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ORIGINAL ARTICLE

Work Integration Social Cooperatives in Italy: Public finance sustainability of active labour policies for disadvantaged individuals

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Abstract

Unemployment and limited access to decent job opportunities disproportionately affect vulnerable individuals. In Italy, policies designed to promote the participation of the disadvantaged labour force grant Work Integration Social Cooperatives (WISCs) tax benefits and contribution revenues. In return, WISCs employing disadvantaged individuals generate public finance savings by lowering publicly funded health care and social assistance expenditures, while creating value added through increased VAT revenues. This paper investigates the net balance for public finances of such labour policies. We employ a monetary cost–benefit analysis of 6892 job placements facilitated by social cooperatives in Lombardy, Emilia-Romagna and Veneto. We use VALORIS, an evaluation approach that assesses the financial sustainability of every single job placement of disadvantaged workers, and apply it to 92 WISCs followed between 2014 and 2023. Our results indicate that the Italian active labour policy of work integration of disadvantaged workers in social cooperatives is self-financing.

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Moreover, we find heterogeneity in the costs and benefits associated with different types of disadvantages. Finally, we highlight the relevance of the job placement of workers who are signalled as vulnerable by social services, but who do not receive incentives for their hiring, in producing positive effects on the public budget.

KEYWORDS
active labour market policies, disadvantaged workers, financial sustainability, public budgets, work integration social enterprises

JEL CLASSIFICATION
J68, P13, H43, J14

1 | INTRODUCTION

Unemployment and lack of access to decent work are forms of exclusion that disproportionately affect people facing disability, addiction, deprivation of liberty, displacement due to migration, among other vulnerabilities. In 2023, in the European Union, the employment gap between persons aged between 20 and 64 with and without disabilities reached 22 percentage points (Grammenos, 2024). This prevents them from building their identity and sense of belonging to their communities (Ståsett, 2007).

People's fragility and dignity need to be recognised to promote conditions that guarantee respect for their fundamental human rights (Vásquez, 2010). In the transition from a welfare-based approach to the exercise of active citizenship, various strategies have been designed to encourage the participation of vulnerable groups, promoting synergies between public administration and local actors (Rymsza, 2015). In this sense, active labour integration policies are fundamental for responding to the need to modernise the social protection system and strengthen community cohesion. Employment not only generates income but also develops individual capacities and allows full participation of vulnerable workers in community life (Barton et al., 2022; Mocellin, 2024; Santilli et al., 2018).

Access to employment actively promotes inclusion and becomes a mechanism for fostering social stability, participation, justice and the development of human aspirations (Rymsza, 2015). This form of integration guarantees community members secure access to the means of livelihood and builds a collective Ethos that upholds the norms of belonging and rules perceived as fair and equitable in a society (Santilli et al., 2018).

For the European Union, renewing the social protection system is consistent with achieving the Sustainable Development Goals. Specifically, the Action Plan for the Social Economy promotes active work integration policies and recognises social economy organisations as key agents for labour integration, contributing to the achievement of Goal 8 (European Commission, 2021; European Union, 2021).[1] Within this framework, social enterprises play a central role. Their activities

[1] Goal eight aims to 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all'.

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are focused on human promotion and the satisfaction of the general interest of the community. By adapting to the specific context of the communities they belong to, social enterprises often seize the opportunities created by the ecological transition while promoting job inclusion and democratic participation (Borzaga et al., 2019; Nueno, 2021; Van Opstal et al., 2024).

Active labour inclusion policies implemented through social enterprises need to be sustainable in terms of generated social benefits, economic and financial efficiency and viability. A rigorous evaluation is essential to ensure the sustainability of these policies.

A substantial body of literature has examined the effects of active labour market policies (ALMPs) targeting the general labour force, primarily focusing on participants' post-programme employment prospects and earnings as outcomes (e.g. Card et al., 2010, 2018; Crépon & Van den Berg, 2016; Filges et al., 2018; Vooren et al., 2019). However, when it comes to their cost-effectiveness, only a limited number of studies have addressed this issue, and these studies also largely focus on individual labour market outcomes as indicators of returns (e.g., Couch, 1992; Lammers & Kok, 2021). Evidence is even more limited for ALMPs targeting the most vulnerable segments of the labour force, particularly when evaluation extends beyond labour market outcomes to consider financial sustainability from the perspective of public budgets. This gap is largely attributable to the methodological and empirical challenges involved in such assessments. In particular, the costs and benefits associated with ALMPs are often distributed across multiple layers of public administration, may involve private-sector actors and require detailed micro-level data on job placements. Such data must include information on individuals' labour market disadvantages, the intensity of support received and related welfare transfers (e.g., Chiaf & Miniaci, 2015). These features complicate both data collection and the attribution of fiscal impacts, thereby hindering comprehensive evaluations of financial sustainability.

Attempts to assess the public budgetary impact of targeted ALMPs have been undertaken in several national contexts (see Beyer & Beyer, 2016, for a literature review). While their findings generally point to a positive effect of such policies on public finances, the methodologies and data employed exhibit notable limitations. For the Italian and Spanish context, Nitti et al. (2022) and Savall Morera et al. (2022) adopt a Social Return on Investment perspective to assess the public value created by targeted ALMPs delivered through Work Integration Social Enterprises (WISEs). However, this approach has been criticised for its limited suitability as a tool for policy accountability, particularly due to its reliance on financial proxies that are often subjective and context-dependent, as well as its tendency to oversimplify complex policy mechanisms, thereby raising concerns about its methodological robustness (Vining & Boardman, 2024). Alongside these empirical contributions, a number of more theoretical studies have explored the macroeconomic costs and benefits associated with the presence of WISEs within specific territories (Gregoire & Platteau, 2005; Marée, 2005; Marocchi, 1999).

The still limited body of robust micro-level evidence on the public budgetary effects of work integration policies may fuel uncertainty regarding their cost-effectiveness, ultimately undermining political and public support. This is particularly critical during periods of economic downturn, which tend to disproportionately affect vulnerable individuals, when such policies are often subject to expenditure cuts despite their documented effectiveness (Borzaga, 2012; Escudero, 2018; Greenberg et al., 2003). Strengthening accountability in the use of public resources, alongside improving the measurement of social impact, is also aligned with the policy direction advocated by the European Commission (European Commission, 2021).

This paper contributes to the assessment of the financial sustainability of Italian work integration policies aimed at disadvantaged individuals from the perspective of public administrations. Specifically, it evaluates the impact of programmes implemented by Work Integration Social

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Cooperatives (WISCs) on public budgets, adopting a comprehensive, micro-founded framework that captures the costs and benefits associated with each job placement.

To this end, we construct a novel micro-level dataset containing detailed information on individual job placements of disadvantaged workers facilitated by Italian WISCs, the most prevalent organisational form of social enterprise dedicated to labour integration in Italy. This dataset is complemented with information on the corresponding public expenditure associated with these placements, as well as the fiscal benefits arising from reduced spending on healthcare and social assistance and from increased tax revenues. In addition, we incorporate data on the characteristics of the cooperatives. This integrated dataset allows for a precise estimation of the net fiscal impact of each job placement on public budgets.

Our study is based on a sample of 6892 job placements facilitated by 92 WISCs across Lombardy, Emilia-Romagna and Veneto over the period 2014–2023. We employ the VALORIS accounting framework to assess the financial sustainability of each job placement involving disadvantaged individuals. Furthermore, we estimate a two-level hierarchical regression model to identify the extent to which characteristics of both WISCs and disadvantaged workers influence the financial sustainability of labour inclusion policies.

The results reveal substantial heterogeneity in the costs and benefits associated with different categories of worker vulnerability. Nevertheless, on average, subsidised employment of disadvantaged individuals in WISCs proves to be financially sustainable. Furthermore, the findings highlight the significant contribution of non-subsidised vulnerable workers voluntarily employed by WISCs, reflecting these organisations' commitment to pursuing the general interest of their local communities.

The article is divided into six sections: Section 2 introduces the Social Cooperatives, by far the most common (and old) organisational form of WISEs in Italy. Section 3 presents the model used to assess the financial cost–benefit balance for the public budget generated by the social cooperatives. Section 4 describes the data and shows the statistics of cost, savings and balances by type of worker's disadvantage. Section 5 is dedicated to the regression analysis, where we investigate the main drivers determining the financial sustainability of the job placements. Finally, in Section 6, we draw some final considerations and policy indications.

2 | THE ITALIAN WORK INTEGRATION SOCIAL COOPERATIVES

Social enterprises emerged in Europe in the late 1980s, influenced by the 19th-century catholic, socialist and cooperative movements (Salinas, 2023). Social entrepreneurship is rooted in principles of solidarity and emerged in response to the shortcomings of the welfare model, based on the state-market dichotomy, which proved to be unable to adequately provide social services and labour market integration opportunities for vulnerable people (Cooney et al., 2023).

