

# **Governance Beyond the Rhetoric: Organizational Action, Change and Illusion in the Italian Local Welfare System<sup>1</sup>**

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## **Abstract**

In this article we offer a critical analysis of governance arrangements looking at the evolution of the Italian local welfare system over a time period of more than forty years. The broad idea of a shift «from government to governance» is questioned. The non-profit organizations had a vital role in the foundation of the Italian local welfare system. However, their participation in the governance arenas of today is often illusory. This has practical consequences, as innovation in the welfare domain needs authentic public–private partnerships, and genuine participation of the nonprofits at all levels of social and political action.

## **1. Introduction**

The growth of non-profit organizations during the last forty years has profound implications for public policy and management (Bode, 2014). Even though cooperation with public institutions had always existed, the widely accepted view is that during the 90s policy making in the western world faced a paradigm shift «from government to governance» at the local level (Kooiman, 2003; Sørensen and Torfing, 2016). This shift was from a closed system that developed inside the formal boundaries of public authorities towards an open system whose regulation is shared between local governments and the private sector.

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This change is often depicted as, or assumed to be, a positive one. Such evaluations consider the need for flexibility in the structures of contemporary societies and the openness of horizontal reciprocal adjustment arrangements embodied in the governance framework. Many recent studies, however, take a more dubious tone and highlight the «ambiguities of governance» (Bozzini and Enjolras, 2012; Bevir and Rhodes, 2016), taking into consideration the many concrete obstacles to the changes which actually effect the transformation from government to governance, rather than celebrating achievements. As it is noted in this literature, frictions, conflicts and the other resistances to change are systematic in governance arenas as guiding values, goals and the priorities of participants differ. Moreover, these participants often belong to very distinct, specific and often conflicting institutionalised spheres of society (public, market and third sector). Therefore, both the public–for-profit relationship and the public–non-profit relationship have been studied by many authors. The rules and regulations of different institutional contexts favour the profit or the non-profit sectors differentially. In Italy, this is particularly true at the local level, where urban policies are closely monitored by private investors (Eckhardt and Elander, 2009), while social services rely to a large extent on the resources made available by non-profit organizations (NPOs) (Ranci, 1994; 2015).

Governance cannot be confounded with other dynamics such as the quasi-market system (Trivellato *et al.*, 2017) or the mere interaction between public authorities and private actors (Capano *et al.*, 2015), or even with specific tools such as contracting-out (Or and Aranda-Jan, 2017; Sørensen and Torfing, 2016). It is the government, indeed, that defines the institutional setting for the «participation» of third parties, and the nature—either cooperative or competitive—of the interactions with them (Gasparre, 2012). Governance arenas are all but power-free, and participation in networks or partnership arrangements usually clearly reflects

the unequal distribution of both the material and the non-material resources of the participants.

Against this background, in this article we offer a critical analysis of the evolution of the relationships between the government and the third-sector organizations in the Italian local welfare system over the last five decades and argue that the broad idea of a shift «from government to governance» represents a blurred picture of what has really happened. We focus on the praxis of participation—how these have changed over the years—and try to discriminate between the form and the substance of the transformation, building on organizational change research. The analysis reveals that the third-sector organizations had a vital role in the foundation of the Italian local welfare system, far more crucial than the «government» label would suggest. With some exceptions, however, their participation in the governance arenas of today appears more illusory than concrete. This has practical consequences for public policy and management, as innovation in the welfare domain needs authentic public–private partnerships (Ran and Qi, 2018), and genuine participation of civil society at all levels of social and political action.

In the next paragraph (§ 2), we briefly describe the main frameworks used for the analysis of the relationships between the government and the third-sector organizations; we outline their limits and present an organizational perspective on the government–governance dyad, providing a typology for the study of the change dynamics in an organizational setting such as a local welfare system. Then, we present the empirical research carried out for the present study, the methodology adopted and the case selection undertaken (§ 3). The analysis is structured into four periods: the early stages of the foundation of the Italian local welfare system, from the mid-seventies to the early eighties (§ 4); the entrepreneurial development of the welfare sector and the setting-up of the first formal arrangements for the design and delivery of local welfare services, from the mid-eighties to the early nineties (§ 5); the radical

change in the logic of the relationship between the government and the third-sector organizations that took place in the aftermath of the economic and political crisis of 1992 to 2000 (§ 6); and then the last period, before and after the global crisis of 2008 (§ 7). In relation to each of these periods, we first focused on a specific local welfare system (that of Genoa), which is featured in our empirical research, and then enlarged the scope to Italy as a whole, building on the existing literature and the available research. In the last section (§ 8), we draw the conclusions from our work.

