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Citation for published version:

Wiggan, J 2015, 'Varieties of marketisation in the UK: examining divergence in activation markets between Great Britain and Northern Ireland 2008-2014', *Policy Studies*, pp. 1-18.
<https://doi.org/10.1080/01442872.2014.996934>

Digital Object Identifier (DOI):
[10.1080/01442872.2014.996934](https://doi.org/10.1080/01442872.2014.996934)

Link:
[Link to publication record in Edinburgh Research Explorer](#)

Document Version:
Peer reviewed version

Published In:
Policy Studies

Publisher Rights Statement:
This is an Accepted Manuscript of an article published by Taylor & Francis in *Policy Studies* on 17/02/2014, available online: <http://www.tandfonline.com/10.1080/01442872.2014.996934>.

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Varieties of marketisation in the UK: examining divergence in activation markets between Great Britain and Northern Ireland 2008-2014

Abstract

This article examines the sub-national diversity in activation quasi-markets in the United Kingdom (UK). Through comparison of four active labour market programmes in Great Britain and Northern Ireland between 2008 and 2014 the article clarifies and maps intra UK diversity in employment service governance and unpacks the shifting configurations of market structures in each jurisdiction to reveal a temporally and spatially distinct patterning of marketisation. Drawing on Gingrich's (2011) approach to analysis and classification of quasi-market variation, the article proposes that between 2008 and 2014 Great Britain rapidly evolved a provider directed activation market. In contrast, the activation market structure in Northern Ireland, up to late 2014, is better characterised as state directed. A recent reconfiguration of the activation market in Northern Ireland does however indicate some (modified) convergence on Great Britain's approach. One common and consistent feature of the configuration of activation markets in each jurisdiction is the few powers given to direct users of employment services to shape contracted out provision.

Key words: governance; diversity; public employment service; quasi-markets

Introduction: decentralisation and institutional diversity in the UK

A key feature of employment policy and delivery reform amongst OECD countries over the last 15 years has been the remaking of the Public Employment Services, as various functions have been contracted out to for-profit and not-for-profit organisations (Mosley, 2011: 3; Finn, 2011: 132; Finn, 2012). Alongside this has been a rescaling of state responsibility for activation policy, with employment services increasingly decentralised to regional or local government. (Lopez – Santana and Moyer, 2012; Heidenreich and Aurich, 2013; Kunzel, 2013). While acknowledged as a committed proponent of market reforms of employment services the discussion of developments in the UK tends to portray the governance of activation as politically and administratively unified, centralised and hierarchical (Ehrler, 2012; Weishaupt, 2010; van Berkel et al, 2012a; 2012b; Fuertes and McQuaid, 2013; Mackinnon, 2013). Even ostensibly comprehensive reviews of activation arrangements in the UK elide the possibility of intra UK decentralisation. Yet what is presented as an account of ‘UK’ activation governance and policy is often an account of institutional arrangements and market reforms in Great Britain alone (OECD, 2014). At the time of writing the UK Government has authority for working age social security and employment policy for Great Britain (England, Scotland, and Wales). In Northern Ireland these policy competencies are the responsibility of the Northern Ireland Executive, although the scope for divergence in social security is stymied by financial and political constraints linked to departing from parity with GB. There is more flexibility over the shape that employment and training schemes take however with Northern Ireland having autonomy over programme budgets; content; target participants; goals; and the extent and form of the organisational structure of employment service outsourcing (Wiggan, 2012; Birrell, 2009; Birrell and Heenan, 2010; NIA, 2011). As Mosley (2011: 3-4) notes, the ability to change these aspects of policy signifies substantial decentralisation of political and financial authority, implying a potential for greater intra UK variation in activation markets than typically implied.

Scholars examining reform of employment service governance have alluded to devolution of activation policy (Minas et al, 2012: 292-294; Mosley, 2011), but tend not to follow this up with details of institutional diversity or comparison of policy content. We might expect devolution to be accompanied by regional institutional diversity in the administration of services for working

age benefit claimants and this is indeed the case. In Northern Ireland working age benefit administration is the responsibility of the Department for Social Development (DSD) with employment and training the responsibility of the Department for Employment and Learning (DELNI). In contrast, all social security and employment policy in GB is administered by a single UK Government ministry – the Department for Work and Pensions (DWP) (Birrell and Gray, 2013: 2; Birrell and Heenan, 2010). Of course regional institutional diversity does not necessarily imply that activation policy and market structures have varied from GB. Despite activation being where economic, employment, training, skills, and tax and benefit policies meet (McEwan, 2013: 2) there is an absence of studies examining regional divergence/ convergence in activation. This is especially surprising given that NI did not implement the Labour Government's Flexible New Deal (FND) or the Conservative-Liberal Coalition Government's Work Programme (WP), instead preferring to press ahead from 2008 with its own Steps to Work programme (Wiggan, 2012).

