

Governing Public Employment Services: *Recent Trends in Social Partnership and Privatization*

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Abstract:

Public employment services (PESs) are key actors in the governance of labour markets, also and especially during times of crisis. Given the complex socio-economic challenges in recent decades, PESs have been exposed to massive “modernization” efforts, often resulting in a complete restructuring. This paper discusses recent governance reforms in four European countries – Austria, Denmark, Germany and the UK – with an emphasis on changes in “who steers”, i.e., what is the (new) role of labour administrations, PES executive bodies, and the social partners, and changes in “who rows”, i.e., who delivers labour market services, how are service providers selected, and what controversies arise from these choices? Inspired by New Public Management (NPM) ideas, the governments in the countries surveyed have all issued numerous changes that challenge the constitutive role of the social partners, promote competitive tenders, and invite private, for-profit actors to provide labour market services. These “market-enhancing” reforms have had, however, numerous unintended consequences, including the precarisation of the labour market training sector (Austria and Germany), increased “creaming” and “parking” of persons furthest from the labour market (Denmark), and the need to issue additional governmental subsidies in order to incentivise private actors’ commitment in times of labour oversupply and job shortages (UK). The Great Recession has also shown the “added-value” of Austria and Germany’s partnership-based PES systems, in which concerted actions mitigated the crisis’ negative effects on employment levels.

1. Introduction

The Great Recession that has haunted most of the industrialized world since 2008 has – once more – made painfully apparent the crucial importance of effective Public Employment Services (PESs), labour administrations’ “delivery arms”. PESs fulfil numerous critical functions in the governance of labour markets, ranging from the provision of financial assistance to workers without jobs to acting as critical players in the matching vacancies with jobseekers, equipping workers with the skills they need to succeed in rapidly changing labour markets, and – more often than not – functioning as the “employer of the last resort” through the organization of a “second labour market” (direct job-creation schemes), the facilitation of short-time work schemes (*Kurzarbeit*), or the provision of employment subsidies to firms willing to train or hire disadvantaged workers. Given their pivotal role, it is hardly surprising that PESs have been exposed to massive “modernization” efforts in recent decades, often resulting in a complete restructuring.

Most of these restructuring efforts were driven by a strong belief in the vigour of New Public Management (NPM) techniques that revolve around introducing systems of performance, quality and case management, while separating “purchasers” from “service providers” and thus developing “quasi” markets (Heyes, 2011; Jørgensen, 2009; van Berkel, 2009; Weishaupt, 2010). While we are little by little beginning to understand the types of (and motivations for) these reform processes, questions remain regarding how these reforms have affected labour market governance structures, if there have been unintended consequences of these reforms, and how different governance choices have affected PESs’ capacity to cope with the repercussions of the Great Recession. This paper sheds some light on these questions. After briefly reviewing reform motivations, I discuss recent governance reforms with an emphasis on “who steers”¹, i.e., what is the role of labour administrations, PES executive bodies, and the social partners, and “who rows”, i.e., who delivers labour market services, how are service providers selected, and what controversies arise from this choice? Subsequently, I briefly discuss the impact of the Great Recession, before concluding with a succinct summary of the findings.

The cases selected include four European countries with well-established PESs: Austria, Germany, Denmark and the United Kingdom (England). These countries represent empirically and analytically crucial cases. Analytically, they embody exemplars from the “three worlds of welfare capitalism” (Esping-Andersen, 1990), i.e., countries with “most different” labour market institutions. Empirically, one of the most striking “surprises” of the Great Recession was its impact on national employment performance. Unemployment soared not only in the “liberal” market economies such as

¹ Terminology borrowed from Osborne & Gaebler (1993).

Ireland, the United Kingdom or the United States, but also in the Nordic welfare states, including Denmark, Finland and Sweden (see Table 1 below). The Continental welfare states – often criticised as being over-regulated, too expensive and out-dated – fared comparably well. Indeed, Austria and Germany crystallised as the only countries with “employment miracles”, i.e., as countries with falling unemployment despite a negative GDP growth of almost four (Austria) or five per cent (Germany) in 2009, which resembles the EU-15 average of 4.2 per cent and is comparable to 5.2% in Denmark or 4.9% in UK. Given the exceptional performance of Austria and Germany, a comparison of these two countries with two of the previously “best pupils” in class with very different labour market policy regimes, promises to reveal important insights to the questions posed above.

The evidence for this paper is based on a variety of sources, including a careful analysis of the existing literature – both academic and official reports – as well as on about 20 semi-structured interviews with labour market experts from national ministries, PESs and the social partner organisations conducted during winter 2010/11.²

Table 1: Unemployment Rate in Western Europe and the US, 2008-2010

Country	2008	2009	2010
Austria	3,8	4,8	4,4
Belgium	7,0	7,9	8,3
Denmark	3,3	6,0	7,4
Finland	6,4	8,2	8,4
France	7,4	9,1	9,3
Germany	7,5	7,7	7,1
Greece	7,7	9,5	12,6
Ireland	6,1	11,8	13,6
Italy	6,7	7,8	8,4
Netherlands	2,8	3,5	4,5
Portugal	7,6	9,5	10,8
Spain	11,3	18,0	20,1
Sweden	6,2	8,3	8,4
United Kingdom	5,7	7,6	7,9
United States	5,8	9,3	9,6

Source: OECD.stat, retrieved on 14 June 2011.

2. Challenges and Pressure for Reform

Labour market governance systems have had to adapt to rapid structural changes in recent decades. On the one hand, new opportunities arose in the early 1980s, when technological innovations in

² I am very grateful to the Austrian, British, Danish and German interviewees, who were willing to provide valuable information for this paper. All factual errors and omissions are, of course, my responsibility.

information and communications technologies occurred, revolutionizing the collection, dissemination and monitoring of (labour market) data. On the other hand, the gradual demise of the Keynesian and the emergence of the neoliberal Washington Consensus spurred rapid developments toward market liberalisation, privatisation and marketisation, which challenged the very existence of large public institutions, including PESs (Sahlin-Andersson 2000, 6). In addition, the labour market situation in most European economies began to deteriorate in the 1980s and 1990s. Youth unemployment was on the rise, older workers were increasingly shifted toward early retirement, and long-term unemployment became a common phenomenon – often in the context of arising skills gaps and associated labour shortages (Weishaupt, 2011, chapter IV). In short, PESs were more needed than ever, but new, supposedly “modern” solutions had to be found. In this context, many governments looked toward NPM theory as inspiration for reform and discussed its merits in transnational expert circles organised by the ILO, OECD and the European Union (Weishaupt, 2010). , In result, numerous PESs moved from “management-by-regulation” to modern “management-by-objective” (MBO) systems, enhanced quality control through rigorous evaluations, prioritised customer service and satisfaction, and introduced internal and external “market mechanisms” when it came to the selection of service providers and staff performance (Weishaupt, 2010).

