature on institutionalism stresses the role of endogenous sources of change, suggesting that the traditional view centred on exogenous forces unduly marginalises agency and political exchange (Hacker, 2004; Häuserman, 2010; Thelen, 2004).

A first step in evaluating change of labour market policies is to get a clear picture of what has changed. While research seeking to identify observable indicators of policy change is still in its infancy (Rocco and Thurston, 2014), there is little doubt that the centrepiece of policy change between the regional governments and their social partners was the 2009 Accord signed by the Central and regional governments (Conferenza delle regioni e province autonome, 12 febbraio 2009). The Accord rested on three criteria: co-funding between State and Regions; mandatory link between active and passive labour market policies; concertation among regional policymakers and their social partners, trade unions and associations of employers.

The most important implication of the Accord was that regions became the main players because the administrative responsibility for ESSA shifted from central to regional governments. Regional policymakers were now the key actors because they independently set the criteria for selecting the
target population during the *territorial negotiations*, which are followed by the *local Accord (accordo quadro)*.

What is more, administrative devolution went hand in hand with changes in the sources of funding. Until 2009 the central government was solely responsible for the unemployment benefit system, but after the Accord the sources of funding for ESSA were split between national and regional governments, in proportions respectively of 70% and 30%. The central government funded 5.250 million euros whereas the regional contribution was 2.650 million euros. In 2011 the regional contribution was raised to 40%. The Accord established that most of the regional financial resources for ESSA would come from the European Structural Funds (*Conferenza Stato –Regioni, Accordo 2/2009*, p. 1). Seen in this light, one could think that the split from national to regional financial responsibility is more explained by the rules of the EU, which require that ESF are managed by regional governments, than by any deliberate rescaling strategy at the national level. Yet from our interviews it clearly emerges that the regional involvement in ESSA was the outcome of an agreement between national and subnational actors to devolve ESF to ESSA. As one interviewee declared ‘ESSA were born from the joint possibility to use national resources as well as ESF…. Regions decided to allocate their share of ESF to fund emergency social shock absorbers.’ The Accord established, consistently with ESF rules, that the regional resources would aim at promoting and implementing active labour market policies, while central funds paid for social security contributions as well as a large part of income maintenance (*Accord*, p. 1. Art. 2).

The split in funding responsibilities between central and regional governments had important implications for the regional governance of unemployment benefits.\(^8\) According to European rules, ESF are meant for the promotion and implementation of active labour market policies. Hence using ESF was tantamount to make the first move towards an ‘activation turn’, which hinged on the improvement of educational and consultation systems as well as on training and consolidation of skills.

To be sure, activation is not new in Italian labour market policy in that promotion of labour market re-entry had been attempted for decades (Gualmini, 1998; Sacchi e Vesani, 2011). But conditionality for beneficiaries had never been mandatory (Liso, 2009) and, not surprisingly, the Italian spending profile in active labour market policies was one of the lowest in Europe between 1990 and 2005 (Bonoli, 2012).

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\(^8\) It should be noted that ESF funds are made available only after a tripartite agreement between regional actors: unions, employers and the regional government. This was a crucial difference from the ordinary unemployment benefits scheme, which is instead entirely financed out of central funds and did not require formal agreements between local social partners.
The novelty introduced by the Accord is organizational and institutional but also cultural because it puts emphasis on the *centrality* of activation in the Italian modern welfare system. This centrality represents a shift in the logic of labour market policies from passive measures to welfare to work, making benefits conditional on participation in work schemes or in retraining programmes. Before the 2009 Accord, discretionary benefits were granted (*programmi di gestione delle crisi occupazionali e di reimpiego dei lavoratori coinvolti*), but attendance to requalification programmes was not compulsory for beneficiaries. The Accord initiates something new because unemployment benefits are now tied to workers’ willingness to enrol in retraining programmes. In brief, as a response to the global economic crisis regional governments ‘patch up’ the existing unemployment benefit system, creating a hybrid central-local administrative structure where conditionality is a new underlying principle added to old structures ruled by old principles, i.e. income maintenance. Besides the patching up of administrative structures, another crucial feature of the Accord is conversion, the redirection of labour policy goals from mere replacement income to welfare-to-work with the aim of moving unemployed workers from assistance into employment (Mulé, 2013). In this manner, Italy experiences the first mandatory link between passive and active labour market policies, following trends towards the so-called social investment welfare state (Jenson, 2010; Kenworthy, 2010; Morel et al. 2012).

