

New Welfare Governability, or, the Governing Capacities that Make Activating Labour Market Policies Work

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For three decades now, welfare states have seen profound institutional reforms and fundamental policy changes, marked, in particular, by the emergence of New Welfare Governance and Activating Labour Market Policies (ALMPs). The relationship between labour market policies and welfare governance is thought to be problematic in terms of governability. Both the fitness and the transformability of labour market institutions constitute a problem of governability. This paper aims at providing a framework for empirical research into the consequences of ALMPs for the governability of labour markets. The demands ALMPs put on the institutions governing the labour market, are conceived of as governing needs. To ensure governability, these needs have to be met with governing capacities. Given the apparent misfit between ALMPs and the institutions governing the labour market, the question is how these capacities can be transformed in order to re-establish the balance between governing needs and capacities. Governing capacity is resolved into three factors: resources, routines, and agency. As these factors are institutionally embedded, governing capacities depend upon institutional logics and legacies. Path departure, emergence and adaptation provide opportunities for governing capacities to break away from the traditions in labour market governing on which they depend, thereby paving the way towards New Welfare governability.

1 Governability

The unprecedented economic growth of the decades following the Second World War allowed the Western European states to build intensive and extensive welfare arrangements. When economic recession hit in the late 1970s and early 1980s, these comprehensive welfare states were increasingly perceived as being unsustainable. For sure, the days of the Golden Age were gone. The 1980s saw the European welfare states coping with high levels of unemployment and problems of controllability, manageability and governability. The 1990s witnessed transformations in welfare administration and governance as well as a shift towards the policy goal of activation, marking the emergence of New Welfare Governance (Taylor-Gooby, 2004; Henman and Fenger, 2006; Eichhorst, Kaufmann and Konle-Seidl, 2008). This paper focusses on the relationship between welfare governance and the new policies of activation, a relationship that is thought to be problematic in terms of governability.

1.1 New Welfare Governance

After three decades of expansion, the matured European welfare states experienced something of a ‘midlife crisis’, facing high inflation and rising unemployment. Budget deficits and the large inflow of benefit claimants urged governments to implement policies of cost-containment and volume control. Against dire predictions of unsustainability and decline¹, welfare states managed to survive the crisis. In the face of adversity, the welfare state had shown its resilience and viability. Now that the crisis had been defused, the restructuring of the welfare state could become more ambitious than cost-containment and (re)commodification alone (cf. Pierson, 2001: 422-424). Administrative reforms had paved (or cleared) the way for programmatic reforms, especially those reforms which “seek to make contemporary welfare states more consistent with contemporary goals and demands for social provision” (Pierson, 2001: 425)². Because the crisis had shown that the welfare state was vulnerable to high levels of unemployment, emphasis was laid on policies targeting the labour market. In this context, Activating Labour Market Policies (ALMPs) saw the light of day. ALMPs have two interrelated components: the new policy goal of activation (Cox, 1998) and new modes of governance (Van Berkel and Borghi, 2007). Activation programmes and services are increasingly being organized and delivered through modes of New Welfare Governance (NWG). Emerging from the institutional and programmatic reforms of the 1990s, NWG refers to new models of welfare service provision (cf. Van Berkel and Borghi, 2008a; Evers, 2005). These models incorporate the following general trends in welfare governance: marketization, decentralization, integration and individualization (cf. Van Berkel and Borghi, 2008b). In modes of NWG the provision of welfare services is being organized on a smaller scale and on a wider scope, as well as being less hierarchically and less centrally coordinated. From the perspective of governability, and viewed in the context of ALMPs, these characteristics raise a number of questions. Most importantly: Is a small scale delivery of a wide range of welfare and labour market services actually governable without strong central coordination? Is the provision of a broad scope of services efficiently governable without benefiting from economies of scale? And, will a more horizontally and decentrally coordinated provision lead to a more effective governing of the labour market? Focussing on the relationship between activation policies and welfare governance, this paper aims at providing a framework for empirical research into the consequences of Activating Labour Market Policies in terms of governability. In the next sections, I will briefly review the literature on governability and welfare governance, define the concept of governability, and identify two problems concerning the relationship between welfare governance and the policies of activation. In the remainder of this paper, I will address these problems both empirically and theoretically, and discuss possible routes towards New Welfare governability.

¹ See, e.g., Van Doorn and Schuyt (1978), Hirschman (1980), Idenburg (1983), Van Schendelen (1983), Birch (1984), Mishra (1984), Alber (1988), and, Moran (1988).

² Pierson calls this proces ‘recalibration’. He distinguishes two types of recalibration: rationalization and updating. “[Rationalization] involves the modification of programmes in line with new ideas about how to achieve established goals. [...] Updating involves the modification of existing programmes, or the initiation of new ones, in response to newly recognized social needs” (Pierson, 2001: 425-426).

1.2 Review of the Literature

In the literature on New Welfare there seems to be little attention paid to the problem of governability. With a few exceptions³, the same holds for the literature on governance. Although the issue of governability is often mentioned, it is rarely taken up⁴. Hence, the following review will be brief. As it comes to governability, the older literatures on the democratic welfare state share a common theme, namely that of governing failure. Characterized by a vocabulary of crisis, the rather politicized (Anglo-American) literatures of the 1970s and early 1980s discussed the overload of the (welfare) state and the ungovernability of Western democracies (e.g., Brittan, 1975; Crozier, Huntington and Watanuki, 1975; King, 1975; Mishra, 1984). With the rise of neo-liberalism in the 1980s, the idea of governing failure gained currency. Under what came to be known as New Public Management (NPM)⁵, public services became subject to reform. Developed as a ‘marriage’ between new institutional economics and managerialism (Hood, 1991: 5-6), NPM introduced new tools of government and management in order to provide better services at lower costs⁶. The literature on this ‘rationalization’ of governing is focussed on the efficiency of public service delivery, leaving the issue of governability aside. New Welfare Governance has its strongest intellectual roots in the scholarly debate on NPM. As such, NWG is not so much concerned with theoretically framing the problem of governing failure as with providing new tools of welfare governance. In sharp contrast to NPM, the German literature on *Steuerung* has paid attention to some of the deeper causes of governing failure. Luhmann (1984) pointed to the autopoietic (i.e., self-referential and self-governing) nature of societal subsystems, while Mayntz argued that “the undisputable governability problems have less to do with the basic autopoietic character of social subsystems, but rather with (1) the special dynamics of complex modern societies and (2) with the capacity of highly organized policy fields to resist political guidance” (1993: 20). In the literature on (new public) governance, these notions of self-organization and resistance to central guidance contributed to the idea of ‘governing without government’ (cf. Rhodes, 1996; Peters and Pierre, 1998). From this perspective, the solution to governing failure is not to reform the public sector, but to mobilize actors drawn from the private and voluntary sector. The Dutch literature, in particular, has laid emphasis upon society’s potential to organize and govern itself, focussing on social-political interactions (Kooiman, 2003) and networks (e.g., Kickert, Klijn and

³ See, e.g., Mayntz (1993), and, Kooiman (1993a).

