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## *Quasi-markets and the Delivery of Activation – A Frontline Perspective*

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### **Introduction**

Frontline workers in public organizations work in complex contexts. Vinzant and Crothers (1998: 11) argued that these workers are ‘in the center of a matrix of influences’ exercised, among others, by the law, the agency for which they work, their colleagues and other agencies. In understanding the ways in which workers operate in these complex contexts, the concept of discretion has become pivotal. In its most basic meaning, discretion implies that workers’ agency plays a role in shaping how contextual influences determine the work they do and the decisions they make. Against this background, many researchers argue that the black box of frontline work needs to be investigated in order to fully understand how policies are implemented (Brodkin and Marston 2013; Hill 2003), how New Public Management (NPM) influences service provision processes (Brodkin 2011) and how policy target groups are treated (Schram *et al.* 2009).

This article follows the tradition of frontline work research and aims to contribute to our understanding of the practical functioning of quasi-markets for the provision of social services. Quasi-markets not only confront frontline workers with new agents and agencies but also with new roles in their interactions with these agents and agencies. The article looks at the marketized provision of employment, welfare-to-work or activation services,<sup>1</sup> that is, services provided to unemployed people in the context of welfare-to-work policies which aim to promote their employability and labour-market participation. The marketization of this type of services has received considerable scholarly attention (Considine 2001; Sol and Westerveld 2005; Struyven and Steurs 2005; van Berkel *et al.* 2012). Most studies adopted an institutional

perspective, analyzing and comparing market characteristics and purchaser-provider relationships. Relatively few studies (e.g. Brodtkin 2007; Johnson Dias and Maynard-Moody 2007; McDonald and Marston 2008; Soss *et al.* 2011) looked at how frontline workers operate in quasi-market contexts. This article analyzes two aspects of the functioning of quasi-markets which have been identified as threatening the effective functioning of quasi-markets and as potentially having perverse effects for social services and their users. The first concerns risk selection in quasi-market contexts: ‘creaming’, ‘parking’ and cherry-picking taking place in provider agencies jeopardize adequate service provision, especially for people most in need of support. Second, the monitoring of providers may lead to considerable administrative burdens and bureaucratic pressures in service provision processes which threatens the promise of quasi-markets to be cost-efficient, reduce service costs and improve service quality.

The article is structured as follows. The next section discusses how processes of risk selection and monitoring are analyzed in the literature on quasi-markets. The third section introduces the context of our empirical research of frontline workers in Dutch agencies involved in purchasing and providing activation services for social assistance recipients by providing a brief institutional analysis of the marketized provision of these services. The fourth section outlines our research methods, followed in the fifth section by a presentation of research findings on frontline processes of risk selection and monitoring in quasi-markets. The final section concludes.

### **The Marketized Provision of Activation Services**

Quasi-markets for the provision of social services are without doubt among the most debated and contested NPM reforms. Le Grand (1991: 1260) characterized these markets as follows:

not-for-profit organisations competing for public contracts, sometimes in competition with for-profit organisations; consumer purchasing power in the form of vouchers rather than cash; and, in some cases, the consumers represented in the market by agents instead of operating by themselves.

Although quasi-markets for the provision of activation services are diverse (Bredgaard and Larsen 2008; van Berkel *et al.* 2012), generally speaking these markets satisfy Le Grand’s characteristics. Providers of activation services include either non-profit or for-profit organizations (or a mix); in some cases, target groups of activation programmes are given purchasing power in the form of vouchers or similar instruments (Hipp and Warner 2008; Sol and Westerveld 2005) although this seems to be the exception rather than the rule; and, as a consequence, ‘consumers’ – here: the target groups of activation policies – are often represented in the market by the agencies which administer their income benefits as

these agencies often act as purchasers (van Berkel *et al.* 2011). Quasi-markets for activation services sometimes have two additional characteristics. First, the split of purchasers and providers that ideal-typically is an important element of markets is absent in many countries: buy or make decisions (Plantinga *et al.* 2011) of purchaser agencies often result in a mix of in-house produced and outsourced services. Second, outsourcing of services not always involves strong competition, such as in preferred-supplier models where the number of providers is limited (McDonald and Marston 2008).

