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Whatever works? Varieties of local public service delivery between instrumentality and legitimacy

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Whatever it works? Varieties of local public service delivery between instrumentality and legitimacy

1. Introduction

In recent decades, local governments in Western democracies have experienced a number of significant changes in the organizational arrangements to manage and deliver public services (Shoute *et al.* 2018). First, as a result of the NPM driven administrative reforms (Pollitt and Bouckaert 2011), then in response to the global financial crisis (Bouckaert and Kuhlmann 2016; Cepiku *et al.* 2018), the traditional model of service delivery based on direct management through municipal offices and public personnel has been progressively challenged by new tools and logics of action inspired by the private sector.

Most scholars of public policy and administrative science have framed and interpreted this change focusing primarily on the classic «make or buy» choice (Bel and Gradus 2018), looking at two dimensions: on the one hand, the legal nature of providers, highlighting the progressive shift of service delivery from public to private hands (Savas 2000; Romzek and Johnston 2005; Alonso *et al.* 2015); on the other, the principle underlying the relationship between the service providers and the political bodies of the administration, emphasizing the shift from relations of authority typical of the hierarchy to contractual relations typical of the market. At the same time, starting from the transaction costs framework (Williamson 1997), much of this literature has privileged an explanatory, rationally driven instrumental analysis of municipal choices on service delivery methods, mostly based on structural factors related to the type of service in addition to the financial conditions

and the demographic size of local governments (Brown and Potoski 2003; Rodrigues *et al.* 2012).

Indeed, both empirically and analytically, the range of organisational alternatives available to local authorities, as well as the set of variables potentially relevant in conditioning their choices, have proven to be much more nuanced. On an empirical level, a number of recent studies have highlighted the increasing use of alternative tools such as inter-municipal cooperation, or more generally, mixed approaches or hybrid models based on collaboration and networks (Brown *et al.* 2016; Dorigatti *et al.* 2020) like public private partnership (Hodge and Greve 2007), coproduction (Brandsen and Pestoff 2006) and accreditation of private providers (Bifulco and Vitale 2006). Moreover, although privatization is often analysed as if it was a single policy instrument, it actually encompasses various organisational solutions for the delivery of services through external contractors, including both «material» privatization and delivery through municipality-owned firms (Bel and Gradus 2018). Besides, from an explanatory point of view, scholars have begun to take into account other independent variables in addition to motivations strictly linked to efficiency and cost-savings, such as the ideology of the governing parties (Bel and Fageda 2008), the preferences of the electorate (Hefetz and Warner 2004), or even institutionalist biases determined by the legacy of the past or by path dependency in specific sectors and contexts, as well as by isomorphic pressures (Alonso *et al.* 2016). However, so far, all these variables have been often examined separately, and their influence on municipalities' choices has proven to be often controversial and sensitive to the local context (Bel and Fageda 2009; Petersen *et al.* 2015).

This article aims to contribute to bridging these gaps by pursuing two objectives: on the one hand, from an analytical-descriptive point of view, to systematize the knowledge currently available on the possible ways of managing local public services, that goes beyond the public-private and hierarchy-market dichotomies, trying to unpack these categories so as to take into account the most recent mixed, or hybrid, solutions that are becoming widespread (Section 1). On the other hand, on the explanatory side, we propose an analytical framework anchored to the conceptual categories of *instrumentality* and *legitimacy* (Capano and Lippi 2017) to understand how, and

under what conditions, different types of factors combine in leading local governments to choose one organisational tool for service delivery over the others (Section 2).

Empirically, the article focuses on the Italian municipalities, due to the ample variety of organisational options for service provision available under national laws since the mid-1990s. The study is exploratory in nature (Swedberg 2020), as it aims to detect the interaction of variables within very different systems and services, which is an aspect that has so far received limited attention in the academic debate on local service provision (Section 3). In particular, the proposed analytical framework will be applied to the two cases of Bergamo and Livorno in order to trace local decision-making processes across time (Sections 4 and 5): while both cities appear quite similar across a number of structural dimensions, allowing us to assume the need for analogous policy responses in strictly instrumental terms, they nonetheless differ not only in the political orientation of the governing majority (at least at the time the research was conducted), but also in their past political continuity, regional policy style, and inter-institutional governance patterns. These distinctions could lead scholars to build divergent expectations as to the perceived legitimacy of different policy instruments. The same applies to the two public service sectors chosen for analysis, namely, waste management and early childhood services, characterized not only by different levels of output predictability, but also by different institutional and regulatory constraints (more stringent for waste, less so for early childhood services). Lessons learned from the study will be discussed in Section 6 and used to propose a research agenda to be tested in future comparative research.

2. «Unpacking» organisational options for service delivery

Since the 1990s numerous studies have highlighted the tendency of many governments, particularly at the local level, to outsource the management of public services through contracts with private providers (Warner and Bel 2008; Wollmann *et al.* 2010). Contracting-out is commonly associated with other market-based organisational elements, such as privatization (Bel and Fageda 2007), which were included in the NPM recipe

for the reform of public administration (Pollitt and Bouckaert 2011) in order to avoid the shortcomings associated with the «old» Weberian model of bureaucracy – e.g. overproduction and inefficiency (Niskanen 1971).

Much of the original enthusiasm for contracting-out arrangements was linked to the mechanism of market competition that would «produce lower costs and better services» compared with bureaucratic, hierarchical solutions such as direct provision (Dehoog 1990, p. 318). However, contracting services out to private producers has not always produced the results expected by their promoters (Bel and Gradus 2018, p. 11). Indeed, government contracting to private firms is open to several possible failures (Hefetz *et al.* 2014): in many cases the number of potential providers is limited due to the nature of services itself or the small size of the group of potential users (in other words, there is no market), making opportunistic behaviour more likely; in some service areas – such as childcare – both users' needs and performance specifications are hard to define in advance. Last but not least, technical skills and information resources are often asymmetrically distributed between government agencies and contractors, generally favouring the latter (Williamson 1997) and making it hard to effectively monitor the implementation of contracts (Brown and Potoski 2003).

As a matter of fact, a good number of recent studies have shown that local governments are increasingly choosing mixed delivery arrangements based on cooperation over contracting out, because of the greater ease of monitoring, the lower transaction costs, and the trust that already exists among the organizations involved (Bel *et al.* 2013). These types of mixed organizational solutions, in which the government cooperates and shares responsibilities with another (or more) public or private entity in a network perspective, are long-standing governance tools for the design and implementation of public policies (Klijn 2003) and have recently found wide application in the provision of local public services. Inter-municipal cooperation, public-public and public-private partnerships, accreditation of private providers, as well as co-production, are the most common examples of this trend (Brown *et al.* 2016).