⁴ Notable exceptions include Merrien (1998), Hall (2002), and, Van Kersbergen and Van Waarden (2004). In his review of key questions concerning governance and capacity, Hall “found ample debate and many reasons to suggest further research and experimentation” (2002: 41). Van Kersbergen and Van Waarden call for cross-disciplinary research concerning “shifts in governance and problems of governability, accountability and legitimacy” (2004: 143).

⁵ The term ‘New Public Management’ was coined by Hood (1991).

⁶ The literature on New Public Management displays a wide variety in perspectives, themes and labels. Pollitt (1990), and, Clarke and Newman (1997) discuss managerialism in, respectively, the public services and the welfare state. Hood (1991), and, Hood and Peters (2004) reflect on the NPM reform movement. Osborne and Gaebler (1992) popularly describe the ‘reinvention’ of American government. And, as a final example, Pollitt and Bouckaert (2000) provide a comparative analysis of public management reform.

Koppenjan, 1997). In a similar fashion, this paper zooms in on the connection between New Welfare Governance and the social-political capacities to govern.

1.3 Needs and Capacities

Governability has been defined as “the total quality of a social-political system to govern itself within the context of broader systems of which it is part” (Kooiman, 1993b: 259), as ‘the extent to which one is able to make a community function or change against certain goals’ (Lammers, Mijs & Van Noort, 1997: 25), or as “the overall capacity for governance of any societal entity or system” (Kooiman, 2008: 173), to name a few examples. These ‘grand’ definitions do not exactly fit the purpose and perspective of this paper. Hence, I adopt yet another definition by Kooiman, namely, that of governability as “the permanent balancing process between governing needs on the one hand and governing capacities on the other” (1993a: 43). Using this definition, governability can be assessed in relative terms instead of absolute values, as it does not refer to a ‘total quality’ or an ‘overall capacity’, but to a balance or fit between related needs and capacities. In this view of governability, governance concerns the “effective and legitimate adjustment of governing needs to capacities and capacities to needs” (Kooiman, 1993a: 43). Now, what are these needs and capacities? Generally speaking, needs refer to problems or demands, while capacities refer to solutions or provisions. In the words of Kooiman: “[e]very social-political problem [...] can be seen as a potential need” (1993a: 44), and “[g]overning capacity is [...] the generalised institutional ability to structure frameworks, conditions or contexts for solving generalised societal problems or occasioning societal opportunities” (2003: 165). In this paper, governing needs are associated with the demands Activating Labour Market Policies put on the governance system of the labour market⁷. These demands are to be met with governing capacities, as supplied by all actors in the labour market. Governability becomes a problem when needs and capacities, or demand and supply, are out of balance. Then, the question is how to resolve such an imbalance between governing needs and governing capacities.

1.4 Problems of Fit and Transformation

Regarding the “destabilization of the traditional governing mechanisms and the advancement of new arrangements of governance”, Van Kersbergen and Van Waarden made the following observations: “We have witnessed changes in the forms and mechanisms of governance by which institutional and organizational societal sectors and spheres are governed, as well as in the location of governance from where command, administration, management and control of societal institutions and spheres are conducted. We have also seen changes in governing capabilities (i.e., the extent to

⁷ Of course, regarding welfare governance, needs do not only concern the demands of Activating Labour Market Policies, but also the demands of other social policies as well as the general interest. However, given the aim of this paper at providing a framework for (feasible) empirical research into the consequences of Activating Labour Market Policies in terms of governability, I consider this delimitation to be reasonable.

which societal institutions and spheres can, in fact, be steered), as well as in styles of governance (i.e., the processes of decision making and implementation, including the manner in which the organizations involved relate to each other)” (2004: 143). These changes in governance will undoubtedly affect the existing capacities to govern welfare arrangements. Whether by interfering with the established systems of governability or by generating new capacities to govern, the emergence of New Welfare Governance will have significant consequences in terms of governability⁸. Focussing on the mechanisms underlying and generating the capacities to govern the labour market, this paper provides a conceptual framework for an empirical study into these consequences. Next to the shifts in governance, the 1990s and 2000s have witnessed the activation turn in social policy. The emergence of NWG and ALMPs raises a question of fit. Do the institutions of labour market governance match the new policies of activation? Do the existing governing capacities meet ALMPs’ governing needs? If there is no fit, or match, or balance, the labour market would tend to become ungovernable. Thus, the fitness of labour market institutions constitutes a problem of governability. At a more abstract level, this problem of fitness has been framed in terms of ‘the frictions and tensions between modern governing institutions and late modern problems and policy ambitions’ (Trommel, 2009)⁹. At the level of labour markets, the solution to this problem of fitness lies in the adjustment of needs and/or capacities (cf. Kooiman, 1993a: 43). In the setting of this paper, the needs (i.e., the demands ALMPs put on the governance system of the labour market) are the independent variable. Therefore, I leave the adjustment of needs aside and focus on the adaptiveness of governing capacities instead. Whether and how do these capacities keep pace with changes in labour market policy? If governing capacities are indeed adaptable¹⁰, then another problem of fit arises, namely, the misfit between the adapted (transformed or newly built) governing capacities and the established traditions in governing¹¹. Obviously, the question is not whether this problem can be resolved, but how governing capacities can be transformed without losing capacity (and how governing capacities can be newly built). Thus, the transformability of labour market institutions constitutes the second problem of governability stated in this paper. Regarding the adaptive changeability of governance institutions, “[t]he challenge is to adapt and leverage all sectors to the pace and form of governance that best matches the scale, scope, and priority of emerging issues, needs, and preferences. Continuous evaluations and adjustments of the

⁸ The same holds for the accountability, legitimacy, and responsiveness of the welfare state’s governance institutions; see Van Kersbergen and Van Waarden (2004).

