

# ORGANIZING REGULATION IN A MULTI-ACTOR SETTING: LABOR INSPECTIONS IN A FEDERAL STRUCTURE.

Second draft

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## INTRODUCTION

This paper explores effects of interdependence between actors in complex interorganizational networks. In recent years, the regulation literature has reported a marked increase in the complexity of regulation. New regulatory organizations have emerged, out of a hiving off from existing organizations (Jordana and Levi-Faur 2004). The increase of the number of regulatory bodies is the result of two kinds of specialization. *Horizontal specialisation* is ‘the splitting of organizations at the same administrative and hierarchical level... and assigning tasks and authority to them’ (Laegreid et al. 2003:1). Whereas different stages of the policy cycle (policy preparation, implementation, evaluation and audit) used to be concentrated in single bureaucratic organizations, these stages are now separated and assigned as specific tasks to different organizations. *Vertical specialization* is ‘differentiation of responsibility on hierarchical levels, describing how political and administrative tasks and authority are allocated between forms of affiliation’ (Laegreid et al. 2003:1). This refers to the creation of semi-autonomous agencies that are placed at arm’s length of the core government bureaucracy. In addition, vertical specialization indicates that authority has been dispersed from central states towards multiple levels of government. National states have delegated authority to subnational (e.g. regions) and supranational levels. As a result of specialization, sectors are now governed by multi-actor and multi-level constellations of relatively small and highly specialized government organizations.

However, the rise of such constellations may pose some challenges with respect to the effectiveness of regulation, both on a systemic level and the organizational level. On a systemic level, the increase in the number of regulators has been associated with fragmentation and siloization, meaning that organizations become confined within their own boundaries and are unaware of the mandates other organizations (Gregory 2006). This may lead to a duplication of tasks and high administrative costs for regulatees. Hence, ‘better regulation’ reforms have sought to reduce such administrative costs and may

countries have installed new co-ordination mechanisms to reduce fragmentation (Bouckaert et al. 2010, Hampton 2005, Rommel and Verhoest 2009).

On the organizational level, fragmentation, as well as the subsequent network co-ordination mechanisms, may affect the discretion of single actors in the system. When actors have overlapping functions and share competencies with others, the capacity of single regulators to intervene is constrained by the mandate and powers of other actors in the arena. Actors become dependent upon each other, whereby decisions of bodies have an impact on the matters that are also the object of the decisions of other bodies. One actor is no longer capable of fully determining a certain outcome, since the range of options may be constrained or shaped by the decisions of other actors. This mutual dependence creates a need for single actors to interact with other organizations and to develop inter-organizational relations.

Previous research has looked at the independence of regulators, whereby autonomy from politicians is regarded as an instrument to increase the credibility of regulation (Majone 1994). However, a dependence perspective suggests that, in order to get a full picture of the actual autonomy of organizations, research should also study the effects of horizontal relations between regulatory bodies. The discretion that is granted by ministers to single organisations, could be hollowed out if this organisation is at the same time obliged to co-ordinate its actions with other organisations. Therefore, by drawing on the concept of interdependence, this study aims to investigate how the discretion of a regulatory body is affected by other regulators in the constellation. The empirical material comes from a case study of the Flemish inspectorate for employment. Specifically, the objective of the paper is to describe the extent of autonomy from the inspectorate vis-à-vis the minister, to map task divisions between the inspectorate and other actors in the field, and to identify how these task divisions result in interdependencies and to explore how these dependencies affect the autonomy of the regulator. It is argued that knowledge about such dependence relations has a wider relevance for the study of the autonomy and the behavior of regulators.

The paper proceeds with explaining some central theoretical concepts like regulatory constellations and interdependence. Next, we briefly discuss the methodology and introduce the case-study. We proceed with the findings and end with a discussion and conclusion.

## **THEORETICAL FRAMEWORK**

### ***Multi-actor multi-level actor constellations***

Regulatory bodies are involved in several tasks: translation of general policies in more concrete norms and standards (e.g. standards of interconnection); application of these norms in individual cases via

licenses and permits (e.g. building permission, license for supply or approval of technologies); monitoring compliance (e.g. inspections) and enforcement (e.g. application of sanctions and rewards) (Hood et al., 2001). Thus, regulation is conceptualised as a bundle of tasks, where the output of a preceding task forms the input for the following task. Although a regulatory regime normally includes all tasks, the literature has argued that these are often spread across several organisations. An essential feature of the ‘regulatory state’ (Majone 1994, 1997) is its reliance on indirect government, where powers are delegated to a complex web of specialized organizations. In order to signal credibility, the ‘regulatory state’ involves a separation of tasks, where regulatory activities are separated from policy. A second split is the separation of operational tasks and other tasks, with the former being allocated to newly-created organizations, with varying degrees of independence (Scott, 2004: 148; Christensen & Lægneid, 2005: 11). Furthermore, the national state increasingly shares authority with subnational and supranational actors, leading to a system of multi-level regulatory governance (Doern & Johnson, 2006).

This separation of tasks has resulted in a proliferation of actors. The new regulatory institutions do not entirely replace the old ones. Rather, some tasks are hived off from existing institutions and are allocated to these new forms, so that the latter are embedded in institutional settings that were created in previous periods. The accumulation of different institutions with the capacity to intervene has made decision-making in regulatory policy more complex than in traditional interventionist policies. Whereas regulation used to be concentrated in large bureaucracies, it now involves a myriad of highly-specialized organizations, where each organization has its own legal mandate and its own goals (Jordana & Sancho, 2004: 296). Specialization implies that tasks are split up into subtasks and only a few subtasks are allocated to each actor. Hence, there is now ‘regulation in many rooms’ (Black, 2003: 2). Regulation is no longer shaped by individual organizations, but by entire ‘institutional constellations’ (Jordana & Sancho, 2004) or regulatory ‘regimes’ (Doern et al., 1999; Hood et al., 2001; Hall et al., 2000).

A ‘constellations perspective’ implies that the bundle of tasks (i.e. rule-making, licensing, monitoring, enforcement) is no longer performed by a single organization. Although all components should still be present in a specific sector, it is likely that tasks are spread across several bodies (Hood et al. 2001). Hence, regulations will be the product of the interplay between multiple organizations (Scharpf, 1997): ‘In order to both describe and prescribe for the regulatory system, a focus needs to be placed on the actors involved, on their regulatory capacities, and on how they are enrolled within a regulatory system’ (Black 2003: 2).

### *Interdependence between actors in constellations*

Several perspectives on interdependence have been developed. Emerson's (1962) classical theory of power relations argued that social relations between two actors usually entail ties of mutual dependence between them. Actor A depends on B if A aspires to goals whose achievement is facilitated by actions of B. By virtue of mutual dependency, each party wants to be able to control or influence the other party's conduct. Emerson (1962:32) defined the dependence of A on B as being "(1) directly proportional to A's *motivational investment* in goals mediated by B, and (2) inversely proportional to the *availability* of those goals to A outside of the A-B relation." Hence, the dependency of A on B is defined by two factors. The first factor is the value that A places on the goal for which an action of B is imperative. If the goal is very important for A, then his dependence on B is larger if than the goal would have no importance at all. Second, when A can turn to another actor instead of B to perform the action, A will be less dependent than when there are no alternatives available. According to Emerson, the dependence of one party provides the basis for the power of the other, so that "the power of A over B is equal to, and based upon, the dependence of B upon A" (p.33).

