

The Dynamics of Accountability in Public Sector Reforms

by

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Introduction

Accountability and representation are core democratic values. Modern democracies rest on the principle that those who govern should do so in response to the will of the majority of the electorate. This will be more likely when governments and office holders can be held accountable for their actions (Olsen, 2013; Philp, 2009). The quest for accountability is crucial “because of the presumption that its absence means that those in power have the capacity to act without regard for those who authorize their actions and for those whose lives are affected by those actions” (Barnett & Finnemore, 2004, p. 171). Accountability matters because many actors and public organizations – elected or non-elected – make decisions on behalf of a political community and power is likely to be misused (Olsen, 2013).

Despite this importance of accountability for democratic governance, comparative studies of public sector reforms in general and welfare governance in particular are often concerned either with features of reform processes or their effects. They usually focus on patterns of influence among actors, on efficiency and on the quality of public services. Rather seldom, such studies do address fundamental accountability questions (Byrkjeflot, Christensen & Læg Reid, 2014). While many reforms of the welfare state have been implemented, there is a lack of systematic and reliable knowledge about the results and implications of these reforms regarding accountability issues. Nonetheless, the transformations in welfare governance raise major issues of accountability. The new institutional logic of welfare and employment programs, which often include patterns of economization, managerialization, marketization and more discretionary powers to street-level organizations alter the traditional systems of accountability (Benish, 2014). Converging trends towards New Public Management have affected the balance between managerial autonomy and political accountability across welfare sectors and countries. Empirically, we still know relatively little about the consequences of new service provision models on accountability relations and mechanism, which might be due to the fact that the term accountability is still a slippery concept.

This PhD thesis is essentially a collection of six sequential articles on dynamics of accountability in the reformed employment and welfare administration in different countries titled as follows:

- “Mapping accountability changes in labor market administrations: from concentrated to shared accountability?” (with Werner Jann)
- “Reform and Accountability Dynamics: The Changing Welfare Administration in Germany and Norway”

-
- “Performance Management and Accountability: Challenges, Dilemmas and Ambiguities” (with Tom Christensen and Per Læg Reid)
 - “Marketization and Varieties of Accountability Relationships in Employment Services: Comparing Denmark, Germany and Great Britain” (with Tanja Klenk, Flemming Larsen, Jay Wiggan)
 - “Control and Autonomy – The SAIs in Norway, Denmark and Germany as Watchdogs in an NPM-Era?” (with Kristin Reichborn-Kjennerud, Karsten Vrangbæk)
 - “Public Auditors and Accountability: Impact in the Shadow of Hierarchy” (with Markus Seyfried)

The six articles are bundled together in this manuscript and presented as six related chapters. Before moving on to the six individual chapters, the basic concepts used in this thesis (reform approaches in welfare administrations and the concept of accountability) are described. Moreover, the overall main research question will be explained, followed by a description of the research method and a short summary of the articles.

Reform Approaches in Welfare Administrations

The last decades have seen a paradigm shift from passive to active welfare state policies. The emphasis is no longer on mere income protection but on the activation of benefit recipients in the working age (Ehrler, 2012; Weishaupt, 2011). Starting in Anglo-Saxon countries like the United States and the UK, the activation paradigm has spread over to the more reluctant reform countries in conservative and social-democratic welfare states. Hence, activation “has now become a common orientation in labor market and social policies that not only spreads across countries but also covers more and more benefit schemes.” (Eichhorst & Konle-Seidel, 2008, p.3).

This paradigm shift has to be judged against the backdrop of labor market policies until the mid-1990ies. The focus of active labor market policies before the activation turn was to keep participants occupied and reduce the deterioration of their human capital, while hoping that the next economic upturn would bring them back into the labor market (Knotz, 2012). This has changed with the beginning of the 1990ies when these strategies were increasingly perceived as a wrong way to deal with the unemployment problem (Knotz, 2012). Supported by international and transnational organizations like the OECD and the European Union (Fleckenstein, 2013; Weishaupt, 2010), the political discourse and reform agendas have adopted a new perspective. Work was increasingly seen as the best form of welfare for the individual (Weishaupt, 2011). Instead of looking at structural causes for unemployment, such

as the absence of economic growth, regional disparities on the labor market or the mismatch between jobseekers qualifications and vacancies, the focus was placed on the individual unemployed. The reason for unemployment was linked to the lacking competences and motivation of the individual to compete in the labor market. This new perception, the so-called activation paradigm, reframed the unemployment issue in the following way: What used to be seen primarily as a lack of jobs was now treated as a lack of incentives for the unemployed to get a job (Knuth & Larsen, 2010).

The turn to activation can best be described as a combination of demanding and enabling strategies. This includes the enforcement of labor market participation of the individual through the reduction of maximum benefit duration or the imposition of sanctions on the one hand and an increase of active labor market policies in order to promote employability and make jobless people more attractive to potential employers on the other hand (Dingeldey, 2007; Eichhorst & Konle-Seidel, 2008). Benefit recipients were expected to engage in active job search and improve their employability in exchange for benefit payments and active employment services. The general tendencies of the activation paradigm can be summarized as follows (Berkel & Borghi, 2007):

- A greater emphasis on citizens' individual responsibilities and obligations in preventing social problems or solving them;
- An enlargement of the target groups of activation, including sick people, the handicapped, older people, highly vulnerable groups and single parents;
- An integration of income protection schemes and labor-market or activation programs, where entitlements to the former are made dependent on participation in the latter;
- An individualization of social interventions aimed at promoting participation in the labor market.

Despite considerable variation across national models with respect to the scope and intensity of activation, redefining the link between social protection and labor market policies has been a common issue in activation reform (Eichhorst & Konle-Seidel, 2008). However, activation has not been limited to labor market policies but there has been a trend to align entire welfare states in order to make them more coherent and employment friendly. Thus, different sectors and programs are affected by the turn to activation including:

- Benefit programs (unemployment insurance and various 'assistance' schemes for working age groups including disability or family related benefits);
- Pension systems, and most particularly, early retirement programs;
- Active labor market programs.

From the perspective of the individual unemployed, activation is a mixture of benefits, services and employment incentives and includes:

- ‘Classical’ active labor market policies (job search assistance and counseling, job-related training schemes)
- Fiscal incentives (subsidized unemployment, start-up grants)
- Social services (case management, personalized support, psychological and social assistance, childcare support, participation in socially useful work)

Weishaupt defines an activation regime as “the configuration of these public policies that incentivize labor market participation, including ‘negative’ incentives (factors that ‘push’ persons into the labor market, for instance, through a limited access to benefits) and ‘positive’ incentives (factors that ‘pull’ persons into the labor market, for instance through access to employability measures, tax incentives or the ability of care services for children).” (Weishaupt, 2012, p. 192).

The reform wave that aimed at making labor market policies more active consists of two sometimes intertwined sometimes separated elements:

- Formal policy reforms that are focused on the content of labor market policies like changes in entitlements, tighter benefit regimes, activation programs and instruments or workfare policies (Larsen & Berkel, 2009).
- Operational policy reforms that focus on the governance structures for implementation and administration of benefits and the provision of services.

Both reform elements have been linked with each others. Changes in the formal policies produce pressures on the operational policies. The provision of services that aim at the activation of unemployed rather than just paying out benefits requires different human resources, different organizational structures and more discretion for front-line service providers in order to make services more tailor-made and take individual as well as local circumstances into account. But the reorganization of employment services is not an apolitical and technical exercise as operational policy reforms have implications for the content of social services. In fact “the service provision models through which activation services are delivered do – or at least may – have an impact on what activation looks like in practice: the clients that are being served, parked or excluded; the treatment of clients in activation; the activation approach that is being adopted.” (Berkel & Borghi, 2008, p. 334).

The following table provides an overview about the two reform elements.

Table 1: Formal and Operational Reforms in Employment Policies

	Formal policy	Operational policy
Definition	The content (substance) of legislation, programs, schemes and instruments for delivering benefits and providing services.	The governing of the implementation structure for administration of benefits and provision of services.
Indicators	Changes in entitlements, rights and responsibilities, target groups, instruments, programs and schemes.	Changes in interagency cooperation, decentralization, new public management techniques and instruments, introduction of new or reorganization of old organization.

Source: Larsen & Bredgaard, 2009, p. 4

To sum up, the shift to activation in labor market policies coincided with changing modes of governance in the administration, management and organization of these policies.

In the process of social policy reform, many governments have experienced that transforming welfare states requires institutions and agencies that actually implement and ‘produce’ these reforms, for example, by developing new social services, introducing new criteria for testing benefit eligibility, practicing new attitudes towards claimants, et cetera – and it is one of the objectives of new modes of governance to promote this process of institutional change. (Berkel & Borghi, 2007, p. 280)

Reforms in labor market administration have reflected wider changes in public administration systems which have involved the adoption of new organizational practices and are often described as New Public Management. Common trends that could be observed as a result of these reforms include:

- The creation of local one stop agencies that provide active labor market services and administer benefits for all unemployed.
- The decentralization of the provision of labor market services to encourage greater responsiveness to local and individual circumstances.
- The outsourcing of activation services through the involvement of private providers and the creation of quasi markets.
- The decline of the involvement of employer organizations and trade unions in policy formulation and implementation.
- The introduction of management by objectives through the use of targets, performance management systems and benchmarking shifting the focus from inputs and processes towards outputs and outcomes.

These enterprised welfare administrations (Considine, 2001) involved a shift away from traditional organizational principles of hierarchy and functional specialism towards an enhanced emphasis on principal-agent separation, the development of quasi-markets, performance management and entrepreneurial actions by public organizations.

The activation paradigm also has questioned the internal division of the welfare administration. The extension of activation policies to non-working individuals traditionally considered as inactive has forced many welfare agencies to redefine their core activities and to work with new actors. As a result, internal divisions within social security systems, until then organized along social risks such as unemployment, invalidity or sickness, have turned out to be an important obstacle to the success of activation policies (Champion & Bonoli, 2011).

Agencies responsible for different types of benefits and services had to find ways to ensure that these benefits and services contribute to increase activation (Øverbye et al., 2010). The following coordination challenges that cross the traditional boundaries between employment and social services on the one hand as well as between the central and the local level on the other hand can be highlighted (Berkel & Borghi, 2008; Minas & Øverbye, 2010):

- The increasing conditionality of income support requires exchange of information regarding the activation activities of unemployed people and their compliance with obligations. The cooperation between agencies responsible for the administration of income protection schemes and the providers of activation services is considered necessary to implement the activation paradigm.
- Coordination between the different income protection schemes (e.g. unemployment benefits and social benefits) is needed to promote efficient and effective activation of unemployed people and to prevent transfers between the income protection schemes.
- The distribution of responsibilities between the central and local level is questioned as decentralization is advocated as a logical consequence of the objective to tailor activation to the needs of individuals and of local labor markets. However, this imposes problems between the macro-nature of unemployment policies on the national level and the local level of activation services; as well as - in most countries - between local social assistance versus national unemployment benefits schemes.

As shown, the activation paradigm challenged the separation between national employment policy and local social and minimum income protection policy. Activation has stepped into traditional policy and administrative structures with its own targets like work first, employability and conditionality of benefits (Karjalainen, 2010). It has been argued that

traditional employment and social policy structures were not suitable for activation and thus more coherent policies across subsystems and levels have been requested.

To sum up, recent reform approaches have created a new governance system that implies the formulation and implementation of labor market public policies by networks involving public actors (politicians and administrators) belonging to different territorial and functional levels, together with various non-public actors (social partners, private providers etc). Next to this, public organizations in labor market policies are “becoming increasingly complex and hybrid as they try to attend to numerous and sometimes conflicting ideas, considerations, demands, structures and cultural elements at the same time.” (Christensen & Læg Reid, 2010, p. 407).

The contemporary developments in the governance of labor market policy - towards efficiency, outcome, competition and quasi-markets, partnership, and customer orientation - have implications for the accountability of welfare administrations which are traditionally based on the principles of a hierarchical and rule-based public administration. The different actors in welfare administrations are still accountable through organizational hierarchies upward either to central offices and ultimately to respective ministers, or to local politicians or boards. But the emphasis on customer orientation requires accountability to users and local communities, while the increase of private actors in service provision leads to multilayered accountability flows or to accountability vacuums (Newman, 2004). Other authors even argue that the development of more networked and multilevel forms of policy making using different modes of governance in general produces accountability problems and weakens the democratic accountability of policy makers (Papadopoulos, 2007).

The multiplication of actors also involves the multiplication of different and sometimes even conflicting accountability and legitimating principles. The relationships between the different actors are no longer ruled by a clear hierarchy. Traditional forms of accountability have become less important and are complemented or even substituted by a complex web of accountability.

[..] monolithic system of hierarchical political accountability relations has been under serious pressure in a number of national states and is slowly giving way to a more diversified and pluralistic set of accountability relationships. New mechanisms of accountability are diagonal or even horizontal in character and include accountability to administrative forums, to citizens, clients, and civil society. (Bovens, 2007, p. 200)

A pragmatic approach to the problem of legitimacy and accountability in the past has been to introduce new accountability relations without asking if they are adequate (Romzek, 2000) or if more accountability automatically leads to more legitimacy. The greater reliance on

networks and cooperation mechanisms to deliver services as well as the granting of more management flexibility results in a tangled web of accountabilities involving numerous actors, who must deal with multiple expectations from several stakeholders, as well as with many overlapping accountability relationships (Romzek, 2010). It is remarkable that both in theory and in practice, accountability problems are normally treated by recommending and establishing new accountability structures with the assumption in mind that these systems will solve the problem and lead to better outcomes (Yang, 2012).

Research on public sector reform in the past has mainly focused on questions of efficiency, performance, power distribution and control (Christensen & Laegreid, 2011) and “many reforms have been proposed and undertaken with the presumption that, once the reforms are in place, accountability will somehow take care of itself” (Romzek, 2000, p. 22).

Even though there is an increasing scholarly and practical interest in accountability questions, we have practically no idea how accountability structures evolve, how they are altered over time and how they influence behavior of the actors involved and how these actors order and deal with multiple accountability expectations. Much of the literature about accountability is rather conceptual focusing on the meaning of the term itself and debating the most appropriate definition and typologies that should capture the existing multiplicity of accountabilities (Brandsma & Schillemans, 2013). As argued, recent reforms in welfare administrations have included elements of centralization, contracts and monitoring as well as decentralization, managerialization and autonomy. The question of whether administrative entities have achieved more de facto autonomy and with what effects, or whether there is more market, societal and political accountability and control requires empirical investigation. This dissertation addresses this gap, based on an extensive empirical research centered on the overall research question:

How, why and under which conditions have modes of accountability in welfare state administration shifted as a result of recent administrative and organizational reforms?

Accountability

There is no easy definition of accountability and a variety of different conceptual approaches of accountability exist in the literature. Melvin Dubnick is even complaining that “accountability has taken on a ‘life of its own’ as a symbol detached from any specific meaning, yet with the capacity to generate a response when put to rhetorical or iconic use.” (Dubnick, 2002, p. 11). Accountability is a buzzword or a “magic concept” (Pollitt & Hupe, 2011) in public sector modernization like coordination or performance that can mean quite

different things to different people. With a few exceptions, accountability is widely used positively. This consistently positive connotation evokes a suspicious feeling towards the term. In fact it is true to say whenever a term carries only positive connotations, one should get skeptical. At the same time, the term accountability is abstract and often associated with other concepts like responsibility, integrity, democracy, fairness and justice.

It has to be distinguished between accountability as a normative concept or philosophy and accountability as an instrument or mechanism of collective action. Bovens (2010) describes this distinction as a dichotomy that consists of accountability as a virtue versus accountability as a mechanism. In the former case, accountability is seen as a positive attribute of officials, government agencies or firms. It describes a state of affairs or the performance of an actor. Accountability as a virtue is hard to define because the standards for accountable behavior vary depending on institutional context and political perspective (Bovens, 2010, p. 949). In the latter perspective of accountability as a mechanism, which will be followed in this dissertation, accountability is regarded as an obligation to explain and justify conduct and more precisely, as an institutional arrangement where an actor is held to account by a forum (Bovens, 2010). Accountability in the role of a mechanism, does not describe a somehow desirable condition but a social relationship between at least two actors. What follows from this definition is that accountability is both a relational and a procedural phenomenon constituted of three analytically distinguishable elements, namely the roles and competences as well as the procedures in terms of (1) informing, (2) debating (questioning and judging), and (3) drawing and facing consequences.

It is important to note that accountability, without taking into account questions of delegation and discretion, becomes a meaningless concept. Processes of organizing work always imply some sort of delegation and discretion and suggest that the delegating entity will lose some amount of control. All standards, regulations, rules, targets and goals involve some room for interpretation and thus discretion. This is particularly the case in public administration, where rules are often ambiguous or even contradictory (Hupe & Hill, 2007). However, the converse argument that solving the problem of accountability means to limit the degree of discretion exercised by those in public office as often stipulated by principal-agent theory is too simplistic as it will end up in a situation where the discretion of the office holder is eliminated and he has nothing to explain or justify anymore, i.e. nothing to account for (Philp, 2009). Only actors with some discretion to make authoritative decisions can thus be the objects of accountability relationships (Lindberg, 2013).

Together with representation, accountability and delegation are cornerstones of democracy:

Delegation involves endowing another party with the discretion to act, representation is about the interests that are at stake, and accountability is meant to ensure that the exercise of discretion is checked. Each in their own way, these three mechanisms are meant to ensure that in the end the preferences of the polity are translated into policy—whether this concerns the link between electorate and parliament, between parliament and government, or links within bureaucracies. (Brandsma & Schillemans, 2013, p. 953)

In this regard, to construct accountability as a social relationship means to oppose the idea that accountability is an abstract, apolitical, technical process, and that the tools or techniques by which it is achieved can be deployed at will (Black, 2008). Accountability defined as a social relationship implies, first, that formal rules, relational structures and roles of the individual or corporate actors are subject to negotiation and interpretation and may develop a life of their own, including unintended consequences which have not been considered in the first place.

Secondly, even though accountability relationships are not necessarily hierarchic, they always imply a complex power structure. The first level is the question of who has the power to constitute an accountability relationship and how this relationship is framed. The second level suggests that the actor has the power to act on his own discretion within the constraints that are set to him through the design of the accountability relationship. The actor can also choose to breach the limits and can risk to be detected and sanctioned. The forum on the other hand has the power to call the actor to account, to judge the behavior of the actor and – within the limits of the accountability framework – to impose sanctions (Moes, 2009). As already mentioned, the actor will be conscious of the presence of the forum and anticipate the possibility of sanctions and thus an accountability relationship will develop a normative impact ex-ante on the conduct of the actor. It might however be misleading to understand accountability relationships as taking part in a vacuum, where rational actors can deliberately chose their course of action. Accountability relationships are rather embedded in overall conceptions about what is appropriate behavior. As an example, the exercise of power and sanctions in accountability relationship is “justified and advanced by prevailing constructions and narratives of accountability. As the product of a particular set of historical and material circumstances, these constructions presume certain entitlements and validate some forms of power, whereas delegitimize others.” (Yang, 2010, p. 274).

A third implication is that accountability relationships are dynamic arrangements which are subject to transformations and changes. Most accountability relationships have evolved over

time, are rather stable, uncontested, routinized and are based on a shared understanding who is accountable to whom, for what, when, how and with which consequences.

Yet, the reallocation of tasks, the assignment of new tasks, reorganizations, mergers, the involvement of new actors as well as new steering instruments are challenging these stable doctrines, expectations, procedures, roles, rules, and routines, creating a status where it is difficult to define criteria for success or failure and assigning accountability. Accountability relations then become more controversial, political and dynamic (Olsen, 2014). Research on accountability thus has to attend to the complexity and dynamics of accountability relations rather than assuming static, dyadic relations (Olsen, 2013).

The dynamics of accountability encompass different aspects of accountability. Dynamics might occur in the following areas:

- Dynamics and shifts can be observed in the dominant modalities of accountability and control organized around democratic/political accountability; bureaucratic accountability, market accountability and network accountability (see chapter four and Klingner, Nalbandian & Romzek, 2002). Each modality is associated with an accountability template with distinctive features that are integral to their capacity to operate as mode of coordination and control (Scott, 2000).
- Dynamics of forums might either refer to the appearance or disappearance of different forums (see chapter one) or to dynamics in the relative weight and power of forums (see chapter two). Accountability relationship gives some stakeholders more influence over public organizations and managers implying that administrative reforms which alter accountability have political implications. They change the dynamics and the balance of power among the stakeholders who hold organizations and their staffs accountable for fulfilling different expectations. The ways in which different accountability arrangements empower the various stakeholders reminds us that accountability is more than an administrative tool (Page, 2006).
- Accountability dynamics might also relate to the nature of the obligation. It can be distinguished between vertical, diagonal and horizontal accountability. In most western democracies, the dominant public accountability relationships traditionally have been vertical in nature in the sense that a superior demands accountability from a subordinate. This has been particularly true for countries with a parliamentary system that operates on the basis of the doctrine of ministerial responsibility, like the countries treated in the following chapters: Germany, Denmark, Norway and the United Kingdom. However, with the rise of the audit society (Power, 1997) and its strong increase of auditing, monitoring

and evaluating mechanisms, this monolithic system of hierarchical accountability relations has been under pressure and is giving way to a more diversified and pluralistic set of accountability relationships (Bovens, 2005). The establishment or strengthening of auditors and ombudsmen does not fit within the classical principal-agent relationships. Although most of these forums report directly or indirectly to parliament or to the minister, they are not in a hierarchical relationship to the organizations they should hold to account. Most of these accountability relations are a form of diagonal accountability, in the sense that these bodies have no formal powers to force the public organizations and managers into compliance and thus have to rely on a third party to implement sanctions. The functioning of diagonal accountability is discussed in chapter five and six with regard to the most prominent actors in diagonal accountability settings - the supreme audit institutions (SAIs).

- Last but not least, processes of accountability, including the tools and instruments that are used, the different information that have to be provided, the different criteria and expectations that are applied to judge the behavior of the actor and the different kinds of consequences used might be subject to reform dynamics. The literature on accountability has developed a three-sided definition of accountability, reflecting the different public demands on the political system: accountability for finances, accountability for fairness, and accountability for performance (Poulsen, 2009). Accountability for finances and fairness is often linked to the Weberian bureaucracy and the culture of the ‘Rechtsstaat’. Civil servants must follow orders within the hierarchical system of command and can be held accountable for disobeying the rules (input accountability).

But recent reform trends like managerialism, contractualization, and privatization (all falling under the broad label of NPM) had an impact on public sector accountability in different ways (Willems & Van Dooren, 2012). Firstly, market accountability emerged as an increasingly important and distinct modality of accountability (see above and chapter four). Secondly, there has been a shift from input accountability towards result and outcome-based forms of control in order to increase performance (see chapter three). Clearly defined goals in combination with increased flexibility concerning how to achieve them is assumed to improve decision-making processes unconstrained by procedural obligations (Ossege, 2012). Performance measurement has thus become central to the infrastructure of government operations. The increasing concern with performance is expressed through an increase of auditing, monitoring and evaluating mechanisms which focus on economy, effectiveness, efficiency and value for money (Power, 1999). These

new mechanism entail a shift from prescribing actions to control for results (Willems & Van Dooren, 2012) and brings the ‘right result’ into focus, while the ‘right procedure’ recedes into the background.

The aim of the next chapters is hence to provide a detailed analysis of accountability-in-action (Willems, 2014) by exposing and analyzing the dynamics of account-holders and forums, modalities and obligations as well as processes and instruments applied.

It is important to note that dynamics do not necessarily mean more or less accountability for public organizations but a shift in the relative priority assigned to different accountability expectations, forums or instruments. Formerly stable patterns that have produced certain predictability are now supplemented or overruled by other accountability relationships that have not been present in the past. This means that next to the question of why and how accountability relations have changed, it is necessary to examine to what extent it has been possible to combine and balance the various modes of accountability. It is expected that this balance is managed in different ways in the countries analyzed resulting in different webs of accountability.

Methodology

The complexity of accountability in a changing governance setting requires an interpretative in-depth method with attention to context, contradictions, and ambiguities (Willems, 2014). Qualitative research in this regard is especially suitable for understanding and explaining social phenomena that are complex, dynamic, and ill-defined or are in need for information that can only be collected from individuals that have a specialized knowledge and first-hand access to the respective phenomena. Research on accountability definitely has to address the issues mentioned above (Yang, 2014). Accountability is not static but an emergent and shifting configuration as actors act and interact. The dynamics of accountability are hard to be analyzed by quantitative surveys which collect data at a given point in time, or by experimental designs. Sometimes the dynamic accountability relations also include processes that can be compared with an arms race. Based on the analysis of a performance measurement system in a US government job-training Courty and Marschke (2007, p. 904) describe performance measurement as a “process of trial-and-error, characterized by a feedback loop: the federal agency establishes performance measures, the local managers learn how to game them, the federal agency learns about gaming and reformulates the performance measures, leading to possibly new gaming, and so on.” Furthermore, accountability is often open to interpretation. Especially when interested in the beliefs, motives or strategies of decision

makers that try to influence and change the accountability regime or when exploring how organizations, collective actors or individuals perceive, order and react to accountability pressures, quantitative research seems less appropriate (Yang, 2014).

Therefore, a qualitative approach combining secondary data sources and in-depth interviews with a wide variety of actors has been used in this study. The secondary data sources included documents such as evaluation reports, policy proposals from key actors, acts of parliament and audit documents. In addition, 26 semi-structured interviews have been conducted. Respondents were selected from a diverse set of actors, including politicians, civil servants in the ministries, public managers from the different levels of the employment and welfare services, trade unions and employers' associations, private businesses and board members (see Table 2). Four of these interviews have been conducted as group interviews (from two up to six respondents), thus increasing the total numbers of respondents to 35. The interviews lasted between one and two and a half hour. All interviews were recorded and transcribed. The use of the various documents in combination with a diverse set of interviews allowed triangulating the findings – in other words, findings from one source (document or interview) were checked for congruence with other sources.

Table 2: List of Interview Partners

Number	Function	Country	Date
1	Senior bureaucrat of a regional directorate Federal Employment Agency (FEA)	Germany	April-2012
2	Representative of an association of service providers	Germany	April-2012
3	Senior bureaucrat of the Federal Ministry of Labour and Social Affairs	Germany	May-2012
4	Representative of a private certification company	Germany	May-2012
5	Senior bureaucrat of the internal audit unit FEA	Germany	May-2012
6	Senior bureaucrats of a local employment agency and a joint facility	Germany	June-2012
7	Senior bureaucrats controlling FEA	Germany	August-2013
8	Senior auditors Federal Court of Auditors	Germany	November-2013
9	Member of the administrative board FEA (Employers)	Germany	December-2013
10	Member of the administrative board FEA (Trade Unions)	Germany	January-2014
11	Member of the administrative board FEA (Regional Government)	Germany	January-2014
12	Leader Regional Office - Norwegian Labour and Welfare Administration (NAV)	Norway	September-2012
13	Leader Local NAV Office	Norway	October-2012
14	Parliamentarian (Member of the Standing Committee on Labour and Social Affairs)	Norway	November-2012
15	Parliamentarian (Member of the Standing Committee on Local Government and Public Administration)	Norway	November-2012
16	Senior bureaucrat Ministry of Labour and Social Affairs	Norway	November-2012
17	Senior bureaucrat NAV Central Office	Norway	November-2012
18	Senior bureaucrat Office of the Auditor General	Norway	November-2012
19	Representative of the Norwegian Confederation of Trade Unions	Norway	November-2012
20	Representative of the Norwegian Association of Local and Regional Authorities (KS)	Norway	November-2012
21	Secretary of State Ministry of Labour and Social Affairs	Norway	May-2013
22	Former Head of NAV	Norway	May-2013
23	Senior bureaucrat NAV Central Office	Norway	May-2013
24	Scientific member of the government reform commission	Norway	May-2013
25	Former Minister of Labour and Social Affairs I	Norway	May-2013
26	Former Minister of Labour and Social Affairs II	Norway	September-2013

Source: Own compilation

Summary of the Articles

The first article examines how recent changes in the governance of employment services in three European countries (Denmark, Germany and Norway) have influenced accountability relationships from a very wide-ranging perspective which has required the use of a fairly

broad brush in analytical and empirical terms. It starts from the overall assumption in the growing literature about accountability that the number of actors involved in accountability arrangements is rising, that accountability relationships are becoming more numerous and complex, and that these changes may lead to contradictory accountability relationships, and finally to multiple accountability disorder. The article explores these assumptions by analyzing the different actors involved and the information requested in the new governance arrangements in all three countries. It concludes that the considerable changes in organizational arrangements and more managerial information demanded and provided have led to more shared forms of accountability. Nevertheless, a clear development towards less political or administrative accountability could not be observed.

The second article analyzes how the structure and development of reform processes affect accountability relationships and via what mechanisms. It is distinguished between an instrumental perspective and an institutional perspective and each of these perspectives takes a different view on the link between reforms and concrete action and results. By taking the welfare reforms in Norway and Germany as an example, it is shown that the reform outcomes in both countries are the result of a complex process of powering, puzzling and institutional constraints where different situational interpretations of problems, interests and administrative legacies had to be balanced. Reform outcomes cannot be explained in terms of single features – through the free choice of powerful political executives, political compromises or institutional constraints. Accountability thus results not from a single process of environmental necessity or strategic choice, but from a dynamic interplay between different actors and institutional spheres.

The third article then covers a specific instrument of public sector reforms, i.e. the increasing monitoring of output and results by making those with delegated authority answerable for carrying out tasks according to agreed performance criteria. Within the vast literature on accountability, it is widely recognized that a paradigm shift from procedure accountability to performance accountability has taken place (Poulsen, 2009). The article discusses the challenges, dilemmas and ambiguities between performance management and different forms of accountability based on the cases of the reformed welfare administration in Norway and Germany. The findings are that the introduction of performance management creates new accountability structures which influence service delivery, but not necessarily in the direction expected by reform agents. Observed unintended consequences include target fixation, the displacement of political accountability and the predominance of control aspects of accountability.

The fourth article analyzes the accountability implications of the increasingly privatized and marketized models of welfare governance. It has often been argued that relocating powers and discretion to private contractors, who are not subject to the public accountability norms and mechanisms, involve a trade-off between democratic accountability and efficiency. Thus, contracting out inevitably leads to some reduction in accountability through the removal of direct departmental and ministerial control over the day-to-day actions of contractors and their staff (Benish, 2014; Mulgan, 1997). However, there is limited empirical evidence of how contracting out shapes the accountability of employment services or is shaped by alternative democratic, administrative or network forms of accountability. Along these lines the article examines employment service accountability in the era of contracting out and marketization in Germany, Denmark and Great Britain. It is found that market accountability instruments are complementary instruments, not substitutes. The findings highlight the importance of administrative and political instruments in legitimizing marketized service provision and shed light on the processes that lead to the development of a hybrid accountability model.

The fifth and sixth articles focus on the diagonal accountability relationships between public agencies, supreme audit institutions (SAI) and parental ministry or parliament. In diagonal accountability relationships, the forum has direct access to information, but has to rely on a third party to implement sanctions (e.g. an audit office that reports to parliament).

The fifth article examines the evolving role of SAIs in Denmark, Germany and Norway focusing particularly on their contribution to public accountability and their ambivalent relationship with some aspects of public sector reform in the welfare sector. SAIs are important agents of public accountability and have extended their scrutiny well beyond their traditional focus on financial compliance. They have become central figures in the more pluralist accountability settings supplementing the traditional chain of ministerial accountability with alternative channels. The article analyzes how SAIs assess New Public Management inspired reforms in the welfare sector in the three countries. The analysis shows that all three SAIs have taken on an evaluative role when judging New Public Management instruments. At the same time their emphasis on legality and compliance can be at odds with some of the operating principles introduced by New Public Management reforms like decentralization, performance management and outsourcing. All in all the German SAI seems to be the most radical critic compared to Norway and Denmark. This may be linked to the lack of openness of the German SAIs results that makes it more internally focused within a mindset of administrative accountability.

The sixth article focuses on the auditing activities of the German SAI in the field of labor market administration as a single in-depth case study. The purpose is to make the concept of diagonal accountability applicable for empirical research and to analyze how SAIs gain impact in diagonal accountability settings. The results show that the direct relationship between auditor and auditee based on cooperation and trust is of outstanding importance for SAIs to give effect to their recommendations. Additionally, partly ambiguous results are revealed for the support of audit recommendations by the parliament and the media. If an SAI has to rely on actors of diagonal accountability, it is in a vulnerable position as it might lose control over the interpretation of its results. It is thus argued that the impact of SAIs is not only dependent on the dyadic relation between auditor and auditee but also on the way how recommendations are translated by audit staff, by the responsible ministry, by parliamentarians and the media.

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1. Mapping Accountability Changes in Labor Market Administrations – from Concentrated to Shared Accountability?

In the past decade, labor market policies in many European countries have been subject to reforms under the label of ‘activation’ that can best be described as a combination of demanding and enabling strategies involving an increasing enforcement of labor market participation as well as more active labor market policies (Dingeldey, 2007; Eichhorst & Konle-Seidel, 2008). Additionally, reforms in labor market policies have reflected wider changes in public administration systems through the adoption of new organizational and management practices that are often described as New Public Management (NPM) reforms. Recent reforms have altered the boundaries between labor market and social policies and between central government, employment agencies and local government by establishing new forms of agencies and responsibilities. These reorganizations are sometimes seen as Post-New Public Management (Post-NPM) or joined-up government reforms.

All in all, recent reform approaches have created new governance systems that entail the formulation and implementation of labor market policies by networks involving public actors (politicians and administrators) belonging to different territorial and functional levels as well as various non-public actors (social partners, private providers etc.). These new governance systems were introduced to produce technically more adequate solutions for the management of interdependence between various actors. Sometimes they also were just the result of complicated political compromises, but they may have severe consequences for accountability relations.

In the context of democratic legitimacy, accountability demands “office holders to give reasons for their deeds and justify them; and they in turn enable the citizenry, if unconvinced, to punish office holders for what has been done.” (Papadopoulos, 2003, p. 482) The pluralization of governance actors, so the assumption, poses problems of accountability and thus of legitimacy as it dilutes responsibility among a large number of actors and makes it more difficult for those affected by binding decisions to hold networks members accountable by sanctioning them. But is this true? Matthew Flinders just recently criticized the ever growing accountability industry and questioned “the “self-evident truth” that the transition from government to governance had complicated accountability relationships and therefore politicians had become less trustworthy and bureaucracies less responsive, which meant that new forms of accountability were required (and any individual or organization that argued against this proposition was undemocratic and must have something to hide)” (Flinders, 2011, p. 609).

The overall assumption in the growing literature about accountability is that the number of actors involved in accountability arrangements is rising, that accountability relationships are becoming more numerous and complex, and that these changes may lead finally to ‘multi accountability disorder’ (Koppel, 2005). The aim of this article is a preliminary analysis of these assumptions. In concrete terms the question is whether one can find a change from concentrated to shared accountability, and if so, what are the consequences?

The article thus explores how the recent changes in the governance and organization of employment services in Denmark, Germany and Norway have influenced accountability relationships. It is structured as follows: First, it is discussed and outlined how to map accountability changes, followed by a brief description of the reform approaches in labor market administration in the three countries and a first attempt to map the resulting accountability changes. Finally, we discuss these accountability changes in a comparative perspective. The article is mainly based on a secondary analysis of the scientific literature on the reform trajectories in the three countries. However, past research on reforms in labor market administration has mainly focused on questions of efficiency, performance, and control. Our analysis takes a new perspective on public sector reform and asks about the consequences of new service provision models on accountability relations and mechanisms.

