**Managing the Implementation of Active Labor Market Policies: Organizational Change in Public Employment Agencies in Italy**

*Draft, September 2012*

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*Abstract*

The implementation of active labor market policies often calls for profound changes in the way public employment agencies work. Drawing from a case located in Italy in the period 2001-2011, this paper provides an explanation of the process of organizational change in public employment agencies. The results of this study show that initial conditions, policy design features, policy process features, and political context conditions play an important role in the path and outcome of organizational change process.

*Keywords*

Organizational change, employment agencies, active labor market policies.

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## INTRODUCTION

During last decades, several governments in the world intensified their efforts to deliver more effective labor policies, especially for tackling unemployment among the youth and the disadvantaged. Governmental programs in this area have often followed the prescriptions of so-called "active labor market policies" (ALMPs), which consist of as a wide range of tools intended to improve job-related skills of the unemployed, facilitate their access to the labor market, and assist the functioning of the labor market in general (while the so-called "passive labor market policies" generally consist of spending on income transfers) (Calmfors, 1994; Layard et al., 1991; Martin, 2000; OECD, 2003). Traditionally, public employment agencies (once generally established as branches of a central government department, such as the Ministry of Labor) mainly performed tasks related to the recognition of unemployment status, the disbursement of subsidies, and the inspection of compliance with employment rules. More recently, public employment agencies are also required to implement programs that are intended to increase the possibility that the unemployed may find a job, especially by strengthening their CVs and stimulating them to actively search for an occupation.

Various studies have been done on the design and effectiveness of active labor market policies and programs (Boeri and Burda 1996; Petrongolo and Pissarides 2000; Hujer et al. 2006; Betcherman et al. 2004; Rogerson et al. 2004; Cahuc and Le Barbanchon 2008). This body of research, however, placed relatively little attention to issues that arise from the implementation of ALMPs, especially with respect to the organizational changes that take place when public employment agencies that have traditionally executed only "passive labor market policies" are required to perform novel statutory tasks related to the "active" ones. The introduction of ALMPs typically entails that public employment agencies need to develop the capacity to deliver services to the unemployed for which no expertise and practices had ever been accumulated in the past, including consulting, training, and job search and matching functions, occasionally in collaboration with other public agencies, private companies, and non-profit organizations such as vocational education and training centers,

charities, and headhunters (Lundin and Skedinger 2000). The implementation of ALMPs, then, involves organizational changes that call for considerable managerial efforts and political oversight.

Several studies have highlighted that the process of organizational change in the public sector is affected by various managerial traits and context conditions, including features of the political environment (Armenakis and Bedeian, 1999; Bryson and Anderson, 2000; Burke, 2002; Carnall, 1995; Chackerian and Mavima, 2000; Kelman, 2005; Lawrence and Lorsch 1967; Thomas, 1983; Wise, 2002). The implementation of ALMPs, in this respect, is especially affected by the managerial capacity to change organizational processes and the influence of a supportive government executive. How exactly these factors result in the development of novel organizational routines, however, has not been fully specified yet, especially when the organizational change process takes place inconjunction with the decentralization of policy functions from the central to the sub-national level. Within this particular scenario, organizational change in the public sector may be *especially* sensible to managerial traits and political context conditions, with respect to alternative scenarios where the government retains closer control of the delivery of labor policy services. As we shall see, this study provides some support for the case that managerial traits and political context conditions (including conflicts between governments over the decentralization of functions to public agencies) play an important role in the path and outcome of organizational change process in the public sector.

The central aim of this paper, broadly stated, is to contribute developing a theoretical account of the kind of organizational change in the public sector that takes place when public policy functions are devolved from the central to the sub-national level and public agencies' statutory tasks are significantly enlarged. This aim is pursued through a case study (Ragin and Becker 1992; Stake 1995; Yin 2003) of the episode of organizational change that took place in some public employment agencies in Sardinia, Italy, in 2001-2011. During this period, sub-national governments implemented a reform (Legislative Decree 180/2001) that provided the devolution of labor market policies from the central government to sub-national ones and the enlargement of statutory tasks charged to public employment agencies from the "traditional" to the "active" labor market policies. The implementation of the 2001 labor market policy reform entailed, in particular, the establishment of public employment agencies at the local level (*Centri per l'Impiego*, later also renamed *Centri Servizi per il Lavoro* or

CSL) in place of former local branches of the Ministry of Labor (*Sezioni Circoscrizionali per l'Impiego e il Collocamento in Agricoltura* or SCICA) and the development of organizational capabilities for delivering ALMP services.

This paper provides, first, the theoretical background that justifies the central research question (namely, how does the process of organizational change of public employment agencies unfold), data collection, and analysis. The third section will narrate the episode of organizational change in public employment agencies in Sardinia in the period 2001-2011. Next section, then, presents an explanation for the path and outcome of the organizational change process in the selected public employment agencies. Finally, the last section discusses the research findings with respect to the existing theoretical arguments about the management of organizational change in the public sector and, in particular, the role of the institutional and temporal context on the path and outcome of organizational change processes.

