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The use of contestability and flexibility in the delivery of welfare services in Australia and the Netherlands

Report on study visits undertaken by
the United Kingdom's Department
for Work and Pensions

Contributors

Australia: Clare Elliott, Ruth Owen and Andrew Stott

**Netherlands: Anna Bee, Ben Fletcher, Iain Bradley, Maria Buller and
Nick Murphy**

Editors

**Helen Morrell, DWP and Natalie Branosky, Centre for Economic and
Social Inclusion**

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the Centre for Economic and Social Inclusion

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The Authors

Australia

Clare Elliott is Senior Economic Adviser and Head of the Working Age Delivery Strategy and Performance Division. Clare's responsibilities include contestability and Building on New Deal strategy and analysis and performance management of Jobcentre Plus.

Ruth Owen was Head of Business Strategy and Performance at Jobcentre Plus but has recently taken up a post as Head of Strategy at Dixons. At the time of the study visit, Ruth was responsible for taking forward contestability and strategy issues and developing performance management in Jobcentre Plus.

Andrew Stott is a Senior Policy Officer in the Welfare and Equality Strategy Directorate. He previously worked on the funding and contract model for the Employment Zones and then on Strategy on Public Service Reform. Andrew is currently working on strategy on our most disadvantaged clients.

The Netherlands

Anna Bee (study lead) is a Senior Research Officer at the DWP working on Lone Parents analysis and evaluation. Anna previously worked on the evaluation of the recent Employment Zones extensions to Lone Parents and Young People and played a key role in developing the Contestability Strategy for Jobcentre Plus.

Ben Fletcher is the Head of Business Strategy and Strategic Communications within Jobcentre Plus. Ben is responsible for formulating of the Jobcentre Plus Business Strategy, most recently leading on the development of plans for transforming the Jobcentre Plus operating model following the 2004 Spending Review settlement.

Iain Bradley is a statistician who currently heads up the Employers and Vacancies Analysis Team within Jobcentre Plus Analytical Division. His team is responsible for analysis to support the Jobcentre Plus Job Broking Strategy. His interest in the Netherlands was in Management Information Systems, and how the flow of information between the different tiers of Government was structured.

Maria Buller was at the time a Commercial Relationship Manager at the Department for Work and Pensions. She advised the Working Age Delivery, Strategy and Performance Division on the commercial aspects arising from the contestability agenda. Her interest in the Netherlands visit was in market readiness for the outsourcing of key stage interventions and levels of risk sharing.

Nick Murphy is an Assistant Economist in the DWP. In the past he has worked on estimating the cost effectiveness of various active labour market policies including Employment Zones and the New Deals. He is currently involved in reviewing elements of the Jobseeker's Allowance regime.

The editors

Helen Morrell (study lead), Principal Research Officer in the Working Age Delivery, Strategy and Performance Division, Work, Welfare and Equality Strategy Directorate in the Department for Work and Pensions (DWP). Helen has analytical responsibility for evaluating the Employment Zones and Building on New Deal and joint Strategy Development responsibility on contestability.

Natalie Branosky is a policy adviser at the Centre for Economic and Social Inclusion. She was previously an independent consultant to the Department for Work and Pensions to inform on US–UK comparisons. Before joining the DWP she was welfare policy adviser to Pete Stark, U.S. Congress. Dan Finn from the University of Portsmouth provided expertise to the study team. Natalie oversaw the programme of visits and Dan Peer reviewed the report.

Summary

Chapter 1: Background to the study visit

This report is a record of two study visits undertaken in 2004 by officials from the United Kingdom's Department for Work and Pensions (DWP) to Australia and the Netherlands. It contains a mixture of background information, evidence and the study team's observations from meeting key stakeholders in each country. The report is an interpretation of all this information in terms of what it means to the UK in the context of the delivery of welfare-to-work services.

The study visits were undertaken as part of ongoing strategy development in the broad area of 'public service reform' of welfare services. The framework for this work is the Prime Minister's principles of public service reform, which considers role of 'contestability' and client choice in the delivery of welfare-to-work, and promotes more devolved and locally flexible service delivery.

Chapter 2: Reform of welfare services in the UK, Australia and the Netherlands

In all three countries, since the 1990s, there has been an increased trend to outsource delivery of services, motivated by efficiency goals and a desire to find innovative approaches to improving employment outcomes. All three countries, in common with many other Organisation for Economic Cooperation and Development (OECD) countries, have implemented labour market activation policies and are currently extending this to 'inactive' groups (or clients who have not been required to undertake labour market-related activities as a condition of their benefit eligibility). In the UK, current policies focus on how to help clients claiming Incapacity Benefit (IB) and Income Support (IS) and a range of interventions are being developed and evaluated to support this.

In Australia, the 'wholesale' privatisation of the employment services took place in 1998 and in the Netherlands, the full private reintegration market took effect from January 2002. In both countries, the public employment services were wound up

and replaced by an independent company now expected to compete with other entrants to the market. Whereas the UK is still experimenting with the use of market forces, both Australia and the Netherlands have moved to a different model of provision involving the full establishment of a competitive market for the delivery of a public task. In both countries, the purchaser has been separated from the provider, altering the entire dynamic by which these public services are managed.

The establishment of a competitive and contestable employment services market was an unprecedented and radical change in the delivery of labour market services in Australia. The creation of the Job Network was radical by both Australian and international standards and the scale of change cannot be underestimated.

In the Netherlands, the establishment of a fully contestable market has been accompanied by the decentralisation of administrative and financial authority for welfare delivery. The framework for this was the implementation of the Structure for Work and Income (SUWI) Act. The central objective of this Act was to provide a framework for 'greater efficiency and effectiveness, as well as a stronger focus on the customer' (p. 22, Ministry of Social Affairs and Employment, 2003). It established the individual customer as the central focus of all employment services.

Chapter 3: The Australian delivery model

Centrelink

Centrelink is a public sector 'one stop' benefits agency, created in 1997, to combine the income support facilities of the Department of Family and Community Services (FACS: formerly the Department of Social Security) with some functions of the former Commonwealth Employment Service (CES). Centrelink operates from a network of over 1,000 service delivery points across Australia. It provides means-tested benefits to Australia's working age population through a network of national outlets responsible for registering job seekers, administering benefits and referral to the Job Network and other provision.

Centrelink is responsible for:

- conducting the initial interview for benefit claimants;
- benefit assessment;
- administering benefit payment;
- screening the customer for barriers to work through a computerised Jobseeker Classification Instrument;
- accordingly, referring to the Job Network or other more specialised provision;
- job search monitoring/administering the 'activity' test;
- operating the sanctions ('breaching') regime.

