



SCOTLAND – NETHERLANDS EXCHANGE

(PART 1)

*Researching a fully “localised” system
for labour market reintegration*

The Hague, Amsterdam, Rotterdam and Friesland
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FINAL REPORT

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1 PURPOSE OF THE STUDY VISIT

- 1 Throughout the UK, a new chapter is being written in the evolution of welfare reform and employment policy. The Flexible New Deal's principles of greater local autonomy, tailored support, and prime-subcontracts are unfolding as the new framework for employment policy development and the delivery of employability services.
- 2 In June 2008, the Scottish Government invited strategy and employability representatives from local authority areas across Scotland to participate in a study visit to the Netherlands to better understand the lessons learned from the reintegration market, the Dutch framework for service delivery.
- 3 Since 2006 there has been what is referred to as a "revolution" in the Dutch labour market, a period during which jobs and vacancies have expanded and employment has grown steadily. For several years, the Netherlands has maintained one of the lowest unemployment rates across the 27 EU member states, currently at 3.6% of the workforce, and in some areas of the country, there remains a distinct shortage of employees.¹ The Dutch reintegration market is hailed as the service delivery model that has helped to keep unemployment relatively low.
- 4 However, at the writing of this report and following the global economic downturn, it is believed that the long period of decreasing national unemployment in the Netherlands may be coming to a close. As the economic crisis unfolds across Europe, it is believed that youth unemployment may be the first to rise, and that the viability of the current system will be put to the test.²
- 5 This sets the scene for a comparative study of the two countries, as both systems face the realities of greater claimant volume, fewer vacancies, restricted national and local budgets, and a challenging business climate for private and voluntary sector service providers.

¹ Eurostat, September - November 2008

² Statistics Netherlands, News Release, 18 December 2008

2 THE DUTCH REINTEGRATION MARKET

- 1. Government targets to achieve more people in work.** As in the UK, the Dutch government aspires to reach 80% full employment by 2016. In its 2008 Budget, the government pledged to help those “still standing on the sidelines of society” to enter the labour market, which equates to achieving 200,000 additional people into work. The municipalities are to help at least 50% (100,000) to find work in the next few years. This breaks down accordingly: 75,000 people who are on benefits and 25,000 who are not. The 25,000 include jobseekers such as “mother (or father) returners” who are not receiving social assistance, people described as partially disabled and “elderly” people who are unemployed. These groups do not fall within the services delivered by the reintegration market, but the development of programmes aimed at increasing their employability and encouraging their labour market participation are an endeavour shared by the national government and the municipalities.
- 2. The Dutch reintegration market.** The reintegration market is often described as a quasi-market for the delivery of employment services, and is based on the principle that users are the “demanders” of services. It is considered a quasi-market because it is a marketised model for the delivery of a public service, but its users do not actually purchase the services as they would in a true market environment.
- 3. The framework for market creation.** Two key pieces of legislation set the framework for devolving the Dutch system and helping individuals return to the labour market. The reintegration market itself was established with the passage of the SUWI (Implementation Structure for Work and Income) Act, which provided a “clear and unequivocal implementation structure” for the delivery of employment services. The legislation sought to achieve “greater efficiency and effectiveness, as well as a stronger focus on the customer” (SZW 2005). Under the SUWI Act, municipalities and the UWV have been given sole responsibility for implementing an active reintegration policy for recipients of social assistance, the unemployed and the work disabled. Under the original legislation, municipalities were required to deliver employment services via private reintegration companies.
- 4. A localised financial model for municipalities.** Subsequent legislation entitled the WWB (the Act on Employment and Social Assistance) has placed additional pressure on municipalities to increase the effectiveness of local services and to make efficiency savings. Municipalities have a direct financial interest in doing so, as they are able to spend their savings as they see fit. In other words, the greater the outflow from benefits, the higher the savings for the municipality. Increasingly, municipalities are reducing the role of market providers and have begun to offer more services in-house, in what some refer to as a social enterprise model.

