

**FROM WELFARE TO WORKFARE**  
**THE IMPLEMENTATION OF ACTIVATION AND REINTEGRATION POLICIES**

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## **1 Introduction: from welfare to workfare**

In the last few decades unemployment policy has shifted from income protection through social security to activating through labor market policy in most European countries. This shift from income protection towards activation and participation is part of a broader transition from a welfare state towards a workfare state. A workfare state is, contrary to a welfare state, oriented at recommodifying instead of decommodifying social policies. Social policies that decommodify reduce people's dependency on the labor market. Social insurance and social provisions that are provided as a social right have this effect: they make people less dependent on their market-value and are thus decommodifying. Recommodifying social policies, on the other hand, strengthen the bond between social policies and the labor market, by helping people who are in need to find their way back to the labor market. Social policies in a workfare state promote work instead of social protection. They do this by increasing the selectivity and the conditionality of social policies, and by providing services that help people to find their way back to the labor market (Gilbert, 2002).

Taylor-Gooby discerns a paradigmatic shift in the transition from welfare to workfare, a new ideology of the welfare state which he describes as '*new welfarism*'. This new ideology is the product of socio-economic developments towards a post-Fordist economy. The ideology of new welfarism, "... suggests that economic globalization, labor market flexibility, more complex patterns of family life and the dissolution of traditional class structures require a new welfare settlement. Since full employment, redistribution and expensive services are no longer seen as feasible, the new welfarism can only justify social spending as investment in human capital and the enhancement of individual opportunities" (Taylor-Gooby 1997: 171). This new ideology will affect all welfare states, because they are all driven in the same direction by the imperatives of international competition.

Jessop (1993) gives a nice summary of the essential changes in social policies that are associated with the turn towards new welfarism:

<b>Welfare policies</b>	<b>Workfare policies</b>
<ul style="list-style-type: none"> <li>• Entrenched and redistributive welfare system</li> <li>• Passive provisions based upon safety-net metaphor</li> <li>• Unconditional rights and almost no obligations</li> <li>• Expectations that benefits will increase</li> </ul>	<ul style="list-style-type: none"> <li>• More contingent and 'integrative-productivist' welfare system</li> <li>• Active provision based upon trampoline metaphor</li> <li>• Conditional rights linked to obligations</li> <li>• Expectations of future cost reduction</li> </ul>

We want to know how the basic principles of workfare policies have been put into practice. We do so by adopting a implementation perspective. Attention to the mechanisms of implementation is important because it often turns out that a gap occurs between a policy goal formulated at the top and its realization in practice (Pressman and Wildavsky, 1984). This is particularly true in the case of welfare reform because of its complex and controversial nature (Lurie, 2006). Neglecting this gap would limit the understanding of policy itself, because instead of policy determining practice, it is practice that creates policy. Similarly, it is the worker in direct contact with welfare clients who shapes policy in the process of implementation (Lipsky, 1980).

The first question of this chapter is *how are the basic principles of workfare policy translated and implemented in practice?* More specific, we want to find out if the unintended implementation mechanisms associated with the traditional welfare state have disappeared since the modern workfare state took over, or if these unintended implementation mechanisms have been replaced by others. This leads to our second questions which pertains to the practical experiences gained with the implementation of workfare policies. We are interested in particular in the practical lessons learned from the implementation of workfare policies. For this second question we focus on the Netherlands. Hence, our second question is *to what extent is the implementation of workfare policy in the Netherlands adapted to practical experiences, and with what effect?*

We increasingly focus our answer to both questions. In section two we start with a general description of the implementation mechanisms associated with the welfare state and

the workfare state respectively. In section three we answer the question whether and how these general mechanisms have manifested themselves in practice during the implementation of workfare policies. In section four we discuss the development of workfare policies in the Netherlands. We will analyze an important policy shift that took place in the Netherlands: the obligation for public agencies to outsource their total share of activation and reintegration services to private companies was abolished in 2006 as a result of negative experiences with mandatory outsourcing. Since then, public agencies in the Netherlands can choose between outsourcing their services and providing them in-house. Did this solve the perceived problems with the mandatory outsourcing of re-activation policies to private companies? In section five we analyze the implementation practice of workfare policies after this policy change. We base this analysis on a comparative case study of the implementation styles of two public service agencies – a social security agency (UWV) and a municipal social assistance agency – and one private reintegration company in a large Dutch city. We compare the implementation styles of these three offices and study whether or not the unintended implementation mechanisms attributed to the mandatory outsourcing have been brought under control in the new situation. In the concluding section we shed light on the question why the unintended implementation mechanisms are so pervasive and why attempts to control them are hardly successful.

