

Social Cooperatives, Service Quality, and the Development of Quasi Markets in Northern Italy:

A Resource Dependency Framework

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OVERVIEW

Key Research Questions

- Transformation of the Italian Welfare State
 - What is the role of the Italian third sector in the development of regional welfare regimes?
 - How does the creation of local quasi-markets impact service quality within the third sector?
 - How does multi-level governance impact the development of local social service systems?

Objective of the Paper

- to understand how and to what extent resource dependency impacts the quality of service provision among social cooperatives in Northern Italy

Presentation Outline:

- Brief introduction to key empirical dimensions of interest.
- Analytical basis/ theoretical framework
- Empirical model (conceptualization, research design, methods, key hypotheses)
- Initial Findings and implications for the role of social enterprises in the development of social services
- Current Research

TRADITIONAL FEATURES OF ITALIAN WELFARE STATE

- Residual social protection schemes heavily skewed toward social security over social assistance policies
- Significant dis-equilibrium in social spending which favors privileged social insiders over more marginalized segments of population
- Restricted development of public services with social care entrusted mainly to the family and informal networks, as well as large charity organizations linked to the Roman Catholic Church

MORE RECENT DEVELOPMENTS

- Extensive administrative reforms relating to the organizational and financial underpinnings of social assistance and more toward “social investment” approach to welfare more generally
 - First national social assistance legislation (328/2000) and proliferation of Regional Legislature and norms
 - Decentralization/Consolidation
 - New Governance Mechanisms
- Strengthening of financial and organizational basis of social economy/third sector
- Stunted Federalism/Fiscal Crisis

SOCIAL COOPERATIVES

- “...it is not necessary to convert millions first or to overturn the State in order to get great changes made. Groups of reformers can begin anywhere, gaining experience and practical competence in managing affairs... and this excites enthusiasm whereas the heart grows sad and cynical when it waits for elected majorities of idealists to lay hold of the machinery of government to reconstruct Society” AE—Guilds and Cooperatives in Italy

Number of registered social cooperatives	1993: 1,479 2005: 7,365
Geographic Distribution (2000)	1994: N: 67% C: 15% S: 18% 2005: N: 47% C: 19% S: 34%

Sources: * CGM, 1994 **ISTAT, 2008



ANALYTICAL FRAMEWORK

➤ Quasi-markets

- attempt to introduce market mechanisms into the production and delivery of social services by separating the purchasing of services (done by local public administration) from the management and delivery of services (undertaken by non-government actors).

➤ Public Governance

- Transformation of the State → Globalization, devolution, privatization → new governance models
- Reappraisal of the hegemony of political institutions in determining participation in governing the public sector
- Third sector institutions are highly exposed to their external environments, which are in turn heavily conditioned by the regulatory authority and resources that emanate from the state

➤ Resource Dependency

- framework for analyzing the governments' role in determining the quality of institutional outputs among Italian social cooperatives
- institutional performance should be understood in relationship to the resource environments in which they are embedded
- Asymmetric power relations characterize the relationship between the government and third sector organizations operating within the social welfare sector
- An organization's vulnerability to external influence is partly determined by the extent to which the organization has come to depend on certain types of

RESEARCH DESIGN/CASE SELECTION

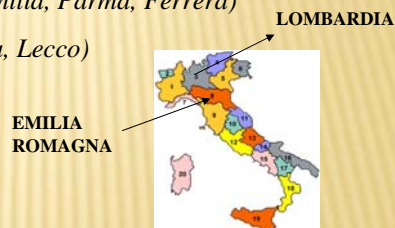
- Principle data source: In person-survey administered in 2001

- Number of social cooperatives surveyed: 140

- Case selection strategy: random-cluster sample of social cooperatives in two Northern Italy regions:

- *Emilia Romagna (Bologna, Reggio Emilia, Parma, Ferrera)*

- *Lombardia (Milano, Brescia, Cremona, Lecco)*



- Methodology:

- Primarily Quantitative: multivariate regression

- Qualitative: Archival Research/document analysis, in-depth interviews, in person survey, participatory observation

SERVICE QUALITY AS A FUNCTION OF SOCIAL PRODUCTION

INDICATOR 1A: Service Diversification

MEASURES:

- ✘ Breadth of service supply (8 item scale)
- ✘ Number of service types offered

INDICATOR 1B: Service Customization

MEASURES:

- ✘ Depth of specialized services (8 item scale)
- ✘ Number of personalized programs/activities offered to primary users
Importance of involving citizens in

EX: disabled service users:

Counseling/psychological support, Accompaniment (i.e. errands, social activity), physical therapy, specialized skill development, job search/placement, legal assistance, educational projects/scholastic integration, eliminating architectonic barriers for service user

Composite Index of Service Quality= Diversification + Customization (scale 0-16)

SERVICE QUALITY

- Overall, I find that the level of service quality among social cooperatives is quite moderate/(regional variation not statistically significant)
 - mean score=7.09 (s.d.=3.21; min=1; max=15)
- While most cooperatives appear neither particularly innovative contributors to the development of social services, nor, particularly mal adapt...
 - extremely high quality≈8%.
 - extremely poor quality≈10%.
- Despite their distinctive juridical and legal status, social cooperatives' capacity for cultivating high service quality appears less influenced by a particularly distinctive model of service development than by system of governance in which they are embedded