Quite interestingly, NPM was attractive to politicians in all “worlds of welfare capitalism”, spreading from the United Kingdom to the Nordics and beyond. Among the most prominent advocates were not only market liberals but also Social Democratic leaders, who saw NPM as a “third way” solution to the seemingly unsustainable alternative of maintaining the status quo and the undesirable option to dismantle the PES and privatize its services. Politicians hoped that if they ran a public agency like a private business, costs could be reduced and service quality enhanced, which would then cure the challenges on the labour market and (re-)establish a sense of legitimacy for the PES. Who, however, should be in charge of steering these new PESs and what (new) actors would deliver the services on the ground remained controversial and governments in various countries opted for different solutions as the following overview will show.

3. Governance Change

3.1 Systems of Governance: Who Steers?

Austria:

The Austrian PES (*Arbeitsmarktservice, AMS*) operates as a “one-stop centre”, responsible for the administration of unemployment insurance benefits,³ job placement and counselling, and the referral to active labour market policies (ALMPs) for all jobseekers. While the *AMS* was an integral part of the respective ministry for employment during most of the post-war period, it was “detached” from the ministry and “re-launched” as a public service enterprise in 1994. As Austria is a federal country, the *AMS* is comprised of a three-tier governance structure including national headquarters (located in Vienna), nine regional offices (one in each of the nine federal states or *Länder*), and 99 local PES offices. At the national level, the *AMS* is headed by a two-member Board of Directors (*Vorstand*), who acts as an “executive body” and runs the daily operations of the *AMS*. The *Vorstand*, however, serves two “principals”, including the Federal Minister for Labour, Social and Consumers’ Affairs (*BMASK*), who formulates the government’s broad labour market ambitions (which are translated into specific targets by the *AMS*), and the Administrative Board (*Verwaltungsrat*), which is the *AMS*’s highly influential “legislative body”.

The Administrative Board consists of nine full members at the national level, three representatives from federal ministries (one from the finance ministry and two from the *BMASK*), and three employee and employer representatives each. The social partners – the trade unions (*Österreichischer Gewerkschaftsbund, ÖGB*) and the workers’ chambers (*Arbeiterkammer, AK*), as well as the Austrian Federal Economic Chamber (*Wirtschaftskammer, WKÖ*) and the Federation of Austrian Industry (*Industriellenvereinigung, IV*) – thus effectively hold a majority. Almost all of the Board’s decisions are taken, however, unanimously. This may result in a lengthy, deliberative process as compromises and common positions have to be found, but in the end, the decisions are supported by all sides, which enables their smooth implementation. The social partners are also represented in all permanent committees within the *AMS* dealing with specific questions, including for instance, the “strategy committee” (*Strategieausschuss*) or the “labour market promotion committee” (*Förderausschuss*).

While the national headquarters develop the strategic goals for Austria as a whole, the re-launch of the PES in 1994 also resulted in more responsibilities and more “room for manoeuvre” for the regional (*Land*) PES offices. The regional Office Managers not only transpose national targets, but they formulate their own regional objectives; collaborate with *Land* governments, municipal

³ The Austrian UI system differentiates between unemployment benefits (UB) and unemployment assistance (UA), or *Notstandshilfe*, offered to the long-term unemployed, whose right to benefits expired.

authorities, or any other stakeholder; plan and distribute the budget to local PES offices of their region; direct, support and monitor the local PES offices; and select instruments and programmes that deal with specific issues relevant to the *Land's* economy (Nachtschatt & Schelling, 2010, 5). At the district level, the local PES offices deliver labour market services to their customers – jobseekers and businesses alike. The local offices define the principles for implementation of policy at the local level, but are expected to fulfil the targets set by the federal and the Land organisation. The local Office Managers run the daily operations, and consult – when needed – the tripartite, six-person advisory committees (*Regionalbeiräte*).

Overall, since the re-launch of the *AMS*, the social partnership approach has become deeply embedded in Austria and is welcomed on all sides. The social partners are seen as “equals” and their input is appreciated and actively solicited. This “social partnership culture” not only internalizes conflicts, but also reduces the likelihood that particularistic or sectoral interests are pursued. Labour market policy design and implementation is therefore perceived as a “joint endeavour” and less as a “zero-sum game” in which one party’s gains are the others’ losses.

Recently, the *AMS* has also taken over the administration of all employable persons receiving social welfare payments, i.e., persons who were previously supported only by municipal authorities. This new remit for the *AMS* is a direct consequence of a major reorganisation of the Austrian welfare state, concluding a process that lasted over many years. In 2010, the government introduced a needs-based minimum benefit (*Bedarfsorientierte Mindestsicherung*), replacing the previous social assistance legislation. Prior to this change, social assistance was organised by the federal states and thus was characterized by great variations in payment levels and service provision. The new system is intended to harmonise existing regulations in order to combat poverty more effectively and to roll-out a national, work-focused approach for the reintegration of social assistance claimants into the primary labour market.

Germany:

The German PES (*Bundesagentur für Arbeit, BA*) is a self-governing, quasi-independent body (*Selbstverwaltung*) created under public law (§367 of the Social Code Book III, *SGB III*) and primarily financed through mandatory payroll contributions paid in equal parts by employers and employees. The *BA* has a mandate to deliver integrated, multifaceted services, ranging from the administration of unemployment insurance tasks to the realisation of ALMP and lifelong learning measures. Germany is a federal country and, like Austria, the organisation of the *BA* is structured along three tiers of governance: national Headquarters (located in Nuremberg), ten Regional Directorates (note that Germany has a total of 16 *Länder*), and 176 Employment Agencies (plus some 660 additional

business offices) (van der Cammen, 2010, 5). At the national level, the *BA* is headed by a three person Management Board (*Vorstand*), who represents the *BA* and manages its daily operations (*operatives Geschäft*). The 21 member Board of Governors (*Verwaltungsrat*) is the *BA*'s main "monitoring, advisory, and legislative body", responsible for the *BA* strategic decisions (see *BA Satzung*, Article 3). The Management Board consults the tripartite Board of Governors on all important issues, and decisions are typically made unanimously. The Board of Governors includes seven representatives from the trade unions, seven representatives from employer associations, and seven representatives from public bodies (one person from the Federal Ministry for Employment and Social Affairs (*BMAS*), one person from the Finance Ministry, and one rotating person from either the ministry for Family Affairs, the Ministry for Education and Research or the Ministry for Economics and Technology, as well as three representatives from the *Bundesrat*, Germany's upper legislative chamber, representing the *Länder*, and one person representing the interests of the municipal and city authorities (*Spitzenvereinigungen der kommunalen Selbstverwaltungskörperschaften*). The social partners are also represented in equal parts in the Board of Governors' two operative committees, including *Committee I*, responsible for strategic decisions, budgetary and self-governance issues, and *Committee II*, which deals with questions related to labour market policy, labour market research, and financial benefits (Jakob, 2006, 31).

