Quasi-market reforms in employment and training services: first experiences and evaluation results

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In:

Descy, P.; Tessaring, M. (eds)

**Evaluation of systems and programmes**

Third report on vocational training research in Europe: background report.
Luxembourg: Office for Official Publications of the European Communities, 2004
(Cedefop Reference series, 57)

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**Impact of education and training**

Preface

The impact of human capital on economic growth: a review
*Rob A. Wilson, Geoff Briscoe*

Empirical analysis of human capital development and economic growth in European regions
*Hiro Izushi, Robert Huggins*

Non-material benefits of education, training and skills at a macro level
*Andy Green, John Preston, Lars-Erik Malmberg*

Macroeconometric evaluation of active labour-market policy – a case study for Germany
*Reinhard Hujer, Marco Caliendo, Christopher Zeiss*

Active policies and measures: impact on integration and reintegration in the labour market and social life
*Kenneth Walsh and David J. Parsons*

The impact of human capital and human capital investments on company performance Evidence from literature and European survey results
*Bo Hansson, Ulf Johanson, Karl-Heinz Leitner*

The benefits of education, training and skills from an individual life-course perspective with a particular focus on life-course and biographical research
*Maren Heise, Wolfgang Meyer*

**Evaluation of systems and programmes**

Preface

Evaluating the impact of reforms of vocational education and training: examples of practice
*Mike Coles*

Evaluating systems’ reform in vocational education and training. Learning from Danish and Dutch cases
*Loek Nieuwenhuis, Hanne Shapiro*

Evaluation of EU and international programmes and initiatives promoting mobility – selected case studies
*Wolfgang Hellwig, Uwe Lauterbach, Hermann-Günter Hesse, Sabine Fabriz*

Consultancy for free? Evaluation practice in the European Union and central and eastern Europe Findings from selected EU programmes
*Bernd Baumgartl, Olga Strietska-Ilina, Gerhard Schaumberger*

Quasi-market reforms in employment and training services: first experiences and evaluation results
*Ludo Struyven, Geert Steurs*

Evaluation activities in the European Commission
*Josep Molsosa*

**The foundations of evaluation and impact research**

Preface

Philosophies and types of evaluation research
*Elliot Stern*

Developing standards to evaluate vocational education and training programmes
*Wolfgang Beywl; Sandra Speer*

Methods and limitations of evaluation and impact research
*Reinhard Hujer, Marco Caliendo, Dubravko Radic*
Quasi-market reforms in employment and training services: first experiences and evaluation results
Ludo Struyven, Geert Steurs (1)

Abstract

In this paper we focus on quasi-market reforms for employment and training services for job seekers. Open tendering is the standard form for the introduction of market forces in several countries, with a competitive bidding process used to determine with which provider an order is placed for a particular service. It is an alternative to the more traditional method of subsidising providers, where a country’s own government department/service, in a protected legal position, receives a guaranteed share of government funding. The focus on quasi-market reforms means that we will not cover the broader evaluation issues of active labour-market and training policies, in so far as they are disconnected from the mode of service delivery. Quasi-market changes are only just being put into place but this does not mean that any kind of evaluation is impossible. We start from a theory of quasi-markets as developed by Le Grand and Bartlett (1993) which specifies the conditions quasi-markets have to meet if they are to succeed. In our analysis, we will make a preliminary assessment of the extent to which those conditions appear to be met in practice.

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1. Executive summary 223

2. Introduction 225

3. The role of quasi-markets 226
   3.1. The economic rationale for competitive service delivery 226
   3.2. Definition of quasi-markets 226
   3.3. Quasi-markets as allocation model of service delivery 226
   3.4. Quasi-markets: do they work? 228
   3.5. Linking contestability and market forces to the activation of benefit claimants 229

4. Overview of reforms 230
   4.1. The four countries at a glance 230
   4.2. Objectives of the reforms 231
      4.2.1. Outcomes and costs 231
      4.2.2. Choice 231
      4.2.3. Other motives 232
   4.3. Market forces in the broader institutional and policy context 232
      4.3.1. The Swedish context of the 1980s 232
      4.3.2. Australia, the Netherlands and the UK: institutional reforms in the second half of the 1990s 232
         4.3.2.1. Relationship between functions 232
         4.3.2.2. Scope for market forces in implementing functions 233
         4.3.2.3. Market forces and the concept of the welfare state 233
      4.3.3. Conclusion 234

5. Evaluation framework for quasi-market mechanisms 236
   5.1. Criteria for summative evaluation 236
      5.1.1. Efficiency 237
      5.1.2. Responsiveness 237
      5.1.3. Quality 237
      5.1.4. Choice 237
      5.1.5. Equity 238
   5.2. Criteria for formative evaluation 238
   5.3. Available evaluation studies 240
      5.3.1. Australia 240
      5.3.2. The Netherlands 241
   5.4. Summary 242

6. Formative evaluation 243
   6.1. Market structure 243
      6.1.1. Separation between purchaser and provider 243
      6.1.2. Provider competition 243
         6.1.2.1. The relationship between tendering procedures and provider competition 243
         6.1.2.2. Price versus quality competition 244
6.1.3. Player’s market
  6.1.3.1. Concentration and increases in scale
  6.1.3.2. Difficult entry to the market
  6.1.3.3. The position of the former public employment service

6.1.4. The position of the purchaser
  6.1.4.1. Degree of monopoly at the purchaser side
  6.1.4.2. Degree of centralisation at the purchaser side

6.2. Information and transparency
  6.2.1. Lack of transparency
  6.2.2. Contractual compliance monitoring in Job Network
  6.2.3. Performance measurement in Job Network

6.3. Transaction costs

6.4. Motivation: the combination of input and output financing
  6.4.1. Input and output financing
  6.4.2. The Dutch payment system
  6.4.3. Output financing and training
  6.4.4. Impact of the outcome-based focus on provider behaviour

6.5. Creaming and parking

7. Summative evaluation

7.1. Efficiency

7.2. Responsiveness and choice
  7.2.1. Application of the job seeker classification instrument
  7.2.2. Choice of provider
  7.2.3. Client satisfaction

7.3. Quality
  7.3.1. Services of the Australian Job Network
  7.3.2. Training within Job Network
    7.3.2.1. The amount of training
    7.3.2.2. Outcome based payment and incentives to provide training

7.4. Net impact and equity of the Australian Job Network
  7.4.1. Gross outcomes
  7.4.2. Sustainability of outcomes
  7.4.3. Before-and-after comparisons
  7.4.4. Provider comparisons
  7.4.5. Net impact and equity

8. Conclusions

8.1. Assessment of evaluation strategy
8.2. Main findings
8.3. Lessons for other countries

List of abbreviations

References
List of tables and figures

Tables

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1</td>
<td>The key functions in employment placement and spread among government organisations (situation in 2002)</td>
<td>233</td>
</tr>
<tr>
<td>Table 2</td>
<td>Objectives, instruments and players in market forces in four countries</td>
<td>234</td>
</tr>
<tr>
<td>Table 3</td>
<td>Criteria for summative evaluation of quasi-market reforms</td>
<td>237</td>
</tr>
<tr>
<td>Table 4</td>
<td>Conditions and criteria for the functioning of quasi-markets for social policy</td>
<td>239</td>
</tr>
<tr>
<td>Table 5</td>
<td>Tendering procedure</td>
<td>244</td>
</tr>
<tr>
<td>Table 6</td>
<td>Current situation</td>
<td>245</td>
</tr>
<tr>
<td>Table 7</td>
<td>C4 concentration ratio</td>
<td>247</td>
</tr>
<tr>
<td>Table 8</td>
<td>Success rates of established versus new providers (Job Network 1)</td>
<td>247</td>
</tr>
<tr>
<td>Table 9</td>
<td>Market types based on the number of providers and purchasers</td>
<td>249</td>
</tr>
<tr>
<td>Table 10</td>
<td>Payment structure and competition</td>
<td>254</td>
</tr>
<tr>
<td>Table 11</td>
<td>Cost-effectiveness of Job Network</td>
<td>258</td>
</tr>
<tr>
<td>Table 12</td>
<td>Gross outcomes of Job Network</td>
<td>262</td>
</tr>
<tr>
<td>Table 13</td>
<td>Empirical evidence concerning the impact of quasi-markets in Australia (1998-02) and the Netherlands (2000-02)</td>
<td>265</td>
</tr>
<tr>
<td>Table 14</td>
<td>Empirical evidence concerning the conditions for quasi-markets in Australia (1998-02) and the Netherlands (2000-02)</td>
<td>266</td>
</tr>
<tr>
<td>Table 15</td>
<td>Advantages and disadvantages of two market types based on tendering practice in Australia and the Netherlands</td>
<td>267</td>
</tr>
</tbody>
</table>

Figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1</td>
<td>Traditional model of service allocation</td>
<td>227</td>
</tr>
<tr>
<td>Figure 2</td>
<td>Quasi-market model</td>
<td>227</td>
</tr>
<tr>
<td>Figure 3</td>
<td>Voucher model</td>
<td>228</td>
</tr>
</tbody>
</table>
1. Executive summary

In this paper we focus on quasi-market reforms for employment and training services for job seekers. Open tendering is the standard form for the introduction of market forces in several countries, with a competitive bidding process used to determine with which provider an order is placed for a particular service. It is an alternative to the more traditional method of subsidising providers, where a country’s own government department/service, in a protected legal position, receives a guaranteed share of government funding. The focus on quasi-market reforms means that we will not cover the broader evaluation issues of active labour-market and training policies, in so far as they are disconnected from the mode of service delivery. Quasi-market changes are only just being put into place but this does not mean that any kind of evaluation is impossible. We start from a theory of quasi-markets as developed by Le Grand and Bartlett (1993) which specifies the conditions quasi-markets have to meet if they are to succeed. In our analysis, we will make a preliminary assessment of the extent to which those conditions appear to be met in practice.

This paper reports primarily on evaluation of the Australian quasi-market model, which is in many ways the most radical in the world. Closest to Australia are the reforms in the Netherlands. In the UK (New Deal programmes) and Sweden (training), the model has been adopted only partly and with divergent features along the employment and training programmes. A system analysis is provided of quasi-market arrangements in these countries. Subsequently, the evidence comes mainly from the Australian Job Network and, to a lesser extent, the emerging private reintegration market in the Netherlands.

The experiences from the Australian and other quasi-market reforms support the view that the market model for providers of reintegration services is superior to that operating previously. However, there is no hard empirical evidence for this. It is extremely difficult to distinguish rigorously between the effect of market forces and other changes that may have taken place simultaneously, such as changes in the benefit system or in the labour market. But this can not be a justification for the lack of external (scientific) evaluation research on these reforms.

In Australia, the most significant gain is that the market system leads to more cost-effective performance: services cost less, with a more or less similar net impact as previous programmes and sufficient responsiveness and quality. Weaker points are the very limited choice for job seekers and the erosion of the level of services, especially with regard to job-specific training. However, findings on net impact and quality are tentative and should be added to other findings on the amount of training services, the financial incentives and their role for disadvantaged job seekers. It was found that financial incentives, focusing on employment outcomes, have an adverse effect on the equal treatment of job seekers. The incentive structure favours the pursuit of short-term employment outcomes over training and education, although training and education may, in the longer-term, be of greater benefit to job seekers.

In the Netherlands, it is not yet clear how far the arrangements to foster responsiveness and choice between providers may work well. The Dutch reintegration market tends to become self-regulating on quality: at the moment, there is no evidence of increased efficiency nor equity. Despite these mixed findings, there is more positive evidence on the conditions required for the functioning of quasi-markets. Typical problems concerning information and transparency and transaction costs can be overcome by refinements in structure, tendering mechanisms, implementation and monitoring arrangements. In this respect, the experiences are not similar, as shown by the market patterns in Australia and the Netherlands. Australia has one centrally operating purchaser, in contrast to the Netherlands where there are several purchasers operating in a decentralised manner. They represent contrasting market types, with both advantages and disadvantages.

The evaluation review of emerging markets for employment and training services highlights the
central role played by incentives. Therefore, it makes sense to give much more attention in evaluation research to the relationship between tendering and market conditions on the one hand and the behaviour of both providers and job seekers on the other.
Countries are increasingly turning to private organisations to implement activation and reintegration measures aimed at job seekers. In several OECD countries, this is currently taking the form of a market forces policy, based on the creation of a market for employment placement and reintegration. The mechanism used is that of open tendering, with reliance on private bodies (partially) replacing government organisation for employment placement, training and reintegration. The central issue of this study deals with the experiences acquired with market forces. Four pioneering countries are examined: Australia, the Netherlands, Sweden and the UK. The key questions are as follows. Within which structural reforms is the introduction of market forces placed? What are the intended objectives of the market forces? Is there a genuine market for reintegration services? What about the former state provider? What are the impact of the tendering rules and the incentive structure on this provider? What are the effects of market forces on the workings of the labour market, in particular the position of the job seekers? What is the impact on the services provided? What happens to the amount and the nature of training?

Particular attention is given in this study to evaluating the implementation and (potential) impact, based on both formative and summative evaluation. Hence, we examine to what extent during implementation formative or summative evaluation has taken place and in what way this has already influenced further implementation.

This paper is structured as follows. In Chapter 3, we deal primarily with the economic rationale of quasi-markets, and summarise the evidence so far with similar reforms in related policy sectors of other human services. We then give a short overview of the main reforms and policy objectives for the quasi-market reforms, followed by a discussion about the institutional and policy context of the benefit and activation systems of the countries under consideration. In Chapter 5 we introduce framework for evaluation, based upon the theory of quasi-markets. Subsequently, we look in more detail at the empirical findings concerning formative (Chapter 6) and summative evaluation (Chapter 7). In Chapter 8, we discuss concluding points.
3. The role of quasi-markets

3.1. The economic rationale for competitive service delivery

Market forces are used to open up government organisation to the market. In this context, we understand market forces as being a means of achieving public goals not as shifting financing from the public sector to the private. Traditionally, services aimed at labour reintegration have been heavily monopolised by government provision. In a system of market forces, the services are offered by a wide field of providers, with both NGOs and profit-making organisations (e.g. employment agencies) operating alongside the government provider. Market forces do not mean that activities are ‘left’ to the market, but that the government has the services provided by private market parties. The government can also continue to play its own role as provider. The introduction of market forces stems from the pressure to improve efficiency and responsiveness in the public sector. In economic literature, the role of competition and contestability is threefold:

(a) using competitive pressure to constrain activities and drive producers to keep prices down;
(b) organising according to the best known techniques of production;
(c) innovating to avoid economic annihilation (Webster and Harding, 2000).

Markets with a plausible threat of entry may be enough to be described as contestable markets. Government funding is justified on the grounds that purely private provision will result in sub-optimal consumption levels where positive social externalities are present and economic justice principles are relevant. Therefore, a broad distribution of education, health and social services may be required, broader than would arise under purely private arrangements. However, while public funding is justified, it does not immediately follow that the government must also ‘provide’ all or any of these services. In the literature this model has been called quasi-markets.

3.2. Definition of quasi-markets

In a quasi-market, the relationships between purchasers and providers are structured in a commercial way. This produces a shift from bureaucratic monopoly providers towards independent, competitive providers: ‘The government bureaucracies responsible for providing these services were broken up, being replaced by state purchasers who contracted with independent providers to provide the service concerned’ (Le Grand, 2001). Decisions are made on the basis of the market criteria of price, quality and delivery time. As in an ordinary market, competition exists between various providers, but these are not, however, necessarily driven by profit maximisation. On the demand side, the available budget is distributed by a purchasing agency. Le Grand and Bartlett define this new mode of public service delivery as an internal or ‘quasi’-market: a market in the sense of independent agents competing with one another for custom from purchasers, but a quasi-market in that, unlike in a normal market, purchasing power comes not directly from consumers but from the state (Le Grand, 2001). Other differences from normal markets are the appointment of an agent to act as a purchaser on behalf of the final consumer and – in some policy sectors – a preponderance of non-profit or even public providers. The new delivery system took off in many countries in the 1980s and 1990s in social policy fields like health, education and housing. According to the theory of quasi-markets, market forces have two main goals: on the one hand, to increase effectiveness and, on the other hand, to increase the responsiveness of the providers and the freedom of choice for consumers (Le Grand and Bartlett, 1993).

