

## **Creaming and parking in marketised employment services: An Anglo-German comparison**

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### **Abstract**

The delivery of public services by nonprofit and for-profit providers alters the nature of services and jobs, often in unintended and undesired ways. We argue that these effects depend on the degree to which the service is ‘marketised’, i.e. whether its funder subjects it to price-based competition. Using case studies of British and German employment services, this paper scrutinises the link between funding practices and service quality. Of particular concern in marketised employment services is the problem of ‘creaming and parking’, in which providers select job-ready clients for services and neglect clients more distant from the labour market. We explore three questions. What are the mechanisms through which marketisation produces creaming and parking? What are the differences between these mechanisms in commercial and non-commercial service providers? Which national institutions might serve as a buffer for the landscape of service provision facing price-based competition?

**Keywords:** Marketisation of employment services; quasi-markets; contracted-out public services; vouchers; private and nonprofit sector; front-line service work.

## **Introduction**

Across the world ‘the market’ has become a general-purpose toolbox for solving policy problems, and employment services – the task of moving jobless people into, or towards, paid employment – a much-studied site where these tools are used (e.g. Hipp and Warner, 2008; Jantz et al 2015). In these complex services for vulnerable clients, the policy literature often finds providers responding to marketisation by providing only a minimal service for clients deemed distant from the labour market and focusing attention on job-ready clients, a problem known as ‘creaming and parking’ (e.g. Bredgaard and Larsen, 2008; Rees et al, 2013b).

In the employment relations literature, these international trends toward contracting and their consequences are examined as part of ‘New Public Management’ (NPM). Prominent issues include the erosion of professional autonomy and deterioration in the quantity and quality of staff-client interactions (e.g. Foster and Hoggett, 1999; Baines, 2004). While NPM has not eradicated the ethos of public service in restructured workplaces (Hebson et al, 2003; Rosenthal and Peccei, 2006), it often leads to the devaluing of formal qualifications and exit of experienced workers (Ranald, 1999) and puts financial pressures on nonprofit organisations (Cunningham and James, 2008).

Among the tools of NPM are contracting and vouchers, market mechanisms that can lead to the above-mentioned outcomes. They can also have disorganising effects on collective bargaining and worker participation institutions, contributing to wage restraint and work intensification (Doellgast, 2012; Greer et al, 2013). Policies to mitigate them include transfer of undertakings and statutory wage rules (Grimshaw and Miozzo, 2009) and social criteria in public procurement (Jaehrling, 2015). Less understood are particular market mechanisms or the conditions under which they have these effects.

This paper contributes to this literature, first by defining and operationalizing marketisation in a way that can be used to study diverse public-service contexts. Second, it identifies two mechanisms through which marketisation produces creaming and parking. We ask, what are the mechanisms through which marketisation produces creaming and parking? And, what are the differences between these mechanisms in commercial and non-commercial service providers? Third, it compares employment services in Germany and Britain, which in theory present contrasting images of ‘coordinated’ versus ‘liberal’ political economies (Hall and Soskice 2001). We ask, which national institutions might serve as a buffer for the landscape of service provision facing price-based competition? We compare employment services in the two countries in terms of transactions (i.e. funding), governance, the labour process and client selection (i.e. whether there is creaming and parking).

We have three main findings about these organizations under marketisation. First, a ‘commercial model’ emerges of mostly for-profit services, characterised by tight management control and institutionalised creaming and parking. Second, a ‘non-commercial model’ of nonprofit and public sector providers declines, as financial pressures mount on organisations with more professional autonomy in the labour process; these organisations resist pressures to cream and park with varying degrees of success. Third, these effects are weaker under German public purchasing because the funder supports institutionalised formal qualifications.

In what follows, we ground our research questions in the literature, present our methods and data, and discuss broader implications.

## **Marketisation, professional autonomy, and service quality in employment services**

Creaming and parking is a kind of ‘adverse selection’ where clients are selected for assistance in inverse proportion to need. Lipsky (1980) observed it in his classic street-level bureaucracy study: front-line public-sector workers in the US sorted their clients because they did not have sufficient time to meet the needs of everyone in their caseload. When confronted with quantitative targets, they freed up time to hit targets by neglecting more difficult-to-serve clients (106-107).

Evaluations of employment services have found creaming and parking in the US (Anderson et al 1993), Germany (Bernhard and Kruppe 2010), Britain (Rees et al 2013b), the Netherlands and Australia (Bredgaard and Larsen, 2008). But it is not universal. Studies on French employment services have found sorting for ‘opportunity’ (i.e. to identify available services) and ‘employability’ (i.e. to identify clients who can be placed in the available jobs) (Paugam 1993; Schulte et al 2017). Under creaming and parking, sorting for employability dominates, with client attitudes, body language and demeanour, social status, and age used by advisors as signals of employability (Rosenthal and Peccei 2006). These job-ready clients are ‘creamed’ so providers can claim the incentive payments, while the others are ‘parked’ to minimise spending. This is a service quality problem, since it entails neglect of clients targeted by public policy; many programme evaluators view job outcomes for clients who would have achieved them without intervention as ‘deadweight’ to be deducted from net effects (e.g. De Koning 1993).

Quasi-markets theory, the dominant approach to government-funded services in the policy literature, suggests financial incentives as an explanation for adverse selection. Le Grand (2003) argues that markets for public services differ from the theoretical constructs of economists, since they are created by a government-purchasing agent and involve a mixture

of private, nonprofit, and public-sector organisations. Le Grand argues that public purchasing practices set incentives, and these can be used to encourage greater responsiveness of front-line workers to client needs (7-11).

It is unclear, however, which incentives would prevent creaming and parking in employment services. While Le Grand (2003) aims to ‘turn pawns to queens’ by empowering individual service users, the social policy behind employment services is work-first and emphasises client compulsion over free choice (Greer 2015). Adverse selection is likely when the government funder pays for job outcomes, since it creates a material incentive to place people in jobs without payment for harder-to-measure outcomes (Carter and Whitworth 2015). The architect of the British employment services market acknowledged the problem in calling for the payment system to be informed by an ‘analysis of the contractual incentive structure to minimise “creaming” and “parking”’ (Freud 2007). Quasi-markets theory has yet to discover a solution.

One alternative is to view marketisation as bigger than the transaction, a logic of governance that includes both funding and provision. Whether they see marketisation as a response to past bad performance of ALMPs (Sol and Westerveld 2005) or point out that marketisation often fails to deliver on its promises (Bredgaard and Larsen 2008), much of the policy literature on employment services follows Considine and Lewis (2003) in defining marketisation in terms of the overall principles of public management and the work-first welfare state. Jantz et al (2016) define ‘market accountability’ as ‘the organization of exchange via competition and contracts’ where the criteria of success are ‘price, quality, and return on investment’ and contrasted with democratic, administrative, and network accountability. These forms of accountability are often combined: in Britain quantitative outcome measurement is mixed with light-touch regulation of providers, while in Germany market accountability complements tight administrative control over providers’ activities.

Policy literature suggests that non-commercial providers would resist creaming and parking. Parking hard-to-serve clients may violate the ethos of front-line workers in non-commercial providers, as in Divay's (2008) study of French providers, where staff promote 'voluntary participation of the unemployed, needs analysis, introspection . . . to help the unemployed to be or become autonomous' (680). Under 'network accountability', where evaluation is dependent in part on provider reputation among local peer groups rather than quantitative criteria (Jantz et al 2015), this resistance would be reinforced. The task itself could frustrate management control through its sheer complexity (Brodkin 2008).

