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New Governance and the Case of Activation Policies: Comparing Experiences in Denmark and the Netherlands

Colin Lindsay and Ronald W. McQuaid

Abstract

This article explores the importance of new forms of governance in active labour market policies (activation) in two countries: Denmark and the Netherlands. Drawing on research with key stakeholders in these countries, we analyse how new governance, and particularly processes of contracting-out and localization, have found expression in recent reforms to activation. We conclude that localization and contracting-out may have a future role to play in the development of more locally responsive and individually focused services. But both countries have encountered problems in promoting joined-up services through local jobcentres, while contracting-out has not always led to the tailored, individually focused services envisaged by policy-makers. In both countries, there are also concerns that the restriction of the Public Employment Service to a 'gatekeeping and signposting' role will lead to inconsistencies in the quality of services, exposing the most disadvantaged to greater social risk.

Keywords

Unemployment; Public employment service; Employability; De-monopolization; Denmark; The Netherlands

Introduction

'New governance' has emerged as a crucial element of governments' attempts to increase the effectiveness and reach of public services. The new governance agenda has gained a particularly strong foothold in those policy arenas where rapidly changing demands have led to the restructuring of welfare institutions. In these cases, the new governance has been seen as a means of developing less state-dominated modes of welfare provision and/or promoting network-based approaches to organizing collaborative action, these rationales in turn reflecting an acceptance that the state does not always have the capacities and competence to act alone in addressing complex social problems (Daly 2003).

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Among advocates of such approaches, there is agreement that the new governance has the potential to improve services by: encouraging more flexible organization and the decentralization of decision-making; including a wider range of stakeholders with specific expertise in the planning and delivery of provision; and tapping the dynamism of the private sector (see Van Berkel and Borghi 2008 for discussion).

The organization of active labour market programmes and services (hereafter 'activation') is one area of welfare reform where new forms of governance have gained particular prominence. With 'general' unemployment falling in many EU states since 2000, policy-makers' attentions have increasingly turned to the problems of unemployed and inactive people perceived to be 'harder to reach'. There is an acceptance that those further from the labour market require tailored (rather than standardized) services that respond to the specific combination of barriers faced by each individual. Similarly, there is an acknowledgement of the need for activation programmes that reflect the dynamics and particular problems of regional and local labour markets.

Accordingly, successive formulations of the European Employment Strategy (EES) have emphasized the need to build locally responsive, multi-agency approaches to address the complex needs of workless people (see, for example, CEC 2005). Alongside an emphasis on partnership-working, the EES has pointed to the need for a 'progressive de-monopolization' of Public Employment Service (PES) provision (CEC 2006). Within this context, two specific processes – both key tenets of new governance – have become increasingly prominent in activation and employment services in many countries: the contracting-out of interventions once delivered by the PES; and the devolution of governance, management and delivery to regional and local partnerships.

Drawing on a review of literature and in-depth case study interviews, this article examines the emergence of new forms of governance, and especially processes of contracting-out and regional/local devolution in activation, in two EU states: Denmark and the Netherlands. The article specifically assesses the extent to which different approaches to localization and contracting-out have delivered benefits in terms of more locally responsive and individually-focused services. Denmark and the Netherlands provide an appropriate focus for this research. Both are often seen as among the vanguard of 'active' welfare states (they have seen the rapid expansion of activation since the mid-1990s); and they have reported significant declines in unemployment during the same period. Both countries have been held up as examples of best practice in responding to unemployment – 'Stories of the Danish and Dutch employment miracles serve to disseminate supply-side policy paradigms throughout Western Europe' (Daguerre 2007: 11). Yet while the two countries' welfare states share some similar corporatist features, there are considerable differences in their broader welfare and labour market structures; and while both have pursued localization and contracting-out in reforming the governance of activation, the approaches that they have adopted have varied considerably (particularly in relation to the privatization of PES functions). Comparing the diverse approaches, and identifying the shared experiences, of these different countries can therefore offer important lessons for policy.

Following this introduction, the next section of the article reviews the literature on new governance in activation, and how these ideas are represented in the recent reforms to employment services in Denmark and the Netherlands. The following sections report the findings of research undertaken in Denmark and the Netherlands, respectively. Finally, drawing on the preceding analysis, we present conclusions and consider implications for policy.

New Governance in Activation

The EES provides the overarching framework for the coordination of employment policy across EU states. The implementation of ‘active and preventative measures’ to improve the employability of unemployed and economically inactive groups and ‘the modernization and strengthening of labour market institutions, notably employment services’ in order to achieve this remain key elements of the EES (CEC 2005: 25). The development of locally responsive, multi-agency approaches is seen as important to improving the effectiveness of activation in addressing the often complex needs of individual job-seekers and disadvantaged communities.