At the regional level, the Regional Directorates are also managed by three-member boards, appointed by the Management Board. In contrast to Austria, however, the social partners are not – or rather no longer (see below) – involved in the governance of the Regional Directorates that operate at the *Land* levels. The Regional Directorates mainly function as "transmission belts" between the *BA* headquarters (providing broad targets and – at times – binding behavioural guidelines, or *Handlungsanweisungen*) and the local PES offices, responsible for delivering results. The Regional Directorates thus "translate" national targets into regional and local ones, communicate with/give advice to local PES offices, and closely monitor local PES offices. The Regional PESs also collaborate with *Länder* governments regarding regional employment programmes – which are often co-funded through the European Social Fund (ESF) – or regional structural and economic policies.

The local PES agencies (*Arbeitsagenturen*), in turn, operate under a high degree of autonomy with respect to the use of their budgets and the priorities of the instruments, provided they fulfil their targets (Jakob, 2006, 43). The social partners are represented in the local governance committees (*Verwaltungsausschüsse*) – albeit with only four members from each group – and advise the local management boards in all questions regarding local labour markets, PES performance, and the development and coordination of regional programmes that involve more than one PES district.

The *BA's modus operandi* differs from that of Austria in at least two respects, including (a) the Management Board acts more independently from both ministerial (*BMAS*) and the social partners' influence, and (b) its *remit* is also much more limited as the vast amount of jobseekers fall under the jurisdiction of *BMAS* and not the *BA*. The former is a direct result of the Social Democratic-Green government's "third act" of modernizing the German PES through which the *BA* was entirely restructured in 2003, including the strengthening the executive capacity of the Management Board, a reduction of the size of the Governance Board (from 51 to 21 members) to make it operatively more "effective", the removal of the "self-governing" bodies at the regional level, and a formal weakening of the decision-making powers of the local governance committees (Adamy, 2006; Jakob, 2006; Klenk, 2009). The latter is a direct result of the "fourth act", which led to the "merger" of unemployment assistance (*UA*) and social assistance (*SA*) in 2005. This merger, which is popularly known as *Hartz IV*, had substantial structural consequences which constituted a real "break" with German insurance-based welfare tradition. In the past, long-term unemployed persons whose unemployment benefits (*UB*) expired – after up to 32 months, depending on age and contributory history – would receive a means-tested, but income-related *UA* payment. This payment was paid out by the *BA* offices and the long-term unemployed jobseeker would remain under the supervision of *BA* staff. Municipalities, in turn, were responsible for all other persons "in need". The municipalities would issue means-tested *SA* payments and often also launched their own *ALMPs*. As a result of the reforms, *UB* would only be paid out for a maximum of 12 months (longer durations are possible for older workers), while the *UA* and *SA* payments were merged into a new "unemployment compensation II" (*Arbeitslosengeld II, ALG-2*). The responsibility for *ALG-2* recipients – the vast majority of jobseekers – was transferred from the *BA* (former *UA* recipients) or municipalities (former *SA* recipients) to newly established *JobCenters*. The *JobCenters* are run in one of two ways: either by so-called Collaboratives (*Arbeitsgemeinschaften, ARGE*) in which the PES and municipal staff jointly supervise *Hartz IV* recipients, or Opt-Out Communes (*Optionskommunen*) in which the municipalities are solely responsible (this option is mostly prevalent in rural areas in Western Germany). With respect to the operation of the *ARGE*, the *BMAS* contracts the *BA* as a "delivery agency" and negotiates strategic targets directly with the Management Board of the *BA*. The Board of Governors – and thus the social partners – play literally no role: the Board has *no* advisory function and *no* rights to information (Adamy, 2006). The social partners play an advisory role *only* at the local level, where they are represented in advisory councils (*Beiräte*). The members of these councils include, however, also representatives from social and welfare organizations, which effectively reduces the social partners' influence.

The merger was hoped to remedy two problems of the old system, i.e., reduce the comparatively large number of long-term unemployed persons (who were alleged “victims” of an overly passive UA system) and provide equal access to services to an ever larger number of SA recipients who lacked access to the BA’s activation services. In turn, the government justified the reduction of the social partners’ involvement by the argument that the resources provided for ALG-2 clients are based on tax revenues (rather than employee/employer contributions).

UK (England):

The British PES, *JobCentre Plus* (JCP), is the Executive Agency of the Department for Work and Pensions (DWP), created during Labour’s second term in office. In 2002, the new JCP offices combined the functions of previous Benefit Agencies (benefit payout) and the Employment Service (assistance with job search and provision of counselling services). With the JCP, the Labour government sought to create a “one-stop centre” thus streamlining a comprehensive “activation” approach that would encourage employment for all “capable” persons (see also, Wells, 2001). JCP is operated by a CEO and a Board consisting of an Operating Officer and Executive and Non-Executive Directors, who work together with Work and Welfare and Equality Group representatives (Davern, 2010). There are eleven administrative regions, each managed by a Regional Director. The regional directors function as “transmitter belts” between the national headquarters and local JCP offices. While the governance of JCP is primarily a “top-down” process, characterized by a well-developed, MBO system, the Devolved Administrations of Scotland and Wales enjoy a high level of autonomy, especially with regard to the provision of skills and training.

The JCP has, in contrast to most other European PESs, no policy-making authority. The PES structure, its resources, and its operational budgets and targets are all set out by the Ministry. While these decisions are being made in consultation with the JCP CEO and Board, the Ministry ultimately retains the upper hand. Even though the degree to which the DWP is directly involved in JCP operations varies – at times allowing great autonomy – the DWP always retains the legal authority to intervene. The steering role of the Her Majesty’s Treasury is also crucial. From 1998 onwards, every three years, the Treasury published Comprehensive Spending Reviews (the most recent one was published in October 2010) in which – until 2010 – Public Service Agreements (PSAs) were set out. The PSA entailed targets and objectives to be met by individual departments, including the DWP. On the basis of these PSAs, the DWP negotiated the (annual) budget and targets with JCP. JCP, in turn, translated these operational targets into strategic targets at both the regional and the local levels (for more details, see Davern, 2010, 13).

