Principal-Agent Relation and Contracting-out for Employment Case Management to Enable Third-Country Nationals' Transition to Work

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Abstract

This paper analyzes the role of public and private employment-service agencies in contracting-out for employment case management under principal-agency relation to understand young third-country immigrants' transition to work in Czechia, Poland, and Hungary. Existing research pointed to contracting-out as a major trend in public-service reforms when the government (principal) hires private employment agencies (agents) to perform service delivery, but overall the control of standards and the accountability to the public remains with the authority. Although the principal-agency relation shows human beings as rational and opportunist in corporate governance, there is still little research in CEE countries explaining the role of public and private employment agencies under principal-agency relation in contracting-out for case management to understand young third-country immigrants' transition to work. Based on a qualitative cross-national case-oriented research approach with fewer-country comparison, documents and scholastic texts are collected and analyzed by means of a document and content analysis technique to fill in this gap. The findings show that open information, regulation, and monitoring administrative devices are a major perceived influence in principal-agency relational governance with a lack of cooperation that may impair the quality and service when looking at issues such as employment-related transition of young third-country immigrants and socio-economically disadvantaged groups in a contracting-out setting. The study demonstrated certain decentralized new public administration governance similarities but dissimilarities from the country's institutional context. The outcome points to regulatory administrative devices to target agencies' behavior and young vulnerable people's need for paid work. This is relevant to performance monitoring in contemporary fluid society targeting benefits and scarce resources

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that may not only constrain ethnic minorities' upward mobility, but the economy and the social cohesion process.

Key words:

Agency theory, case management, CEE countries, contracting-out, Czech Republic, Hungary, Poland, principal-agency relation, young third-country immigrant

1. Introduction

Employment assistance services traditionally provided by the public sector are increasingly being contracted out as a major trend in public work reforms. Contracting-out reform is the “new governance” or “indirect governance” that takes place in quasi-markets where the government (principal) hires an outside party (agent) to carry out the work involved in service provision, but the overall control of standards and accountability to the public remains with the authority (Butt and Palmer, 1985). There is a considerable body of research that suggests the new governance revolves around the principal-agent relation and problem that assumes private employment agencies (agent) are bounded rational and opportunist in their actions to pursue self-interest and maximize profit instead of the principal's interest (Potůček and Rudolfova, 2016; Wiseman and Gomez-Mejia, 1998) that may impair contracting-out relational governance. Others perceived local government units (principal) to be challenged with information asymmetry, low administrative capacity, and performance management to monitor and administer agencies' actions and/or behaviours (Lember, 2004; Nemec et al., 2005; Tönnisson and Randma-Liiv, 2008) in contracting-out governance. Although, most researchers in the field agreed that the principal-agency relation leads to conflicts of interest, there is still little investigation in Central Eastern European (CEE) countries (Gesine, 2016) explaining the principal-agent relation in contracting-out for employment case management to interpret young third-country immigrants' transition to work. Moreover, the role of Public Employment Service (PES) and private employment agencies in the principal-agent relation and its implication for third-country national heterogeneous subgroups' transition to work requires clarification. Hence, this article will deliver a careful investigation of principal-agent relational governance and its application to analyze the role of PES and private employment service agencies in contracting-out case management for work promotion.

This paper analyzes the role of Public Employment Services (PES) and private employment agencies' contracting-out for employment case management in the realm of the principal-agent relation to understand young third-country immigrants' transition to work in Czech Republic, Poland, and Hungary. Unemployed young third-country immigrants in this study are non-EU nationals within the meaning of Art 20(1) of the Treaty on the Functioning of the European Union (TFEU) (EUR-Lex, 2012) who voluntarily and legally move to one of the European

Union member states with visas and residence permits (European Union, 2008). In particular, they are people who face several barriers to get into work and need case management (such as job counseling, job coaching, career advice) assistance. The main research question of this study is: How does the role of the Public Employment Service and private employment agencies in contracting-out for employment case management under the principal-agency relation enable young third-country immigrant transition to work in the Czech Republic, Poland, and Hungary? The sub questions are: (a) how does the role contrast and (b) what is the implication for the immigrant?