This article explores the intra UK variation in activation markets through examination of four active labour market schemes in Great Britain and Northern Ireland in the period 2008 to 2014. In the Great Britain these are the phase one Flexible New Deal introduced in 2009 by the Labour Government (FND 2009-11) and the Coalition Government's replacement – the Work Programme (WP) introduced in 2011 (contracted to 2016). In Northern Ireland the schemes are Steps to Work (StW) introduced in 2008 and its replacement from October 2014 - Steps 2 Success (S2S) (contracted to 2018) (DEL, 2013a; Finn, 2011; Rees et al, 2014; Wiggan, 2012). The study unpacks the diversity of market instruments between and within regions over time and, drawing on the work of Gingrich (2011), seeks to identify and map how changes in activation market configurations reflect and affect the role/ position of the state, service provider and user in the market. The study draws predominantly on publicly available documents including; government policy papers; performance reports; programme evaluations; political statements and debates, academic research, evidence to parliamentary select committees at Westminster and committees of the Northern Ireland Assembly. With Steps 2 Success in the process of development when the research began, the document analysis was supplemented with qualitative interviews with three civil servants in May 2014 from the Department for Employment and Learning. The information garnered via these interviews provided additional

context to the reform and enabled the author to check and clarify details regarding market instruments and the rationale for reform with public material already available.

The paper proceeds as follows. The first section discusses marketisation in relation to employment services and the rationale of the analytic framework. Section two provides detailed examination of four specific activation markets over a six year period (2008-2014) and how specific market instruments suggest state, provider or user directed market approaches. The third section concludes with critical reflection on the temporal and spatial unevenness in activation market reform and what this implies for differential preference between GB and NI for state directed, provider directed or user directed market structures (Gingrich, 2011).

Employment service marketisation: a quasi-market analytical framework

As Greener (2008) perceptively identifies, the difficulty with using the ‘market’ as a concept to describe and understand the transformation of public service delivery resides in the complex and varied forms that markets and market relationships can take. This article follows Van Berkel et al (2012a: 275) in using Le Grand’s (1991: 1257) definition of public service quasi-markets as the means for conceptualising market reform of public employment services. Quasi-markets are notable for introducing a purchaser-provider split whereby the state withdraws from direct service provision, but continues to finance access to provision for citizens. The difference is that services are now delivered by organisations drawn from the public, private or third sector who compete via a competitive market for state contracts. The actual form that the quasi-market takes can vary substantially depending on how policymakers structure the intersection of competition and choice (Greener, 2008; Powell, 2014; Le Grand, 1991: 1257; Le Grand, 2011: 85). The state may act as the purchaser of services and simply direct the user to the provision it has bought. Alternatively the quasi market may be organised to ‘empower’ the service user directly. Again this can take different forms such as the distribution of vouchers to enable users to purchase services from different providers in a more or less open/ closed market, or having the allocation of public money follow the service user. Analysis of quasi-market variety consequently implies the necessity to map the particular intersection of choice and control. Van Berkel et al’s (2012a: 276) analysis of activation governance between nine European countries, for example, seeks to

unpack diversity along a purchaser-provider axis and a purchaser-customer axis of analysis. In turn this is operationalised through investigation of five dimensions – purchasers; providers; customers; the purchaser-provider split; the purchaser-customer split. They conclude that a process of marketisation has been underway in the nine countries, but market reform has varied in its pace and extent. Also reform is not uni-directional, with some countries instigating public re-regulation in light of market failure (Van-Berkel, 2012a: 282). Drawing on this work a subsequent argument is advanced that European states embrace of activation markets may be grouped into three families; ‘Committed marketisers’ (weak network, bureaucratic; strong market); ‘Modernisers’ (no dominance of market; network; bureaucratic); ‘Slow modernisers’ (limited network and market governance; stronger traditional public administration approach). In this typology the UK is identified as a ‘committed marketiser’, albeit one that operates a centralised system of marketisation (Van Berkel et al, 2012b). As a portrayal of the direction, scope and pace of quasi-market reform in the UK the ‘committed marketiser’ ideal type is a credible account, but it is essentially an account of reforms in Great Britain. There is no recognition of the political/financial decentralisation to NI, yet there is institutional diversity and different programmes have been running parallel to those in GB. This means potentially different configurations of (state, provider, user directed) activation quasi-markets and degrees of ‘committed marketisation’ in each jurisdiction and different interests/ actors gaining/losing from particular ensembles of market instruments.

