# Alternative
# Delivery
# Service

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# VI

# Evaluation of private operators' performance by public employment services for the accompaniment of the unemployed

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## 1. Introduction

This chapter focuses on the conduct of the evaluation of external service providers (e.g. limited companies, private limited-liability companies, associations) by the public employment services (PES) in Belgium and in Switzerland. PES in these two countries outsource a part of the support of the unemployed to private operators at the request of the European Commission and because PES cannot provide in-house services for all jobseeker profiles.

According to Alford and O'Flynn (2012, p. 85), two major forms of government outsourcing arrangements have dominated as forms of engaging external partners in public service delivery: contracting out of services and public-private partnerships (PPPs) for infrastructure. Collaborations between public and private sector as studied in this chapter can be classified as contracting out of services in the sense of "the transfer of activity from the public sector to external parties, and involves government organizations entering into contracts with others, with specific distribution of roles" (Idem, p. 86). For these authors, it constitutes service-delivery partnerships, in which government organizations and nonprofit/voluntary organizations share the work of achieving some agreed social purpose. In this perspective, outsourcing requires particular conditions that external providers can deliver the service more cheaply or effectively than in-house producers, with a competitive market of potential suppliers and an easy monitoring of the service (Idem, p. 122).

As a result of outsourcing, PES must "regulate" the private operators who develop accompaniment and/or training projects for jobseekers. PES develops tenders and rules to define the terms of collaboration with the providers and also how the problems arising from the partnership must be solved. These public-private collaborations are at times severely tested as a result of relational, financial, administrative and other problems. An important moment is the evaluation of the private operators' performance by public employment services agents. The result of this evaluation determines the amount of the subsidy received by the provider for the accompaniment of job-seekers.

We refer to the work on inter-organizational partnerships to understand the sets of players within them. The hardship in a partnership can be seen as the breakdown of a machine in a production company. It appears as a "zone of uncertainty", in the sense of Crozier and Friedberg (1981), because it prevents the achievement of the objectives of the partnership. In this perspective, we assume that the sets of players have more impact in the resolution of the hardships than the "framework of collaboration" defined by the PES. We will test this assumption in institutional contexts where the terms in the creation of partnerships differ.

Three case studies were carried out with two Belgian PES using the technique of a call for projects (approximately 18 000 trainee spots for a total of 310,000 unemployed compensated people) and one Swiss PES which uses the call for initiatives (about 1,300 trainee spots for 17,000 unemployed) to establish public-private collaborations. The call for initiatives leaves more

opportunities for negotiation with the provider than the call for projects. Support projects for job-seekers are co-constructed and negotiated between the PES and the operator. On the other hand, the call for projects contains a stricter specification, where the operator must apply the rules. Choosing institutional contexts where the terms of creating partnerships diverge will allow us to test our initial hypothesis that the sets of actors have more impact in the resolution of the hardship than the framework of collaboration (call for projects or call for initiatives).

The first part of this chapter focuses on partnerships literature to understand the stakeholder games. The second part shows how private operators are evaluating their performance. It highlights the strategies developed by private providers when facing to situation of immeasurable results. A concluding section ends this chapter.

## 2. Stakeholder games in collaborations

Many authors have studied inter-organizational partnerships, whether there is collaboration between private, public or private and public organizations. What we are interested in are the works that account for the relational games between the members of a contractual partnership and, more specifically, the relations of strength that emerge between them. We want to understand how stakeholders interact and develop strategies, what difficulties they encounter and what sort of informal arrangements emerge between partners.

According to Alford and O'Flynn (2012, p. 122), without all the outsourcing pre-conditions being present, there is a risk of failure of the service-delivery and development of opportunistic behaviors. Some strategies developed by private employment providers are well-known in literature as creaming and parking jobseekers (Dockery and Stromback, 2001; Considine, 2005; Brodkin, 2005; Behagel *et al.*, 2009). Some government behaviors interfere also with the relationship: failure to pay the full costs of services and administration, changing terms of contracts mid-stream, late payment of funds, complexification of contracting processes and complexification of reporting requirements (Alford and O'Flynn, 2012, p. 119). Scharle (2002) highlights the development of strategies between partners as the presence of rivalries and "gambling problems" which result, in particular, in the negotiation of the initial rules of the "game". Estache *et al.* (2009) identify the same phenomenon in the case of a partnership with a public administration. When selecting candidates, the administration will modify the procedure and criteria for assessing the applications in order to establish a contract with the applicant it wants. In this type of partnership, the administration controls its partners then this power led it to undertake acts of corruption.