Drawing on employment documents, reports, and previous studies, this paper takes stock of Czech Republic, Poland, and Hungary's Public Employment Service and private employment agencies roles in contracting-out for case management governance under principal-agent relation to shed light on this seemingly complex phenomenon. The research data analysis methods include the technique of document and content analysis. The paper begins with section two discussing the principal-agent model in contracting-out governance to promote work. In section three, the author of this paper present the methods of the study. Section four present the findings in the selected entities. Finally, this paper ends with some general remarks and a conclusion.

2. Principal-agent relational model in contracting-out governance to promote work

Research on the agency model represents one of the oldest theories of management and economic transaction (Daily et al. 2003). It revolves around principal-agency problems and strategies to solve agency disagreement. Smith (1776) first denounced the agency problem in his work *The Wealth of Nations*. The principal-agent problem centers on the notion that human beings are bounded rational and opportunist in their actions/behavior to pursue self-interest instead of principals' objectives (Zinyama 2014) in contracting-out governance (Berle and Means 1932; Brahmadev and Leepsa 2017). Contracting out represents a "new governance" or "indirect governance", where the local units of government (principal) hires private economic operators (agents) to provide service delivery, but the overall accountability to the public and the control remains with government officials (Butt and Palmer 1985). Nevertheless, the principle is unable to administer and control an agency's possible risk attitude that challenges the governance (Barney and Ouchi 1986). The principal manage these challenges through regulative instruments that guide and control the decision-making process in contracting out governance. Hence, the principal-agent relational model is relevant in this study to capture the dimensions, causes and consequences, and thus offers an empirical lens to understand the corporate governance discourse. In the next subsections, I discuss the three interrelated dimensions grounded on the principal-agent relational conceptual framework – delegating au-

thority, monitoring, and bonding as principal-agent institutional governance – followed by the consequence and causes of the principal-agent arrangement.

2.1 Delegating authority dimension

Delegating authority represents different ways of a decision-making process through decision management, and legislative decision controls. Decision management refers to possibilities in decision-making that organized principal and agencies in interactional governance and its implementation (Fama and Jensen 1983). For instance, the notion of public “management performance,” “performance reporting,” and “performance measuring” are a decision-management method in organizational performance to improve regulatory governance and the quality of public work (Răută 2014; Hood 1991; Pounder 1999; Radnor and Barnes 2007; Potůček and Rudolfova 2016). This suggests Officials (principal) as the decision management regulator but entrusts service implementation to employment agencies (agent). In Jenei et al. (2003) opinions, principals “steer but do not row.” In contrast, legislative decision control pertains to public accountability (Zinyama 2014). This method empowers, limits, investigates and censures agency action in the implementation process. In Employment Acts, for instance, this regulative tool steers and regulates principal-agent relational governance in contracting-out for work promotion.

In short, decision management and decision control plays a key role in principal delegating authority to censure an agency’s action in contracting-out relation. However, there are other regulative instruments to observe an agency’s action and improve quality with service. Part of these regulatory methods are monitoring and bonding in principal-agent relational governance. In the next subsections I turn first to the specific role of monitoring within the principal-agent relation in contracting-out governance and then to bonding.

2.2 Monitoring dimension

Monitoring strives for feedback, which represents the basic attitude, and orientation pursues through observation. This regulatory procedure provides information about an agency’s performance (Dunn 2004) that is emphasize under two different types of exercises. This involves the principal’s exercise of monitoring activities and components, and monitoring functions to control agent behaviour (Brahmadev and Leepsa, 2017). The former refers to the principal’s exercise to curb the agent’s action and control agency’s cost (ibid.). For instance, it is an effective performance monitoring exercise to observe agency’s actions, decisions, and performance (Fama 1980). Moreover, monitoring components embodies the observation of periodic reports, verification, and regular inspections, a follow-up of compliance, and a survey of citizen satisfaction (Rehfuss, 1993).

In contrast, the monitoring function performs four roles (Dunn 2004). There are compliance, auditing, accounting, and explanation. Compliance monitoring

helps to determine compliance to standards and procedures defined in advance either by laws, regulatory agencies, or professional bodies. Auditing monitoring helps to determine whether the resources targeted have reached beneficiaries. Accounting monitoring delivers helpful information in accounting changes after process or policy implementation. Explanation monitoring provides outcome information of policy implementation and why policy differs or not.

To repeat, the exercise of monitoring is part of a regulatory process in the principal-agent relation to monitor performance, analyze policy output and administer contracting-out governance. Despite monitoring, agents often diverge to pursue the principal's interest that is regulated through a bonding guideline. In the next subsection, I discuss the regulatory instrument of bonding in principal-agent relational contracting-out corporate governance to administer the agent's action.

