



Literature review and identification of
best practices on **integrated**
social service delivery

Part I

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Literature review and identification of best practices on integrated social service delivery (one-stop-shops)

Executive summary

This study investigates the literature and practice of integrated social service delivery (one-stop-shops), reviews the evolution of the main approaches to integration and identifies best practices in Europe.

The importance of the topic is highlighted by the European Commission's Social Investment Package (SIP), which calls for Member States to adapt their social models to achieve smart, sustainable and inclusive growth. Beside stabilising the economy and strengthening social investments, this would also require the improvement of access to social services, especially for disadvantaged groups. The integration of social services has emerged as a possible response to this challenge: it may contribute to improving access and take-up or coping with new types of social risks, as well as to meeting the growing need for prevention and coordination between increasingly complex services.

The external drivers of welfare reform

The recent global crisis and its labour market consequences have posed multiple challenges to welfare states and especially employment services and social protection. Most of these challenges are not new as post-industrial labour markets have been subject to frequent structural changes induced by technological development, demographic trends and globalisation.

The nature of labour market risks has changed profoundly in the post-industrial economy: the frequency of labour market transitions between jobs and vocations has increased, as well as the participation of women and of other, potentially disadvantaged groups. This has been accompanied by an increased share of part-time jobs and fixed term contracts.

In addition to these structural changes, the crisis has intensified labour market volatility and has augmented fiscal and political pressures to increase the effectiveness of public services in most EU Member States. The social consequences include not only rising unemployment, long term unemployment, but also deep poverty, social exclusion and long term detrimental effects on educational investments and social cohesion.

The policy context

The policy response to the complex challenges must extend to a wide range of services and institutions. In this study, the focus will be on activation, and particularly on the coordination between employment policy and social policy for low income households, as this is one of the areas where service integration may provide a solution.

The mission or main function of employment and social services is generally determined by the broader objectives of national governments' policies. While these policies may vary in several ways, the dimensions most relevant to shaping service provision are those relating to the generosity of provisions and the commitment to labour market activation (i.e. the flexicurity approach).

The recent changes in the nature of labour market risks necessitate an adjustment of the coverage and structure of unemployment protection systems, which had been originally designed to provide unemployment insurance for the temporarily unemployed male breadwinner and social assistance to those unable to work. In particular, the adjustment requires the partial or full integration of unemployment insurance and poor relief. The implication for Public Employment Services (PES) is that they may be expected to extend their services to cover a wider range of groups either assuming the main responsibility for their activation or by cooperating more closely with other government agents charged with their activation.

Policy adaptation: drivers and barriers

Though external challenges are similar, the policy response of European welfare states shows considerable variation. This may be in part explained by cross-country variations in the magnitude and nature of the challenge and in part by the actors and institutions that shape the policy making process in these countries.

The external shock of globalisation and the changing nature of labour markets proved more of a challenge to Continental welfare regimes that are based on insurance, compared to tax financed Liberal or Social-Democratic welfare regimes. Continental welfare states have tended to give priority to wage equality and budgetary stability over full employment, which resulted in low employment levels compared to Nordic or Liberal states. As social security is mostly provided through insurance schemes, low labour market participation threatens the stability of the Continental welfare system.

The influence of actors and institutions on policy formation may be exerted through several channels. Cross country variations in policy outcomes may arise from the differences in the views and interests of citizens, organized elites, political parties or external actors, such as the EU Commission, as well as from the differences in the institutions that mediate these interests.

Uncertainties about the expected outcomes of welfare reform may introduce a status quo bias against change. Similarly, the level of trust and credibility garnered by political institutions can also be crucial. This might affect outcomes not just by having an impact upon regulation but also by having an independent effect upon the success of the implementation of the new rules.

The institutions of interest mediation also affect policy responsiveness, such as those concerning the electoral system, the ease, necessity or tradition of forming a coalition government, the strength of the opposition, the devolution of state functions to levels of governance, de facto veto points given to various actors, or the political framework of industrial relations. Features determining whether a broad consensus is necessary for change seem particularly important.

The quality of public administration, i.e. its capacity to articulate goals and find and elaborate policy solutions, may also affect policy outcomes, especially in the case of complex institutional reforms.

Lastly, path dependency theories claim that institutional change may be constrained by the historical roots of welfare regimes, which set nations on distinct trajectories that tend to be difficult to reverse. Differences in the bureaucratic tradition or institutional culture of the organisations that are supposed to be cooperating have also been identified as important barriers of successful service integration. The existing legal and governmental framework and management structures can also impede the integration process. Such rigidities are likely to affect the transferability and success of particular arrangements in service integration.

The potential benefits of service integration

The growing literature on service integration has documented several advantages of well-designed integrated approaches, such as tailor-made, flexible and responsive policy options; cost effectiveness and efficiency by sharing knowledge, expertise and resources across cooperating actors; capacity building and innovation, etc., along with considerable challenges in how to reach these outcomes. Concerning labour market services, one of the main challenges is the coordination and balancing of the provision of income support with job search incentives and other forms of activation.

Though mainly descriptive, earlier studies on integration reforms already offer a number of lessons regarding the factors that may determine the success of integration initiatives, such as the clarity and harmonisation of goals across the cooperating agencies or the clear division of responsibilities between agents. A successful integration reform should include carefully designed financial or administrative incentives for cooperation and that integration reforms should entail the adjustment of performance indicators to account for joint efforts in order to eliminate dysfunctional competition between service units. Also, when service integration at the local level entails increased autonomy and new types of tasks, this should be supported by capacity building in planning, evaluation and case management as well.

Lessons and recommendations

Integration can be realized vertically, implying more systematic, closer cooperation between several levels of the government, or horizontally, linking services provided by separated entities.

This study reviewed nine reform initiatives: three cases of vertical integration reform, and six cases of horizontal integration. Based on these, we considered the drivers and barriers of service integration reforms in each of the four main stages of the policy making process.

The main lesson concerning *the first stage* of the policy making cycle relates to the importance of political institutions. Service integration is a complex reform that typically affects several stakeholders. The existing examples of successful initiatives suggests that there are two political constellations in which governments can carry through their reform agenda. First, if governance is centralised and there are relatively few strong veto players in the political system, as for example in the UK. Second, in a less centralised (e.g. federal)

system, or if there are strong veto players, reform is only possible if there is a wide cross-party consensus over the goals and also in the main policy solutions.

Economic or social tensions can in some cases help to build political consensus. This was apparently the case in Austria and Germany where unfavourable domestic trends in employment and income inequalities led to increased awareness of the structural problems and generated political support for the reforms.

The main lesson concerning *the policy design stage* is to keep the reform manageable in terms of size and complexity. The reform process is easier to manage and more likely to succeed if changes are gradual or are limited to a few well selected areas, especially if the planning and management capacities of public administration are limited. The Estonian case is a good example of setting a relatively modest goal that is appropriate to the existing quality and capacity of the Estonian public administration.

The success of integration reforms also depends on the performance and cooperation of local level agents. This requires well designed administrative and financial incentives, as illustrated by the Danish, Finnish and British cases. Countries with a strong regional government may rely on the alternative source of political accountability. This was the (unintended) outcome of the Austrian reform initiative, where the central government did not succeed in introducing a standardised form of service integration but several regions implemented their own local solutions to the problem of increasing poverty among the unemployed.

Performance can be further improved by performance management techniques (e.g. the elaborate Danish system that makes PES performance indicators publicly available). If the new system allows a high level of local autonomy in designing services and protocols (e.g. in the Austrian or Danish cases) there is also a need for close monitoring to ensure that service quality and access to services is the same across the country.

Service integration entails more intense cooperation between agents. Given the complexity of the tasks involved, this will only work smoothly and efficiently if roles are clearly divided and allocated to the right level of government and the appropriate institutions that have the capacity to perform them. The Finnish case is an often cited good example for properly designed and allocated roles.

It follows from the above that the availability of high quality public administration is essential in the design stage. This is particularly important in horizontal reforms where the appropriate motivation of local actors is crucial.

The success of the *implementation stage* clearly depends on the quality of planning, and especially on the design of incentives for the main actors affected by the reform.

The pace of the reform process also matters. Piloting in small scale, expanding gradually and allowing time for detecting and correcting problems, adjusting staff capacities and skills can further improve outcomes even if the initial plan was already good enough to guarantee success.

Service integration may change skills requirements in several levels and positions of the system. If these skills are missing or inadequate, there is a need for capacity building at the beginning of the implementation stage. Retraining may be necessary even if existing staff is highly trained.

Involving and informing all parties concerned about the reform and its consequences can be crucial. Properly informing the clients is especially important if there are major changes in the physical location of service providers or in the procedure of accessing benefits and services.

