

# Reemployment Services in the Netherlands: A Comparative Study of Bureaucratic, Market, and Network Forms of Organization

*Progress in New Public Management research requires careful comparison of different organizational approaches to public tasks, preferably within a single political and institutional setting. This paper presents a study of three approaches to reemployment services, a recent development in the Netherlands. How do bureaucratic, networked, and market-based forms of organization function with regard to the new public aim of second-tier reemployment in the Netherlands? It appears that there is no simple dependence between performance and instrumental or organizational features. Even in the setting of a single welfare state, intricate interactions exist between performance, stakeholder interests, and institutional conditions. Given the importance of these interactions, New Public Management research would benefit by shifting focus away from organizational performance toward a “politics of institutional structuring.”*

The past two decades have witnessed an avalanche of reforms in terms of New Public Management and governance (Bartlett, Roberts, and Le Grand 1998; Peters and Savoie 2000; Pollitt 2003; Pollitt and Bouckaert 2000). While some of these reforms are aimed at the bureaucratic framework (new forms of bureaucracy management), others have a more fundamental character. They signify a departure from the traditional bureaucratic type of organization in favor of alternative forms of coordination, especially market mechanisms and network forms of cooperation (cf. Considine 2005). The assumption that public policy delivery will benefit from market principles revolves around the idea of “replacing monopolistic state providers with competitive, independent ones” and increasing customer power, generally resulting in what are called quasi-market arrangements (Le Grand and Bartlett 1993, 10). The assumption is that this will create incentives

for efficiency and flexibility as providers become more responsive to the demands of customers, both in terms of quality of services and costs (Bartlett, Roberts, and Le Grand 1998). The assumption that network cooperation is beneficial to public policy delivery rests on the idea that networks provide better answers to the difficult and wicked problems facing today’s governments and that, given conditions of trust, networks can be stable but flexible forms of organization in which different actors’ resources can be pooled (Agranoff and McGuire 2001; Mayntz 2003; Powell 1990).

Over the years, the assumed benefits of markets and networks have been a driving force behind government reforms in many countries, as well as a matter of controversy. Thus, performance evaluation of different forms of public sector organization has gained importance in politics as well as in the academic world. However, conducting an adequate evaluation is far from easy, as “markets” and “networks” do not refer to clearly defined institutional arrangements (cf. Exworthy, Powell, and Mohan 1999). Each time markets and networks are introduced, they are shaped according to a wide variety of specifications, such as the nature of the

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public task under consideration, political preferences, stakeholder interests, and institutional conditions. As a consequence, many New Public Management studies have an idiosyncratic character, illuminating the particularities of a unique reform in a unique setting. Thereby, in many cases, it is impossible to compare the qualities of the new model to those of its bureaucratic predecessor as a result of significant changes in policy aims or environmental circumstances. These complications in evaluation research explain, inter alia, why the academic debate on New Public

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Management is making only little progress and, according to Hood and Peters (2004), why it is increasingly coming to focus on conceptual contradictions, paradoxes, and surprising outcomes.

One way to avoid idiosyncrasy is to aim for strict comparison between different approaches in international comparative studies, as attempted by Pollitt and Bouckaert (2000) and Considine and Lewis (2003). A drawback of international study, however, is that political traditions and institutional settings may differ widely between countries, which complicates the possibilities for strict comparison of organizational approaches. Therefore, in common with Considine (2000), this article reviews a case of different approaches to a single task (reemployment service provision) within one particular welfare state.

The paper reports on a study commissioned by the Dutch Council for Work and Income that evaluates a new chapter of labor market policy known as “second-tier reemployment,” a term that was introduced in January 2004, referring to a new social program aimed at substantially reducing the influx of sick and disabled employees in disability schemes. Although the program assigns rather detailed duties and responsibilities to the social partners—the employers and employees—it does not stipulate how these responsibilities are to be organized. This organizational openness has permitted the development of three different forms of organization of the same service, which fairly accurately follow the alternate logics of bureaucracy, market, and network. Bureaucratic approaches can be found in various branches of industry ruled by corporatist regulation and policy coordination; the market approach entails the emergence of commercial reemployment service providers, whereas the network approach refers to regional cooperation between employers from different industries. Notably, all three cases are extreme examples of Osborne and Gaebler’s (1992) famous device for modern governments: *not rowing but steering*. Viewed from this angle, the Dutch government has set the stage for a large experiment, aimed at finding out which type of “societal rowing” best fits the task at hand.