## **2. Theoretical Framework**

Scholars in a number of different fields have studied the relationships between the government and non-profit organizations from different perspectives, and the literature now offers several frameworks of analysis. The connection of these frameworks with Transaction Cost Economics (TCE) is immediately recognisable from the seminal studies onwards (Hansmann, 1980; Salamon, 1987), and it is still evident in more recent contributions such as Najam (2000) or the much-cited framework of Gidron, Kramer and Salamon (1992). The antitheses between state and market or between state, market and network are very clear, and these frameworks have enjoyed significant success in relation to the welfare literature. Within TCE, however, efficiency is the main explanatory factor for the conventional «mode of governance» (hierarchical, market-based or reticular/clanic) that emerges within the relationships between the government and the third-sector organizations. The theoretical frameworks that adopt this perspective are interesting, yet they usually overestimate the ability of both governments and NPOs to make rational choices, i.e. efficient choices, in TCE terms, even when the aims of the relationships are ambiguous (Bozzini and Enjolras, 2012). In fact, the participation of the different actors in the arena usually targets multiple (often unclear) goals, and their actions are often led by a bargaining—rather than a rational

(efficiency-seeking)—attitude, accepting changes and compromises. Moreover, most analyses make only a general reference to the idea of the «participation» (Najam, 2000, p. 384) to form an element of the governance, without differentiating meaningful participation from tokenism (Arnstein, 1969). However, when these frameworks are tested against the Italian welfare system, the hierarchical metaphor is not found to be adequate for describing past circumstances (Fazzi, 1996), and the network mode cannot appropriately depict the present (Borzaga and Fazzi, 2011; Cnel, 2010; Gasparre, 2012).

The second generation of the research on the government and the non-profit organizations enriched the TCE framework with developments from sociological new-institutionalism (Di Maggio and Powell, 1991). These analyses are more sophisticated and uncover a number of new features. The cultural variables become more important and the cognitive–normative dimensions are now considered crucial in explaining the institutionalised pattern (Powell and Friedkin, 1987; Powell and Clemens, 1998; Powell *et al.*, 2005). Within these late analyses, the *nature* of the relationships between the government and the third sector is often portrayed in terms of an on-going negotiation or a continuous adjustment between the state and the NPOs, whereas the reported ambiguities are often ascribed to the overlapping of multiple *modes* of relationships (rationalities) or to the transition from one mode to another. However, these analyses fall short in three ways. First, they conceive the lack of autonomy of the NPOs as a mere consequence of their financial dependence on the state. Second, these analyses portray the evolutionary dynamics of the government–NPO interactions in terms of transition models that are unable to report the richness of real-world developments and the interplay of the many significant phenomena which take part in these processes. Third, their focus on the resistance to change means that they overlook the issue of innovation as «intentional change» (Boyatzis, 2006).

In order to overcome these limitations, here we adopt a framework that concentrates on the *regulation* of the decision process implied by the agents' organizational actions, rather than on public or third-sector *systems* or *actors*. The debate on regulation has considerable relevance in organizational studies (Barnard, 1938; Simon, 1947; Thompson, 1967; Maggi, 2003) as well as in other fields of social science such as economics (see Aglietta, 1976 or Boyer, 1986), sociology (Giddens, 1984), sociology of economics (Granovetter and Swedberg, 1992), sociology of organization (Reynaud, 1989) and political science (Jessop and Sum, 2006). Regulation is not synonymous with regulatory arrangements; these may guide the activity, but the latter is always the outcome of interpretation. In fact, regulation is the «development of the action process» (Maggi, 2011, p. 74) as decisions develop in interdependent and cooperative settings (Barnard, 1938), whose structuration process (Giddens, 1984) states how these actions are coordinated (Thompson, 1967).

In our framework, we concentrate on the «writing» of the rules of coordination of action in local welfare settings and try to understand how such processes develop, who participates in the writing and whether the design processes of social politics have actually opened to civil society over the last few decades. To this end, we propose to separate the form from the substance of organizational change; i.e. the *organizational solutions*, the instruments or technical aspects of the so-called innovations, from the *organizational logic*, underlying philosophy, design idea or conceptual framework that is envisioned in the organizational regulation embodied in the old or new praxis (Masino, 2005).

On the basis of this distinction, we propose a typology that outlines four ideal–typical states (see Table 1). A change can be defined as a *transformation* of the action, as it involves both instruments and logics; a *rhetorical or illusionary change* that entails just the surface of the action but not the fundamentals; an *apparent conservation*, which is, in fact, a change as it

take place when the instruments of the action are left untouched but not the underlying philosophy for their use; and finally the *conservation* of both organizational praxis and logic.

[Table 1 about here]

This conceptual framework helps us to understand the real developments that occur as a result of a change, particularly one that affects the fundamentals of regulations that characterise a local welfare system and the role of NPOs in it.