Given the complexity of service integration reforms, *the last stage* of the policy making process is particularly important. In successful reforms, the monitoring of processes and outcomes starts in the pilot phase and continues after the full upscaling of the reform. Monitoring in the early stages helps detect and correct problems before national implementation and support gradual improvement and adjustment to changing circumstances as well.

As we have seen, the existing institutional context, especially political institutions and the quality of public administration should be taken into account when deciding about the scope and aims of service integration reform and to some extent these factors also determine the appropriate incentive structures for post-reform institutions.

Based on this, we recommend that Member States looking for inspiration should consider examples that were implemented in an institutional context similar to their own. We identified two main dimensions of the institutional setup: the efficiency of public administration, and the degree of centralisation considering both the overall political structure and the institutional arrangements characterising employment and social policy.

Introduction

This study investigates the literature and practice of integrated social service delivery (one-stop-shops), reviews the evolution of the main approaches to integration and identifies best practices in Europe. The first part of the study gives a systematic overview of the theoretical, empirical and policy literature of integrated social service delivery, with a particular emphasis on activation services. Based on the existing literature and detailed case studies, the first part also offers some policy recommendations for the design of integrated service delivery related to one-stop-shops and activation. The second part of the study describes ten examples of social service integration in the EU in nine Member States, in each case describing the aims, the context, the main measures and the outcomes of the reform and concluding with an assessment of the potential for policy transfer.

The importance of service integration reforms is highlighted by the European Commission's Social Investment Package (SIP), which calls for Member States to adapt their social models to achieve smart, sustainable and inclusive growth. Beside stabilising the economy and strengthening social investments, this would also require the improvement of access to social services.

The integration of social services has emerged as a possible response (or an important element in a wider set of institutional reforms and policy measures) to this challenge. Service integration deserves attention as it may not only contribute to improving access and take-up, but also provide an answer to coping with new types of social risks, the increased role of prevention, and the need for coordination between increasingly complex services.

Member States are committed to the same goals outlined in the SIP and many of the challenges they face are also similar (such as ageing or the depreciation of skills due to technological change). At the same time, their welfare systems responded to these challenges in a variety of ways, the analysis of which can yield useful lessons for Member States. We understand this study to be a contribution to such an effort. However, it should also be kept in mind that, even if the external challenges are similar, the response of institutions and policies are shaped not only by the problem but also by the existing institutional structures. This implies that lessons derived from an analysis of some countries may not be relevant and transferable to other countries with a different institutional tradition, or only with considerable adjustments based on a thorough analysis of any differences in the local context.

PART I

This first part of the study provides a systematic overview of the theoretical, empirical and policy literature of integrated social service delivery, with a particular emphasis on one stop shops and activation services. It is divided into five sections. The first section outlines the economic and demographic processes that pose a challenge to European welfare systems. The second section briefly describes the existing institutional framework for the provision of unemployment benefits and activation, and the next section reviews the drivers and barriers to policy change. In the fourth section, we consider the potential benefits of service integration. The last section offers some lessons and recommendations.

1. The external drivers of welfare reform

The recent global crisis and its labour market consequences have posed multiple challenges to welfare states and especially employment services and social protection. Most of these challenges are not new as post-industrial labour markets have been subject to frequent structural changes induced by technological development, demographic trends and globalisation (Clasen and Clegg 2011; Ditch and Roberts 2002; Häusermann and Palier 2008).

Technological change and globalisation

Technological development implies that as new and more effective ways to manufacture products (or deliver services) emerge, capital and labour need to adjust. By opening new markets for goods and capital, globalisation generates further incentives for the reallocation of capital across industries or countries. Technological change has tended to accelerate since the 1990s requiring much more frequent adjustments than in previous times (Basu, Fernald, and Shapiro 2001). In order to stay competitive, firms are under constant pressure to implement the innovations (replace the old machines, materials, management techniques or business strategies with the new and better ones) or cut costs by cutting wages or relocating their production to some place where resources and labour are cheaper. Workers also need to adjust constantly: they need to learn to operate the new technologies, materials and management systems, and retrain in a new vocation if their old trade declines. They may also be challenged to choose between lower pay, or moving to a new place where they can find better job opportunities.

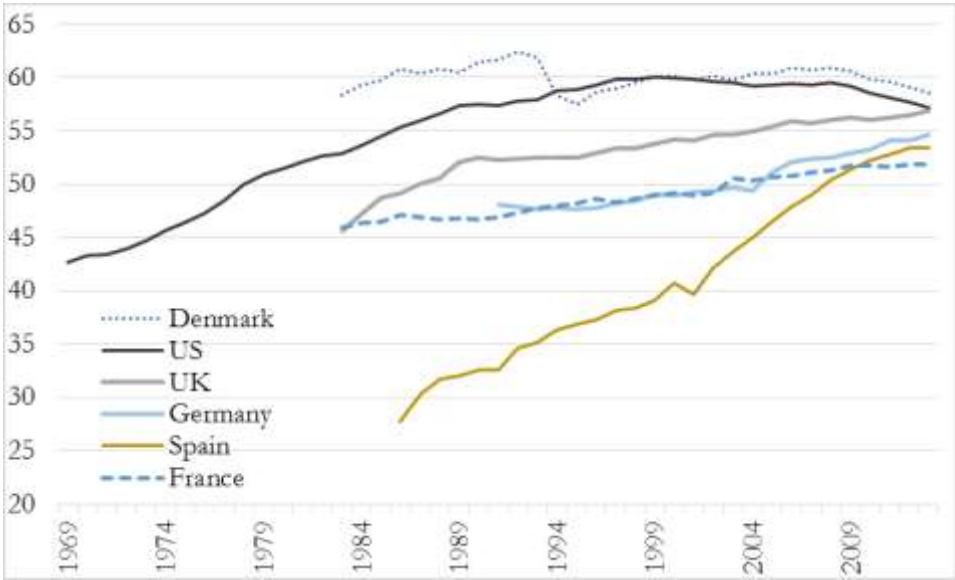
Demographic trends

A rough summary of the main demographic trends characterising the past decades is that Europeans have fewer children, but live longer. The smaller size of new generations reduces the labour force, which is to some extent compensated by immigration, the increased labour market participation of women, improving levels of education and increased life expectancy in good health. The latter developments can increase the active labour force or improve labour productivity, especially if supported by appropriate adjustments in the welfare system. The successful integration of immigrants requires efficient employment services, and the labour force participation of women necessitates more and better formal daycare institutions. The expansion in schooling will translate into higher worker productivity only if public education and adult training can adjust to the new needs and

teach skills and competencies rather than focusing only on fast-eroding factual knowledge. Lastly, the improved health conditions of the middle aged and the elderly will not automatically increase the active labour force. There is a need for adjusting incentives to work built into the unemployment benefits and pension systems, and for strengthening life-long learning, rehabilitation and active labour market policies that support transitions between jobs and vocations during the working life.

To illustrate the magnitude of demographic developments, Figure 1 depicts four decades of gradual rise in the female labour force participation rate in selected developed economies. Apart from the convergence of these rates, it is worth noting that countries with a more traditional attitude to gender roles, such as Spain, may go through a very fast process of adaptation.

Figure 1 - Female participation rate in selected countries, 1969-2013



Source: ILO online database, using national LFS.

New labour market risks

The nature of labour market risks has changed profoundly in the post-industrial economy. First, workers are much more likely to have several jobs and even several vocations during their working life than previously. Technological change implies that people may lose their jobs even if they work in a prospering branch of the economy, if they cannot adapt to the changing skill requirements of their occupation. Or jobs may be shred in one location and moved to another part of the world, even if consumer demand is stable or rising. These risks affect manual workers, white collar employees and the self-employed alike.