This paper thus presents an evaluation of three different organizational approaches to one specific public task, performed at the same moment in time and under the same institutional framework of one national welfare state. The leading research question is, how do bureaucratic, networked, and market-based forms of organization function with regard to the new public aim of second-tier reemployment in the Netherlands? In order to answer this question, the paper begins with a brief clarification of the policy program under consideration and the conditions that have permitted the parallel development of three alternative forms of organization. The next section

discusses the issue of comparison. Which aspects have to be studied to come to a sensible comparison of the different forms of organization? Next, we address the research strategy, including case selection and method of comparison. After this methodology section, the findings are presented, followed by an explanation of outcomes and a discussion of implications.

## Second-Tier Reemployment: Development of Three Approaches

The Dutch system of disability benefits is a case of ongoing public sector reform. In the 1980s, after the number of workers receiving disability pensions exploded to about 900,000 beneficiaries—a striking 11.4 percent of the total labor force in the Netherlands—various reforms were set in motion (Bannink 2004; Van der Veen and Trommel 1999). Initially these reforms were concerned with a reduction in entitlements: a restriction of eligibility and lower, age-related benefits. At a later stage, more substantial institutional rearrangements were introduced to limit the use of the disability schemes, laid down in three new acts:

- The so-called REA Act of 1998 introduced subsidies for employers who re-employed (partially) disabled employees.
- The so-called PEMBA Act of the same year made employers financially responsible for part of the costs associated with disability provisions and introduced a no-claim mechanism, making insurance premiums for employers dependent on the past incidence of labor disability.
- The Improved Gatekeeper Act of 2002 assigned further responsibilities to employers and employees in case of sickness or disability and focused on disability prevention.

As part of the Improved Gatekeeper Act, the Dutch government introduced the obligation of second-tier reemployment. This obligation stipulates that, as of January 1, 2004, employers must continue to pay the salaries of sick and disabled employees for a period of two years and, moreover, that employers have extensive reemployment responsibilities. Previously, employers only had the responsibility to examine the possibility of reemployment within their own organizations (first tier). Now, the new regulation ordains that if this first tier appears unsuccessful, an additional second-tier obligation exists, namely, to *actively support employees in finding a suitable position elsewhere, with another employer*. This second-tier responsibility is inspected and verified by the public institution for the administration of employee insurances (UWV, the Social Security Agency), which can impose severe fines on employers that do not meet their obligations. However, exactly *how* these obligations should be met is not articulated in the new legislation.

A preliminary investigation by the present authors showed that, by the end of 2004, this freedom in organizing the second-tier had resulted in three major practices. First, as was foreseen in the conception of the Gatekeeper Act, many individual employers were seeking *market solutions*. As only few employers had the knowledge and capacity to provide reemployment services themselves, they turned to so-called reemployment firms, which specialize in these services. At that time, more than 600 of these firms were active in the Netherlands, providing reemployment-related services on a commercial basis. These included services such as employee testing and training, job search, guidance into new jobs, and general case management. Second, the second-tier obligation became a subject of negotiation between organized employers and labor unions. In some industries, this resulted in collective labor agreements—which in the Netherlands function as by laws—and in a bureaucratic organization of the second tier. Thus, in these sectors, the organization of second-tier reemployment took the form of what can be termed a *corporatist bureaucracy*. Finally, the second-tier obligation was taken up in local employer circles. Within some industrial districts and regions, employers from various branches established *networks* to address the challenge of reemployment collectively. These networks provided information about vacancies and services to both employers and employees in order to facilitate reemployment of workers by other employers in the network.

### Issues in Comparing Alternative Forms of Governance

The analysis and comparison of different forms of governance begins with the selection of evaluation criteria. As Le Grand and Bartlett argue (1993, 13), this selection is always somewhat arbitrary. However, three areas of comparison can be considered fundamental: performance, responsiveness to stakeholders, and institutional embedding.

Because the central claim of New Public Management is that markets and networks are superior to bureaucratic modes of policy implementation, at least under certain conditions, careful evaluation of performance is vital. First and foremost, such performance evaluation should address effectiveness and efficiency in terms of formal policy aims. In addition to this, however, it is important to look beyond these formal aims. On the one hand, it is generally wise to consider the wider, indirect effects in which a policy maker may be interested. Many policies have spillover effects to other public goals, and a full performance evaluation should take such effects into account (cf. Simon

1996). On the other hand, it should be noted that the policy maker is not the only relevant stakeholder. Where policy aims at increasing responsiveness to the demands of other stakeholders, an important question of performance evaluation is the extent to which different methods of policy implementation satisfy different demands (cf. Hood and Peters 2004).