From this perspective, then, the classic dichotomous choice between make or buy or, in other words, between hierarchy

and market as regulating principles of the relationship between local governments and service providers, looks increasingly less appropriate to provide a comprehensive framework for the organizational alternatives available to municipalities. The same goes if we look at a further recurring over-simplification in the debate about how local public services are managed, namely the equating of the use of contracts with outsourcing to private providers (Warner *et al.* 2020). Indeed, local governments can enter into contractual arrangements with either entirely private firms and hybrid organisations such as mixed companies in which they hold an interest, or even entirely publicly-owned municipal corporations (Bel and Gradus 2018). Contracts may also be made between local governments and other public agencies as in the case of for-profit conventions between municipalities and other public entities (Brown *et al.* 2016). On the procedural end, services may be awarded through public competitive tenders but also through negotiated procedures (such as the competitive dialogue), collaborative arrangements (such as co-design or co-planning) and direct procurement within the limits permitted under EU law and national Procurement Codes (Dehoog 1990).

The range of options available to local authorities is therefore much more varied and complex than that sketched by taking into account the two dichotomies of «public-private» and «hierarchy-market». Referring to the category of mixed solutions based on cooperation and that of hybrid entities certainly helps from a descriptive point of view. However, for analytical purposes, we believe it is useful to systematize the aforementioned existing alternatives into a classification that combines the principle underlying the relationship between local governments and providers (i.e., hierarchy, cooperation or market) with the nature of the providers (i.e., public, private or hybrid). Table 1, which illustrates the different combinations and related organisational solutions available to local authorities for service delivery, shows in fact that not only the principle of cooperation, but also that of hierarchy (generally associated with direct public management of services) and that of the market (usually equated with outsourcing) are empirically compatible with both public and private, as well as hybrid, service providers.

Some of these solutions may be functionally equivalent, i.e., respond to the same instrumental needs: for example,

TAB. 1. *A classification of service delivery arrangements*

Providers' nature	Relation between local gov.t and provider		
	Hierarchy	Cooperation/Network	Market
Private	<i>Fait du prince</i> (unilateral change in the obligations of private contractors).	Accreditation; Competitive dialogue.	Contract with private companies through competitive tender.
Hybrid	In house provision (direct procurement) through entirely publicly-owned municipal corporations.	Public Private Partnership; Co-planning; Co-production.	Contract with mixed companies through competitive tender.
Public	Direct management; Contracting-in solutions.	Intermunicipal cooperation; Public-public partnership.	Contracting with other local governments/public entities.

cost savings (in terms of both structures and personnel) may be achieved either through outsourcing *tout court* or through sharing services between local authorities, or through forms of cooperation between the public and private sectors. In the same way, the need to ease bureaucratic burdens can be met either by delegating management to purely private operators or by resorting to mixed solutions such as municipal companies, or through service contracts concluded with other municipalities or public bodies. However, functionally similar solutions may have different implications for the effective capacity of local authorities to control service providers, as well as in terms of the acceptability of the instruments adopted (let say legitimacy, see Section 2) in the local context, according to the existing legacy, the ideological orientation of municipal authorities and citizens with respect to the nature of public intervention, and the preferences of local stakeholders.

Net of the differences existing in the regulation of local public services in the various European and non-European countries, the classification provided in Table 1 represents, in our view, a useful map for future comparative analyses of the ways and sequences through which local decision-makers orient themselves among service delivery arrangements, moving within the two dimensions considered. Limited to this paper, it also provides a starting point for a discussion of how, and under what conditions, local governments choose one option over others.

3. Service delivery arrangements as a toolkit. Local governments' choices between instrumentality and legitimacy

In the previous section we provided an overview of the variety of organizational solutions for public service delivery. These solutions mobilize different resources, personnel, and institutional allocations (Howlett 2011), and can thus be viewed as a set of different policy tools, i.e. techniques through which local governments, obviously within the limits of the regulations in force in different countries, generate, evaluate and implement policy options (Capano and Howlett 2020).

As the most recent literature on public policy has shown, in order to solve problems of collective relevance, governments are increasingly resorting to mixing different types of policy instruments, inspired by different principles (hierarchy, network, market) (Rayner *et al.* 2017), whose combination varies depending on the interaction between a range of contingent factors (decision makers' preferences, technical and economic issues, available resources etc.) and contextual constraints (institutional setting, policy legacy, political constituencies, etc.). Indeed, although the choice of a specific tool (or mix of tools) is obviously oriented towards providing a solution to a problem, this does not mean that the criteria underlying the choice are strictly technical or based on purely instrumental consideration; rather, «the choice of policy instruments is the result of the way in which decision makers combine the search for effectiveness with that for sense-making» (Capano and Lippi 2017, p. 293), meaning that the selected instruments must both be able to demonstrate effective intervention in the problem they are intended to solve and be institutionally and socially acceptable to policy targets (Howlett 2018).

This reasoning, in our view, can also be fruitfully applied to the analysis of local governments' decisions regarding the provision of public services. Much of the literature analyzing the reasons why local governments choose how public services are managed has largely favored an interpretation that sees decision-makers as rational actors who ground their choices on the available resources and the technical nature of the problem at stake. This approach has mostly associated the move away from direct service management with goals such as cost savings, improved services, and reduced bureaucratic

hurdles. It has besides favored an interpretation of specific organisational choices based on independent variables typical of transaction cost theory, such as asset specificity and output predictability (Brown and Potoski 2003), as well as factors like the state of municipal budgets (Bel and Fageda 2007; Petersen *et al.* 2015), municipal size (Chandler and Feuille 1994; Hefetz *et al.* 2012), and labour market issues (Grimshaw *et al.* 2015). Alongside these variables, other studies have instead highlighted the importance of factors pertaining to the specific decision-making context, such as the ideology of the ruling majorities (Bel and Fageda 2008), the preferences of citizens/users and local stakeholders (Hefetz and Warner 2004), the legacy in each policy area (Lippi and Tsekos 2019), as well as the isomorphic pressures of the institutional framework in which local governments are embedded (Alonso *et al.* 2016).

However, to date, there have been limited systematic attempts to analyze the intertwining of structural factors, technical characteristics of services and political-institutional variables in determining the choices of local governments in service delivery, with the notable exception of a few quantitative studies (Bel and Fageda 2009). Moreover, so far the correlation between each group of these variables and the choice of specific delivery arrangements has proven to be multivocal and often controversial (Petersen *et al.* 2015; Pallesen 2004). We assume therefore that the various factors that potentially influence the choice of service delivery arrangements should not be analyzed or discussed as parts of a simple cause-effect relationship; rather, they should be viewed as a complex fabric of conditions and strategies that reflects the «politics of instrumentality» (i.e. «the subjective perceptions and political processes that surround the choice of policy instruments», Hood 2007, p. 136) underlying the selection and calibration of service delivery arrangements.