This focus on locally responsive, multi-agency partnership working has been combined within the EES (and the National Reform Programmes of many states) with a commitment to increasing ‘contestability’ in relation to the services traditionally provided by government-funded PES agencies. European Commission statements have called for a ‘progressive de-monopolization’ of public activation and employment services, while suggesting that PES organizations must ‘define more clearly what their proper role and added value in the market is, compared to both commercial and non-commercial service providers’ (CEC 1998: 12).

Reforms that have followed at the national level have seen a shift towards new forms of governance – a ‘new state-market-civil society mix’ (Van Berkel and Van der Aa 2005) – in the planning and provision of activation across a range of different welfare models. New forms of governance in activation have generally been characterized by (Borghi and Van Berkel 2007a): decentralization of planning and management from central government to regional/local institutions; the promotion of inter-agency cooperation between government institutions (for example, the integration of benefits administration and employment services), levels of government, and public and non-governmental actors; and the increasing use of contracting-out as a means of including new stakeholders in the delivery of services.

Our research specifically focused on processes of contracting-out and regional/local devolution. As we will see, both countries have seen profound changes towards the establishment of regional and local partnerships, whether in the form of tripartite planning structures (which until recently played a key role in the governance of activation in Denmark), or integrated, multi-agency jobcentres. Both have also experimented with contracting-out. Indeed, for Van Berkel and Borghi (2007: 281) ‘the cases of the Netherlands and Denmark exemplify’ how ‘the introduction of market mechanisms in the provision of

activation services is taking place . . . not only [in] those [countries] traditionally characterized as liberal welfare states'.

However, it is unclear whether concurrent processes of regional devolution and local partnership development on the one hand, and contracting-out on the other, are always complementary or even compatible. Lindsay *et al.* (2008) argue that the 'capacity for mutualism and co-operation' is essential to effective local collaboration on activation – those involved need to have both the authority and institutional flexibility to engage in mutual decision-making and the sharing of resources and 'ownership' during programme development. Contracting-out can sometimes appear to run counter to the building of such shared ownership, especially if contractual models are highly centralized. For example, in the UK activation providers and other stakeholders have consistently pointed to the barriers to 'partnering' thrown up by the PES's over-reliance on centralized contracting models, which are defined by rigid performance targets and limit the flexibility of PES managers to target resources at local level.

Furthermore, it has been suggested that 'trust and solidarity'-based relationships are central to the success of genuine partnership working, and that contracting-out, which enforces obligations based on unequal power, represents a different form of relationship (Powell and Dowling 2006). As Bredgaard and Larsen (2008) note, the tension between public purchasers' attempts to ensure transparent markets and the need for 'partnership and dialogue' (defined by a relationship of trust) has emerged as a recurring feature of the reform of activation in many EU states.

To what extent have Denmark and the Netherlands seen the emergence of new forms of governance in activation, especially in relation to processes of contracting-out and regional/local devolution? Have different approaches to localization and contracting-out delivered benefits in terms of more locally responsive and individually focused services? What are the broader implications of recent reforms, with reference to the role of the PES and the inclusion of other stakeholders in the planning and delivery of activation? The discussion below seeks to address these issues by reporting the findings of case study research involving national, regional and local stakeholders in the two countries.

Denmark: From Regional Partnerships to Integrated Jobcentres

Background

The origins of Denmark's current activation policy framework can to some extent be traced to the country's prolonged economic crisis of the 1980s. Special 'job and education offer programmes' were gradually developed during the 1980s, but progress towards the activation of the unemployment regime remained limited, with the conservative-led government's 'underclass'-type rhetoric rarely matched with hard policy proposals (Lindsay and Mailand 2004). However, the election of a centre-left coalition saw the development of an extensive series of activation programmes from 1994. A

further labour market reform took effect in 2003 (this time under a liberal-led coalition), which saw a change in emphasis away from long-term skills upgrading and towards an emphasis on job search. This 'More People at Work' reform sought to simplify activation around a 'one string system' (so that those claiming unemployment insurance and social assistance receive similar services), emphasizing more direct routes into work (Larsen and Mailand 2007).

The policy reform process that started in 1994 also saw the emergence of new forms of governance in activation. Existing tripartite bodies were reformed and 14 new Regional Labour Market Councils (RARs) – coordinated by the PES but with equal membership from social partner (employer and trade union) organizations and local authorities ('municipalities') – were established to plan activation for people entitled to unemployment insurance benefits. Programme content for this client group was agreed on an annual basis between RARs and the government Labour Market Authority (LMA), in accordance with nationally set guidelines. However, RARs were granted some latitude in terms of setting their own 'tools and targets' – the precise content of activation; and additional target groups and areas where resources should be channelled. RARs also managed the contracting-out of some services. Meanwhile 271 local authorities, mainly through their social services departments, led the delivery of activation services for the social assistance claimants between 1994 and 2006. After 1998, multipartite Local Coordination Committees (drawing representation from trade unions, employers and community organizations) advised local authorities on the content of activation, but lacked the power of RARs to directly influence 'tools and targets'.