⁹ The notion of ‘late modern problems and policy ambitions’ relates, of course, to the discourses on the late, new, high or reflexive modernity and the risk society. See, e.g., Beck (1986), Giddens (1991), and, Beck, Giddens and Lash (1994).

¹⁰ I acknowledge the fact that the words adaptive and adaptable are semantically different. Given the meaning of the suffixes -ive (expressing a tendency or disposition) and -ability (expressing a capacity or ability), the word adaptive denotes an inherent tendency to adapt, whereas the word adaptability denotes a capacity to adapt, implying some kind of agency. In the present discussion, however, this semantic difference is not relevant.

¹¹ A third problem of fit concerns the misfit between the established traditions in governing (on which the ‘old’ governing capacities are based) and the new policies (and their governing needs). The established traditions might not be supportive of the new policies that, in turn, might not be appropriate in view of the traditions.

many faces of capacity play a central role in this process” (Hall, 2002: 41). But exactly what processes do account for the transformation of governing capacities, and really, how do the (unfit) institutions of labour market governance change? These issues will be dealt with in the fifth and final paragraph of this paper. In the fourth paragraph, I will go further into the matter of fitness, and, in particular, the causes of misfit. The third paragraph will be devoted to my conceptualization of governing capacities. But first of all, I will indicate what kind of demands ALMPs put on the governance system of the labour market.

2 Activating Labour Market Policies

In this paper, ALMPs¹² are viewed as a lens through which the impact of New Welfare Governance on the welfare state’s governability can be brought into view. Activation might be considered as the hard core of NWG, at least in terms of principles and policies. Next to the content of policy, ALMPs also involve processes concerning the mode of governance. These processes - e.g., marketization and regionalization - coincide with general trends in the public management and governance of the welfare state. By focussing on ALMPs, I aim to capture the essence of NWG and to frame the underlying relationship between policy and governance in the light of governability. In the following sections, I will discuss the principles, policies and structural properties of ALMPs. The final section of this paragraph deals with the governability of New Welfare.

2.1 Activation and Participation

New Welfare involves a shift in the main objectives of social policy from income protection and compensation to labour participation and activation. From a socio-economic point of view, activation has been described as “the rediscovery of paid labour” (Sol, Sichert, Van Lieshout and Koning, 2008: 165). Clasen and Clegg’s definition of activation as being “about increasing labour market entry and participation, and phasing out temporary labour market exit options for working age claimants” (2006: 527-528) similarly reflects the strong connotation of activation with the participation in paid labour. And, indeed, activation policies “aim at bringing jobless people from unemployment or inactivity into work and – more indirectly – at moving from entry jobs towards better paid and more sustainable jobs. Hence, the overall objective of activation is to improve economic self-reliance and societal integration via gainful employment instead of joblessness and benefit receipt” (Eichhorst, Kaufmann, Konle-Seidl and Reinhard, 2008: 3). Activation reflects a

¹² It is important to note the difference between the recent Activating Labour Market Policies (abbreviated in this paper as ALMPs) and the ‘classical’ Active Labour Market Policies that originate from the late 1960s. Active Labour Market Policies involve the fine tuning of labour supply and demand, through the provision of either supply-based or demand-based labour market services. ALMPs, through a combination of demanding and enabling elements, focus on the self-reliance, employability and self-responsibility of all members of the workforce (cf. Eichhorst, Kaufmann, Konle-Seidl and Reinhard, 2008: 5-6). Active Labour Market Policies form part of ALMPs’ package of labour market services and schemes.

departure from the ideas and objectives of the traditional welfare state. Cox observes dramatic changes in Danish and Dutch social policies, which “represent new ideas about the goals of public policy and the social rights of citizenship” (1998: 397), marking a paradigm shift. In their critical discussion of activation policies in Denmark and the Netherlands, however, Van Oorschot and Abrahamson argue that the activation trend is “not a change in character, but in strength and strictness of the attachment of obligations and duties to social rights” (2003: 301). Social rights are declining, and increasingly, emphasis is being laid on individual obligations and responsibilities (Van Oorschot, 2002; Van Oorschot and Abrahamson, 2003). Paradigm shift or not, most activation policies impress citizens with a new conception of responsibility: behaving responsibly coincides with either being employed or quickly reintegrating the labour market. In this view of responsibility, “issues dealing with equity, social justice or the adequate combination of individual and collective responsibility are left aside” (Bonvin, 2008: 367). Increasingly, the social problem of unemployment is being redefined in terms of an individual responsibility to participate in the labour market and to invest in one’s employability¹³. Clearly, the traditional welfare state’s ethic of social protection and safeguarding is giving way to an ethic of self-responsibility (Sol, Sichert, Van Lieshout and Koning, 2008: 166). In the context of ALMPs, being a citizen means to be employable. All members of the workforce are held responsible for their chances to participate in the labour market. Employability can be defined as the ability to be employed (cf. Finn, 2000). This ability involves, for instance, finding a job, making transitions between jobs, building one’s human capital and being flexible. Instead of providing lifetime employment within a single organization, the labour market is the place where individuals can build a career on flexible labour and life-long learning. Put in a broader perspective, ALMPs are an example of what Giddens (1991) calls ‘life politics’, namely, in the sense that ALMPs (indirectly) impose an ‘active’ lifestyle on citizens¹⁴.

2.2 Programmatic Aspects

ALMPs redefine the ultimate goal of social policy, shifting from income protection to (full) labour participation (cf. Cox, 1998). Less emphasis is being laid on job security and income security. Instead, ALMPs primarily aim at employability and labour market flexibility. ALMPs differ, however, in their elaboration of these objectives. Hence, ALMPs come in a variety of approaches (cf. Dingeldey, 2007). In these approaches, the focus of activation ranges from taking up a job as soon as possible (the Work-First or Workfare approach¹⁵) to learning and personal self-realization (the

¹³ Cf. Gilbert (2002).

¹⁴ In Foucauldian terms, this imposition involves ‘governmentality’ rather than discipline (cf. Dean, 1999). The citizens themselves enact (and adopt) the lifestyle (as well as the social and self-identity) implicated by ALMPs, both individually and collectively. Yet, if not through coercion and sanctioning, ALMPs do actively interfere with the life course of individual citizens. ALMPs are, in this respect, an expression of what Trommel (2009) calls ‘greedy governance’.