The social partners lost their direct representation on both the national steering board and in the regional and local branches in 1987 when the Manpower Services Commission was dismantled (Weishaupt, 2011, Chapter IV). Even though the social partners – or other societal interests and stakeholders – are no longer formally represented on the JCP governing board, under the Labour governments (1997 – 2010) both DWP and JCP regularly consult widely with national, regional and local stakeholders to develop and evaluate policy and delivery. This consultation included both the Trade Union Congress (TUC) and the Confederation of British Industry (CBI), who were asked to provide written reactions to proposed legislation and enjoyed regular personal consultations with DWP staff.

Denmark:

The newly established labour market governance system in Denmark is comprised of a single, unified “employment system” for all jobseekers, “based in the municipalities with a strong national supervision” (Government of Denmark, 2009, 32). The Minister for Employment drafts labour market policy legislation and sets a small number of annual performance targets for the entire country. The Minister receives advisory assistance from the National Employment Council (NEC), which includes eight members from the Danish Employers’ Confederation (DA), eight members from the Federation of Danish Trade Unions (LO), and a variety of other actors, including local government. The National Labour Market Authority, an operative unit *within* the Ministry of Employment, functions as the main executive institution for policy making, budget allocation, target monitoring, and regional/local PES supervision.

Until 2009, the Danish PES (*Arbejdsformidlingen, AF*), constituted the government’s delivery arm for labour market policy to those jobseekers who are members of an unemployment insurance fund.⁴ Under the “old” PES system, which was put in place under Social Democratic rule in 1994, the governance of labour market was strongly decentralized, with policy responsibility located with 14 regional *AF* offices. These regional PESs were real decision-makers with their own budgets, embedded however, in a context of a MBO system in which the government issued national targets. The social partners, in turn, were actively involved in both policy design and implementation (Knuth, Schweer, & Siemes, 2004; Per Kongshoj Madsen, 2007). At that time, the Ministry of Social Affairs oversaw the activities of the 270 municipalities, which delivered activation measures for the

⁴ Membership in an unemployment fund – which is typically associated with the labour unions – was frequent, but not mandatory (Kvist, Pedersen, & Köhler, 2008, 234). The insurance funds calculate the level of benefits and, if necessary, enforce benefit sanctions.

uninsured, referred jobseekers to local AF offices for job counselling, and issued means-tested social assistance payments (Willemer, 2003, 172).

When a new liberal-conservative coalition government came into office in 2001, all of these structures were altered in a step-wise fashion. *First*, the responsibility for all labour market measures for both insured *and* uninsured jobseekers was combined in National Labour Market Authority (ECOTEC Research and Consulting, 2004, 16). This was followed by a comprehensive reform package entitled “More People in Work” (*Flere I Arbejde*) in 2003, through which all of the rules and regulations for insured and uninsured jobseekers were streamlined to the effect that both groups became subjected to the same procedures and gained access to the same instruments (Dingeldey, 2005, 20).

Second, embedded in a larger regional governance reform, the 14 AF regions were consolidated into four larger “employment regions” in 2007, while the number of municipalities was drastically reduced from 270 to 98. The new remit of the employment regions was to function as a “transmission belt” between the national and local level, being primarily responsible for the supervision and control of the local jobcentres (Government of Denmark, 2009, 32). While the employment regions can also give advice to the local level and produce annual reports that inform the national ministry’s actions, some observers – and the labour unions – argue that the employment regions have become mere “monitoring bodies” without any policy-making power (Jørgensen, 2009). The larger municipal districts, in turn, were created with the aim of becoming more capable of playing a “bigger role, for example, in the field of employment policy” (Damgaard & Torfing, 2010, 248). In this context, 77 “joint” jobcentres were set up in which AF and municipal authorities operated under one roof, and 14 “pilot” jobcentres in which the municipalities had full responsibility for employment policy.

The *third* step was completed on 1 August 2009 when the 77 “joint” jobcentres were dismantled and the municipalities given full responsibility. From 2010 onward, the municipalities have also taken on “full economic responsibility for all unemployed (including their benefits) albeit with a refund from the state” (Per K. Madsen, 2010, 7). As a consequence, the state-run PES has technically been “abolished” and the “municipalisation” of the Danish labour market governance system completed.

The government hoped to attain multiple goals through these reforms, including (a) ensuring a greater, nation-wide emphasis on a work-first approach towards *all* unemployed people, (b) creating greater transparency in the administrative system, (c) guaranteeing a “one door” organisation for both employers and jobseekers, and (d) ending the previous fragmentation by introducing a unified, national system (European Employment Observatory, 2010, 23). These aims

illustrate that – despite the *de facto* effort to decentralize responsibility to empowered municipal authorities – the government also shifted responsibility *upward*, i.e., to the Ministry for Employment. Under the new system, which is supported by modern MBO tools, the Minister agrees on annual employment plans with the municipalities, has the ability to closely monitor the performance of local jobcentres, and ultimately provides policy choice and compliance incentives through the (selective) co-financing or labour market instruments (European Employment Observatory, 2010, 24; Knuth & Larsen, 2009, 9).

The governance reforms affected the role of Danish social partnership, especially at the regional and local levels. That is to say, at the *national* level, the multipartite NEC continues to advise the Minister of Employment and submits an annual employment policy report on labour market developments, which informs the minister's strategy for the upcoming year. At the *regional* level, however, the social partners no longer have any "direct influence on the allocation of resources to the different active programmes" (European Employment Observatory, 2010, 24) and their main task has been reduced to advising the regional labour market director, who monitors labour market developments at the regional level and the performance of the municipal jobcentres (Damgaard & Torfing, 2010, 251). According to a labour union representative, this change has shifted their role away from *pro*-active planning to *re*-active criticism when Jobcentres fail to perform. Moreover, the social partners now share their advice with more actors as also that also representatives from the municipalities and the Disabled Peoples Organisations have been admitted to the circle. In particular the labour unions see this change as a loss of their "muscle". However, as result of the improved monitoring activities that are available to the wider public, the social partners have also gained new, useful tools to "problematise and politicise the employment effort in the Jobcentres in public debates and thereby gaining influence" (interview, DA representative).