But this literature also suggests a shift toward more commercial provision, in line with the general aim of NPM to make government behave more like the private sector. Providers may face financial pressures to act more like their newer commercial competitors, disrupting local networks that underpin the complex and customised services that they provide (Hipp and Warner 2008). Furthermore, as this literature documents, commercial providers have emerged in Britain that impose tight performance management on staff and that engage heavily in creaming and parking (Rees et al 2014b).

The policy literature provides many insights to the causes of creaming and parking in marketised employment services: the role of the transaction and broader differences in governance. But the specific features of markets that produce these outcomes are unclear. We seek answers to two questions. What are the mechanisms through which marketisation produces creaming and parking? What are the differences between these mechanisms in commercial and non-commercial service providers?

Central to our approach is a clearer definition of marketisation, which is supplied by Doellgast and Greer (2017) and based on the comparative employment relations literature. Marketisation is the introduction or increase in price-based competition in transactions, along

four dimensions. Funders can increase *frequency* by ending ongoing guaranteed funding arrangements such as annual grants and replacing it with time-limited contracts. They can strengthen the *price mechanism* by ending cost-recovery arrangements, allowing prices to float according to supply and demand, and allocating contracts primarily on the basis of price. Funders can increase the *standardisation* of the service by specifying it a priori in a clear and detailed way that can be rolled out in diverse contexts. Finally they can *open* markets to new players by inviting for-profit firms to provide services traditionally delivered by nonprofits or the public sector.

In employment relations and sociology of work, market pressures are usually defined diversely and at a lower level of abstraction. Marchington et al (2005) emphasise the introduction of new organisational boundaries in a diverse sample of workplaces; Cunningham et al (2013) highlight competition, prescriptive contracts, performance management, and reduced spending in the Scottish voluntary sector. In both of these studies, the market affects work by reducing the discretion of the employer and passing power to the funder or client (Marchington et al 2005; Cunningham 2008).

The empirical focus in this literature is typically on the erosion of professional autonomy in the public or non-profit sectors. As Baines (2004) argues, work-first welfare reforms are conducive to the erosion of professional autonomy because they create ‘one-size-fits-all’ social services aimed at servicing private employers and because they tend to use management by numbers, deskilling, and work intensification on the front line. Detailed control of white collar work using IT and lean management tools are widespread in the British civil service (Carter et al 2011) and US municipal social services (Esbenshade et al 2016), which highlights the increasing speed of service. This literature also helps to explain parking by showing the reduced amount of time available for staff-client interaction (Foster and Hoggett 1998) and the exit of the staff from the sector who have the skills to address

complex needs (Ranald 1999). Job insecurity is another pressure on workers, given cuts to jobs often observed in privatised and marketised public services (Hermann and Flecker 2011; Cunningham et al 2013), which, we will see below, can contribute to tightening management control.

While the policy literature examines organizations in terms of governance principles, the sociology of work literature examines in more depth the labour process within service providers. Commercial social services have not been studied in the sociology of work literature. But a core NPM principle is the blurring of boundaries between for-profit and government (or non-profit): non-commercial providers face pressure to become commercial. In new commercial organizations, work does not have to be deskilled or intensified, and worker representation and professional qualifications do not have to be marginalised, because tight management control systems exist from the outset (see Greer et al 2017).

Our third question concerns the institutional conditions under which we observe such marketisation effects. Comparativists often find market outcomes depending on non-market institutions such as collective bargaining, its statutory underpinning, and its enforcement (Grimshaw and Miozzo 2008; Hermann and Flecker 2011) or strong skill formation and workplace-level worker participation (Doellgast 2012). Public-sector contracting can be modified to shore up such institutions, as Jaehrling (2015) argues, through rules that require compliance with labour standards, as is currently taking place in Germany. These factors may serve as a buffer for strong professional autonomy in the face of marketisation.

But it is questionable what happens to these institutional effects when they come into contact with marketisation (Greer and Doellgast 2017). As studies on worker posting show, market opening can produce uneven 'rule enactment' in industrial relations, producing wide within-country variation and gaps in workplace regulation (Wagner 2015). Greer et al (2013)



find that the introduction of market mechanisms led to a wave of privatisation of German hospitals, which led in some cases to conflict and the derecognition of collective agreements and in others to intensified labour-management cooperation. In German employment services, collective bargaining and works councils persisted in relatively protected market segments but were absent from highly disorganised institutions in more volatile segments (Greer et al 2017). This within-country diversity is one reason why studies detect no ‘varieties of NPM’ corresponding to the typologies of welfare regimes or comparative capitalism (Bach and Bordogna, 2011).

Our third question is, which national institutions could serve as a buffer for the landscape of employment service provision facing price-based competition? We explore this through a structured comparison of the four cases.

Table 1 summarises the categories of our analysis, and figure 1 shows how they are related in our explanation. Grey arrows represent the rise of commercial model, black arrows represent the strain on non-commercial services, and the white arrow represents institutional conditions.

INSERT TABLE 1 ABOUT HERE; INSERT FIGURE 1 ABOUT HERE

## **Research methods**

In order to understand the effects of marketisation on workplaces, we examined a complex process spanning multiple organisational boundaries over a relatively long time period.

Through eight years of field research we extended our framework beyond initial hypotheses and explored change over time. In keeping with case study methods (Yin 1990), we

triangulated each case through different interviewees (funding bodies, management, and front-line staff) and kinds of data (interviews, publicly available reports and statistics). In keeping with qualitative comparisons (Ragin 2008), we selected cases to vary on theoretically relevant conditions (ownership of provider, funding arrangements, other national institutions) and outcomes (creaming and parking), with an aim of ruling out or modifying initial hypotheses. We developed mid-range theory, specifying causal mechanisms repeated under specific conditions, rather than universal laws (e.g. Hedström and Swedberg 1998).

While past studies examined creaming and parking in particular countries, the issue has not been studied comparatively. We chose Britain and Germany to gain variation in the sample, especially on the outcome of creaming and parking; we chose employment services because they include a shared set of tasks but varying market structures, both between and within countries. We expected strong between-country variation due to stronger institutions of skill formation and worker participation in German workplaces (Doellgast 2012) and the decline of administrative or democratic accountability in British employment services (Jantz et al 2015) and strong within-country variation in Germany due to the disorganizing effects of marketisation on these institutions (Greer et al 2013).

Our case studies are informed by 77 interviews conducted in Britain and Germany in 2006-11, mostly managers within the funders and the providers, but also trade unionists, umbrella bodies, and other policymakers, mostly with one respondent. These identified the market segments in the two countries and the effects of competition on workplaces and services. Within each country, we found different funding arrangements creating different kinds of competition, with different provider landscapes.

In 2011-14 we conducted a second wave of 71 interviews in Britain and Germany, mostly with front-line workers and line managers, including 4 repeat interviews. We spent a

day each in 6 establishments talking to 3-5 front-line workers (1 at a time) and their line managers; we also interviewed trade unionists, umbrella bodies, purchasing professionals, policymakers, and (in Britain) senior managers at large for-profit providers. We used sampling to deal with two factors that could affect the outcome: task (only job placement services for clients deemed distant from the labour market) and local contracting markets (only urban areas with large employment services sectors). Wave 2 interviews explored transactions, the labour process, and the approach to job placement (i.e. creaming and parking). Table 2 describes our sample.

INSERT TABLE 2 ABOUT HERE

We recorded nearly all interviews, typed up notes or word-for-word transcripts, and coded them with MaxQDA. In wave 1 we developed our key concepts, line of questioning, and research design; in wave 2 we had a more structured interview template and sample. Our concepts emerged through iterations of interviewing, coding, and discussing the data and codes (Eisenhardt 1989). We carried out a final ‘deductive’ top-down coding of all notes and transcripts using MaxQDA lexical search and coding functions to empirically assess the cases in terms of the categories in our analytical framework.