## ORGANIZATIONAL CHANGE IN THE PUBLIC SECTOR

Organizational change is an area of study that has traditionally attracted a considerable amount of interest, as witnessed by the copious volume of scholarly works done so far. While most of these works addressed general features of organizational change processes (March, 1981; Hannan and Freeman, 1984; Dawson, 1994; Barnett and Carroll, 1995; Armenakis and Bedeian, 1999; Weick and Quinn, 1999; Pettigrew et al., 2001), a more limited body of literature focused on specific traits of organizational change in the public sector. Empirical research on organizational change in the public sector (e.g., Pollitt, 1984; Hood et al., 1985; Hult, 1987; Coram and Burnes, 2001; Brown et al., 2003) has contributed to formulate general theoretical arguments about what accounts for success or failure of organizational change efforts. By and large, however, these works have not really consolidated into a shared account of what affects the path and outcome of change processes in public sector organizations yet (Thomas, 1993).

An instance of how empirical research on organizational change in the public sector has not resulted in a consolidated body of knowledge so far is provided by the comparison between the studies of Fernandez and Rainey (2006) on the one hand, and those of Harrow (2001) and, relatedly, Davis et al. (1997) and Donaldson and Davis (1989, 1991) on the other one. Drawing from a vast review of the literature, Fernandez and Rainey (2006) identified eight factors that potentially contribute to the successful implementation of change in public

sector organizations or to the making of the implementation of change smoother, namely ensuring the need for change, providing a strategic plan for change, building internal support for change overcoming resistance, ensuring top-management support and commitment, building external support from political overseers and key external stakeholders, providing resources, institutionalizing change, and pursuing comprehensive change. On the top of this, they called for further empirical research to be done for analyzing the interaction effects between these factors under particular contingent circumstances.

Within the discussion of the concept of "capacity building" in public organizations, Harrow (2001) highlighted that the so-called "stewardship theory" (Donaldson and Davis, 1989, 1991) provides a promising approach for understanding the emergence and effectiveness of organizational change processes. Stewardship theory holds that organizational processes (including organizational *change* processes) tend to reflect decision makers' perceptions of the best interests of groups. Relatedly, the theory underpins the argument that external political stakeholders generally seek to attain a viable and successful enterprise even in highly charged political environments. Differently from the argument of Fernandez and Rainey's (2006), then, the one built on stewardship theory would not really consider as an issue the one of securing external support from political overseers and key stakeholders for the sake of conducting effective organizational change processes. Also Harrow (2001), however, calls for further empirical research to attain a better understanding of the conditions that affect the relationship between political overseers and key stakeholders on the one hand, and the path and outcome of organizational change process on the other one.

This paper aims to contribute to this line of inquiry by addressing the question of how the process of organizational change of public employment agencies (*Centri Servizi per il Lavoro* or CSL) located in Sardinia, Italy (particularly in the local governments of Cagliari, Quartu Sant'Elena, Assemini, and Senorbì) unfolded. The episode's initial conditions include the policy reform decision to devolve labor market policies from the central government to sub-national governments (regions and provinces) and the enlargement of statutory tasks of public employment agencies from the "traditional" to the "active" labor market policies. Process design features include the staffing of the CSL with new professionals and the design of novel organizational routines for delivering ALMP services. Political context conditions relate to the conflicting relationship between the region and the provinces about the allocation of competences on labor market policies and the issue image of the provinces as a kind of

sub-national government that lacked providing effective and cost-efficient services. The account of the episode focuses on how organizational participants carried out the development of novel work practices for delivering ALMP services, but in such a way that they merely focused on the growth of client cases rather than on the improvement of service performance. In particular, it will show that features of the institutional and temporal context provide an important causal source of tensions in the development of novel work prartices and ultimately affected the kind of standard protocols and tools adopted by the professional staff.

Data were collected through 21 interviews conducted in the period March-April 2011. Interviewees included the councilor responsible for labor policies in the provincial government of Cagliari, the general manager of the provincial department of labor, three managers of the CSL of Cagliari, Quartu Sant'Elena, and Senorbì, eight members of permanent staff and eight members of temporary staff (equally representing each of four CSL). Interviewees were selected according to seniority criteria and reputation for job commitment and dedication. Data collection followed the so-called "saturation method" (Gaskell and Bauer 2000), according to which additional interviews were conducted insofar as they significantly contributed to enrich the construction of the narrative corpus.