Considering the partnerships as an "organized action", in the sense of Crozier and Friedberg (1981), Lauzon and Therrien (2008) analyze the partnership as a game containing all the verbal and non-verbal interactions of the stakeholders. By what it is, each actor reports his interests, wishes and intent for the partnership. At the time of the meeting, each one can make a representation of another partner. The actors are on the lookout for behaviors and discourses that will abound in their perception. Taking a utilitarian perspective, these authors consider that the stakeholders want to satisfy their interests, which can produce relational problems from the very beginning of the partnership. These tensions lead to conflicts of interest or even judgment on people's alleged intent. Schermerhorn (1975), Williamson (1975) and Provan (1984) highlight the negative effects of partnering several organizations such as increased complexity, loss of autonomy in decision-making and asymmetry of information between the members of the partnership.

Stakeholders will then develop strategies that reflect these power relations. In his typology of internal and external risks to a collaboration in the form of partnerships, Préfontaine (2008) identifies as an internal risk the one concerning relational difficulties arising, in particular, from the bureaucratic nature of the public sector. The power of public authorities through rigid administrative procedures frightens some contractors. Several studies in the field of management and accounting show that the strongest actor imposes his point of view on the agenda and the course of discussions

and that he alone defines the type of bureaucratic control (Dekker, 1993; Carr and Ng, 1995; Seal *et al.*, 2004). In his work, Préfontaine (2008) shows that private companies join forces to put pressure on the public sector to use a simplified document, in this case a letter of intent. By dint of insistence, the public sector finally accepted this compromise.

Looking at the balance of power in inter-organizational collaboration necessarily leads to the introduction, according to Nooteboom (1996), of the question of trust and opportunism, both of which play an indispensable role in the internal governance of the partnership. Nooteboom highlights the issue of stakeholders' control over each other. When confidence is no longer enough, partners may sometimes adopt "defection behaviors" (Hirschman, 1970) in the sense that they temporarily or permanently terminate the game, thus preventing the continuation of collaboration. In his work on consulting firms, Arend (2009) shows the impact of opportunistic behavior in the failure of partner alliances.

Some authors, such as Mouritsen and Thrane (2006), point out that it is more interesting to study relations from the point of view of power, because this posture helps to restore the moral obligation of trust. Moreover, confidence is fragile whereas power relations are not (Bachmann, 2001). For example, a relationship based on power allows the provider to control customer data information with a view to exerting pressure to reduce costs and look for gain (Cäker, 2008). In his work on industrial partnerships, Neuville (1997) studied the power relations in terms of opportunism. He opted for an original perspective by adopting the supplier's point of view rather than that of the principal, the manufacturer, as the authors generally do. He studied the games between actors from the point of view of trust and mistrust. The supplier is described as "performing" by the principal. But, behind this qualifier a double strategy is hidden put in place by the supplier, which is to generate trust in the principal and then to abuse it by opportunistic behavior.

"Clandestinely" reducing the production costs. Thus, he supplies lower quality material by reducing, for example, the quantity of raw materials necessary for the manufacture of the product. Moreover, he seeks to hide product failures by inviting the 'assembly' service at the customer to withhold information from the 'purchase' service (of the same customer). These acts show that he is abusing the trust that is granted to him. Cäker (2008), through his case studies in the industrial sector with a client and two of his suppliers, highlights similar strategies, informal arrangements, in cases where the customer is dominant. These arrangements between actors allow some of them to have power and to be the dominant partner in the partnership.

According to Neuville (1997), these strategies impede collaboration from the moment when the partner discovers and interprets them as opportunistic. Otherwise, they have no impact in terms of trust. They clearly reflect the relations of power within the partnership. Marchington and Vincent (2004) support this by specifying that each stakeholder lives differently from the partnership. For example, the signature of a contract with a precise regulation in terms of transport of chemicals is perceived by the customer as the establishment of a kind of trust, and for the suppliers a constraint. These authors emphasize that only the interpersonal relationship between the actors can help to maintain and sustain the partnership. To demonstrate this, they look at the influence of institutional, organizational and interpersonal forces in inter-organizational partnerships. They show that the dismissal of workers in one of the companies is detrimental to the partnership. In the case of small non-dominant firms, Cheng (2012) shows that they can use alliances to gradually acquire power over the dominant partner. But, according Ramonjavelo *et al*. (2006), recognition of common rules, including acceptance of the regulatory framework and the signing of a partnership contract, fosters trust between partners and institutional trust that is at the basis of any collaboration.

