A silent revolution? New management ideas and the reinvention of European public employment services

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Labour-market policy regimes are in flux, not only because of the introduction of activation policies but also because of changes in the governance of public employment services (PESs). This paper argues that PESs have been fundamentally transformed due to the ‘discovery’ of New Public Management ideas. In the European context, these ideas first emerged in the UK and Sweden, were subsequently diffused through the Organization for Economic Cooperation and Development and the European Union and then internalized by critical epistemic communities, including the network of the heads of PESs and the World Association of PESs. Through the acceptance, diffusion and internalization of these new management ideas, common governance practices, including performance, quality and case management, have been widely adopted in Europe. Policy-makers have failed, however, to agree on a ‘best-practice’ model with respect to the local organization of labour-market policy delivery. Consequently, no hegemonic idea was established, and significant national differences continue to persist.

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JEL classification: I38 government policy, provision and effects of welfare programs, J68 public policy

1. Introduction

European labour-market policy regimes are undergoing significant changes. Since the turn of the millennium, literally all European governments have made attempts to ‘activate’ passive ‘safety nets’ through an increased use of targeted supply-side measures and recalibrated, often tighter benefit regimes. This common turn to activation has generated a large body of literature, assessing
persistent differences and emerging commonalities in national instruments and programmes (e.g. Serrano Pascual et al., 2007; Eichhorst et al., 2008a). Much less, however, is known about the governance of activation policy, i.e. how labour-market policy regimes are administered and policy is implemented.¹ This research gap is surprising as the administration and implementation of public policy significantly contribute to the very nature of welfare states, affect the relationship between citizens and the state and condition the effectiveness and consequences of policy delivery (Eichhorst et al., 2008b, p. 13). For that reason, this paper seeks to contribute to a small, but growing body of literature that seeks to shed light on these developments (e.g. van Berkel and Valkenburg, 2007; Bredgaard and Larsen, 2008; Lindsay and McQuaid, 2008; van Berkel, 2007; van Berkel and Borghi, 2008) by asking two interrelated sets of questions. (a) How is activation policy administered nationally and delivered locally? (b) Are national governance systems converging due to the common turn to activation? If so, through what mechanisms? If not, what explains the persistence in national variations?

As changes in activation governance do not occur in a ‘domestic vacuum’, this paper aims at incorporating both national, interest-based and cross-national, idea-based causal mechanisms of institutional change. More specifically, through disentangling the explanatory power of analytical concepts such as ‘powering’ and ‘puzzling’ (Heclo, 1974), this article seeks to simultaneously account for the impact of entrenched national institutions and powerful domestic interests, and inter- and transnational factors, associated with the policy-diffusion, social-learning and peer-review mechanisms of the Organization for Economic Cooperation and Development (OECD) and the European Union (EU). The ambition of this paper is two-fold: empirically, it provides new insights on the reorganization of public employment services (PESs), governments’ most important arms in delivering activation policy, while it theoretically contributes to the rapidly growing literature on incremental and yet transformative institutional change (Streeck and Thelen, 2005), by incorporation of ‘ideational’ explanatory factors.

This paper proceeds as follows. Section 1 positions the paper in the context of historical-institutionalist scholarship, outlining commonly held expectations about institutional evolution, and laying out how an ideas-based approach can contribute to the emerging literature on gradual, yet transformative change. In this section, the EU and the OECD are briefly introduced and their instruments for the diffusion of new ideas presented. Section 2 starts with providing some background to the emergence and trajectory of PESs and subsequently offers a snapshot of important institutional changes within PESs. Section 3 explains

¹Governance, in this paper, is defined as the institutional structures of authority transposing public law into action.
these changes with a special focus on the diffusion of new public management (NPM) ideas and socialization and learning processes, taking place in various epistemic communities. Section 4 closes with a succinct summary of the empirical findings and theoretical conclusions. The evidence of this paper is based on an analysis of mainly primary literature such as policy papers, reports and official statements, as well as a series of expert interviews conducted between May 2006 and August 2009, follow-up phone conversations and the observation of a World Association of PESs (WAPES) meeting. While the analysis covers most of the western EU members, empirical examples are mostly drawn from Denmark, the UK and Sweden and, although to a lesser extent, from Austria and the Netherlands, i.e. countries identified as trend-setters in PES modernization.

2. Institutional continuity and change: identifying causal mechanisms

Most explanations of institutional continuity and change are rooted in the historical-institutionalist paradigm and the associated ‘worlds of welfare’ framework. Seminal works by Esping-Andersen (1990), Pierson (2001), Hall and Soskice (2001) and many others have taught us that European welfare and production regimes have emerged along historical trajectories, generating regime-specific institutional strengths and weaknesses. Institutional change happens, but in the absence of exogenous shocks; it is incremental, context-specific and regime-type perpetuating. This is the case as established structures stabilize and reinforce one another, while electorates and powerful actors benefiting from the institutional status quo defend existing programmes. This phenomenon of institutional durability is known as path dependency and explained by reference to causal mechanisms such as positive feedback (Pierson, 2001) and institutional complementarities (Hall and Soskice, 2001). Only recently, historical institutionalists have begun to theorize about the possibility that change can be incremental and yet lead to transformative outcomes. Most prominently, Streeck and Thelen (2005) remind us that all institutional settlements are compromises, and thus, the alleged ‘losers’ of the status quo will always seek to alter existing rules in ways that benefit their interests. More specifically, when ‘rule-makers’ are replaced, or—for instance—when ‘rule-takers’ find loopholes or inconsistencies in existing structures, opportunities open up for those actors to trigger institutional changes (Streeck and Thelen, 2005, pp. 12–13). While these institutional changes may be rooted in cognitive reassessments, these authors’ principal locus for change lies in ‘powering’ processes, i.e. coalitional struggles of powerful, typically national, players over rules and resources (cf. also Hall and Thelen, 2008).
While such power-based explanations are of great analytical merit, they tend to overlook the impact that ideas may have in shaping the outcome of these struggles and in providing new avenues for (consensual) political action. That policy-makers not only ‘power’ but also ‘puzzle’ has been acknowledged in a wide range of studies (e.g. Heclo, 1974; Hall 1993; Hemerijck, 2008). This is the case as policy-makers may face complex problem situations in which neither causes nor solutions are clear-cut and actors’ interests remain ambiguous. Policy-makers then ‘collectively wonder what to do’, carefully weighing their own experiences against alternative explanations and insights (Heclo, 1974, p. 305). It is often argued that it is precisely in phases during which problems are defined and solutions articulated that ‘ideas’ matter most (e.g. Béland, 2005). Where, however, do these ideas come from? In the European context, new ideas in the realm of social policy are typically ‘furthered by “epistemic communities”, networks of experts in policy making that develop within and around international organizations [IOs]’ (Kildal, 2009, p. 21). Two IOs in particular, the OECD and the EU, seek to influence national reform trajectories.