2.3 Bonding

Bonding is a regulative and restrictive tool institutionalized under the Employment Act. The term regulatory bonding tool conveys a distinct meaning of rules to limit agency's choice (Zinyama 2014). There are, for example, coding guidelines, process definitions or management rules to guide agency's conduct. In contrast, restrictive tools are penalties or rewards. For instance, in the principal-agent relation, agencies are penalized with (monetary) sanctions when violating the principal's interest or a reward for achieving the principal's goal (Zinyama, 2014; Neil, 2004). Moreover, bonding also bears transaction costs in securing contracts (ex-ante transaction costs) (Williamson 1985). This equally includes the costs of bonding contracts' outcome (ex-post transaction cost) (ibid). Briefly, bonding disciplines agency action and punishes the agency's misconduct or rewards its choice for achieving the principal's goal. Despite the regulatory mechanism, the principal cannot fully control the agency's action that results to consequences and cause of principal-agent problem.

In the next paragraphs, I will discuss the consequences, followed by the causes of the agency problem in relational contractual corporate governance.

A considerable amount of literature has been published on the consequences of the principal-agent relational problem. In Shleifer and Vishny (1997), Daily et al. (2003), and Jensen and Meckling (1976) opinions, there are following consequences: (a) The agency model assumes a contractual agreement between the principal and agent for a limited or unlimited future period, even though the future is uncertain; (b) The theory assumes that contracting out governance can eliminate the agency problem but faces many hindrances like rationality and fraud; (c) The agency model emphasizes that principal and agent interest in the relation is only to maximize self-satisfying motives, even though their role is limited in the contract; (d) The principal's role is only limited to monitoring employment agencies, and their further role is not clearly defined; and (e) The principal-agent model consid-

ers agents to be opportunistic² and ignores the agents' competence. Despite consequences, there are different causes behind the principal-agency relation that play a crucial role in the conflict of interest.

Data from several studies have identified the causes of the principal-agency relation problem. In the views of Arrow (1971), Chowdhury (2004), and Brahmadey and Leepsa (2017), the following causes are behind the principal-agency problem: (I) separation of ownership control leads to a loss of proper monitoring by principals on agency; (II) different principal and agency risk preferences and struggle to reconcile with their decisions; (III) duration of involvement with an agency's short working term makes agency maximize benefits; (IV) unsatisfactory earnings and incentive plan influence agencies concentrate on their compensation and self-interest; (V) prevalence of information asymmetry because of adverse selection; and (VI), moral hazards, where agents work for the principals in good faith and the principals utilize their knowledge and skill in the risky projects, while the agents are not aware of the risk attached to the investment decision for which they suffer. Despite the causes, the principal-agency problem can be mitigated if the owner-manager or principal-agent collectively manages the contractual governance; otherwise this problem will persist as ownership and control differ (Jensen and Meckling, 1976; Ang et al., 2000).

In general, the agency model shows the principal-agency relation in contracting-out governance where government officials (principal) hire a private employment agency (agent) for public-service delivery. The principal monitors and administers agents' action in the relational governance. Agencies are responsible to deliver services, but the principal-agent relation is challenged with several problems. These problems prevail because of asymmetrical information and uncertainties to monitor and/or control agency's actions. Although most researchers in the field agreed that the principal-agent relation in contracting-out governance is difficult to administer, there is still little investigation in CEE countries explaining the principal-agent relation in contracting-out for employment case management to interpret young third country immigrants' transition to work. Thus, the principal-agent relation in corporate governance is imperative to analyze the role of public and private employment service agencies' contracting-out governance to understand young third-country immigrant transition to work.

In the next chapter, I discuss the methodological and materials part to investigating the phenomenon and derive findings to answer the research questions.

2 Opportunism "refers to the incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, disguise, obfuscate or otherwise confuse the partner in an exchange" (William, 1985).