The Job Network

The Job Network is the network of private and voluntary sector providers who deliver job placement and case management services. Since its formation, the Job Network has gone through three contract phases and a fourth contract will be implemented in 2006. The Network has changed over time in terms of the policy emphasis of each contracting round but remains a fully functioning and contestable market.

The objectives of the Job Network to:

- help job seekers find jobs;
- provide job seekers with access to more vacancies;
- offer employers a wider choice of organisations to fill vacancies;
- offer employers higher quality services, driven by a more competitive market;
- provide stronger incentives to place disadvantaged job seekers into jobs; and
- focus on job placement, by making it the basis of payment to Job Network providers.

The Job Network is now in its seventh year and third contracting phase. The current Employment Service Contract (ESC3) commenced on 1 July 2003 and operates until June 2006. At this point a fourth contract will be put in place.

Chapter 4: Contract and performance management in the Australian model

To date, employment services under the Job Network have been contracted over four periods:

- Employment Service Contract 1 (ESC 1) from May 1998 to February 2000;
- ESC 2 from February 2000 to June 2003;
- ESC 3 from July 2003 to June 2006;
- ESC 4 from July 2006 to June 2009.

In ESC1, 300 organisations were awarded contracts. The second contract period gave rise to a marked increase in the share of the market held by church-based groups and voluntary sector organisations, in particular, the Salvation Army and 'Mission Australia'. At this stage, some 200 organisations delivered services from just over 2,000 sites.

Significant changes were made in the third contracting round, such as the introduction of the 'Job Seeker Account' and more active contract management of provider activities. Another important change introduced in ESC3 involved 'rolling over' 60 per cent of contracts determined on star rating performance. Contracts were rolled over if the provider achieved a minimum 3.5 star rating.

Chapter 5: The impact of reform: evaluation evidence on the Australian model

There are three key sources of evaluation findings on the Job Network: Department of Employment and Workplace Relations (DEWR) in-house reports, The Australian Productivity Commission and the OECD. The DEWR Evaluation Strategy for the Job Network aimed to provide information on how the Job Network was working so as to adjust policy over time. Evaluations of the completed contracting stages examine both process and performance issues.

DEWR's qualitative evaluations of the Job Network have found that the quality of service had improved under the Job Network, compared to previous delivery arrangements, as rated by both employers and job seekers. Employers rated the Job Network highly in terms of providing a more individually tailored service with a better understanding of the commercial market. Jobseekers also reported that they felt that they were being treated 'as a person rather than a number' (DEWR, 2000).

The Stage 3 evaluation was the first to provide analysis of quantitative impact. This report covered experience from inception to the end of 2001 (pre-ESC3). It covered the sustainability of job outcomes, net impact estimates and macroeconomic impact. The most important findings relate to net impact. These showed that net impact was relatively small.

This evaluation reported that unit costs appeared to be considerably lower under Job Network provision than previous provision. It also found, however, that the net impact of Job Search Training and Intensive Assistance were modest, particularly for Intensive Assistance. The evaluation also found that many job seekers received limited assistance from their provider and this was a key factor informing the introduction of the Job Seeker Account in ESC3 which introduced more prescription in terms of provider expenditure across their clients.

The Productivity Commission's independent report concluded that the introduction of a contestable market had improved efficiency and outcomes and that this was likely to increase over time as the poorer performing providers exited the market. It found that the best providers exceeded the average job outcome performance by 12 percentage points while lower performers did markedly worse. There, therefore, was potential in future contract rounds to secure improvements to performance.

Overall, it concluded that net outcomes were small and similar to previous programmes but that total costs were substantially lower than the services provided under the CES. It also found that job seekers' and employers' satisfaction rates were higher.

Chapter 6: Lessons from Australia

The key lessons from the Australian experiment are presented in this section under the following headings:

- Delivery structures;
- Flexibility and devolution;
- Contestability and client choice;
- Contracting and performance management;
- Costs and benefits.

Chapter 7: The Netherlands delivery model

The delivery model in the Netherlands requires a significant degree of interaction between national and local government as well as private sector delivery partners. In essence, there is a single gateway for all new customers with distinct onward streams for those who qualify for insurance-based benefits (equivalent to contributions-based Jobseeker's Allowance (JSA) in the UK) and social or income-based benefits (the equivalent of IS in the UK).

The Ministry for Social Affairs and Employment

The Ministry for Social Affairs and Employment (SZW) is responsible for establishing, updating and interpreting Government reintegration policy, and communicating it to the delivery bodies through the establishment of targets and the monitoring of performance. Its overarching priorities are to increase the employment rate and ensure that the labour market is functioning effectively. It is responsible for providing funding for social security benefits and all reintegration services and develops policies that focus on ensuring the rapid movement of customers off benefit and into work. It establishes the contracting regulations and has responsibilities in the areas of industrial relations, working conditions and equal opportunities.

The SZW has implemented a fixed budget model, where municipalities are given a set amount of funding at the beginning of the year, alongside the opportunity to utilise, for other purposes, any amount which they do not spend. This effectively gives municipalities a greater degree of ownership: not only do the municipalities see the benefits of devolved financing, they also take on the responsibilities – and risk – of failing to live within their means.

The Central Organisation for Work and Income

The Central Organisation for Work and Income (CWI) is a national organisation which operates through a network of 131 offices, managed within six districts. It is the front end of the 'work and income chain' and acts as the first contact point for all customers wanting to make a new claim for benefit. Its primary responsibility is to

deliver the 'work first' aspect of the benefit system, to classify the 'job readiness' of each customer, to identify the appropriate benefit entitlement of each new customer and to forward the customer to the next appropriate part of the chain. Customers will proceed to either the Institute for Employee Benefit Schemes (UWV) (described below) or the municipality according to a detailed customer record indicating the individual's classification of need which is based on a job readiness score.

The Institute for Employee Benefit Schemes

The UWV is the new unitary body responsible for paying benefits to those individuals who have qualified by right of their insurance contributions. UWV are also responsible for purchasing and providing access to reintegration services for these customers. UWV came into being in January 2002 and took on responsibility for work previously undertaken by six different organisations.

The UWV manages a diverse portfolio of benefits, regulated by a complex set of rules and regulations. The recent policy and legislative changes in the Dutch system mean that all benefit recipients need to be tested for employability and even those with very significant disabilities are expected to look for work and enter into reintegration programmes. In common with the municipalities, the UWV tenders with private reintegration service providers for occasionally national, but more usually regional, contracts.

Municipalities (local authorities)

There are 486 municipalities in the Netherlands, covering areas of responsibility for a range of 750,000 people to as few as 10,000. The general trend in the Netherlands in the post war period – and particularly since the mid-1970s – has been towards decentralisation of responsibility and accountability from the centre outwards. This has applied under most, if not all, governments, irrespective of political make up. As a result, there is a strong tier of local government, used to dealing with significant levels of accountability and responsibility, that is capable of responding quickly and efficiently to new demands.