The OECD is a membership-based IO without any regulatory, financial or sanctioning powers. Thus, it needs to persuade national governments about the adequacy of its proposals, if it wants to affect behaviour. The OECD’s modus operandi is to organize specialized conferences, workshops and seminars and to publish regular policy recommendations and overviews (cf. Noaksson and Jacobsson, 2003). The OECD’s main peer-review mechanism is based on the preparation of country reports by country-desk officers. These reports are based on site visits and consultations with, and negotiations in, the Economic Development and Review Committee (EDRC). After approval by the EDRC, an economic survey is published roughly once every 18 to 24 months, summarizing the country report and issuing country-specific recommendations. Since the early 1980s, the OECD has also been publishing employment outlooks that specifically address labour market issues. The OECD’s largest and best-known project on the labour market is the jobs study (JS), conducted from 1992 to 1994. Since then, the recommendations of the JS have been regularly evaluated and a restated assessment was published in June 2006. With respect to labour-market governance, the OECD has produced a series of country studies during the 1990s, portraying their members’ PESs (OECD, 1993b), produced a series of policy recommendations that included elements of PES modernization (e.g. OECD, 1996, 1999, 2005, Chapter 5) and organized a large-scale conference on PESs in 2000 (OECD, 2001).

The EU, in turn, created its own peer-review mechanism, the European Employment Strategy (EES), in June 1997 by adding an employment title to the Amsterdam Treaty. This title allowed for the institutionalization of a multilateral surveillance process and established a permanent, treaty-based
Employment Committee (EMCO), promoting policy coordination among members’ employment and labour-market policies. The EES processes, further specified in Luxembourg later that same year, are based on four components, including (a) commonly agreed-upon employment guidelines, setting out common priorities for members’ employment policies; (b) national action plans (NAPs), which describe how these guidelines are put into practice nationally—in 2005, NAPs were subsumed in national reform programmes (NRPs), integrating the Broad Economic Policy Guidelines with new Employment Policy Guidelines; (c) Joint Employment Reports, outlining the findings of the Commission and the Council’s joint examination of each NAP/NRP; and (d) country-specific recommendations proposed by the Commission and approved by the Council.

The EES peer-review process has been supported in additional permanent forums, including the Mutual Information System on Employment Policy (MISEP) and the Commission’s Heads of Public Employment Service’s (HoPES) processes and programmes. In the MISEP network, two national representatives from each member state—one from the employment ministry and one from the PESs—meet twice annually to monitor national reform activities against the backdrop of the EES Guidelines. Each meeting deals with a specific policy issue, for instance, measures to combat long-term or youth unemployment. In the HoPES network, first established in the Spring of 1997, governance issues are discussed, i.e. issues related to the implementation of the EES. The Commission sets the agenda—in consultation with the heads of PESs—and acts as facilitator and coordinator of HoPES’ activities, which include bi-annual meetings of the heads of PESs, bi-annual meetings of the heads of PESs’ assistants and regular, additional meetings in specialized seminars or workshops.

On the basis of the activities in and around these expert forums, policy-makers may learn with others in a social context, where new ideas and institutional alternatives are discussed, new information made available and appropriate solutions deliberated. Policy-makers may also learn from others, i.e. they update their cognitive and normative belief systems based on the experience shared by others through, for instance, peer review or benchmarking exercises. While the OECD mainly provides avenues to learn from others, the EU’s forums promote learning from and with others, and also stimulate pro-active ‘learning ahead of failure’ (Hemerijck, 2002, p. 451). Puzzling-based mechanisms through which institutional changes are triggered thus include information dissemination (i.e. making institutional alternatives available to policy-makers); iteration (constant

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2 There is also the Mutual Learning Programme (MLP), which supports the workings of EMCO through peer review workshops, thematic review seminars, and national and joint follow-up activities.
updating and re-evaluating existing programmes’ performance) and peer pressure (spurring upward competition among members) (e.g. Zeitlin et al., 2005; Hemerijck, 2002, 2008; Heidenreich and Zeitlin, 2009).

3. Governing activation: a new culture of managerialism and sustained local diversity

3.1 Historical background

The roots of contemporary PESs rest in the late 1800s, when employment exchanges were first set up at the local level by municipalities, labour unions, employer associations or friendly societies. National, centrally organized PESs, in turn, emerged in the interwar period with, for instance, the creation of the Reichsanstalt für Arbeitslosenvermittlung in Germany in 1927, and during World War II, when governments sought to coordinate their workforces, e.g. in Sweden, as well as Nazi-occupied Austria and the Netherlands. Many other West European governments created national PESs during the late 1960s and early 1970s, including, for instance, France in 1967 (Agence Nationale Pour l’Emploi), Denmark in 1969 (Arbejdsformidlingen), Ireland in 1971 (National Manpower Service) or the UK in 1973 (Manpower Service Commission) (cf. Konle-Seidl and Walwei, 2001; Weishaupt, forthcoming). With the oil crises of 1973 and 1979 and the associated economic recessions and skyrocketing unemployment, the then still young PESs consolidated their pivotal role as governments’ main instruments to deliver labour-market services.