¹⁵ See, e.g., Lødemel and Trickey (2000), and, Dean (2007).

Human Capabilities approach¹⁶). In between these ‘poles’ lie the Transitional Labour Markets approach and the Flexicurity approach. The Transitional Labour Markets approach¹⁷ focusses on the transitions people make between jobs. Its objective is “to establish institutionalized ‘bridges’ at critical junctures in individuals’ working lives” (Schmid, 2006: 2). In order to support transitions, “the borders between the labour market and other social systems have to become more open for transitory states between paid work and gainful non-market activities which preserve and enhance future employability” (Schmid, 1998: 2). The Flexicurity approach¹⁸ focusses on the intrinsic uncertainty and insecurity of flexible labour. Its objective is to find a workable balance between labour market flexibility and social security. “Flexicurity is a flexibilisation (= deregulation) of labour markets with ‘a human face’, that is to say, it is compensated by some social advantages, particularly for the groups affected” (Tangian, 2007: 554). Flexicurity policies are “types of trade-offs” between labour market deregulation and the protection of social rights (Wilthagen and Tros, 2004: 171). Tangian shows that, “[c]ontrary to theoretical considerations and political promises, the current deregulation of European labour markets is not adequately compensated by improvements in social security” (2007: 554). Actual labour market policies in many European welfare states exhibit programmatic and institutional aspects of these different approaches to activation. The ‘real world’ of activation shows a wide variety of programmes, measures, services and processes, including, for example, individualized provision of activation services¹⁹, vocational training, labour market deregulation, tax credits, personalized employment assistance, reintegration contracts, and making benefit receipt conditional upon job search. As this paper is concerned with governability, I will not review the empirical literature on ALMPs’ effectiveness. Instead, the demands ALMPs put on the governance systems of labour markets will be explored. These demands ensue not only from the design of activation policies, but also from the processes and institutional structures of their implementation. In his evaluation of the Danish labour market policy, Larsen argues that “policy design as such is not the linchpin –it is, rather, the institutionalisation of the implementation of policy [...] that is crucial” (2004: 137). Hence, in the next section, I pay attention to some institutional aspects of ALMPs.

2.3 Institutional Aspects

Next to the new policy goal of activation, ALMPs involve new modes of governance. This refers to new ways in which the provision of labour market services is being organized, reflecting the following trends in New Welfare Governance²⁰: marketization, privatization, hybridization,

¹⁶ See, e.g., Dean, Bonvin, Vielle and Farvaque (2005).

¹⁷ Schmid (1998, 2006); cf. Schmid and Gazier (2002).

¹⁸ Wilthagen and Tros (2004), and, Wilthagen, Tros and Van Lieshout (2004); cf. Tangian (2007), and, Viebrock and Clasen (2009).

¹⁹ See Borghi and Van Berkel (2007). This individualization of activation services is in line with the general trend of individualization of social policies (cf. Valkenburg, 2007).

²⁰ See, e.g., Van Berkel and Borghi (2008b), the contributions in Eichhorst, Kaufmann and Konle-Seidl (2008), and the contributions in Sol and Westerveld (2005).

contractualization, inter-agency cooperation, service integration, decentralization, and regionalization. These processes are characteristic of the institutional reforms that have taken place in many European welfare states. Van Berkel and Borghi's remark that "a 'wave' of welfare reforms aimed at substantive changes in social policies has been followed by a second reform wave aimed at reorganising the institutional structures through which service provision takes place" (2008a: 333) can be interpreted in at least two ways. Either that the substantive changes in social policy have led to institutional reform, or that the institutional changes were required for the programmatic reforms to take effect. As Cox has argued, the change of administrative institutions can be a precursor of policy change: "[i]nstitutions are [...] capable of changing, and when they do, they produce a situation ripe for dramatic changes in public policy" (Cox, 1993: 223). Trommel and Van der Veen (1999) have shown that administrative changes were crucial in the recent development of the Dutch welfare state, and Van der Veen, Trommel and De Vroom (2000) have argued that these changes propelled subsequent programmatic reforms. Institutional changes are not the resultant, but the precursor of substantive changes in social policy, so it seems. In the case of ALMPs, this would imply that the emergence of NWG has cleared the way for ALMPs to be effectively implemented. Logically, then, there must be some kind of fit²¹ between the processes and structural properties of NWG and the principles and policies of activation. 'Fitness', however, is not a guarantee for success. Do the new forms of governance actually outperform the old labour market institutions in terms of goal attainment or in terms of governability? And what are the long-term effects of the processes associated with NWG, such as marketization, hybridization, and regionalization? The New forms of Welfare Governance "refer to a set of organisational or managerial forms and processes by reshaping relationships between various actors and institutions and by introducing new ways of steering and running public institutions" (Eichhorst, Kaufmann, Konle-Seidl and Reinhard, 2008: 13). Modes of governance differ in their location on a continuum between state authority and societal autonomy (cf. Treib, Bähr and Falkner, 2007: 4-11). Marketization, hybridization and regionalization indicate a shift from hierarchical, public and central steering towards more decentralized, multi-actor and market-based forms of welfare governance. In the context of ALMPs, marketization refers to the introduction of quasi-markets²² for employment services. Bredgaard and Larsen (2008) show that the contracting-out of public employment services in the Netherlands, Australia and Denmark has not created well-functioning markets. Instead, "quasi-markets create a new type of employment policy, and new conditions for governing the labour market and employment policy" (Bredgaard and Larsen, 2008: 341). Whereas marketization involves a shift towards a privatized service delivery, hybridization refers to the mixing of state-based, market-based and society-based forms of service provision. Evers (2005) sketches the development towards hybrid organizations in welfare services. These organizations are a mixture of resources, goals and steering mechanisms, drawn from the public sector, the private sector,

²¹ Here, the word 'fit' refers to an aspect of congruity or contingency; it does not imply notions of causality or exclusivity.