3. Methodology and materials

The design of this study is from a comparative cross-national case-oriented research approach with a fewer-country comparison (Lor, 2011). The methodology has a number of advantages, such as the notion that it relies on a constructivist philosophical position about how the complexities of a socio-cultural world are experienced, interpreted, and understood in a particular context (Atteslander, 1971). Limitation to the study includes the notion that fewer countries may have different data sets for the same category (Hantrais, 2009). In addition, the study is limited to the Czech Republic, Hungary and Poland that indicate a “whole-nation bias” (Lijphart, 1971), and the arguments for and against the focus on countries (Sartori, 1991). Likewise, a suitable and exact countries’ choice is critical (Lor, 2011, 14) with low external validity making the generalization of the phenomenon difficult to countries not included in the study (Ragin, 1987). However, the findings may generalize a theory in the way social scientists theory-generate findings from one case study to the other (Yin, 2003).

Data were gathered from a triangulation of authorized employment policy documents, official employment reports and an overview of existing scholastic literature to offer corroboration and/or supportive evidence (Mayring, 2002) from the Czech Republic, Hungary, and Poland. The researcher used a multiple-purpose sample (Yin, 2003) to select the documents that have a long history and physical evidence to explain human behaviour. The researcher investigates the documents during his stay in Prague and Linz between February and March 2019. The documents were in English, Polish, Czech and Hungarian. The researcher used Google to translate the text or asked colleagues as well as use online English version in data base such as OECD, ILO, and European Union. For the online search and choice, the researcher inserted, for instance, “Employment Acts”, “Employment Legislature for foreigners”, or “Contracting-out” in the search machine rubric. This generated a diversity of documents and materials that marks a major advantage of this research plan with a source that is less subject to error (Mayring, 2003).

The researcher extracted the passages with themes derived from principal-agent theory-led deductive categories (ibid). In the initial round of the coding process, the author of this paper reviewed phrases, sentences, and paragraph segments from the documents and other sources to code the data. In the first round of the coding process, the researcher developed the following suitable categories to enable the analysis: (I) Rules – Open Information: This shows information with an invitation for an open public call. How the information is obtained and how the principals are aware of the information: (II) Tasks – Delegation of Authority: This code specifies the task to control and manage the decision-making process. How do officials delegate authority through decision management and decision control? For instance, how do they use decision management or control management methods? and (III) Control – Monitoring and Bonding Pattern: This

code offers information about specific public officials' monitoring and controlling mechanisms. I also show their link to the country-specific bonding mechanism, such as punishment towards agency's noncompliance action. And the arrangements, for instance, that penalizes agents violating the principal's interest or rewards them for achieving the principal's goals.

After several rounds of code deduction (Lamnek, 2010) and all the evidence from the documents, reports, and scholarly text creating a consistent picture of the way in which the role of the public and private employment-service arrangements and relations in contracting-out governance developed, interrelated and implicated young-third country immigrant transition to work was the author of this paper satisfied that the processes of data collection and analysis were completed to answer the research question.

In the next chapter, the author of this article presents the findings of this study to understand the phenomenon and answer the research question.

4. Role of public and private employment service agencies in contracting-out for case management governance to negotiate transition to work

The previous chapter examined the document analysis. This chapter will look at the findings. It begins with the three themes that emerged in the previous data analysis chapter, namely (I) open information, (II) delegation of authority, and (III) monitoring and bonding to identify the agency's roles in the relational governance and answer the research question.

4.1 Open information for competitive bidding and transparency

In seeking to investigate and analyze the notion of a transparent bidding process in the study, it may be useful first to consider the notion of how information flows to a call for tender. This section looks at the issue; discuss the findings surrounding the PES public call for tender's opportunities and its implementation with a conclusive remark.

Czech employment service is most procured through a public call for tender and implemented through a fixed price contract and outcome/performance (European Commission, 2012). The local labour Office submits its "call for competition" through "invitation in writing to negotiate procedure without publication", "invitation in writing to simple submit tenders", and "invitation in writing to submit tenders in a procedure based on a framework agreement (§ 92)" (435/2004 Coll. ACT of 13 May 2004 on employment). The obligation to provide competitive bidding is to bring transparency to the selection process as well as equitable and non-discriminatory treatment of the individual bidders (Office for the Protection of Competition, 2019). Moreover, PES shall make known its "intention to award a tender open