## **2 The implementation of social policy**

During the golden age of the welfare state public policy was implemented predominantly by centralized public administrations. These centralized bureaucracies were deemed a solution to the vicissitudes and amateurism attributed to the private, local social assistance offices that had played an important role in the implementation of social services during the previous period (Terpstra & Havinga, 2001). These centralized public administrations particularly strived for lawfulness: enabling citizens to claim welfare services when they were entitled to and excluding all others from these services. The bureaucratic ideal of equal treatment and lawfulness implied discretion was problematic: officials were not supposed to interpret the bureaucratic rules according to their personal views. In practice however, implementation often departed from the legal program the administration was intended to implement. Lipsky (1980) has demonstrated that officials working in welfare administrations, in fact, do have a huge impact on policy. What is more: according to Lipsky, policy is not made by politicians

and administrators, but by street-level bureaucrats who have contact with clients on a daily basis. Street-level bureaucrats can be seen as policy-makers because they have ample discretion. They use this discretion in order to cope with their unfavorable working conditions. These coping strategies result in the *selection* of clients. The selection of clients by street-level bureaucrats does not necessarily comply with the rules of the program they have to implement, but is based on informal notions of effectiveness and deservingness. This mechanism of selection is also known as '*creaming*'. Creaming implies selection of '*the best*' clients. Who are the best is dependent on contextually defined notions of deservingness and effectiveness. (Blau 1960)

Moreover, street-level bureaucrats are also known to *focus on measurable outcomes* (Hasenfeld, 1983). This too has important consequences for the implementation of social policy. Administrative organizations will always monitor the practices of street-level bureaucrats. This will result in a focus by street-level bureaucrats on those activities that will be monitored. For example, the selection of clients will be such that it contributes most to the measured result. Hence, an employment office that monitors the number of people it has reintegrated in the labor market will focus on those clients who are easiest to reintegrate. Although selection and a focus on measurable results resemble each other closely, the latter is more comprehensive than the former. The focus on measurable results not only leads to selection of clients, it also affects the things workers do and the things they do not do. To illustrate this Wilson (1989) makes a distinction between output – i.e., the activities of the street-level bureaucrats – and outcome – i.e., the results of their activities. Wilson (1989: 161) shows that work producing measurable outcomes tends to drive out work producing immeasurable output. Hence, when the number and accuracy of claims processed in a welfare office are readily observable, a less easily observed output – e.g., being helpful to clients – will be neglected. The tendency that measurable outcomes drive out immeasurable outputs, results in a selective distribution of time and attention by street-level workers with regard to the different activities they are supposed to do.

The mechanisms of selection and the focus on measurable outcomes were seen as problematic because they result in unequal treatment and in departures from the legal program. Bureaucratic implementation of social policies – with a limited discretion for workers – was the ideal, but this practice too might lead to unintended consequences as demonstrated by Merton (1960): following the rules can become a goal as such, even when it conflicts with the goals of the policies implemented.

In the eighties of the previous century the thinking on implementation shifted in many Western countries. Bureaucratic implementation aimed at equal treatment and lawfulness was increasingly seen as inefficient, limiting freedom of choice and causing irresponsiveness of administrative organisations (Bartlett and LeGrand, 1993). Decentralization of policy implementation to public-private networks was perceived as the solution for inefficiency and inflexibility of governmental bureaucracies. Contracting out was introduced to wrest control over provision from the hands of the large public bureaucracies and relocate it to private organizations. Discretion was no longer deemed problematic, but perceived as a necessary condition for results, efficiency, responsiveness and entrepreneurship (Brodkin, 2006: 6, 8). Moreover, the selection of clients was considered desirable since this enables the realization of optimal outcomes. In decentralized public-private networks public agencies function as principals for private companies that are contracted to implement public policies. This marketization of public policy introduces principal-agent problems (as does, by the way, the bureaucratic model). These problems result from asymmetric information when a principal hires an agent. This information asymmetry makes it difficult for the principal to control the agent and gives the agent the possibility to let his own interests prevail over the principal's interests. The risk that this occurs is likely, since market parties seek profit and this can lead to divergence from the public interests principals are expected to serve. Principals respond to this problem with centralizing methods of steering and control. By structuring, specifying and fixing the tendering process, the public parties try to prevent market parties from going their own way (Sol & Westerveld, 2005: 392). However, contracts cannot guarantee compliance, which means that public principals have to control the 'good behavior' of private parties continuously. This stimulates bureaucratization. According to Farrell & Morris (2003), bureaucracy has not disappeared with the introduction of marketization in the public sector but shifted. This is why they call this bureaucratized market the '*neo-bureaucratic state*'.

Concluding: the selection practices and the focus on measurable outcomes are perceived as threats for equal treatment and lawfulness and bureaucracy is perceived as a threat for efficiency, freedom of choice, and responsiveness. The welfare state – which is in essence a bureaucratic state – as well as the workfare state are wrestling with these implementation mechanisms. However, which mechanisms are intended and which ones unintended varies between the two arrangements. Implementation in a welfare state should be characterized by equal treatment and lawfulness, hence, selection and focus on measurable outcome should be avoided. Implementation in a workfare state, however, should be characterized by selection

and focus on outcome, hence, bureaucratization should be avoided. Nonetheless, both types of state seem to be plagued by the unintended implementation mechanisms they fear most.