Interdependence may be derived from task inputs, such as the distribution of resources needed to perform a task. In the context of public administration, interdependencies are created by the institutional norms (e.g. laws defining task divisions between bodies) that constrain the resources of the actor. There are several types of resources (Koppenjan and Klijn, 2004). Financial resources refer to money or funds (subsidies, funds, fiscal capacity). If financial capacities of government actors are limited, they may be forced to collaborate. Production resources refer to the availability of personnel. Knowledge refers to expertise regarding new developments, information on behavior of the regulatees,... which may be dispersed across multiple bodies. According to Voets (2008) competencies are arguably the most important resources in the context of public administration. 'Competencies' refer to the formal authority to decide, regulate, grant or prohibit certain behaviour. Interdependence may arise when organisations need to co-decide or consult with others (in the case of shared competencies), or when other organisations can place veto's or overrule decisions. The distribution of resources may lead to several kinds of interdependence (Benson, 1975; Thompson 1967). Pooled interdependence refers to resources combined into a shared pool to achieve a common strategic goal. This implies that actors are in a more or less coherent organizational structure in which they contribute to a joint purpose. The second type is sequential interdependence and indicates that one activity is required before another activity can be done. The third type is reciprocal interdependence and holds that each unit is simultaneously dependent on the other because its outputs are the other's inputs. All types of dependence necessitate interaction and collective action among multiple actors before a task can be performed (Wageman 1995:146). Whereas pooled interdependence is the least complex and does not require explicit bargaining, sequential

interdependence is considered more costly in terms of coordination. Reciprocal interdependence is even more interactive and requires ongoing mutual adjustment by both actors and continuous adaptation to each other's circumstances (Voets 2008).

Sometimes this interaction may even be strategic. Emerson emphasized the reciprocity of social relations, so that two actors A and B will always be mutually dependent on each other. Hence, while actor B may have a power advantage over A, because of A's dependence on B, actor B will also be dependent upon A, albeit to a lower extent. Actor A may then engage in 'balancing' actions, where he attempts to bring the power of B over A more in balance with A's power over B. Based on the two dimensions of power dependence, Emerson identified several possible actions. First, actor A could reduce his motivational investment in the resources held by B. Second, A may seek alternative sources other than B to acquire the resource. The power network is then extended by the formation of new relationships. Third, if two actors are both dependent on a third actor, they can form a coalition, this is uniting into a single actor that deals with the third actor. Whereas the second strategy reduces the power of the stronger actor, the third strategy is aimed at increasing the power of the weaker actors through collectivization (Emerson 1962: 37). Furthermore, resource dependency theorists (e.g. Pfeffer and Salancik 1978; Pfeffer 1982, 1987) have developed a whole catalog of organizational responses to interdependence. In theory, A could not only balance the relation with B by reducing his dependence on B (i.e. seeking alternative resources), but also by increasing the dependence of B upon A, given the reciprocity of social relations. In sum, research on interdependence has suggested that actors are at least boundedly rational, meaning that they are generally aware of their interdependence on other actors. They are aware of which actors they are dependent from and will respond to and even anticipate the moves of those other actors. They will respond to the rules set out by the institutional structure (i.e. co-ordinating when this is required by the legal task division), while still aiming to realize their goals. Although actors are not omniscient, they can be expected to actively pursue their preferences with intentional action (Scharpf 1994; 1997).

## **METHOD**

The data was collected using using a case study. Since we wanted to know how the autonomy of regulators is affected by specialization and fragmentation, a case study of organisations who are involved in only one regulatory task (i.e. high extent of specialization) seemed appropriate. Furthermore, the focal organisation needed to be a part of a larger regulatory landscape, where multiple bodies are involved and where task divisions are complex (high fragmentation). In Belgium, the field of employment policy and regulation of the labor market is a complex sector, where multiple levels of government are active (Rommel et al. forthcoming). Some tasks are separated between levels

of government, but others are shared tasks, which may lead to fragmentation. The study focused on inspectorates, which are specialized as they are active only in the monitoring of the compliance to rules. They have no formal competences in rule-making, licensing or sanctioning. Notwithstanding, they may be considered as a crucial part of any regulatory system (Boyne et al. 2002). Hence, the Flemish regional inspectorate *Inspectie Werk en Sociale Economie* was selected as the focal organization of the study.

Two sources of data-collection were used. First, official documents (legal statutes, annual reports,...) were used to map the relevant actor constellation and examine the formal task divisions between regulators, as well as the formal co-ordination mechanisms in place. Second, we performed 22 semi-structured interviews with the top managers of the most relevant actors on the Flemish level (licensing bodies, inspectorates, members of ministerial cabinet, policy division of the ministerial department) and on the federal level (social inspectorates). Questions were centred around several clusters of subquestions (e.g. perception of fragmentation in the sector; perception of autonomy; presence of formal and perception of actual co-ordination mechanisms). Finally, the researcher attended meetings of one local district cell (cfr. infra).

### ***Introduction of case***

The ‘Inspectorate of Employment and Social Economics’ (*Inspectie Werk en Sociale Economie*) hereafter IWSE, is responsible for monitoring the compliance of private firms and citizens to employment regulations produced or applied by the Flemish government. It is a part of the ‘policy domain of Employment and Social Economics (*Beleidsdomein Werk en Sociale Economie*), which consists of one ministerial department and four autonomous executive agencies. The executive agencies are responsible for executing the employment policy, for instance by providing job counselling to the unemployed (*Vlaamse Dienst voor Arbeidsbemiddeling (VDAB)*) or by providing several kinds of subsidies to stimulate employment, notably in the social economy (e.g. employment of disabled persons, minority groups) (*Subsidie-agentschap Werk en Sociale Economie* and *Europees Sociaal Fonds-agentschap*), or by providing training for beginning entrepreneurs (*Syntra Vlaanderen*). All executive agencies are also active in granting licenses to citizens and firms, for instance working permits to foreign non-European employees (*Subsidie-agentschap*); licenses for interim labor offices (*Vdab*); licenses for grantholders of the European Social Fund (*ESF-agentschap*) or licenses for trainers of entrepreneurs (*Syntra*).

The ministerial department (*Departement Werk en Sociale Economie*) consists of two divisions, the policy division (*Afdeling Beleid*), which is responsible for preparing the Flemish employment policy (e.g. drafting new laws, developing new stimuli or subsidies to increase employment). The other division is IWSE, which performs the inspections for all licenses or permits that are granted by the executive agencies. On-site inspections can be initiated in two ways. First, they may be requested by

other bodies such as licensing bodies or other inspectorates, for instance after these have received complaints of other firms or of employees of the specific firm. Sometimes the licensing bodies suspect fraud, but they depend on IWSE to perform the inspection, since only these inspectors have the right to demand insight in documents. However, the inspectorate can also take initiatives itself and perform so-called ‘spontaneous’ inspections.

The policy domain is governed by two ministers, currently from two different political parties: the minister for Social Economy (mainly overseeing the ESF-agentschap, Subsidie-agentschap and department) and the minister for Employment (mainly overseeing VDAB, Syntra, Subsidie-agentschap and department). Hence, IWSE has two political principals.

