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Public, private or hybrid? Providing care services under austerity: the case of Italy

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Care services and economic crisis in Southern Europe: the outsourcing solution

Over the last 15-20 years, Southern European countries had to tackle an increasing demand both for child and elderly care under conditions of “permanent austerity” (Pierson, 2001), which became particularly harsh after the economic and sovereign debt crisis exploded after 2008-2009 (Meardi, 2014; Pavolini and Guillen 2015). In this context, outsourcing often constituted an important strategy for public administrations, not only to expand care services, but also to ensure the provision of existing ones (Bordogna and Neri, 2014; Mori, 2017; Wollmann *et al.*, 2018). In labour intensive services, such as social and educational ones, where labour represents a prominent source of cost, outsourcing allowed to save costs by exploiting the differences in employment regulation between the public and the private sector (Da Roit and Sabatinelli, 2013; Grimshaw *et al.*, 2015). As we will describe in the paper, outsourcing and the recourse to private provision in social and educational services was quite extensive in Italy already since the 1990s, following the implementation of the Internal Stability Pact (ISP), to pursue the public finance targets set at supranational level by the EU Stability and Growth Pact to contain the public debt. Within the ISP framework, in fact, the government through the annual budget law defines the financial targets that the municipalities have to abide by, specifying a set of legal constraints on municipal expenditure, including the personnel cost. If the respect of the stringent financial criteria set by the ISP prompted the initial recourse to outsourcing, the trend showed a significant increase after the beginning of the economic and financial crisis. However, outsourcing tendencies played out differently in different sub-segments of care services, such as

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elderly and ECEC services. In the former outsourcing was mostly used to first expand and then slow down reduction of service levels in a context of shrinking public resources, in both phases substituting the more expensive direct public provision. In the latter, and especially in the case of crèches and other similar services, outsourcing to private providers was used to first expand and then maintain service levels, complementing more than substituting publicly managed services. This was visible particularly during the 2008-09 crisis and subsequent austerity: at that time, in fact, local municipalities, often did not substitute direct public with private provision, but rather developed other institutional solutions and, in particular, hybrid organisations. The existence of different welfare mixes in different care services can hardly be explained by the available literature. Traditionally, two different literature streams have analysed outsourcing decisions by public administrations. On the one hand, the industrial relations literature showed how industrial relations and labour market institutions influence the pace and form of outsourcing (Grimshaw *et al.*, 2015). On the other hand, comparative public administration literature focused on other explanatory variables, including cost-efficiency maximisation, fiscal stress and the political/ideological orientation of public administrations. Still, these two literature streams have rarely spoken to each other. We will show that neither of them is able, alone, to explain the different private/public mix characterising different social and educational services. While the possibility to access to labour market segments with different regulation and working conditions is a key explanatory variable for outsourcing decisions, this does not explain the variation in the extent to which local governments have outsourced different types of services and the development of hybrid organisations. Therefore, other factors need to be taken into consideration beyond labour market segmentation and this paper will focus on the explanatory power of political factors affecting the politics of outsourcing, and, in particular, the level of opposition to outsourcing by trade unions, local communities, and users, and the historical trajectories and local traditions of service provision. Hence, the main contribution of this paper is to integrate the two dominant research traditions which have dealt with local governments' outsourcing decisions to analyse patterns of outsourcing in the social and educational services in Italy.

The paper unfolds as follows. The next paragraph reviews two different literature streams which have explored the determinants of public administrations' outsourcing decisions. After presenting the research design and the methods, paragraphs 4 and 5 present the role played by labour market institutions in outsourcing decisions and the political processes limiting or fostering them. The last paragraph discusses the empirical material and draws some conclusions.

The missing linkage between the different determinants of outsourcing

In the sphere of public services provision, two different literature streams dealt with the determinants of outsourcing decisions that we refer to the dichotomous strategic choice between “make” (self-producing through internal transactions) and “buy” (via market transactions) (Coase, 1937).

A first stream of literature explored the interconnections between labour market and industrial relations institutions, and public authorities' decisions to outsource (Grimshaw *et al.*, 2015). Drawing on labour market segmentation theory, several contributions focused on the differentials existing between public and private sectors and on public authorities' willingness to exploit them in order to reduce costs and/or increase flexibility as a key explanatory variable of organisational restructuring (Flecker, 2009; Rubery, 2007). In this sense, outsourcing constitutes an instrument of institutional avoidance, i.e. a way to circumvent existing regulation in the public sector (Jaehrling and Mehaut, 2013). Public/private gaps can be related to several elements of the employment relationship. The most evident relates to differences in pay and working conditions, which might be caused by the presence of different standards set in collective agreements covering the public and the private sectors or by different levels of collective bargaining coverage in public and private organisations (Jaehrling, 2015). Moreover, gaps in employment conditions might be influenced by general institutional rules regulating the labour market, like the application of minimum wage regulations or similar wage floors (Gautié and Schmitt, 2010), as well as by rules defining the terms of employment of transferred workers, like those set in the Transfer of Undertakings Directive (TUPE) (Mori, 2017) or in other types of provisions imposing employment standards to service providers (Wright and Brown, 2013).

Secondly, public/private gaps might be related to the relevance of collective institutions as defined by trade union density levels and their capacity to influence employment conditions in public and private organisations (Grimshaw *et al.*, 2015). Differences in union strength and employees' voice capacity across the public/private divide might be another incentive to outsource.