In Great Britain our sample of providers changed, reflecting the market and organisational landscape. Wave 1 focused on non-commercial organisations – nonprofits and municipal departments – some small and some large, all with roots prior to marketisation and all experiencing severe resource scarcity due to funding cuts. In wave 2 we examined the rise of large commercial organisations in response to the Work Programme, which centralised the market by combining most employment services schemes across Great Britain (Wiggan

2015), accounting for around half of the volume of employment services contracting, its importance reinforced by the decline of municipal funding and the abolition of two large regional funders. In wave 2 we interviewed senior managers at several large firms and then carried out site visits at 5 Work Programme providers (1 nonprofit, 1 municipality, and 2 large commercial organisations), plus 1 nonprofit not in the Work Programme.

In Germany our provider sample reflected the more varied market structure. The nonprofits we visited in both waves originated in the religious charity work and labour movement of the 19<sup>th</sup> and 20<sup>th</sup> centuries; others originated in the ‘new social movements’ of neighbourhood-based activists in the 1970s and 1980s (Bode 2003). These providers had formed local networks, usually funded by government grants, which had been disrupted by the introduction vouchers for training and placement and public purchasing for others in 2002-5. We visited 4 commercial for-profit providers operating under vouchers and purchasing, including two multinationals. After numerous management interviews in waves 1 and 2, we selected 2 providers for detailed attention: a for-profit provider operating under placement vouchers and a nonprofit operating under public purchasing.

In the next sections we present the British and German material, organised by research question. Following the framework laid out in table 1, the first two sections describe cases in terms of transactions (i.e. funding), governance more generally, the labour process and client selection (i.e. whether there is creaming and parking); and the third deals with marketisation effects under different institutional conditions.

### **The rise of commercial service models**

In this section we explore the mechanism through which marketisation leads to the emergence of commercial providers where creaming and parking takes place. While collecting data we witnessed the rise of the British Work Programme (which began after we began data collection in 2010) and the functioning of German placement vouchers (introduced before our study in 2002). Both schemes squeezed prices to contain costs and used payment by results to focus attention on job-placement outcomes. In both, the providers were mainly for-profit, used tight management control using targets for front-line workers, and engaged in creaming and parking: sorting almost exclusively for employability, with job-ready clients ‘creamed’ and needier clients ‘parked’.

*The British Work Programme* is for some observers the paradigmatic case of marketised employment services (Jantz et al 2015), and this is reflected in the transaction. Prices were set through competitive bidding at the scheme’s outset, and the firm with the highest market share – Deloitte Ingeus – was the one that offered the deepest discounts (Greer et al 2017, appendix B). While the government predicted £500m in annual volume, funding was roughly half that due to discounts and the number and kind of placement outcomes (NAO 2014). Bidding was open: successful bidders included many with no experience providing employment services (Serco and G4S) and multinationals based elsewhere (the US-Australian consortium Deloitte Ingeus and US-based Maximus). Aside from a few of the largest UK-based welfare-to-work specialists (A4e, Avanta, and Working Links), most experienced employment services providers became subcontractors of these much larger ‘primes’, some of which outsourced all services and merely managed contracts. Figure 2 summarises the Work Programme structure, including the funder (the Department for Work and Pensions [DWP]) and providers.

INSERT FIGURE 2 ABOUT HERE

The Work Programme privatised governance. In an attempt to harness the potential of the private sector to innovate, the government refrained from specifying the services in detail and gave contractors wide discretion to design services. The previous schemes had been too prescriptive, according to one senior civil servant: ‘contract out, but then tell the contractor what to do and then pay them for doing the activities rather than the outcome. It’s an odd way of using the private sector, really’ (manager 1, funder A, wave 2). The government reduced the danger of creaming and parking by differentiating payments: up to £13,700 for clients on the disability benefit Employment and Support Allowance (ESA) and £3700 for mainstream Jobseekers Allowance (JSA) clients.<sup>1</sup> In addition, minimum service levels were published online (DWP 2013), written by providers in their bids. These were vague, minimalist, and varied by contractor, and did not prevent firms from reducing spending for the ESA group by 54% on average over the term of the contract (NAO 2014).

The funder did not standardise services, but the primes did. The services included group interviews with employers, basic skills training, job-search coaching, and various online activities. Management interviewees reported investing millions into IT systems to manage staff, contractors, and clients (e.g. for-profit G). There were considerable similarities between our in-depth case-study organisations, nonprofit J and for-profit D, and each prime rolled out its ‘delivery model’ across ‘contract package areas’ as large as Scotland, Wales, or half of London. Some managers depicted this standardisation as the outcome of a long learning process: ‘A lot of our way why we’ve been successful is we have tested over the last

ten years . . . . We know what works and it fits' (for-profit D). Others viewed it as a barrier to the ongoing innovation (e.g. for-profit E, for-profit H).

The labour process of front-line workers we interviewed at the commercial providers was tightly controlled. Management used IT systems to standardise, monitor and speed up processes and to communicate data, most notably performance outcomes, to front-line workers and the funder. Self-guided E-learning courses were common, and for-profit H was using call centres to make contacts with clients, both for booking meetings and gathering evidence to claim job-outcome payments.

The constrained labour process was reflected in the way clients were selected. In all providers we visited, clients were assessed initially using an IT tool, in some cases without a front-line worker present. On this basis, the client would be assigned to one of three groups, usually red (multiple barriers to employment), green (job-ready), or amber (in between). The quickness of these processes was mentioned by several managers and front-line workers. 'I wouldn't recognise some of [my clients] if I passed them in the street. In fact there was one guy starts talking to me in the lift, then I realised that he was my next appointment' (front-line worker 1, for-profit D). As he and his colleagues told us, the average caseload in this provider was 180-200; caseloads under previous contracts had been 40-50. Here, the minimum service was one meeting, phone call, or email per fortnight.

Every interviewee in this establishment saw monthly numerical targets of job placements as crucially important. All were aware that management could monitor their activities and performance in detail and in real time; and some used the IT system to continually compare their performance with that of their colleagues: 'I always meet my targets. In fact, I go way past them. Then I'm looking at the guy next to me, who's messing about and doesn't care, and I'm thinking 'why should I bother (front-line worker 2, for-profit

D)?” Workers reported that the pressure to hit targets took time away from other tasks, both benign (advocating for clients with complex needs such as lone parents [nonprofit C, front-line worker 2]), and punitive (administrative follow-up to ensure sanctioning of noncompliant clients [for-profit D, front-line workers 2 & 3]).

Job insecurity was part of the organizational model. Prior to the Work Programme insecurity was caused by short contracts and declining funding, leading to redundancies and staff transfers (trade union A, staff 1; trade union B, staff 1 & 2; and HR consultant). In these providers, insecurity was often mentioned in connection with performance management. At for-profit D, front-line workers had in the previous 18 months been through two turnovers of contracts, leading to a transfer exercise, applying for a reduced number jobs, and a stressful assessment centre experience (front-line workers 3, 4, 5). Another problem was punitive firing, a sensitive topic. One front-line worker discussed it openly: ‘[My line manager] is a good guy; you can have a laugh with him. But if you said anything you’d be out the door,’ and ‘you must hit targets or you’re out the door’ (front-line worker 3). Others discussed it less directly, as when a manager reported leaving the for-profit sector because ‘I don’t believe in sacking people for not hitting their targets’ (nonprofit C, manager 3).

Nonprofit K was similar to, but not the same as, the for-profits. It had a sophisticated IT system to monitor staff and clients, but targets were set at the group, rather than individual level. Clients were distributed to different members of staff based on distance from the labour market, with the largest caseload for the advisor responsible for ‘red’ clients and smallest caseloads for staff involved in quick job placements, a division of labour set collectively by the group (front-line workers 1-7). According to their line manager, this arrangement depended on good performance: other offices were under performance management by the central office due to their failure to hit targets (manager 3).



