

The Long-Term Evolution of the Government–Third Sector Partnership in Italy: Old Wine in a New Bottle?

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Introduction

In Italy, there is a long tradition of nonprofit organizations (NPOs) working in the human services field. Church-related institutions have long managed big charitable institutions that provided care for the elderly, the disabled, and children without parents. Mutual organizations have also been organized in order to provide insurance and help for workers or people affected by specific diseases. Both the Roman Catholic and Communist subcultures have nurtured this activity, providing philanthropic and charitable organizations with political legitimacy and institutional support.

In recent decades, as a consequence of the secularization of the country and of the crisis of traditional ideologies, these old institutions have been partially replaced by new independent organizations, whose first aim is to respond to demands for broader and more established citizenship rights. The parallel growth of the welfare state has paved the way for the development of a strong partnership between these

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organizations and the public sector, fully integrating the former within a broader social service system characterized by a “welfare mix,” i.e., a complementary regime of mutual cooperation between the state and the third sector (Ascoli and Ranci 2003). Increased financial support from the state has also supported a partial transformation of such organizations from voluntary-based associations into nonprofit professional agencies specialized in the provision of social services. In the last decade, however, these changes have paved the way for new tensions and contradictions.

This article examines this evolution of the Italian nonprofit sector from its historic, voluntary origins to its position as a substantial partner of the state apparatus in the delivery of human services. The main argument is that in Italy the government–third sector partnership—historically characterized by a mutual accommodation system largely based on particularism and political patronage—has gradually shifted towards a model that peculiarly mixes up a market logic with a participatory orientation. In this shift, state regulation has not slowed down, as expected according to the neo-liberal paradigm, but has paradoxically been strengthened in order to allow more transparency, freedom of choice, and effective joint planning. However, the lack of financial and technical resources that are needed to implement the new system still exposes it to old style local arrangements, still based on the dominance of particularistic, neo-corporative interests. Innovation is therefore taking place in this contradictory, ambivalent scenario, where continuity and change compose a blurred mix.

To describe this evolution and the emerging tensions, the discussion here proceeds in five sections. In Part I, we briefly describe the main structural characteristics of the Italian welfare mix system. In Part II, a short overview of the long-term evolution of the government-third sector relationship is presented. In Part III, the focus turns to the partnership system as it consolidated through the late 1990s, while Part IV reviews the main changes that have occurred since the turn of the century. Finally, Part V describes the main tensions and ambiguities that characterize the present situation.

Part I. A Short Overview of the Third Sector and Its Role in the Social Service System

Although smaller than in the other big European countries, in Italy the third sector has played a crucial role in the provision of social services to the population. Without the contribution of the third sector in terms of resources and services, the capacity of the Italian human social service system to meet the needs of the population would be much lower than it is. Even the prospect of maintaining current service levels in the current period of financial crisis and state spending cuts largely depends on the strength and extension of the third sector.

A Small-Sized Sector

According to available statistical measures, the Italian third sector appears to be relatively small when compared with other European countries. An international

Table 1 Nonprofit organizations and human resources, 2001 and 2011

	2001	2011	Percentage difference, 2001–2011
Total number of NPOs	301,191	235,232	+28.0
NPOs with volunteers	243,482	220,084	+10.6
NPOs with paid employees	77,721	55,155	+40.9
Volunteers in NPOs	4,758,622	3,315,327	+43.5
Paid employees in NPOs	680,811	488,523	+39.4

Source ISTAT (2014)

comparison (Salamon et al. 2004) showed that the share of economically active population (full-time equivalent, as a percentage of non-agricultural employment) employed in the third sector was lower in Italy (3.8 %) than in France (7.6 %), in the UK (8.5 %), in Germany (5.9 %), and in Spain (4.3 %). Many factors have contributed to this fact: (a) the low level of professionalization and capitalization of the sector, which has concentrated most of its activity in low-qualified fields (such as human social services, for example) and has prevented the growth of the sector in fields, such as health care, requiring higher competence and larger capital investments (Barbetta 1997); (b) the high commitment of the Italian welfare state to develop a national education system basically grounded on a public school system, allowing private and nonprofit schools only a marginal role; and (c) the presence of a large informal sector, especially in the fields of social care, preventing the growth of specialized social service provision (Barbetta 1997; Borzaga and Fazzi 2011; Ranci and Sabatinelli 2013).

Nevertheless, present trends seem to be altering the previous situation. The 2011 National Census of the Italian nonprofit sector (see Table 1) reported a considerable increase in the total employment of the sector compared to 2001 (by 39 % for the number of paid workers and by 43 % for the total number of volunteers). This is a remarkable result to have been obtained in a time of increasing unemployment in the country, even greater considering that women (the traditionally weakest component of the Italian labor force) now represent 67 % of the total employment in the third sector (ISTAT 2014). Moreover, the huge increase in the number of NPOs employing paid staff (both on a permanent and a temporary basis) shows a recent trend towards the professionalization of the sector.