In the absence of a coherent public policy framework, the first activities were structured as mutual aid organisations that mobilised resources through volunteer efforts. Subsequently, through the mobilisation of resources and the development of cooperative relationships with both private organisations and local public entities, social enterprises were established (Cangiano, 2018). This approach highlights the operating strategy that Laville (1995) describes as *resource hybridisation* (donations, volunteering, public funding and the sale of goods and services) (Bastidas-Delgado & Richer, 2001).

This evolution is also reflected in the organisational characteristics of social enterprises. Social enterprises are autonomous entities established through collective, community-based initiatives

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and are characterised by three interrelated dimensions: economic, social and governance-related (Galera & Chiomento, 2022). The economic dimension involves the continuous production of goods or services, engaging both paid staff and volunteers and the assumption of entrepreneurial risks. The second dimension commits the organisation to providing benefits to the community at large. Finally, the governance dimension promotes stakeholders' democratic participation in decision-making processes and restricts the distribution of profits.

Social enterprises can pursue a variety of social, cultural or environmental objectives. Among those, there are social enterprises focused on work integration. Their main goal is to promote the social and work integration of vulnerable groups. In Italy, building on the country's long-standing cooperative tradition (Borzaga & Ianes, 2006), these enterprises adopt the cooperative legal form, which aligns with their social objectives. Article 45 of the Constitution (1948) recognises the social function of cooperatives, while Law 381/1991 recognises social cooperatives as a specific form of cooperative enterprise, providing a legal framework for WISCs (Italian Republic, 1991).

In terms of governance, Italian social cooperatives adhere to the seven cooperative principles that guide every cooperative worldwide: democracy, mutuality, solidarity, capital participation, as well as education/information and inter-cooperative collaboration.[2] Unlike strictly mutualistic cooperatives, social cooperatives aim to meet not only the needs of their members but also those of the wider community. Law 381/1991 defines social cooperatives as entities that pursue the general interest of the community by fostering human development and social integration, through two main types of activities: (i) Type A social cooperatives, which manage health, social-care and educational services; and (ii) Type B social cooperatives, which carry out any type of activity other than the services provided by Type A cooperatives, with the requirement that disadvantaged individuals are employed.

Formally, Italian WISCs are Type B social cooperatives. They manage a variety of activities—such as catering, gardening, cleaning, waste management and workshop or assembly operations—and operate in open markets under the same conditions as other firms. Although public authorities may give them preferential access to certain public contracts, the scope for such preferential treatment has become increasingly limited in order to comply with EU competition and public procurement rules.

By employing personnel with certified disadvantages who are traditionally excluded from the labour market, WISCs serve the general interest of the community. In fact, WISCs are required to ensure that at least 30% of their workforce consists of individuals with a certified disadvantage. These individuals include people with disabilities, mental health issues, individuals serving sentences through alternatives to incarceration, people with addiction issues and working-age minors with a certified social disadvantage. To be recognised as disadvantaged, individuals must hold official certification from the relevant public authority, such as the National Health Service (through its various units: disability services, psycho-social centres, addiction services, etc.) or the Justice Department (such as the office for external penal execution), which must confirm that they are under the authority's care, are undergoing a rehabilitation process and that employment forms part of that process.

Under the Italian National Collective Labour Agreement for Social Cooperatives, the primary objective of employing disadvantaged individuals within WISCs is workplace integration. Work activities are conceived as instruments that complement the individual's rehabilitation, training and personal development process, while simultaneously enabling the assessment and enhancement of their work-related skills and capabilities. The relationship between WISCs and

[2] For a global overview, see www.ica.coop.

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disadvantaged workers is designed to promote their successful social and occupational integration through individualised work-integration plans that define the duration and modalities of the placement. During their employment, disadvantaged workers are entitled to the remuneration stipulated by the collective agreement applicable to the specific tasks they perform, on the same basis as other workers performing equivalent tasks.

WISCs may implement work-integration programmes through four main arrangements provided for under the collective labour agreement, which may be incorporated into personalised work-integration plans: (i) agreements with local authorities, Local Health Authorities, and relevant associations to provide individual training grants or to cover social security contributions; (ii) fixed-term contracts; (iii) flexible working arrangements, including part-time contracts (also in vertical form to accommodate medical treatment and rehabilitation), job-sharing agreements, and teleworking; and (iv) entry-level wage scheme that can be applied for up to three years.

If, upon completion of the work integration programme, the individual has not attained the expected level of productivity and, consequently, the conditions for transitioning to permanent employment, the cooperative may renew the contract under tailored arrangements that reflect the individual's specific circumstances. Conversely, when participants achieve the expected productivity standards, they are offered permanent employment under the same terms and conditions as other workers, with the same rights and obligations.

Finally, disadvantaged workers are not prevented from participating in the governance of the social cooperative and may become worker-members of the cooperative. Membership may be denied only where objectively certified impediments exist due to the severity or specific nature of the worker's disadvantaged condition.

Acknowledging the social value of their activities, the legislation grants WISCs specific statutory tax benefits concerning the social security and insurance contributions associated with disadvantaged workers, which are covered by the State. In addition, given their work-integration function, WISCs may receive public subsidies and other employment-support measures aimed at facilitating the integration of disadvantaged workers. As these measures are not governed by a uniform national framework, their design and implementation may vary across levels of public administration and according to the territorial context in which the WISC operates.

While the provision of fiscal benefits for work integration may reduce some public revenues, WISCs also generate significant savings for public budgets and stimulate additional tax receipts. On the one hand, by integrating vulnerable individuals into employment, they reduce reliance on healthcare and social services, income support programmes, disability benefits and other transfers that would otherwise be financed by the public sector. On the other hand, they increase fiscal revenues through personal income taxes paid by newly employed workers and VAT receipts associated with their higher consumption expenditure.

According to the Italian National Register of Cooperatives as of 2025 (*Albo delle Cooperative*), the total number of social cooperatives in Italy was 21,025, with 21% located in the regions of Lombardy, Emilia-Romagna and Veneto (see Table 1). These northern Italian regions are known for their wealth, industrial history and low unemployment rates, which decreased from 13% to 7.8% between 2014 and 2023 (Istat, 2025). In this area, WISCs have played a significant historical role and account for 43% of all social cooperatives (Ministry of Enterprises and Made in Italy, 2025).

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TABLE 1 Cooperatives in Italy.

	All cooperatives	Social cooperative	WISCs
Total Italy	85460	21025	9822
Lombardy	8914	2451	1026
Emilia-Romagna	4971	1043	463
Veneto	3575	928	394
Total (three regions)	17460	4422	1883
%	20.4%	21.0%	19.2%

Abbreviation: WISC, Work Integration Social Cooperative.
Source: Ministry of Enterprises & Made in Italy (2025).

3 | A MODEL OF FINANCIAL COST–BENEFIT ANALYSIS FOR THE SUBSIDISED JOB PLACEMENTS

To assess whether and to what extent public subsidies for the employment of vulnerable people in WISCs are generating savings for the public budgets, the research uses the VALORIS methodology developed by Chiaf (2009). This method calculates costs and benefits generated by each job placement of disadvantaged workers.

The empirical analysis considers 92 WISCs (Type B and Mixed A and B Social Cooperatives) operating in 18 provinces in Lombardy, Emilia-Romagna and Veneto during the period 2014–2023. With respect to the original version of VALORIS, we updated the financial costs of the health and social protection services that disadvantaged people would have used if not employed by the WISCs.

VALORIS calculates the cost–benefit balance for the public finances due to the job placements in each WISC j as follows:

$$\text{Balance}_j = \text{ICB}_j - \text{WISCC}_j \tag{1}$$

where

$$\text{ICB}_j = \sum_{i \in \beth_j} \text{ICB}_{ij} = \sum_{i \in \beth_j} \left(\left(\text{Savings}_{ij} + \text{Tax revenues}_{ij} \right) - \text{Policy costs}_{ij} \right) \tag{1a}$$

$$\text{WISCC}_j = \left(\text{Trans}_j + \text{TaxExemp}_j \right) \tag{1b}$$

where i corresponds to the single job placement and $\beth_j$ is the entire set of job placements in WISC j. ICB_j is the sum of individual benefits (Savings_{ij} and Tax revenues_{ij}) net of costs (Policy costs_i) associated with each job placement in WISC j. Policy costs are given by social security contributions and other ad hoc contributions to the WISC; they are set by the legislator and depend on the type of disadvantage of the worker and the labour contract agreement. Savings and tax revenues generated by the placements also depend on the activity of the WISC. WISCC_j represents the costs generated by the WISC j for the public budgets and brings together the tax exemptions (TaxExemp_j) and monetary transfers (Trans_j) that depend on the social enterprise status of the cooperatives, but not directly on the number of job placements.