Patching up administrative structures and conversion of policy goals spawn a virtuous cycle that leads to convergence of interests and ‘political exchange’ between regional governments and their social partners. For regional governments, emergency social shock absorbers prevent ‘a social revolution’, as one interviewee observed. For employers, instead, the advantage of ESSA is to qualify the worker. Our interviews to representatives of the regional employers’ association put it clearly: ‘we were favourable to emergency social shock absorbers because they were linked to active labour market policies’…”We believe that active labour market policies are crucial…because it has been shown that they exert important psychological effects on workers’…”Active labour market policies had never been implemented in a mandatory manner and this does change the way we perceive unemployment benefits, we no longer see them as a ‘parking spot’ but as a way to retrain workers.’ These observations help to understand why active labour market policies weakened employers’ resistance to extending the coverage of ESSA.

On their part, trade unions were sympathetic to ESSA as they provided coverage to the previously excluded ‘mid-siders’. Moreover, as a trade union member declared, regional governments acknowledged the power of trade unions because ‘we knew what was going on in the small firms’. Trade unions became privileged contact points of the regional government together with employers’ associations.
Such remarkable convergence of interests between the regional associations of workers and employers springs from the elasticity of the ‘regional politics space’ in that regions and their social partners enjoy ample room for manoeuvre in selecting the criteria for ESSA’s target population. It should be noted that in Italy the regional politics space is buttressed by two important institutional reforms implemented in the past twenty years (Vassallo, 2013). The process of region building was strengthened by administrative devolution in the health system since 1991 (Toth e Carboni, 2012). This reform was followed by amendments to article 117 of the Italian constitution in 2001, which established the possibility for regional governments to interact directly with the European Union. Such administrative and constitutional reforms accelerate regional devolution in the field of social policy and stimulate endogenous activity (Baldi, 2011; Mulé, 2003).

The second institutional reform concerns the direct election of the region’s President in 1995, its highest political authority. Direct legitimacy means regional governments have strong incentives for credit claiming policies and for bolstering regional social capital. Credit claiming in the field of labour market policy is all the more important for regional governments because, contrary to expectations, recent research findings show that labour market risk is shared by both high skilled and low-skilled workers (Schwander et al, 2014).

The regional governance of unemployment benefits through ESSA was always intended as a temporary measure (Accord, p. 1) to provide coverage to thousands of workers and to help thousands of micro and small firms to survive the global financial crisis. Arguably, however, there are at least three features of ESSA that had more permanent, albeit indirect, effects on the Italian welfare state structure. Firstly, ESSA contributed to expand coverage, and this expansion was accepted and incorporated in the recent labour market policy reforms of 2012, known as the Fornero Law and the Renzi government’s Jobs Act of 2014. Second, it elicited a multilevel governance of benefits, among the State, the Regions and the social partners. This multilevel framework set in motion a dynamic, and lasting, interinstitutional mechanism of coordination that continues to sustain a programmatic ability to implement active labour market policies. ESSA buttressed the provision of active labour market policies services through an alignment of regional and local policies and by involving all major public and private actors. This institutional effort improved the quality and quantity of services, which was necessary in order to respond to the increased number of beneficiaries. Training programmes were set up, revamped or modified to meet the differential needs of micro and small firms and of their workers.