Proponents of quasi-markets mentioned a range of potential benefits, such as cheaper services, service innovation, higher service quality and increased responsiveness to service users (Osborne and Gaebler 1992; cf. Finn 2009). However, many studies of quasi-markets point at factors which jeopardize the proponents' expectations, two of which are elaborated upon here: risk selection and the administrative burden related to monitoring.

### *Risk selection*

In publications discussing the marketized provision of activation services, processes of risk selection through creaming, cherry-picking and parking in provider agencies are a recurring theme (Bredgaard and Larsen 2008; Sol and Westerveld 2005; Struyven and Steurs 2005). According to these publications, service providers paid according to performance will be inclined to focus their efforts on clients with whom they can easily realize performance targets, while 'difficult' clients are parked or referred back to the purchaser. Although there is little reason to question the validity of the theoretical argument that providers operating in a quasi-market are likely to engage into risk selection practices, empirically it may be more difficult to explain these practices and to attribute them unambiguously to quasi-market logics and service provider behaviour. In the context of social services which address complex problems, links between client characteristics, service characteristics and outcomes are hard to establish (Kirkpatrick 1999). Because of that, formulating realistic performance targets concerning what type of results should be realized with what groups of clients is far from simple. In addition, purchaser agencies are responsible for selecting clients who meet the client characteristics as stipulated in contracts for referrals to providers. This may be simple when, for example, client groups are defined in terms of age. But when client groups are defined in terms of more complex characteristics (labour-market distance, employability, motivation), client selection and referrals become less straight-forward. In these cases, the quality of profiling becomes a major concern (Mosley and Sol 2005), as does the mutual acceptance of profiling outcomes by purchasers and providers. In this context, Mosley's and Sol's (2005: 13) qualification of profiling as 'a standardised and validated instrument' may be too optimistic. Not only because standardized profiling instruments are not always used and their validity and

objectivity may be contested (Behncke *et al.* 2007), but also because profiling may be insufficient to assess multi-problem client groups (cf. Struyven 2004). In other words: risk selection in provider agencies cannot be analyzed and interpreted in isolation from the definition of performance targets and the quality and adequacy of profiling and referral processes in purchaser agencies.

Furthermore, analyses of risk selection in provider agencies sometimes tend to ignore the fact that risk selection is a widespread phenomenon in service provision processes and is not a typical characteristic of quasi-markets. Lipsky's (1980) and other studies of street-level bureaucracies functioning in 'traditional' public administration contexts convincingly showed that risk selection is a routine strategy of workers coping with large caseloads and scarce resources. In addition, mechanisms for steering contracted provider agencies also play a role in steering public purchaser agencies (e.g. through financial incentives) and the workers in these agencies (e.g. through performance management). Thus it is very well possible that risk selection processes which are observed in provider agencies originate in risk selection processes taking place in purchaser agencies.

### *Monitoring*

In quasi-markets, adequately monitoring service providers is considered vital. As Struyven (2004) argued, the (public) purchasers remain accountable for the efficient and effective use of public funds. Furthermore, monitoring is an important instrument to reduce information asymmetry between purchasers and providers (Corra and Plantinga 2009). However, purchasers may incur significant costs in setting up monitoring systems, and meeting monitoring requirements may be accompanied by considerable administrative costs for providers. Monitoring performance where social services address complex problems is difficult, and the administrative burden and costs involved in monitoring are affected by the intensity of monitoring as well. Monitoring may be limited to *post-hoc* monitoring of realized outcomes but may also be more detailed and take place throughout the contract period. In this context, Struyven (2004: 38) commented that:

[T]he basic starting point of market competition is after all that the provider can decide independently how the services are provided so as to meet the needs of the jobseeker. Overly-detailed everyday management by the principal meets with resistance from the market and leads to detrimental effects.

Whereas Struyven warned against overly-detailed monitoring and interference on the part of purchasers, other authors argued that the absence of systematic and regular monitoring creates risks as well (Hardy and Wistow 1998).