At the local level, the social partners are represented in newly established Local Employment Councils (LECs), advising the local jobcentres, assisting in the preparation of the annual employment report, and being present when local offices are audited. The LECs also have their own funding available for local projects, dedicated to create more inclusive labour markets (Damgaard & Torfing, 2010, 251). Despite the government's effort to include a social partnership "voice" at the local level, the social partners themselves remain somewhat sceptical about their influence. The employers' organisation representative argued that they were mostly concerned with tackling structural unemployment, which needed to be done at the national level. The labour union's representative, in turn, argued that in the old system in which there were 14 regional PES offices, their voice was much more concentrated and thus powerful. Today, they have to "stretch their resources very thinly" as

representatives have to be present in over 90 local employment councils (interview, LO representative).

3.2 Systems of Governance: Who Rows?

Austria:

In Austria, the delivery of all ALMPs – except placement and counselling – has always been conducted by “third parties” on behalf of the PES. The largest providers of vocational training and adult education courses are the institutes by the *WKÖ* (*Wirtschaftsförderungsinstitutionen, WiFi*s) and the *AK* (*Berufsförderinstitute, BFIs*). Both sets of organisations are, however, privately organised and everyone has access to their services. When the government created the *AMS* in 1994, the government first introduced elements of competition for the selection of service providers. Most often, however, long-term contracts were given to established training providers, after the *AMS* had agreed upon how many places within a particular measure were needed. A real “break” occurred in 2002, when the national law regulating how service contracts are awarded (*Bundesvergabegesetz*) was extended to include the *AMS*. Extending this law effectively introduced “real” market dynamics within the training industry over night. The immediate effects of the law have been multi-faceted. *First*, as competition for contracts is largely, but not exclusively, based on price, the costs for training courses have decreased significantly. *Second*, the “service provider landscape” has changed as independent providers, i.e., training institutions not affiliated with either the *WiFi* or *BFI*, were awarded contracts. *Third*, the transparency in awarding contracts has increased. The new bidding process is open, based on a clear system of points (which include price and quality issues), and other bidders can appeal decisions by the *AMS*.

Despite these advantages, this newly established system remains highly controversial as the following discussion will illustrate. Training institutions can employ their trainers through three types of contracts, including: (a) full-time, *regular* contracts (*echte Dienstnehmer*), (b) *flexible* contracts (*freie Dienstnehmer*), which do not bind workers to specific working hours or work spaces – the typical example is a graphic designer, who can work from home, at night, etc. – and, (c) *service* contracts (*Werkverträge*), which constitute contracts over the delivery of a particular service. Employer representatives value the existence of a *variety* of contracts, especially the *Werkverträge*, which allow for the recruitment of business/industry professionals, who like to teach *in addition* to their regular employment, thus offering first-hand insights to the course participants. The labour unions and the *AK*, in turn, fear that educational institutes use such “atypical” contracts in order to undermine Austria’s labour laws or sectorally negotiated wage agreements. Other concerns raised include worries about the ability of smaller providers to compete in the market. In particular, the *AK*

argued that even though there are small providers operating in the market, it was clear that failure to receive a contract is (financially) more detrimental for smaller companies than for larger ones. This view was confirmed by a representative of the *IV*, who argued that larger firms continue to dominate the market for training courses. *AMS* officials, in turn, have argued that the new bidding laws shorten the “time horizons” of service providers, and thus limit the possibility to build long-term, “trust-based” relationships. Quite frequently, a local *PES* office would prefer to continue collaborating with a particular provider, but due to offers that were more cost effective, relationships had to be terminated. The *WKÖ* stressed, however, that shorter time horizons are not always negative as they force providers to stay competitive, allow for new players to enter the market, and enable the termination of sub-optimal relations, which was not always possible under the previous rules. The *WKÖ*, in turn, was more concerned about the negative effects of contracting on providers’ capacity to innovate. This is to say, if providers bid for the delivery of a pre-defined service, there is little incentive – or indeed room – for innovations.

Since 1994, private, for-profit employment agencies (*PREAs*) are permitted to operate in Austria, but they are required to apply for a licence, demonstrating their qualification (cf. *AMFG* §4). “Pure” placement services have remained marginal, and are mostly so-called “head hunters”, trying to recruit high-skilled labour. However, *PREAs* increasingly also operate as temporary employment agencies, which have become very important players in the Austrian labour market. In fact, in recent years, temporary employment agencies have been among the “top ten” customers of the *AMS* (*AMS*, 2009, 16). Quite naturally, the organisations representing workers see this trend rather critically, as temporary work contracts often undermine labour standards and regular wages, and workers employed through fixed-term contracts seldom receive the opportunity to acquire new (certified) skills. Moreover, jobseekers who are placed into temporary employment often return as clients to the *AMS* and there is a general perception that private actors do not prioritise quality concerns as much as the *AMS*.

As part of the increased focus on personalized “case management” that was introduced in 1999, specialised private actors are contracted by the *AMS* to address the needs of “difficult-to-place” clients. Such clients include, for instance, women returning to work after years of child rearing, ex-convicts, persons with addiction problems, people with large debts, etc. All labour market actors in Austria welcome these private actors to fulfil “niche functions”, not only because they have strong connections to local employers, but also because they have the knowledge and the time to specifically address the needs of difficult clients. Since the *AMS* has, in international comparison, relatively few staff, this “extra help” is welcomed and not seen as “competition”, especially since the private actors who operate in this field are mostly communal, not-for-profit actors.

Germany:

In Germany, the delivery of training programmes has also always been conducted by partner organisations rather than the *BA* itself. Training programmes and further education courses are typically offered by educational institutes (*Bildungsträger*) closely linked to employers' associations and the trade unions. When Chancellor Schröder decided to overhaul the entire labour market governance system, the way in which services contracts were awarded and services delivered also changed. *First*, the *BA* no longer purchases contingents of (vocational) training places to which PES officers refer their jobseekers. Rather, eligible jobseekers receive a "training voucher" with which a programme place can be purchased. This voucher represents the *only* way to access the most typical training courses (*Förderung beruflicher Weiterbildung, FbW*). *Second*, local PES offices can buy a variety of other courses from third party providers, including the services of so-called Assessment Centres, specialized courses for persons with disabilities, lifelong learning measures, or courses for young or low-skilled persons who are not prepared to attend *FbW* or find a vocational training place. The local PES – in consultation with the *Verwaltungsausschüsse* – estimates the number of places needed for such programmes and the regional "purchasing centres", which are attached to the Regional Directorates, then select providers based on a process of open, competitive tenders. Many of these service providers, in turn, are paid on the basis of their performance. *Third*, in order to guarantee high levels of quality standards, the education institutions need to acquire certificates. These certificates are issued by independent entities, which themselves are certified by the *BA*.