A Framework of Accountability

To compare accountability relationships and especially developments across different policy fields and countries, we need clearly defined and operationalized concepts. Even though there is a plethora of typologies, operationalization is still weak. We take as our starting point the well-known definition of the concept of accountability suggested by Bovens:

A relationship between an actor and a forum, in which the actor has an obligation to explain and justify his or her conduct, the forum can pose questions and pass judgment, and the actor may face consequences. (Bovens, 2007, p. 452)

Thus, in principle, a comprehensive analysis of accountability relations in the labor market administration would require an assessment of who is accountable to whom, for what, through which procedures, what kind of arguments and justifications are provided and what kind of sanctions are available to the accountor. As this would go beyond this article, it is necessary to focus on specific aspects of the complex web of accountability and be explicit about which dimension of accountability and which perspective we are using to assess the term.

Firstly, we need to clarify the concept of ‘actor’: Who is or should be held accountable? We suggest to differentiate between individuals (elected politicians, ministers, appointed officials

etc.), vs. corporate actors (ministries, agencies, interest groups etc.), whereas it is sufficient for our purposes to study accountability of and towards corporate actors.

The second step is to look at the question of ‘accountability to whom’: Accountability can be rendered to a higher authority within a direct chain of command (vertical/hierarchical accountability) or to a parallel institution (horizontal accountability) that is outside of the hierarchical relationship (Scott, 2000). It is important to note that vertical accountability is characterized by a direct possibility to sanction the accountee, whereas horizontal accountability normally takes place in the shadow of hierarchy, i.e. the possibility to sanction relies on another hierarchical actor (courts are the obvious exception).

In this regard we must be cautious, not to stretch the notion of accountability inappropriately by encompassing relationships that fall short of genuine accountability. As Boston and Gill have argued convincingly:

Departments and other public agencies in parliamentary democracies are not generally directly accountable to citizens, voters, customers, clients, users and stakeholders. They are nonetheless answerable to them, at least in the sense of being responsive to their needs and interests, including, where appropriate, listening to their concerns, explaining government decisions, undertaking dialogue and providing information. In the absence of the ability to impose direct rewards and sanctions, no formal accountability relationship exists. (Boston & Gill, 2011, p. 218)

Following Bovens (2007), it has become commonplace to differentiate the question of accountability to whom with respect to the nature of the forum (political, legal, administrative, professional, social). These distinctions can be somewhat confusing since political accountability is, of course, also concerned about legal and professional matters. Legal accountability is not only a concern of courts or tribunals but also internally of political and administrative actors. Thus, different kinds of information concerning legality and fairness are part of political accountability, but also of other forms of accountability. Questions of legality and professionalism can thus be seen both as accountability for what (what kind of information?) or accountability to whom (what kind of forum?). These two dimensions are highly interwoven.

Concerning ‘accountability to whom’ (fora) we distinguish thus internal/vertical and external/horizontal actors of the following types (see Table 3):

- ‘Political (or electoral) accountability’ towards elected politicians;
- ‘Administrative (or bureaucratic) accountability’ towards superior units, externally to auditors or inspectors;

- ‘Legal accountability’, externally towards courts and tribunals (which may impose sanctions), internally again towards superior units;
- ‘Social (or supervisory) accountability’ towards stakeholders, interest groups or customers. Externally, this includes instruments of non-binding citizen information and participation like public reporting as well as citizen and stakeholder panels. Internally, there are boards which have to be informed and can suggest changes and sanctions;
- ‘Professional accountability’, externally towards peers and professional associations and internally towards experts within the public sector.

Table 3: Descriptive Framework for Types and Actors of Accountability

Type	Internal actors/fora (vertical)	External actors/fora (horizontal)
political (democratic)	Cabinet, minister	Parliament, parties
administrative (bureaucratic)	Ministries, agencies, sections, divisions	Auditors, inspectors, ombudsmen
legal	Ministries, agencies, sections, divisions	Courts, tribunals
social (supervisory)	Boards of stakeholder, boards of governors	Interest groups, citizens, clients, independent evaluators, media
professional	Experts, professional colleagues	Professional organizations, peers

Source: own compilation

In our analysis, we will focus on the internal actors and the corresponding – mostly formal – accountability structures, because they are fundamental for democratic accountability and legitimacy. Here, subordinate units have not only to account for the legal, financial and professional quality of their actions but also for their functional adequacy.

Our assumption is that internal accountability involves new internal actors, and demands (especially) new kinds of information. While classical, Weberian administrative accountability was very much concerned with legality and financial parsimony, modern managerial accountability is more concerned with measurable outputs and outcomes.

If we look at the ‘what’ of accountability, the kind of information provided or at least demanded, we can, following Bovens (2007), distinguish between:

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- Legal or procedural information, documenting whether formal regulations and rules, but also more informal norms of fairness, openness etc. have been followed (the traditional concern with process and behavior),
 - Financial information, documenting the formal correctness but also the parsimony of all kinds of financial transactions using the tools of auditing, budgeting and accounting (the traditional concern with inputs), and
 - Functional (or product) information to report and justify actions and performance (outputs and outcomes). This implies an understanding of how well a government unit has performed against expectations, but only recently has this been interpreted as being defined through measurable performance targets.

In accordance with this framework we will try to answer the following research question: What kind(s) of changes in accountability relationships in the area of labor market policy can be observed in the last ten years? By ‘changes in accountability relationships’ we mean:

- Are there new corporate actors which have to justify their conduct (new accountors)?
- Are there new corporate actors which have to be reported to (new accountees)?
- Are there new forms of accountability, i.e. are there new or different kinds of information which have to be reported (new information)?
- Are there any shifts in the relationships between accountors and accountees (new discussions and sanctions)?
- Are there contradictory accountability relationships, can we observe multi accountability disorder?

Comparing Changes in Labor Market Administration in Denmark, Germany and Norway

In the following, we will provide a brief description of the most important reforms in labor market administration in the three countries. Our cases include European countries with well-established systems of passive and active labor market policies, and, in spite of their differences, all three countries have had a system with a clear distinction between employment insurance and social assistance including different regimes of active labor market policies and rather clear but separate lines of accountability. Since the beginning of the 2000s, these countries have been converging as they have pursued a shift towards activation policies and have initiated mergers and/or coordination reforms in order to tackle the internal fragmentation of their social security systems.

Denmark

The Danish employment policy underwent a profound change with the labor market reform of 1993. It marked “a paradigm shift and a fundamental break with the old paradigm of social-liberal passivity and non-interventionist unemployment policy. The safety net is being replaced with a trampoline” (Bredgaard, 2001, p. 5). However, the changes in substantive and material policies did only with some delay result in changes in operational policy and organization.

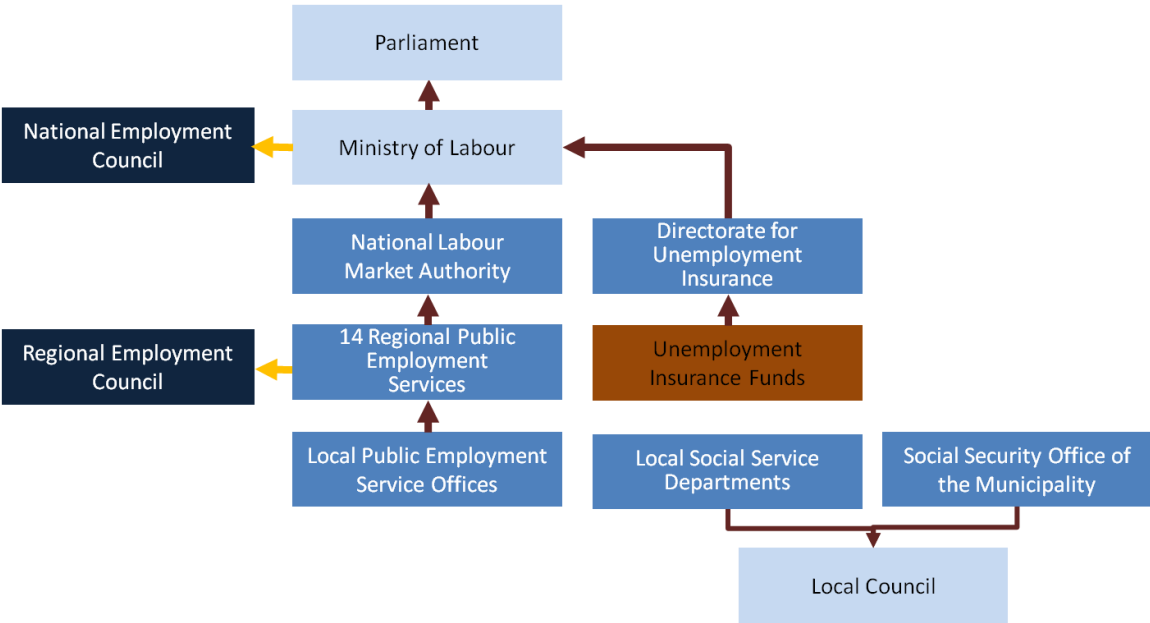
At the central level, the Ministry of Labour was and is responsible for the formulation and coordination of labor market policies. The administration of benefits and the provision of services for unemployed have been divided between a central employment service and the municipalities. The Danish system is somehow unique concerning the role of the unemployment insurance funds. Unemployment insurance is based on a voluntary scheme administered by state-recognized unemployment insurance funds (closely affiliated to the trade unions) (Madsen, 2009). Next to the unemployment insurance funds, a state-led public employment service had been created to take over the responsibility for job placements for the insured unemployed in 1969. Jobseekers that had exhausted their right to unemployment benefits or did not fulfill the criteria for becoming eligible to unemployment benefits received the means-tested social assistance, which is administered by the municipalities. The municipalities had created their own system of labor market services including education and training, especially for young people.

It was the structural reform of 2007, reducing the number of municipalities from 271 to 98, that opened a window of opportunity for a larger governance reform. The old 14 labor market regions were replaced by four employment regions each with a tripartite council (Madsen, 2009). However, the regions lost considerable power and now act as a mere oversight and monitoring body without control over the allocation of funds for active measures (Jørgensen, 2009).

At the municipal level, the reform implied the creation of new job centers – one for each municipality. The job centers have been responsible for both the insured and the uninsured unemployed and thus combined the tasks which were previously handled by the public employment service and the social assistance branch of the municipalities. Two organizational models for the job centers have been created: a small number (14) of pilot job centers where municipalities had full responsibility for all unemployed and joint job centers (77) in which municipalities and the public employment service worked together (Bredgaard, 2011; Larsen & Knuth, 2010).

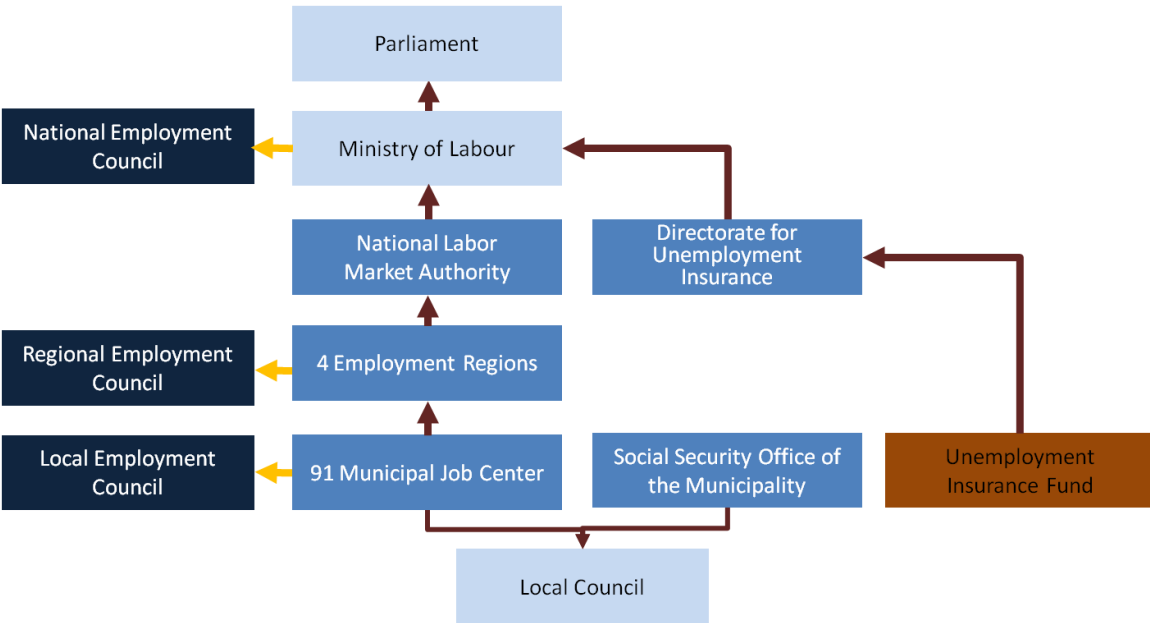
In 2009, the right-of-center government decided that municipalities should take over responsibility for activation measures for all unemployed. The responsibility for the job center were fully transferred to the municipality but remained subject to central regulation (Askim et al., 2011). As a consequence, the public employment service was abolished. The social partners are represented at all levels through employment councils, even though their function has been limited to an advisory function (Weishaupt, 2011). However, the job center act only as a one-stop shop for active labor market measures whereas there is still a separation of the administration of benefits into a two-tier system outside the job center (European Commission, 2009). The following graphs show the accountability arrangements before and after the reform (Figure 1 and 2).

Figure 1: Organizational Structure of Danish Labor Market Policy before 2007



Source: own figure

Figure 2: Organizational Structure of Danish Labor Market Policy after the 2009 Reform



Source: own figure

Germany

Prior to the so-called Hartz reforms, Germany had a three-tier benefit system for the unemployed including unemployment insurance benefit and unemployment assistance, both administered by the Federal Employment Agency (FEA), and a social assistance administered by the municipalities (Eichhorst, Grienberger-Zingerle & Konle-Seidel, 2010).

The Ministry of Labour was and is responsible for the overall objectives of labor markets policies and has the legal oversight of the FEA. The day-to-day work of the FEA prior to the reforms had been dominated by what is called ‘welfare corporatism’ signifying the intensive involvement of the social partners. There were tripartite administrative boards at national, regional and local level, and a tripartite management board at the national level. The social partners had not only wide-ranging competencies in the supervision but, through the management board, also for operational, budget as well as staffing policy. Totally separate from that, the municipalities had been administratively and also financially responsible for social assistance, the social net of last resort.

In 2002, the report of the independent Hartz Commission was the starting point for a package of reforms aiming at introducing activation policies, reforming the FEA and the benefit system (Jann & Schmid, 2004). The FEA now deals with recipients of the insurance-based Unemployment Benefit I (UB I) in newly created customer centers where the administration of benefits as well as the provision of labor market services is concentrated. The tax funded Unemployment Benefit II (UB II) as well as active labor market services for all unemployed that are not eligible for UB I is usually administered in consortia, employment associations (EAs) where the FEA is working together with the municipalities. The EAs were established through a contract between the local authority and the local agency for work, and the responsibilities for tasks and funding within them are clearly separated. Furthermore, 69 municipalities had been licensed to administer the UB II on their own; the so-called opt-out municipalities (Optionskommunen).

Besides these changes, the internal governance structure of the FEA has also been reformed. The social partners have lost any influence on operational policies of the FEA as the day-to-day business has been transferred to a full-time management board. The social partners are still members of the administrative board at the central level which is the main monitoring body and in the administration committees at the local level, but at the regional level, they are no longer involved at all. With respect to the operation of the employment associations, the Federal Ministry contracts the FEA as a/the delivery agency and negotiates strategic targets directly with the management board. The administrative boards – and thus the social partners – play literally no role (Weishaupt, 2011).

Right from the start, the EAs as well as the opt-out municipalities have generated steering and control problems as the Federal Ministry as well as the FEA had only limited competences to intervene into the daily operations at the municipal level. Furthermore, the organizational model of the EAs was declared unconstitutional by the Federal Constitutional Court in 2007.

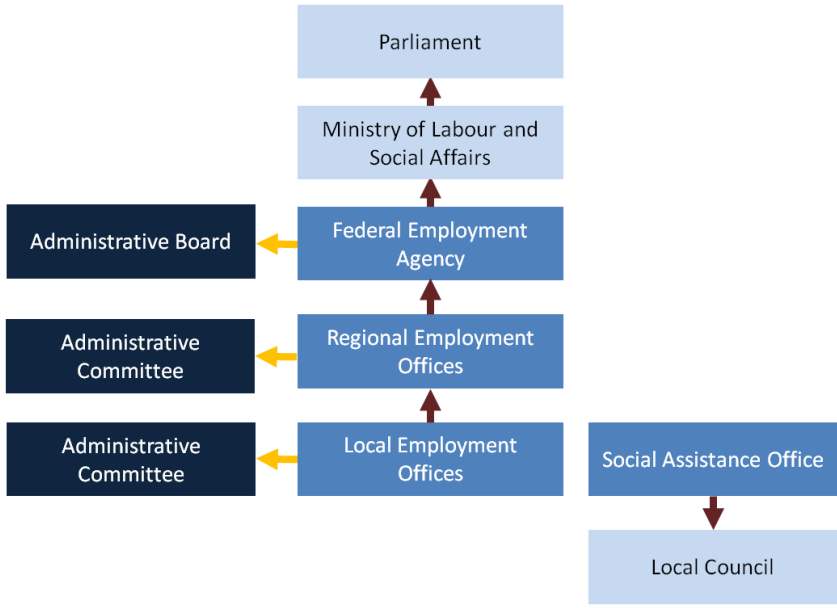
In 2011, a reform became effective that anchored the consortia model within the constitution under the new term joint facility¹. In the subsequent legislation, two new committees for the steering and control of the joint facilities have been introduced:

- A coordination committee at the state level;
- A Federal-State committee at the federal level.

The following graphs show the accountability arrangements before and after the reform (Figure 3 and 4).

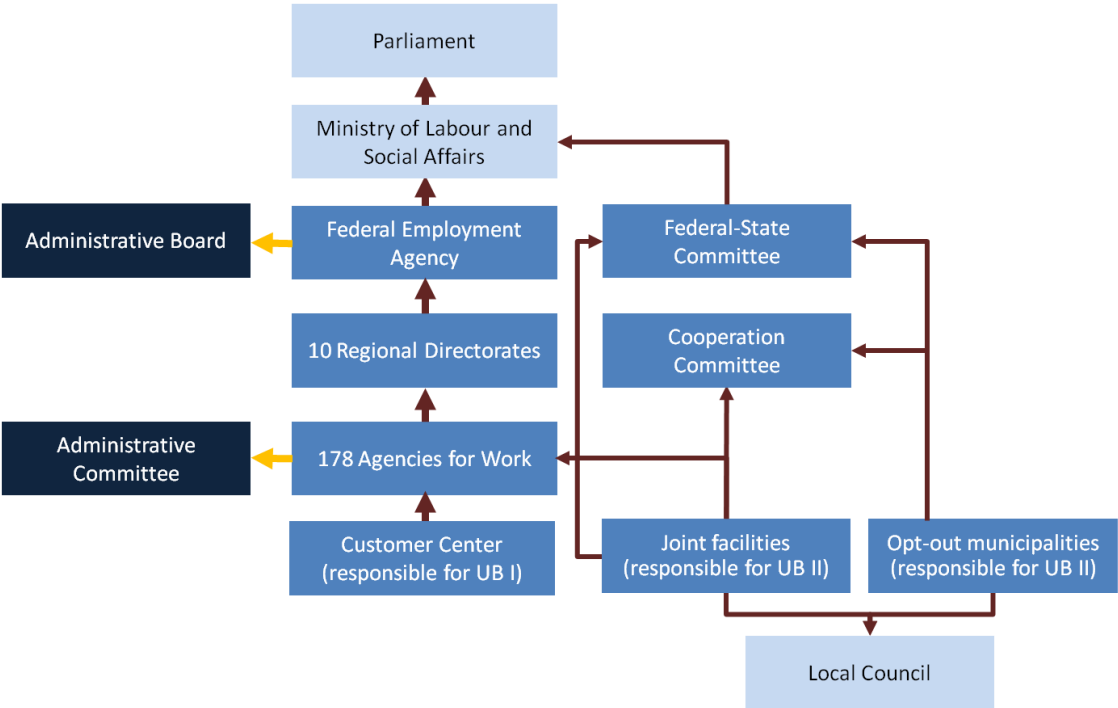
¹ Furthermore, the opt-out municipalities have also been anchored within the constitution (Art. 91e GG), however their number is restricted to 110 by law.

Figure 3: Organizational Structure of German Labor Market Policy before the Hartz Reforms



Source: own figure

Figure 4: Organizational Structure of German Labor Market Policy after the Hartz Reforms



Source: own figure

Norway

Norway has a two tier benefit system for the unemployed (unemployment benefit and social assistance), whereas, until 2006, there has been a division of labor between the National Insurance Service, the National Employment Service and the social welfare services at municipal level (Christensen, Fimreite & Læg Reid, 2007). The National Insurance Service has

been responsible for the provision of welfare benefits in the case of unemployment; organized within a strongly decentralized structure (Duell, Singh & Tergeist, 2009). The National Employment Service was the main provider for active labor market measures and was organized into regional and local offices (Christensen, Fimreite & Læg Reid, 2007). People not covered by the social insurance system receive means-tested social assistance, financed by the municipalities and central government grants.

Ministerial responsibility also has been divided between the Ministry of Social Affairs supervising the National Insurance Service, the Ministry of Labour and Administration responsible for the National Employment Service and the Ministry of Local Government and Regional Development in charge of the regulation of local social assistance. In contrast to Denmark and Germany, the social partners are not formally involved in the administration and implementation of labor market policies.

The fragmented welfare structure had especially been criticized for its inadequacy when dealing with multiservice clients who had to visit many different public offices to claim their benefits (Christensen & Laegreid, 2011).

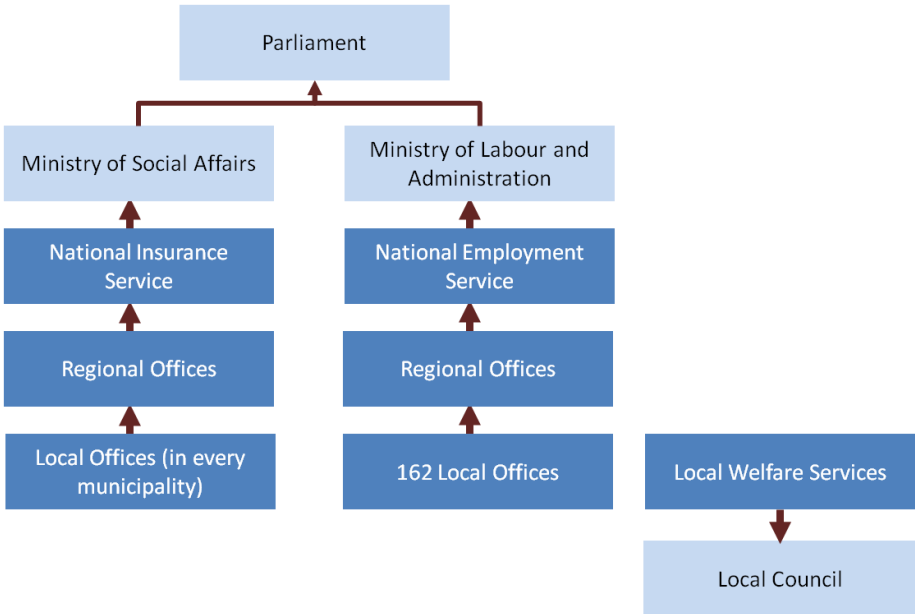
In 2005, the parliament approved the merger of the Insurance Service and the Employment Service into a single central agency for employment and welfare (NAV). The reform profited from the fact that the responsibility for insurance administration, national employment services and the regulatory responsibility for local social services have been integrated into one ministry for the first time, the new Ministry of Labour and Social Affairs² (Fimreite & Læg Reid, 2009). At the municipal level, a local partnership between the new agency and local social services was introduced. The local NAV offices are a one-stop shop system where the NAV services are integrated in the local government social services (Fimreite, 2011). The partnerships are laid down in local agreements between the regional NAV offices and individual municipalities and are based on the following principles (Christensen & Læg Reid, 2010):

- Partnerships are compulsory by law and mandatory for all municipalities.
- The welfare office should be a joint front-line service.
- Management at the welfare office could be either joint or dual, with one manager from the municipality and one (representing the government) from NAV.
- On the municipal side, welfare offices should at least provide financial assistance, financial advice and housing for the homeless.

² Renamed in 2006 into Ministry of Labour and Social Inclusion and again renamed 2009 into Ministry of Labour (Arbeidsdepartementet).

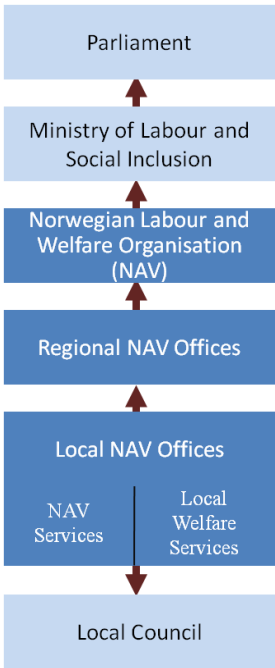
However, even though most NAV offices have introduced joint management procedures; budgets, regulation and competences are still separate (Askim et al., 2011). In 2009, a reorganization of the reform took place when 37 so-called administrative units were established at the regional level to handle standardized services. The main arguments were that regional units provided an opportunity to increase the quality of casework (Christensen & Laegreid, 2011). The following graphs show the accountability arrangements before and after the reform (Figure 5 and 6).

Figure 5: Organizational Structure of Norwegian Labor Market Policy before the NAV Reforms



Source: own figure

Figure 6: Organizational Structure of Norwegian Labor Market Policy after the NAV Reforms



Source: own figure

Discussing Accountability Changes

In the following, the changes in the accountability structures that resulted from the recent reforms in the three countries will be discussed. As explained in the introduction, we will focus on internal, vertical accountability within the public sector. Our main questions thus are

who is accountable to whom, which kind of information should be provided, have accountability relations changed and to what effect?

Who is Accountable?

In all three countries, the organizational reforms have created new administrative actors for the implementation of labor market policies which can or at least should be held accountable for their activities and their results. There has been an attempt to reduce the number of implementing actors (and thus accountors) and to create 'one stop agencies', but with different outcomes.

In Denmark, the local job centers are now the main actor for the provision of active labor market measures. Striking in comparison to the other two countries is that there is still a divided responsibility for the disbursement of benefits and the provision of active labor market services. However, for the implementation of active labor market measures, there is only one local actor. Accountability should thus be easier than before, because it is clear who to blame for failures and missing results. Before, Danish employment policy suffered from uncoordinated efforts of the central Public Employment Service and the local social service departments, resulting in “substantial compliance gaps between government objectives and local implementation” (Bredgaard, 2011, p. 765). Consequently, the organizational reform can be seen as an attempt of central government to regain control and strengthen the accountability structures in labor market policies.

In Germany, on the other hand, the merger of unemployment assistance and unemployment benefits has resulted in a hybrid organizational structure with joint facilities and opt-out municipalities providing services for the recipients of UB II. At the same time, there is a parallel system of customer center for the recipients of UB I. For different sets of unemployed and in different local settings, different local organizations are responsible. The variety of organizational forms as well as the inclusion of different government levels makes monitoring and assessment of the performance of the different operating units more difficult. Especially with regard to the administration of UB II and the provision of activation measures to long-term unemployed, different personnel systems and organizational cultures, had to be integrated, whereas the influence of the Federal Ministry or the central office of the FEA is rather limited. Hence, accountability problems have increased in Germany, especially regarding the opt-out municipalities, as it has been difficult to establish a common data base between the FEA and the opt-out municipalities because of differences in IT systems. Moreover, the responsible Federal Ministry of Labour and Social Affairs has only limited supervisory authority over them because they are subject to the jurisdiction of the state

governments. Some observers speak of a system of organized irresponsibility (Schmid, 2006) resulting in a situation where the FEA and the local units as well as central state and local governments try to pass costs, blame, difficult clients and tasks on to each other (Eichhorst, Girenberger-Zingerle & Konle-Seidel, 2010).

In Norway, a complete new organization has been created which bundles the services of two central agencies and the local level, even though the functions and responsibilities of the local level and the central agency within the common NAV office are clearly separated. Furthermore, a new ministerial arrangement has taken place combining the responsibility for social insurance and employment services. The new organizational model represents a mixture between ministerial responsibility and sector specialization on the one hand, and local self-government and territorial specialization on the other hand (Askim et al., 2011). The challenge remains to balance accountability to central government and accountability to the local council. This implies an in-built inconsistency of the NAV reform, as the simultaneous strengthening of political control of the central and the local level is difficult to achieve (Christensen & Laegreid, 2011).

To summarize, all three reforms have led to an increasing role of local actors in the implementation of labor market policies. This again should lead to an increasing accountability of these actors. However, the increased importance of local actors is not without conflict as there are tensions between greater flexibility for local actors and accountability. Typical problems involve contradictions between overriding national policy objectives and local interests as well as misallocation of funds if vertical fiscal transfers are not aligned to performance criteria. Furthermore, accountability for performance is difficult to achieve as the variety of organizational forms makes comparisons more difficult (Mosley, 2009).

Accountable to Whom?

In all three countries, the respective central ministry at the end of the chain of accountability and local governments at the local level are still the most important actors concerning political accountability. The changes of recent years in all three countries imply elements of decentralization and better coordination of the formerly two or even three-tiered systems. Generally, this should result in more discretion for local actors (independently if deconcentrated or decentralized) to provide tailor-made activation programs for the local community and so to a reduced accountability to political actors. But all three reforms can also be seen as central state attempts to better control and steer the implementation of active

labor market policies as well as of strengthening accountability relations to the respective ministry.

In Denmark, the transfer of competencies for active labor market measures to local job center has been accompanied by the introduction of a strong central system of ‘Management by Objectives’ and benchmarking along with the shifting of financial risks to local governments. The Ministry of Labour is defining a number of performance goals every year which should be met by the local job center. Local governments then could add several additional local priorities which are, together with the national priorities, included in a local employment plan. The local job centers are monitored regularly by the employment regions (a central state body). If the local job center is underperforming concerning the national targets, the ministry can contract services to private providers (Bredgaard, 2011; Larsen & Knuth, 2010). The second gateway of central control is the new financing mechanism for unemployment insurance introduced in 2010. The municipalities became economically responsible for the payment of the state contribution to unemployment insurance which is reimbursed by central government according to performance indicators. In fact, municipalities are compensated for regional fluctuations in unemployment which means that the performance of a municipality is benchmarked against the performance of other municipalities in the region. Furthermore, incentives have been created to bring unemployed into activation measures meaning that the compensation of the municipality depends on the activation status of the unemployed. The municipality is reimbursed 75 percent when people are in activation, 50 percent when they are not in activation and zero percent if they are not in activation but actually are supposed to be according to the law (Andersen, 2011). In consequence, accountability from the local job center to the ministry has rather increased than diminished while shifting blame for misconduct to the local job center at the same time:

Especially the integration of the PES and municipalities in new local job center implied two opportunities: To escape operational responsibilities in the running of PES system and to gain strategic control over the implementation of municipal employment policies. (Larsen & Bredgaard, 2009, p. 57)

In Germany, the joint facilities as well as the opt-out municipalities are ‘servants of two masters’. The joint facilities are accountable to the local council and to the respective regional employment agency, which is accountable to the central office of the FEA in Nürnberg. The ministry at the end of the chain is negotiating yearly objectives for UB II with the FEA. The opt-out municipalities have until now not been accountable to the central level, even though they receive most of their budget from the central level. Since the beginning of 2011 however,

a new accountability mechanism has been created making the opt out-municipalities not only accountable to the respective local council but also to the Länder-level. Every opt-out municipality has to negotiate objectives with the responsible ministry at the Länder-level, which in fact introduces a new level of actors (accountees). The Länder ministries in return are negotiating objectives with the Federal Ministry of Labour and Social Affairs. The situation is less complex for UB I where a continuous accountability chain from the customer center of the FEA to the Federal Ministry can be observed, but there is no direct accountability to local actors or the Länder. To sum up, a complex Federal-Länder chain of accountability has evolved parallel to the traditional system of the FEA. Political accountability is thus very complicated and blurred as all levels of government (central, regional and local) are involved.

In Norway, the situation of two political masters also prevails within the local NAV office. The ministry is responsible for setting the overall objectives, afterwards NAV can add its own targets for its regional offices and finally, all local offices will get a set of performance indicators (attached to the budget allocation) they need to meet. So there is a direct accountability chain from the local office to the ministry. However, Norwegian municipalities are independent political units which means that the objectives defined by the ministry or the NAV agency have no influence on local services provided within the local NAV office. The NAV reform has not changed the accountability structure of the central government and the local municipalities, and to this extent, the merger has remained incomplete. Moreover the restructuring of the ministerial portfolio establishing the new Ministry of Labour and Social Inclusion has created a unified political actor for labor market policy at the central level.

Administrative accountability, in all three countries, has been strengthened through new standards as well as through Management by Objectives systems based on performance information and benchmarking. This development has been accompanied by a new importance of the internal controlling functions within labor market administration. As productivity and efficiency are now emphasized as organizational objectives, controllers and controlling practices have gained a new importance. Next to this, intra-organizational contracts in public employment services between central, regional and local level have been introduced in all three countries to further strengthen administrative accountability with more or less strict procedures for setting targets, monitoring and imposing incentives and sanctions like performance related pay for managerial staff. This also implies a reduction in professional accountability as the informal professional control and evaluation practices are supplemented by standards, targets and benchmarking exercises. Two more or less

incompatible accountability mechanisms are at work, i.e. individual autonomy and discretion for the professionals at the street level versus organizational control.

In both countries where social partners had a considerable strong influence on labor market policies, i.e. in Denmark and Germany, their influence has diminished and thus has supervisory accountability. In Denmark, their role has been reduced especially at the regional level to an advisory function but without influence on the day-to-day business. In the old labor market regions, the social partners have been actively involved in the planning and budgeting of active labor market services. At the local level however, they are represented in the new Local Employment Councils (LECs) advising the local job center and assisting in the preparation of the annual employment report since 2007. The LECs' composition is regulated by law and includes up to three members appointed by the Employers' Confederation, up to five members appointed by the unions, and up to four members of other local associations (Weishaupt, 2011). This new organizational structure implies a reduced role for the tripartite councils at the regional level. At the same time, the establishment of local employment councils in each municipality is giving the social partners a higher influence there, albeit they (now) became only one actor among many.

In Germany, the influence of social partners has been reduced to a pure monitoring function within the insurance based system of UB I. Concerning UB II, the social partners are only playing a marginal role, even though with the latest amendments, local advisory boards with participation of the social partner have been made compulsory for all joint facilities and opt-out municipalities.

Accountable for What?

Regarding the question of 'accountability for what' we are concerned with the information requested and provided, i.e. at the dimension of procedural, financial and functional or performance accountability.

Perhaps surprisingly, since these reforms have been characterized as managerial, NPM-style-reforms, procedural accountability has been increased in all three countries, mainly through the introduction of profiling systems and rules for case management, the categorization of unemployed into matching categories and the standardization of contact interviews. This includes that frontline workers need to work with prescribed schedules for client contacts, that the frequency of client contact is regulated and that the details of the activation strategy have to be fixed in a client contract. These client contracts between the labor market administration and individual clients usually stipulate the terms of reintegration agreements and their rights and duties. In general, the flexibility and discretion of the case worker and thereby the

discretion of local offices (and professional discretion) has been diminished. Thus, centrally defined procedures for methods and instruments can be seen as part of a centralized attempt to control local units (Larsen & Knuth, 2010).