3.3. Quasi-markets as allocation model of service delivery

The introduction of a quasi-market for public funded services can be considered as a specific
mode of service delivery, to be distinguished from privatisation or contracting out. With privatisation a former public sector function is moved permanently into the private sector with a change in the owner’s structure and in the way of financing. Contracting out is often understood as outsourcing from the public provider; in a broader sense contracting out means that the former public sector function is subject of private sector competition, where the public provider can continue to act as one of the competing actors. In this sense contracting out stands for a quasi-market arrangement. Finally, there is the voucher system, which enables the client or customer to shop around between providers (Derksen et al., 2000; Thuy et al., 2001; Green et al., 2001; Struyven et al., 2002). These models can be seen as different allocation models: resource oriented (the traditional government’s provider); provider and purchaser oriented (quasi-market model) and customer oriented (voucher model).

In each model the following roles are distinguished: the resource role, the purchaser role, the provider role and the user role. In the traditional model, publicly funded services are provided by the public provider, with some parts usually being contracted out to other providers.

In this case, the government is combining the role of resource, purchaser and provider. In the quasi-market model, a clear distinction is made between the purchaser (principal) and the provider (agent). In the voucher model, funds are going directly to the user, who can make a choice between different providers in the market. In this model, the user (or customer) is acting as a purchaser of services.
3.4. Quasi-markets: do they work?

Market forces cannot simply be equated with less social protection. What is striking is that the countries in which quasi-market arrangements are implemented, are involved in far-reaching reforms to systems of benefits, activation and employment placement (Struyven et al., 2002). The application of market forces can be seen as a means of making social security manageable: not by breaking down rights to benefits, but by reorganising implementation. Rather than ‘free market forces’, the issue is much more one of ‘managed market forces’ or even ‘controlled market forces’ (see the concept of managed liberalisation in van der Veen, 2000). The question is not therefore ‘government or market’ but of ‘which policy mix of government and market?’. Here we are mainly concerned with quasi-markets in typical publicly funded sectors, such as education, health and other human services. British experiments in these areas are among the most radical of those tried. In his review of 2001, Le Grand reports on the evidence so far with these quasi-markets. The most striking conclusion from this review is how different they are (Le Grand, 2001). In the British health care market reforms, there seems to have been little overall measurable change. The quasi-market delivered relatively little of the benefits that its advocates hoped, but also generated few of the disasters that its critics predicted. In contrast, the market in education does seem to have brought significant changes in behaviour in British schools. There have been gains in efficiency and choice, but also significant equity losses (see below with regard to the evaluation criteria). According to Le Grand, there are a number of possible explanations for the relative failure in health care and the relative success in education. First, the incentive structure was relatively weak in health and relatively strong in education (e.g. reward for success, penalty for failure). Second, the constraints faced by the agents were different (e.g. degree of autonomy; flexibility to respond to demand pressures). Finally, the motivations of the active agents played a role. In hospitals, the dominant motivation is quality of the care provided by specialist consultants and their professional advancement. In education, school ‘managers’ were more preoccupied by the financial success or failure of their institution. Le Grand concludes that, for the introduction of quasi-markets into public service delivery significantly to change behaviour in the relevant actors, a number of conditions have to be fulfilled. In this paper we will examine how far these conditions are present in the emerging employment and training services markets.
3.5. Linking contestability and market forces to the activation of benefit claimants

The practice of market forces is rooted in the broader activation concept (European Commission, 1998). The shared goal of the reforms is to allow social integration to take place more via participation in the labour process than purely by redistributing income through benefits. The efforts of the job seeker, the reintegration company and the benefits agency have to be geared towards the same goal. The premise of 'work first' (UK) or 'work before income' (the Netherlands) figures in each country. Incentives or financial stimuli deeply influence the nature of the mutual relationships between the players involved. Reintegration companies are steered towards achieving the placement standard and job seekers are judged on their willingness to accept an activation offer or a job. The outcome takes precedence. The underlying reasoning is that steering based on placement results is more easily based on competition between providers; after all, their role is ultimately that of mediator with the demand for labour. The benefits agency is given more autonomy and responsibility in exchange for result commitments, while the duties of the individual job seeker as ‘beneficiary’ are now also considered. Broad unanimity exists concerning the goal, i.e. linking the right to a benefit to participation in an integration route.
4. Overview of reforms

4.1. The four countries at a glance

The Australian Job Network is an international model for market forces in employment placement. The model has been in place since 1 May 1998 for all the employment placement and reintegration services. Two tendering procedures have already taken place, in 1997 (Job Network 1) and in 1999 (Job Network 2). The third round is planned for March 2003. This case study is targeted at three labour-market services which were deployed in the market. ‘Job matching’ consists of placement services for all registered job seekers, including vacancy recruitment and helping job seekers to find a job. ‘Job search training’ is intended for job seekers with a moderate degree of disadvantage and is aimed at imparting ‘job search skills’. ‘Intensive assistance’ involves individual counselling for the most disadvantaged job seekers. Dramatic institutional reforms were carried out at the same time as the introduction of Job Network. The folding of the Commonwealth Employment Service and the formation of Centrelink, an autonomous government organisation which provides a wide range of services to citizens through the ‘one-stop shop’ format, formed part of this. The Department for Employment, Workplace Relations and Small Business (DEWRSB) acts as sole purchaser. Centrelink refers job seekers on to the providers: Employment National (successor to the Commonwealth Employment Service), private providers and NGOs.

The Dutch government has set itself the aim of creating a ‘purely private reintegration market’. At national level, the principle of open tendering has been generalised for job seekers and the disabled (first round in 2000; second round in 2001). For those on benefits, at municipal level the evolution towards ‘transparent purchase’ of the reintegration services present on the market is still very gradual. The ‘privatisation’ of labour reintegration forms one of the pillars of the Structure of work and income implementation law (SUWI law), which entered into force on 1 January 2002. It is hoped, through intervention in the administration organisation, to reduce the sharp increase in numbers of disabled people receiving disability benefits. The population of job seekers and the disabled is part of the responsibility of the new benefits agency (UWV or Employees’ Insurance Benefits Agency); benefit recipients remain under municipal responsibility. Paying out benefits – and associated tasks such as establishing the right to benefits – remains within the public domain. Reintegration as a whole is transferred into the private domain. The reintegration component of the public employment placement organisation (Arbeidsvoorziening) is transferred to the autonomous public company KLIQ. Several basic tasks, such as registration and direct placement are offered jointly for both groups via the one-stop shop of the Centres for Work and Income (CWI), which are taking over some of the tasks of the former job centres. The Netherlands has many buyers as a result of shared commissioning by the UWV and the municipalities.

The Welfare to Work programme of the British Labour government to a large extent continues the trend of involving private parties in implementing the various New Deal programmes. The New Deals fall under the auspices of the Employment Services, which itself retains a number of tasks regarding intake and counselling. The Employment Service is an integrated benefits and employment placement organisation and is organised along the one-stop shop concept through a network of Jobcentres Plus. The service operates as an autonomous component of the new Department for Work and Pensions. Since 1998, the Employment Service has been organising individual tendering procedures per New Deal programme (for young people, the long-term unemployed, single parents, etc.) and per region. What exactly is carried out by the market can vary from one region to another. In addition, the Department for Work and Pensions sets up pilots for employment zones and action teams. These are initiatives for the placement and reintegration of job seekers in a well-defined area.
of high structural unemployment. The benefits function is also privately organised.

Sweden has for a long time emphasised active labour-market measures, which involves devoting a great deal of attention to training. The Swedish case study concentrates on the introduction of market forces in organising the supply of training for job seekers. In contrast to the other countries, this reform did not take place within the Employment Service. It was in two phases, starting in 1986 when organisation of training was reformed for the first time, with separation of demand and supply. Publicly financed training became the competence of the National Labour Market Board and 24 County Labour Market Boards. A new agency, AmuGruppen, was formed, with the task of providing training courses. At the same time, the market for publicly financed training courses, via decentralised tendering, was opened up to public and private training providers. In 1993, the second phase of the reforms was implemented. The autonomous government agency was transformed into an independent state enterprise (now Lernia), which has to compete under the same conditions with other players in the training market.

4.2. Objectives of the reforms

In the theoretical literature about market forces, two main aims are usually identified: to increase effectiveness and to increase the responsiveness of providers and freedom of choice for consumers. These aims partly correspond with the aims of active labour-market policies in general: to improve the employability of the unemployed, increase the efficiency of job searching (in contrast with passive policy, which provides benefits for those without work), secure job outcomes and improve equity (Productivity Commission, 2002).

4.2.1. Outcomes and costs

When studying the objectives for market forces in terms of reintegration, the motive of technical efficiency and cost control seems to rise to the surface in all countries. In addition, countries also aim for greater allocation efficiency using a new service concept (Australia) or a more flexible supply of training (Sweden). Australia and the UK both emphasise the importance of outputs and outcomes (results). The British system, moreover, is highly target-driven. In the Netherlands, market forces – via a reorganisation of the entire implementation structure – are focused on controlling the problem of disability benefits (under the WAO) which has dominated social security policy for over a decade. It is hoped that market forces will reduce those claiming benefits under the WAO (by making the employer the principal) and increase those leaving the benefits system under the WAO (by making the benefits agency the principal). Result steering and market forces go hand-in-hand in this case.

The creation of open competition is a key element in all countries. This is explicit in the policy theory of the Netherlands: the creation of a purely private reintegration market and transparency in allocating public resources function as the central objectives. Neither the Netherlands nor the UK use market forces in the context of major government budget savings. In Australia, savings as a motive for market forces were also not officially on the agenda but, in practice, significant savings do seem to have been made. The Job Network system was actually introduced by abolishing a number of existing labour-market programmes. Moreover, the government managed to bring the cost price to a little lower than it had previously been, using assumed price margins (see below).

4.2.2. Choice

Except what theory would lead us to suppose, relatively little reference is made to the second aim in the four case studies: the aim of increasing the options for the consumer. The logic is that when the government offers services as a monopolist, job seekers cannot make their own choices because there are no alternatives. The market should be better able to guarantee individual freedom of choice but little of this can be seen in present practice. It should however be said that experiments are under way with person-related or person-following budgets (e.g. personal job account in the employment zones; person-related reintegration budget in the Netherlands). Australia does refer to the goal of greater freedom of choice but, in practice, this does not seem to work well (see below). One possible explanation for the missing dimension of freedom of choice is that market forces systems
are heavily geared towards controlling reintegra-
tion supply via regulation of providers. One other 
explanation is that the activation context (by 
emphasising rights and obligations) and the 
job-seeking population (as a result of the pres-
ence of less independent target groups) lend 
themselves less to this.

4.2.3. Other motives
A further consideration concerns the operation of 
the government provider. In a market discussion, 
we could expect dissatisfaction with the govern-
ment provider to be the main reason for reforms 
and the goal of shifting the production of 
labour-market services to the private sector to be 
a response to the problems of government provi-
sion. This does not seem to feature in official 
discussions in the countries in question, though 
some reference is made in the appeal for strong 
private involvement. It is likely that in practice it 
has been an important breeding ground for 
greater openness with respect to more intense 
market forces.

Finally, there is the political-ideological motive. 
Market forces are increasing being introduced, with 
Australia, New Zealand, the UK and the US playing 
a leading role. Nonetheless, the ideological argu-
ment has to be put into perspective when looking 
at the prior development process in Australia or the 
UK. More decisive in nature is the question of how 
far there is a potential market for it.

4.3. Market forces in the broader 
institutional and policy 
context

The most striking aspect of the countries under 
consideration here is that the introduction of 
market forces is associated with a dramatic insti-
tutional reform of the broader system of benefits, 
activation and employment placement. In 
essence, it affects the structure of organisation 
and incentives. The choice for market forces is 
not self-evident. In this respect, we draw a 
distinction between Sweden and the three other 
countries (Struyven, et al., 2002).

4.3.1. The Swedish context of the 1980s
The context for development of market forces 
differs. For instance, the initial driving force 
behind Swedish training policy appears to have 
been increasing unemployment, which created an 
increasing need for training that could not be met 
by AmuGruppen, the state provider. In addition, 
the Swedish authorities wanted to make the 
government provider more cost efficient by 
exposing it to competition. However, in the 
Swedish example, market forces seem to be 
contained within a process of institutional 
change. This sought a clearer distinction between 
education and training geared towards the labour 
market, which led to the shift in responsibility for 
the former Amu centres from the Department of 
Education to the Department of Employment.

4.3.2. Australia, the Netherlands and the UK: 
institutional reforms in the second half 
of the 1990s

These wider institutional reforms are found in the 
three other countries and the case studies show 
the extent to which Australia, the Netherlands 
and the UK have recently become involved in 
far-reaching reforms which are not yet complete. 
The motives for transferring to market forces are 
rooted in diagnosis of the existing institutions: the 
legitimacy of keeping certain tasks in the public 
domain (or not), the nature and efficiency of 
incentives concealed within them, the relation-
ships between inter-related players. The struc-
tures vary in the countries studied with differ-
ences in the organisational division between 
functions, the scope for market forces in the 
implementation of functions and the new concept 
of the welfare state.

4.3.2.1. Relationship between functions
The relationship between the two functions of 
benefits and placement represents a fundamental 
and constantly recurring field of tension in 
labour-market policy. The OECD usually identifies 
three main functions for policy, irrespective of 
who is assuming them: the benefit payment func-
tion, the placement function and the referral func-
tion (to labour-market programmes) (Fay, 1997). 
Developments in market forces allow us to iden-
tify three additional functions:
(a) the transparency function with respect to the 
vacancies market, specifically via the pres-
ence of a broad public vacancy database 
and/or private databases;
(b) the tendering function: in present-day market 
forces, this means putting out to tender activ-
Ities in the field of employment placement and reintegration;
(c) the reintegration function: this means fulfilling and/or implementing activities in the field of reintegration (introduction, training, etc., through to placement and after-care).

Two sub-functions can be distinguished as part of the placement function: direct placement and reintegration. This means that six key functions can be identified. Table 1 examines how the functions are distributed in the new setting of organisations.

In Australia and the UK, powers are distributed between the central department and one integrated government organisation: Centrelink (Australia) and the Employment Service (UK) with the network of Jobcentres Plus. This development contrasts with the new structure in the Netherlands, where the benefits and placement functions are (remain) divided between two different organisations: the UWV and the CWI. The special feature of the Dutch situation is that two other organisational mergers are taking place: first at the level of the benefits agencies and, second, at the level of the intake and referral function. In the new configuration, the intake and referral function is the job of the CWI, whereas these tasks used to be exercised in a fragmented manner by the employment agencies, the administration agencies and the municipal social services.

4.3.2.2. Scope for market forces in implementing functions

Differences exist in the extent to which functions are left to the market. In this respect, Australia goes the furthest, with typical tasks related to employment placement by a public institution reduced to a minimum. In the Netherlands, intake encompasses a broader procedure and the benefits agency can also continue to carry out case management (client follow-up right through to placement). In the UK too, the role of the Employment Service remains more significant; though this varies depending on the region. However, the UK is also experimenting on a territorial basis with tendering out both reintegration and benefit tasks (Employment Zones).

4.3.2.3. Market forces and the concept of the welfare state

Other differences emerge from the broader perspective of social protection. It is clear that the reforms in Australia push the mutual connection between result-orientation, free competition and conditional benefits (mutual obligation) to the forefront. In the Netherlands and the UK, official policy discussions are moving in the same direction, although it cannot be said that a policy of less social protection is being pursued. Rather, we are seeing strong emphasis on the mutual rights and obligations of activation bodies and job seekers.