The nature and intensity of monitoring is likely to reflect characteristics of purchaser-provider relationships. Hardy and Wistow (1998: 34) argued that a 'mature purchasing' framework should be characterized by 'long-term relationships; mutual trust; a mutual understanding of the needs and intentions of purchasers, on the one hand, together with the motivations and vulnerabilities of providers, on the other; and sufficient stability in purchasing patterns'. However, purchaser-provider relationships based on these characteristics are not self-evident. Greve (2000) distinguished between hard contracting and soft contracting, where soft contracting resembles the kind of purchasing framework which Hardy and Wistow (1998) recommended. Whereas soft contracting is characterized by trust and co-operation, distrust is at the basis of hard contracting: parties will cheat when they get the chance, contracts are detailed in order to cover any eventualities, and sanctions and rewards are in place as incentives to comply with contractual agreements (Greve 2000: 155). In purchaser-provider relationships where distrust dominates, monitoring processes will probably be more detailed and intensive, and involve higher costs and administrative burdens. This was confirmed in an analysis of contracted employment services in Australia: lack of trust on the part of the purchaser resulted in a considerable administrative workload for providers in meeting accountability requirements (McDonald and Marston 2008).

An issue less frequently discussed is that monitoring in the context of activation services not only focuses on provider but also on client behaviour (Struyven 2004). When activation services are outsourced but benefit administration remains the responsibility of the purchaser agency, monitoring clients referred to providers is necessary for the purchaser agency to enforce the conditionality of benefit entitlements. This requires information coordination between purchaser and provider because the former depends on client information provided by the latter. When provider agencies consider clients' behaviour as potentially sanction-worthy, they will have to inform the purchaser agency which can then start the procedure required to threaten with sanctions or to actually impose a sanction.

## **Research Context**

The Netherlands was one of the first countries in Europe to outsource the provision of activation to private for-profit organizations, and because of this pioneering role, it received considerable international attention (Bredgaard and Larsen 2008; Considine 2001; Sol and Westerveld 2005). However, the reforms following this initially quite radical marketization process have received far less attention although they resulted in considerable modifications of the original quasi-market model. In the following, our discussion focuses on activation services for social assistance recipients and on the public local welfare

agencies – operating under the responsibility of local government – that are responsible for the administration of social assistance benefits as well as for organizing the provision of activation services for assistance recipients.

Several years after the introduction in the Netherlands of marketization, a new Social Assistance Act was introduced (2004) which deregulated and decentralized decision making concerning activation considerably (van Berkel *et al.* 2011). This included decisions concerning service provision models: local welfare agencies were free to organize the provision of activation services in-house or through outsourcing and to make decisions concerning the nature and number of external service providers. This triggered a gradual decline of the role of private providers. Yearly monitor studies of the new Act reported that local welfare agencies spent 40 per cent of their budget for activation services on private providers in 2011, compared to 56 per cent in 2005. In 2011, 22 per cent of the budget was spent on in-house produced services and 30 per cent on services provided by other (semi-) public agencies (Divosa 2005, 2012a). Especially so-called sheltered employment companies, traditionally responsible for offering sheltered employment to people with severe mental, physical or intellectual disabilities,<sup>2</sup> saw their role in providing activation services for social assistance recipients increase (Divosa 2012a). These companies combine characteristics of public, private and non-profit organizations and have, therefore, been characterized as hybrid organizations (van der Torre *et al.* 2012). Summarizing, the second half of the 2000s saw a gradual de-marketization (more in-house service production; cf. Hefetz and Warner 2004) as well as a gradual de-privatization (a shift in outsourcing from private to public or hybrid providers). It is likely that these trends will continue in the near future. Significant cuts in budgets available for activation,<sup>3</sup> and Dutch government proposals to integrate into one act employment services aimed at social assistance recipients and at the target groups of sheltered employment companies are stimulating closer co-operation between, and sometimes mergers of, local welfare agencies and sheltered employment companies.

Apart from de-marketization and de-privatization processes, many local welfare agencies have strengthened the role of their frontline workers in selecting providers, determining the nature of services for individual clients and monitoring outsourced services (van Berkel *et al.* 2010). Attempts to strengthen local welfare agencies' control over outsourced services may be interpreted as a form of 'hard contracting'; many agencies were disappointed about the results private providers realized in the early years of marketization. A further development in service provision was that public workers in various local welfare agencies where a mix of in-house and outsourced services exists can, to a certain degree, make their own make or buy decisions by deciding whether individual clients are served in-house or referred to external providers.