A Sector Specialized in Human and Social Services

A further specificity of the Italian third sector consists of its field specialization (Pasquinelli 1993). As in other European countries, the great majority of third sector activities—68 % of the paid and unpaid labor force—were concentrated in the field of welfare services (including health, education, social assistance, and human social services) in the early 2000s.¹ In Italy, the NPO presence in the human social

¹ Unfortunately ISTAT does not provide data by field for 2011. The present data are referred therefore to 2001.

Table 2 Sources of funding of NPOs by field, 2011 (National Census)

Field	State financing		Private financing			
	Grants and subsidies (%)	Contracting-out (%)	Member contributions (%)	Fees for services (%)	Gifts and donations (%)	Others (%)
Culture, sport, leisure	9.6	9.2	31.0	30.2	9.2	10.7
Education and research	10.9	30.9	12.4	28.4	6.8	10.6
Health care	2.8	65.5	3.3	20.1	3.5	4.8
Social services	4.1	52.4	7.5	22.8	6.6	6.7
Environment	10.1	22.4	19.4	30.8	9.1	8.1
Economic development	1.9	27.9	37.3	19.6	3.1	10.2
Advocacy	21.8	23.3	25.7	3.0	11.9	13.6
Philanthropic activity	1.8	2.1	7.6	1.9	6.7	79.9
International help	4.7	23.1	3.6	3.6	53.8	11.3
Religious activity	1.7	3.9	11.8	12.7	51.3	18.6
Trade unions	3.6	5.6	70.5	8.3	4.6	7.4
Others	0.2	0.9	67.0	2.5	0.8	28.6
Total	5.1	29.2	26.3	18.7	7.2	13.6

Source ISTAT (2014)

services field was particularly high, accounting for 28 % of the total nonprofit paid labor force. Volunteers were also highly concentrated in this field, accounting for as much as 36 % of all FTE volunteers. While on one hand, the third sector is small in size, on the other it is characterized by a high level of community involvement and a strong welfare orientation (ISTAT 2001; Cartocci and Maconi 2006).

The social services field is characterized by a strong presence of both organizations based exclusively on volunteers and small professional organizations. In 2001—the last available data, but figures have not changed much in the last decade—70 % of organizations operating in this field relied solely on volunteers, while small professional organizations (up to nine employees) accounted for 18 %. Only 5 % of the organizations in this field had more than 50 employees. Most organizations in this field adopted the legal status of an association under the Italian law, while approximately 10 % were organized as social cooperatives (ISTAT 2001).

NPOs providing social services, together with those providing healthcare services, depend heavily on public financing (see Table 2), showing that their service capacity is mainly grounded in the strong partnership they have developed with the public administration. For social service organizations, this public sector funding reaches over 56 % of total income and for healthcare organizations it exceeds 68 %.

Part II. Evolution of Government–Nonprofit Relations

To explain the apparent contradiction of a relatively small sector that nevertheless plays a crucial role in the delivery of social services, we need to consider the historical evolution of the Italian third sector and of its relations with government.

The Italian third sector's historical roots are sunk deep in the old tradition of Church-related philanthropic and charitable institutions and in mutual societies that were set up at the turn of the 19th century (Paci 1989). The social context in which these institutions developed was shaped for many decades by the residual nature of state intervention.

In various respects, what today is termed the “third sector” was in fact the “first sector” to operate in the human service fields in Italy, having already extended its services to cover most social needs in the 19th century (Barbetta 1997). The birth of the Italian state in 1861 brought about the need to bring this complex collection of initiatives progressively under the umbrella of uniform state regulation. However, the strenuous resistance of the Catholic Church to the rise of the state brought about a final compromise, officially endorsed in a special law by Prime Minister Crispi in 1890, by which charitable institutions (now called IPAB, *Istituti di Pubblica Assistenza e Beneficenza*) were granted a public–private status, providing them with government funding but very weak control by the state at the same time (Barbetta 1997; Ranci 1994). Moreover, even mutual societies, some of them affiliated with political parties, were given a public status granting them considerable autonomy and privileged access to state financing. Financially protected by the state, therefore, traditional third sector institutions, frequently operating in a clientilistic fashion, were granted both legitimacy and access to government funds without losing their significant organizational autonomy.