As a means to unpack the structures of the four activation markets *and* identify how reforms alter market configurations and the balance between different interests/actors within GB and NI the study draws on Gingrich’s (2011) analytical approach to mapping public service markets, market actors and interests. At the core of the approach taken by Gingrich (2011) is the organisation of analysis on two dimensions –how access to services are *allocated* and how they are *produced*. The allocation dimension refers to the financing and regulation of service provision, whether it is collectively financed by society (further from the market) or relies entirely or in part, upon the private resources of individuals (closer to the market). Similarly, where access to provision is strongly regulated by the state, providers have limited scope to pursue the most profitable service users and the cost of provision cannot be passed on to those with fewer resources/ greater needs in the form of denial of access or poor quality. The production dimension refers to the structure

of competition and choice in the market, as how this is organised affects whether it is the state, the provider or the service user who is best placed to advance their preferences and thus shape service production. Gingrich argues that where the state dominates it will prioritise cost control and seek to exercise this through contract incentives and performance targets and monitoring. Service users will prioritise quality of provision, but realisation of this depends upon their capacity to choose between providers as only under pressure of service exit can providers be expected to adequately respond to users. Providers are strongest where the service user power of exit is constrained, or the contract agreed between the state and provider has weak definable outputs/outcomes and/or exercises limited monitoring of quality. In either circumstance the provider enjoys greater scope to direct the market and prioritise their preference for profit maximisation over cost control or service responsiveness and equity (Gingrich, 2011: 11).

The virtue of this approach is that analysis of allocation and production connects agency with structure, providing a tool to unravel institutional arrangements, interests and ideas underpinning reforms. According to Gingrich (2011: 4) specific types of market reform are a consequence of systematic strategic positioning by 'Left'/'Right' political parties as they seek to construct particular preferred market configurations and reconcile long term ideological orientations, short term electoral pressure, financial constraints and the existing organisation of welfare services. Gingrich (2011: 30) asserts a party of the Left will favour market reforms that advance choice and service quality as this should build support amongst higher income groups for public programmes and spending. If, however, existing public provision is fragmented or residual then choice risks exacerbating existing social divisions and so the Left may seek to trade user choice in favour of greater state direction of the market to protect quality/equity. Conversely, in this situation the 'Right' are better positioned to advance their preferred market vision as already weak ties between higher and lower socio-economic service users creates space for market reforms that individualise responsibility, limit state activity/public spending and strengthen contracting out. Empowering private providers in turn builds institutional support for further types of market reform preferred by the 'Right' (Gingrich, 2011: 40-42).

A test of Gingrich's 'constrained partisanship' hypothesis (Powell, 2014) implies a detailed historical investigation of UK employment policy beyond the remit and space constraints of this

article. Gingrich's allocation/ production dimensions and classification of markets as state driven, provider driven, or user driven does offer an appropriate means for examining and mapping the four activation markets and how reforms alter the influence of different market actors. As in other typologies (Powell, 2014: 6; Van Berkel et al, 2012a; 2012b) the nexus between market competition and choice is a core focus of analysis and Gingrich's model implies these are sub elements of 'production'. To identify specific variation between and within jurisdictions over time the choice/competition instruments are disaggregated into three sub categories; *procurement and market access*; *payment structure* and *user choice*. The procurement and market access category is concerned with the commissioning process and the extent to which it involves 'open' or 'closed' market structures. The organisation of an open competitive market would facilitate ease of market entry and not structure the market to benefit one type of provider over others (e.g. large, small; private, public, third sector; incumbent, new entrant). The *payment structure* relates to how the state organises payments to providers and how this connects to state stipulation of provider activity. In the cases here the continuum is between greater state stipulation of programme content and payments being process and output driven with minimal state prescription of programme content and payment being more outcome related. The examination of *user choice* is concerned with establishing whether or not it is possible for the direct service user or a proxy customer (the Ministry) to choose between providers within the market or whether 'choice' only exists (for the Proxy) in the procurement phase. In the allocation dimension Gingrich concentrates attention on whether markets are collectively/individually financed and the capacity for providers to shift costs to users via charges and/or diminished service provision. As all UK activation markets are collectively financed the study concentrates on regulation of *service quality* and whether this is extensive (state direction) or a light touch regime (provider direction). The nested analytic framework is outlined in table 1 whilst table 2, drawing on Gingrich (2011: 10-12) tentatively seeks to translate this into how particular market structures configure as user directed, state directed and provider directed activation market ideal types.

Table 1 Analytic framework

Allocation		Production		
Collective/ individual financing		Competition		Choice
Funding	Service quality	Procurement and market access	Payment structure	User choice

Author interpretation and modification of Gingrich (2011: 10-12)

Table 2 Ideal type activation quasi-markets

	User directed	State directed	(Existing) Provider directed
Competition	Open market User specified services	Regulated market State prescription of provision	Closed market Provider prescription of provision
Choice	Extensive choice/voice	Proxy choice	Limited user/state choice
Service quality	Common minimum standards Citizen and State monitoring	Common minimum standards. State monitoring	Provider discretion Voluntary code of conduct

Author interpretation of Gingrich (2011: 12-18)

Unpacking sub-national diversity in activation markets 2008-2014

Procurement and Market access

Change to procurement arrangements in each jurisdiction since 2008 has involved recalibration of the provider market to reduce transaction costs associated with managing multiple contracts and permit the transfer of greater financial risk to contracted providers (see below) without destabilising the market to such an extent that it collapses. Services in GB and NI are procured via variants of a ‘Prime Contractor’ model which limits the direct contractual relationship between DWP (GB)/DEL (NI) to a relatively small number of well capitalised ‘top tier’

providers. These providers (Prime Contractors) are then responsible for managing any supply chain of lower tiers of providers should the prime choose to subcontract delivery of particular services (DWP, 2008; Armstrong et al, 2010: 44). Direct contracts held between the Ministries and employment service providers numbered in the hundreds under the Labour's Government's various New Deal schemes until the DWP altered its approach to commissioning. The DWP reorganised the market so that services were commissioned on the basis of longer contracts held directly with fewer organisations who would themselves take on responsibility for managing any sub-contracting. The ostensible objectives were to reduce transaction costs, encourage provider investment, promote innovation and raise job outcome performance without undermining market stability (DWP, 2008; DWP, 2007).