The 2007 reorganization of local government in Denmark had important consequences for the governance of activation. Existing regional PES and RAR structures were wound up. PES and local authority-led service centres were amalgamated in 91 one-stop-shop 'jobcentres'. Four new 'state-region'-level Employment Councils have been charged with ensuring cohesion between the national and regional employment policy, while Local Employment Councils (covering each of the 91 integrated jobcentre areas) advise on the delivery of activation. However, despite similar interest groups being represented in these new local and 'super-region' bodies, the decision-making authority and influence enjoyed by RARs has been lost. The targeting and resourcing of activation is now the remit of jobcentre managers alone, based on annual performance agreements with the LMA.

Denmark's experience with the contracting-out of activation has been variable. Long-standing arrangements that outsourced some services to further education providers were rapidly expanded after the 'More People at Work' reform and by 2005 there were 159 recognized activation providers nationally, 104 of which were private companies (Lindsay and Mailand 2007). The same year saw the proportion of unemployment insurance benefit claimants referred to contracted-out providers peak at 40 per cent. However, administrative pressures associated with the introduction of jobcentres and budget limitations have recently curtailed contracting-out, so that by 2007 only 10 per cent of job-seekers were served by contracted providers (Bredgaard 2008).

Case study methodology

The aim of the case study research was to draw on the views of national, regional and local stakeholders to analyse the operation and impact of Denmark's regional and local governance structures established from 1994; consider the potential impact of further moves towards the localization of management and delivery structures; and assess how processes of contracting-out have affected activation.

The research was conducted in mid-2006 and involved, first, in-depth, face-to-face interviews with representatives of national-level policy stakeholders: the government LMA; the Trades Union Congress (Landsorganisationen i Danmark, or LO); and the main national employers' confederation (Dansk Arbejdsgiverforening, or DA). The research also involved interviews with regional-level stakeholders involved in 'Greater Copenhagen' RAR (which, at that time, was still planning and managing activation services in collaboration with the PES in the Greater Copenhagen area) and in the delivery of specific services within the city. Interviews were undertaken with those representing: regional PES management; the regional-level LO; the regional-level DA; a local authority-level activation provider; and two employers who had offered supported work placements for the unemployed through local initiatives. In total, data were gathered from ten in-depth interviews – a relatively small number, but taking in senior managers and policy officers within all relevant key stakeholders. Interviews generally lasted for 60–90 minutes, and covered: the roles and priorities of stakeholder organizations within governance structures; perceived benefits and limitations of approaches to governance; relationships with other stakeholders; and views on the appropriateness and effectiveness of the content of activation policy.

Findings from the Danish case study research

New governance and locally responsive services. The research highlighted a number of strengths associated with regional/local governance structures operating between 1994 and 2006. National, regional and local stakeholders considered the RAR structures to have been successful in improving the planning and delivery of activation. Reviewing the operation of the Greater Copenhagen and other RARs, a national-level trade union respondent reported '*genuine partnership working . . . the agencies involved have proved willing to compromise and accept different roles*'.

One of the main advantages associated with Denmark's regional structures appears to have been that – within clearly defined parameters – key stakeholders were able to discuss, influence and agree targeted local responses. In negotiations with the National LMA on annual plans, RARs were granted a degree of freedom in defining 'target groups and tools' (i.e. the targeting of additional resources on specific, particularly disadvantaged client groups and/or specific programme options). For example, in the case of Greater Copenhagen, respondents described instances where additional resources had been directed towards addressing the needs of minority ethnic groups (reflecting the relative ethnic diversity of the local labour market).

Crucially, by ceding power and sharing responsibility for the planning, funding and targeting of activation with employers and trade unions (as well as local authorities), the Danish government ensured that these organizations had a stake in, and sense of responsibility for, seeing that programmes worked. Government officials and PES managers participating in our research acknowledged the benefits in terms of ‘credibility’ of having employers’ and trade unions’ support for activation programmes that they themselves had had a role in planning and funding.

‘It was important that we gained the support of employer and trade union organizations. It meant that we could go to employers and say “Look – we have their support on this”. It adds credibility.’ (Regional PES manager – PES representative on RAR)

Interviewees accepted that the RAR model was not a panacea for the problems of planning and implementing activation. For example, with ‘consensus’ central to the culture and ethos of RARs, prevailing ideas and policies rarely appear to have been fundamentally challenged by non-governmental actors. Furthermore, there are inherent difficulties in identifying links between governance structures and the performance of specific activation programmes (and indeed changes in unemployment). In the case of Denmark, these problems are exacerbated by the manner in which new activation programmes were introduced at the same time as regional governance structures. Nevertheless, it is clear that a number of programmes directed towards unemployment insurance beneficiaries (and developed through RARs between 1994 and 2006) have reported significant positive employment effects (Kvist and Pedersen 2007). Evaluations have also suggested that RARs were effective in providing a focus for information and practice-sharing and promoting more locally responsive activation (Larsen *et al.* 2001).