to the public” to invite unlimited economic operators (435/2004 Coll. ACT of 13 May 2004 on employment). The tenderer is “obliged to submit the original evidence demonstrating the fulfilment of qualification prior to the conclusion of the contract” (Act on Public Contracts No. 55/2012 Coll, Article 62(3)). If not, the PES has to “inform the tenderer about the fact that the evidence submitted by him does not demonstrate the required qualification” (Office for the Protection of Competition 2019). In 2013, for instance, 72 per cent of total procurement was applied through open procedures and transparency fully met (European Commission, 2019.). However, the Czech Republic’s “contracting authority has no purchasing department and struggles with adequate skills and administrative capacity”, especially, in the case of smaller municipalities (*ibid*). In addition, it experiences significant issues with corruption higher than the EU average, limited implementation of country-specific contracting-out recommendation, frequent use of negotiated procedures without publication of a tender notice that reduce competition and provide substantial discretion for contracting authorities. The European Commission (2019) goes so far as to emphasize that the Czech Republic uses negotiated procedures without notification in nearly one-in-five procedures, more than twice the EU average, which is a serious hurdle to transparency and effective functioning of the Czech contracting-out employment-related governance.

In Hungary, most procurement occurs through a public call for tender and is implemented through a fixed price contract (*ibid*). The contracting authorities’ send a notification to several “tenders” and “requests” them to “participate” (Act CXLIII of 2015 on Public Procurement, Article 35) that ensure transparency. Furthermore, the provision of “information” is “published by means considered customary for, and commonly known in, the area” (Hungarian Act I of 2012 on the Labor Code (Section 18, Paragraph 1), adopted by Parliament on 13 December 2011). In 2013, for instance, 67 per cent of the total procurement was applied through open procedures and transparency fully met (European Commission 2019). However, there is low administrative capacity in the public sector among the contracting authorities, efficiency loss due to insufficient competition in the process, high perception of corruption, and a lack of comprehensive and reliable data collection, which impairs the implementation process (*ibid*.).

Poland’s employment service takes place through a public call for tender. They use all three methods of cost reimbursement, fixed priced, and outcome/performance for the implementation (European Commission, 2012). The decisions on the “scale of outsourcing” are made by the starosta or marszałek. They either buy the “services directly” or send an “invitation to tender” to select an “external provider” through “open competition”. The contracts are for a “maximum of three years,” but starostas may also “subcontract other types of services” (Kalužná 2009). In 2013, for instance, 87 per cent of the total procurement was applied through open procedures and transparency fully met (European Commission, 2019). However, the contracting-out governance faces low and inadequate staff with qualification, on-

going susceptibility to corruption, instability of the legislative framework with frequent law-making amendments that challenge contracting authorities, as they often lack information on the latest legal changes.

In short, in Czechia, Hungary, and Poland, there is an open public call for tender through invitation for competition. However, Czechia government frequently use negotiated procedures without publishing a tender, which reduces competition. Furthermore, these countries' contracting-out governance faced low administrative capacity, ongoing corruption, overwhelming the contracting authority with inadequate skills to act business-like, and an instable legal framework in contracting-out governance that is complex for officials to follow. These findings suggest that in general there is information for open calls for tender, but the contracting authority does not have the administrative capacity facing uncertainties (Zinyama, 2014; Simon, 1947). These incapacities and uncertainties might suggest the contracting-out authority's inability to perceive agents pursue of self-interest and "opportunism" with incompletely disclosure of suitable information that can mislead, disguise or confuse officials in contracting-out governance (Barney and Ouchi, 1986; Eisenhardt, 1985). The reason for this may have something to do with the agency's quality and service that can impair beneficiaries' transition to employment systems, when looking at issues such as employment-related transition of socio-economically disadvantaged groups in contracting-out for the employment case management setting.

This section has discussed the information models of PES and private employment agencies (agent) in principal-agent relational contracting-out for employment governance. The next subsection will look at the delegation of authority for decision and control management.

4.2 Delegation of authority for decision and control management

The previous subsection examined open information through public calls and tendering in contracting-out governance. This subsection looks at another aspect of the principal-agency relation in contracting-out governance to delegate authority for decision and control management. The delegation of authority is the principals' managerial and regulative device to control performance decisions and improve the quality of public work in the public service.