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Table 1: The key functions in employment placement and spread among government organisations (situation in 2002)

<table>
<thead>
<tr>
<th>Function</th>
<th>Australia</th>
<th>The Netherlands</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit</td>
<td>Centrelink</td>
<td>– UWV</td>
<td>Employment Service (ES)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Municipalities</td>
<td></td>
</tr>
<tr>
<td>Direct placement</td>
<td>By tender</td>
<td>CWI</td>
<td>Jobcentre Plus (= ES)</td>
</tr>
<tr>
<td>Intake and referral</td>
<td>Central department</td>
<td>CWI</td>
<td>Jobcentre Plus (= ES)</td>
</tr>
<tr>
<td>Vacancy market</td>
<td>Central department</td>
<td>– Private market</td>
<td>ES</td>
</tr>
<tr>
<td>transparency function</td>
<td></td>
<td>– CWI</td>
<td></td>
</tr>
<tr>
<td>Tendering</td>
<td>Central department</td>
<td>– UWV</td>
<td>– ES</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Municipalities</td>
<td>– Central department</td>
</tr>
<tr>
<td>Reintegration</td>
<td>By tender</td>
<td>By tender</td>
<td>By tender</td>
</tr>
</tbody>
</table>
4.3.3. Conclusion
The introduction of the market mechanism does not stand alone, but is part of the search for a more coherent benefits and activation system. This system, in turn, is related to changes in the concept of the welfare state. Institutional reform represents one of the major pre-conditions for market forces. This, however, complicates evaluation of the impact of the market forces mechanism because the introduction of the market mechanism is difficult to isolate from the other system changes.

Table 2 presents a brief summary of the four case studies in terms of the following characteristics: objectives, type of market mechanism, commencement date, principal, frequency, purchaser/provider separation, type of market forces, definition of the assignment, target groups in the specification, quality monitoring body, role of the social partners, referral body, choice for the provider, choice for the customer and vacancies. Most of these points will be discussed in more detail later in the paper.

<table>
<thead>
<tr>
<th>Australia</th>
<th>The Netherlands</th>
<th>United Kingdom</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
<td>- Geared towards outcomes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Efficiency/savings</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Individual services of high quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Purely private reintegration market</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Disability benefits cost control</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Transparency in allocation of resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Target-driven</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Geared towards result</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Cost control</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Cost control/savings</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Flexibilisation of training supply</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market mechanism</td>
<td>Open tendering</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduction of open tendering</td>
<td>Generalised since 1997</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>One procedure through central department (Commonwealth)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Disabled (Occupational Disability Insurance Act) + unemployed (Unemployment Insurance Act): through benefits agency (UWW) (Central ZBO – Autonomous Managing Body)</td>
<td></td>
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<tr>
<td></td>
<td>Benefit claimants: municipalities</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>New Deal: Through regions of Employment Service within uniform procedure</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Employment Zones + Action Teams: central department</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Regions: by County Labour Boards within uniform framework</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Additional: Local Employment Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>One national tender every three years</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>one tender annually (UWW)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>municipal tenders at any time</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tenders per programme every three years</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tenders per region annually</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchaser/provider distinction</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>UWW: yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Municipalities: some still in role of provider (municipal companies)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of market</td>
<td>Monopsony, buyers’ market</td>
<td>Towards quasi-market</td>
<td>Intermediate form</td>
</tr>
<tr>
<td>---------------</td>
<td>---------------------------</td>
<td>----------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Definition of assignment</td>
<td>Five separate services: job matching; job search training; intensive assistance; new enterprise incentive scheme; project contracting (harvest labour)</td>
<td>– UWV: one reintegration service in five stages: reintegration plan, diagnosis; supply reinforcement, mediation; placement and after-care – Municipalities: variously specified</td>
<td>Specified</td>
</tr>
<tr>
<td>Target groups in specification</td>
<td>Not specified</td>
<td>22 target groups (Occupational Disability Insurance Act/Unemployment Insurance Act)</td>
<td>Separate plans per New Deal target group: young people; 25+; single parents; partners of the unemployed; disabled people; 50+</td>
</tr>
<tr>
<td>Quality monitoring body</td>
<td>Principal</td>
<td>– Principal – Branch organisation – Advisory council (Work and Income Council)</td>
<td>– Principal – Adult Learning Inspectorate</td>
</tr>
<tr>
<td>Social partners</td>
<td>No structured advice, but bilateral consultation</td>
<td>Until 2001: relative involvement of sectoral councils From 2002: advisory council (RWI - Work and Income Council)</td>
<td>New Deal Task Force</td>
</tr>
<tr>
<td>Customer referrals</td>
<td>Centrelink</td>
<td>UWV (in practice still by five benefits agencies) + municipalities</td>
<td>Jobcentre Plus</td>
</tr>
<tr>
<td>Compulsory participation by provider</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Choice for customer between providers</td>
<td>In theory yes, limited in reality</td>
<td>If possible, choice between several providers</td>
<td>Choice of options</td>
</tr>
<tr>
<td>Vacancies</td>
<td>Compulsory use of registered vacancies in national vacancy database; provider brings in most vacancies</td>
<td>Free vacancy recruitment Several databases (private)</td>
<td>Free vacancy recruitment</td>
</tr>
</tbody>
</table>
5. Evaluation framework for quasi-market mechanisms

Our focus on quasi-market reforms for employment and training services for job seekers means we will not cover broader evaluation issues of active labour-market and training policies, in so far as they are disconnected from the mode of service delivery. Quasi-market changes are only just being put into place but this does not mean that any kind of evaluation is impossible. We start from a theory of quasi-markets as developed by Le Grand and Bartlett (1993) which specifies the conditions quasi-markets have to meet if they are to succeed. In our analysis, we will make a preliminary assessment of the extent to which those conditions appear to be met in practice.

This paper reports primarily on evaluation of the Australian quasi-market model and, to a lesser extent, the Netherlands. There are several reasons for this. In the first place, the Australian Job Network is in many ways the most radical in the world. Closest to Australia are the reforms in the Netherlands. In the UK, the model has been adopted only partly and with divergent features along the employment and training programmes. Also, the models in both the Netherlands and the UK have only recently undergone a similar reform. As a consequence, and in contrast to in Australia, there is no systematic review of the evidence relating to the quasi-market in the Netherlands or the UK; existing evaluation studies did not suit a meta-analysis, especially on impact evaluation. For these reasons we will focus mainly on the evaluation of Job Network; for the other experiences we rely on our own overview of the four countries as far as this is useful for the implementation evaluation (Struyven et al., 2002). For Australia and the Netherlands, an attempt has been made to gather as much reliable evaluation evidence as possible from different sources. The last paragraph of this chapter summarises the main evaluations available for both Australia and the Netherlands.

5.1. Criteria for summative evaluation

The first question on evaluation is what might be meant by ‘success’, or, what are the appropriate criteria for the evaluation of quasi-market reforms? A further distinction can be made between different types of evaluation, such as formative and summative evaluation. According to evaluation literature (Patton, 1982; Clarke, 1999), formative evaluations aim to providing information for programme improvement, modification and management. The question is ‘How can the programme be improved?’, whereas the question for summative evaluation is ‘Should the programme be continued, and if so, at what level?’ Summative evaluations (or impact evaluations) aim to determine programme results and effects, especially for the purpose of making major decisions about programme continuation, expansion, reduction and funding. These two types of evaluation are not mutually exclusive. Over time, a particular programme or reform might be involved in activities from different types of evaluations, starting from procurement and probity audit, monitoring and formative evaluation to summative evaluation and meta-evaluation.

The aim of quasi-markets can be both efficiency and responsiveness, and freedom of choice and equality: ‘The aim was to improve efficiency, choice and responsiveness, and to raise quality standards – and without any adverse consequences, especially for equity’ (Le Grand and Bartlett, 1993). This provides four criteria for evaluation and a more recent paper by Le Grand (2001), added quality as a fifth. The corresponding five criteria can be understood as criteria for summative evaluation, stated in Table 3.

Each of the criteria is further explained and illustrated by one or more key indicators, without making any claim to be exhaustive.
5.1.1. **Efficiency**

Efficiency can be interpreted in many ways, but Le Grand and Bartlett distinguish two basic concepts that underlie most of these different interpretations: the total costs of service delivery and the costs of providing any given quantity or quality of a service (productive or technical efficiency). One can further distinguish between different forms of technical efficiency. Technical efficiency is achieved when a given output is produced using minimal deployment of input (input efficiency) or when maximum output is achieved using a given quantity of input (output efficiency).

5.1.2. **Responsiveness**

Increasing responsiveness can be regarded as the pursuit of a greater allocative efficiency. Allocative efficiency refers to the output which best fits in with the needs and preferences of the end users as well as the locality in which they operate.

5.1.3. **Quality**

Contrary to Le Grand and Bartlett’s theory, quality cannot be left out when discussing the evaluation of public service delivery. This seems to be recognised in Le Grand’s recent overview of evaluation findings of quasi-markets (Le Grand, 2001). Quality is a broad concept with many interpretations. One of the many applications, as used by the European Foundation for Quality Management, covers process and organisation criteria (enablers) as well as results criteria. For the evaluation of quasi-markets, quality indicators can be based on the service (kind and intensity of service), the client’s perception (client satisfaction, complaints procedures) and (micro)-economic impact (gross and net placement ratios, drop-out ratio).

5.1.4. **Choice**

The logic is that when the government offers services as a monopolist, clients cannot make their own choices because there are no alternatives. The market should be better able to guarantee individual freedom of choice. After all, the

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### Table 3: Criteria for summative evaluation of quasi-market reforms

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Indicator</th>
<th>Aim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency</td>
<td>Cost of service provision</td>
<td>To minimise total costs</td>
</tr>
<tr>
<td></td>
<td>Value for money</td>
<td>To minimise costs of providing a given quality or quantity</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Individual needs and preferences</td>
<td>To make the service more flexible and sensitive to needs</td>
</tr>
<tr>
<td></td>
<td>Local needs</td>
<td></td>
</tr>
<tr>
<td>Quality (process, output, outcome)</td>
<td>Kind of services</td>
<td>To enhance both process and output of the service</td>
</tr>
<tr>
<td></td>
<td>Intensity of services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Client satisfaction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Complaints procedures</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gross placement ratio</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Net placement ratio</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Drop-out ratio</td>
<td></td>
</tr>
<tr>
<td>Choice</td>
<td>Choice of service</td>
<td>As an end in itself</td>
</tr>
<tr>
<td></td>
<td>Choice of provider for clients</td>
<td>As an instrument for achieving the other aims</td>
</tr>
<tr>
<td></td>
<td>Choice of clients for providers</td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>Concentration on those with the greatest needs</td>
<td>Increased efficiency, responsiveness and choice without adverse consequences in terms of increased inequity To avoid creaming</td>
</tr>
</tbody>
</table>

*Source: Le Grand and Bartlett (1993); Le Grand (2001)*
market mechanism is sustained by differences in individual preferences. As stated by Le Grand and Bartlett, a concern for choice may be justified as an end in itself, or as an instrument for achieving other policy aims. Theoretically, one can distinguish between the choice of service, the choice of providers (for clients) as well as the choice (of clients) for providers.

5.1.5. Equity
Equity rarely appears explicitly as one of the policy objectives of the quasi-market reforms, as Le Grand and Bartlett noticed: ‘no doubt because they are being driven by a government for which equity considerations are not necessarily a high priority’ (Le Grand and Bartlett, 1993). The key concern when providing social services is to concentrate on those with the greatest needs. Le Grand and Bartlett define an equitable service as one whose use is determined primarily by need and not by irrelevant factors such as income, socioeconomic status, gender or ethnic origin. The more care resources an individual requires to bring his or her level of welfare up to some predetermined level, the greater is his or her need. The aim is to avoid creaming and parking (see below) of the easy-to-place clients.

5.2. Criteria for formative evaluation

Another set of criteria, from a formative evaluation viewpoint, can be derived from the conditions for the functioning of markets. According to Le Grand and Bartlett, the following five conditions must be satisfied in order to be able to function as a market: there must be a market structure based on competition and prices, with accurate and complete information, with moderate transaction costs, a balanced motivational structure and without adverse consequences in terms of creaming. Theoretically, a number of problems can arise in these markets. These problems relate to the market structure, information and transparency, transaction costs and risk selection.

The main problems relate to competition and price as the basic components of a market structure:

(a) dominant providers exploit their monopoly power due to a lack of competition among providers, or else large purchasers exploit their monopoly power due to a lack of competition among purchasers.

(b) the relationship between the two dominant players on both sides can be too intimate, so that the system could become one simply of decentralised budgets, with a management contract between purchaser and provider, but with no real competition on either side;

(c) providers are driven out of business, the system fails to attract new entrants and prevent the ‘exit’ of efficient providers because a dominant purchaser may sour relationships with providers and lower their morale and motivation;

(d) prices are not formed directly between producers and consumers, so do not reflect user preferences, and are ‘administered’ or negotiated between purchasers and providers;

(e) providers do not necessarily face hard budget constraints because of their specific ownership status.

Besides the problems of the market structure, providers may look for strategies to reduce uncertainty or competition, for example through mergers and collaboration. These strategies can occur when it is difficult for purchasers to monitor quality and to carry out checks because of incomplete information. Providers may engage in what Williamson (1975, 1985) calls opportunistic behaviour, exploiting their informational advantage to reduce costs at the expense of quality. Following Le Grand and Bartlett (1993), there are two kinds of opportunistic behaviour to which the theoretical literature draws attention: moral hazard and adverse selection. Moral hazard occurs where providers put fewer resources into the provision of the service than is consistent with the terms of their contract. Because contracts are incomplete, i.e. they do not prescribe in full detail what providers must do under all possible circumstances, providers can reduce their costs by cutting their services within the limits of the contract. Employment service providers for instance may be obliged by contract to have regular contact with job seekers, but they may be inclined to limit these contacts to a minimum to reduce their costs (contact over the phone instead of face-to-face contact). Adverse selection occurs where providers possess certain
characteristics that may adversely affect the provision of the service and that are known to them but that they do not reveal to the purchaser. Because of this asymmetric information, the contracting conditions offered by the purchaser will target the ‘average quality provider’. Providers which can offer better quality, though at a higher price, will not be interested while for providers offering poorer quality, the contract is attractive. As a consequence, the purchaser contracts the providers he does not want.

In theory both problems could be prevented in the formulation of the contract and by continuous monitoring, but this will increase administration and transaction costs. Fully specified cost-per-case contracts would then replace the incomplete block contracts. The transactions which take place in quasi-markets are often quite complex and multi-dimensional, given the complexity of the social services. Transaction costs may be particularly acute in the presence of uncertainty and risk. Both purchasers and providers, which operate in an unpredictable context of labour demand and supply, are unable to specify all future contingencies in a written contract. This problem is known as the incomplete contract: contracts are deliberately left incomplete and reflect a willingness to cooperate rather than the precise allocation of risks, responsibilities and rewards (similar to the implicit contract under the pre-market system) (Walch et al., 1997).

Quasi-markets may also be subject to the problem of risk selection: the provider’s selection of the most profitable clients. This problem, also known as cream-skimming, discriminates against the more expensive users: the long-term unemployed, the low-educated, minority groups, etc. The predominance of users’ interests in providers’ financial or organisational interests can also occur in relationship with the purchaser as an agent acting on behalf of users.

The question when evaluating the reforms is to what extent the conditions are present in order to function as a quasi-market for employment and training services. Table 4 summarises the criteria which can be derived from the identified problems for each of the five conditions.

Table 4 summarises the criteria which can be derived from the identified problems for each of the five conditions.

The conditions and related criteria or indicators for the functioning of quasi-markets for social policy can be explained as follows:

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market structure</td>
<td>Many providers and many purchasers</td>
</tr>
<tr>
<td>Competition</td>
<td>Easy entry for new providers</td>
</tr>
<tr>
<td>Exit</td>
<td>Possibility of exit</td>
</tr>
<tr>
<td>Market prices</td>
<td>Prices are formed directly</td>
</tr>
<tr>
<td>Information</td>
<td>Equal treatment to providers with different ownership status</td>
</tr>
<tr>
<td>Accurate</td>
<td>Access to cheap and accurate information</td>
</tr>
<tr>
<td>Complete</td>
<td>Formulation of contracts</td>
</tr>
<tr>
<td>Transaction costs</td>
<td>Monitoring of quality</td>
</tr>
<tr>
<td>Certainty</td>
<td>Moderate transaction costs for purchaser and provider</td>
</tr>
<tr>
<td>Transparency</td>
<td>Tendering and contract conditions</td>
</tr>
<tr>
<td>Motivation</td>
<td>New entrants</td>
</tr>
<tr>
<td>Motivated by financial considerations (providers)</td>
<td>Balance profit/not for profit motivation</td>
</tr>
<tr>
<td>Motivated by needs of users (purchasers)</td>
<td>Purchaser acting on behalf of users</td>
</tr>
<tr>
<td>Cream</td>
<td>Needs of users determine services/treatment</td>
</tr>
<tr>
<td>skimming</td>
<td>Measures to avoid creaming</td>
</tr>
</tbody>
</table>

Source: Based on Le Grand and Bartlett (1993); van der Veen (2000); Trommel et al., 2001
monopoly structures, space must at least be created for a counterbalance, for example by also allowing local authorities to function as purchasers;

(b) information; easy access to information about costs and quality must be available. This can be organised by setting up one umbrella service to act as an information manager for all the required aspects;

(c) transaction costs; transactions are complex and multi-dimensional and require a certain specialisation; together with a high level of uncertainty (e.g. concerning what will be needed in the future) this can lead to high costs. Transaction costs should not be higher than the costs of the previous system;

(d) motivation; providers must also be guided by financial interests and motivated to anticipate market signals. Purchasers must be motivated to work towards the welfare of the user (above their own organisational interests);

(e) cream skimming (creaming); the user or client receives a free service, but discrimination can occur with respect to ‘more expensive’ users. This can be remedied by linking the need to the remuneration offered, for example by giving poorly educated people greater weighting in standardisation or financing.