The analysis of data followed a processual theoretical framework for explaining the path and outcome of the organizational changes that took place in the four CSL within the implementation of the 2001 labor market reform in Italy. In general, the importance of a processual approach to the study of social phenomena has long been highlighted by several scholars in various fields, ranging from political science (George, 1979; Bennett and George, 1997; George and Bennett, 2005) to sociology and organizational sociology (Pettigrew, 1997). The recourse to a processual analytic method allows to develop explanatory arguments that are especially attentive to time, path dependency, and changing context conditions (Mahoney, 2000; Pierson, 2000, 2004; Abbott, 2001; Barzelay and Gallego, 2006). A distinguishing feature of this approach is the use of social mechanisms (Merton, 1968; Hedström and Swedberg, 1998; McAdam et al., 2001; Mahoney, 2003; Hedström, 2005) as theoretical resources for formulating explanatory arguments. Variously conceived as interpretations (Schelling, 1998) or hypothetical causal models (Gambetta, 1998) or plausible hypotheses that could be the explanation of some social phenomenon (Hedström and Swedberg, 1998) or frequently occurring and easily recognizable causal patterns (Elster,

1998) about the behavior of entities at different levels (e.g. individuals) rather than the main entities being theorized about (e.g. a group or a social process), social mechanisms provide (either in isolation or in concatenations; Gambetta, 1998) hypothesized social interactions which are believed to cause the observable effects that are cast in the role of *explananda*.

## ORGANIZATIONAL CHANGE IN PUBLIC EMPLOYMENT AGENCIES IN ITALY (2001-2011)

### The implementation of the 2001 labor market reform

In 2001, the central government of Italy passed a reform (Legislative Decree 180/2001) that provided the devolution of competences on labor market policies from the central to the sub-national level and the redefinition of the statutory tasks of public employment agencies in the country. Until that time, labor market policies had been mainly carried out by local branches of the Ministry of Labor, named *Sezioni Circoscrizionali per l'Impiego e il Collocamento in Agricoltura* or SCICA. SCICA generally performed "bureaucratic" tasks related to the recognition of unemployment status, the disbursement of subsidies to beneficiaries, and the inspection of compliance with employment contracts and workplace rules, that were carried out in strict adherence to ministerial protocols. In accordance with EU-level policy orientations (EU Commission 1998), instead, the 2001 reform allocated the responsibilities for designing and implementing ALMPs from the central to sub-national governments (especially to the provinces, that constituted an "intermediary" layer of government between the region and the municipalities).

The 2001 reform originated from a stream of policy initiatives aimed to radically reconfigure the structure and working of the domestic job market. Since 1997, the government had adopted the principle of "administrative federalism" (i.e., that the central government sets quality standards for public services, while sub-national governments decide how to provide them; Schwager 1999) in the provision of ALMPs, by attributing to the regions and the provinces competences on the design and delivery of services for the unemployed and opening up the provision of employment services to business companies. In 2000, the central government agreed with the regions, the provinces, labor unions and trade associations on common strategic guidelines for the adoption of ALMPs at the sub-national level (the so-called "Masterplan for employment services"). Within this policy framework, the central government also decided that part of the 2000-2006 European Social Fund (ESF)

resources would be directed to funding the implementation of ALMPs at the local level.

The implementation of the 2001 reform proceeded with different intensity and pace at the sub-national level across the country. In Sardinia, in 2002 a report commissioned by the regional government (Butera & Partners 2002) outlined a proposal for restructuring the employment services in the region by establishing new public employment agencies that would provide both the "traditional" tasks performed by the local branches of the Ministry of Labor and the new ALMP services, that comprised (as defined by OECD guidelines; Martin 2000) public employment service and administration (i.e., job placement, administration of unemployment benefit, and referring jobseekers to available slots in labor market programs), labour market training (i.e., vocational and remedial training for the unemployed, and training for employed adults), youth measures (i.e., training and employment programs targeted to the young unemployed, and apprenticeship training for school leavers), subsidized employment (i.e., hiring subsidies, assistance to unemployed persons who wish to start their own business, and direct job creation for the unemployed in the public or nonprofit sectors), and measures for the disabled (i.e., vocational rehabilitation and sheltered work programs). The report suggested that the new public employment agencies would be directed by the provincial governments, while the regional government would formulate regional-level ALMPs and supervise the implementation of labor policies, especially through the regional labor agency (*Agenzia per il Lavoro*) that had been established in 1988.

The 2002 report largely inspired the content of the regional labor market reform, that was provided in two subsequent legislations (Regional Laws 9/2003 and 20/2005). The reform included the establishment of 28 new public employment agencies (CSL) in the region, together with the creation of 55 special centers for the assistance to socially and physically disadvantaged people (*Centri Servizi per l'Inserimento Lavorativo* or CeSIL), and the set up of a new labor market information system (*Sistema Informativo del Lavoro* or SIL Sardegna). The 28 CSL were initially staffed with former SCICA employees (totaling about 180 individuals in the region), who were asked to opt whether to move to the CSL or to be transferred to the regional branch office of the Minister of Labor, where they would be assigned to inspective activities only. As the 2002 report had shown that SCICA staff did not generally possess adequate skills for providing ALMP services (e.g., they generally held high school diplomas and had not been subjected to any training for acquiring additional competences in the past), the CSL were also staffed with about 270 temporary employees

(contract-based staff) that were mainly selected among young social science graduates (about 70% of the new hires held a degree). Funding for temporary staff was provided by the 2000-2006 ESF program, a condition that subjected the retention of the contract-based staff to the availability of alternative financial resources in the future.

