Interpreting the marketisation of employment services in the UK and Denmark

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Outline

- Conceptualising marketisation
  - ‘Types’ of governance
  - Promises of marketisation
- Development of employment services quasi-markets in Denmark and UK
- Do quasi-markets live up to stated promises?
- What are the hidden effects?
- Conclusion

Conceptualising maketisation

- Van Berkel & Borghi (2008) marketisation as 2nd wave of welfare reform (following activation in 1st wave)
- Governance analysis often limited to ‘technical’/‘apolitical’ aspects of change (Brodkin, 2006)
- Types: precedural, corporate, market and network (Considine & Lewis, 2003)

Promises of marketisation

- Better efficiency
  - Simpler processes
  - Reduced bureaucracy ‘burden’
  - Lower costs
- Better quality services
  - More effective, flexible, responsive
  - Innovation
  - Individually-tailored to ‘customer’ needs

Danish experiences

- 2002-05 major marketisation
  - Quasi-market created
  - Regional PES discretion in designing contracts, target groups, type of service
- 2005-06 re-regulation
- 2007-09 ‘golden’ period for the market
  - dissolution of PES - control handed to municipalities
  - new jobcentre structure
  - Loss of influence of social partners
  - Expansion of services provided by ‘other actors’ (involving unions as well as for-profits)

Danish experiences

- Problems with creating ‘pure’ market, e.g. price and results model incompatibilities
- Accountability issues
- Marketisation has eased ‘work first’ reorientation of policy
- The market as a buffer for periods of high unemployment
- Previously strong network governance undermined
  - Weakened corporatist structures
  - Reduced role of social partners

UK experiences

3 phases of marketisation:

- Early-mid 1990s experimentation
- 1997-2006 increasing marketisation (and inter-agency working) for specific welfare to work programmes (e.g. New Deal, Employment Zones, Working Neighbourhood Pilots)
- 2006-2010 Freud Review – large scale quasi-market: prime contractor model with delivery 'black box'
- 2010 Coalition government Work Programme

UK experiences

Continued central control through mix of governance types:

- strong procedural governance
- influential corporate governance
- weak/diminishing network governance
- increasing market, but symbolic/contractual rather than comprehensive:

  'great majority of customers leave benefit without having participated in any of the major JCP interventions' (Hasluck & Green, 2007)

Do quasi-markets live up to stated promises?

- Difficult to separate from 'work first' policy content
- Performance payments based on preferred employment outcomes, but outcomes not directly related to services
  - e.g. misplaced agency claims to jobs secured under 'self help' services
- Lack of user choice = not a real quasi-market, no incentive for high quality services
- Lack of efficiency gains
- 'creaming' and 'parking' continue

What are the hidden effects?

- Profit motive encourages:
  - corruption – private provider fraud scandals
  - low quality services
- Domination of a few powerful private agencies
  - influence on values/working practices of other types of agency
  - Disappearance of voluntary user-orientated services and advocacy role?
- Disempowerment of social partners, municipalities and voluntary sector

Conclusions (1)

Denmark and UK very different starting positions, but:

- Both countries have seen increased power handed to for-profits and decreased roles of social partners, municipalities and voluntary sector
- Network governance and dissenting voices squeezed out by marketisation
- Market has disempowered users and their representatives
- In neither country has marketisation lived up to expectations

Conclusions (2)

Implications for marketisation

- Market competition paradoxically enhances need for re-regulation of both procedural (rules) and corporate (targets) governance, due to:
    - Conflict between goals of public policy and market governance
    - Promoting risk aversion and disincentives to innovate or invest
    - Fear of 'moral hazard' breeds mistrust and higher transaction costs