The elements that define the underlying orientation of the regulation—the «decision premises» of the action (Simon, 1947)—are its hidden component. However, many visible aspects can be studied directly: the formal aspects of the arrangements between local public agencies and the third-sector organizations, the distribution of responsibilities and the coordination mechanisms that are specified in the agreements, the influence mechanisms aimed at developing reciprocal legitimation, the forms of cooperation and mutual trust in force, the formal and informal systems of communication that are involved, and the goal setting procedures and the performance measurements which take place. These elements qualify the organizational logic at a general level, and then, the analysis should aim at understanding the essence of the participation of third-sector organizations in policy making—their participation in the regulation processes relating to the policies, i.e. in the decision processes that entail the «writing of the rules» of coordination of action.

To capture the nature of the participation processes of agents in the governance arenas, we separate at the analytical level the sources of the rules (who decide them) from the freedom of action allowed by the rules. These are two distinct analytical levels. When we speak of the sources of the regulation, we are referring to the creational process of the rules, and in these terms, two ideal-typical settings are possible (Maggi, 2003, p. 122): *autonomy*, when the

agents themselves define the rules of their actions, and *heteronomy*, when the rules are set by a third party. Irrespective of who decides the rules, their content may allow a certain amount of freedom of action (Maggi, 2003, p. 122); again two ideal-typical situations may occur: *discretion*, when the rules allow a considerable scope for action to the agents, and *imposition*, when the rules significantly restrict the course of action rigidly to one particular form of implementation. This provides us with a typology of four cases and no intrinsic internal correlation, as any coupling is possible (see Table 2). There are four cases: autonomy and discretion (autonomous source of regulation and freedom of action), heteronomy and discretion (heteronomous source of regulation and freedom of action), hetero-imposition (heteronomous source of regulation and no freedom of action), and self-imposition (autonomous regulation and no freedom of action). Notably, discretion does not derive from autonomy or imposition from heteronomy.

[Table 2 about here]

Moreover, when we classify according to autonomy as opposed to heteronomy or discretion as opposed to imposition, we do not offer any absolute portrayal of the action, in terms of the desirability of one circumstance over another, as it all depends on the goals of the actions. A regulatory setting that is heteronomous and allows very limited freedom to the agents may be the best choice for the operation of safety procedures during an emergency. In contrast, innovation and creativity usually develop inside of very open settings, where agents are fully autonomous, not just allowed a considerable deal of discretion.

These distinctions are relevant because we propose to look at the government-governance dichotomy in terms of two alternative organizational logics (ideal types).

In a *government* framework, the definition of the rules binding private actors (in the third sector) is derived from a heteronomous behavioural code (norms, praxis, orientation,



technical rules, etc.). A lack of *autonomy* characterises their actions. The regulation is in the domain of the public bodies that institutionally provide the definition of a framework for the private actors' actions and the coordination of any private agent possibly involved in the design and delivery of public services.

In a *governance* framework, instead, the public agencies support the *autonomy* of NPOs, and NPOs participate in the definition of the rules that pertain to the design and implementation of policies. The structuration of the organizational action is shared between the public agencies and the third sector and there is a shared authoritative allocation of values (Easton, 1953). Whether these private actors are allowed a certain level of *discretion* in their action is not relevant. This circumstance is in fact always present and is sometimes even favoured or required for the achievement of certain objectives (Thompson, 1967), but it has no direct or indirect impact on the autonomy of the agents.

The organizational regulation in the two settings is radically different. Drawing on the ever timely address of Friedmann (1963) an authentic overcoming of the government setting of local welfare arenas should question the separation between policy design, which is generally considered the domain of public agencies, and service delivery, the fieldwork undertaken by the third sector. That is, it is necessary to open welfare arenas to an authentic partnership between public and private actors, thus supporting an authentic participation of civil bodies at the main levels of the organizational action: goal setting and policy building, analysing and responding to social needs, and the coordination and control of the system.

### **3. Methodology and Case Selection**

Given this focus on the local level, the selection of an exemplary case is important to test whether a change from government to governance actually took place. Nonetheless, the choice of any particular exemplary locality would be difficult to fully justify, given the lack

of sufficiently stringent selection criteria and the number of possible localities (there are around 8000 Italian municipalities). Therefore, the research decided to select among cities (prioritizing metropolitan areas), which fulfilled three criteria: the presence of an average number of NPOs (third quintile of the distribution), a capital city representing at least 30% of the county population (as to capture most of the NPOs active in the province) and the absence of a hegemonic sub-culture (thus an unbiased access to the local government).

