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Bannink, D.B.D.; Ossewaarde, M.R.R.

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Decentralization: New Modes of Governance and Administrative Responsibility

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Duco Bannink¹ and Ringo Ossewaarde²

Abstract

Shifts in governance can be conceived of as a response to policy capacities being shared—in a material sense—between centralized and decentralized levels of government. A comparative case study is conducted of three conceptually different shifts in governance. Unclear responsibility relations lead to “paradoxes of decentralization,” in which the applied mode of governance blocks the intended improvements. Three case studies are presented to illustrate these mechanisms. There is no “best” way of decentralizing responsibilities; requirements of governance modes are ambiguous. The sharing of policy capacities between central and decentralized levels of governance requires internally inconsistent governance arrangements.

Keywords

decentralization, administrative reform, shifts in governance

Shifts in governance comprise the rational reorganization of government in response to new social and economic pressures, and institutionalizes specific values and beliefs concerning the role of centralized and decentralized state

¹VU University Amsterdam, Amsterdam, Netherlands

²University of Twente, Enschede, Netherlands

Corresponding Author:

Duco Bannink, Department of Governance Studies, Faculty of Social Sciences,
VU University Amsterdam, De Boelelaan 1081, 1081 HV Amsterdam, The Netherlands
Email: d.b.d.bannink@vu.nl

and nonstate actors. Robinson (2008) outlined two differing state responses to decreasing state capacities and two differing ways of understanding these. The first one is called the “command-hierarchy” approach and the second one is the “influence-network” model. The first approach locates competencies in the central state and discusses how states shift responsibilities to other actors in response to decreasing state capacity. Relations are reshuffled to uphold a centralized concept of state responsibility. Robinson contrasts this to a network approach in which not state responsibility but instead “the quality of outcomes” is “the principal determinant of accountability” (p. 568).

The “sovereignties in transition” debate (Walker, 2003) addresses the same issue of government capacities under decreasing sovereignty. Osiander (2001) argued that the decentralization of regulatory competencies entails a fundamental contestation of state sovereignty, unmasking sovereignty as “Westphalian Myth.” However, Durant (2000) argued instead that shifts in governance entail the emergence of a “neo-administrative state” assuming increased central responsibilities, albeit in a “masked” fashion (p. 80). Durant builds on Clarke and Newman’s (1997) *Managerial State*. In the neoadministrative state, authority is diffused from the public to civic and market spheres and, as Clarke and Newman argued, “Far from being shifts towards a ‘rolling back’ of the state, these changes involve a ‘rolling out’ of state power but in new, dispersed, forms” (p. 30, cited in Durant, 2000, p. 80).

We link this debate to the literature on new modes of governance and decentralization. We seek to make a contribution to these debates in two ways. In the first place, we aim at a model of transition modes. Can different forms of sovereignty in transition be systematically ordered as modes of governance? We conceptualize sovereignty transitions as operations in which relations between centralized and decentralized levels of government are restructured. Although sovereignty transitions may go both ways, we discuss three cases of decentralization. However, not different from centralization, decentralization produces a constellation of governance responsibilities. The emphasis of our study, accordingly, is not on the direction of change but on the resulting mode of governance.

In the second place, we attempt to explain the performance of these modes, particularly with respect to “administrative responsibility.” The governance concept concerns two things: the relative capacity of alternative constellations of government to perform specific policy functions and the normative quality or appropriateness of their roles. We refrain from the primarily normative approach that is often used in political science and law (Van Kersbergen & Van Waarden, 2004). We do not evaluate the normative quality, legitimacy, or legal nature of various governance constellations. Instead, we engage a positive-evaluative approach, illustrating how new modes of governance differ

with respect to the nature of administrative responsibility that they support. Our central research question concerns the following issue: How do modes of governance support administrative responsibility?

“Complete decentralization” is aimed at decentralized responsibility as “virtue” or a full transition from sovereignty to “subsidiarity.” However, such subsidiary responsibility may well appear to come down to the transition of central-level conflict to the decentralized level if supralocal interdependencies are not sufficiently addressed: the paradox of subsidiarity. Two conceptually different modes of “incomplete decentralization” address these problems of subsidiarity but may create unclear responsibility relations. The decentralization of policy autonomy (“decentralized task responsibility”) is aimed at the increased utilization of local information, but it may lead to overemphasizing local issues at the cost of central-level concerns: the self-regulation paradox. The decentralization of the risks of policy failure and success (“decentralized accountability”) is aimed at stimulating local efforts toward the attainment of central-level policy aims. However, it may lead to a rather mechanistic response to incentives and the underutilization of local expertise and information: the performance paradox.

In the next section, we argue that shifts in governance take place in response to policy capacities partially existing at the central and partially at the decentralized level of governance systems. In the second section, we discuss three empirical cases of decentralization, each representing one of the analytical categories of decentralization. These are based on our own research in the context of the Dutch welfare state. We discuss these cases to illustrate how decentralization operations support specific types of administrative responsibility while evoking decentralization paradoxes. In the final section, we shortly discuss decentralization in other contexts and formulate a conclusion on decentralization and responsibility. We consider to what extent a centralized conception of state capacity is upheld, as Robinson (2008), Durant (2000), and Clarke and Newman (1997) suggested. However, we aim at stretching beyond this discussion somewhat arguing that it is not (only) the extent of power but also the content of power that differs between types of decentralization processes. Instead of discussing *how much* centralized and decentralized results from varying sovereignty transitions and their resulting modes of governance, we discuss *what types* of administrative responsibility relations are supported.

Decentralization and Responsibility

“Sovereignty in transition” evokes shifts in governance that can be considered partial decentralization operations. Partial decentralization complicates the

pursuit of responsibility. Below, four analytically different modes of governance can be distinguished, stretching from completely centralized to two modes of partially decentralized to completely decentralized governance constellations. We discuss the responsibility constellations that are supported by these modes.

Shifts in Governance as Partial Decentralization

“New” governance arrangements are characterized by processes of coordination without full central authority (see Van Kersbergen & Van Waarden, 2004, p. 152). In the public sphere, a shift in governance is observed in which traditional, hierarchical governance mechanisms are being replaced by horizontal, interactive, or multilevel arrangements. The idea of a shift toward “new” modes assumes a “traditional” mode of governance that the current mode has shifted away from. This traditional mode, often indicated as “government,” is one specific mode of governance. It is characterized by coordination, by “hierarchical imposition” (Héritier, 2002), and by national, democratically legitimated institutions, possibly mandating competencies to lower levels of government. This hierarchical mode of governance is currently being replaced by other modes that differ with respect to their location, mechanisms, and styles (Héritier, 2002; Knill & Lenschow, 2003; Scharpf, 2001; Van Kersbergen & Van Waarden, 2004).