²² See Le Grand (1991), and, Le Grand and Bartlett (1993).

and civil society and its networks (Evers, 2005: 741-742). Although hybridization can potentially improve welfare services in terms of participation, diversity and enrichment, it also involves the risks of clientelism, inequality and deprivation (Evers, 2005: 743-744). Next to marketization and hybridization, the provision of welfare services is increasingly being regionalized. Regionalization concerns a dispersion of (public) authority, decentralizing power and responsibilities to the regional level. In the Netherlands, the delivery of social security and employment services has been decentralized and integrated by the establishment of local or regional Centres for Work and Income. In his evaluation of this reform strategy, Terpstra states that “[t]he cooperation between social security organizations and employment services is hard to accomplish” (2002: 48). Conflicting interests and a lack of consensus between the participants seem to account for the failure to achieve cooperation (Terpstra, 2002: 49-50). Similarly, in Switzerland, the lack of coordination between the Federal state, the cantons and private insurance companies constitutes a major obstacle to the development of a coherent and effective activation policy (Bertozzi, Bonoli and Ross, 2008: 124-126). To improve the cantonal implementation performance in terms of activation, the Swiss Federal government has introduced a peer reviewing mechanism (Bertozzi, Bonoli and Ross, 2008: 148-149). In order to enhance cooperation, the Dutch Centres for Work and Income have been placed under the coordination and supervision of central authorities (Terpstra, 2002). These examples (and other examples given in the literature on welfare reform) show that new modes of welfare governance often have unintended consequences, and/or, not the consequences that were intended. Despite the likely fit between the modes of NWG and the policies of activation, the processes of NWG, by creating their own dynamics, might impede a successful implementation of ALMPs. Furthermore, these processes could have a negative impact on governing capacities and, consequently, on the governability of labour markets.

2.4 New Welfare Governability

ALMPs involve major programmatic (and, according to some scholars, paradigmatic) changes and institutional reforms. Obviously, these changes and reforms have consequences in terms of governing needs. Take regionalization, for example. With the regionalization of welfare governance, the problem of governability resurfaces on the regional level of governing. Governability is not a portable device; it cannot be transferred from one level of governance to the other straight away. In response to the implementation of ALMPs, one would expect regional institutions of labour market governance to be established. These institutions would have to generate capacities to govern the regional labour market, meeting ALMPs’ governing needs, thereby taking governability to the regional level. Another example concerns the integrated provision of social and employment services, which constitutes a need for, at least, close inter-agency cooperation, but even more so, the full integration of service delivery into one organization. Because ALMPs vary considerably across welfare state, only an elaborate empirical investigation could yield an exact and exhausting list of ALMPs’ governing needs.

Alternatively, assuming that activation programmes and services are being organized and delivered through the modes of NWG, these governing needs could be inferred from the trends associated with NWG. Then, one could argue that the (national or regional) institutions of labour market governance have to accommodate their capacities to the marketization, individualization, hybridization, regionalization and integration of service delivery. In the setting of this paper, governing needs are the independent variable. Therefore, it makes sense to shift the attention from needs to capacities. In the next paragraph, I will focus on the concept of governing capacity. Applied to the case of ALMPs, governing capacity refers to the potential of old (welfare state) and new (welfare governance) institutions to effectively govern the labour market. I consider the adaptability of governing capacities to the demands ALMPs put on labour market institutions to be critical for New Welfare governability.

3 Governing Capacity

If the capacity to govern would be conceptualized as an outcome, i.e., the total effect of acts of governing, then one could not tell the capacity from the acts of governing and the effective governance. In this paper, I use the term ‘governing capacity’²³ to refer to an ability that is not necessarily effectuated. Thus, I define governing capacity as a potential for governing²⁴. This potential is understood in processual terms. However, at a single point in time, a level or degree of governing capacity can be assessed, as if it were a property variable. Diachronically, the potential for governing refers to a dynamic, generative process. To be able to govern, a governance institution²⁵ must continuously generate governing capacity. I will resolve the concept of governing capacity into three factors: resources, routines, and agency. These factors are embedded in the governance institution’s environment. Being dependent on resources, routines and agency, a labour market institution must establish relations with its providing environment. These relations are prone to be institutionalized, thereby limiting the labour market institution’s possibilities to adjust its governing capacity.

²³ My understanding of governing capacity somehow resembles the concept of ‘governance capacity’ (see for the Governance Capacity Approach: Nelissen, Goverde and Van Gestel (2000), Nelissen (2002), and, Arts and Goverde (2006)). However, my operationalization will be completely different. I will not make use of the so-called JEP-triangle, the edges of which represent the Juridical, Economic and Political dimensions of (administrative) capacity (Nelissen, 2002: 13-16). Instead, I will identify three ‘building blocks’ of (governing) capacity.

²⁴ Governing capacity can also be understood in terms of actual performance (cf. Nelissen, 2002). Then, the level of capacity is being reconstructed from the measurable effects and outcomes. Methodologically, this carries the risk of circular reasoning, because empirically, one cannot differentiate between the initial capacity and the final outcome. Defining capacity as a potential means that the level of capacity can be inferred *ex ante*, allowing for a comparison between the indicative, potential capacity and the effective, real performance.

²⁵ In this paper, the term ‘governance institution’ refers to all institutions and organizations involved in the processes or activities of governing, including, but not limited to, agencies, interest groups, state bureaucracies, associations, councils, governments, networks, societies and foundations.

3.1 Resources, Routines, and Agency

Governing capacity can, in my view, be resolved into three factors: resources, routines, and agency. This conceptualization draws on various literatures, including the Resource Dependence Perspective²⁶, Institutional and Evolutionary Economics²⁷, Population Ecology²⁸, the New Institutionalism in sociology²⁹, and the Historical Institutionalism in political science³⁰. Instead of reviewing these vast literatures, I shall confine myself to briefly introducing the three factors. Governing capacity ultimately rests on the availability and accessibility of resources. In other words, resources are the basic building blocks of governing capacity. Without a sufficient supply of resources, governance institutions will fail to generate the capacity necessary to govern. Resources are drawn from both technical and institutional environments (cf. Scott and Meyer, 1991). Resources of a technical nature are, for example, financial assets, organizations, equipment and manpower, while institutional environments provide resources like, for example, knowledge, procedures, (managerial) power and legitimacy. To a large extent, the employment of available resources is governed by routines, which Nelson and Winter (1982: 400) broadly define as “ways of doing things and ways of determining what to do”³¹. Of course, nothing will be done or determined without actors. The routinely employment of resources will always require an act, whether by an individual, a collectivity, an institution or an organization. Any capacity to govern depends on a capacity to act, i.e., the ability to do things, to determine what to do, to make decisions, et cetera. I refer to this aspect of capacity as agency. In some sense, routines and agency can be understood as higher order resources: actors (third order resources) employ routines (second order resources) to employ (first order) resources. In my view, a governing capacity is a (dynamic and time-specific) configuration of resources, routines, and actors, in which the relative proportions and the respective qualities and quantities of the three constituting factors can vary. The basic mechanism of capacity building (or configuring) is the process of mobilizing resources, most of which are embedded in the mobilizing agent’s environment.