Evaluators found extensive creaming and parking at Work Programme providers, and our interviewees did little to hide it. Up to March 2014 job outcome payments were claimed for 11% of claimants of the disability benefit Employment and Support Allowance [ESA], well below the DWP's forecast 'minimum performance level' of 22%, reflecting reduced spending on that group (NAO 2014). According to our interviewees, processes were designed to select clients for employability. At one large provider 'red' clients were assigned to an advisor whose caseload at any one time was 200 – and who told us that however he intervened many of his clients would remain unemployable (nonprofit J, front-line worker 6) – and the others were sent to advisors working more intensively with much smaller numbers of 'green' job-ready clients (front-line workers 4 and 5). At a second large provider, advisors had caseloads of uniform size but had tightly enforced job-placement targets, forcing front-line staff to prioritise more job-ready clients. One worker told us that an unfortunate consequence of the targets culture was that she would prioritise the top 20% of clients (for-profit D, front-line worker 3). Interviewees reported difficulty referring clients with complex needs to outside services or financial support for transportation or clothes for job interviews, mainly due to lacking funds (e.g. manager 3 and front-line worker 2, nonprofit C; front-line workers 1 & 2 public sector G).

Many workers and managers we interviewed had a matter-of-fact attitude toward creaming and parking. One manager told us, 'you couldn't make ends meet without creaming and parking', since the Work Programme rewarded providers only for job placements achieved (for-profit H). Another summarised the commercial logic of creaming and parking as a squeeze on resources brought about by price-based competition, compounded with the calculable risks of the price structure:

So you get less people into work, and because you're getting less people into work you target, and because it's outcome based, you're going to target your resources at

those people who are easiest to help. So you're going to aggressively park and cream. You cream by targeting the easy ones, you park by identifying the people you can't help and ignore them (for-profit E).

They did not, however, view creaming and parking neutrally: these and other management and policy interviewees expressed frustration with it and discussed alternatives. The manager at for-profit E argued for a more fine-grained differential pricing system, and politician B, who was deeply committed to private provision and PbR, argued for separate schemes for mainstream JSA as opposed to ESA claimants. Even our DWP interviewee sought to protect clients from being 'parked' using the tools at hand (manager 1, funder A, wave 2).

*German placement vouchers* allow a voucher-holding client, rather than the government purchaser, to choose the provider. This market was deliberately created to open up provision to for-profits and, unlike Germany's training voucher scheme, does not even involve an accreditation process. Transactions are highly frequent, since vouchers are received from clients and redeemed with the funder on an ongoing basis. Prices are fixed in law (at €2000-2500) and frozen in nominal terms from their 2002 introduction to the time of writing (2017). The funder did not clearly specify the service itself, although our site visit at for-profit B suggests that low prices created little scope for a service beyond a quick job placement. Figure 3 summarises the placement voucher market.

INSERT FIGURE 3 ABOUT HERE

These providers were small specialised private firms with 10 or fewer direct employees, whose funding depended entirely on the vouchers. Germany's voucher schemes create volatility for employment services providers, and the training voucher rollout led to a wave of insolvencies of training firms (for-profit A). These placement firms emerged after the vouchers were introduced, which created similar levels of uncertainty: for-profit B risked failing to attract enough clients or employers, which led to a focus on coordinating with front-line (public sector) Jobcenter workers to advertise its available job openings (manager 1, waves 1 and 2). Although the potential clientele is extremely broad – including both short-term and long-term unemployed – placement vouchers constitute a small market: numbers of placements nationwide ranged from 50,000 to 68,000 in 2004-9 (Bernhard and Kruppe 2010). One big city Jobcenter manager reported annual local spending of €200,000 and described providers as one-person operations (funder A, second wave).

At for-profit B the labour process has some similarities with Work Programme providers – IT systems were used for monitoring and speed – but the process was quicker. One worker described sorting of clients through a 'gut feeling' acquired after 5 or 10 minutes of initial conversation, mainly small talk ('Did you get here all right? Would you like some coffee?'); on average it took three days from first meeting with a client to job placement (for-profit B, front-line worker 1).

Another similarity was a lack of professional autonomy. The manager viewed qualified social workers as 'the worst', because they spent excessive time discussing problems with job seekers rather than making a job placement (manager, wave 1). Front-line interviewees reported threats of punitive firing ('*arbeitsrechtliche Konsequenzen*'), the frequent non-renewal of 6-month contracts used for new hires, and the use of low base pay (€1200 per month) plus €80 in bonuses per job placement to motivate staff (front-line

workers 1-4). The manager was a strong believer in bonuses, since ‘workers on a fixed salary do their job . . . but if you’re working on a commission you step on it’ (manager, wave 2)!

Workers quickly identified ‘creamed’ clients to receive a service and ‘parked’ clients to be sent back to the Jobcenter. At for-profit B, clients were either selected for an interview with an employer or sent away with a document stating that the meeting had taken place. The manager emphasised that this was a tightly focused job-placement service providing employers with precisely suited applicants (*‘Paßgenaue Arbeitsvermittlung’*), that requirements to justify how it served clients would impose high administrative costs. He gave an example of a large recruitment illustrate the value of selection for employability:

There were 188 candidates sent by the Jobcenter. We had 80 people who showed up for interviews. . . They could not fulfil the requirements of the job, smelled of alcohol, didn’t bring the application forms, were wearing jogging suits: it was a catastrophe. Out of these, 3 people got job interviews. The employer said, OK, we’ll hire them . . . The employer could see the rejects [*Schrott*] sent over . . . and said, ‘never again the Jobcenter.’ They would have received 188 applicants and had a huge task to process them (manager, wave 2).

No funding was available for additional services, although the manager showed interest in the new ‘placement and activation vouchers’ that could fund coaching and training. These interviewees saw little problem with quickly selecting clients for employability for particular jobs, not only by gauging clients’ enthusiasm but also appraising features specific to the job such as physical strength and criminal record (manager, front-line worker B). To our interviewees, this seemed to be the task set by the voucher.

## **The decline of non-commercial models**

The section examines the mechanism through which marketisation puts pressure on non-commercial providers that resist pressures to cream and park. In both countries we visited established nonprofit providers that had undergone a transition to marketisation, but without adopting a commercial model; in particular, management control was relatively loose. In both countries, non-commercial providers faced a shift away from closed and stable local networks and towards the opening of provision, a price squeeze and time-bound contracts. These nonprofits were under financial pressure: redundancies were common, and interviewees often questioned the financial sustainability of the services. Creaming and parking was to be avoided, but with varying degrees of success.

*Purchasing by the Bundesagentur für Arbeit* (Germany's public employment service) reflected a shift away from non-marketised grant funding, which had historically been used to cover the costs of services delegated to nonprofits affiliated with churches, social partners, or established social movements (and was still used for make-work schemes). Competition was open, with an online procurement platform, and providers selected through price and quality criteria. Bids could be excluded for being below a quality threshold, but according to numerous management interviewees, price was crucial for selecting providers. Transactions were less frequent than vouchers due to contracts lasting 6-24 months and extension options (for the funder) of up to 2 years. Services were increasingly standardised in part because the funder developed a national catalogue of more than 40 off-the-shelf courses or schemes ('*Standardprodukte*') (funder B). At the end of the research, the *Bundesagentur* reported concluding 13,000 contracts per year worth €2 billion (presentation, Düsseldorf 24 April

2015), the largest market in our sample, albeit one in decline due to austerity and a decline in unemployment (Greer et al 2017, appendix C). Figure 4 summarises this contracting market.