With respect to the number of NPOs, a list of provinces in the third quintile can be found in Appendix 1. Among those, there are only eight cities fulfilling the second criteria: Bologna, Ferrara, Genoa, Livorno, Massa Carrara, Parma, Pescara and Pistoia. However, most of these cities feature a clear political sub-culture, being part of the Italian red belt (Diamanti, 2009: 30); the only exception is Genoa. The effects of the political cleavage are still present at the local level as has been shown in some recent works, both when considering the third sector per se (Biorcio and Vitale, 2016; Tosi and Vitale, 2009) and when considering governance arrangements (Bassoli, 2017). Among the eligible cities, Genoa is thus the only case close to the Italian average with respect to the number of NPOs per thousand inhabitants (ranking 59/112), which has not been subject to the presence of a clear subculture in the past forty years. Therefore, we built our analysis on the basis of two research projects that focus on the local welfare system of the metropolitan area of Genoa and then enlarge their scope to the whole of Italy, building on the existing literature and the other available research. Genoa is the third largest city in northern Italy, and the sixth largest overall. To grasp the complex interplay of authority, communication, efficiency, loyalty and organizational identification (Simon, 1947) that exists between the public and private actors, the research was designed using a multi-method approach (Brewer and Hunter, 1989) based on qualitative analysis. Primary data were gathered using semi-structured interviews with key informants and qualitative-interpretive focus groups (Kamberelis, Dimitriadis and Welker, 2018). We

analysed the transcript following a traditional qualitative approach (Corbetta 2003: 281) focused on the importance of understanding the point of view of the key informants (Brinkmann 2018, p. 1005) and avoiding content analysis or mixed-methods. The research is two layered. Initial fieldwork was undertaken from January 2004 to March 2005, and this proceeded via an extensive data collection exercise and a subsequent qualitative analysis. The aim of this initial research was to collect information about the state-of-the-art relationships between the government and the third-sector organizations in the local welfare system, in the aftermath of the Italian reform act related to local welfare; this had been adopted at the end of 2000 (Law 328/2000). We wanted to portray the on-going situation and check whether any signs of change were detectable. In the course of this first stage, 66 key informants, from both NPOs (36) and the local government (30), were interviewed, and 47 participants (11 public; 36 private) formed the six focus groups (see Appendix 2 and 3). More than five years later (between April 2011 and January 2012), we went back to the data thus collected and launched the second phase of research aiming at both updating the information collected in the course of the initial work and monitoring the organizational changes due to a specific focus on the autonomy of NPOs and the implications of this on innovation in the local welfare system. During this second round of research, 26 key informants, from NPOs (13), the local government (10) and third parties (3) were interviewed, and a second round of data collection was performed (see Appendix 2 and 3).

#### **4. Hidden Governance of the Seventies**

The late seventies were the year zero of the modern Italian local welfare system, as the local governments were launching the earliest interventions based on the emerging concept of deinstitutionalisation. The Genoan local welfare system was set up during these years and featured a high level of *informality*.

Both the local government and the NPOs pushed towards a radical change in the methods of social intervention and in the delivery of non-standard services. A myriad of groups of volunteers, both lay and confessional (Roman Catholic), conceived and implemented the earliest pilot self-organised responses to the emerging social needs. Deinstitutionalisation was the guiding philosophy of this phase, and both public institutions and NPOs (mostly informal) converged on this principle. The approach adopted by the local government, however, was considerably open to the many initiatives that were underway in accordance with the new logic. According to the former Minister of Social Affairs who was a strong supporter of the Italian welfare reforms of 2000, civil society organizations «simply invented social services» in the modern sense (Int. 81). Indeed, volunteers experimented, designed and managed the first socio-educational centres, workers' education centres, assisted living facilities, social centres, etc. in the downtown and other problematic areas of the city.

In this first phase, the most important sector was childcare. In the beginning, the local government's main input was to provide small grants to the relevant associations, but later on, these services became part of the municipality's action plan for childcare social intervention. The relationship with the NPOs, however, became more formal as they decided to sign «acts of commitment» (*atti di impegno*): formal documents in which reciprocal rights and duties were described, although they were legally non-binding. Since then, these organizations have become the solid foundations of today's third sector of Genoa.<sup>2</sup>

With respect to the other sectors, one of the most relevant projects was the *Progetto servizi collettivi* (collective-services project) which took place as part of a wider action plan created by the City Council; this project led to the launch of the most significant elements of the public social care services offering. Within this project, many new services were introduced, such as day care for the elderly and disabled people, rehabilitation services, the provision of counselling rooms and preventive medicine services for workers. These services were

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managed by the new CAD centres (*Centri di assistenza domiciliare ad anziani e disabili*). The centres themselves were governed according to a «social management» method (*gestione sociale*): citizens and the third-sector organizations were heavily involved as they were assigned a formal consultative power. Each CAD centre, in fact, had both technical and political staff. The former was entitled to participate in a formal «Management Board» (*Commissione di gestione*). The task of this body was in fact very important as it examined the applications and decided who was entitled to access the services. Note that this describes the technical core (Thompson, 1967) of social service, and within this, the governance arrangement that was actually open to private actors.