Finally, incentives to outsourcing may be related to legal differences in public employment status compared to the private one (Bach and Bordogna, 2011), and to associated differences in employment protection, career security and other prerogatives (Mori, 2017). Accordingly, public employers might decide to rely on external contractors for shifting workers' employment status from public to private law, thereby acquiring greater flexibility in the management of the employment relationship, even if employment conditions or industrial relations characteristics do not differ substantially.

A second stream of literature, comparative public administration literature, focused on the main drivers of public administrations' decisions to contract out the provision of public services (Domberger *et al.*, 1986; Savas, 1987). The literature on New Public Management explained the adoption of market-type mechanisms as an efficient and rational way for governments to secure increased value for money in the provision of

public services (Pollitt and Bouckaert, 2011). Market mechanisms are therefore pursued in order to maximise the cost-efficiency of public services' delivery by exploiting the economies of scale ensured by private providers, by improving budget management efficiency, and by making providers more accountable to consumers' demands and preferences (Blöchliger, 2008). Drawing on transaction costs theory, some contributions explained why technical and ancillary services are more likely to be contracted out, than social and professional services (Bach, 2000; Bel and Fageda, 2017).

The above mentioned economic advantages of contracting-out were found to be particularly strong under budgetary constraints. Fiscal stress, therefore, has been considered a second driver of outsourcing (Bel and Fageda, 2007) and several studies have shown the relationship between fiscal restrictions and contracting-out decisions (Boggio, 2016; Picazo-Tadeo *et al.*, 2012).

From a different point of view, the role of fiscal restrictions and financial constraints is emphasized also by the literature on the crisis of the European welfare states, which focuses on the increasing difficulties to finance high quality, universal and accessible social services. In an era of austerity, the combination between growing demand of social services and Baumol's cost disease in the service sectors, with low rates of productivity compared to that of manufacturing and good-producing sectors, will lead to a shift from public to private provision, which results more affordable because of the lower salaries, reduced labour costs and a more deregulated labour market (Baumol, 1967; Esping-Andersen, 1999; Iversen and Vren, 1998;).

However, mixed empirical evidence started questioning the explanatory capacity of cost-related explanations, shedding light on the role played by political interests and ideologies in influencing make-or-buy decisions (Fernandez *et al.*, 2008; Sundell and Lapuente, 2012). For this purpose, this stream of literature often directly or indirectly refers to different variants of the neo-institutionalist theory in political science and in sociology (Kuhlmann and Wolmann, 2014). The actor-centred variant (Scharpf, 1997) focuses on the role played by the political will and by key political actors in the decision making. To this regard, empirical research on outsourcing decision making highlighted the ability of interest groups and local communities to affect political actors: this influence seems to be particularly relevant when decisions concern services which are highly sensitive in terms of political and electoral consensus, encountering the opposition of services' users, trade unions and local communities (Bordogna and Neri, 2014).

Another variant of institutionalism, the historical one, highlights the impact of institutional, political and cultural traditions on institutional and organisational choices (Pierson, 2000). Historical legacy may channel present and future decisions, anticipating and constraining the options available to decision makers, creating path dependency effects. As we will describe, the history and tradition of public services within a local context may play a relevant role in the make-or-buy decision making process.

Finally, some contributions analysed the role of ideas and ideologies in outsourcing

decisions, drawing on discursive institutionalism (Schmidt, 2008) or recalling the concept of institutional isomorphism (DiMaggio and Powell, 1991). While the general influence played by New Public Management principles in promoting the outsourcing option is widely recognized, there is no consensus on the role played by political ideology and party affiliation. Many empirical studies share the result that governments' political ideology does not coherently influence outsourcing decisions (Petersen *et al.*, 2015). Still, more recent contributions found ideological dimensions to be relevant in public administrations' decisions to outsource welfare and social services, while not technical services (Bel and Fageda, 2017). These two literature streams have rarely spoken to each other. The studies rooted in the New Public Management tradition, despite focusing on cost reduction as the key driver for public administrations' outsourcing decisions (Domberger and Jensen, 1997), neglected the most significant source of cost savings, i.e. differentials in employment relations across the public/private divide (Bach, 2000). Such issues have been, instead, extensively explored by the industrial relations literature, which, however, paid lesser attention to the political and financial determinants of outsourcing.

Our contribution tries to integrate these two literature streams for analysing the differences in contracting-out decisions of Italian local governments across different types of social and-educational services. We will argue that, while labour market factors play a prominent role, their relevance might be tempered by political factors. The centrality of political factors is, however, dependent on the nature of the services.

The Italian case

In the article, the outsourcing decision refers to the “practice whereby government contracts with private sector providers for the provision of services” (Blöndal, 2005:81) following the strategic choice between “make or buy” (Coase, 1937), be this to substitute existing provision or to extend it, but in any case by retaining public financing of the activity and keeping the overall responsibility for performing the function (OECD/PUMA, 1993).

Italy is a suitable case for analysing the interrelationship between labour market factors and political processes in influencing public authorities' outsourcing decisions in the field of socio-educational services.

First, as we will explore in greater detail below, the collective bargaining structure in the sector is highly fragmented, with multiple (and significantly different) collective agreements potentially applying and a large public/private gap in wages and working conditions.