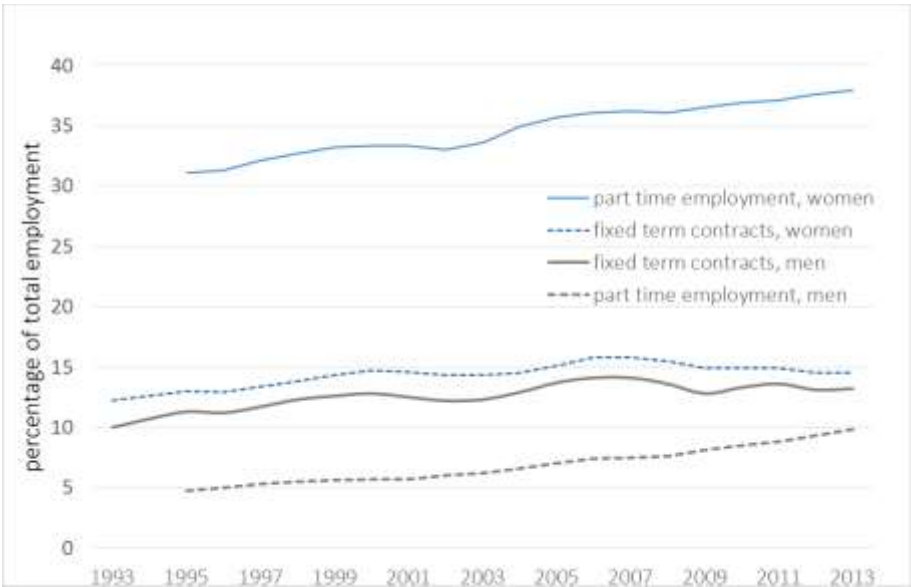
Second, following the demographic changes already mentioned above, the labour force has become more heterogeneous. The emancipation of women that accelerated during World War II, together with the decline in the strength of family ties and a rise in individualisation has expanded the ranks and types of people looking for paid work, most notably, economically independent women, whether single or divorced, with or without children. As traditional gender roles in the household and the provision of public or private care services have been slow to adjust to this trend, women are more likely to experience a conflict of

work and family life (Budig, Misra, and Böckmann 2010; Misra, Budig, and Boeckmann 2015; Janus 2012).

Steadily rising immigration flows have further increased the ethnic and religious diversity of the European labour force (De La Rica, Glitz, and Ortega 2013). Lastly, human rights movements (as well as concerns about the sustainability of the welfare system) have initiated a slow but noticeable improvement in the availability of rehabilitation services and legal provisions against anti-discrimination, which in turn increases the labour market integration of people with disabilities (OECD 2010a; Scharle, Váradi, and Samu 2015). These groups are often in a disadvantaged position as they may face discrimination in terms of access to work or level of pay, unstable (precarious) employment, lack of social insurance, or lack of access to welfare services. They may also be less able to protect their interests as they tend to be outside the traditional focus of trade unions and advocacy groups supporting workers’ rights. These risks are obviously not new, but their importance has increased over the last decades, as long-term socio-economic trends expanded both the size of the risk-groups and the frequency of risk events within the individual life course (Huber and Stephens 2006).

Heterogeneity has increased in working hours and contract types as well. Some new labour market groups, such as mothers with pre-school age children, or students prefer to work shorter hours and this has met the needs of the 24-hour service economy. As Figure 2 shows, the share of part-timers has been particularly high among women, but has also been steadily increasing among men in the past two decades. In the latest European Jobs Monitor, Hurley, Fernández-Macías, and Storrie (2013) report a particularly high growth of part time jobs in Germany, Lithuania, Italy, the Netherlands and the UK. Another notable trend is the slow rise in the share of fixed term contracts, reflecting the increased volatility of labour demand, and possibly also the increased share of disadvantaged workers who are less able to negotiate favourable terms in their contracts (see Figure 2).

Figure 2 - Fixed term and part-time contracts in the EU15, 1993-2013



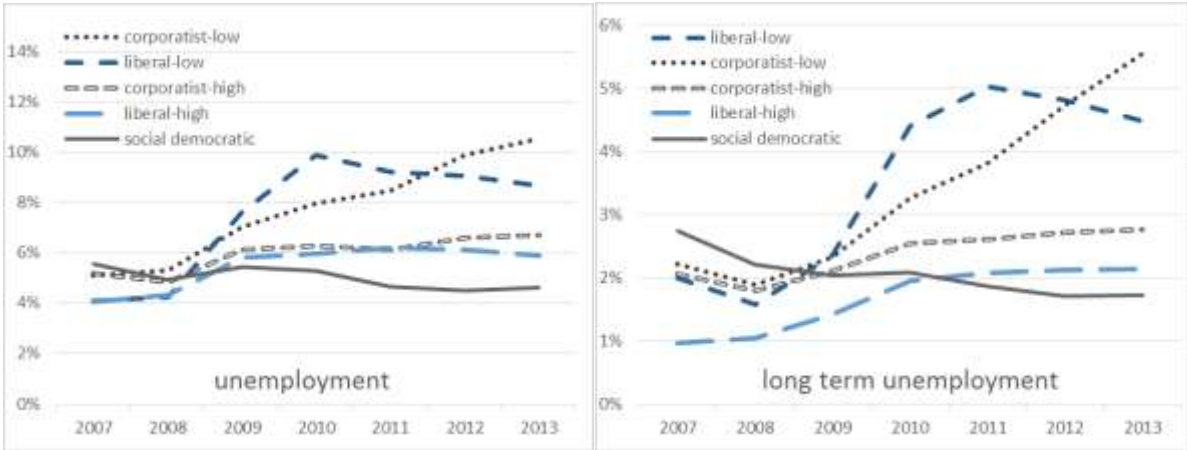
Source: Eurostat on-line database

The global financial crisis

In addition to the long term structural changes outlined above, the global financial crisis has intensified labour market volatility and has augmented fiscal and political pressures to increase the effectiveness of public services in most EU Member States. European employment declined on average by 2 percentage points while unemployment rose by 4 percentage points between 2008 and 2013. The share of the long term unemployed among all jobseekers increased from about 37% in 2008, to over 47% in 2013. The social consequences include not only rising unemployment and long term unemployment, but also deep poverty, social exclusion and long term detrimental effects on educational investments and social cohesion.

Unemployment has risen in all EU Member States, however, the extent to which these shocks translated into persistent unemployment varies considerably. Countries with a more effective public administration (which also implies more mature welfare systems and automatic stabilisers) seemed to be more able to prevent the rise of unemployment, regardless of the welfare regime type.¹ For example, the labour market shock was relatively small and the build-up of long term unemployment remained modest and even declined in the Social Democratic Nordic countries compared to others experiencing a similar increase in unemployment (see Figure 3). It is also worth noting that in Liberal regimes with a relatively less effective government (the Baltic States belong to this group), the initial rise in unemployment and long term unemployment was very large, but they also seemed to be able to contain it after 2010, as opposed to countries in the Corporatist-low effectiveness group (Southern and Eastern Europe).

Figure 3 - The unemployment rate by regime type, 2007-2013



Source: Eurostat on-line (Labour Force Survey). Notes: For regime types see footnote 1. High and low refer to government effectiveness, which we distinguished according to the Worldwide Governance Indicators developed by Kaufmann, Kraay, and Mastruzzi (2010): countries with an above average score on government effectiveness are considered high, below average ones are considered low efficiency. All Social Democratic countries are in the high effectiveness group. For more detail on the grouping please see the Annex.

¹ Esping-Andersen (1990) distinguished three types of welfare system, on the basis of social rights and the main provider of welfare: in Corporatist regimes insurance based rights are granted by the state, in Liberal regimes the market is the main provider and in Social Democratic ones, universal (tax financed) rights are granted by the state. For more detail on the country groups please see the Appendix.

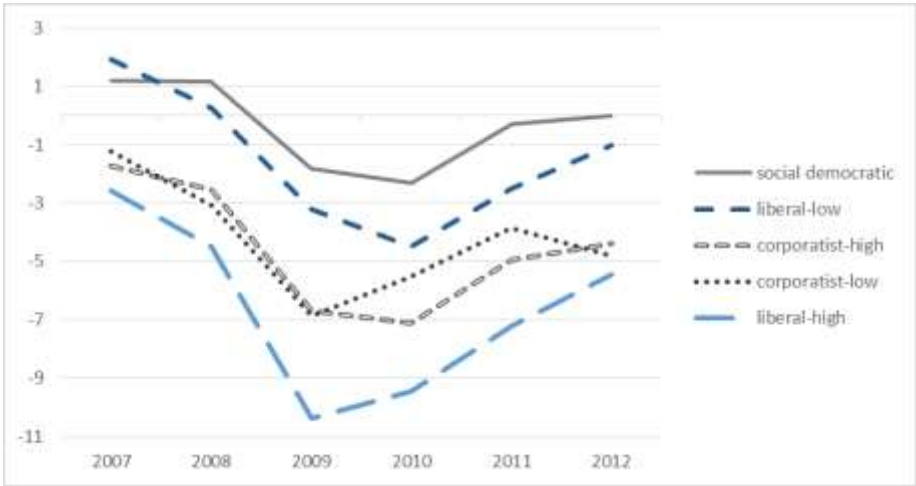
These cross-country variations can be explained partly by the differential impact of the crisis across industries. For example, the construction industry contracted in most EU Member States and it remained depressed in most countries where the sector enjoyed a boom before the crisis (OECD 2011). The labour market consequences of the crisis also depended on composition of the industrial sector as larger, more technology and skill intensive firms were able to weather the fall in output without shedding excess labour (OECD 2010b).