Municipalities also receive customers from the CWI and are the next link in the work and income chain for customers who have little to no work history, and have not paid sufficient insurance contributions to qualify for the higher level of benefits. As a consequence, they receive social benefits for the duration of their claim. The total budget for social security benefits and reintegration services has been set by the national government and cascaded down to municipalities.

Reintegration companies

Reintegration companies vary significantly in size and make up, ranging from large multinational recruitment companies involved in both national and multiple local contracts, to localised and specialised organisations dealing with one or two municipalities and several contracts. There are fewer new entrants to the

reintegration market as the market matures. In the last round of tendering, a number of reintegration companies departed the market, suggesting that there is still a reasonable degree of profitability to be had and no sense of excess supply.

Chapter 8: Contract and performance management in the Netherlands

The first public tender procedure took place in 2000-2001. The SZW and the UWV supervised the procurement process, in order to manage issues arising from the status of preferred suppliers who now had to compete with others. This included the reintegration section of the Public Employment Service (now known as Klijq).

The 2003 tendering round saw a refinement to the payment regimes. About 80 per cent of contracts were awarded on a 'no cure, no pay' basis. This included the cost of training and educational provision (basic skills). The remaining 20 per cent, which were contracts for the hardest to help client groups were funded on a 50/50 per cent 'no cure, less pay' basis.

2003 saw the introduction of the SUWI Act and the purchaser/provider split in the delivery of activation services. Since then, private for- and not-for-profit organisations have provided activation provision. Municipalities are now free to decide the reintegration companies with whom they wish to contract, and how many.

In January 2004, there was further reform of the 1996 Social Assistance Act that made municipalities fully accountable for Social Assistance expenditure. Municipalities receive their annual budget, which is split between funding reintegration provision and payment of Social Assistance. If municipalities overspend on Social Assistance, the shortfall must be made up from other resources (which can result in a reduction in local services or if passed on to the citizen, an increase in local taxes).

Any municipality savings from the budgeted benefits section of the funds can be used as they choose, provided this is in line with reintegration objectives. Overall, central government will reduce the budgets available for Social Assistance year on year. This is seen by central government as an incentive for municipalities to appoint reintegration suppliers who will work hard to place people into employment, and, therefore, reduce the burden on the state.

Chapter 9: The impact of reform: evaluation evidence from the Netherlands

Evaluation evidence

There is a paucity of evaluation evidence on the effectiveness of the Dutch reintegration market. Randomised studies such as those carried out in the UK are not culturally acceptable, and are viewed as creating an environment of unequal treatment amongst vulnerable groups who are particularly in need of assistance.

There has been some evaluation undertaken although not to the extent of evaluation activity in the UK. Studies thus far have tended to focus on policy implementation issues and the tendering process rather than on estimations of policy impact on the customer.

At the time of this report, the SZW is in the process of carrying out a review of what is known from the 'empirical evidence' on efficiency and effectiveness of the current process. The SZW will then develop a strategy for gathering data in order to be able to carry out a full evaluation in 2006.

Performance against targets differs according to municipality. The best performing municipality realised 241 per cent of agreed job entries while the worst performer realised just 21 per cent.

Costs and benefits

There has been no assessment of the costs and benefits of the reforms in the Netherlands. However, the devolution of financial responsibility to the municipality level in the Dutch welfare-to-work system has been the most fundamental change to this regime and this appears to be having an impact.

The City of Amsterdam, for example, found the number of claimants had reduced from 53,000 to 45,000 since implementing this system. Nearly 5,000 of that reduction occurred by identifying claimants that were not entitled to social security assistance.

The cost of the Dutch reintegration market needs to be understood against a background of what was perceived to be inefficient local administration at the municipality level. The market has been engaged to create a level playing field across the Netherlands, and municipalities are given a clear incentive to reduce the claimant count and the number of people on social assistance.

Figures 5.1 and 5.2 show that whilst unemployment in the Netherlands has decreased, expenditure in this area has risen over time, suggesting that at this current time, cost reductions have not yet been realised as a result of the reforms.

Chapter 10: Lessons from the Netherlands

Without an evaluation of the reintegration market, analysis is restricted to information collected during interviews with Dutch stakeholders. This report covers observations on lessons learned in the following key reform areas:

- national standards and accountability;
- devolution;
- flexibility;
- choice and contestability.

1 Background to the study visit

1.1 Study visit objectives

This report is a record of two study visits undertaken in 2004 by officials from the United Kingdom's Department for Work and Pensions (DWP) to Australia and the Netherlands. It contains a mixture of background information, evidence and the study team's observations from meeting key stakeholders in each country. The report is an interpretation of all this information in terms of what it means to the UK context of the delivery of welfare-to-work.

The study visits were undertaken as part of ongoing strategy development in the area of 'public service reform' of welfare services. The framework for this work is the Prime Ministers principles of public service reform, which consider the role of 'contestability' and client choice in the delivery of welfare-to-work and examine what happens in more devolved and locally flexible service delivery. These concepts, which underpin the reform agenda, are inter-related but in crude terms the Australian study trip focused on learning lessons on contestability, ie: the use of the private and voluntary sector in public service delivery; and the Netherlands study trip focused on the local devolution of service delivery.

The public officials on the UK study team have responsibility in the Department or in its welfare-to-work delivery arm, Jobcentre Plus, strategy and analysis of private sector-led delivery and more devolved, flexible delivery. In practice, this means the policy development and evaluation of initiatives to introduce more flexibility into New Deal, the Employment Zones and private sector-led New Deal. A list of officials and their responsibilities is provided at Appendix A.

The Centre for Economic and Social Inclusion was commissioned to provide expertise in the area of welfare-to-work policy internationally, to provide networking opportunities to the study team, to arrange the visits, and to provide a peer review of the written report.

The purpose of the study was to learn from experience about the application of these principles internationally in order to inform welfare-to-work strategy. The study focused on lessons in the following areas:

- private sector-led provision and the use of contestability to raise performance and encourage innovation;
- the use of customer choice in service delivery;
- the implementation of flexibility and local discretion in delivery;
- the effectiveness of different target and incentive regimes under more devolved delivery;
- managing performance variation and implementing national standards in more devolved delivery;
- the benefits and drawbacks of localised purchasing and delivery models.

1.2 Interviewees

The study teams visited the full range of stakeholders involved in policy and delivery of welfare-to-work. This included government departments, agency officials, private and voluntary sector providers, academics, policy analysts, employer organisations and trade unions. The list of organisations and individuals visited is provided at Appendix A.

Both study teams used the same interview schedule which provided a number of key areas of questioning for each interview. These included:

- objectives of, and economic rationale for, change;
- policy and legislative context for change;
- changes to structures and delivery models;
- purchaser/provider relationships and contract management;
- performance management;
- estimated impact of changes.