* Since 1997 regions enjoy some autonomy when active labour market policies are devolved to regions.
Hence while ESSA were indeed a temporary measure, their diffusion set forth some of the conditions for the subsequent reforms of labour market policies, both the Law 92/ 2012 (Fornero Reform) and the Jobs Act of 2014 under the Renzi Government. These two reforms have expanded coverage as well as linked active and passive measures. The Fornero Reform and the Jobs Act have reduced, and will progressively abolish, emergency measures. Yet ESSA influence those reforms by paved the way for a shift in cultural attitudes, creating the institutional and organizational conditions for an evolution of Italian labour market policies towards ‘employability’ and ‘empowerment’. This means that while the new measure had a temporary status, and not a structural one, ESSA had a long lasting impact on Italian labour market policies because it contributed to changing the logic of Italian labour market policies from passive measures to welfare-to-work.

4. Regional network coordination

The consolidation of the regional politics space offers a unique opportunity to examine how regions resolve the coordination problems that emerge with the new configuration of actors. The labour market policy orientation has induced efforts at institutional coordination because activities are channelled through agreements at the regional level, where a tripartite committee sets out the basic rules (Mulé and Di Stefano, 2012; 2014). Hence regional coordination is one of the main ingredients of the ESSA scheme. The new institutional set-up of the active labour market policies and steering system strengthens the role of the regional social partners. It is absolutely crucial to the implementation of this new structure that coordination between regional enterprises, regional authorities, local authorities (provinces and municipalities), unemployment offices, training institutions and social partners works efficiently.

Like other European countries, such as Denmark (Dahl et al 2002), Italian regions have experienced changes in the organisational bases of the labour market system. Regional labour market policies rest on network coordination between the regional governments and their social partners as well as on horizontal subsidiarity. Against this background, it is not surprising that regional policymakers have embarked on a number of policy experiments. The following sections examine one such experiment, how regions coordinate passive and active labour market policies, comparing the strategies pursued by the regional governments of Lombardy and Emilia Romagna.

Both Lombardy and Emilia Romagna have enjoyed comparatively high levels of economic performance and remarkable political stability in the past twenty years. The Lombardy
government was run by right-wing majorities from 1995 to 2011, while Emilia Romagna has been governed by left-wing political parties uninterruptedly since 1970, when regions were established in Italy. Economic performance and political stability entail that Lombardy and Emilia Romagna are endowed with similar background conditions. For these reasons Lombardy and Emilia Romagna represent two excellent case studies to examine and compare the regional strategies enacted to manage coordination problems unleashed by the Accord.

Previous research on the labour markets of Lombardy and Emilia Romagna has highlighted two distinct features, namely the development of a flexible labour market in Lombardy and a strategy of requalification in Emilia Romagna (Gualmini and Alti, 2001). This dichotomy is similar to what Barbier (2005) defines as the two opposite poles of liberal activation, marked on one side by strong work incentives and on the other by human capital investment and extensive training. Such distinctions are useful starting points in analysing regional activation models. This article contributes to the debate by pointing to the changing organizational bases of regional labour market policies built upon different varieties of regional capitalism.

4.1 The Lombardy model: liberal market economy and competitive subsidiarity

Between 1995 and 2012 the right-wing government in Lombardy implemented a complex system of reforms in the field of social policy, initially focused exclusively on health policy (Regional law n. 31, 1997) but later extended to include emergency social shock absorbers. Following the Regional action plan, the Regional law n. 22/2006 introduced an important innovation by triggering ‘quasi-market’ mechanisms. In ‘quasi-market systems’ the government finances and monitors services, but does not necessarily provide them. Provision is offered by independent actors competing for costumers in ‘quasi-market’ settings (Le Grand, 2013). 10

The main feature of the Lombardy model is a peculiar type of horizontal subsidiarity driven by competition between public and private providers of social services (Colombo 2012; Colombo and O’Sullivan, 2012). For example, local centres for employment (centri per gli impieghi) compete with private providers for employment. As Colombo wrote, in Lombardy

The state is conceived as a mere regulatory instrument rather than the ruler of social action, let alone of its citizens’ well-being. …In this perspective the modern dividing line between public sphere (the state remit) and private sphere (the society’s remit) tends to be blurred (2008, 184).