The 1980s and 1990s were years of adjustment. On the one hand, technological innovations in information and communications technologies occurred, revolutionizing the collection and dissemination of data. On the other hand, the gradual demise of the Keynesian paradigm led to the spread of monetarist ideas, while the OECD began to search for new explanations for the persistence of unemployment. The turnaround in the OECD’s outlook is most evident in the conclusions drawn in the JS, in which explanations for unemployment were rooted in structural rather than cyclical causes. As a result of these developments, liberalization, privatization and marketization became new buzzwords, and PESs—like other public services and welfare institutions—were increasingly under pressure to legitimate their existence (Sahlin-Andersson 2000, p. 6). In 1997, additional fiscal restrictions were introduced in most of Europe, when the EU prepared for the creation of Economic and Monetary Union (EMU), limiting public deficits and introducing tight inflationary targets.

3 Pre-cursors certainly existed, including, for instance, the UK Labour Exchanges first set up by Churchill in 1909 (cf. Weishaupt, forthcoming).
In short, during the 1980s and 1990s, European PESs were increasingly exposed to critical voices, questioning the existence of large public agencies, while the emergence of a ‘hard currency’ paradigm effectively limited PES budgets and brought efficiency and effectiveness concerns to the forefront. While these common pressures—and technological innovations—did not necessitate similar institutional responses, the late 1990s nonetheless show changes along a common trajectory, including performance, quality and case management, as well as a deliberate push towards local contestability in service delivery and a reinforcement of the collaboration between, if not merger of, agencies proving core PES functions, including benefit payment, job placement and counselling and training provision. The following section elaborates on these trajectories, while the subsequent sections offer an explanation of their origin and evolution.

3.2 Performance management: from management-by-regulation to management-by-objectives

Traditionally, public services were ‘managed by regulations’, i.e. through legislation, directives and other guidelines, provided by respective ministries and parliaments. By the mid-to-late 1980s, however, numerous governments began to experiment with new management techniques borrowed from the private sector, including ‘management by objectives’ (MBO). MBO ideas are based on public choice and agency theories, which argue that efficiency gains in public management can be made by holding ‘agents’ accountable through a system of targets and indicators rather than how well they conform to applicable regulations (cf. Kettl, 2000). Among the first PESs to introduce performance targets were Sweden in the mid-1980s and the UK and Belgium (Flemish region only) in the late 1980s. Since then, most other European countries have followed suit, reaching Finland, France and the Netherlands in the early 1990s and Austria in the mid-1990s (Mosley et al., 2000). Ireland and Germany first introduced operational targets in the late 1990s, while establishing fully operational systems in 2001 and 2003, respectively.

Even though national systems differ with respect to technical specifications such as the nature of planning and control cycles or the choice of indicators, they share the central idea that a ‘principal’—typically parliament or the government—sets the overall policy aims for a particular country, while these aims are then operationalized into quantifiable national targets and indicators by a ministry or within PES headquarters. Subsequently, sub-national targets are negotiated with regional and local labour market authorities, who are monitored and regularly reviewed. As MBO is a complex system, PESs have further developed and adapted their MBO systems over time, both through ‘learning by doing’ and
based on technological innovations. The most advanced systems incorporate the Balanced Scorecard (BSC), which brings together a wide array of process, income and outcome targets in one comprehensive steering system. The BSC has been incorporated, for instance, in Austria, Belgium, the Netherlands and, most recently, Sweden.

The assumed advantages of MBO systems include increased transparency as policy goals and their evaluations are clearly specified, higher effectiveness as local agents are more flexible in the choice of instruments and improved efficiency as performance-based accountability rewards goal attainments (cf. Mosley, 2008, p. 8). Performance management through targets is not, however, without its drawbacks. The most apparent flaws include a high degree of re-regulation as policy-makers need to make sure that jobseekers in all districts have access to identical services (personal conversation, PES-DE), effectively—and paradoxically—weakening the autonomy of local actors (email correspondence, PES-UK). Performance-based payment can also lead to less innovation as actors increasingly follow ‘good practice’ examples rather than experimenting with new techniques, which include a risk of performance failure (interview, PES-UK). Finally, staff may become less satisfied with their working conditions as they feel permanently watched due to the accompanied comprehensive monitoring exercise, which, in turn, could lead to higher staff attrition. Recent experiences in Denmark seem to suggest this development (personal conversation, Center for Labour Market Research at Aalborg University, CARMA).

3.3 Quality management: towards new customer and evaluation cultures

The shift towards performance management has been accompanied with the ambition to also seek higher levels of programme and procedural quality. Quality management is typically based on three elements: (a) independent labour market programme reviews, (b) the application of a standardized system of process and procedure evaluations and (c) customer satisfaction surveys and targets. While the Anglophone countries, including Ireland and the UK, have a long tradition of independent reviews of most, if not all, of their labour market programmes (OECD, 2005, p. 212; interview, PES-IE), other European countries have followed suit only in recent years. For instance, in Sweden, the Institute for Labor Market Policy Evaluation (IFAU) was created in the late 1990s, as a national evaluation body, independent from the PES (Lidfeldt, 2002, p. 224). Since then, all labour market policies have been ‘subjected to a large number of rigorous evaluation studies’ (Calmfors, 2004, p. 4). In Austria, Denmark, Finland, France, Germany and the Netherlands, recent years have also been characterized by a series of wide-ranging evaluations, often conducted by independent third parties. Observers in Austria, Germany and
Finland have described these developments as the emergence of an ‘evaluation culture’, which had previously been largely absent in the political discourse.