### **3 The implementation of activation policies**

In this section we will investigate whether and how the three general implementation mechanisms that we have distinguished in relation to the welfare state and the workfare state respectively, manifest themselves concretely in the implementation of activation policies within the context of the workfare state. This investigation is based on a secondary analysis of research into the implementation of activation policies in Europe and the US.

#### *Selection*

Many studies mention selection in the implementation of activation policy. Handler (2008: 3, 16) refers exclusively to research showing that recipients with the most barriers to the labor market get offered the least facilities. ‘Programs will concentrate on those with the most skills, who are the most employable, who take the least amount of caseworker time and energy to meet statistical goals and who will look like the programs are succeeding’ [...] ‘... caseworkers would use informal strategies to encourage enrollment among recipients who were most likely to meet agency goals, while discouraging enrollment among applicants with multiple employment barriers’ (for other references, see Grover, 2009: 495). Rosenthal & Peccei (2006: 1647) found selection in the British implementation practices as well. However, they found that British front-line workers exerted themselves more for the least successful clients, because reintegrating them offered the largest rewards in terms of measured performance. In short, selection occurs in the implementation of workfare, but which client categories are favored, depends on the way performance is measured.<sup>1</sup>

#### *Focus on measurable outcomes*

The second mechanism – focus on measurable outcomes – is also manifest in the implementation of activation policies. Studies show that case workers prioritize goals they believe they are held accountable for (Ricucci, Meyers, Lurie, & Han, 2004). The more case

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<sup>1</sup> According to Handler, (2008: 14) selection not only takes place with regard to facilitating reintegration, but also with regard to the sanctioning of clients. He brings forward that the least successful clients are most likely to be punished: ‘The lack of access to childcare, reliable transportation, and the need to care for disabled family members increases the risk of being sanctioned’. Lens (2008) contests this. According to her, the sanctioning procedure is dominant in the United States and equally applies to clients with a small distance to the labor market.

workers think they are controlled for unlawful assignment of social assistance the less attention they pay to activating and changing the behavior of clients and vice versa. Case workers not only prioritize goals on the basis of performance measurement, but also their actions. For instance, in the United States and the Netherlands quotas were specified for enrolling clients in work-related activities respectively for starting up reintegration trajectories. ‘Under pressure to meet quotas, street-level workers focused on “making the numbers,” which often meant displacing quality for quantity. [...] caseworkers responded to narrowly constructed performance incentives by pushing people into work programs with little attention to what actually happened once they got there’ (Brodkin, 2006: 7; for the Netherlands see Van Berkel & Van der Aa, 2005). Another example of the focus on outcomes also pertains to the United States. Here the *Department of Social Security* is held accountable for the amount of hours worked by welfare clients. This may be the reason that case workers are inclined to sanction clients even if this undermines the work first principle (Lens, 2008). For instance, clients who did not reach their working hour target because they went to a job interview were sanctioned despite the fact that a job interview enhances the chance of getting a job. Brodkin (2003 : 159) also states that ‘sanction use increased when front-line workers faced increased risk of being penalized by their managers for failing to catch case errors or when sanctions became easier to apply’.<sup>2</sup>

In short: case workers tend to focus on performance measures: ‘... , their practices are shaped by agency incentives and mechanisms that make staff accountable to clients and to the public. [...] Caseworkers generally [seek] the path of least resistance, using discretion in ways most consistent with the logic imposed by the organizational pressures and incentives existing at the street level’ ( Brodkin, 2003: 154, 159).

There is also evidence that the focus on measurable outcomes can be detrimental to attention paid to immeasurable outputs. For example, German and British NGOs engaged in the implementation of activation policy have been confronted with a changing regime during

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<sup>2</sup> The focus on measurable results can even lead to fraud (Grover, 2009: 495/6). Handler (2008: 16/7) cites a study of DeParle (2004) who studied the “*Wisconsin Works*” program that has an international appearance as a successful reintegration project. However, the focus on measurable results “led to corruption and mismanagement on the part of the state and local officials and willful ignorance or concealment on the part of the state and local officials. The private agencies were evaluated (and paid) on the number of clients with employability contracts and whether recipients were assigned to “a full slate” of activities. To meet these goals, front-line workers employed a variety of methods from creating and mailing employability contracts to clients without consulting them to simply putting the information in the computer. A subsequent state evaluation demonstrated dismal results. Although all clients were supposed to be involved in some sort of work activity, paid or community service, 67% of clients at Maximus, Inc., one of the principal for-profit contractors, did not have a work assignment. At one point an internal report showed that although Maximus advertised 100% of the caseload in paid work, in fact only 8% percent were employed’ (Handler 2008: 17).

the last few years (Aiken & Bode, 2009). Their relations with principals have become more contractual: NGOs increasingly have to account for their results and to compete with each other as well as with market parties. As a result, it has become more difficult for these organizations to combine their reintegration tasks with stimulating the well-being of deprived clients and to maintain contacts with their local network: 'Economic pressures prompted the organizations to cream off the more job-ready, as well as to rely ever more on 'regular markets', and this crowded out the former broader integrative approach when social entrepreneurship was coupled with limited economic risk. [...] To put it bluntly: public policies want to get "one plus two" but only pay for "one"' (p. 221).

