Member States’ experience with simplification: Italy

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Lombardy Region – Facts & Figures  [1/2]

- Fourth-largest Region in Italy, with capital Milan
- First-populated Region, with 10 million residents (1/6 of the Italian population, 2% of the EU-28 population)
- There are 821,819 registered companies (33,9 active companies per km² and 84,7 companies per 1,000 population)
- The university system comprises 13 universities and more than 250,000 students
- Lombardy Region represents:
  - 21 % of national GDP
  - 30 % of national imports – 28 % of national exports
  - 22 % of the total R&D expenditures

Data source: Regional Statistical Yearbook 2013
Among the Italian regions with the highest participation in the labour market:

- **active population rate at 70%**, higher than the national one (63,7%)
- **employment rate at 65%**, higher than the national one (55%)
- **unemployment rate at 7,5%**, lower than the national one (10,7%)
- **female employment rate is 11 percentage point higher** than the national average (57% VS 46%)
- **youth unemployment rate (15-24) is 9 percentage point lower** than the national average (26,6% VS 35,3%)

Data source:
Regional Statistical Yearbook 2013
ISTAT 2013
ESF Lombardy Regional Operational Programmes

Lombardy Region is one of the most efficient Regions in Italy and it is one of the promoter of ESF best practices since the 2000-2006 programming period.

ESF ROP 2000/2006

- The total budget for the 2000-2006 programming period amounted to € 1.566 million
- At the closure of the 2000-2006 programming period the total expenditure amounted to € 1.576 million

ESF ROP 2007/2013

- The total budget for the 2007-2013 programming period amounts to € 796 million
- At December 2013 the total commitments amounted to € 720 million
- Lombardy Region has certified 66% of spending commitments
The Dote Model

In the 2007-2013 programming period Lombardy introduced a model of governance based on the main tool of intervention so-called Dote: a mix of financial resources and services assigned to individual persons to allow them to benefit from training and employment services.

Objective

- **Effectiveness** of welfare regional policies (training and employment)
- Person’s centrality
- Individual freedom of choice
- Competition between public and private operators
- Focus on results

Policy pillars

The Dote system is based on the following policy tools:

- Rules and requirements for accredited agencies
- Regulation of training and employment services, in terms of:
  - Contents / max hours / foreseen output
  - Standard scales of unit costs / calculation methods (Lombardy was the first Italian region implementing unit costs in 2008; a first test, in fact, was carried out before the approval of Reg. 396/09).
Examples of interventions

The main examples of intervention in the field of employment and training, regulated by specific rules within the Dote model, have been:

**Training Dote**
Aimed at favouring the persons’ employability, by reinforcing their competences and skills. It is addressed to jobless persons and to some kinds of autonomous workers.

**Employment Dote**
Aimed at favouring employment and at accompanying persons in the job insertion and reinsertion or in the professional requalification paths.

**Re-employment Dote**
Is destined to beneficiaries of Short time work Scheme that are going to become redundant because their firm is going to cease its activities, entirely or partially.
The “Dote Unica” model is now the model of employment and training policies in Lombardy Region, designed to accompany every person throughout his/her whole active life.

The innovative declination of such principles in the new Dote model:

- **Administrative simplification**: Definition of uniform rules applicable to all kinds of “Dote”. Confirmation of the use of standard costs to simplify reporting activities and enhance quality and results.

- **Organizational freedom and responsibility**: Each agency has a budget threshold, which will increase or decrease according to its performance in terms of efficiency and effectiveness.

- **Orientation to results**: Some services are reimbursed upon the successful result of the service: for example, the “Job placement” service.
The person access to “Dote Unica” through the network of the accredited employment agencies.

The person defines with the employment agency a personalized plan, composed of the employment and training services.

Each agency has a specific budget threshold that can be increased or decreased, depending on their performance.

The person is assigned to a specific aid intensity cluster, related to his/her own difficulties in the labor market.

The person achieves the employment result. Otherwise the person can change the agency.
“Dote Unica”: Target clusters

A personal “budget” accompanies persons throughout their whole active life, according to different individual conditions and specific needs expressed by each person. Each person is assigned to a specific aid intensity cluster, related to his/her own difficulties in the labor market.