The phase one of FND (rolled out in 2009) was based on this new model of commissioning. The DWP contracted directly with 14 prime contractors to deliver services across 14 contract areas, with 4 areas run by a sole provider and 10 areas with 2 providers (DWP, no date: Section 1 p. 2). The establishment of the Conservative-Liberal Democrat Coalition Government (hereafter the Coalition) in June 2010 led to the cancellation of the FND but the commissioning strategy has not altered. The Work Programme involves DWP contracting with 18 primes (table 3) organised into 40 contract packages across 18 geographical areas of Great Britain with at least two providers in each region. To ensure contracts were let to organisations capable of leveraging the finance deemed necessary for up-front investment in services, the Coalition introduced a new instrument – the Framework of Employment Related Support Services (ERSS). The DWP stipulated that all organisations intending to submit a bid to become a prime contractor for the Work Programme had to be accepted onto the ERSS framework and that application for membership was only open to organisations with a turnover of at least £20 million. With ERSS the DWP created a pool of high value 'preferred suppliers', exclusively entitled to bid for Work Programme contracts and other return to work provision (Gash et al, 2013; Rees et al, 2014). This reduces competition for contracts and means that existing providers gain most from further expansion of contracting out, but for DWP the 'preferred supplier' model offers some protection from market instability and lower transaction costs in the event that a prime contractor exits due to contract cancellation or bankruptcy.

In Northern Ireland the introduction of Steps to Work in 2008 saw market consolidation as DELNI reduced the contracts with external providers from 147 to 10. Each of the 10 prime contractors were responsible for delivering services in a single contract area (DELNI, 2012: 10). From October 2014 the roll out of the new Steps 2 Success (S2S) programme sees further market consolidation as the 10 contract areas and 10 primes of StW have been replaced by 3 (larger) contract areas, each one again led by a single prime who in turn manages a supply chain of sub-contractors (DELNI, 2013a; 2013b). Even after reform, the S2S contract areas are about 60% the size of similar contract areas in GB for the WP (Committee for Employment and Learning, 2013a: 4). The creation of larger contract areas through consolidation in NI is an important feature of the intention to achieve extensive transformation of the quasi-market by attracting to the region organisations who are Prime Contractors of the WP in Britain.

The organisations delivering StW in the small NI market were, in contrast to the WP, largely based in the region and viewed as lacking the capacity to raise the finance necessary for upfront investment, or manage the organisational risks associated with the stronger payment by result system of S2S (DELNI, 2012a: 9). The outcome of this has been a change in the composition of providers in NI. Only one prime contractor operating in GB (A4E) was also a Steps to Work lead contractor and StW exhibited a more even balance between public, private and third sector organisations than in the GB markets (table 3). In the new S2S market the ‘local’ contractors have been relegated to sub-contractor status, replaced as ‘Primes’ by large for-profit organisations also delivering the Work Programme in GB (these are Ingeus UK; Reed in Partnership and EOS Works) (DELNI, 2014a). In contrast to the preferred supplier model that governs market access under the WP in Britain, the ‘ERSS’ has not been a feature of the activation market in NI for either StW or the S2S. Instead when a provider has lost a contract in StW policymakers were content to run an open re-tendering exercise and this has been retained for S2S. Though a subtle difference, this suggests there is little preference for reducing the pool of potential providers to further minimise transaction costs and/or build-up of the provider interest through establishing a relatively closed market. By keeping the option of open tendering S2S providers cannot establish the level of dominance across all employment related service provision that is possible in GB. The re-orientation of the market in S2S means that large for-profit organisations increasingly enjoy a relatively privileged position in the activation market

which did not exist under StW. The transformation of these structures points to the complex temporal and spatial patterning of activation market configurations and shifting positions of the state and providers.