Our interviews were conducted prior to the roll-out of Denmark’s jobcentre reform, and therefore focused on the regional-level devolution established from 1994 rather than the process of further localization to municipality level then being planned. However, regional and national stakeholders were divided as to the *potential* value of the process of localization started in 2007. Some social partner and PES representatives were concerned that, given the limited capacity of smaller local authorities and the narrow geographical focus implied by the process of localization, there might be problems in arriving at coherent area-based approaches. However, the same respondents often suggested that considerable benefits could flow from the process of localization – the hope is that local authorities’ and PES staff will be better able to combine their different areas of expertise, and unemployed people receiving different benefits (unemployment insurance and social assistance) will have access to more consistent services.

More recent research on the impact of the process of localization suggests that some of the problems predicted by key stakeholders have materialized. There have been difficulties in integrating key agencies at the local level, while employers in particular have shown little interest in local advisory partnerships, which lack the genuine influence and decision-making authority once

held by RARs (Lindsay and Mailand 2007). Meanwhile, jobcentres themselves remain largely divided between PES areas dealing with unemployment insurance clients¹ and local authorities' areas for social assistance clients – as a result, there have been few opportunities for practice-sharing (Bredgaard 2008).

'A dual system will still be in place [in most jobcentres]. There will be two client groups, two managements, a municipality clients' desk and a PES clients' desk.'
(National LMA representative)

Furthermore, a recurring concern in interviews with key stakeholders – that a shift towards localized provision and the resulting dispersal of some PES officers and managers from regional to local centres could result in a loss of capacity and expertise – also appears to have been well founded. Recent reviews of the jobcentre reform process have noted that a 'shake-out' of PES staff has indeed followed, and the loss of experienced managers and professionals may have contributed to recent sharp declines in organizational performance across the jobcentre network (Lindsay and Mailand 2007).

Contracting-out in activation. For a representative of the government's LMA participating in our research, there were benefits in the expansion of the role of 'other actors' in activation. Private and community sector organizations could, it was argued, add value by delivering specialist services. A number of interviewees also noted how contracting-out had initially been developed in a manner that allowed for a continuing role for social partners. Trade union representatives at the national and regional level described a pragmatic approach to the government's agenda on extending contractualism – trade unions have criticized the lack of clear evidence that contracting-out delivers better outcomes, but affiliate organizations have themselves become delivery agents (at the time of the research, more than one-fifth of all Denmark's contracted providers were trade union-affiliated). A regional LO representative explained trade unions' thinking on the issue:

'We were originally against privatization [of activation]. But when it happened we had to respond, so all the unions in our region came together to form a company to act in the private activation market. We were against it, but this is the reality, and we have tried to make a contribution for the benefit of our members and our organization.'
(Regional policy officer, LO)

However, both PES and trade union representatives argued for a more rigorous analysis of the outcomes achieved by contracting-out. According to a national-level trade union representative: *'Now we need to focus on performance, ensuring that companies deliver, not just ensuring that there is a market.'* Both trade union and employer representatives also consistently stressed the value of a gradually increasing role for other actors, based on the objective of 'adding value' to existing services. There were concerns that a 'rush to privatization' could lead to inconsistencies in the quality of services.

More recent research by Lindsay and Mailand (2007) suggests that many of the concerns raised by some of our interviewees (and especially some PES and trade union representatives) regarding contracting-out were justified. The combination of contracting-out with an increasing 'Work First' approach initially produced a system of outcome-oriented funding for external contractors that mainly incentivized the achievement of quick job outcomes. As a result budgets have come under pressure as service providers have quickly achieved targets by assisting the most able first. These design flaws, along with the heavy administrative burden associated with managing contracts, and the reduced administrative capacity within the PES that has been a by-product of integrated jobcentres, have seen a rapid decline in contracting-out since 2005.

Perhaps more importantly, there appears to be evidence that the combination of the financial disruption resulting from poorly designed outcome-oriented payment systems, and the dislocation caused by the simultaneous attempt to institute a major reform of local jobcentre services, has negatively affected the quality of basic activation services, at least in the short term. Meanwhile, transaction and administrative costs have remained stubbornly high (Bredgaard and Larsen 2007); while recent evaluation evidence suggests that anticipated cost savings from contracting-out remain largely unknown and undocumented (Bredgaard and Larsen 2008). As Bredgaard (2008: 64) notes: 'it is impossible to evaluate the efficiency of this market at present, either in terms of cost-effectiveness or employment effects. There have been high levels of information asymmetry and transaction costs. As a result, both transparency and freedom of choice have been reduced.'

To conclude, from the mid-1990s, Denmark established apparently effective regional governance structures for activation, before shifting towards a more localized model of planning and delivery since 2007. The prioritization of more consistent 'one string' services and integrated jobcentres may result in more locally responsive activation. There is also a pragmatic consensus that contracting-out has the potential to promote individually focused, specialist services. However, attempts to rapidly expand contracting-out while simultaneously localizing employment services have undermined capacity (partly due to the dispersal of the professional expertise of the PES and other agencies across almost 100 local authorities). Of perhaps greater concern is that recent reforms have dismantled RAR partnerships, which saw government share decision-making authority with employers, trade unions and local authorities; and which therefore promoted a sense of 'ownership', 'buy-in' and responsibility among these stakeholders.