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As savings for the public administration, we consider health and social assistance services that disadvantaged workers do not use because of their job placement; the disability pension for which they lose eligibility; and, finally, the income support they would be entitled to if unemployed. The tax revenues generated by the job placement include the personal income tax paid by the workers, and the VAT levied on products and services produced by the workers employed by the WISC. The policy costs are the social security contributions that the state pays for each worker (both the share of contributions that should be paid by the WISC and the share due by the worker), transfers such as, for instance, training internship grants and disability allowances, and the compulsory insurance premiums for work-related risks for apprentices. See Chiaf and Miniaci (2015) for further details on the components considered in Equations (1a) and (1b).

More specifically, savings associated with the use of health care and social assistance services are estimated by comparing the observed utilisation of these services among individuals employed by WISCs with a counterfactual scenario in which the same individuals are not employed by a WISC.[3] Under this counterfactual, we ask WISCs' work integration managers to identify the additional public-funded services that each individual would have used if they were not employed. The work integration managers have in-depth knowledge of each disadvantaged worker's personal history and needs, and in case of uncertainty, they were instructed to conservatively select the options least expensive for the public administration. These additional costs represent the public savings generated by the job placement of the disadvantaged individuals.

Of course, public authorities continue to provide some health and social services to the disadvantaged workers; however, the related expenses are not included as negative components of the cost–benefit balance because they would be incurred regardless of the individuals' employment status. Similarly, the employment of disadvantaged workers entails additional organisational expenses for WISCs, such as training costs to facilitate their effective integration into the workplace. These expenses are not considered in our cost–benefit framework, as they are incurred by a private stakeholder.

Updated information on the unit costs of health and social assistance services was collected through a documentary review of national reports, regional deliberations and the *Carte dei Servizi* (service charters) published by Type A social cooperatives providing these services in Lombardy.[4] These estimates were then refined through consultations with the same cooperatives to clarify whether costs were reported gross or net of VAT and to identify the proportion covered by public funds. When multiple cost levels are observed for the same type of service due to heterogeneity in users' needs or service delivery conditions, we adopt a conservative approach and retain the lowest cost estimate. To assess the cost–benefit balance of job placements from the perspective of public finances, all costs are calculated net of the VAT levied on these services. Based on the collected information, we estimate the costs of 14 types of services, which update the values reported in Chiaf (2009) (see Appendix A for further details).

[3] Concerning workers who could find employment outside a WISC, VALORIS assumes no additional use of health and social assistance services relative to employment in a WISC. We assume that working conditions would be comparable to those in the WISCs, and therefore (conservatively) attribute no additional demand for such services.

[4] This region accounts for 80% of the job positions analysed.

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4 | DATA DESCRIPTION: PUBLIC COSTS AND SAVINGS OF THE SUBSIDISED JOB PLACEMENTS

Data were collected on 6892 job placements of disadvantaged workers in 92 Type B and Mixed A and B Social Cooperatives (WISCs) operating in 18 provinces in the northern Italian regions of Lombardy, Emilia-Romagna and Veneto during the period 2014–2023. These data were gathered by *Socialis Research Center* (https://centrostudisocialis.it/), which applies the VALORIS method to cooperatives requesting its services to enhance the information included in their social reporting and/or for advocacy purposes. According to the Ministry of Enterprises & Made in Italy (2025) and the Bureau van Dijk AIDA database (*Analisi Informatizzata delle Aziende Italiane*), in these three regions in 2024, there were 1571 active WISCs, which means that our study sample represents 6% of active cooperatives.

For about 87% of the cooperatives in the data, the financial balance of the workforce integration placements is available for only 1 or 2 years; for three cooperatives, we have it for 4 years; and for two cooperatives, for 8 years. The number of job placements considered decreases over time, with peaks of 31% and 15% of the job placements in 2016 and 2018.

Since the number (and composition) of job placements varies over time because of the decisions of the WISCs to assess their placements, we focus on the totals for the 2014–2023 period. During this period, 16% of placements involved individuals who were not recognised as vulnerable workers under Law 381/1991, whereas 62% of the workers had certified disabilities. The fact that WISCs employ non-certified disadvantaged workers, whose hiring does not benefit from any tax incentives, demonstrates the strong social commitment of these cooperatives. These individuals were referred by their municipality of residence as vulnerable, but they lack a certified disability. Due to their lower productivity and lack of official certification, they would be unlikely to be hired by market-oriented companies.

Table 2 summarises the key characteristics of the job placements considered. We classified them into five disadvantaged groups, namely addicts, convicts, disabled, minors, psychiatric and not certified. Only 9.5% of the workers retained between 75% and 99% of their work capacity, and 9.3% of them had full work abilities. This percentage goes from a minimum of 9.1% (7.8% Band IV + 1.3% Band V) with at least 75% of residual work capacity for the disabled, to a maximum of 47% (23.5% Band IV + 23.5% Band V) and 47.9% (32.8 Band IV + 15.1 Band V) for minors and convicts, respectively. The high percentage of workers with low residual work capacity reflects the significant effort and the efforts made by the WISCs to include people with very limited options in the labour market.

According to the NACE[5] classification of economic activities (codes for Italy), data show that the majority of job placements are concentrated in WISCs whose activities are related to waste management (25%), manufacturing (23%), gardening (16%) and cleaning services (15%). These sectors offer the most job opportunities for disadvantaged workers.

In our data, the average age of the workers is 45, with small differences across disadvantaged groups (except for minors), with older workers being those with disabilities and addictions. Furthermore, 73% of workers are men, a higher percentage than the 55.7% recorded in the northern region in 2024 (Istat, 2024). Part of this gap can be explained by the fact that the industry mix in our data is rather different from the industry mix of the economies of these three regions. Indeed, the gender composition is heterogeneous across sectors, also in our data: men predominate in waste

[5] Classification based on the Commission Delegated Regulation (EU) 2023/137 of 10 October 2022 amending Regulation (EC) No 1893/2006 of the European Parliament and of the Council (European Union, 2023).

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TABLE 2 Job placements by type of disadvantage, residual work ability and sector of activity.

	Certified according to Law 381/1991					Not certified	Total
	Addicts	Convicts	Disabled	Minors	Psychiat.		
# WISCs with job placements	66	40	87	11	60	63	92
# Job placements	748	284	4300	17	477	1066	6892
Average age	46	41	46	17	44	43	45
Female (%)	9.1	7.5	30	18.8	29.2	27	26.2
Residual work ability (%)							
Band I: 0%-25% (low ability)	13.1	6.3	34.0	29.4	24.5	17.2	27.3
Band II: 26%–50% (medium ability)	30.8	19.7	38.3	17.7	30.8	25.7	34.2
Band III: 51%–75% (discrete ability)	21.0	26.1	18.6	5.9	16.6	23.1	19.7
Band IV: 76%–99% (good ability)	11.6	32.8	7.8	23.5	8.8	8.6	9.5
Band V: 100% (full ability)	23.5	15.1	1.3	23.5	19.3	25.4	9.3
Activity (%)							
Manufacturing	5.2	14.4	31.1	29.4	13.2	9.1	22.9
Waste management	56.3	55.6	15.5	0.0	22.4	37.3	25.4
Cleaning	9.4	2.1	16.5	11.8	18.0	16.1	15.2
Landscape	15.1	11.6	16.7	5.9	21.4	14.9	16.3
Health and social work	2.7	10.2	12.9	47.1	12.6	17.4	12.5
Other activities	11.4	6.0	7.4	5.9	12.4	5.2	7.8

Abbreviation: WISC, Work Integration Social Cooperative.

Note: Waste management activities also include water supply and sewerage. Other activities include agriculture; construction; transportation and storage; accommodation and food service activities; telecommunications, computer programming, consulting, computing infrastructure and other information service activities; professional, scientific and technical activities; arts, sports and recreation; and support activities, combined facilities and office administration.

management and gardening services, with 91% and 79% respectively, whereas in cleaning, health and social work sectors a higher percentage of women is observed, with 43% and 39% respectively.

The costs and benefits generated by each job depend on the specific conditions of each worker. Table 3 shows the statistics related to all elements considered as costs and benefits, according to the type of disadvantage. Due to a lack of relevant or reliable information, we are left with 6694 job placements for which we can consistently compute the balance defined in Equation (1). This sample selection does not alter the descriptive statistics shown in Table 2 in any significant way.

Analysing working conditions, the first row of Table 3 indicates that the majority of workers (82%) are not in training programs, while convicts and minors have a considerable proportion of trainee contracts (39% and 94%, respectively). These specific trainee contracts targeted to the marginal labour force imply fewer hours worked and a reduced number of workdays per year. Based on information on the number of hours worked per year, and assuming a standard workday

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TABLE 3 Financial benefits and costs of subsidised job placements by type of disadvantage.