The introduction of a competitive tender process and the issuance of vouchers as the only access point to *FbW* have dramatically changed the service provider "landscape" and many (often smaller institutions) went bankrupt during the initial years. While the labour unions regretted this development, the *BA* argues that the new system is more transparent and much more cost effective. Over time, the provider market stabilized as many smaller service providers engaged in "consortia" which enabled them to compete with the larger providers (also on a regional level). However, like in Austria, the new competition among providers primarily based on price, has had similar (unintended) consequences. Recent studies suggest that trainers and educators are increasingly employed "precariously", i.e., they are self-employed and hired on an *ad hoc* basis, or receive fixed-term, often low-paid service contracts (cf., Bundesregierung Deutschland, 2010).

Additional, albeit less drastic, changes have taken place with respect to PREAs. The reforms of 2003 introduced a "placement voucher" with which jobseekers can purchase the services of a private agency. The use of these vouchers has, however, remained very limited. In 2010 less than ten percent of vouchers given out were actually used (Bernhard & Kruppe, 2010). While these vouchers have been effective for particularly hard-to-place jobseekers (especially in Eastern parts of Germany)

receiving ALG-2, evaluation results overall suggest “that the assignment to private providers is generally ineffective and in some subgroups counterproductive” (Bernhard & Wolff, 2008, 4). Despite general scepticism about the value of these placement vouchers, there is a general agreement that PREAs can fulfil certain “niche functions” better than the BA.

UK (England):

When creating the one-stop JCP in April 2002, it was organized “around the principle of work-first and a performance management regime to sustain it” (Wiggan, 2007, 419). The government’s goal was to equip JCP offices with standardized, cost-effective tools that enable the placement of jobseekers as quickly as possible into employment. Vocational training courses for jobseekers were largely absent, albeit low-skilled workers – once in employment – were granted new opportunities to acquire basic skills through the Train to Gain Programme (cf., Page & Hillage, 2006). Personal Advisors were to play a crucial role in identifying and overcoming individuals’ barriers to employment, while legislative changes to the benefits and tax system, and the introduction of a statutory minimum wage were intended to “make work pay”. With regard to reducing benefit claims, this primarily state-led system has produced good results prior to the Great Recession: around 50 per cent of unemployment benefit claimants left the register within three months, 75 per cent within six months, and around 90 per cent within one year (Eckersley, 2010).

As about 90 per cent of all jobseekers leave the register within a year, the role of third party and private actors remained limited, at least during the initial years after New Labour had come to power. Community and voluntary sector actors were involved in providing “employment opportunities” which constituted an important element of Labour’s New Deal schemes – especially the New Deal for Young People – and NGOs would assist disadvantaged groups at the local level (for more information about the New Deal, see Finn, 2003). A particular emphasis on “third party” actors was placed, however, in fifteen so-called Employment Zones (EZs), which were first set up in regions of economic deprivation in 2000 (Bruttel, 2005). As the DWP exercised a strong effort to monitor private actors’ activities within the EZ, this new public/private job-placement system was described as one of “centralized localism” or a system in which “the PES still largely controls the design and content of programmes, with local ‘partners’ tendering to provide agreed services within a set of contracting structure” (Lindsay, 2007, 721).

Over time – and in the context of continuously declining unemployment numbers – the government sought to “flexibilise” the service provision for the long-term unemployed. Accordingly, Gordon Brown, then Chancellor of the Exchequer, asked an independent commission led by David Freud to outline reform proposals. In 2007, the Freud Report was published, which would become

one of the cornerstones of the reform efforts put forward in between 2008 and the lost elections in May 2010. One of the Report's key recommendations was to systematically involve the private and voluntary sectors to deliver tailored back-to-work programmes for long-term unemployment (Freud, 2007). These recommendations were then included with the launch of the Flexible New Deal (FND), which replaced the New Deal for Young People, the New Deal 25 Plus and the Employment Zones, and subsumed New Deal 50 plus, the New Deal for Musicians and self-employment provisions (Work and Pensions Committee, 2009). With the introduction of the FND, JCP remained responsible for jobseekers during their first twelve months of unemployment, unless a person is identified as being at risk of becoming long-term unemployed in which case the entry into the Flexible New Deal could occur earlier. After 12 months, a person claiming Jobseeker's Allowance was referred to a third sector or private contractor, effectively "privatising" the supervision of the long-term unemployment.⁵ Prior to the crisis, the DWP assumed that about 100,000 people in Britain would be affected, who have unique and complex needs, for whom the "relatively cheap, one-size-fits-all approach" of the JCP was inadequate (Mulheirn & Menne, 2008, 8-9).

With the introduction of the FND, a new service provision model was introduced. The idea of this "prime contractor" model was to award contracts to large, professional placement agencies at the regional level, which in turn, award sub-contracts to smaller, specialized, local service providers. These contractors are then paid for their producing results rather than for specific services. The move toward a model based on "prime contractors" was intended to reduce the numbers of contracts that DWP directly oversees, and as a consequence was expected to reduce administrative complexity and costs for the Department (Work and Pensions Committee, 2009, section 37). In order to avoid the emergence of monopolies and to manage quality, the contracting rules stipulated that there ought to be at least two prime contractors in operation in most regions.

While British governments, i.e., both the previous Labour government and the current coalition government, strongly believe in the superiority of the private sector when it comes to the delivery of services to the long-term unemployed, a variety of non-state actors (e.g., Leonard Cheshire, Highland Employment Network or Child Poverty Action Group) and in particular both the TUC and the Public and Commercial Services Union (PCS) strongly disagree with this assessment. The TUC and PCS argue that JCP has an excellent track record in delivering employment programmes, and they do not support the escalation of private and voluntary sector involvement. They maintain – in reference to a study conducted by Cardiff University – that "whenever JCP has been allowed the same flexibilities and funding as private sector companies or charitable organisations it has been able

⁵ When private providers fail to place a person within 12 months, the long-term unemployed person is referred back to JCP (where he/she re-enters the high-intensity Gateway phase).

to match, if not surpass, the performance of contractors” (cited in: Work and Pensions Committee, 2009, section 33). Beyond a strong doubt about private providers’ improved cost effectiveness, the unions’ apprehension is also based on, quite naturally, a concern for *their workers* (i.e., civil servants working at DWP and JCP who might become redundant with an intensified privatisation of services) as well as concern for *jobseekers*. The latter includes concerns about (a) how private firms will treat customers (i.e., problems with “creaming” and “parking”)⁶; (b) that private firms will be less willing to compromise on individuals’ needs (e.g., unfulfilled care needs)⁷; (c) how sensitive private information will be used (i.e., how much jobseekers will trust a private company with their data); and (d) that third party actors such as faith-based charities will discriminate against staff or clients on the grounds of religion, lifestyle or sexuality (TUC, 2008, 15).