As state responsibility broadened progressively in the decades following WWII and more generous welfare policies were developed, the independence of charitable institutions was increasingly seen as an obstacle to the growth of state regulation, and state financial support for them was considered a waste of public money and collusion with a system filled with inefficiencies and serving discretionary private objectives, rather than legitimate public ones. It was, in fact, criticism of the old-fashioned approach of the traditional charitable sector that contributed much to the profound transformation of the third sector that began in the second half of the 1970s (Perlmutter 1991; Ranci 1994; Barbetta 1997; Ascoli et al. 2003).

The most evident phenomenon of this period was the appearance of new voluntary organizations that rejected control by Church or party hierarchies (Ranci 2001). The spread of these new voluntary organizations occurred in a profoundly changed cultural context characterized by the rise in the early 1970s of protest movements. The space for social intervention opened by social movements gave way to a demand for broader and more established citizenship rights (Ranci 2001).

On the other hand, the welfare state reached a phase of maturity and explicit recognition of its universalist aims. The spread of new voluntary organizations reflected this changed context. The traditional approach typical of charitable institutions was criticized and abandoned in favor of a philosophy of “civic

engagement” and “fighting social marginality,” which identified volunteering as a new way of socially integrating categories excluded from welfare benefits (Ranci 2001).

In the 1980s, new voluntary organizations passed from a “pioneering” phase to a progressive specialization and professionalization. In a context of growing demand for welfare and cuts in government spending, the survival of organizations effectively providing innovative social services was achieved only by transforming them into totally professional bodies. Social cooperatives providing social services emerged as a new organizational model that seemed able to reconcile the demands of efficient management with flexibility, independence, and participation (Barbetta 1997; Galera and Borzaga 2009). The 1980s thus saw the appearance of “social cooperatives” as a new component of the third sector. Social cooperatives are cooperatives based not only on the mutual aim to provide members with work, but also on solidarity purposes—such as providing poor people with social services, or integrating excluded people into work. These cooperatives gained public recognition in 1991 through a national law attributing to them a special public status (Barbetta 1997; Borzaga and Galera 2012). In the view of many observers, they have constituted the basis for the development of a highly professional and modern third sector capable of guaranteeing high standards of efficiency and effectiveness to replace or supplement direct state provision (Borzaga and Santuari 2000; Borzaga and Defourny 2001).

In the 1990s, the development of professionalism occurred in parallel with the arrival of new public policies aimed at increased delegation of welfare policy implementation to the third sector. Expanded state support of new NPOs has gone hand-in-hand with firm recognition of their public functions. The mixed public-private IPABs were abolished, and a clear split between public and private organizations was introduced in the Italian legislation (Law 238, 2001). Furthermore, as we will see below, nonprofit organizations have been increasingly recognized as partners of government in designing and implementing social services, especially at the local level (Fazzi 2009).

The current attention to the third sector undoubtedly reflects a substantial change in how the phenomenon is considered. While in the 1970s and 80s, the focus was on ethical and social aspects, recently the approach is more sensitive to the economic and productive aspects of the sector, while the supply of services designed to introduce modern management and fundraising techniques has multiplied (Borzaga and Fazzi 2011). The public debate on the forms of voluntary involvement that dominated past decades is now giving way to consideration of the production, employment, and management capabilities of NPOs.

To sum up, NPOs have been traditionally engaged in the provision of social services addressing the needs of the poorest part of the population. This social inclination has not fundamentally changed in the transition from traditional to modernized forms of charitable intervention. The growth of government responsibility in this field has not reduced, but has rather strengthened, the strategic role played by the third sector in this field, and has augmented the functional interdependence between government and nonprofits, making NPOs more and more dependent on state financing. As a consequence of such interdependency, the shape

of the third sector in this field—as well as its organizational capacity to provide professional and expanded social services—has been increasingly determined by its partnership with government. It is to that aspect that we need to therefore turn for a closer look.

Part III. The Government–Nonprofit Partnership: The Traditional Model

The social services domain in Italy has constituted a good example of a “partnership” between the state and the third sector, in which the former is responsible for funding but often leaves actual management and provision of services to the latter.

Three aspects have historically distinguished the Italian “regime” of partnership from those of other European countries (Ascoli et al. 2003). First, the role of the state in providing public regulation and financial support to NPOs that deliver social services, though crucial for the organizations’ activity, has also been more limited than in other European countries. Secondly, this partnership has been characterized by a high level of local differentiation and arrangements, and has been regulated through a peculiar mix of indirect and non-coercive government tools. Third, this system has traditionally been characterized by limited political independence for NPOs and their limited capacity to influence the politics of social policy.