The Netherlands: Contractualism and the Hollowing-out of Public Employment Services

Background

The Netherlands' labour market policy institutions have experienced a process of rapid and almost constant reform since the 1980s. As Borghi and Van Berkel (2007a: 89) note, 'reforms did not follow a blueprint that was clear from the outset', resulting in an erratic and at times contradictory process of

policy development. Tripartite institutions that gave social partners an important role in the administration of unemployment insurance benefits, and latterly the management of the PES, were first established and then dissolved. A process of marketization starting in the 1990s saw insurance fund organizations and local authorities (dealing with unemployment insurance and social assistance claimants, respectively) required to purchase activation services in a new market, which was initially dominated by the PES as a key national provider (Struyven and Steurs 2003). However, the Netherlands was soon to emerge as a leading state in promoting the use of the private sector to deliver public employment services. The rapid growth of private provision, fuelled by the contracting-out of PES functions, has led to the emergence of a 'pluriform reintegration market' (OECD 2006).

The government's determination to establish a more consistent approach to the delivery of benefits and services saw the rapid amalgamation of the Netherlands' five 'uvi' social insurance agencies within a new centralized institution for the administration of contributions-based benefits – the Administrative Agency for Employees' Insurance (UWV). The 2002 'SUWI' Act (meaning 'implementation structure for work and income') established the UWV – functioning under the control of the Ministry of Social Affairs and Employment – as the single management body for activation for unemployment insurance beneficiaries. However, this shift towards the centralized administration of benefits was unusual during a period when successive governments promoted the establishment of integrated local jobcentres ('Centres for Work and Income') and contracting-out of centrally managed PES programmes as a means of delivering more locally and individually focused services. Local authorities have remained in charge of benefits and services for social assistance claimants, while a reform to funding mechanisms has given each municipality total autonomy over the delivery of activation services, but also total financial responsibility for benefits budgets.

Since 2000, activation and support services previously led by the PES have been subject to a series of privatizations, and since 2002 the role of the PES (now known as Centres for Work and Income) has been largely limited to gatekeeping – registering clients, assessing their 'distance' from the labour market, and providing basic job-matching and employability services for the most able during their first six months of unemployment (Van Berkel 2008). The UWV and local authorities act as funders, while the government has insisted that 70 per cent of services purchased by the UWV (and, until recently, the majority of those purchased by local authorities) are delivered by the private sector. With local authorities facing considerable financial pressures and private contractors competing on the basis of job outcome targets, it has been suggested that the Netherlands' shift towards marketization has also seen an increasing prioritization of 'Work First' (Sol and Hoogstanders 2005).

Case study methodology

The case study research involved in-depth, face-to-face interviews with national-level representatives of the government's Ministry of Social Affairs

and Employment and the PES; the national representative body for local authority social services managers; and the national office of the UWV. Further interviews were undertaken with stakeholders in 'South-West Netherlands' and its main city (Rotterdam), including representatives of: PES and UWV regional management; the Municipality of Rotterdam; and a major, Rotterdam-based private sector activation provider. Data were gathered from ten in-depth interviews. Dutch social partner organizations play no direct role in the governance of activation (unlike their counterparts in Denmark) and so were not represented. Interviews mirrored the format of those conducted in Denmark: lasting 60–90 minutes; and deploying a similar discussion guide. As with our research in Denmark, it is important to acknowledge that interviewees inevitably reflected the priorities and values of their own organizations, but also that we were able to compare and critically assess the views of senior managers/policy officers within all the key funding and delivery agencies involved in activation.

Findings from the Netherlands case study research

New governance and locally responsive services. The Dutch government's reforms to the governance of activation, culminating in the SUWI Act, have established a clear purchaser/provider split in services. But at the same time, joint 'Centres for Work and Income' have been established, bringing together staff from the PES, and the two funder/purchaser organizations: the UWV and local authorities. The aim is to establish a 'job chain' in which a number of key stakeholder organizations are required to work towards a 'comprehensive approach' to the delivery of activation services for the unemployed.

- PES staff assist claimants of both contributions-based and income-based benefits to complete claims, which are then forwarded to the UWV and relevant local authorities, respectively, for administration. The other initial key role for PES staff involves the assessment of clients' employability (and providing limited support services for those assessed as not facing major barriers to work).
- Those clients assessed as job-ready are assisted by PES staff with job-matching activities. Clients failing to make a successful transition in 6–12 months (depending on duration thresholds applied to different client groups) then become the responsibility of activation or 'reintegration' programme funders (either the UWV or the relevant local authority). All clients assessed by PES officers as not being job-ready at the start of the process are immediately referred to the UWV or local authority for reintegration services.
- UWV and local authorities' caseworkers (also located in Centres for Work and Income) then work with clients to identify and purchase appropriate services, usually referring clients to training provision or work placements. As noted above, all UWV-funded services must be contracted out, with the majority purchased from private contractors. Local authorities have always had more latitude, and since 2006 have been able to buy services in the public or private sector, or deliver their own interventions.

