

Contracting for complex services:

Analyzing the contracting-out of employment reintegration services by Dutch municipalities

Authors: A. Corra, M. Plantinga and J. de Ridder¹

Key words: Contracting-out, Employment services, modular buying.

1. Introduction

Over the last two decades, the use of contractual governance in the delivery of employment activation services has become an evermore-frequent phenomenon (Sol & Westerveld 2005; Bredgaard & Larsen 2007). One important factor contributing to this development has been the popularity of new public management (NPM) (Hood 1991). NPM inspired numerous public administration reforms, many of which prominently feature the use of market type mechanisms (Pollit & Bouckaert 2004). Another factor is the increasing pressure to reform welfare state arrangements that have been common in many western societies (Pierson 2006; Gilbert, 2002; Taylor-Gooby 2004; Henman & Fenger 2006). Combined, these two developments resulted in reforms that often exhibited a shift in welfare policy focus towards increasing labor participation by activating and enabling the unemployed in combination with the introduction of new public management modes for the implementation of active labor market policies. Those management modes often imply the deployment various forms of market type mechanisms such as outsourcing of tasks to private actors, the use of financial incentives or the use of vouchers. In the context of the provision of activation and employment re-integration services, contracting-out has been the most prevalent. In some of the literature the application of this kind of mechanisms is referred to as 'privatization'. We however prefer to reserve the concept of privatization for those reforms in which responsibility for delivery of some good or service is entirely relinquished from the public to the private domain. When a public agency deploys market type mechanisms, however, a

¹ All authors are associated with the department of administrative law and public administration, Faculty of Law, University of Groningen, Postbus 916, 9700 AS Groningen, The Netherlands. **Contact:** a.d.r.corra@rug.nl.

Paper to be presented at the PMRC conference, Columbus, Ohio, October, 2009.

number of operational activities from a public task are out-sourced while overall responsibility for service delivery remains public (Kolderie 1986).

As indicated above, the advancement of NPM and the accompanying progress of market type mechanisms in public service, has been worldwide, impinging on many policy areas. In the United States, contracting-out for social service delivery (Peat & Costly 2001; Savas 2002; Warner & Hip 2007) and in particular for employment service delivery is a well-known phenomenon (Van Slyke 2003), with the *Wisconsin Works* (W2) being probably one of the most well known examples (Heinrich & Choi 2007). Both Australia (Grub, 2006 and the UK (Finn 2005) have also witnessed a wide scale adoption of the use of contracting for the delivery of employment reintegration services. Beyond that, contracting as a public management tool has been adopted in mainland Europe, too. Outsourcing of reintegration services can now be found in for instance the Netherlands (Van Berkel & Van der Aa, 2005), Germany (Jahn & Ochel 2007), Denmark (Bredgaard & Larsen 2008), and Switzerland (Bonvin & Moachon 2007).

Even though the successful expansion of NMP in the delivery of social services is undeniable, this does not mean that the application of NMP techniques is unproblematic. Thus public agencies often face a lot of challenges when outsourcing service delivery. In this paper, we present an exploratory examination of challenges of outsourcing employment reintegration services in one specific country: the Netherlands. More particularly, we examine the problems and predicaments that Dutch municipalities were confronted with when they were charged by the legislator to outsource all of their reintegration activities.

This Dutch case is of particular interest for a number of reasons. First of all, even though Dutch local governments traditionally contract for a lot of material goods and services (building and maintenance of infrastructure for instance) the outsourcing of tasks that involve taking administrative decisions that affect citizens is something that does not fit easily in the tradition of the Dutch public administrative system where such activities are normally undertaken by actors governed by the safeguards of administrative law. In the Dutch public culture, the state is traditionally granted an important role as a provider of solutions to societal problems and administrative law is considered a primary guide for the interaction between state and citizens. Consequently, new public management inspired reforms that imply the application of market type mechanisms such as contracting-out in the deliverance of public services, might evoke tensions between principles of the traditional "*Rechtstaat*" or *rule of*

*law*² and the rational of efficient provision of public services (Pollit & Bouckaert 2004). Therefore, municipalities will typically have to consider ways of dealing with such tensions when contracting-out reintegration services.

In addition, contracting-out for employment reintegration services was introduced in what can be called a *big bang* fashion. At one point in time national legislation required all local governments as well as all relevant central government agencies, to outsource all of their reintegration activities, creating a kind of laboratory for contracting-out. For municipalities this obligation was in force merely two years. Thus first municipalities had to deal with the question of how to buy efficiently while a few years later they also had to consider the issue of whether to ‘make or buy’. This initial requirement to buy forced the municipalities to adapt and learn quickly or they would lose lots of money.

Both conditions together shaped an environment in which the complications of outsourcing the ‘administration of justice’ were extraordinarily emphasized. Thus one might expect that this prompted the Dutch municipalities to develop a distinctive approach for tackling the problems associated with contracting for employment reintegration. The experiences of the municipalities since the introduction of compulsory contracting-out should be reflected in the way services are bought and contractual relations are shaped in the Dutch reintegration market today. Studying them can contribute to a better understanding of the functioning of public-private contracts as a governance tool.

For our analysis of this experience, we draw on transaction cost theory, principal agent theory and literature on contracting for services by public agencies (Brown & Potoski 2003; Brown et. al. 2006; Brown et. al. 2007 A). We combine this with insights from literature covering the contracting-out of social service delivery (Deakin & Walsh 1996; Bruttel 2004; Peat & Costley, 2001; Savas 2002; Van Slyke 2003; Van Slyke 2007; Heinrich & Choi 2007).

This paper will be structured as follows. In the next section we will shortly describe Dutch public administrative the environment, with its specific culture and values. This will be followed by an overview of how and under which particular conditions outsourcing of reintegration services got established in the Netherlands. In section four we will discuss some of the factors that complicate contracting for the task of providing employment reintegration services. This will be followed by a presentation of findings concerning the transactions of Dutch municipalities in the reintegration market. In the subsequent section, we will analyze these findings and discuss the possible reasons behind the choices made by the Dutch municipalities. In the final section, we will formulate some tentative conclusions.

² While acknowledging that strictly speaking the concepts of rule of law and “*Rechtstaat*” are not entirely equivalent. They are both leading ideas professing primacy of law (Costa 2007).