		Certified according to Law 381/1991					Not certified	Total
		Addicts	Convicts	Disabled	Minors	Psychiat.		
1	In Training	10.8	38.7	15.8	94.1	19.7	25.5	18.1
2	Number of days as employee	134.8	95.2	112.5	33.4	116.2	116.4	114.9
	Part A. Benefits							
	A.1. Savings							
3	Using health care services or social assistance if unemployed (%)	61.0	76.5	50.5	58.8	64.2	48.6	53.2
4	Cost for services (Euro)	16.1	47.7	12.6	24.0	16.4	3.6	13.1
5	Disability benefit eligible (%)	0.0	0.0	16.7	0.0	0.0	0.0	10.5
6	Disability benefit (Euro)	0.0	0.0	2.2	0.0	0.0	0.0	1.4
7	Basic income beneficiaries (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
8	Basic income (Euro)	11.9	12.1	12.5	15.3	11.7	11.1	12.2
9	Savings for services and cash transfers (Euro)	27.9	59.8	27.3	39.3	28.1	14.7	26.7
	A.2. Tax revenues							
10	Positive personal income tax (%)	81.6	49.0	61.8	0.0	65.2	41.8	60.4
11	Personal income tax (Euro)	9.3	6.5	6.1	0.0	6.6	3.1	6.0
12	VAT (Euro)	21.8	19.5	19.8	14.5	19.8	20.2	20.1
13	VAT, adjusted for residual working ability (Euro)	13.6	12.8	7.5	10.5	10.8	12.2	9.4
	Part B. Individual policy cost-placement specific							
14	Positive ad hoc contributions to the WISC (%)	10.4	38.3	26.7	82.4	21.4	30.1	25.7
15	Ad hoc contributions to the WISC (Euro)	1.3	7.7	6.3	12.6	5.5	3.9	5.4
16	Positive social security contribution (%)	87.9	60.1	84.0	0.0	78.8	0.0	69.7

(Continues)

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TABLE 3 (Continued)

		Certified according to Law 381/1991					Not certified	Total
		Addicts	Convicts	Disabled	Minors	Psychiat.		
17	Social security contribution (Euro)	28.0	19.9	25.6	0.0	25.5	0.0	21.6
18	Overall positive placement costs (%)	97.9	98.4	98.2	82.4	97.0	30.1	87.4
19	Overall placement costs (Euro)	29.4	27.6	31.9	12.6	30.9	3.9	26.9
	Part C. Individual net benefits (ICB_{ij})							
20	Negative ICB_{ij} (%)	58.1	32.5	57.6	11.8	59.6	8.7	49.1
21	ICB_{ij} (Euro)	7.8	38.7	1.6	26.7	3.8	13.9	5.7
22	Negative ICB_{ij} + VAT (%)	9.4	5.4	20.5	11.8	19.7	4.7	16.2
23	ICB_{ij} + VAT (Euro)	29.7	58.2	21.4	41.2	23.6	34.1	25.8
24	Negative ICB_{ij} + adjusted VAT (%)	19.8	9.5	37.4	11.8	31.1	6.5	29.1
25	ICB_{ij} + adjusted VAT (Euro)	21.5	51.5	9.1	37.2	14.6	26.1	15.1
	Part D. $Balance_{ij}$ = ICB_{ij} − $WISCC_{ij}$							
26	With negative net balance (%)	61.6	35.0	62.5	17.7	65.0	14.8	53.9
27	Net balance	4.8	35.5	−1.9	23.0	0.0	10.5	2.3
28	With negative balance + VAT (%)	13.0	10.3	25.1	17.7	23.5	5.6	20.1
29	Balance + VAT	26.7	55.0	17.9	37.6	19.9	30.8	22.4
30	With negative balance + VAT Adj (%)	27.1	14.0	44.6	17.7	39.1	7.2	35.3
31	Balance + VAT Adj	18.5	48.3	5.6	33.5	10.9	22.7	11.7

Abbreviation: WISC, Work Integration Social Cooperative.

of 7.5 h per day, we estimate the number of full-time equivalent (FTE) workdays for each job placement. The average FTE workdays range from 33 days for minors to over 100 days for the other categories. To allow comparability and facilitate interpretation, all monetary variables will be presented in terms of FTE workdays.

Part A of Table 3 presents the composition of the generated benefits. First, the percentage of job placements generating each specific component is indicated, followed by its average amount, where the amount is zero if the component is not present. Regarding the economic savings derived from the job created, Row 3 shows that 53.2% of all vulnerable worker types would require additional assistance if unemployed, and Row 4 shows that, on average, the cost of such assistance

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would be the highest for convicts (€47.7 per day), more than double the cost for people with addictions, disabilities and psychiatric problems. In contrast, workers without a certified disadvantage would generate the lowest additional costs (€3.6 per day), suggesting that, despite their vulnerability, they would not require expensive services.

Other costs saved by the public finances are the disability benefits (invalidity pensions) and the basic income support, which the public administration would have to guarantee if they were not working[6] Row 5 shows how only the disabled are allowed for disability benefits and only 16.7% of them actually receive the invalidity pension.[7] The total savings on cash transfers and services are shown in row 9, with an average saving of €26.7 per day. The highest savings (about €60 per day) are generated by the placements of convicts.

For people with disabilities, the public administration saves a total of €27.3 per day thanks to the reduction in disability benefits, health and social service costs and basic income. People with disabilities can be further classified into three sub-groups: mentally, physically and sensorially disabled. Within this group, mentally disabled workers, who represent 50.6% of the total disabled people, generate the highest average saving per day, which reaches €35.5 (see Table B1 and Table B2, Appendix B).

The rows from 10 to 13 show the percentage of workers with a positive personal income tax, the average personal income tax burden and the amount of VAT imputed to their contribution to goods and services produced by WISCs. Regarding personal income tax, the data show that not all workers are subject to it, due to Italy's non-linear tax regime, which has an exemption threshold below which income is not taxable, and other case-specific tax exemptions or deductions. Around 82% of the wages of people with addictions are taxed; this percentage drops to around 49% for convicted offenders, around 62% for disabled, around 65% for psychiatric patients, and finally, for non-certified offenders, it is only 42%. The average personal taxation is the highest for the addicts (€9.3 per day) and the lowest for non-certified (€3.1). Hence, those who pay taxes contribute between about €3 and €9 per day to the public budget.

The cash flow generated by VAT (assuming constant productivity among employees of the same WISC) is around €20 per day for any disadvantaged worker, except for minors, who generate €14.5 tax revenue. The last row of Part A shows that when taking into account the residual labour capacity of individuals to adjust average productivity (VAT), the cash flow is reduced by almost half (on average, a 1.8-fold reduction), except for the disabled, for whom the cash flow represents 2.6 times less compared to the VAT that assumes constant productivity.

Part B of Table 3 shows the costs generated by each job placement (excluding the cost of policies generated by public transfers and tax exemptions granted to the cooperative). Looking at the total placement costs, we see that they come mainly from the social security contributions received by WISCs for the placement of the individual workers, with disabled workers generating the highest costs (€31.9 per day, Row 19, consisting of €25.6 per day for social security, Row 17 and €6.3 for the ad hoc contribution, Row 15). For minors and non-certified workers, the total cost comes from the ad hoc contribution, with non-certified workers generating the lowest costs.

The following section C of Table 3 shows the net position when only individual costs and benefits are considered. This result is presented under three possible scenarios: (i) without considering VAT revenue, in lines 20 and 21; (ii) including VAT, in Lines 22 and 23; and (iii) considering VAT adjusted for the employee's residual work capacity, in Lines 24 and 25. Scenario (ii) is an

[6] The income support is considered as €10 per working day from 2014 to 2020 and €19 since 2021.

[7] An invalidity pension is only provided if the disability rate is 100% and the gross income exceeds €15,000, or if the disability rate is between 74% and 99% and the gross income exceeds €4400.

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overestimation of disadvantaged workers' productivity since it attributes to them 100% of WISC productivity, when in fact disadvantaged workers retain, in general, less than 50% of their working abilities (see Table 2). For this reason, we consider Scenario (iii) as the preferred specification.

The intervention proves to be cost-effective from a public budget perspective across all categories of vulnerable workers under the three specifications considered. Excluding VAT, the costs of job placements exceed the associated benefits in approximately 49% of cases (Row 20), with individuals with disabilities generating the lowest—yet still positive—average savings (Row 21). Within this group, the overall positive balance is primarily driven by workers with mental disabilities, which offsets the negative balances observed for individuals with physical or sensory impairments. This pattern illustrates a mechanism of internal cross-subsidisation that underpins the overall financial sustainability of the policy (see Tables B1 and B2 in Appendix B for detailed results).