The efficiency of existing labour market institutions also played a role (Basso et al 2012). Such institutions may help contain the build-up of long term unemployment by keeping up the job search intensity of the unemployed and by supporting the efficient matching of labour demand and supply. These processes can be reinforced by legislative measures, such as employment protection legislation and minimum wage setting, financial incentives (e.g. wage subsidies or the level, duration and coverage of unemployment benefits), the behavioural conditions to benefit receipt, or training programmes, and other ALMP as well as PES services.

The speed and effectiveness of government response to the crisis also mattered. Many Member States strengthened their existing unemployment insurance system by easing access or improving benefit generosity in order to cushion the negative effects of income shocks. For example, Germany and Italy extended the duration of the insured unemployment benefit and Sweden increased the replacement rate (the percentage of benefit amount compared to previous in-work income) (Basso et al. 2012). Many countries however decided to curb the generosity of unemployment provisions either to prevent benefit dependence and long term unemployment or to cut welfare spending.

Most Member States also relied heavily on active labour market policies. Almost all countries reinforced activation by intensifying training, job search assistance and overall public employment service capacities. Enhancing the internal flexibility of labour markets and cutting labour costs represented another set of policy responses. The reliance on work sharing schemes (the reduction of working hours combined with a reduction in gross wages) increased in some of the countries where such schemes had already existed before and could be easily extended (e.g. the German Kurzarbeit scheme, or the chômage partiel in France; Cazes, Verick, and Heuer 2009). Some countries also invested in entrepreneurship incentives (e.g. Finland, France, Germany, Hungary, Ireland, Italy, or Spain), targeted measures focusing on disadvantaged individuals characterised by a high risk of job loss and by low levels of social protection (Cazes, Verick, and Heuer 2009; Basso et al. 2012) and direct job creation via public works programmes (e.g. Hungary, Ireland and Latvia).

Figure 4 - Government deficit by regime type, 2007-2012



Source: Worldwide Governance Indicators, % of GDP.
 Note: For the definition of country groups see notes to Figure 3.

The crisis put a strain on governments to balance budgets amid falling revenues and rising expenditures. In 2009 and 2010, almost all Member States faced a government deficit of over 3% and for many countries it took another year to stabilise their fiscal stance (Figure 4). Fiscal constraints have increased pressure on governments to increase the cost efficiency of their Public Employment Services and ALMP spending and encouraged an upsurge in impact analyses in some Member States.

2. The policy context

The policy response to the complex challenges outlined in section 1 must extend to a wide range of services and institutions. In this study, the focus will be on activation, and particularly on the coordination between employment policy and social policy for low income households, as this is one of the areas where service integration may provide a solution.

The mission or main function of employment and social services is generally determined by the broader objectives of national governments’ policies. While these policies may vary in several ways, the dimensions most relevant to shaping service provision are those relating to the generosity of provisions and the commitment to labour market activation,² which is akin to the flexicurity approach (as described by European Commission 2007). On the one hand, flexible labour markets are typically characterised by higher mobility between jobs and occupations and between labour market statuses, which increases the importance of ensuring high quality information on vacancies and job matching services. On the other

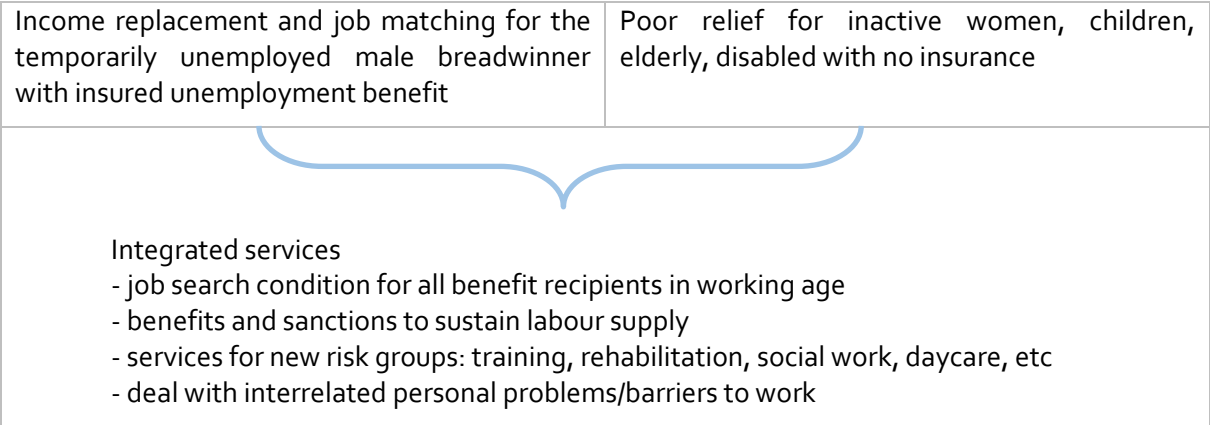
² Flexicurity aims at enhancing the flexibility of labour markets, while ensuring income security and reconciliation of work and family life. The overall objective of flexicurity is to facilitate transitions between jobs and tackle labour market segmentation, with a view to improve the functioning of labour markets in a context of constant and rapid change due to globalisation, technological change or even broader demographic and societal trends.

hand, a welfare system that aims to ensure a high level of income security for the non-employed calls for efficient activation and integration services in order to remain sustainable.

The commitment to flexicurity principles varies across EU Member States (European Commission 2006). Liberal welfare regimes tend to focus more on job search incentives and matching jobs with jobseekers, Conservative regimes give priority to income security and provide intensive services mainly to insured unemployment benefit recipients, while Social Democratic regimes follow a balanced approach that includes widely available income support and intensive activation along with reintegration services to all the working age non-employed.

As noted in the previous section, the nature of labour market risks has changed profoundly in the post-industrial economy, and the crisis further intensified these risks. This necessitates an adjustment of the coverage and structure of unemployment protection systems, which had been originally designed to provide unemployment insurance for the temporarily unemployed male breadwinner and social assistance to those unable to work. The traditionally separate strands of unemployment insurance and poor relief need to be closely coordinated, which may eventually lead to their merger into a fully integrated system of benefits and services (Figure 5.).

Figure 5 - The changing focus of welfare support to the non-employed



Clasen and Clegg (2011) describe this adjustment process in three dimensions of benefit administration. The first dimension entails the blurring of differences between tiers of unemployment provisions by weakening the link between prior earnings and benefit amounts, so that insured and means tested benefits become similar in terms of amount and duration. This reduces the penalty on weak labour market attachment and may also encourage occupational mobility by lowering wage expectations.³

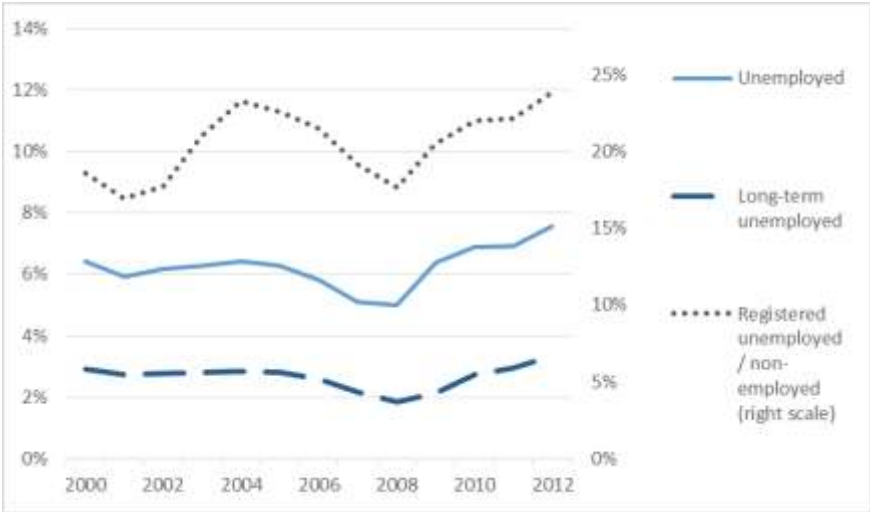
The second dimension relates to the integration of unemployment benefits with other provisions for working age adults such as disability benefits. This may involve the harmonisation of benefit levels or job search obligations across different benefits. Or it may

³ This is important as jobseekers in declining trades cannot expect to return to a job in their initial vocation and when they retrain, their starting wage can be relatively low compared to their age.

even lead to a complete merger of provisions, in which case the different needs of each particular client group are reflected only in the range of additional services provided to support their reemployment. The third dimension of institutional realignment concerns activation, that is, the extension of job-search conditions to all benefit recipients of working age. This may take the form of amending existing benefit rules to include further conditions on cooperating with public employment services, accepting job offers and participation in active labour market measures, or an increased emphasis of the “work first” approach (encouraging rapid return to primary labour market) within active labour market policies. This process may culminate in the merger of government agencies administering unemployment benefits and other provisions into one-stop-shops units responsible for the activation of all working age benefit recipients.

