Government, Policy and Management: A Reader

Edited by Kevin Caraher and Carolyn Snell

A collection from the Masters programmes in the Department of Social Policy and Social Work, University of York
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Introduction

Dr Carolyn Snell

The papers in this collection span a number of themes and contexts, but they cover common ground through a shared interest in the current challenges and dilemmas of social policy and management. The authors also share a common background in having all studied at Masters level in the Department of Social Policy and Social Work at the University of York. These papers were originally submitted as the final, culminating stage in those studies. They have been drawn together here to celebrate this work and to share their findings and insights with a wider audience. They address a number of highly contemporary issues and debates including: the changing nature and role of public services; the impact of the financial crisis on social and public policies; and the global context that policy decisions are made and implemented within.

This is the fourth volume in a series of annual Readers drawn from our campus-based and online postgraduate programmes, and like the previous collections, these papers illustrate the depth and diversity of the learning undertaken by their authors.

I hope that you will enjoy this volume, which represents only a very small part of the excellent work done in this lively community.

Carolyn Snell
Director of the Graduate School
Department of Social Policy and Social Work
October 2015
Drs Kevin Caraher and Carolyn Snell

The six papers contained within this volume reflect the broad range of theoretical perspectives, methodologies and subject areas addressed at Masters level within the Department of Social Policy and Social Work at the University of York. Siobhan Callaghan presents a comparative piece of research, considering the relationship between drug policy and drug-related outcomes in 28 OECD countries. Callaghan uses cluster analysis to group countries based on key drug-related outcomes and polices, and finds that countries with similar policies have a range of outcomes, and do not fit any particular typologies. However, investigating these relationships further she finds that national drug strategies, at times, are seen to relate to prioritised drug-related outcomes, suggesting the potential positive effects of policy. Callaghan concludes by arguing that the socio-economic context of countries should not be underestimated given the highly varied drug-related outcomes of countries with similar policy regimes.

The article by Erica Piber takes UNICEF as its case and examine the ways in which international organisations seek to change in response to their shifting role in international policy making. As the author suggests, we know little about the inner working and reform processes of the organisation which is increasingly active in the arena of global and international policy reform. Whilst acknowledging the relatively recent research which analyses reform within the World Bank and the IMF, Piber seeks to broaden the scope to other international organisations and takes issue with the implicit assumption that a certain degree of organisational autonomy is needed for internal advocates to embrace a new issue. The analysis builds on earlier attempts to develop a dynamic understanding of organisational change, noting the enabling role of policy entrepreneurs who aid the development of an autonomous reform process, independent of member states.

The article by Binrui Zheng considers how China’s welfare state might be understood in comparison to other countries. Binrui’s article begins by considering different theoretical frameworks that classify countries’ welfare systems, for example, Esping-Anderson’s ‘three worlds of welfare capitalism’ and East Asian models of welfare. Zheng argues that existing research is limited in nature, partly due to the indicators used to understand how welfare policy has developed in China, but also as a result of China’s distinct political periods being ignored in most analyses. By tracking China’s welfare reforms over these different political periods, and comparing the nature of welfare developments to both Western and East Asian models of welfare, Binrui concludes that categorising China into either classification is problematic.

The article by Chiara Sandi questions the extent to which performance measurement can lead to the dissemination of best practice in the area of public administration. The paper draws on a range of literature specifically related to performance measurement, organisational learning and policy
transfer and explores the topic in relation to cross-organisational learning mechanisms arising from benchmarking initiatives. Sandi argues that public bodies establish a common system for assessing performance and identify best practices intended to be transferred across a range of settings. However, the discussion highlights the problematic nature of benchmarking projects and the fragility of learning mechanisms associated with them, reliant as they are on the role of multi-agency human relationships in predicting the success of such initiatives. The paper concludes that measuring performances with the specific aim of identifying best practice for wider public sector dissemination may not be the most dependable method in order to achieve desired organisational improvement.

Sophie Mackinder considers the relationship between the recession, labour market and small to medium enterprises (SMEs). Whilst her empirical focus is the UK, Mackinder’s research is located within an international literature base considering, at the conceptual level, different relationships between the financial sector and SMEs. Mackinder tests three hypotheses that focus on the relationship between access to credit, (un)employment rates, and economic activity, and analyses the results by region. She finds no significant correlation between employment or economic activity and amounts of money lent to SMEs, with the exception of one region. Conversely, she finds a relationship between unemployment rates and the amount of money lent to SMEs within the UK. Moreover, she finds regional discrepancies in terms of the average amounts of finance available to SMEs. Mackinder argues that further research is required in order to understand why the gross and average amounts of money lent to SMEs in areas of higher unemployment are lower compared to those with lower levels of unemployment. She concludes that inferences can be made to broader theories relating to varieties of capitalism, suggesting that ‘if unemployment can be taken as an indicator of economic weakness, there is a correlation between where the market chooses to invest and social deprivation, inferring that a liberal market economy does not provide the optimal regional institutional capability required to guard against exogenous shocks’.

Zulum Avila’s article focuses on the role of Public Employment Services (PES) and the contributions they make to improve the labour market outcomes of jobseekers and employers. This, it is argued, is achieved through enhancing employability and configuring solutions to current and future labour market needs. Taking the case of the National Employment Service in Mexico and its role in a multi-agency development plan for establishing an Aerospace Park, the article argues that PES interventions are enhanced when they are part of comprehensive projects and plans linked to both local development and job creation. In the context of multi-agency policy interventions where a number of relevant actors take responsibility for addressing local employment challenges, PES have an important role to play in both shaping labour market outcomes and local development initiatives.
Does drug policy matter? A comparative analysis of drug policy typologies across 28 OECD countries

Siobhan Callaghan

Abstract
This research sought to explore the extent to which drug policy may have an impact on drug-related outcomes, considering whether particular types of strategies adopted within national drug policies are shown to have more success than others in achieving their intended outcomes.

First, a literature review was carried out, considering: the main problems posed by drugs; the key perspectives in the drug policy debate; the main strategies available to governments and where these were adopted; possible typologies of drug policy regimes; and an exploration of previous research carried out attempting to measure drug policy success. Following this, secondary data analysis using cluster analysis was conducted to explore whether countries following similar strategies in their drug policies could be seen to have similar results across four dimensions of drug-related outcomes, and were thus clustered accordingly.

For this paper, a comparative approach has been taken, the focus of which was limited to 28 OECD countries where the drug problems are primarily related to consumption. This has been done to enable a useful comparison between national drug policies that target the same prevailing drug problem. The findings of this paper indicate that drug policy alone is unlikely to be the sole determinant of a country’s drug related outcomes, suggesting that other socio-economic factors, for example, may also influence these problems, and thus need to be considered in future research into drug policy.

1. Introduction
Drug policy is an area of social policy that presents a sizeable task. It is responsible for tackling a nation’s drug problem, whether this relates to consumption, trafficking or production of drugs, the selection of strategies, regarding law and regulation, criminal justice, and health and social care (Babor et al., 2010). More specifically, it is used by governments to outline the conditions under which psychoactive substances may or may not be used, and the consequences of producing or trading illicit substances (Babor et al., 2010; Stevens, 2011). It is often discussed as being the prevailing influence over a country’s drug problem.

Throughout the past few decades there has been a growing discontent within numerous countries, towards the long-established position promoted by the international community; that of ‘prohibition’ (Bertram et al., 1996; Bewley-Taylor, 2003). This has led many to reconsider their national drug policies and laws in favour of policies such as harm reduction, legalisation or decriminalisation (Bewley-Taylor, 2002; 2003). This has led to a growing body of research which considers the central piece of information needed for
policymakers in developing drug policy; to know what has and what hasn’t worked within drug policies around the world (Bewley-Taylor, 2002; Babor et al., 2010).

However, a clear link between the drug problems faced and policy responses adopted across countries has not been found (Boekhout van Solinge, 2004; Nutt et al., 2007; Bennett & Holloway, 2010; Rolles & Measham, 2011; Watson, 2012). Whether drug policy does in fact have the intended impact with regards to the drug problems it aims to tackle is, consequently, questionable. This paper aims to contribute to this debate by considering the role of drug policy currently, exploring the key question; does drug policy matter?

2. Drug problems and the legalisation debate
The drug problems faced across the world vary considerably depending on which countries one focuses on. The production, trafficking and sale, and consumption of drugs are the three broad areas within which the main problems lie (Mosher & Akins, 2007). Many other problems come from the use of drugs and drug dealing, with public nuisance, crime, health problems, deaths and addiction among some of the main issues cited in the literature (Coomber, 1998; Inciardi & Harrison, 2000; Babor et al., 2010). There are numerous perspectives to be considered in discussions on the best way to handle these drug problems; the four key perspectives to be discussed here being prohibition, harm reduction, decriminalisation and legalisation.

2.1. Prohibition
Prohibition is largely an approach adopted to control, eradicate or reduce consumption, production and trafficking of drugs (Williamson, 1997). For prohibitionists, drugs are viewed as problematic and damaging to societies, and thus many believe a tough approach to drugs is necessary. The merits of prohibition are thought to lie in its protective approach, seeking to defend society from drug-related problems (Williamson, 1997; Mosher & Akins, 2007). Proponents of this approach are often dismissive of ideas to use alternative methods to tackle drug-related problems, largely opting for policies of strict law enforcement, harsh criminal sanctions for drug-related crimes, and supply and demand reduction measures (Bertram et al., 1996; Bewley-Taylor, 2002, 2005).

Since the introduction of the 1961 UN Single Convention on Narcotic Drugs, often thought to mark the beginning of what may be viewed as the ‘prohibitionist paradigm’ currently adopted across the world (Williamson, 1997; Bewley-Taylor, 2005), it seems that few governments were questioning the prohibitive paradigm, with the majority of countries opting for punitive approaches to drug-control policies (Bewley-Taylor, 2003). However, as the evidence on the failure of this ‘war on drugs’ began to mount, the prohibitive strategy began to be questioned (Mosher & Akins, 2007). Prohibition has not managed to eradicate drug use in its years of employment, nor is it thought to have succeeded in preventing or restricting the supply of drugs (Bertram et al., 1996; Coomber, 1998; Mosher & Akins, 2007).
For those who consider the prohibitionist paradigm a failure, one of the main consequences of its use is thought to be how it turns drug users into outlaws, both socially and criminally (Williamson, 1997; Coomber, 1998; Weissenborn & Nutt, 2012). There are also on-going debates about the comparable harms to come from the use of psychoactive substances, with some illicit drugs thought to be less harmful than other legal substances (Williamson, 1997; Nutt et al., 2007; Weissenborn & Nutt, 2012). Such discussions argue that the evidence base on which drugs are presented as dangerous, and thus justified as to their illegality, is unsupported (Rolles & Measham, 2011). However, on the other side of this argument, it is suggested that legalising the use of currently illegal drugs may risk the creation of new serious health problems similar to those caused by legal substances such as alcohol and tobacco (Bertram et al., 1996).

As the focus on evidence-based policymaking is growing, it is clear that drug policies are shifting away from the purely punitive method of drug control, with many countries opting for alternatives, such as harm-reduction-based strategies (Bewley-Taylor, 2005).

2.2. Harm reduction
Harm reduction refers to ‘policies and programs designed to reduce drug related harm, and aims to improve health, social, and economic outcomes for both the community and the individual’ (Miller & Draper, 2001, cited in Mosher and Akins, 2007: 377). Harm reduction recognises that people are going to use drugs, regardless of whether they should (Inciardi & Harrison, 2000), and puts health concerns at the centre of drug policy development (Bertram et al., 1996). Rather than criminalising drug users, proponents of this strategy focus on minimising the risks and harms caused by such drug use (Coomber, 1998; Inciardi & Harrison, 2000).

Included within harm reduction measures are several strategies. One aspect of harm reduction is prevention, encouraged through ensuring the availability of information on drugs and harms, as well as promoting such messages within school-based education (Babor et al., 2010). Harm reduction also incorporates numerous approaches to reducing the risks and harms for those who do use drugs, including methadone maintenance programmes, needle exchange programmes (NEPs), drug consumption rooms (DCRs), heroin assisted treatment (HAT) and free vaccinations for infectious diseases (Coomber, 1998; Inciardi & Harrison, 2000; Babor et al., 2010).

The strengths of the harm reduction position are thought to lie in its pragmatism; treating, rather than punishing, drug use and the related harms experienced (Inciardi & Harrison, 2000). The goal is not to work towards what may be perceived as unmanageable goals such as full recovery or abstinence from drug use, as other treatment strategies often do; instead, such strategies generally work towards a more realistic form of recovery, as appropriate for the individual (Inciardi & Harrison, 2000).

However, harm reduction strategies have faced considerable scrutiny from the UN, regulatory bodies such as the International Narcotics Control Board
and several countries whose drug policy strategies follow more prohibitionist ideals (Bewley-Taylor, 2002; Boekhout van Solinge, 2004). Even harm reduction programmes that have no bearing on the legal status of drugs are sometimes criticised on moral grounds, with particular concerns surrounding the message they may be seen to give out; i.e. educating people on drugs and how to use them safely and potentially, even indirectly, implying it is thus acceptable to do so (Mosher & Akins, 2007).

Despite these concerns, harm reduction strategies have become a key part of many drug policies across the developed world (Bewley-Taylor, 2005), and can, arguably, be incorporated within the global prohibitive stance without requiring a complete departure of the existing paradigm (Inciardi & Harrison, 2000).

2.3. Decriminalisation and legalisation

The main opposition to prohibition comes from decriminalisation and legalisation perspectives. Although these two terms are often used interchangeably, they offer very different proposals on how the drug problem should be controlled.

2.3.1. Decriminalisation

Decriminalisation is the act of removing the criminal status from an act (EMCDDA, 2001). With regards to drug policy, this is generally limited to legalising the possession and use of, often, only small amounts of drugs, with the supply and sale of drugs remaining criminal offences (Williamson, 1997; EMCDDA, 2001). Drug taking is generally seen as a victimless crime; it is the means in which people go about supplying their habit which is often thought to be what causes the majority of drug-related crimes (Williamson, 1997; Mosher & Akins, 2007). For countries adopting such a strategy, the hope is often for the development of a more open society, wherein drug users are not stigmatised or victimised (Williamson, 1997). Many proponents of legalisation also support this position as it is suggested it will open the door for the debate on legalisation to occur (Trebach & Inciardi, 1993; Williamson, 1997).

Cannabis is at the centre of the decriminalisation debate; the argument being that more harm is caused by the criminalisation of cannabis users than by use of the drug itself (Williamson, 1997; Mosher & Akins, 2007; Babor et al., 2010). Conviction can result in job loss, stigmatisation and relationship problems, often for those who are otherwise law-abiding citizens (Williamson, 1997). However, arguments against this often refer to the idea that cannabis is a gateway drug; a stepping stone towards more serious drug use problems (Williamson, 1997). Other arguments against decriminalisation focus on the idea that doing so would imply the state was condoning the use of drugs, and could potentially lead to an increase in the numbers experimenting with them (Bertram et al., 1996; Williamson, 1997).

Despite the considerable criticism decriminalisation has faced recently, it has still been adopted across several developed countries, albeit often under a ‘de facto’ or ‘depenalisation’ guise.
2.3.2. Legalisation

Legalisation is considered a much more radical step than that of decriminalisation, as it would also allow the production and sale of drugs to be decriminalised on top of consumption and possession. For proponents of legalisation, the current strategy of prohibition has been deemed to have failed, consequently harming society rather than solving any of the problems it seeks to solve by exacerbating drug use and related health and societal problems (Trebach & Inciardi, 1993; Bertram et al., 1996; Mosher & Akins, 2007).

The traditional legalisation perspective was one largely based around a fundamental liberal principle of protecting freedom of choice, the argument here being that use of psychoactive substances should be the individuals’ choice (Trebach & Inciardi, 1993; Bertram et al., 1996). However, more recently it is the harms caused by prohibitive policies that are of greater concern to proponents of the legalisation perspective, particularly those strategies which result in large human, social and financial costs (Mosher & Akins, 2007).

Legalisation perspectives have been heavily criticised, with many of the concerns akin to those previously presented against the decriminalisation of drugs. It is also noted that the ‘freedom to choose’ argument of the liberalisers implies only the individual will be harmed by their choice to use drugs; yet, if the personal choice is to use a drug such as heroin for example, research has found use can impact on family relationships, friendships, work and the wider community (Bertram et al., 1996; Babor et al., 2010).

Although legalisation has not been adopted by any of the countries included in this paper (at the time of writing), decriminalisation, or de facto decriminalisation, of some drugs has been implemented across several (EMCDDA, 2013). It is these countries that will provide an indication of the impact a more liberal drugs policy may have compared to countries following more strict, punitive laws.

3. National drug strategies

The strategies adopted by countries within drug policies, and the importance placed on each approach, vary across countries. Within the literature, several themes have been observed regarding the main options available to governments, and the most popularly followed strategies over recent years.

Table One builds on work developed by Babor et al. (2010: 101) and shows six key strategies most frequently selected for inclusion in countries national drug policies, across the developed world.
Table One: Strategies and interventions by policy area and broader policy goals.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Methods</th>
<th>Broad Policy Goals</th>
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<tbody>
<tr>
<td>Prevention</td>
<td>School / community based mass media campaigns on reducing access to drugs</td>
<td>Change attitudes; Improve health literacy; Persuasion: prevent drug use</td>
</tr>
<tr>
<td>Health and social services</td>
<td>Treatment: coerced abstinence through probation or parole supervision; counselling; therapeutic communities Harm Reduction: NEPs; HAT; DCRs; vaccinations; methadone maintenance</td>
<td>Reduce use / harms of use; Improve health; Reduce crime / overdose / deaths; Prevent spread diseases; Treat drug users non punitively</td>
</tr>
<tr>
<td>Supply control</td>
<td>Arrest traffickers / dealers and force suppliers to operate in inefficient ways</td>
<td>Keep prices high and reduce availability</td>
</tr>
<tr>
<td>Prescription regimes</td>
<td>Regulate pharmaceutical companies, pharmacists and physicians</td>
<td>Allow substances to be consumed for approved purposes</td>
</tr>
<tr>
<td>Criminal sanctions</td>
<td>Increase penalties for possession and use of drugs; Decrease penalties for some drugs</td>
<td>Deter drug use / prevent normalisation and contagious spread of drug use; Prevent negative effects of criminalising less harmful drugs</td>
</tr>
<tr>
<td>Science / research</td>
<td>Evidence-based policy making</td>
<td>Improving the knowledge on which policies work</td>
</tr>
</tbody>
</table>

Source: Author’s adaptation of Babor et al., 2010: 102; and Bennett & Holloway, 2010.

This table highlights how drug policies may vary substantially depending on which of the key strategies and methods a country adopts into its drug policy regime. One way to explore the range of policies, and seek to characterise countries approaches, is through a typology.

4. Typologies
Several existing typologies of drug policies have been identified within the literature.

The Bewley-Taylor Classification identifies three ideal-types of policy dimensions that are illustrative of the different approaches taken regarding the legal status of drugs. These three types are: libertarian (i.e. legalisation of drugs); prohibition (i.e. illegality/criminalisation of drugs); and regulation (i.e. de-penalisation and prescription regimes) (Boekhout van Solinge, 2004). This typology assumes a broad view of the policies adopted, limiting them only by legal status.

The Reinman and Levine Continuum (Boekhout van Solinge, 2004) also focuses on the criminalisation aspect of drug policies. This typology works from the idea that prohibition is currently the overruling paradigm adopted
internationally, proposing a continuum of policies ranging from ‘punitive prohibition’ on one end of the scale to ‘regulatory prohibition’ on the other (Boekhout van Solinge, 2004). However the more recent adoption of various policies of decriminalisation indicates that ‘prohibition’ may be a more theoretical idea than that which is practiced in reality, making the usefulness of this typology questionable. Despite this, the continuum offers a useful approach as it enables a more gradual grouping of the countries across a spectrum, rather than trying to place them under strict headings as the Bewley-Taylor Classification does.

The third typology presented by Boekhout van Solinge (2004) is the idea of a ‘Punish-Help Spectrum’, which places countries in order of their policy preferences for either law enforcement and criminal justice, or health care and treatment. This is useful as throughout the literature it is often discussed that there are countries prioritising drug problems as a health, rather than a criminal, concern.

Each of the approaches presented in these typologies have their merits and certainly identify some clear regimes, though they largely focus on the punitive aspects of drug policies. However, one which incorporates the key aspects of several of these approaches would be more appropriate, given the wider remit considered in the development of national drug policies. This paper builds on the Bewley-Taylor classification and Punish-Help Spectrum to produce a new set of criteria for types of drug policies within a more gradual spectrum. This is shown in Figure One, which also indicates how the countries included in this study may sit in the typology based on the key policy strategies adopted.

The spectrum begins with ‘regulatory regimes’, which incorporate policies where decriminalisation, de-facto decriminalisation, prescription regimes, or more radical harm-reduction measures have been incorporated. It then moves to ‘care-oriented regimes’, those for which drug use is rarely punished as a crime but treated as a health issue, with a considerable focus on harm reduction. Finally, the spectrum ends at ‘prohibitive regimes’, which includes countries where policy is driven by the country’s legal framework, with a focus on punitive measures. Countries in between these headings are those that take strategies from two regimes, with arrows placed next to these countries to represent which regime they are more closely aligned to.

It is this typology that is used in the later stages of this paper. Prior to this, however, it is important to consider how drug policy success may be measured.
5. How is drug policy currently evaluated: what makes a policy ‘successful’?

The ability to measure the impact and/or level of success a policy has on a problem, such as that of illicit drug use, is essential for the development of better understandings of what ‘works’ with regard to drug policy, and thus to improve future policy making (Ritter, 2009). Depending on the specific problems faced or the overarching goals of a national drug policy, the selection of strategies will vary. Effective, or ‘successful’, drug policy may be considered as one that reduces the number of users, the amount of use, the harms of drug use, other problems related to drug use, or the availability of drugs (Ritter, 2009).

Drug policy has been noted as a particularly challenging area of policy to assess, and assessment considered to be one of the main challenges to drug policy research (Ritter, 2009; Rolles & Measham, 2011). However, much of the research exploring this issue has focused on a select few contrasting countries, thought to exemplify use of one specific policy or strategy, thus enabling more direct comparisons to be made between varying approaches. The consequences of this approach includes a failure to consider if the outcomes observed regarding one country’s drug policy are also experienced across other nations which adopt similar strategies. The methods used for assessing drug policies are most often extensive literature reviews, presenting key figures from larger studies which themselves focus primarily on data collection, with limited numbers of studies aiming to do both.

Several indexes have been developed over the last decade, presenting a more exciting move in the ways drug policies could be measured in the future (MacDonald et al., 2005; Nutt et al., 2007; Ritter, 2009; Rolles & Measham, 2011). Such indexes allow researchers to combine numerous components from different domains of drug policy, ‘to produce a single measure of impact’ (Ritter, 2009: 475), an approach thought to enhance the comparability of different regimes and strategies for drug policy across the world. Notable examples include the UK Drug Harm Index, the Australian Federal Police Drug Harm Index, and the UNODC Illicit Drug Index (MacDonald et al., 2005;
UNODC, 2005; Ritter, 2009). However, these indexes remain limited for use within comparative drug policy research as they measure limited aspects of drug policies, often only exploring these in one place. Where indexes can be developed that compare countries’ progress, policies and strategies, they will provide a valuable resource for comparative research (Ritter, 2009).

It is clear from the literature that there are several major issues that are heavily debated with regard to what constitutes a successful national drug policy; not only in what its goals should be, but also in how it should be formed in order to deal with the drug problems identified. Given that there is so much importance placed on the drug policy and strategies adopted by a nation, it is necessary to consider the impact this alone can have on drug-related outcomes. Therefore, the main research question to be explored by this paper is: can drug policy alone, as the sole determinant of drug-related problems, be seen to produce similar outcomes for countries that adopt similar strategies? Through exploring this question it is hoped this paper will be able to develop a more realistic overview of the impact of policy on national drug problems.