The informality found in Genoa is anything but uncommon, as it is inherent to the emerging third-sector organizations and their relations with the public sector. Politicians, social workers and volunteers shared the same ideals and a common intention to re-draw the content of social intervention. Local governments looked at this growing third-sector mobilisation with considerable interest. These seeds of collaboration were the basis for the growth of the Italian third sector which followed. Looking at this exchange with a more traditional approach, we detected a clear political exchange. The Italian third sector started to benefit from public funding, which was exchanged for competence, political support and public endorsement. Moreover, the climate of informality that reigned during this first phase had very important effects on shaping the working methods of social intervention and the lines demarcating government–NPO relationships. Most of the services were originally designed by the third-sector organizations, while the local government borrowed these experiences as a competent input that could fuel social design at the institutional level (Fazzi, 1996).

## **5. From Non-Profit Organizations to Social Enterprises**

During the eighties, the nature of the Italian third sector underwent profound changes. In this phase, many volunteers who participated in the early initiatives decided to partially abandon the informal approach prevalent at the beginning. In Genoa, the local government itself suggested that the volunteers transform their organizations/ activities into social cooperatives, and provided funds for them to do so. However, the growth of the third sector clarified the need for new, stable and transparent rules for managing the public–third sector relationships. In Genoa and elsewhere in Italy, one critical aspect of the evolution of government–third sector relationships pertains to its legal form. From this point of view, only a very few changes took place from the informal arrangements in place at the beginning of the reforms until the beginning of the nineties. Local governments, in fact, largely used to directly assign (*affidamento diretto*) the services to the social cooperatives, and technical rules were somewhat ill-defined using rather meagre agreement documents, later called «*convezioni*». The informality that was prevalent at the beginning was still part of the local welfare system much later on; legal or technical arrangements did not include any competitive rule for the assignment of public services (Fazzi, 1996).

As clarified by the example of Genoa, the voluntary activism of the early years transformed itself into entrepreneurial action; most of the Italian social cooperatives were established during those years (Istat, 2015). In most cases, their funders were former volunteers and provided the first seeds of the Italian social enterprises. The world of pure voluntary work, at the same time, went through a phase of radical transformation and since then, a new informal guiding principle was introduced for ruling internal relationships among the different components of the third sector: the social cooperatives would take care of the provision of services, while voluntary organizations took care of providing advocacy, interests representation, preservation of human rights and an analysis of social needs. Local

governments were mostly responsible for sustaining these processes as they worked to widen the public supply system for social services.

By the end of eighties, the third sector was still relatively small in size, but its involvement in *policy making* was evident: the NPOs actually participated in the decision-making processes that pertained to the design of services, as no clear boundaries had been drawn between the public and non-profit spheres until then. Many other services are still being «developed» by the associations and social cooperatives, and the local governments support their autonomy; they need their skills for designing services: an increasing number of local administrations are providing financial support and integrating new services into the public system (Pavolini 2003).

## **6. When Collaboration Meets Competition**

The nineties can be seen as the most delicate phase in the development of government—non-profit relationships in the Italian local welfare system. During this decade, two important laws were approved: law 266/91 for voluntary organizations and law 381/91 for social cooperatives. The norms provided for by these laws supported the idea of a public—third sector partnership and a progressive inclusion of non-profit actors in policy making. Within these laws, in fact, the third sector apparently played the role of a formal partner, and not a mere supplier, of the public administration. The new norms formally recognised that the role of non-profits was comparable to the exercise of a public function (*funzione pubblica*) and thus legitimised the participation of these organizations in policy making.

In less than a decade, Italy witnessed the impressive growth of the third sector (Istat, 2015) and the Italian fiscal crisis and political turmoil known as *Tangentopoli*. In this changing scenario, two connected issues emerged at the local level. On the one hand, the public authorities were required to be accountable for the government—NPO relationships. On the

other hand, Italian municipalities needed to curb their expenditure in line with the national targets irrespective of the local needs. These changes challenged the protected markets and the mutual accommodation system developed in the previous phase (Ranci, 1994). Given this scenario, the urge to increase *competition* in the field was thus welcomed by many actors (see also Bode, 2014). Social services that were previously co-designed were now part of the public system's standard offer and so could be contracted-out (Ranci, 2015).

This is what happened in Genoa in the area of welfare services for elderly people. Throughout the previous two decades, the local government had autonomously provided some services by employing internal social workers. Thus, it is not surprising that the new contracting-out approach fully covered this field of intervention. In this period, the local government moved from «internal production» to «market» as it was interested in the flexibility and the greater efficiency provided by the NPOs.

With respect to the services for disabled people, the organizational architecture in Genoa was more sophisticated. A distinctive feature here was the presence and relevance of a local consulting body focused on the problems faced by disabled people (*Consulta comunale e provinciale per i problemi degli handicappati di Genova*); this is a second-level NPO established in 1977 with the purpose of supporting dialogue and co-designing policies for these services. The city council introduced day care and other public services within the CAD centres during the seventies (see § 4). The logic of coordination and control in this area, however, is now very different from that established earlier: the relevant local government designs the services and determines policy, while the NPOs take care of the delivery of these services, although they retain their consulting prerogatives within the *Consulta*.