2. Dutch public administrative context

In the past 25 years, the New Public Management (NPM) paradigm has been influential in shaping and triggering reform agendas of public administrative systems in many countries (Kickert 1997). However, with the public administrative traditions of mainland Europe being different from that of Anglo-American countries it is not surprising to see that the implementation of the NPM inspired reforms has been different in both these contexts. One important characteristic that distinguishes continental Europe is the prominence of public law in general and administrative law in particular in governing the interactions between the state and its citizens. This manifests itself in a particular concern for making sure important principles and norms such as legal equality, legal certainty and the principles of good public administration are adhered to in the process of public service delivery towards citizens (Kickert 2002). Another difference is the distinction between the public and the private domain which is more pronounced in the European administrative tradition than in an Anglo-American environment (Kickert 1997). Given these differences it is understandable that many European states developed a distinct approach for modernization of their public administrative systems. Typically they attempt to combine elements of Weberian public administration with elements of NPM in an effort to increase responsiveness to public needs, democratic participation and efficiency of public administrative systems while preserving the *Rechtsstaat*. This has resulted in a system – with all its variations – that is sometimes referred to as a *neo-weberian* public administrative system (Pollit & Bouckaert 2004; Pollit et al 2007; Dunn & Miller 2007). The Dutch administrative system fits well within this ideal type, as Pollit & Bouckaert (2004) show.

Part of the Dutch approach towards public administration and public management is the belief that certain tasks for which the state is deemed responsible are best off in public hands. Because of the public domain's distinctive legal and organizational features specific public interests are believed to be better safeguarded. An important legal feature is administrative law and all it comprises, while an important organizational feature is the professional civil service organization with its strongly institutionalized values and culture.

Building roads or bridges can be outsourced to private businesses without too much risk of tampering with values such as equality. However, when it comes to activities where administrative decisions affecting individual citizens have to be taken, the dominant culture requires that such decisions are made by public agencies whose professionalism and impartiality is supported by the legal and organizational context in which they operate. This means that the contracting-out of public activities which involve making administrative decisions in regard to citizens, comes with the additional challenge of upholding the rule of

law. More specifically this means that such tasks continue to be executed in line with principles of good public service (legal equality, legal certainty, due process and avoiding arbitrariness to name but a few). This would seem to be especially important for the making of decisions about entitlements of individual citizens and other decisions with important legal consequences for the position of the individual citizens vis-à-vis the state. When outsourcing services that involve this type of decisions public agencies may find that additional safeguards are required to ensure that the principles of good public administration are taken into account and to make sure requirements of administrative justice are met.

3. Contracting-out reintegration services in the Netherlands

The contracting-out of reintegration services was established in the Netherlands at the beginning of this century as part of a compromise between the conservative-liberal VVD party and the Dutch Labour Party (PvdA) who at the time participated in a coalition government. The conservative-liberals pursued an NPM type market based reform that would have privatized the public employment services and the unemployment benefit administration. The Labor Party represented a more Neo-Weberian approach in this matter and opposed the outsourcing of decision making concerning benefits applications and associated matters. The compromise that kept the coalition together held that the task of administering the unemployment benefits would remain within the public domain, while the provision of reintegration services would be outsourced. The law that resulted from this compromise was enacted in 2002 and created a semi-autonomous state agency (called UWV) for administering unemployment benefits. Under the law, this agency was required to outsource all of its reintegration activities to private enterprise.

Two years later, new legislation was enacted to reform social assistance administration. In the Netherlands, local governments are responsible for administering social assistance. The reform of 2004 included important changes in the system of financing local government expenditures for social assistance. The previous cost reimbursement scheme was substituted with a lump-sum program. The lump-sum specific grant local governments receive each year is divided into a benefits payment part and a service delivery part. The service delivery part is earmarked, but a surplus on the benefit payment part can be spent elsewhere in the municipal budget. The lump sum scheme created a strong financial incentive for municipalities to limit the number of benefits claimants and pursue an active reintegration policy. This same law also expanded the obligation to outsource reintegration activities to the municipalities; they too were compelled to buy all reintegration services in the market.

Paper to be presented at the PMRC conference, Columbus, Ohio, October, 2009.

In 2006, after only two years, the obligation for municipalities to contract-out reintegration services was repealed. Since then, municipalities have the options to either “make” reintegration services themselves or to “buy” services on the private market. While the municipalities are free to choose whether to make or buy, they do have to comply with the procurement regulations of the European Union and its implementation in Dutch legislation once they decide to buy. The national procurement directive (BAO) and the European Public Procurement (EPP) legislation prescribe that acquisitions of services by public entities above a certain threshold value and for specific services must comply with the stringent tendering requirements based on the principles of non-discrimination, transparency, proportionality and mutual recognition. This means, among other things, that a local government can be sued by competing contractors if any substantial alterations are made to the service requirements in the contract in comparison to those laid down in the tender documents. This may result in a court order to pay damages or to rerun the whole tender procedure. Thus the tender (procurement) documents are of great importance when contracting-out for services. Municipalities have an incentive for getting the procedure done the right way the first time around, as the replay of a tender procedure would bring about substantial costs.

This brief overview shows how the Dutch legislator experimented with NPM inspired use of market type mechanisms in the area of social security. The political acceptability of this kind of reform turned out to have its limits. The legislative majority considered the decision making on social security and social assistance entitlements a task that could not be outsourced away from the public domain. Even though there is a general acceptance of NPM principles, the Dutch public administrative culture appears to harbor constraints concerning these reforms as well. The belief in the distinctive character of public services has remained strong and this distinctive character is seen as virtue and a safeguard against abuse of power.

A second aspect of the reforms is the relatively short period in which the public agencies who were by law obliged to buy reintegration services, were forced to develop or seek expertise to buy and manage these services and to quickly learn the tricks of the trade. The obligation to buy services precluded the agencies from making balanced decisions based on the merits of either making or buying. The market of providers consequently developed quickly. Indeed the number of businesses offering reintegration services active in the Dutch reintegration market increased explosively since 2002 (Zwinkels et. al. 2004). The current count is about two thousand mostly private for profit providers.

A third aspect is, that the obligation for the municipalities to buy lasted only two years. It is to be expected that the municipal agencies in the years following the repeal, when they were free to choose between making and buying, used the experiences and the lessons learned during the brief period of forced buying to procure services in a clever smarter manner.

4. Questions buyers face

When public agencies are considering contracting-out they usually need to ask themselves two important questions. The first is whether they are going to make or buy and the second is how are they going to make sure they get what they want once they decide to buy. These questions are usually dealt with in the order given above. Because of the way legislation worked out, the Dutch municipalities had to answer these questions the other way round. Suddenly being compelled by law to contract out, they were confronted with the second question and had to find ways to effectively buy all their services. Only later, when the obligation was dropped in 2006, could they ask themselves the question whether to make or buy. In this paper, we will examine the answers to these questions the Dutch municipalities came up with. In doing so it will become apparent how they have tackled a number of complicating conditions associated with contracting for this type of task.