2 Reform of welfare services in the UK, Australia and the Netherlands

2.1 Introduction

The study of international examples is a challenging approach to policy development: the social, economic and political context for any policy intervention differs from country to country. It is the case, though, that in the area of welfare-to-work, the **trajectory** of reform **over time** in Australia and the Netherlands has been similar to the UK and the key issues they face in welfare-to-work delivery continue to be very similar.

As in the UK, Australia and the Netherlands implemented reforms in the 1980s based on the principles of New Public Management, which focused on the efficiency and effectiveness of public services and the costs and benefits of delivery. The era focused on measuring outcomes and promoting the idea that the way in which policies are delivered is less important than the outcomes they achieve. To varying degrees in Australia, the Netherlands, and the UK, this led to more local discretion across the policy environment alongside a focus on costs and value for money.

In all three countries, since the 1990s, there has been an increased trend to outsource delivery of services, in an effort to achieve efficiency and encourage innovation in the delivery of welfare-to-work. In Australia, this trend began with Working Nation where some employment services were contracted out to case managers, and has culminated in the creation of the Job Network in 1998.

In the Netherlands, policies to encourage efficiency and effectiveness in government have been incrementally introduced since the 1980s and in the 1990s, full-scale privatisation policies were introduced as a way of 'autonomising' the administration of public services. In 2002, the Structure for Work and Income (SUWI) Act and the creation of the reintegration market set a new landscape for a more efficient and localised approach to delivering employment services.

In the UK, a large proportion of the services delivered to the unemployed are contracted out to the private and voluntary sector. However, whilst the UK has historically adopted an incremental approach to reform of the public employment service, both the Australian and the Netherlands administrations have implemented more radical change.

2.2 Welfare-to-work delivery challenges facing all three countries

All three countries, in common with many other Organisation for Economic Cooperation and Development (OECD) countries, have implemented labour market activation policies and are currently extending this to 'inactive' groups, i.e. clients who have not been required to undertake activities as a condition of their benefit eligibility. In the UK, current policies focus on how to assist clients claiming Incapacity Benefits (IB) and Income Support (IS) and a range of interventions are being developed and evaluated to support this.

In Australia, the activity requirements for lone parents and disabled people who can work over 15 hours a week are now being increased and the Job Network is now funded to deliver employment assistance to these groups. Machinery of Government changes which took place after the last election (October 2004) have also seen the integration of Government policy on the 'active' and inactive' clients groups into one department where previously they were serviced by two.

Most OECD countries have experimented with market forces in the delivery of labour market policy and most use a range of private and voluntary sector (PVS) organisations to deliver services to the unemployed. This has included jobsearch and job placement services as well as more intensive assistance provided to clients with longer-term claim durations. Delivery by PVS organisations is usually undertaken within the framework of a publicly delivered intervention regime and publicly delivered job placement services. In the Netherlands and Australia, however, the full range of employment services has been contracted out. The PVS deliver all services from jobsearch to intensive assistance from 'Day 2' of the clients claim.

In the UK, the only initiative which resembles this approach is the Employment Zones (EZs) where, after contact with UK Jobcentres, clients are referred to the EZ for jobsearch, job placement and, where necessary, intensive assistance. The absolutely **critical** difference for job seekers, however, is that the EZs also administer the client benefits to mandatory groups, whereas in Australia, the public sector still pays benefits (through Centrelink) and in the Netherlands benefit payments continue to be made by the Employee Insurance Benefits Agency (UWV) or by municipalities.

In Australia, the 'wholesale' privatisation of employment services took place in 1998 and in the Netherlands the full private reintegration market took effect from January 2002. In both countries the public employment services were wound up and replaced by an independent company now expected to compete with other

entrants to the market. Whereas the UK is still experimenting with the use of market forces, these two countries have moved to a more radical model of provision, involving the full establishment of a competitive market for the delivery of a public task. In both countries the purchaser has been separated from the provider, changing the whole dynamic by which these public services are managed.

In Australia, there is one purchaser, the Government Department of Employment and Workplace Relations (DEWR). The Netherlands has a more localised structure whereby employment services are purchased by the agencies responsible for benefits payments, i.e. municipalities that are responsible for social assistance beneficiaries and the 'UWV' which is responsible for unemployment and disability benefits.

2.3 Public service reform in the UK

The Prime Minister's Office of Public Services Reform (OPSR) outlines four principles that it considers are key to reforming the delivery of UK public services. The vision statement entitled *Reforming our public services: Principles into practice* identifies them as: national standards, devolution, flexibility and choice and contestability.

The four principles are inter-related in that contestability necessarily brings with it devolution and flexibility in delivery and if client choice can be made to work then it can drive the customisation of services to individual clients. These principles have been driving reform in health, education and local government. In the welfare-to-work arena, the PVS have been introduced into service delivery and there have been limited experiments with client choice. The recently announced 'Building on New Deal' will introduce more experimentation with a more locally devolved and individual client-tailored approach to delivering welfare-to-work.

The Department for Work and Pensions (DWP) and Jobcentre Plus begin any reform of the employment service from a position different to that of Australia and the Netherlands. In the UK, the 'rights and responsibilities' agenda has moved steadily forward since the election of the Labour administration in 1997. With the merger of the Benefits Agency and Employment Service into Jobcentre Plus, policies on the conditionality of benefit receipt and participation in the labour market have been addressed simultaneously under the label of 'welfare-to-work.' This merging of policy and implementation around the receipt of benefits and active participation in services provided by Jobcentre Plus, delivers the 'rights and responsibilities' agenda.

PVS providers have been contracted to deliver the New Deal options from the programme's start but the key UK initiatives relevant to this study are the private sector-led New Deal experiments, the introduction of more local flexibility in the delivery of the New Deal, and the EZs. EZs are a flexible private sector delivered initiative located in areas of deprivation and use innovative and non-prescribed approaches to assist clients into work. They embrace a work first approach and are outcome-focused with 60 per cent of their funding paid upon job outcomes. They

have recently been extended to more client groups and some EZs are part of an experiment on introducing into a single geographical area, multiple providers of welfare-to-work delivery.

A crucial difference in the culture of policy-making across the countries studied is the tendency of the UK DWP and Jobcentre Plus toward an evidence-based approach to policy-making, with a rigorous programme of testing and evaluating new initiatives and the gradual integration of successful elements into mainstream provision.

The Australian and Dutch governments in contrast are much less risk-averse, embarking on dramatic initiatives which completely altered the method of employment service delivery. In Australia, there was little evidence of the development of a business case for efficiency gains in the Job Network before it was created, nor was there any proof that the private sector could indeed provide a better service. In the Netherlands, reforms were simply driven by the belief that market mechanisms would enable private reintegration companies to deliver services more efficiently than the public employment service. In each country, the government was convinced that positive evidence would be provided by evaluation carried out **following** the introduction of the policy.