Following this line of reasoning, the second necessary element in a comparative evaluation of different forms of governance concerns responsiveness to stakeholders. As Brignall and Modell (2000) show, the impact of instruments on behavior and outcome depends on

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the extent to which stakeholder interests are taken into account in the design and implementation of institutional strategies. Lack of responsiveness has been one of the major criticisms of bureaucratic agencies, as it is assumed that bureaucratic systems are relatively insensitive to nonstandard conditions and situations (cf. Heckscher and Donnellon 1994). Networks and

markets, however, may produce other problems of responsiveness (Nicholson-Crotty and Nicholson-Crotty 2004; O'Toole and Meier 2004). Unbalanced responsiveness may lead to unequal treatment of stakeholders, and the influence of different stakeholders may even trigger severe conflicts over the nature of the policy goals at stake (O'Toole and Meier 2004, 279).

Finally, a comparison of different forms of governance should also address the institutional environment in which implementation strategies are designed and applied. Whereas the stakeholder approach emphasizes the role of power, interests, and interest groups, the institutional approach explains how results may be affected by institutional constraints and resources (cf. Considine 2005; Powell and DiMaggio 1991). Although scholars have addressed several institutional issues (cf. Brignall and Modell 2000; Frumkin and Galaskiewicz 2004; Kirilin 2003; Lowndes 1997), to date, many of the empirical studies in this field have focused on instrumental and technical aspects. However, as Scott (2003) has argued, in order to be effective, organizations depend on both technical and institutional environments. Three elements are especially important in this respect: institutional heritage, institutional legitimacy, and institutional strategy. Institutional *heritage* refers to the extent to which a particular governance approach can profit from existing organizations and organizational routines (cf. Considine 2005). Institutional *legitimacy* concerns the extent to which an organizational approach fits in with crucial beliefs, values, and norms in the wider environment (cf. Frumkin and Galaskiewicz 2004;

Meyer and Rowan 1977). Usually, such legitimacy is a major precondition for gaining access to technical resources (Scott 2003). Finally, institutional *strategy* addresses the possibility that organizations manipulate their institutional credibility—for instance, by decoupling their operational and institutional processes (cf. Meyer and Rowan 1977; Oliver 1991; Westphal and Zajac 2001). The possibility of such strategies makes it important to look behind the façade of institutional trustworthiness and to be alert to constructions that are intended to mask poor performance.

In sum, a comparative analysis of different forms of governance has to include different aspects of performance, responsiveness to stakeholders, and institutional embedding and their interrelations.

### Research Design

It is important to understand that this study does *not* aim to provide a representative picture of second-tier reemployment services in the Netherlands. Instead, the intention is to understand and compare the three different forms of organization that have developed to address this public goal: the bureaucratic, the market, and the network form of organization. Given this aim of understanding and given an existing practice that does not allow for experimentation, the comparative case study design was considered the most appropriate method of research (cf. Yin 1994). Furthermore, given the same aim, it was evident that within this design the research should focus on cases that unambiguously reflected the three ideal typical forms organization distinguished.

In order to come to such case selection, several actors involved in policy making and policy execution in the field of reemployment were approached to help identify appropriate cases for this research. Employer organizations, labor unions, the Ministry of Social Affairs and Employment, the public institution for the administration of employee insurances, and several reemployment firms were asked to propose good examples of bureaucratic, market, and network approaches to second-tier reemployment. Based on the examples provided, the following case selection was made.

The functioning of the *market approach* to second-tier reemployment was investigated by studying companies that had expressed a commitment to use the services offered by commercial reemployment firms. Among these companies was the Dutch Postal Service—a very large company with about 80,000 employees—but also three smaller enterprises from the information technology sector, higher education, and the glue industry.

To study the *corporatist bureaucratic approach*, one case was selected: the agricultural sector. In this sector—

which has a strong corporatist tradition of social policy making—second-tier reemployment had been integrated into the existing policy framework. This meant that, in this sector, policy aims and procedures were governed by collective agreements between unions and employer associations, and policy execution had a rule-driven, bureaucratic character.

To study the *network approach*, the Gatekeeper Centre of Northern North-Holland was selected. This Gatekeeper Centre involved some 1,600 companies from different industries that had committed themselves to a cooperative approach to second-tier reemployment and had set up a regional office for this purpose.

The empirical fieldwork was conducted during the first half of 2005, one year after the introduction of the new legislation. For each case, documents, reports and figures on reemployment practices were studied, and a large number of interviews were held with key stakeholders, project managers, and case officers. In addition to this, a telephone survey was conducted among 30 employers to verify information and to gain additional insight into the way the different approaches to second-tier reemployment actually worked.