## 3.   Evaluation of the performance of private operators

For more than a year and a half, between April 2011 and November 2012, we studied the collaboration between public employment services and private operators in Belgium (Actiris in

Brussels and Forem in Wallonia) and Switzerland (Cantonal Office for Employment (COE) in Geneva). The use of labor intensive observation by "tracking" (Zimmerman, 1981) the partnership service officers in their daily work allowed us to seize the crucial moments in the life of partnerships from beginning to dissolution. We were able to participate in the "monitoring committees" between the stakeholders and conduct semi-structured interviews with the PES officers (N=52) and private providers (N=31).

## 3.1 Immeasurable results

The PES agents carry out quantitative and qualitative evaluations of the performance of the private operators. However, the latter have the impression that the quantitative dimension is more important, in the granting of financing for example, than the qualitative dimension of the work of accompanying the unemployed. PES operators are not always at the level of achievement of quantified objectives. Different quotas are specified in the partnership agreement and in the specifications for the call for tenders. The operator needs to recruit a number of candidates and get a rate of positive outcomes[1], but the challenge of the results is not always very clear.

"For results, you have to either go back to work or start a training leading to qualifications. It is not very clear in terms of the results to be achieved. I do not know the percentage of positive outputs that I have to do. It changes all the time." (Operator E. of Actiris).

Some operators see the negative consequences of an essentially quantitative evaluation of the project. Having not met their numerical targets, they have had part of their subsidies withdrawn. This has a significant impact on the volume of activities and workers in the organization. The reduction in the budget may lead to the discontinuation of some projects for training and / or supervising jobseekers and the job cuts.

For example, a Forem agent met an operator as part of a monitoring committee devoted to the evaluation of the project. Together, they review the deliverables (certificate of training or employment) for each candidate. Several trainees have dropped out of the course along the way. These withdrawals have an impact on the financing of the project. The operator and the agent do not agree on the method for calculating the subsidy. According to the operator, the Office should withdraw 167 euros per person who left the project. The claimant explains how he figured this amount but the agent disagrees. To clarify the situation, he contacted headquarters for the method of calculation to be used. In the end, the operator will lose the sum of 1550 euros per candidate. The difference is significant for him.

Other providers, collaborating with Actiris and the Cantonal Office for Employment express rather similar remarks in relation to the consequences of the difficult measurement of results. The withdrawal of financing is experienced by the external operators as a threat to their organization.

"We did not quite fulfill our agreement last year. We lost part of the subsidy without negotiation. We did not have enough people in Phases 2 and 3. That was the amount that was withdrawn." (Operator K. of Actiris).

"For now, we have eight courses cancelled and eight courses partially completed which means partially financed. Overall, it is as if we had cancelled sixteen courses. If the measure is stopped, our referent to the COE must tell us quickly because we have to lay off staff." (Operator D. of the COE).

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[1] Positive outcomes correspond to candidates who have found a job or who have enrolled in a training leading to qualifications following the participation in the training. For some measures focusing on mobilization and orientation, the candidate must have a competency report or a professional project.

## 3.2   Low quality, overbooking, traffic and negotiation strategies

The operators are ready to do everything to arrive at the quotas fixed in the agreement and obtain their funding. As to the certificates, Forem defines the type of evidence to be provided by the operator. Nothing is specified in terms of the quality of the certificate. Some Forem operators took advantage of this lack of clarity in the rules. During a discussion with a PES officer, he told us that some operators do not deliver good quality proof. One of them gave the PES one CV without much content and full of spelling mistakes. Another gave a certificate of work where the candidate worked one day as a waiter. The operators concerned have obtained their funding for these candidates but the agent raises the question of the quality of this job and the quality of the operator's work.

In order to achieve the goals, operators sometimes resort to the technique of "overbooking" which consists in accepting more candidates than the number required per training session. It aims to reduce the financial risks for the operator in the case of a high dropout rate, which one PES officer calls "losses on fire".

"There are just two trainees who did not get their certificates but because we took on more people to compensate for the potential losses, we got to our quota. I have overbooked because there are a lot of people dropping out of training on the way. If we have a session of twelve people, we take fifteen. If we have three withdrawals, we get the whole budget." (Operator E. of the Forem).

The operators of Actiris do not seem to practice this technique. This may be due to the job management database of the unemployed in which they must encode information about the candidates. On the other hand, they use the technique of "traffic of participants" (Remy, 2016) as do the Forem providers. The service providers organize branches in-house, that is to say, they make the unemployed pass from an accompanying action and / or formation of a specific call for projects to training inside the organization or training sessions related to other calls for projects. This practice of "internal channels" is forbidden by the PES but some providers use it because it helps to smooth the jobseeker's career path of and to obtain a better socio-professional reintegration.