6. Methodology
Secondary data analysis has been selected as the most appropriate method for this research, using the quantitative method of cluster analysis to explore the data available. This paper seeks to go beyond simple discussions of which countries fare better or worse individually, by considering drug policy strategies as the key determinant of drug-related outcomes across a large sample of OECD countries. The clear lack of macro-level studies within this field makes this paper’s approach timely and appropriate.

Most of the data has been taken from the UNODC, consisting of the most up-to-date and reliable statistics from databases regarding drug-related outcomes from governments and research bodies across the world. Despite this, there are still limitations to the data that was available and selected for use. For all variables, data were gathered from the most recent year available, due to the preferred choice of a single year to compare data for all countries not being possible. However, this is not of too much concern to the findings of the analysis, as drug policies and strategies among most countries have not changed drastically over the time period for which data were available.

Considering the strategies presented in the literature review and the outcomes they aim to achieve, three key dimensions were identified for the assessment of drug policies’ impact, within usage, health and social remits, with the following four variables chosen for inclusion; prevalence of drug use; prevalence of drug use among young people; drug-related deaths; and drug-related crime. Limited data were available on several other variables, including treatment figures, price and purity of drugs, quantity of drugs seized and amount spent on prevention programmes by countries. Unfortunately the data were not standardised for several of these variables, with many also having missing data for key countries to be included in this analysis.
The countries included in this research are all OECD countries. One of the advantages for focusing on economically developed countries was that more complete and comparable data were available. The six OECD countries that could not be included were Chile, Japan, Korea, Mexico, Israel and New Zealand. This was due to each having missing data; an issue that is particularly problematic for cluster analysis, whereby the inclusion of a country with data missing for one or more variables would make the clustering less accurate, potentially negating the importance of the other variables (Kaufman & Rousseeuw, 1990).

Cluster analysis was selected as the most appropriate method available to answer the research question posed. Cluster analysis is an exploratory method, which can be used to find groups of variables that are alike in some way (Anderberg, 1973; Miller et al., 2009). It examines the relationships observed within the data to produce clusters based on similarities between cases (Kaufman & Rousseeuw, 1990; Burns & Burns, 2009). Specifically, ‘agglomerative hierarchical clustering’ was chosen, as this method is most appropriate when the number of clusters to be created is unknown (Miller et al., 2009; Norusis, 2012). This method begins by considering each case individually, proceeding to cluster them by the distance measure selected, beginning with the most similar first, until all cases are included in a cluster (Kaufman & Rousseeuw, 1990; Miller et al., 2009). For this paper, the approach will group countries according to data for the four drug-related outcomes presented above, meaning those with similar results will be clustered together. The goal is to see whether the clusters formed are relevant to the policies, strategies or typologies outlined previously.

The findings of the cluster analysis are presented using a dendrogram, which offers a visual representation of the clustering process (Miller et al., 2009; Norusis, 2012). The linkage points are shown, with the most similar clustered together on the left, moving right by level of dissimilarity; the larger the distance between countries clustered, therefore, the bigger the difference between their drug-related outcomes. This output is indicative of the possible number of clusters to arise from the analysis (Burns & Burns, 2009; Norusis, 2012). In analysing the data produced from the analyses, a thematic approach will be adopted rather than a systematic report of the analysis’ results. This has been selected as the most appropriate method of analysis, due to the number of countries included in the research, and the subjective nature of the cluster analysis’ interpretation.

7. Findings

7.1 The first cluster analysis
Choosing the most appropriate and clear number of clusters presented in the cluster analysis is highly subjective, as there are several options produced by the dendrogram. Three lines have been drawn on to the dendrogram, show in Figure Two, to illustrate where three sets of possible clusters could be defined.

Line A splits the dendrogram into ten clusters, where the distance between the countries clustered is smallest. It is these that will be focused on primarily
within the analysis, with these clusters presented in Table Two to enable clear analysis of the findings produced.

**Figure Two: Dendrogram showing the results of the cluster analysis.**

It is important here to consider Figure One again. These findings are illustrated in Table 3, with all countries aligned to one of the three regimes, with (R), (C), or (P) noted to indicate the regime in which the country sits (Regularity, Care-oriented and Prohibitive). Immediately it is clear, from mapping the clusters against the regimes from which the countries were derived, that there appears to be no clear relationship between countries that opt for a certain type of policy regime with regards to the four outcomes included in the analysis. In other words, countries that select the same strategies have not been seen to experience the same levels of drug use,
drug-related deaths or drug-related crime collectively. Although initially these results may seem disappointing, it is potentially very interesting that no clear pattern can be observed, and there are still some notable similarities in the positioning of several countries in the clusters to which they have been aligned.

### Table Two: Three sets of groupings produced in the cluster analysis.

<table>
<thead>
<tr>
<th>Cluster Group A</th>
<th>Cluster Group B</th>
<th>Cluster Group C</th>
</tr>
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<tbody>
<tr>
<td>1. Norway; Sweden</td>
<td>1. Norway; Sweden; Estonia; UK; Iceland; Netherlands; Slovakia; Finland; Ireland; Belgium; Luxembourg; Switzerland</td>
<td>1. Norway; Sweden; Estonia; UK; Iceland; Netherlands; Slovakia; Finland; Ireland; Belgium; Luxembourg; Switzerland</td>
</tr>
<tr>
<td>2. Estonia; UK; Iceland</td>
<td>2. Hungary; Turkey; Greece; Portugal; Slovenia; Denmark; Germany; Austria; France</td>
<td>2. Italy; Spain; Australia</td>
</tr>
<tr>
<td>3. Netherlands; Slovakia; Finland; Ireland; Belgium; Luxembourg; Switzerland</td>
<td>3. Italy; Spain; Australia</td>
<td>3. Czech R; Poland; Canada</td>
</tr>
<tr>
<td>4. Hungary; Turkey; Greece; Portugal; Slovenia</td>
<td>4. Czech Republic; Poland</td>
<td>4. US</td>
</tr>
<tr>
<td>5. Denmark; Germany; Austria; France</td>
<td>5. Canada</td>
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<td>6. Italy; Spain</td>
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<td>7. Australia</td>
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<td>8. Czech Republic; Poland</td>
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<td>9. Canada</td>
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<tr>
<td>10. US</td>
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</table>

#### 7.2. Further cluster analyses
In order to further explore whether countries could be seen to cluster for particular outcomes, and if these clusters could be related to the selection of any regimes of drug policies, four further cluster analyses were run on the four outcome variables individually. The dendrograms and tables developed,
used to inform the following discussion, are not included in this paper, but are available on request.

Table Three: Clusters arranged by position on the typology of policy regimes spectrum.

<table>
<thead>
<tr>
<th>Number from Cluster A</th>
<th>Countries included</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Sweden; Norway (P)</td>
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<tr>
<td>2</td>
<td>Estonia→ (C)</td>
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<tr>
<td></td>
<td>UK→ (P)</td>
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<tr>
<td></td>
<td>Iceland (P)</td>
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<td>3</td>
<td>Netherlands; Belgium; Luxembourg (R)</td>
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<td></td>
<td>Ireland→ (C)</td>
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<tr>
<td></td>
<td>Switzerland (C)</td>
</tr>
<tr>
<td></td>
<td>Finland→ (P)</td>
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<td>Slovakia (P)</td>
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<td>4</td>
<td>Hungary; Greece; Slovenia (C)</td>
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<tr>
<td></td>
<td>Portugal→ (C)</td>
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<tr>
<td></td>
<td>(C) ←Turkey</td>
</tr>
<tr>
<td>5</td>
<td>Germany→ (C)</td>
</tr>
<tr>
<td></td>
<td>France (C)</td>
</tr>
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<td></td>
<td>(C) ←Austria; Denmark→ (P)</td>
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<td>6</td>
<td>Spain→ (C)</td>
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<td></td>
<td>Italy (C)</td>
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<td>7</td>
<td>(R) ←Australia</td>
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<td>8</td>
<td>Czech Republic (R)</td>
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<td>9</td>
<td>Canada→ (P)</td>
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<td>10</td>
<td>USA (P)</td>
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</table>

7.2.1. General drug use

The findings from the dendrogram produced in the cluster analysis run on countries by general drug use, indicating that for countries opting for prohibitionist strategies, low levels of drug use are likely to be one of the main objectives. The majority of countries from both the prohibition and the care/prohibition regimes were seen to lie within the first three clusters, due to lower levels of drug use (shown in Figure Three), though the USA was placed into a cluster of its own due to the considerably higher level of drug use observed. This indicates that, though most prohibitionist countries may be
considered to be succeeding regarding their aims for lower usage of drugs, it is not necessarily the case that the policy is directly impacting on this, with the USA providing a clear example of failure regarding this goal.

Figure Three: Scatterplot representing the general population drug use compared to youth drug use.

In comparison, countries opting for more regulatory policies are less likely to be concerned about this issue. Their positioning, for both the regulatory and the regulatory/care-oriented regimes, were more varied, ranging from 1.05% of the population reporting use of drugs in Portugal, to 3.16% in Australia. This was expected to be the case given the more accepting stance taken on drug use among these more regulatory-based drug policies.

7.2.2. Youth use of drugs
The first thing to note is that young people are specifically focused on within preventative measures of drug policy for all countries in the prohibition-oriented regimes. The majority of these countries cluster among those with lower rates of youth drug use, suggesting that the strategies adopted for prohibitionist countries may be successful in reducing levels of use among young people. However, the USA, once again, presents higher figures that subsequently contradict this suggestion; whilst Canada, another country that leans towards a prohibitive policy, has the highest level of youth drug use. These findings limit the strength of the conclusions able to be made regarding the success of prohibition regimes in reducing drug use among young people. Of those countries adopting a regulatory approach to drug policy, only the Czech Republic was seen to have noted a particular concern for young
people in their policy. However, they were among the countries with the highest levels of youth drug use, indicating either that their approach to dealing with this issue may not be working, or that their concerns for young people do not include reducing drug use, but rather focus on dealing with other aspects of drug use; something which is more likely given the perspectives of the regulatory-typology countries generally.

Finally, for the care-oriented regimes there were also a few countries that had a particular focus on young people laid out in their national drug policies. However, the levels of use among young people in each of these countries were very varied, indicating either a possible lack of relationship between these regimes and the outcome regarding drug use among young people, or possibly a differing set of goals for the focus on young people, going beyond reducing drug use alone.

Overall however, if we consider reducing use of drugs among young people to be an indicator of a successful policy, it could be suggested that the prohibitionist strategies can be seen to have more of an impact on reducing this use than the countries in the other regimes.

7.2.3. Drug-related deaths (DRDs)
The cluster analysis carried out for each country based on DRD rates was used as an outcome measure, representative of the potential success of health-related issues, most notably the success of harm-reduction strategies and treatment programmes. For this reason, it is the care-oriented regime countries that are likely to be most concerned with this indicator, as their main focus is likely to include reducing the harms of drugs. The results produced in the cluster analysis here are clear. All of the countries in the care-oriented regimes are included among those with the lowest levels of DRDs, illustrated in Figure Four. These results are encouraging for these countries. Although it is not possible to determine from this research whether the policies themselves have directly affected these outcomes, it can be suggested that there may be a relationship between the sorts of strategies adopted by those countries in the care oriented regimes, and the success observed in these findings.

Harm reduction is also a key concern for countries included in the regulatory regimes, as the literature indicates that most believe regulation can be more effective than prohibition if combined with harm reduction strategies. The findings also show all countries in the ‘regulatory’ regime are placed in the cluster with those who have the lowest levels of DRDs. This could be indicative of two things; either that regulatory policies do not contribute to higher levels of DRDs, or that it is the harm reduction strategies being adopted within these regimes that are actually responsible for the low levels of DRDs.
Looking next to the results for the prohibitionist regimes, with the exception of Slovakia and Australia, the levels of DRDs are considerably higher than in countries across all other regimes. For most prohibitionist regimes, as noted previously, very little consideration is given to harm reduction strategies. This could indicate that the lack of attention paid to harm reduction strategies within prohibitionist countries is related to them experiencing higher levels of DRDs.

### 7.2.4 Drug-related crime (DRC)

DRC outcomes are more difficult to interpret as they can point to several things. For some countries it is likely that lower rates of DRC would be considered indicative of a strategy that has managed to minimise the prevalence of DRCs committed; for others it may be that higher figures are indicative of a policy that has succeeded in targeting and tackling the drug-crime issue, particularly where higher arrests are noted. As well as this, where high levels of DRCs are observed alongside low levels of drug use, a third measure of success could be considered.

It is likely that levels of DRC will be of most concern to the prohibition-oriented typology countries, as enforcement and tough criminal sanctions are often clear strategy preferences for these countries in aiming to deter people from using drugs. The findings of the cluster analysis show that most of the prohibitionist-oriented countries present with high figures of DRC, with Norway and Sweden being the two with the highest levels. However, Slovakia was among those with the lowest levels of DRC.
Iceland, Norway and Sweden are all seen to have low levels of drug use together with high rates of DRC, suggesting there may be a relationship between punitive approaches being adopted within drug strategies and lower levels of drug use. Through exploring the data further, the scatterplot shown in Figure Five indicates there is very little correlation between drug-related deaths and prevalence of drug use. Although a very weak positive relationship is suggested by the regression line, excluding the USA from the data may result in a negative relationship occurring between these two variables elsewhere. However, with the US being a key player in championing the prohibitionist view, their lack of ‘success’ here, given their high prevalence of DRC alongside having the highest levels of drug use, is important, and may be suggestive of a failure of the prohibitionist approach.

One further possibility is that the rates of DRCs are higher among prohibitionist countries because they are working harder to seek out those committing such crimes, than those opting for more regulatory or care-oriented strategies.

One of the major arguments for those on the side of the regulatory typologies of policies is that DRC would not be as much of a problem as it is currently under the prohibition paradigm adopted. The low levels of DRC reported by the regulatory regimes will appear promising to proponents of this standpoint, though what this means may be suggestive of several things. It could be that the adoption of regulatory strategies have in fact contributed to the lower levels of DRCs committed, as the need for people to engage in illegal activities in sourcing drugs is lessened. However, it could also be that the exclusion of certain crimes for regulatory-policy countries in their measurements of DRCs had skewed the figures, with prohibitionist countries
likely to report higher figures because more activities are considered to be crimes than under the regulatory policies. Finally, these results could be indicative of the lack of attention given by countries in pursuing those committing DRCs, making the levels reported lower, but not necessarily representative of the levels actually occurring. Thus, it is difficult to ascertain what should be inferred from these findings.

8. Conclusion
What is clear from these findings is that none of the policy regimes presented in this paper can be seen to produce alike outcomes across all four variables for those countries that adopt them. However, the main focus of a national drug strategy was at times seen to relate to the prioritised intended outcomes of such strategies. While we cannot be sure that this relationship is one of cause and effect, it is suggestive that a country’s drug strategies, independent of other factors, may have an impact on the area of the drug problem for which the specific strategy was focused.

Thus, the overall conclusion to the research question posed, ‘can drug policy alone, as the sole determinant of drug-related problems, be seen to produce similar outcomes for countries that adopt similar strategies?’ is that it is unlikely. The associations observed between those policy regimes which clustered as they were expected to regarding the specific outcomes they targeted is promising, as it indicates that drug policy may be able to impact on certain elements of the drug problems. However, as the first cluster analysis run shows, one regime cannot be considered to produce better outcomes overall than any of the others when all four dimensions of outcomes are considered together. Therefore it is likely that drug policy cannot be considered the prevailing influence over a country’s drug problem.

At the start of this paper it was noted that there is a considerable amount of importance placed on the type of drug policy selected by countries, as it is thought to be the main factor influencing the outcomes of a nations drug problems. This has led to a worldwide debate on the best approach to take regarding the control of drugs internationally, with many calling for a reconsideration of the current ‘prohibitionist’ paradigm in favour of a move towards more liberal policy regimes. However, following on from these research findings, two points should be put to those on either ‘side’ of the drug policy debate. Firstly, the spread of outcomes across all the policy regimes presented in the typology indicates there is not one type of policy regime alone that is likely to be more successful than others, thus making this argument and the importance placed on drug policy alone, to an extent, misguided. And secondly, that greater consideration should be given to understating other factors influencing the countries from each of the regimes that may be contributing to their drug-related outcomes, aside from policy selection.

There is clearly a need to further explore why countries whose drug policies follow similar strategies encounter such considerable differences in the drug-related outcomes experienced. Previous research carried out by Stevens (2011) suggests that higher levels of drug-related harms are likely to be
experienced by people who are economically and socially excluded; while others have also identified potential contributory factors as including the levels of poverty, social inequality, unemployment and youth unemployment faced by a country (Boekhout van Solinge 2004; Watson 2012). For example, if we consider Sweden and the US, the characteristics of these two countries vary drastically. Within the OECD the US is discussed as having one of the most unequal societies, with ‘the highest level of income inequality and lowest level of de-commodification in the developed world’ (Stevens, 2011: 108). In contrast, Sweden is talked about as being a rich and stable democracy, thought to have some of the highest levels of equality among the OECD countries (Babor et al., 2010). Both of these countries follow strictly prohibitionist regimes, aiming to reduce the use of drugs primarily. However, the results for these two countries were in stark contrast to each other regarding the prevalence of drug-use statistics. This clearly suggests that this strategy’s success may be dependent on these vastly different socio-economic characteristics of the country in which it is implemented.

It is this issue of causality that should be the focus of future research conducted on comparative drug policy. It is only once more is known about the causes of the drug-related problems, specific to individual countries, that more successful drug policies can be developed which target these problems appropriately.

Bibliography


A change from within: UNICEF’s shift towards policy work

Erica Piber

Abstract
Although change is an inexorable fact of life and international organisations play an increasingly significant role in world affairs, there is still limited understanding on how they actually change. International organisations are often considered as monolithic entities that respond to external influence. On one hand, traditionalists/rationalists overestimate the role played by powerful member-states in determining organisational policies and actions. On the other, constructivists focus on how culture shapes change, taken as a set of basic assumptions shared by all within the organisation. However, dissent does exist and can trigger new perspectives, clashes of ideas and hence, organisational change.

Changes driven from within have only recently been the focus of analysis, particularly centred on the World Bank and the International Monetary Fund (IMF). While plausible, these analyses cannot account for changes driven from within in other type of organisations. This article seeks to complement these recent efforts by analysing UNICEF’s shift towards policy work reflected in its 2006-2009 Mid-Term Strategic Plan. Despite UNICEF’s limited autonomy compared to international financial institutions, change from within still took place. This case stresses the relevance of focusing on these processes to better understand organisational change.

1. Introduction
With an increasingly significant role of international organisations (IO) (Helfer, 2006), understanding how they change is relevant to weigh the impact those changes can make in world affairs. The traditionalist/rationalist perspective emphasises the role played by powerful member-states in shaping IOs’ policies and actions. Change is seen as directed from above (Chwieroth, 2008a). Conversely, the constructivist approach introduces the importance of organisational ‘norms, identity and culture in determining the nature of organizational change’ (Sharma, 2013: 668). IOs should aim to become autonomous actors that strategically react to external factors (Barnett & Coleman, 2005). Both approaches assume a monolithic interpretation of the reality inside organisations (Chwieroth, 2008a) that can under-predict change (Park, 2007).

Changes driven from within have only recently been the focus of analysis, particularly centred on changes inside the World Bank (Kardam, 1993; Chwieroth, 2008a) or the International Monetary Fund (IMF) (Chwieroth, 2008b). These authors have unpacked these organisations’ internal dynamics. This article complements these recent efforts to better understand how change occurs in IOs and the extent to which internal dynamics can explain change, by analysing UNICEF’s shift towards policy work. Considering the limited explanatory capacity of research when focused only
on international financial institutions, this article broadens the array of organisations considered. It challenges the implicit assumption that a certain degree of organisational autonomy is needed for internal advocates to embrace a new issue (Kardam, 1993).

The article is divided into five sections. First, the literature review provides an overview of the rationalist/constructivist divide and critically discusses the role of internal dynamics in driving change. Second, it describes UNICEF’s profile and involvement in policy-work. The third and fourth sections address the context of change and internal advocacy efforts respectively. The final section concludes by highlighting the internal nature of UNICEF’s shift and the need to increase attention on internal dynamics to better understand change.

2. How do organisations change?
The rationalist-constructivist divide constitutes the two main ways of theorising about international organisations (Barnett & Finnemore, 1999) and, hence, understanding how they change. This dichotomy is built around two differences: the organisations’ relationships with their environment, understood as the context in which they operate (Burnes, 2009), and their understanding of organisational autonomy (Barnett & Finnemore, 1999).

2.1. Organisational environment and autonomy
Rationalists visualise a socially narrow environment where IOs respond to external pressures to secure material resources without which they could not survive (Barnett & Coleman, 2005). While they do recognise a certain degree of autonomy, IOs’ discretionary power remains within the boundaries determined by member-states (Sharma, 2013). Organisational culture is, then, easily influenced (Nielson et al., 2006).

However, even researchers supporting this perspective have increasingly acknowledged the discrepancy between their assumptions and organisations’ reality (Barnett & Finnemore, 1999). Studies on the World Bank have stressed its unique organisational culture and the existence of multiple agendas independent of member-states’ preferences (Barnett & Finnemore, 1999).

Conversely, constructivists’ conceptualisation of the environment includes ‘all events, processes, and structures in the world that surround the organization and affect its activities’ (Barnett & Coleman, 2005: 598). Despite acknowledging a relevant role to member-states, constructivists see IOs as entities that are autonomous from their creators. Organisational culture, as a system of basic assumptions about an organisation’s mission, pattern of interactions and operations (Nielson et al., 2006) becomes a key to understand organisational behaviour (Park, 2007).

In the end, the degree of organisational autonomy rests on three factors: the funding system, symbolic resources, and circle of accountability. First, a funding scheme dependent on voluntary contributions from member-states negatively impacts the organisation’s manoeuvring capacity (Kellow & Carroll, 2013). Second, international organisations need to secure external symbolic
resources (Barnett & Coleman, 2005) to support their reputation and reduce their permeability to external pressure (Kellow & Carroll, 2013). Lastly, the broader the circle of actors to which the organisation is accountable, the lower its independence (Kardam, 1993).

2.2. Understanding organisational change
Change can be defined as the organisation’s ‘response to new ways of thinking… as reflected in new policies, procedures and staffing’ (Kardam, 1993: 1773). The understanding of change usually remains at the organisational and formal levels, usually disregarding internal dynamics (Fechter, 2012). Even the constructivists’ emphasis on organisational culture keeps an overly static view of organisational dynamics (Chwieroth, 2008b).

Recent studies have delved into the concept of organisational culture to understand how staff can trigger change (Chwieroth, 2008a). Studies are incipient and have mainly focused on international financial institutions. In a pioneering study, Kardam (1993) studied the World Bank’s internal dynamics in defining social issues through advocacy. Similar approaches were taken by Chwieroth (2008a; 2008b), Vetterlein (2012) and Sharma (2013).

Internal advocacy starts with the identification of an issue (Kardam, 1993) in the process of finding an appropriate fit between the organisation’s operations and its environment (Tamas & Sato, 2012). These internal advocates, known as policy entrepreneurs (Kardam, 1993) gather in groups to share information and advocate for the adoption of that issue (Vetterlein, 2012). Through a biased use of evidence they provide a new framework for the interpretation of the environment and the organisation’s role within it (Chwieroth, 2008b). A performance gap is identified and compared to an alternative – more effective – perspective (Kardam, 1993). The emergence of policy entrepreneurs generates a clash of ideas that ultimately shapes the IO’s operations and culture (Chwieroth, 2008a).