INSERT FIGURE 4 ABOUT HERE

These services were governed through tight control by the funder, reinforced by price-based competition in purchasing. International for-profit providers told us that low prices and small contracts made Germany a less profitable market than Britain (for-profit providers C & D). The nonprofits had longer histories than the commercial providers discussed, as providers of state-funded services delegated under the subsidiarity principle, in keeping with the German nonprofit ‘model’ (Bode 2003). They included some of Germany’s largest private employers operating hospitals, nursing homes and other social services alongside employment services and using make-work schemes to maintain facilities (the Catholic charity *Caritas*, the Protestant *Diakonie*, and Social Democratic *Arbeiterwohlfahrt*); other smaller nonprofits, were often initiated by activist social workers working with women, immigrants, and disabled people in neighbourhoods. Despite the evident proximity of such organizations to the clientele, the funder’s aim was not to empower them. One told us, ‘we design services for job seekers and not for providers’ (funder A, wave 2); others cited legal principles of transparency and equal treatment enshrined in European law and needed improvements in value for money (funder B).

Although the funder maintained tight control on providers, providers we visited did not impose such control over their workers. At nonprofit B, front-line workers saw joblessness as just one among many needs to be addressed, which were assessed in two half-

day sessions. Identifying and addressing complex social needs takes time, our interviewees argued (front-line worker 1 and 2). Assessment, referrals, and day-to-day work, were designed by front-line workers, who were generally hostile to the idea of a one-sided focus on job placements. One saw ‘human dignity’ as a top priority in line with his Christian faith and targets a matter for management but not staff (front-line worker 2); another with an activist background argued that clients ‘need a lobby’ (front-line worker 3); a third would have welcomed a results orientation (front-line worker 4).

The labour process exhibited semi-autonomy in part because nonprofit B recruited front-line workers with a university degree in social work and/or adult education (typically *Sozialpädagogik*). Advisors were responsible for advising clients, making contacts with employers, referring them to other services, and documenting the work; there was a specialised coach as well. Job-placement numbers were discussed in team meetings ‘every 2-3 weeks and on a weekly basis when placement numbers are low’, and only in cases of very poor performance would managers speak to workers about hitting targets (managers 3 and 4, wave 2); one front-line worker claimed not to know what would happen if the collective target of job placements was not met (front-line worker 2). Staff told us that data entry was taking time away from working directly with clients, but it was not to manage individual performance; one worker admitted not knowing what exactly should be entered and pointed out that the Jobcenter could not access clients’ files (front-line worker 1).

Insecurity was a serious problem in the providers we visited, as it is generally in the sector (Gläser 2010). We talked with managers at a medium-sized provider that had made one-third of its workforce redundant due to a sudden fall in funding (nonprofit A, wave 1) and a small provider had exited employment services when it had lost its contract to a competitor (nonprofit C, wave 2). For its part, nonprofit B had recently reduced its front-line workforce from 10 to 4 and was employing any new staff on 12-month contracts.

Interviewees expected the current scheme to be cancelled (managers 1 & 2, wave 2; front-line worker 2). Management's ability to use this insecurity to improve performance was limited; that insecurity was a result of financial pressures resulting from the Bundesagentur's funding practices.

Nonprofit B exhibited no creaming or parking. Assessment and sorting often led to referrals to further services (often day care for clients' children [front-line worker C]) as well as to employment. According to management, 60% of clients referred were unemployable, profiling was used to identify these clients and their needs, and it was not possible to send clients back to the Jobcenter (unlike with placement vouchers). While providing intensive services for needy clients was consistent with the professional ethos of staff and organisational model of the provider, this funding arrangement did not necessarily cover the provider's costs. Managers planned to exit the programme if it did not hit a placement rate of 20% at the end of its contract (managers 1 & 2).

*British non-commercial providers* and the local networks of which they were a part were, over the course of this study, weakened by the centrally driven marketisation process (see Finn 2015). In the first wave we visited many non-commercial providers and local and regional funders; in the second wave we visited three Work Programme subcontractors (a nonprofit and two municipalities) and a nonprofit not on the Work Programme. Open competitive tendering, 'service-level agreements' that clearly specified the work, and contracts lasting 6-12 months had recently established themselves by wave 1 of interviews. In wave 2 all providers were subject to payment by results (i.e. job outcomes). While formal qualifications had never been as important as in Germany, both workers and managers



reported a voluntary-sector ethos, loose management control, and an intention to avoid creaming and parking.

In wave 1, interviewees told us of a decline in the “usual inner-city money that the government kicks about that you can use” (politician a, wave 1) and worries of centrally planned marketised welfare-to-work schemes. Local funders had political and policy reasons to resist marketisation, including the lack of local knowledge of providers ‘parachuted in’ and the inappropriateness of payment by results for clients distant from the labour market (managers, funders B, C, and D, wave 1). As one told us, ‘if it ain’t broke, don’t fix it’ (funder E, wave 1); another describes non-marketised funding:

In the old days, funding was not competitive. It was first come, first serve. There would be seven-year plans, organisations would approach the council with delivery plans. Eventually the money would run out, but there was a lot of building of capacity, showing people how to fill out the forms. There still are some grants, which are more flexible and get around some of the legal requirements around tendering. You don’t prescribe; the voluntary sector has to come up with ideas (manager 1, funder C, wave 1).

In wave 2 we looked more closely at workplaces. At public sector G and nonprofits H & I, management used the electronic systems of the prime contractor, which, management interviewees told us, took a ‘hard line’ on performance. There were individual targets, but these could be quite low, and there were no performance-related bonuses (and in municipalities management discretion was limited by collective bargaining). At nonprofit C work was organised collectively, and workers were improvising, learning how to recruit employers to participate in the scheme; their division of labour emerged from front-line workers’ pre-existing skills rather than management planning or contract requirements

(nonprofit C, manager 2, wave 2). At these providers staff backgrounds were similar to the for-profits; two of the charities had recruited from for-profit welfare-to-work providers. Like the German nonprofits, job insecurity was reported at all of these providers as linked to the coming and going of contracts and not to performance management; many of our front-line interviewees were on temporary contracts and spoke of their jobs as something temporary, and we heard many examples of redundancies due to contracts ending.

Although most non-commercial providers engaged in creaming and parking, they sometimes mitigated it using other sources of funding. For nonprofit H, creaming and parking was reportedly a matter of survival for a very small Work Programme subcontractor (manager 1), and at nonprofit C, creaming was built into the programme design set by the municipal funder with hard-to-place clients self-selecting out of the programme or sent back to the job centre (manager 1). At public sector C, while management and worker interviewees told us that the contract made creaming and parking ‘inevitable’, they mitigated it somewhat by funding support services through different funding streams. Public sector G used its internal resources to avoid creaming and parking:

We have given every client the service they needed, regardless of the Work Programme pay model. We could do this because we operated the WP in conjunction with a grant-based social services programme. In effect, we have subsidised the WP with financial resources at the county’s disposal. However, we are gradually pulling out of the WP by stopping new referrals (manager 1).

## **Marketisation and other institutional effects**

The previous sections have documented differing marketisation effects in commercial and non-commercial providers. In this section we address our third research question: which national institutions might serve as a buffer for the landscape of service provision facing price-based competition? We observed some institutional changes to cope with these effects. In Britain, managers were introducing a new professional qualification to cope with the problem of staff turnover and morale; in Germany, a new sector-specific minimum wage was set to cope with wage dumping. The most striking between-country difference was the role of formal qualifications in sustaining the non-commercial approach in Germany in the face of tough price-based competition.