**The establishment of new public employment agencies**

The establishment of new public employment agencies (CSL) primarily consisted of designing novel organizational routines and developing novel work practices for delivering ALMP services. The efforts of the provincial councilors of the Department of Labor and of the managers of the CSL, however, took place within a particularly adversarial context. While the reform provided the devolution of various competences on labor market policies to the provincial level, the regional government carried out policy initiatives that were not coordinated – or even conflicted – with those of the CSL, such as on-the-job training courses, internships, and scholarship funding that were planned and delivered with little regard for the potential synergies that would have arisen from offering participation to these activities to the unemployed serviced by the CSL. In the late 2000's, the regional councilor of the Department of Labor envisioned (in the form of a bill proposal circulated in 2010) the centralization of ALMP services into new employment centers (*cittadelle del lavoro* or "labor towns") established over the regional territory as branches of the regional labor agency. Such policy initiatives persuaded the provincial governments that the regional government intended to "reverse" the decentralization of labor market policies that had been adopted at the central level since the late 1990s, and that the regional government had only halfheartedly accepted.

The policy orientation of the regional government especially threatened the provinces, that worried about the "hollowing out" of their competences on ALMPs. Particular historical circumstances added further reasons for apprehension, as, in the public sphere at both the national and local level, the policy discourse frequently addressed the option to abolish the provinces as a kind of "intermediate" government layer provided by the Constitution of Italy, on the ground that these public authorities lacked providing effective and cost-efficient services. All over Italy, including in Sardinia, the provincial governments unanimously countered this view by holding that the provincial administrations could better monitor, understand, and fulfill the expectations of the unemployed than the regions could do, especially because of the proximity of decentralized CSL to the most remote communities. In

Sardinia, however, public acrimony against the provinces was also fueled by the diffused resentment for extra public spending after the establishment of four additional provinces in 2005 (that resulted from the de-merger of the four provinces that had traditionally operated in the region). Within this context, the provinces regarded the possibility that they could be ultimately "expropriated" of competences on labor market policies (and, relatedly, that CSL could be closed down) as not too remote.

Notwithstanding these features of the context, both the provincial councilors of the Department of Labor and the managers of the CSL embarked in the establishment of the CSL with vigor. Rising unemployment rates during the 2000's made the implementation of the labor market reform a sensible political issue in various areas of the region, including those in southern Sardinia and broadly corresponding to the jurisdictions of the CSL of Cagliari, Quartu Sant'Elena, Assemini, and Senorbì (where more than 95,000 people were registered in unemployment lists, over about 485,000 residents in 2002, i.e., almost 20% of the population; Pruna, 2011). After these CSL were established, their managers promptly organized the human and physical resources needed to perform the statutory tasks of these new public employment agencies. Physical resources primarily included the CSL premises, that were refurbished in order to allocate more office space to face-to-face interactions (that better suited the delivery of most ALMP services) especially in the agencies located in Cagliari and Senorbì. Human resources consisted of the permanent employees (i.e., former SCICA and, in part, provincial administration personnel) and the temporary staff, that joined the CSL in two successive enrollment rounds in 2005 and 2007. Permanent employees were assigned to performing the "traditional" administrative routines that had been carried out in the SCICA, while the temporary staff were primarily devoted to the ALMP services (i.e., reception, orientation, training, and measures for the disabled, that were launched in 2005, and assistance to business start-ups, counseling and job placement, that took off in 2007).

Within this organizational arrangement, the delivery of ALMP services was exclusively dependent on the temporary staff that had just joined the CSL – a community of labor policy professionals that typically shared a similar educational background and job network. At the core of ALMP services was the reception service, that allowed professionals to make contact with new clients and to engage them with the appropriate ALMP program. New clients were generally required to take part to an induction process (so-called *patto di servizio* or "service agreement") that included an orientation meeting (i.e., a briefing intended

to identify the "service track" that better suited the needs of the client), a short training course, and assistance for CV drafting. Special "service tracks" were designed and implemented for the assistance of socially and physically disadvantaged people and for the unemployed who aimed to start-up their own business. Additionally, clients could be provided job placement services (so-called i*ncontro domanda ed offerta* or "demand-supply matching") that included the search for training courses, internships positions, and job offers, typically in collaboration with local authorities and firms.

**The design of new organizational routines**

The managers of the CSL played a major role in the design of novel organizational routines that were required to deliver the ALMP services. As the CSL started hiring the temporary staff, CSL manager (especially those in the agencies located in Cagliari and Senorbì) provided job rotation systems that made the contract-based employees participate to administrative service routines together with the permanent ones. The assignment of temporary staff to administrative tasks made them acquainted with the nature of the work in the employment agencies, knowledgeable of the traits of the clients, and socialized with the rest of the organization. In part, the job rotation system also helped the CSL managers to increase service capacity of the agencies, especially when the permanent employees had difficulties to cope with demand peak. Some of the temporary staff, however, occasionally resented the job rotation system as unsuitable for their qualifications, especially with respect to the requirements to comply with work rules (such as observing a precise work schedule) that they generally considered at odds with their presumed "consulting" role. After some legal controversies, within a few years the temporary staff were proposed to renew their job contracts by including terms on working conditions that required tracking working hours rather than providing consulting services on client case basis.