## Research Methods

The data presented in the next section comes from a research project into the frontline delivery of activation services for social assistance recipients remote from the labour market. The study looked at frontline workers in local welfare agencies and in contracted sheltered employment companies which are involved in providing services for this target group. The services provided by sheltered employment companies may be different in different local contexts but often include assessment services, internal or external work experience projects aimed at promoting unemployed people's employability, job placement support and services and post-placement services. Local welfare agencies and sheltered employment companies stand in a purchaser-provider relationship to each other, although local welfare agencies – as explained above – often act as purchaser and provider simultaneously. Our research project focused on social assistance recipients remote from the labour market because Dutch activation services are targeted at this group mainly: recipients close to the labour market are increasingly expected to find their own way to the labour market. The research project addressed several issues related to the functioning of quasi-markets: the roles of frontline workers in both types of agencies in the provision of activation services, the combination of purchaser/provider roles in local welfare agencies, and frontline interactions between workers in both types of organizations in client referrals, service coordination and monitoring.

The study involved two steps: a series of interviews with frontline workers in three local welfare agencies and three sheltered employment companies contracted by these agencies, followed by a survey in 14 local welfare agencies and six sheltered employment companies. This article mainly presents data from the interviews as these provided the most in-depth insights into processes of risk selection and monitoring. In the welfare agencies and sheltered employment companies where interviews were conducted, we interviewed 25 per cent of all workers who worked with social assistance recipients remote from the labour market. The interviewees were 19 local welfare agency workers and ten sheltered employment company workers. The interviews, which took 75 minutes on average each, were recorded and fully transcribed. For data analysis, NVivo (software for analysing qualitative data) was used.

In this article, survey data is presented where they can support the validity of our interview findings. For the survey, all frontline workers in 14 local welfare agencies and six sheltered employment companies who were involved in providing employment services to social recipients remote from the labour market were asked to participate. They were sent an email explaining the objective of the research project and received a personal link to a web-based questionnaire. The response rate was 52 per cent; no population data are available to compare the respondents with the population. In total, 163 frontline workers in local welfare agencies and 31 in sheltered employment companies completed

the survey questionnaire. The survey data were analyzed using SPSS (a software package for statistical analysis). The local welfare agencies and sheltered employment companies involved in the interview study also participated in the survey.

## Research Findings

### *Risk selection*

A large majority (86 per cent) of local welfare agency respondents in the survey reported using a mix of services provided by themselves and by external providers. Most of them (90 per cent) were responsible for front-line buy or make decisions: they decided themselves in individual cases whether services are provided in-house or by external providers. The most important considerations in making these decisions are, first, workers' estimation of the adequacy of services provided by external providers given individual client characteristics; and, second, workers' appraisal of whether or not they themselves are able to activate clients successfully. Our interviews revealed that workers in local welfare agencies decided individually what client information they consider relevant in making buy or make decisions. There are no standardized criteria that guide referral decisions and workers do not use standardized profiling tools. Sometimes these decisions are made on the basis of administrative data and client files, in other cases workers make the decision after interviewing clients.

Before we look at risk selection, it should be mentioned that although performance management is usual in local welfare agencies and sheltered employment companies (75 per cent of respondents in our survey worked with performance targets), it is relatively mild. Half of the respondents with performance targets reported that not realizing targets had no consequences. Only 10 per cent of respondents working with performance targets reported that not meeting targets could have financial consequences.

Turning our attention now to risk selection in provider agencies, it is not hard to find quotes in the interviews with frontline workers in these agencies which seem to indicate processes of risk selection:<sup>4</sup>

*'Nowadays we work with As, Bs and Cs. As are clients with good chances of finding a job. Bs are clients with a considerable labour-market distance and Cs are clients whose situation is hopeless. So we're not expected to pay attention to the Cs.'* (SEC)

*'I wasn't looking forward to have her in my caseload. She is a single mother, two kids, a debt of 30,000 euros. She can't apply for child care because each euro goes to her creditors. So I am not going to get her into a job. (...) I can see her four hours a day because she cannot come here before 9.30 AM and she has to leave early (...). The [local welfare agency worker] asked me to accept her anyway. But there is not much I'm going to do with her the next few months. I can complete her CV but I can't offer her training.'* (SEC)



*'Sometimes after interviewing a new client I just know: this isn't going to work. Local welfare agency workers are not happy when we tell them we can't accept this client, but usually we stand firm. Though sometimes we go along with the local welfare agency even though we know that we are not going to find this client a job.'* (SEC)