For each of these countries, there is a centralized delegation of authority in the institutional corporate governance framework. In Czechia, the Labour Officials signed contracts with a third-sector organization but work with a mixed consortium that may include third-sector organizations (European Commission 2012). Service providers in Czechia are private companies, other public entities, and a mixed consortium (ibid). The administrative level of PES responsible is the local/regional and central direction (ibid.). Regional branches of the Labour Office and Employment Agencies "cooperate" to perform intermediation activities. They also "assign the work," "supervise", offer "advisory and information services" in the

field of employment opportunities (435/2004 Coll. ACT of 13 May 2004 on employment). Even though, for instance, the Regional Office is responsible for employment service, such as counselling and job placement etc., they decide and contract out employment programmes to educational institutions and NGOs for service provision (Pathways Project EU, 2009). These institutions and NGOs are employment agencies that are “obliged to provide the Regional Branch of the Labour Office with information” and “keep records” (435/2004 Coll. ACT of 13 May 2004 on employment, Section 21, Subsection (1)). However, according to figures from the Public Opinion Research Centre, there has been increasing distrust since “2015/6, with 47 % of people overall saying they mistrusted NGOs in 2015, rising to 51 % in 2017 and 53 % in 2018” (Institute of Sociology of the Czech Academic of Sciences, 2019; European Fund Raising Association, 2019). This is a challenge to the official managerial device that does not only regulate and controls agencies’ decision-making process, but manage huge sum of taxpayers’ money to navigate job seekers’ transition to work.

In Hungary, employment agencies are companies from the private and third sectors (European Commission, 2012). The administrative level of PES responsible is the local/regional and central direction (*ibid*). The “entity exercising ownership rights shall have powers to establish performance requirements” for the “executive employees”, who are employment agencies (Section 204, Paragraph 2, adopted by Parliament on 13 December 2011). The Public Employment Office “may define the jobs in respect of which a non-competition agreement can be concluded” with “further condition” (Hungarian Act I of 2012 on the Labor Code (Section 207, Subsection 4, adopted by Parliament on 13 December 2011)).

Meanwhile, in Poland the agencies involved in contracting out are private companies (European Union, 2012). The administrative levels of PES responsible are central direction and specialized units (*ibid*). Employment agencies are “obliged to cooperate” with employment authorities on “implementing the labour market policy” (Polish National Action Plan for the Implementation of the United Nations Guiding Principles on Business and Human Rights 2017–2020). Furthermore, Poland’s provision of employment-related services is exclusively through “temporary work agencies being an entrepreneur within the meaning of the Freedom of Economic Activity Act” (Sporniak-Czerkas and Setkowicz-Ryszka (n.d.)).

In short, the comparative entities’ agencies relation relies on cooperation except for Poland, where the PES has ownership rights that define jobs. In the Czech Republic, the provision of service is through private companies, other public entities, and a mixed consortium. Meanwhile, there are companies from the private and third sectors in Hungary and private companies (those are temporary work agencies) in Poland. The units of the responsible administrative level differs in Czechia (local/regional and central direction), Hungary (local/regional and central direction), and Poland (central direction and specialized units). These findings suggest a

centralized managerial decision as the public accountability device to improve regulatory governance and the quality of public work (Răută 2014; Hood 1991; Pounder 1999; Radnor and Barnes 2007), where the authorities are giving service delivery to distrustful employment agencies such as NGOs (European Commission 2012, 48; European Fund Raising Association, 2019). Therefore, low administrative capacity can prompt agents to maximize profit and pursue self-interest (Chowdhury, 2004; Brahmadev and Leepsa, 2017; Jensen and Meckling, 1976) instead of the principal's objectives in contracting-out for employment governance. The tendency to manage decisions with unequal ownership rights may instigate rationality, fraud and loss of proper monitoring, which can infringe public assistance benefits claimants' rights, when looking at the contracting-out of employment-related case management.

This subsection has discussed the delegation of authority in the study. The next section will look at monitoring and bonding as an administrative regulator for agency action.

4.3 Monitoring and bonding as administrative regulator

The previous chapter examined the delegation of authority, arguing that managerial decision improves public work. This subsection looks at another aspect with monitoring and bonding administrative regulative devices.

In the Czech Republic, the Labour Office is "entitled to examine" the employment agency's "capacity to provide intermediation activities" if there is suspicion of a "serious threat to protected interests" or "unauthorized provision of intermediation activities". The Labour Office keeps "records" of employment agencies that have been granted a permit for employment intermediation. The "record contains employment agency information" (that is an address, a list of its workplaces and indication of conduct in service delivery) (435/2004 Coll. ACT of 13 May 2004 on employment; Brahmadev and Leepsa, 2017). In addition, if the employment agency "ceases" to meet the "conditions" specified for service provision in the agreement, the agency faces "punishment with prohibition of the activity" (435/2004 Coll. ACT of 13 May 2004 on employment) to limit agency action (Keil, 2014; Dunn, 2004; Fama, 1980; Reh fuss, 1993). There is also punishment when the contracting entity commits an administrative delict, for instance failing to comply with the procedure laid down by the Act on Public Contracts for the award of public contracts (Office for the Protection of Competition, 2019).