ANALYZING THE IMPACT OF PUBLIC GOVERNANCE

INDICATORS	HYPOTHESES	MEASURES
Focal Relationship: State dependency	The greater the proportion of public funding & and the fewer the alternative sources of non-public funding, the more likely gov't intervention will impact quality	% of total revenue generated by the public sector Diversity of funding sources
Mechanism 1 Level of public funding level	The higher the level of public funding, the higher the quality	Midpoint of interval scale ranging from 0 to 7 million dollars
Mechanism 2 Public-private Collaboration	The higher the level of collaboration, the higher the quality	Self-reported ratings of level of collaborative relations with local public administrators (0-10)
Mechanism 3 Competitive contracting	Competitive contracting will lead to a higher level of service quality	Dummy variable Presence of public service contracts acquired on the basis of competitive bidding

MODELING THE IMPACT OF PUBLIC GOVERNANCE ON SERVICE QUALITY

Model 1: Core Model	Model 2: Control and Intervening Variables	Model 3: Alternative Explanations	Model 4: Causal Mechanisms
<ul style="list-style-type: none"> ➤ State Dependency 	<ul style="list-style-type: none"> ➤ Size ➤ Age ➤ Sector ➤ Service Coordination ➤ Social Mission 	<ul style="list-style-type: none"> ➤ Community Embeddedness ➤ Ties to the Cooperative Movement 	<ul style="list-style-type: none"> ➤ Public-Private Collaboration ➤ Competitive Contracting ➤ Amount of Funding

REGRESSION OF SERVICE QUALITY ON INDICATORS OF PUBLIC GOVERNANCE				
Independent variables	Model 1	Model 2	Model 3	Model 4
<i>Portion of revenue from public entities (as % of public revenue)</i>	3.09**** (.948)	2.00** (.877)	2.19** (.885)	.334 (.999)
Diversity of funding sources (count)	.406**** (.159)	-.077 (.159)	-.039 (.167)	-.092 (.163)
Size of cooperative (number of users)		.004**** (.001)	.004**** (.001)	.002**** (.001)
Age of cooperative (in years)		.065* (.036)	.057* (.037)	.015 (.039)
Service provided for National Health Sector (/no)		.991* (.641)	.896 (.643)	1.11* (.659)
Level of service coordination (/scale)		.475*** (.199)	.483** (.223)	.632** (.226)
Importance of empowerment goals in the mission of the cooperative (/scale)		.742** (.329)	.784** (.334)	.853** (.339)
Level of interaction with Cooperative Movement (/scale)			.118* (.080)	.107 (.812)
Civic embeddedness (/scale)			-.033 (.048)	-.036 (.048)
Competitive contracting for services (/no)				.554 (.559)
Level of collaboration with public administration (/scale)				-.069 (.127)
Public Revenue (in 1000s of \$)				.001**** (.000)
Constant	3.247*** + (.914)	.319 (1.17)	.018 (1.19)	.934 (1.23)
R ²	.136****	.410****	.422****	.518****
Adjusted R ²	.122****	.376****	.378****	.464****

*p ? .1 **p ? .05 ***p ? .01 ****p ? .001

RESULTS

Model 1: Core Model	Model 2: Control and Intervening Variables	Model 3: Alternative Explanations	Model 4: Causal Mechanisms
<ul style="list-style-type: none"> ➤ State Dependence 	<ul style="list-style-type: none"> ➤ Size ➤ Age ➤ Sector ➤ Service Coordination ➤ Social Mission 	<ul style="list-style-type: none"> ➤ Community Embeddedness ➤ Ties to the Cooperative Movement 	<ul style="list-style-type: none"> ➤ Public-Private Collaboration ➤ Competitive Contracting ➤ Amount of Funding

EXPLAINING VARIATION IN SERVICE QUALITY

- Public funding is a critical factor in promoting service quality
- Bad news in a period of economic recession: We don't get better services when the public sector retrenches!
 - Message to public administrators: social cooperatives need a MATERIAL investment (not just a social investment) to produce high standard of social production.
- ✘ Money matters but other factors matter too.....
 - Evidence supports taking Multi Level Governance seriously
 - Vertical governance:
 - Regulatory regime that establish the parameters of particular social markets
 - Funding technology and contracting practices
 - Quality control instruments: point system and social certification
 - Horizontal governance:
 - how social cooperatives and their broader community support structure are embedded within local territories
 - Territorial embeddedness

THE RELEVANCE OF THE COOPERATIVE MOVEMENT

- Why we don't see purchase of service contracting producing the kind of "cultural take-over by stealth" (by state) as noted in other national contexts (Taylor and Hoggett, 1994)?
 - Key reason: Italian Cooperative Movement provides an important, independent source of governance within social cooperatives' institutional field.
- BUT, not hierarchical...
 - recall: social mission, as articulated by social cooperative leaders, has a
- In terms of governance, two indirect mechanisms of influence are particularly relevant:
 - its role in guiding and informing the priorities and strategies adopted by social cooperative directors
 - Ex: social budgets, code of ethics
 - negotiating the broader terms of public governance as well as the definition of service quality at the level of policy formulation.

ANALYZING SOCIO ECONOMIC GOVERNANCE

MODES OF GOVERNANCE	Public	Third Sector	Processes	Outcomes
CLASSIC CORPORATISM	Management Unilateral Centralized	Ideological Engaged Hierarchical	Coordinated/Binding Deep/Narrow	Coordinated Exclusive
DELIBERATIVE CORPORATISM	Democratic Multilateral Networked	Pragmatic Engaged Coordinated	Coordinated/Unbinding Deep/Extensive	Coordinated Inclusive
MANAGED PLURALISM	Management Bilateral Networked	Pragmatic Obstructionist Coordinated	Uncoordinated/ Binding Shallow/Narrow	Coordinated Exclusive
CLASSIC PLURALISM	Democratic Multilateral Decentralized	Ideological Disengaged Fragmented	Uncoordinated/Unbinding Shallow/Extensive	Uncoordinated Inclusive