In British providers, the institutional regulation of work was relatively weak. In terms of collective bargaining and trade union presence, there was variation. At municipalities, some charities, and one for-profit provider with large numbers of former civil servants, trade union representatives were present. Trade unionists we interviewed, however, reported declining membership and workplace structures in the organisations where they were present – notably due to the turnover of contracts which led to staff turnover – and having at best aborted campaigns at the far more numerous firms where they had no structures (trade union A, staff 2-3, wave 2). Activists reported little influence over worker pay and bemoaned a lack of information even where they were present and reported servicing as more important than bargaining (lay officials 2 &3); this was confirmed by management (for-profit D, manager 1).

For managers, the weak institutional regulation of work was also a problem. One study carried out by the sector's umbrella body found that managers tend to see worker turnover as excessively high and perceive the lack of a clear track of career progression within the sector as one reason (Crawford and Perry 2010). The most common qualification for workers we interviewed was NVQ level 3 in Information, Advice and Guidance. The funder did not mandate it, and staff were recruited from an extremely wide range of fields,

including local government, retail sales, high-street recruitment agencies, the civil service, and the voluntary sector, including university graduates in psychologists and social work and former clients with unrelated qualifications.

A management-driven initiative to address this problem, the Institute for Employment Professionals (IEP), was nascent at the time of research, but according to management interviewees was having success in attracting members and designing a new curriculum for the sector (for-profit H, umbrella D). Managers, however, had differences of opinion as to whether formal qualifications would necessarily develop the right kind of worker. The case against occupational regulation was put succinctly by one: 'It's important to remember this is a performance-driven industry: the best performing [advisor] may not be the most well qualified' (Crawford and Perry 2010: 20).

In Germany, we observed two market segments with different transactions, governance, labour process and services quality. Small companies operating under placement vouchers had a similar amount of discretion to Work Programme providers. The mixture of occupational backgrounds at for-profit B was similar to Work Programme prime providers: former clients, job centre staff, and sales occupations (manager, front-line workers 1-3). Similarly, for-profit A (operating under training vouchers) employed trainers with occupational backgrounds, and hourly pay that varied according to the areas in which they taught (manager, wave 1). For-profit A reported having too few directly employed employees to be covered by the works council law, since it relied extensively on freelance teachers (management), and none of the for-profits we visited had collective bargaining.

Under purchasing, by contrast, providers tended to employ qualified social workers that had some form of worker representation. The contractor we examined in depth was operating under payment by results while exhibiting very strong professional autonomy in the

workplace. Workplace-level worker representatives did exist here and in most other providers we visited operating under contracts with the *Bundesagentur*. But their roles were restricted by the particular legal framework for trade union activities in German nonprofits (especially those covered by church law) and because staff turnover made it difficult to maintain trade union influence in the workplace outside the public sector (trade union B, staff 1-3). Moreover, the funder had decided not to stipulate adherence to collective agreements or wage minima in tendering processes, citing legal principles of autonomous collective bargaining and inter-regional differences in labour markets (wave 2, funder B).

The funder, however, did often stipulate professional qualifications in the tendering documents, which our *Bundesagentur* interviewees saw as a way to limit wage dumping: in their view providers could not recruit qualified social workers for 12 euros per hour (ibid). Although prescribing staff qualifications, experience, and numbers in the tender specification was taken for granted by most interviewees, it was cited as an important difference between contracting in Germany and Great Britain by international providers (for-profits C & D). Without us having to raise the issue one interviewee told us that formal qualifications

depend on the position and the scheme. In Germany it is much stricter in the tender specifications which qualification staff have to have. I have learned that in Britain you are allowed to employ whoever you want to – the main thing is you find people jobs in the labour market. Here [in Germany] you need a social work background or a completed apprenticeship and certain years of professional experience (manager 1).

This did not stop downward pressure on wages or job insecurity (Gläser 2010), but it did matter for work organization. Management lacked the discretion to replace qualified social workers with a diverse mixture of results-oriented individuals, because the tender

specification did not permit it. As we saw above, qualified social workers resisted pressures to cream and park, because they disagreed with the work-first orientation of social policy.

The national institutions that seem to matter are those governing skill formation, since this is at the root of the difference between Work Programme contractors and contractors for the Bundesagentur. But this is only half-correct. The commercial organization we visited operating under placement vouchers was not bound by that institutional constraint and engaged in creaming and parking. The Bundesagentur built requirements to employ qualified social workers into contracts for job-placement services but not for placement vouchers. Under contracting, these rules protected staff resisting financial pressures for creaming and parking in a way not seen in British employment services. In other words nonmarket institutions governing the workplace matters because they were supported by market-making funding practices. This echoes Jaehrling's (2015) arguments about the potential of governments to use their power as purchasers to ratchet up social standards in the workplace.

## **Conclusion**

Above we examined the causes of creaming and parking in marketised employment services. Funders in both countries configured transactions to promote tight price-based competition. We observed creaming and parking all of the Work Programme 'prime contractors' (for profits and a nonprofit) and the German placement vouchers (a for-profit firm). It was absent, however, from the German contractor (a large nonprofit). Non-commercial Work Programme subcontractors tried with varying degrees of success to avoid it (municipalities and a nonprofit). Table 3 summarises the differences between the cases along the conditions and outcomes presented in table 1.

INSERT TABLE 3 ABOUT HERE

Our first contribution is to provide a definition and operationalisation of marketisation that could cause workplace change in diverse contexts. The literature on public services tends to assume that the introduction of market mechanisms has been transformative (for good or ill), but there is no consensus on how to study marketisation. Most definitions – such as those used by most employment relations scholars – are ad hoc and developed in line with particular empirical findings. The governance literature provides a definition of marketisation that could be applied to a variety of settings, but the focus on broad principles is not helpful for capturing how specific features of markets translate into particular workplace practices. Our definition of marketisation, by contrast, specifies concrete features of transactions, including frequency, openness, standardisation, and the price mechanism, that could be used in the study of market-driven change. This can be used in public services and workplaces in other sectors where transactions plays an important role (Greer and Doellgast 2017). In the case study write-ups we describe qualitatively the workings of transactions along these four dimensions.

Our second contribution is to identify two mechanisms through which marketisation produces creaming and parking. marketis The main theoretical insight here is that marketisation effects are not determined by the incentives set by funders (Anderson et al 1993, Le Grand 2003). Inspired by the policy literature on governance (Considine and Lewis 2003, Jantz et al 2015) and the sociological literature on public-service work (Baines 2004, Cunningham et al 2013, Esbenschade et al 2016), we argue commercial and non-commercial providers should respond differently.

To answer our first question (what are the mechanisms through which marketisation produces creaming and parking?), we pose a second question. Namely, what are the differences between these mechanisms in commercial and non-commercial providers? . We find that marketisation led to the rise of new forms of commercial provision characterised by tight management control and therefore prone to creaming and parking. German placement vouchers led to the creation of new placement firms, specialised in this kind of work; the Work Programme led to a takeover of most services by large private firms. We also find that marketisation corroded existing non-commercial forms of provision characterised by strong professional autonomy and resistant to creaming and parking. (See Greer et al 2017).

Our third contribution concerns the role of national institutions in explaining differences between these providers in Germany and Britain. Drawing on comparative employment relations (Doellgast 2012, Greer et al 2013, Jaehrling 2015), we ask a third question. Which national institutions might serve as a buffer for the landscape of service provision facing price-based competition? We find that commercial organizations in the two countries responded to broadly similar market conditions similarly, including engaging in creaming and parking. We also find in both countries differences between commercial and non-commercial organizations, in part because many non-profits are resisting pressures to commercialise. We find that collective bargaining, worker representation, and worker transfer rules had patchy effects in these countries, but that formal qualification frameworks helped to stabilise German nonprofits.