In contrast, the employment of incarcerated individuals yields a positive fiscal balance in 67.5% of cases (Row 20), with average savings amounting to €38.7 per day (Row 21). When VAT is included in the analysis, the share of cases with negative balances decreases. Finally, when VAT is adjusted to account for residual work capacity, costs exceed benefits in only 29% of job placements (Row 24), and the policy generates an average net gain of €15.1 per day. Within this specification, the lowest value is observed for individuals with disabilities (€9.1; Row 25). As before, the overall positive balance for this group is primarily driven by workers with mental disabilities, whose fiscal contribution compensates for the lower returns associated with physical and sensory disabilities. Notably, unlike the specification excluding VAT, all disability subgroups generate positive net values once VAT is included (see Table B2, Appendix B).

Overall, these findings point to a rebalancing mechanism across worker categories, whereby the fiscal costs associated with more resource-intensive placements are effectively offset by the gains generated by more cost-effective ones. Moreover, excluding job placements of disadvantaged but non-certified workers would reduce total savings to €13 per day, corresponding to a 14% decrease.

Part D of the table shows the overall balance when we take into account the policy costs of subsidies, monetary transfers and tax exemptions granted to WISCs as a whole, because of their status. To obtain an individual measure of the WISCC_j component to be subtracted from individual placements' costs and benefits, we divide it by the hours worked by all employees (considering both disadvantaged and non-disadvantaged). The overall balance at the individual level in the most conservative approach (without considering VAT, in Rows 26 and 27) indicates that each placement generates a gain of €2.3 per day on average. When considering the VAT generated in Rows 28 and 29, it increases to €22.4 per day. Finally, after adjusting VAT for the residual working abilities in Rows 30 and 31, the savings remain positive and reach an average of €11.7 per day. In this final scenario, we observe that if WISCs eliminated non-certified workers, the net balance adjusted for VAT would be 9.6, which represents an 18% decrease.

5 | REGRESSION ANALYSIS

The analysis in the previous section yielded two main results: overall, job placements of disadvantaged workers in WISCs generate a positive financial benefit for the public budget, and there is considerable heterogeneity in the costs and benefits of job placements, with a fraction of placements whose costs are higher than the benefits.

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In this section, we estimate a series of two-level regression models to analyse the effect of worker characteristics, employment contracts and WISC conditions on the financial sustainability of the policy.

5.1 | Specification of the econometric model

To explore the characteristics of WISCs and disadvantaged workers that affect the net balance generated by active labour policy, we specify a two-level hierarchical model, which allows for WISC-related heterogeneity both when assessing the level of the balance and the impact of disadvantage type on it. We use this approach to first estimate the probability that a given placement yields a positive financial balance and then to study the amount of that balance. The balance is calculated under three model specifications: the first does not consider the VAT generated by economic activity (conservative scenario), the second accounts for VAT and the third adjusts VAT based on the residual productive capacity of each disadvantaged worker.

WISCs have characteristics that are not fully observable. For instance, external observers can only proxy WISCs' profitability and their ability to employ the disadvantaged workers productively. As the net balance of job placements depends on the value added generated by the cooperatives and on how different disadvantaged workers contribute to it, such unobservable characteristics should be taken into account in the analysis of the probability of generating a positive balance and on the amount of this final balance. The chosen model includes a random component that reflects differences in the mean balance for each WISC due to unobservable factors. Moreover, we are particularly interested in investigating whether there is any heterogeneity across WISCs in how the fact that the worker is either disabled or without a certified disadvantage impacts the financial balance of their placement. We therefore use random slope coefficients that allow these types of disadvantages to have heterogeneous effects across WISCs.

We use such a random effects modelling approach to estimate the probability of generating a positive daily financial balance ($\text{Balance}_{ij} = \text{ICB}_{ij} - \text{WISCC}_{ij}$) using a logit regression.

The specification for the logit model with random intercepts and slopes is as follows:

$$\ln\left(\Pr(\text{Balance}_{ij} > 0)\right) = \beta_{0j} + \left(\beta_{1j}x_{1ij} + \sum_{s=1}^{S}\beta_{1s}x_{1ij}z_{sij}\right) + \left(\beta_{2j}x_{2ij} + \sum_{s=1}^{S}\beta_{2s}x_{2ij}z_{sij}\right) + \sum_{f=1}^{FI}\alpha_f v_{fij} + \sum_{f=1}^{FW}\theta_f w_{fj} + \sum_{s=1}^{S}\delta_s z_{sij} + e_{ij} \quad (2)$$

where β_{0j} represents the WISC-specific random intercept;x_{1ij} is a dummy variable which equals 1 if individual i is not certified, zero otherwise; similarly, x_{2ij} is equal to 1 if the individual is disabled, zero otherwise. β_{1j} and β_{2j} are their associated random coefficients, that is, the model allows the effects of vulnerability types to randomly differ across WISCs. z_{sij} are dummy variables for the different levels of residual work ability (see Table 2), and the fixed parameters β_{1s} and β_{2s} capture the possibility that the residual work abilities may impact the balance differently according to the vulnerability type. Finally, we control for a set of individual-specific characteristics, variables v_{fij} (coefficients α_f), for a set of WISC-level characteristics, w_{fj} (coefficients θ_f), and residual work ability dummies (coefficients δ_s). Finally, e_{ij} is the individual-level random component, which is assumed to have a logistic distribution for all the WISCs (Moerbeek & Van de Schoot, 2018).

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The random coefficients $(\beta_{0j},\ \beta_{1j},\ \beta_{2j})$ are assumed to follow a trivariate normal distribution $N_3((\beta_0,\ \beta_1,\ \beta_2)', \text{diag}(\sigma_0^2, \sigma_1^2, \sigma_2^2))$ independent of the individual random component e_{ij}.

As individual-level characteristics v_{fij}, we consider days of job tenure in the year and a dummy variable identifying workers in training. The WISC characteristics in w_{fj} are the total number of disadvantaged workers employed in each year, the ratio of the annual number of hours worked by disadvantaged workers to the total number of hours worked by WISC's employees (Ratio 1), the number of years since the start of activity and dummies for the sector of economic activity. Finally, two financial indicators are included: the logarithm of total annual sales (to control for firm size), and the EBITDA/sales ratio (Ratio 2).

When we investigate the amount of the balance, which can be positive or negative, we specify the following two-level hierarchical linear model, which we estimate via restricted maximum likelihood:

$$\text{Balance}_{ij} = \beta_0 + \left(\beta_{1j}x_{1ij} + \sum_{s=1}^{S}\beta_{1s}x_{1ij}z_{sij}\right) + \left(\beta_{2j}x_{2ij} + \sum_{s=1}^{S}\beta_{2s}x_{2ij}z_{sij}\right) + \sum_{f=1}^{FI}\alpha_f v_{fij} + \sum_{f=1}^{FW}\theta_f w_{fj} + \sum_{s=1}^{S}\delta_s z_{sij} + e_{ij} \quad (3)$$

Just as the logit model, this specification includes random intercepts for each WISC and random slopes for the variables x_{1ij} and x_{2ij}.

5.2 | Estimation results

Table 4 reports the estimated parameters of Models (2) and (3). For each model, we consider three different definitions of the balance depending on whether VAT is taken into account and how. In commenting on the results, we focus on our preferred definition of the balance, which includes the VAT adjusted for the residual work abilities of the individuals.

Columns (1–3) refer to the parameters of the logit model for the probability that the job placement generates a positive financial balance for the public finances. A positive parameter indicates that the corresponding variable is associated with a higher probability of observing a positive balance. The results show that the longer the tenure of the disadvantaged worker, the higher the probability of generating a positive balance. The same holds for the trainees. In the case of workers with 100% work abilities, everything else being equal, the job placements of non-certified workers are more likely than the other vulnerable types to generate a positive balance.

To fully assess the relevance of the vulnerability status (and its differential fiscal support), it is also important to consider the interactions with the working ability bands. To this aim, Figure 1 illustrates the average marginal effects of vulnerability type on the probability of achieving a positive job placement balance, conditioned on levels of working ability, using the three definitions of balance. Specifically, the figure depicts whether—ceteris paribus—the job placements of non-certified and disabled workers are more or less likely to yield positive balances relative to

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TABLE 4 Estimation results.

