

*Special symposium
IIRA European congress
Copenhagen 28 June – 1 July 2010*

“As long as people engage in collective endeavours, intentions will have to be turned into achievements – as legitimately as possible. That fact justifies the expectation that the study of the ways this happen will endure, despite the changing labels for such a study” (Hill & Hupe 2009: preface).

Closing implementation gaps: A review of the transformation of implementation in Danish employment policy (paper)

*Thomas Bredgaard, Associate professor, PhD
Centre for Labour Market Research (CARMA)
Aalborg University, Denmark
thomas@epa.aau.dk*

Introduction

There is usually a division of labour between politics and administration, where the political system sets objectives, guidelines and targets, leaving the actual implementation to the administrative system. One of the interesting features of the last decade of reforms of Danish employment policy is that senior politicians and civil servants have initiated major reforms of the governance of the implementation process. There has been an increasing attention to reducing the gap between policy intentions and implementation in the frontline of service delivery. This chapter outlines the main changes in the governance of employment policies since the turn of the millennium. It begins with a description of the specific implementation challenges that arise in employment policy. Several of these challenges have been addressed by the central decision makers, who in a relatively short period of time have designed a new local implementation structure. We then go on to describe the preliminary experiences of the main implementing organisations: local job centres, external service providers and unemployment insurance funds. The question is whether central decision makers have succeeded in narrowing the gap between their policy intentions and objectives on the one hand and local implementation on the other.

Implementation challenges in employment policy

It is more the exception than the rule that there is an unbroken line from political objectives to realities in daily encounters between social workers and the target groups (cf. Lipsky 1980). The implementation literature identifies a number of explanations for these implementation

deficits (Hill & Hupe 2009; Winter & Nielsen 2008). The most relevant for Danish employment policy include:

- The conflicts of the policy process often lead to **ambiguous objectives** that in turn lead to confusion about what really should be implemented.
- The interactions between many actors with different interests may lead to **coordination problems** in implementation.
- In policy areas characterised by “human processing” and “wicked” problems (like employment policy), local implementing organisations and street-level bureaucrats are often left with some degree of **autonomy and discretion** in order to adapt services to individual and local needs.
- The results of the implementation process depend on whether the policy or program is perceived as **legitimate** by the target group as well as implementing agents.
- The success of implementation depends on the **socio-economic conditions** under which the policy or program is implemented.

All of these factors play a role in the implementation of employment policies and makes it difficult to realise political objectives and intentions. When the liberal-conservative government came to power in 2001 the new minister (Claus Hjort Frederiksen) and leading civil servants had a clear recognition of the need to reduce the implementation gap (see box below).

The "ungovernable" municipalities and social workers

The implementation challenges are quite accurately described by two of the leading civil servants in the Ministry of Employment, namely Permanent Secretary Bo Smith and Head of Department Helle Osmer Clausen:

"There is a long road from political agreements on labour market reforms to the practical implementation in the frontline - typically managers in the public employment service, municipalities, unemployment insurance funds or contracted service providers. The distance between the political decision and "frontline staff" implies, therefore, a risk that the intentions behind the reforms are not implemented fully" (Clausen and Smith 2007: 75).

The article describes the fusion between state and municipal employment services, as one of the greatest institutional challenges for employment policy in recent times. It also points to political disagreement over labour market reform from social workers and managers and not least their unions. Finally, it is noted that the incentives and cooperation between municipalities, job centres, contracted service providers and unemployment insurance funds are essential for implementation.

The then Minister of Employment, Claus Hjort Frederiksen, was even more outspoken when he in speeches to the municipal heads of departments of social affairs expressed that he would not accept an "perception of human nature", where they gave up on bringing people into work or tried to solve all social problems before turning their attention to a job. The new employment system with local job centers should be designed:

"So that we have confidence that the rules determined by the parliament are complied with [...] No minister can live with having to answer for something he or she has no control over. We must have consistency between the central and local priorities [...] The future employment system stands or falls with the fact that it is clear to all actors, what the job is about and how results should be achieved. There must be compliance top down" (Speech by Claus Hjort Frederiksen at the Annual Meeting of municipal heads of department in social affairs, October 27, 2003).

We will later assess whether the central decision makers succeeded in gaining more control over the implementation of employment policy. But first we describe how the government successfully created a new institutional set-up for the implementation of employment policy over a relatively short number of years.