New governance constellations emerge in response to a constellation of interdependencies in which the capacity of a central, coordinating entity is incomplete and power is shared—in the material sense of the word—between levels of coordination. Knill and Lehmkuhl (2002) discussed European multilevel governance arrangements and argued that centralized coordination is required because mutual interdependencies between decentralized actors exist. This is an important motivation, for example, European social policy integration that addresses problems related to coordination of national welfare states and labor markets. However, the same literature on European Union (EU) integration amply shows that national preferences and institutionalized welfare state and labor market arrangements stand in the way of further social policy integration (Citi & Rhodes, 2007; De la Porte, Pochet, & Room, 2001; Falkner, 1998; Ferrera, Matsanganis, & Sacchi, 2002; Jacobsson, 2004). Interdependencies between European states engender pressures toward policy coordination and convergence. However, at the same time, the comparative advantages of national economies (Hall & Soskice, 2001) form an incentive to protect policy autonomy and divergence. That is, the low social cost advantage of new European member states invokes pressures from high

social cost states to harmonize wages and social security systems while it invokes efforts to protect the own market from such pressures. Such paradoxical relation between the interunit and intraunit level exists independent from the existence of explicit supraunit coordination projects like the path toward the single European market. What is more, supraunit interdependencies often function as the impetus to increased coordination, although they recurrently invoke opposition against these same efforts (De Swaan, 1988). Interdependencies between employers in the late 19th and early 20th century have led various employer groups to strive for the introduction of state coordinated welfare arrangements; there were also employer groups who opposed against coordination in the Netherlands (De Vries, 1970; Schwitters, 1991) and in other states, like the United States (Berkowitz & McQuaid, 1980). Concurrent and recurrent pressures toward central coordination and decentralized autonomy have determined the history of the Dutch welfare state (Bannink, Kuipers, & Lantink, 2006; Bieber & Bannink, 2005; Cox, 1993).

For both downward and upward shifts in governance, it goes that the locus of governing capacity is *partially* situated at the central level of entities engaged in the coordination of action and partially at the decentralized level of entities whose action is being coordinated. Both shifts appear to take place at the same time and in response to similar pressures (Mayntz, 1993). Central governments lose power to decentralized actors because of the complexity of local conditions, although interdependencies between decentralized actors require upward shifts in governance. Shifts in governance are conceptualized as decentralization operations responding to capacities in a material sense being shared between the central and decentralized levels of a governance constellation.

The partiality of central governmental capacities proves to be highly problematic for the conceptualization of sovereignty. Sovereignty can, under such conditions, no longer be fully justified.

Decentralization and Sovereignty

The distinguishing mark of sovereignty is “the autonomy of the political” (Loughlin, 2003, p. 56). But with the rise of governance actors, the state is no longer constitutionally independent from other communities. With current challenges posed by globalization and the related interdependencies between sovereign states and by localization and the dependency from localized units, sovereignty becomes “organized hypocrisy” (Krasner, 1999).

In the sovereignties in transition debate, it is therefore widely argued that the rise of governance structures makes sovereignty an outdated principle.

The sovereign state changes into a “post-Westphalian state” (Falk, 2002) or “responsible state” (Etzioni, 2006). Such a sovereign state no longer functions to guarantee legal security but is responsible for the whole of humankind, organizing the legalization and enforcement of human rights (Cohen, 2004; Levy & Sznajder, 2006). Carozza (2003) fully abandoned sovereignty and introduced “subsidiarity” as a more fitting political form in an era of “glocalization.” Subsidiarity implies that no higher authority can legitimately act if a lower authority is able to and that a higher authority can intervene in the affairs of lower authorities only if this enables them to govern themselves (Ossewaarde, 2007b). The central state under subsidiarity is a derivative of local authority, deriving its legitimacy from the belief that lower, typically local or regional communities lack the capacities that they need to flourish, although higher authorities, such as the EU, United Nations, Roman Catholic Church, or the state, can provide these.

Sovereignty is in transition because sovereign government presupposes the existence of monopoly power and policy-making capacity—not only in the legal arrangement but also in the material content of the constellation. It is this capacity that is limited to an increasing extent. Policy capacity is increasingly shared between the central and decentralized level. This implies that the responsibility for policy formation and implementation is shared accordingly. In the next section, we outline four aspects of administrative responsibility that we, in the subsequent section, link to four governance constellations, indicating conceptually different sovereignty transitions.

Administrative Responsibility

Bovens (1998) made a distinction between four different types of responsibility. In the first place, responsibility may refer to “capacity.” Actors’ responsibility follows from their alleged capacity to carry their duties, in the sense of position and available means. In terms of capacity, responsibility refers to holding sovereign power to effectuate the policy objectives of the sovereign state. Sovereignty in transition implies that capacity is no longer sufficiently available at the level of central government. Responsibilities are decentralized within the state and a “new social contract” is drawn (Ossewaarde, 2007a). Capacity is shared between the central and decentralized levels of governance systems.

Capacity is shared in the second responsibility type: responsibility as “accountability.” This responsibility refers to regulated actors being held responsible for the consequences of the choices that they make within the sovereign state. Accountability is primarily an economic type of responsibility,

which is carried within the institutional context of market capitalism and “freedom of choice.” In this responsibility type, a market relation is constructed between a central, regulating government and decentralized, regulated implementing agencies or local governments. Regulated actors are considered free agents, responsible for the outcomes of their own, free choices. These organizations are treated as service providers. Central government, acting as service purchaser, introduces incentives to influence the free choice of service providers. Citizens are defined as “consumer-citizens,” who consume public services and construct their civic identities through their consumptions (Bevir & Trentmann, 2007).

A third responsibility type, in which capacity is also shared, is the delegation of responsibility as “task.” This responsibility refers to the duties or obligations that are attached to the autonomy and competencies that subjects are considered to have. The task of central government is primarily understood in terms of supporting or enforcing the role obligations of decentralized target groups. Decentralized actors have a duty or are obliged to provide services at adequate standards. If decentralized levels of a governance system fail to fulfill their tasks appropriately, then the sovereign denies them the legal right to act as implementing agency or local government. This threat allows central government to influence decentralized agencies.