Building on these considerations and drawing upon the analytical proposal by Capano and Lippi (2017), our working hypothesis is that the strategies used by local decision-makers to formulate potential alternatives and select viable solutions for the organisation of public service delivery are affected by a mix of factors which can be traced back to two macro dimensions, namely *instrumentality* and *legitimacy* (tab. 2). These two dimensions echo the distinction well-established in

neo-institutionalist analysis between the logic of consequentiality and the logic of appropriateness (March and Olsen 1989) and underlie different drivers that inform individual action and patterns of choice within organizations.

Instrumentality refers to the approach that frames the choice of how to manage services as a rational activity based on available resources and «the technical nature of [the] tool, that is, its coherence and effectiveness in relation to the pursued goal» (Capano and Lippi 2017, p. 278). Variables relating to the characteristics of the service (such as asset specificity and output predictability, as well as the number of potential service providers), which determine the extent of transaction costs linked to the stipulation of contracts with entities outside the administration, can be traced back to this dimension. The same applies to all the variables that affect the efficiency and cost-effectiveness of services, such as the possibility of creating economies of scale, which call into question structural features of municipalities, such as demographic size, geomorphological position, or the financial condition of their budgets, as well as workforce issues, such as labour costs or hiring restrictions. The relevance of the latter aspect has, moreover, been highlighted in the recent literature on local public services, as a result of the austerity measures introduced in response to the global financial crisis (Lippi and Tsekos 2019).

On the other hand, the legitimacy dimension addresses those factors that make the choice of how to provide the service acceptable either to the public or to the policy subsystem, as well as consistent with administrative traditions and previous policy solutions. Delivery options that on the instrumental side are equivalent for the achievement of a given objective (such as, for example, the reduction of bureaucratic burdens through the outsourcing of a service by means of contracts with private operators, or with companies participated by the municipalities, or through mixed-type solutions based on co-operation) may not be so on the level of political feasibility. Variables such as the political salience of the services at stake, the ideological stance of ruling majorities, the legacy of the past and the existing relations with the external environment (i.e., with other institutions and local stakeholders) all relate to this dimension. Isomorphic pressures (whether coercive, normative or mimetic) that may come from institutions out-

TAB. 2. *Factors potentially influencing the choice of service delivery arrangements*

Instrumentality	Legitimacy
<ul style="list-style-type: none">• Nature of service (asset specificity; output predictability)• Available human and financial resources• Municipal size/geomorphological characteristics• Number/type of potential providers• Labour market issues	<ul style="list-style-type: none">• Policy legacy• Political salience of the issue• Ideology/political colour of governing majority• Relations with local stakeholders• Isomorphic pressures (internal or external to the policy subsystem)

Source: Authors' elaboration.

side or within the given context can also play a role on this dimension, delimiting the range of viable options (Alonso *et al.* 2016). All these factors substantively reshape and complicate purely instrumental considerations, especially when decision makers have to deal with uncertainty and technical complexity (Capano and Lippi 2017, p. 274).

In a nutshell, rather than assuming intentional, goal-oriented behaviour and consequent univocal correspondence between structural factors and decision-making, we should use available data to trace the prevailing logic (or the mix of logics) that drives local decision makers from one cell to another in the classification proposed in the previous section. This approach goes beyond assessing a solution's supposed effectiveness and calls for examining its perceived legitimacy in the eyes of both insiders in the given policy subsystem and external actors, including other levels of government and/or the citizenry in general (Capano and Lippi 2017).

The hypothesis and analytical proposal outlined above clearly carry implications for the construction of research questions and methods: since the heuristic objective is more concerned with *how* local policy-makers decide to adopt a certain mix of organizational tools for service delivery than with identifying general patterns of causation, attention must also be given to the diachronic dimension of decision-making, which focuses on decisional processes rather than sheer outputs and declared choices. An attempt to apply this analytical framework will be provided in the following sections.

4. An exploratory application of the analytical framework: Case selection and method

As mentioned above, there have been few attempts in the literature on local service provision to develop a comprehensive interpretation of the multiplicity of factors that may influence local governments' choice of policy instruments, and how they may combine with each other (Petersen *et al.* 2015; Dorigatti *et al.* 2020). To help enrich this perspective, we propose a standard exploratory study that allows us to test the analytical framework sketched in the previous section. The «standard exploratory study», while focusing on topics that are already receiving attention from the scientific community, is aimed at producing new hypotheses and ideas to bring fresh air in the academic debate and avoid deadlock. Rather than arriving at definitive answers, it opens up new questions, thereby generating new insights that can be tested in future research (Swedberg 2020).

Since our driving idea is to understand how the logic of instrumentality and the logic of legitimacy combine in guiding decision makers in their choice of tools (or mix of tools) for public service delivery, we decided to focus on a context in which local governments have a wide range of options to choose from, so as to cover all (or nearly all) of the service delivery arrangements outlined in the classification offered in Section 2. In this respect, Italy is a good case in point: indeed, law n. 142/1990 on local autonomy provided local governments with a wide range of organizational options for service delivery besides ordinary direct provision. Two of these were contracting-in solutions, i.e. setting up special undertakings (*aziende speciali*) or institutions for non-commercial services, and two were contracting-out options that allowed for the externalisation of service management through competitive tender and/or through the creation of private-law companies with majority public shareholders. Alongside these options, other non-profit private law solutions were envisaged, particularly for the management of individual and cultural services, namely the Foundation, the Association and the Cooperative (Argento *et al.* 2010). The same law also paved the way for inter-municipal cooperation, which would then be strengthened and incentivized in subsequent years, culminating in the mandatory associated management

of some key functions and services for small municipalities from 2010 onwards (Bolgherini *et al.* 2019). Subsequently, and in response to the establishment of the European market for services, Italian legislation seems to have moved towards a more stringent indication of using private contractors for services of general economic interest (SGEI) than for social and educational services (Citroni *et al.* 2019). However, these reforms have followed an incremental path, characterized by numerous postponements and regulatory loopholes, so that local authorities have so far been able to preserve ample room for manoeuvre in both service areas (*ibidem*). In addition to this, the Italian regions play a prominent role in regulating the organisation of municipal public services (both services of general economic interest and individual services) across territories, thus maximising variability in the set of institutional constraints and opportunities in each region.