The genesis and design of the new implementation structure

The institutional changes of employment policy that was in the pipeline were indicated for the first time when the liberal-conservative government was appointed in autumn 2001. The responsibility for activation of people on social assistance and sickness benefits was moved from the Ministry of Social Affairs to the newly created Ministry of Employment. This harmonisation of services for clients on social assistance and unemployment insurance within one ministry was carried on the year after in a major labour market reform ("Flere i Arbejde"). The labour market reform, among other things, aimed at harmonising services for insured and uninsured unemployed through a number of standardised measures, which should be applied for both target groups. The number of services were simplified and reduced to three common instruments (internships, job training, and education/training). All unemployed should meet the requirements of a new "contact regime", where social workers had to make contact interviews with the unemployed at least every third month. And every unemployed should be classified in one of five types of "match categories" according to their distance to the ordinary labour market (Government 2002, Ministry of Employment 2002).

This standardisation of the work processes was met with scepticism of social workers, who saw their "professional" autonomy reduced as well as the municipalities, who saw municipal autonomy reduced. The government also intended to merge the public employment service (PES) and municipal labour market departments into new local jobcentres, but was met with strong opposition from the social democratic opposition, the trade unions and employers association. They were concerned that the municipalities would not be capable of servicing people on unemployment insurance and that "administrative corporatism" would erode if the municipalities took over responsibility. In order to include the social democrats in a broad political compromise, the government, therefore, abstained from elaborating on its vision for a more integrated (one-stringed) employment service (Klitgaard & Christiansen 2008).

The government announced that the intention was to integrate "the best" of the two systems (PES and municipal labour market services), but most observers knew that they aimed for a municipalised governance structure. Soon a new "window of opportunity" opened. In 2002, the government had appointed a local government commission to give recommendations on the division of responsibilities between the state, counties and municipalities. The mandate was to pave the way for abolishing the counties (mainly responsible for hospitals) and reduce the number of municipalities. In employment policy, the commission recommended a municipalised employment service, where the former PES was abolished and responsibilities transferred to local jobcentres in each municipality (Local Government Commission 2004).

On the basis of these recommendations, the government in April 2004 make their proposals for a local government reform. In employment policy, the government lays the card on the table and propose an integrated municipal employment service. In each municipality, there shall be a local jobcentre, as a separate part of the municipal administration. Another innovation is the creation of four employment regions with delegated responsibilities from the central labour market administration to supervise the performance of local jobcentres. The tradition for “administrative corporatism” is somewhat curtailed in the proposal of the government. The role of the social partners and other relevant stakeholders in implementation is reduced to advisory roles in councils at national, regional and municipal level. These employment councils shall also monitor the performance of jobcentres and give advice to the employment minister, employment regions and local jobcentres respectively on how to improve performance (Government 2004).

Then the political negotiations on local government reform begin. Due to its complexity and the opposing interests, employment policy is detached in a separate negotiation process with the Minister of Employment as chair. In an attempt to persuade the Social Democrats, the government propose to divide the jobcentres into three different types. This proposal entail that the state responsibility for PES will continue to be in operation, and that the municipal solution will only be tested in a smaller number of pilot-jobcentres. The social democrats, nonetheless, leaves the negotiations, particularly because they get the impression that the pilot-jobcentres are a “Trojan horse” for a later full municipalisation of employment services. The Government therefore concludes a settlement with the Danish People's Party, but based on the concessions made to the Social Democrats. This compromise is thus some distance away from integrated municipal jobcentres that the government played out just two months earlier (Christiansen & Klitgaard 2008).

During the second parliamentary reading of new legislation in June 2005 the government chooses to respond to criticism of the inappropriate division between the three types of job centres. Instead, it establishes two types of job centres. A small number of pilot centres (14), where municipalities assumes full responsibility for both insured and uninsured unemployed, and a greater number of common job centres (77) with shared state and municipal management. Another important change is the separation of benefits and services. The sole responsibility of the job centres is employment services (guidance, contact interviews, job interviews, job training, education, etc.). A separate department of the municipal government then assume responsibility for benefit administration (assessing eligibility to benefits, pay out benefits and sanctioning the non-compliant) (National Labour Market Administration 2005).

This division of responsibilities is intended to reduce the complexities of “wicked problems” and focus the attention of frontline staff in the jobcenters on reintegration on the labour market. Frontline workers, however, tend to see it as yet another attack on their “professional autonomy” and as a barrier to their ability to provide a coherent and integrated service to the individual unemployed. The two major types of unemployment benefits (social assistance and unemployment insurance benefits) are not integrated either. Persons with unemployment insurance continue to receive unemployment benefits from their unemployment insurance fund, while persons without unemployment insurance receive social assistance from their

municipality. Funding of services and benefits also remain divided between the state and municipalities.