In addition to programme evaluations, most PESs have introduced external quality management systems. Among the first PESs to do so were the Austrian, Danish and Dutch PESs in the early-to-mid-1990s. While these PESs first relied on certifications based on DIN, ISO and ‘national quality handbooks’, they subsequently switched to the European Foundation of Quality Management (EFQM) Model of Excellence in the late 1990s. The real advantage of the EFQM system lies in—besides having an internationally recognized and standardized system of quality control—the explicit expectation of continuous advancement and international benchmarking. Put differently, the quality assessment considers how successfully PESs continue to update and improve programmes and programme delivery over time (interview, PES-AT). Also Belgium-Flanders, Britain and Ireland followed suit and adopted quality management systems similar to the EFQM, while others, notably Germany and Sweden, continue to rely on more traditional forms of quality management. The latter PES representatives have argued that the organizational and auditing costs associated with the EFQM are too high, relative to the expected improvements (interviews, PES-DE, PES-SE).

A third important element of quality control has been to focus on the needs of PES clients, who are now viewed as customers. Accordingly, quality management has not been confined to the improvement of staff procedures and programme effectiveness, but also includes customer satisfaction as a key operational goal, where both jobseekers and employers are seen as such. Since the mid-to-late 1990s, almost all western EU members have been conducting regular and systematic surveys to assess PES service quality, while many have subsequently also introduced ‘hard’ customer satisfaction targets (e.g. Austria, Belgium-Flanders, France, Germany, Ireland, Netherlands, Sweden and the UK). Especially in Austria, Ireland and Sweden, these customer satisfaction targets have become one of the most important performance indicators for PES divisions’ business plans.

3.4 Case management: individualization through personal contracts

Alongside performance and quality management, case management has become a buzzword in governance reforms. While the idea of individual case management in Europe can be traced to Britain’s Restart Interviews in 1986, contemporary forms show significant differences. Most importantly, case management is no longer limited to long-term unemployed persons, but has been ‘streamlined’ to the majority of jobseekers. However, as case management requires both financial resources and time, only those customers that receive in-depth treatment are likely to benefit, while ‘job ready’ clients are referred to ‘self-help’ services.
Contemporary case management also starts much earlier in individuals’ unemployment spells, trying to avoid, rather than react to, slippage into long-term unemployment. Finally, case management typically results in the conclusion of a formal ‘contract’, an individual action plan (IAP), now standard in all EU countries (OECD, 2007). The underlying idea is that ‘working with contracts increases the level of involvement and, therefore, improves results over time’ (Sol and Westerveld, 2005, p. v). As such, IAPs serve multiple functions, including a reduction of moral hazards associated with the receipt of allegedly passive benefits, an increase in the transparency of the workings of PESs, and a clear delineation of the rights and responsibilities for both the state and the individual.

There are, however, a series of questions about these IAPs’ forms and contents. Perhaps most importantly, these contracts are clearly not ‘negotiable’ as jobseekers cannot reject the terms specified, and anecdotal evidence suggests that jobseekers see IAPs as yet another means for ‘harassment’. This concern seems particularly valid as recent research has shown that there is a general ‘work-first’ focus, i.e. a tendency to place jobseekers as quickly as possible into open vacancies—even with the use of compulsion (cf. Sol and Westerveld, 2005; van Berkel and Valkenburg, 2007).

3.5 Decentralization, contestability and single gateways

A final common element in European PES reform efforts includes the reorganization of local policy delivery, including decentralization of responsibility to increase local flexibility; service contestability through the introduction of quasi-markets, improving quality and price; and single gateways to reduce process duplications and make services more easily accessible to customers. How these three complimentary goals should be achieved, however, has remained controversial, and national responses have greatly differed. The British government, for instance, introduced ‘one-stop’ JobCentres Plus (JCP) for all benefit recipients in 2001, combining placement and benefit services for all jobseekers. While municipal authorities play only a minor role in labour market governance—e.g. through the delivery of certain centrally funded initiatives such as ‘Working Neighbourhoods Funds’ or ‘City Strategy Pathfinders’—other local actors are mobilized to deliver social and employment services through a variety of public–private–voluntary sector partnerships. The most important variants are employment zones (EZs), institutionalized in areas of particular economic hardship. EZ service providers are contracted in a competitive tendering process, but remain in close contact with JCP. Moreover, as the placement success of EZ partners is directly integrated in the target evaluations of local JCP offices, not only their mutual collaboration is ensured, but also creaming effects, i.e. a focus only on the easiest-to-place clientele, are prevented (Bruttel,
In 2008, the government outlined that a similar partnership set-up will become an integral part of the Flexible New Deal nationwide. It is envisioned that all jobseekers who have not been placed into work after a 12-month spell of unemployment will be referred to specialized, contracted service providers.

While the British government therefore primarily relies on centrally steered JCP to do the ‘heavy lifting’, and private actors are only included after a prolonged spell of unemployment, the Dutch rely on a ‘chain of service providers’ from the start (interview, PES-NL). Since 2002, all jobseekers have been first serviced in a one-stop ‘Center for Work and Income’ (Centrum voor Werk en Inkomen, CWI), which assesses customers’ eligibility for unemployment benefits, social assistance and other social benefits. In contrast to JCP, however, the CWI attends to only those customers that are deemed ‘market ready’. All other customers are immediately referred to—if insured—the Dutch social insurance administration (Uitvoeringsinstituut Werknemersverzekeringen, UWV), or—if uninsured—to municipal authorities (Bruttel, 2004, p. 23). To facilitate regional cooperation between these three actors, the CWI, UWV and municipal services are increasingly located in ‘shared premises’ (Bedrijfsverzamelgebouwen, BVG). As of January 1, 2009, ‘insured’ clients receive all their services in newly introduced WERKbedrijf, which are institutional mergers of the CWI and UWV. Both UWV (now WERKbedrijf) and the municipalities purchase all reintegration services from private providers through a competitive tendering process (Konle-Seidl, 2005, pp. 576–577; Sol et al., 2008, pp. 205–206). This has led to an explosive growth of reintegration service providers since 2002 and the establishment of a lively ‘quasi-market’. As in the UK, the government preferred to contract private providers, thus being able to retain great influence over program design, rather than opting for full privatization through outsourcing. While the Dutch ministry and the central PESs steer the operations of CWI/UWV through performance targets, the municipalities have retained more operational freedom. However, as municipalities—which receive funding for their reintegration services directly through the government—can utilize budget surpluses at their discretion, they have an incentive to also work as efficiently and effectively as possible (European Employment Observatory, 2005, p. 56).