Second, in Italy the growing demand for social and educational services, common to many European countries, clashed with particularly pressing budgetary constraints and

pressures to reduce public spending. This was due to the size of the country's public debt (the ratio between public debt and GDP was 105.1 percent in 2000, against an EU-28 average of 60.1 percent) and the specific policy mix characterising Italian social spending (with the highest proportion of GDP spent on pensions among OECD countries). This produced frequent and significant cuts to social expenditure and to transfers from central to local levels.

These tendencies were further exacerbated by the 2008 economic crisis and the subsequent sovereign debt crisis (Bach and Bordogna, 2013). Austerity policies aimed at reducing public spending were approved in subsequent waves since 2008, under a strong pressure from European institutions (Bordogna and Neri, 2014; Meardi 2014). Hiring and staff turnover were severely restricted in public administration, while in 2010-11 a pay freeze was introduced by suspending the renewal of collective agreements, which lasted until 2017-18. Austerity policies also targeted local governments. First, transfers from the central government to local authorities were dramatically reduced, with cuts summing up to 8.4 billion euros in the period 2008-2015. Second, the Internal Stability Pact (ISP) (introduced in 1998 following the EU Stability and Growth Pact) was severely tightened, setting stricter constraints on local governments' expenditure, and, in particular, on personnel expenditure. Between 2008 and 2015, the number of workers permanently employed by municipalities decreased from 396,845 to 346,123 (Neri, 2016: 2017). This caused widespread conditions of staff shortage, especially in labour intensive services, such as socio-educational ones.

The combination of high private/public gaps in working conditions and lack of personnel and financial resources (which make it very difficult to provide services directly) makes Italy a most likely case for services' outsourcing. This has indeed happened, but with a remarkably different degree across different types of services. While in services for the elderly private provision substituted public one, in ECEC services it mostly flanked public provision. Indeed, local governments tried to avoid outsourcing educational services (kindergartens and crèches), mainly in response to strong opposition by local communities, unions and staff. Instead, they set up hybrid organisations, controlled by municipalities, but partially free from financial constraints, which proved to be more acceptable for local communities.

Methods and data

Our research adopted a multi-method, multi-level approach. First, we collected data from the Italian national statistical institute (Istat) and other sources (see tables) on the provision of socio-educational services (particularly concerning three different sub-segments of these services, namely long-term care for the elderly, early childhood services and kindergartens), and the nature of the providers (public, non-profit and

private). Second, in order to more deeply examine the policy process behind outsourcing decisions, we examined the cases of four towns and relative municipalities (100,000-400,000 inhabitants) and eight small towns (less than 20,000 inhabitants) constituting a single “Union of municipalities”, located in the Emilia Romagna region. As it is well known, Italy presents significant sub-national differences in the development of welfare services and Emilia Romagna represents a case of particularly large development of public social, educational and care. Therefore, looking at this case allows to more clearly disentangle the politics of outsourcing. Still, the developments highlighted for the Emilia Romagna case, and in particular the existence of different trajectories in the composition of the welfare mix of services for the elderly and for young children, are common to most other Italian regions. As shown in another work (Dorigatti et al., 2018), indeed, both at the national level and in most Italian regions the most marked tendency to outsource is found in elderly care services, where private providers have historically been the dominant service providers. In these services, a substitution process has taken place over the years, whereby private provision has progressively substituted the (already limited) public one. While the share of public provision diminished also in the case of services for young children, this took place in a context of service expansion, and public providers did not substitute, but flanked private ones. Hence, while the Emilia Romagna region is surely a peculiar case in the Italian context, the broader tendencies highlighted for this case are common to most other Italian regions.

The research is based on the analysis of relevant documents (press articles, publications by trade unions, local governments and private employers) the comparison of collective agreements applied to the sector, and 80 semi-structured interviews to private managers, local governments’ officials, trade unionists, officials of employer associations, and individual workers, at both national and local level. These data were collected within three different research projects carried out by the authors in the period 2013-2016. All interviews were transcribed verbatim. Analysis looked for emerging themes and patterns related to local governments’ outsourcing and their explanations as offered by the different actors and, in particular, their relationship with labour market institutions and political dynamics.

Providing care services between public, private and hybrid solutions: three different welfare mixes

The strongest trend towards the reduction of public provision is visible in the long-term care for the elderly. Traditionally, the provision of this type of services has been rather limited in Italy (Da Roit, 2010; Da Roit and Sabatinelli, 2013) and mostly carried out by private organisations, especially non-profit ones. A (very limited) expansion of public provision of long-term care services for the elderly took place after their regionalisation

during the 1970s, particularly in leftist regions such as Emilia-Romagna (Fargion, 1997), together with an overall expansion of this types of services. This trend was reversed in more recent years, when municipalities withdrew again from direct provision, contracting out publicly financed long-term care services to private (generally non-profit) organisations. Since 2009, overall provision of long-term care services also reduced. If we take the number of available places in residential institutions as a proxy², we can see that their number increased both in the country overall and in Emilia Romagna over the period 2000-2015, with a peak in 2009 (see Table 1 and 2). Over the same period, however, direct provision by public institutions decreased, moving from 15.7% to 14.6% in Italy and from 28% to 9.9% in Emilia Romagna (i.e. from 9,411 to 4,005 places)³. Hence, over this period a substitution effect was visible, by which a significant share of public direct provision (albeit, as we have highlighted, traditionally limited in these types of services) was replaced by private one. Interestingly, among private organisations, were particularly non-confessional non-profit ones to expand, while religious organisations, one of the traditional backbones of the Italian system of elderly care, significantly reduced (Figure 1 and 2).