The two-tiered job centre structure came into force with the local government reform on 1 January 2007 and was envisaged to be evaluated before the end of 2010. However, it did not take long before the government decided to take the final step towards a municipal employment service. During the negotiations on the state budget in November 2008, the government without any priori public discussion or evaluation of the new jobcentre system, decides to transfer responsibility for the funding and activation of people on unemployment insurance to the municipalities. The social democrats and social partners took this blow as pay back for their rejection of a government proposal to cut the period of eligibility for unemployment insurance from 4 to 2 years. With the political support of the Danish People's Party and the small Liberal Alliance party, the government now had a majority for abolishing the state-branch within local jobcentres and transfer its responsibilities to the municipalities. The reform was to take effect less than one year later on August 1, 2009. The agreement entail that the job centres are the formal responsibility of municipal government. The former government employees of the PES are transferred to the municipalities.

The main challenge of the agreement was to find a financial formula for distributing the expenditures for unemployment insurance benefits and activation. The funding model should on the one hand give municipalities an economic incentive to provide activation services for people on unemployment insurance and on the other hand guarantee that municipal cash balance would not be drained with rapid fluctuations in unemployment. The funding model is composed of three main elements:

(1) **Municipal co-funding:** From 2013 the state government will fully refund expenditures for unemployment insurance the first 4 weeks (2010: 18 weeks, 2011: 12 weeks and 2012: 8 weeks). After the four weeks, the municipality will pay for 25% of unemployment insurance if a person is in an active labour market measure, and 50% if a person is not in an active measure (so-called passive benefits). Besides from this, there are a number of different refund percentages for different types of services, which makes the model complex. There are, in addition, specific time limits for when participation in an active measure must be commenced. If the municipality does not observe these time limits they will get no government refund (e.g. persons on unemployment insurance above the age of 30 years have to participate in activation measures after 9 months and again after receiving passive benefits for 6 months). These rules for refunding are supposed to give municipalities incentives for punctual and active interventions to reduce unemployment.

(2) **Direct state grants:** The refunding formulas described above are estimated to cover around 60 % of the total expenditures of municipalities. Direct state grants are estimated to cover the remaining 40 %. The state grants are calculated on the basis of the actual municipal expenditures in previous years as well as projections on expenditure on the basis of fluctuations in unemployment. An economic incentive to reduce unemployment is build into these projections. When state grants are regulated mid-way and after the financial year, it is done on the basis of the average increase or decrease in unemployment in the region. If

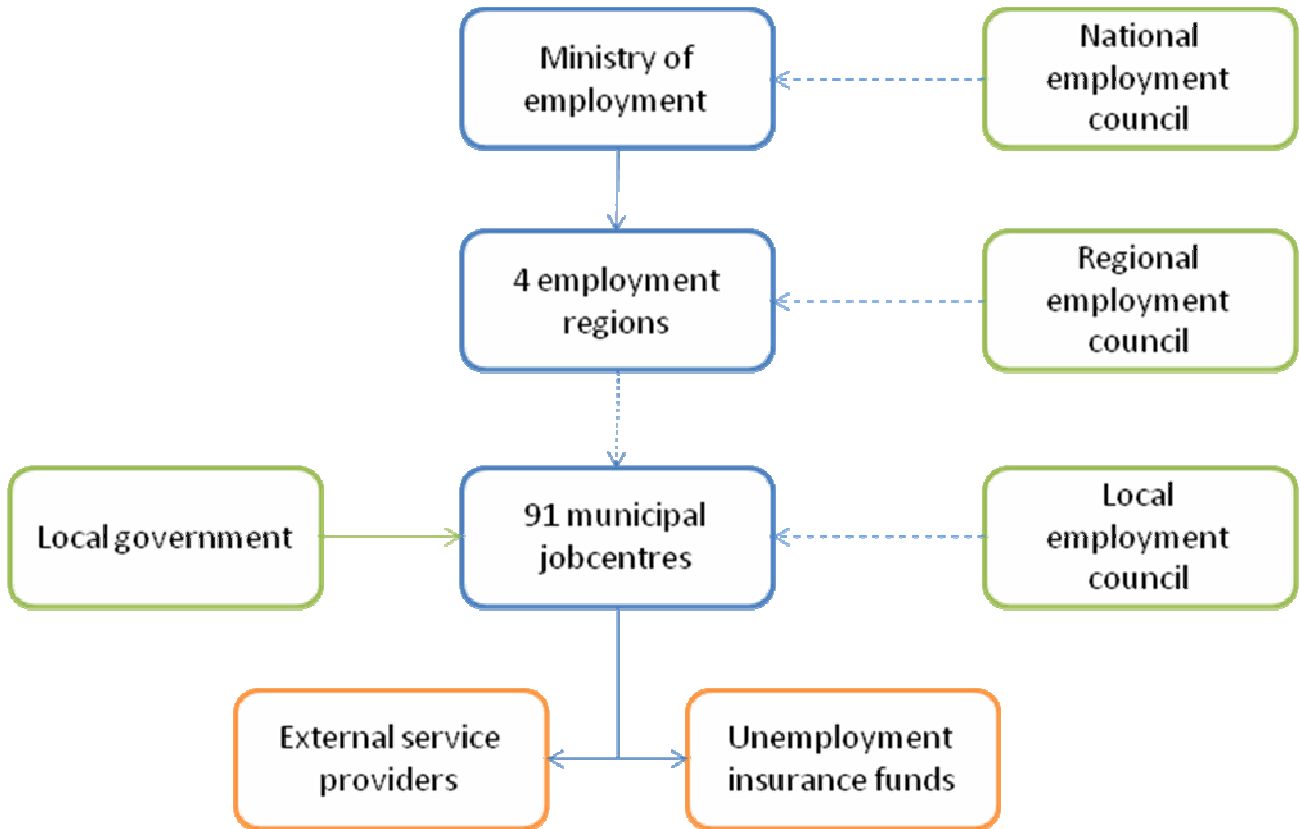
unemployment in a municipality in the region is below the average, it will be rewarded – and vice versa (calculations indicate that this intraregional reimbursement may amount to 5-10 % of the total budget in the municipalities). The municipalities are sceptical of this incentive, as they claim that yearly changes in unemployment are affected by a number of other factors that the municipality cannot influence. It also makes budgeting unpredictable when municipalities do not know if they are rewarded or punished the year after.