5.3. Available evaluation studies

For empirical analysis of quasi-market reforms in this paper, we can rely upon own research carried out for the Ministry of Employment in the Flemish Community of Belgium and the OECD (Struyven and Steurs, 2002; Struyven et al., 2002). The research consists of literature review and qualitative case studies, based on an analysis of written source material and 47 interviews with important players in the four countries (2). These sources provided the main input for the formative evaluation in this paper. In addition to this research, the analysis has been extended with a review of more recent documents and evaluation studies (up to December 2002) and specific information gathered by telephone interviews or e-mail correspondence. Studies have been screened on available findings for both formative and summative evaluation, though much more information about the detailed functioning and impact evaluation of the quasi-market seems to be available from Australia. As the only parallel to Australia is the emergence of a private reintegration market in the Netherlands, the overview in this paper is mainly based on empirical evidence from both countries. However, one must consider that there is, so far, no comparable monitoring and evaluation available from the Netherlands (3). For these reasons the summative evaluation review is based on evidence from Australia only. Of particular interest in this paper is the importance of training and the impact of quasi-market reforms in job brokerage and reintegration services on the provision of training. The evidence on this point from the Australian Job Network draws heavily on a memo prepared for us by the Australian Evaluation and Programme Performance Branch of the Department (4).

5.3.1. Australia

At the introduction of Job Network there was considerable public interest in the process for reviewing such a radical shift in delivery arrangements. A comprehensive evaluation strategy was developed which involved three reporting stages, recognising that the reforms would take several years to develop and mature, as well as an independent review (5).

The first two stages of the official evaluation reported in May 2000 and May 2001. These reports were largely based on performance under Job Network’s first contract. Stage 1 focused on the implementation of Job Network and its early operation, while stage 2 examined equity of

(2) Face-to-face interviews conducted in the period between June and October 2001 with the authorities, the market players, the social partners and independent experts.

(3) After publication of this paper, perhaps progress will have been made with regard to monitoring and evaluation data.

(4) With thanks to Mr Philip Gatenby of DEWR.

(5) There has also been a Probity Adviser’s report on the first Job Network tender in 1999, as well as a performance audit undertaken by the Australian National Audit Office, which we do not consider further here. Finally, the OECD review on Australia’s labour market policies was for the most part devoted to the Job Network (OECD, 2001).
access to assistance and outcomes, early indicators of the impact of assistance (on the likelihood of leaving income support) and regional performance (DEWRSB, 2000a; 2000b). The third report, published in May 2002, provides information on the lessons learned from evaluating Job Network over the period of its operation since May 1998 (DEWR, 2002b). In assessing effectiveness, the Stage 3 evaluation examined the sustainability of employment outcomes, the impact of the major services in improving employment prospects, how well Job Network is endorsed by its clients, its responsiveness to special needs and its macro-economic impacts. The evaluation also considered the relative contribution of factors that can explain the level of effectiveness achieved, and how Job Network has progressed in the light of its design principles. This paper is mainly based on the evaluation findings of the third evaluation report.

The evaluation strategy also included an independent review of the policy framework underpinning Job Network. This Independent Review of the Job Network was conducted by the Productivity Commission and was published in June 2002 (Productivity Commission, 2002). This commission had to examine critically and comment on the framework for delivering labour-market assistance, including the application of the purchaser-provider model to employment assistance, the roles of the relevant players, areas where the model could be improved and the possible scope for applying the model to other types of services. In conducting its review, the Commission had regard for research already undertaken, but also drew on community input and called for submissions from interest groups and the broader community.

Apart from the report published by the Productivity Commission, most evaluation studies have been carried out within government by the Department of Employment and Workplace Relations (DEWR) as the department responsible for administering the Job Network. This gives rise to concerns about the independence of the findings. To date no external scientific evaluations have been carried out. A general problem here is the lack of data. The Department is not willing to release data for scientific research, mainly citing reasons of confidentiality. This explains the lack of hard empirical evidence so far on the effectiveness of Job Network. The Productivity Commission also notes in its report that ‘increased transparency would also help to increase the exposure of the Job Network to the discipline of external scrutiny by independent researchers’.

5.3.2. The Netherlands

In the Dutch reintegration market, the Minister has undertaken to monitor developments closely through an annual evaluation of SUWI (Eerste Kamer, 2001). Evaluation plays a prominent part in the Dutch process. As is true for policy in general, the Dutch government devotes considerable resources to various types of internal and external evaluation research.

In contrast with the evaluation concerns expressed by the Dutch authorities in general, to the end of 2002 only monitoring studies are available on the emerging reintegration market, with evaluation studies of tendering procedures. External studies on the emergent market structure contain a process evaluation of the market arrangements in practice. These studies were commissioned by the Department of Social Affairs and Employment, first published in 2000 (Dijk et al., 2001) and updated in 2002 (Mevissen et al., 2002). In addition, central indicators are being developed by the benefit institution (UWV), the municipalities and the advisory body (RWI), but there is no common integrated statistical system (see below). UWV tendering has been evaluated, in particular to consider the general efficiency of tendering and contracting (Cordia et al., 2001; LISV, 2001; UWV, 2002). Furthermore, an economic overview of the evolution of the Dutch reintegration market since the beginning of the 1990s has been published (Groot et al., 2002). This study, carried out by the University of Amsterdam, was commissioned by the Department of Economic Affairs and mainly based on available documents and interviews. Finally, a country specific study of the Netherlands was published in the special Job Network issue of the Australian Journal of Labour Economics (Struyven and Steurs, 2003). This study was based on original field research (document analysis and interviews) concerning the implementation in 2000-02 (Struyven and Steurs, 2002).
5.4. Summary

In this chapter we have derived two sets of criteria from the theory of quasi-markets expounded in Le Grand and Bartlett. The first set of criteria relates to the functioning of the quasi-market; the second is derived from the objectives of market forces policy. The first set constitutes formative evaluation, the latter summative evaluation. In the next chapters, the evidence concerning the quasi-market reforms in the employment and training sector are structured following this evaluation framework. The main questions for formative evaluation concern the rationale in design and implementation. To what extent are the quasi-market arrangements consistent with theoretical principles? To what extent are they relevant to the needs of the labour-market actors? For summative evaluation, the main question concerns the impact on quality and effects: do the reforms meet the objectives?
6. Formative evaluation

6.1. Market structure

Probably the most important structural conditions for quasi-markets to function properly relate to market structure. In the cases we consider in this paper, market competition has been introduced by means of open tendering. This requires a separation between purchaser and provider, not only as an institutional setting, but also in the minds of the actors involved. Subsequently, in order to gain the advantages of competition, various providers (supply side) and purchasers (demand side) must be present. Tendering procedures and contract conditions may have an important impact on the degree of provider competition. Because of the importance of a level playing field between providers, we also pay attention to the position of the former Public Employment Service. A final issue in relation to the market structure which we address is the importance of price competition as opposed to quality competition.

6.1.1. Separation between purchaser and provider
Tendering requires a strict separation between the purchaser and the provider, known as the purchaser/provider split, in order to avoid judge/judged situations.

In all cases studies, the split between purchaser and provider is inherent in the model. Nevertheless, the new institutional setting does not mean that the culture of tendering is automatic. This is most clearly noticeable in a situation where market forces are a recent phenomenon. Experiences in the Netherlands show that, in addition to structural changes, a change in mentality is also needed with respect to dealing with preferential relationships from the past. This is perhaps one of the most stubborn transitional problems which a government has to face when shaping market forces.

6.1.2. Provider competition
Provider competition is necessary if the advantages of tendering are to be grasped (Fay, 1997; Derksen et al., 2000). A competitive supply side will, however, often be missing when market forces are introduced into a field where services have traditionally been organised chiefly by the government, as in the case of employment placement and reintegration. The design of the tendering procedure and the content of the contracts can help in the development of a sufficiently broad providers’ field (Domberger, 1998). After a discussion of these factors, we take a closer look at price competition in relation to quality concerns. Table 5 presents the tendering procedure in the four countries in diagram form.

6.1.2.1. The relationship between tendering procedures and provider competition
The first factor which influences the development of provider competition is the scope and duration of the contracts. On the one hand, contracts can be too small to stimulate the supply side and, on the other hand, the scope of the contract can be so large that only large providers can participate. For this reason, activities can be grouped together or split up into smaller units to interest enough providers, or collaboration can be permitted. This is the case in the Netherlands (‘tranches’ in the UWV tendering) as well as the UK (different New Deal tenders). The length of the contract is also important. A longer duration enables the providers to recoup their investments. For instance, in Australia some potential new participants found the term of 19 months under Job Network 1 too short, which led them to decide not to participate. However, too long a term can prevent potential new participants from entering the market. For this reason, the County Labour Market Board in Sweden, for example, rarely makes use of the possibility open to it of extending contracts.

Another factor which influences the number of providers is the specificity of investments which are required to provide the service. For instance, the provision of activation and reintegration...
services requires the deployment of highly specific human capital. Organising the provision of certain training courses is also associated with considerable start-up costs. Experience in Sweden shows that competition exists particularly in training courses which can be offered by the providers in return for relatively low fixed costs (administration, IT, etc.), while in capital-intensive sub-markets (welder, mechanical engineer, etc.), far fewer entered the market.

A third factor is related to quality requirements. A great deal of attention is – rightly – devoted to the quality aspects of reintegration services and training. The quality requirements which are imposed can, however, become de facto obstacles to entry to the market. For example, the experience requirement in the Dutch UWV tendering process means that new participants do not stand a chance (see below).

### 6.1.2.2. Price versus quality competition

If the quality of a product or service to be provided can be unambiguously determined, the price can be used as the only selection criterion in the tendering process. This condition is under no circumstances fulfilled when it comes to employment placement and reintegration services. As well as the price, the proposed

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**Table 5: Tendering procedure**

<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>The Netherlands</th>
<th>United Kingdom</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of tendering</strong></td>
<td>Tendering with one central purchasing organisation</td>
<td>UWV tendering: tendering with central purchasing organisation</td>
<td>New Deals: tenders with local purchasing organisations</td>
<td>Tendering with local purchasing organisations</td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td>Open tendering in one round</td>
<td>UWV tendering: qualified open tendering in two rounds Municipal tendering: still being developed, so far few open tenders</td>
<td>New Deal Programme: qualified open tendering in two rounds</td>
<td>(Usually) open tendering in one round</td>
</tr>
<tr>
<td><strong>Price versus quality competition</strong></td>
<td>Job Network 1: if quality criteria are met, primarily price was important, fixed prices for Intensive Assistance</td>
<td>UWV tendering: price and quality competition, but price never most important criterion</td>
<td>Fixed prices, therefore 100 % quality competition</td>
<td>Price and quality competition, with price weighted at 30-40 %</td>
</tr>
<tr>
<td><strong>Transaction costs</strong></td>
<td>UWV procedure: Considerable; leads to review of procedure with proposal for ‘roll-over’ of contracts</td>
<td>New Deals: limited by two-phase procedure but registration and offer per individual contract</td>
<td>Duration of limited by introduction of two-phase procedure</td>
<td>three months regarded as too long</td>
</tr>
</tbody>
</table>
quality must also be a major selection criterion. Relevant and proven experience and expertise are one possible criterion. But this may imply another trade-off with the intensity of competition, because too much emphasis on proven expertise rules out the entry of new players to the market. Moreover, past performance may be unreliable, because outcomes achieved may depend on many, and sometimes random, factors. It may be very hard to differentiate objectively between providers that have different capacities to generate outcomes. If bidders cannot adequately signal and pre-commit to deliver higher quality, then the major basis for discriminating between tenders bids will be price. Accordingly, while price competition at the bidding stage can be an important feature of purchaser-provider arrangements, it cannot be given full reign when the purchaser does not know how much they are buying or the overall quality of the service.

In each of the countries examined, it is clear that the introduction of market forces cannot be related to the introduction of price competition, as quality plays an important role. In the UK, fixed prices are used in tendering, for each of the three programmes under consideration. Since the selection criteria are related to the quality on offer, we can talk of 100% quality competition. In Australia, the price criterion was given a weighting of 25% in the second and most recent tendering process, while the quality offered was given a weighting of 75%. In principle, this enabled higher prices for Job Network providers that might achieve greater outcomes than the average. Free prices apply for job matching and job search training while for intensive assistance prices were subject to competitive bidding, but a floor price was set. The floor price protected quality, but to a large degree it also set the price for many Job Network providers as they bid down to the floor. Therefore, the Productivity Commission, in its independent review of the Job Network, recommends that the department set default prices for Job Network services (Productivity Commission, 2002). This has actually also been proposed by the government in its discussion paper on the new arrangements for the third tender to come (DEWR, 2002a). In the Netherlands, free price competition exists, but the price is not the most important criterion in any single contract. When tendering for training in Sweden, the price is given a weighting of 30-40% and the price is often used as the first selection criterion.

6.1.3. Player’s market
In this section, we deal with the actual developments which have taken place on the supply side in the countries under consideration, including a discussion of the position of the former public provider. Table 6 gives an overview of the (changes in the) situation in the four countries.

Table 6: Current situation

<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>The Netherlands</th>
<th>United Kingdom</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number providers</td>
<td>205</td>
<td>UWV contracts:</td>
<td>New Deals:</td>
<td>Very extensive market</td>
</tr>
<tr>
<td></td>
<td>– 205 organisations</td>
<td>33 main contractors</td>
<td>2 500 contracts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>– NGOs, private sector</td>
<td>Total market &gt;650 companies</td>
<td>Total market:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>– Public company, fully conforms to market</td>
<td>Private sector, municipal companies</td>
<td>1 800 approved organisations</td>
<td></td>
</tr>
<tr>
<td>Public provider:</td>
<td>Public company, sharply reduced</td>
<td>In transition as public company with guaranteed budget until end 2001, then privatised</td>
<td>Public Employment Service as benefits agency and provider of first route phase (variable)</td>
<td>– Lernia (formerly AmuGruppen) = public company, privatised in two phases (1986, 1993), fully conforms to market</td>
</tr>
<tr>
<td>(former) Public</td>
<td>Long tradition of contracting out to private players</td>
<td>Gradual reduction of compulsory purchase from Public Employment Service</td>
<td>– Declining market share</td>
<td></td>
</tr>
<tr>
<td>Employment Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Quasi-market reforms in employment and training services: first experiences and evaluation results
6.1.3.1. Concentration and increases in scale
What developments actually took place in the countries considered? In Australia, 306 providers were selected in the first round of tendering (Job Network 1), who offered their services at over 1,000 sites. The second tender reduced the number of candidates to 205, while the number of sites rose to 2,114. Providers had thus become larger and the supply side more concentrated. In Job Network 2, the four largest providers together accounted for roughly a third of the market for each of the services provided. Job search training is the least concentrated market segment, but concentration increased most significantly for these services (see Table 7). The concentration in intensive assistance fell sharply because Employment National withdrew almost completely as a provider in this market, while it held 42% of the market under Job Network 1.