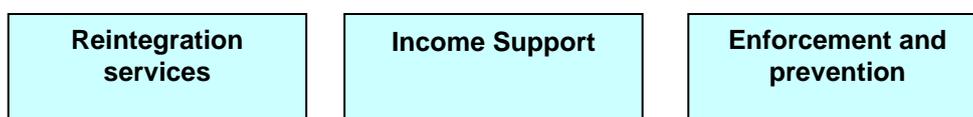
Municipal departments of work and income are modifying the way they are organised to accommodate the increasing decentralisation of the welfare to work system.

5. **Individual contracts.** A newer feature of the system is the introduction of “individual contracts,” a grant of £3,600 made to individuals and managed by the reintegration company of their choice. There is broad flexibility in how the grant may be used, so long as the service that is purchased can be shown to contribute to employability. The grants are seen to be widely enjoyed by individuals and reintegration companies alike, although there is question from some analysts about the amount of the grant and the freedom with which it is used.
6. **Market growth and quality.** The market has expanded at an impressive rate. In 2005 there were over 700 businesses delivering some sort of employment-related service, today the estimate is approximately 2,500. The total value of the market is £316 million. Participants in the market can apply for a “Quality Seal,” the standards of which are determined by BOABOREA (the provider trade organisation) and BlikopWerk (an independent foundation concerned with increasing the quality of employment service delivery).
7. **Devolved responsibility.** The responsibilities of the national and local tiers of government can best be described below:

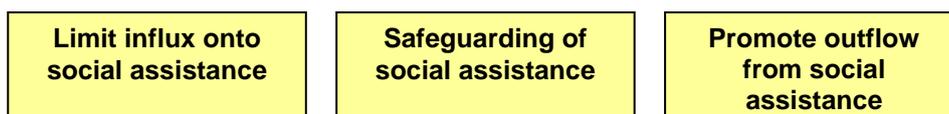
Central Government’s instruments³



Municipalities’ instruments



Local goal: ‘work above benefits’



³ Dutch Ministry of Social Affairs and Employment (2008). The Work and Social Assistance Act (WWB) in a nutshell: from social assistance to work in the Netherlands.

3 OUR OBSERVATIONS

Theme 1: The client's voice

1. **Individual contracts.** The introduction of individual contracts, where clients are awarded £3,600 to spend on the employability provision of their choice, captured our attention.
2. Many in our group felt, after speaking with the CWI in Rotterdam and in Friesland, that individual contracts could be an empowering tool for the individual. As one observer put it, “the client voice was important operationally and far less seemed to be ‘done to’, or ‘done for’ clients than in our (UK) environment.” It was acknowledged that providing individual contracts also had its risks, and that those farthest from the labour market might make less informed choices and spend their grant unwisely.
3. Most in our group agreed that accurate and frequent reporting on such an initiative was essential to understanding how funds were spent and who (the client, the provider, the government) was ultimately benefiting.
4. Interestingly, others in the group believed that if individuals felt empowered to make decisions about their employment, if local unemployment rates were decreasing, and if the spend on such contracts showed cost savings, the details of how and where the grants were spent were not as relevant.
5. **Client representation at the policy table.** A unique feature of the Dutch system is the involvement of Landelijke Clientenraad – an organisation which represents the interests of clients in policy decisions. The group’s role is now set in law, and its representatives meet formally with government Ministers twice a year to communicate the client experience. The underlying philosophy is that clients are entitled to high quality services that truly meet their employment and other social needs.
6. Some in the study group believed this was an important concept which provided a ‘reality check’ for the decisions made by policy makers and mainstream delivery partners. Others agreed, noting that the fact that clients have a voice in how policy is shaped sets the government’s welfare reform efforts in a frame which says “This is a service, the government is funding it, and your experience is important to us.”
7. Others felt that the system for involving clients was not as unique as it appeared, and that the UK itself has been progressive in recognising and

encouraging user involvement as well. It was felt this was particularly true at the local level, for people with substance misuse and mental health problems.