Financial accountability has changed as economic incentives are increasingly used in order to steer service provision within active labor market policies. In Denmark, central government provides a higher reimbursement to municipalities for benefits paid to unemployed that are in activation over those ‘passively’ receiving benefits. This has created an important economic incentive to promote activation. Furthermore, this incentive strategy also has been used to prioritize specific types of activation measures (higher reimbursements for specific measures). The same is true in Germany, where the spending for different labor market instruments like qualification schemes now depends on the success of these measures.

Next to the changes in procedural and financial accountability, in all three countries, systems of management by objectives have been introduced. Even though the systems differ, they share the idea that a ‘principal’ – typically the central ministry responsible for labor market policies – sets rather broad overall policy goals (like the reduction of the number of benefits claimants by X %). These targets are then operationalized into quantifiable sub-national targets for regional and local labor market authorities, which again are monitored and regularly reviewed. The emphasis is on outputs or outcomes rather than on controlling inputs and adherence to detailed regulations. However, the extent to which this process is hierarchical or consensual varies greatly across the three countries. Whereas negotiations play a strong role in Norway (Christensen & Laegreid, 2011) and to a lesser extent in Germany, in Denmark, local actors appear to have little or no flexibility in the determination of local performance targets (Bredgaard, 2011).

However, until now only very little is known about how and if this kind of information is used. We do not know whether it is used mainly by administrative actors, thus strengthening administrative accountability, or also by elected politicians, and if that should be the case to what extent. It is not apparent if these performance systems create adverse incentives for the different actors like creaming or ratchet effects. At least, there is no suggestion that democratic, political and administrative accountability has really been diminished through these reforms. But there can be no doubt that these ‘new information’, as contested as they may be, create new discussions and communications between accountors and accountees, and also lead to new forms of sanctions, at least in Germany and Denmark.

Conclusion

Our analysis has shown changing accountability arrangements in labor market administration in all three countries and within all three analytical dimensions (who is accountable, to whom and for what) but the results are somehow ambiguous.

Some observers have labeled the “the setting up of the Norwegian Labor and Welfare administration (NAV) between 2006 and 2010 (...) one of the most radical coordination initiatives adopted in Europe.” (Champion & Bonoli, 2011, p. 325) However, we only see minor changes in the accountability arrangements in Norway as the fundamental separation between a central agency reporting to the ministry and the local administration reporting to local government has remained intact.

In Denmark by contrast, the reform has been more radical creating a unified actor, at least for active labor market services (the local job center), who is accountable to the central ministry as well as to the local government. Central control is ensured through a close monitoring of the performance of local job center and financial incentives.

The German approach can be classified as a hybrid between the two other cases as it combines a stronger unified structure (UB I) with a more complicated partnership model (UB II).

Concerning accountability for what, the central promise of NPM would suggest that oversight and supervision is focusing less on compliance with procedures and more on program outcomes so that front line workers have more flexibility but must report the results of their work. However, this does not seem to be the case. In all three countries, more or less sophisticated systems of management by objectives have been introduced, but the shift towards performance measurement is not universal. Numerous procedural and financial requirements have remained in place and new procedural standards for case management have been introduced. It remains an open question if the different accountability requirements are complementary or contradictory, i.e. that being accountable in one form requires compromises of other sorts of accountability (Sinclair, 1995).

If we look at the main actors or fora of internal and external accountability (cf. Table 3), we see surprisingly few changes. Concerning internal, vertical accountability there is no clear evidence that political or administrative accountability have radically changed. In all our three countries political accountability remains in place as does administrative accountability along clear lines of responsibility. Internal supervisory accountability has decreased as the traditional strong role of corporatist actors has been diminished. Finally, internal professional

accountability to informal standards of behavior is diminishing, mainly through more detailed, procedural rules limiting professional discretion.

All in all, there is more shared accountability in all three countries as it has been tried to better coordinate the formerly clearly separated systems of unemployment benefits and social assistance. In order to tackle the problem of unemployment and to activate the jobseekers, the central employment agency and the social administration in the municipalities are supposed to collaborate in one-stop center, or as in the Danish case, a complete municipalization has taken place. This implies shared accountability to the local as well as to the central level. We have found, at least for now, no evidence that overall accountability has diminished or blurred, even though we can observe gains and losses in influence and power as a result of the reforms. But shared accountability has its problems and can lead to joint irresponsibility. As Boston and Gill have argued:

Shared accountability under joint working can obviously generate a number of problems with rectification because of the lack of clarity about who exactly is responsible when things go wrong. In such situations, the parties may engage in buck-passing and blame-shifting. [...] Other problems may arise if the different principals to whom the various agents are accountable have differing expectations about performance, contrasting subordinate goals, or different information and reporting requirements. (Boston & Gill 2011, p. 240f)

So, future research should especially address the question how exactly public organizations perceive, order, and handle multiple accountability pressures and how different fora are dealing with the information they receive, i.e. what are the mechanisms of debate and sanctioning and their results, in more detail. In addition, the article had its focus on formal accountability relations, but as Romzek, LeRoux & Blackmar (2012, p. 442) have emphasized especially in networks setting “informal accountability is likely to be at least as important to effective network operations as formal accountability mechanisms”. Furthermore, it still remains an open question if and how accountability systems can make a positive difference. It has been argued that “too much accountability can be as problematic as too little” (Flinders, 2011, p. 595), so, finally, we need more empirical knowledge about the effects of different accountability arrangements on organizational performance.

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2. Reform and Accountability Dynamics: The Changing Welfare Administration in Germany and Norway

Public organizations and agencies have been subject to massive modernization efforts and sometimes to complete restructuring processes within the last decade. The type and character of the implemented reforms differ between countries, but have mainly been influenced by the ideas of New Public Management (NPM) and Post-New Public Management (Post-NPM). These reform measures have been added to existing, mainly rule and law based forms of steering of the traditional Weberian bureaucracy. Public organizations are thus subject to a process in which some structures persist, some are partly reversed and others are just added to existing ones. This is also true for accountability structures. What we see is a co-existence of competing traditions of governance, and thereby different and sometimes contradictory interpretations of accountability (Poulsen, 2009).

Public organizations in an “era of reform” (Romzek, 2000, p. 21) do not operate in stable accountability environments where the question of who is accountable to whom for what and how can easily be answered, as multiple actors are striving to hold each other to account with different expectations and according to different criteria (Koppell, 2005; O’Connell, 2005; Romzek, 2000; Schillemans & Bovens, 2010).

Thus, firstly instead of trying to capture accountability relationships by simple principal-agent models, they are better expressed by what Scott (2000) calls an accountability regime, emphasizing the complex nature of multiple stakeholder’s expectations and values.

Secondly, studying accountability means to take the dynamic nature of accountability relations into account. Many accountability studies are conducted in static terms and there is a lack of studies that analyze changes over time (Vibert, 2014). Research on how accountability structures evolve, how they are altered, how they influence behavior of the actors involved, and how these actors order and deal with multiple accountability expectations is still limited (Yang, 2012).

By taking the recent organizational reforms of welfare and employment administration in Germany and Norway as an example, the article will analyze if and how these reforms have affected accountability relations. The article will thus address the following question: How does the structure and development of reform processes affect accountability relationships and via what kind of mechanisms?

The article is constructed as follows. Firstly, it is discussed and outlined how accountability and accountability dynamics can be conceptualized and mapped. Secondly, the articles theoretical framework is presented. It is distinguished between an instrumental perspective

and an institutional perspective and each of these perspectives takes a different view on the link between reforms and concrete action and results (Lie, 2011). In the empirical part, the case selection, the reform context and the reform results on accountability relationships in the two countries will be described. This is followed by an analysis on how the reform process in the two countries has influenced the reform outcome. Finally, the findings are discussed in a comparative perspective.

Conceptualization of Accountability and Accountability Dynamics

Accountability is one of the basic principles upon which societies, and the organizations within them, are constructed and accountability has been described as “the adhesive that binds social systems together” (Frink & Klimoski, 1998, p. 3), implying that if organizations or individuals were not answerable for their behavior, there would be neither shared expectations nor a basis for social order. Accountability relationships guide behavior and stabilize expectations as they allocate resources (like sanctioning powers), constitute events and debating space (like annual meetings), empower and constrain actors and make them thus capable of acting according to prescribed rules.

Generally, public organizations in particular are confronted with multiple accountability relationships (Romzek, 2000). There are numerous typologies of accountability (for an overview see Willems & Van Dooren, 2012), however there seems to be no common model and no consensus how to classify accountability. A common problem of these classifications is a lack of clear reasoning why some forms of accountability are included while others are not. By contrast to that, Romzek and Dubnick (1987) start from an indeed broad, but clear definition. They take the individual organization as a starting point and state that “accountability involves the means by which public agencies and their workers manage the diverse expectations generated within and outside the organization” (Romzek & Dubnick, 1987). The ‘management of expectations’ claim reminds us that it is more appropriate to speak of organizations operating in an accountability regime. The degree and nature of accountability from a regime perspective can best be described as emerging from the interactions of multiple actors with differing goals and multiple ties to each other. Therefore, studying accountability requires to analyze the complexity and dynamics of accountability relations and processes (Olsen, 2013).

However, there is a lack of studies that are providing a framework for analyzing the dynamics of the accountability regimes of public organizations and that are applying it empirically. Most accountability relationships have evolved over time, are uncontested and routinized.

Nevertheless, it might be misleading to assume stability – especially large scale reforms, unexpected events, scandals or performance crises foster political debate and conflict, making accountability relations controversial, political and dynamic (Olsen, 2013). Thus, in the following, the relationship between reform, accountability and accountability dynamics will be discussed in more detail.

Public Sector Reforms, Accountability and Accountability Dynamics

All major debates about recent government reforms are also related to accountability (Dubnick & Yang, 2011). NPM advocates insist that a stronger focus on public sector performance improves government accountability, but opponents refute that there is a tension between managerial and political accountability (Laegreid, 2014). Post-NPM believers claim that coordination and network-based delivery lead to better accountability, but other caution that networks pose significant accountability challenges (Papadopoulos, 2010). Hence, the relationship between government reforms and accountability is still contested and the question how the dynamics of accountability can be conceptualized and assessed has until now been underexplored in the literature (Vibert, 2014). The demand and exercise of accountability always implies questions of power. To apply accountability means to define who (forum) has the power to call for an account and who (actor) is obliged to give an explanation for their actions. This might be obvious but is currently neglected in most of the studies that treat accountability as a neutral mechanism of improved performance management or auditing (Newell & Bellour, 2002). Accountability processes imply relations of power in order to define accountability and to create and enforce the mechanisms of accountability. Rather than assuming a world consisting of predetermined forums and actors and static accountability relationships, there is a need to examine how accountability processes affect the way authority and power are actually organized and exercised. Accountability relationships as well as the set of its underlying procedures, standards and norms develop in a system of power that must be included in the analysis (Moes et al., 2008). Accountability is a political process in which actors interact and pressure each other with power (Yang, 2012). As accountability implies practices of power, it is rather unsurprising that different accountability mechanisms are promoted, sustained and contested by different forums and actors.

As already mentioned, there are numerous forums of accountability for public organizations, including their immediate supervisors, relevant elected officials, professional associations, or the citizenry at large. However, the different forums will rarely be equally important (Frink et al., 2008). Their respective influence and power depends on their formal and informal

capacity to demand information from the actor and from the possibility to impose sanctions (Biela & Papadopoulos, 2014).

Reforms can introduce new forums of accountability and abolishing others or may change the relative weight of different accountability forums. As an example, one aim of delegating power from national governments to independent regulatory authorities was the reduction of political involvement and the insulation of party politics in order to increase the credibility of regulatory policies and the expertise incorporated into regulatory decisions (Thatcher, 2002). This has also reduced the possibilities of elected politicians to hold these agencies to account (Koop, 2011). Reforms provide some accountability forums with channels to influence the behavior of public organizations while disempowering others. Accountability is not an apolitical project and actors promoting some forums of accountability have a political stake. Placing power centrally makes it easier to discern why some accountability forums are privileged over others and why forum constellations change over time.

Apart from changes in the forum constellations, the effects of reforms can also refer to the actor side of accountability, mainly focusing on the interplay between control exercised on the actor and autonomy that is granted to the actor. Any accountability regime must confront a fundamental issue of how strictly controls should be in seeking consistency versus how much discretion should be granted in promoting flexibility and innovation. In this regard, Dubnick and O'Brien (2010) differentiate between two major issues:

- (1) how specific or detailed is the scrutiny of the activity or behavior of the actor;
- (2) how much autonomy does the actor have in the fulfillment of its required behavior.

The following four field matrix gives an overview on the different reform strategies.

Figure 7: Accountability Approaches

		Specificity of Accountable Activity	
		low	high
Autonomy of Actor	high	<i>Integrative</i> Development of internalized norms and standards to foster appropriate behavior and probity	<i>Managerial</i> Set 'what' agent is accountable for (targets), allows agent to determine 'how'
	low	<i>Contrived randomness</i> Oversight of actions of the actor ex-post based on unpredictable categories	<i>Compliance</i> Set 'what' agent is accountable for and 'how' to proceed

Source: own compilation partly based on Dubnick & O'Brien, 2010

Managerial Approach

The managerial strategy provides considerable discretion in meeting goals or targets set by the accountability forums. The focus is laid on monitoring outputs and results instead of processes or procedures and making those with delegated authority accountable for carrying out their tasks in order to reach agreed (often performance related) criteria (Day & Klein, 1987).

Compliance Approach

Compliance-based systems design rules and accountability mechanisms to structure incentives and disincentives for actors that will motivate compliance and ensure conformity not only with targets but also with standard operating procedures. The compliance-based model regards public organizations as a potential source of obstruction to be guarded against by carefully shaping behavior through scrutiny, specifications, incentives and penalties (Philp, 2009).

Integrative Approach

An integrity-oriented approach focuses on building professional integrity. It recognizes that accountability cannot be fully motivated by rules and incentives. It is rather the case that appropriate behavior results out of intrinsic motivation and probity, than simply acting in a response to external incentives. Organizations or individuals are asked how they have exercised the discretion and responsibility associated with their office. Account giving means accountability for feedback and evaluation (Philp, 2009). The emphasis is on institutional arrangements that foster accountable behavior without the monitoring or the specificity of actions of the managerial and compliance strategies (Dubnick & O'Brien, 2010).

Contrived Randomness

Contrived randomness refers to accountability relationships under which accountable bodies face uncertainty, for example by making policies, standards or goals unpredictable and ever-changing through the use of unannounced interference and control or by the assessment of subjective categories of performance (Lodge & Hood, 2010). Contrived randomness is inherent in the political logic that politicians can engage themselves in any matter on an ad-hoc basis. In addition, outside control, like the media, represent a strong element of randomness, chance and unpredictability (Bleiklie, Læg Reid & Wik, 2003). Uncertainty establishes some room for maneuvers within which the actors can operate. At the same time it encourages distrust. This might lead to preemptive obedience, risk-averse behavior and blame-avoidance strategies on behalf of the controlled and thus a low autonomy of the actor.

Both facets of reform effects – forum constellation and autonomy of actors and specificity of their activities – might occur simultaneously or isolated from each other. Reforms may change accountability arrangements, either deliberately via formal changes in design or unintentionally, resulting in new accountability practices. To understand and explain the reform trajectories and the accountability choices in the two countries, two different perspectives from organizational theory on factors enabling and constraining the initiatives and the leeway of political and administrative executives when committing into administrative reform policies will be considered in the following. It will be differentiated between an instrumental (with an hierarchical and negotiation type) and an institutionalist perspective on change (Christensen et al., 2007a). From these perspectives contrasting expectations about observed effects will be formulated.

An Instrumental Perspective on Accountability Change

Accountability can be seen as an instrument of management and reform, where account-giving is perceived as a tool to achieve ends like better control, increased legitimacy or better performance of public sector organizations (Dubnick, 2011). This is in accordance with principal–agent approaches on accountability, assuming principals know which institutions are likely to enhance or hamper accountability and that they are able to choose the desired institutions (Olsen, 2013). In this regard accountability is mainly a question of organizational design in the hand of powerful reformers and if “reforms seek new managerial strategies and reconfigured tasks, then accountability relationships need to be reconfigured, too.” (Romzek, 2000, p. 39).

Such an hierarchical-instrumental perspective (Christensen et al., 2007a) sees reforms as a conscious reorganization. This implies that political and administrative leaders are the actors who dominate decisions and the implementation of reforms (March & Olsen, 1983). They have unambiguous goals, a clear means-end thinking and choose a structural design for public organizations that fulfills these goals (Christensen & Lægreid, 2012, 2013; Lie, 2011). From a hierarchical-instrumental perspective it is expected that:

1. In situations when leadership is present and uncontested, goals are clear and means are known, a dominant accountability forum will emerge with clear expectations and accountability claims. This includes clear divisions between oversight and execution of tasks, straightforward criteria and measurements for performance, and a logical hierarchy between agents and principals.

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2. Leaders acting instrumentally favor clear goals and formal accountability processes, thus, either choosing a managerial or compliance based approach on accountability.

An instrumental-negotiation based perspective sees a reform process as a struggle between different actors, groups and organizations, reflecting the heterogeneity in the public sector and its environment. It is assumed that the process is a tug-of-war over who should participate in decisions and how problems and solutions should be framed (Askim et al., 2009). From this perspective, it can be expected that the focal actors hold different views on and therefore negotiate over the framing of the reform process, the problems and solutions identified, and the organizational structure for the new system. Negotiations in public-decision-making may result in at least three different results (Aberbach & Christensen, 2014): one is that the winning coalition takes all, the second is a compromise and the third is a sequential attention to different goals resulting in a quasi-solution of conflict (Christensen et al., 2007a). The instrumental-negotiation perspective recognizes that negotiations, conflicts, diverging interests and scarce resources are primary features of political systems. Hence, it can be expected that in these circumstances:

1. Accountability forums and accountability procedures are unstable due to complicated and also constantly changing balances of power between single actors or between coalitions. Public organizations are continuously being called to account by several account-holders for their actions and decisions, within different forums with different expectations and through different processes (formal and informal) at the same time.
2. The accountability approach evolving is contrived randomness as goals and expectations are unclear or ambiguous (as actors need to make compromises), and unstable (as they are continuously altered by negotiations).

An Institutional Perspective on Accountability Change

From an institutional perspective, accountability regimes are complex and thus cannot easily be designed and reformed at will. Design decisions may often take directions that are unpredictable, imply unanticipated consequences and require that these decisions are continuously adjusted and revised. Accountability regimes have some autonomy and dynamics of their own and some robustness in the face of deliberate reform efforts (Olsen, 2013). This does not question the possibility of making interventions in order to change accountability; however these interventions are mediated through existing accountability relationships. To change accountability relations involves “a disruption and alteration of existing and ongoing accountability relationships. Reforms designed to make individual actors

or agencies more accountable do not fill a vacuum but become part of the accountability space into which they are inserted.” (Dubnick, 2011, p. 712). Such an institutionalist perspective on accountability goes beyond the assumption that accountability regimes emerge or change as a result of “the deliberate choices of predetermined principles” (Olsen, 2014, p. 121). Rather, the dynamics of accountability regimes are seen as part of complex institutionalization and de-institutionalization processes. Understood in this way, accountability is an emergent property with a strong influence of informal norms and values, not a given set of rules or tools.

The development of accountability in public organizations may thus be characterized by path-dependency, meaning that the prevailing constructions and narratives of accountability will influence the path taken later on. Public organizations display persistent processes, rules, routines and norms that affect interaction patterns both within and between organizations. Hence, they do not respond easily and quickly to reforms implemented by political and administrative leaders. Such a viewpoint emphasizes the stickiness of processes of accountability and control. In this regard reform rhetoric is one thing but deeper institutional change is another. Because of the institutional nature of organizations, “reforms are easier to initiate than to decide on, and easier to decide on than to implement.” (Brunsson & Olsen, 1993, p. 6). Attempts to change accountability relationships are shaped and filtered by institutional legacies, existing traditions and cultural preferences.

From this perspective, it can be expected that:

1. Accountability regimes develop informally over time, rather than been established formally by political and administrative leaders. The fate of reform initiatives are thus depending on the degree of compatibility between the reform and the existing traditions and institutions.
2. The accountability approach evolving is a rather integrative approach focusing on changing or maintaining institutional arrangements and general accountability principles.

In the preceding paragraphs, a conception of accountability dynamics has been described as a starting point to map and analyze how government reforms influence accountability regimes.

An alteration, intentional or not, in the accountability regime can change the overall level of accountability. In the following, the model is applied to the case of the reformed welfare and employment administration in Norway and Germany, showing the dynamics in the accountability regime of two organizations, namely the newly created Norwegian Labour and Welfare Administration (NAV) as well as the reformed German Federal Employment Agency (FEA). The empirical part is structured as follows. First, the case selection and data basis is

described, followed by an outline of the reform trajectory in both countries and the corresponding changes in the accountability regime. The last chapter then discusses how the reform programs and processes have influenced the accountability relationships.

Case Selection and Method

The case and country selection follows a mixed systems research strategy as advocated by Frensdreis (1983) which implies that there are differences between the selected cases, but also important similarities. According to the famous typology of Esping-Andersen (1990) Germany belongs to the group of conservative welfare state regimes with strong corporatist structures involved in the formulation, steering and implementation of labor market policies (welfare corporatism) and an insurance based system of social protection. By contrast, Norway belongs to the social-democratic welfare state regime characterized by tax-based universal benefits and a strongly interventionist state that promotes equality through a redistributive social security system. Secondly, Norway is a unitary state with an unicameral parliamentary system whereas Germany is a federal state with strong bicameralism. Overall, Germany is significantly scoring higher on the different indices on veto players and institutional constraints of central state government³ thus limiting the degree of governmental influence on policy reforms (Champion & Bonoli, 2011).

However, there are also important similarities. In both countries the principle of ministerial responsibility is entrenched. There is a substantial decision-making space of the ministries with regard to the design of inter-organizational control and accountability relations to subordinate agencies (Bach, 2014). Furthermore, both countries have a long tradition of local self-government (Fimreite & Lægheid, 2009; Wollmann, 2000) and the responsibilities for welfare services have for long been fragmented between the central and the local level (Jantz & Jann, 2013). This results not only in political influence of the local level when it comes to policy and organizational reforms but the local level also exert an influence through their participation in the governance structure (Champion & Bonoli, 2011).

Furthermore, both countries have implemented reforms that have had a major impact on the respective institutional framework for public employment services, namely the NAV reform starting in 2005 in Norway and the so called Hartz reforms in Germany starting in 2002. This has resulted in massive modernization efforts of the welfare and employment agencies in both countries. Both reforms combined elements of NPM and Post-NPM, thus challenging the

³ For an overview on different indices and the German and Norwegian position see Schmidt, 1996, p. 172, 2010, pp. 332–333.

previously dominant organization of the welfare state based on clear functional differentiation, hierarchy and compliance-based elements of control. This case selection allows the examination of how a common reform trend in both countries is shaped by country traditions and if similar or different developments in the accountability regime can be observed.

The dynamics and complexity of accountability requires an interpretative in-depth method with attention to context, contradictions, and ambiguities (Willems, 2014). Qualitative research in this regard is especially suited for the understanding of social phenomena that are changing and shifting, ill-defined, deeply rooted or entailing information that can only be collected from special individuals. Accountability research definitely has to address these issues (Yang, 2014).

The article is based on in-depth interviews with a variety of actors and secondary data sources. 26 semi-structured interviews in both countries have been conducted. Respondents were selected from a diverse set of actors including politicians, civil servants in the ministries responsible for welfare services, managers in the welfare and employment services on different levels, public auditors, social partners as well as researchers involved in the reform process. These respondents were chosen on the basis of their close involvement in decision-making and implementation of the reforms in the two countries, as indicated by official documents and the literature or by other respondents (snowballing). This has enabled to obtain a detailed and balanced perspective of the processes during the reform period as well as on the dynamics in the accountability regime. Informed by the secondary data, respondents were asked to describe what has occurred during particular periods of time and to explain the decisions made (by them or by others). Moreover, they were requested to reflect on the mechanisms, expectations and behaviors in the accountability regime. The analysis of the German reform is additionally partly based on a previous empirical study by the author on the agenda-setting and policy formulation process of the Hartz reforms (Jantz, 2004). Secondary data sources include governmental documents, evaluation reports as well as the scientific literature on the reform trajectory.

The Reform Trajectories and Results in Norway and Germany

Norway has a two tier benefit system for the unemployed (unemployment benefits and social assistance). Until 2006, there has been a division of the responsibilities between two agencies on the central level and the social services at the municipal level (Christensen, Fimreite & Læg Reid, 2007b; Overbye, Vabo & Wedde, 2006).

In 2005, the parliament approved the merger of the ‘Social Security Directorate’ and the employment service into a single central ‘Agency for Employment and Welfare’ (NAV).

Formally, the new NAV agency was established as a traditional ministry-agency model, implying a close relationship and considerable interaction between the ministry and agency. However, in practice the patterns of influence have changed in favor of the NAV agency. This can be attributed to the size of the NAV agency. Its enormous size goes along with an increased task complexity, which makes it very challenging to hold the agency politically accountable.

They have a lot of autonomy ...otherwise it would be impossible. I mean they are, how many now? 17.000 people? We’re a small ministry [...] What’s difficult for us is that this organization has a very broad responsibility. We don’t really want to get very detailed report on everything. Because that we cannot sort of follow up anyway.
(Interview Secretary General Ministry of Labour)

The accountability approach from the political forums is rather ad-hoc and driven by political rationalities that lead to changing or layered expectations meaning for NAV managers to constantly anticipate and be responsive to the concerns of elected officials. At the same time this implies a difficult process of handling different priorities or even having no priorities at all, as a respondent from the NAV agency has reported.

Labor market policy has always been heavily political in a way and all politicians we have had they say [...]: “I am worried about this group, so make a little measure for them.” So it’s hard to oppose the intention behind it, but the problem is that when you should have a focus on below 20 years old, 20 to 25, immigrants, people with handicap, those who are on sick leave, people returning from prison, those who haven’t finished their college and so on, and so on. It’s too much.

The NAV agency is vertically structured with an administrative accountability chain running down from the ministry and the directorate in Oslo to the regional and local offices as well as the special units situated across the country. To hold the different levels accountable, a system of management by objectives and result (MBOR) has been implemented with highly detailed (mainly input) targets for each layer. Thus, MBOR in practice is modified and ends up in a combination of target and rule steering as “result-oriented-rule-steering” (Bleiklie, Læg Reid & Wik, 2003, p. 21). Respondents on the different levels have emphasized the loose coupling between their actual working routines and the reporting requirements they have to meet. Performance measurement and reporting is rather a symbolic act to legitimate its own actions

towards superior units instead as a tool for steering and organizational improvement as a regional director of NAV has responded.

I am really free to do what I want and I do it my way without asking the directorate. I don't ask them for that because I have my way of doing things and as long as they let me do what I want, I do.

However, this does not mean that the NAV directorate is not interfering into the operations of the regional and local office but this takes place outside the formal accountability arrangements on an ad-hoc basis.

The reform also introduced formal collaboration between the NAV agency and social services of the municipalities. The NAV offices – situated in each of Norway's 429 municipalities – are organized as a central-local government partnership regulated by local agreements. There are variations between the different municipal governments, but most of them show little interest to hold the local NAV offices into account and rather see them as an affair of the central government. After the implementation of the reform, political accountability through local self-governance came under severe pressure. (Christensen, Fimreite & Læg Reid, 2014)

To sum up, the political and administrative accountability reflects both formal hierarchical accountability arrangements and informal accountability dynamics that are based upon implicit and explicit expectations. In practice, two parallel systems of accountability have evolved, one proactive model based on the MBOR system and another reactive model based on a political logic where politicians and top-level administrators are interfering in a more random and ad hoc manner.

The ministry and the administrative leadership are constantly struggling between an accountability approach at arm's length (managerial approach) and immediate interfering (contrived randomness), because of political intervention, reports of misconduct by the Auditor General or the media. Regular informal meetings outside the formal MBOR system between the ministry and the agency make sure that changing priorities are implemented within the agency. Collaboration and coordination between the central and local level play no significant role as joint targets or planning with the municipalities is not in place. Even though the term 'partnership' has played a great role in the reform rhetoric, this is not mirrored in the accountability relationships. As a result of the reform, the NAV agency faces less certainty about the accountability consequences of their actions. It is in an unstable balance between different accountability forums and approaches and must thus be able to switch between them.

Germany

Prior to the Hartz reforms Germany had a three-tier benefit system for the unemployed, including unemployment insurance benefit and unemployment assistance. Both were administered by the Federal Employment Agency (FEA) whereas social assistance was administered by the municipalities.

As a result of the reform and the merger of two benefit systems (unemployment assistance and social assistance), the FEA now is solely responsible for the recipients of the insurance-based unemployment benefit I (UB I). The tax funded and means-tested unemployment benefit II (UB II) as well as active labor market services for all unemployed, that are not eligible for UB I, is usually administered in ‘joint facilities’ (JFs) where the FEA works together with the municipalities. In the JFs, responsibilities for tasks and funding are clearly separated. Furthermore, 110 municipalities have been licensed to administer the UB II on their own; the so-called opt-out municipalities.

The major political instrument to hold the reformed FEA accountable to the parental Ministry of Labour and Social Affairs (BMAS) are target agreements that are formulated separately for each benefit regime. However, the municipal side has just recently been introduced into this system of target agreements, where the federal ministry is negotiating targets with the regional governments and the regional governments with the respective municipalities (Kaltenborn & Kaps, 2012). As in Norway, there are structural asymmetries between the ministry and the FEA. The reorganization has also lead to the fact that there are three different accountability regimes (UB I, UB II divided into joint facilities and opt-out municipalities) with different competencies and power resources to hold the delivery units to account. As a result, the ministry is navigating between central control, autonomy of the FEA as a self-regulated body and the principle of local self-government, creating an accountability regime with limited political accountability that has been labeled as organized irresponsibility (Schmid, 2006). A respondent from the ministry has described the current system as follows:

Concerning the UB I we only have the legal oversight, that means we are looking if the instructions from the head office of the FEA are in conformity with the law. Everything else, as the control of efficiency and effectiveness is the task of the FEA. [...] Nevertheless, the political responsibility is with us and that is tricky as it is not in our competence. In the realm of the UB II [...] we also have the functional oversight. However, you have to differentiate between the joint-facilities and the opt-out municipalities. For the joint facilities, we have the functional oversight and thus the defacto responsibility what happens on the ground. For the opt-out municipalities [...],

we have the political responsibility but no oversight possibilities at all. This is a lost cause, I would say.

The new organizational model has proven to be a rather unstable and complex institutional solution with complex accountability structures. The partnership model implies per se a shared accountability between the national and the municipal level. Concerning the opt-out municipalities, there is no interest in an efficient utilization of the national resources as the financial and functional responsibility is partly divided between the national and the local level (Kaps, 2008). Especially the Federal Court of Auditors has repeatedly criticized accountability and steering problems in both organizational models (Bundesrechnungshof, 2006a, 2006b) partly trying to fill the accountability gap described above. However, the Court has only a limited influence when the politically negotiated organizational set-up is concerned.

The leadership structure of the FEA has also been changed as a result of the reform. Prior to the reform, the operations of the FEA were dominated by what has been called ‘welfare corporatism’ signifying the intensive involvement of the social partners. There were tripartite boards of governors at national, regional and local level, and a tripartite management board at the national level. The social partners had not only wide-ranging competencies in the supervision but through the management board also for operational budget as well as staffing policy (Jantz & Jann, 2013). After the reform, the responsibility for operational policies has been transferred to a full-time management board; however, there is still a tripartite administrative board on the central and local level. With respect to the operation of the JFs, the administrative board has no role. The role of the social partners as accountability forum of the FEA has been reduced drastically. The management board is more or less autonomous as the goal and targets are negotiated between the different levels, and the administrative board has only a limited influence in the target setting process (they have to approve the targets ex-post). Its role is thus reduced to the control of target achievement (Adamy, 2006).

In contrast to the rather loose political accountability structures, the internal accountability system of the FEA is highly detailed, formalized and target driven for both benefit regimes, UB I and II. A highly complex target system has evolved with procedural indicators (waiting time, availability, duration of benefit application) as well as output and outcome indicators (number of job placements, number of job to job transitions, vacancy filling) which are broken-down from the management board to the regional and the local level. The target system is combined with a system of pay-for-performance for the senior management at all levels which are partly remunerated for target achievement. However, the services provided

by the municipalities are not included in this internal steering system. For these services, the local governments are negotiating targets with their respective regional governments (see above). Through the increased importance of numbers and also because of a new self-confidence of the reformed FEA, there is a constant tension between the political and statutory mandate and the focus on performance and efficiency.

They [the leadership of the FEA] act on eye level with the Minister. [...] They know the business point of view that is for sure. And the bureaucratic application of the law is not at the forefront of their thinking, but rather to keep the business running. [...] This also happens at the expense of the social mandate. In this regard, their own observation [of the FEA] that they are not a social service provider any more might be right. However, the law formulates it differently, and I think quite right. So efficiency, effectiveness cannot be an end in itself. (Interview Federal Court of Auditors)

What can be observed for the German case is that a compliance-based model of accountability has emerged with a strong management board that holds the different levels and units of the FEA accountable through a highly formalized controlling system and individual incentives (pay-for-performance). The controlling system is combining bureaucratic principles of input accountability with NPM principles focusing on performance.

The ‘welfare corporatism’ model that has dominated the ‘old’ FEA and that implied first and foremost conformity to the expectations of the social partners has been replaced by a compliance model dominated by the management board. The political accountability is rather weak as the ministry either lacks the instruments (UB I), the resources (JF’s) or the formal position and power (opt-out municipalities) to hold the different organizational entities that are providing the services into account. Thus, the changed accountability structures have empowered some actors, especially the management board while disempowered others like the social partners. Even though there are other forums present like the municipal and regional governments, the Court of Auditors or the media, they are dispersed and rather form a patchwork than a coherent accountability regime (Papadopoulos, 2010). They have different concerns, power and procedures which generate competing agendas and capacities.

In both countries, the reforms were radical departures from the original organizational model and represent a complex arrangement and division of responsibility especially between central and local authorities. In the following, the process of change as well as its effects for the accountability relations according to the presented framework is analyzed for both countries.

The Reform Process in Norway

The reform process in Norway started in December 2001, when the parliament instructed the minority Bondevik II government to give a report on how the welfare bureaucracy could be integrated. The current system was more and more criticized for sending benefit recipients back and forth between the different organizations and levels (Christensen & Læg Reid, 2010). However, it took four more years until the parliament voted for the final NAV reform. Despite the large political consensus regarding the need for reform, there was a strong disagreement on how exactly the different services should be transformed. In fact, the first government white paper, based on the work of an inter-ministerial working group, was rejected by parliament as it proposed that the administration should continue to be divided into three parts (pensions, labor and social services). The launch of this working paper was the start for a conflict between the minority government and the parliament, which has been described by a former leading opposition parliamentarian as follows:

And then we had a very special political situation, because we send that white paper back to government. We just send it back, and said this was not what we asked for. We asked for a white paper discussing one merged NAV. [...] When you are a minister in a minority government, you need to discuss things with the people in the parliament before you come with a white paper, and she [the minister] didn't do that. And therefore why should we use all this time dealing with a white paper with a completely different approach, and we saw it's soon election again, and that the political play was more important.

Thereon, an external expert commission was assigned to resolve the stalemate between the minority government and the parliament. However, the commission reached to a similar conclusion as the working group. The commission was especially skeptical about merging the responsibility for employment and pensions as it was not seeing strong overlaps between these services (Christensen et al., 2007b). However, the government was reluctant to present a new proposal that was almost identical to the rejected one.

In the end, a political compromise that merged the two national agencies but kept social services as a responsibility of the local level was proposed and finally accepted. The reform also profited from a major re-organization of the ministerial portfolio. In June 2004, the former Minister of Health took over the responsibility for the newly created Ministry of Labour and Social Affairs, encompassing the responsibility for the welfare and the employment administration as well as the division regulating local governments' social services administration for the first time.