The implication for the welfare system is that the role of Public Employment Services (PES) needs to be augmented and the PES need to extend their services to cover a wider range of groups (social benefit recipients, disability benefit recipients, non-recipients, inactive working age adults etc.) either assuming the main responsibility for their activation or by cooperating more closely with other government agents (e.g. municipalities) charged with their activation. Indeed, recent figures depicting the share of the registered unemployed among the non-employed population suggest a gradual (though uneven) rise in the coverage of PES services between 2002 and 2012 (Figure 6).

Figure 6 - The share of registered unemployed among the non-employed working age population, 2000-2012



Source: Unemployed: Eurostat on-line. Registered unemployed: own calculations using the EU LFS. Notes: Population age 16-64 excluding full time students. Bulgaria, Croatia, Germany, Ireland and the UK are excluded for lack of data. Data for Italy are imputed as a simple average of neighbouring years in 2004.

Reflecting the increased importance of activation, almost all Member States have implemented some reforms to improve PES performance during the late 2000s. In most cases, this entailed introducing administrative incentives (new public management tools) and increased managerial autonomy while several PES have experimented some form of decentralisation, typically involving incentives for closer cooperation with social services, or even service integration at the local level (Mosley 2011; Struyven 2004).

In most EU countries, the PES have become the main agent of employment and social policy, responsible for both the newly registered and the long-term unemployed. As Table 1 shows, twelve Member States relegate both benefit administration and services to the PES, for both the newly registered and the long term unemployed. In three countries these functions are integrated but served by either joint PES-municipal offices (in Norway) or by municipalities (in Denmark and Poland). Eight Member States have integrated some functions (typically service provision) for all unemployed and kept some functions (typically benefit payment) separate. In most of these Member States, municipalities remain responsible for administering the benefits of the long term unemployed. In a few countries, PES are solely responsible for the insured unemployed, and in a few of these (Germany and Finland) they are also jointly responsible for the long term unemployed together with municipalities.

Table 1 - Role division between PES and municipalities in EU Member States in 2014

Client group	PES	Joint offices	Municipal
UI only	Cy, De, Fi, It, NI		
UA only		De, Fi	De, NI
UI for all functions, UA for ALMP only	At, Be, Ee, Hu*, Lt, Lv, Ro, Si		
UI and UA for all functions	Bg, Cz, Es, Fr, Gr, Hr, Ie, Lux, Pt, Sk, Se, UK	No**	Dk, Pl

Source: Scharle et al (2014) based on (Mosley 2011), EEPO PES Business Model (2014) and Peer Country reports. Note: UI= Insured Unemployment benefit, UA=Unemployment Assistance (for those who have exhausted or have not qualified for UI). *As of March 2015 Hungary moved to the fourth row (PES providing all functions). ** Though Norway is an associated state, not a member, it is included as an important example of joint offices.

3. Policy adaptation: drivers and barriers

Though external challenges are similar, the policy response of European welfare states shows considerable variation. This may be in part explained by cross-country variations in the magnitude and nature of the challenge and in part by the actors and institutions that shape the policy making process in these countries.

There are no universally accepted models to describe the mechanisms that generate adaptation in welfare regimes (Häusermann 2010), let alone a complete inventory of potential explanatory factors. We grouped the main drivers that emerged in the existing literature into three categories: the policy challenge, actors and institutions. It should be noted that these factors relate to welfare reforms in general, though we highlight those that seem particularly relevant for service integration.

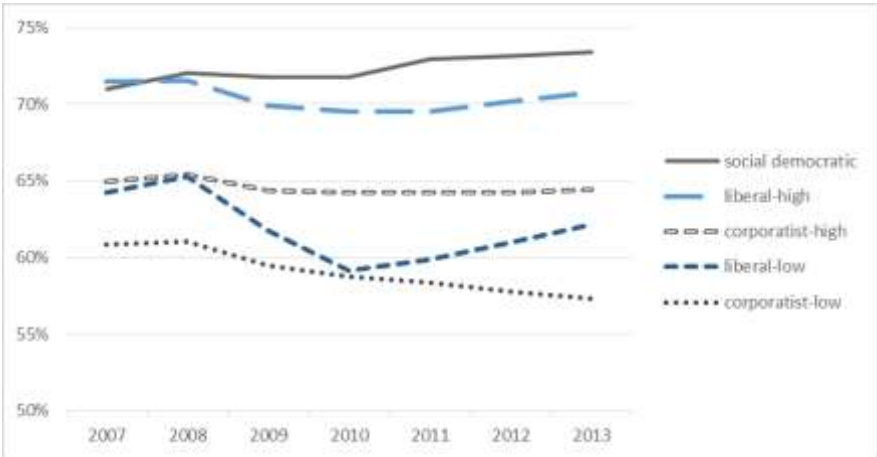
3.1. The size and nature of the policy challenge

The external shock of globalisation and the changing nature of labour markets proved more of a challenge to Continental welfare regimes that are based on insurance, compared to tax

financed Liberal or Social-Democratic welfare regimes (Scharpf and Schmidt 2000). This is because Continental welfare states have tended to give priority to wage equality and budgetary stability over full employment, which resulted in low employment levels compared to Nordic or Liberal states. Figure 7 shows that pre-crisis levels of employment were significantly lower in Member States with a Continental welfare regime and the post-crisis recovery also seems slow (in high-efficiency states) or straggling (in low-efficiency Continental regimes).

As social security is mostly provided through insurance schemes in Continental regimes, low labour market participation can undermine the stability of the welfare system (Häusermann and Palier 2008). Declining employment, increased labour market volatility and fragmented work histories also lead to a decline in the coverage of insurance based benefits (especially for new risk groups, such as the atypically employed, young families, single mothers, etc.) and increase income inequality. A further disadvantage is that Continental welfare regimes are dominated by cash transfers (as opposed to services), which implies that it takes more effort to develop the active labour market policies that enable the labour force to cope with the new risks of post-industrial labour markets (Esping-Andersen 1996).

Figure 7 - The employment rate by regime type, 2007-2013



Source: Eurostat on-line (EU LFS). Population aged 15-64.

Liberal regimes have fared better in terms of employment levels, ensured partly by relatively lenient employment protection and less generous (and mainly tax financed) welfare provisions. However, Liberal regimes lagged behind Social Democratic ones in the range and volume of active labour market programmes offered by the PES. The emergence of the ‘third way’ policies⁴ of New Labour in the mid-1990s has mitigated this disadvantage, and made the UK an example of employment-friendly welfare reforms.

Importantly, Figure 7 also suggests that countries with less effective governance, whether Continental or Liberal, face the double challenge of poor labour market performance and underdeveloped welfare services.

⁴ The core idea is that the state should enable citizens to care for themselves, rather than caring for them, which implies heavy public investment in services that support labour market reintegration (Lister 2004).

By contrast, Social Democratic (Nordic) regimes have had little difficulty in responding to the globalisation challenge. Except for the transitory shock of the macroeconomic (and in some cases fiscal) crisis of the early 1990s, Social Democratic regimes saw little need for reform as they already had a system that ensured high employment by elaborate activation policies (and also by a large public sector) and proved sufficiently flexible to cater for the new risk groups as well. The high level of activation has also ensured the sustainability of an extensive tax-financed welfare system (Häusermann and Palier 2008).

3.2. The role of actors and their interests

The influence of actors and institutions on policy formation may be exerted through several channels. Cross country variations in policy outcomes may arise from the differences in the views and interests of citizens' and their groups (including organized elites and political parties) or external actors, such as the EU Commission, as well as from the differences in the institutions that mediate these interests.

Left leaning governments have been shown to be less prone to undertaking welfare retrenchment reforms (c.f. Schmidt, 2010 or Jensen and Seeberg 2014). Rueda (2007) argues that they may also have less interest in promoting ALMPs considering that their electoral core are labour market insiders, not the outsiders that allegedly most benefit from ALMP programmes. The same consideration explains why strong unions in Continental welfare regimes have made it difficult to introduce activation measures (Häusermann and Palier 2008).