SOCIAL - DEMOGRAPHIC VARIABLES

- EMPLOYMENT STATUS
- AGE
- QUALIFICATION
- GENDER

AID INTENSITY CLUSTERS

- **CLUSTER 1 “LOW AID INTENSITY” (1-49 POINTS):** People able to reposition themselves in the job market independently or requiring minimal support.

- **CLUSTER 2 “MEDIUM AID INTENSITY” (50-74 POINTS):** People in need of intensive services for the placement or re-placement in the job market.

- **CLUSTER 3 “HIGH AID INTENSITY” (75-100 POINTS):** People in need of intensive services for a medium/long period for the placement or re-placement in the job market.

- **CLUSTER 4 “OTHER AID” (0 POINTS):** People in need of services for the maintenance of their position in the job market.
**“Dote Unica”: Baskets of services**

Within “Dote Unica” the person may activate a number of services from a defined set of baskets of services, based on the minimum standards (costs, terms and conditions of delivery, repeatability of services) framework approved by Lombardy Region.

<table>
<thead>
<tr>
<th>1. Basic services</th>
<th>2. Welcome and orientation</th>
<th>3. Consolidating skills</th>
<th>4. Other measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>First access to services</td>
<td>Competency mapping / analysis of entrepreneurial tendencies and attitudes</td>
<td>Coaching</td>
<td>Wage subsidies</td>
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<td>Specific interview</td>
<td>Creation of a support network</td>
<td>Training services</td>
<td>Individual allowances</td>
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<td>Personal plan definition</td>
<td>Orientation and training to job search</td>
<td>Tutoring and training on-the-job</td>
<td>Vouchers of services</td>
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<td></td>
<td>Continuous accompaniment</td>
<td>Skills certification</td>
<td>Territorial partnerships</td>
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**EMPLOYMENT RESULT**

5. Job placement services / self-employment support services
**“Dote Unica”: terms and condition of payment**

The person defines with the employment agency a personalized plan. The terms and conditions of payment defined are focused on their common interest in achieving the employment result in the shortest term.

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<tr>
<td>Basic services <strong>essential</strong> for taking in charge the recipients. <strong>Free of charge.</strong></td>
<td>Services <strong>paid upon implementation of activities.</strong> From € 210 to € 665 depending on the target cluster.</td>
<td>Services <strong>paid upon implementation of activities,</strong> but only in connection with the activation of internships or the achievement of employment results (training, tutoring) and / or for cluster 3 recipients. From € 1.000 to € 2.000 depending on the target cluster.</td>
<td>Services <strong>paid upon implementation of activities</strong> or on the basis of the costs incurred in implementing such activities.</td>
</tr>
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<th>5. Job placement services / self-employment support services (result-based services)</th>
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<td>Services <strong>paid upon achievement of the employment result,</strong> thus only after:</td>
</tr>
<tr>
<td>- the successful job placement of the recipient <strong>(from € 740 to € 1.835 depending on the target cluster);</strong></td>
</tr>
<tr>
<td>- the inscription of the new company at the Chamber of Commerce and / or the opening of a new VAT position <strong>(from € 2.510 to € 3.860 depending on the target cluster).</strong></td>
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Simplified cost options: Lombardy experience

In the current programming period 2007/2013, Lombardy Region applied all the three simplified cost options foreseen by regulations.

- **Flat rate** for indirect cost (applied from 2009)
- **Lump sums** for collective action aimed at re-employing people dropped out of the job market (applied from 2012)
- **Unit costs** for training and employment services
  - Lombardy is the first region applying unit costs from 2008 within the Dote model, carrying out a first test before the approval of Reg. 396/09
  - More than 40% of total ROP expenditure is realized on calls which foreseen the application of the unit costs
  - Unit costs were applied to different kinds of interventions such as initial training, continuous training for workers requalification, employment services and other support services for disadvantaged targets
### Operations involved

- Real cost projects: the flat rate is 15% of direct costs, except for continuous training projects (9%) and research projects (4%)

### Methodology

- **Data source**: Analysis of the historical data of ESF projects 2000-2006, separating the total indirect costs from the total direct costs
- **Calculation**: total indirect costs divided by total direct costs
- **Agreement**: dialogue with the EC for the *ex ante* agreement and final approbation in 2011

### Verifications

- Verification on direct costs (invoices/payments)
- Indirect cost are not verified

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**FLAT RATE**
# Simplified cost options: Lombardy experience

## LUMPS SUMS

### Operations involved

- Collective action aimed at re-employing people dropped out of the job market

### Methodology

- **Data source:** questionnaire on historical and market cost to selected significant agencies on similar projects
- **Calculation:** average cost per project

### Verifications

- Verification on results: at least 10 signed contracts
Simplified cost options: Lombardy experience

UNIT COSTS

Operations involved

- Individual projects ("dote") including training and employment services. More than 40% of total ROP expenditure is realized on calls which foreseen the application of the unit costs.