Finally, policy entrepreneurs implement a set of strategies to turn advocacy into practice. Through training, recruitment, direct exposure (Nielson et al., 2006), external alliances (Vetterlein, 2012) and deployment of strategic information (Kardam, 1993) policy entrepreneurs gather internal support to bring the new issue to organisational scale. Adoption of the new issue will be influenced by its congruence with organisational goals and procedures, the nature of external pressure and the degree of autonomy (Kardam, 1993). The more autonomous the organisation, the less influenced by external pressure it will be (Kardam, 1993), and the more fertile for a change from within.

The analysis of internal dynamics can further the understanding of changes that are difficult to comprehend through a rationalist or constructivist perspective alone. UNICEF’s shift towards a policy-based approach provides a plausible case where internal dynamics were key drivers of change.

3. UNICEF’s progressive involvement in socio-economic policy
With a mandate ‘to advocate for the protection of children’s rights, to help meet their basic needs and to expand their opportunities to reach their full
potential’ (UNICEF, 2003a), UNICEF is both a development and emergency agency. The Executive Board is in charge of determining policies, approving programmes and strategies as well as deciding on administrative and financial aspects (UNICEF, 2012b). It is comprised by 36 United Nations member-states, elected by the United Nations Economic and Social Council to which it reports. UNICEF’s funding is exclusively dependent on voluntary contributions. Two thirds of resources are provided by governments and the rest depends on private donations (UNICEF, 2012b).

As early as 1947, a UNICEF pioneering study made the link between socio-economic development and child wellbeing (Jolly, 2011). Since then, UNICEF has slowly introduced a human perspective, focused on the child as whole, into a discussion led by economists (Jolly, 1991). In the 1960s, UNICEF stressed the importance of incorporating children’s needs into development plans, and in the 1980s it raised concerns on the negative consequences of cutting social expenditure through structural adjustments programmes (Gore, 2009).

Despite this progressive involvement in socio-economic discussions, UNICEF kept a project-based sectorial approach with only some isolated social policy initiatives (UNICEF, 2012c). It was not until the introduction of Focus Area 5 – FA5 – into the 2006–2009 Mid-term Strategic Plan (MTSP) that policy work took off, prioritising social budgeting, child poverty/disparities, social protection, decentralisation and legislative reform (UNICEF, 2007). By 2012, UNICEF had ‘supported child poverty/disparities analysis in 81 countries, was engaged in social budgeting in 64 countries, in social protection in 104 countries’ (UNICEF, 2013: 3), and ‘in legal, institutional and sector policy reforms in 124 countries’ (UNICEF, 2012c: 30).

But, why, despite an increasing interest and involvement in socio-economic policy, was it not until 2006 that UNICEF crystallised this commitment into its strategic planning? This analysis suggests that internal advocacy played a key role in an existing context that favoured a change from within.

4. An enabling context for change
A major organizational change is traceable to a successful policy advocacy taken place in a favourable context (Kardam, 1993). However, it seems plausible to attribute a low level of organisational autonomy to UNICEF. As funding is entirely dependent on voluntary contributions, it is highly sensitive to donors’ changing priorities and economic downturns. UNICEF is accountable to a broad circle of actors that comprises not only member-states, but also individual donors, the United Nations system and the wide spectrum of partners in the field.

Three external forces nurtured UNICEF’s shift to policy work: a) change in aid modalities (UNICEF, 2007); b) relevance of middle-income countries (Gore, 2009), and c) global attention to the Millennium Development Goals – MDGs – (UNICEF, 2004a). Following the 2005 Paris Declaration’s call for development assistance’s alignment to countries’ priorities, Poverty Reduction Strategies and Sector-Wide Approaches gained momentum as a
means to achieve the MDGs (ABIA, 2008). This new development framework stressed country ownership and hence, stressed public policy rather than isolated projects.

As a third of those living with less than US$1 a day were living in middle-income countries, they became critical for the achievement of the MDGs (DfID, 2004). The debate around the role of IOs in middle-income countries (Fallon et al, 2001) showed that policy work was critical to stay relevant in those countries (UNICEF, 2012a), as individual projects were not generating the needed structural changes.

The third factor building an enabling context for change is a satisfactory fit with organisational goals. Policy work was embedded into UNICEF’s mission even before it entered into its strategic planning, as the mission states that UNICEF supports the development of internal capacities to build sound public policies and services for children and their families (UNICEF, 2003a).

UNICEF was not only mandated to support countries in achieving the MDGs, but it was also encouraged to sharpen the MDGs’ fit with organisational priorities (UNICEF, 2004a). Through policy work, UNICEF would be able to strengthen countries’ capacities to meet their obligations under the Convention on the Rights of the Child (Jolly, 2011). Furthermore, the application of UNICEF’s human rights implies a multidimensional understanding of poverty and, consequently, a multifaceted policy response that cannot be confined to sectorial courses of action (Fajth et al, 2012).

Despite a low level of organisational autonomy, the context was favourable due to external pressures pointing to an emphasis on policy work and a natural fit with UNICEF’s goals and mandate. The following section discusses internal advocates’ strategies to trigger the shift.

5. Policy entrepreneurs as drivers for change

The context was ripe for a change but it was up to policy advocates to use it as leverage (Kardam, 1993). UNICEF was finding its place through nutrition and health interventions to support the MDGs’ advancement, but it was being diverged from its right-based strategies advocating for the rights of all (Fajth et al, 2012). Policy work was emerging from the bottom-up, based on national priorities and the role country representatives determined for UNICEF, but without Headquarters’ guidance or a knowledge-sharing network (Gore, 2009). These pioneering experiences showed that a new set of tools could support governments in reducing equity gaps yielding ‘more benefits for children than any project approach, both in the short and long-term’ (UNICEF, 2012c: 36).

Executive Director, Carol Bellamy, called attention to UNICEF’s involvement in policy work and praised governments to prioritise children’s needs in national expenditures (UNICEF, 2003b). Her chief of office between 2001 and 2003, Saad Houry, was appointed Director of the Division of Policy and Planning in 2003 (UNICEF, 2010). It was precisely the Global Policy Section of this Division that brought these scattered field initiatives together in 2004 in
Pratolino, and was in charge of conceptualising FA5 in 2005 (UNICEF, 2005a).

The purpose of the 2004 Pratolino meeting was to collectively develop a strategy to bring those scattered policy initiatives to organization-wide scale (UNICEF, 2012c). In 2005, the Division of Policy and Planning led the establishment of the Pratolino network and started a monthly bulletin on policy work built upon contributions from the field (UNICEF, 2005a). The emergence of a concerted advocacy effort generated an internal battle of ideas between supporters of project-based and policy-based approaches. Using evidence from pioneering initiatives, policy entrepreneurs highlighted the whole child approach and the overlapping nature of deprivations (UNICEF, 2012a). Policy work supporters bridged the gap to project-based followers by conferring FA5 a catalyst role to boost sectorial results (UNICEF, 2012c). Hence, FA5 was born with a twofold purpose: to build national capacities and to enhance efforts in other focus areas, turning FA5 into a priority on its own and a cross-cutting strategy at the same time (UNICEF, 2005b).

These policy work experiences in the field and advocacy efforts at Headquarters were not triggered by powerful member-states as the rationalist approach would expect, particularly in an organisation so highly dependent on voluntary contributions. In fact, it required significant efforts to convince the Board on the benefits of including FA5 in the following organisational strategy (UNICEF, 2005a) and, after its adoption, donors were still reluctant to fund UNICEF’s social policy initiatives (Gore, 2009). FA5 was officially endorsed in September 2005 (UNICEF, 2005a). Policy work ceased to be a handful of pioneering cases or the flag of a committed staff minority and became a new area of work. Its adoption as one of the five UNICEF’s priorities represents the hinge that enabled policy work to take off.

While staff capacity-building started in 2005, it was following FA5’s adoption that it grew exponentially, eventually reaching 20% of UNICEF’s workforce (Fajth et al., 2012). By 2009, the Maastricht University course on policy analysis and advocacy had reached more than 500 UNICEF staff, and the Oxford Policy Management course on budgets had been taken by 168 (Gore, 2009). These programmes were complemented by social protection training with the University of Sussex, and multiple learning programmes on health and education (Gore, 2009).

Capacity building was complemented by an aggressive recruitment of policy specialists (UNICEF, 2007), increasing economic and social policy officers ‘from less than a dozen in 2004 to 64 in 2007 and to 173 in 2011’ (UNICEF, 2012a: 5). Finally, socio-economic policy work would not be able to reach organisational scope, unless tangible results were provided. The 2007 Thematic Report and the 2008 Special Focus Session aimed precisely at showcasing incipient results, stressing its flexible and synergetic nature.
6. Conclusion
The adoption of FA5 in the 2006–2009 MTSP marked a turning point in UNICEF’s history. Without abandoning its sectorial approach through service delivery, UNICEF enhanced its capacity by moving upstream. FA5 was born with a double nature; to boost sectorial results and support structural changes through socio-economic policies.

UNICEF’s shift was not triggered by member-states’ influence. On the contrary, review of the previous strategic plan pointed to limited adjustment of UNICEF’s priorities and several formal and informal meetings with Board members were needed to gather support for the inclusion of FA5. It is a puzzling change process from a rationalist perspective. The constructivist approach, with its emphasis on organisational culture to respond to external pressure (Barnett & Coleman, 2005), proves more useful to understand the process. However, its static view of culture as a homogenous system of meanings underestimates the power of internal dynamics (Chwieroth, 2008a). The external stimuli in the years previous to FA5’s adoption called for the development of new tools to address the challenges posed by the MDGs, a more harmonised assistance framework and the national ownership of development processes. Moving into policy work was also in line with UNICEF’s goals and procedures, reflected in its mission, the pursuit of the MDGs, the rights and obligations derived from the Convention and the human rights approach as UNICEF’s foundational strategy.

UNICEF can be attributed a limited autonomy due to a large circle of accountability, a funding scheme entirely dependent on voluntary contributions and a high dependency on the quality of its operations to preserve its reputation. The existence of a shift driven from within in this context questions the concept of organisational autonomy. Either a higher degree of autonomy is desirable but not a necessary element or the factors defining organisational autonomy need to be reassessed. Policy entrepreneurs not only brought together scattered initiatives and used them as the stepping-stone for their advocacy efforts, they also set into motion a process that enabled policy work to take off.

This analysis builds on earlier efforts to develop a dynamic understanding of organisational change. It stresses the need to see IOs as actors with an agenda autonomous from their member-states and to dive into the intricacies of organisational culture to distil divergent perspectives that can nurture internal dialogues and shape change.

Bibliography


The critical study of welfare development in China: Is China moving towards a welfare state?

Binrui Zheng

Abstract
In the past few decades, increasing numbers of scholars have investigated the development of Chinese welfare institutions. The majority of western scholars have classified China into East Asian categories such as ‘Confucianism’ or ‘productivist/developmental’. Interestingly, some Chinese scholars claim that China might not fit into either Esping-Andersen’s model or East Asian models. Whilst Chinese scholars arguably pay too much attention to the differences between China and western countries, western scholars may similarly pay too much attention to the similarities between China and other East Asian countries. After reviewing the relevant literature about the welfare state and welfare development in China, this paper argues that if we highlight the similarities between China and western countries, China might qualitatively fit into Esping-Andersen’s typology of welfare regimes across different periods of time. To be more specific, from 1949 to 1978, even though China followed the former Soviet Union’s path towards socialism, if we compare welfare arrangements and welfare outcomes in urban areas, it can be claimed that China is similar to the Social Democratic model. The paper concludes that since 1978, when China started its welfare reform, there is a clear liberal tendency in its development. After the Hu-Wen government began in 2003, the welfare strategies are quite mixed, containing both developmental and conservative elements.

1. Introduction

1.1. Theoretical context
The term welfare state is used frequently, however, it is an ambiguous, highly debated term. In order to find a systematic way to identify and understand welfare states, Esping-Andersen (1990: 20) outlined three different perspectives from the first generation of welfare state studies, which attempted to judge whether a country could be defined as a welfare state. According to Esping-Andersen, the first perspective was inspired by Therborn (1983) and suggested that ‘in a genuine welfare state the majority of its daily routine activities must be devoted to servicing the welfare needs of households’ (Esping-Andersen, 1990: 20). The second perspective was generated from Titmuss. According to Esping-Andersen (1990: 20), ‘Titmuss’s classic work helps us move out from the black box of social expenditure, and forces us to pay more attention to the content of the welfare state’. The third perspective is to theoretically select the criteria on which to judge different types of welfare states. To be specific, this perspective requires ‘measuring actual welfare states against some abstract model, then scoring programs, or entire welfare states’ (Esping-Andersen, 1990: 21) But this perspective is a problematic one. For instance, Esping-Andersen (1990) points out that it is kind of ‘ahistorical perspective’, and it does not necessarily...
capture the ideals or designs that historical actors sought to realise in the
struggles over the welfare state.

Esping-Andersen’s (1990) own contribution to this first generation of welfare
research was far beyond simply making some modifications to the
perspectives described above. Instead, his contribution to welfare state
research was to set up three criteria: namely ‘de-commodification’, ‘social
stratification’ as well as ‘the relationship between state, market and family’ to
judge whether a country could be classified as a welfare state.

Another significant contribution of Esping-Andersen is that he labelled three
clusters of regimes, namely ‘Liberal’, ‘Conservative’, ‘Social Democratic’
(Esping-Andersen, 1990: 27–28, see Table One). To be more specific,
Liberal models mainly refer to Anglo-Saxon countries such as the US, the UK
and Australia. According to Esping-Andersen (1990), liberal welfare states
are heavily reliant on the power of the market. In other words, the market
plays a dominant role in welfare provision. Compared to the other two types
of model, the Liberal-model countries have the lowest level of de-
commodification, and social welfare does not cover all citizens; instead, it
mainly provides help for low-income populations. As a consequence, welfare
provision in liberal countries is selective and residual in nature. Such systems
are two-tiered; for example, the middle-class population are likely to be
excluded from some forms of support, and may have to buy welfare services
from the market.

### Table One: Esping-Andersen’s three welfare regimes.

<table>
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<tr>
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<th>Liberal</th>
<th>Social Democratic</th>
<th>Conservative</th>
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<tbody>
<tr>
<td>Key welfare providers</td>
<td>Market</td>
<td>State</td>
<td>Family, workplace, church</td>
</tr>
<tr>
<td>of solidarity</td>
<td></td>
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<td></td>
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<tr>
<td>Degree of de-commodification</td>
<td>Minimal</td>
<td>Maximal</td>
<td>Relatively high</td>
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<tr>
<td>Model examples</td>
<td>UK, US</td>
<td>Nordic countries</td>
<td>Germany, Italy</td>
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*Source: Author, summarised from Esping-Andersen, 1990.*

In terms of the Conservative/Corporatist model, the continental European
countries such as Austria, Germany, France and Italy can be classified into
this group. These countries are heavily influenced by Christianity, therefore
this model encourages workplaces, churches and families to shoulder the
responsibility of welfare provision. In Esping-Andersen’s own words (1990:
27): ‘In these conservative and strongly “corporatist” welfare states, the liberal
obsession with market efficiency and commodification was never preeminent
and, as such the granting of social rights was hardly ever a seriously
contested issue...This corporatism was subsumed under a state edifice
perfectly ready to displace the market as a providers of welfare’. Another
important aspect of Conservative countries is that the function of
redistribution is rather weak (Esping-Andersen, 1990; Li, 2012; Lei, 2014). Some scholars such as Zheng (2009) point out that a main characteristic of these countries is based on support from social insurance.

The final type of welfare model is the ‘Social Democratic’ or ‘Scandinavia’ model. This model mainly refers to Nordic countries such as Sweden, Finland and Denmark. Typically, this type of model is considered the opposite of the liberal model. That is to say, this model has the highest de-commodification level within those three clusters. Meanwhile, the principles of universalism play a crucial role. Unlike Liberal welfare states, social rights in Social Democratic countries are extended to the middle classes. Therefore, the equality standard is highest among the three models (Esping-Andersen, 1990).

However, some East Asian countries, especially the People’s Republic of China, have been neglected in welfare research. Despite this, there is a long history of welfare in China. Dating back to the Xia dynasty, the idea of ‘protecting people’ that can be found in the earliest historical documents and literatures (Zheng, 2009). In traditional society, the dominant discourse in China (namely Confucianism) depicts an ideal-type of society. In this ideal society, everyone, especially vulnerable groups such as widows, orphans, senior citizens and others who lack labour capability can receive help from the state and others (Walker and Wong, 2005). In the early 20th century, Sun Yat-Sen, who was the Kuomintang leader, proposed the three principles, namely ‘of people, by people, for people’ (Chen, 1928). Since the Chinese Communist party (CCP) rose to power, it claims to have established a service-oriented government and everything they have tried to do is for the people’s benefit (Zheng, 2009). All these points suggest that China should be categorised as a welfare state. However, there is little consensus on this. Emphasising similar cultural and historical backgrounds, western scholars tend to classify China into the East Asian family of welfare states. For example, Jones (1990; 1993; Walker and Wong, 2005) claims that East Asian countries are deeply influenced by ‘Confucianism’, therefore they can be labelled as a Confucian welfare state. On the other hand, scholars like Holliday (2000; 2005), from a social policy perspective claim that China belongs to a ‘Productivist welfare state’. Interestingly, the majority of Chinese scholars such as Bi (2010, 2011) and Jing (2013) insist that China has a different political context and ideology; therefore China might not belong to any of the above welfare models. In other words, they insist that China could be characterised in different terms, as a Chinese characteristic (socialist) welfare society.

This paper intends to investigate the nature of China’s welfare development, considering whether it can fit within Esping-Andersen’s model, the East Asian model, or whether it should have a welfare model of its own.
1.2. Research questions

Given the issues discussed above, this paper sets out to investigate:

What is the nature of China’s welfare development? Is China moving towards a welfare state? The following sub-questions help to investigate this:

a) Does China fit into Esping-Andersen’s three welfare regimes?
b) Does China fit into East Asian models of welfare?
c) Should China have its own welfare model?

To answer these research questions, this paper will systematically review the literature about welfare regimes and social welfare development in China; it will also provide some case studies to offer a better understanding of the nature of China’s welfare development.

2. Understanding the nature of China’s welfare development

There are challenges for both Chinese and western scholars who research Chinese welfare development. In the past, scholars paid less attention to China welfare development, because in China, social policy has seemed less important compared to other East Asian countries such as Japan or South Korea (Takegawa, 2007). In the meantime, because of constraints such as language barriers and insufficient statistical data, western scholars had been confronted with a substantial challenge when attempting to understand and explain the Chinese welfare development. It should be noted that even though an increasing amount of East Asian welfare-model (EAWM) literature classifies China into EAWM (Hudson et al., 2014), some Chinese scholars such as Xiong (2008) point out that there is not a reliable theoretical framework that exists to help analyse China’s welfare development. Furthermore, the different political, economic and cultural context is also a challenge to comparative research on China’s welfare development.

Generally, China’s welfare development can be separated into three main stages, which is based on the Chinese presidents’ tenure. The first stage refers to 1949 to 1978, known as the Chairman Mao era, while the second stage refers to 1978 to 2002, which includes two Chinese presidents, namely Deng Xiaoping (1978 to 1992) and Jiang Zemin (1992 to 2002). The third stage is the President Hu Jingtao era, from 2002 to 2012. Currently, China is governed by President Xi Jinping. Whilst he has already implemented new policies it is too early to analyse his social policy strategies.

Based on the above discussion, the nature of China’s welfare development across different periods of time will have different forms. It can be observed that in traditional society, both China and western countries' welfare arrangements were provided as a result of the dominant class’s benevolence. The traditional Chinese welfare arrangements were restrictive and only a few people could access such welfare benefits (Yang, 2010). Indeed, it can be argued that the nature of China’s welfare development in traditional society was a political tool to help feudal nobles to maintain their governance. When the PRC was established in 1949, in the early years of the new country, leaders simply referenced welfare institutions from the Former Soviet Union, and established a welfare arrangement which was based on work units.
(Guan, 2000; Zheng, 2009; Gu, 2001). In the meantime, the PRC set up dual-track welfare provision systems. Arguably, this has caused long-term negative effects on China’s welfare development. Indeed, the design of dual-track welfare provision systems increased the inequality between urban and rural areas in China (Mok and Ngok, 2012; Sun, 2014). However, just as Phillion (1997) points out, in the planned economy period (1949–1978), welfare was regarded as a type of incentive for workers who worked for the state or collectively owned work units. At this point, welfare provision generally benefited those working in heavy industrial sectors. From this point of view, it could be argued that the nature of China’s welfare in the planned economy period was welfare for workers.

In terms of the economic reform period (1978–1992), China’s economic institutions moved towards a socialist market economy, and the welfare arrangements changed significantly, beginning to rely heavily on market mechanisms triggered by the pressure of increased public expenditure. In other words, the Chinese government intended to reduce public expenditure on welfare provision, most notably within the healthcare sector. New welfare arrangements sought to find a way to achieve welfare pluralism through market mechanisms. Clearly, policy makers in China at that time were deeply influenced by neo-liberalism, even though they do not tend to admit this (Harvey, 2005). As a result, the nature of welfare during this period attempted to employ market mechanisms to establish welfare arrangement for all citizens.

Since 2004, the Chinese government has attempted to establish welfare arrangements that fit the rapid pace of economic development in China. At the same time, social policy has played an increasingly crucial role in policy making (Farnsworth & Irving, 2011; Mok and Ngok, 2012). The policy aims such as a ‘scientific development perspective’ and ‘the China dream’ show that the Chinese government seeks to implement a welfare strategy that, on the one hand, can enhance the political legitimacy of China’s Communist Party (CCP), and on the other hand, promote the living standards of low-income groups. Additionally, the CCP also intends to implement an ambitious healthcare plan by 2020, which will provide a national healthcare system for all Chinese citizens. Hence, the current nature of China’s welfare development is to promote welfare benefits for all and to reconcile increased social conflicts (Xiong, 2008).

2.1.1. Does China fit Esping-Andersen’s welfare model? When comparing China’s welfare arrangements with western welfare models, both Chinese and Western scholars tend to discuss the differences between China and western countries. In the first instance, they tend to seek to define the term ‘welfare’ or ‘social welfare’ in the Chinese context. Indeed, unlike its western counterparts, social welfare in China has a narrow meaning (Chen, 2012). The Chinese concept is that government provides limited and low levels of social assistance for vulnerable or eligible people. As such, this typically ignores the welfare functions of family and non-governmental organisations (Xiong, 2008; Zheng, 2009).
Over and above this, many scholars such as Bi (2010) point out that the welfare arrangements of China and western countries are completely different as a result of different political ideologies. Furthermore, they point out that the nature of western welfare states is to deal with social conflicts within capitalism, unlike in China, where the nature of welfare arrangements focuses on serving the people. Additionally, scholars cannot account for the impact of Chinese traditional culture on modern welfare arrangements (Huang, 2010). As a consequence, according to the differences between China and the west, the majority of Chinese scholars and western scholars conclude that China cannot fit into western welfare models, in particular the Esping-Andersen’s welfare regime model (Xiong, 2008; Jing and Bi, 2009; Jing, 2013).

However, several scholars use particular periods of China’s history to measure whether China fits into western welfare state models. In other words, even though a number of scholars attempt to find out the similarities between China and western welfare states, only a few of them discuss the similarities from a chronological perspective. By using this approach and considering specific welfare sectors, a very different understanding of China’s welfare development may be considered.

As mentioned above, since 1949, China implemented a Former Soviet Union-style system with a planned economy, and established a dual-track welfare provision system. If welfare arrangements in urban areas of the day are considered in isolation, interestingly, just as Guan (2000) points out, even the work-unit-based welfare arrangement did not achieve the goal of providing social protection ‘from cradle to grave’. Instead, work-units-based welfare arrangements at that time achieved social protection ‘from work unit to grave’. As the WHO’s (1995) report points out, China used minimum costs to provide welfare for the largest population in the world (Chen and Wang, 2006).