All key stakeholders interviewed for the research were committed to the Centres for Work and Income approach, and strongly advocated the continued co-location and integration of agencies in an attempt to promote more individually focused services. PES, UWV and local authority representatives highlighted the value of Centres for Work and Income in presenting unemployed clients with a 'one stop' service. Some Centres for Work and Income have also piloted a 'single employer service point', with PES, UWV and local authority staff forming one team with the responsibility to engage employers and match job-seekers to vacancies.

Nevertheless, PES managers acknowledged that they were not yet 'equal partners' in deciding clients' future trajectories, and funders (UWV and local authorities) sometimes expressed scepticism about PES officers' expertise in assessing clients' barriers to work, advising on activation and carrying out the initial stages of benefits administration (all supposedly important roles for the PES). While there has been no comprehensive evaluation of the impact of the introduction of Centres for Work and Income, previous reviews of the Dutch employment service reforms have similarly pointed to problems associated with the lack of a clearer role for the PES, which is 'not allowed to provide intensive job counselling or training' and faces criticism over the 'quality of [client] assessments' (De Koning 2004: 9–10). Activation funders (local authorities in particular) have consistently raised doubts about the level of service provided by the 'slimmed down' PES (PricewaterhouseCoopers 2006). The extent to which Centres for Work and Income have delivered more locally responsive services has also been questioned. As Van Berkel (2008) notes, the rationalization of a formerly more extensive PES network into around 130 Centres for Work and Income has reduced the local reach of employment services, while regularly requiring municipalities to join together under a single 'service level agreement' covering Centre for Work and Income services (usually agreed between the PES and the largest local authority within the area in question). Such processes of standardization appear to run counter to the local flexibility promised.

So there appear to have been barriers to the development of the genuine partnership working that is key to the emergence of integrated local services. The exclusion of the PES from directly funding and managing the Netherlands' main activation programmes means that its professionals are seen as lacking a clear stake (and expertise) in making activation work on the ground. Terpstra (2002), assessing the development of Centres for Work and Income, has argued that the 'symbiotic inter-dependency' that characterizes genuine partnership working – that is, the shared reliance on each other's resources and expertise to achieve mutually valued outcomes – has not always been apparent. Our findings appear to support Terpstra's critique.

Contracting-out in activation. Among PES, UWV and local authority stakeholders there were concerns that the individually focused services that are often seen as a key benefit of contracting-out have yet to materialize. Even national government representatives – while arguing that there were some indications of increasing flexibility – acknowledged disappointment at the lack of innovative practice. Local authority and PES representatives went further, sug-

gesting that private companies, seeking rationalization and economies of scale, had increasingly standardized their approaches.

‘With flexibility, the results have not been overwhelming so far. It’s a disappointment that the development of a free market with new products and new approaches has been very limited. The companies grow towards one approach rather than diverse approaches. The bids are repetitive and not innovative.’ (Local authority representative, Rotterdam)

These findings concur with previous evaluations of contracting-out, which have criticized the standardization of services among providers seeking to minimize costs (Van Berkel and Van der Aa 2005). Furthermore, with local authorities responsible for financing activation for social assistance claimants, there is a strong incentive both to minimize spending (resulting in substantial underspends in many municipality areas), and to promote ‘Work First’ initiatives that seek to move the more able into work quickly. A representative of the national body for local authority social services managers (DIVOSA) acknowledged that these processes had produced a ‘culture of caution’ in activation. Nevertheless, one local authority representative welcomed the greater sense of control resulting from contracting-out. It was suggested that previous in-house programmes had sometimes been maintained despite limited evidence of their effectiveness. Such programmes ‘reversed normal economic principles’ by operating whether the outcomes sought were achieved or not, whereas it was suggested that contracting-out has allowed local authorities to focus on ‘what works’.

A national government interviewee also remained optimistic that a more flexible and ‘modular’ approach to purchasing activation would emerge from the recent introduction of Individual Reintegration Accounts (IROs). IROs allow job-seekers and their case workers to jointly control a ‘personalized budget’ to purchase tailored services – around three-quarters of UWV clients had access to IROs in 2005.

‘Both the UWV and the municipalities tend to be moving away from purchasing “head to tail” trajectories. Now they tend to be more active in case management. They have their own case managers who purchase different parts of trajectories.’ (Ministry of Social Affairs and Employment representative)

A private sector provider based in Rotterdam acknowledged the value of the IRO approach in providing the client with a sense of ownership and choice, and in ‘encouraging openness and creativity on the part of both the client and the adviser’, but also argued that additional resources would be required to make the system work effectively. Nevertheless, these findings appear to concur with previous studies that have found that ‘the job seeker’s right to have a say’ was a genuine driving force behind the introduction of IROs, and that the resulting ‘increased level of involvement of the individual’ can produce positive outcomes (Sol and Westerveld 2007: 306). Evaluations have suggested that IROs have positively impacted on both job entry and sustainability rates (Van Berkel 2008).