The fourth mode comprises the full transfer of policy capacity to the decentralized level. In this case, responsibility as “virtue” is pursued. This type of responsibility is not exercised within the sovereign state. Instead, it is governed by the subsidiarity principle. Regulated actors are considered to have personal qualities that induce them to act responsibly. In the subsidiary state, central government is not a sovereign power but a higher authority that is responsible for assisting decentralized actors in support of their self-government. Self-government is an end in itself, not a means or policy instrument to effectuate central government’s objectives. A key function of subsidiary government is to sustain decentralized authority and safeguard pluralism and diversity.

In the sovereign state, decentralization implies the delegation of centralized power to lower levels of sovereign power. This power shift takes place within the government, which implies that the sovereign keeps its power but transfers responsibilities to enhance its efficacy. This indicates the emergence of a “neoadministrative state” (Durant, 2000), a state that shows a traditional pursuit of social control by new means. Sovereignty, also decentralized, regulates the relations between citizens, social organizations, and decentralized public agencies and mitigates the effects of social conflict.

The redistribution of responsibility typified as virtue signals the radical transformation from the sovereign state into the subsidiary state. It implies

localization. Subsidiary states are political entities in themselves that enable their citizens to acquire (civic) virtue and thereby govern themselves. As subsidiary states offer no legal protection, but count on the potential virtue of citizens, self-government is a potentially dangerous affair, in the sense that it may prove unable to mitigate the potentially conflictual relationships between social actors.

These different responsibility types are pursued by different modes of decentralization. These modes may evoke specific paradoxical effects.

The Pursuit of Responsibility and the Paradoxes of Decentralization

Decentralization occurs under the acknowledgment of interdependencies between central and decentralized actors; that is, the locus of capacity is partially situated at the decentralized and partially at the centralized level. Next to a fully centralized mode, three modes of decentralization can be conceived. A policy is comprised of (a) substantial content of the policy and (b) the resources needed for policy implementation (Hoogerwerf, 2003, p. 20). Decentralization may concern (a) the transferal of policy content, that is, the transferal of policy-making autonomy and implementation discretion from central to geographically or functionally decentralized levels of administration; (b) the transferal of policy resources, the financial and other risks of policy failure and success, from the central to decentralized levels of administration; or (c) the transferal of both substantial and resource competencies. In a fully centralized constellation, substance and resources are situated at the central level.

The transferal of only policy-making autonomy and implementation discretion is aimed at supporting the decentralized actor fulfilling his centrally defined role obligations. Resource risks remain at the central level, whereas decentralized actors are allowed to substantiate their role obligations in the concrete local context. Responsibility as task is pursued. If only the resource risks of policy failure and success are transferred to the decentralized level, responsibility as accountability is in order. Local government becomes responsible for the attainment of specified policy goals that are formulated elsewhere, at higher hierarchical levels. This responsibility is supported by influencing the choice options of decentralized units. The transferal of both resource risks and policy-making autonomy to the decentralized level is aimed at responsibility as virtue. In this responsibility mode, central-level capacities essentially become irrelevant. A subsidiary constellation is pursued.

The first two are “incomplete” modes of decentralization. Decentralized levels of a governance system support central sovereignty, albeit “in transition.” We call the third, subsidiary variant “complete” decentralization. The decentralization of neither policy content nor resources produces a “nontransition” sovereignty constellation where capacity is considered completely located at the central level.

When an agency is given implementation discretion, although a specified output component of this agency is measured and rewarded, accountability is pursued. Such incomplete decentralization mode may lead to unintended effects. A so-called “performance paradox”—a seeming contradiction—may occur (Van Thiel & Leeuw, 2002). The establishment of a specified performance indicator supports increased control over decentralized performance. The same increased specification of the indicator, however, enables the decentralized actor to concentrate his efforts on a more limited policy goal, circumscribed by the rewarded aspects of performance while ignoring the nonmeasured aspects of performance (Van Thiel & Leeuw, 2002). The policy goal that is implied in the performance indicator “overrules” decentralized implementation discretion. Rewarded performance increases, whereas actual performance, circumscribed by the aims of the policy at large, may deteriorate. Coming up to measured performance criteria, the decentralized actor influences the substantial content of the policy as it is implemented at “street level” (Lipsky, 1980). “Creaming,” prioritizing the easier cases from a caseload to increase the number of successfully finished cases, is an example. Actual implementation contains a different client selection criterion than the originally formulated policy.

This particular mode of decentralization often occurs in New Public Management (NPM) arrangements. NPM arrangements are characterized by a more distanced relationship between (centralized) policy-making authorities and (decentralized) policy-implementation authorities. This goes along with a separation of policy formulation and performance assessment functions on one hand and policy implementation on the other hand: Osborne and Gaebler’s (1992) “Steering Rather Than Rowing.”

Another paradox, the “paradox of self-regulation,” often occurs in corporatist policy implementation constellations (Bannink, 2004; Schmitter, 1974) and in many other instances in which a central governing actor seeks the cooperation and consent of actors in the field. Central governments may seek decentralized involvement in policy formulation to increase the support for a policy. For example, in the context of European social policy making, the Open Method of Coordination is considered as an instrument the European

Commission uses to involve EU member states that cannot be controlled through hierarchical regulation (Jacobsson, 2004; O'Connor, 2005). Furthermore, because decentralized actors command relevant information about important issues at the decentralized level, the efficacy of policy implementation may be improved. Decentralized actors are given a role in both "steering" and "rowing." This implements responsibility as task. Collective funds are made available to finance policy aims that are formulated in a constellation in which central actors share regulatory power with decentralized actors. Decentralized actors apply these means to implement the policy. Héritier and Eckert (2008) argued that self-regulation is often implemented under "weak control." Weak control leads to gaps in the implementation of policy proposals: Instead of providing increased decentralized information and policy support, decentralized actors may show rent-seeking behavior (Olson, 1971) and apply the available funds to strengthen their own organizational capacity (Bannink, 2004; Moe, 2005). This signifies a paradox. Deregulation was intended to increase the policy-making and implementation capacity of a central actor only capable of weak control. Improved capacity is pursued by giving decentralized actors a role in the policy process, implying responsibility as task. Instead, the same self-regulation under weak control might empower decentralized actors, ultimately allowing them to give priority to decentralized interests.