In part, the design of novel organizational routines also relied on initiatives undertaken by the same staff rather than promoted by the CSL managers. Permanent employees frequently exchanged informal communications between different CSL as a way of sharing their knowledge and opinions on such matters as interpretation of the legislation, policy directives, and client issues. This collaborative efforts were especially triggered by the sense of lack of overall direction and supervision, that the former SCICA personnel resented with respect to work practices that they were accustomed to. Before the implementation of

the 2001 reform, the regional manager of the Ministry of Labor used to provide a consistent line of instructions to SCICA personnel for carrying out the assigned tasks. In contrast, the CSL generally operated without close guidance and control by either the provincial councilor of the Department of Labor or the director of the provincial labor department, especially because of high turnover of both positions (e.g., up to five different directors were changed within a two-year time frame). Also the temporary staff engaged in frequent exchange of communications, especially with for sharing the design of services and administrative procedures for the provision of ALMP services, for which no established standards and routines existed in the region yet.

While both the permanent and the temporary staff provided some informal coordination by themselves, CSL managers provided more explicit interventions for making the agencies operate in a more consistent way. CSL managers held regular monthly meetings (that could include representatives of the labor departments of the region and of the province) for discussing common issues especially related to human resource management, IT upgrade, work standard procedures, and budgeting. Sharing the experiences carried out in different CSL triggered imitation of organizational policies and work procedures across the agencies. Accordingly. work practices in the CSL largely developed through the progressive adjustments stimulated by exchange of ideas and experiences in other CSL, rather than through a systematic review and assessment of organizational performance. In effect, the CSL were managed with the support of a limited performance management system, that mostly provided information about staff workload and number of client cases, for reasons that included the lack of any policy directives and objectives from the side of the provincial government (an individual performance review and assessment system was in place, but it was generally considered as ineffective to induce any motivational and learning effects).

Despite the job rotation system and other interventions of the CSL managers, however, the permanent and the temporary staff of the CSL did not develop any collaborative efforts and shared work processes. The relationship between the two groups was prejudiced by a sense of mistrust that arose around the formation of a contrasting frame (i.e., "us vs. them") centered on conflicting positions in the workplace. The permanent staff tended to diminish the role of ALMP services, that were roughly perceived to correspond to activities that they had already carried out in the past, or that were considered to be ineffective with respect to the needs of the clients. This attitude could be related, in part, to the lack of a deep

understanding of ALMP policy and tools from the side of the former SCICA personnel (as the Butera & Partners' 2002 report had widely documented). This attitude, however, also seemed to originate from the hostility of the permanent employees towards the temporary staff, who were perceived as a threat to their career prospects because of their higher qualifications with respect to the former SCICA personnel. The temporary staff, instead, generally tended to distance themselves from any deep involvement in CSL activities beyond their contract obligations, especially because of the uncertainty of job prospects that originated from the short-term basis of employment (i.e., generally contracts lasted for six months and were funded by renewed EU funding rather than the personnel budget of the regional government).

**The development of work practices for delivering ALMP services**

Only gradually did ALMP services gain attention and appreciation among the clients. Originally, clients kept requiring mostly "traditional" services, especially the issue of unemployment status certificates, the acknowledgement of entitlement for unemployment benefits, and the update of unemployment status. Clients generally retained, instead, a rather skeptical attitude towards ALMP services and were not inclined to participate to the activities provided by the "service pact" (e.g., they generally dropped out of the induction process after a few meetings). Some clients resisted making commitments to attend orientation and training activities, especially when – despite the unemployment status – they also presumably carried out temporary jobs that were not registered. Other clients discounted ALMP services that were perceived as ineffective to improve their job prospects, such as drafting of the so-called "skills balance sheet" (*bilanci delle competenze*) for identifying the needs to develop competences and capabilities. Over time, however, early success cases and word-of-mouth resulted in spreading voice of ALMP services, and an increased number of clients approached the CSL to request their novel services.

In some occasions, the CSL seemed successful to stimulate their clients to adopt an "entrepreneurial" approach to job search, to improve their job-related skills, and to establish collaborative relationships with other unemployed in order to circulate information and tips about job opportunities. On the whole, however, the performance of ALMP services generally remained relatively dissatisfactory. Very few among the clients that approached the business start-ups counseling, for example, were able to implement their business ideas

because of faulting business models, inadequate personal traits, or adverse business conditions. Several clients (and the same temporary staff of the CSL) resented the limitations of the web-based labor information system, that had been designed and implemented without consulting ALMP professional users and that the temporary staff could not access completely for editing purposes. The ALMP professionals, moreover, were not fully informed of initiatives carried out by the regional Department of Labor and the regional labor agency, including on-the-job training courses, internships, and scholarship funding, that were often designed without any consultation with the CSL for identifying the needs of the unemployed.