Interviewees also hoped that the shift towards a more individualized approach would result in a more efficient market. National government, UWV and local authorities' representatives all accepted that there had been substantial transaction costs associated with contracting-out. The limited experience of local authorities in particular (and indeed some new contractor organizations) in methods of outsourcing initially resulted in costly, over-complex contractual models. Further evidence of the Netherlands' highly bureaucratic processes of contracting-out has been detailed elsewhere (Sol and Hoogstanders 2005).

Finally, PES managers acknowledged that there were dangers in the wholesale contracting-out of services. There were concerns that the hollowing-out of PES functions – limiting its role to 'gatekeeping and signposting' rather than directly engaging with clients in need of individually focused support – had the potential to undermine the 'institutionalized knowledge' once held within the public sector. PES managers (and some other national-level stakeholders) also noted the potential for contracting-out to open the way to greater inconsistencies in the quality of services at the local level. Evaluations of the impact of PES privatization in the Netherlands have raised similar concerns. Contracting-out, combined with rationalization processes as part of the development of Centres for Work and Income, has seen a shake-out of former PES staff (and arguably the loss/dispersal of the expertise in activation once held within the PES). There were substantial redundancies within the PES as a result of the Centres for Work and Income reform, while the private activation company that emerged from the privatization of PES training services had gone into liquidation by 2005 (Van Berkel 2008).

Like other aspects of the Netherlands' experiment in privatizing and localizing activation, the contracting-out of many PES functions and the establishment of a 'reintegration market' have proved a limited success. The drive towards marketization has increased the range of actors involved in the delivery of activation and there has been a specific attempt to develop more individually focused approaches, but the promised innovation and dynamism has *so far* proved more difficult to achieve. Centres for Work and Income represent an attempt to develop more joined-up, locally responsive services, but the hollowing-out of expertise in dealing with clients' problems once held within the PES (alongside the dominance of contractual models) has limited the effectiveness of attempts to promote partnership-based approaches to delivering local activation.

Discussion

Both Denmark and the Netherlands have pursued reforms characterized by what Borghi and Van Berkel (2007a, 2007b) identify as defining features of the new governance in activation – a shift towards regional/local approaches involving a range of stakeholders; and (especially in the Netherlands) the contracting-out of services previously provided by the public sector. The drivers leading to the increasing influence of these new forms of governance have been similar to those in other policy arenas: dissatisfaction with 'traditional' modes of governance in addressing the complex needs of

disadvantaged individuals and areas; an acknowledgement of the potential for non-state actors to add value in addressing these needs; and a drive to improve the efficiency, quality and impact of services (in this case by promoting more individually focused and locally responsive provision).

Processes of localization, and particularly the establishment of multi-agency, integrated jobcentres, have transformed services in both countries. In Denmark, the government has argued that its new local authority-level, integrated jobcentre model will ensure greater consistency in the quality of individually focused services that are more responsive to local labour markets. The shift towards a 'one string' system that equally values services for claimants of unemployment insurance and social assistance benefits is welcome, and the co-location of PES and local authorities' staff may eventually improve practice-sharing. But the Danish experience demonstrates how co-location does not always lead to effective collaboration in the short term, and in many areas jobcentres represent little more than shared office space. The jobcentre reform has also led to a diminution in the capacity of the PES. PES expertise has arguably been spread too thinly across Denmark's local authorities, while redundancies and disaffection have led to a 'shake-out' of experienced staff – problems that have directly impacted on services.

The Netherlands has also moved towards a localized, integrated jobcentre model. There are similar *potential* benefits linked to joint working between the PES and key activation funders. There is again justification in seeking to ensure a consistent level of service for claimants of different benefits. However, the PES has experienced staff reductions and found itself marginalized in decision-making on the funding of activation and the appropriateness of trajectories for individuals. This hollowing-out of the PES's capacity and expertise has been accentuated by the privatization of activation services that it once delivered (Lindsay and McQuaid 2008). The PES has been largely restricted to the roles of gatekeeper and assessor, but even here programme funders are sceptical of the value added by an organization now perceived as having limited expertise, few dealings with disadvantaged job-seekers and no direct stake in the success of activation.