Even though a full state responsibility had been judged as a better solution by the ministry, this was not feasible because of different veto points as the former minister had stressed:

We were all a bit doubtful about what to do with the municipality. This municipal responsibility – because ideally it should have been a part of state responsibility. If I had had total freedom at that time, I would... that's what I would have proposed. The reason why we didn't do it was at this time, we had no further appetite on centralization of welfare responsibility [...] It was seen as... there was a time of conflict between municipalities and the state. And also about the Minister of Municipalities. She wouldn't go for it. And so that was a compromise. It's about the only thing I regret. I didn't go, you know, stronger for a full state solution.

The partnership-model in this regard served as a 'placebo', because it created the illusion that the central and local services were integrated. In reality, however, it consisted of two administrations collaborating with one another (Christensen et al., 2007b).

The whole reform process can be considered to be a power game between the minority government and the parliament. The combination of an unwilling ministerial leadership without much support in parliament, an inexperienced minister at the beginning of the reform process, resistance from the welfare bureaucracy and a parliamentary initiative that was rather ambiguous – how should an integrated service look like – led to a rather low level of rational thinking in the reform process (Aberbach & Christensen, 2014). Neither the political nor the administrative leadership had control in the reform phase because the parliament was driving the whole process.

To sum up, the reform process shows clear negotiation-based instrumental features with a high conflict intensity between the government supported by the expertise of a working group and an external commission on the one side and the parliament on the other side. The municipal governments became later involved, mainly through their interest representation, the Norwegian Association of Local and Regional Authorities (KS). These negotiations were shaped by institutional features, like the strength of the parliament in a minority-government setting, as well as the strong role of local self-governance in Norway.

The reform process also shed light on the relationship between problems and solutions. The problems induced by the fragmentation of the welfare state were rather diffuse and hard to measure, making their recognition very much dependent on policy-makers' political and personal interpretation. The rather limited problem of multi-service-users that had to navigate between the different organizations resulted in the wide-ranging solution of a complete merger of 16.000 employees from three very different organizational cultures (Øverbye,

2007). What is more, it can also argued that in a garbage can style (Cohen, March & Olsen, 1972) a solution (the one door policy) was searching for a problem. What is obvious is that the discussion switched from a focus on a better integration of unemployed into a discussion on how to achieve a one-door policy with all services under one roof.

The Reform Process in Germany

The reform process in Germany started at the beginning of 2002 with a report from the German Federal Court of Auditors which discovered that officials of the Federal Employment Agency (FEA) falsified their placement statistics in order to report higher activity levels. Due to FEA reputation regarding its chronic budget deficit and its low level of efficiency, media transformed this revelation into the so-called placement scandal, calling for an immediate political reaction (Kemmerling & Bruttel, 2006). However, the importance of the report should not be overestimated, it rather functioned as a window-of-opportunity for a reform minded group of ministerial bureaucrats and politicians from different parties which have not only been dissatisfied with the performance of the FEA but also with the inactivity in labor market policies of the red-green government in its first term. Thus the placement scandal paved the way for policy proposals that have been elaborated among key experts and policymakers prior to the scandal (Fleckenstein, 2011). In a first reaction, the red-green government presented a two-stage plan to reform the FEA. In the first stage, the management structure of the FEA was changed and the influence of the social partners significantly reduced with the aim to reorganize the FEA from a public administration with self-administration through the social partners into a service provider with private management structures (BT-Drs., 14/8546, see also Trampusch, 2009). In the aftermath of the scandal, neither the social partners nor the opposition parties opposed this bill. A respondent from the German Confederation of Trade Unions had put it that way:

Self-administration has lost much of its importance since the Hartz reforms. This was also a stated aim of the reform – the intentional disempowerment of the social partner in order to promote governmental targets. [...] The trade unions have been presented as blocker. And it was partly true that we resisted again certain changes e.g. the merger of unemployment assistance and social assistance. To this extent, the diagnosis is indeed correct and that was a goal of this reform, the weakening of the unions in order to enforce certain objectives.

In the second stage, the introduction of an independent government commission (called Hartz Commission after its chairman) led to a process that changed the traditional policy

formulation process in labor market policies significantly. The introduction of the commission broke with former tripartite reform approaches to find solutions to the unemployment crisis and thus repealed the de-facto veto position of the social partners (Kemmerling & Bruttel, 2006; Streeck, 2003). The commission clearly voted for a merger of unemployment assistance and social assistance to a new benefit, the unemployment benefit II. The new benefit should be administered by the FEA, and the local level should provide certain services (debt counseling, substance abuse counseling, housing office etc.) within the newly created Job Center that should be responsible for all unemployed (Jantz, 2004). The idea of a merger of the two benefits regime as well as the closer coordination of the local and the national level was finally put on the agenda, even though these ideas have been discussed and launched long before the introduction of the commission. As early as in 1999 a forum of experts of all relevant organizations, including ministerial bureaucrats, was initiated by the Bertelsmann Foundation that firstly discussed a unification of the two systems. At the end of 2001 (before the placement scandal of the PES and before installing the Hartz commission), an internal project group was established in the Ministry of Labour in order to prepare legislation reforming unemployment and social assistance. During the reform process, the ministry was then successful in placing its proposed idea of creating a new benefit system run by the FEA into the report of the commission (Fleckenstein, 2013). Since the commission gave no concrete recommendation on the design of the responsibilities in the new system, one has to look at the reform process following the presentation of the final report and the different interests at stake in this process. It was highly contested who should be in the lead in the new policy regime, the FEA or the local level. A new commission was set up to work inter alia on this question but the final report only presented three different models on how unemployment and social assistance could be reformed. The initiative was thus returned to the political arena. Here, two opposed reform coalitions have evolved. The Social-Democrats, the trade unions as well as two umbrella organizations of the local level (the German Association of Cities and the German Association of Towns and Municipalities) were in favor of a responsibility of the FEA, whereas the Christian-Democrats, the Association of the German Counties as well as the employer association argued for a municipalization of the responsibility for long-term unemployed (Jantz, 2004). The compromise negotiated through the mediation committee of the Bundestag (first chamber) and the Bundesrat (second chamber) then proposed the solution that the FEA should cooperate with the municipalities in the JFs as the basic model and the full municipal responsibility as an optional model.

At the beginning the reform process in Germany showed clear aspect of a hierarchical-instrumental perspective. Modernizers from the ministry and the leading governmental party – the Social-Democrats – had a clear goal to reform the leadership structures of the FEA, to transform it into a business-like agency and to disempower the social partners, especially the trade unions. This was possible due to three main reasons:

1. A policy window through the placement scandal that expanded the plausible choices open to powerful actors substantially.
2. A supporting coalition not only of the governmental parties but also from the opposition in the aftermath of the scandal. This process has been facilitated by a disintegration of industrial relations and the corresponding weakening of institutions controlled by the social partners, such as the FEA.
3. An ideal scapegoat as the FEA was for long been seen as a “large, sleepy and inefficient public bureaucracy” (Kemmerling & Bruttel, 2006, p. 94).

However, after the initial consensus especially among the two major parties (Social and Christian Democrats), the reform process entered into a political gridlock. The two parties as well as the mayor local government organizations were divisive in the question who should have the responsibility for the long term-unemployed, the local or the central level. This gridlock was reinforced by institutional constraints, as the approval of the second chamber where the Christian-Democrats had the majority, was necessary. The negotiations resulted in a compromise that opted neither for a central nor for a municipal solution but a forced partnership. Even though the power fragmentation did not completely inhibit policy changes, compensation strategies and political compromises made a solution to overcome the organizational fragmentation impossible to achieve.

Comparative Discussion and Conclusion

The reform cases analyzed in this article show diverse reform processes in which several driving forces supplement and complement one another and in combination explain reform trajectories. Rather than an either – or explanation, we need to combine different explanatory factors. Reform outcomes cannot be explained in terms of single features – through the free choice of powerful political executives, political compromises or institutional constraints. In Norway, the political-administrative context is crucial for understanding the reform process. Policy formulation and decision-making process had clear negotiated features that constrained hierarchical steering. Initially, the government tried to avoid adapting to the demands from parliament, but non-adaption proved to be a politically unsuccessful strategy under conditions

of a minority government and a parliament that wanted to demonstrate its strengths. The administrative leadership in the ministries continued to advocate the fragmented model that the parliament had rejected, but the new minister finally proposed a compromise that was approved. This political entrepreneurship by the minister finally gave the reform process some of the hierarchical features expected to observe in reform processes (Aberbach & Christensen, 2014) – even though the means-end thinking of the minister rather focused on political goals than on an optimal administrative solution. An interesting feature of the reform process is that the administrative leaders who favored a fragmented solution could not gain acceptance. As expected, the mainly negotiation based reform process has led to an accountability regime which is unsettled and constantly in flux and negotiated between politicians that expect an anticipation of their political will on an ad-hoc basis. The ministry is struggling with the complexity of the structure and activities of the reformed agency and the administrative leadership in the agency has to balance the different priorities. This results in a situation of contrived randomness with the presence of different powerful forums, contradictory demands and expectations and turf battles between different organizations or units.

In Germany, by contrast, the reform at the beginning clearly profited from strong political leadership that abruptly weakened the long lasting tradition of welfare corporatism in the leadership structure of the FEA. It also installed the management board as new dominant accountability forum with a strong compliance focus. Yet, the longer the reform process lasted, the higher became the probability that the decisions taken were constrained by some reemerging structural constraints and the institutional factors overlapped and influenced individual action as well the strategic negotiation of collective actors. Indeed, the outcome of the organizational arrangement is a prime example of the German political system, which has been described as ‘cooperative federalism’ (Auel, 2010) that distribute financing, decision-making and political accountability across all federal levels. Party majorities in the two legislative chambers were different at the time and the Christian-Democrats wanted to demonstrate their strength, and some of their leaders had a clear preference for a municipal responsibility. By setting up the JFs and the opt-out municipalities with rather unclear governance structures, the opportunity for a coherent concept has been missed. Instead, highly complex and sometimes impracticable accountability structures have been created leading to the fact that different forums (federal ministry, regional and local governments, FEA) mobilize and struggle over who is accepted as accountability forum, over distributions of information, power, and what are legitimate roles. While the reform of the unemployment

benefit system was supported by a large coalition of all major political parties and institutions alike, the organizational implementation has revealed strong institutional obstacles.

The following table gives a comparative overview about the reform processes and outcomes on accountability relations in the two countries.

Table 4: Comparing the Dynamics of Accountability

	Norway	Germany
Reform process	Conflict and negotiation between the minority government and parliament. Institutional constraints through local self-government.	Instrumental-hierarchical at the beginning – strong institutional constraints and party conflicts over the course of the reform process.
Forum constellations	Parliament more active, marginalization of local government, lacking capacities of the ministry, problems of goal-focus for administrative leadership.	Strong management board evolving, marginalization of social partners, reluctant ministry, separation of local level.
Dominant accountability approach	Contrived randomness combined with managerial approach by the administrative leadership.	Compliance based approach within the FEA, contrived randomness for the domain of UB II.

Source: own compilation

The reform outcomes in both countries are the result of a complex process of powering, puzzling and institutional constraints where different situational interpretations of problems, interests and administrative legacies like local self-government or ‘cooperative federalism’ had to be balanced. Reforms have taken place as the legitimacy of old organizational tasks and borders have been challenged. New organizations and relationships have been established, generating new forms of integration and separation, new power relationships and changing accountability forums and mechanisms. These transformations were driven by political ideology and needs for political compromise rather than evidence and analysis producing unintended effects, including unclear accountability relations. Accountability thus results not from a single process of environmental necessity or strategic choice, but from a dynamic interplay between different actors and institutional spheres.

In the emerging multi-level accountability settings, dyadic accountability relationships between principal and agent are to a large extent replaced by disaggregated modes of accountability. Different forums of accountability – parliament, ministries, central, regional

and local agencies, the media, audit offices – are dispersed and do not form a coherent accountability system. The latter would require that forums regularly communicate with each other to coordinate their expectations, instruments and actions. In this regard, the picture of a forum patchwork, as introduced by Papadopoulos (2010), is an adequate description. Furthermore, the lacking resources of the parental ministries and the increasing organizational complexity of service delivery reduce the accountability capacity of the ministry, and thus political accountability. This is in line with previous research that has shown that a limited government capacity as well as task complexity increases the need to loosen control and accountability provisions (Elgie & McMennamin, 2005; Koop, 2011). Last but not least, the results are a plea for further research on the dynamics of accountability as it has been shown that accountability is never perfectly institutionalized, fulfilled and static.

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3. Performance Management and Accountability: Challenges, Dilemmas and Ambiguities

During the last decade, the development of public administration and the provision of public services have mainly been influenced by the ideas of New Public Management (NPM) and Post-New Public Management (Post-NPM) (Christensen & Lægreid, 2010; Thomasson, 2009). Type and character of the implemented reforms differ from country to country. A key premise, however, was that performance reporting and performance management would make public organizations more accountable (Van De Walle & Cornelissen, 2014) and the quest for accountability was a strong driver of many NPM reforms (Lægreid, 2014). After that, Post-NPM in the following questioned the effects of NPM on political control and hence on accountability.

After three decades of reforms in the public sector in many countries, it is evident that the relationship between performance management and accountability is still contested (Christensen & Lægreid, 2014). Performance management is commonly expected to increase administrative accountability. However, the scope of accountability varies; it has political, administrative, professional, legal, and social dimensions in dynamic combinations (Bovens, 2007; Romzek & Dubnick, 1987). It also has been argued that there are tensions between accountability and performance due to incompatibility with each other (Pollitt, 2010). Thus, the question what the mechanisms are that link performance management to account giving, has not yet been answered.

In this article, reforms, performance management, and accountability are discussed based on the following questions: What are the tensions, dilemmas, challenges, and ambiguities between performance management systems and different forms of accountability? How have the performance management systems developed in the welfare administrations in Germany and Norway in recent reform processes and what characterizes the three central phases of accountability – information, debate, and sanctions – after these reforms?

We will first discuss how such questions have been handled more generally in the literature on reform, performance, and accountability. Then we will illustrate the puzzles of reform, performance, and accountability by addressing two of the largest public-sector reforms ever conducted in Norway and Germany: the reforms of the welfare and employment administration (Champion & Bonoli, 2011). Both countries have implemented reforms that have had a major impact on the respective institutional framework for public welfare and employment services – namely the NAV reform in Norway, starting in 2005, and the Hartz reforms in Germany, starting in 2002. Both reforms combined elements of NPM and Post-

NPM, thus, challenging the previously dominant organization of the welfare state based on clear functional differentiation, hierarchy, and compliance-based elements of control. Therefore, this case selection allows for the examination of how a common reform trend in both countries is shaped by country traditions and, if similar or different developments in the accountability environment of welfare services can be observed.

The article proceeds by first giving a review of the existing literature on reforms, performance management, and accountability. Second, we give a brief overview on the methodological approach and data basis. Third, we illustrate the performance and accountability relations in these reforms by addressing how performance management has affected different formal and actual accountability relations. Lastly, we discuss the comparative aspects of the welfare administrative reforms in the two countries.

An Analytical Framework

Accountability and Performance – Relations and Tensions

For some scholars, performance and accountability are instrumental to each other (Dubnick, 2005), which means one variable can increase the other. The two are used as indicators of each other: to be accountable is to live up to expected performance and to be performing up to standards is a clear sign of being accountable (Dubnick & Frederickson, 2011). Another held position is that there are tensions between performance and accountability (Ossege, 2012; Radin, 2010). The accountability dilemma, mentioned in the literature, signifies a trade-off between efficiency and accountability as expenses of time and resources are too high and hinder effective service delivery (Behn, 2001). It has also been argued that organizations are held to account for how well they implement formal accountability processes and procedures rather than for how well they actually perform their primary tasks and duties, thus creating an accountability paradox (Dubnick, 2005).

The NPM-related introduction of various mechanisms to account for performance supplemented traditional legal and financial mechanisms. In this context, some scholars are even speaking of accountability as “answerability for performance” (Romzek, 2000, p. 22). Thus, the goal of accountability is to ensure that public administrators satisfy legitimate performance expectations (Van De Walle & Cornelissen, 2014). Accountability for performance requires explicit standards for performance and makes it necessary to produce performance information. Ex ante targets are set in terms of quantitative dimensions and ex post performance is measured against these targets (Vosselman, 2013). Thus, the last decades saw an increase of performance management systems, that worked as control as well as

naming and shaming mechanisms but should also provide information in order to foster learning processes and in this way contribute to performance improvements (Bovens, Schillemans & Hart, 2008). As a result, many public organizations have become what Vosselman (2013) has labeled a market bureaucracy, in which performance accountability is dominant and in which principal-agent theory prevails as main underlining steering philosophy. A key assumption in principal-agent theory is that individuals act out of self-interest and that their interests might collide with the interests of their principals. From a principal-agent perspective, performance accountability and target related pay-for-performance systems serve as safeguards against such opportunistic behavior (Schillemans, 2012; Vosselman, 2013).

However, the conceptual scope of accountability is somewhat broader than only ‘answerability for performance’. Bovens (2007) defines accountability as “the relationship between an actor and a forum, in which the actor has an obligation to explain and justify his or her conduct, the forum can pose questions and pass judgment, and the actor may face consequences” (p. 450). In practice many different processes of accountability are taking place at the same time, involving a vast array of actors. In each process, different kinds of information will be demanded, different kinds of discussions will occur, and different kinds of consequences will apply (Willems, 2014).

Because of that, there are different ways of categorizing who is accountable to whom (Bovens, 2007; Romzek & Dubnick, 1987; Willems & Van Dooren, 2011). Political accountability is traditionally built on a chain of superior/subordinate relationships, i.e. voters delegate their sovereignty to elected bodies, who further delegate authority to the cabinet and the civil service. The latter are then held accountable upside down the chain.

Managerial accountability is about monitoring output, results and making those with delegated authority answerable for carrying out tasks according to agreed performance criteria. It further means that managers are granted additional autonomy but are also directly accountable to produce measurable results.

Additionally, Behn (2014) differentiates between three categories for which public executives are held to account: finances, fairness, and performance (see also Jann & Jantz, 2013). The first two categories should ensure that governing processes are generally responsive to the preferences of the governed creating input legitimacy. The third category deals with the problem that the policies adopted should represent effective solutions to common problems of the governed – i.e. output legitimacy (Scharpf, 2002).

Accountability and Reform

Studying accountability requires analyzing the complexity and dynamics of accountability relations and processes (Olsen, 2013). This is especially relevant in unsettled situations such as in periods with comprehensive reforms.

In this regard, NPM inspired reforms have argued for more efficiency and accountability for performance (Behn, 2001). However, a preoccupation with efficiency tends to overvalue the need for managerial accountability rather than promoting political accountability. Accountability for performance constitutes a complicated balancing act and some authors even state that control and legitimacy aspects are violated in the name of public sector efficiency (Flinders, 2011). There is a built-in inconsistency in NPM. The reformers claim to empower customers, free managers, and strengthen political control, but these three aims are difficult to achieve simultaneously (Pollitt & Bouckaert, 2011). Over the past decade the performance-based NPM model has been challenged by post-NPM reform measures characterized by an increased focus on integration and coordination as well as by a renewed emphasis on the rule of law and stronger central government capacity. The trend in the second generation of reforms can be seen as an effort to bring political accountability to the fore once again (Christensen & Lægreid, 2007).

An Analytical Framework for Accountability

The complexity and contradictory interpretations of accountability means that in order to analyze how accountability works in practice, it is essential to “be explicit about which dimension of accountability, which perspective, one is using to assess the term” (Page, 2010, p. 1011). In this article, we are focusing on accountability for performance. The relationships between the actor that should be held accountable for performance and the different forums is seen as evolving in three steps that together constitute accountability: information, discussion, and consequences/sanctions (Brandsma & Schillemans, 2013).

The process starts with the ‘information phase’, in which the actor provides an account of his conduct and behavior toward the accountability forum. We are mainly looking on performance information produced and provided, meaning that we are analyzing the following aspects:

- Emphasizing performance: How is performance defined within the organization and how is it operationalized (indicators)?
- Establishing targets: In order to judge performance, organizations not only formulate performance measures but also targets. In this regard, even more sophisticated is the

construction of benchmarks, rankings or league tables that, next to their information function, also create pressure through naming and shaming (Hood, 2012).

- Data: What kind of performance data does the organization need to collect? How and to whom are these data and information reported and how frequently?

In the following debating phase, the forum(s) assess the information provided, may ask for additional information, and pose follow-up questions. Discussions can take a variety of forms and also vary in intensity. From an accountability perspective, a more intense debating phase signifies that the available performance information are assessed by the forums, and that the actor has an opportunity to justify its performance as well as possible deviations and to put the results into perspective (Brandsma & Schillemans, 2013). However, an intensive debating phase rests on the rational assumption that the forums take the received performance information seriously. Many forums find it more important to see that their actors report to them at all but often lack interest in the actual content of what is reported and even more in debating and judging the content. In contrast to principal-agent assumptions, it seems “that we are in practice often not looking at problems of drifting agents, or actors in accountability terminology, but rather at situations of drifting principals, or more accurately forums, which mysteriously choose not to hold their agents accountable, disregard apparent wrongdoings and are sometimes surprisingly uninterested in what their agents actually do.” (Schillemans & Busuioc, 2014, p. 2). This is in line with most of the research on the limited use of performance information by politicians and public managers (Moynihan & Pandey, 2010; Pollitt, 2006).

Additionally to the non-use of performance information described above, the debating phase might be used for different reasons by the forum. At least three different usages can be derived from the literature (Amara, Ouimet & Landry, 2004; Radaelli, 2010; Weiss, 1979): First, symbolic use when the forums use performance information presented in the information phase in order to support existing policies or to justify reform measures. The pretended objectivity of performance data and target achievement is used to legitimize organizational practices (Sowa & Staples, 2014) and creates repeated rituals of verification (Power, 1997). Thus, the primary motivation for the use of performance information is legitimacy-seeking rather than efficiency maximization (Modell, 2001). Second, the control use when the debating phase is mainly used as oversight and supervision mechanism. And, last but not least, the debating phase can also be used as an institutionalized capacity for learning and improvements. Accountability in this regard is effective when public

organizations “routinely generate and – after debate with accountability forums – act upon [...] feedback about their own performance” (Bovens, Schillemans & Hart, 2008, p. 232).

However, whereas information relate to observable acts, the debating phase taps into less observable aspects (Brandsma, 2014). Therefore, the following questions will guide our analysis:

- Meetings: How, when and who will conduct what kind of meetings for debating the performance information?
- Feedback: Who is providing feedback on progress compared to the defined targets and how? (Behn, 2014)
- Usage: Is the debating phase used for accountability purposes at all? If yes, how (symbolic, controlling, learning)?

In the last phase, the forums will pass judgment on the behavior of the actor and will punish or reward the actor when needed – ‘the sanctioning phase’. Sanctions can either be negative or positive and can be ‘soft’ like naming and shaming or ‘hard’ like the cut of resources. It also has to be differentiated if sanctions are imposed on individuals or on the organization as a whole. Moreover, the existence of formal sanctioning rights says nothing about their application. Even though the availability rather than the use of sanctions is important for accountability – as actors will anticipate these consequences and thus act accordingly if they want to prevent the sanctions – superiors need to show that they do not always run away from taking action. If they would never make use of their sanctioning repertoire, agents will also anticipate this (Brandsma & Schillemans, 2013).

Thus, the following questions will guide our analysis:

- What kind of sanctions and consequences (positive or negative; individually or organization wide) can the forums impose within the performance management system?
- To what extent do the different forums apply these consequences?

Data Basis

To illustrate empirically the accountability dynamics related to reform efforts, the reorganizations of the welfare administration in Germany and Norway are used as critical cases in the sense that they have a strategic importance in relation to the general problem (Flyvbjerg, 2006). Both cases have significantly reformed the organizational structure of the welfare administration combining elements of NPM and post-NPM. The main data on the characteristics of the welfare administrative reform processes and reform contents derive from interviews with the political and administrative leadership on different levels of the welfare

system (central, regional, local) in both countries as well as other important stakeholders like trade unions, supreme audit institutions, and local government organizations. In total, 22 interviews have been conducted that lasted between one and two and a half hours and were all transcribed.

We have also used public documents like governmental proposals to parliament, reports from public committees and minutes from the parliament as well as audit reports from supreme audit institutions. Further, we use case studies for both countries about the functioning of performance management to give an impression on the overall practice of how this system works (Breivik, 2010; Klinck, 2014) as well as evaluations on management by objectives in employment services for Germany (Kaltenborn, Wielage, von Bothmer & Henkel, 2010).

Reform Trajectory in Norway and Germany

Norway has a two tier benefit system for the unemployed (unemployment benefits and social assistance), whereas, until 2006, there has been a division of labor between the National Pension and Insurance Agency, the National Employment Service and social services at municipal level (Fimreite & Lægheid, 2009; Øverbye, 2007). Since the 1980s, the organization of welfare services was regarded as too fragmented, but it was politically difficult to further any reform.

After a conflict-ridden process, the parliament approved the merger of the Pensions and Insurance Agency and the Employment Service into a single central Agency for Employment and Welfare (NAV) in 2005. The reform also introduced formal collaboration between the NAV agency and social administration of the municipalities. The NAV offices – situated in each of Norway's 429 municipalities – constitute a one-stop shop system where services from NAV are integrated with local social services. This front-line office is organized as a central-local government partnership regulated by local agreements. One lesson from the reform is that it was more difficult to coordinate between the state and municipalities than between the different services (Christensen, Fimreite & Lægheid, 2013). The joined-up government-approach also tends to make accountability relations more ambiguous.

The German welfare state is typically depicted as resistant to reform (Hassel, 2010). This reluctant reform capacity has changed significantly with the announcement of the Agenda 2010 in 2003 by Chancellor Gerhard Schröder and the following Hartz legislation. One of the main windows-of-opportunities for these reforms was the placement scandal in 2002, when it was discovered that statistics of the Federal Employment Agency (FEA) on its rate of success in job placement were rather fictional. Prior to these reforms, Germany had a three-tier benefit

system for the unemployed including unemployment insurance benefit and unemployment assistance, both administered by the FEA and social assistance administered by the municipalities.

As a result of the reform, the three benefit systems have been merged into two, the insurance-based unemployment benefit I (UB I) for short-term unemployed and the tax funded and means-tested unemployment benefit II (UB II) for long-term unemployed. The FEA deals with recipients of UB I in newly created customer centers at the local level. Benefit administration as well as active labor market services for all unemployed, that are not eligible for UB I, is usually administered in joint facilities (JFs) where the FEA works together with the municipalities. In the JFs, however, responsibilities for tasks and funding are clearly separated. Furthermore, 110 municipalities have been licensed to administer the UB II on their own; the opt-out municipalities. Thus, the original intention to provide all services for unemployed within a one-stop shop has not been realized.

In both cases, the policy goals underpinning the reforms reflect a desire to shift the delivery of labor market and social security policy so that it aligns with the creation of more streamlined and active welfare states. These goals point to concerns that existing systems have too often exhibited poor coordination, insufficient responsiveness to customers, lack of efficiency, and failure to encourage innovation in service delivery (Christensen et al., 2009).

Reforms, Performance and Accountability in the Two Welfare Systems

Norway

In Norway, the welfare benefits are funded by tax money and one third of the state budget is allocated through the NAV system. The general and mandatory governmental performance management system in Norway is labeled management-by-objective-and-results (MBOR) which is also applied to the Labor and Welfare Administration. The MBOR system first includes an annual letter of allocation. This is a contract-like arrangement between the parent ministry and the agency concerning resources, objectives, and performance indicators. This letter of allocation is then used by the central agency to control and steer subordinate regional bodies: six pension units and 37 regional bodies. The regional bodies apply the steering documents on the local NAV agencies in all 428 municipalities. So the steering document is implemented in a hierarchical line. Due to the principle of local self-government the MBOR system has, however, not been applied to the municipal part of the local one-stop shops. The central government cannot formulate goals and objectives for the social services

which are a municipal responsibility – that is up to the municipal council to decide. Second, a comprehensive reporting system has been established.

Information Phase

In general, levels of information asymmetry are comparatively low in Norway. Most ministries have deep knowledge of the affairs of subordinate agencies. One reason is that most agency-ministry relationships are long-established and rather close. Also, key personnel quite often change jobs between agency and parent ministry.

Importantly, in the relationship between the ministry and the NAV agency after the reorganization, the political accountability has been weakened as a result of the agency's size and the complexity of its activities. This makes it more challenging for the ministry to have capacity handling information of different kinds, including performance information (Byrkjeflot, Christensen & Læg Reid, 2014).

The decisions on goals and targets in the yearly letter of allocation are established in a dialog between the ministry and the agency, with the ministry having the upper hand, as shown in this quote from a respondent at the ministry:

This is our letter of course, but we have a lot of discussions with the directorate when we make that letter. [...] But of course there might be some differences of opinion [...]. But then we end up often with deciding: 'Well it's politically decided by the parliament that you should do this even though you think it would be better to do something else; you must do this'.

Like any agency, the NAV agency seems to complain about too many targets from the ministry and too much focus on activities instead on output and quality. However, the number of targets is especially high, also because of political interference, as the following quote from a respondent from the NAV agency shows:

There's a lot of ping-pong concerning that letter. And always the attitude from here is that there are too many parameters, of course. And they're trying to get fewer but then they get some new politicians and they want to put their mark on things, therefore we have to count that and that and that in addition to what we already count.

There is much less of a dialog between the central agency, regional and local levels concerning formulation of goals and performance indicators, but the regional level also complains about too many goals and lack of result and quality focus:

The last letter we got from them for this year, I think we have about 60 or 70 targets and that's impossible to deliver all. And it's difficult to have priorities, because it's so

many targets, it's difficult...So we can of course measure our activities, but we need to measure the outcome of them as well. (Interview Regional NAV Office)

In 2012 the Letter of Allocation for the NAV agency was a 47 page document listing 24 performance objectives (Askim, Christensen & Læg Reid, 2014). The goal portfolio is, however, poorly operationalized into precise performance targets. The 2012 performance contract specifies 56 obligations to report to the ministry.

The 2012 annual report from the NAV agency is an 81-page document. It is rich in statistics, reflecting the voluminous reporting obligations. However, the annual report's contribution to accountability for results is generally very limited. It is very difficult to extract from the annual report whether or not the agency has reached its performance targets. Occasionally, the agency subjectively concludes targets were reached, but these targets are constructed in the annual report and do not feature in the performance contract.

The agency is increasingly measuring information that is more detailed than the ministry needs, reflecting a rather detailed internal performance management system in the agency. There is also some doubt in the agency about what the ministry needs and it is alleged that reporting tends to be influenced by which indicators are available.

Debating Phase

The historical path in the Norwegian system is that ministries and agencies have frequent contacts, a path that has been more formalized and differentiated during the last decades. The NAV agency and the parent ministry heads meet every week, the agency head has full-day meetings with the minister every month and there are formal governance meetings every quarter (Askim, Christensen & Læg Reid, 2014). In addition to the regular steering dialog and formal agency governance meetings between managerial executives in the ministry and the central agency following up on the letter of allocation, there are also frequent meetings between political and managerial executives in the ministry and central agency as well as special meetings handling actual problems (Breivik, 2010). In practice there seems to be two partly overlapping and supplementing lines of governance, a formal one closely linked to the steering dialog, the letter of allocation and reporting routines and an informal one addressing actual and pressing political issues (Christensen & Læg Reid, 2002). Thus, formal signals from the ministry can be adjusted along the way and also supplemented with informal signals, therefore combining agency autonomy with strong potential for political control, if needed.

As indicated, there are a lot of discussions going on at the national level, but not so much on the regional and local level. Respondents seem to indicate that there is a strong focus on

target achievement, rather than on learning, and either non-use or symbolic use of the result reports. A respondent from the regional NAV office characterizes the dialog like this:

[...] every fourth month we are making a big report to the directorate. And that's a big report about 50 or 60 pages, where we are describing every area and every target and everything. [...] So that's quite a big report and we are asking for what they are using these reports. Because I am not sure whether they are reading it.

A related point is that levels of trust between ministry and agency leaders and also between political and managerial executives is comparatively high in Norway, both as a consequence of low information asymmetry and as a reflection that Norway is scoring high on mutual trust relations between political and administrative executives and between ministries and central agencies (Christensen, Lægreid & Stigen, 2006).

Sanctioning Phase

Generally there is a loose coupling between overall goals, targets, performance indicators and performance reporting, and using the reported results for performance steering as well as for providing sanctions or rewards. Next to an alleged lack of coupling between goals and resources allocated to the agency, steering signals are sent from the political leadership through different channels that are overall difficult to identify and grasp.

The overall impression from the respondents seems to be that sanctions are not really applied, or rather indirectly through supervision and soft mechanisms. A clear deviation from the ideal model of MBOR is that the ministry makes very little use of rewards and sanctions as elements in the steering dialog (Breivik, 2010). The fulfillment of targets is also used in order to get more autonomy from the center – so a bargain between autonomy and target achievement is going on.

You have a discussion of course based on: what are the reasons and what can you do about it? And we cannot – it has to be the directorate that does something about it, so it's mainly based on discussions, on analysis provided by the directorate, well explaining why things have happened, [...] what are the different things that they are trying to do in order to sort it out. (Interview Ministry)

We have these periodic meetings with the ministry and my boss then has to explain why this target has not been met and what he thinks to do with that. And then the next meeting is the same theme again. Until we're up on target. (Interview NAV Agency)

In practice the performance management system can be characterized more as a steering philosophy than as a steering technique or a learning tool. It works as an information system for the political leadership and as a control system for the administrative executive. An

unsolved problem is how performance management systems from the central government can be applied to the municipal part of the local one-stop shops, since some of those objectives are supposed to be defined by local elected bodies rather than by central government agencies. Locally the performance management system is regarded as too complex to serve two lines of command (Byrkjeflot, Christensen & Laegreid, 2014). This is a reflection of the fact that the centrally decided performance indicators are pretty loosely coupled to the main aims of the reform, but also that municipal demands and constraints are of importance for the local offices.

Germany

The governance of employment and welfare services in Germany is complex. There are two different systems (UB I and UB II) with different governance and performance management systems. As the UB I is funded through employer and employee contributions while UB II is tax financed, the former is subject of more autonomous governance through the FEA. The Ministry of Labour and Social Affairs (BMAS) has the legal, and in the case of the UB II also the functional oversight on the FEA; it has to approve the budget of the FEA and appoints the members of the management board. The FEA has been reformed from a hierarchical Weberian bureaucracy with rule-orientation and legality as main steering and accountability instruments into a target oriented service provider (Hielscher & Ochs, 2012; Schütz, 2012). As a result, a complex system of performance management has evolved, that runs from the ministry across the head office and the regional level down to the local agencies. The fulfillment of performance indicators has since shaped the assessment of organizational tasks and activities in the reformed employment administration (Sowa & Staples, 2014).

Information Phase

To hold the FEA accountable by the ministry, the major instruments are target agreements which are formulated separately for each benefit regime, for the UB I since 2011 and for the UB II since 2007. It is interesting to note that the target agreements for the UB I only include general indicators without numerical goals (BMAS & BA, 2011). The indicators that are agreed upon between the ministry and the FEA differ from the indicators that the FEA has defined for their internal performance management system, thus signifying only a loose coupling between external and internal accountability systems (Bundesrechnungshof, 2012). The internal performance management system of the FEA is highly detailed, formalized, and target driven for both benefit regimes. However, in contrast to the NPM doctrine not only outputs and outcomes are measured but also procedural standards.