In this section, we look at the contracting-out of public services from a theoretical perspective, using transaction cost, principal-agent and contracting theories to identify some of the risks, uncertainties and challenges involved. Particularly transaction cost theory (Williamson 1981) offers a very suitable framework for the analysis of the decision making on whether and how to buy services, including the assessment of costs of solutions to specific difficulties associated with buying reintegration services (Brown & Potoski 2003). The purpose of this exercise is to obtain an analytical framework that will help us understand how the Dutch municipalities meet the challenges of outsourcing that they were suddenly facing.

Complicating factors when buying employment reintegration services

The policy objective that the municipalities need to achieve is given in the WWB Act. Under this law, a social assistance entitlement comes with the obligation to actively engage in making oneself self-reliant again. In most cases this implies a legal duty to reintegrate into the labor market: benefits recipients are required to abide with any socially accepted form of labour. The grant system (included in the law) for financing the municipalities' social assistance expenditures, comprises incentives that stimulate the municipalities to reduce the number of benefits claimants in the most expedient manner and promote the return to the labour market of as many benefits recipients as possible.

When taking a closer look at the local governments' task of guiding unemployed people back into employment, a number of factors can be identified that appear to contribute to the complexity of this task. The most obtrusive factors are: the risk that overall service goals are not achievable, ambiguity about service goals, uncertainty about agent efforts and the need for translating public domain safeguards into contractual terms. The first of these factors is a

characteristic of the task itself. The other three factors are related to contracting for this type of service.

Risk in relation to achieving service goals

A specific characteristic of the task of reintegrating individuals into the labor market is that it just may not be possible to get the job done. Personal properties of individuals such as underdeveloped or outdated job skills and knowledge, weak social skills or physical or mental impediments can make it impossible to find fitting employment. External circumstances such as a downturn in the economic cycle, weak local economic conditions or a demand and supply mismatch may prevent re-entry into the labor market. A large part of reintegration activities aim at mending these deficiencies and may require a variety of interventions. Furthermore, interventions need to be coordinated in order that they complement each other and do not counteract. Even if all obstacles are identified and a coordinated plan to resolve all these issues is implemented, the risk is still there that the effort remains unsuccessful. Many variables are at play and it often remains unknown which intervention produces most net effect in relation to a specific individual or group or even if an intervention produces any net effect at all (Bruttel 2004).

This risk becomes an specific problem when an agency sets out to acquire this type of services on the market. Providers are not likely to invest time and resources in clients unless they are paid for the effort. Principals will, on the other hand, want to avoid paying for a process without any certainty about the outcome. In other words, the problem is how to divide the risk of no result between principal and agent. This could be done by using a no cure less pay remuneration structure or some other solution for mitigating the risk for agents and principals.

Ambiguity about service outcomes

An issue that is more specifically a contract problem is ambiguity about the desired service outcomes. In order to ascertain that he gets what he pays the agent to produce, the principal will want to write clear and measurable service outputs in the contract. However, this may not always be possible. First of all, complete contracts that cover all possible future worlds are not achievable. Thus some ambiguity in defining service output is unavoidable. Beyond that, ambiguity and related measurability problems may increase the more complicated the desired results are. Complications can for instance be caused by agency ambitions, or by political pressure to achieve multiple possibly contradicting policy objectives at the same time. The agency will need to translate those objectives into multi dimensional service goals. When service outcomes are difficult to measure the principal may opt for measuring process elements instead; process elements that may serve as proxy for final result. However, process

indicators will leave a considerable gap of uncertainty about whether service goals are really met.

This type of uncertainty provides an opportunity for the agent to shirk from his intended obligations and to exploit this to his own advantage. On the other hand, ambiguous multidimensional outcomes as part of the contract this can also pose a risk to the agent, certainly in case of no cure no pay contracts. Keeping the desired service outcomes as simple as possible would seem the most desirable option to avoid ambiguity and difficulties of measurement. Indeed, clearly specified requirements and service goals are considered to contribute greatly to achieving service goals in an effective manner (Peat & Costley 2001).

Uncertainty about agent efforts

The principal's uncertainty about the real efforts of the agent within the frame of a contract is usually discussed as opportunistic behavior of the agent. The trade off between investing in controlling opportunistic behavior and accepting a loss due to this behavior, is a key element of principal agent theory (Laffont, & Martimort 2001; Bolton & Dewatripont 2005.) Source of this uncertainty is what is called information asymmetry between principal and agent. When agents perform a task that involves specialized expertise such as employment reintegration often does, they learn and through this learning increase their information advantage over the principal. The more experiences the agent has, the larger the information asymmetry between agent and principal. Because of the information gap, the principal cannot be sure agents do not shirk or make use of their position to *cream* or *cherry pick* the easy cases and *park* the hard cases (Struyven & Steurs 2005). If the principal wants to combat such opportunistic behavior, he will need to keep his information deficit as small as feasible.

One way to reduce the information deficit is to monitor the agent's behavior. Monitoring strategies may include requiring the agent to provide performance data and client records or perform field audits to inspect the agent's efforts (Brown & Potoski 2003). However, for these solutions to be effective, investments in monitoring capacity are required and this raises transaction costs. An alternative to extensive and costly monitoring is retaining some service delivery capacity within the organization, thus opting for a mixed service delivery strategy (Warner & Hefetz 2008). This provides the principal with a credible exit option that can be used to discipline the agent. Furthermore, it enables the principal to learn in a similar manner as the agent, through experiencing service delivery, which might help reduce information asymmetry. Lastly, a mixed service delivery approach would leave the principal with sufficient internal capacity for direct service provision to fall back on in an emergency situation – such as the failure of an agent.

Compliance with administrative decision-making standards

The task of reintegrating unemployed into the labor market involves taking decisions in individual cases that are binding for citizens. An important type of decision for instance concerns the volume and kind of resources that are to be allocated for an individual client. Dutch administrative culture demands that such decisions are taken in compliance with principles of administrative justice. Decision making thus needs to balance various public values such as ‘efficiency of policy’ with the need to conform with principles of administrative justice such as ‘legal equality’, ‘legal security’, ‘due process’ and ‘non-arbitrariness’. Administrative justice requirements distinguish public services from otherwise similar services delivered by for instance private temporary work agencies. Outsourcing such a public task brings the additional challenge of providing safeguards to ensure compliance with principles of administrative justice. To give an example: agent discrimination against difficult cases by parking and creaming is not only undesirable from a contract-economical perspective (preventing rent extraction), but also from an administrative justice perspective because it would violate principles such as legal equality, legal certainty and entail arbitrariness. To ascertain, when outsourcing such a task, that relevant administrative decisions are taken in the manner required, the specifics of such decision making need to be translated into unambiguous contractual terms.