Methodology

- Data source:
  - Training: historical costs (ESF 2000-2006 and 2007-2013 specifically for continuous training)
  - Employment: questionnaire on historical and market cost to selected significant agencies
- Calculation: average unit cost per person (hourly if process-based, overall if outcome-based)

Verifications

- Process-based - Verification on activities:
  - Training: training hours provided, class registers
  - Employment: timesheets, outputs (e.g. CV, balance of competences, job applications)
- Outcome-based - Verification on results:
  - Employment: signed contract, established company
Unit costs: Process vs. Outcome

In Lombardy Region the standard scale of unit cost has been used both for process based and outcome based services.

**Process**
- Focus: Hours of services provided
- Calculation of the cost: Standard unit cost * n. hours
- Supporting documents:
  - Logbook
  - Accounting documents
  - Documents proving the provision of the service

**Outcome**
- Focus: Achieved results
- Calculation of the cost: Standard unit cost
- Supporting documents: Documents proving the achievement of results

In Lombardy Region the standard scale of unit cost has been used both for process based and outcome based services.
Unit costs: Calculation methods

1. Identification of the data base of significant operations financed by the ESF ROP
   - For instance, in 2009 the analysis performed involved more than 8000 projects concerning vocational training, drop out and LLL services

2. Definition of a data base of completed operations, including physical and financial data

3. Calculation of the hourly cost per student for each operation:
   \[ \text{Cost of the operation} / \text{No. Hours} / \text{No. students} \]
   - Cost of the operation: certified spending
   - No. hours: number of hours worked on the project
   - No. students: number of students who participated in the project

4. Application of the inflation rate to costs (if necessary)

5. Calculation of the average hourly cost per student
Unit costs: Calculation methods

Employment services
Process based

1. Selection of a sample of significant accredited agencies for Labour:
   - For its research Lombardy Region can rely on a network of more than 150 accredited agencies

2. Collection of questionnaires concerning historical and market cost of:
   - Human resources directly involved in the service (front office - FO)
   - Human resources indirectly involved in the service (back office - BO)
   - Other direct costs (ie. material, documentation)
   - Other indirect costs (ie. rents, depreciation, maintenance, etc)

3. Definition of a data base (including some technical adjustments)

4. Calculation of the average hourly cost per person on both historical and market costs:

   \[
   \frac{(FO \text{ HRs’ cost} \times \text{no. FO hours} + BO \text{ HRs’ cost} \times \text{no. BO hours})}{\text{no. FO hours} \times (1 + \% \text{ incidence of other direct + indirect cost})}
   \]

5. Weighted average:

   \[
   \Sigma [(\text{Historical hourly cost} + \text{Market hourly cost})/2] \\
   \text{* agency’s representativeness}
   \]
Unit costs: Calculation methods

1. Construction of an integrated mix of employment process based services and definition of the outcome to be achieved
2. Definition of a hypothetical standard duration for each service (with specific reference to aid intensity clusters, a greater intensity of aid entails a greater duration of services)
3. Discussion of the structure of the new employment outcome based service with selected accredited agencies (through questionnaires, focus groups, etc.)
4. Definition of the outcome based service cost as the sum of all process based services costs, given by the service unit cost multiplied by the defined standard duration
Unit costs: “Dote Unica” services’ offer

BASIC SERVICES

- **First access to services**
  - Anagrophical form
  - Duration: 1 hour
  - Cost: Free of charge*

- **Specific interview**
  - Individual form on development areas
  - CV Europass
  - Duration: 1 - 2 hours
  - Cost: Free of charge*

- **Personal plan**
  - Personal Plan
  - Duration: 1 - 2 hours
  - Cost: Free of charge*

* In accordance with L. n. 181/2000, d.Lgs. n. 297/2002
Unit costs: “Dote Unica” services’ offer

- **Competency mapping**
  - Output: Competency form
  - Duration: 1 - 6 hours
  - Cost: 33 €/hour

