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Public Governance in the welfare state
The need and necessity of regulation for safeguarding public interests

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Abstract

Over the last decade many of the Western welfare states have found themselves under pressure to reform due to both exogenous factors, such as globalisation and the ageing of society, and endogenous factors, such as a shift in focus from welfare to workfare. An important aspect of these reforms concerns the introduction of processes of privatisation. Often these processes of privatisation mark the transformation from the conventional welfare state, in which the government fulfils the role of a public provider, into what is labelled a regulatory welfare state, a state in which the government becomes the regulator of the private market. Regulatory welfare states have, however, not developed without question. From the beginning, government regulation has been an important object of public discussion. It is questioned whether the government should remain in control over certain policy areas, or whether the full responsibility of these policy areas can be placed outside the public domain. According to public interest theories, the purpose of regulation is the achievement of objectives of public interest. Government regulation is believed to be necessary if public interests are not safeguarded without government intervention. In this respect, regulation is legitimate if without it certain publicly desirable goals will not be realised.

One of the elements of the welfare state that has been subject to privatisation is the provision of reintegration services. The Dutch reintegration market is regarded as a prototype of this form of privatisation. Since the implementation of the Work and Income Implementation Structure (SUWI) Act in 2002, the Dutch Institute for Employee Benefit Schemes (UWV) and municipalities are obliged to purchase reintegration services for their clients on the market through the use of tender procedures. Interesting aspect of this process of privatisation is that it has not gone hand in hand with extensive regulation,

opposed to the introduction of privatisation in many other sectors. It is believed that the creation of a competitive market through the use of tender procedures offers sufficient safeguards. In this paper, we will analyse the design of the Dutch reintegration market. On the basis of the outcomes of this process of privatisation in the Dutch welfare state, we draw conclusions with regard to the need and necessity of regulation for safeguarding public interests.

Keywords: welfare state, regulation, public interests

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