2

This indicator was chosen because it is the only one for which information concerning the nature (public vs. private) of service providers is available for a significant span of time.

3

The number of places for the year 2000 is an estimation based on the share of residential institutions directly managed by public institutions as reported by Istat. These data on public provision do not consider the number of available places in the Ipabs (*Istituzioni Pubbliche di Assistenza e Beneficenza*, Public Institutions of Assistance and Charity), which are reported in the tables 1 and 2. Ipabs were established in 1890 by attributing the legal status of public bodies to a series of private organisations, mainly religious ones, providing social services. Although they had a public legal status, their nature (public or private) was uncertain. During the 1980s, in particular, three judgments of the Constitutional Courts (decisions no. 173/1981, no. 195/1987 e no. 396/1988) seriously questioned (but not denied, calling for a case-by-case scrutiny) their public nature, identifying an intertwining of constitutive elements from both public and private organisations within the Ipabs. According to the social service reform approved in 2000-2001 (law no. 328/2000 and law decree no. 207/2001), Ipabs were converted alternatively into either an Asp (*Azienda di Servizi alla Persona*), or a private association or foundation. Compared to an “old” Ipab, Asp is more clearly a public organisation, although it is provided with a high level of autonomy from local and regional government and it shares some important managerial tools with private providers. Data provided by Istat classify these organisations as a separate category “Ipab” until 2015 and as “Asp” since then on, distinguishing them in any case from “public institutions” (mainly directly managed public units) and from other kinds of private providers. The uncertain nature of Ipabs and their transformation since the 2000 reform make it difficult to longitudinally compare the data on Ipabs. Moreover, for the reason we have explained, it would not be fully clearcut to include Ipabs within the public provision, without any further clarification or distinction. Ipabs can be considered a peculiar kind of public organisation, which have to be distinguished from the other public providers: this choice is consistent with more recent jurisprudence (Italian Constitutional Court, decision no. 161/2012, Council of Anti-Corruption National Authority, session 9-10 February 2011). Therefore, if we analyse the evolution of the public provision in the residential care starting from 2000, we have two options. The first is to focus on the direct provision by public institutions, as we did in the paper. The second is to include places in residential care institutions provided by Ipabs within the public provision, bearing in mind all the limitations existing in the choice. In this last case, from 2000 to 2015, the share of public provision decreased from 32.7% to 21.5% in Italy (i.e. from around 105,201 to 84,000 places) and from 44.4% to 27.3% in Emilia Romagna (i.e. from around 14,925 to 11,044).

[Table 1 and 2, and figures 1 and 2 about here]

Early Childhood Education and Care (ECEC) services in Italy are traditionally based on differentiated institutional structures and services for children with less than 2 years-old (crèches and other services, the so-called “0-2” segment) and for children from 3 to 5 years-old (kindergartens, the “3-5” segment). Crèches and other services for younger children (0-2) have been, until very recent times, traditionally grouped within social services. They are run by municipalities or private providers and have a highly decentralised governance, with Regions and local governments playing a leading role in regulation and financing. Kindergartens may be run by the State, municipalities or private providers; they have been set within the school system since 1968 and are regulated and financed at national level by the National Ministry of Education. ECEC reform approved in 2017 aims at integrating all ECEC services, with the Ministry of Education invested for the first time of important responsibilities for financing and regulating also the 0-2 childcare services (Neri, 2017).

These differences are reflected in very different coverage rates of the two childcare segments. While almost all children within the reference age attend a kindergarten (98.5%), available places for children aged 0-2 in crèches covered 21% of the potential users (Istat datawarehouse, 2018). Less than 11% of children aged 0-2 actually attended publicly funded facilities (Istat datawarehouse, 2018).

The two segments of ECEC services are also characterised by different patterns in terms of outsourcing by local government. As to the 0-2 segment, direct public provision reduced from 83% in Italy and 86% in Emilia Romagna (Istituto degli Innocenti, 2002) to 54% and 60% respectively (Istat datawarehouse 2018). However, this was not the result of a substitution process, since, as visible in table 3, the number of children attending directly managed crèches increased from 86,831 to 90,167 in Italy and from 14,072 to 14,570 in Emilia Romagna⁴ in the year 2016 (Istituto degli Innocenti, 2002; Istat datawarehouse, 2018). Table 4 and figures 3 and 4 show the evolution of the available places in all crèches (both publicly and privately funded) in Emilia Romagna over the period 2006-2015. As one can see, there was a significant increase in the number of available places in the region, which moved from 29,662 to 37,753. However, this increase in available places took place exclusively in the private segment (both in a contractual relationship with local municipalities and as purely private provision), while direct public provision decreased only slightly. Hence, in the case of childcare services, the reduction in the share of directly provided public places does not represent a substitution process, but rather a layering process, by which private provision was added up to the public direct one.

4

Data for the year 2000 are an estimation based on the share of public crèches directly managed by public institutions as reported by Istituto degli Innocenti (2002).