France’s PESs, in turn, are built on a mixture of ‘centralism, social partnership and institutional fragmentation’, consisting of a highly centralized, mainly state-funded, tripartite placement service, ANPE, the tripartite, adult professional education association, AFPA, as well as a purely bi-partisan, social-partnership-based benefits agency (UNEDIC) (Konle-Seidl and Walwei, 2001, pp. 11–12), which can also develop training programmes, delivered by private providers. In a historic merger, the conservative government brought together these institutions by creating the multi-partite Pôle Emploi for all unemployment benefit and state allowance recipients on January 1, 2009 (Robin, 2008). However, even
though Pôle Emploi offers a ‘single gateway’ for all *insured* jobseekers and coordinates its activities more closely with municipal authorities, which offer ‘minimum income’ and ‘insertion’ measures, the *Revenu minimum d’insertion* (RMI), to *uninsured* workers, it is not a true one-stop shop as established in the UK or the Netherlands.

Denmark and Germany, in turn, introduced collaborative, one-stop centres in which PES and municipal staff jointly service jobseekers in 2004. While in Germany, only long-term and uninsured jobseekers are supervised by these joint centres (ARGEn)—and short-term jobseekers continue to be under the jurisdiction of the centrally steered PESs (Arbeitsagenturen)—Denmark, as of 2007, no longer makes this distinction and offers a ‘one-stop’ centre to all jobseekers, regardless of their benefit status.\(^4\) Since August 2009, the Danish job centres have no longer been managed jointly, but municipal authorities are solely responsible for all insured and uninsured jobseekers (Jørgensen, 2009). Denmark is thus the first European country that has chosen to fully ‘decentralize’ its PES operations, although with a strong emphasis also on re-centralization as the Ministry for Employment monitors local office operations more closely than ever before. In both Denmark and Germany, recent governance reforms have also been accompanied with open tendering processes for service provision and the active solicitation of private actors’ involvement in service delivery.

Austria, Belgium and Sweden have retained systems in which municipalities continue to be financially responsible for uninsured customers, while insured jobseekers are under the jurisdiction of PES offices, as all three countries, however, seek to also ‘activate’ uninsured, social assistance recipients and other employable clients. As such, jobseekers who are assessed as being able to work are required to register with local PES offices and can—at least in theory—utilize most, if not all, PES services, including various activation programmes. While these reforms have not led to ‘single gateways’, programmes and process are being streamlined, and cooperation between welfare, employment and, in the case of Sweden, also health offices has increased significantly in recent years. Finally, in Ireland and Finland, the employment offices have long been in charge of providing job search and counselling services to all jobseekers, regardless of benefit status. However, in both countries, ‘specialized’ offices, to which disadvantaged jobseekers are referred, provide intensive and tailor-made services in close collaboration with municipal authorities and other local

\(^4\)In Germany, there are 69 local employment services (LESs) that are solely managed by municipal authorities. These offices are called Opt-out Communes (Optionskommunen). The Opt-Out Communes have been created as temporary ‘test’ cases and their continued existence beyond 2010 is conditional on the approval of the German parliament. Moreover, in December 2007, the German Federal Constitutional Court declared the mixed administrative structures of the ARGEn unconstitutional and mandated their reform to be concluded by the end of 2010.
stakeholders. These LESs in Ireland go back to the mid-1990s, while the Finnish LAFOS were introduced only in 2006.

In sum, this brief overview of local PES operations has shown that there is no organizational convergence on a common type of local job centre and their roles and functions continue to vary. Despite this continued variety, most western EU members share a common trajectory towards the reliance on, and/or introduction of, ‘quasi-markets’ through provider contestability and contracting, and a broader activation approach, targeting all jobseekers, including social assistance recipients and other ‘inactive’ clients.

4. Explaining governance shifts: origins and diffusion

4.1 Identifying national trend setters

The governance changes outlined earlier cannot be explained without turning to the diffusion and internalization of new ‘ideas’ as an explanatory factor. More specifically, most of the modernization efforts envisaged by policy-makers find their roots in the 1980s, where technical innovations and changing economic currents gave way to the emergence of a new public sector governance philosophy, New Public Management (Osborne and Gaebler, 1993; Pollitt and Bouckaert, 2004). While NPM philosophy has varied both across time and space, its central message has always been—and still is—the same: public administration should emulate private business practices by focusing on customers and results (Christensen and Lægreid, 2001, p. 109). As the 1980s and 1990s had been years of growing unemployment, NPM emerged as an attractive focal point for PES modernization, as it carried the promise of a ‘third way’, i.e. an alternative to either increasing tax burdens to cope with the demands of an ever-growing clientele of benefit recipients or excessively cutting welfare entitlements to contain costs (McLaughlin and Osborne, 2002, p. 1). In the European context, not only the UK, but also Sweden spearheaded NPM-oriented reforms (Kickert, 2000, pp. 250–251), although with large differences. In the UK, the Thatcher administration (1979–1990) first pursued a strategy of large-scale privatization and a redefinition of the ‘civil service’ in line with ‘management’ ideas, including fixed-term contracts for staff, performance-related pay, the establishment of executive agencies to implement public policy, compulsory competitive tendering, etc. (cf. Lynn, 2006, pp. 117–120). Subsequently, the Major administration (1990–1997) reinforced public sector competition through the issuance of the Citizen’s Charter, which obliged central government agencies and local authorities to publish performance indicators and introduced a series of ‘rights’ for citizens who were increasingly seen as customers of public services (Ridley, 2000, p. 144). With respect to labour-market governance, the Citizen’s Charter
expanded and streamlined the use of MBO tools and complemented these changes with the introduction of new local employment agencies (Next Step Agencies), which clearly separated policy design authority and policy implementation responsibility (interview, Department for Work and Pensions).