2.4 Public service reform in Australia

As in the UK, Australia has historically used the PVS to deliver employment services. The private sector had been involved in placement services and private sector organisations were contracted to provide training and job clubs to the Commonwealth Employment Service (CES). A significant milestone was the involvement of the private sector in 'case management' services introduced as part of the earlier Labour Government's 'Working Nation' reforms. This parallels the emergence of EZs in the UK which involve a shift from the private sector delivering specified programmes to it being responsible for assessing client need and allocating tailored support accordingly in an 'end-to-end' process. In Australia, the introduction of case management led to a number of administrative innovations (regulatory frameworks, IT and information sharing developments and the Jobseekers Classification Instrument) that provided some of the basis for the more radical changes introduced later.

In March 1996, there was a change in Government with the 'Coalition' (of Liberal and National Parties) replacing the Labor Administration. The Minister Assisting the Prime Minister for the Public Service announced the new Government's public service reform intentions in the following terms:

'The Government will embark upon a consultative process to develop a reform package for the Australian Public Service:

...to ensure the public service provides a professional and rewarding environment in which to work and is able to deliver a quality service to Government and the Australian people; and

...to make certain that workplace structures, systems and culture in the Australian Public Service emphasise innovation and recognise creativity and commitment.'

The announcement led to a discussion paper entitled *'Towards a best Practice Australian Public Service'* that called for the need to maintain important public service traditions, enhance the quality of leadership in the public services, and achieve effective devolution by giving heads of individual agencies much of the control over personnel matters. The paper then set out the proposed framework for the Public Service Act of 1999, which introduced a broad range of reforms and continues to provide the formal framework for the administration of the Australian Public Service today.

At an earlier stage, the Competition Policy Reform Act 1995 was passed by Parliament to extend coverage of the Trade Practices Act to all markets (i.e. public utilities, the professions, the health sector). The Act required Government departments to identify functions or services that could be contested and transferred to the private or non-government sectors.

The move toward the increased use of contestability was considered to be less about whether public or private entities owned and delivered services, and more about behaviour that would stem from the threat of competition. The Government maintained that the prospect of competition for the delivery of public services was intended to act:

'as a spur to enhance productivity and program effectiveness, and from the purchasers' perspective, to provide them with greater choice of quality goods and services.'

(p. 121, Australian Public Service Commission, 2003)

Under the earlier Labor Administration, the CES, the principal public organisation in the Australian employment services landscape, had co-existed with a wide range of private job-placement agencies and community organisations used by the government to deliver a diverse range of employment programmes. For the years 1995-96 and 1996-97 expenditure on those programmes was in excess of A\$2billion. (£775,000,000 GBP). (Dockery and Stromback, 2001).

The newly elected Howard Government abandoned Working Nation in 1996 and announced in its first budget plans for a deep restructuring of labour market policy. Ministers argued that the CES could not deliver the Government's policies effectively or efficiently. Instead, the Government would create a fully contestable market for the placement and case management of unemployed individuals and become a purchaser of services determined through competitive tendering (Vanstone, 1996).

A new incentive framework would reward employment service providers primarily for successful placement of job seekers, with additional incentives for placing those who had been unemployed for longer periods. The new Job Network was a 'managed' market for the delivery of employment services, one of the first ever attempts to introduce market mechanisms into the provision of employment services. This quasi-market incorporates features of 'normal' markets by providing scope for competition, variable prices, some degree of choice for job seekers,

flexibility in service delivery and rewards for better providers (Productivity Commission, 2002).

The first tender to select providers was conducted in mid-1997 and from 1 May 1998 labour market programmes were formally abolished and a complete reorganisation of existing placement and case management services was announced. The CES was formally abolished, the Department of Social Security was restructured and the majority of placement and case management services were to be delivered by over 300 Job Network members. Funding for all employment-related services was cut in half.

The establishment of a competitive and contestable employment services market was an unprecedented and radical change in the delivery of labour market services in Australia. The creation of the Job Network was radical by both Australian and international standards and the scale of change should not be underestimated. Mark Considine from Melbourne University has emphasised that:

'so radically different is the Australian case that it might well be regarded as the most important OECD initiative in social policy in the post-war period'

and the OECD (2002) described it as a:

'radical transformation of employment service delivery' which was 'without parallel in OCED countries.'

Several interviewees described the CES organisational changes as 'apocalyptic'. The Australian Productivity Commission¹ described the disbanding of the CES and the creation of the Job Network as a 'brilliant experiment' which was highly ambitious in nature. The Prime Minister and Cabinet Office also viewed it as a very ambitious policy the scale of which hadn't been seen in any other policy arena in Australia before or since.

With the creation of the Job Network, part of the CES became Employment National, a privatised company (but in which the only shareholder was the Government) invited to compete along with other private companies in the newly contestable market. Centrelink was established as a Government operated gatekeeper to the system and as the single benefits payment agency for all Government-provided benefits in Australia.

¹ The Productivity Commission is an independent Government agency which is a review and advisory body on microeconomic policy. It conducts inquiries and research on policy. It is independent of the Australian equivalent of our National Audit Office and we have no British counterpart.

2.5 Public service reform in the Netherlands

In the early 1980s, the Netherlands mirrored the experience of its western European neighbours in that large-scale unemployment and the demise of traditional heavy industries led to record levels of benefit receipt. The late 1980s and early 1990s saw a recovery characterised by strong employment growth and high employment rates, spurring some commentators to describe this period as the 'Dutch Miracle.' The mid-1990s then saw a period of strong economic growth and the reduction of the budgetary deficit. Since 1995, 1.2 million jobs have been created and unemployment has fallen from seven per cent to three per cent.

The three per cent registered as unemployed, are people without a job, who have registered at the labour office who want to work for at least 12 hours a week, and who are directly available for work. This is a very strict definition compared to the ILO standardised unemployment definition (which counts all individuals seeking any hours of work).

Despite this recovery, long-term unemployment has persisted, giving rise to concerns that the unemployment problem was not only due to the lack of jobs but related to the characteristics and behaviours of the unemployed, as well as employers, who preferred younger, healthy, Dutch-born people, who were not stigmatised by long-term benefit dependency. Since the late 1980s, there has been a dramatic increase in 'activation measures' within the Dutch labour market. At the same time, work-related benefit rules and conditions have been introduced and tightened in order to make unemployment less attractive and encourage people to find work. As in the UK and Australia, there has been a shift in policy emphasis from welfare-to-work, with increasing obligations on unemployed and disabled citizens to engage in 'activation measures' to qualify for benefits.

Public service reform in the Netherlands began over three decades ago with government policies to promote efficiency and effectiveness through the privatisation of certain agencies or government operations. As government priorities moved toward reducing the size of government, roles and responsibilities were shifted to lower tiers – either to the provinces or the municipalities.