The influence of external actors on employment and welfare policy has tended to increase in the past two decades. The role of the OECD in promoting best practice in labour market policy can be traced back to the early 1990s when it was commissioned by member states to explain their persistently high unemployment (OECD 1994). Since the mid-1990s, both the OECD and the EU have advocated the development of active labour market policies, with varying effectiveness in terms of their adaptation in EU Member States. Armingeon (2007) argues that taking advice from external actors is conditional on the fit of the proposed policies with path-dependent national policies and politics. There is also some evidence that EU recommendations were more influential in new Member States as opposed to the EU-15 (cf. Mastenbroek, 2003; Kaeding, 2008; Börzel et al., 2010 and Schimmelfennig and Sedelmeier 2004, Sedelmeier 2008). This can be traced in the Estonian case explored in Part II as well, where policy makers clearly followed the Flexicurity Agenda advocated by the EU Commission.

Uncertainties about the expected outcomes of welfare reform may introduce a status quo bias against change. If potential losers are more concentrated and more certain of their loss than the diffuse group of potential winners, that alone builds a powerful barrier to policy change (Tompson 2009). Similarly, the level of trust and credibility garnered by political institutions – and actors within them, such as the government or political parties – can also be crucial (Keefer and Khemani 2004; Rothstein, Samanni, and Teorell 2012). Low levels of trust might affect outcomes by making it difficult to involve and negotiate with stakeholders and thus creating hurdles in the decision making stage, and also by weakening their commitment and motivation during the implementation stage.

3.3. The role of institutions

Institutional factors that may influence the reform process can include the institutions of interest mediation, veto points, the quality of public administration, culture and the historical development of the institutional setup.

The institutions of interest mediation may affect policy responsiveness (Brooks and Manza 2006) in several ways. This applies to a host of political-institutional arrangements, such as those concerning the electoral system, the ease, necessity or tradition of forming a coalition government, the strength of the opposition, the devolution of state functions to levels of governance (including federal versus unitary models), de facto veto power given to various actors, or the political framework of industrial relations. Features determining whether a broad consensus is necessary for change seem particularly important (Galasso and Profeta 2002; Häusermann 2010; Myles and Quadagno 2002; Palier 2010; Tompson 2009).

Institutions of European countries also differ in the number of veto points throughout the decision chain, which might serve as an explanation for the differences in their capacities to adapt social policy to changes in economic and social environment,⁵ even when they hold similar notions about what solution could work best (Champion and Bonoli 2011). The sharp contrast between the comprehensive one-stop shop reform in the UK as opposed to the more modest integration initiatives in Germany and Switzerland (see the detailed case studies of the UK and Germany in Part II) is often cited to illustrate this. UK governments have a high degree of control over policy reforms, so there were no institutional features that could block the implementation of a single agency that is responsible for the delivery of all working-age benefits and employment services. By contrast, a similar proposal in Germany was opposed in the upper chamber of the Parliament (Bundesrat) that resulted in the establishment of a separate network of Jobcentres for the long-term unemployed jointly run by the Federal Agency of Work and municipal social assistance offices.

The quality of public administration, i.e. its capacity to articulate goals (Rubaii-Barrett and Wise 2008) and find and elaborate policy solutions may also affect policy outcomes, especially in the case of complex institutional reforms (Prinz 2010). In section 5 we show that this is particularly relevant in the case of service integration reforms as their success crucially depends on the appropriate design of roles and incentive structures. Less ostensibly, bureaucratic institutions are often in charge of implementation as well, thus they can affect not just the passage of regulatory changes, but the speed and extent with which they are implemented – or with which they erode (called “internal policy conversion” by Hacker 2004).

Lastly, path dependency theories claim that institutional change may be constrained by the historical roots of welfare regimes, which set nations on distinct trajectories that tend to be difficult to reverse (Brooks and Manza 2006; Häusermann 2010; Palier 2010; Ebbinghaus 2006). For example, comparing the policy outcomes of similar welfare reform processes in Finland and Italy, Genova (2008) argues that it is the ‘emergency logic’ of Italian social services that hampered the implementation of service integration as opposed to the success of Finland that traditionally has an universalist approach to welfare policy making.

⁵ According to new-institutionalist literature, veto points are the stages throughout the decision-making process where a coalition of actors can block the adoption of a policy reform (e.g. federalism, bicameralism, referenda). The number of veto points largely determine the flexibility of the adoption mechanism of policy changes (Champion and Bonoli 2011).

Differences in the bureaucratic tradition or institutional culture of the organisations that are supposed to be cooperating have also been identified as important barriers of successful service integration (Taylor 2009 and McQuaid 2010). The existing legal and governmental framework (such as overly strict personal data protection legislation or a fragmented municipal system) and management structures (such as performance management designed for single service or information systems) can also impede the integration process (Taylor 2009; McQuaid 2010; Angers 2011). Such rigidities are likely to affect the transferability and success of particular arrangements in service integration.

4. The potential benefits of service integration

The growing literature on service integration has documented several advantages of well-designed integrated approaches, such as tailor-made, flexible and responsive policy options; cost effectiveness and efficiency by sharing knowledge, expertise and resources across cooperating actors; capacity building and innovation, etc., along with considerable challenges in how to reach these outcomes (McQuaid 2010). Clearly, there is no one-size-fits-all solution to integrated service delivery (Munday 2007).

Concerning labour market services, one of the main challenges is the coordination and balancing of the provision of income support with job search incentives and other forms of activation. This is particularly critical in institutional structures where these two functions are served by different levels of public administration.

The existing literature highlights five aspects of service integration that may contribute to improving the effectiveness and efficiency of service delivery (Angers 2011; McQuaid 2010; Munday 2007; Nelson and Zadek 2000; Taylor 2009; Lindsay, McQuaid, and Dutton 2008). These include improvements in coordinating activation as well as the administration and service provision, responding to multidimensional problems, access to services, and innovation.

1. Coordination of activation. Service integration can help resolve the basic problem of unemployment benefits, which is that they should provide adequate income support (which tends to reduce job search efforts) while encouraging active job search. The solution to this problem is to link benefit payment to clear behavioral conditions and these are obviously much easier to enforce when benefits and services are provided by the same (or closely cooperating) agents. The Estonian case is a good example for this aspect: merging the insurance agency with the PES created an opportunity for better coordination and more effective activation of jobseekers entitled to insurance based benefit.
2. Coordination of information exchange and synergies between services. Service integration can improve the efficiency of service provision by pooling fragmented resources, exploiting synergies between closely related or complementary services, improving communication between service units and improve scale economies (e.g. in administrative functions, IT development or staff training). The Dutch reform of

2002 is a good example: the establishment of CWI (Centrum for Werk and Inkomen), a new organisation to coordinate the work of existing agencies clarified the role division between municipal service providers and the PES (although it did not immediately lead to a significant improvement in cooperation between agencies).

3. Response to multidimensional problems. Some jobseekers and especially the long term unemployed face multiple barriers to reemployment. In such cases integrated services that can offer a wide range of service are better placed to assist the client than single-function agencies that can only tackle one dimension of the problem. This was the rationale behind the Finnish LAFOS for example.
4. Access to services and benefits. One stop shops also have the advantage of making it easier for clients to navigate the welfare system as they only need to visit one place. An additional advantage may be that multipurpose agencies are less likely to attract a stigma than highly specialized ones where only “troublesome” clients are supposed to go. This may be the case in Norway, where job centres serve a very wide range of clients.
5. Innovative capacity strengthened. Service integration may create more opportunity for the interaction of experts from various backgrounds and policy perspectives and also a greater scope to test new and innovative approaches (McQuaid 2010).

Munday (2007) defines integrated social services as a “continuum or ladder of integration” in the planning, coordination and provision of social services, including the cooperation, partnership and cooperation of legally independent institutions, with appropriate methods chosen to suit personal needs, circumstances and possibilities. Integration can be realized vertically, implying more systematic, closer cooperation between several levels of the government, or horizontally, linking services provided by separated entities (see Table 2). In a related approach, Snape and Stewart (1996) propose three ideal-typical forms of partnership working in social inclusion policy: facilitating, co-ordinating and implementing partnerships that differ partly in their aims and in the depth of integration as well. Askim et al (2011) define a set of key variables to describe variants of the one stop shop model, including their task portfolio, participant structure, autonomy, proximity to citizen, and instruments.

Table 2 - Examples for vertical and horizontal integration

	National	Local
Vertical	Strong management incentives that improve coordination between levels of government	
Horizontal	Joint Ministry of Labour and Welfare	One-stop-shop for local employment and social services and benefit administration

Source: Based on Ditch and Roberts (2002).