The CBI, in turn, welcomed both the shift toward an outcome-focused approach in how welfare is delivered and the harnessing of “the strengths of the public, private and voluntary sectors in a mixed market of provision”.⁸ The CBI not only put forward its own reform proposal in November 2009 (CBI, 2009), but was also actively engaged with the DWP in outlining future pathways to welfare reform.⁹ While the CBI acknowledged a strong role for JCP as “gatekeepers” to the benefits system, it welcomed an earlier activation of jobseekers and an earlier involvement of specialized providers. Indeed, the CBI saw a “huge opportunity” to join up public, private and voluntary sector actors, which in turn, will allow for the delivery of “appropriate assistance” to people at risk of becoming further disadvantaged or repeat benefit claimants (CBI, 2009, 7). In this context, the CBI welcomed the “prime contractor” model, which “coordinates and contracts out provision, designing a package for the client and joining-up services when appropriate” (CBI, 2009, 19).¹⁰

Denmark:

Since the creation of the Danish PES in 1969, public institutes have traditionally played a dominant role in the provision of activation services, including job-search and counselling services. Some contracting occurred, however, especially regarding adult education and vocational training (offered

⁶ The Work and Pensions Committee (Work and Pensions Committee, 2009, section 206) shared this concern in their assessment, concluding that “insufficient mechanisms have been built into Flexible New Deal to prevent significant creaming of some customers and parking of harder to help customers.”

⁷ Similarly, the authors of a report for the Social Market Foundation were concerned that the DWP will be inclined to keep “good relations” with prime contractors and thus be hesitant to reprimand inappropriate behaviour (Mulheirn & Menne, 2008, 109).

⁸ See: http://publicservices.cbi.org.uk/policy/welfare_to_work/, last retrieved on 4. November 2010.

⁹ See: http://publicservices.cbi.org.uk/media/press_release/00258/, last retrieved on 4. November 2010.

¹⁰ Like the TUC, the CBI is not impartial in its assessment as it also acts as a representative of its members, i.e., many private placement agencies.

by the Ministry's *ArbejdsMarkedsUddannelse* or AMU-Centres) or the administration of UB, which was done by Unemployment Insurance Funds. Since 2001, the bourgeois government initiated a number of reforms with the intention to expand the role of private, so-called "other" actors. Under the rubric of these other actors fall for-profit businesses as well as public training centres, trade unions, insurance funds, or voluntary sector actors that can be formally contracted for activation services (van Berkel, 2009, 23). Due to the wide range of "other actors", the expansion contracting found wide-spread support, including the labour unions (Bredgaard, 2008, 61). Reform efforts included the deregulation of market entry in 2003 and the promotion of private innovation and competition by introducing an obligation – which is no longer operational – that AF offices outsource at least 15 per cent of the activation activities offered to insured jobseekers.¹¹ There was, however, no such obligation for the municipalities. Accordingly, the municipalities remained less likely to engage in contracting out services, and if it occurred, it was "essentially through cooperation agreements and not through tendering procedures (Freedland, Craig, Jacqueson, & Kountouris, 2007, 160).

Contracting-out quickly spread and by 2005 there were "159 recognised activation providers nationally, two-thirds of which were private companies, with the remainder [being] trade union or unemployment insurance fund organisations and further education institutions" (Lindsay & McQuaid, 2008, 356). That same year "saw the proportion of unemployed insurance benefit claimants referred to contracted-out providers peak at 40 per cent" (Lindsay & McQuaid, 2009, 449). However, the strong "work first" focus and the new outcome-oriented funding for external contractors incentivised the achievement of quick job outcome, in which "creaming" became an unintended consequence. In reaction to 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 the integrated jobcentres," the Danes have subsequently significantly reduced their reliance on contracting (Lindsay & McQuaid, 2009, 453). Indeed, by 2008 the share of clients referred to "other actors" was as low as ten per cent (Bredgaard, 2008, 62).

At the point of writing, it remains rather unclear whether other actors will play a significant role in the future provision of Danish labour market policy, despite the government's clear preference for such actors. The limited growth potential for profit-oriented "other actors" is based on two factors. On the one hand, the municipalities – now in charge of all jobseekers – have never extensively contracted private actors and are able to offer "in-house" activation programmes in an efficient way (*interview*, Manager of Jobcentre). On the other hand, the recent finance reform of

¹¹ In 2005, the government introduced a centralised payment model, which generally awards 25 per cent as commencement fees and 75 per cent as outcome payments (Bredgaard & Larsen, 2008, 343).

November 2010 reimburses municipalities in particular for practical work training in enterprises, wage subsidies and ordinary education, i.e., measures for which the involvement of private contractors is not required (*interview*, National Labour Market Authority).

4. Discussing the Great Recession

The continental European economies – with Austria and Germany in the lead – have coped with the crisis surprisingly well. One of the key ingredients of their success was the concerted actions made possible by the institutionalized involvement of the social partners. In Germany, the *BA*'s tripartite Board of Governors early on deliberated how to best respond to the crisis, while making sure that sufficient resources would be available for labour market programmes and (additional) *BA* staff so that the increased demand could be met. In particular, the German “best practice” policy of the *Kurzarbeit*,¹² or short-time work scheme, was successful especially because of the social partners' commitment and expertise. The *BA* was equipped to swiftly transpose the revised and expanded *Kurzarbeit* scheme only because the Board of Governors deliberated on the issue, found a common position, and all sides endorsed the policy. The social partners then informed not only their *Land* associations, but also the local *Verwaltungsausschüsse* about the new rules and opportunities of the short-time work programme. When employers – who work very closely with the *BA* – were informed of the instrument and its revisions, they had direct contact points at the local level and, if requested, would receive the same feedback and endorsement from their regional associations. Hence, nationwide employers received a coherent message and had easy access to new information (*interview*, *BA*).