Furthermore, the focus on measurable outcomes can even result in the subordination of core tasks to secondary tasks when the latter are better measurable than the former (Hill, 2005). This may explain why women who had been served by an office that had separated core and secondary tasks earned more after two years than women who had been served by an office that had integrated these tasks.<sup>3</sup> In offices that had separated tasks, employees were not triggered to focus on the easier to measure secondary tasks as opposed to those who worked in offices where both tasks were integrated. Hence, according to Hill, specialized offices succeeded better in generating job opportunities for unemployed single mothers than integrated offices.

### *Bureaucratization*

The third and final implementation mechanism we distinguish is linked to the outsourcing of reintegration policy to private companies. A comparative study between the United Kingdom, Denmark and the Netherlands showed that the stakeholders involved in the implementation perceived the short-term thinking of private reintegration companies as a problem (Lindsay & McQuaid, 2008). This tension was felt strongest in the Netherlands, where outsourcing was obligatory. Social assistance and social security agencies believed that their dominant position as principal impeded the cooperation with private reintegration companies and feared that knowledge about the implementation of workfare policy had leaked to private companies. They also thought that the intensified control of private reintegration companies, invoked by the perceived problems with outsourcing, had caused bureaucratization and high transaction costs. These latter findings are corroborated by a study of Svensson, Trommel, & Lantink

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<sup>3</sup> The core tasks consisted of diagnosing the labor market position of clients, formulating a reintegration plan, coordinating services to execute the plan and controlling the implementation process. The secondary task consisted of searching vacancies at local employers.

(2008). A market driven network, in which employers outsourced the reintegration of sick and disabled employees to private companies, turned out to be more bureaucratic than a corporatist network and a network of several equal parties.

Concluding: the mechanisms of selection, focus on measurable outcomes, and bureaucratization all occur in the implementation of activation policy. Bureaucratization is strongly present in a country like the Netherlands, in which social assistance and social security agencies attempt to prevent private reintegration companies to deviate from their contractual obligations. We now turn to the development and implementation of activation policies in the Netherlands.

#### **4 The development of activation policies in the Netherlands**

During the last decade the development of the Dutch administration of social security has changed considerably. First, the administration of social assistance was *decentralized*. Municipalities – that administer social assistance – received more freedom as well as more financial responsibilities. Second, the administration of social insurance was *centralized* and brought under the control of the state. Third, social welfare and social insurance agencies were *integrated* with employment agencies. This resulted in a new front-office (CWI) where the processes of reintegration and benefit administration were brought together. Finally, reintegration services were privatized. New, private reintegration companies came into existence that operated on a market where municipalities and the social insurance administration were the principals.

Hence, the effectiveness of the Dutch activation policies are highly dependent on the workings of the private market for reintegration, on the cooperation between the different agencies in CWI's and on the extent to which the actual handling of clients by street-level bureaucrats in these private and public agencies is effectively directed at reintegration.

Concerning the organization and implementation of active labor market policies in the Netherlands we can distinguish two phases. During the first phase, decentralized social assistance and centralized social insurance agencies were obliged to contract out reintegration to private reintegration agencies. During the second phase, which is after 2006, they were no longer obliged to contract out and were free to choose between contracting out and delivering reintegration services themselves.

Research into the aforementioned comprehensive policy changes shows similar effects to the ones we have discussed in the previous section. The decentralization of the (financial) responsibility for social assistance appears to have resulted in an important decrease in the number of people on social assistance. This is the result of a more stringent gate-keeping, but also of an intensification of more active labor market policies. These positive results are however highly influenced by a favorable economic climate up to 2008 (Bosselaar e.a. 2007). A second finding is that selection processes in the form of creaming are influential. The weakest categories of clients profit least of active labor market policies (Van Uiter, Van Hoesel, & Grijpstra, 2007). Third, the research into the decentralization of social assistance points out that control of the implementation has intensified – either by bureaucratic or managerial mechanisms – which limits professionalization of reintegration services and stimulates creaming-mechanisms in order to meet the set goals (Bosselaar e.a. 2007: 18). Fourth, research into the privatized reintegration market shows that the main effect of the marketization of activation services seems to be an increase in the number of people subjected to activation practices (Van Berkel & Van der Aa, 2005). The effectiveness of reintegration services is highest with those whose distance to the labor market is smallest and lowest with those whose distance is largest (Kok, Hollanders, & Hop, 2006). This again points into the direction of creaming. Finally, the main problem concerning the reintegration market concerns governance. The mandatory contracting out of reintegration services led to high transaction costs and little control of the reintegration process by the principal. Both stimulated creaming, because of adverse selection by private reintegration agencies (Van Berkel & Van der Aa, 2005).