3.2 Embeddedness

Governance institutions cannot function in a void. Their environments provide them with vital resources. Generally, these resources are not randomly scattered across the environment; they are clustered and structured. I refer to this organizational aspect of resources as embeddedness. The concept of embeddedness also denotes the often institutionalized nature of the mechanisms underlying and generating governing capacity. The mobilization process, for instance, is deeply embedded. The

²⁶ See Aldrich and Pfeffer (1976), and, Pfeffer and Salancik (1978).

²⁷ See, e.g., Nelson and Winter (1982).

²⁸ See Hannan and Freeman (1989), and, Aldrich (1999).

²⁹ See Powell and DiMaggio (1991).

³⁰ See, e.g., Hall and Taylor (1996), and, Pierson (2004).

³¹ Cf. Becker (2004).

way mobilization works does not so much depend on the mobilizing agent's actions and decisions, but it rather depends on environmental factors, such as the availability and accessibility of resources, and ecological processes, such as competition and the exploitation of niches (cf. Hannan and Freeman, 1989). Nested in a bed of resources, governance institutions have a good chance of survival and of successfully building a capacity to govern. Furthermore, for a governance institution, to be embedded also means to be provided with legitimacy. Extending this idea, one could argue that a configuration of resources, routines and actors is likely to reflect the environment from which they were drawn³².

3.3 Dependencies

Environments do not only provide institutions with vital resources, they also bind institutions by ties and dependencies. Drawing resources from an environment will create relations between the institution and its environment. If governing is understood in terms of human behaviour, these relations will exhibit power imbalances and mutual dependencies between people. If governing is conceptualized as an institutional process, dependencies on embedded resources and institutionalized power will come into view. In this paper, the dependency on resources is viewed from an external perspective, focussing on the environment from which the resources are drawn³³. The pool of available and accessible resources is understood as a potential. The actual 'performance', i.e., the effective employment of these resources, depends on managerial decisions and political processes. Here, the dependency on power comes into play. Managerial decisions, for example, often reflect the interests and orientations of the managers in charge, whose authority rests on an intraorganizational power base (Fligstein, 1990)³⁴. On the institutional level, a wide array of political processes and factors are involved, e.g., discretionary power, legal responsibilities, deliberations, bargaining, collective actions, decision making, coalition formation, discourses, negotiation, and legitimization. This implies that capacity building is not merely a technical process of assembling resources, routines and actors into a configuration. Capacity building is also, and especially, a socio-political process.

3.4 Mobilization and Legitimization

Without a sufficient amount or supply of resources, routines and actors, labour market institutions would lack the capacity to govern the labour market. As such, governability depends on the mobilization (and employment) of resources, routines and actors. Mobilization is likely to take

³² Of course, this argument invokes Stinchcombe's imprinting hypothesis (1965), and, DiMaggio and Powell's concept of institutional isomorphism (1983).

³³ This marks a distinction from approaches which view resource dependency from an internal, managerial perspective (Pfeffer and Salancik, 1978) or a negotiational, exchange perspective (Levine and White, 1961).

³⁴ In a similar fashion, political decisions often represent the interests and orientations of a political, social or economic elite. It has, for example, been argued that elite power had a strong impact on the policies and institutions of the Dutch welfare state (Hoogenboom, 2004). The welfare state, on its turn, created a new, bureaucratic elite, consisting of those involved in the provision of welfare services (Thoenes, 1962).

place under conditions of scarcity and restricted access. Legitimacy provides the key to ‘unlock’ resources. Indeed, “[l]egitimacy constitutes an asset in sustaining flows of resources from the environment” (Hannan and Freeman, 1989: 69). Thus, legitimization and mobilization are the critical processes in building governing capacity. The ‘building blocks’ of governing capacity - resources, routines and agency - will have to be mobilized, and the ‘building’ itself will have to be legitimized. New governance institutions yet have to mobilize resources, routines and agency, and to gain legitimacy. And institutional disruptions will, at least temporarily, have a negative impact on the levels of mobilization and legitimization within the governance system. The deinstitutionalization or adaptation of ‘old’ governance institutions is likely to compromise legitimacy, making it more difficult to acquire resources. Acknowledging the fact that legitimacy is all-important for mobilizing resources, as well as the fact that resources and routines are institutionally embedded, I understand capacity building to be a process of (re)institutionalization. As such, capacity building is subject to institutional logics and legacies.

4 The Problems of Fit

In this paragraph, I will discuss the institutional dimension of governing capacity. In time, embeddedness and dependencies give rise to a distinct institutional reality. Governance institutions will become dependent upon paths of institutional development, and pervading institutional logics and legacies will interfere with their operations. This severely complicates the adjustment of governing capacities to governing needs.

4.1 Misfit

In the first paragraph of this paper, I introduced three problems of fit, namely, (1) the fit between the demands ALMPs put on labour market institutions and these institutions’ governing capacities, (2) the fit between governing capacities and the established traditions in governing, and, (3) the fit between these traditions and ALMPs. In view of governability, the fit between governing needs (i.e., the demands ALMPs put on labour market institutions) and governing capacities is all-important. Governing capacities are torn between the new governing needs and the older traditions in governing. Pushed and pulled between the two, labour market institutions are faced with a dilemma. To meet ALMPs’ demands, they will have to abandon the traditions on which they are firmly based and on which they depend for survival. Yet, not to meet ALMPs’ demands will result in governing failure, which will call into question their *raison d’être*. At this point, their misfit seems to be inevitable. Later on, in the fifth and final paragraph of this paper, I will discuss some opportunities to escape from this deadlock. As we will see, path dependencies and institutional legacies, however powerful, can be overcome.