Theme 2: Localism and the municipalities

8. **The culture of localism.** For some UK observers, it seemed that localism could be a substantial risk for the central government, and it was clear that municipalities (and even the central government) had not yet attempted to establish baselines and track progression, especially given the amount of flexibility that has been granted.⁴
9. Others noted how both the central and local government seemed to adopt a much less risk-averse attitude about devolution, and wholeheartedly embraced the idea of the municipalities taking on the challenge of delivering their own welfare-to-work systems:

‘No one that we saw in the Netherlands seriously questioned the capacity of the locality to deal with these issues at both the policy and delivery levels, whereas the underlying assumption in the UK is that you need the “big beast” expertise on these matters.’

10. We all acknowledged that with greater devolution of the system comes reduced accountability, and that if devolution were to continue in the UK, it would have to be managed carefully. There would need to be an understanding that local authorities are prepared to take on the responsibility of managing their local service delivery markets and reaching quantified jobs targets.
11. **Two budgets, with incentives to save.** In short, municipalities in the Netherlands are allotted a dual budget which includes the income portion, reserved for paying benefits claims, and the work portion, reserved for contracting and delivering reintegration services. This type of financial model caught the imagination of several study visit participants:

‘The concept of the two budgets (one for paying benefits, the other for administering programmes), and the potential for savings from the income budget to be retained and used as the municipality sees fit, was enviable.’

‘The absolute common sense of incentivising municipalities to deliver on welfare to work shone out and

⁴ See section 4, “Policy Changes Since Our Visit.”

absolutely backs up the view of many local authorities in the UK that this form of devolution would absolutely work.'

12. It was noted that the UK Department for Work and Pensions has indicated that this may be the long-term policy vision as the Flexible New Deal unfolds, with a small number of local authorities being allowed the opportunity to experiment with an allotted budget and cost savings. Our visit with the City of Rotterdam gave us a real-life example of how this might take shape.
13. **Developing a local evidence base.** The absence of an evidence base for what works locally held lessons for us in Scotland. One participant noted: 'Our visit showed that localism and marketisation are not only compatible, but highly complementary. However, there is a definite price to pay for increased local discretion in Welfare to Work delivery, in the shape of a considerable "drying up" of centralised data regarding the effectiveness of labour market interventions.'
14. On this point there was unanimous agreement amongst our group that there is significant scope in the Netherlands, as there is in Scotland, for developing an evidence base on 'what works' locally in different labour markets and amongst different groups.

Theme 3: The marketisation of services

15. **An evolving market philosophy and contracting arrangement.** The reintegration market has expanded considerably since it was created. In 2005 there were over 700 businesses delivering some sort of employment-related service. Today the estimate is approximately 2,500.
16. In our view, contracts were seen to be very flexible, with little emphasis on process. The issue spurred the following comment from one participant:

'At times, the reality of the market seemed almost crude, yet effective with providers simply paid to take people off benefit. In Velsen, the provider we visited, which was similar to an ILM provider in the UK, had a contract with the municipality to take 200 clients each year, with no more than around 40% returning to benefits. The provider would give people the necessary skills, support and guidance to move them into employment. If the employment broke down, the provider would bring them back into their organisation until alternative employment

was achieved. This may be where we are heading in the UK: large prime contractors will be given higher payments over longer periods to move and retain people in employment.'

17. Under the original law, municipalities were required to contract with reintegration companies to deliver services. For a variety of reasons, including some dissatisfaction with the lack of innovation, some municipalities are considering a move to deliver more services 'in-house,' rather than contracting out. This was most visible in our interview with Rotterdam.
18. This left a lasting impression on the study group. Having started with a 'pure' marketisation in the sense that everything is outsourced, both national and local tiers were comfortable with a gradual redefinition of what aspects are best delivered by competition and which elements are best held by the municipalities. We agreed that there were some overlaps with the Freud approach, and that ultimately this was a good example of 'best value' thinking.