IWSE currently has a staff of 43 FTE (IWSE 2009), of which 34 are full-time inspectors. Its central office is located in Brussels, where its management and secretariat is located. Most inspectors are located in one of five provincial offices. The staff size of IWSE has been subject to significant changes over the last years, following an expansion of its mandate. In 2005, the body had 21 FTE. The most important change came in 2006, when a large-scale reform of the Flemish administration, named *Beter Bestuurlijk Beleid*, brought about a significant reshuffling of competencies between organizations. In the sector of employment policy, four semi-autonomous executive agencies were created. Whereas these bodies used to be active in multiple tasks, agencification implied a separation of execution of policy from other tasks (see also Spanhove and Verhoest 2008; Verschuere 2006). All tasks related to monitoring were hived off from the agencies and were allocated to the IWSE. By virtue of its new exclusive competences acquired after several federalisation processes, the Flemish government has developed new measures to increase private employment in the region. Some of these measures, notably subsidies, appeared to be vulnerable for fraud, so that increased oversight was deemed necessary. Furthermore, since the 1993 reform of the state, known as the *Sint-Michielsakkoord*, regional inspectorates had gained some competences regarding the employment of foreign employees, creating a need for new resources.

The activities of IWSE are shown in Table 1. Competences regarding the control of the labor market in Belgium are mostly split between either the regional or the federal level. IWSE is competent to monitor the compliance to the laws and subsidies over which the Flemish government has exclusive competences. In Table 1, activities 2 until 9 represent permits or subsidies that are granted by one of the four Flemish executive agencies. Whereas regions are mainly involved in increasing employment in the area, the federal level is competent for issues such as labor law (salaries, contracts, labor conditions, health and safety in the workplace), the application of unemployment legislation (lay-off schemes) and social security payments of employers. The federal exclusive competences are shown in Table 2. An exception to the general principle of dual federalism is activity 1 in Table 1. The

legislation regarding non-European foreign employees is a shared task, where both the regions and the federal level are competent. This task represents the highest proportion of inspections for IWSE.

[Insert Table 1 here]

[Insert Table 2 here]

## **FINDINGS**

### ***Relations with minister***

#### **Operational autonomy**

The fact that IWSE is a division of a ministerial department is somewhat unusual. The Beter Bestuurlijk Beleid-reform envisaged that inspection tasks would be allocated to newly-created inspection agencies. The need to create an agency was based on the need to signal a clear separation between licensing or subsidization on the one hand and inspection tasks on the other hand. In addition, independence from political influence, through autonomization, was regarded as a prerequisite for an impartial judgment of inspectors (see Memorie van toelichting kaderdecreet BBB 2003: 19). Hence, in several sectors, specialized inspection agencies have been created. However, IWSE has been kept as a part of the ministerial department. The main argument relates to the size of IWSE, which would lack the scale needed to make it a separate organization (21 FTE in 2005). Since all executive agencies are involved in licensing or providing subsidies, the inspectorate was added as a separate division to the ministerial department. As such, we would expect IWSE to have a low extent of autonomy.

Notwithstanding, there is a clear need for autonomy from other actors, notably from ministers and licensing agencies. Inspectors especially emphasized the need for *operational policy autonomy*, i.e. the control of specific firms. The need for autonomy is both *ex ante* (selecting which firms will be controlled) and *ex post* (deciding whether infractions found during the control will be prosecuted). In order to safeguard this autonomy, a revision of the decree on the IWSE has given the inspectors far-reaching competences (Vlaams Parlement 2010a). During a control, they are legally mandated to demand access to any privately or publicly-owned building, if they feel it is necessary to perform their job. If necessary, they can call for assistance from the police. During the on-site control, they may interrogate employees and employers, and demand access to any relevant documents. In case they find an infraction, they have several tools at their disposal, such as providing information to the controlled firms on how to put them in order with the regulations; issuing a warning and performing a follow-up control; or writing an official report (*pro justitia*) which lists all infractions and is sent to the prosecutor's office. Inspectors may also inform the licensing agency and recommend the withdrawal of the permit.

All actions can be done ‘without any kind of pre-notification’ (art.7 1°). Inspectors can initiate a control without having to inform any other actor in advance. This passage in the law has been interpreted very strictly, so that it does not only entail independence from the controlled firms but also from public actors such as licensing agencies and the minister. Hence, the inspectors are not required to inform their minister of an upcoming control, nor should they ask permission to the minister to perform the control. This implies that the minister can not prevent IWSE from doing a control (*negatief injunctierecht*). However, they can instruct IWSE to perform a control (*positief injunctierecht*), although this seems to happen only rarely.

This operational autonomy is considered as essential by all respondents and appears to be high in practice. Respondents seem convinced that, if ministers would give instructions to inspectors regarding individual decisions, this would create a reputation of a biased inspectorate. Respondents believed that regulatees would associate a high political influence with protecting particular private interests, and to the extent that ministers would try to protect some firms from prosecution, ministerial interventions would even be associated with corruption. Hence, ministers should refrain from giving instructions regarding the daily operations of IWSE. As a former cabinet member said:

*At the time, we had the impression that we were very much involved in the execution of policy. Compared to other ministerial cabinets, we steered our administration very intensively: where do we want to be in six years; how can we get there; what measures are needed and how will we execute them? We pushed very, very heavily there. But inspections, that is something different. It has always been our baseline that politics has to stay out of it. Inspectorates are a critical voice and the only way to maintain this criticism, is when it can operate independently.*

### **Steering of daily operations**

The inspectorate has relatively little direct contact with the ministerial cabinet. About every two months, the head of the inspectorate has an informal meeting with members of the ministerial cabinet, to discuss operational matters. IWSE reports how many firms have been controlled, and which infractions have been found. They also inform the cabinet of their general planning for the next months (which sectors they will focus on, how many controls they aim to perform, which legislations will be monitored more closely). In turn, the minister’s staff may request certain specific controls, by passing on complaints that the minister has received from citizens or employees of a specific firm.

### **Strategic autonomy**

Once a year there is a strategic meeting between the inspectorate and the ministerial cabinet. Unlike the bi-monthly operational meetings, the minister usually attends these strategic meetings personally. They are mostly held in October, when IWSE has drafted its annual report. The draft is used to discuss the results from the current year (number of controls, number of infractions), the priorities for the next

year and the implications for the management of the inspectorate (e.g. budget, staff size). These strategic meetings are very interactive. IWSE proposes so-called ‘strategic tables’, containing a general workplan based on estimates of how many controls can be performed for each activity in Table 1. These estimates are made using parameters such as the available FTE, the time required per control, an estimate of how many requests for controls will be made by other actors, the number of controls required in legal texts, and a risk assessment of which sectors have a potentially high number of infractions). The minister comments on these strategic tables and may ask to alter some objectives (e.g. perform more controls for a particular regulation) or to add new priorities (e.g. include other sectors). However, these comments should not be regarded as purely hierarchical instructions. Rather, the meetings take the form of open discussions. Because the discussions are based on the documents produced by IWSE, it has some leeway to identify new strategic objectives:

*Those proposals are made by us, and only by us. Basically, it is purely mathematics: how many resources do we have; how many inspectors do we have; how many time do we need for one specific control? And then we extrapolate to estimate how many controls we can do in the following year. We don't just say how many controls, we also say in which sectors, where and why we need those controls. That kind of risk assessment, this is something that the inspectorate must do on its own. Of course, once the strategic tables are made, we give it to the minister, and we can adjust during our discussion with the minister.*

At the same time, IWSE does seem to accept comments from the minister and tries to incorporate them in the work plans, as long as these requests do not relate to specific firms:

*Sometimes the minister will say: ‘I don't agree with that’. And then we will look for an alternative. Or sometimes he can say: ‘you have so many controls of activity X, but why only so few controls for activity Y?’(...) You must let the politicians have at least something.*

### **Contact with the minister**

IWSE has relatively little direct contact with the ministerial cabinet. The ministerial cabinets have contacts with the policy division of the department and with the executive agencies almost on a daily basis, concerning operational topics. It also has weekly meetings with the secretary-general of the ministerial department. Sometimes the minister instructs the executive agencies to contact IWSE when criteria in existing laws are unclear, or when new laws are being drafted.