Specifying in a contract how administrative decisions need to be taken is most cumbersome and therefore raises transaction costs significantly. Stipulating that decisions must be taken in compliance with principles of administrative justice and governing administrative law is usually not sufficient. Contractual logic would require a very complete contract, with extensive definitions of the relevant principles and an equally extensive prescription of procedures, specifying all kinds of parameters and their consequences for the decision making (Brown et. al. 2007). Furthermore, the principal would need to develop instruments for monitoring compliance. However, even then contracts are probably to limited a tool to encompass and make explicit many of the values of public administrative culture that are relevant for taking such decisions . Both the writing of extensive contract and the monitoring to control for compliance would raise transaction costs significantly. Still, even then the principal can not be sure to have dealt with all possible eventualities (Heinrich & Choi 2007).

An alternative solution to the ideal of the complete contract is accepting the reality of the incomplete contract and instead searching for contractors that are more likely to abide of their own with the principles of administrative justice. Possibly, by trying to select a “value congruent” contractor who shares some of the values of the principal. Such a contractor would understand both the values of the principal and the importance of legal equality, legal certainty and avoiding arbitrariness in treatment of citizens when taking this kind of decision.

Balancing act

Summarizing, outsourcing the task of providing employment assistance becomes relatively complex due the four specific features discussed in this section. In terms of transaction costs all factors tend to raise the price of contracting-out for this type service. From of public administration perspective these features imply uncertainty in contractual relations about how decisions are taken, especially as far as adherence to the principles of administrative justice is concerned. The Dutch municipalities had to find a suitable response to each of these complications while answering the questions of how to buy reintegration services and whether to make or to buy. An adequate response requires the balancing of achieving policy objectives in an efficient and effective manner and upholding principles of administration of justice. The solution might be found in a careful consideration of what services elements are suitable to be bought and choosing to adapt contract design in order to find a good fit with the peculiarities of to task. To accomplish this, the agency buying this type service needs to be what some call a “smart buyer” (Van Slyke 2003).

5. Methodology and data

For the analysis of the way the Dutch municipalities with outsourcing reintegration activities, two types of data will be used. For the make-or-buy issue, we examine data collected in 2006 and 2008 by the Dutch Council for Work and Income (RWI) in a so called omnibus survey. The surveys inquired in what way and for what reasons municipalities spend the money allocated to them for service delivery. Both questionnaires were distributed among the managers of all 443 Dutch municipal social service departments. The first questionnaire, in 2006, was returned by 162 respondents and the follow-up questionnaire of 2008 was returned by 195 respondents. In addition we used external evaluations of the Dutch reintegration market drawn up by various professional organizations such as DIVOSA (Dutch association of social security directors).

To gain a more in-depth understanding of how municipalities make sure that they get what they want to buy we examine the design of the contracts used for acquiring employment reintegration services. When buying a service, the primary governance tool that shapes the relation between buyer and provider or principal and agent is the contract. It functions as tool to contain uncertainties and reduce risks regarding the relation that the parties have entered into. In the Dutch case, the tender documents have a dual function: not only that of an announcement communicating the preferences and requirements for the desired service provision that is to be acquired but also, once the contract is awarded, that of a contract document outlining the contractual obligations of the provider.

For this study, we analyzed twenty tender documents and accompanying appendixes. The documents and appendixes we have used were gathered over the period of a year between the end of 2007 and beginning of 2009. The tender documents and accompanying appendixes for the procurement of activation and employment reintegration services, drawn up by municipalities, were collected from websites³ where they are published in accordance with procurement legislation. For the analysis of the 20 documents we made use of content analysis techniques in a similar way as was done by Ngwenyama and Sullivan (2007) in their work investigating outsourcing in relation to risk management. The content analysis (Mayring 2000) was performed using a coding in context method whereby the documents were coded during ocular scanning (Ryan and Bernard, 2003) and analyzed using the computer-aided qualitative data analysis package Nvivo 8 (Bazeley, 2007). We examined the contracts by both analyzing them in general as well as focusing our attention on specific aspects of the contracts. The aspects we focused on specifically were; the type of service bought, service goals formulated, type of service requirements specified, type of adjudication criteria used for final selection of vendors, contractual remuneration structure chosen and type of contract. These features can all be considered indicators of how municipalities make sure that they buy effectively. Additional data were gathered through explorative interviews with professionals working in municipal departments responsible for buying employment reintegration services.

We are aware that the exploratory nature of this study poses limits on its explanatory power and that caution should be exhibited when generalizing beyond the confines of the context of the Dutch reintegration market. Nonetheless, we believe that our analysis can deliver additional insights into how public agencies can deal with the challenges of contracting-out for public service delivery, as well as contribute to a better understanding of how contractual governance can be used in the delivery of public services.

6. Findings from the Dutch reintegration market

What have Dutch municipalities been buying on the reintegration market? From the collected data we find that, even though the legal obligation for municipalities to contract out reintegration services has been repealed, most of the 443 Dutch municipalities still contract out (part of) their reintegration services (Council For Work And Income, 2008). Overall, it appears that for 2008 about 20 percent of the services delivered were bought on the market from private (for profit) actors, about 50 percent of the services delivered were acquired from semi-public providers and almost 30 percent were provided in-house. The semi-public

³<http://www.aanbestedingskalender.nl>, <http://www.aanbestedingenonline.nl/> and <http://www.blikopwerk.nl>

providers that a large part of the budgets is spend on, often are non-profit organizations with a more or less public character. They tend to have close ties to the municipalities, for example through shareholder constructions or partial or full ownership. They typically provide specialized social activation programs: programs for long-term unemployed with complex problems, aimed at promoting their social inclusion as a first step toward reintegration into the employment market.

Table 1 shows the percentages of the reintegration budget spent on in-house provision of employment reintegration services by Dutch municipalities in 2005, 2006, and 2008.

Table 1: How municipalities spend budget available for employment reintegration services			
Percentage spent on in-house provision	Percentage of municipalities		
Year	2005 ¹	2006	2008
0 %	1%	8%	14%
1-20 %	63%	53%	39%
21-40 %	16%	19%	26%
41-60 %	11%	11%	10%
61-80 %	6%	5%	6%
81-99 %	3%	1%	3%
100 %	0%	3%	2%
Total	100%	100%	100%
Average spent on in-house provision	n.a.	n.a.	28%

1 The data of 2005 (n=84) are based on the research conducted by Research voor Beleid, 2006. On the web application of the Council for Work and Income (<http://rwi.development.stratusbv.nl>), the data are made accessible to be able to compare the results with the Omnibus questionnaires. For 2005, the percentages spent on in-house provision are approximates.