The persistence of non-commercial organizations is somewhat surprising given the financial pressures. German nonprofits had the strongest resistance to marketisation pressures in the sample, not because of any automatic national-institutional effect (the relevant institutions did not constrain providers operating under voucher schemes), but because the purchaser had structured the transaction in a way that shored up institutional supports for



workers' professional skills and the associated ethos. In particular, it specified formal qualifications in its description of the work, a powerful tool for preventing creaming and parking that could be used elsewhere.

Nevertheless, these organizations are under pressure and in decline. Our interviewees in German nonprofits pointed to many problems posed by the *Bundesagentur*'s competitive funding practices. The high level of detail in which the work was prescribed created a huge administrative burden shouldered by front-line workers and sapped their capabilities to innovate. It also facilitated standardization, the comparison of offers, and extraction of price concessions, contributing to problems of low pay and job insecurity (which the funder refrained from regulating). Insecurity was exacerbated by a decline in the volume of funding. While the funder requires formal qualifications, its funding practices contribute in other ways to devaluation of the social work profession.

In the Work Programme, loose regulation of for-profit companies led to creaming and parking, despite high payments for hard-to-place ESA clients. Beyond incentives, other organizational factors determined the way that providers served clients, notably management systems and the weak role of professional staff. To reverse rampant creaming and parking, the public funder could reconfigure the transaction to take these factors into account – e.g. by regulating working conditions and formal qualifications – but may also need to rebuild capacity in the non-profit and local-government sector. While this would not be easy or inexpensive, the British government was instrumental in building the commercial sector (Davies 2008) and could similarly intervene to rebuild non-commercial service provision.

One limitation of our study is that the problems discussed above do not exist in every government-funded service subject to marketisation, and creaming and parking might appear under conditions not examined here. There is less scope for creaming where the outcome is

difficult to measure (as in many training courses or services for people deemed unemployable) or where the clientele is less diverse (as in a job-placement scheme for lone parents in a particular town) and there is consequently less scope for sorting. But evaluators find creaming and parking in other kinds of marketised services with measurable outcomes, incentives to achieve them, and the sorting of service users, such as private schools and health services. Future research could assess the conditions under which our two mechanisms appear, in employment services and beyond.

A second limit concerns the effects of marketisation on service outcomes. We do not merely mean income, employment, and benefit payment, which in the aggregate are affected by marketisation and privatisation only in small and highly mediated ways (Krug and Stephan 2016) or the effects of payment by results on performance for disadvantaged job-seekers being ‘parked’. The main outstanding question is: how has ‘creaming’ affected the labour market experiences of job-ready unemployed people (Greer 2016)? Understanding the signalling function of front-line workers in marketised employment services would illuminate the role of welfare reform in structuring inequality in present-day societies.

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**Table 1. Commercial and non-commercial providers. Key categories and questions**

	<b>Commercial</b>	<b>Non-commercial</b>
Selection of clients	<i>Only employability</i> Job-ready clients identified and served and neglect of more needy clients (creaming and parking)	<i>Employability and opportunity</i> Job-ready clients identified and served; more needy clients referred to services
The transaction (Le Grand 2003, Greer and Doellgast 2017)	<i>Emerge under marketisation</i> Open competition Clear prescription Strong price mechanism Frequently recurring transactions	<i>Emerge under non-market funding</i> Closed networks Co-production of services Price not decisive Provision uninterrupted by transactions

Q1. What are the mechanisms through which marketisation produces creaming and parking?

Governance (Considine and Lewis 2013, Jantz et al 2015)	<i>Market principles</i> Commercial providers, including for-profit Accountability through quantitative measurement of results Narrowly defined work-first services	<i>Nonmarket principles</i> Traditional nonprofits and municipal providers Accountability through qualitative assessments Services for broadly defined needs
The labour process (Baines 2004, Esbenshade et al 2016, Greer et al 2017)	<i>Tight management control</i> IT systems used to manage performance Deskilling Speedup of work Punitive firing	<i>Professional autonomy</i> IT systems used for reporting and procedure Formal qualifications valued Slow processes Layoffs at contract end

Q2. What are the differences between these mechanisms in commercial and non-commercial service providers?

National institutions (Doellgast 2012, Jaehrling 2015)	<i>Liberalization</i> Weak limits to management discretion	<i>Strong non-market institutions</i> Management discretion limited by skills frameworks or industrial relations institutions, underpinned by contracting rules
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Q3. Which national institutions might serve as a buffer for the landscape of service provision facing price-based competition?

**Table 2. Interviews and interviewees**

<b>Great-Britain Wave 1: 2006-2011 (51 interviews)</b>		
<b>Code</b>	<b>Note</b>	<b>Interviewees</b>
Funder A	DWP	2 managers
Funder B	Regional Development Agency	2 managers
Funder C	Local authority	3 managers
Funder D	Job Centre Plus (JCP)	1 manager
Funder E	Learning and Skills Council	1 manager
Funder F	Welsh Assembly Government	1 manager
<b>Providers</b>		
Public sector A	JCP	3 managers
Public sector B	Local authority	1 manager 4 front-line staff
Public sector C	Local authority	2 managers
Nonprofit A-D	Charity	1 manager each
Nonprofit E	Charity	7 front-line staff
<b>Others</b>		
UK Treasury	2 managers	
Politician A	1 member of parliament	
Cabinet Office	1 manager	
Umbrella A-C	Infrastructure bodies for the voluntary sector, 1 manager each	
TUC	3 policy officers, 1 UnionLearn staff	
Trade union A	3 staff, 1 lay official at UNISON	
Trade union B	4 staff at AMICUS	
Consultant	1 human resources consultant	

<b>Germany Wave 1: 2006-2011 (26 interviews)</b>		
<b>Code</b>	<b>Note</b>	<b>Interviewees</b>
Funder A	Local Jobcenter / municipality	2 managers
<b>Providers</b>		
Public sector A	Bundesagentur für Arbeit (BA)	2 works councilors
Public sector B	Local Jobcenter	1 manager 3 works councilors
Nonprofits A, B, C, G	Association	2 managers each
Nonprofit D	Association	2 works councilors
Nonprofit E, F	Association	1 manager each
For-profits A & B	Small firms	1 manager each
<b>Others</b>		
Parliament	1 SPD researcher	
Trade union A	2 IG Metall staff	
Trade union B	3 ver.di staff	

<b>Wave 2: 2011-14 (51 interviews)</b>		
<b>Code</b>	<b>Note</b>	<b>Interviewees</b>
Funder A	DWP	2 managers
<b>Providers</b>		
Public sector G	Local authority subcontractor on Work Programme (WP)	2 managers, 4 front-line staff
Public sector H	Local authority subcontractor WP	1 manager
Nonprofits H & I	Local charity subcontractor WP	1 manager each
Nonprofit J	Large charity subcontractor WP	1 manager
Nonprofit C	Charity not on WP	3 managers, 5 front-line staff
Nonprofit K	Large charity prime provider WP	3 managers, 7 front-line staff
For-Profit D	Multinational prime provider WP	3 managers, 4 front-line staff
For-Profits E-H	Multinational prime providers WP	1 manager each
<b>Others</b>		
Politician B	1 member of Parliament with researcher	
Umbrella D	Spokesperson for the Employment Related Services Association	
Trade union A	Public and Commercial Services Union. 4 staff, 3 lay officers	
Consultancy	1 manager	