A less recognized, but equally important reform process took place in Sweden. As early as 1985, the Swedish PESs introduced first MBO mechanisms, coupled with efforts to decentralize policy-making procedures (Arbetsförmedlingen, 2009). Allan Larsson, Director General of the Swedish PESs (1983–1989)—and later co-architect of the EES (see what follows)—played a key role in this reform process (interview, Swedish Institute for Social Research, SOFI). Subsequently, in 1991—when a centre-right coalition government came into office—the Cabinet Office of the Prime Minister and the powerful Ministry of Finance launched a public sector reform process that was strongly inspired by the British model of NPM, including privatization, deregulation and the introduction of competitive tendering, user fees and service vouchers (Riegler and Naschold, 1997, p. 17). When the Social Democrats returned to power in 1994, they continued and even expanded many of the organizational reform processes in the PESs, including the use of MBO techniques (which would become fully functional in 1996 with the introduction of LEDA, a new information management system), competitive tendering of training services for the unemployed (leading to a dramatic loss in market share for public service providers), a strong customer service orientation and the adherence to new quality standards set by the Swedish Institute for Quality (SIQ) (Mosley et al., 2000, p. 67).

Perhaps, the most influential PES reform that occurred subsequent to the British and Swedish ones was Denmark’s. In 1994, the incoming Social Democratic government institutionalized a large-scale labour market reform, based on proposals of the multi-party ‘Zeuthen Commission’, which the preceding bourgeois government had initiated in 1991 (Hendeliowitz, 2003, p. 69). The reforms were based on a broad political consensus and included, on the one hand, new activation measures including the introduction of tailor-made, IAPs and, on the other hand, an organizational overhaul of the Danish PESs (Ploug, 2002, p. 48). PES reform elements comprised the introduction of an extensive MBO system, performance-based rewards for employment officers (Knuth et al., 2004, p. 57) and the decentralization of steering capacity to the regional level (Hendeliowitz and Woollhead, 2007, p. 125). Denmark also introduced ‘national handbooks’ to manage service quality (Arnkil and Spangar, 2001, p. 10), initiated large-scale programme evaluations and conducted customer satisfaction surveys for both employers (on a regular basis) and jobseekers (ad hoc), starting in 1995 (Knuth et al., 2004, p. 57; OECD 2005, p. 213).

In sum, the first half of the 1990s was characterized by radical innovations in PES governance. These innovations were inspired by NPM ideas, which were
endorsed by political parties on both the left and right. While the actual institutional designs on the ground differed in Denmark, Sweden and the UK, they shared common ideas and principles, centred on the goal of transforming state bureaucracies—rightly or wrongly associated with inefficiency, red tape and ineffective use of public programmes—into modern agencies through emulating private business practices.

4.2 Diffusion of new management ideas by the OECD and the EU

While both Sweden and the UK spearheaded NPM-oriented reforms, the OECD quickly played a crucial role in disseminating these ideas, most importantly by establishing the Public Management Service (PUMA) in 1990. Throughout the 1990s, the PUMA Committee collected, summarized and compared members’ public management reform efforts, monitored and evaluated their progress and produced ‘normative models’, i.e. prototypes to emulate (Sahlin-Andersson, 2000, pp. 15–19). While the discussion of reform was generally about the public sector (OECD, 1993a, c, 1995, 1997b), more specific labour market governance issues were offered in the JS of 1994. The JS suggested three interrelated modernization steps that would improve customer services and programme efficiency: (a) the integration of three PES services, namely placement and counselling, the payment of unemployment benefits and the management of labour market programmes; (b) regular contact of benefit claimants with the PES to maintain their contact with the labour market and to reduce the risk of de-motivation and (3) the elimination of placement monopolies, as it was ‘unlikely that the PES will be equipped to meet all specialized needs’ (OECD, 1994, pp. 103–104). In 1997, the ‘marketization’ of employment services—which was envisaged to expose PESs to private competition, expediting modernization processes—was legally recognized with the adoption of the International Labor Organization’s (ILO) Employment Agencies Convention No. 181 (Phan-Thuy et al., 2001, p. 152). That same year, the OECD also published its evaluations of a variety of national labour market programmes and identified four approaches—fine-tuning and expanding the JS recommendations—as ‘promising’ ways to improve PES operations:

- the functional integration of the core PES functions of job broking, unemployment benefit administration and referral to ALMP (i.e. establishing customer-friendly one-stop shops);
- policy interventions to reduce the length of the unemployment spell, such as the early identification of job-seekers at risk of becoming long-term unemployed, IAPs, activity tests and benefit sanctions (i.e. improving customer service through case management and reducing costs through tighter monitoring);
• the use of internal performance indicators by PESs (i.e. improving accountability and efficiency through management-by-objectives);
• the introduction of market signals into the operation of PESs (i.e. improving service quality and costs through contestability) (OECD, 1997a, p. 3)

While in 1997 not all OECD countries could subscribe to the new model as envisioned by the OECD, the pioneers were nevertheless seen as a ‘platform for testing new ideas’ that enabled learning from others (OECD, 1997a, p. 26). The members’ great interest in ideational exchanges about PES reforms subsequently led to the organization of a large-scale conference in Prague in 2000 (OECD, 2001), which was also seen as the logical conclusion to the OECD’s publication series on member states’ PESs, published throughout the 1990s (OECD, 1993b).

In addition to the OECD’s activities, the EES also became a critical venue for the promotion of performance, quality and case management, not only due to the dissemination of new information and practical learning, but also due to its associated benchmarking exercises. More specifically, the launch of the EES promoted the use of performance targets because of three interrelated factors (cf. Mosley et al., 2000, p. viii; 2003, p. 20). First, the EES required EU members to write annual action plans, summarizing national reform efforts. This, in turn, led to the institutionalization of regular benchmarking exercises, which necessitated the collection of comparative labour market data and the establishment of common indicators (through EMCO’s Indicators Group). Finally, the EES compelled members to reach a set of commonly agreed-upon guidelines, which include quantitative performance targets, such as the delivery of an offer to ‘a new start’ before reaching 6 (12) months of unemployment for young (adult) jobseekers and to raise the number of unemployed people who receive training or a similar measure. As such, the EES amplified the perceived need for PES modernization and pushed heads of PES to (re-)evaluate their ‘institutional setting and management methods’ (European Commission, 1998, p. 4).