Social inclusion and anti-poverty measures are a field which, traditionally, has been covered by the Church or lay NPOs, without any specific role played by the public authority. During the nineties, the Municipality of Genoa provided additional funds for the NPOs, in order for



them to set up some new facilities and other public-funded services for disadvantaged young adults; this was a demographic target which had not been officially catered to earlier. These services were provided by a network of NPOs that were together called the «young-adult agency» (*agenzia giovani adulti*); this was funded by the local government via tendering procedures. Therefore, the local welfare system for social inclusion operates in two different environments: the «homeless system» (*sistema senza dimora*) and the «agency», the former being only partially financed by the local government, whereas the latter is fully funded. This is not irrelevant in terms of explaining the development of the regulatory rules for the government–NPO relationships across the two environments. In the «homeless system», in fact, these rules have been designed to support the NPOs' autonomy; in contrast, within the «agency», the network has developed and is continuing to develop coordination and control rules that assign autonomy to the local government instead, and then, it promotes non-profit networks for the delivery of the services.

In all areas of intervention—elderly, disabled people, homelessness and young adults—the nineties witnessed historical changes with respect to the regulation of the government–non-profit relationships. The need to rationalise social security expenses and the widespread application of the regulative principles of «competition», «market» and «transparency» substantively changed the philosophy of regulation.

Moving from Genoa to Italy as a whole, a similar pattern (although less clear or rather less pronounced) emerges from the extant literature. The introduction of the competitive discourse and its technical features into the social services arena appeared extremely consistent with the mainstream liberalist doctrine of those years and its managerial appendix, embodied in the new organizational guidelines and technical solutions: the outsourcing option itself, the open tender as an appropriate method for comparing suppliers' offers, the call for tender as a technical tool for cutting public expenditure, etc. (Ranci, 2015, p. 2323). The contracting-out

system made the government–non-profit relationships more transparent, but scholars mostly failed to point out the negative implications of introducing competitive logic into the regulation of the government–NPO relationships. Among the other issues, one in particular emerged as crucial only recently: continuity (Fazzi, 2009; Powell and Dowling, 2006). For many targets, continuity is a key feature of service quality; however, continuity is constantly challenged by competition. Secondly, as the time frame shortens, it becomes less predictable and the propensity to invest decreases. Last but not the least, stability tends to be a meta-resource in relation to the quality of the government continuity–non-profit relationships, particularly as it usually has a positive effect on trust and the propensity to cooperate to solve problems. However, once the logic of competition was introduced in the government–NPO relationships, this clearly imposed an authentic shock on the Italian third sector. The ‘request to tender’ method became the standard for the assignment of social services from the mid-nineties (Ranci, 2015). This represented a turning point because the collaborative logic that had guided their relationship with local governments thus far gave way to other logic: efficiency, transparency, competition and contracting-out.

## 7. Back to «Government»

The closing phase of Italy's journey through the government–non-profit relationships started with the adoption of the long overdue local welfare national reform (Law 328/2000) whose aim was to radically innovate welfare as such and provide an institutionalised framework via which the third sector could be considered a true partner of the government, not only for the delivery activities but also for the policy making and design activities. It is interesting to see how the former Minister of Social Affairs (Int. 81) and promoter of this reform presented this orientation:

*It has been entirely natural to recognise the third sector as a subject that had to participate in policy making. In fact, it has been natural to recognise its knowledge and its competence and the fact that it should not have been used according to the old logic of the public procurement of social services, as the pioneers of social services should be part of the project definition or—as it is said in the law—of co-design.*

In terms of substance, however, the real dynamics of change have been less relevant than was intended by the reform. As for Genoa, both the public and the non-profit actors reported a climate of considerable enthusiasm at the beginning of the century. The reform act was the first organic measure to be adopted in this sector since 1890. The legislative process of the reform had been truly open and participated in by NPOs themselves, and it was welcomed as the beginning of a new era, as the pioneers of social services should be part of the project definition. Many thought that the adoption of the new law would mean a new course, far from the logic of public procurement.

The Municipality of Genoa immediately adopted the new policy tools such as area social plans, co-design working groups, and a participation committee. The local government enacted, endorsed, promoted or coordinated a large number of NPO networks in a variety of specific fields to build the «integrated system» envisaged by the reform. In a few years, the

so-called «agency system» (see below) took shape and this became the cornerstone of the local welfare system for daytime services. Many other formal networks were established, and a long list of projects embodying the network logic moved forward (Gasparre, 2012). Each of these initiatives includes either co-design phases or internal governance mechanisms that formally envisaged a relevant role for the NPOs. More importantly, citizens could directly access services without any public filter. This system was called «double access» (*doppio accesso*), as users could enter the system by using either public or non-profit facilities, as the social cooperatives running the services were allowed to autonomously handle the take-charge phase, a one-off situation with respect to the national local welfare system.