Likewise, in Austria, the social partners' joint commitment – supported by a significant expansion of the federal budget – enabled the swift launch of a “training initiative” or *Qualifizierungsoffensive*, as well as the expansion and flexibilisation of both short-term work and Austria's system of training leaves (*Bildungskarenz*), designed in such a way that workers can temporarily engage in full-time training (between two and twelve months) while receiving a wage compensation from the *AMS*. Larger firms typically engaged in *Kurzarbeit* whereas the *Bildungskarenz* measure was particularly welcomed by small firms. The *AMS* was responsible for covering the costs associated with the workers' compensations for their lost income and the federal and regional governments jointly covered the training costs.

The Danish government pursued a much more modest expansionary strategy, involving the social partners mainly in regards to the launch of an initiative to tackle youth unemployment. The so-called “youth package” included funds earmarked for the education and training of (especially low-

¹² For more information, see: <http://www.oecd.org/dataoecd/14/51/45603327.pdf>, last accessed on 3 November 2010.

skilled) young persons. While the labour unions felt that the government largely ignored their demands for a more significant expansion of training measures for all jobseekers, employers generally agreed with the government's response, arguing that the current system of flexicurity was sufficient to address the crisis. In contrast to Austria and Germany, the Danish government pursued a course of further tightening its activation framework (especially for young jobseekers) by introducing more stringent rules and earlier interventions, reduced the payment of unemployment benefits from four to two years (effective 2012), tightened the conditions to re-qualify for benefits, and proposed reforms that would abolish special early retirement schemes and reduce access to disability pensions and flex-jobs.

The British government faced a very different challenge. Quickly rising unemployment and a significant drop in employment opportunities exemplified the risks associated with a reliance on profit-oriented private contractors. On the one hand, the government needed to bring forward funding to keep contractors afloat who threatened to pull out of the FND scheme (Elliott, 2009). On the other hand, the prime contractor model faced a dire situation. The model was designed in a context where there were "only" about 100,000 long-term unemployed jobseekers (Mulheirn & Menne, 2008, 8). Most recent forecasts, however, estimate that there will be around 875,000 long-term unemployed at the end of 2011 (Lenning, 2010, 55). If, and if so, how well private actors are able or willing to provide outcome-based services to such a large number of jobseekers remains to be seen. These challenges are likely to intensify as the new coalition government has severely cut the budget for labour market programmes and has substantially reduced the number of JCP and DWP staff, who will ultimately remain responsible for the monitoring of the private actors.

5. Conclusions

This paper shows great variation in the way national labour markets are governed, and yet some common reform trajectories are also clearly visible. All four countries have been engaged in efforts to (a) streamline activation attempts to *all* jobseekers, including UB and SA recipients, (b) encourage private actors to engage in service delivery, (c) contract services through open tendering processes, and (d) – with Austria being the exception – have strengthened both the national and local steering capacities at the expense of regional offices that function primarily as "transmission belts" or "monitoring bodies". The common trend on competitive tendering has had unintended consequences in all four countries. In Austria and Denmark, the main struggle is how to regulate the service market in such a way that trainers and educators receive fair employment contracts and wages. In the UK, questions arose how to financially incentivise private actor engagement in a less than vibrant labour market without compromising high-quality service provision. Last, in Denmark,

the main problems were associated with “creaming” and “parking” of clients, which led to a re-regulation of the market and subsequently the near “collapse” in the contracting of services.

Stark differences in governance, in turn, are apparent between the “continental” systems of Austria and Germany in which the employment ministries negotiate with “self-governed” PESs but have limited direct steering capacities (when it comes to insured workers), and the agency/municipality based systems in Denmark and the UK, where the minister enjoys almost ultimate control over labour market policy. These clearly demarcated differences are reflections of both *institutional legacies* (i.e., the effects of Bismarckian governance systems based on payroll contributions that “necessitate” the strong involvement of the social partners) and *ideological preferences* (e.g., the market-liberal orientations predominant in Britain and among centre-right politicians in Denmark).

The Austrian trajectory is particularly striking as the social partners have emerged as “co-decision makers” at all three levels of PES governance only during the mid-1990s. This recent social partnership model is wholeheartedly embraced by a clear majority of actors involved in labour market policy making and has “survived” labour ministries led by both Social Democratic and Conservative ministers. In Germany, in turn, the social partnership model has been weakened in recent years (under Social Democratic reign), but continues to enjoy the support of most actors. While the social partners continue to have a strong advisory and monitoring role at both the national and local levels of PES governance when it comes to insured workers, the Hartz reforms have effectively relegated the responsibility for all long-term unemployed jobseekers – many of them with a long history of unemployment insurance payments – to both the federal ministry and local authorities. In both countries, Austria and Germany, the social partners have, however, played a critical, constructive role in addressing the global financial crisis. Their cooperation and support was without a doubt a key element for the launch of sufficiently funded short-term work and qualification schemes, which minimised the impact of the crisis on employment and (long-term) unemployment levels.

In Denmark, the gradual weakening of the social partners is more pronounced and ideological rifts between the left and right are apparent. With the “municipalisation” of the jobcentres – which the bourgeois government was able to push through only with the support of the far right *Dansk Folkeparti* (Bredgaard, 2008, 67) – the centre-right government empowered the central Ministry of Employment, while the reform of the regions weakened the direct policy-making capacity of the social partners at the regional level. Also the response to the Great Recession was overshadowed by a clear demarcation of positions, where the government (and employers) preferred the preservation of the “flexicurity” status quo, coupled with some tightening of the

benefits regime and austerity measures, while the opposition (and labour unions) pleaded for an expansionary macro-economic policy coupled with more spending on training and qualifications.

The situation in Britain was very different from its inception. Since the late 1980s, JCP has been governed in a top-down fashion with no institutionalised role for the social partners and with a clear focus on job placement rather than human capital generation. Controversies mainly arose over the involvement of private actors regarding placing long-term unemployed persons into jobs. The governments – both Labour in the past and the current Conservative-Liberal coalition government – *principally* believe that private actors are better equipped to assist jobseekers with “multiple hurdles” to the labour market. Accordingly, recent years have seen a gradual expansion of private actors who are contracted to work with those clients that JCP has been unable to place. The labour unions are, however, very concerned how to best prevent private, for-profit actors from engaging in the “parking” and “creaming” of less profitable clients and how to best monitor the treatment of clients so that individual needs are respected and clients are not discriminated against. With the current government’s spending cuts also and especially on labour market policy, further tensions seem unavoidable.

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