[Tables 3 and 4, and figures 3 and 4 about here]

As to the 3-5 segment, the share of children attending a public institution remained rather stable since the late 1990s/2000s, both in Italy and in Emilia Romagna (as one can see from tables 5 and 6, such share reduced by just 1 percentage point in Italy and by 0.3% in Emilia Romagna). Still, children attending institutions managed by local governments decreased (from 15% to 9% in Italy and from 21% to 17% in Emilia Romagna), even though significantly less than compared to what happened in crèches. Moreover, while the contraction in municipal provision holds both in relative and absolute terms in Italy, with a significant reduction in the number of children attending a municipal kindergarten, in Emilia Romagna the number of children enrolled in municipal kindergarten is rather stable (Figure 5 and 6). Hence, the reduction in relative terms is not due to a substitution effect, but to the expansion of offer which – differently from what happened in the 0-2 ECEC segment – did not take place in the public sector, but was equally spread between public and private institutions. This confirms the willingness of the local governments in Emilia Romagna to preserve their distinct tradition of municipal provision of childcare services for 3-5 children (XXX). A limit of this analysis is that no data are available regarding the diffusion of contracting-out within public kindergarten. Still, according to our interviewees outsourcing is significantly less widespread than in early childcare services.

[Tables 5 and 6, and figures 5 and 6 about here]

Moreover, legal constraints on hiring and staff expenditure pushed an increasing number of municipalities, mostly located in the Centre or North of Italy, to transfer ECEC services to entities called “special firms”, “foundations” or “joint-stock companies”. These organisations are owned or controlled by the municipalities, but they have a distinct legal status and are provided with managerial autonomy from them; in the case of foundations and joint-stock companies, they are also regulated by the private law instead of the public law.

Since all these entities are partly free from legal constraints, transferring directly-managed services to these entities allowed municipalities to tackle and solve the staff shortage. The same legal privilege is shared by the “institutions”, which are macro-units within a municipality, provided with a special organisational and financial autonomy from it.

All these entities may be considered “hybrids”, as they share features with both public and private organisations (Neri, 2016). Public ownership and control give them the statutory duty both to pursue public goals and to respect general public administration principles in their activity. Organisational and financial autonomy and, in some cases,

private law regulation provide them with managerial tools more similar to those of private firms. These tools partially concern human resource management and, except for institutions, are linked to the possibility of adopting a private sector collective agreement for the employees.

Outsourcing and labour market segmentation

In all the three segments of socio-educational services under consideration (i.e. elderly care services, crèches and kindergartens), we can identify significant differentials in the regulation of employment applicable to public and private organisations.

A first remarkable source of these differentials is set in the national collective agreements (hereinafter NCA) applied to public and private organisations. Indeed, the socio-educational sector is characterised by a highly fragmented collective bargaining structure. Public employees are applied two main NCAs: the Local Governments agreement to staff working in crèches and elderly care employed by municipalities, and the (State) School Sector agreement to teachers and other staff in kindergartens. Private organisations can apply a plurality of NCAs: at least ten in the elderly care sector and seven-eight in ECEC services, which greatly vary in terms of diffusion and in the number of covered workers.

The magnitude of the differentials in employment standards set by the different NCAs is shown in table 7, that reports information on wages, weekly working time and annual holidays for the dominant professional figures (social care workers, early childhood educators and kindergarten teachers) of the three analysed services as foreseen in the two public sector NCAs and the three most applied private sector ones (Social Cooperatives, Aninsei⁵ and Uneba⁶).

[Table 7 about here]

Monthly salary levels set by the public sector NCAs are systematically more generous than those in the private ones, even if with significant differences between them. The number of working hours and annual leave days is also more favourable to employees in the public sector: 36 hours per week (for teachers usually 30 with children plus 6 devoted to indirect activities, such as training and planning) in the public sector, while between 34 and 38 in the private one.

Further social protections established by the contract include the statutory maternity leave

5

Associazione Nazionale Istituti Non Statali di Educazione e Istruzione. Aninsei is an employer association affiliated to Confindustria, which is the main general employer association in Italy.

6

Unione Nazionale Istituzioni ed Iniziative di Assistenza Sociale. UNEBA is the employer association mainly affiliating the Foundations (ex-IPAB).

and a fixed sickness scheme. Moreover, they set fixed hourly schedules during the daily shift and a daily maximum amount of working hours. Between the public sector agreements, the State School agreement is more favourable to the employees, especially in the working time.

Differentials in employment standards are further exacerbated by the dynamics of decentralised collective bargaining, traditionally more generous and extended within public administrations, although pay and bargaining freeze adopted after 2010 in the public sector have minimized the role of this factor in the last years. According to some of our interviewees, the difficulty by private providers to grant pay and working conditions above what defined by the sector collective agreement strongly depends from the way in which local governments set tariffs for contracted-out services.

The outsourcing of services and the economic offers they require doesn't allow you to say "ok, I pay my workers as you, municipality, do with yours", because tenders are based on salary levels which take into account the minima set in collective agreements, but not more than that... (Manager, social cooperative).

The differentials in working conditions set by public and private collective agreements at both national and sectoral level represent a significant incentive to outsource, since they allow local governments to cut the cost of services whose production costs are strongly dependent on labour costs.

I'm aware that a child in kindergarten costs €1200 to the municipality, while we cost €800. I can explain you why I cost 800 and the municipality 1200. Then you can blame me because my employees earn €200 less than public employees, because my employees don't enjoy 2 months of holiday like the public employees. But in the end, we explain to the parents that the fee the municipality charges would amount to €600 per month [in case of direct provision, authors' note], while with a private cooperative it costs €400 (Employer association).