The «agency system» has been one of the most significant innovations in the local childcare system and in the government–non-profit relationships. Each «agency» was managed by a network of NPOs on the basis of a contract with the local government. Moreover, the governance of the project was shared between the Municipality of Genoa and the NPOs that took care of the service delivery. A central group ensured regular and continuous cooperation between the public and the private actors and discussed the strategic development of the agency. Another commission took care of the operational aspects and discussed the individual paths of social intervention for each user. Similar to the CAD experience of the late seventies, with the «double access» mechanism, the technical core of social services was temporarily opened to the third sector. Things changed, for just a few years, in the wake of the welfare reform. The logic of double access, however, was abandoned in 2011 as the administration decided to resume public control over the local welfare system. Today, most of the coordinating structures still exist and are convened from time to time, but this does not necessarily mean that the NPOs actually have an authentic space for exercising their autonomy in decision making.

Goal setting is firmly in public hands, but a few small projects are more participatory. Wherever the activity is marginal, the local administration may open up real governance structures (Bassoli and Polizzi, 2011, p. 215-6), because it is less risky to do so. In fact, the autonomy of the NPOs is present only at the periphery of the system, as at this periphery, the NPOs are allowed to build a number of projects of their own, designing their goals, their targets and the technical aspects. Notably, this has happened in two specific cases: the LET network (*Laboratori educativi territoriali* – Territorial Educative Laboratories) and in the mother–child network (*Rete madre-bambino*). As for the LET network, this project represents an original and innovative experience with respect to the Italian childcare services system. The services delivered by the LET system have not been developed by the local administration but have been designed using a participatory process in which a major role was played by NPOs, families and projected beneficiaries. The local government simply promoted the process, and the networked NPOs were assigned a considerable level of autonomy with respect to detailing the content of their services and deciding on how to differentiate their offers. As for «*Rete madre-bambino*», the municipality formally recognised a pre-existing informal network that dated back to 1997, when several NPOs in the metropolitan area of Genoa started some residential and non-residential services targeted at disadvantaged young mothers who were experiencing social problems of various kinds (unemployment, prostitution, abuse, etc.) that affected their ability to properly manage their maternal role. The NPOs produced high-quality services and improved their performance by integrating with the formal welfare system. The Municipality of Genoa, then, decided to promote the setting up of a stable form of cooperation among these organizations. Thereafter, the city witnessed a notable enhancement of the performance of these agencies with respect to most of the services: a significant optimisation of the production capacity, a considerable cut-back in the lead times, a better relationship between paid and non-paid staff, an extensive

decline in the length of time that a beneficiary stayed in the residential facilities and a substantial increase in the cases that had a positive conclusion.

At the national level, however, many studies have shown how the public administration progressively lost its regulative capacity (Borzaga and Fazzi, 2011) because of the creation of a large number of governance networks whose members were public bodies, trade unions and a wide range of other third-sector actors. These networks started to grow at the national, regional and local levels, together with a host of «coordination boards», «technical groups», «monitoring centres», «social committees», «social councils» etc. However, the frameworks of action became increasingly fragmented and these bodies had varying degrees of actual participation by third-sector organizations in the relevant decision making (Fazzi, 2009). The adoption of «area social plans» (*piano di zona*) introduced by Law 328/2000 called for the opening up of the decision-making process for social policy at the local level to the NPOs. This was with the explicit aim of acknowledging and valuing their competence as experts in the social difficulties faced in their territories and as experts in the analysis of social needs. It was also about redefining the government of social policy to create greater transparency and overall coordination. In many cases, however, the adoption of area social plans was based on a bureaucratic approach, and no real steps have been made thus far to activate the institutional and operative conditions necessary for the third sector to actually exercise its co-design prerogatives (Cnel, 2010).

In the last ten years, the financial crisis and the lack of resources available for welfare activities have hindered the further development of social policy, as well as of participatory tools. In some cases, however, the area planning process took a more structured form, and even more extreme difficulties were often reported (Bassoli and Polizzi, 2011; Bifulco and Vitale, 2006) along with a clear dominance of the «administrative conception» of the social planning processes (Fazzi, 2009). Local governments tend to conceive of their relationships

with the third sector as more of a «necessary evil» than an actual opportunity for enhancing the effectiveness of their decision-making processes. However, every local welfare system is specific to its locality, and the actual degree of third-sector participation in policy making is often connected with either the quality of its representative bodies or the cooperative attitude of both the public and the non-profit actors (Bassoli and Polizzi, 2011, p. 213-4).

## **8. Conclusion**

The mainstream idea of a progressive change from government to governance in welfare systems portrays an ambiguous or incomplete on-going transition from a closed system that develops inside the formal boundaries of government towards the open arrangements of governance whereby the organizational regulation is shared between the public authorities and private actors. In this article, a detailed analysis of more than forty years of government–third sector interactions in the Italian local welfare system was described; the findings suggested a process of change that was in fact considerably more controversial than that described by the mainstream idea.