Performance was mapped according to three criteria:

1. Second-tier success—the extent to which different approaches were effective and efficient in helping workers find employment elsewhere—was determined on the basis of existing administrative data (Postal Service), existing studies (agricultural sector), and the numbers provided by individual employers in face-to-face interviews and telephone surveys (all three approaches) and was cross-checked in interviews with other actors involved.
2. Performance on broader policy aims—in particular, the extent to which different approaches addressed disability prevention and first-tier reemployment—was determined on the basis of existing research data (especially the agricultural sector) but also on statements made in documents and interviews with respect to the efforts and results associated with these aims.
3. With respect to stakeholder interests, the research focused on the protection of employers from administrative fines and the protection of employees' rights. The former was determined on the basis of existing data (agricultural sector) and on the answers provided by the different actors that participated in the interviews and surveys. The latter was determined by examining existing documentation on this issue, as well as by examining the level of involvement of labor unions and individual employees in decision making.

With regard to the issue of *responsiveness to stakeholders*, the documents and interviews were used to determine the involvement of different stakeholders—especially individual employers, individual employees, employer organizations, labor unions, and commercial reemployment firms—in both decision making about and the implementation of policies and to determine the particular preferences and interests of different stakeholders.

Finally, the investigation of *institutional support* focused on documents and interviews, which were used to shed more light on: the precise form of organization, its origins, the reasons for adopting this form of organization, the extent to which the organizational approach fitted dominant values and beliefs in the policy environment, and institutional actor strategies. The information gathered on these issues made it possible to evaluate the three approaches in terms of institutional heritage, legitimacy, and strategy.

### Empirical Findings

This section presents the main findings. The results are grouped according to each issue of comparison, but in the reverse order from the one presented above. Because the most natural way of introducing the approaches is to sketch their institutional characteristics, we start our empirical analysis here, followed by a discussion of responsiveness to stakeholders and, finally, performance.

#### Institutional Embedding

How did the organizational approaches differ from each other in terms of institutional characteristics?

Regarding the *market* approach, it was found that several institutional conditions strongly supported the use of commercial reemployment services. The belief that a market-like organizational form would raise the efficiency of the task was widespread and followed a strong ideological turn in Dutch political thinking on the organization of the public sector. In 2002, this turn had already led to the privatization of government labor services and, consequently, a booming development in the field of commercial reemployment provision. This meant that a huge reservoir of more than 600 commercial service providers existed, eager to take up the new second-tier reemployment tasks. As the employers in our study indicated, this reservoir of commercial service providers facilitated and encouraged the outsourcing of reemployment services. At the moment these services were needed, they were readily available, and, in practice, many reemployment companies were actively approaching the larger employers

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to interest them in their services. In short, turning to market solutions was considered a very legitimate thing to do, and although this market could not build on a lengthy tradition, ample organizational resources were available.

Whereas the market reflected new thinking about the provision of social services, the *corporatist bureaucratic* approach built on traditions in the field of collective bargaining and corporatist labor market structuring. In most sectors in the Netherlands, social partners play an important role in terms of monitoring labor conditions, organizing social security, and sharing risks. In the specific case of the agricultural sector, second-tier reemployment was taken up as an extension of this role of the social partners. Thus, second-tier reemployment was coupled directly with the wage continuation insurance program in this sector and with existing sector-wide investment in sickness and disability prevention. Following this logic, the second-tier approach was laid down in a collective labor agreement between organized labor and employers' organizations, and the topic of second-tier reemployment became part of branch-wide agreements to invest in improved labor conditions. Furthermore, two existing foundations were made responsible for policy implementation, and three branch-oriented reemployment firms were involved to provide the appropriate services. The referral of employees to these providers and the monitoring of their services followed established practices in the sector.

Finally, the *network* approach was found to have its roots in socioeconomic structures at the regional level, especially in regional business networks. The Gatekeeper Centre of Northern North-Holland clearly built on existing relationships, often on personal ties between local firms, and on mutual trust. It was established following the implementation of the Gatekeeper Act and profited from the social and economic infrastructure of the region. It contributed to this regional network by furthering information exchange between employers concerning potential reemployment clients, on the one hand, and relevant vacancies, on the other. Moreover, the center was active in bringing regional employers together to discuss the exchange of personnel and, in doing so, it stressed the social responsibilities of regional employers. From a perspective of institutional heritage, the network approach could not fall back on existing resources and routines. A new organization had to be built to structure the informal relationships between employers from different branches of industry. In terms of organizational effectiveness, this approach appeared innovative and

promising, but institutional legitimacy was a problematic issue: Unions were suspicious about this unilateral initiative, while the public authorities were eager to check whether or not the Gatekeeper Centre was more than a “paper tiger.” Therefore, the center invested heavily in strategies to raise institutional trustworthiness (e.g., by organizing information meetings and seminars).