Payment structure

In GB the target customer group of FND was the long term unemployed. For the first 12 months of a claim most unemployed claimants received support from the Public Employment Service, at which point they would then transfer to the provider for a period of 12-18 months (DWP, no date: section 1 p. 2). The definition of job outcome in FND (13/ 26 weeks) meanwhile, was a continuation of ‘outcome’ measures used in earlier programmes rather than more radical interpretations of job sustainability that stretched the payment model out across two to three years (DWP, 2007: 61) and would prove influential in shaping the Work Programme. The FND also lacked any means to differentiate between programme participants in relation to distance from the labour market. All participants were ‘priced’ the same, with providers receiving the same fees irrespective of a client’s employment experience/constraints, which incentivised (dis) investment in the most/least job ready. The FND payment model was originally based on a five year contract structured around 50% of funding for short job outcomes (13 weeks); 30% for sustained job outcome (26 weeks) and 20% as a service fee (DWP, no date: section 12). In practice this was never achieved as the recession led the Labour Government to revise this to 30:30:40 to maintain provider cash flow and market stability. The early cancellation of the FND in 2011 by the Conservative-Liberal Democrat Coalition Government meant that of the £770 million total programme expenditure between 2009 and 2011 over 80% was paid as a service fee (£626 million) and only 5% (£39 million) was for sustained job outcomes (DWP, 2012: 3).

The Coalition Government’s replacement Work Programme introduced in 2011 is again a five year contract (with 2 year extension option) but the target group and payment structure has been revised. The participants in the WP include unemployed *and* economically inactive benefit claimants and entry point into the programme varies according to benefit and client characteristics. Most 18-24 year old unemployed benefit claimants are mandated to enter at nine months, with the over 25s at 12 months. Those who are unemployed but have identified

substantial constraints on employment may be fast tracked into early entry as may some disability benefit claimants. In recognition of the varying capabilities and needs of this diverse base of WP participants a differential pricing tool was introduced. This instrument uses benefit category and client characteristics to create nine payment groups as ‘proxy’ measures of client employability in an attempt to better structure provider incentives and reduce the temptation to invest in the most job ready (creaming) and ignore clients with challenging employment constraints (parking). The differential pricing tool means that what counts as a job outcome and the maximum number of sustainment payments that can be claimed for an individual varies with payment group. For the 18-24 and 25+ payment groups of unemployed claimants a job outcome counts as 26 weeks employment and additional payments are triggered for every four weeks of ‘sustained’ employment, up to a maximum of 30 payments (Finn, 2012: 14). The total amount a provider receives for moving an individual into employment ranges from about £4,000 for 18-24 unemployed claimants to £14,000 for some claimants of sickness/ disability benefit (Comptroller and Auditor General, 2012a: 14). A flat £400 attachment fee is paid per client in the first year of the contract to support provider investment costs, but the value is gradually reduced each year and fully withdrawn by year four, leaving provider income 100% dependent on job outcomes from that point. Over the course of the contract the ratio of outcome fees to attachment fees in the WP is intended to be 80:20, as originally envisaged for FND.

The FND marked a cautious and partial embrace of an outcome focused payment model underpinned by an economically rationalist logic that has evolved in the Work Programme into a comparably sophisticated and expansive remodeling of payment structures. If FND marked the cautious steps toward an outcome based payment model then the WP marks the full embrace of ‘payment by results’ with its expansion to new groups and development of a pricing tool to segment and value the client group and better steer provider behaviour (Gash et al, 2013: 41). It is outside the scope of discussion here to examine the success of this strategy, but indications are that while the Work Programme is delivering job entry at a lower cost per participant than previous schemes (NAO, 2014) there has not been a step change in job outcome performance, or elimination of creaming and parking (Rees et al, 2014).

Whilst GB pursues a radical recalibration of payment structures as part of a transformation of the activation market and orientation of activation programmes, the developments in Northern Ireland have been more incremental. The target for mandatory participation in the StW programme were unemployed benefit claimants. Those aged 18-24 entered the programme after six months and those over 25 after 18 months, meaning that activation of older jobseekers occurred later than in GB. The StW payment structure was functionally different to FND and the Work Programme, including process, output, and outcome payments to providers as participants progressed through a state prescribed 'flexible menu' of activity (Wiggan, 2012; DELNI, 2012a: 8-10). The particular combination of payments and level of income due to a provider depended on which strand of activity a participant was undertaking. For example, the Essential Skills strand included an attachment fee of £1,150; a sustainment fee of £800 after 13 weeks; £400-500 payment for achieving a qualification and £1,000 for moving into employment for 13 weeks (further £500 for 26 weeks). As with the FND, payments to providers did not differentiate according to client characteristics nor benefit category, but by a client's engagement in strand of activity. Provider income then was a hybrid of process, output and outcome payments and could be earned without achieving sustained job outcomes (Wiggan, 2012; DELNI, 2012a).

The StW model most closely resembles and was influenced by a 'next generation' New Deal programme envisaged by the Labour Government in the 2004 Green paper 'Building on New Deal: local solutions meeting individual needs' which retained a central role for the state in prescribing service provision but proposed a new flexible 'menu' of provision (DWP, 2004: 43-46; Rogers, 2008). Organisational changes, efficiency drives (Work and Pensions Committee, 2007: 20-21), a succession of Ministerial re-shuffles and a pivotal review of British Welfare to Work provision in 2007 (DWP, 2007) that recommended prime contracting, long contracts and payment by results meant Building on New Deal was not developed in GB. The payment models in GB and NI began to diverge in 2008 but the new S2S indicates (constrained) convergence with the WP.