There may be several explanations for the low frequency of direct contact. First, the need for operational autonomy may explain why operational meetings are relatively scarce. There is a general idea that the inspectorate should be ‘left alone’ and should plan its daily operations entirely on its own.

Second, the current Flemish government has decided to reduce the number of personal staff for each minister. Large ministerial cabinets were considered as an inefficient overlap with the administration, causing distrust between politicians who keep policy preparation for themselves, and the administration. (Commissie Effectieve en Efficiënte Overheid 2008). Currently, there are only two FTE in the ministerial cabinet for social economy, who are responsible for preparing the policy and monitoring three executive agencies and the administration. Hence, the cabinet simply lacks the time for having frequent meetings with all actors. However, this does not explain why some bodies have more direct access to the cabinet than others. Whereas IWSE has a considerable extent of autonomy to implement existing policy, it is not involved in discussions on new policy. Because of their limited capacity, cabinets tend to spend their time more on the evaluation of current policy and the preparation of new policy, rather than controlling the execution of policy. The executive agencies seem to be considered as having more knowledge about the needs of target groups than the inspectorate. In addition, the output of the executive agencies may be more salient because they decide on the actual spending of subsidies.

However, in some cases, IWSE and the minister have much more direct contact. First, IWSE has very frequent direct contact when certain issues become salient in the media. For instance, when recent media reports (Delepeleire 2010) found that certain interim labor offices do not send immigrants to client firms, upon these firms' own request, the minister consulted IWSE how the number of controls of these interim labor offices could be increased.

In addition, there was very close interaction during the last two years in order to professionalize the inspectorate. Until 2007, IWSE was a very small organization with only 17 inspectors. It was considered as having weak competences and as having a low expertise. Its selection of controls was based on a random sample of the population of regulatees and on legislation that required periodic controls of certain target groups. However, in 2006, the *Beter Bestuurlijk Beleid*-reform gave additional tasks to IWSE that used to belong to the executive agencies, notably the control of employment subsidies. In addition, the combat against social fraud became more salient after the establishment of the SIOD on the federal level (cfr. infra). This body was responsible for increasing the co-ordination among social inspectorates and for developing a common strategy to combat social fraud. Finally, the combat against social fraud was increasingly regarded as a means to increase the state's revenues, without having to raise taxes. Hence, investing in social inspectorates was deemed necessary to avoid tax evasion or to reclaim evaded taxes. The minister and IWSE had frequent meetings on how the position of the inspectorate could be strengthened. First, the staff of the inspectorate was doubled. Second, a new decree for social inspectors was drafted to increase the mandate of IWSE. Analogous to the federal law for social inspectors, IWSE's inspectors are now competent to interrogate persons and to demand access to all private documents that they deem

relevant (Vlaams Parlement 2010b). In order to improve IWSE's expertise, a new legal division was established in the department. In the short term, the division was intended to serve as a helpdesk that could be consulted by IWSE in case of doubts regarding the interpretation of certain laws or decrees. In the long term, this division should also draft revisions of these laws in order to increase their enforceability, based on comments made by IWSE. Fourth, the minister required IWSE to develop comprehensive risk assessment systems so that controls would be more targeted to high-risk companies. Fifth, additional resources were made available to set-up electronic databases. Sixth, IWSE was required to draft periodic strategic plans. Finally, in order to strengthen the strategic expertise of IWSE, the minister started political negotiations with the federal minister of employment. The SIOD law initially attributed all strategic decision-making in the SIOD to the federal inspectorates. The Flemish government tried to convince the federal minister to allow the regional inspectorates into the decision-making bodies as well. These negotiations are still ongoing.

All in all, respondents from ministerial cabinets and from IWSE seemed to rate IWSE's autonomy quite high. In addition to its policy autonomy (high extent of operational autonomy and moderate extent of strategic autonomy), the manager of IWSE indicated to be satisfied with the extent of management autonomy that the organisation has.

### ***Federal-regional relations: employment of foreign employees***

#### **Need for co-ordination**

The monitoring of the employment of foreign employees is part of a larger package of competences related to combating illegal employment (*zwartwerk*) and social fraud in general. This package consists of 4 types of activities, as shown in table 3.

[Insert Table 3 here]

The combat against illegal employment is mainly an exclusively federal competence and the regions are only involved in monitoring the employment of non-European foreign employees. However, this activity consists in itself of 5 subtasks, for which the regional level is involved in only one (*arbeidskaarten*). Although it is only a small portion of the combat against social fraud, the control of licenses of foreign employees is very important for IWSE, because it accounts for the highest proportion of controls (Table 1).

The task division between both levels is shown in Figure 1. The legislative competences (i.e. determining the conditions on which working permits can be obtained and the procedures that must be

followed to request a license) rest exclusively within the federal level (Kamer van Volksvertegenwoordigers 1999). On the contrary, the application of the law on individual cases (i.e. determining whether a specific applicant should be granted a working permit) rests exclusively within the regional level, based on the criteria set out in the federal law. However, the monitoring of compliance to the law (i.e. controlling whether applicants who received a working permit still comply to the legal criteria) is a shared competence between the federal and regional level. After the 1993 *Sint-Michielsakkoord* reform of the state, the general oversight over foreign employees was maintained as a federal competence, but ‘infractions can also be ascertained by regional inspectors’ (Kamer van Volksvertegenwoordigers 1993, art.2, §8). This implies that all four federal inspectorates and IWSE can perform controls in Flanders, either through a joint action or alone. Inspectorates have no competences regarding enforcement. In general, three kinds of sanctions are possible. When inspectors decide to write a *pro justitia* report, they have to send it to the prosecutor of the labor court (*arbeidsauditeur*). This magistrate decides autonomously whether the firm is *brought to court*. If the magistrate decides not to prosecute, the report is sent back to the federal ministry, where a separate division (not the inspectorates), can decide to impose an *administrative penalty* on the firm. A third possible sanction is that inspectors send the report to the executive agencies, who may retract the license/permit of the firm, or may reclaim the subsidy that was wrongfully granted. IWSE can only advise the agencies to retract the permit, but the final decision is taken by the licensing body alone.

[Insert Figure 1 here ]

### **Formal co-ordination in the employment of foreign employees**

The need for increased co-ordination between the inspectorates regarding social fraud became evident first after a report of the European Commission (1998) stressed that member states are increasingly confronted with similar problems, such as the influx of illegal employees from non-EU countries. According to this report, member states would only be able to counter these problems if they developed a global strategy and co-ordinated their actions. For Belgium, this implied that a federal body needed to be created, in order to maintain contacts with other member states and to co-ordinate between Belgian inspectorates (see SIOD 2007: 82).

To this end, two bodies were established in 2003: the ‘Federal Council for Combating Illegal Employment and Social Fraud’ was responsible for making strategic plans to combat social fraud, while the ‘Federal Co-ordination Committee’ was responsible for implementing these strategic plans. However, the responsibilities were not well delineated between these bodies and both wanted to be involved in strategic planning and in implementation. This resulted in continuous turf wars and in

2006, they were eventually replaced by the '*Sociale Inlichtingen- en OpsporingsDienst*' (SIOD). This organization is now responsible for improving the co-ordination between all inspectorates that have some competence regarding social fraud. The inspectorates remain separate bodies but they adhere to a common strategy developed by the SIOD. It serves both as a forum for the exchange of ideas and as a vehicle for bundling inspections between multiple organisations.