*'We had the impression that – apologies for the expression – [frontline workers in the local welfare agency] shoved the most difficult clients on to us. As if they thought: we tried, we fastened our teeth into this case, now it's up to you to give it a try.'* (SEC)

At first sight, these quotes seem to be clear instances of service providers acting rationally under market conditions. Providers have to realize contractually specified service targets in terms of, among others, improving clients' employability or realizing job placements. This may stimulate them to focus on clients who are most easily activated, and to use the argument of 'inadequate referrals' by local welfare agency workers as an excuse for parking or referring back 'difficult' clients. But on closer inspection, other interpretations are also possible, and deciding which interpretation is correct is far from simple. First of all, the absence of standardized profiling tools makes it rather difficult to come to an agreement on the adequacy of referrals in the first place, as no more or less objective and shared criteria exist to solve disputes about the adequacy of referrals. In some cases, a solution for the problem of inadequate referrals was sought in organizing so-called 'warm' referrals, where workers at the local welfare agency and the provider agency have a meeting with a client at the start of the activation process, *'Some local welfare agency workers organize a meeting with me and the client. They ask me to make an assessment whether a referral is useful. But it depends on [the local welfare agency worker] whether or not a meeting takes place'* (SEC).

Second, local welfare agency workers make referral decisions under conditions which can influence the quality of these decisions. For example, high caseloads sometimes stimulate these workers to base referral decisions on administrative data rather than individual interviews with clients to save time. This increases the probability of inadequate referrals as administrative data often provides limited insight into clients' situations.

Third, sheltered employment company workers reported that market conditions were getting tighter: the clients referred to them were becoming more difficult, whereas the service trajectories which providers were expected to offer were getting shorter and more strictly focused on job placements rather than improving clients' employability. This reflects a more general shift of priorities in local activation policies and services, which have become more strictly focused on quick job placements rather than on longer activation trajectories aimed at a broader spectrum of possible outcomes. Against this background, the question arises whether risk selection in provider agencies is a strategy to avoid

having to deal with difficult clients or a strategy to cope with unrealistic expectations and demands of purchasers:

*'We always looked at job opportunities, but in the past we had the possibility to make intermediate steps. Now you are forced to say: if we can't do that [making intermediate steps] anymore, it isn't going to work. (...) Some people have many problems, and if [local welfare agency workers] ask you: "is this person going to find a job in a year's time?", you take the safe side. We never wanted that, and it's very awkward. For exactly those people need our support.'* (SEC)

Fourth, local welfare agency workers' make or buy decisions are not disinterested. For example, when local welfare agency workers make buy or make decisions based on an assessment of whether or not they can realize quick successes with clients themselves, risk selection takes place inadvertently, *'I can refer someone to [a provider] for training, job applications and things like that. But if I have the impression that a client can find a job shortly, then I will work with him myself, and start activities with him to find a job'* (LWA).

So when workers in provider agencies complain about clients that are too difficult, it may be hard to determine whether they are merely trying to select easy clients or have a point and are confronted with the consequences of risk selection by local welfare agency workers. It should be mentioned, however, that risk selection in local welfare agencies may also have the opposite effect for providers, and confront them with easy rather than difficult clients. Several local welfare agency workers reported that due to managerial or political pressures to make clients independent of social assistance, they select their most employable clients for activation. In these cases, risk selection already takes place before the buy or make and referral decisions are made, *'You simply can't choose to pay attention to everyone. That won't work. We take clients with opportunities, opportunities to become independent of social assistance quickly. And we focus on them'* (LWA).

### *Monitoring providers and clients*

Monitoring activities involved monitoring providers as well as clients. The monitoring process included several components. Managers of local welfare agencies are responsible for evaluating the overall performance of providers. Apart from this *post-hoc* evaluation of performance, frontline workers have an explicit task in the day-to-day monitoring of providers for those clients in their caseloads which have been referred to providers. Part of this monitoring process is formalized: workers in provider agencies are obliged to submit periodical progress reports on individual clients to frontline workers in the local welfare agencies. The latter are expected to read the reports, take action when necessary and enter the reports into the information system which generates data that managers use in their evaluation of providers' performance. In addition, a kind of informal frontline agreement exists that workers

in provider agencies report important information on clients' progress to local welfare agency workers as soon as possible, rather than waiting until the progress report is due.