Theme 4: Workfirst

19. **Workfirst is a clearly stated philosophy of the Dutch municipalities.** Many in our group noted that in Scotland, we have focused more on distance travelled and creating an employability pathway. This was a distinct contrast to Rotterdam's approach, where the view is that other challenges can be addressed after work is embraced.
20. One reason for the Dutch emphasis on Workfirst may be the nature of work clients are entering. We understood from the municipalities that a high percentage of jobs were created via wage subsidies and voluntary work. Had time allowed, we would have investigated the nature of this work further, as well as any penalties for non-participation.
21. There was agreement amongst our group that a Workfirst policy must be considered within the context of wider social and economic issues, such as access to services, in-work poverty, and the employability challenges of groups that have been removed from the labour market for an extended period of time.

Things to import

22. **The recycling of benefit savings into services.** The ability of municipalities to make savings and use the funding would be welcomed by local authorities in Scotland. In the UK, the function could reward local success and be a more realistic way to provide resources for tackling entrenched economic exclusion.

23. **The Quality Seal.** The Quality Seal, for which reintegration companies can apply, seemed to be an innovative tool which is widely acknowledged as a recognition of good quality service delivery in the local service delivery market. Such a tool could be developed in the UK, especially if we are asking DWP to include us in their performance management appraisal. A Quality Seal would give central government, local authorities and providers a common language for measuring quality.
24. **Job brokerage and engagement with employers.** In the Dutch system, employers can directly access the details and CVs of registered claimants, who they can then contact directly. This is facilitated by an innovative IT system held by the Centre for Work and Income (CWI). As the UK moves to a more devolved model, there might be scope for local authorities to develop a local data base for employers to use.

4 POLICY CHANGES SINCE OUR VISIT

1. ***An Administrative Accord for a more stable macro budget and further reductions in benefits claims.*** The Dutch government has decided that although there are challenges to the funding model, significant changes to the allocation of local budgets are not yet needed. However, there has been a decision to **allow municipalities to hold on to their surpluses for a longer period.** An Administrative Accord has been agreed between the Ministry of Social Affairs and the municipalities, in which they commit to achieve an extra reduction of 30,000 benefit claims. If the municipalities succeed, they will retain approximately £850 million in extra gains over 2008 – 2011.
2. ***Fixed, longer-term local budgets for a renewed emphasis on individuals who are at greatest distance from the labour market.*** There are signs that the municipalities are making real progress on helping to move those farthest from the labour market back into work. According to the Ministry, the outflow of households that have been on social assistance for some time has risen more quickly than the outflow of households that have been on benefits for a short period. Those who have been receiving benefits for more than a year are also being more actively served.
3. To ensure the trend continues, **the budget for reintegration services has been fixed for the long term, and has been combined with funding for services such as adult education and migrant integration.** The expectation is that municipalities will now have the security to develop more integrated local policies, engage in longer-term planning, and focus on those farthest from employment.
4. ***Additional focus on young people.*** A work and study requirement has been created for young people up to age 27, to ensure this group is encouraged to work and/or continue learning until they are sufficiently qualified to secure a place in the labour market. Municipalities will continue to offer work and study opportunities and **a new benefit is being developed**, at less cost than social assistance, to provide a safety net.
5. ***Stronger service delivery partnerships.*** A new service provision concept is being developed – the “**Location for Work and Income**” (LWI) – to ensure that all partners cooperate at a single location where the integral support of the client is the top priority. The municipalities’ relationship with the central government will remain unchanged, but **the municipalities’ democratic control of the local system will play a more important role.** The Minister of Social Affairs and Employment will be responsible for reporting to Parliament on the functioning of the system.