Regarding the service sectors, the analysis focuses on early childhood services (ECS) and garbage collection (GC), which in turn are very different: indeed, in Italy – and generally in Europe – the two sectors are subject to different regulatory constraints, the former being subject to the rules of competition for the market that govern services of general economic interest, thus leading to divergent expectations in terms of pressures to outsourcing services (higher in GC than in ECS). In addition, because of their technical characteristics, they tend to generate opposite expectations if we look at purely instrumental considerations: although ECS are a labour-intensive sector, where labour costs are one of the main dimensions of expenditure and therefore potentially a source of savings in the case of outsourcing (Neri 2020), they have no easily definable outputs and are characterised by high human asset specificity, thus making it hard to issue complete contracts. In this kind of services transaction costs are higher and the assessment of contractual obligations is not an easy task. The information asymmetry between who buys the service (the public sector) and who manages it (the private company, whether for-profit or non-profit) is very high and can lead to goal avoidance and unwanted practices, which can turn into a problem for municipalities in such a sensitive policy area (Petersen *et al.* 2018). In contrast, GC presents the opposite structural features, i.e. low asset specificity and high measurability, thus making it more likely to be externalised (*ibidem*).

TAB. 3. *Structural context indicators in Bergamo and Livorno*

	Bergamo	Livorno
N. of inhabitants (2017)	120.923	158.916
Financial autonomy (2015)	70.71	50.59
Overall debt (2014)	39.86	38.45
Children 0-3 (%) (2017)	3,628 (3%)	4,670 (3%)
Kg of garbage per capita produced in 1 year (2017)	528.10	554.78

Source: Openbilanci; ISTAT.

As far as empirical analysis is concerned, this involved two provincial capitals, Bergamo and Livorno, focusing on their organizational choices between the late 2000s and 2019. Smaller municipalities were excluded to avoid overestimating the weight of institutional pressures (regulatory or substantial) to associate management. Bergamo and Livorno are two medium-size cities that (at least in the time period considered for the analysis) share several similar structural factors usually affecting the likelihood of externalising services, such as demographic size, financial autonomy¹, overall debt², and indicators of pressing problems (e.g., the rate of children 0-3 years and the amount of garbage produced per capita) (tab. 3). In terms of purely instrumental considerations, we should therefore expect not dissimilar orientations on the part of the two municipalities, with a probably greater caution towards the outsourcing option for ECS than for GC.

However, the political history and affiliation of the majority in office at the time empirical research was conducted (2018-2019) differed in the two cases: since the mid 1990s, the city of Bergamo has experienced political turnover at every election, and was governed by a centre-left majority from 2014-2019; in contrast, Livorno was governed by left-ist majorities until 2014, when the Five Star Movement's (5SM) mayoral candidate won in a runoff election. Livorno thus presents an added value to our analysis, since it allows

¹ Financial autonomy is measured using the ratio between autonomous municipal revenues (tax receipts + nontax revenues) and total current revenues (which include State transfers).

² Overall debt is measured using the ratio between total debts (on- and off-balance sheet) and total current revenues. The higher the ratio, the larger the debt.

a glimpse of an anti-establishment party's behavior when it ascends to executive positions in local government. This holds especially true when considering the 5SM, which has always maintained its opposition to the privatisation of local utilities (Mosca 2013). The two cities also belong to two regions (Bergamo is located in Lombardy, while Livorno is in Tuscany) with opposite political orientations (in the last decades, Tuscany has always been governed by the centre-left, while Lombardy by the centre-right), governance traditions and policy styles: as regards GC (and, more generally, networked services), since the mid-1990s the Tuscany Region has leveraged its margins of legislative action to foster a process of industrialisation based on large-area districts and on the aggregation of service providers (Citroni *et al.* 2015), while Lombardy has limited the scope of its actions to the coordination of local actors, letting local governments free to choose the dimension of the service areas (Di Giulio and Galanti 2016). In the field of ECS, Tuscany has a legacy of public intervention, recently transformed into an integrated public-private model, but still maintaining a strong public presence in the provision of services and in the governance of the system (Confalonieri and Canale 2012); on the contrary the «Lombardy model» of welfare, to which ECS can be traced, rests on the pillars of subsidiarity and the quasi-market (Bifulco 2011): the regional governments that have succeeded each other since the 2000s have in fact promoted the introduction of market criteria to enhance individual freedom of choice between different operators competing with one another for the provision of services (Gori 2020). Against this background, we expect that the choices made by the two municipalities may diverge as a consequence of different legitimacy conditions, both from the point of view of endogenous political dynamics and the different regional orientations in the services under analysis.

Our qualitative analysis uses classic case-study instruments, in particular relying on data source triangulation. First, a thorough analysis of relevant official documents (such as service contracts, municipal resolutions, etc.) and local press coverage were carried out in order to draw local decision-making processes leading to organisational choices. Attention has been paid particularly to the following issues: diachronic evolution in the management and delivery of services, current method

of management and delivery of services, internal organization to cope with the tasks required, ability to control external actors and possible sanctions, reasons for choosing a particular model of service delivery. All these aspects have then also been explored through the realization of five face-to-face in-depth interviews of local expert witnesses in each city (public managers, local politicians, trade-union representatives, selected for their formal role and/or their relevance as inferred from documentary analysis)³, aiming at integrating and validating the information collected, as well as to investigate the more political perceptions and motivations of key stakeholders. Each hour-long interview was conducted in person during the period from February to May 2019.

5. Garbage collection in Bergamo and Livorno

5.1. How delivery arrangements have developed...

Until the late 1990s, the municipal councils of Bergamo and Livorno entrusted GC directly to their own municipal companies (*aziende speciali*) named Bergamo Ambiente Servizi (BAS) and AAMPS, respectively. During the 2000s, under the influence of (and because of incentives provided by) national laws, both municipalities moved from public contracting-in solutions to hybrid solutions, while maintaining similar hierarchical control over providers: in fact, both BAS and AAMPS were transformed into private-law companies entirely owned by the two municipalities. Both companies subsequently maintained their already extant contracts under the in-house service provision rules.

The last direct award in Livorno dates from 2008 and entrusts in house service provision to AAMPS until 2030. In Bergamo, the 29-year service contract directly awarded to BAS in 1994 remains intact and functionally unchanged, despite intervening changes in the legal and governance structures of the company: indeed, in 2005, BAS merged with a mixed joint-stock company controlled by the neighboring municipality of Brescia to form the ASM group, which in turn merged

³ See the table in the appendix for details.

in 2008 into Aprica, the environmental branch of A2A, the publicly traded multi-utility company headquartered in Milan. Bergamo now holds no more than a poor 1% share in A2A. Although according to EU competition regulations such limited corporate control over the company should be incompatible with direct service award practices, Aprica inherited the in-house management of the service thanks to safeguard clauses envisaged by national laws.