4.2 Path Dependence

Behaviour tends to exhibit a certain regularity. Much behaviour follows some kind of rule or pattern. I refer to this rule-following aspect of behaviour as logic. There are at least two kinds of logic, namely an operational logic and an institutional logic (cf. March and Olsen, 1989). The former is a logic of anticipated consequences and prior preferences. The latter is a logic of appropriateness and senses of identity (March and Olsen, 1998). These logics are neither mutually exclusive nor hierarchically ordered (cf. Goldmann, 2005). Yet, both logics refer to another aspect of rule-following behaviour. The operational logic resembles an optimization strategy, guided by a simple decision rule: choose the alternative that is expected to have the best consequences (March and Olsen, 1989: 23). The institutional logic involves matching a particular situation with proper behaviour: given one's identity or role, what action is most appropriate? One could argue that the mobilization of resources is strongly associated with an operational logic, and that issues of dependency and legitimization generally relate to an institutional logic. Over time, behavioural patterns will become deeply embedded within prevailing institutional logics (cf. Thornton and Ocasio, 2008). In this process of embedding and institutionalization, paths will emerge, along which behavioural patterns will subsequently develop. The more embedded and institutionalized a behavioural pattern will be, the more it will become dependent on paths. This aspect of embeddedness is commonly referred to as path dependence³⁵. In economics, it is argued that a technology, as it becomes embedded and more widely adopted, will yield increasing returns, with competing technologies becoming locked out (Arthur, 1989). Once locked in, this technology sets out the path on which the future course of events will depend. In historical institutionalism, this course of historical events is divided "into periods of continuity punctuated by 'critical junctures,' i.e., moments when substantial institutional change takes place thereby creating a 'branching point' from which historical development moves onto a new path" (Hall and Taylor, 1996: 10). Of course, path dependence involves the exclusion of alternatives. This exclusion is only temporary, as critical junctures, policy changes or institutional reforms may provide an opportunity to include the alternatives again. Inclusion can also occur through a process called layering, i.e., incorporating new elements in a locked in institution (Streeck and Thelen, 2005: 22-24; Thelen, 2000, 2003). Through time, configurations of resources, routines and actors will become increasingly dependent on the paths of institutional development. When path dependence is strong, reconfiguring will be difficult, complicating the adjustment of governing capacities to governing needs.

4.3 Institutional Legacies

In the long run, some institutions take on a life of their own, to a large extent defining how things work. In a cultural setting, these institutions are usually called traditions, beliefs, and taboos. From an historical perspective, they would be referred to as a heritage or a legacy. Following this

³⁵ See, e.g., Arthur (1989, 1994), David (1985), Liebowitz and Margolis (1995), Mahoney (2000), North (1990), and Pierson (2000, 2004).

usage, I refer to these institutions as institutional legacies. These legacies could be viewed as restrictions, limits and constraints, even as being ‘stubbornly-entrenched’ (Djelic and Quack, 2007: 5). But I prefer a more appreciative view, focussing on the mediating effects of policy legacies (Béland, 2005), and acknowledging the role institutional legacies play in embedding resources and in providing legitimacy. A governance institution that is firmly based on institutional legacies is more likely to successfully (re)generate its capacity to govern than an institution lacking such a base. It is questionable, for example, that regionalized labour market governance would succeed if regional governance as such is not supported by an institutional legacy. It should be noted that there is not a single institutional legacy, but many (competing³⁶) institutional legacies that may support various modes of governance. The question is how much these institutional legacies weigh on, for example, the regionalization process, and which of the competing legacies will outweigh the others. Institutional legacies account for a high level of continuity. Yet, competitive as they are, legacies may also produce change.

4.4 Continuity and Change

The ties and dependencies that bind governance institutions are embodied by institutional logics and legacies. Through time, the availability and accessibility of embedded resources, routines and relations take on a semi-permanent character. From the reproductive and interactive processes³⁷ constituting and generating governing capacity, and from the behaviours associated with governing capacity, patterns emerge. Through the process of institutionalization, these patterns develop into logics, which, in the long run, evolve into legacies. Backed by institutional logics and legacies a governing capacity can quite easily be generated time and again, acquiring a significant level of reliability and legitimacy. Governing capacities are embedded in traditions, which accounts for the continuity of governance systems. Settled configurations of resources, routines and actors are relatively stable and difficult to reconfigure. And indeed, welfare states exhibit a remarkable degree of resilience, inertia and resistance to change (cf. Van Doorn, 1978: 40; Van Kersbergen, 1999, 2000). The abundant evidence of continuity has even led some to speak of ‘frozen welfare states landscapes’ (Esping-Andersen, 1996: 24) and to describe the welfare state as an ‘immovable object’ (Pierson, 1998). However, continuity does not rule out the possibility of institutional and/or programmatic change³⁸. The Dutch welfare state, for example, does positively exhibit potential for change (cf. Trommel and De Vroom, 2002). The institutional reforms that have taken place in the Netherlands

³⁶ Cf. Thornton and Ocasio (2008).

³⁷ Reproduction (or replication) and interaction are considered to be the basic processes through which behaviours evolve (cf. Baum & Singh, 1994).

³⁸ Continuity does not refer to a static condition or a state of changelessness. Rather, the continuity (or durability, or stability) of institutions should be attributed to dynamic processes of “institutional reproduction, disruption, and responses to disruption” (Clemens and Cook, 1999: 461). In this respect, continuity involves change, albeit slow and incremental.

demonstrate that change is possible. In their analysis of the ‘permanent reorganization’ of Dutch social security and employment services, Van Gestel, De Beer and Van der Meer (2009) find both remarkable continuities and changes beyond recognition. Examples of programmatic change are found in a number of comparative studies at the European level, indicating a shift from protective to activating welfare policies (e.g., Taylor-Gooby, 2004). Apparently, the welfare state leaves room for the emergence of new policies and new forms of governance. Notwithstanding the strength of the existing traditions in governing, there are possibilities of transformation.

5 The Possibilities of Transformation

The historical development of most, if not all, welfare states is characterized by policy change and institutional reform. But in the processes of change and transformation not everything is lost. In fact, all welfare states have continued to exist. In an ever changing world, adaptation is a critical factor for the stability and continuity of a welfare state. Next to dependencies on power, resources and paths, there are power shifts, innovations and path departures. And embeddedness does not rule out the emergence of new formations and configurations. ALMPs involve fundamental path departures, policy innovations, and the emergence of new forms of governance. On the one hand, these changes in policy and governance disrupt the balance between governing needs and governing capacities, constituting problems of fit. On the other hand, the same changes may provide opportunities to transform the ‘unfit’ governing capacities into fit ones. The ‘critical success factor’ of New Welfare is to be found in the governing capacities that make Activating Labour Market Policies work. Now, the question is whether the transformation of governing capacities is actually possible. Are processes such as emergence and path departure strong enough to overcome long-established institutional legacies³⁹?