Beyond issues of cost containment, outsourcing enables local governments a more flexible management of the services. For example, operators managing outsourced crèches and kindergartens are paid only for the months they are actually open, with no remuneration for vacation days or summer months, when they are closed. Often, this arrangement is shifted by private organisations onto their employees, which are not paid during summer months:

They pay us only the hours we work. If workers don't work and they haven't accumulated enough hours, either they go on holiday, otherwise they take unpaid

leave. It's not like teachers, who get paid in any case, also when the school is closed (Manager, social cooperative).

Flexibility in the management of the workforce represents a further differential that the public administrations leveraged in the provision of both elderly care services and ECEC services:

Workers employed by private companies are more flexible, more willing to work longer hours, less unionized, less prone to make claims. So if I need to provide a service on Saturday or Sunday it's much easier by outsourcing (public manager, HR department of local government).

Similarly, outsourcing enables local governments to save on uncertainties in the provisions of these services or in the workforce management. Since private operators are remunerated only for the hours of service actually provided, local governments can save costs when users decrease in number, like for crèches, or are absent or unable to receive treatment, as in the elderly domiciliary care services.

If the demand for services decreases for a number of reasons - because my budget allows me to finance only 4 classes instead of 5, or because less children enrol, if I employ public personnel I have to relocate the workers, if I employ outsourced staff I can cut the hours of the cooperative and the cooperative will get sorted (Union official).

Moreover, outsourcing reduces indirect service costs, since no additional costs are incurred when workers are ill and need to be substituted. This cost is borne by the service provider and not by the municipality, which, in case of direct management, should pay for substitutions. Lastly, the way in which municipalities remunerate private providers for their services, focusing only on hours directly spent with users, also enables savings. In educational services, this often translates in a scarce economic recognition of “indirect” activities, such as preparation, collegial activities and time spent with families, while in elderly care it relates to training and to travel time between assignments (see also Rubery and Urwin, 2011 for similar dynamics in other countries). Sometimes, this translates into workers working for free. Moreover, the lack of recognition for indirect activities also means that private service providers often dedicate low budget for activities as psychological supervision, necessary for workers exposed to a high burnout risk.

Differentials in the regulation of employment between public and hybrid organisations are, instead, not so strong, although they may be still significant. First, while local governments usually take advantage of service transfer to hybrid organisations to change

employment regulation (from public to private NCAs), this usually only affects new employees. Second, the shift from a public to a private NCA is not compulsory but it is a free choice for a hybrid organisation, even in the case it has a private legal status; therefore, it may find a legally justified opposition by staff, unions and also groups of users, which may force hybrid organisation managers to accept compromises aimed at reducing the differentials. Third, municipalities may push hybrid organisation managers to attribute their employees better pay and working conditions compared to those set by private NCAs, because they are worried of possible negative effects on service quality.

As a result, in many cases, company level bargaining reduced, though not eliminated public/private differentials. For instance, in one of the examined cases, a company level agreement harmonized salary levels between nursery practitioners and kindergarten teachers employed by the new hybrid organisation and public workers, while maintaining all the differentials existing between public and private NCA to ancillary workers. In another, the wage gap was significantly reduced, even if still relevant (3.400 € per year), while annual leave was set at the level of the “old” municipal services, but weekly working time increased of two hours. Moreover, all the hybrid organisations we observed successfully strived to preserve (or introduce) the “generous” working time, attributed by the municipal agreement, to training and to indirect activities, often called in these cases “internal management activities” (i.e. hours for staff meetings or for educational activities with the families). Surely, some advantages for public administrations in the management of the workforce (a partial deterioration of workers' employment conditions) are visible, but considering labour costs savings and the search for greater flexibility as the major drivers for introducing hybrids is, at least, questionable.

Labour costs savings and other advantages in the staff management obtained by the shift to the new organisation are quite important for us, but they came as a by-product. I don't think the municipality decided this change to exploit them, otherwise contracting-out to a cooperative would have been more effective (hybrid organisation manager).

In sum, public institutions have strong incentives to outsource in all three segments of socio-educational services under scrutiny. Thus, the different trajectories in the mix of public and private provision of these services we have previously highlighted cannot be explained only by looking at the different regulation of employment relations applied to public and private organisations.

Political processes

As the empirical findings presented in the previous sections have elucidated, the rationale underpinning the different public/private mixes we identified in the provisions of different socio-educational services cannot be limited to explanations related to labour market institutions. Political dynamics also play a significant role in explaining the organisational arrangements adopted by municipalities in the provision of these public services. This is particularly evident when looking at the growth of hybrid organisations in the provision of educational services in Emilia-Romagna as well as in other Regions, especially in the Centre and North of Italy. By setting up these new types of organisation, local administrators aim at pursuing three different goals.

First, the establishment of hybrid organisations represents a viable response to circumvent the limitations set on hiring and staff expenditures by the municipalities, which force to reduce service provision within directly managed units (Bordogna and Neri, 2014; Neri 2016). Hybrids in fact are partially excluded from the financial constraints imposed to local government by the austerity policies, which have been relaxed in the last 2-3 years but were particularly severe in the previous years.