During the 1980s, policies to encourage efficiency and effectiveness in government were a high priority in the Netherlands. The reform of Dutch public administration occurred through a series of efficiency measures inspired broadly by new public management ideas. A major measure in 1983 entitled 'Operation 2%' sought to reduce the number of central government personnel each year. The annual target for the reduction of the civil service was put at three per cent in 1986, and it has fluctuated annually since that time.

In the 1990s, a fully contestable market was created for the delivery of services to help benefit recipients enter the labour market. The framework for this was the implementation of the SUWI Act. The central objective of this Act was to provide a 'clear and unequivocal implementation structure' for the delivery of employment

services. The Act aims to achieve 'greater efficiency and effectiveness, as well as a stronger focus on the customer' (p. 22, Ministry of Social Affairs and Employment, 2003). It established the customer as the central focus of employment services, whether they are delivered in the 'public' or 'private' realm.

Under the SUWI Act, municipalities and the UWV have been given sole responsibility for implementing an active reintegration policy for social assistance benefits' recipients, the unemployed, the work disabled and job seekers not entitled to benefits. The UWV is the Institute for Employee Benefit Schemes which is the new unitary body responsible for paying benefits and is responsible for purchasing and providing access to reintegration services.

The main principle espoused in the SUWI Act is that the market should be given as much freedom to develop as possible and that government intervention is kept to a minimum. As in Australia, these changes are intended to provide a stronger focus on job outcomes and performance and to increase transparency of performance to customers. The intention, as in Australia, was to create a competitive and contestable environment in which the client has a choice of provider.

However, the Netherlands experience differs in that another prominent feature of the Dutch private reintegration market is the policy-making and purchasing powers of the local authorities/municipalities. The Dutch experience has seen successive policies on decentralisation since the 1970s. In the Dutch system, municipalities are the purchaser of reintegration services, not the national government.

3 The Australian delivery model

3.1 Centrelink

Centrelink effectively is a public sector 'one stop' benefits agency, created in 1997 to combine the income support facilities of the Department of Family and Community Services (FACS: formerly the Department of Social Security) with some functions of the former Commonwealth Employment Service (CES). Centrelink operates from a network of over 1,000 service delivery points across Australia. It has a recurrent budget of A\$1.6b and distributes approximately A\$60b in social security payments.

Centrelink provides its services to Government through a series of Business Partnership Arrangements (BPAs) which specify which services are bought and at what standard. They provide the necessary governance arrangements and establish the key performance indicators. They are negotiated every three years and subject to annual review.

At the time of the study visit, around 80 per cent of Centrelink's business related to social security work funded by FACS. It also provides services to a number of other Government Departments, including the Department of Employment and Workplace Relations (DEWR) and Department of Employment, Education, Training and Youth Affairs.

This diversification coupled with Centrelink's strong business ethos and adaptability seemed to be central, in the study team's view, to its survival. Centrelink provides the Australian Government with an effective Government Gateway across a geographically diverse country. The best example of its responsiveness the study team heard of was its leadership of the Australian response to the Bali bombing. This was facilitated by its sophisticated, modern IT and telecommunications infrastructure and its access to counsellors and other specialist provision.

Centrelink provides means-tested benefits to Australia's Working Age population through a network of national outlets responsible for registering job seekers, administering benefits and referral to the Job Network and other provision.

Unemployed claimants are required to report on their job seeking activities fortnightly and report any changes in circumstances, such as part-time earnings, to Centrelink. In this sense, Centrelink delivers 'benefit conditionality' to job seekers.

Centrelink is the most significant point of contact for job seekers with over half a million unemployed people reported registering with Centrelink and using their services in 2000. However, although Centrelink provide referral services on behalf of the DEWR, almost all Centrelink performance indicators are focused on benefit processing and payment and it plays no active role in finding or filling vacancies.

Centrelink is responsible for:

- conducting the initial interview for benefit claimants;
- benefit assessment;
- administering benefit payment;
- screening the customer for barriers to work through a computerised Jobseeker Classification Instrument;
- accordingly, referring to the Job Network or other more specialised provision;
- job search monitoring/administering the 'activity' test;
- operating the sanctions ('breaching') regime.

The activity test requires individuals to demonstrate active job search and willingness to accept employment. Through this role, Centrelink has effectively retained responsibility for administering 'conditionality'. This conditionality is intrinsic to the Australian 'Mutual Obligation' principles that correspond to the UKs 'rights and responsibilities' agenda.

The activity test and payment of benefits was previously undertaken by the Department for Social Security offices. Jobseeker assessments and referrals to labour market assistance were previously undertaken by the CES. During the first contract, the requirements for job seekers to be interviewed and referred by Centrelink led to delays and complaints by the Job Network that clients were being lost in the handover. This has since been resolved by the implementation of more streamlined and automated referral processes.

This was one of the examples which reflected good partnership working between Centrelink and the Job Network despite the fact that there is no contractual relationship between the two organisations. Other examples include the development of a clear framework by the two organisations which illustrates how they contribute to each other's outcomes.

The interviews with stakeholders during the study visit seemed to reveal an ongoing debate about the role of Centrelink in employment service provision. These observations confirmed the findings of an earlier inquiry, undertaken by a United Kingdom Select Committee in 2002² which reported that:

'while we were generally impressed with Centrelink, it appeared that the level of employment assistance, or even information on employment assistance, was minimal. Centrelink employees are not allowed to advise clients on their choice of Job Network provider... There was little sense that the customer service officers working in Centrelink were functioning as personal advisers.'

At the same time as the publication of this Select Committee report, the Australian Government initiated a broad consultative process on more extensive welfare reform which affected both Centrelink and the Job Network. This policy development is discussed in the following sections.

Since the study visit there have also been some changes to structures: following the last election in October 2004 Centrelink has become part of the Department of Human Services (DHS). This new Department has brought six diverse service delivery agencies under one umbrella. The agencies include social and health-related services (Centrelink, Health Insurance Commission, Health Services Australia, Australia Hearing and Child Support Agency).

This reflects an enhanced emphasis on efficiency in service delivery by the Australian Government which also mirrors what is happening in the UK at a broad strategic Government level.

3.2 The Job Network

The Job Network is the network of private and voluntary sector providers who deliver job placement and case management services. Since its formation, the Job Network has gone through three contract phases and a fourth contract will be implemented in 2006. The Network has changed over time in terms of the policy emphasis of each contracting round but remains a fully functioning and contestable market.

3.2.1 Transition to the Job Network

The Australian Government had to embark on a comprehensive strategy to prepare for the introduction of the Job Network which involved:

- ceasing most employment programmes and case management and pooling their funding to finance the Job Network;
- introducing interim labour market programme arrangements to facilitate the transition to the Job Network;

² Select Committee on Education and Employment (2002) Active Labour Market Policies and their Delivery: Lessons from Australia First Report.