The SIOD consists of three bodies. The daily operations are managed by the 'Federal Bureau' (*Federaal Aansturingsbureau*), which is responsible for making the strategic and operational plans for the next year, as well as for monitoring the execution of the current plans. These plans specify the total number of inspections that all social inspectorates, federal and regional, have to carry out in the following year. This includes selecting which sectors are prone to fraud and that need to be strictly controlled (strategic plan), as well as setting specific targets for inspection teams (operational plan). The 'General Council of Partners' (*Algemene Raad van Partners*) advises the federal bureau regarding the strategic and operational plans, although the final decisions are made by the bureau. The council has a broad membership, consisting of the four federal social inspectorates, the regional social inspectorates and eight other federal ministries and inspectorates. Membership of the federal bureau is restricted to the four federal social inspectorates; the regions are not represented. The bureau has some staff of its own in order to monitor the local district cells.

The third body, the 'Local District Cells' (*Arrondissementele Cellen*) are the operational heart of the SIOD. Each judicial district has its own cell, amounting to a total of 23 cells (12 in Flanders, 1 in Brussels and 10 in Wallonia). All cells are competent to perform inspections, called 'actions', in all matters of Table 3. These cells are obliged to perform at least two joint actions each month. In practice, there is some diversity between the cells with respect to the number of joint actions. The cells produce reports on their activities and send them to the bureau of the SIOD. Each cell consists of members from the four federal inspectorates, a representative of the SIOD bureau, a representative of the regional inspectorate and of the federal police. Whereas the federal inspectorates are a member of all cells, the regional bodies can only be a member of the cells in their region. Each cell is chaired by a prosecutor of the labor court (*arbeidsauditeur*). After a control, the inspectors write a report, listing all infractions and send these to the prosecutor. At least once a month, a core committee of each cell (*GRI- Besloten groep voor regionale interventie*) meets informally, in order to plan the actions for the coming month and to evaluate actions of the previous month. These meetings are intended to organize the implementation of the annual action plan of the cell, that was made by the SIOD-bureau.

### **Position of IWSE in SIOD**

The 2006 law (Kamer van Volksvertegenwoordigers 2006 art. 313) establishing the SIOD structure allowed for the regional inspectorates to become a member of the general council of partners. However, the council remains a weak body compared to the bureau. In order to avoid turf wars that were created by the 2003 law, the 2006 law allocated all strategic and operational decision-making capacity to a single body, the federal bureau. In addition, the bureau is a permanent body, whereas the council meets only twice a year. The Flemish government has requested to be included in the bureau but the federal inspectorates have repeatedly refused this, because the control of working permits of foreign employees is only a small portion of the tasks of the cells, as these control all aspects of social fraud. If the regional bodies would be allowed into the bureau, they would be able to co-decide on issues for which they have no constitutional competences.

However, the bureau has a considerable power over the district cells. First, in writing-up the strategic plan for the following year, it prescribes the total number of inspections that all cells must minimally perform that year, being roughly 10,000 controls for 2010. The bureau determines for 50% in which sectors these controls should take place. The allocation of inspections over sectors is based on a risk management system developed by the bureau, drawing from statistics of inspections of previous years to determine which sectors pose the highest risks for fraud. In practice, these 5,000 controls refer mostly to sectors like construction, restaurants, retail, cleaning firms and garages (SIOD 2008b: 7). The other 5,000 controls are free to choose for the cells, because it is assumed that each local district may have its own specific risks (e.g. employment of foreign sailors in cities with ports). These total numbers are then divided proportionally amongst all cells, so that cells in larger cities must perform more inspections than small cities. Hence, at the beginning of the year, each cell receives a minimum total number of inspections that must be carried out, as well as a minimum number of controls for certain high-risk sectors. The cells are autonomous in deciding how these targets are met, i.e. selecting which firms are being controlled. In addition, they can choose in which sectors they perform the other 50% of the controls. In return, the cells must produce reports on their activities and send these statistics as input for its risk assessment for the next year.

The weak formal position of the regional bodies in the SIOD is also reflected in the district cells. At first, the cells were reluctant to allow IWSE as a member. IWSE had requested to become a member 2006, but initially only 6 out of 12 cells responded. The inspectorate repeated its request in 2007 (IWSE 2007: 10) and, from 2010 onwards, is involved in 11 cells. However, it is not always involved in the planning of the actions. The law of 2006 makes an explicit distinction between the cell (which carries out the on-site inspections, at least two days a month), where the regional inspectorate is a full member; and the GRI (core group within each cell that meets once a month to plan and evaluate controls), in which the regional inspectorate is absent. A second reason why regional inspectorates

have a weaker role than federal bodies is that a control by members of the cell is only recorded as an official 'action' in the activity reports of the cell when at least two bodies participate in the control, whereby at least one of those bodies must be a federal inspectorate. A respondent notes:

*Suppose I plan an action of the cell with respect to the employment of foreigners. Not about salaries or employee rights or anything, but really about our core topic. If I ask the [federal inspectorate] to join, then it's ok. If I ask the same body, and assistance from the police, or from other bodies, then it's ok as well. But if, for some reason, the federal inspectorate does not show up at the time we agreed, then it doesn't count as an action of the cell and it's not recorded in the statistics, even when I and the police are present. But if that same federal inspectorate performs a control of their own, assisted by the police but without inviting us, it will always count as an action of the cell.*

A third reason why the IWSE is not very visible in the cells is related to its limited competence. Whereas IWSE is only competent to perform controls on the employment of foreigners, on-site inspections usually relate to multiple infractions (e.g. safe work environment, salaries,...), for which it is not competent. In order to limit the number of reports, the prosecutors of the labor court have requested to receive only one report per inspection, listing all infractions in the same document. However, when other infractions besides foreign employees are discovered, it is up to the federal inspectorate to write the report. Hence, in addition to the low number of initiated actions, the IWSE is not able to produce many reports (Pacolet and De Wispelaere 2008: 50-51).

In order to assess risks and to analyze patterns of infractions, both the regional and the federal inspectorates use several electronic databases. For instance, they all have developed inventories listing all permits that have been granted in the areas for which they have a competence to control. The most extensive databases have been developed at the federal level, since these inspectorates are competent to control all aspects of illegal employment and social fraud. Given that most competencies are shared by multiple federal inspectorates, these bodies have granted access to each other's databases (for an overview, see SIOD 2007). Examples of such shared databases are the DIMONA-database (containing all legally declared employees of each firm in Belgium) and the LIMOSA-database (containing all legally declared foreign expats in Belgium). These databases allow to detect illegal employment during an on-site inspection, by comparing the lists in the databases with the employees that are present during the inspection. Other databases are designed to improve the ex ante risk assessment, in order to determine which firms should be controlled. The GENESIS-database has been jointly developed by the four main federal inspectorates, containing multiple kinds of data (e.g. tax declarations, personnel declarations, unemployment benefits) allowing for data-matching and identifying the potentially high-risk companies. In addition, it allows to monitor the activities of the other inspectorates:

*Suppose I receive a complaint regarding a certain firm. Should I perform an inspection as a response? Well, I will first look whether other inspectorates have already carried out controls, on which topics and with which results? Or maybe they have received a complaint on the same topic as well, so then we can do the control jointly. However, if I see that another body has already performed a control and has made a report, then I don't need to go there again and I can invest my time in controlling other firms.*

Another respondent stresses the need for data-matching:

*You can see in practice that, to an increasing extent, social fraud occurs almost simultaneously with fiscal fraud. Those firms that hire employees illegally are also the ones who evade taxes. So the social inspectorates need data from the fiscal inspectorates in order to know which firms pose a higher risk, and vice versa.*

Considering the increased focus on risk management, the regional inspectorates have requested official access to the federal databases. However, since the regional bodies have no competencies in topics such as indirect taxes or unemployment benefits, they have been denied access due to privacy concerns. This hampers the ability to perform risk assessments, as well as the ability to play a more active role in the district cells. In their review of the risk management system of IWSE, Pacolet and Dewispelaere (2008, p.49) have argued that the lack of access to federal databases forms the main obstacle to initiating more actions of the cells. They depend on the “goodwill” of the fiscal administration for acquiring tax-related data on the one hand, and of the social inspectorates to acquire data from the GENESIS and/or DIMONA databases on the other hand.