Although in both cases GC management currently uses in house providers, each city arrived at this outcome via different roads. In Livorno, between 2010 and 2014, there was an attempt to change the management regime, passing from the in house management to a quasi-market solution: between 2011 and 2012, the Municipal Council of Livorno established that the existing contract stipulated with AAMPS was no longer valid despite its intended duration until 2030, approving the transfer of AAMPS to RetiAmbiente, a company resulting from the merger of various municipal enterprises of the municipalities belonging to the recently created macro-provincial Coastal basin. While RetiAmbiente was initially 100% publicly owned, it was due to become a joint private-public enterprise. This decision was stopped in 2014 by the new administration led by the 5SM, the new party that succeeded to the centre-left majority, reconfirming the in-house solution. On the contrary, in the city of Bergamo there are no relevant changes over years and the various political administrations of the early 2000's onwards, in spite of their different political orientation, never questioned the original agreement with BAS/Aprica.

5.2. ... and how (and why) were they chosen

The choices about the GC management adopted by the two municipalities and the different trajectories they have followed depend on the intertwining between instrumentality and legitimacy strategies.

In the case of Livorno, between 2010 and 2014, the attempt of the centre-left administration to move beyond the in-house management by promoting the merger of its owned company into a mixed basin company, responded both to instrumental needs, first of all the disastrous financial situation of AAMPS that risked bankruptcy, and to considerations of appropriate-

ness linked to isomorphic pressures: on the one hand, the Tuscan regional legislation concerning the creation of macro-provincial basins and unique suppliers of waste management pushed exactly in that direction; on the other hand, all the municipalities falling in the coastal basin (sharing the same political orientation with Livorno) were all moving towards the incorporation of their public companies in RetiAmbiente. However, this appropriateness was lost when in 2014, amid the process of merging AAMPS into RetiAmbiente, the city's government passed into the hands of a party like 5SM, which had always been opposed to the privatization of local public services, and of a different political orientation than that of the other municipalities in the basin and the majority governing the region. In fact, the newly elected council immediately rejected the hypothesis of entering a mixed company such as Retiambiente. Furthermore, the new mayor needed to create a counterpoint to the previous administration (and to the Tuscany Region, too), whose clientelistic ties with municipal corporations had just been a focal point of the local 5SM's election campaign. Again, however, there remained structural constraints that limited the party's logic of legitimacy and led to a compromise solution. First, in the meantime AAMPS risked closure under the new parameters set by the national government to keep state-owned enterprises operating. The option of contracting out the service to a private company was immediately discarded as totally inconsistent with the manifesto of the local 5SM; on the other hand, direct management was not considered a viable alternative due to the inherent risk of bureaucratic slowdowns⁴. Thus, the preferred solution was to maintain the provision of services in-house until the end of the service contract (2030). However, this solution required AAMPS to be bailed out of bankruptcy to manage its accumulated debt. Local unions and some 5SM councilors proposed recapitalizing the company with city funds; but paying off a company's debts with public funds was a hard sell for a party whose central rhetoric centered on opposition to political «caste» and political financial malfeasance⁵. Squaring the circle was finally achieved at the end

⁴ Interview POL_ENV Livorno, May 2 2019.

⁵ *Ibidem*.

of 2015 thanks to the intervention of external legal advisors, who proposed to use the pre-bankruptcy procedures to settle with creditors while continuing the regular business activity (Profeti 2019).

In the case of the GC delivery arrangement decided by the city of Bergamo, legitimacy factors and instrumental reasons intertwine each other too: here the consistency with the policy legacy is complemented by expected advantages in terms of efficiency and transaction costs. Indeed, as previously explained, in this city, the alternation of government majorities has not lead to any major changes. Over the years, the municipality has repeatedly verified the compatibility of national norms with the original in-house agreement with BAS/Aprica through consultations with both the municipal legal office and external legal advisors⁶. In the absence of clear regional indications regarding the organisation of waste services, the successive political administrations of the early 2000's onward were mainly concerned with maintaining the legacy of in-house management, which had a number of advantages. These included the company's knowledge of the territory, favoured by the long continuity of the service, and the greater flexibility of contractual arrangements⁷. Despite changes to the legal structure and governance of the service provider, contacts between the provider and the municipal administration remained the same across time. This allowed the purchaser-provider relationship to remain relatively informal due to the continuity of professional relationships, which became even more important considering that municipal administrative units were too understaffed to effectively monitor and control providers.

This instrumental factor – the lack of adequate municipal personnel dedicated to supervisory functions – actually proved to be relevant to the decision to maintain in-house management of the GC in both Bergamo and Livorno. In fact, in both municipalities the personnel dedicated to supervisory functions on the management of services is composed of just two or three people who perform both administrative and inspectional tasks⁸. But it also explains the continuous

⁶ Interview MAN Bergamo, 12 April 2019.

⁷ Interview MAN_ENV Bergamo, 11 April 2019.

⁸ *Ibidem*; Interview MAN_ENV Livorno, 2 May 2019.

recalibration, in both cases and depending on the specific contexts, of organizational solutions for dealing with service providers. Indeed, both municipalities have adopted an incremental approach to supervision that has resulted in the application of a mix of instruments to address the lack of effectiveness of formal control tools (such as physical and documentary inspection of providers' activities): on the one hand, both municipalities identify informal contacts (sometimes by phone, some others through vis-à-vis meetings) with service providers as the most effective way to avoid deadlock with service providers and make controls work. On the other hand, extending the accountability function to the more or less organized forms of citizenry also seemed a useful strategy to legitimize the proposed organizational solutions, as well as to alleviate the burden of work placed on the shoulders of the municipal administration. In Bergamo, for example, in 2016 the municipality signed an agreement with local consumer associations to delegate them the verification of some service standards, including periodically emptying recycling bins, cleaning the streets, and conducting face-to-face interviews with end users of the service⁹. In Livorno, instead, the new 5SM mayor had promised innovations in his 2014 election manifesto, including a citizen auditor on the boards of municipal companies and a system of civic monitoring through online meetings and consultations. Instead, the actual outcome of these promises has been limited to standard customer satisfaction surveys (a rarely used tool in the past) coupled with periodic town assemblies that mostly aimed to provide users with information on proper waste recycling but failed to provide mechanisms for meaningful engagement in service oversight. Social networks (particularly Facebook and WhatsApp) have also gained relevance as tools for reporting problems in both municipalities, as disintermediated citizen interaction with local politicians has become a key aspect of contemporary political consensus (Ceccarini 2020).