	$\Pr(\text{Balance}_{ij} > 0)$			$\text{Amount of Balance}_{ij}$		
	Without VAT	**With VAT**	**With adj. VAT**	**Without VAT**	**With VAT**	**With adj. VAT**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
Days work	−0.001	0.007***	0.004***	0.021	0.018	0.020
	(0.001)	(0.001)	(0.001)	(0.016)	(0.015)	(0.016)
Trainee	1.860***	1.077***	1.506***	17.713***	17.871***	17.940***
	(0.370)	(0.288)	(0.292)	(2.821)	(3.052)	(2.905)
Type of disadvantage (base: other)						
Non-certified	6.529***	3.712***	3.310***	16.765***	19.230***	17.375***
	(0.994)	(1.048)	(0.993)	(2.401)	(2.965)	(3.274)
Disabled	0.799*	−0.287	−0.623	−0.428	0.073	0.944
	(0.437)	(0.473)	(0.459)	(3.209)	(4.139)	(4.790)
Residual work ability (base: Band V, 100%)						
Band I: 0%-25%	1.459***	0.858**	−1.536***	20.181***	17.096***	−0.690
	(0.319)	(0.394)	(0.357)	(3.159)	(3.152)	(3.542)
Band II: 26%–50%	1.758***	0.376	−0.862***	20.295***	18.280***	4.977
	(0.307)	(0.369)	(0.311)	(3.140)	(3.426)	(3.474)
Band III: 51%–75%	1.598***	0.742**	−0.238	18.261***	16.772***	8.247*
	(0.310)	(0.318)	(0.308)	(3.610)	(3.649)	(4.374)
Band IV: 76%–99%	1.675***	0.951***	0.245	24.823***	22.741***	18.745***
	(0.316)	(0.364)	(0.364)	(4.677)	(4.735)	(4.631)
# Disadvantaged workers	0.008	0.008	0.007**	0.005	−0.110***	−0.038
	(0.005)	(0.009)	(0.004)	(0.051)	(0.042)	(0.050)

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TABLE 4 (Continued)

	$Pr(Balance_{ij} > 0)$			$Amount\ of\ Balance_{ij}$		
	Without VAT	**With VAT**	**With adj. VAT**	**Without VAT**	**With VAT**	**With adj. VAT**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
Ratio 1: # hours of disadvantage workers/ Total hours of work	−1.914	9.982	6.534	−41.678***	39.983	20.062
	(1.266)	(12.899)	(7.158)	(15.311)	(25.322)	(12.741)
Years active	0.040*	0.050	0.053	0.319**	0.605*	0.390**
	(0.021)	(0.055)	(0.032)	(0.126)	(0.338)	(0.169)
Log average sales	0.363	0.333	0.301	2.798	9.775***	6.103**
	(0.264)	(0.288)	(0.237)	(2.296)	(2.479)	(2.400)
Ratio 2: EBITDA/Sales	−2.088	0.317	−0.127	−30.092**	17.854	−13.103
	(1.679)	(5.946)	(2.494)	(14.477)	(36.394)	(22.335)
Interaction: Residual work abilities # Type of disadvantage						
Band I # Non-certified	−2.669***	−0.817	0.285	−20.796***	−20.528***	−20.487***
	(0.855)	(1.139)	(1.100)	(4.110)	(4.914)	(5.659)
Band I # Disabled	−0.582	−0.126	0.820	−4.972	−5.034	−6.696
	(0.498)	(0.542)	(0.521)	(4.378)	(4.993)	(5.804)
Band II # Non-certified	−2.551**	−0.277	0.448	−16.768***	−18.015***	−16.420***
	(1.008)	(1.298)	(1.146)	(3.582)	(4.711)	(5.170)
Band II # Disabled	−1.634***	−0.046	−0.041	−14.837***	−15.465***	−16.924***
	(0.498)	(0.551)	(0.488)	(4.124)	(4.841)	(5.307)
Band III # Non-certified	−1.776*	−0.099	0.428	−14.883***	−18.454***	−16.540***
	(0.977)	(1.213)	(1.136)	(4.459)	(4.096)	(4.163)

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TABLE 4 (Continued)

	$\Pr(\text{Balance}_{ij} > 0)$			$\text{Amount of Balance}_{ij}$		
	Without VAT	**With VAT**	**With adj. VAT**	**Without VAT**	**With VAT**	**With adj. VAT**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
Band III # Disabled	−1.792***	−0.701	−0.275	−15.794***	−17.066***	−18.498***
	(0.488)	(0.592)	(0.509)	(4.540)	(5.155)	(5.914)
Band IV # Non-certified	−1.962**	−0.522	0.188	−23.431***	−28.930***	−28.119***
	(0.974)	(1.206)	(1.129)	(5.151)	(5.729)	(5.416)
Band IV # Disabled	−1.566***	−0.788	−0.309	−17.187***	−18.690***	−20.704***
	(0.545)	(0.594)	(0.656)	(5.835)	(6.441)	(7.220)
Constant	−6.196***	−3.420	−3.175	−45.119***	−82.348***	−48.080***
	(2.078)	(2.769)	(2.103)	(16.620)	(20.299)	(17.885)
σ_1^2	12.954***	7.348*	7.467**	88.182***	121.365***	115.1078***
	(5.004)	(4.069)	(3.445)	(51.217)	(56.057)	(56.415)
σ_2^2	0.582**	0.323	0.459**	84.555***	91.464***	77.536***
	(0.296)	(0.254)	(0.224)	(32.245)	(31.983)	(32.253)
σ_0^2	1.546***	2.349*	1.409***	89.897***	226.577***	119.984***
	(0.565)	(1.399)	(0.497)	(37.591)	(85.892)	(54.905)
σ_e^2				901.027***	919.171***	917.190***
				(87.367)	(83.150)	(85.337)
Observations	6694	6694	6694	6694	6694	6694

Note: All the models include five sector-of-economic-activity dummies. Models in Columns (1–3) are estimated via maximum likelihood (ML), and in Columns (4–6) using restricted ML, with robust standard errors. Significance levels at ***p<0.01, **p<0.05, *p<0.1.

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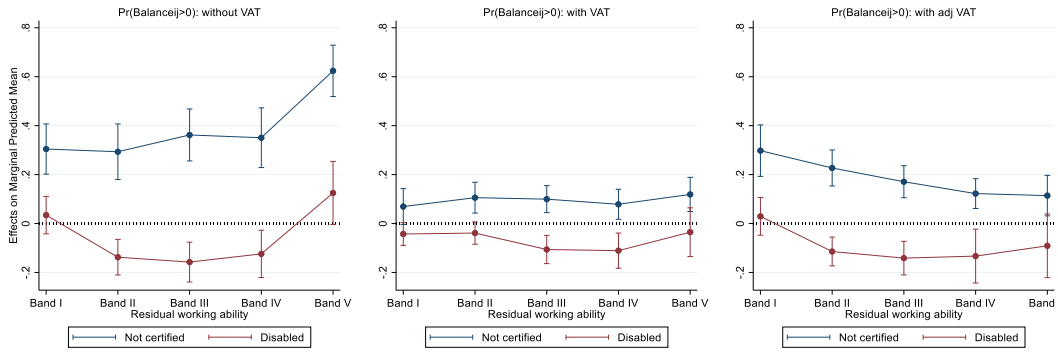


FIGURE 1 Prob(Balance > 0): Average marginal effects (and 95% confidence intervals) of the vulnerability types, by residual work capacity bands. [Colour figure can be viewed at wileyonlinelibrary.com]

other certified workers across the spectrum of residual work capacity.[8] The results indicate that non-certified workers consistently exhibit a higher probability of generating a positive balance compared to their certified counterparts. Furthermore, as there are few disabled workers with 100% working ability, this group is typically less likely than other certified individuals to originate job placements that result in a positive balance.

Variables pertaining to the dimension, labour force composition and financial conditions of the WISC appear to exert negligible influence on the outcomes. A statistically significant relationship emerges only when considering the adjusted VAT balance; specifically, only the number of disadvantaged employees of the WISC is positively correlated with the probability that job placements yield a net fiscal benefit to public finances.

The variance estimates for the random components $(\sigma_0^2, \sigma_1^2, \sigma_2^2)$ indicate significant unobserved heterogeneity across WISCs, affecting both the baseline balances (σ_0^2) and the marginal impacts of different vulnerability types (σ_1^2, σ_2^2). The calculated ratio $\hat{\beta}_1/\hat{\sigma}_1$ for non-certified vulnerable workers is $\frac{3.310}{\sqrt{7.467}} = 1.211$, whereas the ratio $\hat{\beta}_2/\hat{\sigma}_2$ for disabled workers is 0.91. These findings underscore the presence of cross-organisational variability, thereby justifying the adoption of a random-effects modelling strategy over a standard fixed-effects approach.

We now focus on the amount of the net benefit to public finances, specifically focusing on the estimation of Equation (3) when the net balance incorporates the VAT adjusted to individual work capacities (Table 4, Column 6). The associations between individual characteristics and fiscal balances identified in the preceding analysis remain qualitatively robust. Regarding the characteristics of the WISC, both turnover and institutional longevity exhibit a positive and statistically significant correlation with the net balance amount of job placements. These results suggest that larger, more established WISCs tend to generate a more substantial net impact on public finances.

Similarly to what was done for the logit models, we assess the relevance of the vulnerability type on the amount of the net benefit by computing its average marginal effects conditioned on levels of working capacity. As Equation (3) is linear, these effects are estimated as $\hat{\beta}_1 + \hat{\beta}_{1s}$ in the case of non-certified workers and $\hat{\beta}_2 + \hat{\beta}_{2s}$ for the disabled workers. The first term estimates the expected differential in net benefits between the placement of a non-certified worker with work ability level

[8] To assess the robustness of our findings, we re-estimated the model by excluding workers with full (100%) work ability and treating Band IV as the reference category. As illustrated in Figures C1 and C2 of Appendix C, the marginal effects for Bands I through IV remain consistent with our main results of Figure 1.