Historical State Neglect of Personal Social Services

As opposed to other European countries, in Italy the responsibility of the state in the social services system has been very limited historically. Until 2000, no national law stated objectives and means for public intervention in this field; consequently, there was considerable fragmentation of responsibilities among local authorities and great disparities in the level and effectiveness of welfare policies across the country. A second peculiarity was the strong concentration of social assistance policy on direct money transfers to families—in the 1990s approximately 80 % of total government expenditure in social assistance² consisted of money transfers to families (Baldini et al. 2002), and only in the last decade has this share been reduced to 65 % (Ranci and Popolizio 2013). As a consequence, the development of in-kind social services has been very poor when compared to other European countries. As recently as 2014, the number of persons employed in personal care services (including residential care activities, social work, and other personal service activities, according to the Eurostat definition) represented only 4.2 % of total employment in Italy, versus 8.6 % in France, 6.7 % in Germany, and 7.6 % in the UK (Eurostat

² By social assistance, we mean all social interventions (excluding health and education) that are not based on a contributory basis. They include social care, family policies, minimum income measures, active labor market initiatives, and housing subsidies. Pensions and unemployment benefits are not considered part of social assistance as these benefits are based on previous contributions of eligible beneficiaries.

2015). Finally, limited public recognition of the need for in-kind services made the provision of social services very residual and generally means tested.

As a consequence of the limited commitment of the state to social service provision and of the historical tradition of third sector activity, NPOs acquired a significant role in this field—the share of the third sector in the direct provision of social services was estimated at around 70–80 % in the late 1990s (Ranci 2003). On the other hand, nonprofit organizations heavily rely on public funding. As of 2014, as already noted in Table 2 above, government funding represented 56 % of the total income of nonprofit organizations active in this field—a share equivalent to that of other continental European countries (ISTAT 2014). However, the absolute scale of the third sector in this field in Italy is still much smaller than its counterparts elsewhere as a result of generally limited spending by the state on social services and its primary concentration in money transfers to individuals.

Relatively Loose Contractual Arrangements

Although the state and the third sector were heavily dependent on each other in functional terms, this relationship did not translate into any close cooperation in setting goals and planning (Ascoli and Ranci 2003). In order to understand this fact, we need to consider the contractual arrangements between the sectors that were dominant until the mid-1990s.

State finance to nonprofit organizations occurred through five different tools (Salamon 2002):

- (i) *Statutory transfers*: the transfer of state funds to organizations that, despite their substantial autonomy, were officially recognized as “public” or “semi-public” institutions;
- (ii) *Subsidies*: the granting of state transfers to nonprofit organizations, with no substantial control on how the funds were employed or their final destination;
- (iii) *Vouchers*: a credit of a certain monetary value to people that had to be used only for purchasing-specific social services according to the need of the recipients;
- (iv) *Indirect government payments*: the state reimbursement of the costs incurred by nonprofit agencies in providing services to clients recognized as state assisted; and
- (v) *Contracting-out*: payments to purchase services provided by nonprofit organizations and considered to be in the public interest.

Salamon (2002) identified four dimensions by which different government tools can be compared: coerciveness, directness, automaticity, and visibility. To study government–nonprofit relationships, the dimensions of directness and coerciveness are the most relevant ones as the former defines the distribution of responsibilities between the two sectors and the latter refers to the level of discretion left to NPOs. The different tools can therefore be classified along a continuum relating to the degree of directness and coerciveness involved, with, at one extreme, no substantial restraints and wide margins of discretion on how funds are used and to whom they are given; and, at the other extreme, funding methods that encourage greater rigor in

the activities of NPOs with regard to their consistency with government-defined objectives.

Statutory transfers and grants, though aiming at different purposes, were the most diffuse tools until the 1980s. They were given without precise, explicitly stated criteria regarding either the “deservingness” of the recipient organization (or of their activity in the case of grants) or the amount of funding, and were therefore close to a wide discretion extreme. In both cases, funding was awarded by central or local authorities that “poured out” money to a broad range of organizations and partners. These funds were often extremely widely spread, making them both of little use to the organizations that received them and largely symbolic in value. Moreover, the arbitrary manner in which politicians and state bureaucrats were able to distribute this money often transformed the funding into an instrument of bargaining used to seek political support.

In an intermediate position are two other “tools:” *indirect government payments* of daily fees on an individual client basis to cover costs incurred by NPOs for service provision on behalf of the state, and *vouchers*. The former was the principal method of payment to residential institutions for the elderly. Vouchers have been only recently introduced in some specific fields, such as elderly home care services (Bifulco and Vitale 2006). While vouchers allow clients’ freedom of choice, in the case of indirect payments clients are allowed neither to select the providing organizations nor to choose on the basis of price, and the amount of the reimbursement and the nature of the services are determined through direct agreements between NPOs and state authorities. Even in the case of vouchers, however, public measures aimed at improving the choice capacity of the poorest clients have been very rare and temporary.