The table illustrates that after the obligation to contract out was repealed, two distinct trends emerged. On the one hand, the data show that over time an increasing number of municipalities chose to spend their whole budget on contracting-out. On the other the data also reveal that the increase in full contracting-out was compensated by a decrease in municipalities spending 1-20 per cent of their reintegration budget on in-house provision and an increase in municipalities spending 21-40 per cent of their reintegration budget on in-house provision. The table also demonstrates that in 2005 – when the obligation to contract out was still in effect – a considerable percentage of municipalities still provided services in-house. This can in part be explained by the fact that many municipalities still made use of fully subsidized employment programs while the central funding for these programs was abolished and municipalities had to spend a considerable amount of their available budget internally on the process of phasing them out.

Overall, on average municipalities spend 28% of their budget on in-house provision. In addition we see that most municipalities do not opt for either a make or a buy solution, but often prefer a mixed approach providing some services themselves while buying others.

Modular buying

The most important change in the way that municipalities buy was an increase in in-house provision of specific services, such as diagnosing clients, case management and job-brokering support (Council For Work And Income, 2008). This move towards in-house service provision is in large part driven by discontent among municipalities about the previously achieved results of private providers in these areas. At the same time, there has been a gradual moving away from buying complete trajectories and a shift towards more modular buying strategies in which only the simple, easily definable and well measurable services are being bought (DIVOSA, 2008). Most municipalities no longer buy complete service packages that give the contractor broad operational discretion and that have as the contracted output the reintegration of the client into the labor market. These tracks with their long time span of up to two years before results would be visible, are considered to entail major difficulties regarding the measurement of results. Instead, many municipalities now choose to deconstruct the complex task of providing employment services into more simple sub-tasks or services aimed at resolving specific problems of the client with relatively simple service outcomes. The adoption of this modular buying strategy has gone along with a stronger and more active role of the principal in the case management of benefits claimants. Keeping the most complex parts of the task – coordinating the different service efforts and taking decisions about what to do – in the hands of the municipal case manager, who puts together or approves a service plan on the basis of various service modules available. This service plan contains a comprehensive description detailing the activities which will be undertaken towards clients in order to achieve the service goals. Those activities then may be procured from different private providers.

Service goals

With regard to service goals, the examination of the documents revealed that services are being bought with a variety of service goals. We found, among other things, “developing employee skills”, “improving client physical or mental conditions”, “having clients operate independently in society by integrating them into social networks”, “having clients participate in community activities or voluntary work”, “having clients do socially useful activities”, and clients to be “durably reintegrated into employment” within certain a time period after the start of the service delivery.

The majority of the documents also contained, a stipulation of what would qualify as a successful outcome, often defined in the context of conditions of payment regarding the outcome-based portion of the remuneration. In some cases we found more complete formulation of service goals, such as “achieving durable employment for the client”. In those cases the tender documents cited a number of distinct service components to be procured, that

would contribute to achieving this goal. In the majority of cases in which the desired service outcome was “durable employment”, this outcome was made up of five dimensions. These were, firstly, that the client “is in a (paid) employment relation”; secondly, “that the client is benefit independent”; thirdly, whether the job is subsidized or not; fourthly, that the job “is on the regular labor market”; and, finally, a temporal dimension referring to the period during which these conditions have to be in place. The municipalities often specify that after the placement of a client the vendors need to provide after sale care for an equal period of time and only get final payment after that second term.

Why Dutch municipalities buy or produce services in-house.

The reasons given for providing employment reintegration services in-house differ from the reasons given for outsourcing in stead of in-house provision. Table two shows the two primary reasons given by the municipalities for either contracting-out or providing in-house. We found that the “expectation of better results” was given as the most important reasons for the choice to provide employment-reintegration services in-house. ”Lack of capacity” and “lack of expertise” were given as the most important reasons for contracting-out. Moreover, we found that the choice between in-house provision and contracting-out was rarely made on the basis of expectations about cost control. Especially for the decision to outsource, costs hardly appear to matter.

Table: 2 Reasons for in-house provision (2008) and contracting-out (2006, 2008) given by Dutch municipalities (in percentages)						
Argument	In-house provision		contracting-out			
	(argument 1)	(argument 2)	(argument 1)		(argument 2)	
	2008	2008	2006	2008	2006	2008
Political choice	10	2	4	6	0	0
Capacity	2	2	36	31	29	43
Better result	33	36	4	4	8	17
Cheaper	7	4	1	0	1	1
Expertise	27	13	36	51	12	13
Quick start	9	8	5	1	3	1
Was obligatory	n.a.	n.a.	2	1	10	3
Other	12	35	12	6	37	22
Total	100	100	100	100	100	100

How do Dutch municipalities buy services?

Analysis of the tender documents revealed that in most cases municipalities make use of Indefinite Quantity Contracts. These are contracts containing the conditions and requirements under which services must be delivered while explicitly stating that there is no contractual

Paper to be presented at the PMRC conference, Columbus, Ohio, October, 2009.

obligation to buy pre-established amounts of service tracks. The documents did however give non-binding estimates of required service tracks.

The documents showed that in the majority of cases the financial remuneration scheme was predominantly No Cure Less Pay. This was either the sole structure for remuneration or it was applied in combination with No Cure No Pay or fixed price, depending on the services contracted for. Payments were often linked to specific milestones such as drawing up or approving service plans or providing specific progress reports.

Service requirements

An important part of buying a service is specifying the requirements the provider must meet not only in terms of outcomes but also in terms of process qualities. The types of service requirements used in a contract are often related to the measurability of service outcomes or what is believed to be service quality. Whenever outcome or quality are difficult to define or to measure, input indicators or process indicators that can act as proxies for these are being used. Service requirements also give an indication of the amount of discretion a contractor in the way of delivering the service. The examination of the tender documents service requirements showed, that on average the tender documents used by a single municipality included 15 outcome criteria, 33 process criteria and 21 structural criteria. A comparison of the relative proportions of structural (pre-contractual), process and outcome requirements specified showed a strong focus on specifying process elements. The largest share of requirements found was dedicated to process criteria (about 45 percent), followed by structural criteria with a share of 30 percent and outcome criteria taking up 24 percent of the requirements stipulated in the documents. This pattern of process requirements taking precedence over the other two types of requirements was found in 15 of the 20 cases and remained consistent even when we controlled for size of the municipality.