6. ***Improved local checks and balances.*** An evaluation of the system has shown that some municipalities need additional support in meeting benefits reduction requirements and delivering services. As a result, the Ministry has offered to **work with the municipalities' umbrella organisation, the Association of Netherlands Municipalities, to determine whether additional support is needed.**

5 ORGANISATIONS AND AREAS VISITED

- **Arthur van de Meerendonk**, *reintegration market consultant, M13 Advies*
- **Ton de Kok**, *BOABOREA (the trade organisation for reintegration companies)*
- **Jan Laurier**, *Landelijke Clientenraad (representing the client's experience)*
- **Dr. Soner Cinar**, *Senior Advisor, Centre for Work and Income (CWI), Rotterdam*
- **Herman Talsma**, *Client Advisor, CWI, Rotterdam*
- **Barbara Kleinekoort**, *CWI Call Centre, Rotterdam*
- **Klaas Folkerts**, *Senior Advisor, Dept for Work and Income, City of Rotterdam*
- **Paul van der Aa**, *Senior Analyst, Social Services and Employment, City of Rotterdam*
- **Herman Jillings**, *Head of Department for Work & Income, Regional Service for NW Friesland*
- **Pieter van Schie**, *CEO, Werkcenter Nederland, IJmuiden harbour, a private provider specialising in highly disadvantaged groups*
- **Els Sol**, *University of Amsterdam*

1. **Friesland.** Friesland (or Fryslan) is a province in the north of the Netherlands and part of the larger region of Frisia. Friesland itself has a population of 643,000 inhabitants and its capital is Leeuwarden (*Ljouwert*), which has a population of 91,850.
2. Friesland is mainly an agricultural province. The famous black and white Friesian cattle and the well-known black Friesian horse originated here. Tourism is a key industry, mainly on the lakes in the south west of the province, and on the islands in the Wadden Sea in the north. Technology companies such as Asset Control have also set up base in Friesland.
3. The province is famous for its speed skaters and mass participation in cross-country skating when weather conditions permit. In the winter, the province hosts the Elfstedentocht (Eleven cities tour), a 200-kilometer ice skating tour. Local Frieslanders are particularly proud of the province's landscape, which boasts 195 windmills, from a total of about 1,200 in the entire country.
4. **Rotterdam.** A dam built on the Rotte River in 1260 forged the settlement that has become known as present-day Rotterdam. In 1350, the city completed a shipping canal which provided it access to the larger towns in the north, making it a local trans-shipment centre between Holland, England and Germany. The urbanised port then became the seat of one of the six chambers of the Dutch East India Company.

5. During the second World War, the heart of the city was almost completely destroyed by the German Luftwaffe. In the post-war period the city was rebuilt using an active architectural policy which included daring new styles for apartments, office buildings and recreation facilities which resulted in a more 'liveable' city centre and a new skyline.
6. Today, Rotterdam is a city of 590,000, with nearly 50% of its population representing Surinamese, Turkish, Moroccan and Antillean communities. With 55% of the inhabitants earning a low income, Rotterdam has its fair share of urban challenges, such as extremely disadvantaged inner city areas.
7. Rotterdam is home to the Dutch half of Unilever, as well as Mittal Steel N.V., the world's largest steel company. The city is also home to offices for Deloitte, PricewaterhouseCoopers, AIG, KPMG, the Coca Cola Company, Cap Gemini, and Ernst and Young.

6 SCOTTISH PARTICIPANTS



- **Tom Craig**, *Scottish Government*
- **Barbara Gemmell**, *Glasgow Works*
- **Shelly Huggins**, *Skills Development Scotland*
- **Luke Macauley**, *Scottish Government*
- **Fraser MacKenzie**, *North Lanarkshire Council*
- **Stephen McGill**, *Glasgow Community Planning Ltd*
- **Jim Rafferty**, *Edinburgh Capital City Partnership*
- **Ken Shaw**, *City of Edinburgh Council*
- **Anne Shiels**, *South Lanarkshire Council*
- **Arthur van de Meerendonk**, *reintegration market consultant, M13 Advies*
- **Natalie Branosky**, *Centre for Economic & Social Inclusion*

Natalie Branosky
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