10 The general philosophy behind these changes can be traced back to the New Public Management School, which developed in the UK in the 1980s and then spread in other industrialized countries in the 1990s. See Hood, C. (1991).
Horizontal subsidiarity has been at the core of the regional government’s electoral appeal and is at the heart of a series of major regional reforms that have restructured welfare state services by introducing quasi-markets mechanisms. Similarly to other liberal market economies, the Lombardy government provides less support for non-market forms of relations.  

The Lombard government reformed labour market policy by functional differentiation. It retained regulatory, programming and financing functions while delegating the management and delivery of services to independent bodies. Moreover, the users of public services are able to choose the provider. In such a system the regional government ‘plays the role of rule-maker without being responsible for the provision of services’ (Colombo, 2008, 188). Users’ freedom to choose between private or public service providers fosters an ‘administered competition’ (Pavolini, 2004).

One distinct feature of the Lombardy model is the ‘Dowry’ system (Dote). In the Dowry system users are given a voucher to freely choose among service providers; public and private providers compete for users. As one of our interviewees declared:

the centrepiece of this system is individual responsibility. Workers must stop conceiving of unemployment benefits as mere income support but instead should take this opportunity to improve their skills and qualifications. On their part, employers could be more responsible in pointing out which labour market policy programme unemployed might benefit from.

The competitive system of horizontal subsidiarity built in the Lombardy model aims at empowering individuals by stressing their freedom of choice.

It goes without saying that the Lombardy model suffers from the same criticisms levelled at quasi-market operations. It can properly work only if a number of provisions are put in place. To begin with, pluralism must be ensured to prevent the advent of dominant or monopolistic providers. In addition, the market should offer an effective network of providers. Moreover, service providers should adopt transparent procedures that can be understood by all individuals who are in need and therefore vulnerable. However, these traits are not easy to achieve. So much so that the ISFOL report of 2012 (Institute for the development of workers’ professional skills (Istituto per la formazione professionale dei lavoratori) finds that, at the time of publication, the Lombard government had not released performance indicators of service providers. This delay weakens incentives for competition because users have no information concerning the efficiency and

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11 The distinction between liberal market economies and coordinated market economies is set out in P. Hall and D. Soskice (2001).
12 The dowery was initially targeted exclusively at beneficiaries of ESSA but later extended to all unemployed workers who qualified (Regional Decree n. 20609/2012).
efficacy, and thus the quality, of the services.

4.2 The Emilia Romagna model: coordinated market economy and integrative subsidiarity

In stark contrast to the Lombardy liberal market political economy, labour market policy in Emilia Romagna rests on a coordinated market economy. Policy makers deliberately retain public control and governance of the services provided for the unemployed workers. Similarly to other coordinated market economies, Emilia Romagna relies more heavily on non-market modes of coordination. These entail more extensive relational interactions, network monitoring and more reliance on collaborative rather than competitive relationships (Hall and Soskice, 2001). Regional policy actors have explicitly declared their resistance in devolving public functions to private providers and are sceptical regarding the virtues of competitive drives between private and public providers. Regional policymakers conceive of the ‘public’ mission as being significantly different from the ‘market’ mission. They criticise the competitive model centred on Adam Smith’s ‘invisible hand’ allegedly able to choose among service providers. Instead, they believe that public authorities ought to both protect the unemployed workers and monitor the quality of service providers according to the specific standards.

In 2011 the regional government and its social partners signed the *Pact for sustainable, intelligent and inclusive economic growth* (ISFOL 2012, pp. 245) where the region set out the overall strategy as well as the operative procedures. The *Regional Tripartite Committee* and the *Committee for Interinstitutional Coordination* formulated the policies and monitored their implementation. Not surprisingly that ESSA’s in-built discretionality has proved an advantage to regional policy makers. The head of the *Regional office for labour services* (*Servizio Lavoro*) thinks that discretionality ‘is a very powerful instrument that enhances the efficacy of emergency social shock absorbers because it offers the flexibility to meet the needs and demands arising from below.’ Such needs and demands are filtered through an extensive network of services for the unemployed workers, which includes private providers and is administered and monitored in both formal and informal collaborations. Any outsourcing of services for active labour market policies is strictly connected to performance indicators and standards (ISFOL, 2012).