It should be noted that compared with western welfare states such as the UK and Sweden, the welfare level of China’s work-unit welfare provision was not lower than the Nordic welfare state of the day (Guan, 2000; Wang et al., 2010). Furthermore, state or collectively owned work units were comprised of a majority western-style welfare provision. This is the main reason why some scholars such as Gu (2001) called the planned economy of China a ‘mini welfare state’. Indeed, there were some similarities between China at that time and the Social Democratic welfare state. Firstly, the dominant discourse in Social Democratic welfare state scholarship is social democratic theory. The Social Democratic discourse has typically been treated as democratic socialism (Wang et al., 2010; Alcock, 2012). As Wang et al. (2010) point out, social democratic theory is a mild form of socialism without activism; it plans gradual top-down reform in order to achieve socialism. Keynesianism was the leading ideology in Nordic countries and post-Second World War European countries. This, therefore, is another common point between China and western countries, as they were both deeply influenced by state interventionism of the day. As a result, qualitatively, it can be concluded that in the planned economy period of China, Chinese welfare arrangements can partly fit in with the Social Democratic welfare state model.
In 1978, China started its economic reform. The main welfare provision system in urban areas changed radically (Wong, 1994; Guan, 2000). Within three decades of the reform, China’s welfare arrangements changed from egalitarianism based on work units (occupational welfare arrangements) to market-oriented workfare (Xiong, 2008). Even though the population eligible for welfare support greatly expanded, it should be noted that China was still implementing a form of residual welfare arrangements (Chen, 2012).

In the meantime, the use of market mechanisms led some well-structured welfare arrangements such as the healthcare sector to be dismantled. Also, with the impact of neo-liberalism, China broke the rule that socialist countries should embrace state interventionism or national planned economy (Harvey, 2005). If quantitative indicators such as the de-commodification index are not considered, qualitatively, in this period of time, there are many similarities between China and Liberal welfare states such as the US. Both of them tend to use market mechanisms to shoulder the main welfare responsibilities, and the state only provides limited welfare benefits for particular groups of people. As a result, in this period of time, China can fit into the Liberal welfare state model. However, because of the impact of previous institutions, China’s market mechanisms were not mature enough. Additionally, the impacts of China’s non-governmental organisations were quite weak (Xiong, 2008). As a consequence, China at that period can only qualitatively partly fit into the Liberal welfare state model.

Since the 21st century, the Chinese government has made great efforts to enhance market mechanisms as well as other relevant laws and regulatory institutions (Zheng, 2009). The Hu-Wen (2002-2012) government in particular has strived for this, proposing a new policy strategy called the ‘Scientific Development Perspective’ (SDP). The main idea of the SDP was to pay more attention to human well-being, and to make an effort to raise living standards. In addition, the SDP required that the government should not simply focus on economic development, but also find an appropriate way to balance economic development and social welfare construction (Mok and Ngok, 2012). Furthermore, according to some scholars such as Xiong (2008), the SDP is similar to the developmental welfare perspective, because both of them emphasise long-term social development.

More importantly, there are some clear changes that can be witnessed during this period of time. Firstly, economic growth provided a substantial foundation for social assistance and other forms of poverty relief. Since the 1980s, China’s annual economic growth rate has been 8% (Nie, 2011), which meant that the government had more financial resources that could be used in the construction of social welfare. Secondly, in order to adapt to market-oriented institutions, the Chinese government championed the process of decentralisation. Additionally, the government recognised that previous welfare reforms had resulted in negative outcomes, particularly within healthcare (Chen, 2012). Thirdly, the Chinese government paid increased attention to laws on social welfare. For example, in 2010, China enacted a social insurance law to place welfare under the rule of law (Zheng, 2013).
Given the points described above, modern-day China probably does not simply fit into any of Esping-Andersen’s welfare regimes. Qualitatively, China might be a hybrid both of Liberal and Conservative characteristics. On the one hand, the Chinese government intends to employ a welfare pluralism strategy, which means government, individuals, families and other social organisations’ shoulder welfare responsibility simultaneously. On the other hand, the government still attempts to make full use of market mechanisms. More importantly, China also intends to make full use of social insurance. It should be noted that the government still plays an indispensable role in China’s welfare construction, due primarily to non-governmental organisations of China still being quite weak (Chen, 2012).

2.1.2. Does China fit East Asian models?
In the past few decades, the comparative study of China and its East Asian counterparts such as South Korea, Japan and Singapore has become increasingly popular (Xiong, 2008; Lin and Zhao, 2010; Lin, 2012). There are some western scholars such as Jones (1990; 1993), who found cultural similarities between China and other East Asian countries. She concluded that East Asian countries were deeply influenced by Confucianism. As a result, Jones labelled East Asian countries as ‘Confucian welfare states’. However, the differences between China and other countries might be more obvious. Indeed, the Japanese scholar Takegawa (2005) suggested that the Confucian welfare state concept is useless. According to Takegawa, the Confucian welfare state is similar to Christian countries and cannot explain welfare institutions between different countries. Historically, Confucianism has affected East Asian countries, however, with the process of industrialisation and globalisation, the traditional culture of these countries has changed rapidly. Indeed, it is important not to overestimate the influence of traditional culture on modern China as well as on other East Asian countries (Walker et al., 2005). As a consequence, it is difficult to argue that China could fit into the ‘Confucian welfare state’ model.

Other scholars such as Holliday (2000; 2005) and Wilding (2008) created a model named the ‘productivist welfare state’. In this model, they tend to classify the four ‘Asian tigers’ plus Japan into one welfare regime. Later on, Holliday and his colleagues developed this theory and attempted to classify China into this welfare regime. To some extent, this productivist welfare state could explain welfare and economic strategies of East Asian countries well. For example, according to Holliday (2000), all policies in this area are subordinate to economic policy. However, this theoretical framework has its drawbacks. For instance, Taiwan and Hong Kong are too small to compare with China. Just as Takegawa (2005) points out that different provinces of mainland China might be classified into different welfare regimes, this suggests that the welfare regime in mainland China is more complicated, because of regional inequalities; therefore, the term ‘productivist welfare state’ also cannot explain welfare development of China.

Because of different political institutions, ideology and other historical reasons, according to Xiong (2008:96), compared with other East Asian
countries such as Japan and South Korea, China has some obvious differences between. Firstly, the level of social welfare provision. In 2006, Japan and South Korea had higher social expenditure levels; they spent approximately 13% and 10% of its GDP respectively. China, however, achieved lower than 7% (Xiong, 2008). Secondly, the welfare targets are different. Both Japan and South Korea have an established western political system. Consequently, in these two countries’ social welfare programmes are aimed at helping political actors win domestic elections. China, however, does not have elections, and has always been led by the CCP. Thirdly, China and other East Asian countries are confronted with demographic pressure, namely the problem of an ageing society. However, they have employed different solutions. In Japan, the government has established a national social insurance to cope with the ageing problem and increasing demand for health services (Xiong, 2008). In South Korea, their solutions have been heavily influenced by neo-liberalism, and their focus is on satisfying the needs of low-income groups. In China, the situation is more complicated. On the one hand, the Chinese government attempts to implement a more equal and higher coverage welfare system; on the other, because of the historical dual-track welfare provision design, it has (to some extent) constraints on welfare development. Therefore, it is not valid to classify China into any East Asian models (Takegawa, 2005; 2007).

3. Conclusion: Is China moving towards a welfare state?
The question of ‘is China moving towards a welfare state’ is not a new one for Chinese researchers such as Zhu (1997) and Huang (2010). However, there is no consensus on the answer to this question. This is mainly because previous research has not accounted for the non-static nature of welfare state development, the changing understanding of its role in conceptual terms, and the impact of different time periods and contexts.

Combined with previous findings, it can be seen that modern China has not only achieved substantial economic growth but has also made a ‘great leap forward’ on welfare development (Wang, 2013: 70). Some academics, such as Huang (2010), claim that China cannot move towards a comprehensive and universalist welfare state. From Huang’s perspective, the welfare culture is a barrier for China, as independence and helping others are two important characteristics of the Chinese people. As such, asking for help from the government is the last choice for most Chinese citizens (Huang, 2010). To some extent, he is right; however, this point of view ignores the impact of globalisation on modern China. It can be seen that there are increasing welfare demands from ordinary people, and the population is paying more attention to welfare benefits from the Chinese government. Conversely, other scholars such as Walker et al. (2005:) insist that China’s welfare culture is not a barrier for its welfare development. On the contrary, it will help to establish a welfare state to some extent, because some Chinese traditional values associated with Confucianism are quite similar to western values. However, because of the impact of regional inequalities and dual-track welfare provision arrangements (Wang, 2013), China arguably cannot achieve a comprehensive and universalist welfare level in the short term.
Another important perspective from many Chinese scholars is that because of its different ideology, China will never move towards a western-style welfare state (Bi, 2010:110). It should be noted that in the past few decades, both the Chinese government and the majority of Chinese scholars have been against the idea of a welfare state (Huang, 2010; Huan, 2014). In their opinion, the welfare state is the product of capitalism (Xiong, 2008; Alcock et al., 2012). However, others disagree with this point, and according to Dean (2012, cited in Alcock et al., 2012) it is extremely important for Chinese scholars to understand that if China is moving towards a welfare state, it does not mean that China is no longer a socialist country. In addition, the reason why many scholars from both western countries and China oppose the idea of China moving towards a welfare state, is mainly because they insist that the welfare state is the key element which has led capitalist countries into crisis.

Some Chinese scholars attempt to use indicators both quantitatively and qualitatively to prove that there is no sign that shows China is on the way to becoming a welfare state. Indeed, Huang suggests that: ‘By comparison with a western welfare state, China is lagging far behind. China is far from the criteria set up by Therborn (1983) that if a country spends 50% of its GDP on welfare construction, then this country can be labelled as welfare state’ (Huang, 2010: 181). However, such arguments are flawed, and highlight the point that simply measuring social expenditure will cause misunderstanding (Esping-Andersen, 1990). Indeed, if such criteria were used to judge whether a country was a welfare state, none of the countries in the world would be labelled as such (Lei, 2014; Takegawa, 2007).

According to some Chinese scholars, there are other reasons that suggest China will not move towards a welfare state. The most important reason is due to demographic pressures (Huang, 2010). Because of the large population, it is impossible for China to become a welfare state (Huang, 2010: 181). As a consequence, it is unlikely for the Chinese government to shoulder all welfare responsibilities. However, they probably misunderstand the meaning of welfare state here, because it is unlikely to find any government that will shoulder all welfare responsibilities (Alcock et al., 2012). In addition, the main welfare aim for the current Chinese government is to establish a systematic welfare arrangement for all Chinese people (Huan, 2014). Therefore, those scholars who hold the view that China can never become a welfare state might be partial and outdated.

The CCP still pays attention to ideological concerns and as such some scholars continue to insist that China should remain a socialist country. Furthermore, some Chinese scholars claim that it is not necessary for China to draw lessons from others about welfare development (Jing, 2013). This perspective is narrow-minded and dangerous, because it prevents China’s welfare designers from drawing lessons from successful experiences in other countries, including both its western and East Asian counterparts.

In conclusion, it is still an extremely tough task for China to become a full welfare state in the next few years, if as Wang et al. (2010) point out, the
concept ‘welfare state’ implies the meaning used in a developed country. If China retains a high pace of economic development, China will become developed country and could be labelled as a welfare state in the near future. However, it is unlikely that China will fit into Esping-Andersen’s three types of welfare models, or fully fit into East Asian models.

Bibliography


To what extent does performance measurement contribute to the spread of best practices in Public Administration?

Chiara Sandi

Abstract
This paper questions the extent to which performance measurement contributes to the spread of best practices in Public Administration. It is argued that three main elements challenge this process: analytical, that is related to the creation of a solid and analytically acceptable measurement system; managerial, or otherwise concerning the measurement process and best practices absorption across different organisational contexts; emotional, that is regarding the set of attitudes, feelings and resistances that may come together with measurement and change.

To this end, the analysis draws on three different strands of literature, related to performance measurement, organisational learning and policy transfer. The perspective from which the analysis explores the topic is in fact that of cross-organisational learning mechanisms arising from benchmarking initiatives. In these circumstances, groups of public bodies establish a common system for assessing performance and identify best practices intended to be transferred across all the involved settings. The discussion highlights the problematic nature of benchmarking projects, the delicate character of learning mechanisms associated with them, and the crucial role of human relationships in predicting the success of such initiatives.

The analysis finds performance assessment may actually help the dissemination of best practices across organisations, provided that the funding bodies guarantee a strict control and extensive support in terms of tools and skills provided to collaborating participants.

1. Introduction
Due to the major socio-economic changes of the last 40 years (the 2008 economic crisis, in particular) governments are now experiencing what Pierson (2001: 27) defined a condition of ‘permanent austerity’. These difficult circumstances jeopardised the ideal conditions for delivering public services fully compliant with citizens’ needs (Taylor-Gooby, 2002). On the other hand, citizens call for public services which are more adept at addressing emerging social needs.

This gap between the conditions in which public services are delivered and citizens’ expectations is challenging; Public Administration (PA) is required to be more and more responsive whilst relying on shrinking financial budgets. This has given rise to various forms of collaborations between PAs that lack the competences and resources needed to pursue important political, financial and service delivery goals (Agranoff & McGuire, 2003).

For local PAs, such collaborations have a double connotation (Agranoff & McGuire, 2003). On the one hand they build on the deep political,
organisational and territorial interrelations that characterise local PAs. On the other, the critical resources which may help the collaboration be productive (funds and know-how in particular) belong in part to third actors, for example higher levels of government.

Furthermore, collaborations may often take the form of benchmarking projects aiming at identifying best practices in service delivery (Kouzmin et al., 1999); PAs choose a group of critical services, performances are measured and benchmarked against each other, and the identified best practices represent a paradigm to be transferred and adapted to the other public organisations involved. This paper raises questions about the usefulness of this mechanism. Does the information produced by these projects on best practices turn into useful knowledge for other PAs? Is this a proper answer to the taxpayers’ need for an efficient and effective public service?

This question is explored through an extended literature analysis which focuses on the extent to which performance evaluation can help organisational learning. To this end, the argument draws on theory about three topics: performance measurement in PA, organisational learning, policy transfer. The analysis specifically focuses on those benchmarking initiatives that governments voluntarily and formally undertake to: a) identify best practices in service delivery or internal processes management; b) share their operational paradigm; and c) improve organisational features on the basis of what is learned. These initiatives are therefore based on two elements: effective best practices identification and cross-organisational learning. The former requires the implementation and sharing of a homogeneous system for performance measurement and best practice identification in different organisations. The latter (referred to as Learning Across Organisations, LAO) requires that PAs know, understand and adopt the identified best practices.

However, this process is not always consistent. The analysis discusses how and why this happens through three main sections. First, performance measurement is presented and discussed. Critiquing the debate between the traditional PA model and New Public Management (NPM), the paper explains performance measurement, arguing to what extent it can actually generate positive outcomes. The analysis then turns to the concept of what organisational learning is and what supports it. The analysis explains how organisations may learn both individually and from each other, presenting learning as a layered process, involving both individuals and their operating context. The paper particularly focuses on those mechanisms that underlie learning, analysing the knowledge transfer process underpinning LAO experiences. Drawing widely on the policy transfer literature, the analysis explores how transfer might take place, who might drive it and why.

Finally, the discussion examines issues related to limits and threats of learning processes in LAO. The argument here specifically builds on formal cross-organisational learning benchmarking activities, in which public bodies might engage for performance comparison and organisational improvement. The analysis explains how three sets of factors (closely related to the multi-
layered nature of learning) undermine these experiences: the relationship between organisations and their wider operating context; the organisational internal mechanisms; and the people working within the organisational boundaries.

In conclusion, the analysis draws together all the issues raised by the literature review. This critical summary identifies analytical, managerial and emotional factors limiting both mutual learning and the transfer of practices across organisations. The paper in particular argues that, if public bodies funding this kind of processes were able at least to reduce some of the challenges discussed, LAO projects might have a greater chance of success, ultimately resulting in a better use of public resources.

2. Performance measurement: what it is and how it works
This section focuses on the definition of performance measurement, explaining the context in which it developed. The analysis also focuses on measuring-related issues, exploring the challenges arising for PAs that decide to engage in performance measurement. The discussion explains performance measurement as a contested concept that needs to be examined, as it is as a key mechanism to identify best practices.

2.1. Context overview
Performance measurement in the public sector emerged together with a number of changes in the interpretation of public service that might be labelled as New Public Management (NPM) (Osborne, 1993). Until the 1980s the traditional bureaucratic model of PA was dominant, emphasising specialised process management, rigor of operating paradigms, hierarchy and clear separation between politics and administration in order to ensure the public service’s transparency and neutrality. Later, to a different extent across OECD Countries (Pollitt, 2000), NPM progressively challenged this paradigm; wider fiscal problems urged governments to reduce public spending and to find ways to increase their legitimacy (Flynn, 2002).

As a solution to these issues, NPM suggested that PA should be handled as a private body, driven by business logics (Osborne, 1993). This had significant implications for the role governments play in society, for the values underpinning public service and for public servants’ responsibilities. In NPM’s vision, governments are asked to coordinate rather than directly provide services; service delivery is supposed to be inspired by principles of thrift, market competition and reward of excellence; public servants should be put in the position to choose the best way to respond to the two previous points, and free to select the method for managing both suppliers and delegates for service provision.

The contrast between PA’s traditional model and NPM has historically been characterised by controversy. On the one hand, authors such as Denhardt & Denhardt (2000) highlight NPM’s inability to take account of the true public service mission, which is to serve and not to coordinate, instil competition, or earn profits. In NPM’s vision, these three levers are supposed to achieve valuable results, with significant implications for the skills needed to manage
public service; while traditional PA believes in specialised and trained public professionals, NPM introduces the so-called ‘managerialist’ perspective, which considers management as a neutral activity universally applicable in any setting (Hood, 1991). On the other hand, the socioeconomic crisis showed the limitations and inefficiencies of PA’s traditional model (Hughes, 2003); hierarchical rigidity, multiplicity of roles, and difficulty in matching public service’s conflicting objectives encouraged overspending. Furthermore, traditional PA’s emphasis on ‘how’ processes are performed (rather than on their actual achievements) turned into poor attention to efficiency and effectiveness.

It is therefore important to highlight NPM’s positive outcome; it raised questions on how public resources are used, focusing the attention of governments, bureaucrats and citizens on the importance of understanding the actual quality level of public services. This gives rise to two dilemmas: how to identify the quality of a service and what meaning ‘quality’ might have. The following two sections focus on the definition of the concept of performance and on what criticalities it entails.

2.2. Measuring performance
The previous section explained how, in NPM’s vision, performance and results represent a prominent principle. The reason for this is that PA produces goods and services that are crucial to the functioning of other sectors or to citizens’ lives; however these services do not have a price actually verified by the market, but only a cost. Two main consequent issues emerge from this (Lazzara, 2012): first, PAs operate in a condition of protection from open competition; second, it is difficult albeit important to trigger mechanisms to fight inefficiency, giving citizens and other sectors the ability to know how and how well services are delivered.

According to NPM, performance measurement is the solution to this need. In this logic, data deriving from performance evaluation have a crucial relevance; they may in fact help citizens to express an evaluation about providers and choose among them as proper consumers should do, but they may also enable contracts to be awarded, making it easier to judge bidding competitors’ performances. In this regard, Johnsen (2005) explains how performance information in the public sector has a similar function of prices in the private one. Furthermore, performance information should be seen as an important aspect of public services management in a democratic context, as it enables preferences to be defined and negotiated.

Many authors have expressed different views on performance measurement’s relevance in public service delivery. Specifically, Behn (2003) points out how measurement can bring several benefits: evaluating PAs’ work; controlling human resources; allocating the available budget; motivating employees; promoting and communicating the organisational quality level; celebrating success; learning through strengths and weaknesses identification; and providing the basis for improvement. In addition, performance measurement draws the attention of the whole organisation towards its true objectives; in practice, performance helps to focus the
Johnsen (2005) suggests that these components should ideally be designed to be deeply embedded within the service-delivery process; indicators should therefore be able to grasp effectiveness (the capacity of the outputs to conform to organisational goals), efficiency (the ability to properly use resources to achieve organisational goals) and impact on stakeholders. However this design activity is extremely complex (Smith, 1995) and conceals a wide range of difficulties, analysed in the following section.

**2.3. Issues and dilemmas**

The previous section explained how designing the measurement system should build on an attentive selection of indicators, targets, weights. It also emphasised the problematic nature of this selection process, which is further explored below.

Choosing indicators is particularly problematic, as these are designed to measure what is happening within the organisation and consist of a representation of organisational goals and stakeholders’ interests. Moreover, considering that both organisational objectives and stakeholders are multi-faceted (Behn, 2003), it is inappropriate and methodologically incorrect to measure performance with a single metric. Secondly, as Smith (1995) suggests, problems may be related to political or managerial control, as performance information could be seen as providing the principal with a means of exercising control over the agent; principal and agent might in fact be in conflict, so the measurement system’s existence will itself generate distorted information.

Even targets are subject to the same logic, since they are a direct consequence of organisational objectives and stakeholders’ interests; they set the performance levels towards which the organisation actually strives. Johnsen (2005) identified two key issues. Even if principal and agent were not in conflict, measurement problems could arise in relation to the definition of too complex or unrealistic targets; also, the political-administrative users of performance information could affect target definition, modulating them in order to influence the external perception of organisational successes and failures.

Finally, weights definition is particularly delicate. Weights in fact allow the administration to define which aspects and results of its activity are more relevant than others. Consequently the choice of weights should suit the citizens’ priorities and interests: this criterion is what gives actual sense to the whole measurement system (Kelly, 2005).
Performance measurement is a complex task and such complexity depends on the measurement system, which provides an image of reality filtered by people with conflicting goals. Consequently, it cannot constitute a totally faithful representation of what happens and how. Therefore, measurement may easily lead to unexpected results or ambiguous messages. Furthermore, the described complexity draws attention to the measurement system's capability to identify best practices; for this to happen, performance measurement should be oriented towards the evaluation of PA's responsiveness and social equity, as well as its efficiency. Measurement may hence result in a social learning process based on the continuous involvement of evaluators and the evaluated (Yang & Holzer, 2006).

3. Measurement as a learning opportunity
The analysis now turns to highlighting the extent to which performance measurement represents a learning opportunity (Behn, 2003; Yang & Holzer, 2006; Verbeeten, 2008). Through measurement organisations can in fact understand their own strengths and limits. This awareness may also become a valuable asset for other PAs, as organisations can learn from information about other organisations.

The analysis focuses in particular on how and whether the information about best practices identified in a PA can be transferred and become a useful learning for other public bodies. To this end, the concept of learning is explored and particular attention is given to the transfer mechanisms underpinning LAO projects.

3.1. Individual, organisational, cross-organisational learning
The concept of learning has been extensively explored in literature. Authors acknowledge the existence of different learning dimensions: personal and social; and conscious and unconscious.

3.1.1. Personal and social learning
Learning is an individual experience. According to Reynolds et al. (2002), it can take four distinct forms: behaviour, understanding, construction of meanings and interaction. It also results in a cyclical process (see Kolb, 1984 in Mumford & Honey, 1992; Jasper, 2006) that consists of experiences, reflections and decisions (which may lead to further action and experimentation).

Furthermore, learning has several social implications. Romme & Dillen (1997) define organisational learning as a holistic process, which allows organisations to adapt to change, interpret the external environment according to their own values, and acquire, manage and store information. This process also occurs through individuals, who transfer their knowledge to the organisation, which will stock and embed it due to ad hoc cognitive systems (Romme & Dillen, 1997). For this transfer to take place, individuals and their organisation must have shared mental models that might help individual knowledge to be understood and used by the organisational system (Kim, 1993). Moreover, influences are not one way, as organisations
themselves significantly impact on individual learning, by directing, stimulating or depressing it (Schein, 1999).