While the number of clients for the ALMP services increased, the temporary staff intensified their efforts to codify their work practices in standard protocols and tools. As "new entrants" in an area of labor market services that had not been provided in the region until that time, they enjoyed the possibility to design organization routines and develop work practices for the provision of ALMP services, subjected to the practical limitations posed by the IT system and the resources available. While they originally tended to self-manage client cases in a flexible consulting style, eventually (especially after the change of terms of working conditions) they came to deal with clients in a rather routinized approach. Having agreed with the contract terms that included tracking of working hours, the temporary staff had became a fundamental resource for the delivery of "traditional" services, especially because, as part of the permanent employees were approaching retirement age, some CSL would be unable to guarantee daily opening hours (e.g., the CSL located in the small town of Muravera, that counted 5 permanent employees only).

Despite the important role that they played in the provision of labor market services, the temporary staff remained rather uncommitted to the activities of the CSL. As their job contracts were periodically renewed every six months and uncertainties about the availability of funding surrounded the continuation of employment, the ALMP professionals were generally inclined to seek other jobs outside the CSL, that they often carried out outside the stipulated working hours. Lacking any long-term employment perspective, they generally restrained from investing extra time and efforts in perfecting organizational routines. The CSL managers, together with the provincial councilor of the Department of Labor, persistently invoked the regional government to keep funding the renewal of temporary staff's contracts or providing them with long term job prospects. The employment condition of the ALMP professionals, however, was never subjected to reformulation during the period.

**DISCUSSION**

This section aims to explain how the process of organizational change in the CSL located in Cagliari, Quartu Sant'Elena, Assemini, and Senorbì unfolded. The main issue at stake is how the CSL developed the work practices for delivering ALMP services, provided initial conditions that included the lack of any expertise and routines for the provision of ALMP services and process features that included the mistrust between the permanent employees and the temporary staff. Taking into account that original work practices (i.e., pre-2001 reform) within the public employment agencies did not include any kind of activity related to ALMP services, and that mistrust between the two groups of employees undermined collaborative attitudes, the development of work practices for the provision of ALMP services amounts to a non-trivial outcome of the implementation of the labor market reform in the organizational cases under consideration. In addition, a secondary issue that is tackled here is why performance of the organizational routines for the delivery of ALMP services remained relatively modest. Addressing this issue is important, because the development of novel work practices – understood as an outcome of organizational change process – may bear little relevance for the attainment of public objectives, if the new services lack delivering value to the client population. As we shall see, this case study provides some evidence for the causal role played by the institutional and temporal context – including, especially, the conflictual relationship between sub-national governments over competences on labor policy – on the performance of novel work practices developed in the public employment agencies.

In order to explain how work practices for delivering ALMP services developed, we first recall some characteristics of initial conditions, policy design features, policy process features, and context conditions. Initial conditions that seem analytically relevant include features of permanent employees, especially their relatively low qualifications and capabilities mostly geared to performing "bureaucratic" tasks. Policy design features that need to be taken into account include the enlargement of statutory tasks of the public employment agencies, especially the mandate to deliver ALMP services for which no expertise and practices had ever been accumulated in the past. Policy process features that seem to play an important role in affecting the path and outcome of the organizational change process include the modality of recruitment of the ALMP professionals, in the form of short-term contracts whose funding was recurrently renewed from EU sources, and design choices

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made for organizing the CSL, especially "silos" organizational arrangement for which permanent employees were assigned to performing the "traditional" administrative routines while the temporary staff were primarily devoted to ALMP services.

In explaining how these conditions resulted in the development of the work practices for delivering ALMP services, we consider the role played by a combination of mechanisms of organizational learning, protection of identities and roles, and polarization. The scholarly literature on organizational learning highlighted that the development of organizational routines is typically associated with performance feedback cycles that stimulate behavioral change (Argyris, 1982; Levitt and March, 1988; Argyris and Schön 1996). In the case of organizational change of the CSL, evidence shows that the managers of the public employment agencies regularly met to review the conduct of the CSL and exchange ideas about issues encountered and possible solutions, albeit with the support of a limited performance management system. Managers' commitment to hold regular meetings provided stability to this performance review activity, that resulted in the sustained efforts of the managers of the CSL to align work practices within each CSL to those under development in the other public employment organizations. The stimuli provided by CSL managers, however, cannot fully account for the efforts exerted by the ALMP professionals to develop the work practices needed to deliver ALMP services. An additional mechanisms that seems analytically relevant, in this respect, is the one of the protection of identities and roles (Wenger, 2007), that relates to ALMP professionals' inclination to establish their presence and contribution to the activities done in the CSL in face of apparent hostile circumstances, that included the "liability of newness" (Singh et al., 1986) charged on ALMP services with respect to the traditional task environment of the public employment agencies and the "newcomer status" of the ALMP professionals with respect to the "incumbent" permanent employees that originated from SCICA organizations.