Moreover, Allan Larsson, the Commission’s Director General for Employment and Social Affairs from 1995 to 2000, emerged as a very influential and visible advocate for moving from ‘management-by-regulation’ to ‘management-by-objectives’ on a variety of public occasions (e.g. Larsson, 1998, 1999a, b). Larsson and his Finnish colleague Karl-Johan Lönnroth, Director of the EES, also turned the HoPES network into a key forum for the promotion of a common PES reform discourse (interview, PES-FN). The heads of PESs, in turn, understood that the successful implementation of the EES depended to a large degree on a well-functioning PES. As such, they jointly defined a mission statement, which specified ‘their role in the market’ and defined ‘common approaches in a rapidly changing environment’ (HoPES in the European Economic Area, 1998). Among these common approaches were inter alia
customer orientation, case management, quality control and the strengthened coordination in service delivery and improved partnership strategies (cf. European Commission, 2002).

Two years after the first HoPES’ joint mission statement—and thus shortly after the Lisbon Summit on which the EU declared ‘more and better jobs’ and ‘greater social cohesion’ as fundamental goals—the heads of PES further strengthened their mission and re-defined themselves as ‘managers’ rather than directors of public agencies (Mosley et al., 2003, p. 18). They unanimously declared that the 1998 ambitions to cater mainly to the long-term unemployed and the hard-to-place were too limited, and that PESs may no longer be ‘considered a mere appendix to economic and social policy’ (HoPES in the European Economic Area, 2000). With their growing confidence, the heads of PESs demanded an improvement of their profile vis-à-vis other EU bodies, while stressing the need for better cooperation at the European level, including the exchange of best practices and peer reviews.

While the European Commission and the heads of PESs therefore defined a common discourse on PES modernization, were engaged in regular benchmarking processes and exposed to a growing degree of peer pressure, most social learning took place at a ‘lower’ level. With the establishment of the HoPES network, the HoPES’ assistants, typically senior advisors, who are broadly knowledgeable about national as well as international PES affairs, also began to meet twice annually. In addition to preparing the official HoPES meetings, the assistants’ meetings quickly served as a ‘networking forum’ through which valuable personal connections could be established. Over time, trust could be built, the flow of information improved and additional, bi- or multi-lateral on-site visits by PES delegations arranged (interview, PES-AT). On the basis of one such meeting, the Austrian PES representatives, supported by their Danish and Dutch colleagues, realized that the HoPES’ peer-review process could be improved with the accumulation of comparable PES data and a set of common indicators. The Commission then offered funding for a separate benchmarking group within the network, which was established in 2001 (interviews, PES-AT, PES-SE). But also many other seminars, workshops and working groups have been organized, at times with the head of PES assistance, at other times, with alternative or additional PES staff with specialized expertise, relevant to a particular topic. Through the involvement of additional PES staff at these seminars and workshops, knowledge is diffused more deeply into national PESs, and a larger number of staff is exposed to alternative governance ideas (interview, PES-SE).

The HoPES network is not the only epistemic community interested in fostering new PES governance ideas. Already in 1988–1989, the WAPES was founded by the ILO and six PESs, including Canada, France, Germany, the Netherlands, Sweden and the USA. WAPES has grown rapidly, counting more than 90
members in 2009, and has emerged as an important focal point for networking, socialization and learning (interviews, PES-AT, PES-DE, PES-SE). WAPES’ representatives are often the HoPES’ assistants themselves or work very closely with them. National PES experts, in turn, are sent to specialized thematic workshops. While WAPES originally had a global focus, in the early 2000s, regional sub-groups were established, including a European group. The WAPES Europe group’s precursor goes back to a group of PESs, who—under the leadership of Sweden—had begun to meet separate from, and in addition to, the HoPES working programmes. These PESs had felt that they needed additional space to discuss issues other than those decided on by the Commission. When Sweden became the President of WAPES, it was decided that WAPES could work more effectively if regional sub-groups were established, and this small group of PESs effectively became the foundation of the WAPES Europe group (interview, PES-SE). In recent years, the WAPES and HoPES working programmes have come closer together, and issues picked up in one forum may be continued in the other. The cooperation is lively and complimentary, to the point where the European Commission also attends WAPES meetings, and likewise, the findings from WAPES are discussed in HoPES conventions (interview, PES-AT, PES-SE).

In short, within less than a decade, a dense network of national heads of PESs, mid-level officials, policy experts and European Commission representatives had emerged, which operated essentially on two levels. First, on the ‘political’ level, the heads of PESs and the Commission define core elements of PES modernization. Consultations on this level have solidified, accelerated or even triggered major structural PES reforms, which often required legislative acts, including the introduction of performance, quality and case management, as well as the intensified collaboration, if not merger, of welfare and employment offices. Second, on the ‘technical’ level, the workings of an epistemic community comprised the HoPES’ assistants, the HoPES’ benchmarking group, experts sent to specialized workshops, WAPES’ Europe representatives—and also MISEP, where often the same experts meet to present and discuss associated policy issues—has contributed to the advancement of new technologies, processes and procedures, fine-tuning the reform efforts. While the political level allows for learning from others, resulting in cognitive reassessments, mimicking of ‘what works’ and improved peer pressure to follow ‘model’ PESs, it is on the technical level, where learning with others and socialization takes place through seminars, on-site visits and personal connections. In this context, the EES has been described as a critical element, as it defines a guiding framework and context, puts PES modernization continuously on the agenda (interview, PES-AT, PES-UK) and facilitates the flow of new resources, necessary to restructure PES governance systems (e.g. Erhel et al, 2005).
4.3 Powering and the limits of information dissemination, iteration and peer pressure

The discussion so far has clearly shown that European PESs have undergone a phase of radical restructuring. While PESs have not become identical organizations, processes of institutional convergence are clearly identifiable, especially with respect to performance management through operational targets and indicators, a focus on customer satisfaction and assessments of programme and process quality, the introduction of contractual relationships between case managers and jobseekers and a strengthening of contestability in service delivery. Even though the overview offered earlier cannot ‘prove’ that these convergent trajectories are the result of policy diffusion, peer pressure and iterations of learning from and with others, the findings suggest that PES officials and partisan politicians from many political spectrums have embraced and internalized an NPM paradigm, which increasingly guides their thoughts, words and deeds.