In 2006 the obligatory contracting out of (the majority of) reintegration services was abolished. From 2006 onwards, municipalities were free to contract out reintegration services or to deliver these services themselves. Since then the share of services delivered by municipalities themselves – or by organizations related to the municipality – has risen. Municipalities choose to deliver services themselves because they wanted to get more control over their clients, because they wanted to deliver more made-to-measure services and because they were dissatisfied with the price and the results of the private reintegration services (Verveen e.a. 2006). Hence, this policy change can be seen as a reaction to the unintended consequences of the obligation to contract out during the first phase. In the next section we will investigate the implementation practices in three agencies operating under these new circumstances

## **5 The implementation of activation policies in the Netherlands under new circumstances**

Since the obligation to outsource reintegration services to private companies has been abandoned in the Netherlands, municipal social services and social security agencies are no longer fully dependent on private reintegration companies (conform Warner & Hefetz, 2008). This raises the question, whether this policy change has led to decreasing bureaucratization, inherent to the principal-agent relationship between public and private providers of reintegration services. And it consequently raises the question how this policy change has affected the mechanisms of selection and focus on measurable outcomes in the policy implementation of both public and private providers of reintegration policies. In order to answer these questions, we compare two public welfare agencies – a social security agency (UWV) and a municipal social service agency – and a private reintegration company in a large Dutch city with respect to the three mechanisms central to the implementation of public policy.

This comparative case study is based on interviews in every organization with managers and case workers, document analysis and observations in each of the organizations. The data were collected in 2008 by Menno Soentken (2009). We concentrate on the implementation practices of case workers and managers. This concerns the implementation and enforcement of reintegration tasks by *reintegration coaches* of the social security agency, *case workers* of the municipal social assistance agency and *work consultants* of a private reintegration company. These street-level workers are all involved with the intake of clients, with the formulation of activation plans with clients, with monitoring the progress of these plans, and with the provision of personal assistance to clients. In order to enhance the comparability of the case studies, the tasks aimed at the outsourcing process are left out of consideration because the private reintegration company only executes reintegration services and does not commission them. For the same reason tasks that deal with processing benefits are left out, because they only take place in the social security agency and municipal social service agency. In other words, we compare the salience of the three implementation mechanisms between the three agencies that execute more or less identical tasks.

*Selection and focus on measurable outcomes*

There is a strong focus on outcomes in both the social security agency and the social assistance agency. In the so-called ‘grow- and learn model for activation practices’ of the social security agency, a focus on outcomes is described as one of the most important competencies of the reintegration coach and in the work-manual three core concepts are discussed: *“costs-benefits analysis, shortest way to work and cheapest adequate process”*. Reintegration coaches in the social security agency are controlled by a mentor who concentrates especially on the extent to which coaches focus on outcomes. In both the social assistance agency and the social security agency targets and listings of individual performances are passed around regularly. Furthermore, case workers are addressed by the management when they do not reach their target. Consequently, employees of both agencies focus strongly on outcomes in their work:

*“Every week I attend to my results. I look how many placements I realize per week. If I don’t manage to reach the set target, I see to it that I fix it. You have to adjust continuously in order to reach your goals.”* Reintegration coach 4

*“Every two weeks we have to show our targets or the number of clients we have activated. If those numbers don’t match the target, then our manager will inquire about that.”* Case worker 2

Consultants of the private reintegration company are less outcome-oriented. Management does not focus on the number of job placements and does not quantify the results of individual consultants. Results lists are used, but only to see to it that reports are written on time. These lists do not serve as an instrument to control the number of clients placed by individual front-line workers:

*“.. the reason why we keep those lists has solely to do with the reports which have to be produced in time. If you serve a client and I don’t know who you have served, I’m not able to check if the report went out on time. Consultants can see on those lists who served how many clients, but that has nothing to do with competition. Far from it. For instance, I can be the one who has placed a client in a job, but then someone else can get this result on his or her name. We don’t compete on that.”* Manager 1, reintegration company

The social security agency and the social assistance agency not only focus strongly on outcomes, but they also select clients. Employees emphasize that they want to employ the available means as efficient as possible. They tend to offer young clients and those with a short distance to the labor market more opportunities than others, because these clients are believed easiest to activate and, hence, deliver the best results in terms of performance measures:

*“They want numbers and I certainly take them into account. Now I focus on entrants and clients younger than thirty instead of older people. Employers are not always in for older people, certainly not when they have received social assistance for a long time. When you start with a group of clients and you have to make a choice, it’s logical to start with younger people who have job opportunities. People who have received social assistance for years, remain a bit longer in my case set than others. I will try to reach them by phone, but I won’t focus on them.”* Case worker 3

Employees also spend more means, time and energy on clients whom they consider motivated:

*“For me it is important that somebody is motivated. That’s the most important thing. I make a selection on the basis of motivation, because it is not possible to serve 99 clients at the same time. I just pay more attention to motivated people. With them I engage in conversations and do I exert myself more”* Reintegration coach 3

These citations illustrate that in the social security agency as well as in the social assistance agency creaming of the most promising clients takes place. Creaming also takes place in the private reintegration company, but in a different manner. Consultants keep off difficult clients from the onset of the process. They rely on the public agencies to supply only clients who are ready to be activated. If consultants think clients have too many barriers to work, they send them back to the principal:

*“If I am certain that somebody is unable to work because, for instance, he or she speaks too little Dutch, he won’t enter; impossible. Then I can’t do anything. [...] We have someone who checks on paper all clients entering this company. That has to be done because case workers can make mistakes too. For example, passing on someone*

*who can hardly speak Dutch is unacceptable. Hence, we send him back; wrong registration, we can't help him. Such persons have to be send to the naturalization service first by the case worker.” Consultant 1*

This does not alter the fact that the tendency to cream is less present in the reintegration company than in both public agencies, because in the reintegration company the services to be applied are specified contractually:

*“We don't have much to do with efficiency. The tendering procedure for reintegration on the internet specifies which means we can use for what groups of clients. The municipality directs: 'You will get this group of people.' It specifies what is the target for this group, what has to be done. It's up to us to decide whether we want to work with these clients and whether we want to register for the tender. We calculate: 'What will we get paid for them, can we make a profit from them? Then we know: 'X clients are registered and it is such or such kind of group'. It is not always possible to use instruments such as education in a tendering process. So, you have to activate them as it is.” Manager 2, reintegration company*

Management explicitly states that consultants do not have to focus on outcomes. Management considers timely reporting the core task of consultants:

*“Consultants don't deal with considerations about costs. He or she is solely responsible for deadlines. They have to mind the client and nothing else.” Manager 1, reintegration company*

In short: focus on measurable outcomes and selection are highly salient in both public agencies, while they are subordinate to timely reporting in the private reintegration company. Hence, although the private reintegration company operates on a market, its implementation style is less outcome-oriented than of both public agencies.

### *Bureaucratization*

Employees in both public agencies receive more freedom than before on how to execute their work. The registration of work processes was crucial before, but is subordinate to results

nowadays. This shift is illustrated by the recently introduced management philosophy in the social assistance agency:

*“There is a new management philosophy. [...] The essence of it is that we steer on the basis of results and not on the basis of process. We evaluate results in the sense that: ‘the final results have to be this or that,’ but how you get there, left or right, doesn’t matter.”* Manager 1, social assistance agency

Management of the social security agency also emphasizes the importance of the outcomes of service delivery:

*“They can do anything as long as they keep in mind: ‘What’s the added value of what I do?’ In order to activate clients, they can go to temporary employment agencies or other reintegration companies. If they think they can do something in Groningen to help ten people, I will say: ‘Go!’. The only thing I expect is that they are critical of their actions and ask themselves: ‘What did I do and what did it lead to?’ And if the answer is: ‘Actually nothing’ then they have to skip that activity the next time”*  
Manager Work social security agency

This implies that employees in both public agencies have discretion to determine when they treat clients, which services they employ and how much time they spend on each client, as long as the choices have a positive effect on the outcome:

*“How they fulfill the ‘how-question’ is left to their own discretion and then the results show whether or not they did this appropriately. This is how things work, if you manage your targets, then freedom comes naturally. But if you claim a lot of freedom but don’t achieve anything...”* Manager Work social security agency

On the other hand, consultants in the private reintegration company barely have any possibility to act on their own discretion. Clients have to be treated in order of arrival. Which service they employ is determined by the specific process-stage a client is in. For instance somebody who is in the process for three weeks has to attend training in competences and somebody who is in the process for two months has to attend an internship. The choice

between services is made on the basis of fixed criteria. The same holds for the amount of time they are allowed to spend on a client and the moment whereupon a client has to be outplaced.