Finally, the other extreme on the continuum was funding by *contracting-out*, where government funding was given on the basis of specific regulations stating service contents and requirements that must be guaranteed by providers. This became the most relevant tool used in government–nonprofit financial arrangements in the 1990s, and a great part of NPO social human service delivery capacity was based on their access to local contracting-out procedures.

However, two main characteristics of contracting-out were often missing in the way this tool was actually used by local authorities. On one hand, while the formal regulations concerning the administrative use of the money were very detailed and strict, both the quality of services and the social purposes of the activity were poorly defined, leaving wide room for discretion on the part of providers. On the other hand, controls were often limited to administrative accountability with no attention paid either to results or to efficiency (Bifulco and Vitale 2006).

To sum up, while the government–nonprofit partnership was very diffuse in Italy and represented the cornerstone on which the social service system grew even in times of financial restraints, the regulatory capacity of local authorities was very weak and did not significantly increase until the 1990s. For a long time, the diffusion of indirect, more coercive government tools, such as contracting-out, did not come with a strong commitment on the part of local authorities to define and enforce concrete goals for social policy. On the contrary, state regulation was very often limited to formal negative control that practically turned into a fragmented and

particularistic regime of economic support, allowing nonprofit providers the autonomy to carry out their own missions.

In many local areas, these discretionary powers favored the establishment of a protected social services market in which NPOs were able to avoid competition and enjoy preferential treatment by local authorities. On the other hand, the irreplaceable nature of the services provided by NPOs made it very difficult for local authorities to develop effective and incisive public regulation. Both the limited funding of local authorities and the absence of competition among nonprofit providers—or between them and for-profit organizations—gave NPOs a clear advantage when it came to contractual bargaining. This advantage was also favored by a lack of qualified personnel in local authorities capable of making control and inspection effective.

Limited NPO Role in Policymaking

Despite the important role they played in implementing public policies and the considerable operational autonomy they enjoyed, NPOs did not historically play an incisive role in the making of public policies in the field of social services. This was essentially due to the very modest degree of organization and activity of civic and advocacy associations as a consequence of the dominating role of political parties and labor unions in society. Representation of third sector interests in social services policy making occurred mainly through the political brokerage of the Catholic Church, political parties, and labor unions. This brokerage, offered in exchange for the hierarchical subordination of nonprofit organizations to the political institutional agents that guaranteed their representation in the political arena, long prevented NPOs from playing a politically independent role (Ranci 1994).

Given the hierarchical and centralized structure of the mechanisms by which nonprofit organizations were represented in policy making, it is clear that they hardly had the recognized right to be independently consulted by government on decisions concerning legislation. Another consequence was that, for a long time, nonprofit organizations neither developed any significant political advocacy, nor did they play a significant role in promoting new rights to services.

The Mutual Accommodation Model

To sum up, in Italy the close functional interdependence between the state and the third sector has gone hand-in-hand with very weak state regulation of NPOs and a failure to base the partnership regime on explicit criteria of what was in the public interest. The relationship created between the state and the third sector in the field of social services has been defined as a “mutual accommodation” model—a relationship in which there is weak cooperation between the state and the third sector with regard to objectives and planning, but there is a strong functional interdependence between the two sectors and consequently each supports the other (Ranci 1994). This model has certainly allowed many local communities to maintain an adequate level of services for several decades, and in some cases, to respond to new needs and emergency situations. However, the regulation of this

system has been generally based on a fragmented and unplanned system of negotiations (Pasquinelli 1993). The coordination of programs between public administrations and NPOs has been managed mainly through local negotiations on particular and fragmented issues. This has resulted in political connections between politicians and nonprofit organizations and the degeneration of many organizations into the private domains of individual political parties. As a consequence, state financing of nonprofit providers has established a mutual dependency between the state and NPOs characterized by the shift of public responsibilities from the planning and control of the state into a private domain strongly exposed to political patronage and favoritism.

Part IV. Recent Changes in Government–Nonprofit Relations

The past two decades have marked an important turning point in the relationship between the state and the third sector in Italy, and as a consequence, in the shape of the Italian third sector itself. This turning point is mainly the result, on one hand, of the effort made by local authorities to involve the third sector in social service policies, and, on the other hand, the need to set up a new regulatory framework for the introduction of more market-oriented financial relations between the two sectors. The diffusion of contracting-out has, in fact, resulted in an urgent need for regulation to discipline transactions that have become as frequent as they have been open to different and uncertain outcomes.