A particular aspect of organisational learning is cross-organisational learning, which occurs as a result of the interaction between different organisations. Collaborative projects are an example of interaction. Organisations can learn from each other when knowledge is produced by an organisation and transferred to another (Stone, 2000); this process has particular relevance in PA, either because these initiatives often have an official value and result in publicly funded projects, or because PA is supposed to be more predisposed to cooperative mechanisms (Bowerman et al., 2001; Auluck, 2002). This attitude has been challenged by the rise of NPM, with its aim to instil competition in the delivery of public service.

In this case, for learning processes to happen, actors involved should be able to align their understanding of others’ experiences with the knowledge gained from their own past experiences (Hall, 1993).

### 3.1.2. Conscious and unconscious learning

While on the one hand learning is an actual process which both individuals and organisations can explicitly utilise to improve performance (Ortenblad, 2001), on the other hand everyone implicitly learns regardless of explicit desire: both individuals (Takeuchi, 1997) and organisations (Kim, 1993; Romme & Dillen, 1997; DiBella, 2003). In addition, the way individual or organisational learning takes place is conditioned by the learning style of the individual or organisation, whose capacities can be variable according to personal and contextual factors (Kolb, 1984 in Mumford & Honey, 1992; Finger & Brand, 1999; Reynolds et al., 2002; DiBella, 2003; Fenwick & McMillan, 2005). Among these factors, Takeuchi (1997) suggests the importance of focusing on personal ideals, beliefs and values of individuals. This tacit body of knowledge (by nature opposite to explicit, codifiable, verbalisable and transferable knowledge) is not in individuals’ conscious awareness; it results from experience and is likely to deeply affect learning and actual knowledge transfer.

All considered, whether learning actually happens (in any form: individual, social, conscious, unconscious) depends on the modifications it brings. Change in fact represents learning’s immediate effect (Argyris, 1994) and can develop at two distinct levels: superficially, it has an operational nature and results in the correction of how people act (defined as single loop learning); at a second and deeper level, change has a cultural nature and results in the correction of the core values underlying counter-productive behaviours (defined as double loop learning) (Argyris, 1994). Hall (1993) applies this same principle to LAO in the public sector, explaining how learning affects values and beliefs underlying policy approaches. This occurs at three levels: first, learning impacts on policy instruments, bringing small adjustments; second, learning affects policy making techniques and instruments; third, learning radically involves the hierarchy of values, objectives and instruments at the basis of PA’s activity.
Furthermore, transfer mechanisms are at the basis of learning. Transfer can be from the context to the individual, from the individual to the organisation, from an organisation to another. But how and when transfer actually intervenes in learning is widely debated; some authors claim that transfer represents the means by which learning is realised (Kim, 1993), while others consider it learning’s completion or consequence (Stone, 2000). What the literature commonly acknowledges is that transfer is an concept essentially distinct from learning, albeit necessary for learning to be effectively fulfilled.

In conclusion, learning is presented as a layered process. Within it individuals and organisations influence each other, affirming or challenging shared values. Also, learning has a multifaceted nature and can therefore happen, be stimulated or hindered in many different ways that depend on the involved individuals, the organisational context and the external network of relationships with which the organisation co-operates. In addition, transfer mechanisms are crucial in learning, as the next section explores.

### 3.2. Learning and transfer across organisations

This section explores the transfer of practices from one context to another, investigating why actors engage in transfer processes, which actors may participate, and what might actually be transferred across different contexts. It seeks to draw together insights from two different theoretical fields, namely policy transfer and organisational learning, which are often approached separately (Stone, 2000).

#### 3.2.1. Why? An analysis of motivations

Transfer may have two different forms: coercive or voluntary. While the former is imposed, the second is undertaken deliberately. Marsh and Dolowitz (2000) emphasise the difficulty of distinguishing voluntary and induced transfer; rather, it is more correct to speak of a policy transfer continuum going from drawing lessons to the imposition of a policy, programme or specific instruments by external agents.

In this regard, motivations are fundamental. Hudson and Lowe (2009) suggest that reasons for engaging in policy transfer can be linked to several elements: dissatisfaction with current performances, changes in the policy agenda, political strategies of legitimation, efforts to promote political alliances, and attempts to defeat political opponents. All these reasons might justify either a voluntary (actors deliberately engage in transfer to achieve one of these goals) or coercive transfer (these could be the goals of an external actor imposing the transfer).

Stone (2000) warns from hidden forms of coercive transfer, which may take place when the transfer is the condition to obtain the resources needed to achieve important political, financial and service-delivery goals. A typical example of this is represented by collaborative projects. These involve PAs which collaborate as they solely lack the funds and competences necessary to pursue relevant objectives; it often happens that these critical resources partly belong to third actors, for example to higher levels of government which
may decide to actually fund the project on the condition that the transfer happens (Agranoff & McGuire, 2003).

3.2.2. Who? An analysis of roles
Defining who participates in transfer processes is particularly important, as it enables a better understanding of their extent and limitations. Hudson and Lowe (2009) emphasise the importance of the three elements: stakeholders participating in transfer, the condition in which they operate, and how they are organised.

Participating stakeholders. Marsh and Dolowitz (2000) identify the following potential participants in transfer processes: elected officials, political parties, bureaucrats and civil servants, pressure groups, transnational corporations, think tanks, supranational governmental and non-governmental institutions-consultants, policy entrepreneurs and experts. Among these categories participating in cross organisational transfers, the role of those who generate knowledge should be considered as important as that of those fostering communication and sharing (Raelin, 1997). This suggests that transfer processes are more likely to succeed when a proper coordination of activity is implemented.

Conditions in which stakeholders operate. It is necessary to raise questions about what role stakeholders play in the transfer process. Hudson and Lowe (2009) clarify that transfer might take place between different countries or within the same country, at a national or subnational level and between different government levels. In this regard it is important to understand who provides and who receives knowledge. However, those participating in transfer should not be stably classified as givers or receivers, as this may change over time (Marsh and Dolowitz, 2000).

Organisation of stakeholders involved. According to Stone (2000: 14), transfer processes are multi-organisational phenomena and they are more likely to happen within policy networks or ‘governance structures involved in the delivery of goods and services’. Literature in this field suggests two main possible network architectures of formal projects oriented to knowledge transfer: benchmarking and community of practice. The paper focuses solely on benchmarking, which is defined as a continuous process of adaptation to best practices in order to achieve better performances (Auluck, 2002). Within the collaborative initiatives, institutions compare their performance and choose best practices transferrable across different contexts. For this to productively take place, Auluck (2002) suggests benchmarking should have the following features: support from senior management, integration with organisational strategy, planned, organised or managed teamwork, and mutual understanding of internal processes. The weakness of these conditions is that they all relate to the overall managerial capacity of the institution and to actors’ willingness to participate in the transfer process. While this suggests an impossibility of separating transfer success from the human factor (Marsh & Dolowitz, 2000), it also focuses attention on the extent to which knowledge may be transferred from one context and be effectively received within another.
In conclusion, the substantial dilemma is whether benchmarking is actually capable to generate productive results for citizens; this depends on the quality of transferred and produced knowledge and on those who contribute to it, as is explored further below.

3.2.3. What? An analysis of content's origin and nature
Knowledge transfer across organisations involves a number of topics related to policy making: goals, structures and content, tools, policy style; ideologies, ideas, attitudes, institutions; and negative lessons. However, more than the object of transferrable knowledge, the nature of its origin is relevant. Is knowledge intended as a rigid organisational commodity, or as an evolving product of the collaboration of all those who need it? In the former perspective the most relevant organisational processes regard information storage and sharing; in the latter, collaborative production and knowledge creation-dissemination is emphasised (Hovland, 2003).

The first interpretation, in particular, somehow reflects the values that underpin benchmarking, as previously analysed. In fact benchmarking architectures are more akin to a static idea of knowledge, considered as a single slot of information to be learned and transferred across organisations (Raelin, 1997). This has also strong implications on the kind of knowledge transferred. Benchmarking aims to identify best practices, although this idea is intrinsically contradictory and questionable. Defining something as 'best' implies some unrealistic assumptions (Edge & Richards, 1998): perfect rationality of actors and context; procedures specified and executed as expected; existence of a best way to achieve common goals, made clearly available to all; linearity and transparency of the process of identification, dissemination and transfer of best practices in different contexts; and full cooperation of the human resources involved in the transfer.

In summary, this section explored the complex nature of learning and its underpinning transfer mechanisms. The analysis discussed why transfer may happen, who may engage in it and what knowledge may be transferred. In particular, it argued that collaborative projects may represent hidden forms of coercive transfer. Consequently, the criteria upon which the funding bodies should consider the transfer as successful are fundamental; the actors involved may in fact collaborate to fulfil just the criteria needed to obtain the resources necessary to their personal goals (regardless of common goals or productive transfer). When benchmarking approaches are involved, the situation is even more complicated. This depends not only on the benchmarking's reliance on actors' willingness to participate in the transfer, but also on its underpinning rigid idea of knowledge, which may preclude adaptability to a wide range of contexts. Therefore, even if the measurement system was capable to identify best practices, this information could hardly turn into an actually transferrable knowledge.

4. Learning from each other: LAO projects limitations and threats
The previous sections introduced performance measurement, focusing on how it may affect learning and explaining how this links to transfer
mechanisms. The analysis now explores what might threaten formal LAO projects based on benchmarking.

The discussion develops through three sections, building on the idea of learning as a multi-layered process. Three categories of complications are identified, with some overlapping: first, how organisations relate to each other; second, how organisations can absorb new knowledge; third, how individuals live learning experiences, acquiring and processing information from the external environment. The three levels are also intertwined (Kim, 1993), as organisations are made of individuals and through individuals organisational learning, in all its forms, actually occurs.

4.1. Cross-organisational threats
This section focuses on issues affecting learning processes at a higher level, namely the socio-political context where organisations operate and the relationship organisations establish among themselves. Three jeopardising factors are considered: the economic and political situation, the compatibility between different organisations and the cross-organisational relations management.

Political and economic factors. Hudson and Lowe (2009) explain how an unstable socio-economic context (imposing strong constraints on government budgets), together with NPM’s influence (which preferably encourages income generating activities) could impair PAs’ attention to projects aimed at organisational improvement. By contrast, attention may be given to projects devoted to costs reduction or revenues generation. In addition, these pressures may prove difficult to maintain a focus on learning as a core purpose of performance measurement.

Compatibility between organisations. Compatibility between different organisational systems can be a problem. This can practically happen due to a lack of political/cultural affinity between organisational systems (Marsh & Dolowitz, 2000; Hudson & Lowe, 2009); this might derive from different political preferences or from the progressive strengthening of regional ethnic identities. This may in fact lead to inappropriate transfer.

Quality of the relationships between organisations. This third category of reasons emphasises, as in Raelin (1997) and Stone (2000) demonstrate, the importance of coordination and facilitation of communications between administrations in conducting LAO projects.

4.2. Organisational threats
This section focuses on LAO problems at the organisational level, exploring what disturbances might be generated by the settlement in an organisation of practices defined elsewhere. These fall into three categories: financial and organisational capacity to apply a certain set of policy instruments; policy employability within the organisational culture; and commitment towards what is transferred.
Financial and organisational capacity. A great contribution to this first factor is provided by the existence of explicit or implicit constraints to the use of financial and human resources. PAs might in fact be subject to budget constraints, preventing them from implementing the investments needed to properly adopt and run a certain practice. The same might be true for human resources availability. A second important factor is policy complexity, which makes it difficult to understand and apply policies in different organisational contexts (Hudson & Lowe, 2009).

Policy instruments’ employability. This factor depends on the organisational ‘absorptive capacity’, which means ‘the ability to locate new ideas and to incorporate them into an organisation’s processes’ (Easterby-Smith et al., 2008: 483); this dynamic ability to internally place new knowledge supports organisational improvement (Zahra & George, 2002), impacting on services quality. In particular, new knowledge may come from the existing employees’ learning experiences, albeit the organisation may not be able to exploit this potential (Fenwick & McMillan, 2005). Romme & Dillen (1997) explain this may be due to the fact that the organisation deliberately ignores what individuals learn. Or the organisation may be unable to store the knowledge derived from individual learning experiences, or might be unable to translate organisational mental models’ change.

Commitment. The third factor concerns the extent to which practices learned are of some interest for internal and external stakeholders: politicians, bureaucrats, citizens. In particular, from an internal perspective (meaning stakeholders of various kinds inside the organisation) the type of human resources involved in the learning experience has much relevance; in fact, if it involves higher organisational levels or the organisation’s political sphere, the initiative is more likely to be fulfilled positively (Schein, 1999). Furthermore, the link between these hierarchical categories has considerable relevance. Vince & Saleem (2004) explain that in contexts characterised by a rigid hierarchy and a strong emphasis on individual responsibility, people are afraid of change; this includes learning experiences. It happens then that when any change is about to occur, people play cautious behaviours, blaming each other for the upcoming difficulties. This gives rise to a general distrust that prevents communication and productive learning. These circumstances are exacerbated by the rise of NPM values, which give more importance to competition rather than collaboration (Thiel & Leeuw, 2002).

4.3. Individual threats
This section focuses on the issues affecting LAO at the micro level, with the aim to explore the conditions that may prevent individuals to accept and adopt inputs from LAO experiences. These criticalities arise from three main factors: the existence of explicit organisational resistances; the lack of technical and managerial competences; the reduced capacity or ability to understand the policy instruments to be implemented.

Explicit organisational resistances. This factor refers to the recalcitrance of actors impacted by the transfer, who might withstand the changes learning will produce on the organisational structure and on the ‘tried and proven way
of doing things’ (Argyris, 1994: 346). Argyris (1994) in particular explains this concept in terms of ‘defensive routines’; in his view, people’s behaviour is addressed towards avoiding personal embarrassment or challenges to their status. This takes place in the form of unilateral control, face-saving and poor knowledge sharing.

**Lack of technical and managerial competences.** This concerns actors’ expertise and preparation in the field covered by the policy instruments to be implemented. Managerial skills and actors’ ability to properly plan the policy adoption within the organisation are also particularly relevant (Auluck, 2002; Bowerman et al., 2001).

**Reduced understanding.** This factor concerns the actual understanding of individuals and the way they live the LAO experience. According to Argyris (1994: 346) learning failures may depend on what he calls ‘cognitive impairment’. This indicates the contradiction between ‘what people publicly state as their intentions and what they actually are able to produce’. Romme & Dillen (1997), on the other hand, consider that individuals might encounter specific difficulties in putting their knowledge into practice, as a consequence of several contingencies: actions undertaken on the basis of what has been learned might be based on erroneous assumptions; actors might change how they do things, but without changing their underpinning values; and individuals might not be able to put what learned into practice because of too rigid procedures.

In conclusion, this section focused on the difficulties LAO projects based on benchmarking may meet. The analysis argued that knowledge produced and transferred from third organisations may fail to be incorporated in the organisational culture. This could depend on several threats emerging between the collaborating organisations, within the organisational boundaries or at an individual level. Consequently, even if the measurement system succeeded in identifying best practices and the information produced turned into a useful transferrable knowledge, LAO may be fruitless.

Building on what has been discussed thus far, LAO projects may not be considered as a proper answer to taxpayers’ need for an improving public service. However, some levers could be put in place to increase LAO projects’ probability of success.

5. **Conclusion**

This paper questioned performance measurement’s usefulness, exploring the extent to which this may actually trigger improvements in PA. The analysis explored how and why assessing services’ quality can trigger learning mechanisms. In particular, the paper focused on LAO initiatives based on performance measurement; in these specific circumstances, PAs define a common system for measuring performance, identify best practices through a shared benchmarking system and hopefully transfer them among each other in order to generate positive outcomes.
The analysis showed that although performance measurement may help the organisational awareness of its own strengths and weaknesses and may support practice transfer across organisations, reality makes everything more complex. The extent of this complexity has been explored through a comprehensive analysis of three strands of literature, traditionally treated separately: performance measurement in PA, organisational learning and policy transfer.

### 5.1. Key themes emerging from the literature review

The analysis developed through subsequent steps, presenting performance measurement as a valuable albeit contested concept. In particular, it defined the context where performance measurement was strengthened; to this end, the paper analysed the birth and spread of NPM and its related issues. Then learning aspects related to measurement were discussed; how measuring can help PAs to work better and, ultimately, to provide a better use of public resources. It was shown how, through performance measurement, PA can focus on its abilities and limitations and identify best practices.

#### Table One: Processes and criticalities framework

<table>
<thead>
<tr>
<th>Processes</th>
<th>Analytical</th>
<th>Managerial</th>
<th>Emotional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance measurement</td>
<td>• Choice of indicators and metrics (Behn, 2003)</td>
<td>• Capacity to manage the relationship between involved actors (Yang &amp; Holtzer, 2006)</td>
<td>• Defensive routines (Argyris, 1994)</td>
</tr>
<tr>
<td></td>
<td>• Choice of targets (Johnsen, 2005)</td>
<td></td>
<td>• Conflicting goals and interests (Smith, 1995)</td>
</tr>
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<td></td>
<td>• Choice of weights (Kelly, 2005)</td>
<td></td>
<td>• Evaluators and evaluated involvement (Yang &amp; Holtzer, 2006)</td>
</tr>
<tr>
<td>Organisational Learning</td>
<td>Transfer and Absorption</td>
<td>Rise of NPM</td>
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</tbody>
</table>
|  - Reduced understanding (Argyris, 1994; Romme & Dillen, 1997)  
  - Lack of analytical competences (Auluck, 2002; Bowerman et al., 2001)  
  - Rigour in knowledge storing (Hovland, 2003)  |  - Reduced understanding (Argyris, 1994; Romme & Dillen, 1997)  
  - Actors’ organisation and linkages (Stone, 2000)  
  - Actors’ managerial competences (Auluck, 2002; Bowerman et al., 2001; Stone, 2000)  |  - Defensive routines (Argyris, 1994)  
  - Learning disturbances due to the relationship of individuals with the organisation or with what they are learning (Romme & Dillen, 1997)  
  - Motivations to learn (Stone, 2000)  |
|  - Actors’ organisation and linkages (Stone, 2000)  |  - Roles distribution (Raelin, 1997; Schein, 1999)  
  - Absorptive capacity (Easterby-Smith et al., 2008)  |  - Defensive routines (Argyris, 1994)  
  - Motivations to transfer (Marsh & Dolowitz, 2000)  
  - Willingness to transfer participation (Marsh & Dolowitz, 2000)  |
|  - Absorptive capacity (Easterby-Smith et al., 2008)  |  - Organisational and financial capacity (Hudson & Lowe, 2009)  |  - Defensive routines (Argyris, 1994)  
  - Competitive rather than collaborative feelings (Thiel & Leeuw, 2002)  |
|  - Organisational improvement capacity (Zahra & George, 2002)  |  - Effectiveness of knowledge production and dissemination (Hovland, 2003)  |  - Defensive routines (Argyris, 1994)  
  - Compatibility with other organisational realities (Hudson & Lowe, 2009)  |

The analysis then investigated the transfer mechanisms underpinning learning from best practices. It then analysed the threats from which learning
suffers at the individual, organisational, cross-organisational level. Overall, the literature review explained how performance measurement, best-practice identification and best-practice transfer across organisations might be threatened by a broad range of critical issues; these may arise from four main processes and might fall into three distinct categories, as summed up in Table One.

The first process involves performance measurement: it includes measurement system definition, assessment and benchmarking activities. The second concerns organisational learning. It includes activities related to best practices identification and dissemination. As previously highlighted, this process happens at three levels and might suffer from three complications: individual, organisational, cross-organisational. The third process (closely interrelated with the second) concerns knowledge transfer and absorption. It includes knowledge management and how organisations incorporate new stimuli and ideas. The fourth process, which takes place in relation to the first three, and deeply affects them, is about the rise of NPM, its rules and ethos; the axiological system change that NPM generates (along with the internal processes restructuring it requires) constitutes in fact a concrete ongoing process.

Each of these four processes is affected by three possible types of problems. The first are analytical issues. These include: choosing appropriate indicators, targets, and weights; the possession of specific analytical skills, methodological rigor in information storage-management and full understanding of the measured variables; the quality of the mechanisms for identifying best practices and best practices compatibility with the resources and expertise of the organisations involved. These critical issues are to some extent amplified by NPM’s managerialism, which discourages specific analytical knowledge.

The second type of problem is managerial issues. These include: quality and intensity of evaluators and evaluated involvement; compatibility with other organisational realities, stakeholders’ managerial skills together with their full understanding of the ongoing change; organisations’ financial and human resources, roles distribution within LAO projects, and overall organisational capacity to incorporate new knowledge. NPM acts on these problems in two ways: on the one hand it places a direct responsibility on the role of managers and their ability to manage public resources; on the other, it shifts the focus of the organisation from service improvement to revenues generation and costs reductions.

The final problem is emotional issues. These include the existing pattern of resistance within the organisation: conflicting interests and objectives; lack of motivation towards learning or problematic nature of the relationship with the actors involved in the project; and lack of motivation and willingness to support knowledge transfer. NPM expands these contested points, as it encourages competition at the expenses of collaboration between individuals, increasing defensive mechanisms, which undermine projects in this area.
Successful learning depends on the ability PAs have to handle these difficulties.

5.2. Are PAs really able to face these challenges?
Service's quality measurement is an important tool for getting aware of the functioning of the administration. However, it struggles to work fluidly and consistently with citizens needs or with the actual organisational mechanisms. The quality and genesis of transferred policy instruments are crucial factors; it is unrealistic to believe that practices developed in one context may work in another without proper adjustments and a critical approach to performance measurement results.

Tools and methods adopted to transfer knowledge about procedures and services across different contexts have to be carefully chosen. In this respect, measuring performances with the aim to identify best practices replicable elsewhere may not be the most proper method to get the desired organisational improvement. However, collaborative projects often rely on performance measurement and best-practice identification with the aim to disseminate effective operational models across the public sector. It would then be worth considering what follows; this process needs huge support both from internal PA stakeholders and from funders at higher levels of government. While the former are asked to undertake measurement and transfer to the best of their capabilities, the latter must support these processes by ensuring both control and dissemination of the required skills to obtain the best outcome possible. This is crucial to prevent inappropriate behaviours, and to support PAs that lack the resources and skills needed to productively handle the processes and criticalities discussed. The spread of best practices in PA based on quality measurement might then happen successfully; the condition for this is that this process is properly monitored and supported with resources and skills able to take full account of the whole spectrum of underpinning human dynamics.

Bibliography


The Great Recession and the cracks in the labour market: are small-to-medium enterprises (SMEs) the answer?

Sophie Mackinder

Abstract
This exploratory study undertakes quantitative analysis to uncover trends in regional SME health and the labour market. This is important, particularly in a post-recessionary period, as SMEs are significant contributors to job creation but are vulnerable to risk-averse strategies by the financial sector. It investigates both the domestic market within the UK and the wider comparative elements of market infrastructure, through comparison of varieties of capitalism. Bivariate analysis finds that regional trends are apparent within the amount of finance SMEs receive and the unemployment rate. While sophistication of analysis is compromised by data availability, it points to an urgent need both within the UK and the international community for investment in fit-for-purpose data production which focuses on the relationship between bank lending to SMEs and the labour market, and complementary research. It highlights implications on post-recession recovery policies and the future of capitalism.

1. Introduction
Since the financial crash of 2008 and the consequent recession, the concept of stakeholder capitalism and the philosophy of free markets have been under scrutiny. The ideals of the global market, led by the economic principles of the UK and the US in particular, have been accused of causing global financial and economic instability, and increasing the divide between rich and poor by their assumptions of competition and winner-takes-all mentality. Against this backdrop, a new focus on small to medium enterprises (SMEs) has emerged, as global and national policymakers begin to acknowledge their influence on the economy and labour force, and their potential to stimulate the struggling markets and provide employment.