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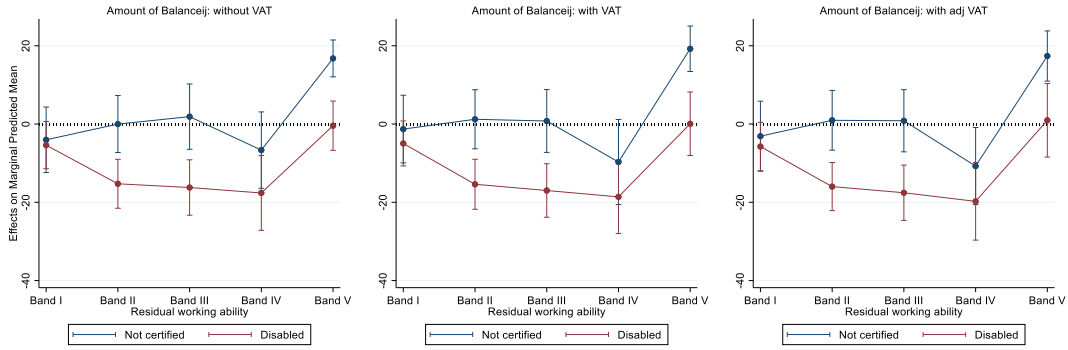


FIGURE 2 E(Balance): Average marginal effects (and 95% confidence intervals) of the vulnerability types, by residual work capacity bands. [Colour figure can be viewed at wileyonlinelibrary.com]

s and that of an identical certified non-disabled worker. The second measures the corresponding difference for a disabled worker with work ability level *s* relative to the same reference group.

Figure 2 illustrates that, ceteris paribus, for low values of residual working abilities (Band I, between 0 and 25%), there is no significant differences between the net fiscal benefits generated from the job placements of disabled, not certified and the other disadvantaged workers. When the residual working abilities are between 26% and 99% (Bands II–IV), the net fiscal benefits of the job placements of disabled workers are approximately €20 per day lower than those of other certified workers. Furthermore, placements of non-certified workers consistently yield higher net benefits than those of disabled workers, and, at full work capacity, the net benefits generated by non-certified workers are €20 higher than those produced by other certified workers.

6 | DISCUSSION AND FINAL CONSIDERATIONS

Social sustainability calls for the design of policies that contribute to building an equitable community (Papadakis & Tzagkarakis, 2024). In this sense, active labour policies are fundamental for the labour inclusion of vulnerable people, and as such, they are a mechanism to activate human rights, grant dignity, reduce asymmetries and maintain social cohesion (General Assembly United Nations, 2007; Mocellin, 2024; Ståsett, 2007).

The sustainability and political viability of these policies depend on their ability to generate social benefits and achieve financial efficiency. In Italy, the WISCs movement is the main channel for labour policies aimed at promoting the inclusion of vulnerable people (Pansera & Rizzi, 2020). These policies grant WISCs tax exemptions and subsidies for each hired worker who is formally certified as vulnerable. At the same time, these workers will generate additional tax revenues and reduce their use of social and health services, thereby generating savings for public administrations.

Although there is abundant research and debate on the capacity of these policies to generate social inclusion through regular employment (Brinchmann et al., 2020; Vooren et al., 2019), studies on financial efficiency are still limited (Crépon & Van Den Berg, 2016). This research contributes by estimating the monetary costs and benefits of the job placement of vulnerable individuals and identifying the characteristics of WISCs and workers that affect the final balance of the policy. For the public administration, this information is valuable in that it contributes to the

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planning of the budget allocated to vulnerable people, which in Italy reached around 0.49% of GDP[9] in 2023 (European Commission, 2023).

The research applied a cost–benefit analysis (VALORIS) that demonstrated the financial sustainability of the policy, with cases of cross-subsidisation: while a fraction of disadvantaged worker placements yields negative financial benefits, the majority generate benefits that more than offset these losses. The cooperative movement plays a crucial role in the sustainability of this scheme by employing not certified workers who are at the margins of the labour market, whose placements are not supported by any subsidy. These job placements generate savings for the public administrations. Solidarity, pro-social motivation and the commitment of WISCs to their communities lead them to extend their activities to non-certified disadvantaged people who are excluded from formal vulnerability and benefits, despite maintaining conditions that make their employment in a market-oriented company unlikely. Poledrini (2015) calls this type of action by WISCs 'unconditional reciprocity' as they offer these individuals job opportunities based on principles unrelated to economic returns. In this way, WISCs contribute to equality and social cohesion beyond what is officially targeted by public policies. Thanks to the pro-social motivation of the WISCs and their hiring of non-subsidised marginal labour force, the entire policy as a whole is self-financing.

The heterogeneity of the results on the financial net balance is highlighted in the regression analysis results. It is observed that the stable and operational efficiency of the WISCs (as measured by longevity and sales) is key to improving the net balance on public budgets. The message is clear: for labour inclusion policies to be financially sustainable, they must rely not only on the pro-social attitude of WISCs but also on their resilience and proven ability to grow over time.

For the WISCs, the assessment of the financial benefits of their job placements is a way to communicate their contribution to society and justify the need for public support for their activities. This is especially relevant in the current context of tight fiscal constraints, where governments prefer to prioritise cost-effective, fiscally sustainable interventions (Del Bo & Florio, 2026).

Beyond direct financial costs and benefits, evaluating the effectiveness of active labour policies requires assessing the physical, psychological, relational and economic well-being of integrated, vulnerable individuals. The supportive environment and democratic structure of WISCs offer flexible, inclusive workplaces where workers feel secure, capable, valued and respected (Elmes et al., in press). These conditions foster self-esteem, confidence and empowerment, allowing individuals to cultivate autonomy, take on responsibility and develop specific skills that enhance their independence and overall quality of life (Chui et al., 2019; Farmer et al., 2021; Galera, 2026). Furthermore, the social connections built with colleagues, tutors and managers expand their support networks, fostering a sense of belonging crucial for community integration (Macassa et al., 2023).

These characteristics are also evident in the case of Italian cooperatives. Research by Chiaf (2013) highlights that workers in these settings feel happier, more optimistic about the future and better equipped to solve problems and complete tasks. Similarly, the study of 'Brescia Buona', a network based in the Italian Province of Brescia and comprising nine WISCs, shows that most of the workers evaluate their own work positively; they show confidence and security regarding their professional future, and they report commitment and responsibility (Vezzoli & Paladini, 2024). An evaluation of work integration policies in Trento reinforces these findings, showing high levels of job satisfaction among vulnerable workers in WISCs (Depedri et al., 2026).

[9] This percentage corresponds to Categories 2–9 in the Eurostat terminology, specifically policies referred to as 'measures', which include training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation and start-up incentive (European Commission, 2023).

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The current paper lacks evidence regarding the assessment of the effects of work integration on personal well-being; however, the cited evidence shows that the high financial costs related to the job placement of certain types of disadvantaged individuals are offset by benefits in terms of their well-being. Future research should complement the analysis by jointly assessing costs and benefits for public finances and individual and community well-being.

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APPENDIX A

TABLE A1 Daily costs of health and social assistance services, 2014–2019.

	2014	2015	2016	2017	2018	2019
House arrest	57.0	57.0	57.0	57.0	57.0	57.0
High assistance protected community for psychiatric	155.0	155.0	155.0	155.0	155.0	155.0
Low-care protected community for psychiatric	80.0	80.0	80.0	80.0	80.0	80.0
Medium assistance protected community for psychiatric	105.0	105.0	105.0	105.0	105.0	105.0
Psychosocial centre for psychiatric	61.4	61.4	61.4	61.4	61.4	61.4
High-care rehabilitation community for psychiatric	172.0	172.0	172.0	172.0	172.0	172.0
Medium-intensity rehabilitation community for psychiatric	127.0	127.0	127.0	127.0	127.0	127.0
Prison	113.0	113.0	113.0	113.0	113.0	113.0
Day care centre	50.0	50.0	50.0	50.0	50.0	50.0
Community for addicts	45.0	45.0	45.0	45.0	45.0	45.0
Community for disabled	45.0	45.0	45.0	45.0	45.0	45.0
Community for minors	45.0	45.0	45.0	45.0	45.0	45.0
Social housing	8.3	8.3	8.3	8.3	8.3	8.3
Meeting at psychosocial centre	50.0	50.0	50.0	50.0	50.0	50.0
Meeting at mental health centre/ alcohololology operations unit /drug addiction service	50.0	50.0	50.0	50.0	50.0	50.0

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TABLE A1 (Continued)

	2014	2015	2016	2017	2018	2019
Meeting with social services	50.0	50.0	50.0	50.0	50.0	50.0
Light residential care for psychiatric	45.0	45.0	45.0	45.0	45.0	45.0
Light residential care for disabled	45.0	45.0	45.0	45.0	45.0	45.0
Light residential care for not certified	45.0	45.0	45.0	45.0	45.0	45.0
Independent living skills services	37.5	37.5	37.5	37.5	37.5	37.5

TABLE A2 Daily costs of health and social assistance services, 2020–2025.