In practice, frontline monitoring activities often combine the two functions of monitoring providers and monitoring clients: exchanging information (through progress reports or through informal contacts) may serve the purpose of giving account of providers' work with clients but may also serve the purpose of coordinating service provision. Service coordination is needed when workers at provider agencies need more time to realize service objectives with individual clients or consider adjustment of services in individual cases necessary. However, most cases where workers at provider agencies consider coordination necessary are cases involving problems with clients such as no-shows, lack of co-operation or motivation, or violent behaviour. In these cases, local welfare agency workers are informed with the purpose to organize a tripartite meeting with the client to discuss the situation. In fact, by invoking the help of local welfare agencies, workers in provider agencies mobilize the 'bad cop' role (Marston *et al.* 2005), for only local welfare agency workers are authorized to threaten with and actually impose sanctions.

This double function of monitoring helps to explain why workers at provider agencies adopt a somewhat ambiguous attitude towards it. In as far as it is functional in terms of the progress of service provision processes, they find it useful:

*'Suppose you're working with a client and things don't run smoothly. If we wait with informing the local welfare agency until the progress report is due, we can't act quickly. But if you inform the local welfare agency right away, you can act immediately. The local welfare agency can tell the client that things need to change or that a sanction will be imposed otherwise.'* (SEC)

In general, workers accept the principle of giving account. But giving account is experienced as an 'administrative burden' when writing the periodical progress reports takes quite some time, when the reports are not considered useful because there is no progress to report about, or when workers feel that they need to report things they already reported informally:

*'Horrific. It didn't use to be like this, but now the local welfare agency wants us to register more and more. (...) Every three months we need to submit a progress report. But when something special happens in between, they want us to report that as well. (...) Once every three months doesn't sound much. But when you have 32 clients, that makes 32 reports every three months, plus you report when something special happens. That's far too much.'* (SEC)

*'I call them [local welfare agency workers] regularly and tell them how things are going. I'm talking with them for 15 minutes and then they tell me: put the information in the progress report. So then I have to type out the whole story that I just told them.'* (SEC)

The administrative nature of reporting is reinforced by the fact that according to several workers in provider agencies, workers at the local welfare agency do not have time to read the reports and just enter them into the system. However, workers at the local welfare agency did not confirm this.

For workers in local welfare agencies, the progress report procedure takes quite some time as well. The information in the reports needs to be entered into the information system which is also the reason why informally exchanged information needs to be included in the progress reports:

*'Sometimes we already know it [the information in the report] but it has to be registered. We have to enter it into the system to make sure that money transactions run smoothly. (...) In most cases, the reports are submitted digitally (...) so then we copy and paste it into the diary of the client.'* (LWA)

Our survey showed that the administrative workload of both type of workers is an issue indeed. Workers in local welfare agencies reported spending one-third of their working time on administrative work, workers in sheltered employment companies one-quarter. Ideally, both types of workers said they would like to spend about 15 per cent of working time on administration.

Generally speaking, local welfare agency workers do not adopt a very pro-active attitude in the monitoring process. The progress reports hardly ever trigger them to intervene into the services provided externally, and they ask providers for information about the progress of services or clients only sporadically. Lack of time is mentioned as the most important reason preventing local welfare agency workers from monitoring providers and clients actively, *'I got 80 clients, I can't monitor each of them actively'* (LWA). Only few workers monitored more pro-actively, independent from the information they receive from the providers:

*'I had a client who told me he wanted to be a garbage man or a bricklayer. During a conversation with [name provider] I asked: "what did you do to help him with a vacancy for garbage man or bricklayer?" That gave her a fright, she wasn't used to be monitored by a case manager. "I made a CV", she told me. "No", I said, "what job applications did you support him with?"'* (LWA)

Active monitoring sometimes remained limited to only a few clients in local welfare agency workers' caseloads, *'When I wonder why it takes so long for a client to find a job, I raise the alarm. (...) So I select my best clients and keep the provider well in hand concerning the progress of their job finding'* (LWA).

