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# ***Coordination in a fragmented welfare market***

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# Outline

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- I. Research question & research design
- II. Analytical framework
- III. Empirical case: Coordination challenges in the provision of labour market services before and after the reform
- IV. Conclusion

# Research question & research design

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## Research question:

- Trend to increasing cooperation and introduction of quasi-markets as major reform trend in the governance of labour market administration => How and to what extent are coordination demands handled in the field of unemployment policy?

## Research design

- **Single case study:** coordination in the German labour market administration, focus on placement services & training and education programs
- **Timeline:** comparing coordination regimes before and after the Hartz-reforms (reforms process started in 2002, however first attempts to reform placement services took place in the mid-1990ies)
- **Empirical data:** 8 semi-structured expert interviews & intensive document analysis

# Analytical framework: Coordination regimes

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	<b>Hierarchy</b>	<b>Market</b>	<b>Network</b>
<b>Basic principle</b>	Subordination/ Obedience	Competition	Negotiation
<b>Source of steering, coordination and control</b>	Authority/Rules and regulations	Price	Reputation/Trust
<b>Duration</b>	Long term	Short term	Longer term
<b>Consequences of inappropriate behaviour</b>	Political criticism or recognition/Resignation or dismissal/Revision of the administrative act	Exit	Loss of reputation/ Exclusion from the network

# Main features of German labour market governance *before* the Hartz-reforms

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- Labour market services mainly provided through a public monopoly (placement) or through a corporatist network (training and education)
- Contracting-out has been conducted without public tendering and was based on long-term relations between the providers and the local public employment office
- Quality standards, performance targets and consumer choice were mainly absent (both within the PES as for private providers)
- The traditional PES was seen as a “large, sleepy and inefficient public bureaucracy restricted by law and regulations and a lack of performance measurements and competitive incentives” (Kemmerling/Bruttel 2006) or as a “giant patronage machine“ (Streek 2003)

# Dominant coordination regimes in the 'old' system

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	Function of public employment service	
	Placement Services	Training and education programmes
Coordination regime	Hierarchy	Network
Coordination mechanism	Bureaucratic regulations	Reputation/ Long-term relationships
Actors of coordination	Public officials/street-level bureaucrats	Street-level bureaucrats/providers belonging mainly to either trade unions or employer associations
Consequences	Sanction or recognition of the officials involved	Mainly absent

# Objectives and main elements of the Hartz-reforms (concerning the provision of employment services)

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- Introducing competition between different types of providers – centralized purchasing process; deregulation of the provision of placement services
- Increasing transparency and standardization of the purchasing process – establishment of five regional purchasing centres
- Improving the quality of the services provided – sophisticated accreditation and certification process; increased quality control; integration rate as main performance indicator
- Enlarging consumer choice to boost self-responsibility – introduction of a voucher system for placement services and training programs
- Diminishing the influence of the social partners in the provision of services – no preferential treatment