At the time the Italian local welfare system was established, voluntary groups and the earliest formal NPOs could actually participate to the design of social services, and they introduced radical innovations such as the de-institutionalisation of welfare services in the late seventies. The informality of the government–third sector relationship in the early years allowed an organizational regulation that supported the autonomy of the associations and voluntary groups, thus enhancing their competences, creativity and innovative energy. In fact, they originally designed most of the welfare services, well before local governments decided to provide the funding and assume their coordination. If this situation does not describe «governance» per se, it is definitely not the «government» either, as «subsidiarity», «welfare

society» and «participation» seem to be the key words for the situation that our research unearthed.

The eighties saw an increasing structuration of the Italian local welfare system and the transition of the third sector from voluntarism towards the logic of social enterprise. At the end of this decade, the size of the Italian third sector was still modest, but the involvement of the associations and the burgeoning social cooperatives in the design of services was relevant: local governments still supported their autonomy, and this turned out to feed their potential for innovation, as they kept introducing new services for new and changing needs and as these were progressively integrated into the public sphere.

During the nineties, both law 266/91 (voluntary organizations) and law 381/91 (social cooperation) supported the idea of a public–private partnership in policy making for local welfare. In formal terms, the regulation supported a key role for NPOs, but at the same time, new rules were introduced in the social service domain as local authorities progressively adopted contracting-out. While this process made the government–third sector relationships more transparent, the organizational regulation implied by such interactions stipulated an unprecedented separation between planning and execution in the local welfare arenas. This was attributed to the fact that the new rules formally established that local governments were entitled to control policy and service design, while NPOs became a mere executor of the prescriptions specified in the tenders. The logic of co-operation formed in the early years, and the new idea of competition came into play; neither the public nor the non-profit actors seemed prepared for the development of a reliable framework for handling the conflicts between these two types of organizational logic. On the one hand, the NPOs claimed the legitimacy of the old approach and their own authorship in relation to many of the existing social services (although publicly financed); on the other hand, local governments were aware of the importance of community bonds in delivering social services, but then, they



often assumed that they had no other option but to adapt to the new rules, progressively embodied in norms and praxis.

Even the decade of the 2000s saw an evident disconnection between form and substance in relation to organizational action. On the one hand, the adoption of the long overdue local welfare reform (law 328/2000) reiterated the idea of a partnership between the government and the third-sector organizations. At the formal level, the local bodies promoted an increasing number of public–private working parties and «co-design» became the watchword for social action. However, these changes primarily entailed only the *praxis* of the so-called «participation» rather than the underlying *logic* of the regulation of government–third sector interactions. Both the formal and the informal rules of the many public–private networks formed over the last few years, in fact, appear to still assign a leading role to local governments even where NPOs are allowed a considerable level of discretion. Local governments are still oriented at controlling the third sector, although the means of their control has changed over the last two decades. Now, it is less explicit and persists under the guise of apparently democratic partnering processes; nevertheless, the governments still run the endeavour. Authentic participation by third-sector organizations, with few exceptions, is more illusory than concrete.

Financial arrangements play a critical role in explaining the authentic participation of third-sector organizations: whenever the local government finances the system, the action of the third sector develops within a heteronomous decisional framework that does not support the expression of its (the third sector's) autonomy. Sometimes, however, the NPOs are allowed to exercise some discretion, and this usually happens because the system needs flexibility for the achievement of its goals. In contrast, when services are financed by the third sector itself, the framework changes and it becomes open to an authentic participation by the NPOs in the regulation of organizational actions, as they autonomously decide every detail of their

offerings, the strategic development of their services, extent of participation in non-profit networks and the type of relationships to enter into with their partners.

On the one hand, we have the praxis of participation and the openness of the governance arrangements; these suggest a change that is an actual transformation as the actors of the third sector are entitled to a leading role in the local welfare system. On the other hand, it is clear that the actual regulation embodies power asymmetries and a continued orientation of the public agencies to exercise control over its suppliers; this has been the dominant organizational logic since the early nineties. Conversely, the limited autonomy of the third sector has decreased its creativity, and the ability to innovate of both public and non-profit actors has been lost. The local governments, in fact, have maintained their control over the design of services, but they have lost their know-how of the delivery processes. At the same time, the NPOs play a significant role in the delivery of social services. However, they are not really involved in the design processes, and this has gradually weakened their innovative potential.

This impasse is counter-productive and contradictory, particularly as a pressing need for innovation in local welfare is evident in view of the new and emerging social needs that we are facing today. Policy makers should recognise that innovation requires autonomy and autonomy can be exercised only if welfare arenas open up to an authentic public–private partnership and support an authentic participation of civil bodies in the «writing of the rules» related to the activities of the local welfare system. Clearly, we need a more nuanced approach when studying the public–third sector relationships and take into account different types of organizational logic.