Incomplete decentralization may give rise to paradoxes. A performance paradox may occur where centralized control is too strong (not leading to increased performance but to an instrumental emphasis on rewarded performance); a self-regulation paradox may occur where centralized control is too weak (not leading to increased decentralized information and support but to uncontrollable policy costs).

Complete decentralization might address problems related to the performance paradox and the paradox of self-regulation. Decentralized actors can neither pursue decentralized interests funded by centrally provided means nor adjust their policies to centrally rewarded policy aims. Complete decentralization implies transferring policy autonomy and implementation discretion as well as the financial risk of policy failure and success, supporting responsibility as virtue. A subsidiary constellation emerges. However, a complete mode of decentralization is not necessarily adequate. Are policy objectives indeed most feasibly addressed at the local level or are supralocal and intralocal interdependencies included in the issue that need to be addressed at the centralized level? A subsidiarity paradox may occur: not virtue is attained, but the transfer of central-level policy conflicts to the decentralized level.

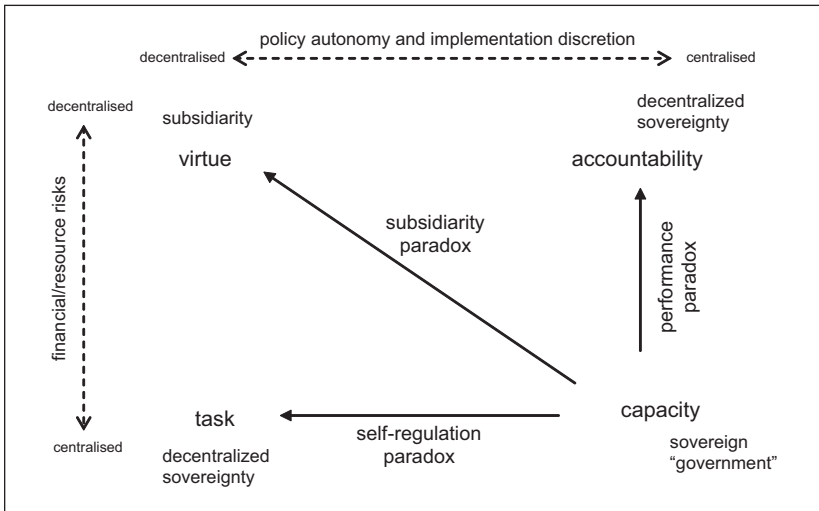


Figure 1. Responsibility outcomes of three decentralization modes

Skocpol (1995; see also Huber & Shipan, 2002) identified such a paradox with respect to the decentralization of public assistance in the United States. The budgets of public assistance were transferred from the federal state to the local level, and decentralized actors were given policy-formulation autonomy. However, without taking into account the extent of necessary means, a specific policy objective—of social policy retrenchment in this case—was imposed on decentralized actors. As a result, decentralized actors were transformed into instruments for the attainment of federal retrenchment objectives. It became difficult for the decentralized actor to formulate a policy that addressed specific, complex local conditions and policy preferences.

Previously, we discussed the sovereignty in transition debate and related that to modes of decentralization. “Sovereignty in transition” results from partial capacities at the central level of a governance system, leading to problems of policy formation and implementation. Three possible modes of decentralization were distinguished (see Figure 1). Either policy content (a) or policy resources (b) or both (c) can be decentralized. These modes support specific types of administrative responsibility but may each evoke specific paradoxes of decentralization. The transfer of the financial risks of policy failure and success supports decentralized responsibility as accountability. However, it may lead to overregulation, requiring decentralized actors to be accountable for

the policy aims of the central actor, preventing them to apply relevant local information. The transfer of policy-making autonomy might instead of supporting decentralized responsibility as task and decentralized involvement in central-level policy issues lead to decentralized action being oriented to the concerns of decentralized actors. The transfer of both risks and policy autonomy to the central level might instead of supporting decentralized responsibility as virtue lead to the transfer of central-level conflict to the decentralized level.

In the following section, we present three empirical cases of social policy decentralization—one for each of the decentralization modes—and illustrate how decentralization supports administrative responsibility and evokes decentralization paradoxes.

Three Cases of Decentralization

In this section, we discuss three recent decentralization processes that differ with respect to their modes of decentralization. In the first case, the financial risk of policy failure and success was transferred to the decentralized level, whereas policy-making autonomy and implementation discretion was not. Responsibility as accountability was pursued. However, a performance paradox was evoked. In the second case, policy content was transferred to the decentralized level, whereas policy resources were not. Responsibility as task was pursued and a self-regulation paradox occurred. In the third case, policy content and policy resources were decentralized. This supported responsibility as virtue, but it also gave rise to a subsidiarity paradox in which central conflict was transferred to the decentralized level.

This article is a reassessment of primary research conducted with various other researchers and previously published in a number of research reports. The context of the case studies is the Dutch welfare state. This entails that our results might be affected by the particular context the studied decentralization modes are situated in. The Dutch welfare state is exceptional because it is characterized by highly institutionalized relationships between state and civil society organizations and a strong history of tripartite involvement in policy formation and implementation (Bannink & Hoogenboom, 2007; Trommel & Van der Veen, 1999; Van Doorn & Schuyt, 1978). In other words, “incomplete decentralization” is a normal mode of governance in the Dutch context. In the conclusion to this article, we make a limited comparative analysis of two other welfare states, France and the United States, with strongly different governance traditions.

For each of the three Dutch cases, we first outline the decentralization constellation and relate this to the framework of decentralization discussed above: Which components of decentralization have actually been proposed and implemented? After that, we assess the achieved mode of administrative responsibility and its consequences.

Work and Social Assistance Act (WWB)

In 2004, the WWB was introduced to replace the Social Assistance Act of 1996. The Act pursued a new substantial policy objective indicated as “Prioritisation of Work Above Income” (TK 28870, No. 3, 2002-2003, pp. 2-4); the “rules of the act have to activate the responsibilities and capacities of citizens and local governments as much as possible” (TK 28870, No. 3, 2002-2003, p. 2). To do so, the obligations and incentives of citizens and local government are intensified (TK 28870, No. 3, 2002-2003).