### **Stakeholder Involvement and Interests**

How were the different stakeholders involved in the production of second-tier reemployment?

First, on the reemployment market, individual employers stressed financial concerns: Hiring reemployment services had to result either in a reduction of wage costs or at least the avoidance of financial penalties due to neglect of their second-tier obligations. Most employers, however, also expressed the desire to deal with this reemployment in a socially responsible manner. For that reason, employees were involved in designing their own reemployment trajectories and in the selection of reemployment firms. In a large organization such as the Dutch Postal Service, local labor representatives had a voice in the preselection of reemployment firms, after which individual employees could choose from the preselected providers. Smaller firms tended to respect the wishes of the individual employee, partly because such employers generally had little experience in this matter.

Under the corporatist bureaucratic approach to second-tier reemployment, the social partners played a dominant role in policy making and implementation. In the interviews, the participants expressed commitment to the “collective interests” of the employers and employees in the sector. In that context, the new second-tier obligation was regarded as a development that touched on the sector-wide disability insurance scheme, which placed a financial burden on both employers and employees. Investment in second-tier reemployment was seen as a way to reduce this burden. However, this possibility was looked at explicitly in the context of alternative strategies, namely, prevention and first-tier reemployment. Thus, the sector-approach focused on serving this collective *financial* interest. Costs and benefits of investments were closely monitored, and individual reemployment requests were also subjected to such evaluations.

Finally, in the network approach, the employers dominated the second tier. As the Gatekeeper Centre of Northern North-Holland was an employers’ initiative, it served their interests first in terms of dealing effectively and efficiently with their legal duties. This meant that, in the case of employee disability, the center sought practical, low-cost solutions to ensure that appropriate measures were taken and that the employee in question got to work again. In this

process, the Gatekeeper Centre seemed to deal primarily with the employer. Labor unions and reemployment firms were seldom involved, and even the employee seemed merely the object of discussion.

### **Performance**

How did the different regimes perform in terms of the different indicators? To be blunt, with respect to the first criterion of performance, the market approach simply failed. The Dutch Postal Service reported that of about 700 disability cases during the first year of the second-tier regime, only 32 resulted in a second-tier trajectory being pursued, and of these, only one resulted in actual reemployment. Other companies that relied on the market reported similar experiences. A first problem that was recognized was that, in actual practice, companies found it hard to involve an external reemployment firm. Not merely because of the costs, but also out of sympathy to their employees, they tended to postpone the decision to call in external help. The second problem was that, when they eventually did so, the reemployment firms seldom succeeded in the task of reemploying clients.

Nor did the market play a role of any significance with respect to the second criterion of performance: eventual reinforcement of disability prevention and first-tier strategies. None of the employers reported a change in disability prevention policies. Incidentally, however, it appeared that second-tier trajectories led to surprising first-tier solutions. Despite this poor performance, an almost cynical reason for relying on the market was found in the third criterion. As we were told, the supervising agency, the Social Security Agency, almost by definition, accepted the hiring of a commercial reemployment firm as a sufficient reemployment effort, which meant that, for employers, involving such a firm was an excellent way of avoiding possible fines. As employees were often involved in the selection of reemployment providers, these firms had a clear interest in serving them well, and in fact, many of them developed company charters stating this as their prime responsibility. Therefore, employee protection was considered to be reasonable.

Under the corporatist bureaucratic approach, too, real second-tier success was very limited. A study conducted by the agricultural sector in August 2004, showed that in only three of 111 instances did second-tier services result in reemployment by another employer. However, these disappointing figures were in part caused by success in first-tier reemployment and disability prevention. As discussed, the sector invested seriously in prevention and always started by examining the opportunities for internal reemployment. This meant that of the 111 persons mentioned, 36 were successfully reemployed in the first-tier with their original employers. Moreover, with respect to prevention, the sector as a whole was

able to report surprisingly low and declining disability statistics.

With respect to the third criterion, the same study showed that the percentage of administrative sanctions in the sector was lower than elsewhere, so in this respect, too, the bureaucratic approach appeared to perform well. Furthermore, because the organization of second-tier reemployment was in the hands of the social partners in the sector, the protection of the employee was well defined and secure.