In Hungary, the contracting authorities set up an "evaluation committee" of at least three members who "jointly" have the "professional competence" pursuant for the "evaluation" and "assessment of the tenders" (Act CXLIII of 2015 on Public Procurement adopted by the Parliament at its meeting of 22 September 2015, Article 27 (4)). Moreover, the Public Procurement Authority is "entitled to verify" the "violation of those requirements." The contract may be "terminated or rescinded," if

the contracting authority “fails to ensure compliance” (Act CXLI of 2015, Article 143, (1)(a)).

Unlike in the Czech Republic and Hungary, in Poland any person who becomes aware of employment-agency “non-compliance”, including “abuse and fraudulent practices” on the part of such an entity, may file a complaint to the marshal of the voivodship competent for the seat of the employment agency or the National Labour Inspectorate (Sporniak-Czerkas and Setkowicz-Ryszka (n.d.)). Therefore, when the inspection service determines non-compliance on the part of an employment agency, the latter may be “removed from the register of employment agencies” and is liable to a “fine” of not less than PLN 3,000 as “sanctions” for offences against the provisions of this law (Sporniak-Czerkas and Setkowicz-Ryszka (n.d.)).

Briefly, monitoring and bonding are administrative devices to regulate and restrict the agency’s action and behaviour in the comparative entities. In the Czech Republic, the Labour Office examines agency’s capacity to protect their interest, and keeps records of agency information as a means to monitor past behaviour. Failure to meet the condition implies punishment with a prohibition of activities. In Hungary, a committee of professional evaluators evaluates and assesses agencies’ competence, whereas the Public Procurement Authority verifies the violation of these requirements to terminate the employment-agency activities in case of non-compliance. Meanwhile, in Poland, a whistle blower may file compliance at the National Labour Inspectorate about employment agencies’ non-compliance, including abuse and fraudulent practice in service delivery. In case of non-compliance, the inspection service may remove employment agencies from the register, fine them, and sanction their actions. The findings suggest that in general officials exercise monitoring through verification, observation of periodic reports and following-up on compliance (Rehfuss, 1993) to observe agency’s actions, decisions, and performance in service delivery (Fama, 1980, Brahmadev and Leepsa, 2017; Eisenhardt, 1985; Keil, 2014). But, the principal cannot perfectly monitor and acquire available information (Barney and Hesterly 2005). This administrative inadequacy to monitor agencies’ actions suggests that human are bounded rational in their behavior with the pursue of self-interest and opportunistic attitude (Zinyama, 2014), which makes the governance imperative to distrust (Institute of Sociology of the Czech Academic of Science 2019; European Fund Raising Association, 2019) and fraud (Shleifer and Vishny, 1997; Daily et al., 2003; Jensen and Meckling, 1976). The reason for this may have something to do with the agency’s lack of cooperation, quality and service, which can impair beneficiaries’ transition to employment systems, when looking at issues such as employment-related transition of socio-economically disadvantaged groups of people in the contracting-out-for-employment case-management setting.

To repeat, PES delegates authority and manages performance to control employment agencies’ activities. Employment agencies are responsible to provide information and pursue the principal’s interest. However, there is a misalignment

between the principal's ownership rights and principal-agency agreement with self-interest and different risk-sharing preferences that result in information asymmetry and misconduct. In addition, officials face incapacity and inadequacy to administer procedural activities that require particular skills to behave businesslike in contracting-out governance. In this case, PES performs monitoring to observe the agency's action with a bonding tool to punish the latter's non-compliance and violation of officials' interest. Nevertheless, a lack of cooperation, unethical behaviour, fraud, and corruption, more than in other EU member state countries, still prevails in the selected transitional "post-communist" countries' principal-agent relational contracting-out governance, which may impair the steering of a young third-country national and socio-economic disadvantaged ethnic minority groups' smooth transition to work.