The emphasis laid upon compliance with the rules by management does not follow primarily from the preoccupation with lawfulness, but has to do predominantly with the manner in which the company generates income. Income is generated by charging the different stages of reintegration trajectories. Every stage – from signing the contract, starting an internal or external internship, until an eventual job placement – is invoiced to the social security agency or the social assistance agency. Although the company receives a bonus for the final phase of job placement, this is not the main source of income. Furthermore, management stresses the timely processing of reports so much, because it thinks this is expected from them by their principals:

*“There are many kinds of reports. It differs per contract what the principal demands from us. You have to draw up an initial report; there are reports on premature endings, reports on endings on the basis of a lack of motivation, and reports on job placements. There are so many reports to keep your principal up-to-date of the latest status, the latest events. If you have dismissed a client due to lack of motivation, then you have to inform your principal and therefore hand in your reports in due time.”*

Manager 2, reintegration company

The application of sanctions is a final indication that the implementation style is more bureaucratic in the reintegration company than in both public agencies. Sanctions can only be imposed by employees of the public agencies. However, private reintegration companies provide information whereupon these employees have to decide whether or not to apply a sanction. The management of the reintegration company encourages consultants to report ‘non-cooperative’ clients as quickly as possible to the principal by a ‘law and sanction form’. This strict enforcement of the rules concerning the report of ‘non-cooperative’ clients has a financial motive. The time-span within which clients have to be outplaced is formalized contractually. The risk of failing deadlines increases when clients are less motivated. If deadlines are not met, the company loses its reward. Hence, the reintegration company uses sanction procedures as an incentive for unmotivated clients to change their behavior so that they are ready to proceed to the next stage in the activation process:

*“We have six months...within those six months the preparation of the client has to be ready, and then activation starts if the client is motivated. If the client is not motivated, then the sanction procedure starts in order to make sure certain behavior is changed so that we can restart direct mediation again.”* Manager 1, reintegration company

However, in both public agencies sanctioning-rules of ‘non-cooperative behavior’ and ‘refusal of suitable jobs’ are applied flexibly. An important reason why employees forego sanctions is their conviction that sanctions go against their attempts to focus on job placements and motivating clients:

*“Legislation is often rather rigid and we as reintegration coaches have to deal with the reality people are in when they lose their job. If I would always apply the law as strict as possible, many clients would not feel as if they were helped very well. Hence, I have to balance enforcing the law and meeting the client’s wishes. For instance, I know for sure that if I would enforce the act on suitable work rigidly, many clients would feel disrespected when they have to apply for jobs beneath the level they are used to.”* Reintegration coach 4

In short: in both public agencies bureaucratic control is subordinated to focusing on outcomes, while in the reintegration company process steering and strict enforcement of rules concerning non-cooperative clients is maintained. The bureaucratic implementation style is not chosen freely by the reintegration company but imposed by its principals. The public agencies oblige the private company to account for its actions in detail in order to prevent the company to shirk the public interest the principals are supposed to serve. This means that a bureaucratic implementation style is prevalent in the reintegration company not despite its operating on a market, but precisely because of it. In other words, the tendency of the principal to impose detailed accountability practices is reinforced because the reintegration company operates on a market where profit seeking instead of public interests is the norm. This conclusion contradicts the empirically grounded common sense idea that managers in public agencies perceive more red tape than managers in private companies (Feeney & Bozeman, 2009).<sup>4</sup> However, it corroborates Brodtkin’s (2006: 14) assumption that private agencies that lack strong countervailing constituencies or the powers of resistance available to

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<sup>4</sup> However, this study lacks the crucial comparison for us between the perceived red tape of street-level bureaucrats working for public, non-profit en for-profit private agencies and who perform identical tasks.

public bureaucrats, risk being transformed from an alternative to government into an arm of government.

### *Institutionalism*

The latter conclusion explains our finding that the private reintegration company operates more bureaucratically than both public agencies. But how can we understand that both public organizations are more outcome-oriented and more selective in their implementation style than the private reintegration company? We can deduce a possible answer to this question from institutional theory (Meyer & Rowan, 1977; Meyer, Scott, & Deal, 1983). The starting point of this theory is that organizations are not closed systems, but dependent for their survival on their conformity to the normative expectations of their social environment. This mechanism is assumed to be of less importance for organizations operating in a *technical* environment than for organizations operating in an *institutional* environment. The survival of the former organizations mainly depends on efficient production on a market, while survival of the latter organizations mainly depends on congruence between their functioning and the normative expectations imposed on them by the state. The transformation of the welfare state is connected with the expectation that the state mirrors the market; the ideology of the ‘welfare state’ is replaced by the ideology of an ‘entrepreneurial state’ (Diller, 2000; Smit & Van Thiel, 2002).