As the tasks in the JFs, where the FEA and the municipalities are cooperating, have been kept strictly separate, the local competencies were not included in the target system and there was no formulation of joined-up targets. However, since 2013 the system has changed. Now, the local governments as well as the FEA are negotiating targets with the management of the JF's for the implementation of the UB II. For the opt-out municipalities, targets are first agreed between the BMAS and the Ministries of Labor of the 16 German States. But in 2012 only 18 percent (joint-facilities) or respectively 10 percent (opt-out municipalities) of the local entities have concluded target agreements for the municipal tasks and services.

The indicators for the internal performance management system of the FEA mentioned above are formulated yearly and controlled by the management board and broken down to the regional and the local level. Moreover, they are equipped with numerical targets for each region and local office according to local circumstances. In order to allow for a benchmarking between different regions and local offices, the regions are clustered according to facing similar labor market challenges. The local offices in these clusters are regularly benchmarked against each other and the results with a ranking of local agencies within one cluster is provided monthly.

In general, most interviewed generally acknowledge the necessity of a performance management system.

I know that this has been criticized (the performance management) [...] especially from the employees on the local level. On the other hand, frankly spoken, I see no alternative. [...] if there is a slack controlling, we will always end up in a situation [...] in which the good people are getting the good jobs and the long-term unemployed will be left alone. (Interview Member of the Administrative Board, FEA)

However, the target system has also long been criticized for being too detailed and setting the wrong incentives with the risk of creaming and tunnel vision (Bundesrechnungshof, 2012; Schütz, 2009; Sowa & Staples, 2014).

The alignment of the middle and lower tiers, the regional directorates and the local agencies for work, to the head office is tighter than before [...]. The reporting requirements are getting very dense. The executives have to report permanently and to justify themselves. And this creates an immense internal pressure. This might lead to efficiency [...], but there are also undesirable developments. (Interview Federal Court of Auditors)

Secondly, there is only a loose coupling between the targets set within the internal steering system and the general mandate of the FEA, sometimes leading to conflicts between the two.

The targets can be deduced from the laws. However the question remains what happens then. This is an interface which does not work automatically like expected in theory. (Interview Regional Office, FEA)

This tension between execution of the law and own priorities is also acknowledged by leading staff of the FEA, even though they do not see it as problematic.

Management by objectives also means that laws and regulation are not stupidly executed, but it simply means that you are focused on some things and that other things are handled with a lower priority. (Interview Controlling, FEA)

Debating Phase

In general, there is rather a limited debate between the FEA and the BMAS during the year. For the UB II, there are three performance dialogs a year and an annual report at the end of each year. For the insurance-based UB I, there is only one annual report at the end of each year. However, in practice senior managers of the FEA have reported that the target agreements with the BMAS have no influence on their work; debates are not taking place and sanctions for not reaching the targets are neither formulated nor applied (Bundesrechnungshof, 2012; Kaltenborn et al., 2010). The BMAS would also never interfere into the day-to-day operations of the FEA, the same is true for local governments. This might be in line with the classical NPM doctrine of ‘Let the managers manage’, however it also increase the danger of agency drift.

The ministry has a relative tough act to follow. The whole department for labor market policy has about 170 employees. These 170 employees are faced with [...] 156 agencies for work with about 660 field offices and around 400 joint facilities for Unemployment Benefit II. [...] In the end, everything that is working on the ground or what is not working, cannot be controlled and also not be found out from this position. (Interview Senior Bureaucrat, Ministry of Labour)

This indicates a non-use tendency in the ministry concerning performance data which is in contrast to the practice within the FEA.

Once targets are set, there is a system of at least quarterly performance management dialogs within the FEA. Performance dialogs are effectuated over all hierarchy levels, that is: 1) between the management board of the head office and the ten regional directors, and 2) between the ten regional directors and respectively the local directors of the 178 local agencies. These performance dialogs are mainly used in order to control and supervise the target achievement instead of fostering learning and best practices (Klinck, 2014).

I will be frank on that. The numbers are the way they are and I will point that out to the team leader. He will be measured on that. But he is also measured on how well he has designed the processes. [...] But at the end of the day I expect really tough that the targets are achieved. (Interview Local Office, FEA)

This narrow focus on target achievement has also been criticized by the chairman of the main staff council of the FEA by arguing that dialog and learning are alien concepts.

Thus, especially the control pressure on regional and local employment agencies has significantly been increased. This has led to an accountability paradox in the way that the different units and individuals are held to account for how well they achieved their targets rather than for how well they actually perform their primary tasks and duties. The inherent dualism between market-orientation and social-political orientation has been shifted into a pure focus on targets especially neglecting the sustainability aspects of the placements into the labor market because the performance indicators do not incentivize for long-term oriented integration strategies (Kaltenborn et al., 2010; Sowa & Staples, 2014).

The finely woven system of performance measurement and assessment has sharply reduced decentralized autonomy and discretion in comparison to the 'old' bureaucratic model. This is not only in contrast to the idea of performance management but also to a reform rhetoric that has strongly advocated for discretion of front-line service provision (Hielscher & Ochs, 2012; Schütz, 2012).

In response to accusations of inefficiency especially after the placement scandal, performance data are also used as a legitimating device for organizational practices and success (Sowa & Staples, 2014).

It is taxpayers money that we have to work with. [...] It's about transparency: What are we doing with it and with which result. [...] this is what we have to work for month after month. (Interview Local Office, FEA)

Thus, an instrumental use of performance data to control subordinate entities and individuals is combined with a symbolic use in order to create legitimacy. This is in line with recent approaches that have emphasized how the rationalities guiding instrumental use of performance data are combined (and not necessarily inconsistent) with symbolic action (Modell, 2001, 2009).

Sanctioning Phase

The sanctioning phase has to be differentiated between the organizational and the individual level and furthermore on the individual level between long term career perspectives and short term incentives and sanctioning. On an organizational level local offices are regularly

benchmarked against each other and index rankings for each local agency are provided every month. Benchmarking and ranking are a form of soft sanctioning as they should motivate those who are being compared to improve their performance relative to other units, rather than to some absolute standard as in the case of targets (Hood, 2012). However, rankings can also produce threshold effect in the sense that they may encourage top performers to reduce the quality or quantity of their performance to just what is necessary to stay at the top. Both tendencies have been confirmed for the FEA in empirical studies (Klinck, 2014; Sowa & Staples, 2014). The second sanctioning instrument used, are long term career perspectives especially based on target achievements. The head of controlling of the FEA has put it this way:

In the FEA, executives are now assessed on an annual basis and not just every four years. An essential component of the assessment is the achievement of objectives. Spoken somewhat shortened: If I always reach my goals, I make career; if not, I don't. (Schuberth, 2011, p. 24)

Additionally to that, a system of pay for performance has been introduced for executive managers on the different levels which is based on target achievement and links the organizational targets with individual success.

Management by objectives only gains strength, when you say you connect it with the payment. Then, the one who achieves its targets has a monetary incentive to make efforts to achieve them in the next year as well. (Interview Controlling, FEA)

However, what is presented here as self-evident truth has been questioned by the literature on performance-based pay in the public sector. It has been argued that performance-based pay is crowding-out intrinsic motivation (Weibel, Rost & Osterloh, 2010) or only has a positive effect on lower organizational levels (Perry, Engbers & Jun, 2009). Another aspect has been highlighted by one of the respondents, i.e. that performance-based pay might lead to creaming effects in the organizational practice of the FEA:

It (target achievement) has also effects on the payment. An then, of course, I look how I get my numbers, and I get them easier if I take an easy to place unemployed and place him instead of a difficult to place that I can handle over into Unemployment Benefit II after one year. (Interview Federal Court of Auditors)

Comparative Discussion

The empirical analysis has shown some main differences between Germany and Norway. First, political accountability is looser in Germany. The parent ministry in Norway tries

regularly to intervene into NAV, reflecting a more proactive ministry, although one with capacity problems and often a selective focus using informal steering channels outside the formal performance management system and often reflecting the pressure from parliament. In Norway, the accountability relations are complicated by a dual two-tiered governance system – one formal performance management system and one informal system addressing the pressing political issues of the day that are not easy to incorporate into a rather rigid performance management system. This is not the case in Germany where the ministry mainly steers through regulations rather than with letters of allocations and steering dialogs. The formal political accountability system has stayed the same at the central level, but the political leadership lacks the resources and capacity to deal with the size and complexity of the FEA and its subordinate levels.

Second, managerial accountability is much stronger in Germany. The system in Norway resembles more a contact steering than a contract steering, in which processes of target setting and target reporting are used as opportunities for debates and negotiations without much rewarding or penalizing. The German system is much more focused on actual target achievements combined with incentives and sanctions on different levels and with different mechanisms. Numbers and controlling have become the language of the FEA (Hielscher & Ochs, 2012). The belief system that had been evolved during the reform period emphasizes the importance of target achievement and often leads to conflicts between ‘corporate’ objectives and broader social or political goals. The FEA is constantly struggling between the requirements of managerial rationalization, bureaucratic traditions and their legal mandate (Sowa & Staples, 2014).

We have also revealed some similarities. The first one is that despite the rhetoric of partnership, it was very difficult to integrate the local services into an overall performance accountability system and the central and local service lines are not fully integrated yet. This shows how difficult it is to integrate joint up government and partnership ideas into a long-established system of local self-government and how tensions are created between the central and the local line. It is not easy to include cross-cutting targets into the performance management system.

Second, we see a kind of over-steering the system in both cases, always adding new layers of reporting requirements and thus reducing the flexibility of the local level. This overloading might reflect a contradiction between NPM ideas of greater local responsibility and discretion of the street level with the long established system of central political and administrative accountability. Responsibility of lower level just cannot work this way, especially when a

salient policy field like welfare services is concerned. Thus, what we can observe is an accountability dilemma in the way that the requirements of accountability contradict against the imperatives of effective service delivery (Flinders, 2011). Aligned with that is the tendency in both systems to emphasize the controlling function of accountability instead of learning. Performance accountability has tended to be linked closely to target achievement or to locating and investigating failures. As a consequence of this approach the focus of the accountability systems is on ‘what went wrong and who should be blamed?’ instead of on learning aspects (Lewis & Triantafillou, 2012).

Third, capacity and goal ambiguity matters. The welfare administration agencies are complex organizations with a wide tasks portfolio and regional and local administrative arrangements. The steering capacities of the ministries by contrast are limited. And even if they would be able to do so, there would still be a goal ambiguity within the delivery of welfare services which makes every accountability process inherently complex. In this regard, performance measures may badly skew incentives and lead to distortions, which can be observed especially in the German case. This leads to a fourth crucial aspect in the relationship of performance management and accountability which is the tight or loose coupling connecting performance measures, justification, and debate of performance results as well as sanctions, penalties and incentives. If there is no coupling, or only a very weak connection between these elements, then performance targets may not have much effect on behavior. If, on the other hand, the connection is drawn very tight, so that everybody knows that heads will fall in the event of a missed target, then unintended consequences like creaming and parking are likely to flourish, like it can be observed in the German case (Pollitt, 2013).

Conclusion

Performance management takes a central role in public sector reforms. From a principal-agent perspective they are tools to help politicians and the administrative leadership to hold subordinate entities and individuals to account (Van De Walle & Cornelissen, 2014).

However, in this article we have revealed that uncovering the linkages between administrative reforms, performance management, and accountability is more complex than it appears at first sight. Administrative reforms and the introduction of performance management create new accountability structures, which influence service delivery, but not necessarily in the direction expected by the reform agents. The more frequent measurement and reporting of performance data means that those being called to account get better at meeting the requirements of performance accountability, but not necessarily better at performing their actual duties. More

resources are used for measuring and reporting rather than for “getting the job done” (Olsen, 2013, p. 462), in turn generating complaints of accountability overload and reports not read, debated and followed up. Additionally to that, we observed a one-sided attention for what is easily measurable. This synecdoche-phenomenon of focusing mainly on the performance measures and overlooking important aspects of a service/program which are not being measured is especially frequent in complex and multi-faceted public services like in the welfare sector (Pollitt, 2013). Well-known tendencies of teaching to the test in education are another example in this regard. Thus, the failure of performance management systems to acknowledge for complexity of public services result in a one-size-fits-all approach that suits some agencies and entities more than others. Standard approaches to performance management become more likely to experience failure or unanticipated consequences and thus result in an accountability paradox.

Delivering public goods at a time when societies are themselves increasingly diverse and complex makes the role of politicians and public managers complicated and messy because they must balance competing pressures and values and have to decide on questions of rights and responsibilities. However, this goal ambiguity is too often not reflected in the performance management system that tends to selectively identify aspects of organizational practice and operationalizing some goals while effectively ignoring others, too often the goals that are long-term and not quantifiable. Performance measures are not neutral but are used to foster values such as efficiency and cost effectiveness over others, such as equity and sustainability. Public services that are characterized by task complexity, multiple and possibly contradictory goals, disagreement about goals, and uncertainty about the link between service delivery and outcomes are at odds with performance systems that are designed to hold actors accountable for a number of manageable and measurable indicators (Moynihan et al., 2011).

From our perspective, the use of performance information for accountability purposes is still limited. Performance information is mainly used for managerial and technocratic purposes in order to better control subordinate entities or individuals – to put it short: performance management empowers some actors who set the terms of performance but put others under closer scrutiny. This kind of control use may be beneficial in a number of different ways, but it does not have much in common with accountability for learning or external accountability (Pollitt, 2010). This should not mean that performance management is necessarily a bad thing. Internally, performance management can help clarify vague objectives, provide learning spaces, and produce feedback mechanisms necessary to evaluate and adjust the goals and actions of public organizations. Externally, performance management can provide

transparency and improve the responsiveness of government (Moynihan et al., 2011). Nevertheless, this would imply that the focus of accountability for performance has to alter from an instrument that is primarily oriented toward the measuring and rewarding or penalizing of organizational/individual performance into an enabler of debates and discussions that foster organizational learning.

And last but not least, performance management has displaced attention from political accountability to managerial accountability as it narrowly defines the goals of public organizations in terms of corporate goal achievement and cost effectiveness. However, effectiveness is no guarantor of good political and social judgment, which is essential in securing genuine political accountability and legitimacy in a democracy.

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4. Marketization and Varieties of Accountability Relationships in Employment Services: Comparing Denmark, Germany and Great Britain

In the past decade European countries have reformed their welfare states to encourage labor market activation of working age benefit clients (Jantz & Jann, 2013). This has transformed the governance of public employment services (PES). Traditional bureaucratic instruments based upon norms of standardized treatment have been supplemented or replaced by output targets and performance management, decentralization, entrepreneurial action or case management (Considine, Lewis & O'Sullivan, 2011). A striking feature of reforms to PES has been the growth of quasi-markets.

Our focus is the accountability of employment services under conditions of this quasi-market expansion. It has been argued that marketized employment services significantly increase the scope and complexity of accountability challenges (Benish, 2014). Contracting out makes accountability chains much longer, and thus more difficult to allocate and coordinate responsibility and to secure the transparency needed for public accountability. Even though accountability concerns are not new in the context of public administration (Bovens, Goodin & Schillemans, 2014) and in the context of welfare administration (Lægreid & Mattei, 2013), we still know relatively little about the consequences for the democratic control of social services provided by a mix of public and private providers (van Berkel & Borghi, 2008).

How do instruments of market accountability – such as financial incentives through contracts and price competition – supersede and shape democratic and administrative forms of accountability, and vice versa? While public service provision has undergone a significant shift towards market based governance in Western democracies, the core government institutions still have the function to ensure fairly traditional political and administrative authority, emphasizing values such as due process, procedural fairness, and equal treatment. Thus, institutional change in public service provision encounters a considerable degree of institutional stability, an argument put forward by Pierre (2012). Next to the role public bureaucracy plays in market accountability arrangements there is a lack of knowledge about how market accountability forms relate to the particularity of the economic and welfare institutions of a state. Only a limited number of publications take a systematic international comparative approach to analyze such developments (van Berkel & Borghi, 2008). Consequently, additional research on activation accountability regimes and their dynamics by comparing public-private mixes in different countries has been requested (Benish, 2014).

This article contributes to this through an empirical comparative examination of how marketization in employment services is transforming accountability in three European states: Great Britain, Germany and Denmark. We ask:

- Is the governance shift towards markets followed by a shift towards mechanisms of market accountability?
- How does the use of market accountability relate to other accountability forms?
- What are the democratic implications of market accountability in the governance of employment services?

Research Design and Methods

With Denmark, Germany and the UK, three countries have been selected that are representative of different welfare regime ideal types and systems of labor administration. The distinct configuration of institutions in conservative (Germany), social democratic (Denmark) and liberal (Great Britain) welfare regimes has affected the pace and form of both the turn to activation policies and the nature of employment service modernization (van Berkel, Sager & Ehrler, 2012; Bonoli, 2013). Denmark adopted activation reforms in the early 1990s, followed by Great Britain in the mid to late 1990s, whereas in Germany these developed a decade later, something Bonoli (2013) attributes to the constraints imposed by the German social insurance system. Different preferences for particular policy interventions, meanwhile, have given rise to both qualitatively different systems of employment service provision (work first or human capital orientated mixes) and distinct patterns of spending (high in social democratic, middle in continental and low in liberal countries) (Bonoli, 2013).

From a continental ‘Rechtsstaat’ perspective like Germany (and to a lesser degree Denmark), the state is a central integrating force within society with the actions of individual public servants and individual citizens being set in a context of rule-following and legal control. Administrative practice is strongly influenced by Weber's rational bureaucracy model with its emphasis on clear lines of accountability within a strongly hierarchical system. The ‘Rechtsstaat’ perspective, however, meets the equally strong tradition of involving the social partners into labor market policy. Hence, corporatist network governance is added to hierarchical governance, in particular when it comes to the delivery of services. Corporatist network governance systems can rely in part on trust and fear of reputation loss as important accountability mechanisms. Such mechanisms may imply less need for market instruments or greater obstacles to their introduction as noted above. In Great Britain, in contrast, public administration is guided by ‘public interest’ principles, rooted in the Common Law tradition,

in which no divide between state and society or between public and private law is recognized. In addition, Great Britain abandoned its limited experiment with corporatist governance in employment provision in the late 1980s. Hence, the concepts of marketization have had a much easier acceptance in these traditions. The rather hierarchical governance by the center has been transformed by a growing reliance on market instruments such as contracting out with competitive tendering. We expect that across all three states the growing use of quasi-markets increases the salience of contractual relationships as a leading accountability instrument. We also expect that market instruments are accompanied by country specific hybridized modes of accountability, shaped by political context and by characteristics of institutions (Mahoney & Thelen, 2010), in particular by their institutional flexibility (Pierre, 2012). Great Britain as a liberal welfare regime and ‘committed marketizer’ of employment services (van Berkel, de Graaf & Sirovátka, 2012) for example, could be expected to have gone furthest in embedding market instruments as the dominant form of accountability, but as we discuss this does not translate into the replacement of all alternative accountability instruments.

The time line for the three case studies covers a ten year period, starting in the early 2000s and ending in the early 2010s. The exact period of examination in the three countries varies slightly, depending on the particular reform trajectories of the three countries under consideration. In Germany, the period of study starts with the implementation of the Hartz reforms (starting in 2003), in Denmark the 2002 labor market reform (‘More people into jobs’) has been selected as a starting point, in UK the study considers the reform trajectory initiated under New Labour (2008-10) and continued by the Conservative-Liberal Coalition Government (2010-15).

In methodological respects, the paper is based on a qualitative approach combining an extensive document analysis with the analysis of expert interviews. The document analysis included policy documents, audit reports, evaluations as well as academic literature. The document analysis was complemented by a number of semi-structured qualitative expert-interviews with politicians, senior bureaucrats and providers of employment services (23 interviews in total). The interviews lasted an hour on average and were (partly) transcribed before the analysis. Qualitative thematic analysis (Boyatzis, 1998) was used to grasp the following dimensions of the accountability settings in the three countries:

- the accountability relations in marketized service provision according to the ideal types of political, administrative, market and network accountability;
- the interplay between different accountability mechanisms;

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- the democratic anchorage of the changing modes of service provision.

The article proceeds as follows: we outline our model of four distinct ‘ideal types’ (democratic, administrative, network and market) which we use to categorize accountability relationships and elaborate upon the relationship between marketization and accountability. This is followed by the three case studies. The results section examines shifts in accountability in the case studies and critically reflects on how marketization changes the mix of instruments used in each case to create new hybrid models of accountability.

Accountability in Public Policy: Ideal Types

A variety of different conceptual approaches to accountability and classifications of accountability exist in the literature (Willems & Van Dooren, 2012).

We start from the assumption that accountability is an interaction between two or more actors. Accountability can be conceptualized (1) as a system of knowing and evaluating someone’s behavior according to some standards and (2) a system of rewards or sanctions that are depending on these evaluations. Accountability as a social relationship suggests that formal rules, structures and roles of the relationship are dynamic arrangements subject to negotiation, interpretation, change and transformation. Accountability relationships can thus be defined as an institutional setting in the sense that they encompass a system of rules that structure the courses of actions that a set of actors may choose. If these rules are violated, the actors have to face consequences *ex post*. Actors will, however, anticipate these consequences and act accordingly if they want to prevent the sanctions. Accountability relationships guide behavior and stabilize expectations. They allocate resources (i.e. sanctioning powers), constitute events and debating space (i.e. annual meetings), empower and constrain actors and make them more or less capable of acting according to prescribed rules.

If we perceive accountability as a social relationship, the main distinction between different accountability regimes should be drawn according to their dominant mode of coordination and control, i.e. their mode of governance. Social sciences have long recognized three distinct modes of governance organized around hierarchy, competition or market and network or community (Newman, 2007). Each mode is associated with an accountability template (Scott, 2000) with distinctive features that are integral to their capacity to operate as mode of coordination and control. In the public realm, accountability normally applies to the hierarchical relationships of public sector organizations to render account to elected politicians, superiors or externally to audit institutions or courts. However, we differentiate the public domain of accountability into democratic and administrative. Democratic

accountability operates through electoral processes and administrative accountability operates through hierarchical control of subordinates. We will therefore distinguish four different accountability types which are relevant for the understanding of public employment services: democratic, administrative, market and network accountability (table 5).

Table 5: Four Ideal Typical Accountability Relationships

	Democratic	Administrative	Market	Network
Source of control	Party competition	Hierarchy	Competition	Interdependence
Dominant control mechanism	Election	Regulations	Price and performance	Reputation/ Long-term relationships
Who is accountable?	Elected officials/ Ministries	Agencies/ Public officials	Firms	Network members
Internal Accountability	Political Superior	Superior (political/ administrative)/ Peers	Owners	Network members
External Accountability	Voters/ Media/ Interest groups	Courts/ Ombudsmen/ Interest Groups/ Citizen	Client or 'proxy' public purchasers	Citizen/ Media/ Interest groups
Consequences	Political criticism or recognition/ Resignation or dismissal/ Voting out	Revision of the administrative act/ Sanction or recognition of the official involved	Exit	Loss of reputation/ Exclusion from the network

Source: own compilation

'Democratic accountability' is responsiveness to citizens and political constituents. In a democracy, accountability is thought to form a closed chain of delegation and answerability for the fulfillment of the delegated tasks that starts and ends with the sovereign people, the parliament, the government, the ministers and the public administration acting as intermediates (Strøm, 2000).

'Administrative accountability' is closely related to the question of democratic accountability. It is important to distinguish between the democratic and the administrative realm. Politicians

and bureaucrats have different roles in political decision making and implementation; but furthermore the norms and values by which their conducts are judged differ widely. Administrative accountability aims first and foremost at compliance with the political and programmatic provisions adopted by the government and at conformity with the legally established rules and norms, the obedience to organizational policies and deference to professional expertise (Koliba, Mills & Zia, 2011).

‘Market accountability’ coordinates exchange through competition and contracts. In contrast to democratic accountability that (in theory) affords equal weight to all citizens’ right to call a public organization to account, in private markets accountability is more limited to the relationships between owners of the organization and particular groups of individuals, such as clients or employees (Mulgan, 2006). Consumers of services (or the public purchaser) and owners/shareholders in the delivery organization judge the actions of the provider according to the criteria of price, quality and return on financial investments. Managers give account about their strategies and decisions whilst customers judge the performance of the organization and hold it to account with their decision to buy or not to buy.

Whereas prices and contracts constitute the principal means of coordination in market relationships, social relationships based on trust serve a similar function in networks. ‘Network accountability’ is mainly characterized by horizontal lines of accountability in contrast to democratic and administrative accountability, where vertical lines are dominant. Individuals/organizations are first and foremost accountable to their peer group, thus the content of accountability relations, as well as the instruments and mechanisms of account giving, are not externally imposed but defined by members within the network themselves. It is the fear of a loss of reputation amongst peers and the ‘shadow of the future’ which ensures appropriate behavior.

Marketization and Accountability – Exploring the Linkages

The increased use of market mechanisms in the reform of the PES has involved creation of quasi-markets where a purchaser-provider-split is introduced (LeGrand, 1991) and the PES starts to contract-out provision to third parties. However, as van Berkel, Sager and Ehrler (2012) have pointed out, the notion of a monopolistic public agency becoming a purchaser should not be taken too strictly: many countries have a long tradition of involving third parties in employment services provision. What’s more, even after the introduction of quasi-markets public organizations can continue to provide services themselves. Thus, the governance of employment services shifts from one hybrid arrangement to another hybrid arrangement, with

the former being more close to the public provision ideal type and the latter more close to the market ideal type. The expectation of recent labor market reforms is that the creation of quasi-markets, competitive tendering as well as price and performance orientation, will result in services delivered more efficiently and effectively (Larsen & Wright, 2014). The impact of governance reforms – especially of marketization – on accountability is still disputed. In particular there are two questions critically discussed: first, whether reforms lead to less, more, or even too much accountability; second whether the new accountability arrangements are appropriate.

With regard to the degree of accountability, it has been argued that marketization inevitably involves some reduction of traditional mechanisms of accountability (Mulgan, 2006) as private sector actors are not subject to the same accountability requirements as public officials. Seen from the perspective of the citizens as the ultimate accountees this is not problematic because public agencies, even when purchasing services, remain accountable for the services they buy (Mulgan, 2006). The public still has the right to blame public agencies or ministers for bad public services when they are provided by private contractors. Furthermore, with marketization of public services new accountability mechanisms come into play. Competition makes private agencies providing public services aware that deficient provision may drive them out of the market. Moreover, new accountability tools which emphasize the performance function are introduced by the public principals (Willems & Van Dooren, 2012). In sum, marketization creates additional layers of interaction among officials, contractors, and citizens or clients, making – all else equal – accountability more complex.

However, this increased complexity of accountability arrangements is why marketization is also criticized in the accountability literature. The pluralization of governance actors not only creates competing, but very often conflicting accountability relations (Romzek, 2000). Accountability is challenged because the accountor becomes diffused and it is not clear anymore who is called to account for what; the minister, public officials, private firms or all of them? It is possible that ministers or public officials are held accountable by public opinion, although they de facto lack the necessary instruments to control the delivery of public services by private providers and may not be able to sanction them effectively. The final result may not be improved accountability, but multi accountability disorder (Koppell, 2005).

Last but not least, markets deepen the conflict of interest between profit maximization and public value creation (Benish, 2014) which is not solved by increased complexity of accountability. The new structure makes the accountability of elected officials more remote

and might encourage officials to shift blame to the contractors. Thus instead of being maintained, the responsibility of public officials for service provision might get weaker. Hence, how to uphold democratic accountability in private service provision seems to be a crucial challenge of marketized service delivery.

The effect of marketization for accountability is still disputed (Mulgan, 2006) and dominated by assertions instead of examination of empirical evidence. It seems fruitless to continue the debate about less or more accountability through marketization. We assume there are trade-offs between different modes of accountability. Drawing on the work of Romzek (2000) we argue that there is a close interrelation between the governance of service provision and accountability. When principles of delegation and service provision are changed towards marketization, accountability arrangements also change. Hence, when public service provision is marketized, accountability mechanisms may be reconfigured from political and administrative mechanisms characteristic of democratic accountability to market mechanisms, such as contracts between the public agency and the private service provider, performance criteria and reporting requirements. However, the counter assumption might be that marketization in service delivery is only loosely coupled to changes in accountability modes (Johnston & Romzek, 1999). Although new modes of accountability evolve, older interpretations will not necessarily disappear. Rather, new arrangements are layered on the accountability relationships already in place (Mahoney & Thelen, 2010). The concept of layering explains gradual institutional transformation through a process in which new elements are attached to existing institutions and so gradually change their status and structure (Van der Heijden, 2011). Layering points us to the importance of focusing on national histories and characteristic patterns of institutions as the way institutional reforms work out depends on the interaction between the different institutional arrangements a certain system is built on. Institutional change, such as the introduction of quasi-markets as well as the corresponding accountability mechanisms, most often happens incrementally. Different actors try to change an institutional structure, while others aim to protect the status quo.

The persistence of accountability modes may thus result from institutional inertia due to administrative practices like rule-orientation (Romzek, 2000), blame-avoidance (Hood, 2010) and close supervision of delegated action (Romzek & Ingraham, 2000). Marketization and competition might impact on accountability, but ministerial accountability is a highly pervasive medium of accountability and bureaucracies are embedded in hierarchies, where rules and accepted procedures give firm shape to the accountability process (Page, 2010). We expect the co-existence of different and partly contradictory interpretations of accountability,

i.e. an emergent hybridity. Turning to our cases, the following country studies map out the changing mix of accountability across different European states as marketization evolves.

Case Studies

Denmark

The major marketization process in Denmark started in 2002. Due to thorough going criticisms of the public employment services as being too bureaucratic, expensive and ineffective the center-right government proposed partial marketization of the employment services. Thus, the quasi-market in employment services was created in Denmark between 2002 and 2005. The regional PES was given free rein to organize contracting out; deciding what types of services and target groups of insured unemployed should be contracted out. The regional PES was able to decide upon forms of contracts and pay models. Their only obligation was that at least 10 percent of the unemployed should be in services fully or partly provided by non-public providers.

This ‘first wave’ of marketization of employment services was almost unregulated by the national authorities as regional public purchasers were provided with cash and freedom to contract out all services and target groups to create a market. The market for contracted services grew significantly after its initial creation, invigorated by the mandatory obligation to contract out services for unemployed. In 2005 around 46 percent of the insured unemployed were transferred to non-public providers (Bredgaard & Larsen, 2008). The project of creating a ‘market’ succeeded, however the national audit office and other evaluations (Rambøll, 2004) criticized the lack of transparency and proper price competition.

A ‘second wave’ of marketization occurred following the discovery that it was difficult to establish accountability relations (in relation to how the regional authorities engaged with non-public providers) at the same time as documenting cost savings (price competition) and innovations (Rambøll, 2004). As a response to criticism by the national audit office a reform was launched in 2005. This introduced a strong central (national) regulation of the market and national tendering with a focus on strong price competition and 75 percent performance-related payment compulsory. Accountability was enforced through more market incentives, but more procedural and corporate governance was also put back in place to re-regulate the deregulated market (Bredgaard & Larsen, 2008). Democratic, administrative and market accountability was strengthened, while partnership or network based relationships were reduced. The reform nearly halved the number of insured unemployed being transferred to non-public providers.

The national tendering and the performance related payment model were mandatory up until 2011. However, the results of the model were disappointing. The combination of high-price competition, high risks for providers (waiting up to six months for full payment), and the drive to create short-term employment outcomes led to poor services by many of the private providers. The market competed on provider costs for service rather than innovative solutions. Although there were variations among providers, media reported ‘scandals’ revealed examples of inferior services for unemployed. This gave for-profit service providers a bad reputation and faith in market solutions among political and administrative decision makers declined.

The ‘third wave’ of marketization took place from around 2010 and was affiliated with another reform that dissolved the PES and handed employment services to the municipalities. Until then the municipalities had few experiences with employment service marketization. At first the national tendering system with some mandatory requirement to refer certain target groups to non-public providers were kept in place to get the municipalities familiar with marketization. However, as the problems with low quality services delivered by non-public providers persisted, the Social Democrat led government decided to dissolve the national tendering system and let the municipalities decide on using non-public providers.

Implication of the marketization process on accountability relations

The problem of finding the ‘right’ balance between the various accountability forms has been an important ‘driver’ for the development of the Danish marketization of employment services. Furthermore, it is important to notice that the question of accountability has been a political issue. As labor market policy issues became more politicized and subject to criticism, the labor minister was – due to continuing strong ministerial accountability – constantly blamed (or held accountable) for problems with the PES. The political answer to this was decentralization through municipalization and marketization, making local actors more responsible for services. Other types of accountability combining marketized and administrative forms (e.g. performance management, prescribed procedures for services, economic incentives) were also launched from the national level creating a kind of decentralized centralization. Hence, a partial replacement of democratic accountability was sought by adding an additional layer of administrative accountability.

Regarding the balancing of accountability types the Danish process of marketization illustrates the potential tension between using market mechanisms to improve effectiveness and efficiency versus fulfilling traditional political objectives of equity and responsiveness (Pierre, 2012). On the one hand democratic and administrative accountability is part of

securing the fulfillment of the traditional political objectives, while market accountability is based upon competition as guarantee for effectiveness and efficiency. However, there are some contradictions between these two types of accountability in the process of marketization. The market accountability is in principle based upon the relation between the service provider and the client, where the clients' choice of provider on the market is to make sure that only the best providers (with the highest quality of services) survive as service deliverers. As employment policies normally encompass an element of regulatory requirements or disciplining elements, which can be in opposition to the perceived preferences of the individual client (Larsen & Wright, 2014), the 'market' in this context is not a conventional market, but a quasi-market. This among other things means that unemployed clients are represented by a public purchaser. To maintain a kind of market accountability instead of user-choice two other control mechanisms are then applied: price and results (measured by employment outcomes). In Denmark high price competition, high outcome based payment and the ability to generate short-term employment outcomes without much effort led to low quality services. The attempt to balance these dilemmas through a combination of administrative and market accountability turned out to be very difficult and involved high transaction costs. This has led to a withdrawal of national responsibility for services provided by non-public providers in the third wave of marketization, making this a matter solely for the municipalities. The municipalities attempt to balance the different layers of the accountability regime, but interestingly a movement towards more partnership or network based relations between the municipal purchasers and the providers seems to become more common. Tendering becomes more frequently replaced with discussing the terms of contracts in existing networks. Questions arise though as to whether this way to overcome dilemmas of balancing administrative and market accountability will create criticism for a lack of democratic and administrative accountability, based on the risk of nepotism and lack of transparency over awarding of contracts. In sum, in Denmark different accountability mechanisms are interrelated. While municipalization and marketization have weakened democratic accountability in the form of ministerial responsibility, the new market accountability mechanisms are not displacing other types of accountability. This process of layering creates the need to balance market accountability with administrative and network accountability.

Germany

The growth of marketization of the German PES took place in the early 2000s. In Germany, like in Denmark, the major aim was to increase the efficiency and flexibility of the PES.

Hence, a comprehensive reform package – called the Hartz reforms – was implemented which changed the internal structure of the Federal Employment Agency (FEA) and its interplay with private for- and non-profit providers. It also merged the (majority of the) former local agencies responsible for social assistance with the local agencies of the PES (Kemmerling & Bruttel, 2006).

Nevertheless, institutional adaption to increase efficiency and flexibility has already taken place before. To adopt public bureaucracy to new management and governance roles deregulation has been a widespread strategy (Pierre, 2012). In 1994, the provision of placement services has been deregulated allowing private actors to participate in this market which had been monopolized by the PES. This trend has intensified with the implementation of the Hartz reforms which introduced vouchers for placement and training services and competitive tendering. With the placement voucher, a jobseeker can mandate a placement agency to find them a job. The new market for placement services was highly deregulated when the Hartz reforms were introduced with no barriers for companies to register as private placement agency. Payment was strictly performance oriented (no cure-no pay). Only after criticism from trade unions (Deutscher Gewerkschaftsbund, 2010) and the Federal Court of Auditors (Bundesrechnungshof, 2006) about misuses by companies and creaming and parking effects, a certification and accreditation processes for placement agencies was introduced.