In the Netherlands, the number of contracted providers increased from 33 after the first UWV-tendering to 41 after the second UWV round. This meant there was a reduction in the concentration, though this remained high. The four largest providers had a combined market share of almost 59% after the first round, and this was still more than 47% after the second round (calculations based on data provided by LISV). Note that the UWV-market represents only a sub-market within a broader market structure that is constituted by the UWV, the municipalities and the employers (Struyven and Steurs, 2003).
In order to guarantee a varied supply, rules are sometimes applied regarding a minimum number of providers. For instance, the department responsible for allocating contracts in Australia assumes that at least 5 providers are present in each region and that none of the providers will be allocated more than 50% of the total contracted volume in each region. In the Netherlands, a rule states that if a contract is split up into several ‘tranches’, a reintegration company cannot be awarded more than one tranche. In the UK too, when contracts are allocated, a sufficiently broad mix of market players is ensured.

6.1.3.2. Difficult entry to the market

Overall, it also seems that entry to the market has remained relatively limited, especially by the large providers. Under Job Network 1 in Australia, one in five providers was new, while under Job Network 2 fewer than one in six of the providers was new. Most providers, even the genuinely private parties, had already been involved as providers previously – after tendering – in the labour-market programmes that can be regarded as the forerunners of Job Network. In the Netherlands, 18 new companies entered the market in the second tendering round, but together they only obtained a market share of about 10%.

This limited entry to the market is related, among others, to the selection criteria, which include the expertise and experience of the potential providers. The Australian National Audit Office observed in its analysis of the results of the first tender that organisations which at that time were in receipt of funding for providing case management or other, related employment placement services, achieved a much better result than other candidate providers. This is clearly illustrated by the figures in Table 8.

While the average success rate after the first round of tendering was 30%, it was significantly higher for already established providers (43%) and much lower for new providers (14%). In spite of this, almost 45% of the candidates were new providers.

In the Netherlands, requirement for experience excludes new entrants to the market. It is envisaged that 20% of the contracts can be allocated without tendering, for example to new players who put forward an innovative approach. In Sweden, new players are entering the market, particularly in the urbanised regions and for training courses which are not capital-intensive. This can be explained by the widely fluctuating scope of demand, which means that new players do not run the risk of investing in the setting up of expensive training programmes.

<table>
<thead>
<tr>
<th>Table 7: C4 concentration ratio* (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Job Network 1</strong></td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Job Matching</td>
</tr>
<tr>
<td>Job Search Training</td>
</tr>
<tr>
<td>Intensive Assistance</td>
</tr>
</tbody>
</table>

* The C4 concentration ratio corresponds with the sum of the market shares of the four largest providers. The market share is calculated on the basis of the contracted volume.

Source: Davidson, 1998; DEWRSB, 2000a.

<table>
<thead>
<tr>
<th>Table 8: Success rates of established versus new providers (Job Network 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Established providers</strong></td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Number of applicants</td>
</tr>
<tr>
<td>Successful applicants</td>
</tr>
<tr>
<td>Success rate</td>
</tr>
</tbody>
</table>

Source: ANAO (1998)
6.1.3.3. The position of the former public employment service

The introduction of market forces has had a significant influence on the status and role of the (former) public employment service. In Australia, the Netherlands and Sweden, the introduction of market forces was (partly) responsible for reforms to the public employment service because it is important to create a level playing field in which providers are treated equally.

In Australia, the Commonwealth Employment Service was closed down and a new company set up: Employment National. This new public company still only has the function of provider of employment placement and reintegration services, where it has to compete with other providers. The remaining tasks of the Commonwealth Employment Service were assumed by the department and by Centrelink. Whereas Employment National still played an important role in Job Network 1, its market share has fallen sharply in Job Network 2; for intensive assistance it has actually fallen from 42 % to 1 %. The transition to a public company which has to compete on an equal footing with other providers has been very difficult, involving substantial staff cuts. As a result of the sharply declining market share in the publicly financed placement and reintegration market, the company recently developed activities for the private market. But the Minister for Finance and Administration has announced that the marketable parts of Employment National will be sold and the remainder of the company wound up on 30 June 2003.

In the Netherlands and Sweden the public provider was not abolished, but reformed. In the Netherlands, KLIQ is being privatised and all the reintegration activities of the employment service are being made its responsibility. KLIQ is also a purely commercial enterprise, which no longer has any privileged relationship with the government. Privatisation has been accompanied by staff cutbacks and financial problems. A similar story can be told about AmuGruppen, the government provider of training courses in Sweden. This organisation was privatised in two stages, into a company operating fully in line with the market and whose shares are now held 100 % by the Swedish government. AmuGruppen – now known as Lernia – also saw its market share in the publicly financed training market decline sharply, leading to reductions in staff numbers. An increasingly large percentage of its turnover now comes from activities for the private sector.

6.1.4. The position of the purchaser

6.1.4.1. Degree of monopoly at the purchaser side

A crucial determinant of the operation of market mechanisms in social service delivery is the degree of monopoly that characterises the client side. In a quasi-market it is usually not the direct user who exercises the choices concerning purchasing decisions; they are delegated to a third party such as a government department or authority in employment and training (Le Grand and Bartlett, 1993). In some cases, there is a multitude of purchasers and a multitude of providers. The opposite situation is a tendency towards bilateral monopoly, with a single purchaser and a single provider. In between lie situations in which there are few purchasers and many providers, or few providers and many purchasers (Walch, 1995).

Practice in the various countries varies, the position of the purchaser being important. Australia and the Netherlands are the two extremes: Australia has only one purchaser; in the Netherlands, the tendering practice tends towards a quasi-market with a large number of buyers and providers. In between lies the UK system, which is characterised by many providers and few purchasers (Employment Service and Department of Work and Pensions) which operate several tender processes. Table 9 represents the different market types.

The Dutch situation is related to the importance attached to the municipalities for labour-market policy, as well as to employers, who have been made financially responsible for sickness and disability benefits (Struyven and Steurs, 2002; 2003). With regard to the population of job seekers, the purchase structure is left up to the autonomous government institution (UWV) and to the municipalities. The differentiated purchaser structure has a greater chance of leading to a quasi-market with a multiplicity of purchasers and suppliers. However, Struyven and Steurs point out that in 2001–02 this market structure had not yet introduced much differentiation on the purchaser side. The most important purchaser, UWV, still very much has the char-
acter of a monolithic regional body inviting
tenders; purchasing by municipalities is still at an
early stage (Struyven and Steurs, 2002). In
general the municipalities have not yet built up
enough expertise for their own purchasing
policy. Municipalities are used to operating as
‘benefit factories’ and now they have to trans-
form themselves into ‘reintegration directors’.
Often, there is a lack of knowledge of both the
client and the labour market. One key difficulty is
that it is not yet fully in the interests of the
municipalities to have an open market. They are
playing a double role because they have public
companies themselves providing jobs under the
Job Seekers Reintegration Act and the Social
Employment Act. In principle, these municipal
companies have to compete in a way that is fully
in accordance with the market, which means that
they are also registered for VAT. It seems that a
purchasing policy is only a possibility for the
larger municipalities. Only a minority of munici-
palities organise an open bidding process, while
others operate more selective tendering proce-
dures (Mevissen et al., 2002).

6.1.4.2. Degree of centralisation at the purchaser
side
Another determinant in the functioning of market
mechanisms is the degree of centralisation. To
avoid problems of coordination while developing
market processes, governments tend towards the
establishment of tendering frameworks, uniform
procedures and contracts, performance measure-
ment systems, etc. This tendency reflects pres-
sure for centralisation, whereas the specification
and fine-tuning of tendering conditions and
contracts tend towards decentralisation. Ac-

Table 9: Market types based on the number of providers and purchasers

<table>
<thead>
<tr>
<th>Providers</th>
<th>Few</th>
<th>Many</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purchasers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Few</td>
<td>Bilateral monopoly/oligopoly</td>
<td>Monopsony/oligopsony</td>
</tr>
<tr>
<td></td>
<td>e.g. the Australian Job Network</td>
<td>e.g. the Dutch reintegration market</td>
</tr>
<tr>
<td>Many</td>
<td>Monopoly/oligopoly</td>
<td>Free (quasi-)market</td>
</tr>
</tbody>
</table>

Source: Based on Walch, 1995
6.2. Information and transparency

Following the quasi-market theory, markets only operate efficiently when both sides of the market have access to cheap and accurate information, particularly concerning the costs and the quality of the service concerned. Le Grand and Bartlett (1993) point out that ‘Providers must be able to cost their activities so as to be able to price them appropriately. Purchasers must be able to monitor the quality of the service they are purchasing, so as to limit the opportunity for providers to reduce costs by lowering quality’. The information deficiencies stem from the outcome-based focus of the market model. An outcome-based approach does not need to specify what processes are used by providers to obtain jobs for their clients, as competition over time should shift providers to the best methods (Productivity Commission, 2002). However, it may still be in the interests of the purchaser to discover what processes are actually most effective and to diffuse them among their suppliers. Furthermore, information deficiencies may underlie problems in price competition and job seekers’ choice. Finally, transparency is considered to be an important policy principle, where the provision of public funds is involved (Productivity Commission, 2002).

6.2.1. Lack of transparency

In the case studies of Australia and the Netherlands, there is poor information about what works in practice. This is seen as a disadvantage of payment based on outcomes (Productivity Commission, 2002). Publicly available information about what providers actually do with their clients is relatively poor, This is especially so with the content and intensity of services, such as the importance of training where the available monitoring and evaluation documents offer few details. Information sharing and coordination between providers are limited. Job seekers struggle to make choices because of a general lack of transparency in the system.

In the Netherlands, little attention is yet being paid to addressing the problem through data collection (Struyven and Steurs, 2002). In general, computerisation is lagging behind. The provision of information and facilities to monitor reintegration efforts have not been able to keep up with the rapidity of the changes. On the purchaser side, the UWV tendering procedure has created more transparency in their corresponding market segment (Cordia et al., 2001). A uniform tendering procedure, model agreement and predetermined selection and award criteria also increased the transparency of the procedure compared with the first tender and contributed to lower transaction costs (UWV, 2002). One crucial question is whether the UWV tendering procedures are focused in a one-sided way on the new inflow of unemployment and disability insurance benefit claimants. Placement and drop-out figures have an important part to play in the payment of fees; it might, therefore, be expected that there would be much more transparency in the validity and reliability of the placement figures used. In the municipalities market segment, several monitoring initiatives have been set up in the context of different programmes and funding mechanisms, but without any coordination. According to an external monitoring report ordered by the government, the municipalities are suffering from an overdose of monitoring and evaluation (Mevissen et al., 2002). This can be explained by the absence of an overall integrated employment and client information system.

In contrast to the Netherlands, Australia already has an employment information and service delivery system. This system provides extensive information about Job Network members (including information on their performance) and services to job seekers. Despite this, a general lack of transparency is mentioned by the Productivity Commission’s report and recognised by the Government’s response (Productivity Commission, 2002; DEWR, 2002b). The Commission recommends that provision of information to job seekers about Job Network and the associated referral system be enhanced to allow job seekers greater scope for informed choice.

6.2.2. Contractual compliance monitoring in Job Network

The Australian Department acting as a purchaser has in place an extensive regime for monitoring and quality assurance. It makes use of codes of conduct, declarations of intent and intensive assistance support plans as well as the Job Network contracts themselves. According to DEWR, the Job Network Code of Conduct is the central feature of consumer protection under Job Network. The aim of the Code is to produce the best outcomes for job seekers and employers by
developing a high-quality, continuously improving service that engenders ethical behaviour between all parties. All Job Network members are required to meet the minimum standards set out in the Code, which forms part of their contract with the Commonwealth. Organisations tendering for intensive assistance in the second round were required to submit declarations of intent that described the range of services they would provide to job seekers. The declaration of intent forms a part of a provider’s contract with DEWR (6).

Many providers perceive increasing compliance burdens that direct them away from their main goal of placing disadvantaged job seekers in employment (Struyven et al., 2002). The use by providers of the Integrated Employment Service is very complicated. Clearly, there will always be a need for a level of compliance monitoring that can ensure that outcomes paid for are in fact delivered, and detect and deter unintended behaviours by providers. But too strict a monitoring regime will impose a high administrative burden on both the department and providers, and has the potential to reduce flexibility and deter innovation. The Productivity Commission Report raises the idea of an independent agency to oversee the Job Network and department’s management of it. Such an agency could address issues of transparency and accountability, and ameliorate any problems of power imbalance and distrust between the Job Network players and the department. For the Commission this is a conditional recommendation ‘if significant problems do continue’ under the new contract period (Productivity Commission, 2002). The Commission also recommends that all data on Job Network programmes that is not confidential be made available for independent scrutiny by other researchers.

6.2.3. Performance measurement in Job Network

To assess the performance of providers, the Australian Department has designed a star rating model, to be used to renew contracts and to pay outcomes. The model uses a set of performance indicators and associated weightings based on the performance indicators outlined in the Job Network contracts (7). A provider’s actual performance is assessed against its expected performance, adjusted to take account of variations in client mix and local labour-market conditions. Scores are distributed between one and five stars such that 70 % of providers in a region are rated at three stars or better. The star ratings system has occupied a central place in the operation of the market.

The star rating appears to have increased Job Network’s focus on securing outcomes for job seekers. Stakeholders have both welcomed and criticised this approach. Supporting a focus on outcomes is based on two arguments:

(a) a good way to secure a lasting job is to accept any job in the short-term. In other words, there are more likely to be lasting benefits for job seekers if the provider focuses on securing a job placement rather than on spending time building up skills, or progressively addressing any barriers to employment. But critics claim that short-term employment may not necessarily in the long term interest of some disadvantaged job seekers (DEWR, 2002c, pp. 152-153);

(b) a greater weight to outcomes for more disadvantaged job seekers combats incentives for providers to work most intensively with the easiest to place candidates.

Nevertheless, many participants are critical of the model, mainly because of concerns that it lacks transparency and measures performance on too narrow a basis or with too much error (Struyven et al., 2002; Productivity Commission, 2002). Job Network providers do not know the specification of the model. They are also mixed in their understanding of where the ‘goalposts’ are. There are cases where the rules have been changed after providers have geared their businesses to meet the original rules. This in turn has

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(6) Each provider must draw on its declaration of intent to draft an intensive assistance support plan that specifies the activities and services it will provide to each individual job seeker remaining on their caseload 13 weeks after they commence. While the intensive assistance support plan is not legally binding between the provider and the job seeker, DEWR checks the provider’s delivery of activities as specified in the support plan as a part of its contract monitoring activities.

(7) For example, in the case of intensive assistance, the current weightings are as follows: 40 % for interim outcomes (13-week outcomes) as a proportion of commencements, 30 % for final outcomes (26-week outcomes) as a proportion of commencements, 10 % for the proportion of participants placed in a job and 20 % for the proportion of interim outcomes going to disadvantaged job seekers.
impacts on business confidence, certainty and investment. The Commission’s report recommends that full details of the star rating model be made publicly available, including periodic assessments of its technical validity. ‘Transparency will help alleviate some of the distrust of the model and allow better models to be constructed in the future’. The evaluation also recommends that all declarations of intent (and similar documents that specify services to be provided to job seekers by individual providers) as well as information on contracts (nature, extent and cost; compliance monitoring) should be made public (Productivity Commission, 2002).

Another critical point is what is actually measured by the star rating. Placement outcomes cannot be assumed to be a measure of the overall quality of service provision. Performance is only one aspect of quality. The key problem is how to define and measure an outcome.

6.3. Transaction costs

The transaction costs associated with setting up a tendering process, both for purchaser and provider, are often underestimated (Domberger, 1998). Transaction costs for purchasers include, for example, the costs of writing and publishing the specifications, evaluating the offers, drawing up model contracts, completing negotiations and monitoring the agreements. Typically, all this requires a great deal of senior management time and a level of expertise that may not always be present within the body which will be responsible for the tendering process. Providers also incur transaction costs, for instance when preparing their bids. In each of the case studies, the transaction costs emerged as an important area of attention.

In Australia, the preparation of the two previous tenders, evaluating the offers and contract processing required the deployment of huge numbers of people and vast resources by the purchaser. But most providers in the Job Network also regard competitive tendering as expensive and time-consuming. The tender documents are very complex, as are the contracts. The tender process — preparation of tender bids, assessment of bids and finalisation of contracts — disrupts service flows noticeably during the second contract. Renewing the market through a global tender also contributes to business uncertainty among providers and confusion among job seekers and employers. The government has therefore proposed that around 60 % of the existing capacity be rolled over under a third contract for the best-performing providers, with the remaining share being subject to tender bidding (DEWR, 2002a). The contract rollover will partly avoid the high disruption costs to job seekers of Job Network 2, but since many providers may still be bidding for capacity at the Employment Services Area level, the contracting transaction costs may not be appreciably lower than previously. This suggests that the costs involved in a hybrid rollover/tender model mean that it too is not sustainable.