(3) **The special subsidy:** The final element of the funding model is a special state subsidy for municipalities experiencing rapid increases in unemployment. This state subsidy is paid out directly to municipalities where unemployment has increased more than 5 percentage point above the regional average in the financial year, for instance if one of the major local companies closes down.

The funding model will be evaluated in 2012/13. It is still too early to assess the effects on the type of measures used in municipalities and the effects on municipal budgets. This has not, however, refrained observers and the social partners from criticising the model for giving the municipalities perverse incentives to provide cheap and ineffective services within municipal institutions and to focus solely on providing jobs within the municipality rather than neighbouring municipalities (cf. Nørgaard 2009).

Although employment policy has formally been decentralised to municipalities, the state government retains a firm grip on the funding and incentives of the municipalities. The same goes for monitoring and performance management of the municipalities. The four employment regions are entrusted by the state to monitor the performance of local jobcenters through a sophisticated benchmarking system, regular meetings and seminars. If the performance of jobcenters is not deemed satisfactory, the regions ultimately has the option to recommend to the Minister of Employment that services shall be contracted out to external providers. The governance system is, therefore, in our opinion best understood as a decentralisation of the operational responsibility to municipalities, and centralisation of the strategic programming, funding and monitoring of employment policy. The figure below describes the current institutional set-up of Danish employment policy (from august 2009).

Figure 1: Institutional set-up of Danish employment policy



Local governments have the formal political responsibility for employment services in the jobcentres. This was probably also one of the driving motives behind municipalisation of employment policy. Previously, the Minister of Employment was held accountable and blamed for all the cases of misconduct and failure in the PES. In the new system, the administration of the jobcentres is the responsibility of local government. Although the governance reform was legitimised on rational grounds, like the need for “equal treatment” of people on social assistance and unemployment insurance and the need to integrate services and improve cooperation between the PES and the municipalities, it is clear that the possibilities for blame avoidance played an important role for the Minister of Employment as well as senior civil servants in the ministry. Another important motive, which was not voiced publicly either, was to reduce the former influence of the social partners on policy implementation. The social partners (trade unions and employers association) used to have important policy-making influence in national and regional labour market boards. With the new governance system, the social partners (and other relevant stakeholders like the organisation of disabled and doctors) only have advisory roles at national, regional and local level. The government argued that social partners were retaining their previous roles, but in reality they lost influence at the regional level and gained some influence at the municipal level (where they were allowed to

give advice on the management on unemployment insurance as well) (cf. Bredgaard & Larsen 2009).