It is probably fair to say that it (S2S) is the next iteration of it (WP) in some senses. What I mean by that is that we have looked at what we think are the best aspects of Steps to Work that we could keep and tried to marry them with the new

employment programme here (Director of Employment Services, DELNI, evidence to the Committee for Employment and Learning, 2012c: 8).

Participation in S2S is mandatory at nine months for unemployed 18-24 year olds and at twelve months for over 25 year clients, bringing the activation point in line with GB (Committee for Employment and Learning, 2012b). As with the Work Programme some harder to help clients will be fast tracked, and the entry point for economically inactive clients varies, with some sickness and disability claimants referred to the programme at the discretion of the advisor. The payment structure has been altered to reward outcomes, but unlike the Work Programme the ratio of outcome: service fee is 60:40 (as in the revised phase one FND) rather than 80:20. The payment is split into an attachment fee; a job entry fee and a sustainability fee. Also in contrast to the Work Programme the service fee to providers is retained throughout the S2S contract period, which is four years (possible two year extension). There is an additional output related payment available to providers if their client gains a recognised qualification *and* enters employment (DELNI, 2013a). A key difference is that where the DWP have organised their payment model around a differential pricing tool the DELNI have opted for an ‘accelerator’ payment model as the means to mitigate the problem of creaming and parking and promote equity. The accelerator model operates on the basis that when providers reach a specific baseline level of job outcome performance a rise in the value of the per job outcome fee that is made to providers is triggered. The intention is to incentivise providers to extend their reach into their entire caseload as doing so is what ratchets up the value of fees that are payable (Mansour and Johnson, 2006: 13-16). In S2S baseline performance thresholds have been set for ‘into work’ and sustainment payments at 3, 6, 9 and 12 months. For example the ‘into work’ baseline performance for 18-24 year old Jobseeker Allowance participants is set at 35% with thresholds of 30% for JSA 25+; 19% for JSA early entry and 20% for ESA participants and volunteers. The sustainment fees that flow to providers are multiplied by 2 if performance rises above expected minimum standards at each payment trigger point. The important point is that this accelerator payment is only triggered if providers achieve baseline performance across *all* client groups. The incentive is therefore for providers to distribute their resources to ensure at least baseline performance is achieved for all programme participantsⁱ.

The difference between S2S and the WP in payment instruments and relative weight given to outcome and service fees show NI has not simply imported the GB model. The retention of payments for process and some (skill related) outputs show attempts to harness the(perceived) benefits of strengthened economic signals for securing job outcomes whilst mitigating potential negative effects on provider financial stability, service quality and attainment of additional departmental goals relating to improved skills (Committee for Employment and Learning, 2012d: 5). The reform of the payment model in GB with the introduction of the Work Programme has been essential for a rapid acceleration in the move away from a state directed quasi market to a more comprehensively provider directed model. In contrast the payment model in NI during the period 2008 to 2014 was consistent with the retention of a state directed market. DELNI policymakers have moved in the direction of GB reform but the payment model of S2S indicates a (more state directed) variant of the provider driven quasi market type is now being constructed in NI that differs from the GB model in important ways. .

Service quality

The shift to payment by results in the FND and strengthening of this method in the Work Programme has been accompanied by a ‘hands off’ approach to prescription of service content and standards which has come to be known as the ‘black box’ model (Gash et al, 2013: 45). It is perhaps more accurate to say that the FND represented a ‘grey box’ approach to service quality. While freeing providers from delivering a prescribed range of specific services in the FND the state retained a degree of oversight/ direction through stipulating pan-programme minimum service standards. These required all providers to guarantee their clients a work focused action plan; a fortnightly meeting and one four week period of work related activity (DWP, no date: 5). In the Work Programme’s ‘black box’ model the state has abandoned a pan-programme minimum service standard on the grounds that greater provider freedom is necessary to spur innovation. Individual Prime providers instead set out a minimum service standard for clients and agreed this with the DWP (DWP, no date - b: 6) with the Ministry retaining a responsibility for monitoring individual provider compliance. Although the minimum service standards are contractually binding, the content often leaves considerable scope for provider discretion and what providers guarantee for their clients varies within and across contract areas in GB.

Under the Work Programme the state has reduced its control of which services are delivered to participants and weakened its monitoring of provider activity. The presumption is that greater freedom for providers will generate the dynamic experimentation necessary to take job entry and sustainment performance to a higher level. By accepting a light touch approach to service quality the state infers the strength of the financial incentives built into the differential payment by result model is alone sufficient to drive providers to deliver appropriate services for all users. The strengthening of provider interests, reduction in state oversight and no power for users to exit the market is commensurate with what Gingrich's (2011: 11) approach would portray as a shift from state directed to provider directed market structures.