"If the person who is in an accompaniment of specific public measures wants to go on a job search, he or she will be directed to the active job search measure that we have in our organization." (Operator D. of Actiris).

"We have more or less half of the trainees who undertake one of our internal workshops after following the training session of the call for projects. And the others are redirected to other related trades. Normally, one cannot make internal channels. We are not supposed to have modules of the call for projects that promote our internal trainings. [...] The ultimate goal is to train jobseekers. It is obvious that our idea is that people be reinserted." (Operator E. of the Forem).

On one hand, the strategies set up by the COE providers are different. They do not practice the traffic of participants nor the overbooking of candidates because they do not have control over the recruitment of candidates. On the other hand, they undertake negotiations with the agents of the partnership service when evaluating the results but also of the contract review. At meetings, operators have the opportunity to discuss all aspects of the collaboration. They then attempt to negotiate the number of candidates that must be considered by the PES as a "positive outcome". The result of these negotiations is crucial because it will define the budget they will receive from the COE.

At a meeting organized between an agent of the COE and a service provider, we observe the exchanges around the question of the candidates' certificates and the budget. The operator must provide the PES with a competency report for each candidate. However, three candidates do not have a report due to too much absenteeism. The negotiations will focus on the number of days on which the candidate is present in training. The whole issue revolves around the elements of justification put forward by the operator. The latter argues by telling the difficult personal situation of the candidates (problems of health, housing, etc.). The provider encourages the accumulation of factors extrinsic to the candidate's goodwill. Finally, the agent gives in to the agreement of these

stories. He knows that the operator has done his best with the candidates and that the financial situation in the organization is tricky. However, the agent told us before the meeting that he would not change his mind.

This strategy is implemented by providers whose funding is largely linked to the achievement of results. In these delicate situations, some operators protect themselves by negotiating guaranteed financing from the first meetings with the agents.

"I asked for a per day package. I did not want to take too much risk. Whether there are two or twelve people in training, I have the same costs. It is not the same thing for me if they compensate me for two or twelve people. We have a fifteen-day program. We have a two weeks package for the training." (Operator C. of the COE).

Thus, facing the issue of immeasurable results, private operators develop various strategies. Some are risky for the collaboration such as lowering quality, overbooking and traffic of participants. Others strategies are more temperate such as negotiations with the PES agents.

## 4.   Conclusion

In this chapter, we focus on how the members of a collaboration between public employment services and private operators, solve the critical situations encountered about evaluating the operator's performance. This difficult situation particularly affects private operators because they can lose a big part of their funding. Our initial hypothesis supports the idea that stakeholder games have more impact in solving the hardship than the framework of collaboration defined by PES (call for projects in Belgium and call for initiatives in Geneva). Research projects carried out with three different PES allow us to test this hypothesis as the modalities of creating partnerships diverge: the two Belgian PES (Actiris and the Forem) use the call for projects, and the Cantonal Office for Employment in Geneva resort to the call for initiatives.

Our analysis highlights the sets of players and, in particular, two categories of strategies used by the operators to mitigate or overcome the hardship of the evaluation. The first category contains "moderate" acts: as in the negotiation with the agents of the PES, in the case of Geneva's providers. The second category corresponds to "risky" acts: such as the low quality of the service, the traffic of participants and the overbooking of candidates, as with Belgian operators. These strategies are risky because when agents of PES discover them, trust is broken between stakeholders. The agents consider that the private operators are opportunist then they remind them of the rules of partnership with the PES. They can sometimes warn operators who are too opportunistic and impose sanctions on them. Sanctions could be financial or ending the collaboration when strategies are toxic for job-seekers' career.

We note that these "risky" strategies are manifested only in the case of management of the partnership by a call for projects. Operators whose collaboration with the Employment Office forms part of a call for initiatives resort to "moderate" strategies. This can be explained by the fact that this collaborative framework provides operators with a greater trading space. They may be less tempted to undertake risky actions because they have the opportunity to discuss and negotiate at length with the agents of PES.

Ramonjavelo *et al*. (2006) highlight in their work that the framework of collaboration through partnership contracts and rules and procedures help partners to trust each other. Our analyzes moderate this result in that the modalities of the framework influence the confidence of the stakeholders and the presence or absence of opportunistic behaviors. In this way, the collaborative framework can alter the quality of the partnership relationship. It has a decisive influence on how the events are managed by the members of the partnership. Actors' games are conditioned by the collaborative framework in which stakeholders must interact. It would be interesting to analyze the

strategies put in place for these two tests in an institutional context where the partnership is created with a tender type system.