The role of the employment regions is somewhat ambiguous: to inspire and control the performance of jobcentres. The allegiance of the employment regions is given by the fact that they are employed by the Ministry of Employment. Each year, the employment region signs a performance contract with the Minister, which is used as a template for local employment plans. The performance of jobcentres is monitored through yearly performance reviews as well as regular meetings and seminars. The employment regions also collect and disseminate data of the regional and local labour market situation, and assist the national labour market administration in administering tendering rounds. The regions do not, however, have any direct authority over local jobcentres, who may or may not be inspired by the regions. With the decision to delegate responsibility for unemployment insurance to municipalities, the authority of the employment regions has been strengthened (with more manpower, an obligation to comment on local employment plans of jobcentres before the local government, and the possibility to deliver methodological guidance to under-performing jobcentres).

As mentioned, an important mechanism for the centralisation of strategic policy-making and administration is the sophisticated performance management and benchmarking system, which has been applied since the creation of local jobcentres in 2007. The central government has simultaneously increased its influence over local employment policy through detailed process regulation of the work methods and activities applied in jobcentres (Ministry of Finance 2005; Larsen 2009). This has resulted in criticism from municipalities and caseworkers for over-steering and lack of trust in municipal government and professional competency. The central administration has recently responded to this criticism by launching a “de-bureaucratisation program” in order to identify and reduce “excess, superfluous and redundant” rules. Jobcentres and social workers have been enthusiastically engaged in this process, but remain sceptical on the effects.

In the following, we will review the experiences with implementation of employment policy in the new governance system. As indicated in figure 1 above, there are three types of implementing organisations: municipal jobcentres, external service providers and unemployment insurance funds. The question is whether the designers of the new governance system have succeeded in achieving their objective of closing the gap between national policy objectives and local implementation.

Implementation by local jobcentres

Previous studies have documented that there is far from a linear relationship between national political intentions and legislation and local implementation (Larsen et. al 2001). Larsen et. al (2001) shows that many municipalities in the beginning of the new millennium despite the political intentions for more focus on sanctions, availability testing and reintegration on the regular labour market (so called social disciplining) chose to implement a “softer line” with more focus on social integration through local employment projects and

exemption from activation of the groups assessed to be "unattainable". The study also finds significant and often unexplainable variations between the municipalities, for example in relation to the percentage that were activated or assessed as having multiple barriers to reintegration. This heterogeneity in local implementation was problematised repeatedly by the Ministry of Employment in the run-up to the local government reform, for example by comparing the variations in municipal implementation with the more uniform implementation in the PES (see Ministry of Employment 2003).

The Danish National Centre for Social Research (SFI) has in recent years made a series of surveys of the implementation of employment policy in municipalities, the PES, among external service providers and the unemployment insurance funds. The findings of the study on local implementation of the 2003 labour market reform ("Flere i arbejde") contradicts the assumption of the government that caseworkers are "soft" and permissive in implementation (Stigaard others 2006). The study shows that towards persons assessed to be ready for the labour market, the caseworkers have sharpened the focus on specific jobs and they are demanding and not reluctant to use sanctions in order to find the shortest way to work. Furthermore, caseworkers apply the same criteria for assessing readiness to the labour market. Interestingly, this loyalty towards the law and municipal policy making is evident despite the fact that most caseworkers personally disagree with policy objectives.

Similarly, Beer et. al (2008) in a comparative analysis of policy implementation before the local government reform show that both the municipalities and the PES to a considerable extent implements the objectives of the 2003-reform. There are some interesting differences, though. At the time of data collection (2006), there were still differences in the choice of activation instruments. The municipalities were more inclined to use the cheapest instruments (company apprenticeships, guidance and clarification), while the PES used the instruments that was administratively easier to establish (municipal wage subsidies and training). However, the largest variations in implementation were not between the PES and the municipalities or between municipalities, but between individual caseworkers within each authority. Beer et. al explain this differences by pointing to differences in educational background, seniority, experience, role perceptions and attitudes towards clients as well as legislation.

Larsen (2009) also finds evidence that the problem definition and action logics of managers of municipal jobcenters has changed significantly since the earlier survey in 2001. The policy objectives of work first, stricter demand-setting and tougher sanctions are now acted upon in practical implementation. Previous variations in the classifications of clients have also diminished, particularly due to the new match categorization system. The work processes and methods applied in the jobcentres have in effect been standardised. This standardisation is critically assessed by most of the respondents as implying a greater degree of bureaucracy. Administration and fault finding has come to fill up more at the expense of direct citizen contact.

The empirical research tell a similar story: Since the implementation of the labour market reform in 2003, the implementation gap between central policy objectives and local

implementation has narrowed down. Some of the main instruments that have been introduced to ensure that greater uniformity in the implementation process are listed below.