Regional policymakers believe that direct access to public funds is possible only if strong collaborative relationships between public and private service providers are in place. In this system public authorities keep the reins of the steering wheel, monitoring and evaluating the results. The understanding of an efficient labour market policy in Emilia Romagna is centred on *integrative subsidiarity* and institutional support encourages service providers to gravitate towards a coordinated political economy.
Close examination of active labour market policies in Emilia Romagna shows that the region was well equipped from the viewpoint of policy initiative as well as policy implementation to become one of the most efficient Italian regions. Reasons for this success are straightforward. Firstly, the regional administrative procedures required very few modifications to fit the regulations of the Accord. Path-dependency clearly played a role. In Emilia Romagna the existing organizational structure facilitated the development and implementation of training and requalification programmes. A cooperative style of working relying on the integration of different competencies had been in place before the Accord, allowing for smooth adaptation. Most importantly, the problem solving capacity of the regional network structure had been highly effective and flexible.

In short, in Emilia-Romagna it was possible to build on a traditional system of concertation with the social partners (Leonardi e Nannetti 1991). A representative of the trade unions in the Regional Tripartite Committee (Commissione Tripartita Regionale) declared that

what is distinct of Emilia Romagna in the implementation of emergency social shock absorbers with respect to other regions is that we did not suddenly improvise concertation between the social partners, concertation was not imposed on us by the Accord. On the contrary, we already had the network of relationships.

Our research findings confirm the persistence of concertation in Emilia Romagna, which has been repeatedly pointed out in the literature on Italian regions (Fargion and Gualmini, 2012; Leonardi e Nannetti 1993; Pavolini, 2004). Our findings, however, contribute to the literature on regions as spaces for politics and policies and by highlighting the role of non market modes of coordination in the field of labour market policies.

The distinction we draw here between concertation and non market modes of coordination is nuanced but important. Concertation centres on cooperative interactions, characterised by exchange of resources, policy legitimacy and competence, which had been built upon mutual trust rather than upon recourse to law. Non market modes of coordination mean that the regional government does not rely exclusively on private providers but instead retains a strong monitoring role on public and private service providers. Private and public providers interact in a complementary fashion, integrating and not substituting public functions and services. Integration is achieved with targeted services for specific groups of unemployed workers or by adding new services to those run by public providers.

The picture that emerges shows that the regional labour market policy is based on functional integration and cohesion among local actors. Integration and cohesion strengthen the efficiency, efficacy and quality of the services provided to customers. The network of actors is mainly composed of municipalities, centres for training and qualification, local associations of employers
and workers, university and education system. Formal and informal agreements among such actors are planned, coordinated and monitored by the regional government within a logic of integration. To repeat, the coordination of active and passive labour market policies in Emilia Romagna rests on integration between private and public service providers, a model which has probably become more important as the economic crisis deepens.

5. Comparing regional performance indicators
Have the two regional models produced different results? This section compares ESSA’s performance in terms of social shock absorber by using two indicators: the percentage of workers who re-enter the labour market and the percentage of workers dismissed (Tab. 3). The higher the first indicator, the more effective are ESSA because they help unemployed workers to re-enter the labour market. The lower the second indicator the better the role ESSA plays in reducing the incidence of unemployment.

**TABLE 3 about here**
Table 3 shows that Emilia Romagna and Lombardy performed above the national level. The data indicate that the percentage of ESSA beneficiaries dismissed in Emilia Romagna is lower than in Lombardy in both 2009 and 2010. By contrast, the Lombardy model appears to be more effective in favouring labour market re-entering. In Lombardy the quota of workers who re-entered the market rose by about 7 percentage points from 2009 to 2010, against an increase of about 1 percentage point in Emilia Romagna. There are a number of reasons that may explain these results. In Lombardy ESSA had been used beyond their original aim because they were granted to workers employed in firms with more than 15 workers if and when the duration of ordinary unemployment benefits ended. This approach gives the long-term unemployed worker more time to re-enter the labour market. By contrast, in Emilia Romagna the criteria for selecting ESSA’s target population retained their original purpose and were strictly applied to short-term unemployment replacement rates for workers employed in small firms with less than 15 workers. The fact that the percentage of workers dismissed in Emilia Romagna is lower than in Lombardy suggests that the coordinated market economy of Emilia Romagna is better equipped to maintain job relationships.