In our survey, we asked respondents how they would like the service provision process to be organized, ideally, by presenting them with various statements and asking them for their opinion about these statements. Two statements referred to the relationships between purchaser and

provider. Workers tend towards favouring closer frontline co-operation between purchasers and providers. Of all workers, 60 per cent (strongly) agreed with the statement that, ideally, monitoring takes place through regular dialogue rather than periodical progress reports; only 13 per cent (strongly) disagreed. The opinions of both groups of workers did not differ. They did, however, differ on the statement that, ideally, the content of externally provided services should be decided upon by local welfare agency workers and providers together. Local welfare agency workers were more positive about this: 60 per cent (strongly) agreed, compared to only 30 per cent of workers in provider agencies. Possibly, workers in provider agencies fear that this might threaten their autonomy in decision making about the content of activation services. Nevertheless, closer co-operation at frontline level between purchaser and provider agencies scored quite high when we asked respondents to rate a series of recommendations according to their urgency for improving service provision: both groups of workers placed it in fourth place (out of 17).

## **Conclusion and Discussion**

This article discusses the functioning of quasi-markets in the provision of employment services from a frontline point of view. It specifically looks at two issues which the literature on quasi-markets considers as potentially problematic: risk selection in provider agencies and the monitoring of provider agencies by purchasers. Based on our findings, we make the following observations.

Identifying processes of risk selection in provider agencies is complex. Complaints of provider agencies about inadequate referrals may be a strategy to avoid having to serve difficult clients but may also be justified. The definition of service outcomes and the processes of profiling, selecting and referring clients are often far from unproblematic, especially when target group definitions are complex and when profiling instruments are contested or even absent, as was the case in our study. Furthermore, attributing observed risk selection to the marketization of service provision and the rational behaviour of providers may often be too simple. The problem of risk selection is present throughout service provision processes and not limited to providers nor to quasi-market conditions of service provision. Theoretically, this implies that when studying processes of risk selection, research needs to analyze the entire service provision chain and to look at decisions taken by providers and purchasers throughout the service provision process.

Monitoring in the agencies in our study was rather intensive and asked for significant efforts of frontline workers, both in provider and purchaser agencies. In as far as monitoring and the administrative tasks related to it facilitated the coordination of activities of workers in provider agencies and local welfare agencies, and was experienced as contributing to the service provision process, workers considered it as useful and experience it as unproblematic. However, the added value of the

obligatory periodic progress reports was questioned, especially by workers in provider agencies. Writing the reports was experienced as mainly an administrative burden in those cases where workers were reporting information which local welfare agency workers already knew. Workers in local welfare agencies experienced the reports differently. For them, the administrative burden mainly consisted of entering the reports into the information systems. As they lack the time to monitor their clients more actively, the reports at least provide them with a periodic overview of how clients referred to provider agencies are doing. However, one can question whether the reports make a significant contribution to the service provision process. For as we see, local welfare agency workers only incidentally decide to take action on the basis of the information in the progress reports. This confirms experiences of workers in provider agencies that the reports mainly serve an administrative purpose rather than contribute to the quality of services provided: if the reports contain information which local welfare agency workers often know already and does not induce these workers to take action, on balance the only purpose of the reports is to comply with the contractual obligation to submit them.

Our survey results showed that frontline workers in both purchaser and provider agencies tend to prefer forms of soft contracting over hard contracting, in the sense that they favour closer frontline co-operation rather than the formalized forms of monitoring which currently exist. Against this background, it will be interesting to see how present developments in the Dutch activation market will affect purchaser-provider relationships. In many municipalities, closer forms of co-operation and in some cases even mergers between local welfare agencies and sheltered employment companies are being discussed and implemented. This may eventually result in a preferred supplier model for the provision of employment services, or even in the full abolishment of the quasi-market model. However, as we hope this article shows, we should be careful in expecting any immediate positive impacts of these shifts in service provision models on processes of risk selection and on the administrative burden workers experience.

### **Acknowledgements**

The study reported in this article was funded by the Dutch foundation Stichting Kennis Ontwikkeling HBO, reference number PRO-2-012. The author would like to thank the anonymous reviewers for their constructive comments.

### **Notes**

1. These terms are used as synonyms in this article.
2. We use the term 'sheltered employment companies' here even though the companies have diversified the types of work participation they offer their target groups which include, for example, supported employment.

3. According to Divosa 2012b, the national re-integration budget will be reduced from €1.7 billion in 2011 to €0.75 billion in 2015.
4. In interview quotes, 'LWA' refers to quotes from frontline workers in a local welfare agency; 'SEC' refers to quotes from workers in a sheltered employment company. Some quotes have been adjusted slightly to make them understandable for an international audience.

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