Instruments used to close the implementation gap:

- Categorization of all clients in five **match-categories** used by all implementing organizations (jobcenters, external service providers and unemployment insurance funds)
- Obligation of all implementing organisations to make **contact interviews** with the unemployed at least every third month
- Simplified number of **instruments** (counselling and training, company apprenticeships and wage subsidies) for both unemployed on social assistance and unemployment insurance
- **Deadlines** for contact interviews (every third months) and deadlines for commenced activation for specific target groups (e.g. before 13 weeks for young persons on social assistance, before 6 months for older persons on social assistance, and again after 6 months on passive benefits)
- **Benchmarking** of the performance of jobcentres (www.jobindsats.dk)
- **Performance reviews** each year that describe the performance of jobcenters compared to the previous year and compared to "comparable" jobcenters
- **Local employment plans** each year made on the basis of a national template and addressing the targets of the Minister of Employment
- State **refunding formulas** that stimulates implementing organisations to deliver an activation offers on time

Besides from these management instruments, the transfer of responsibility for the insured unemployed to municipalities may also lead to a more standardised approach irrespective of whether the individual is receiving unemployment benefits or social assistance.

This is not the end of the story, though. There are still differences in the legislation between persons on unemployment insurance and social assistance. For example, different deadlines for activation on time, different reimbursement rates for activation (65 % for persons on social assistance and 75 % for persons on unemployment insurance), different levels of income replacement and different requirements for showing availability. These differences will certainly lead to variations in implementation, which the policy-makers in due time may find unacceptable. Despite the success in narrowing the variations in implementation between caseworkers, it should be noted that as long as implementation relies on the judgements and relative autonomy of individuals, then there will be room for variation. This can be assessed as problematic in relation to the rule of law, predictability, equal treatment and accountability or as an opportunity to provide a targeted, individual and locally adapted implementation towards citizens with different needs and requirements. Precisely therefore, the implementation process will continue to be associated with considerable political interest.

Implementation by external service providers

External service providers entered the scene as implementing organisations with the 2003 labour market reform. The political intention was not labelled contracting-out, tendering or privatisation, but labelled involvement of “other actors”, which was less ideologically loaded. Other actors could include private companies, educational institutions, trade unions, unemployment insurance funds, etc. This broad definition of “other actors” secured the support of the social democrats in parliament, and some parts of the trade union that were not reluctant to provide employment services to their own members. The government had an ideological desire to experiment with contracting out and needed to motivate the PES to create the conditions for a large-scale market for employment services. Different mechanisms were applied by the government and national labour market administration:

First, the Minister of Employment sets a target for the PES: 10% of all unemployed who were in contact with the PES had to be referred to external providers (later 15%). Since the majority of unemployed are short-term unemployed who find new jobs before the deadline for activation, the target actually means that the PES has to contract out a much higher percentage of the medium and longer term unemployed (Bredgaard & Larsen 2006). Secondly, the PES was required to make savings on their budget and downsize even if unemployment was climbing until the end of 2004. Thirdly, the politicians had invented a new type of service, the contact interviews, which the PES did not have the resources or manpower to deliver. Finally, the payment model to financing external providers was pointing towards a large-scale contracting out, since the PES were allowed to use the appropriation funds for activation to buy case management from external providers (Skou et. al 2008).

These mechanisms in combination led to a massive increase in the use of external service providers. By 2005, 45% of all persons on unemployment insurance benefits were referred to external providers. However, the PES was not exactly observing the formal intentions of the law that stipulated that external providers should be contracted when they had specialised competencies for specific target groups. Rather, the PES used external providers as a general mechanism to relieve them of mainly administrative tasks.

This practice did not go on unheeded. The National Audit Office began investigating the practices, and in 2006 expressed a strong criticism of the way the Ministry of Employment used contracting out, including the failure to live up to the intentions of the law. The PES is criticised for using contracting as a general mechanism rather than a specialized supplement for specific target groups. The PES is also criticised not giving the external providers a sufficiently strong economic incentive to get unemployed into permanent, ordinary job as quickly and directly as possible, and for inadequate monitoring of the market (National Audit Office 2006).

There is evidence that the market was heavily state-subsidized in the first years of existence. Skou et.al (2008) has calculated that the unit costs for contact interviews and job plans in 2005 was about 3.5 times as high among external providers compared to the PES. The total

expenditure on contracting far exceeded what was envisaged in the State Budget. The National Labour Market Administration (Arbejdsmarkedsstyrelsen) refutes this calculation. With a slightly different methodology they have calculated that the unit cost in 2008 was approximately one quarter cheaper with external providers compared to the unit cost of the state in the jobcentres (and about one sixth cheaper in 2007).