### **Divergence between formal relations and actual relations**

However, the formally rather weak role of the regional inspectorates in the cells often differs from practice. The cells are always chaired by the prosecutor of the labor court of the district, and this leadership seems to determine the culture of the specific cell. Hence, “the approach towards actions varies greatly among the cells, two similar sectors or similar types of fraud can be controlled very differently in two different cells” (SIOD 2008b: 3). In sum, the extent to which IWSE is involved in the planning of the actions may be expected to vary as well, certainly given the limited role it is attributed by the law. In most cells, all members are usually invited in meetings of the GRI, so that IWSE is also able to initiate actions in these cells, and request assistance of federal inspectorates, in addition to only participating at the request of the other inspectorates. Meetings of the GRI are relatively informal, where each inspectorate communicates which firms they believe should be controlled (based on complaints, e.g. by employees or clients; on the request of other government bodies or based on their own risk assessment). Depending on the specific expertise that is required, or

a specific infraction that is expected, the other inspectorates are autonomous in deciding whether they participate in the planned control. Notwithstanding, IWSE only rarely seems to initiate an action in the cells in practice (Pacolet and De Wispelaere 2008).

Only recently IWSE actively attempts to increase its role. Regional inspectorates have a particular expertise of certain geographical areas within their region. As a Brussels inspector says:

*We are present in our cell already for a long time and we have gained a legitimate position here. It works quite well, and I feel we are often in charge, certainly when it comes to preparing specific actions in bakeries, butcheries and in Chinese stores. Also, contractors that build office buildings in Brussels often employ Brazilian workers illegally. We know where the large construction sites are in Brussels, and we know on which sites we are likely to find them.*

Another way to increase their role is to activate linkages with other actors. When IWSE's request for membership to the SIOD-bureau was denied, its minister started direct negotiations with the federal minister of Employment in 2007. Although the federal minister opposed membership for a long time, a compromise was found, where the regional inspectorate would be invited as an 'observer' to the meetings of the federal bureau from the end of 2010 onwards. Although the regions do not have a decision-making vote in the bureau, their voice is heard during the meetings and they have an advisory vote. Furthermore, regional inspectorates may form coalitions to defend the interests of regional bodies vis-à-vis federal bodies. Before meetings of the council of partners take place, the regional bodies will co-ordinate in order to make sure that at least one representative from the regions is present. After the meetings, they will also send the minutes to each other. However, this coordination is very preliminary, as it only concerns the presence at meetings. It does not entail coordinating which viewpoints will be defended in the council of partners.

### ***Relations with licensing bodies***

#### **Need for co-ordination**

After the Beter Bestuurlijk Beleid-reform, all monitoring tasks were hived off from the licensing bodies, because a clear separation between licensing and monitoring was deemed necessary. As the manager of a licensing agency states:

*We give subsidies to organisations that implement programmes to stimulate local employment, or programmes aimed at training unemployed people. My staff is really devoted to helping these organisations in the field. We want to give these organisations subsidies, but this requires that they follow the procedures to request subsidies and that they motivate their request properly. So my team*

*informs them on the requirements, and helps them in preparing the requests. We guide them, coach them. Hence, we are just not able to do any enforcement, because we are already too involved in the projects to be objective. So you need to have a separation of tasks there. Therefore, inspection is in the department, all the rest is here.*

Such an increased specialization has made inspectorates and licensing bodies mutually dependent on each other. Licensing bodies depend on reports of inspectorates before they can decide whether a specific license should be retracted. Inspectorates depend on the licensing bodies to obtain lists of which regulatees have received a license or subsidy. Licensing agencies also provide lists of those who have been denied a permit or who are still in an application procedure. Such lists form an essential input for IWSE's risk assessment. In addition, when the agencies request many controls, IWSE has less time and personnel available for spontaneous controls. As shown in Table 4, the number of spontaneous controls, as a proportion of the total number of controls with respect to the employment of foreign employees, has been decreasing over the last years. Respondents particularly considered the requests of the licensing agency (subsidie-agentschap WSE) as a constraint to the discretion of IWSE.

[Insert Tabel 4]

Although data is only available for the employment of foreign employees, respondents of licensing bodies indicate that spontaneous controls are even more scarce for other permits that are controlled by IWSE:

*Sometimes it occurs that they receive a complaint from a citizen, and they need to act fast. Then they inform us that they will perform an inspection, and they send us the report afterwards. Or sometimes when they are on-site, they may suspect infractions in neighboring companies and inspect these at the same time. But I must say, this does not occur very often.*

### **Co-ordination instruments**

Despite the mutual dependency between IWSE and the four licensing agencies, formal coordination mechanisms are surprisingly absent. There are hardly any written agreements with respect to information exchange:

*We never really felt the need for such mechanisms. I think the organizational culture is more important; and I believe that we have a strongly collaborative culture in our policy domain.*

Most interorganizational coordination seems to be informal and indirect. The top managers of the different organizations seem to know each other quite well, especially the managers of the licensing bodies and the secretary-general of the department (of which IWSE is a division):

*We see each other normally every Monday morning and we talk face-to-face (...) We have the same background and we have been around for some years. It really has become a personal relation as well.*

The top management of the licensing bodies have less direct contacts with the manager of IWSE than with the secretary-general. Contacts between these organizations occur more on an ad hoc-basis. Regarding specific controls, the separation between licensing and inspection implies that there is not much personal contact between the organisations. IWSE has set up a database for automated electronic data exchange with the *Subsidie-agentschap WSE*, called MIA. Most regulations that IWSE controls are applied by this agency. The *subsidie-agentschap* requests a control electronically and is able to monitor the progress of the request. In return, IWSE is able to access the databases of the *subsidie-agentschap*, because these are integrated into the MIA-system. Hence, IWSE no longer has to request the information it needs, but can access it directly through the MIA-system. In fact, since the MIA-application is run by IWSE, and the *subsidie-agentschap* has to use the application to monitor the progress of their requests, the agency may become dependent on IWSE. IWSE has set up similar systems with the other licensing bodies, albeit with a varying degree of complexity. By aggregating these bilateral data, IWSE may not only reduce the dependency on the licensing bodies, but may even be able to gain an informational advantage over the licensing bodies:

*It sometimes happens that an organization has gained a subsidy from the subsidie-agentschap, but it also has gained a subsidy from us, and at the same time a subsidy from a programme run jointly by us and the subsidie-agentschap. We know something about the second and the third subsidy, but not about the first since it is not our competence. IWSE is the only body that has a full picture of this organization; because they have access to the internal databases of all licensing bodies. So if they couple these separate databases, they gain a pretty powerful tool.*