Yet, as powerful as social learning and peer pressure may be, they have their limit, which becomes evident in the sustained, large-scale structural differences in local PES governance. The persistence of institutional differences can be explained with reference to both ideas and interests. On the one hand, NPM writings fail to provide a clear-cut blueprint of how to organize local PES branches, while also the epistemic community itself has been unable to find consensus with respect to the single-best ‘one-stop shop’, or rather, has not agreed whether a single gateway is even desirable. On the other hand, the difficulty of finding a ‘hegemonic idea’ is also a reflection of the highly political nature associated with the establishment of new structures. Merging various local offices into a ‘single gateway’ necessarily includes meshing actors with different organizational cultures and traditions, taking responsibility and authority away from some actors to the benefit of others and changing established systems of financing and expenditure. As such, the recalibration or merger of local offices is often exposed to electoral, distributional and ideological battles, which minimize the possibility of puzzling and the ‘copying’ of systems that work elsewhere.

For instance, the Danish decision to choose a purely municipal strategy for local governance—in contrast to the continuation of a collaborative strategy—was forcefully pushed through by the centre-right government, against the will of the social partners and without empirical evidence that would have supported such a decision (Jørgensen, 2009). Likewise, the most recent merger of the CWI and the UWV in the Netherlands was motivated by the government’s concerns over costs rather than social learning, or ‘mimicking’ good practices (interview, PES-NL). The institutional design of the German system for the long-term unemployed is the direct result of a political compromise necessitated by a legislative stalemate in Germany’s bi-cameral legislative system (Weishaupt, forthcoming). The
Finnish decision to introduce LAFOS was simply based on the government’s preferences and remains a volatile institution, as no legal basis has been created that would guarantee its survival in the long run (interview, PES-FN). Similarly, the introduction of a new, streamlined social assistance scheme that requires employable persons to register with PESs in the Austrian lines—in contrast to a full institutional merger of local PESs and welfare offices along German lines—is explained by the resistance of various federal states’ governments (interview, PES-AT).

While this necessarily brief review cannot illuminate the political process in further detail, it does suggest that there are different causal mechanisms responsible for the convergence on managerialism and service contestability on the one hand, and the persistent diversity with respect to the choice of actors charged with the authority to organize and implement local activation policies, on the other hand. This is to say, the NPM philosophy has become dominant with respect to inner-organizational changes and the inclusion of contracted, private actors, as such reforms can be normatively justified with reference to efficiency and effectiveness gains and quality enhancement. The local restructuring of PESs and related welfare offices, in turn, creates numerous ‘losers’, challenges long-held administrative traditions and norms and faces institutional, legal and perhaps constitutional hurdles. As such, ‘politics as usual’ dominates on this dimension, and ‘powering’ trumps over ‘puzzling’.

5. Conclusions

This study shows that most western EU countries, regardless of partisan composition and welfare-regime type, have internalized NPM ideas into their PES reform efforts. The NPM philosophy, which first originated in the UK, has—over time—been depoliticized and spread first to the geographically, linguistically and culturally closer Scandinavian countries, including Denmark and Sweden, and subsequently also reached Continental Europe (Sahlin-Andersson, 2000, p. 11). The diffusion of these ideas was promoted and legitimized by the OECD and further popularized in benchmarking forums and iterative processes of the EU as well as WAPES. The active promotion of NPM ideas by IOs and epistemic communities has led to the consolidation of a common template, defining what a ‘modern’ PES ought to look like. Core trajectories include a common focus on performance, quality and case management as well as contestability in service delivery and the reinforcement of the collaboration between, if not merger of, agencies proving core PES functions. Management has become the ‘lingua franca’ (interview, German Federal Ministry for Employment and Social Affairs), and most PESs increasingly seek the same objectives and rely on similar governance strategies (cf. HoPES in the European Economic Area, 2006, p. 2). The ‘hegemony’ of management ideas, in turn, has effectively limited the number of alternative governance
choices, as ‘old’ choices such as multiple gateways are harder to defend politically (interview, PES-SE), and PESs feel ‘ashamed’ if they do not apply modern techniques such as, for instance, customer satisfaction surveys and targets (interview, PES-AT). As such, greater convergence of governance structures is to be expected in the long run, not only through ever-improving flows of new information about ‘what works’, but also due to deeper internalization of what constitutes ‘modern’ governance structures and increased peer pressure as ‘good performers’ will continuously be identified by the OECD and the European Commission as models to emulate.

This is not to say, however, that PESs have or will become identical entities, that a close examination of individual PES would not reveal great differences in governance or that national approaches to activation no longer show differences in their policy choices or emphasis on ‘work first’ or compulsion. Convergent trajectories with respect to PES governance remain ‘contingent’ on historical legacies, cultural predispositions, political actors’ situational interpretations of problems and, perhaps, constitutional limitations. Thus, similar, but not identical, reforms are pursued. Moreover, even though learning from and with others has taken place, and even though new management ideas have gained a ‘hegemonic’ status, the persistence of national differences, also and especially with respect to the local organization and delivery of activation policy, has reminded us that ‘powering’ matters and that structural changes are conditional on, and shaped by, powerful actors, defending their interests. As such, this investigation suggests that both interests and ideas matter, and that we need more nuanced analyses of mimicking, puzzling and powering to move forward. To look more closely at epistemic communities, such as the OECD, HoPES or WAPES, and their contributions to institutional change is herein one promising avenue.

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