- winding up the CES while conducting a large tendering exercise for the Job Network;
- developing a comprehensive communications strategy which informed prospective tenderers and members of the public about the changes and the philosophy underpinning them;
- establishing Centrelink;
- establishing Employment National (the Government-owned employment service provider);
- the preparation of legislation to support the operation of the Job Network.

In 1996 the Government had introduced legislation to Parliament to support the implementation of the Job Network. However, due to opposition in the Senate, the Government decided to implement the Job Network using existing legislation and administrative authority. This decision to implement without specific supporting legislation has meant that the service agreements are based on contracts between DEWR and individual providers.

3.2.2 Objectives of the Job Network

The original stated objectives of the Job Network are to:

- help job seekers find jobs;
- provide job seekers with access to more vacancies;
- offer employers a wider choice of organisations to fill vacancies;
- offer employers higher quality services, driven by a more competitive market;
- provide stronger incentives to place disadvantaged job seekers into jobs; and
- focus on job placement, by making it the basis of payment to Job Network providers.

These objectives can be summarised as a desire to re-orientate employment services to a sharper focus on job outcomes. The objective of implementing the purchaser/provider approach is to set out clear objectives and provide stronger incentives for achieving those objectives.

The Government also stressed the importance of improving services to employers who had previously had a poor relationship with the CES. A survey of CES employer clients by Wooden and Harding (1998), for example, found that the majority of employers did not have high expectations of either the CES or recruits attracted by them. Many believed that the CES was mainly interested in shifting people off their books and that staff lacked the skills to appropriately match people with the sorts of jobs on offer. Employers also reported that the CES staff had little interest in developing ongoing relationships with them.

Although not an explicit objective, there was also clearly an underlying efficiency objective in halving the budget for employment services during this transition. There was also an implicit objective of testing whether Government can more directly focus delivery more directly on the achievement of key objectives through incentivising the market rather than providing services.

3.2.3 Services provided by the Job Network

The Job Network is now in its seventh year and third contracting phase. The current Employment Service Contract (ESC3) commenced on 1 July 2003 and operates until June 2006.

In the first two contracting rounds Job Network providers delivered three basic services. In the second contract these were defined as:

- **Job Matching:** This involved finding and filling vacancies with providers receiving a fee for placing eligible job seekers into posts advertised on the national vacancies database – the ‘Australian Job Search System’.
- **Job Search Training (JST):** This generally involved a structured course, lasting up to several weeks, intended to remotivate the unemployed person, update their jobsearch strategy and place them into work. JST could be provided to job seekers out of work for at least three months, but more usually it was delivered at the six-month stage. Providers were paid a commencement fee and an outcome fee for clients who were in employment at least 13 weeks after participation.
- **Intensive Assistance (IA):** Clients were placed with providers for IA for up to a year or longer. This was the most expensive part of the system. Under ESC2, providers were paid an up-front service fee, an interim outcome fee (after 13 weeks in a qualifying job), and a final outcome fee (after 26 weeks). Providers were given considerable flexibility to craft a wide range of services designed to reduce employment barriers and place the long-term unemployed and hardest to help into jobs.

The independent report by the Australian Productivity Commission in 2002 (covering ESC1 and 2) concluded that:

‘one of the major gains from the Job Network is the diversity of approaches used by Job Network providers. An outcome based model (has allowed) providers to tailor services to different clients and test innovative methods for motivating job seekers or for increasing their employability.’

The Productivity Commission also reported, however, that many long-term unemployed clients had little contact with their providers. Evidence from the Stage 2 evaluation reported that most employment assistance was given in the first few months of participation, the time at which most job entries were secured. As time passed, individual client contact with case managers diminished and ‘the intensity of job search activity and motivation of job seekers decline(d)’ (DEWR, 2001, p. 62). Another survey reported that less than half of IA participants ‘had been

sent to a job interview or to speak with an employer about a job' (OECD 2001, p. 193), and nearly a quarter of those surveyed had 'visited their provider only once or twice' (OECD, p. 59). Critics concluded that the funding mechanism encouraged providers to take the up-front fee, work intensively with the most job ready, and 'park' the hardest to place and give them minimal service (Considine, 2001).

These weaknesses were to be addressed in the 'active participation model' introduced in the third ESC contract. The new model was to integrate Job Network services with Mutual Obligation requirements into a 'continuum' of service designed to intensify if the job seeker remains unemployed. The model involved significant changes with all unemployed claimants being allocated to a Job Network provider from the start of their benefit claim.

Job Network providers are now contracted to deliver two core services (DEWR APM, 2002, p.8):

- **Job Search Support:** Described as an ongoing personalised service to all job seekers involving the provision of job search facilities (such as newspapers, computers, Job Search touch screens, telephones, fax machines and photocopiers), the preparation of a vocational profile (including employment and skill details) and placement of these on the JobSearch database. This facilitates daily matching of all job seekers to available jobs, giving them faster access to information on suitable vacancies. Telephone and electronic messaging services have been developed to assist speedier access. Job Search Support also helps job seekers in using job search facilities, including résumé preparation.
- **Intensive Support:** This involves an increasing intensity of assistance to eligible job seekers. Usually beginning at three months' unemployment, this service incorporates job search training activities, with customised assistance for all eligible job seekers after 12 months of unemployment. These services should be intensive, substantial and tailored both to the needs of the job seeker and the job opportunities available. Those most disadvantaged in the labour market have early access to customised assistance. Intensive Support services should continue as job seekers participate in Mutual Obligation activities.

Two further important changes were introduced:

- **Job Seeker Account:** This allows an average of A\$850 for Job Network providers to purchase a variety of services to help job seekers address their barriers to work and gain employment. The account can be used only to purchase services for job seekers and cannot be retained as profit by the provider.

- **Job Placement Organisations (JPOs):** A new licensing system was introduced to encourage a broad range of organisations to place vacancies on the JobSearch database. JPOs are paid a fixed fee for filling a job advertised by them on the database. The fee structure gives increasing incentives based on the job seeker's length of unemployment, level of disadvantage and the duration of the job. The jobs must provide at least 15 hours of paid employment over a period of five days. Organisations contracted to deliver Job Network services are automatically licensed. Other organisations have to register with, or meet the standards set by, the Australian Recruitment and Consulting Services Association (RCSA).

Job Network providers may also deliver a range of other programmes, such as the New Enterprise Incentive Scheme, either funded by DEWR, other federal government departments and sometimes by state governments.

The 'active participation model' will continue under the fourth ESC contract, commencing in 2006, but there will be significant changes in the contracting process (see later in this section).