The international picture of SMEs shows wide variety in the ability of SMEs to survive the effects of the crash and to counter its consequences; while some countries such as Germany, Sweden and Turkey have managed to sustain and often increase growth within the segment, SMEs in other countries have struggled to survive. The US and the UK in particular, with their heavy economic emphasis on the financial markets of New York and London, have struggled to support their SME segment to ensure survival and growth. A key reason for this, and one that is inextricably linked with the UK and US’s reliance on the financial sector, is the difficulty SMEs have in accessing finance.

This paper investigates the ability of SMEs to promote economic performance by focusing on the effect of restricted access to finance on the labour market. The paper serves an exploratory purpose, to uncover trends in regional SME health and the labour market.
2. Background

2.1. The Great Recession and the contribution of SMEs to recovery
Arguably the greatest challenge that UK society has faced in recent years is the consequences of the global financial crash that occurred in 2008. While debates about the cause of the crash continue, many commentators agree that the deregulation of the financial and housing sectors that occurred since the Reagan and Thatcher era of the 1980s, often referred to as ‘neoliberalism’, contributed significantly to the turmoil. The reaction and crisis-control measures of governments led to extensive bail-outs, nationalisation of banks and severe austerity measures, which impacted directly on the welfare systems of most countries (Kitching et al., 2009; Lallement, 2011), in particular employment markets.

After the crash, SMEs were identified by both national governments and academics as a key factor in the pursuit of economic recovery, due to their significance within the labour market (Ardic et al., 2011). In the UK, they account for 99.9% of all private sector firms, employ 14.4 million people and have a combined turnover of £1.6 billion (FSB, 2013). Governments turned to SMEs to bridge the employment crisis and to contribute to the re-stimulation of the economy, considering them to be more flexible and resilient in times of recession, and that the business types they favour are more labour-intensive (Cowling et al., 2012), and therefore have higher requirements of the labour market.

However, this theory and approach to recovery is undermined by a capitalist paradox; namely, that SMEs – more so than large corporations – are highly reliant on bank loans to achieve economic growth and contribution. As such, business activity within SMEs is limited during times of recession by the constraints on bank lending that are a consequence of economic turbulence. SMEs are also considered by banks to be riskier investments than larger, established corporations (Ardic et al., 2011; Armstrong et al., 2013). Indeed, the UK and the US struggled to maintain the levels of bank lending seen prior to the crash, with levels of lending significantly decreasing and in fact dipping below 2007 levels, in 2011 for the UK and in 2010 for the US. Other countries, however, managed not only to maintain their pre-crash levels of lending, but also to build on them (OECD, 2013).

This variation in success between countries raises the important question as to why some SME markets are more robust than others against financial turbulence. The grouping of the US and the UK is significant, as there are many comparative theoretical models that show similarities between these countries, based around their liberal markets, which could provide insight into this question. One theory that is particularly prudent to the private sector in which SMEs fall, is Hall and Soskice’s (2001) Varieties of Capitalism theory.

2.2. Varieties of Capitalism
Hall and Soskice’s (2001) theory categorises different economic frameworks by how their institutional architecture is coordinated (Lallement, 2011). Their
empirical work suggested two categories: *liberal market economies* (LMEs) and *coordinated market economies* (CMEs).

LMEs, such as the UK, the US, Canada and Ireland, are almost entirely market-led. Success and credibility is engendered entirely through financial indicators, such as current earnings, profitability and share price; any indicator that is publicly accessible. Their ability to obtain finance is secured entirely through their equity market valuation and this public information. Both product and wage pricing is reliant on macroeconomic policy and the health of the market. CMEs, such as Germany, Switzerland, Austria and the Scandinavian countries, are less at the whim of market forces. The value of a company within a CME is based not solely on financial indicators, but also on reputation and complex information-sharing through close trans-corporation networks and institutions.

It is against this backdrop that a pattern emerges when the trends of SME loans are revisited. LMEs such as Canada, the UK and the USA have struggled to maintain the levels of 2007 lending, with the latter two even dropping below those levels. CMEs, however, such as the Scandinavian countries, have continued to grow despite the financial crash. The close coordination between industries and institutions, in particular between banks and corporations, means that the market is less able to dictate prices and wages within CMEs and, therefore, the economy is protected against its fluctuations. As SMEs do not have access to capital markets to the extent that larger corporations do, their reliance on bank lending is of huge significance, and these personal, long-term relationships between banks and companies that are developed through a coordinated market, based on extensive information-sharing and reputation, means that their access to finance is not exclusively influenced by the behaviour of the market. Corporations in Germany tend not to have multiple bank relationships, meaning that competition for business is reduced, information-sharing is encouraged and banks need not take as many risks with their lending, particularly during times of economic downturn. LMEs, in contrast, do not have a corporate governance system that encourages close relationships between banks and companies, and consequently, in times of crisis, banks are lacking in information on their potential customers. This creates heightened risk and uncertainty associated with investing in SMEs, which goes against bank policy during recessionary periods.

### 2.3. Access to finance for SMEs

Access to finance is crucial for SMEs in order to start up and ensure market growth (Cowling et al., 2012; Armstrong et al., 2013; Floreani 2014). However, SMEs are at a disadvantage compared to larger corporations when applying for loans, for several reasons: i) they have less collateral available against which to secure loans, ii) their financial situation is more opaque, due to lower reporting requirements (Armstrong et al., 2013), and iii) they lack the pricing power of their larger competitors, and therefore have less influence on the market. This consequent ‘uncertainty’ that the banks experience when dealing with SMEs has a major effect on SME lending due to the associated perceptions of default risk (Armstrong et al., 2013). Research conducted by
Cowling et al. (2012) suggests that during times of economic stability, banks are willing to acknowledge a rich variety of publically available business criteria on which to make their lending decisions, while during times of recession the only criteria are seriously considered is firm size. SMEs in the UK consequently experienced a fall in credit supply of 13% (Cowling et al., 2012) by December 2009. Even post-crisis the banks were unwilling to return to pre-crash lending practices, so SMEs experienced ongoing tight credit conditions well into 2012, with rejection rates apparently increasing even compared to 2008 (Armstrong et al., 2013; Floreani, 2014). A survey undertaken by the World Bank that investigated banks’ perception of SMES brought home this point; even though banks considered the SME segment to be profitable and have good prospects, their main driver for engagement was perceived profitability; meaning that SMEs, being more likely to default than larger forms, experienced higher bank fees and a lower chance of being granted loans (Beck et al., 2008).

2.4. Capital-labour relations

Directly after the crisis, national governments employed both direct and indirect policies to prevent the collapse of the labour market. The indirect policies looked to stimulate the financial markets and encourage lending through incentives. The direct policies differed between governments. Some revised their employment benefits, extending the coverage of those eligible to apply (e.g. the US), or increasing the generosity of those already in place (e.g, Switzerland). Other governments, including the UK, offered training programmes, personalised job-searching assistance or career counselling to increase human capital. Germany used working time reductions in order to reduce labour costs and prevent job losses (Heyes et al., 2012).

Hall and Soskice (2001) argue that due to the stronger employment protections seen in CMEs, employment is protected even in face of a recession. Heyes et al. (2012) dispute this, claiming that their prediction has not been supported by the evidence that has arisen since the 2008 crash. In particular, they highlight the OECD’s employment legislation index, which suggests that the strength of CME countries’ employment protection systems weakened in the run-up to the crash, while LMEs’ increased. However the OECD reviewed these figures in 2009, showing the opposite trend, i.e. that Germany’s protection levels increased in the run up to the crash, and maintained them afterwards, whereas the UK, despite a small increase before the crash, returned to previous levels afterwards. This suggests that Hall and Soskice’s (2001) theory is empirically supported by post-crash figures, in that not only are lending systems in CMEs better protected and consequently more robust against ‘exogenous shocks’ within the market, but also that the protection provided by CMEs to the labour force is not necessarily under threat from the neoliberal forces that govern the international markets, as Heyes et al. (2012) suggest.

Hall and Soskice’s (2001) theory is further endorsed by the patterns seen within in the employment statistics. Germany, the archetypal CME, had an increase in unemployment rate of only 0.2% between 2008 and 2009, unlike the 2.4% increase experienced by the UK over the same period, or the
overwhelming leap for Ireland of 6.4% (Lallement, 2011: 632), another LME. After 2010, Germany’s recovery continued with a growth rate that doubled that of any other country within the Eurozone (Lallement, 2011). This would suggest, therefore, that in comparison to CMEs, LMEs are far less stable and less able to protect themselves against what Stiglitz and Weiss describe as ‘exogenous shocks’ (Stiglitz and Weiss, 1981: 393).

The problem of instability for the labour market within times of financial crisis is critiqued by Schröder (2009), who highlights a covariance between Hall and Soskice’s (2001) bilateral Varieties of Capitalism theory, which focuses on the production systems of capitalist societies, with Esping-Andersen’s Three Worlds of Welfare Capitalism (1990), which focuses on looking at governmental approaches to the social inequalities that arise from a capitalist economy. Schröder points out how both typologies arrive at similar country groupings (2009). All countries within Hall and Soskice’s (2001) LME model also have what Esping-Andersen (1990) termed a ‘liberal’ welfare state, whereas Esping-Andersen’s social democratic or conservative welfare models incorporate the same countries that fall into the CME grouping. Schröder (2009) examines the possibility that certain welfare and production arrangements influence each other, or whether a third variable creates the correlation. His hypothesis suggests a chicken-and-egg scenario, in that the production and welfare systems support each other, e.g. for CMEs, the institutions that are required to manage the organisation of a coordinated market, such as trade unions, mean that potential recipients of welfare support are in a ‘privileged position to push further towards a welfare state that conforms to its aims, and in times of financial austerity it may veto its retrenchment’ (Schröder, 2009: 29). Furthermore, where highly specialised skills are required, generous wage replacement rates that counter the potential risk of layoff need to be offered as incentives to train in highly specific skills, which otherwise potentially limit the labour force to certain firms and industries. So the benefits of a robust welfare state favour not only the trade unions, but employers’ associations as well.

Schröder concludes that ‘if certain conceptions of social justice prevail in a given country or in a number of countries, then it should come as no surprise if these conceptions not only permeate welfare but also production regimes, transcending both spheres through attention to the conflicts surrounding the labour movement’ (2009: 30). The consequence of this for LMEs such as the UK, is the philosophy of liberal welfare countries of restrained public expenditure, ungenerous welfare benefits that are targeted on the very poorest of society, and limited redistribution through taxation. CMEs have a more hands-on role for the state through high-level taxation and a generous social security system, meaning that there is a higher level of protection for those affected by the collapse of the market.

Without this high level of protection, labour market problems within LMEs such as the UK are further exacerbated in times of recession. Structures are not in place to support those who have been affected by the deflation of the economy, having already been adversely damaged by the restriction of bank lending.
2.5. The state of bank lending to SMEs globally and in the UK
Various studies have provided insight into the current state of SME lending. Empirical observations show that access to finance was one of the most pressing problems experienced by SMEs, especially in LMEs such as Ireland (European Commission, 2013). The evidence also suggests that micro- and new SMEs were significantly more likely to be rejected (European Commission, 2013), and that SME loan decisions were usually centralised, suggesting a reduction in localised information sharing (Beck et al., 2008).

The OECD (2013) provided a country profile of the UK in 2011 outlining the state of SMEs. At this point the UK had 4.5 million SMEs, representing 99.5% of all firms. Significantly, given the EC evidence suggesting that size is a significant factor in capability of securing loans, the vast majority of these were micro-SMEs (82.2%); nearly three quarters of all SMEs had no employees at all (74.1%).

Surprisingly, given the new role of SMEs within recovery, there are few datasets that are publicly available that lend themselves to close analysis of the state of SME finances and practices within the UK. Studies undertaken on the few that do (UKSMEF, SMEFM) unsurprisingly suggest that availability for SMEs dropped after the recession (Cosh et al., 2009; Kitching et al., 2009; Cowling et al., 2012; Armstrong et al., 2013; Cowling et al., 2014; Smallbone et al., 2012b; BIS, 2013a). The extent of the drop is disputed; for example Cowling et al. (2012) claim it fell from 90% to 70%, whereas Cosh et al. (2009) suggest a decline from 78% to 55%. Despite these discrepancies, however, all studies are in agreement that lending significantly fell.

The literature suggests three principle factors that influenced SMEs’ ability (or lack of ability) to survive in a recession. The first was access to external finance, which was not only restricted in the direct aftermath of the crash, but continued even as the country emerged from recession (Armstrong et al., 2013; BIS, 2013a; Cowling et al., 2014). The second was related to demand, or the lack of it. A decrease in sales after the crash was echoed in a decrease in the demand for finance (Cowling et al., 2013; Cosh et al., 2009; Kitching et al., 2009). However, this decrease came a few months after the crash, in 2009, despite the decrease in sales being immediate (Cowling et al., 2012). This was indicative of disequilibrium in demand and supply, further destabilising the segment.

The final factor was related to the turbulence of the supply and demand, in that an SME’s ability to adapt to rapidly diminishing markets was crucial to its chance of survival. The changing behaviours and capabilities or customers, suppliers and competitors meant that without reliance on internal resource, or highly fluid business models, their chance of survival was compromised (Kitching et al., 2009; Armstrong, 2013).

The policy responses put in place by the UK government focused predominantly on fiscal concerns of the businesses (BIS, 2013b; BIS, 2014b). The initial recovery package announced at the latter end of 2008 focused on stimulating demand by various means, including reducing VAT to 15%,
bringing forward £3bn of capital spending, a new HMRC scheme to allow any financially struggling firm to pay their tax bills on a more flexible basis, and tax reliefs for businesses now making losses (Cosh et al., 2009: 17). The focus on SMEs specifically came in the form of guarantee schemes, as was the common response in most countries (Ardic et al., 2011; OECD, 2013). The government launched the Enterprise Finance Guarantee (EFG) in January 2009, replacing the Small Firm Loan Guarantee Scheme (SFLG), to encourage banks to lend to SMEs that did not have the collateral or proven track record required to secure a lending. The government guaranteed £2bn in funds until 2014-15, and the scheme was available to the majority of business sectors, with businesses of a turnover up to £41m, requiring loans of between £1,000 and £1m. The effects of the scheme were immediate, with the volume of loans in 2009 tripling compared to 2007-08 under the SFLG. However, the loans quickly declined again throughout 2010 and 2011, as the banks reached the limit of what they could receive through the programme, and consequently began once again to restrict lending (OECD, 2013). The government therefore increased the limit in guarantee payments in March 2012, to encourage further uplift in bank lending.

Other schemes as well as the EFG were introduced, including:

- **The Funding for Lending Scheme (FLS)** was considered by politicians and the media to be the most significant scheme with regard to SMEs, despite not being SME-specific. It provided banks with covered four-year funding with below-market rates (OECD, 2013).

- **The Enterprise Investment Scheme (EIS)** was specific to small companies, and encouraged investment in their start-up and development. Any amount up to £1m invested in a company with fewer than 250 employees received 30% tax relief (OECD, 2013).

- **The Seed Enterprise Investment Scheme (SEIS)** was specific to microbusinesses; companies with up to 25 employees and assets of £200,000 can receive funding from investors who receive a tax relief of 50% on the amount invested.

These packages make up a considerable programme of support for the banking sector and for financial reassurance for small businesses, which is unprecedented and reveals the UK government’s concern for the sector (BIS, 2013b; BIS 2014b). However, they are purely concerned with the supply of finance side – a key consideration is whether such policies can receive traction when the demand side is apparently neglected. Cosh et al. (2009) suggest that ‘for the financial package to be effective a parallel programme of fiscal and public sector activity to significantly boost demand will be required’ (p. 40).

### 2.6. SMEs and the labour market within the UK

Given the key role that is acknowledged by many academics and policymakers of SMEs on the combatting of unemployment, there is surprisingly little literature that addresses this subject directly. De Kok et al. (2011), looking into how the growth of SMEs within the European Union has contributed to employment, show that net employment has increased considerably between 2002–2010, and 85% of this employment growth has
been registered as within the SME size class. The overall employment share held by SMEs in general is 67%. This indicates, therefore, that the employment share of SMEs within the EU has increased. Significantly, the highest growth rate is within the small and micro size classes, who provided up to 57% of the employment growth increase (ibid.).

All the literature agrees that SMEs were hit harder than larger firms by the recession, mainly due to the decrease of demand and the difficulty of accessing finance, as discussed in Section 2.5. Cowling et al. (2012) calculate that only 15 to 20% of SMEs were able to grow their employment figures during the recessionary period of 2008–10, while during boom times the average employment growth was 30% (2014: 20). Where the literature disagrees, however, is the length of the negative effect that the recession had on the labour market contribution of SMEs. De Kok et al. (2011) suggest that negative effects continued until the 2010, and it was only in 2011 (when the survey was held), three years after the crash, that the situation began to potentially improve. Cowling et al. (2014), however, suggest that after an initial dramatic downturn in the first six months after the crash, firms began to create jobs again within the year, even at a time when fewer firms were growing their sales than in economically stable times. The implication here is that after the initial downward employment correction, SMEs were able to recover quickly in labour terms, as they show more resilience and flexibility than larger firms as economies pull themselves out of recession.

3. Methodology
In an ideal situation, in order to test empirically the theoretical assumption that the variety of capitalism that a country adopts has an effect on its bank lending relationship with SMEs, and consequently its ability to react and recover from an exogenous economic shock, comparable data is required from both an LME and a CME. However, as many international institutions have acknowledged (Ardic et al., 2011; OECD, 2013; Beck et al., 2008), international data regarding SMEs is scarce and frequently incomparable, due to issues such as differing opinions regarding the definition of an SME. This analysis, therefore, has focused on the bank lending to SMEs within the UK. A further shortcoming within the data available is that there is no scope for pre-recession, recessionary and post-recessionary periods. Until 2013 the only datasets available to gain insight into bank lending to SMEs were government surveys such as the Annual Small Business Survey or the SME Finance Monitor – both surveys aimed at a sample of SMEs and their access to finance, which often focuses on their perceived access to finance, rather than the reality. However, the British Banking Association (BBA) has, in association with the largest banks in the UK, developed a programme where SME lending (together mortgage lending and personal loans) data are released quarterly, and provides that amount lent to SMEs in large geographical detail (BBA 2013). This is a welcome development, as it means that longitudinal and geographical trends can be analysed in detail over time. However, this data release only commenced in June 2013, meaning that pre-recession and post-recession analysis using this data is not possible at this time.
The indicator chosen to measure bank lending to SMEs was the average amount lent to SMEs within a regional area. The reason for this is that the financial amount given per SME has not been explored with relation to the economic impact and contribution to the labour force by an SME – all surveys at this point have been essentially binary, as to whether or not SMEs received the finance they requested (Armstrong et al., 2013; Cowling et al., 2012), not the amount received. This new approach of examining the financial level is made possible by the release of the new dataset by the BBA. The BBA data used for this study was the second release, dating from September 2013. The participating banks are Barclays, Lloyds Banking Group, HSBC, RBS Group, Santander and Clydesdale & Yorkshire Banks, which the BBA claims represents 60% of all SME lending in the UK (BBA, 2013). Each SME is attributed to the postcode where their primary trading location is based. Small postcode sectors are redacted for confidentially purposes, a total of less than 2%. The term ‘postcode sector’ refers to Royal Mail categories, and there are approximately 10,000 postcode sectors available.

Unfortunately, the data for number of SMEs per postcode sector is not available in the UK – the smallest geographical region for which number of SMEs is provided is by unitary authority (UA). It was necessary therefore to aggregate all source data to UA level, which severely limited the detail of regional variation that the research could analyse, and significantly restricted the number of cases that could be included within the analyses. For the BBA data, the ONS Postcode Directory (UK) for August 2013 was used to perform the aggregation, as it is the postcode dataset that was nearest in date to the BBA data. Some postcode sectors fell over two or more UA boundaries – in these cases it was necessary to split the gross amount lent for a particular postcode level between unitary authorities. This was a crude solution but the shortage of more detailed data for the geographical placement of SMEs rendered it necessary – and again highlights the problems regarding SME lending data. The postcode sector data for Northern Ireland was particularly problematic in this regard, so for the purpose of this analysis Northern Ireland was excluded. The dataset ‘UK Business: Activity, Size and Location 2013’ from the Office of National Statistics, released in October 2013, provided the number of SMEs per UA. Companies with up to 250 employees in each UA (see Section 3.2) were included. The businesses included make up approximately 64% of the overall number, which correlates closely with the 60% coverage provided by the BBA data.

The indicators chosen to measure the health of the labour market were the unemployment rate, the employment rate and the economic activity rate. These were chosen as they are regularly used within the literature to measure UK labour statistics (Gomes, 2012; Floreani, 2014). However, these are limited in their usefulness due to the binary assumptions of the data. When taken for non-longitudinal analysis such as this, they do not look at ongoing trends and labour flows within the regions, and do not provide insight into business characteristics or human capital characteristics, which, given the insight provided by the literature, are significant when looking at SMEs’ abilities to secure finance and to ensure growth. Despite these limitations,
given the lack of alternative data, the three indicators chosen were the best that could be sourced. Labour market statistics were provided by the NOMIS Annual Population Survey for 2013. Employment rate, unemployment rate and economic activity rate were taken for each UA. When data was not available on a regional level for any of these rates, it was designated as ‘missing’ and excluded from the analysis. Amalgamation of these four datasets, with aggregation to unitary authority level where necessary, results in a dataset that provides the following variables at unitary authority level: (i) gross amount lent to SMEs, (ii) number of SMEs, (iii) average amount lent per SME, (iv) unemployment rate, (v) employment rate, (vi) economic activity rate.

Due to the need to aggregate to UA level, the number of cases within each region is significantly reduced (i.e. a case equals a unitary authority of which there are 328, rather than a postcode sector, of which there were c. 10,000). This means that the statistical significance of the analysis will be compromised, as the small number of cases indicates that the chance of bias is increased, and that the likelihood of statistically significant results being returned is reduced.

3.1. Hypothesis development
Given that access to finance is considered by SMEs within the UK to be one of the greatest barriers to growth, and given that SMEs are highly significant with regard to the health of the labour market within a given country, it is likely that there is a correlation between access to credit and employment and unemployment rates, and the economic activity within a given region. The motivating proposition behind this analysis is that credit restrictions can negatively impact the labour employment, unemployment and economic activity rates in the local market, with the implicit assumption that credit, growth and labour are complements within the SME segment. The assumption is made that areas with high unemployment rates, or low employment rates, are also affected by credit restrictions and limited access to finance by SMEs. Therefore, the analysis tests for whether a measure of SME lending is correlated with relatively higher levels of employment within regional areas. The null hypotheses are as follows:

\[ H_0(1): \text{There is no significant difference in the impact of restricted access to finance on unemployment rates.} \]
\[ H_0(2): \text{There is no significant difference in the impact of restricted access to finance on employment rates.} \]
\[ H_0(3): \text{There is no significant difference in the impact of restricted access to finance on the economic activity rate.} \]

3.2. Analysis
Descriptive statistics were undertaken to obtain the mean amount lent per region to SMEs, and the labour market indicators for each unitary authority.

\[ \text{The BBA dataset uses turnover as criteria for an SME, whereas the UK Business dataset uses size of labour force. This analysis has therefore had to combine two different definitions, increasing risk of error.} \]
Pearson’s R correlation coefficient analysis was then run to investigate correlation between the mean lent per SME and a) the economic activity rate, b) the employment rate and c) the unemployment rate. It would have been preferable to do a more detailed multiple linear regression to control for other factors, but the shortcomings of the data meant this was not possible. This means that conclusions drawn must be tentative, due in particular to three reasons. First, the low number of cases within each will have an effect on the significance levels that are outputted within the analysis. Secondly, as the analysis is purely correlation, care must be taken around assumptions of causality. Finally, as only bivariate analysis can be undertaken, it must be considered that there are additional external variables that may be having an impact on the analysis, which cannot be accounted for within the results.