The causes that have required this development have been multiple. The main cause consists of ever decreasing state funding to meet a demand for social services that appeared to be growing rapidly. The influence of European unification has been relevant here, as the cuts in spending required to observe the EU Stability Pact have resulted in cuts in total social spending, and consequently more attention paid to savings on the part of local authorities. Moreover, extensive political corruption scandals that broke in the 1990s brought with them a recognition of the need for greater transparency in the financial relations between local authorities and private suppliers. In 1992, for example, an investigation of the most important IPAB in Milan disclosed the extensive use of bribery to obtain political benefits and strong underground financial connections between the IPAB's top management and the municipal government of the city—through which great amounts of money were used to sustain a large corruption network (Ranci 1994).

Three major changes in the government–nonprofit relationship occurred during this period.

A first innovation consisted of a *new institutional regulation* of the third sector aimed at granting NPOs a clear public role in the making of social policy. It was only in 2000 that a new national law (Law 382/2000) was introduced that fully recognized the “mixed” nature of the welfare system, and granted nonprofit organizations the legal status required to provide services, related tax benefits, and forms and channels of state funding with greater precision than before. The traditional supplementary character of the third sector was clearly abandoned in this legislation in favor of provisions guaranteeing the involvement of NPOs not only in

service provision but also in planning processes and policy making (Bifulco and Cementeri 2008). At the same time, the legislation also attempted to demarcate the characteristics of nonprofit organizations operating in the social services field with greater precision, concentrating government funding on the most professionalized organizations. For example, the mixed status of IBAB was disallowed, and these institutions had to choose between becoming fully private organizations and being definitely included in the government sector (Ranci and Costa 1999). In general, therefore, as a result of the law, the third sector obtained full recognition of its service delivery capacity and was fully integrated into the development of social service policies.

A second change concerned the introduction of more *open competition* in mechanisms for government funding of social services (see Table 3). To discourage established practices based on mutual accommodation, new regulations were introduced to give more transparency to contractual relations between local governments and service providers, and to introduce rules for the selection of private suppliers based on price and the quality of the services provided. This was mainly achieved through a shift from grants to contracts, and through the introduction of specific rules, inspired by New Public Management, aimed at reducing discretion in contracting-out—such as price-based tendering as a mandatory requirement to obtain contracts; stricter accountability for contractors; impact assessment procedures, etc. (Bifulco and Vitale 2006).

In a later stage, voucher systems were introduced with the aim to promote the growth of social care markets on the basis of the recognition of freedom of choice principles (Le Grand 1991). As a consequence, the move towards social care markets has favored the entrance of for-profit agencies into this field traditionally occupied exclusively by NPOs.

A third relevant change has been the creation of new forms of coordination between government and third sector organizations. Coordination has grown at different levels, involving several aspects: strategic, i.e., concerning values and

Table 3 Evolution of the tools of government-third sector relationships in Italy

	1980s	1990s	2000s
Actors involved in the policymaking process	Statutory actors: local authorities, state officials	Statutory actors and representatives of the third sector	Statutory actors, nonprofit organizations and private actors
Public mechanisms to select private providers	Private negotiation	Private negotiation, tendering	Price-based tendering, public accreditation
Government tools	Grants, government indirect payments	Contracting-out	Vouchers
Control mechanisms	No controls	Only financial controls	Final and process controls
Regulatory model	Mutual accommodation	Competitive internal market	Quasi-market

general objectives of policy; organizational, i.e., concerning specific aspects as service quality or outcome assessment; and operational, i.e., concerning the interaction between managers and service providers in case management.

First, NPOs have been massively involved in planning and assessment processes for social policies (Pavolini 2003). The new national law enacted in 2000 and subsequent regional regulations in the field of social services have proposed operational models based on local concertation “tables,” in which local authorities, third sector organizations, trade unions, and representatives of local enterprises jointly define common goals and criteria for the distribution of government funds. This procedure has created a form of cooperation between state institutions and NPOs that is not only aimed at solving specific operating problems, but also at setting the general objectives of social policies—including the joint identification of needs, selection of priorities, planning and assessment of operations, and allocation of available funding. A progressive narrowing of the “culture” gap between personnel in state institutions and those in NPOs have been facilitated considerably by the frequency of their interactions in joint planning procedures and the opportunity often offered to third sector leaders to take on political or management responsibilities in local authorities (Pavolini 2003; Bifulco and Vitale 2006). Furthermore, the need to create mechanisms for the representation of small NPOs in order to involve them in the policymaking process has stimulated the creation of second-level umbrella organizations providing political consultancy, managerial services, and access to financial resources (Pavolini 2003; Ranci et al. 2009).

Through joint social planning, third sector organizations have therefore been progressively involved in the making of social policy. This fact has challenged many NPOs to assume a more general responsibility for the community, by paying more attention not only to their service delivery and managerial capacity, but also to the actual effectiveness of their activity and their capacity to establish cooperation with other social actors. While contracting-out has stressed the benefits of standardization and professionalization of service provision, the introduction of joint planning has opened some space for cooperation and innovation.