The existing literature already identified several potentially successful attempts at service integration, mainly from the Nordic countries and from the UK (e.g. Borghi and Van Berkel 2007; Munday 2007; Lindsay, McQuaid, and Dutton 2008; Minas 2009; Taylor 2009; Angers 2011; Minas 2014).

Though mainly descriptive, these studies already offer a number of lessons regarding the factors that may determine the success of integration initiatives.⁶ First, the clarity and harmonisation of goals across the cooperating agencies seems crucial. Second, the clear division of responsibilities between agents is a prerequisite to efficiency gains. Although the integration process typically entails an increase in the number of cooperating agents, this does not imply that all partners should have equal control. On the contrary, the increased complexity of interactions between agents necessitates an agreement over who takes control in which functions. Third, as illustrated by the Dutch reform of 2001 (see Table 2 in the Appendix), mergers do not automatically produce cooperation between units of government. A successful integration reform should therefore include carefully designed financial or administrative incentives for cooperation. A closely related fourth lesson is that integration reforms (especially of a horizontal nature) should entail the adjustment of performance indicators to account for joint efforts in order to eliminate dysfunctional competition between service units. Fifth, when service integration at the local level entails increased autonomy and new types of tasks, this should be supported by capacity building in planning, evaluation and case management as well, as for example was the case in the Danish reforms of 2007. The case studies presented in Part II have also confirmed the importance of these factors.

There are some issues however that are left unresolved by the existing literature. For example, the measurement of the quality and outcomes of integrated services and the respective contribution of cooperating units seems to remain a challenge, as is the allocation of resources across cooperating units.

⁶ These lessons are drawn mainly from Ditch and Roberts 2002; Minas 2009; McQuaid 2010; McQuaid et al. 2007; Konle-Seidl 2008; Genova 2008; Læg Reid and Rykkja 2013; Taylor 2009; Lindsay, McQuaid, and Dutton 2008; Minas 2014; Champion and Bonoli 2011.

5. Lessons for Europe

The lessons and recommendations summarised in this section are based mainly on Part II of this study, which provides a systematic review of ten reform initiatives. We documented four cases of vertical integration reform, and six cases of horizontal integration (Table 3).

Table 3 - Selected cases of service integration reforms in Europe

Vertical integration	Scale of horizontal integration		
	for UI only, e.g. insurance agency+PES	for LTU only, e.g. co-operation bw PES and local government	all functions for all client groups
Denmark*	Estonia	Finland	Austria
Germany		Germany	Norway
Italy		UK	
Poland			

*The Danish reform included a strong horizontal element as well but we only focused on the vertical, which has been less extensively documented in earlier research. UI= insured unemployed, LTU= long term unemployed.

These examples included more and less successful initiatives as well, and the lessons are drawn mainly from the comparison of best and worst performing countries. It should be noted however that these reform initiatives tended to be rather complex, including aspects of vertical and horizontal service integration, as well as adjustments to the benefit system. This implies that it is difficult to separate the individual effect of the integration aspect from other elements of the reform. A further complication is that in most cases, the labour market environment also changed considerably during the implementation phase of the reform. Lastly, as with most institutional reform, results may only come in the long run when actors have fully adapted to the new institutional settings and incentives.

We considered drivers and barriers in each of the four main stages of the policy making process. The stages in this process are closely connected: mistakes or failure in the initial stages can abort the reform process or reduce effectiveness in the implementation phase.

The first stage: political commitment and goal setting

The main lesson concerning the first stage of the policy making cycle relates to the importance of political institutions. Service integration is a complex reform that typically affects several stakeholders. The existing examples of successful initiatives suggests that there are two political constellations in which governments can carry through their reform agenda. First, if governance is centralised and there are relatively few strong veto players in the political system, as for example in the UK. Second, in a less centralised (e.g. federal) system, or if there are strong veto players, reform is only possible if there is a wide cross-

party consensus over the goals and also in the main policy solutions. This was the case for example in Germany⁷ and Denmark.

Economic or social tensions (e.g. the global crisis or increasing inequalities) can in some cases help to build political consensus. This was apparently the case in Austria and Germany where unfavourable domestic trends in employment and income inequalities led to increased awareness of the structural problems and generated political support for the reforms. In Estonia and Italy the global crisis played a similar role.

Service integration reforms tend to bear fruit in the medium and long run. This implies that governments without a clear long term strategy in employment policy (or more generally in welfare policy) will be unlikely to stay committed to such reforms. The lack of a long term policy vision seems to be part of the explanation for the poor results of the Italian reform initiative.

The planning stage: policy design

The main lesson concerning the policy design stage is to keep the reform manageable in terms of size and complexity. Planners need to consider the initial conditions, such as the fragmentation of existing institutions, available expertise and capacities at all levels of government involved in the process, the IT infrastructure and data collection and management systems, as well as the needs and size of target groups. The reform process is easier to manage and more likely to succeed if changes are gradual or are limited to a few well selected areas, especially if the planning and management capacities of public administration are limited. Over-ambitious initiatives increase the risk of failure. The Estonian case is a good example of setting a relatively modest goal that is appropriate to the existing quality and capacity of the Estonian public administration. The Finnish case illustrates the merits of focusing on a narrowly defined target group that needed complex services the most. By contrast, the relatively modest success of the Norwegian reform may be in part explained by the overly ambitious aims: the initial institutional setup was highly fragmented and decentralised, and service integration was meant to cover all functions and client groups, which required a major overhaul of the system.

In a similar vein, setting too complex goals for institutions may also increase the risk of failure. As already emphasised by the existing literature, the clarity of goals seems especially important as this forms the basis for cooperation between stakeholders.

As already highlighted above, the success of integration reforms crucially depends on the performance and cooperation of local level agents. This requires well designed administrative and financial incentives, as illustrated by the Danish, Finnish and British cases. The German example also points to the importance of well-designed incentives: beside political will and expertise, successful implementation requires a design where incentives for cooperation at the local level are carefully planned (making the local actors interested in cooperation with new potential benefits from cooperation). The Polish reform (and to some extent the Norwegian one) also seemed weaker in this respect. Countries with a strong regional government may rely on the alternative source of political accountability as an incentive. This was the (unintended) outcome of the Austrian reform initiative, where the central government did not succeed in introducing a standardised form of service

⁷ It should be noted though that in Germany, the original plans of establishing a single gateway and one-stop-shop for all target groups have been vetoed by powerful stakeholders.

integration but several regions implemented their own local solutions to the problem of increasing poverty among the unemployed. For vertical reform initiatives, it is especially important to consider and rely on the political institutional setup when designing decision making procedures and incentives. The German initiative is a good example of building on the tradition of consensual politics in the design of the new system of vertical coordination.

More room for local autonomy can itself increase motivation and efficiency as in the Danish case. The Austrian example also shows how high autonomy allows local actors to use their knowledge of the local context and their own experience accumulated in local activation programmes, pilots and ESF funded employment projects.

Efficiency can be further improved by performance management techniques (e.g. the elaborate Danish system in which PES performance indicators are publicly available). If the new system allows a high level of local autonomy in designing services and protocols (e.g. in the Austrian or Danish cases) there is also a need for close monitoring to ensure that service quality and access to services is the same across the country. Denmark is probably the best example for achieving this, although it seems, at the expense of an initial increase in administrative costs.

Service integration entails more intense cooperation between agents. Given the complexity (and also the costs) of the tasks involved, this will only work smoothly and efficiently if roles are clearly divided and allocated to the right level of government and the appropriate institutions that have the capacity to perform them. The Finnish case is an often cited good example for properly designed and allocated roles. By contrast, the vertical element of the German reform has been criticised in this respect: for example, moving the management of tendering external providers to the regional level led to inefficiencies as the selection process has become overly formalised, favouring low price over quality and disfavouring specialised local NGOs able to assist special needs clients.

It follows from the above that the availability of high quality public administration is essential in the design stage. This is particularly important in horizontal reforms (where the appropriate motivation of local actors is crucial) but also improves the outcomes of vertical integration reforms, as suggested by the comparison of the less successful Italian and Polish cases with the more successful German one.

Implementation

The success of the implementation stage clearly depends on the quality of planning, and especially on the design of incentives for the main actors affected by the reform. We also identified some typical pitfalls relating to the implementation process that may be avoided by careful planning.

The first of these concerns the pace of the reform process. Piloting in small scale, expanding gradually and allowing time for detecting and correcting problems, adjusting staff capacities and skills can further improve outcomes even if the initial plan was already good enough to guarantee success. The British case of JobCentre Plus is a good example for this: it was a gradually unfolding process, with several rounds of pilots and close monitoring of problems. This allowed the planners for example to find out at an early stage that PES staff did not have the appropriate skills to handle Income Support clients and tackle this by training them, before upscaling the programme to the whole country.