Selection of vendors

The selection of vendors is such an important part of the process of contracting-out that it can determine success of the whole process. To gain insight into what kind of characteristics and requirements municipalities applied for the selection of contractors, we examined the adjudication criteria used to perform the final selection of a contractor. This showed that about 43 percent of the adjudication criteria relate to process requirements, 37 percent to structural requirements, and only 20 percent to outcome requirements. Once more a strong focus on process elements was shown. On closer examination it turned out that “vision on service delivery” is among the most used adjudication criteria. This might indicate that municipalities are trying to find and select value congruent contractors. “Quality of service” was the second most used and “quality of personnel” the third most used adjudication

Paper to be presented at the PMRC conference, Columbus, Ohio, October, 2009.

criterion found in the documents. It is interesting to note here, that the quality criterion often was made up of several sub-criteria and that although the content of the quality sub-criterion varied substantially among cases, personnel qualifications formed the most reoccurring sub-criterion. Municipalities therefore appear to put a lot of emphasis on qualifications of contractor personnel as an indicator of quality of service.

Discretion given to contractors

The amount of discretion given to the contractor can be interpreted as an indicator of the confidence the principal has in the fact that the agent will try to achieve the service goals. With regard to the amount of discretion stipulated for the agents, the analysis of the documents showed that agents are generally limited in the amount of discretion they receive from the municipalities in regard to deciding how to deliver services. The examination of the documents revealed that in at least half the cases responsibility for taking decisions was explicitly designated primarily and ultimately to the municipal case manager. This entails that the case manager decides the goal that has to be achieved for a specific client and which type of service should be delivered to the client to achieve this. In a further 6 cases the documents contained an implicit reference limiting the agents' discretion. An example of this would be the stipulation that only with the municipal case manager having granted permission there could be any divergence from the previously approved service plan.

With regard to the control mechanisms used towards the agents the tender documents showed that in 12 out of 20 cases there was use of an *ex ante* control mechanism: the need for explicit permission to commence execution or the signing off, by the case manager, on the service delivery plan before service provision could start. In 5 out of 20 cases the documents contained an *ex post* control mechanism stipulating the need for signing off by municipal representatives on the final reports with regard to the services delivered to the client. Moreover, in 3 of those 5 cases it was found in combination with the *ex ante* control mechanism mentioned before.

Overall, in the majority of cases the references to agent discretion stipulated or underlined the case managers' prerogative and final responsibility for decision making. Furthermore, in the majority of cases there was use of ex-ante control mechanisms limiting the discretion of the contractor. The use of control mechanisms was often coupled with financial incentives. For example, part of the payments would be executed when a service plan was approved by a municipal case manager.

7. Discussion

When we take the findings as presented in the previous sections and look at the answers the Dutch municipalities have formulated to the questions posed by the challenge to outsource, we see that first of all a considerable amount of municipalities opted to deconstruct the complex task of providing employment services into more simple sub-tasks or services, buying some services and providing others in-house. The different trends found in the data on expenditure reflect the development of the modular buying strategy after the obligation to contract-out was abolished in 2006. In their choice to buy, the municipalities seem to take into consideration important aspects of buying the service such as required investments and the reoccurrence for the need of a service. The municipalities seem to choose to buy services that require specific expertise that is not available or not sufficiently available within the confines of their own organizations and opt to make service that require long-term investments and for which the need is reoccurring. This type of reasoning is also reflected in the answers given to questions concerning the reasons for buying or making a service. The municipalities buy services when they feel they do not have sufficient capacity to deliver a service or lack the specific expertise and choose for in-house service provision because of disappointing results achieved by private actors. Setting up local job brokering networks is a good example of an activity that is often internalized and that requires a significant investment in setting up and maintaining a local network of employers. Requiring an investment that for many private actors might be too costly because too long a period of substantial investments would be required before the returns would manifest. Perhaps also explaining why private actors have not been living up to expectations when it comes to this type of activity.

When it comes to the way municipalities handle the question of buying services effectively, we see that they tend to specify contracts that are strongly focused on process and that are strongly geared to maintaining control over service delivery – leaving little discretion for the agent. The predominant focus on process elements might be one of the reasons why, as the municipalities claim, the market does not innovate enough. It may be that the focus on the process simply does not leave contractors enough leeway to experiment or be innovative.

How do the municipalities deal with the four complicating factors discussed in section four? First of all, modular buying allows them to keep service goals simple and to avoid goal ambiguity by buying services aimed at resolving concrete problems. By setting clearly achievable service goals for the modules being bought, the risk of not achieving the main goal is being mitigated, while the risk for agents is being reduced. Secondly, the strong role of the case managers, which is a prominent feature in both the modular buying strategy and in the contract design, helps to reduce information asymmetry and possible opportunistic behavior

Paper to be presented at the PMRC conference, Columbus, Ohio, October, 2009.

on the part of the agent. As the case manager is the central figure in the service delivery process, he can function as a kind of information and decision making hub. It should be mentioned that in one case we even found a contractual requirement dedicated to keeping the principal abreast of lessons learned in service delivery. It required the agent to give presentations on regular intervals about what was learned and to make sure that this knowledge was transferred into the organization of the principal. This indicates that municipalities acknowledge the issue of increasing information asymmetry between principal and agent due to the learning effects of service delivery and that they try to find solutions for reducing this.

The modular strategy also allows for avoiding the need to translate the difficult task of taking administrative decisions into contractual terms. Decision making is for the most part kept in the public domain. From a transaction cost perspective this offers important advantages, because it eliminates the need to specify and monitor additional safeguards required for this difficult element of the task.

The use of indefinite quantity contracts apart from providing a degree of flexibility also gives the municipalities an additional tool to discipline/influence agents who perform poorly. This appears to be a lesson learned from the initial experiences of contracting-out when the need to satisfy contractual obligations to deliver a fixed number of clients led to clients being sent to courses that they did not need or to vendors who delivered services in less than a satisfactory manner but where the termination of the contract was considered to be too costly or a far-reaching response.

We also see that municipalities make vision on service delivery part of the adjudication criteria and at least appear to try to identify values of the agent possibly trying to select a value congruent vendor in an effort to mitigate transaction costs. Municipalities also appear to differentiate in the vendors they buy certain services from in this respect, it is interesting to note that when municipalities buy services, only a relatively small part of budget spend on outsourcing is used for acquiring services from private actors. The best part of budget spent on outsourcing is destined to acquiring services from semi-public actors. These actors often specialize in social activation programs for individuals with the greatest distance to the labor market. The vulnerability of this client group who often face multiple problems requiring more complex service solutions aimed at realizing more difficult to measure and define service goals such as being socially activated may be an important reason to prefer these semi-public actors for these kinds of tasks. This because apart from possessing relevant expertise these actors also understand the importance of, and tend to share many of the organization and legal values of the public domain.