The new policy objective is to be attained through a changed administrative organization of policy implementation, characterized by “three Ds”: decentralization, deregulation, and the decrease of reporting obligations. The “decentralization” of financial responsibilities (TK 28870, No. 3, 2002-2003, p. 15 ff.) was introduced as an incentive to local governments aimed at client activation. Local governments can no longer claim the expenses of benefit provision from the national budget. Instead, this so-called “income-component” of the social assistance budget was integrated in the general municipal budget. This entails that local governments bear the risk of policy failure and success: An increase of the number of beneficiaries directly affects the local budget. Expenses of beneficiary reintegration activities, the “work-component,” were not integrated in the local budgets. Local governments can claim expenses made for client reintegration from a separate, national fund. “Deregulation” of social assistance provision granted local governments the competency to establish decrees in which benefit provision and client reintegration activities are further specified (TK 28870, No. 3, 2002-2003, p. 40 ff.). The decrease of reporting obligations formed an additional operation to increase administrative efficiency (TK 28870, No. 3, 2002-2003).

The act included additional, secondary regulations to mitigate the expected effects of the act (Bosselaar, Bannink, van Deursen, & Trommel, 2007). Required was that municipal decrees be of a “balanced” nature so as to include different client groups (TK 28870, No. 3, 2002-2003, p. 40) and that the income guarantee remain in place (TK 28870, No. 3, 2002-2003). Collective exemptions of work obligations were forbidden.

Central government considered that the decentralization of the financial risk of policy failure and success would contribute to the attainment of the new primary policy objective of “work before income.” This mode of decentralization supports administrative responsibility as accountability. The incentive of the decentralized income-component appeared to unequivocally stimulate local governments to focus their efforts on immediate client reintegration. The governance concept of the act therefore can be characterized as “governance by performance management,” implying “strict regulation” (Bosselaar et al., 2007, p. 111). A performance paradox occurred. The incentive of the act overrules possible local considerations concerning work and social assistance that do not lead to immediate client reintegration. More complex individual cases and more complex local conditions are pushed out of the range of policy options that local governments can cover. For example, the WWB has made it more difficult for local governments to support intensive reintegration activities for clients who have a greater distance to labor participation or the nonlabor social integration of citizens. Creaming of clients seems to occur (Bosselaar et al., 2007; Van Ours, 2007). However, although various actors in the field initially argue that such creaming may be temporary, the incentive system of the act appears to reinforce creaming in economically difficult conditions. Divosa, the association of directors of municipal social service agencies, argued in the 2009 publication of their yearly “WWB Monitor” that social services initially centered attention on the easily reintegrated clients, although later on the effort was broadened to also include the more difficult groups (Divosa, 2009, p. 29). This picture is supported by quantitative research that shows that the number of beneficiaries from more difficult groups (clients aged above 45 years and clients who have received benefits for more than 2 years) declines (Bosselaar et al., 2007). In 2010, when the economic crisis that started in 2008 hit the social services, Divosa argued, however, that

the financial incentive in the Work and Social Assistance Act causes municipalities to primarily aim at the “quick fix.” The money firstly goes to people who can be re-integrated into labour by means of limited and not too expensive instruments. (Divosa, 2010, p. 11)

Possibly as a result of the quick reintegration of the easier client groups, the reintegration into labor as a percentage of the total number of clients decreased continuously between 2006 (16.2%) and 2009 (11.4%; SGB0, 2009). Between 2006 and 2008, the percentage of clients who received benefits for more than 5 years has increased from 37.4% to 41.4%, to

decrease in 2009 to 40.5% primarily as a result of increased new intakes (SGBO, 2009). Although we feel that we need to emphasize that the interpretation of such quantitative figures is extremely problematic, we deem the social integration of citizens with a greater distance to labor less supported by the new WWB than under the previous regulation.

Although the strong emphasis on more easily reintegrated clients actually conforms to the intentions of the policy maker, the WWB is not exclusively aimed at the reintegration of these groups. “Social activation,” a “balanced implementation of the act” including varying targets groups, and the “prevention” of benefit dependency are among the aims and objectives of the act (Bosselaar et al., 2007, pp. 30-31; TK 28870, No. 3, 2002-2003). This implies that the local emphasis on immediate reintegration can indeed be considered an instance of a performance paradox: The required performance was broader than the produced performance.

Unemployment and nonparticipation in labor and society have strong local aspects. The national state has indeed transferred financial risks to the decentralized level. The local responsibility type that the governance relation of the WWB pursues can therefore best be characterized as responsibility as accountability. Direct central regulation has been exchanged for incentives to stimulate local governments to fulfill the policy objectives of the national sovereign. However, the introduced incentive appeared to restrict local policy autonomy and implementation discretion, and orient local policy implementation to a specific, nationally inspired policy objective of immediate client reintegration. Instead of responsibility as accountability, a performance paradox occurs. Local governments come up to the rewarded aspects of performance and downplay other aspects. This leads to increased reintegration efforts for the more easily treated clients but deteriorated access for more difficult cases. The costs of the policy arrangement are transferred downward to vulnerable client groups who face the danger of social exclusion.

Health and Safety Covenants

The Ministry of Social Affairs and Employment established the policy program of health and safety covenants in 1999 (TK 26375, No. 1, 1998-1999). The program was inspired by the Health and Safety Act of 1998, in which the own responsibility for health and safety of employers and employees was enlarged. The health and safety covenants changed the coordination and governance of health and safety conditions by central-level rules and regulations controlled by the public Labor Inspection into decentralized development and implementation of health and safety measures (Veerman et al., 2007).

Health and safety covenants are tripartite agreements (labor unions, employers, and national government) on labor conditions and health and safety measures in a specific branch of industry. The covenant approach acknowledged that such targets could not be laid down in legal regulation but instead required branch-level input in both the definition of targets and the implementation of the required measures. Therefore, decentralized involvement in policy formation and implementation was pursued, supporting responsibility as task.

So-called branch-level advice committees supported the covenant decision and implementation process. These committees consisted of representatives from the ministry of Social Affairs, of labor and employers' organizations in the branch and of the public Labor Inspection. The latter organization is responsible for supervision over health and safety conditions at work and as such has a role in the traditional regulation of the health and safety issue. The Labor Inspection eventually withdrew from the committee. It took a distanced position because it did not want to stand in the way of decentralized input in decision making and implementation (Veerman et al., 2007).

Financial resources were made available for the policy-making and implementation process in the various branches. The costs of the design and implementation of health and safety measures could be claimed at a level of 50% of total costs. The number of participating branches exceeded expectation. A total of 67 instead of the expected 20 branches participated, although more than half of the total number of Dutch employees was eventually covered by one of the covenants (Veerman et al., 2007). However, although the number of participating branches was relatively large, the actual success of most of the covenants was limited at best. The phase of discussing health and safety issues in the branch and the design of measures took longer than expected and showed relatively high levels of conflict. Often, partners were brought together who had only limited contact before, for example, only in the case of collective labor agreement negotiations. This may be explained by the financial means that could be claimed (Veerman et al., 2007). It stimulated actors to participate in the process that would not cooperate with each other without these additional funds (Veerman et al., 2007).