On a more strategic level, IWSE negotiates to some extent with the licensing bodies on which regulations are most sensitive to fraud and need to be controlled more than others:

*There is some consultation on priorities, simply because inspectorates and licensing bodies both have a lot of regulations they need to monitor and they are both constrained because they have very limited resources. Hence, we make general agreements. For one subsidy, we currently have 60.000 records, and we expect to have much more of these because of the economic crisis. But we know these records*

*are all relatively small in size, and the risk of fraud is low. So we agreed that we do not request inspections regarding that subsidy.*

Although respondents indicated that they do not see a need to co-ordinate more closely, there are some indications that the lack of co-ordination constrains mutual relations. Licensing agencies sometimes expect a different kind of information than what they receive via the formal reports after an inspection. Whereas they claim to be mainly concerned with the societal effects of employment subsidies and regulations (i.e. the achievement of a policy goal such as the reduction of discrimination), they regard IWSE as being solely focused on the formal compliance of firms to detailed rules (e.g. checking whether documents are filled in correctly):

*Inspectors are looking for 'certainty'. They want to have very clear laws, which state explicitly and in great detail, which actions are allowed and which are not. But sometimes rules become so complex that such procedures are not manageable anymore. (...) at a certain time, we initiated a big meeting with the inspectors, because my staff was complaining about the usefulness of the reports that inspectors produced. The reports were not to the point and did not really contain the information that we requested. So we organized several meetings and made some appointments with each other afterwards.*

Some licensing agencies would like IWSE to change its working methods from a traditional compliance-oriented inspectorate towards a more audit-like body. Some recipients of subsidies, such as sheltered workshops providing employment for disabled persons, are required to adopt a quality management system. Instead of focusing on compliance to formal rules, the agencies would prefer IWSE to pay more attention to a review of these quality management systems of the shelter workplaces, and an estimation of the value for money that these subsidies have produced.

## **DISCUSSION AND CONCLUSION**

The objective of this study was to contribute to the effects of complex actor constellations on the autonomy of single actors. The case analysis suggests that the Flemish labour market is regulated by a multi-actor multi-level constellation, where competences are fragmented across multiple highly specialized organisations. Some findings seem to emerge from the analysis.

First, the study confirms previous research that the legal status of an organisation does not fully determine the actual autonomy (Maggetti 2009; Verhoest et al. 2010; Verschuere 2006; Yesilkagit and Van Thiel 2008?). Although IWSE is a division of the ministerial department, there is a considerable

need for autonomy. Autonomy refers to discretion, or the extent to which an agency can decide itself about matters that it considers important (Verhoest et al 2010, p.19). For the inspectorates under study, the operational policy autonomy, both ex ante and ex post, is considered as very important. In order to avoid that firms believe that ministers protect certain firms, the inspectorate needs to be able to take decisions independently from political interests. Ex ante, the inspectorate must be able to decide autonomously which regulatees will be controlled. Ex post, they must be able to decide how they will deal with infractions. Legal guarantees are seen as crucial to safeguard this autonomy. Although the inspectorate decree was originally designed to grant powers vis-à-vis regulatees (i.e. granting the rights to demand all documents necessary; right to demand access to buildings without prior notice) it has been interpreted more broadly, so that ministers cannot prohibit inspectors from performing a control. However, this autonomy on operational affairs seems to spill over somewhat to other kinds of autonomy. Inspectorates indicated that they have a considerable extent of strategic policy autonomy and management autonomy as well. Because contacts with the minister are generally scarce, and because there is only one strategic meeting per year, the inspectorate de facto has a large say in determining the objectives for the next year.

However, a second finding of this study is that autonomy is also affected by the position that actors have in the larger actor constellation. The ex ante policy autonomy is constrained because of power dependencies between IWSE and other inspectorates due to vertical specialization on the one hand; and between IWSE and licensing bodies, due to horizontal specialization, on the other hand. The strategic importance of the control of working permits of foreign employees is arguably very high for IWSE, as this activity accounts for the largest proportion of inspections (high *motivational investment*). However, the authority within the SIOD rests mainly with federal inspectorates, both on the strategic level (the council of partners), and on the operational level (the local cells) (*low availability of alternative sources*). IWSE's ex ante operational autonomy is significantly constrained by the preferences and objectives of the federal inspectorates. Even when IWSE performs a spontaneous control (i.e. controlling working permits of foreign employees, without involving the local cell), it depends on federal inspectorates, who have a wider mandate and, hence, have more expertise in the form of social databases (DIMONA) and who have access to fiscal data. Relations between IWSE and the licensing agencies resemble the situation of sequential interdependence, as the output of licensing bodies (i.e. granting a permit) forms the input of the inspectorate (controlling the applicant). Inspectors depend on licensing bodies for information about the regulatees. IWSE's discretion to perform spontaneous controls is particularly constrained by a high number of requests of control on behalf of the licensing bodies. Finally, we could argue that IWSE's ex post operational autonomy is also constrained, because sanctions can only be enforced by the licensing agencies (retracting a permit or subsidy) or by the federal inspectorates (administrative penalty).

A third finding is that, whereas network theories would predict that interdependence leads to increased interaction, we find very few formal co-ordination mechanisms between the organisations. There are many informal interactions between street-level inspectors (e.g. in local cells). On the top management level, managers see no need to co-ordinate more systematically, even though the data suggests that relations are strained because actors lack knowledge on each other's information needs. For instance, many inspection reports do not contain information relevant for the licensing agencies.

However, relations are dynamic and evolve over time (Rommel and Christiaens 2009). Regarding the relations with ministers, there appear to be different phases of interaction intensity. Before 2006, there was almost no interaction between cabinets and IWSE. Inspectors were regarded as having a formalistic bureaucratic culture and as having weak competences. In turn, inspectorates distrusted politicians and interaction with ministers was considered as political interference, which would impede the independence. Starting from 2006, communication patterns started to change. Combating social fraud became a politically more salient issue, and the establishment of SIOD demonstrated a need for more professional inspectorates. Following certain reforms of the state, the mandate of IWSE had expanded.

The interaction frequency with the ministerial cabinet increased drastically, whereby the cabinet and IWSE discussed managerial issues (the expansion of the number of staff) as well as more strategic issues on how they perform their task. The minister urged IWSE to develop more professional risk assessment systems and to increase the number of controls as well as their effectiveness (i.e. the number of inspections that find infractions). A revision of the inspection decree gave a larger power to the inspectors. The minister also lobbied with the federal government to allow for access to federal databases and to improve the regions' position in the SIOD. This was intended to enable IWSE to develop its expertise and to reduce the dependence from federal inspectors. Since recently, the communication frequency seems to have decreased again. Politicians are less concerned with operational matters, as this belongs to the autonomy of the agency and because they consider this as the expertise of the inspectorate. However, operational issues are still important such as the complaints of citizens, media crisis. Inspectorates are considered as more mature and are allowed to determine priorities themselves. Unlike before, minister and inspectorate occasionally discuss more strategic issues. However, inspectorates are still not very involved in preparing new policy and other actors (executive agencies; policy division of the department) have much more frequent interactions with the cabinet. Ministers would still like to see more policy-oriented input from IWSE, such as suggestions on how certain laws should be changed so that they can be more easily enforced.