<b>Wave 2: 2011-14 (20 interviews)</b>		
<b>Code</b>	<b>Note</b>	<b>Interviewees</b>
Funder A	Local Jobcenter	1 manager
Funder B	Regionales Einkaufszentrum (REZ), BA	2 managers
<b>Providers</b>		
Public sector C	Jobcenter	1 manager
Nonprofit B	Large charity BA contractor	2 managers, 4 front-line staff
For-profit B	Small firm operating under placement vouchers	2 managers, 5 front-line workers
For-profits C & D	Multinational firms	1 manager each
Nonprofits C & H	Small charities BA contractors	1 manager each
<b>Other</b>		
Umbrella A	1 manager at Deutscher Paritätischer Wohlfahrtsverband	



**Table 3. Summary of the cases**

Organisational model	Commercial		Non-Commercial	
Market segment	British WP Primes	German Job Placement Vouchers	British WP Subcontractors	German BA Contractors
Organisations	Nonprofit and for-profits	For-profit	Small nonprofits and municipalities	Large nonprofit
<i>Client selection</i>				
Employability	H	H	H	H
Opportunity	L	L	H/L	H
Creaming and parking	H	H	H/L	L
<i>Governance principles of funder</i>				
Commercial orientation of providers	H	H	L	H/L
Work-first approach	H	H	H/L	H/L
Quantitative results orientation	H	H	H	H
<i>Labour process at provider</i>				
Individual targets used	H/L	H	L	L
Deskilling	H	H	H	L
Speed of processes	H	H	H/L	L
Punitive firing	H/L	H	L	L
<i>National institutions</i>				
Importance of:				
Worker representation and collective bargaining	H/L	L	H/L	H
Formal qualifications	L	L	L	H

L = low, H = high, H/L = mixed.

Figure 1. Dynamic model

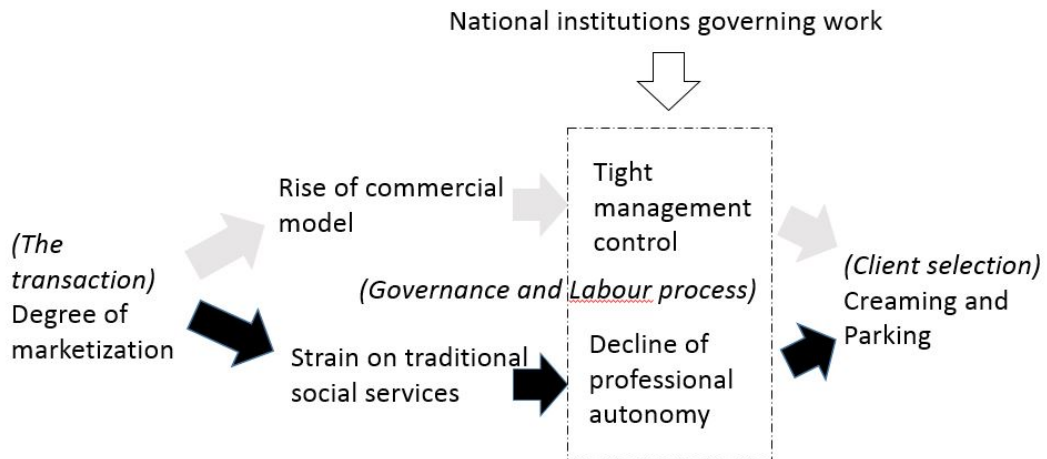
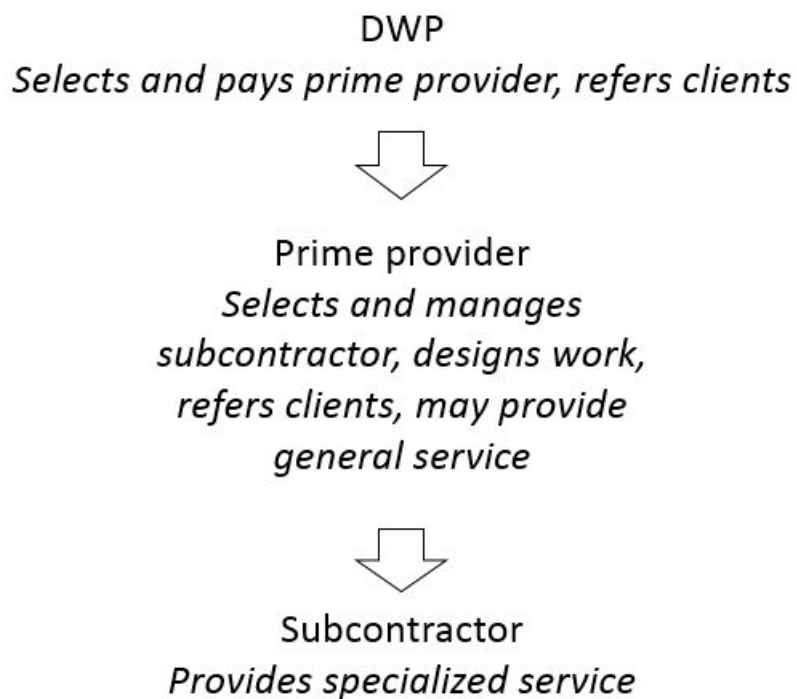
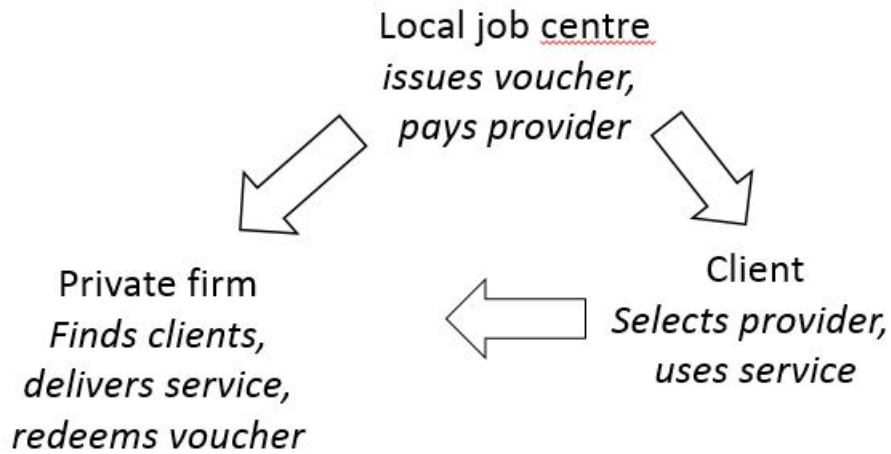


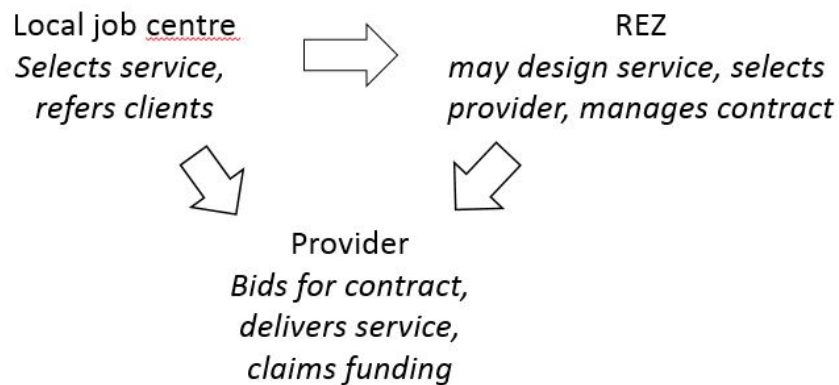
Figure 2. The Work Programme



## Figure 3. Placement vouchers



## Figure 4. Bundesagentur für Arbeit (BA) contracting (post-marketization)



<sup>i</sup> ESA, introduced in 2008, replaced three different benefits for disabled people with the aim of tightening work requirements. JSA, introduced in 1995-6, is the main benefit for able-bodied job seekers.