This had repercussions in the implementation phase. Although the number of actually closed covenants was greater than expected, actual implementation of the measures was limited. The evaluation of the program shows that "the covenant program mobilised additional financial means supporting branch-level organization" (Veerman et al., 2007, p. 75). But the actual effectiveness of policies was limited. The covenants considered most successful were most easy to attain, whether because these branches already had strong branch-level

governance arrangements for health and safety issues or because the nature of health and safety problems in these branches was relatively simple (Veerman et al., 2007).

The covenants can be seen as a governance arrangement in which branch-level cooperation in the field of health and safety measures is “bought” by the provision of financial means, whereas the national government refrained from involvement in policy making and implementation. The Ministry proved willing to support decentralized policy autonomy and implementation discretion and finance the health and safety measures the branch level came up with. Responsibility as task was indeed supported by the governance constellation, but it did not lead to strong efforts for the implementation of the designed measures. The decentralized actors indeed proved willing to devise such plans, but the actual improvement of labor conditions in various branches appears limited or unclear at the least (Veerman et al., 2007).

We see responsibility as a task in which the central government provides resources to his subjects to attain objectives the central actor cannot attain himself. The state reluctantly requested the decentralized actor to help along with some of the issues that are beyond his own capacity. In response, the decentralized branch-level actors indeed claim the provided resources but do not fully come up to the central actor’s policy aims. This is an instance of the self-regulation paradox: Central deregulation was introduced to improve decentralized self-regulation. Instead, however, decentralized interests gained importance over the central policy aims of the government. Decentralized actors shifted the costs of the policy upward, to the central actor, while being able to autonomously decide how to use the provided resources. However, the central actor provides the claimed resources but proved unable to control the action of decentralized actors.

The Social Support Act

In 2007, the Social Support Act was introduced. The Act aims to promote the “participation” and “self-responsibility” of citizens in the public domain of municipalities. It seeks to promote social participation in terms of “strengthening social cohesion” and “self-reliance” through community care and civil volunteering (TK 30131, No. 3, 2005-2006). “Everyone participates” is a key slogan (Ministry of Health, Welfare and Sport, 2007, p. 4). The Act prescribes that local governments include civil associations and active citizens, including community care workers and volunteers, in all stages of the policy process (Ministry of Health, Welfare and Sport, 2007). In the Act, nine so-called

“performance criteria” are defined, such as promoting social cohesion, promoting community care, volunteering, supporting youth, supporting people with psychosocial problems, and supporting addicts. A minimum degree of care is legally specified: The so-called “compensation duty” to the most vulnerable citizens includes a limited number of public services, like the provision of wheel chairs (TK 30131, No. 41, 2005-2006). Apart from that, local governments are authorized to administer the Act according to local demands. Local governments are no longer accountable to the national government but are accountable to their local “governance partners.” The local council, not the central state, is the institution that evaluates whether the policy implementation process conforms to the performance indicators of the Act, given specific local social and political circumstances.

Rather than regulating conduct and funds, the Social Support Act localizes substantial policy making and the financial risks of policy failure and success. As such, it supports subsidiary responsibility as virtue. The Act has no substantial objective. It does not define solutions to the social problems of specific target groups. Instead, its objective is to reorganize administrative relationships and to redistribute governmental responsibilities. The Act is an instrument for organizing a local governance constellation, in which a wide variety of local governance actors participate, to activate associations and citizens in the public domain of the municipal community. Local governments are financially responsible for the implementation of the Act. The central government distributes public funds among the local governments according to a number of social indicators. These budgets are part of the general municipal fund. Local governments can no longer claim public refunds for specific policy efforts or target groups. The Act abolishes financial support for interest groups that are organized around a specific identity. These costs are now also covered from the municipal budget. About 40% of the entire municipal budget is reserved for implementing the Social Support Act.

As an actual social consequence, intimately experienced by the former target groups, the Social Support Act, though it provides local governments with the compensation duty, makes the local provision of public services largely dependent on local governance processes and local council decisions. The Act demonopolizes the policy making of civil servants to make space for including a wide variety of (nongovernmental) governance actors. In reality, it appears that local governments tend to include only a limited amount of cooperative associations in the policy process. Local governments typically expect from local target group associations that they come to engage with all sorts of associations, as only the broader network stands a chance for being included as governance actor. Hence, local (or regional) elderly unions, patient

organizations, volunteering groups, and migrant associations have typically come to join efforts to present themselves collectively—as a broad network that supports social participation and civic participation—to local governments. Local governments, bearing the resource risks of the policy, redefine their role and use local networks as efficient “civil service providers,” granting them a task with respect to local government policy objectives (SGBO, 2006). A similar constellation emerges at the individual level. The Act prescribes that professional care is only to be financed if families, neighbors, friends, volunteers, or social networks fail in their social support tasks of delivering their services to the needy. Therefore, the Act invests citizens with social support tasks and accountability requirements, such as financial resources and support from governance partners to provide social services that the municipal government used to provide. In this sense, local governments act as sovereigns, applying the self-government of local governance actors as a means for realizing municipal policy aims.

Notwithstanding these limitations, the objective of social participation is adequately addressed at the local level. Local opportunities to exercise virtue in self-government that did not exist under previous legislation are indeed opened. Citizens are now being invited by their local governments to reflect, in publicly organized sessions, on how to reorganize public spaces or make their neighborhoods cleaner and safer. The transfer of both the policy-making autonomy and implementation discretion on one hand and the financial risks on the other hand, indeed, seems to support responsibility as virtue. It is an alternative to direct regulation, to decentralized involvement in central policy making (as in the health and safety covenants; evoking a self-regulation paradox) and the imposition of incentives (as in the WWB; evoking a performance paradox).

However, the danger of the transfer of central-level conflict to the decentralized level appears not to be precluded. Localized governments operate as sovereigns transferring the responsibilities of incomplete decentralization on local subjects, who, however, now lack the protection of the central state. This implies that, for example, financial issues now affect the actual social support that is provided at the local level: while—at the national level—individual citizens’ needs would remain to be protected in the context of legal “entitlements,” the limited availability of “provisions” (Dahrendorf, 1988) at the local level stands in the way of granting these entitlements. The Act accordingly not only functions as a framework that shapes local responsibility as virtue but also replaces central government conflict to the local level: the paradox of subsidiarity.