	2020	2021	2022	2023	2024	2025
House arrest	57.0	57.0	57.0	57.0	57.0	57.0
High assistance protected community for psychiatric	155.0	155.0	155.0	155.0	155.0	155.0
Low-care protected community for psychiatric	80.0	80.0	111.6	111.6	111.6	111.6
Medium assistance protected community for psychiatric	105.0	118.0	122.4	125.5	125.5	125.5
Psychosocial centre for psychiatric	61.4	61.4	61.4	61.4	61.4	61.4
High-care rehabilitation community for psychiatric	179.0	179.0	185.6	185.6	185.6	190.2
Medium-intensity rehabilitation community for psychiatric	127.0	127.0	131.7	131.7	131.7	131.7
Prison	113.0	113.0	154.0	160.9	150.3	150.3
Day care centre	50.0	50.0	54.2	54.2	55.0	55.0
Community for addicts	45.0	45.0	124.4	124.4	124.4	124.4
Community for disabled	45.0	45.0	45.0	45.0	100.0	100.0
Community for minors	45.0	45.0	45.0	45.0	111.0	124.0
Social housing	8.3	8.3	8.3	8.3	8.3	12.7

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TABLE A2 (Continued)

	2020	2021	2022	2023	2024	2025
Meeting at psychosocial centre	50.0	50.0	62.2	62.2	62.2	62.2
Meeting at mental health centre/ alcohololology operations unit /drug addiction service	50.0	50.0	53.6	53.6	53.6	53.6
Meeting with social services	50.0	50.0	50.0	50.0	50.0	50.0
Light residential care for psychiatric	40.0	45.0	46.7	46.7	47.9	47.9
Light residential care for disabled	45.0	45.0	45.0	45.6	45.6	45.6
Light residential care for not certified	45.0	45.0	45.0	45.6	45.6	45.6
Independent living skills services	37.5	44.5	42.0	42.0	42.0	42.0

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APPENDIX B

TABLE B1 Percentage of workers by type of disability.

Type of disadvantage	Mentally	Physical	Sensorial	Missing info	Total
Disabled	2125	1929	104	45	4203
%	50.6	45.9	2.5	1.1	100

In Tables B1 and B2, disabled people are divided into three sub-groups: mentally, physically and sensorially disabled.

TABLE B2 Financial benefits and costs of subsidised job placements by type of disability.

		Mentally	Physical	Sensorial	Total
1	In training	21.3	9.6	12.5	15.7
2	Number of days as employee	100.6	125.1	119.0	112.4
	Part A. Benefits				
	A.1. Savings				
3	Using health care services or social assistance if unemployed (%)	65.1	35.7	35.6	50.7
4	Cost for services (Euro)	20.4	4.5	7.8	12.7
5	Disability benefit eligible (%)	18.0	15.3	20.2	16.8
6	Disability benefit (Euro)	2.4	2.0	2.7	2.2
7	Basic income beneficiaries (%)	100.0	100.0	100.0	100.0
8	Basic income (Euro)	12.8	12.3	12.3	12.6
9	Savings for services and cash transfers (Euro)	35.5	18.8	22.7	27.5
	A.2. Tax revenues				
10	Positive personal income tax (%)	51.1	73.5	63.5	61.8
11	Personal income tax (Euro)	4.2	8.2	4.8	6.1
12	VAT (Euro)	19.7	19.6	20.4	19.7
13	VAT, adjusted for residual working ability (Euro)	6.6	8.6	7.2	7.5
	Part B. Individual policy cost-placement specific				
14	Positive ad hoc contributions to the WISC (%)	37.7	14.9	23.1	26.7
15	Ad hoc contributions to the WISC (Euro)	8.9	3.6	5.1	6.3
16	Positive social security contribution (%)	78.3	90.4	85.6	84.1
17	Social security contribution (Euro)	22.3	29.3	23.3	25.6
18	Overall positive placement costs (%)	98.1	98.3	99.0	98.2
19	Overall placement costs (Euro)	31.2	33.0	28.3	31.9
	Part C. Individual costs and benefits (ICB_{ij})				
20	Negative ICB_{ij} (%)	46.4	69.6	60.6	57.5

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TABLE B2 (Continued)

		Mentally	Physical	Sensorial	Total
21	ICB_{ij} (Euro)	8.6	−6.0	−0.8	1.6
22	Negative ICB_{ij} + VAT (%)	18.0	23.7	16.4	20.6
23	ICB_{ij} + VAT (Euro)	28.3	13.7	19.7	21.3
24	Negative ICB_{ij} + adjusted VAT (%)	31.5	43.9	40.4	37.5
25	ICB_{ij} + adjusted VAT (Euro)	15.2	2.6	6.5	9.1
	Part D. $Balance_{ij} = ICB_{ij} - WISCC_{ij}$				
26	With negative net balance (%)	50.6	75.2	67.3	62.4
27	Net balance	5.1	−9.4	−3.9	−1.9
28	With negative balance + VAT (%)	21.4	29.6	25.0	25.3
29	Balance + VAT	24.8	10.2	16.5	17.8
30	With negative balance + VAT Adj (%)	36.6	53.3	50.0	44.7
31	Balance + VAT Adj	11.7	−0.9	3.3	5.6

Abbreviation: WISC, Work Integration Social Cooperative.

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APPENDIX C

In Figures C1 and C2, we exclude workers with full (100%) work ability from the sample and use

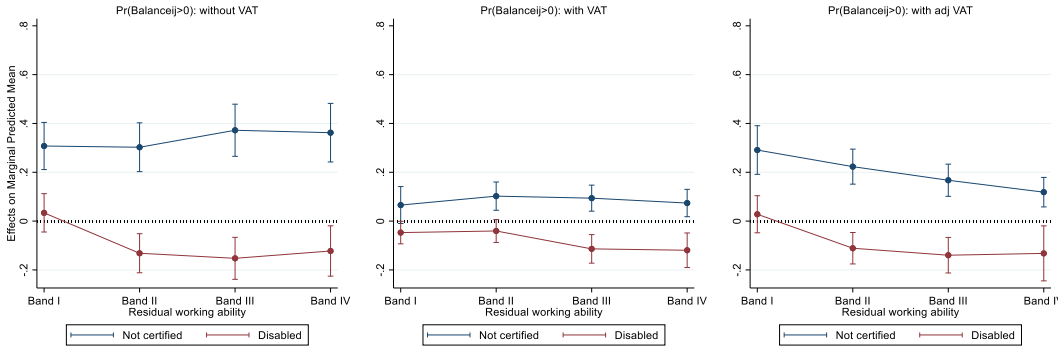


FIGURE C1 Prob(Balance > 0): Average marginal effects (and 95% confidence intervals) of the vulnerability types, by residual work capacity bands (excluding Band V). [Colour figure can be viewed at wileyonlinelibrary.com]

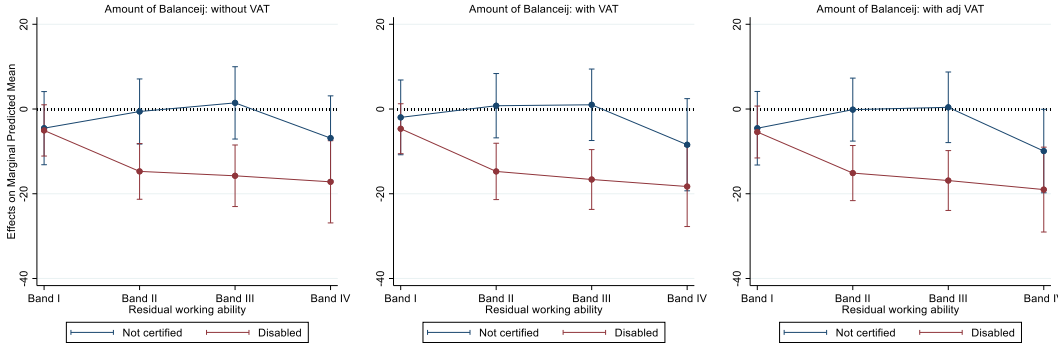


FIGURE C2 E(Balance): Average marginal effects (and 95% confidence intervals) of the vulnerability types, by residual work capacity bands (excluding Band V). [Colour figure can be viewed at wileyonlinelibrary.com]

Band IV as the reference category for the regressions.

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