Coordination has also increased at the organizational level. While joint planning was formerly concentrated on criteria for selecting organizations for public funding, more recently, quality assessment of services and price–quality balance have become new topics of discussion among the various parties involved. As a consequence, the ability of local authorities to assess the quality of services has improved and NPOs have been involved in this process.

Finally, new modes of coordination have also developed at the operational level, where evaluation procedures have been widely subjected to experimentation aimed at improving service management.

On the whole, the past two decades have been characterized by greater involvement of NPOs in planning and assessing social policy implementation. The opportunities for NPOs to be included in the planning of social policies have been much higher where the planning activity has been decentralized to the local level. It is in fact at this level that planning is more easily extendible to organizations that traditionally have been more worried about their own survival than about assuming collective responsibilities. In the majority of cases, local planning already provides

for a network of cooperation and mutual trust between the public and the third sector.

To conclude, there have been three parallel processes in progress during the last two decades: (1) stronger state responsibility for social policies and a stronger institutional role for the third sector; (2) introduction of competition rules in the financial arrangements between government and NPOs; and (3) increasing involvement of NPOs in the making of social policy. Although the spread of contracting-out has required a clear split of responsibility between financing/controlling and service providing, the parallel institutionalization of the third sector as a social partner of government and the development of joint planning activity at the local levels have strengthened, not reduced, cooperation between the sectors. Furthermore, the introduction of market rules in financial arrangements, and the stronger role in policymaking and implementation assumed by the third sector, have required not less, but more state regulation, concentrated on coordination, on the definition of the rules of the relationship between the various actors, and on inspection and verification of results.

Part V. New Issues, New Dilemmas

These changes have represented a major move from the previous mutual accommodation regime to a new regulatory setting characterized by transparency, a focus on efficiency and effectiveness, and joint participation in policymaking. Far from being a mere shift from grant to contract, this change has brought about a strengthening of both government regulatory capacity and professionalism and orientation to the public good on the part of the third sector. However, this change has also introduced new tensions in the third sector and in the government–nonprofit partnership. This last part will review the most relevant of these tensions.

Firstly, new government tools recently introduced to regulate contractual arrangements between the state and NPOs have contributed to an organizational and financial crisis for many NPOs. Higher competition has been introduced into a field traditionally dominated by mutual accommodation and local negotiation. The diffusion of contracting-out and more recently of vouchers was intended to favor the development of social services for local communities, encourage increased numbers of service suppliers, introduce competition mechanisms by which private suppliers must improve the quality of their services and reduce their costs, and make the services provided more accountable to the public administration. In a word, market rules were aimed at reducing the power of the supplier in a field, such as social services, where quality is difficult to assess and control by clients is difficult. The introduction of price-based tendering and vouchers opened the door to new entries in such local markets, and as a result many nonprofit providers found themselves in competition with private for-profit organizations able to guarantee greater efficiency and effectiveness. The need therefore emerged for these organizations to acquire improved management capacities and greater capital investment—two traditionally weak aspects of the Italian third sector (Ascoli et al. 2003). Many small social cooperatives were forced to forge alliances to be able to stand up to the competition

and influence local authorities' decisions, thus abandoning a traditional attitude of defending their identities (Borzaga and Fazzi 2011). Nevertheless, other organizations were forced to cut their costs, causing an income crisis for their employees, and some of them had to close their operations.

A second cause of tension has resulted from the growing professionalization of social service organizations. Recent developments have seen increasingly greater growth of the paid worker component of the third sector, as shown in Table 1 above. As the potential of the productive and economic role of the third sector has gradually become more evident, the need to support business and management capabilities has also emerged along with the need to blur the traditional distinction between nonprofit and for-profit activities. One important consequence of this process of professionalization is the growing polarization between the more professional organizations and those based on voluntary work—at one extreme we find organizations based exclusively on voluntary work, while at the other there are organizations that operate exclusively with paid personnel (Ranci and Montagnini 2010). Organizations at these two extremes have very little in common and find it difficult to recognize a common interest and identity (Cartocci and Maconi 2006).

Significant changes are also taking place in the structure of the social services market. There has, in fact, been rapid growth in the demand for social services over the last decade, caused, on one hand, by the aging of the population and the consequent increase in persons with disabilities, and on the other hand, by the progressive rise in female labor force participation rates and the consequent demand for childcare and elderly care services. Due to the fiscal crisis and a resulting inertia in expanding government support, a large private care market has emerged fuelled by a growing supply of low-cost care labor provided by hundreds of thousands of immigrant women from Eastern Europe, Latin America, and some Asian countries (e.g., the Philippines). A black care market has therefore spread which, while allowing a growing mass of persons in need to be maintained in their own homes, prevents the growth of an organized care market in which NPOs can play a significant role (Van Hooren 2012).