Summarizing the following pattern appears to emerge: At the level of the make or buy decision municipalities use a modular buying strategy that allows for keeping some residual

Paper to be presented at the PMRC conference, Columbus, Ohio, October, 2009.

service delivery capacity, maintaining some level of internal expertise and perhaps most importantly keeps most important decisions in the hands of the municipal case manager. When the municipalities do acquire services externally, they tend to use semi-public providers who are part of the public domain or service delivery to provide services to the most vulnerable groups. Whilst when the municipalities buy from private actors they tend to specify contracts that focus strongly on process requirements and which appear to be geared towards limiting agent discretion.

Overall the municipalities appear to have chosen to invest in the front-end and mid-section of the contracting-out process. The different solutions found in regard to make or buy and contract design point to a buyer who does not want to relinquish control over service delivery. The question then is why don't the municipalities trust the private actors in delivering this service. Here, the way contracting was introduced might be an important factor as it forced municipalities to quickly learn about "how to effectively buy" but did not give them room to consider the make or buy question. It is very plausible that the experience gained from the early period led to a better understanding of the challenges that surround contracting for this type of service and that this in turn made it possible for the municipalities to undertake a more elaborate consideration of the make or buy question when this option became available after 2006. If we take into account that when contracting was introduced the municipalities used to make use of contracts focused on outcomes and leaving considerable discretion to the vendors then it can be argued that on some collective level municipalities have been considerably disappointed with the results achieved by private actors. Something, which is also reflected in the reasons given for providing service in house. The move towards regaining control over service delivery might be seen in the light of response by municipalities to a violation of trust (Brown et al. 2007).

In addition, the nature of the task and the Dutch administrative culture are likely to have made the municipalities to be risk-averse buyers (Van Slyke 2007) and could explain the choice for the sophisticated buying strategy and strong role of the case manager aimed at retaining control. Perhaps the chosen configuration must be seen as a compromise that reflects what is achievable within the confines of the Dutch context. It is a compromise that enables local agencies to make use of the market to gain flexibility in regard to capacity and expertise while at the same time securing the organizational and legal values of the public domain and retaining a high level of control over quality of service delivery

8. Conclusion

In this paper we discussed how challenges of contracting-out for employment reintegration services are dealt with on the Dutch municipal reintegration market. We examined the way in which municipalities buy services using survey data related to the choice to make or buy employment reintegration services. In addition we examined how they design contracts by examining the tender documents use for acquiring this type of service. We have approached the subject by keeping in mind two important questions the buyers of services must ask themselves (first, make or buy and second how to buy effectively) and reviewed the variety of answers the Dutch municipalities have formulated in this respect.

Based on what we have found it is possible to say that the municipalities have developed and imaginative solution in the form of the modular buying strategy and the accompanying strong role for the case manager of the municipality that allows them to deal with challenges that characterize the task of providing employment reintegration services. The use of contracting-out by Dutch municipalities as a novel mode of governance for delivering reintegration services appears to operate a lot like the old mode of governance (hierarchy) with a strong focus on specifying process related requirements. Indeed, the municipalities seem to have developed a system of modular buying that retains many of the characteristics of the old system with regard to the division of responsibility and focus on process elements. Perhaps the complicating factors that characterize the task of reintegration, naturally tend to push the actors responsible for them towards governance arrangements that encompass a traditional way of steering to maintain control. A strong emphasis on process does however harbor the danger that principals feel confident that the quality of service is safeguarded in the process and that they pay less attention to the more complex matter of the quality of outcomes. This is underscored by the finding from the tender documents that quality is most often defined by input criteria such as qualifications of personnel.

One plausible explanation for these findings is that the governance arrangement and buying strategy that developed since the creation of a private reintegration market seven years ago reflects the lessons learned from the brisk period of obligated buying and the subsequent freedom to choose what to buy and what to make. The result is a specific contractual configuration, that we might tentatively call a Dutch model of using the contract as a governance tool for activation and reintegration services. It uses the market to offer flexibility with regard to capacity and expertise while at the same time, in line with the Dutch public administrative culture, leaves administrative decision making in the hands of public managers.

In conclusion, a lesson that might be drawn from this case is, that when public managers are faced with the challenge of outsourcing complex tasks it can be rewarding to carefully re-

think what a task really entails and attempt to deconstruct it into more byte-size chunks that allow for easier digestion from a contracting perspective. Opting to buy those elements that are well suited to be contracted-out and keeping the elements that are difficult to contract for closer to home. This case confirms that the idea of the make or buy decision as a purely dichotomous choice (Warner & Hefetz 2008) is an oversimplification that can hamper thinking about innovative solutions to reduce the complexity of services.

In the future, our studies will focus on the coherence of the choices made in the different phases (Brown et al 2006) of the contracting-out process by way of a more detailed enquiry into the reasons behind the particular use of contractual governance in the provision of this type of service. Using in-depth case studies, we hope to find out how the choices made in the “make or buy” and specification and selection phases of the contracting-out process are reflected in the monitoring and the steering phase. A second question to be answered is, if the focus on the front-end and mid section of the contracting process has led to less attention to the outcome of the chain of outsourced reintegration activities.

References:

Bazeley, P., (2007): *Qualitative Data Analysis with NVivo*, SAGE, 2007.

Bonvin, J. M. and Moachon, E.,(2007): *The impact contractualism in social policies. The case of active labour market policies in Switzerland*, International Journal of Sociology and Social Policy, Vol. 27, Iss. (9/10): pp. 401-412.

Bredgaard, T. and Larsen, F.,(2007): *Implementing public employment policy: what happens when non-public agencies take over?*, International Journal of Sociology and Social Policy Vol. 27 No. 7/8, pp. 287-300.

Bredgaard, T. and Larsen, F.,(2008): *Quasi-Markets in Employment Policy: Do They Deliver on Promises?*, Social Policy and Society (2008), vol 7 iss. 3, pp. 341-352.

Brown, T., and Potoski, M., (2003): *Managing Contract Performance: A Transaction Costs Approach*, Journal of Policy Analysis and Management, Vol. 22, No. 2, 275–297.

Brown, T., Potoski M. and Van Slyke, D.,(2006): *Managing Public Service Contracts: Aligning Values, Institutions, and Markets*, Public Administration Review, Vol. 66 no. 3, pp. 323-331.

Brown, T., Potoski M. and Van Slyke.,(2007): *Trust and contract completeness in the public sector*, Local Government Studies, Vol. 33, No. 4, 607 – 623, August 2007.