Finally, in contrast to the poor performance of the market and the corporatist bureaucratic approach, the results of the employer network appeared to be satisfactory. In the first year of its existence, the Gatekeeper Centre received 80 requests for mediation. In about half of these cases, it succeeded in reemployment, both in the first and in the second tier, often with very little financial investment. Although in the particular case of the Gatekeeper Centre, disability prevention was not really a formal task, there was even some anecdotal evidence of successes in this area. In two cases, early intervention by the center enabled employees to stay in their current jobs. Given these results, the Gatekeeper Centre also performed strongly in fulfilling the criterion of protecting its members against administrative fines. With respect to workers' rights, however, the Gatekeeper Centre provided no evidence of protection. As neither labor unions nor reemployment firms were involved, reemployment depended first and foremost on negotiations between individual employers and their goodwill.

Table 1 sums up the findings concerning the different approaches. We conclude that the market was associated with the most problems and insecurities, whereas the employer network was most effective with regard to the second-tier objective.

### Explanation and Implications

Explaining the differences in performance involves the following steps. First, we consider the extent to which the three approaches studied meet crucial conditions known from the governance literature. For instance, has there been enough transparency regarding prices and quality (market), organizational strictness (bureaucracy), and trust between actors (network)? Next, we focus on the fit between the organizational approach and the task at hand; it may well be that a theoretically sound approach is nevertheless unable to deal with the particularities of second-tier

reemployment. In this analysis, we focus on two task characteristics: (1) the fact that reemployment services are generally complex, poorly specified, and tend to expand over a relatively long (and unknown) period of time, and (2) the fact that reemployment success depends on access to a reservoir of jobs that is heterogeneous. Finally, we discuss how existing institutions and stakeholder interests may interfere with these particular characteristics of the task at hand and may hinder second-tier reemployment.

Following this explanation of results, the second part of this section argues that it would be premature to declare the network approach superior in all respects and for all times. Rather, it is argued that the coexistence of approaches might be beneficial, provided that the state—the key policy maker in this area—provides the right conditions.

### Explaining Outcomes

No doubt, the disappointing results in the market are related to issues of opportunism and information asymmetry, as they are known from institutional economics (Williamson 1985). Almost all employers who contracted reemployment services expressed the feeling that reemployment firms underperform and focus more on their own interests—in terms of offering costly services—than on actual reemployment. It is obvious that reemployment services are particularly problematic in this respect, as each individual may need different services, while results are hard to guarantee in advance. From earlier studies of market-based welfare reform, we know that this is a persistent problem for nearly all personal services (Ewalt and Jennings 2004; Mead 2004; Sanger 2003; Sol and Westerveld 2005).

The challenge is to invest in adequate contracts with measurable specifications, transparent services, active case management, and strict monitoring of (interim) results. However, in this case, there are some disturbing problems. First, there is a lack of organizational capacity to deal with these complex, costly tasks, especially among small firms. They simply do not have the appropriate knowledge and staff. Second, and more fundamentally, there is a general lack of motivation among the principals (i.e., employers) to manage the process. Because the supervising agency accepts the formal involvement of a reemployment firm as evidence of an appropriate effort to achieve reemployment and imposes no fines for poor contract management, contracting such a firm has become a more or less ceremonial practice, decoupled from the initial public aims (cf. Meyer and Rowan 1977).

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**Table 1** Three Approaches to Second-Tier Reemployment

	<b>Market</b>	<b>Corporatist bureaucracy</b>	<b>Employer network</b>
<b>Institutional foundation</b>			
Existing norms, beliefs, structures	Wide beliefs in efficiency of the market and the already existing offer of reemployment services	Dutch polder model of sector-level negotiations between social partners	Regional employer networks
<b>Stakeholder involvement</b>			
Dominant actors	Individual employers	Organized social partners	Association of employers
Dominant interests	Limiting financial burden to the individual employer, dealing with formal responsibilities	Limiting sector-level costs of disabilities, especially through prevention	Efficient, nonbureaucratic reemployment of employees
Primary goal	Reemployment of partially disabled workers	Limiting sector-level costs	Reemployment of partially disabled workers
<b>Performance</b>			
Second-tier reemployment	Poor	Limited (partly as an effect of good results in the first tier)	Satisfactory
First-tier reemployment and disability prevention	Absent	Strong	Incidental
Protection against administrative sanctions	Strong	Strong	Strong
Protection of employee rights	Reasonable	Strong	Poor

As Le Grand and Bartlett (1993) have argued, lack of motivation renders any other efforts to improve the market setting pointless. The mismatch remains as long as the primary stakeholder has no interest in solid contracting and process management. This, of course, is especially problematic in a market such as this, which is still in its infancy and is crowded with opportunistic providers.