# Reforming the governance of placement services & training/education programs – main measures

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## Placement services

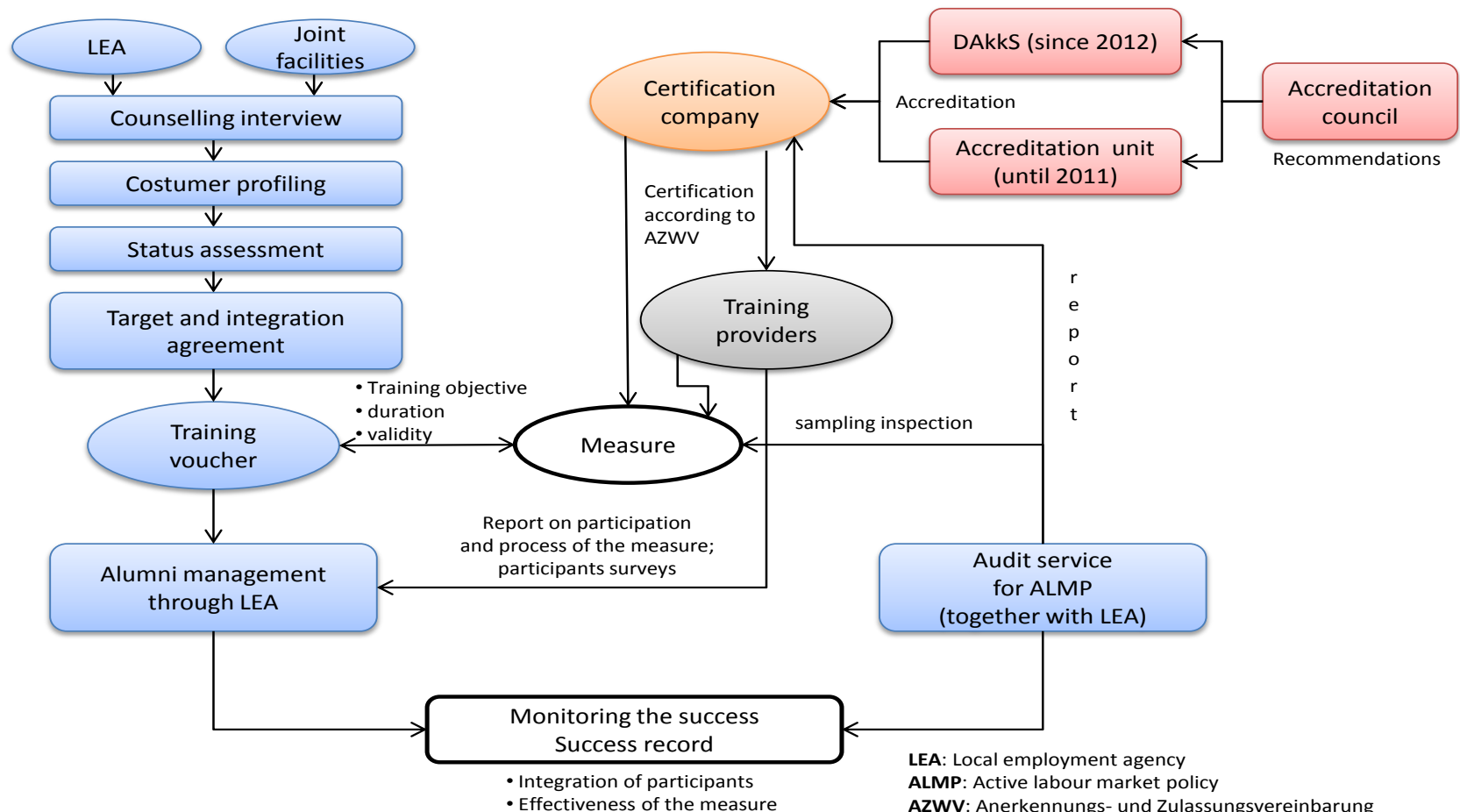
- Introduction of a voucher system that gives unemployed the possibility to choose a private provider of placement services
- **No** encompassing reform within the FEA in order to control market entry and the quality of the services delivered

## Training and education programs

- Introduction of a competitive tendering system & of a voucher system
- **Encompassing reforms** within the FEA in order to control market entry and the quality of the services delivered, e.g.
  - Two tier accreditation /certification-system to control market entry
  - Introduction of five regional purchasing centres
  - Internal audit service for quality control



# Example: Roles and responsibilities in the provision of training services



**LEA:** Local employment agency  
**ALMP:** Active labour market policy  
**AZVV:** Anerkennungs- und Zulassungsvereinbarung Weiterbildung (Regulations on the Recognition and Approval for Further Education and Training)

# Impact on the coordination regime I - Placement services

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	Old system	New system
<b>Coordination regime</b>	<b>Hierarchy</b>	<b>(Quasi) - Market (weak position of clients and weak regulation and control exercised by the FEA and the Ministry)</b>
<b>Coordination mechanism</b>	Bureaucratic regulations	Competition/ Strict performance regime
<b>Actors of coordination</b>	Public officials/street-level bureaucrats	Public officials/street-level bureaucrats/private providers/jobseekers
<b>Consequences</b>	Sanction or recognition of the official involved	No-cure, no-pay system

# Impact on accountability regimes II – Education and training programs



	Old system	New system
Coordination regime	Network	<b>(Quasi-) Market</b> <b>(weak position of clients &amp; strong regulation and control exercised by the FEA and the Ministry)</b>
Coordination mechanism	Reputation/ Long-term relationships	Regulation of market entry; Price competition; Quality
Actors of coordination	Street-level bureaucrats/providers belonging mainly to either trade unions or employer associations	Street-level bureaucrats/purchasing centre/accreditation unit/certification agency/private providers/jobseeker
Consequences	Mainly absent	Non-consideration in tendering processes; (Financial) sanctions; Exit (Removal of Certification)

# Conclusion

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- Weakening of the network-based system of welfare corporatism
- However, the network-based system has not been replaced by another dominant coordination regime but has led to a hybridisation of coordination arrangements combining a mixture of market and hierarchical elements.
- Multiplication of actors with different expectations and standards leads at least in the training sector to new coordination challenges
- The changes in coordination procedures resembles changes in the power relations in labor market policies – from social partners to political and administrative actors
- These relations are in flux in the provision of labor market services in Germany
- An ongoing political process in which different actors interact and pressure each other and a constant navigation between hierarchical, market and network forms of coordination can be observed