4. Results
This section reports the descriptive statistics and the empirical results from the bivariate analysis.

4.1. Descriptive statistics
Table 3 reports the descriptive statistics of all the variables. Unsurprisingly, London is the region that has the largest number of SMEs, and consequently receives the most in terms of gross bank lending. However, more surprisingly, SMEs in London do not receive the highest average loan per SME, receiving nearly £10K less than the South West and Wales. Eastern regions that receive the lowest.

Table Three: Descriptive statistics of SME lending and labour market indicators within the UK

<table>
<thead>
<tr>
<th>Region</th>
<th>Gross lent (£ millions)</th>
<th>Number of SMEs</th>
<th>Average lent per SME (£)</th>
<th>Unemployment Rate</th>
<th>Employment Rate</th>
<th>Economic Activity Rate</th>
<th>N (UAs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>87,203</td>
<td>2,519,895</td>
<td>34,501</td>
<td>7.050</td>
<td>72.989</td>
<td>78.281</td>
<td>378</td>
</tr>
<tr>
<td>UK ex. London</td>
<td>73,011</td>
<td>2,089,860</td>
<td>34,632</td>
<td>6.895</td>
<td>73.258</td>
<td>78.465</td>
<td>345</td>
</tr>
<tr>
<td>England</td>
<td>75,391</td>
<td>2,212,610</td>
<td>34,080</td>
<td>6.942</td>
<td>73.339</td>
<td>78.553</td>
<td>324</td>
</tr>
<tr>
<td>North East</td>
<td>2,645</td>
<td>74,915</td>
<td>32,195</td>
<td>10.492</td>
<td>66.692</td>
<td>74.442</td>
<td>12</td>
</tr>
<tr>
<td>North West</td>
<td>8,688</td>
<td>243,075</td>
<td>36,503</td>
<td>7.430</td>
<td>69.697</td>
<td>75.246</td>
<td>37</td>
</tr>
<tr>
<td>Yorks &amp; Hum.</td>
<td>6,195</td>
<td>186,570</td>
<td>35,519</td>
<td>8.595</td>
<td>71.957</td>
<td>78.138</td>
<td>21</td>
</tr>
<tr>
<td>East Midlands</td>
<td>5,985</td>
<td>174,280</td>
<td>34,154</td>
<td>6.882</td>
<td>73.543</td>
<td>78.695</td>
<td>40</td>
</tr>
<tr>
<td>West Midlands</td>
<td>7,731</td>
<td>208,720</td>
<td>34,678</td>
<td>6.766</td>
<td>73.017</td>
<td>78.080</td>
<td>30</td>
</tr>
<tr>
<td>East</td>
<td>8,198</td>
<td>255,170</td>
<td>32,700</td>
<td>6.423</td>
<td>75.698</td>
<td>80.585</td>
<td>47</td>
</tr>
<tr>
<td>London</td>
<td>14,191</td>
<td>430,035</td>
<td>33,131</td>
<td>8.659</td>
<td>70.106</td>
<td>76.367</td>
<td>33</td>
</tr>
<tr>
<td>South East</td>
<td>11,663</td>
<td>399,145</td>
<td>29,216</td>
<td>5.843</td>
<td>75.718</td>
<td>80.263</td>
<td>67</td>
</tr>
</tbody>
</table>
The east/west divide is not, however, as apparent in the unemployment rates. The North East once again suffers within this category, suffering the worst unemployment rate in the UK, at 10.492, followed by Yorkshire and Humber (8.595) and London (8.659). The South East has the second lowest, however. The divide, therefore, if London is excluded, seems to be north eastern regions versus the southern regions.

With regard to employment rates, the North East once again suffers, with the lowest employment rates at 66.692, followed by Wales (68.590). The East (75.698) and South East (75.718), however have the highest employment rates, together with South West (75.517). The economic activity rates mirror the employment rates, with the East, South East and South West topping the list, with the North East and Wales at the bottom.

### 4.2. Bivariate analysis

The results of the Pearson’s R correlation coefficient analysis for unemployment rate, employment rate and economic activity rate correlated with average amount lent per SME are summarised in Table Four. The outcome for the whole of the UK for unemployment rate rejects $H_0(1)$; there is a statistically significant negative correlation between the unemployment rate and the average amount lent per SME. However, there is no significant correlation between employment rate and the average amount lent per SME, so $H_0(2)$ and $H_0(3)$ can be upheld for the UK as a whole.

The initial analysis concludes, therefore, that unemployment rate has a correlation with the average amount lent per SME. A scatter plot of the average amount lent versus the unemployment rate is shown in Figure Three. The correlation is relatively weak, showing a moderate negative correlation. The correlation increases slightly when London is excluded (Table Four).

<table>
<thead>
<tr>
<th>Region</th>
<th>Unemployment Rate</th>
<th>Employment Rate</th>
<th>Economic Activity Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>N</td>
<td>R</td>
</tr>
<tr>
<td>Whole of UK</td>
<td>-.160**</td>
<td>363</td>
<td>.050</td>
</tr>
<tr>
<td>UK excluding London</td>
<td>-.164**</td>
<td>331</td>
<td>.049</td>
</tr>
</tbody>
</table>

The correlation increases slightly when London is excluded (Table Four).
<table>
<thead>
<tr>
<th>Region</th>
<th>$r$</th>
<th>$n$</th>
<th>$b$</th>
<th>$a$</th>
<th>$c$</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>-.125*</td>
<td>310</td>
<td>.053</td>
<td>322</td>
<td>.009</td>
</tr>
<tr>
<td>North East</td>
<td>-.396</td>
<td>12</td>
<td>-.033</td>
<td>12</td>
<td>-.309</td>
</tr>
<tr>
<td>North West</td>
<td>-.203</td>
<td>37</td>
<td>.200</td>
<td>37</td>
<td>.143</td>
</tr>
<tr>
<td>Yorkshire &amp; Humber</td>
<td>-.689**</td>
<td>19</td>
<td>.811***</td>
<td>21</td>
<td>.736***</td>
</tr>
<tr>
<td>East Midlands</td>
<td>-.145</td>
<td>38</td>
<td>-.030</td>
<td>40</td>
<td>-.126</td>
</tr>
<tr>
<td>West Midlands</td>
<td>-.131</td>
<td>29</td>
<td>.241</td>
<td>30</td>
<td>.287</td>
</tr>
<tr>
<td>East</td>
<td>-.053</td>
<td>44</td>
<td>.011</td>
<td>47</td>
<td>-.003</td>
</tr>
<tr>
<td>London</td>
<td>-.121</td>
<td>32</td>
<td>.016</td>
<td>32</td>
<td>.119</td>
</tr>
<tr>
<td>South East</td>
<td>.003</td>
<td>65</td>
<td>.034</td>
<td>67</td>
<td>.016</td>
</tr>
<tr>
<td>South West</td>
<td>-.067</td>
<td>34</td>
<td>-.203</td>
<td>36</td>
<td>-.298</td>
</tr>
<tr>
<td>Scotland</td>
<td>-.198</td>
<td>31</td>
<td>.253</td>
<td>32</td>
<td>-.254</td>
</tr>
<tr>
<td>Wales</td>
<td>-.665**</td>
<td>22</td>
<td>.155</td>
<td>22</td>
<td>.227</td>
</tr>
</tbody>
</table>

*** = $p > 0.005$, ** = $p > 0.001$, *= $p > 0.01$.

**Figure Three: A scatterplot of unitary authorities in the UK showing the average amount lent to SMEs (£) per annum and the unemployment rate**

However, when this macrocosm of the trend in UK lending compared to the unemployment rates is broken down, further trends emerge. In particular, a north/south divide appears when the Pearson’s R results are put in descending order. Those with the strongest correlations are predominantly the northern regions, stretching through to the far west. Weaker correlations fall within the geographical area across the centre of England. Areas in the southern regions and stretching into the East have hardly any correlation.
These findings suggest that further within-region analysis is prudent. Yorkshire and Humber have the highest correlation and significance for the two variables and, interestingly, is the only region where employment and economic activity are also significantly correlated with average amount lent per SME. Continuing to focus on the unemployment rate, where the strongest correlation occurs, a scatter plot of the correlation reveals further regional trends (Figure Four).

**Figure Four: A scatterplot of unitary authorities in Yorkshire and Humber showing the average amount lent to SMEs (£) per annum and the unemployment rate**

The northern districts of Yorkshire, i.e. those within North Yorkshire County, the East Riding and York City, have a high level of lending per SME, and in general a lower unemployment rate. Districts within the West Yorkshire Metropolitan County area receive significantly less per average SME in bank loans than those in North Yorkshire, and have a higher unemployment rate than that seen in the northern regions. Districts within the South Yorkshire Metropolitan County, and coastal southern districts such as North East Lincolnshire and Kingston upon Hull have the worst unemployment rates, and receive significantly less per SME in bank loans than those in the more northern districts.

It also becomes clear when scatter plots are provided that there are also regional differences within the capital (Figure Five), despite it not being significant to the 95% level. The north regions of London receive the highest amount on average, although interestingly, they also tend to have a higher than average rate of unemployment. At the other end of the scale, the regions with the lowest amount lent per SME, and with the highest unemployment patterns, are situated in the east of London, despite this being the financial
hub of London. Southern and central boroughs are clustered around the average lent per SME, and the average unemployment rate.

**Figure Five:** A scatterplot of unitary authorities in London showing the average amount lent to SMEs (£) per annum and the unemployment rate.

![Scatterplot of unitary authorities in London](image)

Figure 6 provides a geographical representation of these regional groupings.

**Figure Six:** Regional variation of district authorities in London showing the average amount lent per annum to SMEs (£) and the unemployment rate (geographical representation of Figure 5).

![Geographical representation](image)

It is clear, therefore, that despite the many limitations of the data, there are various trends resulting from this analysis, both on the macrocosm of the whole of the UK, but also within the regions where statistical significance is strong, and in other regions where correlation is weaker.
5. Discussion
The analysis finds that there is no significant correlation between employment or economic activity and the average amount lent to SMEs apart from within the Yorkshire and Humber region, so H₀(2) and H₀(3) are mostly supported. However, there is a correlation between unemployment rates and the average amount lent to SMEs within the UK, so H₀(1) can be rejected.

The validity of these findings is undermined by the inadequacies of the data that is available for analysis, which impacts considerably on the sophistication of conclusions drawn. However, despite this, there are still some learnings and policy implications that can be extrapolated from the exercise, in particular with regard to regional disparities in funding. While the analysis does not disprove the literature (Sunley et al., 2005; Lee and Drever, 2014) that claims that deprived areas do not have more difficulty in access to finance, it does suggest that the average amount of finance available to SMEs has regional discrepancy. While the findings are tentative, they could point to two possible reasons for these empirical findings; SMEs in regions with high unemployment are either receiving the same level of funding as other regions, but fewer are receiving it (which would, with caveats, disprove the anti-geographical targeting literature), or that they are receiving loans at the same rate as those in areas with low unemployment, but the loans are of lower financial value. This cannot be established from the current data available – if the BBA data could be encouraged to supply average SME loan per postcode data, or the number of SMEs that the gross amount has been lent to, this would go some way to providing insight into this. If the latter, it could be that this contributes to why SMEs in deprived areas perceive it to be more difficult to access finance, as highlighted within the literature. It could be that although they receive loans, the rates they receive are not of a level that is consistent with other areas; potentially they could be of a level that hinders economic development, by not providing them with enough finance to enable them to grow, but keeps them sustained to a level that they can survive when the market would usually destroy them. Further variables such as regional variety in property value and cost of living would have to be embedded within any research of this nature, as the difference in value of loan could also be down to regional variation in financial requirements as opposed to regional bias on the part of the banks.

This suggests an important area of further research that is required to establish why the gross and average amount lent to SMEs in areas of higher unemployment are less than in areas of low unemployment, so that policy regarding SMEs, their access to finance and their contribution to the labour market can be made accordingly using robust assumptions. It could be that geographical targeting of finance is required, not because SMEs in deprived areas find it any harder or easier to get bank loans than in other areas, but because they have no other secure sources of credit on which to draw that complements bank landing. Therefore, they may require a higher rate of bank lending in order to make up for this shortfall, or further indirect policies that provide other resources on which they are able to rely.
However, before any firm extrapolations are made, research on a regional level must be conducted in context of the research already undertaken regarding business characteristics. This means that variables such as business and entrepreneurial characteristics and human capital, which were found to be of significance within the literature, need to be included within research to establish to what extent they have an impact on the correlation between the amount lent to SMEs and the labour market.

Despite the limitations of the data, there are possible inferences within this analysis and the literature that support the varieties of capitalism theory, in that if unemployment can be taken as an indicator of economic weakness, there is a correlation between where the market chooses to invest and social deprivation, inferring that a liberal market economy does not provide the optimal regional institutional capability required to guard against exogenous shocks. The literature suggests that this is because within the UK, business characteristics such as size and age are the only variables of significance when it comes to risk assessment by banks during recessionary periods, as larger and older firms are considered lowest risk. It is reasonable to suppose that this is due to lack of information, which causes disequilibrium within the pricing market and encourages credit rationing, as posed by Stiglitz and Weiss’s (2001) theory. It parallels the underlying rationale within the varieties of capitalism literature, in that a coordinated market economy has the institutional structures in place to negate the information shortfall and protect against the consequent disequilibrium and credit rationing, and the resultant effects on the health of the SME segment and the labour market that they impose.

It is possible, therefore, that lessons can be learned from Germany and other CMEs as to SMEs’ access to finance, as OECD (2013) and European Commission (2013) data suggest that they suffered less both in terms of the health of the SME sector and the labour market in the face or the Great Recession, compared to LMEs such as the UK and the US. However, the idea of policy transfer may not be appropriate, as the integration of the economic system, and the adjacent construction of the welfare system as outlined by Schröder (2009), may render any adoption of CME policy with regard to SME financing as obsolete, as the supporting structures required to make it a success are not available. Policy-makers may do well to look at the wider context of bank relationships with the business sector, and the liberal ideology that underlies the UK welfare system, to relieve some of the UK reliance on the banking sector and its consequent vulnerability to crises that have arisen from an unregulated financial market.

6. Conclusion
Data production needs to examine SME lending more closely at regional level, exploring not only levels of lending but also the percentage of SMEs that are supported, and take into consideration other regional factors such as alternative funding streams. More robust labour market indicators need to be developed to provide more detail into the relationship between SMEs and the labour force, again particularly at a regional level, including broader variables such as self-employment and transport networks for work. The data
production also needs to acknowledge the business characteristics that encourage or discourage lending, as the literature suggests that these are closely correlated with the banks’ attitude to risk-taking in the SME segment (Cosh et al., 2009; Kitching et al., 2009; Cowling et al., 2012; Cowling et al., 2014). This is linked with the information-sharing culture of the corporate sector, which highlights the need for comparative data production with other economies, in particular coordinated market economies as highlighted by the varieties of capitalism literature. Investment in data production is required to gain further insight into why SMEs in LMEs struggled disproportionately compared to those in CMEs to gain access to finance, and whether there is a relationship between this and the LMEs’ inability to sustain the labour force in the aftermath of the recession. The data as it currently stands is several steps away from being able to provide a truly comparative study.

This exploratory study has been unable to establish whether or not robust learnings can be made from the coordinated market economy model, or whether the development of an information-sharing relationship between SMEs and the financial sector within an LME is possible. It is likely that the political and economic cultures in which the different varieties of capitalism are embedded would demand too much of a seismic shift in economic and social philosophy, and consequently render any policy transfer untenable. That being said, it is crucial that national governments and international institutions invest in data production and research to close the many and significant gaps in knowledge that this paper has highlighted, and to investigate the causality behind the regional trends discovered and the correlation between SME lending and unemployment, in order to provide more robust theories that can shift the discourse from guesswork to water-tight findings.

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Public employment services in multi-agency policy interventions for local development: the case of Mexican aerospace industry

Zulum Avila

Abstract
This article examines public employment services’ (PES) contribution to improving the labour market outcomes of jobseekers and employers through enhancing employability and configuring solutions to current and future labour market needs. Analysis places PES in the context of local labour markets in which people live and work. It argues that PES are well positioned to link provision of services to initiatives promoting local development through job creation. This gives them a competitive advantage for feeding inputs into policy-making and planning but also requires building responsiveness, better performance and adaptability in service delivery from PES.

Among other factors, responsiveness is also built from greater collaboration with key partners and stakeholders operating in the labour market. Working in a more collaborative manner enables PES to manage opportunities and trade-offs by pooling resources and breaking down information silos. A case history in Mexico highlights how PES are well positioned to participate in multi-stakeholder policy interventions at the local level through delivering tailor-made solutions for employers and jobseekers. Finally, this article advocates more systematic involvement of PES in multi-agency policy interventions that promote local economic development and represent opportunities for job creation.

1. Introduction
Among the multiple challenges resulting from the financial and economic crisis that began in 2008, maximising employment opportunities continues to be a pressing priority in the aftermath of the global downturn. Finding the adequate mix of policies for stimulating job creation while addressing macroeconomic imbalances remains an acute problem for national governments in advanced economies and emergent and low-income countries. In 2014, the International Labour Organisation (ILO) reported 201 million workers out of work and a deficit of 61 million jobs lost since the outburst of the economic crisis in 2008 (ILO, 2015a). Governments and societies face a double challenge, underlined by the Director-General of the ILO: ‘Getting the world back to work is not just about overcoming the conjuncture of the crisis... Pressures are also about “mak[ing] labour markets function better” (ILO, 2013: 4–11).

Currently, public policy is about improving the number and quality of jobs and the conditions in which people enter the labour market. The nature and size of these challenges makes evident that the mandate of public

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2 The author is an Employment Service Specialist at the International Labour Organization (ILO). The opinions expressed in this article do not necessarily reflect the views of the ILO.
employment services (PES) remains both pertinent and important. Governments intervene to improve the functioning of the labour market and to ease the negative effects that prolonged periods of unemployment may have on the income security and well-being of workers, their families and larger segments of society (Woltermann, 2004). PES are part of the policy instruments utilised by governments to address: i) problems of individuals in accessing employment, including due to skills mismatch or lack of information on the labour market, and ii) obstacles faced by employers to find skilled workers (ILO, 1948).

The mandate of PES extends beyond job placement and the specific scope of the job market. This discussion places PES in the broader context of the labour market and stresses that helping people to gain employment and employers to find suitable workers entails more than job matching (Schmid, 2010). PES are concerned with issues of equity, poverty and overall well-being as well as economic efficiency. Their activity translates into assisting people with processes of labour market integration and job transitions and in providing support to employers to adjust their workforce needs to constantly changing labour market conditions. PES contribute to realising the policy objective of achieving full employment through: helping people back into employment, enhancing employability and configuring solutions to current and future labour market needs (ILO, 1948).

In countries around the world, PES working tools and methods are being strengthened and in many cases redefined to improve responsiveness. Among other factors, responsiveness also builds from greater collaboration with key partners and stakeholders operating in the labour market (EC, 2013). PES do not operate in isolation and single policy interventions are not sufficient to address employment challenges (Roberts & O'Connor, 2008). This paper argues that PES interventions are enhanced when they are part of more comprehensive projects and plans such as those linked to local development and job creation. In the context of multi-agency policy interventions where a number of relevant actors take responsibility for addressing local employment challenges, PES have an important role in: i) informing decision-making by providing labour market information; and ii) developing optimised services by liaising with training providers so skills can be matched to local market needs.

This article first reviews the rationale guiding PES in the process of rethinking service delivery approaches, particularly in the context of local labour markets. It also argues that multi-stakeholder collaborative processes not only bring resources and capacities together but also help to break down information silos (Biesdorf et al., 2013). Working in a more collaborative manner enables PES to build their capacity to facilitate the realisation of projects with broader economic development goals such as promoting the creation of employment at the local level. The second part of the discussion introduces a case history on the National Employment Service in Mexico and its role in a multi-agency development plan for establishing an Aerospace Park. In 2005, this project offered a unique opportunity for the creation of high-quality jobs in a long-term perspective at the local level. The case
example seeks to advocate for a more systematic utilisation of PES in supporting projects for local development, rather than being occasionally involved in these types of policy interventions.

Conclusions drawn from the case example emphasise the need for investing in strengthening the capacity of PES to developing optimised services that help individuals improve their employment prospects and helps employers realise their business expansion plans through effective recruitment. At the local level, responsive PES are capable of supporting implementation of multi-stakeholder policy interventions for developing local development projects linked to job creation.

2. Public employment services in multi-agency policy interventions

2.1 Rethinking PES approaches to service delivery in local settings

Recent reforms in public administration have encouraged PES to further their efforts in achieving a more efficient and fiscally responsible performance. PES from around the world are examining and redesigning their internal governance and operational mechanisms to achieve optimal performance. Still, many countries need to strengthen their capacities to ensure an adequate level of service to support employers and workers in a context of higher vulnerability in the labour market and severe budgetary constraints. The drivers shaping this context of labour market vulnerability can be summarised as the following: globalisation, demographic shifts, technological change and urbanisation trends in emerging economies (MGI, 2015). A greater degree of flexibility regarding utilisation of manpower and work-time through non-standard forms of employment has created advantages for skilled workers in sectors with particular high productivity. At the same time, these situations have generated a number of challenges for a large number of workers who are not able to secure employment covered by statutory working conditions and social protection mechanisms (ILO, 2015b). In 2014, the number of workers in vulnerable employment stood at 1.44 billion worldwide (ILO, 2015a).

In the light of slow job-growth forecasts and vulnerabilities in the labour market, PES are expected to assist employers and jobseekers with accessing the necessary resources for making informed decisions about work-life cycles and business plans. The basket of core employment services includes job-search support, labour market information often coupled with counselling and career guidance, job placement and participation in labour market programmes, for instance, job training, other incentives for employment promotion, and related unemployment or social benefits (ILO, 1948). Modern PES also fulfil regulatory functions and have authority for the formulation of the labour market policy and the allocation of public funds. PES are increasingly involved in regulating the operation of other providers of employment services, mainly private employment agencies, and establishing the rules for outsourcing certain services (ILO, 1997).

Over the last two decades, the formulation and implementation of labour market policies and programmes has become more local. The direct
involvement of local actors and organisations in policy implementation is intended to have a multiplier effect in available knowledge, skills and means of intervention (Martin & Morrison, 2003). The operation of PES has followed this trend and became more decentralised and flexible. In many countries, the approaches used to deliver core employment services are shifting from standardised responses to adapted solutions and more integrated services for targeted clients and local manpower needs (Lippoldt & Brodsky, 2004; Fuller, 2011). Better performance, efficiency and adaptability in service delivery implies collaboration with local stakeholders for finding the adequate mix of services and measures to address employers needs for qualified workers and finding employment opportunities for jobseekers in their localities.

The local social and economic context in which people live and work should not be overlooked in policy-making. Global employment challenges are shaped locally and require action on the ground. PES operate close to the context where jobseekers and employers interact and are well positioned to link provision of core service to initiatives promoting local development through job creation. This gives them a competitive advantage for feeding inputs into the policy-making process with the purpose of driving improvements in service provision and positively influencing the functioning of the labour market.

Additionally, PES activity is concerned with social objectives embedded in principles that govern their operation, such as equity, gratuity, inclusion and universal access. In this regard, efficiency is not intended to maximise profits but to support the realisation of social objectives such as full employment and social inclusion. Given the scale of employment challenges faced by national governments, a more integrated provision and coordinated intervention with other government agencies that share responsibility for the implementation of the employment policy has become imperative. PES do not operate in isolation and single policy interventions are not sufficient to address employment challenges. In the following section it is argued that PES play a central role in developing optimised services within the context of multi-agency policy interventions at the local level. Optimised services means delivering better services for less cost and responding better to local workforce needs (FTN, 2010).