To understand the relative success of the network approach, it is again useful to look first at the theoretical preconditions. As Powell (1990) points out, networks that build on existing institutional structures—in this case, traditional regional ties—may convey trust and may very well outperform markets and hierarchies as the risks of opportunistic behavior are mitigated and coordination can be achieved more efficiently. Conidine and Lewis emphasize that “networkers . . . are attentive to the means available to win co-operation from others, more interested in building trust, and more likely to see success as a result of joint action” (2003, 134). These are exactly the properties we observed in the Gatekeeper Centre. No formal rules, horizontal relationships, and large investments in contacts, communication, and trust building.

Nevertheless, this success is even more understandable if one considers the fact that second-tier reemployment profits greatly from cooperation between employers from different industries. The Gatekeeper Centre provided us with numerous examples of workers who were barely reemployable in their own industry but who could be reemployed successfully in a totally new job and work environment. Of course, commercial service providers might yield similar advantages when they are active in different industries, but the Gatekeeper Centre had the additional advan-

tage that it had more direct access to employers and vacancies and could build on trust and reciprocity.

Finally, the corporatist bureaucratic approach studied surely obeys the theoretical prescriptions. Branch-level agreements between employers and employees provide strict rules for dealing with sickness and disability issues, which are implemented by a centrally managed constellation of branch organizations. These organizations include some commercial reemployment firms, but these are branch-specific preferred providers, acting on the basis of long-lasting, trustful relationships. Problems of opportunism and information asymmetry are thus limited. Nevertheless, a striking misfit exists regarding one crucial aspect of second-tier reemployment, which is the need for a wide variety of job types. Within agriculture, employment is extremely homogeneous and often physically demanding, which implies that possibilities for reemployment within the industry itself are limited. At this point, the institutional strength of this approach—namely, the rich reservoir of resources for disability policies and the high level of legitimacy because of the continuous reconciliation of stakeholder interests—may become a burden. Corporatism produces institutional isomorphism across the branch and this stands in the way of innovative, transsectoral initiatives (Frumkin and Galaskiewicz 2004). Regarding the issues of sickness and disability, the institutionalized reflex is to find branch-internal solutions, through investments in both prevention and internal reemployment policies. This may very well be a rational, cost-efficient strategy, provided that the returns of these investments accrue to the sector. However, as Williamson (1985) explains, such idiosyncratic investments generally require certainty regarding expected returns. As discussed in the next section, one may question whether today’s



changing socioeconomic and policy conditions permit such path-dependent behavior (cf. Pierson 2001).

The insights formulated here help us to arrive at a deeper understanding of the observations made in the empirical study and to abstract from the practicalities of the individual cases. The poor results of the market-based approach to second-tier reemployment can be explained in terms of the complexities of contracting these services and by the lack of incentives for good results in an institutional environment that legitimizes ritualistic and opportunistic behavior.

The bureaucratic-hierarchical model suffers from a mismatch between this form of organization and the task at hand in the sense that it lacks an orientation on reemployment opportunities outside the industry. Finally, the network approach performs best because of the excellent fit between this form of organization and the task of second-tier reemployment and because the conditions for networking are excellent.

### **Implications and Future Outlook**

Whereas this empirical study focused on a relatively new development, an important question concerns the future. Does the study provide any clues regarding the future of second-tier reemployment and the viability of the three approaches? This question gives rise to several additional considerations.

For the market-based approach, poor performance might be expected to lead to decreasing support. There are, however, two observations that contradict this bleak picture. The first observation is that market ideology has acquired a strong foothold in social policy reform in the Netherlands and that several public services have already been transformed into (quasi-) markets. Interestingly, some of these markets are now starting to develop interrelations. For instance, insurance companies that cover wage continuation obligations in case of sickness and disability have become interested in cooperating with reemployment agencies to reduce financial claims. Thus, in this respect, reemployment service providers may experience an expansion in the demand side of the market. Moreover, as these insurance companies are far better equipped to manage contracts with reemployment agencies than individual employers, they may actually succeed in making this market function more adequately. The second observation in favor of the market is that some developments can be expected that will support individual employers in contracting reemployment services. In fact, no fewer than three parties seem to have a serious interest in providing information and other services to these employers. First, as a supporter of

market principles, the Dutch government may become active in this area. Second, as the reemployment sector is interested in separating the chaff from the corn, it is already working on a seal of approval for certified service delivery (*Borea Keurmerk*). Third, it may be expected that corporatist actors will start to provide these services to their members, which, interestingly, could create interconnections between the approaches studied.