Although further data-analysis is required, the findings seem to suggest that organizations are not only aware of interdependencies, they may also engage in 'balancing actions'. Regional inspectorates may sometimes form coalitions to deal with their federal counterparts in the SIOD, when they agree to

form one 'regional voice' in the council of partners. They also seem to be eager to develop their professional reputation in the local cells, as they attempt to initiate more controls. They also focus heavily on a small set of sectors, whereas federal inspectors have a wider scope. Such a focus could potentially allow them to develop a unique expertise that is valued by the federal inspectorates. In addition, by setting-up its own databases, IWSE attempts to find alternative sources of data on the regulatees. Finally, by performing increasingly more 'spontaneous' inspections, the regulator attempts to reduce its dependence upon requests of other organizations.

These findings seem to suggest that horizontal relations between organizations that share a similar task, but are on the same hierarchical level, may affect the discretion and autonomy of single actors. Hence, incorporating these horizontal relations in addition to vertical principal-agent relations may help to acquire a more complete picture of the actual autonomy of organizations.

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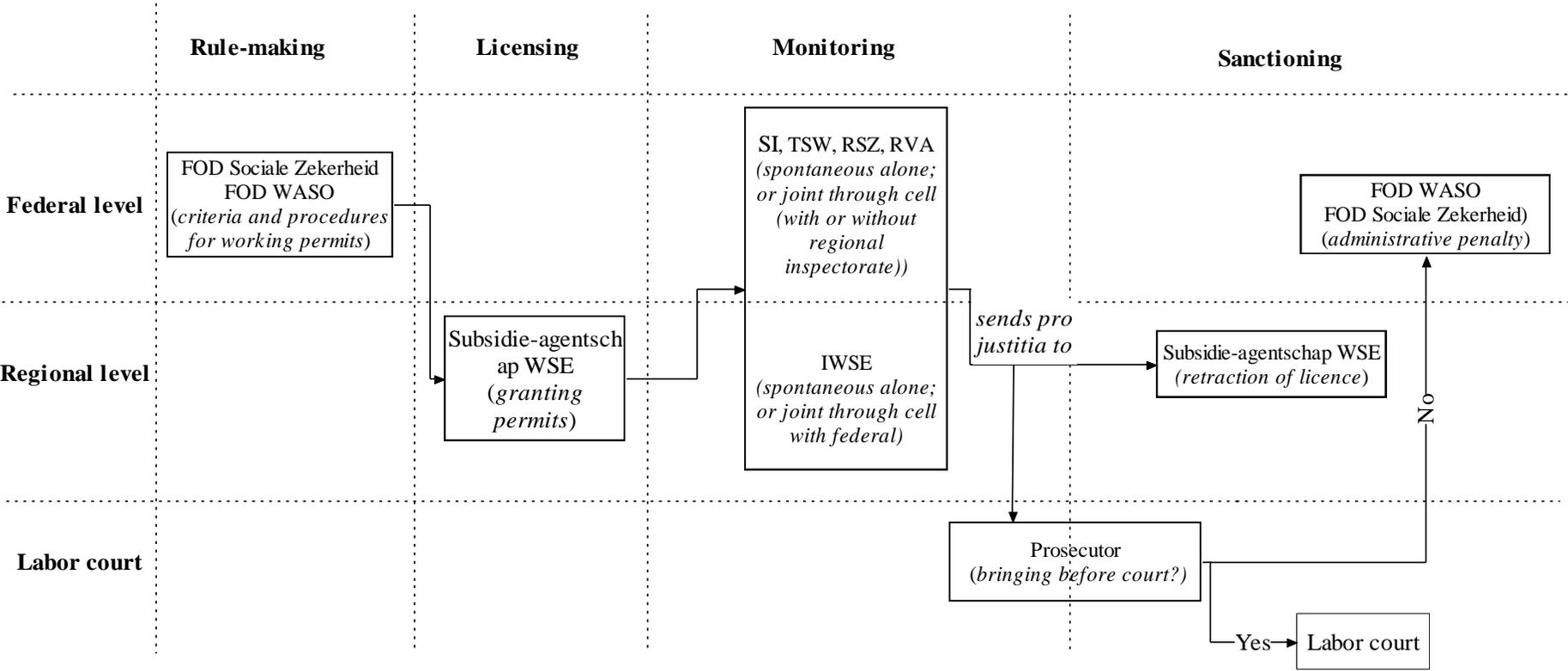
**Table 1: Activities of IWSE in 2009** (source: IWSE 2010: 9)

Activities	Number of controls in 2009	Proportion of total activities (in percentages)
1) Employment of foreign employees	1062	37,92
2) Private employment mediation/relocation fund	527	18,81
3) Diversity ( <i>evenredige arbeidsmarkt deelname</i> )	97	3,46
4) European Social Fund	137	4,89
5) Social economics (several subsidies)	195	6,96
6) Stimulation of employment	5	0,18
7) Professional education/ <i>competentieagenda</i>	18	0,64
8) Other Employment subsidies ( <i>Reguliere Tewerkstellingsprogramma's en premies</i> )	740	26,42
9) Language decree ( <i>taaldecreet</i> )	20	0,71
<b>Total</b>	<b>2801</b>	<b>100</b>

**Table 2: Exclusive competences of federal inspectorates** (source: SIOD 2008a: 12)

<b>Sociale Inspectie</b>	<b>Rijksdienst Sociale Zekerheid</b>	<b>Rijksdienst voor Arbeidsvoorziening</b>	<b>Toezicht Sociale Wetten</b>
Social security for employees	Social security of employees	Unemployment legislation	Contracts, both individual and collective ( <i>CAO</i> )
Annual vacations		Early retirement	Labor law (health and safety, hour limits,...)
Work-related accidents		Subsidies related to temporary leaf (tijdskrediet, loopbaanonderbreking)	Protection of wages
Health Insurance		Fund for the closure of enterprises	Interim employment
Registration of Construction workers			Non-discrimination
<i>Dienstenchequebedrijven</i>	<i>Dienstenchequebedrijven</i>	<i>Dienstenchequebedrijven</i>	<i>Dienstenchequebedrijven</i>
	Outplacement	Outplacement	Outplacement

**Figure 1: Multi-level regulatory task division in working permits of foreign employees**



**Table 3: Task division with respect to combating social fraud** (source: SIOD 2008a)

		Federal inspectorates				Regional level
		Sociale Inspectie (SI)	Rijksdienst Sociale Zekerheid (RSZ)	Rijksdienst voor Arbeidsvoorziening (RVA)	Toezicht Sociale Wetten (TSW)	Regionals
1) Social documents	a) DIMONA (lists of officially declared employees per firm)	X	X	X	X	
	b) Social documents (personnel register,...)	x	X	X	X	
2) Part-time labor		x		X	X	
3) <i>Koppelbazen</i>		x	X			
4) Employment of foreign employees	a) Employment licenses for foreign employees (arbeidskaarten)	x	X	X	X	X
	b) Residence permits	x	X		X	
	c) Employment licenses for	x	X		X	

	foreign entrepreneur					
	d) Human trafficking	x	X		X	
	e) Declaration of foreign expats (LIMOSA)	x	X		X	

**Table 4: spontaneous versus requested inspections in working permits of foreign employees**  
(source: IWSE 2010:11)

	2007	%	2008	%	2009	%
Spontaneous controls (initiative of IWSE)	528	56,4	489	56,4	357	33,6
Actions of SIOD local cells	150	16,1	234	16,1	241	22,6
Upon request of licensing bodies (i.e. <i>Subsidieagentschap WSE</i> )	224	23,9	385	23,9	400	37,6
Upon request of others	34	3,6	42	3,6	64	6,2
<b>Total</b>	<b>936</b>	<b>100</b>	<b>1150</b>	<b>100</b>	<b>1062</b>	<b>100</b>