Figure 1 summarizes the main choices on service delivery and the drivers leading to such decisions in the two contexts.

⁹ Interview POL_ENV Bergamo, 26 March 2019.

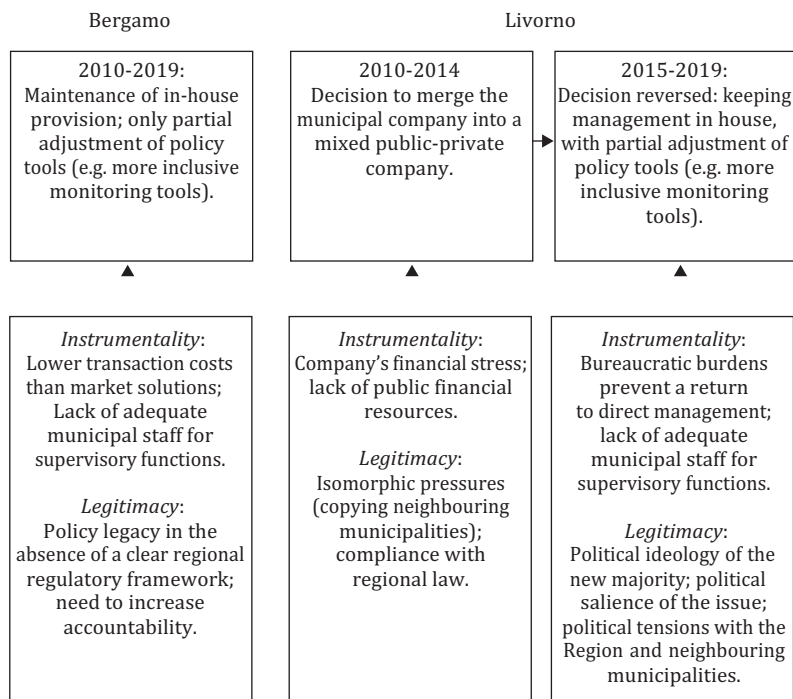


FIG. 1. GC delivery arrangements between instrumentality and legitimacy in Bergamo and Livorno. Changes (or not) and their drivers between 2010 and 2019.

Source: authors' elaboration.

6. Early childhood services in Bergamo and Livorno

6.1. How delivery arrangements have developed...

ECS developed gradually – and similarly – both in Livorno and Bergamo, starting with a few day-care services managed directly by the municipalities in the 1970s and 1980s and a subsequent major expansion in the late 1990s spurred by a rapid increase in demand. Since then, the two municipalities have followed quite different paths.

Livorno initially made an isolated attempt to outsource the design and management of a new single school premise to a local consortium of cooperatives. The city then made an agreement with local trade unions in which all existing di-

rectly managed services would be maintained in public hands, under direct management, while the new day-care service supply only would be gradually extended to accredited local private providers. The medium-term objective was to develop a local integrated public-private ECS system mostly based on accreditation¹⁰, in coherence with the model foreshadowed by the Tuscany regional law n. 22/1999. In an effort to create an integrated system despite the lack of strong local private care providers, the municipality initially attempted to «create the market» by investing financial and organizational resources into developing the conditions that would allow quality assurance of accredited services¹¹. Indeed, private operators included in the Livorno integrated system still benefit from some very favorable conditions, such as public funds to offset private tuition fees for low-income families, and stable caps on the number of purchased day-care placements independent of possible fluctuations in demand¹². In 2018 more than half of the available day-cares are still managed directly by the city while the rest are comprised almost entirely by accredited structures. Pure tendering procedures play a largely residual role (tab. 4).

In Bergamo, instead, the first organizational change from direct management was the creation of the «Institution for Personal Services» in 2006, namely a contracting-in solution. This choice made it possible to manage the service in a way less bound by the constraints of the internal stability pact (Neri 2016; 2020), and ensured greater autonomy and managerial flexibility thanks to the easing of bureaucratic burdens (for example, for purchases and recruitment). During the same period the majorities that governed the municipality in turn (regardless of their political orientation) fostered a gradual process of contracting-out as a response to the scarcity of public personnel caused by a long-standing hiring freeze in the PA¹³. The problem of staff replacement increased further after the municipality regained direct responsibility for the service and closed the Institution of Personal Services in 2014, following the national austerity-oriented measures (such

¹⁰ Interview UNION_ECS Livorno, 4 March 2019.

¹¹ Interview MAN_ECS Livorno, 4 April 2019.

¹² *Ibidem*.

¹³ Interview MAN_ECS Bergamo, 15 March 2019.

TAB. 4. *Delivery of day-care places for ECS in Bergamo and Livorno (2018)*

	Managed directly	Purchased in accredited structures	Tendered-out
Bergamo (N = 887 day-care places)	39%	39%	22%
Livorno (N = 968 day-care places)	55%	43%	2%

Source: interviews and municipal documents.

as Decree-Law 1/2012) that had rolled back the accounting and budgetary benefits associated with contracting-in solutions. Currently recruitment depends on the limits of the general budget¹⁴. Pure tendering-out still covers less than a quarter of ECS: today the management of 5 of the 12 public ECS facilities (corresponding to 22% of available day-cares) is tendered-out to a private cooperative headquartered in another Lombard province (Varese). The remaining day-care facilities are divided equally between direct management and the 14/15 municipally accredited private nursery schools (table 2). Service delivery arrangements are nonetheless probably going to change in the next few years: since 2018, the outsourced services have been entrusted to external cooperatives through the so-called co-design method promoted by the Lombardy region. The co-design procedure combines both contracting and cooperation, insofar as it implies that the municipality and the selected private firm collaborate on the design of the service management scheme. The advantage for the municipality would be to benefit from the know-how of private operators even in the service planning phase. However, according to the officials interviewed, the co-design approach is just the «flavor of the month» sponsored by the Lombardy region because it is consistent with its pro-private stance on the management of public services, but it is of little use from a purely instrumental point of view because Lombardy's municipalities already have the necessary expertise to design educational services themselves¹⁵.

¹⁴ *Ibidem*.

¹⁵ Interview MAN_ECS Bergamo, 15 March 2019.

6.2. ... and how (and why) were they chosen

In both municipalities, the gradual move away from direct management of ECSs was determined by structural factors, first and foremost the sudden increase in demand for services in a «younger» sector than waste collection, for which the municipalities were not yet sufficiently equipped in terms of facilities and personnel, but also the hiring freeze (in one of the most labour-intensive sectors in the local PA, see Mori 2019; Neri 2020) and organizational uncertainty resulting from the austerity measures established by the national government, particularly after 2012.