In Northern Ireland, between 2008 and 2014 the state retained a much stronger degree of control over service provision as a consequence of its prescription of activity in the 'flexible menu' for all clients across the contract areas which was underpinned by inspection of contractors by the Education and Training Inspectorate (ETI, various dates). The transition to S2S with its move away from prescription of programme content and greater emphasis on payment by results puts service quality regulation on a path of convergence with GB. Policymakers in NI have explicitly rejected the Black Box approach of the Work Programme in favour of a less individualised system they are terming the Grey Box and which is strikingly similar to the FND. In S2S as a minimum service standard DELNI require S2S primes to meet clients every two weeks; agree an action plan; review action plans each quarter; assign a personal advisor; offer health management support, debt advice, counselling, travel *and* to meet childcare costs where appropriate (DELNI, 2012d). The offer (ostensibly at least) does provide greater freedom for prime contractors, but retains state direction as all providers must address a range of constraints on employment. The intention is to achieve a better balance of greater freedom for providers to stimulate innovation and better protection against providers using this freedom to maximise profits by transferring the costs of provision to clients by 'parking' harder to help participants, a problem acknowledged by DELNI to have afflicted GB (Committee for Employment and Learning, 2012c: 9).

In GB with the Work Programme – and I stress that we are not seeking to replicate what happens there at all – they have a very clear black box approach, which is

essentially handing over the client to the provider and it is out of sight, out of mind until they come out the other side. That is not what we are going to have in Northern Ireland. That would not work: it is not appropriate to our circumstances. We will have rigorous supervision of our contracts (Stephen Farry MLA, Minister for Employment and Learning, Committee for Employment and Learning, 2012b: 5).

User choice

Political rhetoric may identify public service competition as means to achieve greater user empowerment, not least through choice (HM Government, 2011), but for participants in activation markets in the UK this does not apply. First, most participants in activation programmes are there as a condition of continuing to receive their benefit. The option to exit the market consequently has a high penalty (loss of income) and is not a choice that can be exercised if the user wishes to retain access to services and protect their income. Second, user choice within the market between providers has been almost non-existent as a feature in UK activation and has not featured in any of the four activation markets across the two jurisdictions under examination here. The Work Programme, Steps to Work, and Steps 2 Success, have all eschewed direct service user choice as an instrument to drive provider performance or hold providers to account. The review of activation policy which influenced New Labour's FND and the Coalition's Work Programme actually rejected the user choice as a costly and ineffective market instrument (DWP, 2007). The then Labour Government, however, had already experimented with user choice of provider in a Multiple Provider version of the Employment Zone scheme and user choice of job broker in the New Deal for Disabled People (Lane et al, 2013; Lewis et al, 2005). Labour intended for service user choice to be introduced eighteen months into the FND, but to only affect up to 15% of market share between FND prime contractors within a contract area. A further 5% shift would derive from the 'proxy' customer (the DWP) reallocating client caseload between providers according to performance (Vegeris et al, 2011: 17). Cancellation of FND meant these were never introduced and nor has the replacement Work Programme included a direct user choice instrument. There is then a customer in the Work Programme market, but it is the Ministry who through 'market share shift' reallocate a portion of the provider caseload to

better performing providers within a contract area. The first wave of market share shift was applied in 2013, leading to a 5% loss of future referrals for ten providers in ten different contract package areas of GB (DWP, 2013).

With only one prime contractor in each of the three contract areas of NI the DELNI have made it clear they see no role for intra-area competition and direct or proxy choice which limits competition and choice to the procurement and market access dimension/ phase of contracting. The market structures of GB and NI indicate that service user agency and control are traded for reduced transaction costs and market stability with limited indirect choice functioning in GB and none in NI. Table 3 provides a summary of the key features of the activation markets in each jurisdiction. The following section considers the implications of the differences/similarities in the configurations of market structures for portrayals of the UK approach to activation governance and marketisation.

Table 3 Overview of activation quasi markets in GB and NI 2008-14

<i>Programme</i>	<i>Target customer group</i>		<i>Procurement and market access</i>		<i>Choice</i>		<i>Payment structure</i>		<i>Service quality</i>
<i>Great Britain</i>	<i>Unemployed (Entry/ max duration)</i>	<i>Economically inactive</i>	<i>Prime providers</i>	<i>Contract area competition</i>	<i>Service user choice</i>	<i>Market share shift</i>	<i>Forms of payment to prime providers</i>	<i>Differential pricing</i>	<i>Black Box/ Grey Box</i>
<i>Flexible New Deal</i>	<i>Yes (Entry 12 months Duration: 1 year)</i>	<i>No</i>	<i>14</i>	<i>No</i>	<i>No Proposed for phase 2</i>	<i>No Proposed for phase 2</i>	<i>Service, short job, sustained outcome</i>	<i>No</i>	<i>Grey Box</i>
<i>Work Programme</i>	<i>Y. (Entry 9 months 18-24; 12 months 25+ Duration: 2 years+)</i>	<i>Yes (mandated and voluntary)</i>	<i>18</i>	<i>Yes</i>	<i>No</i>	<i>Yes</i>	<i>Service, job outcome, sustained job outcome, incentive fee</i>	<i>Yes</i>	<i>Black Box</i>
<i>Northern Ireland</i>									
<i>Steps to Work</i>	<i>Yes (Entry 6 months 18-24; 18 months 25+ Duration: 1 year+)</i>	<i>No (voluntary)</i>	<i>10 (9 regional based organisations)</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>Service, job outcome, sustainment or (non- job) outputs</i>	<i>No Payment varies by activity</i>	<i>N/A. Flexible Menu</i>
<i>Steps 2 Success</i>	<i>Yes. (Entry 9 months 18-24; 12 months 25+ Duration: 1 year)</i>	<i>Yes (voluntary)</i>	<i>3 (all GB WP 'Primes')</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>Service, job outcome sustainment & sustainment & output (job + qualification)</i>	<i>Differential pricing and Accelerator model</i>	<i>Grey Box</i>