Despite similarities, the comparative cases are dissimilar in their institutional setting in contracting-out relational governance. Unlike Czechia and Hungary, institutionalized whistle blowers exist in Poland, who may file a complaint at the National Labour Inspectorate if they are aware of an agency's non-compliance, including abuse and fraud. In addition, Poland is dissimilar to Czechia and Hungary, because its contracting-out of governance for employment-related services is provided exclusively by temporary work agencies being entrepreneurs within the meaning of the Freedom of Economic Activity Act. Meanwhile, in Hungary and Czechia, it is provided by private enterprises including the third sector and private employment-service agencies. Furthermore, unlike Poland and Hungary, the Czech Republic frequently uses negotiated procedures (with nearly one in five procedures that is more than twice the EU average) without publishing a tender notice. This model reduces competition and provides substantial discretion that is a serious hurdle to transparency, and effective functioning of the Czechia's contracting-out governance (European Commission 2019). The result makes the relational governance problematic and could jeopardize young third-country national employment related transition.

5. Conclusion

This study analyzed the role of public and private employment-service agencies contracting out for employment case management in the realm of the principal-agency relation to promote work. The research design consisted of a qualitative cross-national case-oriented research approach with a fewer-country comparison between three "post-communist" transitional countries in CEE that is Czechia, Hungary and Poland. The focus was on the principal-agent relation in contracting-out for case-management governance to interpret young third-country immigrant transition to work.

The study has shown that open information, regulation, and monitoring administrative devices were a major perceived influence in principal-agency relational contracting-out governance. An important finding to emerge in this study is the lack of cooperation and private employment agencies' increasing distrust (Institute of Sociology of the Czech Academic of Science 2019; European Fund Raising Association, 2019) with principal inadequate skills to behave in a business-like way, that has encouraged unethical behaviour, fraud and corruption (European Commission, 2019). These uncertainties are barriers to local-government authorities' capacities to monitor agency's action and/or behaviour in service delivery. Despite the comparative entities similarities in performance management and targeting agencies behaviour with sanctions, employment agencies in Poland are dissimilar to those of Czechia and Hungary, because they are temporary work agencies performing delivering service. Meanwhile, in Hungary and Poland, they are third-sector and private employment service agencies. Moreover, unlike Poland and Hungary, Czechia often uses negotiated procedures (that is nearly one in five procedures, more than twice the EU average) without publishing a tender notice that reduces competition and provides serious hurdles to transparency and effective functioning of contracting-out governance (European Commission, 2019). This research confirms previous findings and contributes to our understanding that the principal and agents have different risk preference (Jensen and Meckling, 1976; Chowdhury, 2004; Brahmadev and Leepsa, 2017) in corporative governance. These differences suggest human beings' rationality and opportunism (Eisenhardt, 1985) to pursue self-interest and maximise profit that can mislead corporate governance (Shleifer and Vishny, 1997; Daily et al., 2003; Jensen and Meckling, 1976). This may have something to do with a lack of cooperation and unethical behaviour, integrity, quality and service, which may impair beneficiaries' transition to employment systems, when looking at issues such as employment-related transition of young third-country immigrants and socio-economically disadvantaged groups in contracting-out setting.

However, a number of limitations need to be considered. The study, for instance, has been primarily concerned with the Czech Republic, Hungary and Poland that indicates a "whole-nation bias" (Lijphart, 1975) and cannot be generalized to explain other countries leading to low external validity (Ragin, 1987; Lor, 2011). Nevertheless, it may be generalized to a theory in the way scholars' theory-generate findings from one case study to the other (Yin, 2003). In addition, I have addressed only the role of PES and private employment service agencies. And to some extent, the researcher faced a language barrier, as some of the documents were in Czech, Polish, and Hungarian, but could use official English translations and support from colleagues. The study appears to support the argument for a change in contracting-out relational corporate governance in public-assistance service-delivery ramification, especially to support vulnerable people's transition to paid work. Further research should concentrate on young third-country immigrants' personal experi-

ence in the realm of contracting-out public assistance employment-related integration service delivery process.

In short, the findings suggest that the principal-agent relation is pluralistic and multi-actor governance with an administrative regulatory tool to target an agency's action for quality and service in scarce resources allocation and steer young third-country immigrants' transition to work. If mismanagement, lack of cooperation and distrust persist in principal-agent corporate governance, problems of corruption and misuse of taxpayers' money will prevail not only to hinder minority-groups' welfare and/or belongings but jeopardize economy prosperity, the social-cohesion process, and sustainable finance.

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