Discussion and Conclusion

Previously, we outlined how three decentralized modes of governance can be distinguished conceptually and what types of administrative responsibility constellations these modes support. Moreover, we presented the possible paradoxical effects of such constellations. Governments may either decentralize the resource (financial) risks of policy failure and success, supporting decentralized responsibility as accountability but possibly leading to a performance paradox; or policy-making autonomy and implementation discretion, supporting decentralized task responsibility but possibly leading to a paradox of self-regulation; or both, supporting decentralized virtue but possibly leading to a subsidiarity paradox, transferring central-level conflict to the decentralized level.

Clarke and Newman (1997) argued that the restructuring of the state has fundamentally altered the balance of power between the public and private realms, leading to the “dispersal of state power across a range of locales and sites” (p. 126). The “collectivist” version of the public was disempowered and public service values, institutionally embedded in the centralized organizational regime, lost their support (Clarke & Newman, 1997, p. 127). However, Durant (2000) argued that this dispersal of state power implied the establishment of a neoadministrative state. However, we stretched beyond this somewhat because we aimed at showing that the specific governance constellation resulting from differentiated decentralization processes supported differentiated types of administrative responsibility leading to specific paradoxes of decentralization. Not only the extent of power but also the content of power differs between types of decentralization processes.

We studied three cases of decentralization in the Dutch welfare state, each representing one of these modes of decentralization. We illustrated how the possible paradoxical effects were evoked in the studied cases. This is outlined in Figure 2. After summarizing the Dutch findings, we present a brief comparison to decentralization operations in other contexts.

The WWB decentralized the financial risks of policy failure and success, without decentralizing policy-making autonomy and implementation discretion. This supported responsibility as accountability, but a performance paradox was evoked. The incentives implied in the governance constellation forced local government to concentrate efforts on the immediate reintegration of welfare beneficiaries. This precluded an orientation of local government to complex local conditions, like the reintegration into labor of target groups with a greater distance to labor. As a result, the social integration of these citizens is precarious. A neoadministrative state (Durant, 2000) is supported, in

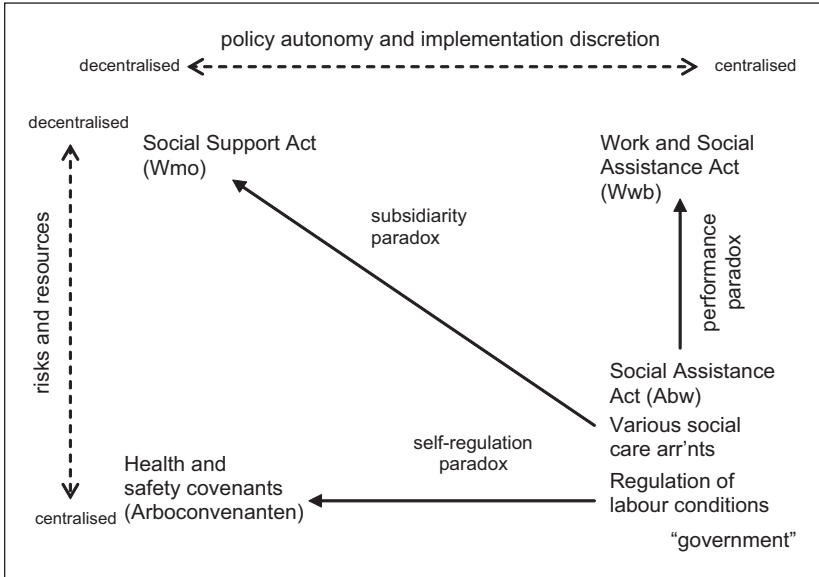


Figure 2. Three shifts of governance in the Dutch welfare state

which centralized sovereignty, although with lacking capacity, is essentially left intact (compare Robinson, 2008).

In the case of the health and safety covenants, policy-making autonomy and implementation discretion were decentralized, without decentralization of the financial risk of policy failure and success. This decentralization mode supported responsibility as task but evoked a self-regulation paradox. The central government provided the necessary means supporting health and safety policies to decentralized, branch-level actors, trusting that self-regulation would stimulate these actors to apply the provided means to generate relevant information and contribute to social problem solution. Sovereignty leaks away to decentralized governance partners that appear unwilling or unable to actually implement the measures and are oriented primarily to their own direct interests.

The complete decentralization (decentralization of both policy resources and content) of the Social Support Act supports responsibility as virtue. The Social Support Act functions to localize social problems and administrative challenges. A subsidiary state is supported in which social problems are transformed into an issue for local governance. However, the localized governance constellation can only address conditions located within municipal borders.

It cannot address issues like ageing, addiction, and migration that cut through localities or have a broader, national scope. The lack of available resources at the local level led local governments to withdraw from a virtuously responsible governance of the issue of social care and act as a localized *sovereign*, reproducing national policy conflicts at the decentralized level. Local government's policy objectives are strongly inspired by national-level financial issues, and local subjects now lack the protection of the legal regulation provided by the central state. Therefore, the subsidiary nature of the Social Support Act does not lead to the resolution of central-level conflict at the decentralized level but instead implies the disappearance of barriers against the transfer of conflict to the local constellation itself: a subsidiarity paradox. This subsidiarity paradox leads, in Robinson's (2008) terms, not to the application of an "influence-network" model but instead to the reinforcement of a "command-hierarchy" approach and to the building of a "neoadministrative state" (Durant, 2000).

Whether this pattern holds in the longer term is as yet unclear. Policy research of the case of the Dutch WWB revealed, for example, that policy instruments have further evolved and currently include discursive arrangements aimed at the support of local decision-making capacities (Bannink, Bosselaar, & Trommel, 2011). This might lead support learning at the local level, enabling municipalities to effectively implement localized policies in spite of the performance paradox pressure resulting from the decentralization of policy resources. An interesting issue for future research concerns the interaction of such local learning and the impact of the performance paradox: How and to what extent are actors at the local level able to escape from the pressure of performance paradox? Analyses of shifts in governance then explicitly need to address the local "politics of policy implementation" (Nakamura & Smallwood, 1980), including the way local management operates across levels of governance supporting or blocking the emergence of "collaborative public management" (Agranoff & McGuire, 2003).