The Ministry of Employment was prepared for the criticism. In 2005, the Minister launches an action plan on the use of "other actors". The Action Plan seeks to translate the original intentions of the law. Contracting should only be applied where there is a clear labour market political justification in relation to specific target groups. The PES should only contract external providers when they are not qualified to provide services themselves, not because the lack administrative capacity. In order to strengthen the economic incentives of providers, a new national payment model is also implemented. 75% of payment to providers will be determined on outcomes (i.e. integration into ordinary jobs or ordinary education within 6 months after the intervention). The remaining 25% are disbursed for taking in clients. To ensure that providers are actually delivering services (rather than parking the unemployed on passive benefits) there is also an obligation that on average the group of unemployed must be in active measures at least 40% of the time.

Until 2007, the 14 labour market regions have been responsible for contracting. This created a lot of regional variation and in-transparency on the market. The Action Plan makes it possible to implement national tendering rounds after a uniform template. A process of centralisation of market management is, thus, set in motion. It may be noted that the National Audit Office in a follow-up memo from November 2008 express satisfaction with the initiatives taken by the Ministry of Employment to create a targeted and efficient use of external providers.

In the meantime, the unemployment rate is falling. Combined with stricter conditions for market competition, the period from 2005 sees a marked decrease in the use of external providers. At the beginning of 2007 only 10% of the unemployed are referred to external providers. During this period of market contraction, the large private companies secure an increasing market share, while educational institutions, unemployment insurance funds and trade unions almost disappear. Following the creation of local job centres in 2007, the size of the market remains roughly unchanged. There is, nonetheless, among the managers of the municipal job centres a clear expectation that the use of external providers towards social assistance recipients will increase in the near future (Larsen 2009).

With the new funding model for the insured unemployed from 2010, there is once more a tempting incentive to contract out employment services. The funding model of the PES is transferred to the municipalities. This in effect imply that municipalities can contract administrative services from external providers and have 50% of their expenditures refunded from the state budget. As unemployment has increased rapidly during the current financial crisis, the jobcentres have difficulties in meeting deadlines for contact interviews and activation on time – and may be tempted to contract out. The Local Government Association has voiced their concern that this may cause a increase in public spending, since

municipalities for economic reasons will be encouraged to lay off their own staff and hire external providers to get the 50% state refund. The administrative costs of activation for people on unemployment insurance are, however, only refunded up to a ceiling (DKK 18.200 for each full-time unemployed). If municipalities have administrative cost above this ceiling, they will not be eligible to the state refund

Regardless of how the market evolves over time experience so far suggest that outsourcing of employment is no panacea for a better and cheaper employment policy. It has proved difficult to create and maintain an efficient market structure that provides innovative and cost effective services. This is true not only in Denmark but also in some of the pioneering countries like Australia and Holland (see Bredgaard & Larsen 2006). The main objective in public regulation of the market since 2005 has been to centralise tendering and standardise services to ensure a greater degree of compliance with policy objectives. In that respect the experiences of external providers are equivalent to those of local jobcentres. External providers increasingly become the extended arm of the government. This disadvantage of this development is that the policy intentions of service innovation and experimentation become more difficult to satisfy.

Implementation by unemployment insurance funds

The final types of implementing organisation in the new institutional set-up are the Unemployment Insurance Funds (UIF). UIF's has since the beginning of 2007 played a more important role in implementing employment policy. They are voluntary and private member organizations paying out financial compensation to their members in case of unemployment or early retirement. Until 2007, their primary tasks were to administer the payments of unemployment benefit and early retirement pension, and advise insured unemployed about their rights and obligations. The UIFs are also responsible for controlling the labour market availability of their unemployed members and sanction them if they do not demonstrate availability. The Directorate of Labour under the Ministry of Employment ensure that the UIFs administer the rules in accordance with the law.

From 2007, the UIFs became involved in the active reintegration of unemployed members on the labour market. Instead of the local jobcentres, the UIFs took responsibility for the first contact interview with all their unemployed members. UIFs also assumed responsibility for referring their members to vacant jobs and advise them on job search activities. Finally, their role in controlling labour market availability was intensified. The UIFs took on these new responsibilities without any compensation from the state budget.