However, the two municipalities have followed different paths, largely shaped by the legitimacy logic: in the case of Livorno, the choice of an integrated public-private system centered on the mechanism of accreditation and only residually on outsourcing was reached following an agreement with the local stakeholders (first and foremost the unions, but also the local cooperatives that were helped to reach the necessary quality standards)¹⁶. The chosen system is also perfectly in line with the mixed model proposed by the legislation of the Tuscany region for the management of ECS. Unlike the waste sector, moreover, the existing system has not been questioned much by the new 5SM political majority since it is relatively well functioning and basically well accepted by the citizens¹⁷. In Bergamo, instead, the municipality first opted for a contracting-in solution, the Institution, undoubtedly for an instrumental advantage (greater budgetary autonomy and fewer financial constraints) but also, as stated by some interviewees, after having been inspired by some similar experiences already existing in the Emilia-Romagna region¹⁸, that has always been at the forefront of innovation in organizational solutions for children's policies (Neri 2020). Later, when this advantage faded away, services were limitedly but progressively outsourced to local cooperatives (associated in consortia) and to other operators headquartered in other municipalities, as a response to the impossibility of coping with the replacement of staff. Accreditation also plays a certain

¹⁶ Interview UNION_ECS Livorno, 4 March 2019.

¹⁷ Interview MAN_ECS Livorno, 4 April 2019.

¹⁸ Interview MAN_ECS Bergamo, 15 March 2019.

role, although – unlike in the Tuscan case – the Lombardy region does not give clear indications on this issue. Rather, in line with the ideological stance of the center-right regional majority, the model promoted by the region exalts the mix of market instruments (the tender) and the participation of private providers in the design of the services, encountering a certain diffidence on the part of the municipal managers and officials who have been permanently in charge of the service for years.

To conclude, as in the case of garbage collection, both municipalities have implemented incremental calibration of the chosen tools to reduce the risk of opportunistic or inappropriate behaviour by private providers involved in service delivery. This risk is even more feared in the case of ECS due to the strong political salience and public ethos that permeate this policy area¹⁹. In fact, in both cases, irrespective of the strength of regional guidelines (stronger in Tuscany than in Lombardy) and the number of municipal staff in charge of monitoring providers' activities (20 in Livorno, just 5 in Bergamo), formal downstream controls over the quality of services and the fulfillment of contractual obligations (such as periodical document verification and physical inspections) are coupled with more informal activities aimed at creating preconditions for trust. In particular, shared professional training courses for both municipal and private educators are considered to be of the utmost importance to ensure good upstream pedagogical coordination between public and private providers, as well as mediation and dialogue are reputed to be more effective than sanctions in troubleshooting insofar as they better guarantee service continuity and concrete problem-solving capacity²⁰.

As in the previous section, Figure 2 summarizes decisions on service delivery and the drivers leading to such decisions in the two contexts.

¹⁹ Interview MAN_ECS Bergamo, 25 March 2019.

²⁰ Interview MAN_ECS Livorno, 4 April 2019; interview MAN_ECS Bergamo, 25 March 2019.

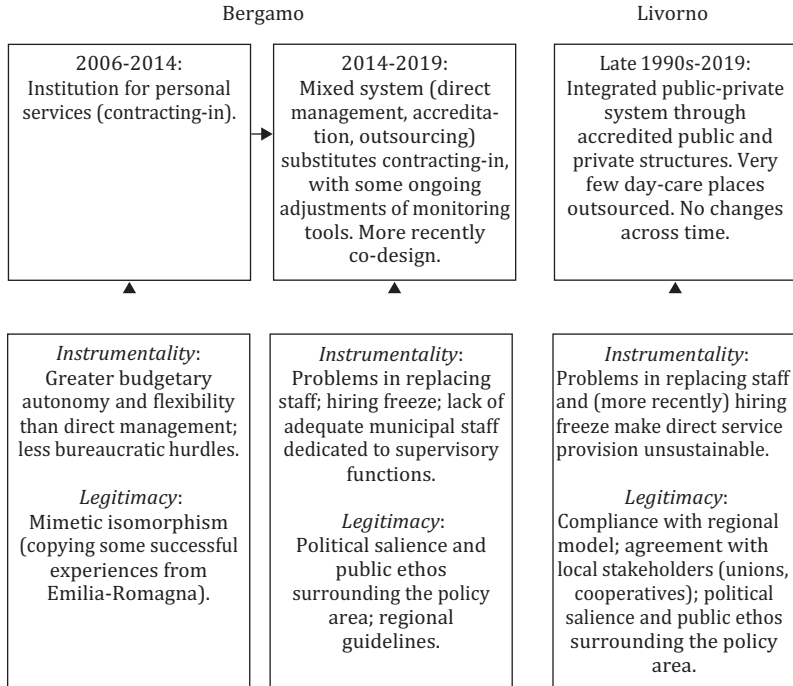


Fig. 2. ECS delivery arrangements between instrumentality and legitimacy in Bergamo and Livorno – Changes (or not) and their drivers between 2010 and 2019

Source: authors' elaboration.

7. Conclusions

This study aimed at providing a comprehensive framework to analyse the variety of organisational tools available for local service delivery with an eye to the interplay between instrumental and legitimacy rationales underlying local governments' decisions. The basic objective was to contribute to the scientific debate on service delivery arrangements and their determinants which although being already very rich – or perhaps precisely because of that – has so far shown little systematicity and findings that are often conflicting.

Our strategy has been to try to systematise the available knowledge both at the descriptive level, proposing a classification of service management tools based on the two dimensions

prevailing in the literature (principle of coordination between public administrations and service providers on the one hand; public, hybrid or private nature of service providers on the other), and at the analytical level, leading the various hypotheses concerning the determinants of local governments' choices back to the two dimensions of instrumentality and legitimacy, already proposed as the interpretative key in the literature on policy tools (Capano and Lippi 2017). In our opinion, this operation represents a useful contribution to the advancement of knowledge on the subject, as it allows a systematic comparison of the ways in which a phenomenon can occur in various local contexts. The logic of classification, in fact, is fundamental in the conceptual refinement that precedes any attempt to quantify, measure or explain a given phenomenon, as well as the comparison in time and space of phenomena apparently labelled in the same way but with very different theoretical and substantive implications (Sartori 2011). The exploratory application of such a framework on the two cases of Bergamo and Livorno helped us understanding how local decision makers combine cost-efficiency considerations with concerns on the appropriateness of policy solutions in two distinct policy areas which should supposedly drive towards different management choices.