2.2 Building PES capacity through collaborative policy interventions

More and more, PES play a more direct role in the implementation of multi-agency policies and programmes linked to local economic development and job creation (OECD-ILO, 2011). PES are developing this capacity in face of turbulent times where there is a need to constantly shift the intensity of interventions for responding to unexpected situations which range from natural hazards and severe economic crisis to windows of opportunity connected with local development (Uvalle, 1997). In a context where the direction of change is difficult to predict, provision of publicly funded employment services seeks to improve responsiveness on two fronts. First, PES are required to operate under the framework of a more flexible management that is able to tailor service delivery to the constantly changing
labour market conditions and the different phases of the economic cycle (Lippoldt & Brodsky, 2004; Fuller, 2011). Second, PES are called to serve a wider and more diverse number of clients ranging from individuals who are ready to take employment to those who need to sharpen job readiness skills, for instance, the long-term unemployed (Prince & Rubin, 2006).

In the face of this double challenge, PES responsiveness also builds from greater collaboration with key partners and stakeholders operating in the labour market (EC, 2013). Figure One provides an overview of the main stakeholders with whom PES usually collaborate to deliver services, including:

- Other government agencies and tiers of government responsible for implementing employment policy, social protection and local development;
- Public and private training providers delivering programmes and courses for skills improvement;
- Other private providers of employment services including private employment agencies and not-for-profit organisations specialising in serving targeted groups of jobseekers, industries and sectors;
- Sectoral and cross-industry social partners and the organisations representing employers and trade unions for consensus building.

**Figure One: Mapping PES’ main stakeholders**

Source: Author.

Complexity in the internal governance of PES has increased because of the need to interact with a ‘wider plurality of actors and processes’ (Cunneen,
2012: 48). National PES are also under pressure to rationalise interventions through:

- ensuring complementarity and coordinated delivery to avoid duplication, reducing administrative costs and bringing services closer to people;
- improving targeting of potential beneficiaries to make a more effective use of constrained public funds and reducing dependency on welfare; and
- strengthening partnerships with relevant stakeholders while promoting multi-partite dialogue (Islam & Verick, 2011).

Regardless of whether PES decide to collaborate with other stakeholders or are mandated to do so by higher tiers of government, the traditional hierarchical organisation of PES is becoming more flexible and responsive to changing circumstances. There is a clear trend for an increased connection of PES services with other labour market interventions in local labour markets and local development projects linked to job creation (EC, 2013).

2.3 Multi-stakeholder processes for labour market interventions

Single interventions have limited effects on addressing employment problems and complex scenarios with demand-deficit labour markets and high unemployment rates. A more integrated delivery of employment services runs in parallel to the devolution of competences for implementing employment policies from central to local authorities. Collaboration, partnerships and multi-stakeholder policy interventions have gained ground as an approach to building PES capacity and responsiveness. These mechanisms are not only used to organise a more inclusive provision of services but to introduce greater ‘flexibility and discretion’ (Künzel, 2012: 6) at the local level for planning and utilising resources provided by different actors.

Boundaries between collaboration, partnerships and multi-stakeholder interventions tend to overlap; nonetheless, each one has its own specific features. Table One displays a conceptual framework that attempts to depict the main characteristics of these mechanisms, including, objective, type of participants, decision-making processes and areas of policy intervention. The distinction among the collaborative relationships described above is relevant to differentiating the ‘degrees of sharing of authority, resources and information’ involved (Roberts & O’Connor, 2008: 2). The arrow in Table One indicates that partnerships and multi-stakeholder processes imply a more intense degree of collaboration; thus a greater number of ‘strategic and operational levels are linked together’ (Atkinson et al., 2002: 6). As a result, joint-working arrangements configured under partnerships and multi-stakeholder processes may give birth to ad hoc processes or bodies that help participants involved in a collaborative process reach specific policy goals (Vesan & Graziano, 2008). Often a multi-agency steering group or body is necessary to coordinate and establish appropriate governance arrangements for holding the parties ‘collectively responsible’ and accountable for delivering a ‘set of immediate and intermediate outcomes’ within established timeframes.
A strong degree of social dialogue is required because these working groups or bodies ‘have no authority on their own right’ (ibid.).

<table>
<thead>
<tr>
<th>Objective</th>
<th>Collaboration</th>
<th>Partnerships</th>
<th>Multi-stakeholder processes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Achieving a common goal through well-defined and mutually beneficial relationships, common agendas, visions and functions</td>
<td>Creating economies of scale and improving service delivery through collaborative and sometimes binding relationship (liability)</td>
<td>Realising a larger strategic objective through aligning the forces of many parties that share similar interest and objectives</td>
</tr>
<tr>
<td>Participants</td>
<td>Autonomous and self-governing organisations</td>
<td>Actors operating at the same level of government (horizontal partnerships) or at various levels of government (vertical partnership)</td>
<td>Independent and autonomous public and private actors</td>
</tr>
<tr>
<td>Decision-making</td>
<td>Equal decision-making</td>
<td>Inclusive and/or equal decision-making</td>
<td>Share equal decision-making power</td>
</tr>
<tr>
<td>Areas of intervention</td>
<td>Planning, delivery, intake and assessment, monitoring, referrals, case coordination, back office functions, etc.</td>
<td>Outsourcing and contracting out government services, improving delivery and quality of services, etc.</td>
<td>Joint problem solving, advocacy, consultation, coordinated delivery, sector planning, etc.</td>
</tr>
<tr>
<td>Degree of collaboration</td>
<td>Less intense</td>
<td>More intense</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author with information taken from Roberts and O’Connor (2008); Vesan and Graziano (2008); Atkinson et al. (2002).

Partnerships are shaped by a logic focused on improving the cost and quality of service delivery, very often through establishing market-based competition and coordination. Yet, the interest of this discussion goes into exploring the role of PES in multi-stakeholder processes because they seek to achieve broader economic goals that could not be realised through ‘conventional...
single-interventions; (Roberts & O’Connor, 2008: 9). Kuddo (2009) shares this view and also indicates that multi-agency coordination is key to a successful and sustainable intervention because it addresses other variables that may be outside the scope of labour market mechanisms. Collaborating with key stakeholders can create the necessary capacities to facilitate the realisation of projects with broader economic development goals; for example, those initiatives promoting the creation of employment at the local level.

Multi-stakeholder policy interventions not only pool resources and capacities together but also help to break down silos of information (Roberts & O’Connor, 2008). Working in a more collaborative manner enables governmental agencies to tackle complex social problems in a more holistic and effective manner (Herbert, 2009). PES are gradually developing this capacity as they understand that critical information often can be found outside organisations in unstructured forms (Biesdorf et al., 2013). These unstructured spaces are often created as a result of ad hoc processes (Vesan & Graziano, 2008) that make it possible for various agencies to tap into various sources of information and work together towards a common goal. Herbert (2009: 3) refers to the various initiatives and action areas that are implemented into a single strategy as ‘multiple work streams’ (Herbert, 2009: 53). The work stream in which PES specialise is that developed through: i) facilitating the link between jobseekers and employers, ii) enhancing jobseekers’ employability, and iii) making an intelligent use of labour market interventions (LMI) for developing an optimised and strategic service provision. PES contribute to making an intelligent use of LMI because they are able to retrieve, interpret and apply information that is meaningful at the stage of planning policy interventions and for service delivery. When PES have adequate resources for monitoring the labour market and understanding conditions prevailing at the local level their capacity to adapt service provision to changing circumstances is enhanced. This is the sort of intelligence or added value that enables PES to respond to specific needs at the local level in the context of multi-agency interventions.

The challenge for PES is to develop the capacity for operating under more flexible structures over various economic cycles while delivering their core services. As it is the case for other governmental agencies, PES have embarked into new governance forms where the capacity of linking the macro strategic vision and the micro work segments together becomes sine qua non to transforming a government’s strategic vision into ‘practical reality’ (Herbert, 2009: 54). Yet, multi-stakeholder collaboration shall not be seen as a ‘magic bullet’ for solving increasingly complex employment challenges (Roberts & O’Connor, 2008). Embarking in such collaborative relationships may be time consuming, requiring additional capacities and resources for planning and implementation stages of the policy cycle (Herbert, 2009). In addition, multi-stakeholder settings also represent ‘micro-political environments’ where power gains may be an incentive towards achievement of common goals or may negatively affect collaborative work (Cunneen, 2012). In addition, the capacity of partners to participate in collaborative solutions at the local level varies considerably (Künzel, 2012). Still, multi-agency interventions work well
when two conditions are fulfilled: first, when participants have adequate resources (Herbert, 2009); and second, the objectives and limitations of what is possible to accomplish are clear to the policy makers and stakeholders involved (Hansen, 2012). Multi-agency interventions strengthen the capacity of PES to manage opportunities and trade-offs in local labour markets.

The following section intends to demonstrate how PES are taking part in multi-agency interventions as a way of increasing responsiveness by adapting their operation to the different phases of the economic cycle. The case study of Mexico illustrates how the national public employment service contributed to establishing an Aerospace Park through an optimised and collaborative delivery of targeted services to key employers and jobseekers. In this case, emphasis is placed on the expansion phase of the economic cycle when PES are required to support emerging sectors that open the possibility for job creation at the local level.

3. Case history: Developing in-service training and placement for an emerging aerospace industry in Mexico

3.1. Context and main policy objectives
With the start of the 21st century, opportunities to enter the aerospace industry supply chain opened to emerging economies (Offshore Group, 2012). The Mexican government decided to leverage this window of opportunity and make the aerospace industry a strategic economic development conduit. This required shifting Mexico’s industrial advantage based on low workforce costs into a technologically based industry. A skilled labour force was also needed to handle new and more sophisticated working processes (Pro-México, 2008).

Investing in developing a domestic aerospace industry requires long-term thinking and institutional capacity to constantly adjust interventions that reflect changing conditions at local and international markets (Psacharopoulos, 1991). Throughout the 2000s, Mexico’s strategy was anchored in supporting the emergence of new local-development clusters with capacity to serve the complete life-cycle of an aircraft (SE & Pro-México, 2013). The State of Queretaro was one of the sites where the federal, state and local authorities decided to establish an Aerospace Park in partnership with the private sector. Local conditions offered a number of competitive advantages, including strategic geographical location to connect with the main manufacturing corridors in the US and Canada, social and political stability, strong manufacturing industries and a fast growing network of universities and vocational training institutions.

The full implementation of the Aerospace Park involved a large and complex number of work streams (Herbert, 2009). This paper focuses on exploring the work stream in which the National Employment Service (SNE, acronym in Spanish) played an important role in supporting key companies to start production in two main areas: i) manufacturing and assembling, and ii) design and engineering (Pro-México, 2008). Figure Two shows how the local strategy developed in Queretaro fit into the overall national strategy.
3.2 Multi-agency policy interventions for delivering optimised services to Bombardier

3.2.1 Pooling resources and capacities together

A major partner in the implementation of the Aerospace Park was the Canadian Company, Bombardier Aerospace. Providing support to Bombardier was a strategic step, given its capacity for long-term investment and future plans to develop products with greater added value (Pro-México, 2008). The Mexican Government was also interested in attracting investors through demonstrating capacity to host other firms.

Within the overall strategy, one immediate objective was to find workers with the skills required by Bombardier to start operations. In parallel, a medium-term policy objective sought to align the education, training and technical programmes to the cluster’s needs for labour. The implementation of this work stream was coordinated through the Council for Productive Sectors Dialogue (CPSD). A bill enacted in 2001 created this mechanism in all states of the Mexican Republic. The CPSDs are advisory bodies with tripartite representation that promote the dialogue and collaboration of social partners and local key stakeholders, including the academia and research institutions. These bodies provide a flexible and overarching framework for developing collaborative processes aimed at leveraging resources and supporting decision-making concerning the implementation of federal and state projects promoting local development (PR, 2001).

In the context of the Aerospace Park, the CPSD can be considered a sort of ad hoc body, in the sense that is understood by Vesan & Graziano (2008), which created the framework for action within all partner agencies worked together to reach specific policy goals. The CPSD functioned as a mechanism for ensuring that all involved contributors were operating under...
an appropriate and clear mandate at the time that gave them the flexibility to adapt their responses to changing circumstances. The strong influence of the federal and state governments in promoting the Aerospace Park played a fundamental role in ensuring a high-level of political will (Cunneen, 2012). While this method of driving multi-agency interventions reduces the risk that power relationships will inhibit collaboration (Roberts and O’Connor, 2008), it can also result in ‘losing the genuine commitment’ of players unless the policy intervention is designed in such a way that ‘strategic and operational levels are linked together’ (Atkinson et al., 2002: 6). In the context of the Aerospace Park, the CPSD clearly provided a strategic direction and a long-term plan for implementing policy and for sustaining a high level of commitment of all involved parties. A factor that should not be disregarded is that the CPSDs do not have any authority or resources of their own (Herbert, 2009). Decisions taken under their scope of influence are implemented through the individual capacities and resources of its members (Atkinson et al., 2002). This means that agencies and stakeholders involved in the implementation of joint projects such as the Aerospace Park should have a certain level of institutional capacity to ensure that a set of services is available, including tailor-made services and specialists needed by this type of collaborative efforts.

The CPSD also helped clarify the roles and responsibilities, authority and accountability of each agency and ensure coherence between different streams of intervention in the delivery of planned outcomes over a long-term perspective. Within the CPSD joint protocols were also developed to govern specific areas of practice such as pooling of resources and sharing of information. As noted above, information sharing should be considered as a key incentive for agencies and stakeholders to be part of joint ventures because they provide access to untapped resources and enables agencies to improve responsiveness (Biesdorf et al., 2013).

3.2.2. Breaking down information silos
The SNE systematically involves the CPSD in its planning processes to define priorities at the local level concerning placement and increasing employability. The council is an extremely important source of first-hand information for the SNE concerning labour market trends, businesses expansion plans associated to job creation, and occupational profiles that are currently in demand and future occupational needs. In the context of collaborative policy interventions, the council also operates as a mechanism that enables the SNE to break down silos of information (Roberts & O’Connor, 2008). Access to primary information not only improves the SNE’s understanding of the labour market situation but also strengthens its capacity to determine ‘how the information gained can be translated into relevant policy actions’ (Wilson et al., 2015: 9). Obtaining first-hand information is a strong incentive for the SNE to systematically participate in the CPSD, as such inputs reinforce its capacity to develop and implement urgent and short-term needs while maintaining a vision on long-term adaptation needs. In practice, these adaptations are implemented on a yearly basis on the Employment Programme Rules and Regulations governing service delivery by the SNE.
For the implementation of the Aerospace Park and under the umbrella of the Queretaro CPSD, various studies were commissioned to map available information on the characteristics of the labour force, including projections of current and future skill needs of the aerospace industry. The outcomes of this exercise revealed that in Queretaro the labour force had the skills required to handle manufacturing processes because a number of well-developed industries on electronics and automotive have been established for some time. In particular, it was found that individuals with basic secondary education plus two and a half years of technical education in related occupational fields possessed core skills that were easily adaptable to the aerospace manufacturing industry through on-site training (Valle, n.d).

3.2.3. Building responsiveness through collaboration

Working in the context of a multi-stakeholder intervention offered the SNE elements to configure a targeted approach for responding to Bombardier’s immediate need for qualified workers. The SNE also understood that establishing close collaboration with the education sector and the local network of training providers was needed to plan service delivery for the whole aerospace industry and a wider number of potential jobseekers in a medium-term perspective. Wilson et al. (forthcoming: 39) indicate that when establishing a key industry cluster it is often the case that ‘major employers are used to create a blueprint for training across a sector’, and the case of Queretaro was not an exception. Serving Bombardier helped local education agencies and the SNE to define the specific set of skills and the average workers’ profile that would be required by other businesses within the Aerospace Park.

The intervention of the SNE contributed to transform facts and information on the labour market into a concrete course of action (Woods & O’Leary, 2006). The SNE proposed the utilisation of a job-training programme that facilitated the direct involvement of Bombardier in designing the training courses and co-sharing related responsibilities and costs (ILO, 2012). On-site short-term training served to align the skills of local jobseekers with the skill needs of Bombardier in particular, and the cluster in general.

3.2.4. The National Employment Service response to Bombardier

The services provided by the SNE to Bombardier were delivered in two consecutive phases fully aligned with the national strategy. Phase I (2006) established plans for setting up the aerospace cluster and supporting key businesses to start operations. In this first stage, the SNE focused on pre-screening, recruiting and training technicians for working on manufacturing and assembling aircraft composites. During phase II (2007–09), the overall objective was entering engineering and design activities. In this case the SNE assisted Bombardier in recruiting and preparing industrial engineers for overseeing manufacturing processes and participating in the production of the first aircraft produced in Mexico (ILO & ETF, forthcoming).

In addition to providing job information and placement services, the SNE used a job-training programme ‘BECATE’, which offered various modalities of
short-term training. BECATE is one of the main components of Mexico’s active labour market policies oriented to improve the employability of jobseekers aged 16 and above through short-term training and job placement promotion (Baz et al., 2010). The SNE administers the programme at national level and across all type of businesses. BECATE targets the unemployed, underemployed and new labour market entrants, including youth with no work experience. The programme grants a training subsidy to eligible individuals from one up to three minimum wages for a maximum of three months. It also provides medical and life insurance for each beneficiary. The operation of BECATE has helped the SNE to register high placement rates because it is a demand-driven programme based on a strong collaboration with employers (STPS, 2014).

During Phase I, the SNE needed to fill 300 job vacancies for manufacturing technicians at Bombardier. BECATE was the main mechanism used to deliver pre-service and in-service training for pre-screened candidates. The majority of candidates had one or two years of technical education in fields relevant to the manufacturing industry or had accumulated some work experience in manufacturing electronics and car components. Pre-screened candidates entered on-site training to reduce their learning curve and align their skills with the lean-manufacturing processes of Bombardier. Training was organised and delivered by Bombardier’s specialists that came from other facilities. The SNE covered part of the cost for training and Bombardier committed to hire at least 70% of the trainees upon successful completion of training. A total of 110 technicians completed training over a period of four months and started to work in the production plant in May 2006. Another group of pre-screened candidates started pre-service training delivered in collaboration with public and private providers. By the end of 2006, a total of 296 technicians were working according to Bombardier’s standards (ILO & ETF, forthcoming).

In the second phase of the intervention, a more specialised level of skills was required by Bombardier to develop more complex structures such as harnesses and engines. To speed up the recruitment of 170 engineers, the SNE worked in close collaboration with the educational sector, which had been working simultaneously on developing training curricula for meeting the demand of the whole cluster (Valle, n.d.). Through the BECATE programme additional training grants were arranged to prepare industrial and liaison engineers responsible for overseeing production work at Queretaro’s plant. By the last quarter of 2007, Bombardier had hired about 778 workers (ILO-ETF, forthcoming). On this same year, the first publicly funded university of aeronautics was also created and the first generation of technicians graduated in 2009 (Valle, n.d.).

In 2007, the intervention of the SNE in the Aerospace Park project shifted into a less intense mode. Focus was placed on facilitating the availability and utilisation of LMI for supporting decision-making related to career choices and job paths. Key information for signalling occupations with good job prospects in emerging industries was disseminated through the Labour Observatory and
delivered to career counsellors, students, jobseekers, employers and policy
makers.

3.2.5. Key learning points
- A multi-agency approach was the most effective manner to translate the
  national strategy to develop a domestic aerospace industry into local
  clusters. This approach enabled the various tiers of government to
  manage an intense degree of collaborative relationships and
  simultaneously operationalize work streams to reach an overarching policy
  goal (Vesan & Graziano, 2008).
- The CPSD-Queretaro offered the framework for consensus building,
  leveraging resources, breaking down information silos and establishing
  accountability mechanisms for outcomes delivered under the Aerospace
  Park project (Roberts & O’Connor, 2008; Herbert, 2009). High-level of
  political will and adequate institutional capacity were important factors for
  linking strategic and operational dimensions in the local context.
- The targeted approach used in this case example shows that the level of
  responsiveness and service delivery of the SNE was adequate to support
  large enterprises in nascent economic sectors. This was an innovative
  response framed on the use of existing programmes and capacities
  already in-place.
- Participation in projects for local development strengthened the SNE
  operational capacity with employers for acquiring job vacancies and
  gathering information on labour market developments. The SNE was well
  positioned for delivering complementary services to address specific
  barriers to job readiness. The added value of the SNE’s intervention
  focused on making meaningful use of available information for supporting
  decision-making at a more strategic level but also for ensuring service
  delivery for jobseekers and Bombardier.

4. Conclusion
Achieving full employment and improving employability continues to be top
items in the agenda of advanced economies as well as middle- and low-
income countries. This is because greater participation of people in the labour
market has been strongly associated with economic growth and social well-
being. A number of countries have opted for implementing a strategy based
on enhancing the capacities and skills of the labour force and promoting
projects for local development with high potential for the creation of quality
employment over the long term. Governments in these countries have found
that PES play an important role in the implementation of such policy
interventions.

PES are one of the operational arms of governments that bridge the needs of
both jobseekers and employers. Yet the activity of PES is not limited to job-
matching services. The competitive advantage of PES resides in their
capacity to help policy makers improve policy design through understanding
the needs of employers and the behaviours of people seeking work. They
also have the ability to reduce the complexity of facts and hard data on the
labour market and communicate it to people so they can make informed
decisions about work-life cycles and business plans. PES contribute to
making an *intelligent* use of LMI because they are able to retrieve, interpret and apply information that is meaningful at the stage of planning policy interventions and for service delivery. When PES have adequate resources for monitoring the labour market and understanding conditions prevailing at the local level their capacity to adapt service provision to changing circumstances is enhanced.

Adapting policy interventions and the provision of employment services to the local level is of paramount importance for promoting the participation of more people in the labour market. Good LMI enables PES to overcome the double challenge of ensuring universal provision of services while at the same time making efficient use of constrained resources through targeted interventions. PES contribute to striking a balance between principles of equity, gratuity and social inclusion through participation in the labour market, and at the same time, responding to criteria linked to economic efficiency through aligning their interventions to local investment and economic decisions.

Fostering collaboration with other government agencies, social partners and stakeholders at the local level increases the information resources and capacities of PES. Involvement in the context of multi-agency policy interventions for local development provides PES with access to untapped sources of information that can only be accessed by direct interaction with other partners. Collaborative processes help to break down information silos (Biesdorf *et al.*, 2013) and feed PES understanding regarding businesses expansion plans, economic conditions, skills development initiatives or industry developments. Access to first-hand information enables PES to address job readiness problems in a more integrated manner as the capacities and resources of other government agencies, social partners and stakeholders are pooled together to achieve a common overarching goal.

This discussion calls for a more systematic utilisation of PES in supporting projects for local development with a potential for job creation, rather than being occasionally involved in these types of policy interventions. The case study analysed illustrates that PES are well positioned to support implementation of local development projects, for example, in new niches of economic activity that represent opportunities for high-quality job creation. The intervention of the Mexican public employment service in developing in-service training and placement for an emerging aerospace industry reveals a number of advantages for the participation of PES in multi-stakeholder interventions, including opportunity for acquiring a larger number of vacancies and strengthening collaboration with local employers. However, other areas that were not fully explored represent avenues for further research. For example, multi-stakeholder settings can easily turn into battlefields for power affecting delivery of planned outcomes. Not only technical capacities are needed to coordinate participants grouped in various work streams within multi-stakeholder interventions; political will is equally important and often difficult to maintain over a long-term period. An important question to explore is how PES can develop specific capacities to use their knowledge and information on the labour market to navigate politicised environments, coordinate, negotiate and establish realistic outcomes.
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