An alternative, proposed by the Productivity Commission (though not followed by the government), is to use licensing as the basis for entry into the industry (Productivity Commission, 2002, p. XLI). Licensing would be dependent on a provider meeting certain minimum standards and agreeing to various contract provisions (such as a code of conduct, undertaking assessment of job seekers and whatever activity testing was agreed). The standards set would be similar to those established by the department for pre-tender qualification. Renewal of the licence would be tied to performance, so that the vital role performed by existing arrangements in driving poorer suppliers from the market would be maintained.

In the Netherlands and the UK, attempts are made to limit transaction costs by working with a procedure in two rounds. In a first stage companies come forward as candidates for the stated target groups. In order to be invited to take part in the second round, predetermined, objective selection criteria have to be met. In a second stage, the purchaser invites the selected reintegration companies to submit a tender. Contracts are awarded on the basis of predetermined award criteria. This implies savings for both the principal and the potential providers. Another advantage of this selection procedure is that a larger number of providers will be interested in applying, given the relatively limited efforts which have to be made to submit an offer. However, if only a limited number of providers can actually submit an offer after selection, this could result in higher prices because the competition is limited.
6.4. Motivation: the combination of input and output financing

The balance of motivation is affected by the introduction of market incentives (Le Grand, 2000). In order to influence the provider’s behaviour and to tackle information asymmetries, much attention has been paid to the payment structure. The relationship between the principal and the providers is characterized by a number of information imbalances which influence the payment structure used (Canoy and Vollaard, 1999). These information asymmetries relate in the first instance to the factors which determine the costs of reintegration: the technology and the efforts that have to be made by the employment placement consultant (provider). The technological capacity of an employment placement consultant relates, for example, to its access to information networks, its knowledge of the demand for labour or its knowledge of reintegration opportunities. Clearly, these providers will know more about their technological capacity than the government. The efforts of the employment placement consultants also determine the extent to which they use their capacities efficiently, for example the amount of time devoted to each client. The government could monitor these efforts. But the result of the efforts in the form of the number of reintegrated benefit claimants will be more easily seen by the government, making an abstraction of the measurement problems and of whether the output is as desired. Information asymmetries may also arise because the employment placement provider has a clearer insight into the profile of the unemployment pool for which a reintegration programme is being developed. That provider can then focus on the most easily placed candidates (creaming).

6.4.1. Input and output financing

These information asymmetries create problems when it comes to paying providers. The government will want to structure funding arrangements in such a way that providers are encouraged to achieve efficient and effective reintegration. The theory puts forward a combination of input and output financing as a solution: the employment placement consultant receives an ‘initial fee’ in advance per person to be placed and a ‘placement fee’ afterwards if the efforts made result in placement of the job seeker in a job. Through the output financing part, the providers are encouraged to provide services which produce results. The input financing results in a fair spread of risk between the principal and the contractor.

It is clear from the case studies that the payment structures used in practice often fit in with the theoretical solution. The providers receive an initial fee as soon as a number of minimum requirements are satisfied (for example, the formulation of an ‘activity agreement’ for intensive assistance in Australia). In the event that the counselling results in an ‘outcome’, typically defined as placement of the job seeker in a job, the providers receive a placement bonus. Since the placement of a job seeker in a permanent job is better than placement in a temporary job, the placement bonus is sometimes divided up, with a share only being paid when the job seeker has been working for a certain number of weeks. For instance, an ‘interim placement fee’ is awarded for intensive assistance in Australia if the job seeker remains in work for 13 weeks and a ‘final placement fee’ after 26 weeks. A comparable system applies to the employment zones in the UK. More details of the payment structure are summarised in Table 10.

6.4.2. The Dutch payment system

The Dutch payment system deserves special attention for two reasons. The first is that providers must ‘guarantee’ a placement percentage (= result commitment) in their offers, which also applies as a selection criterion. Second, providers may earn a bonus if they do better than they promised. The payment consists of three parts: a fixed payment, a placement fee and a bonus, and depends on the following parameters:

- \( N \) = the number of clients commenced
- \( C \) = the contracted price per client (specified by providers in their bids)
- \( f \) = the fixed payment percentage (specified by UWV in its call for tenders) \(^8\)
- \( P_g \) = the ‘guaranteed’ placement percentage (specified by providers in their bids)
- \( P_r \) = the realised placement percentage

\(^8\) The more difficult the target group, the higher the fixed payment, in order to combat creaming.
The ‘fixed payment’ (like the commencement fee in Australia) is paid for every client who actually starts a programme, independent of the placement percentage. It is equal to $N \times C \times f$. The ‘placement fee’ is outcome based. It is equal to $N \times C \times (1-f) \times Pr$. The final part is ‘the bonus’, which is also outcome-based but which also depends on the comparison between the realised placement percentage and the guaranteed placement percentage. It is equal to $N \times C \times (1-f) \times Pr \times (1-Pg)/Pg$.

Providers are rewarded if they do better than they are contractually obliged to. This is not the case within Job Network, where there is no bonus payment. The bonus formula also implies that a higher guaranteed placement percentage has a negative impact on the size of the bonus. But the invitation to tender specifies minimum placement percentages which vary for each target group. Higher minimum placement percentages apply to the target groups which are easier to place in work, in order to counteract creaming.

The total payment is equal to $N \times C \times (f+(1-f) \times Pr/Pg)$. This formula clearly shows that if the realised placement percentage is higher than the guaranteed placement percentage (i.e. $Pr > Pg$), a company receives more than the price submitted ($N \times C$) (9); but the reverse is true if a provider fails to place as many clients as contracted (i.e. when $Pr < Pg$) (10).

Table 10: Payment structure and competition

<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>The Netherlands</th>
<th>United Kingdom</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Input versus output financing</td>
<td>Job matching: only output financing</td>
<td>UWV tendering: combination of input and output financing, plus bonus if performances are better than contractually stipulated</td>
<td>Combination of input and output financing</td>
<td>Only input financing</td>
</tr>
<tr>
<td></td>
<td>Job search training: combination of input and output financing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Intensive assistance: combination of input, interim outcome and final outcome financing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Measures to combat creaming off</td>
<td>Providers cannot refuse job-seekers</td>
<td>Large number of target groups, individually tendered</td>
<td>New Deals: providers cannot refuse job-seekers; large number of packages with different prices</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Intensive assistance: job-seekers divided into various categories</td>
<td>Minimum placement percentages per target group</td>
<td>Employment zones: output financing dependent on length of unemployment</td>
<td></td>
</tr>
<tr>
<td>Choice for job-seekers</td>
<td>Theoretically yes, in practice barely</td>
<td>For larger target groups, choice between several providers</td>
<td>Some job-seekers do have options</td>
<td>Job-seekers are referred on by Public Employment Service Office</td>
</tr>
</tbody>
</table>

The ‘fixed payment’ (like the commencement fee in Australia) is paid for every client who actually starts a programme, independent of the placement percentage. It is equal to $N \times C \times f$. The ‘placement fee’ is outcome based. It is equal to $N \times C \times (1-f) \times Pr$. The final part is ‘the bonus’, which is also outcome-based but which also depends on the comparison between the realised placement percentage and the guaranteed placement percentage. It is equal to $N \times C \times (1-f) \times Pr \times (1-Pg)/Pg$.

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(9) Suppose a company offers to help 100 clients to find a job ($N = 100$) for a price of EUR 1 000 per client ($C = EUR 1 000$). The guaranteed placement percentage is 55% ($Pg = 0.55$). The fixed payment for the target group is 40% ($f = 0.4$). If the company is able to place 60 clients ($Pr = 0.6$), it will receive a total payment of EUR 105 455.

(10) If the company can only place 50 clients in a job ($Pr = 0.5$), the total payment will be EUR 94 545.
6.4.3. Output financing and training

One important condition for the use of output financing is that the intended result can be clearly and objectively defined. This is not easy for training. The purchaser might only pay the training provider if the job seeker successfully completes the course or, to direct incentives towards training which really helps job seekers to find a job, if the completed training results in employment.

There are, however, a number of disadvantages to such an approach. Training providers would be encouraged to keep job seekers in their course longer than may be necessary such as in cases where the job seeker was offered a job before the end of the training. Providers would also be financially penalised by early leavers.

If a job seeker finds a job after completing a training course, it is not clear how it can be proved that finding the job was the consequence of the training. This helps to explain why Sweden only envisages input financing for training providers. Nevertheless, the expert group on efficient training programmes for the unemployed is of the opinion that the National Labour Market Board should try to develop mechanisms where the payment for providing vocational training is linked with performance standards (Näringsdepartementet, 2000). The two possibilities they suggest are to link the payment to individual knowledge goals or to link a bonus to the percentage of participants who have employment after the training programme.

Another disadvantage of output financing of training services is that providers may not be willing to take many risks and may invest too little in expensive training for the job seekers they are counselling, given that they are not certain of being able to recover these costs through a placement fee.

The absence of specific training funding in the outcome-based payment structure seems to be a problem in Australia, where there is widespread – if anecdotal – evidence that the amount of training provided has been massively reduced by the Job Network providers (see below). However, training can be individually compensated, as in the Netherlands.

6.4.4. Impact of the outcome-based focus on provider behaviour

The star rating model, as applied in the Australian Job Network, has a significant impact on provider behaviour. A profit maximising contracted agency will aim for the best outcomes as measured by the contract indicators, but not necessarily the best overall outcome. In any system designed around outcome payments, providers will work to the incentive structure built into the contract. Ideally the contract should incorporate all important outcomes. This is not always easy to achieve: ‘[...] competition for “stars” [is] continuing to take the focus away from “what is best for the client” and instead emphasising “how can I get a payable outcome?”’ (Mission Australia in Productivity Commission, 2002, p. 3.13). This goes against the integrity and the spirit of the Job Network (Ibid., 11.20). There are many possible manifestations of this in the Job Network. Where there is any discretion in taking or subsequently excluding clients, incentive payments based on simple performance outcomes may lead to the taking on of those job seekers most likely to achieve payable outcomes (creaming). In addition, providers may avoid job placements that last less than 13 weeks for intensive assistance clients or less than 15 hours for job matching clients, these being the relevant thresholds for outcome payments specified in the contract. Job Network providers may also have incentives to manipulate the system by ‘parking’ (providing little assistance to) clients with low employment probabilities, creating temporary artificial jobs that maximise placement payments, and rotating people through them. Job outcomes per se may underemphasise or ignore the wage level, duration or quality of a job.

In the Netherlands, a debate is going on whether to increase the weight of the placement fee and to move on to a ‘no cure no pay’ system, at least for the job seekers who are relatively easy to reintegrate (11). This may cause several disadvantages: providers will raise their prices, they will meet problems of liquidity, and they will invest less in the hard-to-place job seekers or in excessive training for the job seekers. Until now, training has been individually compensated for in the Netherlands. In the future this may change since the idea

(11) An estimated 70 % of the total number of job seekers.
is to finance training only if the provider manages to find a job for the job seeker (SZW, 2002).

6.5. Creaming and parking

Competition within quasi-markets in combination with output financing can give rise to ‘creaming’: the providers select the job seekers who are the easiest to place, in order to increase their profits. Job seekers at the greatest distance from the labour market are left out in the cold. While creaming refers to the practice of selecting job seekers who are the easiest to place, parking refers to the practice of providing little assistance to those with either insurmountable or high barriers to obtaining work, or who have low likelihoods of achieving payable outcomes. But low levels of assistance are not necessarily attributable to the provider alone: parking might also be a behavioural response by demotivated job seekers (self-parking).

The contracts and payment structures as used in the countries under consideration contain a number of elements which are explicitly intended to counteract these phenomena. First, providers typically cannot reject the job seekers who are referred on to them: this is the case in Australia but not in the Netherlands.

Furthermore, it is also usual to classify the job seekers into various categories, depending on their distance from the labour market, and to adjust both the amount and the relative weight of the commencement fee and the outcome fee. For instance, job seekers for intensive assistance in Australia are divided into two categories, with the (minimum) price being higher for the category of those most difficult to place in work. However, in Job Network 2, the number of categories was reduced from three to two, which increases the chance of creaming within the categories. In the Netherlands, 22 target groups were covered by the UWV tendering process in 2001, a number of these being grouped by sector. Tendering took place at the level of the (partly) sector-specific target groups. This is intended to provide customers with more tailor-made services, as well as countering creaming within excessively large groups of people. In the (target group-specific) New Deal programmes in the UK, the services put out to tender are divided into a large number of packages depending on their duration and content, which restricts the possibilities for creaming within those packages.

In addition, contracts with providers in the Netherlands include a type of result commitment in the form of a placement percentage (see above). The minimum placement percentages vary for each target group: higher minimum placement percentages apply to the target groups which are easier to place in work.

Finally, the initial fee for the target groups which are more difficult to place is higher than the placement fee (see above). A form of positive creaming applies within the Employment Zones: the placement fees are higher for job seekers who have been out of work for over three years, so that providers can concentrate their efforts on those most in need.

The problem of parking could be overcome by moving to a fee-for-service system in which any of a wide range of service types would simply be paid for by government when delivered to job seekers. In that case, parked job seekers would receive services because it would then be in the interests of providers to maximise service delivery, rather than outcomes. However, over-servicing and poorly targeted service delivery are well-known risks of a fee-for-service system.

By defining the target groups as specifically as possible and also by region, the aim is to deliver more tailored services to job seekers. This can also be seen as a way of preventing creaming within wider populations. Finally, it fosters smaller specialised companies to enter the market. Nevertheless, a majority of providers in the Netherlands consider the large number of target groups as negative. According to the main Dutch purchaser, less differentiation in target groups may be expected during the third round because most of the job seekers have recent work experience and can be easily reintegrated (UWV, 2002).

From a formative evaluation point of view, it can be stated that the case countries are fully aware of the danger of creaming, and have therefore incorporated a large number of stipulations and refinements in the design of the market system. In the summative evaluation the question is whether these adjustments do actually avoid creaming, parking and related problems of inequity.
7. Summative evaluation

7.1. Efficiency

There is widespread evidence from a number of authoritative studies that market systems are the most efficient (Savas, 2000). Savings seem most likely to be made in the case of simple and repetitive services such as refuse collection and cleaning. In more complex services, such as health and social care, there seem to be few savings to be made (Deakin and Walch, 1996). However, some scepticism is justified, as ‘many studies rely on assertion or on surveys of management perception’ (Ibid.). For employment and training services there is mixed evidence about possible efficiency gains.

For the Netherlands, there is as yet no evidence of increased efficiency in the reintegra-
dsvoorziening (Ibid.). So one cannot yet conclude that the market model in the Netherlands has become more cost-efficient, since prices are higher compared with the pre-market period.

Evidence from the Australian Job Network seems to confirm the expected gain in cost-efficiency. According to the final evaluation report, the introduction of Job Network has resulted in a substantial reduction in the cost of achieving employment outcomes (DEWR, 2002c). Job Network costs per employment outcome \( (12) \) have been the lowest achieved in the past decade: at about AUD 5 000-6 000 since mid-1998, compared to between AUD 10 000 and AUD 16 000 in the mid-1990s and AUD 8 000-9 000 in the early 1990s (Table 11).