Source: Author drawing on correspondence with DELNI and Comptroller and Auditor General (2012a); NIA (2013); ETI (various); DWP (2009); DELNI (2012a; 2013a; 2013b; 2014b)

Conclusion: oscillating varieties of state and provider directed activation markets

The article accepts the characterisations of activation governance for GB as a form of decentralised-centralisation by the UK Government involving hierarchical management of a quasi-market of preferred suppliers (Minas et al, 2012; Wiggan, 2009). We should avoid conflating GB with the UK, however, as the decentralisation of authority for social security and employment policy for NI affects the degree of uniformity between GB and NI, as analysis of activation markets during 2008-14 shows.

In GB the reconfiguration of the activation market with the introduction FND and then the WP has led to an accelerating transition from state directed to provider directed market structures across both the production and allocation dimensions (Gingrich, 2011: 10-12). The state has relinquished its role in stipulating programme content and reduced its control over service quality in favour of greater freedom for providers to decide what services should be provided, how they should be provided and to who they should be provided by. Meanwhile, changes in procurement and market access signal market re-configuration is not simply a shift that empowers providers, but is a rebalancing in favour of particular types of provider. The structure of the WP prime contracting preferred supplier model privileges large, for-profit organisations on the assumption that only these organisations can raise the finance and bear the risk associated with a payment by results model.

In contrast to GB a more state directed market structure was retained in NI between 2008 and 14. Through the StW programme the DELNI continued to prescribe programme content and link payment to inputs, process, outputs and outcomes, making it closer to the preceding New Deals that operated in NI (and GB). Though StW involved the move to a prime contractor model the relative size of contract areas (compared to those in GB) limited their attractiveness to the for-profit provider operating in the GB market meaning a more diverse base of smaller providers drawn from the NI region. The development of S2S shows NI re-converging with GB. The S2S prime market configuration is closer to the WP than StW across the allocation dimension (regulation of service quality) and production (procurement and market access; payment structure, user choice) dimension. The market has been remade to attract large for-profit

organisations delivering the WP in GB and DELNI has withdrawn from extensive prescription of programme content. Yet the S2S also demonstrates a willingness to innovate in market instruments in response to emerging evidence of market failure in GB (Rees et al, 2014; NAO, 2014), with an accelerator payment model preferred over the differential pricing instrument of the WP. DELNI has also set the ratio of attachment fees to outcome fees lower in S2S than in the WP and stipulated pan-programme minimum service standards. Concern about problems that have emerged in relation to service quality, creaming and parking of clients and market stability in the WP have led policymakers to construct a different configuration of market instruments and consequently a different balance between state and provider. The post 2014 activation market is a move toward a provider directed market for NI, but policy learning from GB is manifest in greater public regulation than allowed for in the WP. The activation market in NI effectively retains a level of state direction that has more in common with the Labour Government's FND than the Coalition Government's WP.

What is striking about each jurisdiction is how market structures are (re)configured as state or provider directed, but not user directed markets. The weak form of user empowerment proposed for FND was kept out of the WP and the exercise of 'proxy' customer choice by DWP is minimal. Meanwhile a lack of intra contract area competition in NI means proxy choice following enrollment of participants in the StW/S2S is not possible. In UK activation markets the only consistent form of (proxy) choice is in the procurement phase, as Ministries act as the customer purchasing future service provision from competing providers. User directed activation markets that maximise market access and empower the direct service user are possible. The Netherlands Individual Reintegration Agreements between 2004 and 2008 gave clients autonomy and resources to shape their own return to work trajectory in an open market that rapidly became intensely competitive (Finn, 2011b: 16). Why the UK currently eschews user directed activation markets and the effect this has on service users cannot be answered here, but is worthy of greater research. Returning to depictions of the UK as a 'committed marketiser' (Van Berkel et al, 2012a) the analysis offers support for this broad categorisation but also a need to disaggregate by jurisdiction and market actor to recognise the variegated temporal/ spatial patterning of market reforms and preferences. If we do this then GB emerges as the champion of intensified provider

directed marketisation, while NI emerges as a cautious reformer, favouring closer state management of an emerging provider directed market.

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