This leads us to the second pitfall, of local expertise. Service integration may change skills requirements in several levels and positions of the system. It may increase the need for forecasting, statistical analysis and policy design at the regional or local level to match their increased autonomy. And it typically requires new competencies from frontline staff who need to be able to assess and respond to the needs of new groups of clients, liaise with new partners, and possibly handle new IT tools as well. If these skills are missing or inadequate, there is a need for capacity building at the beginning of the implementation stage. Retraining may be necessary even if existing staff is highly trained. In Norway for example, the reform reduced the need for specialist knowledge in some positions and increased the need for generalist competencies, and staff was not sufficiently supported by trainings to handle this. Or, the Austrian case pointed to the need for increased capacity in well trained social workers. Beside competencies, staff attitudes may also need adjustment. The German reform is a positive example in this respect as it was successful in shifting staff attitudes towards the activation of all client groups (as opposed insured unemployed only).

Third, involving and informing all parties concerned about the reform and its consequences can be crucial. Informing the clients may not be essential if the reform does not affect the first point of contact (as was the case in Finland, where the PES refers clients to the LAFOS), but it is crucial if there are major changes in the physical location of service providers and/or in the procedure of accessing benefits and services (as was the case in Norway).

Lastly, contextual factors may also disrupt implementation. Economic crises that induce a fast increase in unemployment may cause trouble as staff will find it difficult to deal with the reform and increased caseload at the same time. Or, political constraints leading to inefficient compromise may reduce efficiency gains in the implementation phase: for example, unions may successfully block necessary reorganisation or reduction in staff, as it happened in Norway. In some cases unforeseen limitations in the existing legal context (e.g. personal data protection) or IT infrastructure may hinder implementation. Data management is particularly important given that the integration process typically increases the need for high quality information (to enable the assessment of client needs and facilitate referral to the appropriate services) and also for the smooth handling of data transfer between cooperating agents.

Monitoring, evaluation and review

Given the complexity of service integration reforms, the last stage of the policy making process is particularly important. In successful reforms, the monitoring of processes and outcomes starts in the pilot phase and continues after the full upscaling of the reform. As already mentioned above, monitoring in the early stages helps detect and correct problems before national implementation and support gradual improvement and adjustment to changing circumstances as well. Monitoring was particularly strong in the British and Danish cases, and weak in the Estonian and Polish reforms. It should be noted however that in the latter examples, the reform itself led to improvements in data collection and data quality.

6. Recommendations

As we have seen the existing institutional context, especially political institutions and the quality of public administration should be taken into account when deciding about the scope and aims of service integration reform and to some extent also determine the appropriate incentive structures for post-reform institutions.

Based on this, we recommend that Member States looking for inspiration should consider examples that were implemented in an institutional context similar to their own. We identified three main dimensions of the institutional setup: the efficiency of public administration (including central administration and local levels of government), the degree of centralisation considering both the overall political structure (which can be federal or unitary) and the institutional arrangements characterising employment and social policy. In Table 3, we provide good examples in four of the possible combinations of these dimension. For countries with less efficient public administrations, we recommend starting with modest goals (as did Estonia) and to seek technical assistance from their peers (making use of EU programmes and benchlearning networks) or international organisations such as the OECD.

Table 4 - Successful integration reforms by institutional context

	Federal governance with strong local autonomy	Unitary governance with strong local autonomy	Unitary governance with centralised implementation
Low efficiency government			Estonia
High efficiency government	Germany, Austria	Denmark	UK, Finland, the Netherlands*

*the reform initiative of 2002.

Considering the local context is essential when selecting the aims and designing the incentive structures and division of roles. The above outlined lessons related to the implementation and monitoring phase are less dependent on the institutional context, and can be applied to practically any reform initiative.

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Appendix

Table A.1 - Country groups based on welfare regime type and government efficiency

<i>Welfare regime type</i>	<i>Below average government efficiency</i>	<i>Above average government efficiency</i>
Liberal	Estonia, Lithuania, Latvia	United Kingdom
Corporatist	Bulgaria, Croatia, Czech Republic, Greece, Hungary, Italy, Poland, Portugal, Romania, Slovakia, Slovenia, Spain	Austria, Belgium, Cyprus, France, Ireland, Luxembourg
Social Democratic	X	Denmark, Finland, Germany, Netherlands, (Norway), Sweden

Explanations

We sorted countries into high and low groups in terms of government effectiveness according to the Worldwide Governance Indicators developed by Kaufmann, Kraay, and Mastruzzi (2010): Countries with an above average score on government effectiveness are considered high, below average ones are considered low efficiency. All Social Democratic countries are in the high effectiveness group.

To determine the regime type, we used the original typology of Esping-Andersen (1990) modified in a few cases. Namely, following Kautto (2002) that considers service provision as well as cash transfers, we sorted Germany into the Social Democratic (rather than Corporatist) group and Ireland into the Corporatist (rather than Liberal) group. We grouped post socialist countries based on spending on welfare and ALMP ((Aidukaite 2010).

<i>Welfare regime type</i>	<i>Main provider of welfare</i>	<i>Financing</i>	<i>Dominant form of welfare benefits</i>
Liberal	market	taxes	Low level, universal, conditional on job search
Corporatist	state	insurance	Employment-linked social insurance
Social Democratic	state	taxes	High level, universal, combined with activation (both job search and ALMP)

Table A.2 - Institutional structure following the Dutch reform of 2000-2002

Organization (in Dutch)	English equivalent	Task	Status
Arbeidsvoorziening	Public employment service (not in existence anymore)	Increase labour market transparency Job brokerage Implementation of active labour market policy	Public
CWI: Centrum voor Werk en Inkomen	Centre for Work and Income (the new public employment agency)	Profiling Increase labour market transparency, Assistance with submitting an application for unemployment benefits Job mediation	Public
UVI: Uitvoeringsorganisatie sociale zekerheid	Social Security Agency (now merged into UWV) Organized on a sectoral basis	Provide benefits to the unemployed and the disabled; Outsource reintegration services to private providers	Public
Lisv: Landelijk Instituut Sociale Verzekeringen	National Institute for Social Insurance (now merged into UWV)	Former regulating body in social security	Public
UWV: Uitvoering Werknemers-verzekeringen	Employee Insurance Programs Agency	Provide benefits to the unemployed and the disabled; Merger of former UVIs Outsource reintegration services to private providers	Public
RWI: Raad voor Werk en Inkomen	Council for Work and Income Involves the social partners	Give advise to the government on active labour market policy	Public
Gemeentelijke sociale dienst	Municipal social service	Provide social assistance benefits; Outsource reintegration services to private providers	Public
Reïntegratiebedrijf	Reintegration firm	Offer services such as training and/or placement services for the unemployed and the disabled	Private

Source: (de Koning 2004)

Details

Until 1991, the Dutch Public Employment Service (PES) was subordinated to the line ministry. In 1991 a tripartite structure was introduced in which the government and the social partners jointly govern the PES. In the second half of the 1990s, growing dissatisfaction with the performance of the PES, the development of parallel services and

the general trend towards privatization led the government to relegate ALMP budgets to the agencies administering unemployment benefits. These included social insurance agencies (UVIs organised by region and industrial sector, for unemployment insurance benefits) and municipalities (for social assistance benefits). First, both UVIs and municipalities were obliged to involve the PES as the only service provider, but later were allowed to hire private providers as well. In a next step, the PES units dealing with reintegration services (Kliq) were privatised. The first procurement procedure was launched by the UVIs in 2000 (on the implications for competition between service providers see (Struyven 2004).

After 2000, the rather fragmented system was to some extent centralised: UVIs were merged into one organisation (UWV) and smaller municipalities formed regional platforms to support local cooperation. The creation of UWV did not immediately lead to improved coordination across regions. De Koning (2004) notes that in 2002, each of the six UWV districts had a separate procurement procedure and the regional selection committees were unable to handle the large number of bids. The national headquarters of UWV were dissatisfied with the outcomes as some providers with a good reputation were not selected and modified some of the decisions made at regional level.

The new public employment offices (CWI) retained a central role. Beside the collection and provision of information on jobseekers and vacancies, the PES are responsible for sorting new clients into risk groups by profiling the people entering unemployment. Those not in high risk of long term unemployment can only make use of the services provided by the PES (mainly information on jobs and benefits). High-risk clients are sent to the UVIs and the municipalities and are entitled to reintegration services (de Koning 2004).

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