The Hartz legislation also changed the governance of training and education programs considerably. These services were never delivered by the PES itself, but were contracted to providers mainly belonging to the social partners which were treated as preferred providers. The introduction of vouchers, certification and accreditation, planning, quality control and competitive tendering turned the cartel-like corporatist network into a heavily regulated quasi-market with a considerable share of private for-profit providers. All active labor market measures conducted by private providers and not funded by vouchers (such as assessment measures, short-term trainings and specialized courses for persons with disabilities) are now purchased in a competitive tendering process by five regional purchasing centers. The tendency of reducing the corporatist involvement can also be seen in the steering structures of the PES. The social partners have lost influence on operational policies as the day-to-day business has been transferred to a full-time management board (Jantz & Jann, 2013).

Implication of the Marketization Process on Accountability Relations

The introduction of market elements into service provision has changed the accountability relations by introducing competition of providers, consumer choice and contract management through performance indicators. In the old system competition as a disciplinary force was

hardly ever applied. In placement services the public monopoly prohibited competition until 1994; in the field of training and education programs the contracting-out system awarded contracts to an exclusive corporatist network. The voucher system should increase competition as private providers have to attract voucher holders. The accountability mechanism expected is that competition for potential clients will lead to a positive selection of efficient and effective providers. Competition in the tendering process is mainly achieved through price competition as the purchasing of employment services is primarily dependent on the price offered instead of service quality (Steinke et al., 2012). An impediment to including quality aspects was that, according to public procurement law, the use of previous information about the quality of service delivery was restricted (Bundesagentur für Arbeit, 2011; Steinke et al., 2012). Changes made at the end of 2013 now facilitate the inclusion of quality into the contracting decision (Der Paritätische Gesamtverband, 2013).

The second mechanism is user choice. Instead of using placement services of the FEA or being assigned to training courses by caseworkers, jobseekers receive vouchers and can choose their own providers. In the case of placement services for unemployment benefit I, the user have a right to vouchers but can also decide to rely on public services. The last mechanism is intensified contract management through performance control by the FEA. The local employment offices carry-out participants surveys after a measure is completed, and an internal audit service has been introduced that is conducting inspections on a regular basis and a standardized procurement and contract management process has been implemented with quality control systems for the purchased measures (Bundesagentur für Arbeit, 2011). Furthermore, for all active labor market measures, an integration rate is calculated that indicates the integration into the labor market after the end of a measure allowing for a more targeted assignment to the different measures.

Competition and user choice depend, however, on the transparency of the market. But transparency in the ‘employment market’ is hardly given in Germany. Staff in the local employment agencies is not allowed to make recommendations to the jobseekers about the use of the training voucher. They only provide a list of approved courses. Yet, the lists do not include vital information about the reintegration rates. A survey among 2.500 employees of the FEA has shown that only 30 percent of respondents saw transparency in the training sector as warranted (Doerr & Kruppe, 2012). The same has been stated for the private placement market (Bernhard & Kruppe, 2010). As a consequence, the possibility of informed consumers in the activation ‘market’ remains limited and the voucher system excludes those most in need of support, reinforcing social inequalities (Bernhard & Kruppe, 2010; Heyer et al., 2012).

Due to these market imperfections, market mechanisms of accountability are combined with administrative mechanisms of accountability. Private providers as well as most of their services have to be certified according to input criteria such as capacity, personnel etc. In the first years after the Hartz reforms only providers of training measures had to be certified, but since 2012 providers of placement services also need certification. Likewise certification companies themselves must be certified by the national accreditation body, Deutsche Akkreditierungsstelle (DAkkS).

In terms of coherence of the accountability regime problems occur as each of the involved organizations considers different aspects as important. Accreditation and certification are mainly based on input and process related criteria and have a proximity to the international ISO norms. The local employment agencies are more focused on implementation quality whereas the internal audit unit is looking at impact of the measures and regional purchasing centers focus mainly on price (Sauter, 2009). This accountability disorder becomes even more striking when it comes to the sanction mechanisms. Neither the local employment agencies nor the internal audit unit are legally allowed to impose direct sanctions on the provider. So the audit unit or local employment agency may find shortcomings, but nonetheless no sanctions will be imposed by the certification agency due to different assessment criteria. Finally, what can be observed is increasing government activity in regulating service delivery, thus adding another accountability layer to the system. The government's attempts to create a competitive market and to ensure quality standards has led to detailed regulation of the certification process, the procurement procedures as well as audits and inspections. This case illustrates the complex balance between market competition, regulation, and consumer choice as well as between efficiency and equality.

Great Britain

The introduction of Training and Enterprise Councils (TECs) and the reform of the PES (then the Employment Service and now Jobcenter Plus) in the early 1990s under the Conservatives heralded the definitive shift to employment service quasi-markets and performance based management and accountability in Britain (Gash et al., 2013). The subsequent growth of contestability and performance outcome accountability has sharpened the focus on, and improved transparency over achievement of job outcomes. Yet, from the beginning creaming and parking of clients by providers and erosion of transparency to public and parliament associated with 'commercial sensitivity' of contractual relations, has weakened democratic accountability (Jones, 1997; Hart, Haughton & Peck, 1996; Shutes & Taylor, 2014).

Concerns regarding performance and evidence of fraudulent practice led to some public re-regulation and recentralization of training provision under Labour, with the TECs abolished in 2001 (Jones, 1997). A broader commitment to contracting out persisted with the PES contracting directly with hundreds of providers to deliver ‘New Deal’ employment schemes and various pilot programs (Convery, 2009; DWP, 2007). By the mid-2000s Labour was convinced that revisions to contracting out and outcome based payment could raise employment levels (Convery, 2009) resulting in a strengthening of market rationalization and greater provider discretion over delivery between 2008-2010 (DWP, 2008) and under the Coalition Government following the 2010 general election (Gash et al., 2013).

We concentrate here on the quasi-market reforms accompanying the Coalition’s introduction of the Work Programme in 2011. The Work Programme is premised upon market rationalization and consolidation, provider discretion, price competition, outcome based payments and limited reallocation of market share between providers based on their performance in securing client job outcomes. To encourage provider investment in infrastructure, promote market stability and reduce transaction costs the Ministry now only contracts directly with 18 large ‘Prime Providers’, for regionally based ‘Contract Package Areas’ (CPA), each with two to three ‘Prime Providers’ to facilitate intra contract area competition (House of Commons, 2014; DWP, 2013). A feature of most contracted out schemes prior to the Work Programme was the prescription of service provider activity by the Ministry. The shift to a payment by results model in the Work Programme has given providers greater control and discretion in the types of services they offer, who they provide them to and how often. Rather than the state setting common program standards each provider decides what its minimum service offer for clients is and agrees this with the Ministry which monitors this. The Work Programme differential payment model is weighted towards rewarding providers for securing sustained job outcomes for clients with varying levels of job readiness (e.g. young and older unemployed and economically inactive). The contract model, for example, includes different levels of payment for nine different categories of clients and makes payments primarily on the basis of sustained job outcomes (from year four of the contract outcome payments are 100 percent of total amount payable) (House of Commons, 2014). The premise is that a more sophisticated pricing model with stronger financial incentives is the best means to promote equity in service provision and achieve employment outcomes.

Implication of the Marketization Process on Accountability Relations

An already hybrid model of accountability, involving extensive contracting out has been remixed under the Coalition so that market accountability is more pre-eminent.

Administrative and democratic oversight and control have been affected in terms of capacity to monitor program process and equity of provision, but market accountability has opened up new routes to public accountability.

The accountability of the providers largely rests on whether market financial signals drive provider behavior as expected and here some evidence of the ineffectiveness of market mechanisms is emerging. There is growing evidence that economically inactive clients and the least job ready are parked by providers due to a contracting process that encouraged providers to underbid and a payment model that provides opportunities to invest mainly in the job ready (Comptroller & Auditor General, 2012; 2014; Shutes & Taylor, 2014).

So far no public re-regulation has occurred as policymakers are content to allow market accountability instruments to operate and this has taken a variety of forms. First, following consistent poor performance, in 2014 the Ministry required the lowest performing quarter of providers to develop a six month improvement plan (DWP, 2014a). Second, in August 2013, the lowest performing providers in ten CPAs received notification of a five percentage point reduction of future client referrals. These referrals were redirected to the higher performing provider within the CPA (DWP, 2013). Third, a break clause in provider contracts enabled the Ministry to announce in 2014 that the contract of the weakest performing provider was being terminated and retendered (DWP, 2014b). Unlike in a normal market there is little opportunity for service users to influence or punish providers for poor provision. The performance accountability relationship is really between each provider and the Ministry. Clients have no choice of provider, nor is there a possibility to exit for mandated participants. Voice is limited to a complaints process where service users complain first to their provider and then potentially to the Independent Case Examiner. Yet, there is no program minimum service guarantee. Instead each provider agrees a separate minimum service standard, ostensibly to encourage innovation, with the Ministry. This variability obfuscates the monitoring of contractual compliance by outside bodies, potentially impeding democratic accountability (Work and Pensions Committee, 2013). With private companies and charities not subject to the same parliamentary oversight and accountability as the public sector the line of democratic accountability is weakened (Finn, 2011). The Chair of the Public Accounts Committee for example has indicated that requests to the Ministry for information concerning

the Work Programme provision have been rejected on the ground of ‘commercial sensitivity’ (Public Accounts Committee, 2014).

Aspects of administrative and democratic accountability have been eroded, but increased production, collation and release of performance outcome data can ‘activate’ administrative and democratic accountability. Performance accountability data is a crucial part of public debates and information dissemination by the media, parliamentarians, policymakers and citizen or service user groups. Performance information has been used to support broad anti-marketization campaigns and to draw attention to inequities in provision as well as name and shame providers. The depoliticizing ‘distance’ of black box contracting is disrupted by such occurrences and public accountability, at least temporarily, is re-imposed. This brings in to play other market (contract compliance), democratic (Ministry controls) and administrative (audit and inspection) instruments as Ministers respond to pressure.

In 2012 the former Head of Internal Audit of a major provider of employment services submitted evidence to the Public Accounts Committee alleging systematic improper practice amongst some providers of the preceding Labour Government’s ‘New Deals’. With the accused provider involved in delivering the Work Programme the scandal led to investigations by the police, the Ministry and audit bodies (Mason & Peacock, 2012; Gentleman, 2012). An internal audit by the Ministry uncovered localized examples of inadequate compliance with expected service standards and ‘erroneous’ claims for job outcomes. As a consequence the provider’s contract to deliver services in a separate pre-Work Programme employment scheme was terminated (DWP, 2012).

The accountability of employment services in Britain has long been a hybrid model, involving extensive contracting out alongside administrative and democratic accountability relationships. The weight given to particular accountability relationships shifted as Labour and then the Coalition Government expanded and intensified market governance of employment services (Finn, 2011). Accountability for process and inputs (administrative control and democratic oversight of equity in provision) has been eased in favor of market accountability for employment results (job outcomes and sustainability). Yet, perverse incentives, outcomes and lack of equity stemming from marketization remain (Shutes & Taylor, 2014).

Discussion and Conclusions

Three questions were asked in the introduction of this article: Is the governance shift towards markets followed by a shift towards mechanisms of market accountability? How does the use

of market accountability relate to other accountability forms? What are the democratic implications of market accountability in the governance of employment services?

Regarding whether market solutions are followed by a shift towards mechanism of market accountability the case studies show that quasi-market accountability relationships are dynamic over time and between countries. Deregulation and re-regulation occur as policymakers seek to balance competition, client choice, risks to desired outcomes, and protection of service standards. In keeping with the broader movement of NPM inspired reform processes (van Berkel, Sager & Ehrler, 2012), we see indeed a greater emphasis on price and competition, hence typical mechanisms of market accountability. Market accountability often rests on choosing the cheapest providers, at the same time as the performance related payment seeks to impose economic incentives to deliver high employment outcomes placing providers under cost pressure. However, the market accountability regime is not fully implemented, which becomes clear when studying the role of clients in the system. Consumer choice as a mechanism of market accountability has only been strengthened in Germany; but here, as in the other cases, mechanisms of voice and exit to hold service providers directly to account are also still fairly underdeveloped.

Regarding how market accountability relate to other accountability forms we see both continuity and change. Market accountability is not, per se, a displacement of other accountability forms, rather it seems to co-exist and intersect with administrative and democratic accountability as policymakers oscillate between encouraging competition and freedom in delivery with control to cope with the unwanted consequences of market mechanisms. Network accountability seem however to be weakened. In Great Britain, social partners are not an institutionalized feature of employment service governance, but in both Germany and Denmark (corporatist) network governance has been weakened with reforms reducing or abolishing previous corporatist structures. These general trends in the development of other related accountability forms entails a considerable complexity as different instruments weave together a web of accountability relations and the patterning and reform trajectories for each state are not uni-directional. As we outline earlier we should expect the utilization of market instruments to reflect a balance of political and economic pressures, preferences, and institutional environments. The 'liberal' GB has responded to problems with successive marketization reforms by seeking a more perfect market system and better alignment of market incentives with government objectives. In contrast, Germany has tightened up the certification process as a means to re-regulate the market, and in Denmark a substantial process of public re-regulation and market shrinkage occurred.

Finally, the democratic implications of market accountability in the governance of employment services are to be assessed.

New market accountability instruments re-orientate the focus from hierarchy and control to price competition and outcome related financial incentives – they are additional instruments, not necessarily displacements (Mahoney & Thelen, 2010). Their effectiveness is open to question, but they do shape accountability processes. For example, the presence of multiple service providers and extended chains of contracts and subcontracts make the transparency of provider obligations and performance hard to discern. This makes it difficult for democratic accountees (service users, public bodies, media) to challenge the accountant (providers). In the German voucher system, the public employment service loses direct influence over providers. Providers are accountable mainly to the private certification companies, which themselves are indirectly accountable through the accreditation body.

Such developments erode public support for reform and democratic forms of accountability, especially where contracting out is part of a strategy to distance ministers from service delivery and reduce democratic accountability, as in Denmark. Yet, improvements in transparency through performance reporting can mean that elements of marketization complement democratic accountability by offering new routes for media, parliament, audit bodies and citizens to apply pressure. Service user experience and monitoring of providers can lead to naming and shaming, which, as in Great Britain, can feed into administrative and market sanctions that may hold providers accountable. In Denmark and Germany, the National Audit Office used such information to conclude private providers are less efficient compared to public employment services.

To sum up, balancing accountability forms when employment services are marketized is a dynamic process in all three countries and we identify that specific hybridized modes of accountability have emerged in the different political institutional contexts of our three cases (Pierre, 2012; Mahoney & Thelen, 2010).

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5. Control and Autonomy – The SAIs in Norway, Denmark and Germany as Watchdogs in an NPM-Era?

Supreme audit institutions (SAIs) are classical instruments in the accountability structure of nation states. With a history dating back to the 13th century in some countries (Pollitt et al., 1999) they have a long tradition for financial auditing of public sector organizations.

The development of modern democracies and public bureaucracies has given the SAIs a broader role of providing elected representatives in parliament with objective and independent information on the performance of public organizations. This task has become even more important with the introduction of New Public Management (NPM) related reforms. Decentralization, marketization and greater managerial autonomy for public organizations weaken the direct steering capacities within traditional bureaucratic ‘chains of command’ and create greater information asymmetries between political principals and administrative agents⁴. In this situation it becomes necessary to develop stronger accountability instruments from the central level in order to ensure continued political insight and control (Morin, 2003). SAIs can play a key role in providing these instruments if they find ways to adjust their strategies and practices.

In response to the development towards NPM previous studies have confirmed a general trend of SAIs to include more performance audits in addition to financial and legal audits (Leeuw, 1996; Lonsdale, Wilkins & Ling, 2011; Pollitt et al., 1999). Yet, these studies also reveal a somewhat divergent response to NPM reforms within different national SAIs. While the findings provide useful insights into the latest strategic developments of SAIs, there seems to be a lack of studies on SAIs assessments on the impact of NPM related administrative reforms. This is surprising as the effectiveness and efficiency of public sector organizations is potentially deeply affected by such administrative reforms.

The purpose of this paper is therefore to investigate how SAIs in three European countries (Denmark, Germany and Norway) interpret their role within a core welfare sector (employment/social services and benefits)⁵ and how they address three major reform issues namely decentralization, marketization and performance management, which have been introduced over the past decade in welfare administration. This is particularly interesting as the core of many NPM type reforms has been to weaken central administrative control, which

⁴ Although decentralization has been used as an administrative policy instrument before NPM, it was reemphasized in a more systematic manner by NPM proponents, and became part of the lasting legacy of NPM (Hood, 1991).

⁵ The policy area includes publicly organized activities to assist unemployed citizens in finding employment, and the administration of unemployment benefits and some social benefits (Norway).

raises the crucial question of whether and how a key ‘protective unit’ of central control, the SAI’s, responds. As we investigate this issue we will also address the claim made by some observers that state auditors contribute to disseminating and to legitimizing NPM instruments (English, 2007; Gendron, Cooper & Townley, 2001) and act as “modernizers” (Skærbæk, 2009, p. 971).

We start by outlining the roles and organizational set-ups of the three SAIs. Then, we present the theory and methods that we use, followed by a description of our findings in terms of reform trajectories in the three countries and the SAIs’ evaluation in the performance audit reports. Finally, we discuss our findings from a comparative perspective and conclude.

The Roles and Organizational Set-Ups of the Three SAIs

The overall mandate for SAIs in all three countries is to investigate the legality, the efficiency and the effectiveness in the use of public resources. It is emphasized that SAIs work should be carried out absolutely independently from the executive and that it is their core mandate to support parliament in performing its oversight function.

The Danish and the Norwegian SAIs conduct performance and financial audits as well as corporate control. Both are organized as monocratic legislative audit offices (Posner & Shahan, 2014) also known as ‘Westminster type’ models, where the SAI is an independent body led by an Auditor General that reports to the parliament. While the Danish Office of the Auditor General reports to a Public Accounts Committee of politicians appointed by the Danish parliament, the Norwegian Office of the Auditor General reports to a permanent supervisory committee in the Norwegian parliament, established in 1993: the Standing Committee on Scrutiny and Constitutional Affairs. These councils can instigate formal critique of ministers and public organizations based on the SAIs reports. Both the Norwegian and the Danish audit reports are publicly accessible, making the findings transparent to a larger public audience. The parliament can use these reports to hold the ministries accountable (Arthur, Rydland & Amundsen, 2012). The two SAIs differ insofar as the Norwegian Auditor General is politically appointed as the head of a board, whereas the Danish Auditor General is hired through a general recruitment process. The audit office has no judicial function, but, when warranted, its findings may be passed to legal authorities for further actions.

The German SAI (Federal Court of Auditors) is an independent federal authority that inspects central government activities and carries out financial as well as performance audits. It is headed by a board rather than by a single person and thus has a cooperative structure (Arthur, Rydland & Amundsen, 2012; Noussi, 2012). Reference to it as a ‘court’, reflects the

collective nature of the decision making processes at all levels, rather than implying that it has judicial powers (National Audit Office, 2005). The results of the audits are submitted for comments to the audited organization. The Federal Court of Auditors may also submit the results to the relevant ministry and to the Budget Committee of the ‘Bundestag’. Reports of fundamental importance are also submitted to the Federal Ministry of Finance. If no agreement is reached with the audited agency, the SAI may include the audit findings in its annual report which is discussed every year in the Budget Committee of the Bundestag. This is the only account that is publicly available.

As none of the three SAIs has got a formal judicial function, we will treat them within the same family of Legislative Audit Offices (Posner & Shahan, 2014) embedded in Continental European rule of law (Rechtsstaat) models (Kuhlmann & Wollman, 2013). The SAIs derive their informal power from the parliament or ministers as they are obliged to report directly or indirectly to them. Thus, the three SAIs gain their impact in diagonal accountability settings (Bovens, 2007) in which the auditor and the auditee are of equal hierarchical position and weight.

Reform Trends in Welfare Sectors: Consequences for Accountability and the Role of SAIs

Ever since Christopher Hood coined the term New Public Management (NPM), almost three decades ago (Hood, 1991), it has been a central concept for debate about the reforms of public service delivery in the industrialized countries. Hood emphasized several core components of NPM including decentralization, use of markets and stronger emphasis on measuring the results of public service delivery. Subsequent observers of public management reforms have confirmed these three reform elements in empirical evaluations of public sector reforms (Christensen & Lægreid, 2001; Pollitt & Bouckaert, 2004). Several have questioned the coherence of the NPM reform agenda pointing to national variations (Goldfinch & Wallis, 2010; Pollitt, 2002) or have emphasized differences in the translation of the generic concepts. Nevertheless, empirical observations show that the following three NPM trends play a strong role in many public sector reforms especially in the welfare sector (Berkel, 2011; Berkel & Borghi, 2007):

1. The decentralization of the provision of public services to encourage greater responsiveness to local and individual circumstances as well as better coordination between central and regional services (e.g. through one-stop-shops).

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2. The outsourcing of welfare services through the involvement of private providers and the creation of quasi-markets.
 3. The introduction of management by objectives through the use of targets, performance management systems and benchmarking that shifts the focus from inputs and processes towards outputs and outcomes, and in some cases links this to economic incentives.

All three reform trends affect the way policies are implemented and services are delivered. At the same time, auditing in the NPM setting presents significant challenges to SAIs.

In general, it could be expected that NPM reforms correspond with the objective of audit offices to make government action and service delivery more effective and efficient. Instruments like performance indicators could establish more transparent administrative procedures and provide additional information that might facilitate the audit of public organizations. Thus “it looks like there is hardly a need for performance auditors to focus on reviewing NPM.” (Leeuw, 1996, p. 93). The scarce literature, especially concerning audits on Public-Private Partnerships (PPP), suggests that in their assessment function of implanting NPM, some state audits have legitimized policy implementation, instead of independently assessing whether policies have been implemented effectively (Broadbent & Laughlin, 2003; English, 2007). Others have even argued that audit offices are “a central player in the operationalization of the broad discourse about NPM.” (Gendron, Cooper & Townley, 2007, p. 102). However, there are also examples of SAIs that have played a critical role in holding the government to account with regard to NPM instruments (Willems, 2014). Holtkamp (2008) also demonstrates a rather reproving view of audit offices in his analysis of NPM reforms on the sub-national-level in Germany.

Research on NPM reforms in general has revealed several weaknesses. These range from a lack of robust theoretical foundations (Boston, 2011), deficiencies in the definition of problems and skepticism about proposed solutions (Aberbach & Christensen, 2014), the production of unintended consequences like output distortion, creaming, silo mentality or loss of control (Hood, 2012; Hood & Peters, 2004; Laegreid & Christensen, 2010), right up to disillusionment with implementation.

In general, we would thus expect that SAIs, in order to keep their function as watchdog for parliaments (Balls, 1978), assess these new steering instruments critically. We would expect them to go beyond their traditional roles of ‘bookkeeping’ and ‘guardians of legality’, to (also) evaluate broader issues of policy effectiveness and ‘value for money’. We therefore suggest the following set of dimensions and associated critical issues based on the evaluative literature on NPM reforms mentioned above (Table 6) to provide a more nuanced analysis of

the focus of SAI assessments. The dimensions are derived from the categories of policy failure developed by Pressmann and Wildavsky (1973), but we have extended the list beyond their categories of flawed theory and flawed implementation. This is necessary to capture the specific policy dimensions of accountability and to develop a gradual scale from fundamental to operational issues. The dimensions are inspired by developments in policy process theory (Schlager, 2007) as well as quality management (Donabedian, 1988).

Table 6: Dimensions for SAI Assessment of Reforms

<p>Flawed program theory:</p> <ul style="list-style-type: none"> • The policy or reform is based on insufficient or flawed understanding of causal mechanisms
<p>Flawed policy design</p> <ul style="list-style-type: none"> • The design (structure and process) is inappropriate to reach the results • The design may lead to negative side effects on other objectives or values for the public sector
<p>Flawed implementation</p> <ul style="list-style-type: none"> • The implementation is deviating from the design • The implementation process has negative impact on other public sector objectives or values
<p>Flawed control and management</p> <ul style="list-style-type: none"> • Insufficient or inappropriate mechanisms for monitoring, evaluation and control • Lack of willingness or ability to follow up and adjust
<p>Flawed results</p> <ul style="list-style-type: none"> • Poor quality or insufficient value for money • Unforeseen negative side effects on other public sector objectives or values

Source: This table is based on the categories of policy failure developed by Pressmann and Wildavsky (1973), but we have extended the list beyond their categories of flawed theory and flawed implementation.

The first two categories concern rather fundamental critiques of the underlying program theory and the design choices for the policy reform. The third category concerns the implementation of the reforms, which may be flawed or be associated with unintended negative side effects. The fourth type of critique might deal with the level of control and management of the reform, and the willingness and ability to intervene when inappropriate results are realized. Program theory, design, implementation and control all have implications for the results, which are the fifth category in the table. Before applying these dimensions in the analysis, we describe the three reform trends mentioned above in more detail and present our assumptions on SAIs possible reactions to such reforms.

Decentralization

Decentralization and de-concentration of public policies have been strong trends in many Western European countries in the last two decades (Berkel & Borghi, 2007). Arguments in favor of decentralization stress greater flexibility of local service provision, the proximity and sensitivity to local needs and more room for tailoring welfare programs. It is argued that bringing policy-makers and service providers closer to the users will result in increased efficiency, greater accountability and equity, along with more democratic decision-making. But the risks of decentralization are also well known: unequal treatment of users between regions, capacity problems of local service providers, as well as the undermining of central control. Even in highly decentralized systems, the authority for setting minimum standards and the main funding responsibility for public policies often remains at the central level and some sort of cost-sharing arrangements between the central and the local level exists. In practice, this means that in order to maintain accountability, the use of funds and policy outcomes still need to be reported to the central government.

When public services are decentralized and the national as well as the local levels are cooperating in the implementation of policies, it becomes more challenging for SAIs to hold responsible actors to account. Shared responsibilities between two or more organizations or levels can pose various problems. These include a lack of clarity, the risk of blame shifting, a lack of central control and oversight, together with difficulties in rewarding performance or applying sanctions in the event of poor performance (Boston & Gill, 2011).

Expectation one:

We would expect that SAIs are concerned with decentralization reforms, and that they are reporting rather critically about decentralization and coordination reforms as well as highlighting especially problems of unclear responsibilities and shared accountabilities. The focus in the SAIs assessments would be flawed program theory.

Marketization

Contracting out and the increased use of market mechanisms has been another major trend in the alteration of welfare service provision (Bruttel, 2005). These types of reforms are based on the assumption that quasi-markets will lead to more responsiveness towards users and ultimately to more efficient services (Bredgaard & Larsen, 2008; LeGrand, 1991). For welfare services, this would mean that external service providers – rather than the welfare agencies themselves – offer services like placement in the labor market or training schemes to jobless people.

Accountability mechanisms and instruments are altered when these services are outsourced. To hold private service providers to account the contract itself becomes the main instrument. Supporters of outsourcing argue that there are no negative effects on accountability through contracting out because “public agencies even when purchasing services from third parties remain accountable for the services they agree to buy” (Mulgan, 2006, p. 48). Others claim that contracting out goods and services that have been historically provided by the public sector pose accountability challenges as contractual relationships grow more complex and functionally ambiguous (Girth, 2014).

Expectation two:

With increased use of contracting out we expect that state audit institutions will be emphasizing transparency, clear contract criteria as well as value for money when judging outsourcing processes. One outcome expected from this shift is a stronger focus on flawed control and management in addition to flawed results.

Performance Management and Measurement

In conjunction with greater flexibility for the local level, systems of performance management have been introduced in order to hold actors to account. In contrast to traditional bureaucratic administrations where the focus is on inputs and adherence to detailed regulations, the administration is supposed to be held responsible for outputs or outcomes. These are measured against pre-set targets.

Expectation three:

We expect that audit institutions in general support the introduction of performance management systems as they facilitate an improved and more transparent performance and effectiveness of public service provision. Nevertheless, we also expect that the audit institutions are strongly concerned with issues like indicator and data quality, incorrect reporting and gaming as well as assessing whether the system is reflecting reality and the organizational mission. The focus in the SAIs assessments would be a critique on flawed implementation and program design.

Method

We are employing a multiple case study design with three relatively similar cases in terms of the general SAI mandates and overall institutional function. Denmark, Germany and Norway belong to the family of Continental European rule of law (Rechtsstaat) models in contrast with the Anglo-Saxon public interest culture (Kuhlmann & Wollmann, 2013). All three countries have SAIs that can be described as variations of the Legislative Audit Office model

(Posner & Shahan, 2014). This is different from the Courts of Audit model that is prevalent in the Latin countries of Europe, as well as Greece, Turkey and most former French, Spanish and Portuguese colonies. Such courts of audits have both legal and administrative authority and are an integral part of the judiciary (Noussi, 2012). Having three cases, rather than one or two, allows us to conclude with greater confidence about trends in SAI responses to NPM reforms.

However, the three countries also differ in some aspects. The German case departs from the others because its performance audit reports are normally unavailable to the public. Whether reports are accessible or not represents an important aspect of accountability. Published reports that the media take interest in can trigger emotions and serve as a mechanism of social accountability. The SAIs in Denmark and Norway might therefore anticipate political and public reactions to a larger extent than the German SAI and include such considerations in their reporting practices. As a result the Nordic SAIs might be less confrontational than their German counterpart and perhaps interpret their role as contributors to a process of negotiation and consensus-building based on existing political compromises. This would be in line with the observation that bureaucratic cultures within the Nordic countries tend to be more consensus-oriented and informal than in Germany (Pollitt & Bouckaert, 2011). Finally, it should be noted, that although there are many similarities in the types of reforms, which have been implemented in the three countries, there are also differences in both content and rhetoric, which might affect the focus of the SAIs. An example is the more extensive decentralization in Denmark compared to Norway and Germany, which may give rise to greater sensitivity to this issue.

We have selected employment/social services as our policy sector for the study. Traditionally there has been a relatively strong element of corporatism in the organization of this sector, particularly in Germany and Denmark. Recent reforms have challenged the corporatist organization and have introduced NPM based ideas of decentralization, markets and performance measurement in all three countries. With these management reforms and increased decentralization, the parliament and the government administration have less direct control over the use of taxpayers' money. It is therefore important to investigate how the SAIs manage this mandate.

We have mapped and registered the assessments and their accompanying facts in audit reports published in the last decade. Key characteristics of the accounts were summarized based on their assessments with regard to decentralization, marketization and performance management. These were also classified according to the approach of the SAI.

The main source for the analysis is the systematic assessment of written material. The written material consists of all reports within the sector that are examining the three reform trends. This means that there are slight differences in the starting dates of the national datasets, but this is not viewed as significantly influencing the results. The documents were evaluated manually using a common set of theoretical concepts. Inter coder reliability was assured through close collaboration within the research team.

The written material has been supplemented with background interviews in all three countries. In Norway, a leader from one of the financial audit departments as well as two senior advisers from both financial and performance audit departments with special responsibility for the prevention and detection of corruption have been interviewed. In addition one leader from a performance audit department was interviewed. The Danish case is based on written material and a supplementary interview with a top level official of the Danish SAI. In Germany, interviews with eight employees were conducted at the Federal Court of Auditors and the Federal Employment Agency, where leading staff from the controlling unit has been interviewed. In the former, a selection of officials and top officials which are responsible for the audit of the Federal Employment Agency, have been consulted.

Welfare Service Reforms and Changes in Accountability Relations in Three Countries

In this section we will briefly summarize the welfare service reforms, in terms of decentralization, marketization and performance management in the three countries. We will subsequently present the analysis of the performance audit report in the three countries.

Decentralization

During the 1970s, a two-tier labor market system was institutionalized in Denmark. The Public Employment Service primarily serviced businesses and the unemployed that were covered by unemployment insurances. The municipalities had the primary responsibility for welfare-oriented services and the non-insured unemployed. In 2004 (in a first reform step) job centers responsible for job (re)integration were established in each municipality, while benefit administration remained the responsibility of either local governments (uninsured unemployed) or unemployment insurance funds (insured unemployed). In 2009, the state and municipal systems were merged into one, with the municipalities keeping the responsibility. Services have thus been decentralized to the municipal level on so-called job centers. Central control is safeguarded through a new financing mechanism introduced in 2010. Through this mechanism the municipalities are economically responsible for the payment of the state

contribution to unemployment insurance which is reimbursed by central government according to performance indicators (Jantz & Jann, 2013).

In Norway, in 2005, a reform merged the municipal welfare system serving clients without employment benefits, with the state system serving clients with such benefits. The merged organization abbreviated NAV (for the Norwegian word ‘Work and Welfare Agency’) holds responsibility for the unemployed, the disabled and the retired. The local NAV offices are one-stop shops where the NAV services are integrated with the local government social services (Askim et al., 2011). The partnerships are laid down in local agreements between the regional NAV offices and individual municipalities.

In Germany, the report of the independent Hartz Commission in 2002 was the starting point for a package of reforms of the Federal Employment Agency (Kemmerling & Bruttel, 2006). The reform measures also included a decentralization and de-concentration of labor market policies. In the new system the municipalities are cooperating with the Federal Employment Agency (FEA) in administering the tax financed unemployment benefit II (UB II) and implementing activation measures for long-term unemployed in joint-run job centers. Besides this mainstream model, 110 municipalities are fully responsible for the provision of benefits and services for the long-term unemployed without the involvement of the FEA. The FEA, however, is still responsible for the short term unemployed who receive the insurance-based unemployment benefit I (UB I). Employment services are thus provided through two separate systems for the short-term and long-term unemployed.

To sum up, the Danish system is the most decentralized one of the three systems granting a lot of responsibility (but not necessarily autonomy) to the municipalities.

Marketization of Activation Services

The new job centers in Denmark are buying services from private service-providers (Bredgaard & Larsen, 2008). The same is true for the Norwegian welfare agency that has contractual relationships with private organizations providing courses and measures for the unemployed and the disabled. The Hartz reforms in Germany also introduced elements of outsourcing and marketization. The provision of placement services, a public monopoly until 1994, was completely deregulated from 2002 onwards. Equally training measures were more and more outsourced to private for profit providers. Both services are either provided through a voucher system or competitive tendering processes. Outsourcing is thus used extensively in all three countries.

Performance Management and Measurement

In Denmark five regional advisory councils with representatives from local and regional authorities as well as private labor market organizations monitor the work of the job centers and coordinate regional needs. They provide input to the municipal ‘employment plans’ and report to the labor ministry and related agencies that formulate goals for the employment sector within the national regulatory framework. The municipal employment agencies are obliged to develop an annual ‘employment plan’ with detailed assessments of challenges and declarations of strategies and goals. The goals must reflect national goals, issued by the minister, as well as specific goals and budgets for the local efforts. A subsequent annual accounting report must present a status of goal attainment and budget.

The Norwegian welfare sector is organized as a hierarchy with the ministry as the principal, the agency and several subordinate regional and local offices, some of them being special units. Both the state and the municipal systems were kept when merged into a new agency. The Norwegian management by objectives and results system resembles the Danish one and includes annual activity plans, letters of allocation, government financial regulations and steering dialogues. The letters of allocation specify goals that the welfare agency has to report on (Lægneid, Roness & Rubecksen, 2006).