In 2000–01, costs per employment outcome were AUD 560 for job matching, AUD 1 390 for job search training and AUD 5 440 for intensive assistance. The costs for the second and third were dramatically below those of the comparable programmes that they replaced: respectively, AUD 2 600 for job clubs and AUD 12 100 for the group of programmes replaced by intensive assistance. The substantial efficiency gains made by Job Network have also translated into improved cost-effectiveness, measured in terms

Table 11: Cost-effectiveness of Job network

<table>
<thead>
<tr>
<th>Period</th>
<th>Cost per employment outcome (AUD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early 1990s</td>
<td>8 000 – 9 000</td>
</tr>
<tr>
<td>Mid 1990s</td>
<td>10 000 – 16 000</td>
</tr>
<tr>
<td>Late 1990s</td>
<td>5 000 – 6 000</td>
</tr>
<tr>
<td>Type of service</td>
<td>Working Nation</td>
</tr>
<tr>
<td>Job matching</td>
<td>–</td>
</tr>
<tr>
<td>Job search training</td>
<td>2 600 ( (a) )</td>
</tr>
<tr>
<td>Intensive assistance</td>
<td>12 100 ( (b) )</td>
</tr>
</tbody>
</table>

\( (a) \) Job Club
\( (b) \) Average for seven programmes replaced by Intensive Assistance

\( (12) \) These are gross outcomes.
of costs per net impact (DEWR, 2002c, p. 126-127) (13). The improved cost-effectiveness of Job Network is largely a function of greater efficiency rather than greater effectiveness, since the net impact of Job Network services was found to be similar to the net impact of the previous labour-market programmes (see below).

The independent review by the Productivity Commission gives some additional figures which allow an evaluation of the efficiency of Job Network (Productivity Commission, 2002, p. 5.24). For the four years from 1996/97 to 1999/00, the Government allocated more than AUD 5.4 billion to fund all labour-market assistance and entry-level training programmes; AUD 1.6 billion for 1996/97, and an average of AUD 1.3 billion per year thereafter (of which Job Network programmes have averaged about AUD 0.75 billion per year for the past three years). This compared to annual average funding in 1994/95 and 1995/96 of AUD 3.7 billion.

7.2. Responsiveness and choice

A key indicator of Job Network’s responsiveness is its capacity to target services to job seekers. Therefore, we first examine application of the job seeker classification instrument which streams job seekers to the different services provided within Job Network. A subsequent issue of responsiveness we pay attention to is the choice of provider made by job seekers. Finally we address two other indicators, i.e. job seeker and employer perceptions of quality, by a short presentation of the results of the customer satisfaction surveys.

7.2.1. Application of the job seeker classification instrument

If job seekers can be reliably identified and streamed to the service that is most likely to make a difference to their employment prospects, resources can be targeted to where impact is highest. Under current arrangements, effective targeting relies to a large extent on the application and accuracy of the job seeker classification instrument. This aims to identify job seekers who are most likely to remain unemployed or become long-term unemployed.

The application of the instrument has proved troublesome (Productivity Commission, 2002, p. 9.3-9.13). A survey of providers in 2001 found that 21% of job search training providers and 4% of intensive assistance providers thought that over half the job seekers referred to them were inappropriately classified (DEWR, 2002c, p. 106). In qualitative research some providers indicated that many of the job seekers referred to them should have been referred to either a more intensive service or to services outside Job Network. One of the problems mentioned is that job seekers do not disclose personal information because they do not understand the purpose of the questions in the instrument. A review of the job seeker classification instrument interview process also identified some measurement errors and inconsistencies in its application. Several factors were found to either involve a degree of ambiguity or make it difficult for job seekers to answer accurately.

Overall, we can conclude that the job seeker classification instrument is welcomed with much criticism. In the implementation it is perceived as an instrument for rationing to detect those job seekers who have the ‘capacity to benefit’, while previous employment and training programmes were accessible for everyone (Struyven et al., 2002). For a quasi-market, it is very important to have a confident classification instrument, as the level of fees to providers is dependent on the classification of the job seeker. If the job seeker is classified too low, the provider will have less incentive to put in effort (parking).

In the Netherlands, an analogous instrument is used, called the ‘chance-meter’. Job seekers who are capable of finding a job on their own with a minimum of support are allocated to stream 1, while those who are not at all ready for a paid job in the open labour market are allocated to stream 4. Job seekers allocated to streams 2 and 3 are expected to need a ‘trajectory’ (a period of individual case management, perhaps seen as a pathway through distinct phases such

(13) According to the Productivity Commission, the cost reductions in terms of cost per net impact could also be the result of the imprecision with which the small impacts of labour market programmes are measured (Productivity Commission, 2002, p. 5.24).
as training, work experience and job search) lasting less than one year, or one to two years, respectively. The chance-meter does not say anything about the content of the trajectory that a person needs. It is not yet clear how far this instrument succeeds in predicting the cases in the right way.

7.2.2. Choice of provider
In normal markets, choices by consumers have a major effect on company performance and incentives for provision of quality services. For this incentive effect to work, consumer choices must be informed and must systematically favour better over worse enterprises. However, the auto-referral system, quantity caps and poor information provision to job seekers mean that most job seekers are assigned randomly to Job Network providers. On the basis of administrative data, Centrelink estimated that only about 20 % of job seekers chose their own provider, with the remainder being allocated a provider through the automated referral system. In addition, where choice is exercised, it does not appear to be highly informed. From DEWR’s job seeker satisfaction survey, it appears that of those making a choice, convenient location seems to be the most important criterion for judgement. This raises the issue of whether and how to increase the scope for choice in a way that rewards better performers with a greater flow of referrals. Many observers question (rhetorically) whether job seekers, even with information, are able to make a real choice (Struyven et al., 2002).

In the Netherlands, job seekers have been given more options in the second tender. For target groups of a specific minimum size, contracts are signed with multiple reintegration companies. In many cases a job seeker can then choose from a number of different companies, together with his or her contact person from the UWV. But it remains unclear how this will work in practice due to the lack of informed choice.

7.2.3. Client satisfaction
According to the client satisfaction surveys of the Australian Department, the majority of job seekers appear satisfied with the services they receive from Job Network. Among job seekers surveyed in 2001, 74 % reported that they were either satisfied or very satisfied with the services. Satisfaction levels were over 80 % for job search training and intensive assistance. Among the reasons job seekers reported for being either satisfied or very satisfied with Job Network services were that the assistance helped them stay connected with the workforce and they were ‘treated like an individual’. For job matching, however, the level of satisfaction with services was only 56 %. The Productivity Commission is quite sceptical about these figures: ‘It is common for satisfaction surveys to reveal satisfaction levels of around 80 %, irrespective of the topic’ (Productivity Commission, 2002, p. J.1). Similarly, the Productivity Commission found out that in the 2001 survey, satisfaction is inversely related to the star rating of providers.

Similar results are found in the perceptions of employers. According to the department, employers who use Job Network rate the service highly. Among employers surveyed in 2001 who had used Job Network in the previous 12 months, 90 % of them were satisfied or very satisfied (increasing from 84 % in 1999) (DEWR, 2002c, p. 113). But the Productivity Commission, commenting on the 1999 survey results, notes that the corresponding satisfaction levels reported for other recruitment agencies was 90 %, despite the fact that only 15 % of employers reported having to pay for Job Network services compared with 62 % for other agencies (Productivity Commission, 2002, p. 6.24). The most often cited benefits from using the Job Network related to screening of applicants and saving time interviewing and finding applicants. The most often cited poor aspects were poorly trained/incompetent staff and poor service. Nevertheless, the Australian Chamber of Commerce and Industry reported that its 1999 survey of 1 200 members found ‘that employers were overwhelmingly satisfied with the performance of the providers, particularly in comparison with the former Commonwealth Employment Service’ (Productivity Commission, 2002, p. 6.23).

In the Dutch case, for the time being no satisfaction data are available.

7.3. Quality
Using market forces is demonstrably more efficient than past models, then, but is it possible that this is achieved through a lower service level
or poorer quality? In what follows, we discuss the kind of services offered to job seekers within Job Network, with special attention paid to the amount and type of training provided.

7.3.1. **Services of the Australian Job Network**

Providers within Job Network have the flexibility to tailor the services to the needs of the job seekers referred to them for assistance. The rationale for this is that decisions about how to help the unemployed to overcome their barriers to employment are best made at the local level between a job seeker and their employment consultant. There is, for instance, no prescription within intensive assistance for the delivery of certain types of labour-market assistance.

Consistent with this philosophy, the government does not regularly collect data on the types of services delivered within intensive assistance. This information has to be obtained from surveys. The 2001 Job Network participants’ survey, for example, indicated that most job seekers (over 90%) within intensive assistance received job search assistance in the form of help with CVs and interview preparation. Just over half the job seekers reported receiving some personal assistance (counselling and presentation advice). Over 40% of job seekers received financial assistance, including assistance with fares and the cost of special equipment. Only 8% of job seekers obtained work experience (DEWR, 2002c, p. 88).

In the Netherlands, at the end of 2002 the first quality labels, developed by the branch organisation Borea, were awarded to 27 reintegration companies. It is anticipated that 13 performance indicators may in the near future generate data about throughput, success ratio and drop out ratio, as well as satisfaction levels with clients and employers.

7.3.2. **Training within Job Network**

Of special interest for this paper is the impact Job Network had on the amount and type of training provided to job seekers.

7.3.2.1. **The amount of training**

The 2001 Job Network participants’ survey distinguished between training in job search skills, such as help with CVs and preparing for interviews, and more substantial job skills training, such as IT training, language/literacy/numeracy training and training linked to a specific job (job-specific training). Training of this type was reported to have been received by 23% of intensive assistance participants surveyed in 2001. Of all the episodes of training reported in the 2001 survey, 41% lasted less than a week, while for 32% of episodes the duration was between two and eight weeks.

How does this compare with the period before Job Network? There has been a shift towards ‘job search’ skills and a reduction in the amount of short-term training. During the first half of the 1990s there were over 100,000 annual commencements in labour-market programmes which offered short-term training. Since the introduction of Job Network indications are (14) that around 64,000 job seekers participate in short-term job skills training annually as part of intensive assistance. But over the same period there has been an increase in participation in job search assistance provided through Job Network’s job search training service. In the early 1990s there were fewer than 30,000 annual commencements in this type of assistance. The number of commencements in job search assistance was over 85,000 in 1997 and over 80,000 in 2001.

The significant role job search assistance plays in intensive assistance is further evidence of a shift towards job search activities. The evaluation of Job Network found that over 90% of intensive assistance participants received assistance with job search from their providers (counselling and help with preparing CVs and for interviews).

The move away from short-term training is consistent with a ‘work first’ approach and is supported by evidence on the relative effectiveness of different types of labour-market assistance. One of the motives for reforming the labour-market programmes and introducing Job Network was the observation that training was failing as a labour-market instrument. The government criticised the lack of results of existing labour-market programmes: ‘[...] few seemed to make any significant or lasting difference in getting unemployed people back into regular employment’ (DEWRSB, 2000a). Training

(14) On the basis of the number of job seekers starting intensive assistance in 2001, the reported level of training is equivalent to around 64,000 participants receiving training in job skills.
programmes were criticised in particular, such as the SkillShare programme, which offered short-term training opportunities. Services offered such as job search assistance, job referral and continuing personal support contributed more significantly to the outcomes of the programmes than services that provided structured training, either in combination with these and other forms of assistance or on their own (DEET, 1993).

7.3.2.2. Outcome based payment and incentives to provide training

The fact that job seekers are offered training to only a limited extent, (15) is attributed mainly to the higher-risk nature of these investments because providers cannot be certain that an investment in training will result in a job for the job seeker. In addition, the bias in the fee structure towards employment outcomes may, in some cases, favour the pursuit of short-term employment outcomes over training and education which may, in the longer-term, be of greater benefit to job seekers.

It can be concluded that, before the introduction of Job Network, where job seekers were too easily placed into training programmes without this improving their chances of finding work, at present too little is being invested by providers within Job Network in training for job seekers. The introduction of training accounts as part of the Australians working together welfare reform in July 2002 can be seen as a tacit concession in this regard. These schemes enable eligible mature (aged 50 and over) and indigenous job seekers to undertake work-related training to the value of AUD 800. Job seekers can choose from courses on the Australian Training website. In order to participate, training must be accredited and delivered by registered training organisations. Other reforms in the third Job Network contract in July 2003 also led to an increase in payments for providing services to job seekers, without these payments being made dependent on a job outcome. For example, a job seeker account will be introduced which will be available to eligible job seekers who will typically enter intensive support services after three months in unemployment. A Job Network member may spend this money (on behalf of the job seeker) on training, including that supplemented by a training account.

7.4. Net impact and equity of the Australian Job Network

Employment outcomes are the ultimate touchstone for the summative evaluation of the introduction of market mechanisms in employment and training services. A number of questions can be identified here. The first is whether the concentration on outcomes does not lead to a very strong focus on short-term results in the form of helping job seekers back into employment, possibly at the expense of results in the longer term (sustainability of outcomes). The second question is whether the new arrangements succeed in achieving better employment outcomes than before (before-and-after comparison). The third question ensues from the creation of a market with different providers: to what extent do the differences between providers lead to differences in employment outcomes (comparison between providers)? Finally, we can ask to what extent the outcomes are also achieved for the more difficult categories of job seekers, and then specifically in relation to the incentive structure for providers which focuses on outcomes (equity and impact of the fee structure on equity).

7.4.1. Gross outcomes

It is generally acknowledged that gross outcome measures mean very little in terms of evaluating the impact of employment and training programmes, because many of the outcomes would have occurred anyway (Productivity Commission, 2002). Therefore, impact evaluations should focus on net impacts, in terms of how many people moved off benefits to go into paid work as a result of the assistance and training provided. As stated by the Productivity Commission, this is an exercise beset by data-related and methodological problems.

(15) It is important to note that a substitution effect may have occurred from federal level to state level, whereby although less training is offered in within the Federal Job Network programme, it may be that more training programmes have been initiated by the state governments.
requiring estimation of a variety of programme effects, including:

(a) dead-weight losses: programme funds spent on job seekers who would have found work anyway;

(b) compliance effects: where some job seekers referred to a programme find work or otherwise leave benefits before the programme starts (especially when participation is compulsory as in Australia);

(c) attachment effects: where programme participants reduce their job search activity for the duration of a programme;

(d) displacement effects: where a programme participant displaces someone out of the programme.

It is not the purpose of this paper to deal with these problems in depth. Our focus is on the impact of the functioning of the market for employment and training services. Since the case of Australia is the best documented in terms of evaluation studies, our discussion is restricted to this one case.

7.4.2. Sustainability of outcomes

As regards the gross outcomes of Job Network, placement figures are available, measured three months after the end of the relevant measure. The department collects these data via a written survey, the post-programme monitoring survey, which has been held since the mid-1980s. The advantage is that these data are collected continuously and provide an insight into short-term results. According to the department, the lower response rates among people in work lead to an underestimate of the positive outcomes. The findings are presented in Table 12.

The table shows that the percentage of participants in job search training who are in employment three months after leaving the scheme rose over the period considered from 36.2 % to 43.2 %. Half of these are in full-time employment, the other half are in part-time jobs. The percentage of participants in intensive assistance in work three months later was 38.6 % in the period 2000-01. This percentage is significantly higher than in the preceding year, though lower than in 1998-99. Roughly 40 % of those in work have a full-time job; the remaining 60 % are in part-time positions. If outflow to training programmes is also regarded as a positive outcome, the positive outflow percentages (which can not be completely equated to employment commencement percent-

Table 12: Gross outcomes of Job Network

<table>
<thead>
<tr>
<th></th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Job search training</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employed</td>
<td>36.2</td>
<td>38.2</td>
<td>43.2</td>
</tr>
<tr>
<td>Full-time</td>
<td>18.3</td>
<td>19.9</td>
<td>21.5</td>
</tr>
<tr>
<td>Part-time</td>
<td>17.9</td>
<td>18.3</td>
<td>21.6</td>
</tr>
<tr>
<td>Further education</td>
<td>13.6</td>
<td>12.6</td>
<td>12.9</td>
</tr>
<tr>
<td>Positive outcomes</td>
<td>45.5</td>
<td>46.7</td>
<td>52.1</td>
</tr>
<tr>
<td><strong>Intensive assistance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employed</td>
<td>39.6</td>
<td>32.7</td>
<td>38.6</td>
</tr>
<tr>
<td>Full-time</td>
<td>18.8</td>
<td>14.4</td>
<td>16.3</td>
</tr>
<tr>
<td>Part-time</td>
<td>20.8</td>
<td>18.3</td>
<td>22.3</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Further education</td>
<td>7.7</td>
<td>8.0</td>
<td>7.7</td>
</tr>
<tr>
<td>Positive outcomes</td>
<td>45.8</td>
<td>39.3</td>
<td>44.6</td>
</tr>
</tbody>
</table>

NB: Outcomes related to job seekers who ceased assistance between April 1998 and March 1999, April 1999 and March 2000, and April 2000 and March 2001, measured three months after leaving assistance. Positive outcomes include employment and education/training outcomes, but are not the sum of these two outcomes because some job seekers can achieve both an employment and education outcome.