Our research findings indicate that both regional political economy models, the Lombardy liberal market economy and the Emilia Romagna coordinated market economy, seem capable of providing some protection to ‘mid-siders’, thus helping hundred of thousands of workers during hard times. Different regional welfare models build upon the process of region-building (Keating 2008), which has progressively developed especially in the protection of new social risks (Armingeon e Bonoli
6. Conclusions

The renewed interest around regional policy in the aftermath of the 2008 global economic crisis has provided an opportunity to open up the debates regarding many different dimensions of the logic underpinning regional labour market policy. This article explored the role played by regional governments as drivers of policy change. It argued that the 2009 Accord between the central and regional governments unleashed new regional network coordination in labour market policy. More specifically, by institutionalizing regional discrectionality in eligibility and entitlement rules to emergency social shock absorbers the Accord favoured the elasticity of the ‘regional politics space’ allowing for political exchange between the regional governments and their social partners.

The empirical research focused on two regions, Lombardy and Emilia Romagna, with similar economic and political levels of stability. Our findings point to the development of two different models of regional labour market policy. The Lombardy liberal market model is grounded on competitive subsidiarity, with public and private service providers competing against each other. Emilia Romagna developed a coordinated market economy centred on integrative subsidiarity where public and private providers work in synergy, complementing rather than substituting each other.

Our findings highlight the existence of different models of regional network coordination in labour market policies. As one might expect, the ‘regional politics space’ built upon path-dependent trajectories, with Lombardy extending the ‘dowry’ to the policy of emergency social shock absorbers and Emilia Romagna relying on a well-oiled mechanism of collaboration and cohesion among the social partners. Our findings show, however, that the choices made by regional policymakers were not merely path-dependent. On the contrary, regional actors radically redirected the policy goal from income maintenance to welfare-to-work, thus engaging in path-altering strategies. In the process, Lombardy and Emilia Romagna consolidated their regional identity by shaping the new policy goals in their pre-existing regional network coordination structure, which hinged on competition and integration. Thus policy innovation and path dependence intertwined in the evolution of Italian regional labour market policies.
References


Table 1. Number of firms and workers covered by ESSA in the regional accords 2009-2011 (frequencies)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Number of firms</th>
<th>Number of workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>38,679</td>
<td>282,480</td>
</tr>
<tr>
<td>2010</td>
<td>46,386</td>
<td>398,944</td>
</tr>
<tr>
<td>2011</td>
<td>45,877</td>
<td>352,013</td>
</tr>
</tbody>
</table>

*Source*: adapted from ISFOL 2012, tab.2.1

Table 2. Indicators of emergency social shock absorbers’ efficacy (2009-2010)

<table>
<thead>
<tr>
<th></th>
<th>beneficiaries in 2009 re-employed within 12 months</th>
<th>beneficiaries in 2009 and fired within the next 12 months</th>
<th>beneficiaries in 2010 re-employed within 12 months</th>
<th>beneficiaries in 2010 and fired within the next 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emilia Romagna</td>
<td>41,77</td>
<td>9,57</td>
<td>42,90</td>
<td>12,3</td>
</tr>
<tr>
<td>Lombardy</td>
<td>39,22</td>
<td>10,95</td>
<td>46,29</td>
<td>14,35</td>
</tr>
<tr>
<td>Italy</td>
<td>36,46</td>
<td>13,68</td>
<td>42,64</td>
<td>14,61</td>
</tr>
</tbody>
</table>

*Source*: adapted from ISFOL and Italia Lavoro, 2012, tab.3.16