5.1 Path Departure

Sometimes events are called ‘path-breaking’, suggesting that a path-like structure has been broken. But to change direction, bending might do as well. Breaking and bending are processes of path departure⁴⁰, leading away from a path dependency. These processes range from long term gradual change (cf. Pierson, 2000) and innovative change (cf. Bonoli and Palier, 1998) to major policy reforms and paradigm shifts (cf. Hall, 1993). In the context of political reorientations, path departure has a strong potential to disrupt the institutional status-quo (cf. Oliver, 1992). Path departures are costly, but they also create opportunities. The costs involve, for example, the loss of reliability and accountability, and a possible lack of resources. At the same time, path departure opens up windows of opportunity. The benefits of the exploration and exploitation of new resources, the innovation of

³⁹ Besides institutional legacies, there are, of course, other barriers to adaptive (institutional) change, e.g., vested interests, electoral constraints and transaction costs.

⁴⁰ Cf. Bonoli and Palier (1998), Hering (2003), Ebbinghaus (2005), Ney (2005), and, Pfau-Effinger (2008).

routines, and the involvement of new actors, could well outweigh the costs. Path departure may also release the tensions, solve the contradictions, and reduce the frictions that are manifest in a path dependent system. Likewise, departing from a path provides an escape from institutional stickiness and inertia. In the literature on policy change, one can find many possible sources of path departure; for example: ‘organized anarchy’ (Cohen, March and Olsen, 1972), policy windows (Kingdon, 1984), organizational learning (Levitt and March, 1988), policy-oriented learning (Sabatier, 1988), social learning (Hall, 1993), policy punctuations (Baumgartner and Jones, 1993), and shifts in ‘advocacy coalitions’ (Sabatier and Jenkins-Smith, 1993). Empirical research has shown that while learning can indeed account for policy changes, accompanying institutional reforms can still exhibit policy feedback (Bannink, 2004). With regard to governing capacities, this may be explained from the likelihood that path departure involves a (temporary) loss of capacity. So, while path departure may well be strong enough to overcome long-established institutional legacies, the high costs of doing so make it unlikely to be successful. These costs are not involved in case governing capacities emerge ‘out of the blue’.

5.2 Emergence

Not all changes depart from a path. In the case of ALMPs, new policies have been developed, and new forms of welfare governance have emerged. Through processes like institutional layering (Streeck and Thelen, 2005, Thelen, 2003) these new forms and policies have ‘found their way in’. Of course, the policies of activation and the processes of contractualization (Sol and Westerveld, 2005), marketization (Le Grand and Bartlett, 1993), privatization (Smith, 2002), hybridization (Evers, 2005) and regionalization developed in the context of the ‘old’ welfare governance, but they are not merely the next step on a deeply embedded, throdden path. Their antecedents lie elsewhere⁴¹. Their emergence has challenged the existing institutions and their continuing institutionalization could change the direction of both labour market policy and governance. Because governing capacity cannot be adopted, emergent institutions have to build their capacity ‘from scratch’⁴². Hence, a new labour market institution will, at least temporarily, lag behind the established institutions. Therefore, it is highly questionable whether an emergent institution will be able to gain enough governing capacity to overcome institutional legacies.

5.3 Adaptability

In a Report to the Club of Rome, Dror argues that “[t]he use of the term ‘ungovernability’ is not only often incorrect but also dangerous: incorrect because so-called societal ungovernability is frequently a result of governments’ failure to adjust to changing situations; and dangerous because it provides an alibi for governmental inadequacies, putting the blame instead on societies” (2001: 9). The

⁴¹ Particularly in the New Public Management.

⁴² Emergent institutions can build capacity either by appropriating resources, routines and actors from existing configurations, or by mobilizing resources, routines and actors that are ‘free’, i.e., not yet configured.

real problem, according to Dror, is the ‘incapacity to govern’. In the context of New Welfare, the import of this argument is that the problem of governability does not so much concern the labour market’s ungovernability (putting the blame on ALMPs) as it does concern the labour market institutions’ incapacity to govern⁴³. Therefore, the solution lies in the adjustment of governing capacities to governing needs, and, more generally, in the adaptability of governing capacities. Whereas path departure and emergence involve the high costs of, respectively, losing capacity and building capacity, the adjustment of governing capacities to governing needs can also proceed through the relatively lossless and costless transformation of existing capacities. Much, if not all, depends on the adaptability of labour market institutions. Considering their ‘chronic’ state of institutional reform⁴⁴, the institutional adaptability of welfare states can be reasonably assumed. Whether this also pertains to individual labour market institutions, remains to be seen. The adaptability of individual institutions involves a reconfiguration of resources, routines and actors. Without empirical research into the process of (re)building governing capacity, the issue of labour market institutions’ adaptability should be left to further study.

5.4 Conclusion

History tells us that the welfare state is a robust institution, capable of adapting to major environmental changes and of coping with strong internal and external pressures. Then, is it really likely that ALMPs will fundamentally change the welfare state as we know it? Or will the welfare state continue business as usual, fully absorbing ALMPs’ impact? Do ALMPs hallmark the arrival of a new welfare state, or do they merely represent a new phase in the development of the ‘old’ traditional welfare state? For example, it could be expected that certain features of ALMPs will find their way into the existing institutional set-up, and fit in quite well⁴⁵. It could also be expected that ALMPs interference with the mechanisms underlying and generating a welfare state’s capacity to govern the labour market will upset the institutional status-quo, thereby opening windows of opportunity for institutional and programmatic change. Only by assessing the governing capacities of the institutions of both the ‘old’ welfare state and the New Welfare Governance, we can reasonably tell myth from reality. In the case of ALMPs, it is not yet clear how the process of capacity building works, let alone what consequences it could have in terms of governability. It is therefore highly relevant to find out how this process works, and to what extent labour market institutions succeed in configuring resources, routines and actors. This constitutes a pressing need for empirical research to be conducted into the effects of ALMPs on the governability of the labour market. Eventually, such an investigation will shed light on the governability of New Welfare.

⁴³ Here, the word ‘incapacity’ refers to either insufficient capacity or unfit capacity.

⁴⁴ Cf. Van Gestel, De Beer and Van der Meer (2009).

⁴⁵ It is likely that the features that are most fit, will be the most probable to find their way in.

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