Source: Based on DEWR (2002c)
Quasi-market reforms in employment and training services: first experiences and evaluation results

7.4.3. Before-and-after comparisons

Direct comparisons between programmes over time are constrained by the fact that programmes may have different objectives and target different job seeker groups, and may operate under different labour-market conditions. An internal evaluation study is available in which a before-and-after comparison is made between Job Network and six labour-market programmes that operated in the mid-1990s (DEWRSB, 2001). Following the methodology of matched comparison groups (16), the study found a net impact of around 10 percentage points for intensive assistance and 3 percentage points for job search training. This compares with the results of previous programmes in the mid-1990s (though individual programmes varied widely).

7.4.4. Provider comparisons

A central feature of a quasi-market is the existence of different providers (instead of a monopoly). The department’s evaluation reports some findings based on a comparison between high-performing providers and low-performing providers in terms of job seekers’ perceptions of the quality of the staff, and the types and quality of assistance provided (DEWR, 2002c). The evaluation found that the best providers seem to be more proactive and more responsive to the needs of both job seekers and employers. Furthermore, the more successful providers are the ones who are more likely to offer training, covering both job search and job-specific skills.

7.4.5. Net impact and equity

The evaluation by the department presents estimates of the net impact of job search training and intensive assistance on the employment prospects of participants. Unlike previous net impact studies, the estimates in the third evaluation report use a new methodology with matched comparison groups that attempts to measure the cumulative effect of three elements: compliance, programme, and attachment effects. The net impact in this study was found to be modest: the Job Network programmes generate a very small net positive effect for participants (job seekers who commenced employment): 8.3 percentage points for job search training and 0.6 percentage points for intensive assistance. The low result for intensive assistance can be explained by the attachment effect of the length of time job seekers spend on the programme. Finally, the evaluation attempts to measure the compliance net effect, which was estimated to be almost two percentage points.

According to the department, the findings need to be interpreted very carefully because of the inherent difficulty of forming a control group where there is universal entitlement to assistance (DEWR, 2002c, p. 3). The net impact measures do not reflect a pure comparison between inter-

(16) Comparison group of job seekers who had not been referred to or participated in the programmes in the previous six months, matched on age, gender and duration of benefits. Both programme and comparison group sample were large (26 000 job seekers each for the intensive assistance programme and 5 000 job seekers for the job search training programme).
vention and no intervention; rather, they compare an intervention with a combination of no intervention and other forms of assistance. In addition, the estimates do not measure the improved employment prospects of participants in assistance who have not yet secured a job. Finally, positive net impacts are a static measure of effectiveness. Even if modest, these benefits compound for successive groups of participants, producing more significant effects on the level of disadvantaged job seekers when considered over a longer timeframe. Nevertheless, the publication of the results gave rise to public concern, including in Parliament, about the effectiveness of Job Network. The department's impact evaluation also prompts scepticism about the appropriateness of the matched control group methodology (Productivity Commission, 2002). No attempt is made to control for unobservable personal factors in influencing success in the labour market, such as motivation, demeanour and attitude to work. This problem is known as selection bias.

Despite the tentative nature of the findings, some evidence is available concerning the equity of outcomes. The Department's evaluation has found that more disadvantaged groups benefit most from the programme, even though these job seekers have lower gross outcomes from assistance than other job seekers. This is the case for the net impact of the following groups: mature job seekers (aged 45 and over), the low-educated (less than 10 years in education), and the long-term unemployed (12 months and over). This corresponds with international evidence of net impact measurement of labour-market interventions. However, it is found that financial incentives focusing on employment outcomes have an adverse effect on the equal treatment of all job seekers. Based on a modelling of the incentive effects of the current fee structure, the evaluation concludes that the financial incentives in the fee structure make it rational for providers to focus assistance on those who require only a limited level of assistance in order to obtain outcomes.
8. Conclusions

8.1. Assessment of evaluation strategy

Discussion of evaluation of quasi-market reforms has shown that evaluation findings about process and impact are limited. This results from the inherent difficulties in defining and measuring outputs, net impacts (by using control groups) and quality issues. Furthermore, an evaluation of reforms should include before-and-after comparisons, which suppose appropriate longitudinal research to distinguish rigorously between the effect of market forces and other changes that may have taken place simultaneously, such as changes in the benefit system or in the labour market.

None of the countries under consideration have a systematic evaluation strategy for the new arrangements, except in Australia, but research to date has been monopolised by the central government. Outside researchers cannot get access to original data, nor they can get an insight into its processing. Implementation of the reform by providers, job seekers and employers remains a black box due to the confidentiality of the data. This leads to the conclusion that official evaluation studies are somewhat problematic and function mainly as a justification of policy decisions. In this respect, the independent review by the Productivity Commission was a breakthrough in governmental research strategy. This review is not only based on data and findings by the department, but also on the experiences of all stakeholders, and has ended in a critical debate. Evaluation of quasi-market arrangements should include all stakeholders in a more interactive way and keep at least part of the evaluation work for external independent researchers.

8.2. Main findings

The experiences from the Australian and other quasi-market reforms support the view that the market model in providing reintegration services is superior to that operating previously. However, there is no hard empirical evidence for this. The main findings of the summative evaluation are summarised in Table 13.

The Australian case provides a very mixed picture. The most significant gain is that the market system leads to more cost-effective performance: services cost less, with a more or less similar net impact as previous programmes and

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Trend</th>
<th>Main findings Australia</th>
<th>Main findings the Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency</td>
<td>+</td>
<td>Gain in cost-efficiency</td>
<td>Gain in cost-effectiveness (&lt;greater efficiency)</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>+/-</td>
<td>Targeting with job seekers</td>
<td>Classification instrument troublesome Local needs</td>
</tr>
<tr>
<td>Quality</td>
<td>+/-</td>
<td>Erosion of the level of services, especially job specific training Scepticism about satisfaction levels</td>
<td>No empirical evidence available Quality labels to 26 companies (end 2002)</td>
</tr>
<tr>
<td>Choice</td>
<td>-</td>
<td>No real choice for clients (&lt;20 %) No informed choice</td>
<td>No informed choice No empirical evidence available</td>
</tr>
<tr>
<td>Equity</td>
<td>-</td>
<td>No strong empirical evidence Low net impact (0.6 %; 8.3 %) More disadvantaged benefit most</td>
<td>No empirical evidence available</td>
</tr>
</tbody>
</table>
adequate responsiveness and quality. Weaker points are the limited choice for job seekers and erosion of the level of services, especially with regard to job specific training. However, these findings about net impact and quality are tentative and should be added to other findings concerning the amount of training services, the financial incentives and their role for disadvantaged job seekers. It was found that the financial incentives focusing on employment outcomes have an adverse effect on the equal treatment of job seekers. The incentive structure favours the pursuit of short-term employment outcomes over training and education which may, in the longer-term, be of greater benefit to job seekers.

In the Netherlands, it is not yet clear how well the arrangements to foster responsiveness and choice between providers may work. The Dutch reintegration market tends to be self-regulating on quality and, at this moment, there is no evidence of increased efficiency nor equity.

Despite these mixed findings, more positive evidence is available with regard to the formative evaluation, i.e. the evaluation of the conditions that are crucial for the functioning of quasi-markets (Table 14).

Table 14: Empirical evidence concerning the conditions for quasi-markets in Australia (1998-02) and the Netherlands (2000-02)

<table>
<thead>
<tr>
<th>Condition</th>
<th>Trend</th>
<th>Main findings Australia</th>
<th>Main findings the Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market structure</td>
<td>+</td>
<td>Many providers, but one central purchaser&lt;br&gt;Difficult industry entry&lt;br&gt;Administered prices and floor prices&lt;br&gt;Clear distinction between purchaser and provider&lt;br&gt;Deficiencies of the Job Network market: concentration, large companies favoured, instability</td>
<td>Many providers, increasing number of purchasers (sub-markets)&lt;br&gt;Low barriers to industry entry, however experience as a selection criterion&lt;br&gt;Free prices&lt;br&gt;Different tendering culture between purchasers&lt;br&gt;Deficiencies of the UWV-market: concentration, large companies favoured, instability, market of organisers</td>
</tr>
<tr>
<td>Information</td>
<td>+/-</td>
<td>More transparency of procedure, not yet transparency of the market&lt;br&gt;Extensive regime for monitoring and quality assurance, increasing compliance burdens to providers&lt;br&gt;Integrated labour-market information system, but data conceived as confidential&lt;br&gt;Star rating model lacks transparency</td>
<td>More transparency of procedure, not yet transparency of the market&lt;br&gt;Poor monitoring information, problem of data collection&lt;br&gt;Development of a quality label by the sector itself</td>
</tr>
<tr>
<td>Transaction costs</td>
<td>+/-</td>
<td>Tendering causes high transaction costs&lt;br&gt;Roll over of 60 % contracts under the third round</td>
<td>Annual tendering causes high transaction costs&lt;br&gt;Lowered by a uniform two-stage procedure and model agreements</td>
</tr>
<tr>
<td>Motivation</td>
<td>+</td>
<td>Combination of input and output payment&lt;br&gt;Selection criteria based on price (25 %) and quality (75 %)&lt;br&gt;Training not separately financed&lt;br&gt;Star rating model focussed on ‘payable outcomes’, leading to risk-averse behaviour&lt;br&gt;Tendency to give more choice to job seeker</td>
<td>‘No cure less pay’&lt;br&gt;Training separately financed&lt;br&gt;Tendency towards ‘no cure no pay’ leading to risk-averse behaviour&lt;br&gt;Tendency to give more choice to job seeker</td>
</tr>
<tr>
<td>Cream skimming</td>
<td>+/-</td>
<td>Providers cannot reject job seekers, some adverse effects&lt;br&gt;Job seekers divided in different (broad) categories; higher price for the most difficult category</td>
<td>Number of elements to counteract, some adverse effects&lt;br&gt;Number of categories; tendency to less target groups</td>
</tr>
</tbody>
</table>
Typical problems concerning information and transparency as well as transaction costs can be overcome by refinements in structure, tendering mechanisms, implementation and monitoring arrangements. In this respect, the experiences are not similar, as shown in Table 14. The differences between Australia and the Netherlands represent contrasting market types, with both advantages and disadvantages, as summarised in Table 15.

One advantage of the Australian model is that direction from one centre leads to a high level of uniformity. This promotes the transparency of the market and clarity of legislation. But single principalship places the Australian department in an omnipotent position. As monopsonist, it has a monopoly on the tendering policy. This is further reinforced by the high level of policy centralisation.

The Dutch model is characterised by more equal relationships between buyers and providers. More room is available for the various players, as well as for the more specialised market segments. A pluri-form principalship therefore promotes the position of the customer, who has more chance of finding a service provider he likes in a more varied and differentiated players’ market.

However, the evidence discussed in this paper shows that both models also have disadvantages. Australian principalship operates in a hierarchic/bureaucratic way as a result of its large number of rules and control. In the interviews, this was characterised as a legalised market or ‘lego’-market (Struyven et al., 2002; Productivity Commission, 2002). In addition, the Job Network system is increasingly driven by performance measurement using star rating, which is disputed in the field. The star rating itself is not rejected but, as a result of the lack of open communication about the criteria used and its method of calculation, it meets with much resistance. Both factors influence each other. The distance to the field is further reinforced by the need to keep everything controllable. At the time of the research, the market was cloaked in an atmosphere of mistrust concerning the Job Network. The question arises whether this encourages the players to take risk-avoiding measures, which is precisely what the government wants to counteract by the way it acts. A second question is whether this might prejudice the final results.

The Dutch market type suffers from a lack of transparency. A difference in tendering culture still prevails between the principals. Experiences yet have to show how the transition to a business-like principalship can succeed in a model where the purchasing function still remains fairly close to the implementation domain. The principals can also be faced with undesirable side-effects in the behaviour of the providers, such as shopping and cross-subsidising between different public purchasers.

Table 15: Advantages and disadvantages of two market types based on tendering practice in Australia and the Netherlands

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Monopsony</strong> Australian type</td>
<td>Obsession with performance measurements</td>
</tr>
<tr>
<td>Directed from one centre</td>
<td>Hierarchic/bureaucratic</td>
</tr>
<tr>
<td>Steering towards outcomes</td>
<td>Dominated by rules and control (‘legalised market’)</td>
</tr>
<tr>
<td>Transparency of the market</td>
<td>Large distance from field</td>
</tr>
<tr>
<td>Clear rules</td>
<td>Atmosphere of mistrust; lack of open communication</td>
</tr>
<tr>
<td>Legally sound</td>
<td></td>
</tr>
<tr>
<td><strong>Quasi-market: Dutch type</strong></td>
<td></td>
</tr>
<tr>
<td>More equal relationships between buyers and providers</td>
<td>Less transparent market</td>
</tr>
<tr>
<td>Promotes varied playing field</td>
<td>Differences in tendering ‘culture’</td>
</tr>
<tr>
<td>More specialisation possible</td>
<td>Shopping for providers</td>
</tr>
<tr>
<td>More communication</td>
<td>Cross-subsidies possible between different public assignments</td>
</tr>
<tr>
<td>Strengthens position of customer (options)</td>
<td></td>
</tr>
</tbody>
</table>
The differences between the two types can be brought into focus in yet another way. Both tendering practices are founded on a mixture of hierarchic and market relationships (Thompson et al., 1991; Parsons, 1995; Bouckaert, 1998). Typical of the hierarchic relationship is that the dominant player directs the other actor on the basis of rules and standards. The task imposed on the directed actor can change at any moment. In a market relationship, the mutual relationship is managed by the market mechanism between demand and supply. A market relationship is characterised by more balance between equal players. In Australia, a hierarchic relationship is expressed in many ways: the price-regulating role of the government, the fact that the providers of intensive assistance and job search training also have to assume job matching services, etc. The Australian system has more in common with a holding in which various companies operate and where the central management controls through a mix of hierarchy and market. In a less centralised system with more buyers, more room is created for allowing the mix of hierarchy and market to interfere through a cooperation relationship, based on agreements.

8.3. Lessons for other countries

While comparing reform in the two leading countries, Australia and the Netherlands, one should take into account the institutional and labour-market contexts. It is clear that market forces are not the only factor affecting the output of employment brokerage and reintegration activities. However, the operational characteristics of the system do matter. Despite the different context of the Australian welfare state compared with the continental or Scandinavian model, on the practical level of matching supply and demand and helping different categories of job seekers, all countries would appear to be confronted with the same problems. Quasi-market experiences can help in seeking new solutions. These elements can deal with structural conditions, such as the purchaser-provider split, the importance of a decentralised approach, organisational formality, the incentive structure, and implementation conditions such as job seeker classification and referral instruments, an integrated labour-market data system or quality management. Even without implementing a quasi-market model, all these conditions play a role in the search for better practice in employment services. A central role is played by the incentive structure. Therefore, much more attention in evaluation research should be given to the relationship between the tendering and market conditions on the one hand and the behaviour of both providers and job seekers on the other.
List of abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>CWI</td>
<td>Centres for work and income</td>
</tr>
<tr>
<td>DEWR</td>
<td>Department of Employment and Workplace Relations</td>
</tr>
<tr>
<td>DEWRSB</td>
<td>Department for Employment, Workplace Relations and Small Business</td>
</tr>
<tr>
<td>RWI</td>
<td>Council for Work and Income <em>[Raad voor Werk en Inkomen]</em></td>
</tr>
<tr>
<td>SUWI</td>
<td>Structure of Work and Income Implementation <em>[Structuur Uitvoering Werk en Inkomen]</em></td>
</tr>
<tr>
<td>UWV</td>
<td>Uitvoering Werknemersverzekering</td>
</tr>
<tr>
<td>WAO</td>
<td>Wet op de arbeidsongeschikheidsverzekering</td>
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</tbody>
</table>
References


van der Veen, R. Restructuring a corporatist welfare state. Managed liberalisation and the role of the state, the social partners and the market in Dutch social security and labour market policy. Paper for the conference ‘The transitional labour market. Outlines of an active labour market policy’ held in Brussels, 2.3.2000.