Given their background as voluntary member organisations, and the reluctance to act as the extended arm of the government, it is interesting to observe that the UIFs have been relatively loyal to the government in their implementation of the new tasks in employment policy. This is demonstrated in a recent survey and interviews with managers as well as caseworkers in the UIFs (Thuesen et. al 2008). Thuesen et. al find that although most respondents personally disagree with the work first strategy of the government, they implement the intentions loyally.

Most UIFs have intensified their contacts with their unemployed members, and now meet them more regularly, but also find it more difficult to assist in systematic job mediation. The evidence so far thus suggests that the UIFs are committed to implement the policy intentions of the government.

If these findings are reliable, it seems paradoxical that private member organisations, where the employees personally disagree with the intentions of the government, nonetheless, implement the policies of the government in a loyal manner. A possible explanation is that the UIFs are under strong pressure to survive as organisations. In recent years they have lost many members, and are often portrayed in the public as relics of the past. Furthermore, the UIFs (and the closely affiliated trade union) are fearful of what will come next after municipalisation of unemployment insurance. The UIF are afraid that the government will also transfer the responsibility for administration of unemployment insurance benefit payments and availability checks to the municipalities, and, eventually, empty the UIFs of their remaining tasks. These factors in combination have probably made them more compliant of government objectives.

Conclusions

The empirical evidence on the implementation of policy objectives and intentions in employment policy tell a similar story: the former gap between policy objectives and local implementation has been narrowed down. The explanation for this relates back to deliberate changes in the factors, described in the introduction:

- The central decision makers (including leading civil servants) have outlined **explicit, clear and unambiguous policy objectives**. The key objective of numerous political initiatives can be labelled as work first and making work pay. If the opposition in parliament did not agree of this strategic direction, the government would find its majority with the support of the Danish Peoples Party.
- The central decision makers have **explicitly addressed the coordination problems** arising from interaction of organisations with different interests. The key mechanism is simultaneous decentralisation and centralisation of the governance structure. Decentralisation of the operational responsibility for activation policies to local government. And centralisation of strategic decisions, procedural specifications and funding. This has been possible by the merging together of labour market and social policy for the unemployed into a joint employment policy. Coordination problems have been reduced as municipalities take responsibility (and blame) for both social assistance and unemployment insurance. The former need to persuade the social partners to accept the implementation of government objectives has been stifled by reducing the role of the social partners to advisory.
- The **autonomy and discretion** of the implementing organisations and street-level bureaucrats has been confined by procedural specifications. The former (and sometimes unexplainable) variations between municipalities and among street-level bureaucrats have been reduced by a number of standardisations of the visitation process, the available

instruments, detailed deadlines for and regulation of the work process. The complexity of work has been reduced by separating the responsibilities of jobcentres from benefit administration. In addition, the sophisticated benchmarking and performance management of the jobcentres drives performance towards a common denominator. Finally, incentive mechanisms have been designed to drive implementation towards policy objectives. Likewise, the other implementing organisations (external providers and unemployment insurance funds) are obliged to follow the same procedural specifications and incentive mechanisms and have their performance measured in the same performance management system.

- This transformation of the implementation structure and shift towards work first has not been popular among all the stakeholders. The **legitimacy** of government policies and programs is considered low by the majority of street-level bureaucrats, many local governments, the unemployment insurance fund and the social partners. Despite their criticism, our review of the available evidence shows that the implementing organisations (jobcentres, external providers and unemployment insurance funds) have remained committed to implement policies and programs.
- This may be partly explained by the favourable **socio-economic conditions** of the period in which the government policies and programs have been implemented. The period from 2004 to 2008 was characterised by rapidly falling unemployment rates and increasing employment opportunities. Before the global financial crisis hit Denmark in the autumn of 2008, unemployment had fallen to a record low of 1.4% of the workforce and there was an eminent lack of qualified labour in numerous parts of the economy. The main objective of the government was to increase effective labour supply, which made the work first and making work pay approaches in employment policy appear successful. The current economic crisis is, however, putting this approach and the entire governance structure to the test.

From a top-down perspective, the designers of the new implementation structure will evaluate the mission at (almost) completed. The former variations in the actual implementation of government policies and programs have been narrowed down by a deliberate design of a new governance system. The advantages of this are a reinforcement of national democratic control of local implementation, a higher likelihood of equal treatment of citizens across municipal boundaries, and higher degree of predictability and transparency in encounters between citizens and caseworkers. From a bottom-up perspective, the disadvantages are clearly a reduction of the possibilities for adaptation, experimentation and innovation. These opposing values cannot be reconciled by any institutional design fix. Therefore, the implementation process will remain politicised and subject to new reforms.

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