The case evidence also shows that the development of novel work practices for the provision of ALMP services took place within an organizational climate that included a sense of mistrust between the permanent employees and the temporary staff. A mechanism of polarization (McAdam et al., 2001), that refers to the progressive alienation between groups or factions, help accounting for the formation of the contrasting frame (i.e., "us vs. them") in the reciprocal perceptions between the two groups of employees, together with features of the initial conditions (especially related to the relatively low qualifications of the former SCICA

personnel and to the characteristics of the traditional services of the public employment agencies), of the policy process (particularly related to the higher qualifications of the temporary staff), and of the policy design content (in particular, the enlargement of statutory tasks of the public employment agencies). As the lack of a supportive organizational climate might have detrimental effects on the development of organizational capabilities (Moynihan 2005; Mahler 1997; Fiol and Lyles 1985), an additional issue arises concerning why – despite such unhealthy work relationships within the CSL – work practices for the provision of ALMP services were nevertheless developed. In this respect, features of the policy process, in the form of organizational design choices that included a "silos" structure (where permanent employees were assigned to perform "traditional" administrative routines while the temporary staff were primarily devoted to ALMP services), contributed minimizing the interaction between work practices of the former SCICA personnel and of the ALMP professionals. Such organizational arrangement may have contributed insulating the temporary staff from the permanent employees, with the effect that, together with the protection of their professional identities and roles, ALMP professionals channelled most of their efforts to the design of standard protocols and tools for the provision of ALMP services.

While the efforts of ALMP professionals resulted in the development of novel work practices, the performance of ALMP services remained relatively modest. The case provides some evidence that, despite the increased number of clients over time, ALMP services generally missed providing a consistent score of substantive achievements – in such terms, for instance, of job placements or new business ventures. No survey data were available of employment success rates, therefore this assessment of ALMP services mainly relies on interviewees' accounts. The same absence of such data, however, relates to design choices of the limited performance management system, that was mainly intended to provide CSL managers with information about staff workload and number of client cases. Together with explaining why the (perceived) performance of the ALMP services was relatively modest, then, a related task at hand is the one of accounting for why CSL managers and employees did not exert efforts to perfect the novel work practices related to delivering ALMP services, including supporting the management of ALMP services with indicators of service performance.

In order to explain these traits of the organizational change process in the CSL, we recall additional features of the labor policy reform design and conditions of the political

context. Features of the labor policy design include the allocation of competences on the provision of employment services to the regions and the provinces, that provided a partial overlap of functions between the two government layers. Conditions of the political context related to the conflictual relationship between the regions and the provinces on the provision of employment services and, more generally, on the decentralization of labor market policies. Taken together, these policy reform design features and political context conditions seem relevant to explain why the organizational change process within the CSL led to the development of novel work practices for delivering ALMP services that provided relatively modest results.

In order to explain this part of the case, we bring into play a combination of mechanisms of attribution of threats, certification, and sequential attention to goals. Attribution of threats (McAdam et al., 2001) is a mechanism that accounts for the mobilization of actors once they come to share the framing of a situation as likely to bring about a loss, and they share an understanding of possible actions (or inactions) in order to attain likely future outcomes. The case provides some evidence that ALMP professionals shared a framing of their job positions as subjected to the threat that their employment contracts could not be renewed depending on the availability of EU funding sources. A mechanism of certification (McAdam et al., 2001), that relates to the search for a validation of roles, performance, and claims by external authorities, may help accounting for the efforts of ALMP professionals to seek the legitimacy of their identities and role in the number of client cases that they serviced. In other words, policy reform design features and political context conditions contributed to instil a sense of uncertainty in the ALMP professionals, who could not be safe that their job positions would be retained in the future. As a way of demonstrating the validity of their roles within the public employment services domain, and taking into account the newness of ALMP services, ALMP professionals focused their efforts on increasing the number of client cases, because attaining this goal provided evidence that ALMP services were favorably received among the local unemployed. Taking into account political context conditions that included a threat to the same organization of public employment agencies in the region, this same mechanisms may also account for the efforts of the CSL managers to stimulate the growth of the number of client cases, provided that evidence of such accomplishments could strengthen the claims of the provincial governments concerning the benefits of a decentralized arrangement of public employment services. On

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the top of this, a mechanism of sequential attention to goals (Cyert and March, 1963), that relates to the following of "satisfying" rather than "optimizing" criteria in organizational problem-solving because of reasons including cognitive limitations and conflicting interests, helps explaining why efforts of CSL managers and ALMP professionals concentrated on the growth of the number of client cases only, provided that limited attention and time resources prevented to attain (or induced to postpone the attainment of) also the goal of improving ALMP services performance.

The key components of the explanatory argument presented in this section are summarized in Table 1. The relevant explanatory concepts are categorized as initial conditions, policy design features, policy process features, and context conditions. Analytically relevant conditions that contribute explaining the development of novel work practices related to ALMP services include features of the permanent employees, the enlargement of the statutory tasks of the public employment agencies, the modality of recruitment of ALMP professionals, and the "silos" organizational structure. These conditions contribute explaining, together with hypothesized mechanisms of organizational learning, protection of professional identities and roles, and polarization, the resulting organizational routines for the provisions of ALMP services. Analytically relevant conditions that help explaining the modest performance of ALMP services, instead, include the enlargement of the statutory tasks of the public employment agencies, the allocation of competences on the provision of employment services to the regions and the provinces, and the conflictual relationship between the regions and the provinces on the provision of employment services and, more generally, on the decentralization of labor market policies. Together with the hypothesized mechanism of attribution of threats, certification, and sequential attention to goals, these conditions suggest why ALMP professionals generally focused on the growth of the number of client cases rather than on perfecting ALMP service delivery.