Indeed, both countries have sometimes struggled to promote localized cooperation on activation. Genuine partnership working requires a willingness to share resources and 'ownership' over the content and direction of policy, and a belief in the need to cooperate in order to achieve shared goals. In the Netherlands, Centres for Work and Income have yet to create such a sense of shared ownership, while the 'single purchaser' contractual model established by recent reforms means that activation funders tend to act unilaterally, with limited scope for input to decision-making from the PES or other stakeholders. Between 1994 and 2006, Danish policy-makers appeared to have arrived at a regional partnership model that, while sometimes too consensus-oriented, allowed the PES and national government to share some decision-making authority with local authorities and social partners. Devolving a degree of 'concrete authority' to regional partnerships created a sense of shared ownership over, and responsibility for the success of, activation; and helped legitimize programmes in the eyes of both employers and job-seekers. The abolition of these regional partnerships as a by-product of further local-

ization threatens the progress made in joint-working on the *planning* of activation, while as yet there is limited evidence of improved cooperation at the *operational* level.

Both countries have also pursued contracting-out as a means of promoting more individually focused services. Yet contractual processes have often been characterized by the lack of a coherent logic for *how* external providers can add value. As Sol and Westerveld (2007: 301) note: 'sometimes it seems as though . . . contractualism is more often induced by discontent due to the poor performance of the old system than by the virtues in the practice of the new'. Denmark's somewhat chaotic attempt to grow the market for activation saw the rapid expansion and then contraction of contracted-out provision due to poorly designed financial reward systems. In the Netherlands, there is also evidence of some local authorities abandoning contracting-out in favour of a return to in-house provision (Van Berkel 2008). But in some ways the Netherlands has gone much further, contracting out many basic services still delivered by the PES in Denmark (and most other EU countries), and imposing the private sector as provider for the majority of services. Our research in both countries highlights how contractualism has sometimes led to standardization rather than innovation and consistent problems around high transaction costs. Only with the emergence of IROs in the Netherlands have we begun to see evidence of how the right funding model for contracting-out can promote innovation in responding to individuals' needs.

Conclusion

Denmark and the Netherlands have, to some extent, sought out similar solutions to the reform of activation, but practice on the ground has continued to be influenced by welfare cultures and traditions – a process that Borghi and Van Berkel (2007a) call 'path-dependent convergence'. The Netherlands has seen a hollowing-out of the PES and an increasing role for contractualism, so that (despite the country's corporatist traditions) social partners have been almost entirely excluded from the planning and management of activation. Denmark's long-standing social-democratic traditions and well-established social partnership institutions mean that the PES has been able to retain a key role, and trade unions and employers continue to be consulted (although they are no longer able to directly influence funding decisions). In the Netherlands, the wholesale privatization of PES provision took place in an atmosphere where there was consensus around the ineffectiveness of state institutions and a desire to reduce the role of public agencies in addressing unemployment (Borghi and Van Berkel 2007a; Van Berkel 2008); again, the assumptions underlying the Danish welfare model mean that it has been much more difficult to make the case for hollowing out the PES.

What these cases do share is a drive towards localizing and contracting out activation. In both countries, such new forms of governance have seen PES agencies increasingly concerned with 'gatekeeping and signposting' rather than the direct delivery of individually focused services for those job-seekers in need of support. Both countries have also seen local authorities emerge as increasingly dominant players in the activation agenda. This process has been

particularly clear in the Netherlands, where local authorities have gained complete control over social assistance activation, but are also totally accountable for financing social assistance benefits – a change that has informed increasingly aggressive ‘Work First’ approaches.

There are clear potential benefits associated with a more significant role for local authorities and the private and third sectors in activation, *if and when* these stakeholders can add value to existing approaches. Nevertheless, in both Denmark and the Netherlands there remains a danger that the dismantling of robust PES-led services in favour of localized provision or large-scale contracting-out will lead to inconsistencies in the quality of services, exposing the most disadvantaged to greater social risk. With much of the expertise once held by the PES now transferred to the private sector in the Netherlands, and key public agencies such as the UWV and local authorities largely managing contracts rather than working with clients, there is a danger that the public sector will suffer a loss of crucial institutionalized knowledge – the knowledge of ‘what’s needed’ and ‘what works’ that only comes from direct engagement with clients and service providers on the ground. In Denmark, while contractualism is less influential, the dispersal of PES expertise and implied leadership role for local authorities threatens a similar loss of institutionalized knowledge and raises questions about the capacity of a new, localized governance to deliver consistency in the quality of activation.

Rather than challenging only PES organizations ‘to define more clearly what their . . . role and added value in the market is’ (CEC 1998: 12), future formulations of the EES and member states’ National Reform Programmes need to be similarly robust in testing the added value of different models of contractualism and governance within specific policy contexts. Processes of progressive de-monopolization have the potential to deliver more locally responsive, individually focused services, but there is also a case to be made for a continuing role for strong PES organizations in the management and (where appropriate) delivery of activation. Effective PES organizations, which are empowered to lead but also required to share resources and decision-making authority, should remain an essential component of future initiatives for promoting labour market inclusion.

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Note

1. From January 2007 Denmark’s PES (or *Arbejdsformidlingen*) ceased to exist as a separate organization. The term ‘PES’ when used in the discussion of post-2007 policy therefore refers to the state/central government-run services within integrated jobcentres.

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