In Germany the FEA is working autonomously without much interference from the ministry. The internal steering system of the FEA is highly detailed, formalized and target driven for both benefit regimes, UB I and II. However, in contrast to the NPM doctrine not only outputs and outcomes are measured but also procedural standards. Thus, a highly complex target system has evolved with procedural indicators as well as output and outcome indicators (Sowa & Staples, 2014). Furthermore, a system of ‘pay for performance’ based on target achievement has been introduced for executive managers on the different levels. The system also links the organizational targets with individual success: lack of goal achievement has direct consequences for individual managers and employees. Performance measurement and management are therefore used most extensively in Germany.

How Do SAIs Interpret their Mandate in the Reformed Welfare Sectors?

In the tables below we depict the performance audit reports in the three countries. We first interpret how the SAIs understand their mandate by analyzing the topics that the SAIs have addressed in their reports focusing on the reform elements described above (the tables 7-9). Second we scrutinize the SAIs’ assessments in the reports.

Table 7: Norway

	Report title	Year issued	Abrr. in text
1	The SAIs report on efficient use of resources in the employment agency	2012	N, 2012a
2	The SAIs report on the partnership between the state and the municipalities in the new welfare organization	2012	N, 2012b
3	The SAIs report on the employment agencies' follow-up of employees on sick leave	2011	N, 2011
4	The SAIs report on the employment agencies' efforts to help employers and their use of facilitation benefits	2009	N, 2009
5	The SAIs report on goal-achievement and control in the employment agency pertaining to the disabled ability to get work	2007	N, 2007a
6	The SAIs report on the employment agencies' management of benefits for free cars for the disabled	2007	N, 2007b

Source: own compilation

Table 8: Denmark

	Report title	Year issued	Abrr. in text
1	Report on the effect and quality of using private actors for employment services.	2012	DK, 2012
2	The SAIs report on measures of education and employment for the handicapped	2010	DK, 2010a
3	Effects of the activation of 'persons with less than full capacity to work on normal terms' receiving welfare social welfare payment	2010	DK, 2010b
4	Report on the employment offices' assessments of the fitness/employability of unemployed persons	2008	DK, 2008
5	The SAIs report on the employment agency's involvement of 'other actors' (private actors) in the work with the unemployed	2006	DK, 2006
6	The SAIs report on the administration of the European Social Fund in Denmark	2004	DK, 2004

Source: own compilation

Table 9: Germany

	Report title	Year issued	Abbr. in text
1	Audit on the management by objectives system in the strategic business area I and Va	2012	D, 2012
2	Comments on the draft law on the reform of active labor market instruments	2011	D, 2011
2	Reorganization of the basic allowance scheme - second report	2010	D, 2010
3	Reorganization of the basic allowance scheme	2009	D, 2009
4	Implementation of the basic allowance for jobseekers – Key results of audits conducted in the field of Social Code II	2008	D, 2008
5	Modernization of the administrative relationships between federal and state level	2007	D, 2007
6	Implementation of the basic allowance for jobseekers – Key results of audits conducted in the field of law Social Code II	2006	D, 2006a
7	Annual report	2006	D, 2006b

Source: own compilation

The content of the reports presented in the tables 7-9 can be grouped into several different categories. The most common type of report contains assessments of the welfare agencies' task fulfillment (results) pertaining to various user groups. The second major type of reports evaluates different organizational and process dimensions (design and implementation). A third group deals with the relationship between different actors e.g. at municipal, regional and state level or federal and state level, i.e. the structural design for implementing policies.

All in all, the topics reflect an interpretation of the role of the SAIs as evaluator of task fulfillment as well as the design and implementation structures to support this. Many reports focus on particular target groups and programs, but there are also reports with a broader evaluation perspective looking at the general design of the employment and welfare services.

SAIs Assessment of NPM Reform Trends within Employment Services

In the following, we categorize the assessment of the SAIs according to the typology developed in the analytical section.

Flawed Program Theory

The only area which was subject to criticism on flawed program theory (reform is based on insufficient understanding of causal mechanisms) was the decentralization of employment services as well as the cooperation model in Germany. The SAI criticizes the cooperation

model as well as the full municipal model because of the split between financial and organizational responsibility (D, 2006; 2007; 2009; 2010). Furthermore, the organizational integration of the FEA and the municipalities does not allow for a clear assignment of responsibility neither to the central nor to the local level and may lead to institutional drift and autonomy without adequate control. More influence of the supervising ministry on the workings in the local job centers is thus frequently requested. It is further argued that the reform endangers the values of fairness and equity in the administration of employment services. The German SAI thus asserts systemic failures to the current organizational model of the employment administration:

The findings of the Federal Court of Auditors show substantial weaknesses and risks associated with shared responsibility between the central and the local level (time consuming and error-prone processes of consultation between the different levels, diverging financial and organizational responsibility). The weaknesses and risks are systemic due to the shared responsibilities between different levels of government for a uniform task. (D, 2010, p. 8 – own translation)

Flawed Policy Design

The analysis of the reports also provided only one example for a critique on flawed policy design meaning that the design (structure and process) is judged inappropriate to reach the expected results or might lead to unintended side-effects. The system of management by objectives within the German Federal Employment Agency system has been assessed as creating the wrong incentives for the organization as well as for individual staff. The system leads to a concentration on fast and often unsustainable placements of the unemployed and to ‘creaming’ as the integration activities are focused on people that are easy to place. The pressure on target achievement and the performance based pay system promotes data manipulation and wrong reporting. Loose coupling between the external target system (ministry-agency) and the internal system is also criticized (D, 2012). However, the instrument of performance management is not called into question in principle:

The Federal Court of Auditors considers management by objectives as an effective and useful tool. The target system in the Federal Employment Agency is firmly established and has a significant impact on the actions of the individual departments. This makes it even more important to set the right incentives. As our findings show, this is often not the case. (D, 2012, p. 53 – own translation)

Flawed Implementation

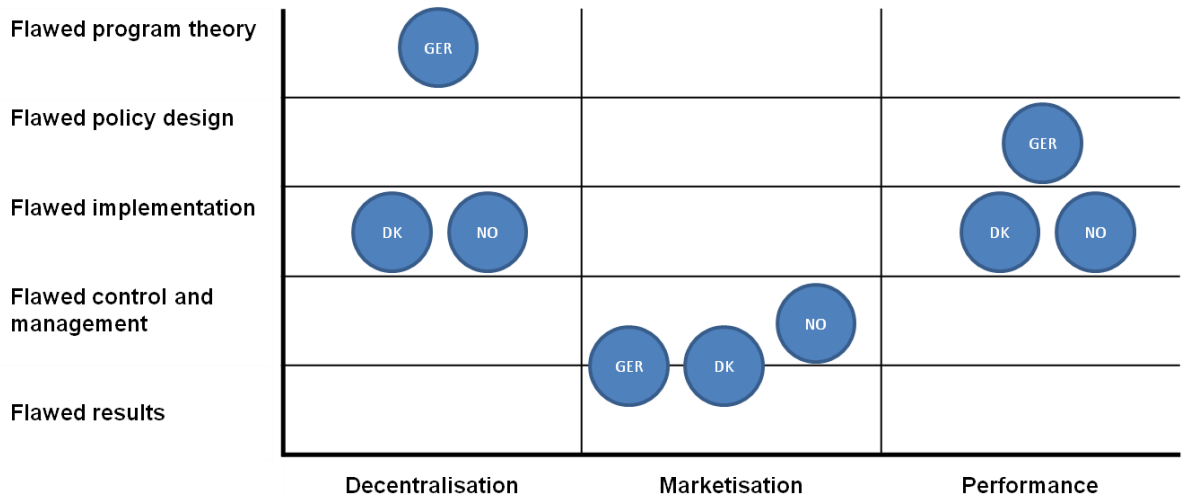
Whereas the German SAI is questioning the fundamental design of decentralization, cooperation and partnership in the delivery of employment services, the Norwegian and the Danish SAI criticize implementation issues such as inequalities in the application of rules and laws between regions and offices, as well as the uneven procedures and qualities of service delivery. This is in accordance with an interpretation of their role as guardians of the traditional public values like fairness and equity. These types of challenges increase with stronger decentralization. In addition the Norwegian SAI is also concerned with too much discretion for individual case managers (N, 2007). They are also criticizing a lack of coordination between state and municipal systems (N, 2012b) and that tasks within the state's area of responsibility in practice are prioritized in the local offices.

Flawed implementation of the performance management systems is addressed both in Denmark and in Norway. According to the SAIs, the systems are not providing a sufficient level of control of the subordinate entities and central targets are not achieved (N, 2007; 2009 – DK, 2006, 2010a, 2012). The Norwegian SAI in addition argues that the system does not provide sufficient information for performance steering.

Flawed Control and Management and Flawed Results

All three SAIs criticize the control of the quality delivered by private service providers. This is a concern triggered by the increased marketization in service delivery in the three countries. The critique is focused on the procedures for monitoring and controlling private service providers, and on the lack of systematic intervention due to poor monitoring. However, in Denmark and Germany, not only a lack of control is assessed but also the result of outsourced service delivery is criticized. The Danish SAI conducted an analysis of the quality of services and effects when using private providers and concluded that private employment agencies perform worse than its public counterparts (DK, 2012). The German SAI judged the voucher system as being prone to misuse and as lacking in results and sustainability. Furthermore, a structural discrimination of underprivileged job-seekers has been emphasized (D, 2008; 2011). Figure 8 summarizes the empirical findings.

Figure 8: Assessment of the Reports



Source: own compilation

Comparative Discussion and Conclusion

The analysis has shown that all three SAIs, in this decade with extensive reforms in the welfare sectors, have taken on an evaluative and critical role when judging NPM instruments. Thus, prior claims that state auditors contribute to disseminating and to legitimizing NPM instruments (English, 2007; Gendron, Cooper & Townley, 2001) and act as modernizer (Skærbæk, 2009) are not corroborated by our findings. Rather, we found that the SAIs draw a differentiated picture of the introduction of NPM instruments in the three welfare administrations. Still, the SAIs seem to be more oriented towards compliance to systems and routines than towards actually fostering the modernization of service delivery or new forms of governance like partnerships or public-private collaborations. In that respect the SAIs are still rooted in their traditional watchdog role rather than taking on a new role as advisors or management consultants (Reichborn-Kjennerud, 2013). In the following we will discuss these general findings in connection with our expectations formulated at the beginning of the article.

In our first expectation we suggested that the three SAIs have developed an interest in decentralization reforms, and that they would take a rather critical stance against decentralization and coordination reforms, highlighting especially problems of unclear responsibilities and shared accountabilities. The analysis demonstrates that the German SAI criticizes the new structure in the public administration which involves a sharing of responsibilities. It finds it damaging to the principle of clear responsibilities and accountabilities. The Norwegian and the Danish SAIs in contrast accept the sharing of

responsibilities but criticize inequalities and variations between regions and local offices. The findings thus seem to confirm the expectation, with the German SAI as the most radical critic, pointing to fundamental flaws in the program theory and design of the system. The critique raised by the German SAI illustrates how difficult it is to harmonize organizational decentralization and coordination between different levels of government with traditional principles of public administration like local self-government, ministerial responsibility or clear chains of delegation and accountability.

A second general reform trend has been the increased use of market mechanisms, such as contracting out of job brokerage. In our second hypothesis, we expected to find SAIs focusing on transparency, clear contract criteria as well as on value for money to judge these processes. The hypothesis was only partly confirmed. The findings indicate that the SAIs are most preoccupied with insufficient control of the services delivered and the insufficient follow-up. Concerning performance management, we expected in our third hypothesis the SAIs to support this change in management systems, but we also assumed that the SAIs would be preoccupied with assessing whether the system reflects reality, and therefore with issues like indicator and data quality and the accuracy of reporting. The hypothesis was corroborated. All three SAIs were preoccupied with deficiencies of the performance management system, insufficient information and statistics. However, the German SAI was more critical to the whole design of the management system emphasizing the wrong incentives and unintended consequences like creaming, whereas the Nordic SAIs accept the management system and focused on problems of implementation.

All in all the German SAI seems to be the most radical opponent, criticizing both the choice of management instruments and the organization of tasks. It addresses fundamental political choices in organizing employment services, while the Norwegian and Danish SAIs investigate and criticize the functionality and effectiveness of particular aspects, without fundamentally challenging the organization of the sector. The German SAI is also more critical to partnerships between the central and local level, joined-up government approaches and shared accountability. It emphasizes formal, vertical, straight-line accountability relationships and clear chains of delegation and command even though shared accountability is more the norm than the exception within employment services in Germany.

The non-public nature of the German SAI reports leads to a profound difference in their way of criticism. Since the reports are not publicly available the German SAI can be much more outspoken than the Norwegian and Danish SAIs. In the meantime this difference directs Germany to a less transparent system. The fact that the Norwegian and Danish reports are

public increases their sensitivity to the political environment. They will be more prone to consider the reaction of various external stakeholders when drafting the reports. In accountability terms it can be argued that the German SAI is more internally focused within a mindset of administrative accountability, while the Danish and Norwegian SAIs also consider the role of their reports in a broader political and social accountability context facilitated by the media and various external stakeholders. SAIs need to balance their relationship with the public and the media. If the SAIs are too distant, they might lose relevance and legitimacy. If they involve themselves too much it can compromise their independence. Too much involvement can produce scandals in the media and infringement upon politics and policy-making (Bringselius, 2014). As Funnell has argued, public sector auditors are expected “not to question the priorities and objectives of government” and not to “publicly criticize its policies.” (Funnell, 2011, p. 714; 717). One advantage of the German system in that regard is that it might render the government administration less adversarial and therefore more open to the assessments made in the reports. This is in line with prior research. Armytage (2011) has questioned whether evaluations for accountability purposes can contribute to improvement and learning indicating that there can be disadvantages of public scrutiny if the aim is to improve operations in the audited entities. Behn (2001) has made the same point and Reichborn-Kjennerud (2014) has shown the importance of the direct dialogue with the auditee to ensure that performance audits are influential.

In all three cases it can be stressed that the emphasis on legality and compliance can be at odds with some of the operating principles in NPM. Decentralization by nature entails giving discretion to organizations and individuals, which may diverge in their practices. This may challenge a uniform interpretation of the rule of law. Similarly, the use of marketization principles introduces private actors operating under different legal and economic frameworks and imperatives. These private actors are not subject to the same direct accountability relations as within public administration. In spite of such similarities it is also noteworthy that there is a difference between market solutions on the one hand and decentralization and performance management on the other (see figure 8). The critique of the former focuses on flawed control/management and flawed results, while the remaining two focus on flawed implementation, design and theory. In accountability terms marketization appears to be more taken for granted, whereas the two others are more contested, and take on more varying forms.

Overall the fundamental aspects of the reigning governance- and control-systems put strain on the SAIs traditional role interpretation and may force the SAIs to change these roles or to play several different and potentially conflicting roles at the same time.

Our paper contributes to the emerging literature that focuses on auditing activities of SAIs at an empirical level. We have shown how SAIs are reporting on the implementation of NPM reforms in a core welfare sector and are thus also framing the discourse on administrative reforms. However, there are certain limits concerning the transferability of our results to other policy sectors. In all three countries, the reforms implemented were radical departures from the traditional Weberian model of public service delivery, and thus implicate a lot of political and public sensitivity and salience. Future research is needed in order to prove if the rather critical perspective of SAIs identified in our analysis is also valid for policy sectors with a more modest reform approach.

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6. Public Auditors and Accountability: Impact in the Shadow of Hierarchy

Public administration is faced with an ever increasing pressure to legitimize their actions. This is particular the case since administrative procedures and service delivery not only take place within hierarchically structured authorities, but also between a variety of different actors in collaborations and networks (e.g. public and private actors). This change is described as a shift from ‘government’ to ‘governance’, whereas the latter is characterized by cooperative relations in policy-making between public and non-public actors (Papadopoulos, 2010). Furthermore, NPM (New Public Management) inspired reforms like decentralization and greater managerial autonomy for public organizations weaken the direct steering capacity within traditional bureaucratic chains of delegation and create greater information asymmetry between the political principals and their administrative agents. New forms of governance are thought to erode the principle of ministerial responsibility as well as the once solid democratic pyramidal chain of delegation, which is thought to ensure democratic accountability (Willems, 2014; Willems & Van Dooren, 2012). Indeed, there has been for long complains in the literature about an increasing accountability deficit in networked or managerialized governance or about the limits of vertical accountability mechanisms (Bovens, Schillemans & Hart, 2008; Papadopoulos, 2010; Schillemans & Busuioc, 2014). Thus, nowadays, traditional vertical accountability relationships are increasingly supplemented and substituted by alternative forms of accountability. This has led to an extension of the concept of accountability to accountability forums that lack a clear hierarchical relationship to the agent. Regularly, these non-hierarchical relationships are described with the notion ‘diagonal’ or ‘horizontal’ accountability (Biela & Papadopoulos, 2014). Diagonal accountability or horizontal accountability contrasts with traditional forms of accountability in public administration, where a superior usually demands accountability from a subordinate, which is implicit in most principal-agent approaches to accountability (Schillemans, 2011).

In spite of this new prominence of alternative accountability relations in the shadow of hierarchy (Schillemans, 2008), there is a lack of research on how these accountability relations work, how they evolve and how they produce impact and via what mechanisms. Most of the research on accountability has emphasized vertical accountability, which only constitutes a partial picture of the tangled web of accountability relationships (Bovens, 2005). In this regard, empirical studies on the accountability function of supreme audit institutions (SAIs) as the most prominent actors in diagonal accountability settings are still rare (Schwartz, 2000; Seyfried, 2011; Morin, 2014). Nevertheless, audit offices, which traditionally have a statutory regulatory duty to audit and to hold the government and public

administration accountable, are of ever increasing importance (Schwartz, 2000). SAIs have a key position in the accountability process as they provide representatives in parliament, overseeing ministries as well as the general public with information on how the executive branch uses public funds. They are meant to foster parliamentary and public control, but they are not part of the direct chain of principal-agent relations. Additionally to this watchdog or control function, they exert other important functions, i.e. as real change drivers when audit information or performance metrics are used to alter administrative practices. Last but not least, SAIs might act as an additional basis of legitimacy for the audited organization – being audited per se is a proof of legitimacy (Power, 2000). However, despite their importance and various roles in the accountability process, the understanding of the impact of SAI's on administrative and political actors is still limited. The present paper tries to fill parts of this research gap. By taking labor market policy as an example, we examine which role the German SAI – the Federal Court of Auditors (FCA) – plays within diagonal accountability arrangements. More specifically, the paper will discuss the interaction processes taking place between auditors, auditees and various other actors (ministries, parliament, media) and analyze how auditors gain impact for their recommendations within diagonal accountability arrangements.

In general the role of SAIs is a highly relevant topic, and some research has been done on this issue. Studies have been published for the US (Grasso & Sharkansky, 2001), UK (Funnell, 1994), Israel (Schwartz, 2000; Sharkansky, 1988), for France (Morin, 2010) and Canada (Morin, 2008). However, the impact of SAIs and their accountability function remains “poorly explored territory empirically” (Morin, 2008, p. 719). Thus, there are some promising studies but they do not tackle the core problem of accountability. Our article therefore expands the existing approaches by a systematic view on diagonal accountability settings with regard to the impact of an audit institution.

We are arguing that the impact of SAIs is not only dependent on its audits, techniques, reports and recommendations or on the dyadic relation between auditor and auditee, but also on the way how these recommendations are translated by their own staff, by the responsible ministry, by parliamentarians, and the media. Following Justesen and Skaerbaek (2010), we are claiming that the relevant unit of analysis is neither the single organization (i.e. the SAI), nor the dyad (auditor-auditee), but the interactions between a network of heterogeneous actors. The influence of the FCA is thus exercised through intermediary institutions that might convince or even force public organizations to respect its recommendations (Morin, 2014).

The article focuses on the auditing activities of the FCA in the field of labor market administration. We have analyzed remarks, audit reports, annual reports, decisions, and recommendations of the FCA and the budget committee, the general media coverage, and also the perceptions of auditor and auditee via two in depth group interviews in the FCA and the Federal Employment Agency (FEA). These materials will be systematically investigated to analyze how the FCA gains its impact in diagonal accountability settings. The article attempts to make the concept of diagonal accountability applicable for empirical research by taking the often mentioned accountability deficit in public administration into account. Possible deficits in accountability are not only an object of normative concerns but can lead to legitimacy deficits as “accountability of decision makers is not only a goal to be achieved by political systems claiming to be democratic, but also a means for their legitimacy in environments where democratic values prevail.” (Papadopoulos, 2007, p. 471).

The analysis is organized as follows: First, the article provides an explanation of the accountability approach. After that, it introduces the concept of diagonal accountability, followed by the conceptual framework and the empirical results. At the end, we conclude and describe further research perspectives.

Diagonal Accountability Arrangements

Accountability has emerged as a buzzword within the research of public administration and the political science literature. Pollitt and Hupe (2011) are even talking of a magic concept. Regardless of the fact that this is a very broad concept, its implications can be used to understand the role of supreme audit institutions and the institutional structures they are embedded in. As a starting point, accountability should be defined following the well-known definition by Bovens as “a relationship between an actor and a forum, in which the actor has an obligation to explain and justify his or her conduct, the forum can pose questions and pass judgment, and the actor may face consequences.” (Bovens, 2007, p. 447).

Accountability processes can analytically be divided in an information phase, a debating phase and a sanctioning phase (Schillemans, 2011). In this regard, accountability has three indispensable components: (1) the actor should be obliged to inform the forum about his conduct, (2) there should be an opportunity for the forum to debate with the actor about his conduct as well as an opportunity for the actor to explain and justify his conduct and (3) the forum is able not only to pass judgment but also to present the actor with certain consequences (Willems & Van Dooren, 2012).

Accountability relationships can be defined as an institutional setting in the sense that they encompass a system of rules that structure the courses of actions which may be chosen by a set of actors. If these rules are violated, the actors have to face consequences *ex-post*. However, actors will anticipate these consequences and thus act accordingly, if they want to prevent the sanctions. Therefore, accountability relationships guide behavior and stabilize expectations. They allocate resources (like sanctioning powers), constitute events and debating space (like annual meetings), empower and constrain actors, and make them more or less capable of acting according to prescribed rules.

Accountability relationships do not have to be hierarchical in nature and sanctions can either be negative or positive and can be ‘soft’ like naming and shaming or ‘hard’ like a cut of resources (Schillemans, 2008). Hence, the accountability arrangements shed light on the power relations within a public organization or a policy field. The ways in which different accountability relations are structured provide some stakeholders with channels to influence the behavior of public organizations while disempowering others.

In addition to the distinction of different forums of accountability, accountability relationships can be distinguished by the inherent power structures, i.e. according to whether they are vertically, horizontally or diagonally structured. In most western countries, the dominant public accountability relationships traditionally have been vertical, especially in countries with a parliamentary system that operates on the basis of the doctrine of ministerial responsibility. Vertical accountability is based on a linear, hierarchical relationship between principals and agents, mainly characterized by mechanisms of monitoring, control, and sanctioning. Strøm (2000) speaks in this context of a chain of delegation from voters to members of parliament, a government head, government ministers, and bureaucrats. Vertical accountability relationships normally imply what has been called coercive power, which means that “the target person believes that the influence agent possesses the means and will employ them to punish him or her, if s/he does not comply.” (Porter, Angle & Allen, 2003, p. 7; see also Morin, 2014).

By contrast, the concept of horizontal accountability rests on the absence of an over- or subordination, signaling that actor and forum are located at the same hierarchical level and account giving mainly occurs on a voluntary basis. As an example, in many instances of *de facto* horizontal accountability, public organizations are not obliged to provide accounts on their behavior toward accountees such as interest groups or mass media. Thus, horizontal accountability is often based on the principle of affected rights and interests (Schillemans, 2011). However, this does not mean that no asymmetrical power relations can prevail or that

the forum has no sanctions, but consequences are often ‘soft’ in nature. Examples of horizontal accountability are advisory boards, accountability among peers, to the media, and interest groups (Schillemans, 2011).

Finally, there also exist diagonal forms of accountability in which the forum and the actor are of equal hierarchical position and weight. Ombudsmen, audit offices or supervisory boards have no hierarchical relationships to the public organizations or managers that should be held accountable. They report directly or indirectly to parliament or ministers and derive their informal power from there. However, these bodies have no formal powers to coerce the public organizations and managers into compliance and have to rely on a third party to implement sanctions. This indirect, triangular relationship is described as diagonal accountability, i.e. accountability in the shadow of hierarchy (Bovens, 2005, 2007). These diagonal accountability relationships were institutionalized to help the political principals to control the great variety of administrative agents, but gradually, they have acquired a legitimacy of their own. In this regard, Posner and Shahan (2014) have argued that audit offices have a lead role in most democratic accountability systems as they benefit from high levels of credibility and legitimacy. Consequently, it is difficult for ministers as well as civil servants to ignore the recommendations and findings of auditors.

Nevertheless, the challenge remains that audit institutions have “no independent power to force any government minister to do anything they don’t want to do” (Posner & Shahan, 2014, p. 502) in diagonal accountability settings. Indeed, the literature is ambivalent on the impact of audit institutions on executive’s behavior and on the definition of their proper role in the accountability process. Radcliffe (2008) argues that auditors just perpetuate the transparency illusion and act as occasional accomplices of public administrations by not revealing what he calls ‘public secrets’ – a secret that is generally known, but cannot be articulated or spoken. He adds that auditors find themselves in this position when they consider it preferable not to reveal public secrets because the timing is not right or because it would not be politically acceptable to do so (Morin, 2010; Radcliffe, 2008). Assessments of audits on Public-Private Partnerships (PPP) also suggest that audit institutions have rather legitimized policy implementation instead of independently assessing whether policies have been implemented effectively (Broadbent & Laughlin, 2003; English, 2007). Besides this ambivalence, empirical studies on the impact of audit institutions are still very rare (Morin, 2014). Additionally to that, most studies only look on the relationship between the auditor and the auditee and are not taking into account that in diagonal accountability settings this relationship is mediated by other actors (Justesen & Skærbæk, 2010).

SAIs in Accountability Processes

Diagonal accountability very much resembles the concept of legitimate power which “stems from social norms requiring that the target of influence comply with the request or order of the influencing agent.” (Raven, 2008, p. 4). The mandate of auditors in the relevant legislation as well as the possible backing authority (rather than power) granted by the legislation places them in a position where they have the institutional legitimacy to carry out their work without the constant need to justify (Funnell & Wade, 2012; Morin, 2014).

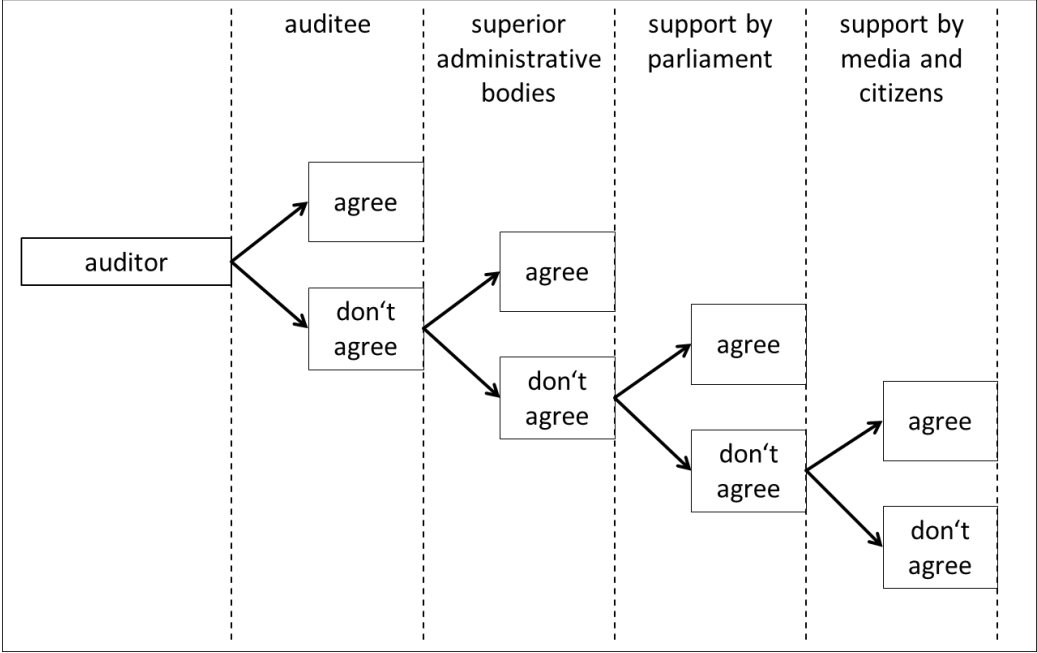
Basically, the auditors are mostly free to choose their audit subjects and to formulate appropriate findings, demands and expectations in their audit reports. The actors of the public administration are at the same time the first recipients of these audit reports and get the possibility to comment on them, to negotiate with the auditors and finally to follow the recommendations or not (horizontal accountability). At this stage, the audit reports as well as the responses normally are still kept secret. As stated in the literature, these negotiations between the auditor and the auditee are a normal part of the auditing process (Funnell & Wade, 2012). Morin (2001) has argued that the audit process can be conceptualized as a social influence process in which the auditor tries to influence the audited institutions which then decides upon compliance or resistance. Thus, the audit process is a series of interactions and negotiations between the auditors and auditees in order to write, agree, and publish the audit reports (Sharma, 2007).

Previous studies have emphasized that this process has to be based on a good communication between both parties and on a context of mutual trust if the recommendations should be followed by the auditee (Van Loocke & Put, 2011). The importance of trust also has been highlighted by the broader accountability literature, showing that trust-building actions and behaviors not only foster productive working relationships but also increase accountability to collective goals (Romzek et al., 2012, 2014). However, the audited institutions might also react with resistance to the findings from the auditor and it has been argued that the possibility and degree of resistance increases when audits are perceived as politically sensitive and pose a credible threat to the agency (Funnell & Wade, 2012).

The concept of an audit as a social influence process only takes one source of influence into account, namely the auditor, and the target of influence, namely the auditee. It does not consider the diagonal accountability relationship described above. But if compliance by the auditee cannot be reached in bilateral negotiations, it comes to confrontation and the auditor in turn has the option to call different actors of diagonal accountability – i.e. the superior administrative body (often the overseeing ministry), the parliament, and the media – to

resolve conflicts or tensions with the auditees. Hence, a hierarchically higher ranking player can be consulted to enforce consequences in order to sanction misbehavior. In case of non-compliance, the auditor has several possible paths to go, depending on the actors of diagonal accountability settings (see figure 9).

Figure 9: Possible Levels of Escalation between Auditor and Auditee



Source: own figure

If the auditee is non-compliant, the responsible actor for its supervision on the first level of accountability is the next one with whom the auditor can consult. If this actor (i.e. a ministry) follows the views of the audit organization, this will give significant support to the recommendations made by the auditor. If the actor is against the position of the audit organization, in particular when the findings of the auditor can be expected to cause political damage for the respective actor, he may not support the auditor.

As a result of this refusal, the next escalation stage can be the consultation of the legislature. This is based on the assumption that the legislature follows at least partly its own logic, which implies a smoothing of information asymmetries between executive and legislative bodies and an effective control of the executive. This is especially true for opposition parties that might get additional political benefit from the audit results (Hepworth, 1996; Pentland, 2000). One major constraint in parliament’s capacity to push the recommendations of the audit institution is the constant increase in numbers of staff and organizational complexity of the executive in comparison to the legislative (Bovens, Schillermans & Hart, 2008). The balance between the

two powers is said to have changed dramatically to the detriment of parliament. The result has been that government is still formally accountable to parliament, but parliament's ability to effectively gain insight in and control of the executive is seriously hampered.

Next to that, in parliamentary systems, the parliament cannot necessarily be treated as a unitary actor with the major aim of a comprehensive supervision of government. If the audit results would cause serious harm to the government in office, the auditor might lose the support of the majority of members of parliament, i.e. the government supportive coalition parties. Instead of treating the parliament as a unitary actor, the sometimes contradictory interests between majority and opposition have to be considered. If the findings of the auditor violate the interests of the majority, the parliament or the respective committees (i.e. the budget committee) will presumably not follow them.

Last but not least, both possible escalation schemes rest on the assumption that either the higher administrative body or the parliament are willing to hold the auditee to account and to use their coercive power. Nonetheless, due to different reasons (time constraints, technical complexity, lacking salience) overseeing ministries or the parliament are often failing forums in the sense that they do not want to hold their agents accountable, do not take accountability information seriously or do not correct and redress the behavior of agents when feasible. In sharp contrast to principal-agent assumptions, it seems "that we are in practice often not looking at problems of drifting agents, or actors in accountability terminology, but rather at situations of drifting principals, or more accurately, forums, which mysteriously choose not to hold their agents accountable, disregard apparent wrongdoings, and are sometimes surprisingly uninterested in what their agents actually do." (Schillemans & Busuioc, 2014, p. 2). Thus, a refusal of the audit results at this level might lead to the next escalation level.

The final stage of escalation that could be provoked by the auditors is the option of mobilizing external public support, such as the media or the general public. The media play a very important role in making information transparent and in causing some soft pressure on administrative bodies (Morin, 2010). Media coverage of the auditor reports and findings cannot only increase the visibility of the auditor but also exerts pressure on the administrations and on the politicians (Morin, 2014). This boosting role of the media has also been highlighted by Dye (2009). But this strategy also poses risks as it might lead to a concentration on negative aspects in the selection of audit areas as well as in the reporting on findings and an overly critical position. Furthermore, an offensive media strategy can infringe into the political realm and damage the relationship with the audited organizations leading to resistance against the recommendations (Bringselius, 2014). The relationship with the public

and the media is ambivalent for SAIs; if it is too distant, they might lose relevance and legitimacy, if it is too close, it can compromise the independence of the SAIs (Bringselius, 2014). As Funnell traditionally has argued, public sector auditors are expected “not to question the priorities and objectives of government” and not to “publicly criticize its policies” (Funnell, 2011, p. 714; 717), but is this still true?

The overall escalation scheme is shown in figure 9, where the administrative actors and political actors can decide in each case whether they take the recommendations into account or not. We are thus arguing that the impact of the auditor is not only dependent on its audits, reports and recommendations or on the dyadic relation between auditor and auditee but also on the way how these recommendations are translated by their own staff, by the responsible ministry, by the parliamentarians, and the news media. In following Justesen and Skaerbaek (2010), we are claiming that the relevant unit of analysis is neither the single organization (i.e. the auditor), nor the dyad (auditor-auditee), but the interactions, mediations and interrogations between a network of heterogeneous actors. Subsequently, the influence of the auditor is not exercised in a vacuum. It is through these intermediary institutions that public organizations might be convinced or even forced to respect the recommendations (Morin, 2014).

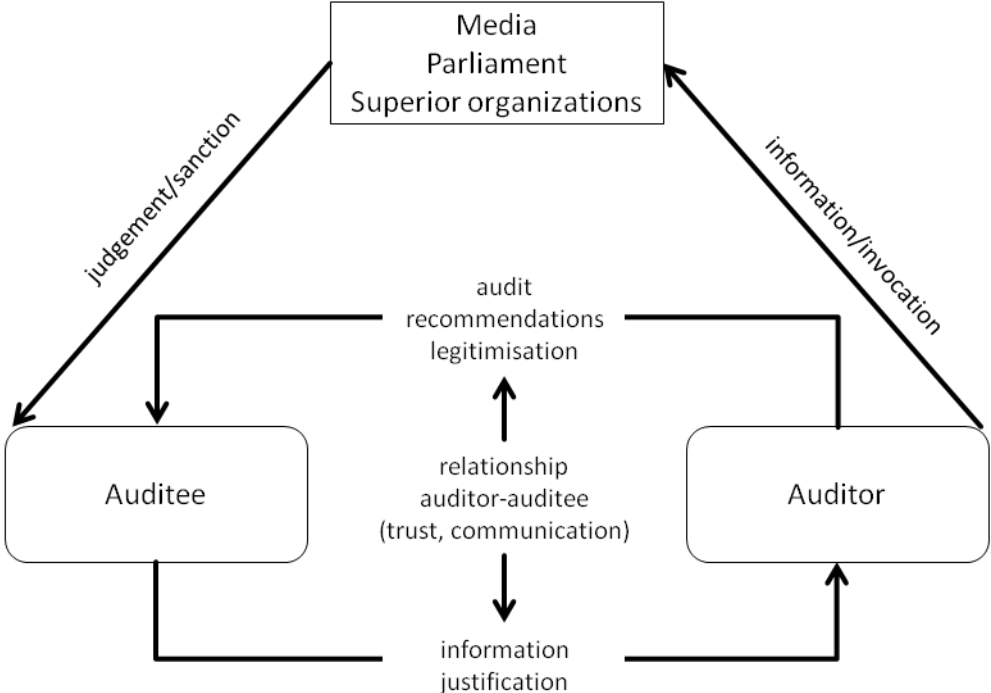
There is a role dilemma for auditors in this process as they should on the one hand operate as an accountability forum on behalf of the parliament and, on the other hand, should make recommendations for change. Auditors are in a delicate political position where they need both to represent parliament and the general public and simultaneously not alienate auditees.