Elaborating on this, a salient fact is that the corporatist bureaucratic approach, although traditionally

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strong on institutional legitimacy, is currently suffering from decreasing societal and political support. The Dutch corporatist approach, or “polder model,” is increasingly coming to be regarded as old-fashioned and even harmful to the economy. One of the arguments in this debate is that, today, economic growth requires a much higher level of job mobility and

that branch-internal regulations generally hinder labor market flexibility. In fact, the new reemployment legislation is an expression of this shift in thinking, as it allows individual employers to exit the corporatist straitjacket and search for market solutions in this area. In our telephone survey, several employers in the agricultural sector indicated that they were using this new right to opt out and were turning to commercial providers. Moreover, this step was especially appealing to employers with a good track record of low disability incidence, who could benefit from a discount on the insurance premiums. If this trend of risk selection continues, it may gradually undermine the existing corporatist approach, which means that the social partners may have to reinvent their responsibilities. As suggested earlier, supporting member firms in doing business with reemployment providers might be an appropriate strategy to regain legitimacy in a changing institutional environment. For the time being, however, the stakeholders in the sector seem to have strong institutional interests in protecting corporatism as an approved method of settling socioeconomic issues.

Meanwhile, for the network approach, the question is whether these networks will be able to maintain their performance in the long run, as current performance depends on unstable institutional and stakeholder conditions. First, there is the permanent danger of bureaucratization. The Gatekeeper Centre has already reported that a more standardized approach might be necessary, as its success continues to attract participants to the network and the workload is increasing. Second, legitimacy is a recurrent issue, as unions have serious worries about the protection of worker's rights: To what extent, for example, are employees forced to change jobs and accept lower wages? In particular it is

feared that, over time, employers' networks may turn second-tier legislation into an instrument of flexible human resource management.

It will be interesting to see what will happen next. One scenario might be that the networks will manage to maintain their strength—for instance, by resisting the temptation to expand and by securing their informal styles. One cannot rule out in advance that contracting commercial reemployment services will be a part of the strategy to fight bureaucratization. Another scenario is that the labor representatives will be allowed to participate in the organization of these networks. This would introduce a striking innovation into the Dutch socioeconomic landscape, adding transindustry actors and interests to the still dominant model of industry-based organization.

The conclusion is that functional arguments, by themselves, are insufficient to shed light on the future of the policy program studied. Market solutions will remain on the scene, as they receive substantial political support and fit in an expanding structure of market-based approaches to social policy. In this context, a new “politics of institutions” might emerge, including a struggle between collective actors over the governance of these “public markets.” The Dutch government is likely to take part in this struggle, for it has an obvious interest in creating better conditions for the management of commercial reemployment services and practices. Such support for the market approach, however, increases the risk of throwing the baby out with the bathwater, as it might eventually undermine the strong points of the other two approaches: industry-based prevention and networked reemployment.

### Conclusion

This study has compared three separate approaches to governing one single social issue (second-tier reemployment) within the institutional context of one particular welfare state. Regarding the ongoing debate on the merits of approaches, the following conclusions can be drawn.

Insofar as researchers or politicians still believe in the superiority of one particular approach, it is worth reiterating that this is based on wishful thinking. First, the nature of the task does most emphatically matter. Second, and more importantly, bureaucracies, markets, and networks refer to institutional regimes rather than to clearly distinct instruments of coordination. This observation has major implications. First of all, each regime involves a distinct set of stakeholders, interests, and institutional traditions, which may create unexpected mismatches between the organizational approach and the task involved. Besides that, much wider institutional interests do matter. In our case, the future of corporatism is a key issue shaping

the organization of second-tier reemployment. Finally, the issue at stake is not how to select the best regime but how to manage a fruitful coexistence given the prevailing aims of public policy.

As announced in the introduction, this article has dealt with an extreme case of Osborne and Gaebler's famous device: not rowing but steering. Thus far, numerous research efforts have been invested in the first part of this statement: What happens if the state withdraws from public policy implementation and lets others do the work? Following Kooiman (2003), we argue for more attention to the steering implications of “societal rowing,” or, in other words, to the dynamics and complications of meta-governance. In our opinion the “politics of institutional structuring” provides a most interesting and most promising domain for future research.

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