- **Analysis of entrepreneurial attitudes**
  - Output: Individual form on entrepreneurial attitudes
  - Duration: 3 - 6 hours
  - Cost: 44 €/hour

- **Creation of a support network**
  - Output: Meeting report
  - Duration: 1 - 10 hours
  - Cost: 32 €/hour

- **Orientation and training to job search**
  - Guidance counseling report
  - Final report of laboratory results
  - Duration: 3 - 6 hours
  - Cost: 35 €/hour (group service) 15 €/hour (individual service)

- **Continuous accompagnment**
  - Output: Activities report
  - Duration: 1 - max 2 hours per month
  - Cost: 31 €/hour
# Unit costs: “Dote Unica” services’ offer

<table>
<thead>
<tr>
<th>CONSOLIDATING SKILLS</th>
<th>OUTPUT</th>
<th>DURATION</th>
<th>COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coaching</td>
<td>Results evaluation</td>
<td>9 - max 13 hours per month</td>
<td>35 €/hour 15 €/hour (group service)</td>
</tr>
<tr>
<td>Tutoring and training on-the-job</td>
<td>Activities report</td>
<td>1 - 15 hours</td>
<td>32 €/hour</td>
</tr>
<tr>
<td>Skills certification</td>
<td>Evaluation report</td>
<td>5 - 9 hours</td>
<td>69,75 €/hour</td>
</tr>
<tr>
<td>Promotion of business management</td>
<td>Activities report</td>
<td>9 - 12 hours</td>
<td>15 €/hour (group service)</td>
</tr>
<tr>
<td>Specialized and permanent training</td>
<td>Registers</td>
<td>Depending on the course</td>
<td>13,34 €/hour (group service)</td>
</tr>
</tbody>
</table>
Unit costs: “Dote Unica” services’ offer

**Job placement service**
- Successful job placement of the recipient
  - 3 - 6 month
  - Cluster 1: € 740
  - Cluster 2: € 1.300
  - Cluster 3: € 1.835

**Self-employment support service**
- Inscription of the new company at the Chamber of Commerce
- Opening of a new VAT position
  - 3 - 6 month
  - Cluster 1: € 2.510
  - Cluster 2: € 3.250
  - Cluster 3: € 3.860
Lombardy experience: pros & cons

ADVANTAGES

- Decrease
  - Administrative effort on verifications
  - Documentation received
  - Beneficiaries’ administrative effort
  - Error rate

- Increase
  - Transparency
  - Spending capacity and speed

DISADVANTAGES

- Setting-up effort
  - Importance of:
    - Information sharing
    - Solid knowledge and methodology

- Difficulties in cultural change management
  - Importance of:
    - Internal and external training
    - Involvement in the process
Presentation on the transnational project

Since the beginning of planning ESF 2007-2013, the Italian regions have shown interested to experience these simplifications overcoming the principle of real cost

PARTICIPANTS

21 Regional ESF OPs
15 MAs members of the Trans. Proj.
14 using the simplification options
11 using the standard scale of unit costs

Tuscany: Lead Region
Basilicata
Bolzano
Emilia Romagna
Friuli Venezia Giulia
Liguria
Lombardy
Marche
Piedmont
Puglia
Sardinia
Sicily
Trento
Umbria
Veneto

AIM OF THE PROJECT

Tuscany Region has proposed at the end of October 2011 the interregional/transnational project on simplifications aimed at:

- a technical comparison among the MAs of the ESF OP 2007-2013 on the use of the simplification options according to the Regulation (EC) n. 396/09
- a facilitation of the exchange of good practices and of experiences among the MAs of the ESF OPs 2007-2013
- a common interpretation on the draft Regulation for the future 2014-2020 programming period with regard at the simplification of the costs

- **THE POSITIVE ASPECTS** (i.e. advantages in the management, reporting and monitoring)
- **THE MORE CRITICAL ELEMENTS** that still require a comparison for the identification (even and especially in 2014-2020 perspective programming period)
Simplified cost options: ESF 2014 – 2020

- For the 2014-2020 programming period, in the field of simplification cost options and in terms of better focus on results, Lombardy Region expects to:
  - Maintain the acquis
  - Extend the use
  - Harmonize the options while taking account of the acquis
  - Improve the quality of intervention
Thank you for your attention!

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