The dualistic purposes of serving the public as parliament's ‘watchdog’ and yet simultaneously addressing the needs of the audited bodies also touches upon the legitimating role of the audit process as described above. The audit office can be seen as an instance which generates additional legitimacy for the auditee, i.e. in terms of the well known rituals of verification and validation (Pentland, 2000; Power, 2003). Hence, if auditing takes place, the auditee can point out that an audit has taken place and accounts have been approved and this provides additional legitimacy. Thereby, audit institutions “are transformed into legitimizers” (Morin, 2014, p. 399) of government action and have only a weak impact.

The audit process is a complex interplay of various actors with auditors, auditee, ministries, members of parliament and the media, playing various, sometimes conflicting roles. Thus, we are assuming that the higher the number of actors of diagonal accountability involved in auditing procedures, the lower the impact of the auditor. So if the auditor fails to use his soft power, namely persuasion in bilateral consultations with the auditee, the remaining option is to address other actors in diagonal accountability settings. By doing this, the auditor enters a

more vulnerable position because of increasing dependencies on decisions of others. Even though actors of diagonal accountability might support the view of the auditor, this might cause future problems due to a more obstructive auditee. Additionally, the more the audited case moves along the escalation levels (see figure 9), the less the auditor is able to influence the interpretation of results. Consequently, actors of diagonal accountability are able to use the audit results for their own purposes and interests that are not necessarily in line with the purposes of the auditor (see figure 10).

Figure 10: Triangular Accountability Function of Auditors



Source: own figure

With the help of these conceptual thoughts, the article will provide detailed and in depth information on how the FCA in Germany makes diagonal accountability work.

Research Design, Methods and Data

Our research design rests on the approach of single case studies and we decided to select the German case. This one is particularly interesting because it can be regarded as a typical case of a board system supreme audit institution (Stapenhurst & Titsworth 2001; Blume & Voigt, 2011).⁶ Furthermore, we decided to analyze the effects of audits on policy issues of labor

⁶ Other types are the Napoleonic System and the Westminster System (for further details see Stapenhurst & Titsworth, 2001; Blume & Voigt, 2011).

policy as an extreme case because extreme cases “often reveal more information (...) they activate more actors and more basic mechanisms in the situation studied” (Flyvbjerg, 2006, p. 229). In this regard, labor market policy is a highly salient policy field and the salience of the tasks, with which an agency deals (here the FEA), are reflected in the accountability provisions governing it (Koop, 2011). Applying this logic, the forums of accountability will be more interested in the activities of actors which operate in salient policy areas, and they are more likely to hold these actors accountable and increase accountability pressures. Besides that, a prerequisite for the case selection was the existence of audit reports, responses by the ministry, and reactions of the German parliament (or the budget committee), as well as a detailed discussion in the media (newspapers). In a nutshell and as one of our interview-partners from the FEA has described it: labor market policy is a rich field of audit.

The article aims to understand how the FCA exerts its impact as perceived by auditors and auditees, although the audit organization has no sanctioning powers. Due to the fact that there are no detailed written empirical analysis on the impact of supreme audit institutions in Germany and that it is very difficult to measure the general perceived impact of an audit institution, we carried out an in depth investigation in order to get a lot of information for thick description. We have taken many different sources into account, such as: audit reports, statements and comments by the ministry, newspaper articles and reactions by the parliament. Additionally, we conducted interviews at the FCA and the FEA as main sources for the perceptions of auditor and auditee. Hence, we do not only have a view from inside the FCA – auditor’s perspective –, but we consider also the view of the FEA – auditee’s perspective – for cross validation of results. Thereby, we also controlled our results for ambiguities within the statements between auditor and auditee. We selected the relevant departments which are concerned with the auditing of labor market policies. In the FEA we arranged an interview with leading staff of the controlling unit. In the FCA we have talked to a selection of officials and top officials from the Department IV which is responsible for the audit of the FEA. All in all, we conducted interviews with eight persons and recorded more than five hours of interview material which equals sixty pages of transcripts.

Our half structured group interviews have focused on general issues of how auditing works (auditing methods, cooperation and confrontation strategies, case selection, occurring problems, etc.) and how the actors interact in particular in case of occurring conflicts. The more specific part of our interviews considers distinct features of the labor market administration, i.e. their relations to the ministry, the media and the public and how the audits were conducted. Our empirical material was exploratively analyzed; therefore we have

categorized the main reasons if and how the supreme audit institution exerts its influence. Our interviews have contained questions for all relevant actors, which are involved in the auditing procedure (i.e. the agency, the ministry, parliament, media, and, if applicable, the general public).

The Federal Court of Auditors between Controller and Source of Legitimacy

The FCA is a federal agency whose task it is to control the entire financial accounts of the Federal Government. In spite of the name, it is not a judicial “court of audit” as found in Latin European countries. Reference to it as a 'court' reflects the collegiate nature of the decision making processes at all levels, rather than implying it has the judicial powers of other audit courts like the Cour des Comptes in France (NAO, 2005).

Independence is granted to the FCA against judicial, legislative and executive actors. In consequence, it is only subordinated to law. The independence of the organization rests on the judicial independence of its members which is comparable to the independence of judges. The president and vice president are appointed by the legislature on recommendation from the executive and they stay in office for a fixed period of 12 years without the possibility of re-election. Thus, the heads of the FCA have tenure security and do not need to perform at the pleasure of the government or the parliament.

Additionally to that, the independence also rests on functional and financial features (Schäfer, 1993; Power, 1997). The FCA is free to decide its audit activities and even though it receives requests from the parliament to carry out specific types of audit, neither parliament nor government can determine their audit coverage or limit their independence. The importance of independence is well known from discussions about central bank independence or the independence of constitutional courts, although it should be kept in mind that these organizations are able to sanction and they have more options when it comes to direct ways of influencing policy-making (Cukierman, Webb & Neyapti, 1992; Vanberg, 2000; Jeep, 1989). Currently, the FCA consists of nine departments with 48 audit areas and about 1,300 employees. Head of the FCA is the president, who organizes the division of administrative and auditing tasks and allocates responsibilities. The president is at the same time an advisor of the federal government – in his function as commissioner for efficiency in administration, called ‘Bundesbeauftragter für Wirtschaftlichkeit in der Verwaltung’.

Decisions within the FCA are drawn within the great college, which is an assembly of all heads of department called members of the FCA. In total, there are 63 members, namely the president, the vice president, nine senior audit directors and 52 audit directors. By law, either

the president or the vice president and one third of the members of the FCA should be trained lawyers (NAO, 2005). There are also small colleges which focus on more specific decisions of distinct audit procedures. Decisions are made in both colleges by simple majority, but in case of occurring conflicts within the small colleges, the great college can be called to reach a consensus or an agreement between the members of the colleges.

In its audits the FCA follows the criteria, laid down in Article 114 GG (German constitution), § 2: The Federal Court of Auditors, whose members shall enjoy judicial independence, shall audit the account and determine whether public finances have been properly and efficiently administered.

This article defines two important criteria of auditing in Germany: (1) economic efficiency and (2) regularity and accuracy. The criterion of economic efficiency considering the relation between means and ends was included in the remit of the FCA as far back as the nineteenth century. The criterion of regularity and accuracy means primarily the correctness and reliability of accounting, the compliance with budget provision and the existing laws, regulations and administrative provisions, including the application of fiscal and monetary laws (Freytag, 2005; Zavelberg, 1995). In addition to these more traditional criteria of auditing, however, there are a number of soft approaches, which the FCA does take more and more into account such as evaluations, value for money audits and performance audits. Therefore, it can be assumed that the methodological tools of the FCA will continue to diversify. But in particular, these rather soft auditing methods raise questions on the relation between auditing, policy making and politics which are analyzed below (see for example Sauer & Blasius, 1987; Czasche-Meseke, 1995).

Impact within Diagonal Accountability Settings in Auditing of Labor Market Policy

To examine the role of the FCA during its audits and how it gains impact, we firstly present some empirical results on auditing reports and how they are dealt with by different actors of diagonal accountability. Secondly, we combine those results with the information we have collected in our interviews. Therefore, we apply our above presented concept of diagonal accountability arrangements.

In a first instance, the FCA is addressing the FEA directly. If this does not cause any impact, there is the Federal Ministry of Labour and Social Affairs at the second stage, which is responsible for the legal supervision of the FEA but also for the professional supervision in areas which are exclusively tax funded. If even the ministry does not support the view of the FCA, the next escalation level might be the parliament, namely the German Bundestag and in

particular the budget committee as well as its sub-committee, the audit committee, which is intensely concerned with the findings of the audit reports of the FCA. Finally, when none of these actors agrees with the positions of the auditor the media might be the last resort to gain at least public support for the audit results.

In this process, the annual report of the FCA, also known as the ‘Observations’ (Bemerkungen), is of importance, as it plays a key part in the process whereby parliament approves the government's accounts. The report is submitted to parliament in autumn, following the end of the financial year. It contains details of exemplary cases, significant matters that require further action, and instances where the FCA is dissatisfied with the response of an audited body to its findings. At the same time, audited bodies have the opportunity to comment on the findings of the FCA and their views are incorporated into the report. In general, this annual report is the only document which is made public. The report is then discussed in the budget committee in a non-public hearing and the recommendations of the committee on how to further proceed with the findings of the FCA are incorporated in the report on the discharge of the Federal Government, which is the basis for the discharge of the government through parliament.

Empirically we start with a rather comprehensive view on auditing results in labor market policy. Therefore table 10 presents the results of audits referring to the FEA or to associated policies since 2001 as mentioned in the report on the discharge of the Federal Government as well as the results of the proceedings in the committee. We considered the overall number of topics that were discussed in the report on the discharge, if there was an agreement on those auditing issues between the FCA, the FEA and the budget committee and whether there were clear recommendations from the committee.

In sum since 2001, 31 audit results with regard to the FEA have been published in the report on the discharge. More than 90 percent of auditing reports regarding labor market policy contain clear recommendations what the auditee should or should not do. Until 2006 information on the reaction of the auditee was also provided. Obviously the auditee mostly follows the recommendations of the FCA. Hence, only in six of 22 cases the results by the FCA were refused. The picture becomes even clearer taking a closer look at the quotas for agreement by the budget committee. Again more than 90 percent of the recommendations raised by the FCA were supported by the committee. In general, there seems to be a high consensus on how to deal with the published auditing results and also a clear role allocation. The members of the budget committee perceive their role as guardians of the public purse and as enforcers of accountability to the public. But this might also be interpreted as some sort of

appropriate behavior, because instead of open disagreement with the findings of the FCA, there is also the possibility that, in their official discourse, parliamentarians support the FCA. But in fact, they do not systematically ask the administration to account for the follow-up of the findings and recommendations formulated.

The FEA in contrast tries to escape the process without too much damage to their reputation. They know that the parliamentarians and auditors will expect them to promise improvements and address shortcomings identified in the reports.

Table 10: Auditing Results in Labor Market Policy in Diagonal Accountability Settings

Year of audit report	Number of audit objectives related to the FEA	Agreement with auditing results by auditee	Agreement by budget committee	Concrete recommendations
2001	2	1	2	2
2002	6	5	6	6
2003	4	3	3	3
2004	3	3	3	3
2005	4	3	4	4
2006	3	1	2	1
2007	2	-	2	2
2008	1	-	1	1
2009	-	-	-	-
2010	3	-	3	3
2011	-	-	-	-
2012	-	-	-	-
2013	2	-	1	2
2014	1	-	1	1
Total	31	16	28	28

Source: own dataset

Most of the audit results are not presented in the annual report, but are dealt with in internal audit reports that are sent to the audited bodies.⁷ They are required to submit their comments on the audit findings and conclusions within a time frame set by the FCA. The internal audit reports as well as the statements of the auditee are generally not published. However, in 2012,

⁷ As already mentioned, the internal audit reports are not officially published. Nevertheless, it is not possible to keep the reports as well as the results completely secret as there are too many actors on the different levels involved. Thus, at least some of the reports could have been analyzed for this study.

the Federal Administrative Court decided that the FCA is subject to the freedom of information act, a legal opinion which has been denied by the FCA until then. This has led to a legal amendment in the sense that the FCA might give access to the audit results when the audit process is finished. However, the ultimate decision is still in the discretion of the FCA and the access possibility does only apply to the results and not to the records of the audit process. A broader information access has always been objected by the FCA arguing that the audit process can be damaged by too much transparency (Greve, 2014).

We start with statements referring to the direct relationship and direct contacts between the FCA and the FEA as presented in our framework. Interestingly, all interview partners from the FCA and the FEA confirmed that the bilateral relationship between both organizations are very important and form the basis of effective auditing. In particular, the respondents from the FCA mentioned that they have to be very careful during the audit procedure not to harm these relations. Furthermore, there was a strong consensus among the interview partners that trust is an essential issue in auditing. Auditors and auditees have institutionalized some sort of information exchange, called ‘annual talk’, where top officials of both organizations meet annually in December. This seems to be very important because the FCA is not only an auditor, it also functions as advisor and the latter will only work if there is mutual trust in the quality of audit results. Additionally, consensus also matters, if there are issues which are difficult to resolve, the officials of the FCA try to negotiate and to convince the auditees.

But you have to say, from 1000 audits a year, 60-70 are in the annual reports, and from those 30-50 are debated in the committee, and for the rest 900, there is an agreement between us and the audited entity, and that is essentially the envisaged audit mechanism – that we come to an understanding in our sense. Often we get a result in which we convince the auditee. [...] Thus we have an effect which is often not publicly perceived. (Interview FCA)

Our interview partners from the FEA responded that the FCA also tries to exert some sort of soft pressure, i.e. by the threat of publication of audit results in the annual report which will be sent to the parliament and made public. But in general, they again have confirmed that there is no ‘friend versus enemy’ mentality, because this seems to be a rather artificial than realistic worldview for the German context:

I do not see friend or foe. What I see [...] is an additional checking that I get early signals about systemic errors and thus [...] that the overall organization does not go completely wrong. (Interview Controlling, FEA)

Therefore the FCA follows a dialogue oriented approach based on formal and informal procedures whereby formal procedures become more dominant if there are conflicts. In the worst case an exchange of information and arguments only takes place on a written basis. Conflicts are in general more probable if the top level of the agency is concerned. By contrast to that, some audits are also appreciated by the auditee, e.g. when unclear rules and regulations that hinder the administrative procedure are concerned, and thus, pressure is exerted not on the agency but on the ministry and parliament. Then, the FCA is helpful for the auditee in order to convey messages to central authorities or to put subjects on the political agenda that have been neglected. Furthermore, the audit results can be used for the internal legitimization of reform measures. Audit findings are used to strengthen standpoints already taken as ammunition to back particular viewpoints.

It might be that our findings are instrumentalized. If our results fit within the direction of our counterparts, then they like our results. [...] There is a kind of internal legitimization which is well used. (Interview FCA)

With regard to the second level – the diagonal accountability arrangements with the ministry – one could argue that the FCA has no real ‘allies’: There are only temporarily relationships which easily might become rearranged in case a former ‘ally’ becomes a matter of audit. The only actor which comes closest to the idea of a natural ally is the Federal Ministry of Finance and in particular the budget department. On the other hand the Ministry of Labour and Social Affairs (BMAS) is also some sort of ally but all alliances with these organizations are rather arrangements of time than institutionalized relationships of mutual support.

We don’t have natural allies in that sense. [...] certainly the Federal Ministry of Finance. [...] Here we have the Minister of Finance very often on our side [...]. The BMAS also can, in principle, be regarded as an ‘ally’, because the BMAS has a great interest in a proper and efficient service delivery. [...] These are coalitions or alliances on time. Once the organization becomes an object of auditing itself, this will also change. (Interview FCA)

In a nutshell, the Ministry of Finance and the overseeing ministry are supporting the FCA until both actors are not a subject of the criticism itself, especially when a report is targeted “on political office holders. Then you find different reaction schemes” (Interview controlling FEA). Following the recommendations of the FCA is a priority as long as the report is consistent with the priorities of political decision makers.

Next to that, the FEA itself often informs the BMAS on the results of the audit and adjusts its statements on the audit with the ministry. Furthermore, it has also been emphasized by our

respondents from the FEA that the ministerial support for the FCA depends on the quality of the reports, i.e. when the methods used are valid and the conclusions are clear, the ministry is more likely to support the recommendations. The ministry is also using the results of the FCA regularly in order to adjust their regulations or to initiate a legislative procedure, even though not officially.

Of course you do not want to make this transparent [...] because that also belongs to the self-understanding of the ministries to say: We invented it. So the peg to hang it on would normally not be the Federal Court if they are undertaking any amendments or changes in the laws. This is integrated silently and that was it. (Interview Controlling, FEA)

From the perspective of our interview partners the role of the parliament, as our third actor in the diagonal accountability chain, is somewhat ambiguous. The opposition parties and the budget committee seems to be a supporter of the FCA, but the former only in a way of scandalizing findings to raise political benefit from criticizing the government in office. The views of the budget committee are also mitigated by the different interests of their members but in general the committee is following the recommendations of the auditor.

The audit results that are treated in parliament suffer partially a political fate. However, the observations, i.e. our annual reports, have an approval rate in the committee of 80-90 percent, rather 90 percent. With certain modifications. [...] I do not know any other parliament or legislature internationally that is supporting the recommendations of the auditor with concrete decisions. (Interview FCA)

Nevertheless, the impact of the FCA is limited when political salient issues are concerned. This can be shown by the example of the distribution of responsibilities in the assistance of long term-unemployed. The FCA has for long criticized the shared financial and organizational responsibility between the central and the local level that does not allow for a clear assignment of responsibility to one level and thus may lead to institutional drift and autonomy without adequate control (Bundesrechnungshof, 2006, 2010). However, the shared responsibility was a compromise between the two major German parties and the two chambers; hence the recommendations of the FCA were completely ignored.

This [the partnership between central and local level] is extremely power influenced. This is a bargaining process between the federal and the sub-national level. [...] This is certainly not a successful administrative model. But we are not engaged in this subject anymore, because it would be completely senseless to waste our resources. [...] We are stretched to our limits here. (Interview FCA)

As the final step in our diagonal accountability hierarchy, the results for the media and the public deliver unexpected perspectives on auditing and its impact. Due to the fact that trust plays such an eminent role, the publication and transparency of results stands in sharp contrast to well established relationships between auditors and auditees. One of the main problems for auditors is that they lose control over the interpretation of their results. And these results resemble a dilemma for the auditor because they are well aware of the fact that publicity will increase their impact in short term but in long term it might destroy the relations with the audited organization. Besides the fact that publicity might harm auditing results the interview partners from FCA stated that this could also cause delay and a problem shift towards other (i.e. political) actors, making consensus more and more difficult. Although the literature describes the public and the media as ‘ultimate principal’ or at least an accountability forum (Maggetti, 2012), the officials from FCA argued that they are no allies at all. They are even asked to justify to international organizations like EURORAI or INTOSAI why they are rather intransparent in the publication of results compared to international standards. The officials from the FEA added that some audit reports are an ideal material for instrumentalization by various actors and interest groups culminating in a direct “attack on government” (Lonsdale, 2007, p. 95, 101; see also Streim, 1994). Hence, we found mainly the same arguments on both sides as auditors and auditees were arguing that a strategic use of the media is difficult to achieve and that it is simply not possible that “SAIs can become partners of the media” (Dye, 2009, p. 8). The media have their own rationality and interests and naive attempts to instrumentalize the media can create incalculable externalities.

We want to work trustfully with the auditee. But it is never in our interest that issues are getting public until we have finally discussed them with the auditee and – normally – have found a compromise. [...] We are negotiating with the auditee and we want to do that in a due process and influence from outside complicates that. Then we get into party positions [...] because then immediately questions about loss of reputation play a role. [...] Publication is harmful for our processes and our impact. [...] The question is if the media or the public can be our allies. Rather not. For our relationship to the audited entity, this is extremely harmful. (Interview FCA)

The vicious circle of scandalization as well as the process on how the prerogative of interpretation might get lost during an audit process can be shown by an example that has received a lot of political as well as media attention. In November 2012, the FCA drafted an internal report on its audit of the system of management-by-objectives within the FEA. The report is written in a rather technical language, but nevertheless critical in its judgment

arguing that the system is creating the wrong incentives for the organization as well as for individual staff. The system leads to a concentration on fast and often unsustainable placements of the unemployed and to creaming as the integration activities are focused on easy to place unemployed (Bundesrechnungshof, 2012). In the following, the report entered into the formal process with an eleven-paged response from the FEA in February 2013 (Bundesagentur für Arbeit, 2013) and a reply from the FCA in April (Bundesrechnungshof, 2013). The reply from the FCA is written in an impatient language and ends with the announcement that the results of the audit might be included in the annual report, a mechanism of soft power already described above. Nevertheless, this is still part of the formal and conventional procedure. On the 24th of June 2013, amidst the Federal election campaign, the largest German weekly, 'DER SPIEGEL', published a six page article on the confidential audit using the stylistic devices of personalization and scandalization. The article speaks of a "fraud mentality that runs apparently through the whole Federal Employment Agency", a "scandal" and a system that has been described by the FCA as "sick, almost crazy, but at least a misguided system" (Dahlkamp, Dettmer & Tietz, 2013), assertions that cannot be found in the report. Indeed, the report speaks of wrong incentives and detected some manipulation in one local employment agency, but there were no signs of an all-encompassing manipulation. Thus, there were framing processes going on, when the media were getting involved, making the following processes unpredictable. Framing in this respect includes to "select some aspects of a perceived reality and make them more salient in a communicating text, in such a way as to promote a particular problem definition, causal interpretation, moral evaluation, and/or treatment recommendation for the item described." (Entman, 1993, p. 52)

Hereinafter, the article from 'DER SPIEGEL' was taken up by all mayor newspapers and the chairman of the FEA was chosen as "looser of the day" by the largest German tabloid, 'BILD'. As a political reaction the article as well as the audit report were discussed in extraordinary meetings of the budget committee and the committee for labor and social affairs on the 26th of June 2013. Instead of being a partner for the SAI, this media involvement has complicated the audit process in this case, as argued by the FCA:

We were on a pretty good path. The Federal Agency was also going to change their system to our senses and suddenly a press article was released in the public. And then there were hectic actions by the Federal Agency and by us and then you are only in Berlin. And actually it has delayed the process and extremely hindered it. (Interview FCA)

The opposition parties in parliament not only blamed the FEA and their steering system, but also the then Minister of Labour, Ursula von der Leyen directly (Diekmann, 2013).

This example also shows how difficult it is for the FCA, once a topic or report becomes framed, scandalized and politicized, to get back to a process which is not focusing on blame games.

I think that the auditors of the Court have been surprised by the violence of the public resonance. They had a very different intention in professional terms, as it was later overinflated in the media coverage. [...] in the budget committee, the representative of the court made explicit at the beginning of his talk that there is [...] no scandal at all that can be derived from the audit results. (Interview Controlling, FEA)

Summary and Further Research Perspectives

This paper dealt with the investigation of diagonal accountability arrangements through analyzing audit procedures by the FCA on labor market policies implemented by the FEA. We found qualitative empirical evidence on how the FCA interacts with different actors to gain impact in diagonal accountability arrangements in absence of any direct sanctioning possibilities (besides judicial prosecution in cases of fraud or corruption).

With regard to our escalation scheme presented above we found empirical evidence that first of all the direct relationship between auditor and auditee is of outstanding importance. In both organizations our interview partners responded in the same way arguing with cooperation and trust. Secondly, also soft sanctioning mechanisms like the threat of publishing audit results in the annual report provide an additional possibility for the FCA to press its recommendations. Furthermore, there are different alliances of the FCA with the ministries (i.e. Ministry of Finance) or at least with some departments of those ministries, but these alliances will be terminated when a ministry becomes audited itself or critical findings enter the world of politics. Additionally, we received interesting and partly ambiguous results for support by the parliament and the media. Parliament, the media, and the public were often described as main partners of SAI's and in the literature the positive influence of parliament as well as media interest in the audit results has been emphasized (Van Loocke & Put, 2011). Some authors have even stated that the mostly negative findings of audits "provide journalists and parliamentary critics with a supply of cheap shots at ministers and bureaucrats." (Bovens et al., 2008, p. 227). Indeed, there is no doubt that publicity puts some pressure on the auditee to follow the findings. But what is widely neglected is that publicity causes negative externalities for the relations between auditor and auditee. Thus, in a short term perspective

the auditee will follow the recommendations of the auditor. But in a long term perspective this might harm the relationship between them and can cause a ‘minefield’ with delay in information exchange, obstructive behavior and so forth. Thus, there seems to be a contradiction between publicity and impact in a medium to long-term perspective.

What is more, the FCA acts in a framework of an unstable equilibrium. Hence if both – auditor and auditee – have established a trustful cooperation, the auditor is able to gain impact. But if the auditee decides to revoke this kind of relationship, the FCA is in a vulnerable position as it has to rely on actors of diagonal accountability if it wants to force the auditee to cooperate. In this case, it is impossible for the FCA to improve its own position without the support of others.

However, this also means that the FCA might lose control over the interpretation and framing of its audit results. In the following processes of the “politics of accountability” (Flinders, 2011, p. 602) the information and results of the audit are interpreted by various actors to suit their own interests. Therefore, the results might be concerned with amplification, politicization, polarization and scandalization. The nature of ‘attack politics’ reveals the sometimes pathological implications of increasing transparency within a highly politicized context. There is little incentive for auditees to proactively co-operate with accountability mechanisms or transparency processes because they are well aware that irrespective of the content of the account, it will inevitably be interpreted and articulated negatively by other political actors or the media (Flinders, 2011). Accountability is an ongoing process of recursive interaction in which actors pressure each other with different interests at stake. Especially perceived crisis and scandals can trigger a chain of unplanned events through media attention, political debate and action so that many audiences and criteria are mobilized in uncoordinated ways (Olsen, 2013). Thus, maximizing publicity and media coverage is a risky strategy for auditors if they do not want to damage the relationship to the auditee.

These findings also shed additional light on the relationship between transparency and accountability. Even though transparency has often been advocating as facilitating accountability (Meijer, 2014), from the perspective described above, there are difficult trade-offs between the two principles that have to be faced. Especially O’Neill (2002) and Hood (2010a, 2010b) have questioned the value of transparency as a recipe for improving accountability arguing that transparency requirements tend to lead to administrative box-ticking, blame avoidance, and one-way communication rather than real answerability through dialogue.

Auditors are in a delicate political position as the general public and the media may want dramatic stories of waste and inefficiencies and this is the case in particular at a time when information overload makes it increasingly difficult to compete for the attention of political decision-makers and the media (Bringselius, 2014). But alternatively, the audited entity expect constructive recommendations, providing an opportunity for improvements (Sharma, 2007). This results in a balancing act as auditors oscillate between trying to represent the public interest and provide strong and often also critical findings for parliament, the budget committee and the wider public, whilst also providing useful information to the audited department or agency.

Our empirical analysis also gives additional insight into the interrelation of accountability and sanctions. Especially approaches informed by agency theory tend to emphasize the right to sanction as the decisive element of an accountability relationship. The intuition behind making sanctioning a constitutive part of the definition of accountability is the assumption that without any sanctions the process may be toothless (Philp, 2009). However, this perspective misses the point that accountability is a social relationship and thus includes information sharing, reporting, justification and negotiations, and these processes do not have to be driven by the threat of sanctions to have value. What we have found is that in the relationship between auditor and auditee discussions, debates and negotiations on audit results and the respective recommendations play preeminent roles. The FCA is keen to convince the auditee to follow its recommendations without putting the screws on the auditee. The repeated dialogue between the two parties fosters trust and cooperation. Furthermore, the FCA is reluctant to engage further actors of diagonal accountability to push its recommendations and escalation is rather the exception than the norm.

Besides these insights on the impact of auditing in diagonal accountability settings the article presents a lot of additional research topics and perspectives. This is mainly due to the fact that empirical research on diagonal accountability relations is rather rare. Thus it seems to be useful to implement more comparative empirical research not only on supreme audit institutions, but also on other actors in diagonal accountability like ombudsmen or supervisory boards. There is an increasing number of case studies but in order to reach more generalized results backed by empirical facts comparative research is necessary. But these comparative studies should not only focus on different actors and countries, they should also focus on different policy areas.

Secondly, concerning SAI's there is nearly no evidence on the effect of auditing methods, changing auditing procedures, effects of educational backgrounds, training on the job,

selection procedures and many other related issues. These topics are more or less a blind spot but have to be addressed because the focus has turned to important topics like accountability, organizational learning, evaluation, performance and many others. Therefore audit institutions will become more important for many different research disciplines.

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Conclusion

Accountability is an issue of increasing importance in the organization of a public sector whose fundamentals have been changed by mayor reform trends such as managerialization, marketization and working across boundaries and levels. In the six sequential articles, it has been shown that the changed circumstances have triggered dynamic search processes for new forms and new combinations of accountability relationships. Established mechanisms for producing accountability have lost in importance and collaboration or joint working across organizations and levels as well as extended chains of delegation make the attribution of responsibility to individual actors or organizations more complicated. The results of this study highlight the coexistence of very different accountability relationships that are in a dynamic connection to each other, since they are the result of negotiation processes between multiple actors. In the political science literature, there are at best rudimentary approaches that take the processuality and change of accountability appropriately into consideration (Vibert, 2014). Accountability relationships are often treated as a black box, and the specific negotiation and design processes inherent of accountability relations are not considered in detail. This blind spot is acceptable from a perspective that sees accountability as a neutral instrument in order to solve steering problems and assumes that accountability leads automatically to more control and legitimacy. Especially in the terminology of the principal-agent theory, we see this shortcoming, reducing accountability to a mechanism to decrease information asymmetries or setting extrinsic incentives without considering the interdependence, interaction and dynamics of multiple accountabilities (Olsen, 2013, 2014). But the complex combinations of accountability in the contemporary public sector are difficult to capture by a few categories: Principal-agent approaches are less applicable in unsettled organizational orders, unfamiliar situations and in multi-level and multi-centered webs of accountability that also include diagonal or horizontal accountability relationships. Analyzing accountability thus requires to address complex combinations of multiple, co-existing, contested and dynamic accountability relationships. The normative standards of accountability and the distribution of power are not written in stone, but evolve in living organizations and relationships (Flinders & Moon, 2011). The reform processes studied have resulted in complex layered accountability arrangements and the different accountability types do not substitute for each other, but are often redundant. What we see is that even though new modes of steering, control and service delivery have been introduced, and new interpretations of accountability have been propagated, older interpretations of accountability have not disappeared. A co-

existence of different and sometimes contradictory interpretations of accountability have emerged, which create potential dilemmas for public sector organizations (Poulsen, 2009).

Therefore the question remains what this redundancy signifies for a 'meaningful accountability' as it has been called for just recently by Bovens & Schillemans (2014)?

It has been argued that multiple accountabilities are an appropriate solution for pluralistic governance systems (Christensen & Lægheid, 2014). And indeed, different authors (Schillemans, 2010; Schillemans & Bovens, 2010; Scott, 2000) have expressed that the redundancy of current accountability regimes has certain advantages in a complex governance context. In this regard redundancy (1) increases the reliability of oversight; (2) is cheaper, easier and more pragmatic than real coordination between different actors; (3) mitigates the inherent information-asymmetry between agents and principals by offering additional information; and (4) provides the opportunity to incorporate different values into accountability processes. Also Willems (2014) has advocated that redundancy increases the possibility that nothing will stay under the radar of the account-holders. Thus, redundancy improves control because being watched by multiple forums has a disciplining effect and when one forum fails, another steps in and still prevents accountability failure (see also Willems & Van Dooren, 2012).

However, these optimistic claims are based on demanding prerequisites and can be challenged for a number of reasons as demonstrated in this study and also by others (Papadopoulos, 2007, 2010). Multiple accountabilities do not necessarily form a coherent accountability regime. They are often dispersed, disaggregated and self-referential, hence rather forming a patchwork than a comprehensive accountability system. The observed reforms in this study were infused with different expectations, which resulted in multiple, diverse, changing, and conflicting pressures on the participants. The conflicting expectations originated as new combinations of politics with administration, between administrative levels, between administration and users as well as between coordination, discretion and control were sought after at the same time.

Furthermore, another problem of multiple accountability relationships is that the different forums and mechanisms outbid one another in their attention to public organization. Their quest to control target achievement, find faulty actions and responsible individuals may divert attention from the more fundamental question of how to improve public services (Schillemans & Bovens, 2010). As a result, a lot of energy and resources are used for reporting generating complaints of accountability overload. Flexibility, creativity and innovation are squeezed out by overly dense accountability regimes and the emergence of complex blame games between actors.

Especially Mathew Finders has highlighted that too much accountability can be as problematic as too little (Flinders, 2011; Flinders & Moon, 2011). The following table provides an overview on the conceptual pitfalls of accountability and how they relate to the findings in this study.

Table 11: Potential Pitfalls of Accountability and Empirical Insights

Pitfall	Essence	Examples from findings
The reformist paradox	Accountability reforms generate consequences that might alter, complicate or undermine existing forms of accountability.	Accountability of local service providers in one-stop shops. Marketized employment services that crowd-out political accountability.
The integrity-efficiency trade-off	Increasing accountability may lead to less efficiency, flexibility or unintended consequences.	Accountability for performance in Germany, to a lesser extent in Norway.
Multiple-accountabilities disorder	Too much accountability undermines the capacity of an organization to focus on its core tasks.	Contrived randomness approach towards accountability with ambiguous expectations in Norway.
Accountability means blame	Accountability processes are rarely a neutral medium for the transfer of information, but are generally highly politicized routes for ascribing blame.	Scandalization of audit findings in Germany.

Source: partly based on Flinders & Moon, 2011; own findings.

What can be followed from that for the future of the concept of accountability and its dynamics? Definitely, it is not an argument against accountability per se and it is also not an argument to take reforms off the table, but it is an argument in favor of a focus on contextual factors and proportionality (Dubnick, 2011). Any reformist effort to increase accountability also alters accountability. When accountability is viewed as an end, a contextual view means that what exactly is deemed desirable and appropriate is based on the specific understandings or ideologies of a community, government or organization. When accountability is viewed as a mean, it is obvious that the tools and mechanisms are applied or interpreted differently across contexts (Yang, 2010). Thus, the effectiveness of government and the basic conditions of public and organizational trust should not be unsubstantially undermined due to simplistic

understandings of accountability or by overselling the different promises of accountability as often done in reform discourses and reform rhetoric. There may be a need to reform existing accountability regimes, but these reforms require knowledge on context and on the evolution of accountability (Olsen, 2013) especially in view of the unpromising character of a-historical and non-contextual accountability conceptions.

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