< insert Table 1 about here >

**CONCLUSIONS**

The central point of the research argument made in this study is that the path and outcome of organizational change process in public employment agencies (i.e., the development of novel work practices for delivering ALMP services, albeit oriented to

attaining large number of client cases rather than improving service performance) can be explained by the combination of various features of the institutional and temporal context. Briefly put, the explanation for the observed trajectory of organizational change in the CSL is that the quest for legitimacy for the new ALMP services and for the protection of ALMP professionals' identities and roles, combined with particular organizational arrangements that offset unfavorable organizational climate, induced a process of organizational learning that resulted in the development of the organizational capabilities to deliver ALMP services. In addition, however, conditions related to the modality of recruitment of ALMP professionals and the conflictual relationship between the region and the provinces led ALMP professions to focus on increasing the quantity of client cases rather than quality of service, because the attainment of this objective provided evidence that supported the case for continuing funding the jobs of ALMP professionals and, within the broader policy discourse concerning the decentralization of public employment policy functions, for preventing the region to claim back competences away from the provinces. In sum, while various conditions generally supported the development of organizational routines for the provision of ALMP services, particular institutional and temporal conditions hampered the improvement of the novel work practices for delivering ALMP services.

This explanatory argument suggests to highlight, in particular, the role played by political context conditions in the explanation of the path and outcome of the organizational change process in the public employment agencies examined in this case study. Political context conditions included the allocation of competences on the provision of employment services to the regions and the provinces. Such allocation reflected, in part, a state of affair provided by the design of the 2001 labor market reform. In part, however, the allocation of such competences was a matter of contention between the region and the provinces – especially, provided that the regional government had only halfheartedly accepted the decentralization of labor market policies to the provincial level and apparently aimed to "re-centralize" the provision of public employment services within the regional Directorate of Labor and the regional labor agency. These institutional and temporal conditions play an important role in the explanation of the organizational change process, especially in relation to the attribution of threat, sensed by the temporary staff, that investments in perfecting the novel work practices for delivering ALMP services might not result in any payoff in terms of more job stability and career prospects.

More generally, this study contributes to the development of theoretical accounts about the process of organizational change in the public sector. The relevance of this study relates particularly to reviewing existing theoretical arguments about the role of political context conditions in the process of change in public sector organizations. As already recalled, some studies highlighted the importance of external political support for the successful implementation of organizational change in the public sector (Fernandez and Rainey, 2006). Other works, instead, assume that external political stakeholders generally seek to attain a viable and successful enterprise even in highly charged political environments (Harrow, 2001). What is missing from both these theoretical accounts, however, is detailed attention to how political context conditions matter in the process of organizational change in the public sector, in the form of influences exerted, in conjunction with other features of initial conditions, policy design, and policy process, on the path and outcome of developing novel work practices. The present case study, in this respect, suggests that political context conditions do play an important role in organizational change process in public sector organizations, albeit in a way that cannot be simply reduced to a direct relationship between the degree of external political support and the degree of accomplishment of the desired organizational change objectives. The findings of this case study suggest that the effect of political context conditions on the process of organizational change is dependent on the particular occurrence of other circumstances. Political context conditions that seem loaded against the development of novel work practices may not necessarily hamper the organizational change process. Within the case of the implementation of ALMPs, for example, the CSL effectively developed the work practices for delivering ALMP services even under conditions that included conflictual relationships between the region and the provinces in the external political environment, and conditions related to the modality of recruitment of ALMP professionals that made their job prospects heavily dependent on EU funding sources. Unfavorable political context conditions, however, may effectively contribute hampering the improvement of novel work practices, but this influence seems dependent on the presence of other conditions related to policy process features. For example, the case of the implementation of ALMPs showed that the CSL missed improving ALMP services for reasons related to both the allocation of competences on the provision of employment services to the regions and the provinces, and the modality of recruitment of ALMP professionals.

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**Tables.**

| Components of the explanatory argument | Organizational change process features | |
|---|---|---|
| *Explanandum* | Development of novel work practices for delivering ALMP services | Focus on growth of the number of client cases |
| *Initial conditions* | Features of permanent employees | |
| *Policy design features* | Enlargement of statutory tasks | Enlargement of statutory tasks |
| | | Allocation of competences to regions and provinces |
| *Policy process features* | Modality of recruitment of ALMP professionals | Modality of recruitment of ALMP professionals |
| | "Silos" organizational arrangement | |
| *Context conditions* | | Conflicts on competences between the region and provinces |
| *Hypothesized social mechanisms* | Organizational learning (Argyris, 1982; Levitt and March, 1988; Argyris and Schön 1996) | Attribution of threats (McAdam et al., 2001) |
| | Protection of identities and roles (Wenger, 2007) | Certification (McAdam et al., 2001) |
| | Polarization (McAdam et al., 2001) | Sequential attention to goals (Cyert and March 1963) |

Table 1. Components of the explanatory argument.