With regard to the two specific cases, although since the end of the 1990s instrumental considerations (first and foremost, the need to ease bureaucratic constraints and, especially since the end of the 2000s, the problems caused by the freezing of turnover and staff shortages) have prompted the search for alternative solutions to direct management, the patterns of choice that we have documented do not fully reflect the expected differences when looking at the nature of the two services considered. For example, contrary to our expectations, in both municipalities GC was not outsourced but kept in-house. However, this common solution is the result of different dynamics. In the case of Livorno, the path is characterized by deviations and second thoughts, while in Bergamo continuity prevails. These dynamics are closely linked to the specificities of the two local contexts, where similar economic constraints emerge, but different legitimacy constraints exist, due to regional choices (or no-choices) and considerations of appropriateness. In one case (Bergamo) decisions are mostly affected by policy legacy, from which decision-makers do

not deviate for fear of losing some advantages as regards the control of service providers; in the other (Livorno) what matters most is the ideological stance of the local majorities, especially when the government is replaced by a party that intends to break – even symbolically – with the choices made by the previous administrations. Choices concerning ECS are likewise not a direct and exclusive consequence of the specificity of the policy area. This factor, and in particular the sensitivity of the ECS in terms of political consensus, matters of course in both cases: it limits the scope of the downsizing of public intervention in favor of hybrid solutions, discourages drastic changes to existing arrangements (also in the case of Livorno) and furthers informal activities that facilitate public control over private operators. However, other factors related to the dimension of legitimacy, in particular the model promoted by the Region (more influential in Tuscany than in Lombardy) and the relation with local stakeholders, also play an important role in shaping the choices of municipalities, which move between instrumental considerations and appropriateness criteria, with minor adjustments that are mostly incremental in nature.

In connection with this last point, and more generally, our analysis confirmed an element already highlighted in studies on policy instruments and in the organisational literature, namely the importance of uncertainty in influencing the choices of decision-makers. Uncertainty may concern first of all the resources available (human and financial), as it happens in the years following the global financial crisis and the consequent austerity measures implemented by many European governments. Secondly, uncertainty may also relate to the definition of the problem and the appropriateness of the solutions available to solve it: from this point of view, Italy is a good case in point, since uncertainty goes hand in hand with the disjointed evolution of the national legislation on public services and the checkered, contentious history of centre-periphery financial relations that have sharpened in the last decade (Citroni *et al.* 2019). Those destabilizing factors are augmented by the risk of administrative appeals, a typical feature of Italian local policy making that is especially prevalent in the domain of public services. Uncertainty concerns thus both the rules and the resources needed to set up rational and stable organisational solutions, which makes incremental, conservative

decision-making more likely than radical innovation. Indeed, in both Bergamo and Livorno service delivery tools have been gradually calibrated (often making recourse to legal advisors) in successive efforts to identify solutions that were simultaneously technically feasible, politically sustainable, and socially acceptable. The attempt to combine instruments of a contractual nature with coordination mechanisms based on cooperation with providers and local stakeholders is indeed a feature that, albeit with varying intensity, is common to the two experiences and the two different sectors.

The study also highlighted a factor that has so far been rather neglected in the literature on local public services, namely the importance of multi-level dynamics and the role played by intermediate levels of government, in our case the regions. In federal states, or states with strong regionalism as in the case of Italy, intermediate levels of government often have significant legislative powers in the organisation of public services on their territory, and thus play a part in limiting the range of solutions that can be implemented by municipalities. In addition, the likely presence of different political majorities between the different levels of government may influence the definition of the appropriateness of the available alternatives, as was found in the two cases we investigated. We therefore believe that this is an aspect that deserves more attention in future comparative research.

A final aspect of interest that emerged from the study, which is also worthy of further exploration, concerns the possibility that isomorphic pressures (be they coercive or regulatory) towards a certain organisational solution, coming from outside or inside the policy subsystem, generate ambivalent effects on the choices made by local decision-makers. In the research conducted so far there is a tendency to associate isomorphic pressures with compliance or mimetic mechanisms dictated by appropriateness. Indeed, as the analysis of our cases shows, where there are political disagreements, or concerns about possible repercussions on consensus, isomorphic pressures may generate *reverse appropriateness* dynamics, i.e. push towards solutions opposite to those advocated «from abroad». This is all the more important if we take into account the above-mentioned aspect, i.e. the multi-level nature that characterises the whole sphere of local public services, regardless of the policy area in question.

Despite all the limitations inherent in exploratory studies based on a limited number of cases, we believe that the ideas provided here can contribute to improving knowledge of a phenomenon as relevant as the management of local public services, especially from a comparative research perspective that is less bound by the logic of correlation and more oriented towards configurative analysis.

Appendix: List of interviews

City	Role of the respondent	Date	Code
Bergamo	Public Manager	April 12, 2019	MAN Bergamo
Bergamo	Public Manager – GC	April 11, 2019	MAN_ENV Bergamo
Bergamo	Manager ECS	March 15, 2019	MAN_ECS Bergamo
Bergamo	Manager ECS	March 25, 2019	MAN_ECS Bergamo
Bergamo	Political role – GC	March 26, 2019	POL_ENV Bergamo
Livorno	Public manager – ECS	April 4, 2019	MAN_ECS Livorno
Livorno	Trade Union – ECS	March 4, 2019	UNION_ECS Livorno
Livorno	Political role – GC	May 2, 2019	POL_ENV Livorno
Livorno	Trade Union – GC	March 4, 2019	UNION_ENV Livorno
Livorno	Public manager – GC	May 2, 2019	MAN_ENV Livorno

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Whatever it works? Varieties of local public service delivery between instrumentality and legitimacy

Summary: In recent decades, local governments in Western democracies have experienced a number of significant changes in the organizational arrangements to deliver public services. The article aims at systematizing the knowledge currently available on the organizational tools to manage local public services, providing a classification of delivery arrangements that goes beyond the public-private and hierarchy-market dichotomies, trying to unpack these categories so as to take into account the most recent mixed, or hybrid, solutions that are becoming widespread. Then, the article proposes an analytical framework anchored to the conceptual categories of *instrumentality* and *legitimacy* to understand how, and under what conditions, different types of factors combine in leading local governments to choose one organisational tool for service delivery over the others. That framework is applied to two Italian municipalities (Bergamo and Livorno) in order to understand how local decision-makers combine cost-efficiency considerations with concerns on the appropriateness of policy solutions in two distinct policy areas, i.e., garbage collection and early childhood services, which should supposedly drive towards different management choices.

JEL Classification: H83 - Public Administration; D73 - Administrative Processes in Public Organizations; H44 - Publicly Provided Goods: Mixed Markets.

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