In this respect it is understandable that both public agencies try to show their market-oriented implementation style harder than the private reintegration company. After all, the public agencies operate in an institutional environment characterized by a market ideology to a larger extent than the private reintegration company. Unlike the private reintegration company, the social security agency is not dependent on the sales of their services on a market, but dependent on the allocation of means by the state. Although the social assistance agency is financially accountable for its results, it cannot go bankrupt. The frequent use of business-like terminology indicates that both the social security agency and the social assistance agency imitate businesslike principles. For instance, the quality-control employee of the social assistance agency emphasizes the importance of *entrepreneurship*:

*“As a case worker you are in fact an entrepreneur. You have your product, which is that you reach your target. How do you handle that? That’s the job of a case worker, his entrepreneurship, like running a shop.”* Quality control employee social assistance agency 1

In another interview a case worker observes that the mentality in the social assistance agency has become more *businesslike*:

*“How you approach things has become more businesslike. In 2000 the culture was softer in the sense of: ‘Well, I feel pity for that person and hence I don’t take harsh measures’. What you see too is that a new type of colleague has entered the organization. The old generation has either picked up the new culture or has left the organization. In 2001 and 2002 many have left: to other municipalities or to social work, to debt recuperation. Job selection is increasingly centered on service provision instead of social work. This attracts another kind of people. Not the social work type but more the businesslike service type, like you find in a bank. It is no longer feasible to focus on impediments and say: ‘Oh dear, oh dear, what a pity.’ It is now more an attitude of: ‘We recognize your impediments, but we ignore them and look at what you can do’. That shift, I mean.”* Case worker 2

In the social security agency reintegration workers have to draw up *business plans*. The manager checks the progress of those plans and discusses it with his subordinates:

*“The business plan is what matters. That determines the actions of reintegration coaches and they have to see it as such. That’s how you evaluate the actions of the reintegration coaches. In their business plans they have specified what they are going to do. The expected results are also specified in the plan. I look at them and evaluate to what extent targets are met and discuss that with them. If a reintegration coach takes action, he continuously has to think: ‘What does that mean for my business plan?’ or: ‘I see an opportunity, do I have to adjust something in my plan?’”* Manager 1, social security agency

This businesslike terminology contrasts strongly with that of the private reintegration company, where people speak of ‘procedures’, ‘timely processing’, ‘reports’, ‘enforcement’ and ‘accountability’. In this organization no individual listings of results are passed around and management does not mention ‘entrepreneurship’, ‘holding a business-like attitude’, ‘cost-benefit analyses’ and ‘business plans’.

In short: the reason why we have observed a stronger businesslike orientation in both public agencies than in the private reintegration company may be that public organizations operate in an institutional environment to a larger extent than the private reintegration company. Hence, these public agencies are under more pressure to conform to businesslike practices than the private reintegration company that operates in a more technical environment.

## **6 Conclusion and discussion**

Our first conclusion is that the implementation mechanisms operative in the implementation of welfare policy still play a major role in the new and revised policy of workfare. Under the new workfare regime, working conditions in street-level bureaucracies still influence the implementation practice at the street-level. Seen from a policy perspective, this does not have to be a problem as long as the outcomes are in line with the goals of reintegration and activation.

Our second conclusion is that the transition from welfare to workfare does not automatically imply a shift from a bureaucratic to an outcome-oriented implementation style. On the contrary, the principal-agent problems which are invoked by the outsourcing of workfare policy to private reintegration companies have reinforced bureaucratic tendencies. This is the unintended consequence of the policy of public organizations to prevent opportunistic behavior by private reintegration companies. Partially contracting back in does not seem to terminate this mechanism: the implementation style of the private reintegration company in our study is still mainly bureaucratic.

Our third conclusion is that outcome-oriented implementation in general has increased. This and previous research shows that focus on outcomes stimulates selection in the implementation of workfare policy. The stronger the selection of the most suitable client, the stronger mechanisms of creaming and the less support clients get who need it most. It seems that in the Netherlands creaming is more prevalent in public agencies than in private companies, because the latter organizations are controlled more intensely than the former.

International comparative research (Jewell, 2007; see also Jewell, 2007) also shows that the extent to which selection mechanisms occur is variable. Unwanted selection occurs more and more as work conditions under which workfare policies are implemented are unfavorable. The American – liberal – welfare state provides the least tailor made services,

the Swedish – social-democratic – the most, and the German – conservative – takes an in-between position. This observation can be explained because street-level bureaucrats in the United States have the least organizational means at their disposal, are under pressure of budget-cuts, are confronted with high workloads, have a lack of training and have to cope with little facilities for clients. Furthermore, they have legally the least discretion to offer tailor made services. In Sweden and Germany, the law provides more room to take the needs of clients into account and street-level bureaucrats are better educated to facilitate clients. However, the organizational possibilities of German front-line workers to be responsive stay behind in comparison with their Swedish colleagues. Seen from this perspective the quality and effectiveness of workfare policy implementation – measured in the extent to which front-line workers provide made to measure services – is dependent on the means that front-line workers have at their disposal and the available discretion to use those means in favor of the individual need of the client. In the Netherlands front-line workers have large discretion – especially front-line workers of public agencies – and budgets for reintegration and activation are extensive. In the Netherlands for example 40% of the expenses for social assistance in 2009 is used for activation and reintegration. This justifies the last but cautious conclusion that the large available budget for the implementation of workfare policies in combination with the large allocating role of public agencies limits extreme selection of clients which would be contrary to the goals of workfare policies.

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