Are similar patterns observed in other welfare states? Our primary research concerned the Dutch welfare state. The Dutch welfare state has a tradition of highly institutionalized relations between a historically weak central state and strong civil society organizations. Tripartite involvement in policy formation and implementation strongly developed a defining element of the Dutch "Polder model" (Visser & Hemerijck, 1997). To be anyhow capable of policy formation and implementation, the Dutch central government apparently needs to accept the paradoxes of decentralization. Perhaps these paradoxical effects can be seen as the bail that a weak central government, which is dependent on the support and consent by societal actors, has to pay. We now

briefly discuss secondary sources on two other welfare states that strongly differ with respect to this tradition: the United States and France.

Robert Bellah, Madsen, Sullivan, Swidler, and Tipton (1992) pointed out that American federalism represents the subsidiarity principle. The American state is built up from below, from local self-government through grassroots political participation and civic voluntarism. Hence, the American state is under threat when civic engagement declines (see Skocpol, 1997). Pollitt and Bouckaert (2004) gave an overview of NPM style reforms from the 1980s onwards, including decentralization operations in 12 countries, among which are France and the United States. In the United States, a strong shift toward decentralized responsibility as accountability took place, where autonomous decentralized agencies have become responsible for the implementation of various policies and performance budgeting gained ground (Pollitt & Bouckaert, 2004). However, the actual performance of these agencies appears difficult to evaluate (Pollitt & Bouckaert, 2004). Indications exist that the often politically appointed management pursued performance that would primarily support their political position. As a result, the structure of U.S. government creates a “disconnection” between budget functions (supporting responsibility as accountability) and the control of “crosscutting issues and the government as a whole.” This disconnect indicates a performance paradox.

However, the French state manifests an “obsession with sovereignty” (Meunier, 2000, p. 3). French citizens do not rely on their own civic efforts but address a highly centralized, bureaucratic state power for support (Ziller, 2003). Globalization and localization threaten the French state because it forces the sovereign to give more responsibilities to citizens and private actors. Assessing public management reforms in France, it appears that the “obsession with sovereignty” has not ended, especially when French reforms are compared with the reforms implemented in the United States. In France, deconcentration of the administrative structure took place (Pollitt & Bouckaert, 2004). Autonomy at the decentralized level grew somewhat with respect to budget management and administrative decision making, denoting decentralized responsibility as task as well as accountability. However, this largely left untouched the centralized mode of governance in the country: “Much of the machinery of a centralised civil service remains unaltered” (Pollitt & Bouckaert, 2004, p. 250). The analyses briefly discussed here lead us to reluctantly consider that the French civil service is less experienced with respect to issues of responsiveness. This suggests not so much the occurrence of one of the paradoxes of decentralization that we constructed but instead indicates an unintended effect of *centralized* government: lacking information of and responsiveness to local conditions.

Without pretending completeness in any way, the Dutch case studies and the limited comparison to U.S. and French decentralization operations suggest that specific modes of decentralization (be it a strongly subsidiary mode, or any of the two incomplete modes of decentralization, as well as centralized modes of governance) each have their own, specific outcomes. Fully, centrally located capacity seems to produce an unambiguous responsibility constellation but leads to lack in responsiveness of government to local conditions. Decentralized responsibility as task may lead to increased information and commitment from the decentralized level of a governance constellation but may engender a self-regulation paradox. Decentralized actors primarily address local issues while downplaying central-level concerns. Decentralized responsibility as accountability may lead to an increased emphasis on the performance of the decentralized actors of a governance system but may engender a performance paradox. Decentralized actors concentrate on rewarded performance while downplaying the overall aims of the policy. Decentralized responsibility as virtue creates a subsidiary governance relation that may lead to decentralized actors being strongly responsive to local social conditions and available policy resources, but it may result in the replacement of central-level conflict to the decentralized level.

This observation suggests another road for future research. When both centralized and variants of decentralized governance have their own weaker and stronger points, then what are the underlying mechanisms of governance reform? In other words, what are the broader implications of Clarke and Newman's (1997) "dispersal of state power across a range of locales and sites" (p. 126)? Pressured by what conditions are the weaker elements of one of the governance arrangements traded against another? Why would societies come to prefer performance paradox to lacking responsiveness? We presume that such governance changes occur in the context of broader social changes of collectivization and decollectivization that might be understood with reference to work on collective action by Olson (1971) and Ostrom (1990) or De Swaan's (1988) analysis of welfare state development as an instance of private care collectivization in response to collective action dilemmas.

Be that as it may, in the current social context, we cannot point out the "best" way of decentralizing responsibilities. Instead, we identified the consequences the different modes of decentralization entail. Different responsibility types are supported by different decentralization modes. A choice for either one of them cannot simply be made. Incomplete decentralization supports the masked sovereignty of the neoadministrative state. It transfers accountability or task without enabling decentralized actors to fully come up to the requirements of responsibility. This leads to an ambiguous governance constellation in which responsibilities are unclear. Such constellations appear as attempts

by central government to simply transfer political pressures of responsiveness and effectiveness to decentralized levels of government, although it is still unlikely that local conditions are indeed sufficiently addressed. However, this does not imply that a completely decentralized subsidiary governance constellation would be a fully feasible alternative. Partial interdependencies between centralized and decentralized levels, we argue, are real and they entail ambiguous requirements to be made of governance arrangements. A dilemma is implied that cannot easily be overcome. Complete decentralization may indeed support decentralized responsibility as virtue but appears inadequate because it does not acknowledge the interdependent nature of local and supralocal conditions. It results in the transfer of central-level conflict to the decentralized level of governance: the subsidiarity paradox. However, incomplete decentralization does respond to the interdependencies between central and decentralized levels of governance but supports responsibility types that are associated with two other decentralization paradoxes. In other words, the interdependencies between central and decentralized levels of governance require internally *inconsistent* governance arrangements.

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Bios

Duco Bannink works at VU University Amsterdam. He is currently involved in a 5-year research project on new governance relations in the field of social activation called "Governance of Activation" (www.fsw.vu.nl/govact). He published articles on the reform, management, and implementation of social and labor market policies in a changing social context.

Ringo Ossewaarde is an associate professor of sociology of governance in the School of Management and Governance and the Institute of Innovation and Governance Studies at the University of Twente. His latest book is *Introducing European Societies: Identity and Daily Life* (London: Palgrave Macmillan).