Second, the transfer of educational service provision from directly managed units to entities which are separate or autonomous but controlled by municipalities prevent or soften the political and social opposition to full privatisation, raised not only by staff and trade unions, but also by family users and local communities (Neri 2016). The critical staff shortage in municipal services could have been resolved by outsourcing the service to private providers, such as social cooperatives. However, conversely to what occurred for other public services, many municipalities had to deal with strong opposition to the initial political plan to contract out crèches and kindergarten:

The municipality decided to set up this “public-private” organisation because they couldn’t contract the services out to a social cooperative, because of all the mess that would have happened with staff, parents, unions and so on...(manager, hybrid organisation)

The outsourcing of educational services has in fact met the resolute resistance of various groups of stakeholders in such policy field, starting from the local communities and the citizenship. They embody not only the indirect services’ users but importantly the voters of the local governments, to whom elected political representatives have to be accountable for.

We’re talking about a sector where a lot of the citizens’ consensus is at stake for the local governments. The citizens vote and if you cut these services they usually don’t appreciate. And therefore the administrations tend to cut as little as possible but because they have less money the process is “we do everything we did before with much less money” (employers’ association).

A tough opposition has also come from the personnel employed in these services, primarily teachers, and by their trade unions:

The only staff, in my work experience, who has always fought against outsourcing, are the teachers; I have to recognize this, in the sense that they could say: “I don’t care, I accept to be relocated in an office after 20 years spent with young children” – nursing young children for 20 years is a big burden – but they don’t (trade union official).

Staff resistance was fostered and sustained by the role played by the trade unions against outsourcing processes in the educational services. Union opposition grounded on the one side on the protection of the public jobs and their working conditions, while on the other on the safeguard of the public management in these services.

The teachers’ union representatives act very strongly for the safeguard of public management. And the concern for the union is about good work, so they fear that at some point they will be proposed to be part of a private system (municipal manager - HR department).

In such a scenario, hybrid organisations, partly or totally controlled by the municipalities, proved to be a more acceptable and legitimated solution that enabled to conciliate the financial and staffing level constraints of the municipalities with the claim for a public management of the educational services.

Third, municipalities opted for establishing hybrid organisations as policy tool to retain a direct role in the provision and management of educational services. Given the rooted historical tradition developed in such policy field, within areas where public authorities provide high quality crèches and kindergartens (Neri, 2016, 2017), public administrators showed their willingness to keep the direct control and to “safeguard the municipal patrimony in a context of shrinking hiring possibility” (manager – hybrid organisation). Similarly, the website of another hybrid organisation reports that

The company was founded in 2010 to meet the challenge of maintaining a public management of educational services and, at the same time, of combining the need for their sustainability in economic terms (ASBR 2017).

The protection of the public patrimony in the educational sector to which public managers refer to includes not only the material assets, but importantly the cultural heritage of the municipalities, as well as the whole endowment of interpersonal and institutional relationships that develop between the public authority and the citizenship.

Particularly in Emilia-Romagna, but also in other areas of the Centre and North of Italy this municipal tradition found one of its main expressions in the childcare sector, where it has been developed since the 1950s and the 1960s, becoming a constitutive component of the social and cultural context.

If I were a council member for public education, I wouldn't outsource schools because I have a relationship with the parents, reasoning in political terms. Each further subject, even very efficient, who I add, distances this relationship. If you want to free yourself from this, this is another story, but these outsourcing processes have somehow marked a distance between those who led the public authorities and the citizens because there are more steps in the middle, a different structure (trade union official).

Public childcare services are part of the local institutional and cultural tradition, constituting an historical legacy which not only strengthens the position of some interest groups, such as unions and public service staff, but shapes also public opinion and local community orientation on outsourcing, affecting policy makers' decisions.

Moreover, in the 3-6 segment of ECEC services, these social and cultural elements embedded within municipal educational services are strengthened by the nature of "school" assumed by the kindergartens, since decades. Contracting out kindergartens to private providers would have interpreted as a "school privatisation" by a relevant part of the local public opinion. Along the well-established role of the state as a provider, this helps to explain why outsourcing to independent providers is possible, but in practice proved to be particularly difficult, even more than crèches.

Social cooperatives find easier to enter the crèche market than kindergartens, because when a municipality wants to outsource a kindergarten, there's always someone saying that this is not like a crèche because we're speaking of a school, and there's also the alternative of giving it to the state, although everybody knows the state doesn't want them all (manager of a cooperative association).

In these conditions, service transfer to hybrid organisations is less contested by opponents, being not perceived as a "pure" privatisation and reassuring public opinion that educational services and, especially, kindergartens, will follow being "public".

The outsourcing of other public services, such as elderly care and partially also crèches, has instead met less opposition at local level. In general terms, some structural changes which took place within social care, such as the large recourse to migrant care workers directly recruited by Italian household (often without regular contract) may contribute to explain the low resistance against privatization, especially in elderly care. This peculiar

process of privatization and marketization of social care might have diminished not only social pressure but also social expectations of a state intervention in the provision of social service (Da Roit and Sabatinelli, 2013), negatively affecting the political relevance and the degree of social sensitivity towards privatization.

The difference in the political relevance among different types of services is highlighted, first, among workers and their trade unions:

[did the trade unions display a clear opposition to outsourcing?] On certain services a lot and on others not. On social-educational services a lot (trade union official).