In short, the third sector is experiencing a phase of considerable tension caused by the changes that have occurred in recent years in both public policies and in the private social services market. The most evident consequences of these changes can be seen in the emergence of tension between the capacity of organizations to maintain their identity and their ability to identify and satisfy a more selective and informed demand for services. The traditional competitive advantage gained from supplying services viewed as more reliable because provided on a not-for-profit basis seems to be losing ground in the context of a social demand that can also choose from private for-profit organizations and individual suppliers. At the same time, the effort to professionalize the field is weakening the nonprofit identity of organizations, reducing voluntary work and the motivation of paid workers. On the other hand, while paralyzing many organizations, these changes are opening up opportunities for new experimentation. In more professionalized organizations, such as social cooperatives, the current trends have been taken as an opportunity for innovating their mission and ways of operating.

Additional tensions are related more directly to the government–nonprofit partnership. The particular mix of competition rules and joint planning processes that is peculiar to the Italian-style government–nonprofit partnership, has been defined as a “jointly-managed competition system”—a new version of the old “mutual accommodation” system (Pavolini 2003). It is characterized by a limited number of potential suppliers, pre-selected either formally or informally through arrangements between local authorities and the main service providers, thereby greatly reducing competition. The weak capacity of local authorities to identify the specific characteristics of the services needed has often favored a process of negotiation to reach mutual agreement on the main aspects, including price and quality standards. This great balance in the relationship between the sectors has been ensured by both the local authority’s motivation to reduce possible information gaps and by the increased capacity of NPOs to aggregate and therefore to exert pressure and play a more active role.

If this model of jointly managed competition seems potentially satisfactory at least in comparison with the former ones, it nevertheless carries some risk. Two main problems are related to: (1) the potential “conflicts of interest” for those organizations that both provide services and participate in deciding which policies should be implemented and how the financial resources should be allocated; and (2) the selection process for deciding which NPOs should take part in the policy making process. While the most entrepreneurial and professionalized organizations are increasingly involved in this process, organizations mainly based on membership and voluntary activity have been increasingly marginalized from participation due to their lack of knowledge and influence. Therefore, the increasing polarization among third sector organizations might also have a strong impact on nonprofit sector representation in the policy making process.

Also problematic is the fact that an element of discretion must enter into the decisions taken by local authorities, due to the need to consider not only cost but also quality and structural standards in selecting recipients of funding. There is a serious risk that the actual model might turn itself into a more formalized version of the traditional “mutual accommodation” system, with NPOs and statutory authorities collaborating and interacting in more transparent and formalized ways, but within a logic of resource exchange that is profitable for them and not necessarily for the users and the taxpayers.

Given the limits on the market mechanisms identified above, it seems likely that increased use of contracts and vouchers may not be sufficient by themselves to ensure better efficiency, effectiveness, and user choice. There should be other mechanisms and institutions—some operating outside the relationship between nonprofit providers and local authorities—to carry out the role played by the market for the production and exchange of goods and services between private enterprises. However, statutory control mechanisms able to hold local authorities accountable are still limited and ineffective (Pavolini 2003). Moreover, users’ organizations have had a limited role in terms of fostering accountability (Pavolini and Ranci 2008); compared to other western European countries, user empowerment seems less central in the Italian debate and in public policy decisions.

As a consequence of the lack of such control mechanisms, a regulatory model based mainly on the relationship between local authorities and the more professionalized and entrepreneurial NPOs can marginalize smaller third sector organizations, such as user groups and associations, which usually have a limited role in the provision of services.

The “success” of the new jointly managed competition model probably depends ultimately on the willingness of the two main actors—local authorities and third sector providers—to restrain their potential opportunistic behaviors and work toward the improvement of local welfare systems. Less likely are the creation of formal mechanisms and institutions able to prevent deviations toward clientelism and opportunism.

The building of this jointly managed competition model is still an open-ended process. Its main effect has so far been the creation of a more institutionalized, less fragmented relationship between the state and the third sector. Given the Italian context of an unplanned system largely exposed to discretion and political patronage, the introduction of competitive mechanisms has favored the growth of more transparency and more regulatory capacity on the part of the state. Paradoxically, in other words, in the Italian context, market competition has been accompanied not by de-regulation, but by higher and stricter statutory regulation in the government–nonprofit partnership. Whether or not this process will definitively take the Italian welfare mix away from the mutual accommodation model is still an open question.

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Compliance with Ethical Standards

Conflict of interest The author declares that there is no conflict of interest.

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