Bruttel, O., (2004): *Contracting-Out And Governance Mechanisms In The Public Employment Service*, Paper prepared for the TLM.NET conference “Quality in Labour Market Transitions: A European Challenge“, November, 2004.

Costa, P., (2007): *The Rule of Law: A Historical Introduction*, The Rule of Law History, Theory and Criticism, Springer Netherlands Vol. 80. Prt. 1.

Paper to be presented at the PMRC conference, Columbus, Ohio, October, 2009.

Council For Work And Income, De Koning, J., Gravesteijn-Ligthelm, J., Gelderblom, A., Tanis, O. and Maasland, E., (2008 B): *Re-Integratie Door Gemeenten: Zelf Doen, Uitbesteden Of Samenwerken?*, Onderzoek Uitgevoerd Door SEOR In Opdracht Van De Raad Voor Werk en Inkomen.

Deakin, N. and Walsh, K., (1996) : *The Enabling State: The Role Of Markets And Contracts*, Public Administration, vol. 74, (1), pp. 33–47.

Bolton, P. and Dewatripont, M. (2005): *Contract theory*, MIT Press, 2005.

Divosa, (2008): *Divosa-monitor 2008, Worstelen met Invloed, Vier jaar Wet werk en bijstand*, Utrecht, oktober 2008.

Dunn, W. and Miller, D., (2007): *A Critique of the New Public Management and the Neo-Weberian State: Advancing a Critical Theory of Administrative Reform*, " Public Organization Review, Springer, vol. 7(4), pp. 345-358.

Gilbert, Neil, (2002), *Transformation of the welfare state: the silent surrender of public responsibility*, New York ; Oxford: Oxford University Press.

Grubb, D., (2006) : *Australia's quasi-market delivery of case management*, International Social Security Association International Experts Workshop of the ISSA Technical Commission on Unemployment Insurance and Employment Maintenance Case management to sustainable employment?, Brussels, Belgium, 10-11 April, 2006.

Heinrich, C. and Choi, Y., (2007): *Performance-Based Contracting in Social Welfare Program*, The American Review of Public Administration, Vol. 37, No. 4, 409-435.

Henman, P. and Fenger, M., (2006): *Administering Welfare Reform: International Transformations in Welfare Governance*. Bristol: Policy Press.

Hood, C., (1991): *A public management for all seasons?*, Public Administration, Vol. 69 Iss. 1, pp. 3 - 19.

Jahn, E. J. and Ochel, W., (2007): Contracting-out employment services: temporary agency work in Germany, *Journal of European Social Policy* Vol. 17, No. 2, pp. 125-138.

Kickert, W., (1997): *Public governance in the Netherlands: An alternative to Anglo-American managerialism*, Public Administration Vol. 75 Iss. Winter 1997, pp. 731–752.

Kickert, W., (2002) *Public Governance In Small Continental European States*, International Journal of Public Administration, Vol. 25, pp. 1471 — 1491.

Kolderie, T., (1986): *The Two Different Concepts of Privatization*, Public Administration Review, Vol. 46, No. 4 (Jul. - Aug., 1986), pp. 285-291.

Laffont, J. and Martimort, D., (2001): *The Theory of Incentives: The Principal-Agent Model*, Princeton University Press, 2001.

Mayring, P., (2000): *Qualitative Content Analysis*, Forum Qualitative Sozialforschung, Volume 1, No. 2, Art. 20, <http://qualitative-research.net/fqs/fqs-e/2-00inhalt-e.htm> (12-3-2009).

Ngwenyama, O. and Sullivan, W., (2007): *Outsourcing contracts as instruments of risk management: Insights from two successful public contracts*, Journal of Enterprise Information

Paper to be presented at the PMRC conference, Columbus, Ohio, October, 2009.

Management, Vol. 20 No. 6, 2007 pp. 615-640.

Peat, B., and Costley, D., (2001): *Effective Contracting Of Social Services*, Nonprofit Management and Leadership, Vol. 12, Iss. 1, pp. 55 – 74.

Pierson, C., (2006): *Beyond the Welfare State. The New Political Economy of Welfare*, Cambridge: Polity Press, 2006.

Pollit, C. and Bouckaert, G., (2004): *Public management reform: a comparative analysis*, Oxford University Press, 2004.

Pollitt, C., van Thiel, S. and Homburg V., (2007): *New public management in Europe : adaptation and alternatives*, Palgrave Macmillan, 2007.

Ryan, G. and Bernard, H., (2003): *Techniques to Identify Themes*, Field Methods, Vol. 15, No. 1, pp. 85-109

Savas, E., (2002): *Competition And Choice In New York City Social Services*, Public Administration Review, Vol. 62, No. 1, pp. 82-91.

Sol, E., and Westerveld, M.(Eds), (2005): *Contractualism in Employment Services. A New Form of Welfare State Governance*, Kluwer, The Hague.

Struyven, L. and Steurs, G., (2005): *Design and redesign of a quasi-market for the reintegration of jobseekers: empirical evidence from Australia and the Netherlands*, Journal of European Social Policy 0958-9287; Vol. 15(3) pp 211–229.

Taylor-Gooby, P., (2004): *New risks, new welfare: the transformation of the European welfare state*, Oxford [etc.]: Oxford University Press, 2004.

Van Berkel, R., and Van Der Aa. P., (2005): *The Marketization Of Activation Services: A Modern Panacea? Some Lessons From The Dutch Experience*, Journal Of European Social Policy, Vol. 15, No. 4, pp. 329-343.

Van Slyke, D., (2003): *The mythology of privatization in contracting for Social services*, Public Administration Review, Vol. 63 Iss. 3 pp. 296-315.

Van Slyke, D., (2007): *Agents or Stewards: Using Theory to Understand the Government-Nonprofit Social Service Contracting Relationship*, Journal of Public Administration Research and Theory Vol.17 (2): pp.157-187.

Warner, M. and Hefetz, A., (2008): *Managing Markets For Public Service: The Role Of Mixed public – Private Delivery Of City Services*, Public Administration Review, Vol. 68 Iss. 1, pp. 155–166.

Warner, M. and Hip, L., (2007): *Market Forces for the Unemployed? Training Vouchers in Germany and the USA*, Social Policy and Administration, Vol. 42, No. 1, February 2008 , pp. 77-101.

Williamson, O., (1981): *The Economics of Organization: The Transaction Cost Approach*, The American Journal of Sociology, Vol. 87, No. 3., pp. 548-577.

Zwinkels, W. S., Van Genabeek, J., Groot, I., (2004): *Buitenlandse ervaringen met de aanbesteding van reïntegratiediensten*. Den Haag, Juni, 2004.