This is probably due to the fact that the outsourcing to private providers occurred during a period of service expansion, as well as to replace retired public employees when they cannot be substituted by new public staff, and did usually not involve workers already employed by public institutions, implying their transfer. Moreover, we may also argue that, for historical reasons, in Italy private provision is traditionally more legitimated and accepted in social assistance than in education, especially in school. This seems to be true even in a Region like Emilia-Romagna, where municipal social services have a good tradition but they are not as rooted as educational services, within the social and cultural endowment of local communities.

For what concerns crèches, the growth of private provision has taken place mostly since the end of 1990s, within a context of global service expansion, although this has not been enough to bring the service to satisfactory levels in most of the Italian Regions (Da Roit and Sabatinelli, 2013). Hence, the growing incidence of private provision did not endanger previously existing public institutions, reducing the likelihood of social protests for the growing role of the private sector. This was true until most recent years, when staff shortage due to austerity policies started also to threaten the service continuity of public crèches in many Centre-Northern towns; hybrid organizations represented a solution able to contain protests and conflicts for externalization.

In the field of social services for the elderly, instead, the remarkable growth of the role played by private organisations has been driven by the lack of new hirings in the public administrations to compensate for retired personnel:

little by little social workers retired and we replace them through a cooperative. We've never considered to completely outsource social services starting from a given time, but we tried to integrate municipal personnel with cooperative personnel. Hence the externalisation often got through "the acquisition" of labour (municipal manager – social services department).

public services outsourced and, therefore, managed by the private sector, have

seen a constant trend of non-substitution of public personnel, also because public personnel didn't normally see recruitment [...] and therefore the rest went totally into private hands (trade union official).

The idea that the outsourcing of some public services raises greater political and social concern than other is visible also in our case studies. One of the studied municipalities, indeed, while unable to overcome resistance to the privatisation of educational services, successfully contracted out both ancillary services in educational facilities and one of the two still directly managed residential care homes (Bordogna e Neri, 2014). Moreover, the same municipalities which found impossible to privatise public kindergartens and also crèches, therefore deciding to transfer public educational services to hybrid organisations, have gradually but progressively contracted out nearly all social services in the last 15-20 years.

Discussion and conclusions

In this paper we have examined different trajectories of externalisation and the development of different kinds of welfare mix in three different sub-sectors of socio-educational services: long-term care for the elderly, early childhood services and kindergartens. In line with the theoretical construct of the labour market segmentation theory (Flecker, 2009; Rubery, 2007), we have shown that differentials in labour regulation across the public/private divide and the consequent possibility to access labour markets characterised by cheaper labour and higher organisational flexibility (Jaehrling, 2015) are a key explanation in local governments' decisions to outsource. This produced a significant fragmentation of employment conditions among different groups of workers employed in socio-educational services, with working conditions systematically more generous for workers in the public sector compared to private contractors, and hybrid organisations showing intermediate situations between public and private employment regulations.

However, as advanced by the comparative public administration literature (Kuhlmann and Wolmann, 2014; Sundell and Lapuente, 2012) and, in particular, by the stream referring to the actor-centred variant of the neo-institutionalist theory (Scharpf, 1997), we also showed that final choices about externalisation are significantly affected by political and social factors and particularly by the often strong opposition by citizens, personnel and trade unions to pure market solutions in the provision of such services (Dorigatti et al., 2018). These kinds of pressures often promoted intermediate organisational solutions instead of full privatisation, namely the creation of hybrid organisations. Still, we also showed that there are significant differences in the types of services which are more likely to raise these kinds of political oppositions and, therefore, which might be provided

through these types of organisational solutions. Indeed, political sensibility against privatisation proved to be stronger in the case of services like kindergartens, which are closely associated with the educational and school system and are, therefore, deemed to remain public. Partially, this extended also to early childcare services like crèches, especially in those municipalities where there is a longer tradition of public provision of this kind of services. The historical legacy of educational services makes outsourcing more difficult than in the case of social services, which do not share the same public service tradition. However, within the childcare sector, it is easier for local governments to outsource a crèche than a kindergarten, being the first located in between social and educational services.

Recent creation of an integrated system including all the ECEC services for children from 0 to 6 years old, instituted in 2017 by the childcare reform should bring crèches and other 0-2 services closer to kindergartens and school services. This could make “pure” privatisation of public crèches more and more difficult, increasing the use of hybrid organisations for externalisation. On the contrary, services for the elderly were more frequently and less contentiously privatised, slowly but progressively replacing public with private staff, as described in the previous pages. Historical reasons contributed to this different result.

Our paper contributes to the literature by integrating two different streams – the industrial relations literature on outsourcing and labour market segmentation and the public administration literature on local governments' outsourcing decisions – which have rarely spoken to each other and by showing the usefulness to integrate labour market factors and political dynamics in the explanation of local government outsourcing decisions. Moreover, we show that, in the absence of structural reforms, local governments tended to grant the survival and/or the expansion of ECEC and elderly care services at the expense of workers. However, political processes, polity conditions as well as institutional and administrative legacies limited this capacity in the case of those services considered particularly crucial for local communities. According to our interpretation, these factors contribute to explain the stronger resilience of publicly managed services (and the consequent employment of workers within the costliest public regime) in the educational sector compared to the care one, even in a phase of severe austerity and in absence of deliberate reforms.

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