Under their contracts the Job Network providers have the flexibility to provide whatever services they consider necessary to move individuals into work. In this sense, the contract is similar to the UK Employment Zones (EZs) in that there is minimum service specification and payment is contingent on outcomes.

The continuum of support is similar to both EZs and the New Deals with jobsearch activities for earlier employment durations and an increase in more intensive assistance with longer durations. The model for the latest contracting offers:

- Job Search support: 0–three months;
- Intensive Support (Job Search Training): four–six months;
- Intensive Support (Job Search Reviews): seven–12 months, alongside a mutual obligation activity;
- Intensive Support (Customised Assistance): 12+ months.

Within customised assistance, a job seeker may receive training, work experience and counselling as part of a Job Search Plan. The assistance should be specifically tailored to meet the individual needs of clients and should help disadvantaged job seekers and those unemployed for over twelve months, to find and retain employment.

In some ways IA is comparable to the option provision in the UK's New Deal. The key difference is the funding dedicated to the Job Seeker Account has been established since the third Job Network contracting round which providers can use to address clients' barriers. This is similar to the Job Account used in the UKs EZs. Service providers may use it to provide training courses, cover travel expenses, or purchase uniforms and equipment when these are necessary for the person to take up a job.

Most job seekers follow the same pathway, moving from Job Search Support with minor counselling to Job Search Training, through to Intensive Customised Assistance. This customised process of regular counselling interviews, with access to the Job Seeker Account, lasts for up to six months after which the client must enter a Mutual Obligation Activity. A second phase of Intensive Customised Assistance commences at 24 months during which the Job Network provider is contracted to deliver an average of eight contacts over a six-month period. Throughout this period the Jobseeker is also expected to report on their jobsearch activities at Centrelink each fortnight.

The 'trajectory' of interventions 'kicks in' earlier in Australia than in the UK. Formal jobsearch support for mandatory clients in the UK is later at six months for 18–24 year olds and 18 months for the 25plus age group. At this point, up to four months are spent on more formal jobsearch training by both client groups before they are referred on to more intensive provision through the New Deal for Young People Options and the New Deal 25+ IA period.

However, about 20 per cent of the newly registered job seekers are classified as 'highly disadvantaged' and are referred directly to more intensive assistance. This compares with the UK's 'early entry' provision, where 20–25 per cent of our mandatory client group volunteer to enter mandatory programmes earlier than the usual eligibility start date.

3.2.4 Eligibility for the Job Network Services

All unemployed people who claim the activity tested Newstart Allowance are assessed by Centrelink using a profiling tool: the Jobseeker Classification Instrument (JSCI), which assesses their risk of prolonged unemployment. The JSCI uses 18 factors, including age, educational attainment, unemployment duration and work experience to assign 'points'. Another interesting feature of this regime is that funding of IA is based on the JSCI.

If their risk score is high, clients are referred directly to IA (20 per cent of clients as stated above). If they have special needs (such as mental health or addiction problems) which present a severe barrier to employment, then they are referred directly by Centrelink to specialist support provided through the Personal Support Program (previously the Community Support Programme, established at the same time as the Job Network) which sits outside the Network. This is similar to the UK's direct referral to support programmes such as Progress2Work and Progress2Work Link Up.

3.2.5 Customer choice

Job seekers are free to choose their Job Network provider but most do not do so. In this case, they are randomly assigned using an automated referral system (similar to the one used for Young People in the UK EZs) to any provider with spare capacity.

To inform choice, Jobseekers are provided with information at Centrelink on the number of vacancies held and the 'star rating' on the performance of each provider. Customer choice tends to be made on word-of-mouth or by choosing the provider closest to (or co-located with) Centrelink.

Under ESC3, the scope to choose another provider after any completed period of assistance has been reduced as clients must stay with the same provider even if they return to benefit after starting another spell of unemployment. The main reason for this requirement was to create a disincentive for providers to 'park' their more hard to help clients but it clearly has reduced client choice. There are, however, circumstances when a client can change providers if they have an 'irreconcilable breakdown' in the relationship with them.

It is clear that in the Australian system, customer choice is not used to spur better provider performance and this was identified as a weakness by the Productivity Commission. The star rating system (discussed in Chapter 4) provides a much stronger performance incentive.

3.2.6 Changes to the Job Network in each contracting round

There have been a number of changes to the way in which Job Network contracts have been managed and these are explored in the following chapter. Many interviewees believed the successive changes had translated into a reduction in provider flexibility in delivery.

While providers still have a substantial degree of freedom in determining their own strategies to get individual clients into work under IA, they have been required, since the second contract, to include a 'Declaration of Intent' as part of their tender, which outlines the strategies and service options they will take with certain client groups. They are also required to draw up an agreement with each IA client which specifies what the client has agreed to do.

A similar approach is used with the EZs. The Action Plan drawn up by the Personal Adviser and the client is considered to be a 'contract' of 'rights and responsibilities' between client and service provider. These are audited by contract managers on a sample basis, not individually and not before provision can commence. There is no equivalent of the 'Declaration of Intent'.

The most significant changes to the Job Network were brought in the third contracting round. The policy background to this was the publication of the report 'Australians Working Together' in 2001 which examined the modernisation of the welfare state in Australia. Central to this was the theme of 'mutual obligation' which is similar to the UK's 'rights and responsibilities' agenda. The report considered what in the UK are the 'inactive' client group: those not required to actively seek work as a condition of their benefit.

The policy response included a re-emphasis on 'Work for the Dole' which made participation in voluntary/community work mandatory for those not participating in the Job Network and the introduction of more 'participation' requirements for lone parents and the most disadvantaged. These programmes emphasised social as well as economic participation and were given to FACs to deliver. FACs funded 850 new Personal Advisers in Centrelink to deliver the new 'participation' programmes to the most disadvantaged and those on 'inactive' benefits. There was some focus on employment outcomes but Centrelink still had no formal role in employment assistance.

The requirements on lone parents receiving benefits included attendance at a mandatory 'annual planning review' and, for those with children aged 13 or over, a requirement to undertake six hours of 'activities' a week. This 'activity'-based approach, also seen in Work for the Dole, contrasts sharply with the job outcome-focused orientation of the Job Network.

There were some additional measures for people on disability benefits with a proposal that eligibility for the Disability Support Pension (DSP), which is an 'inactive' benefit, be more tightly restricted. Legislation was proposed in Parliament to restrict DSP to those unable to work more than 30 hours a week, rather than the existing 15 hour qualification rule. This legislation was blocked by the Senate. Following the 2004 election, the Government has reintroduced the legislation and those able to work between 15 and 30 hours a week are likely to be restricted to claiming the unemployment-related 'Newstart' allowance and be expected to actively seek part-time work. This requirement will also extend to lone parents with school age children.

For the most disadvantaged, the 'Participation Support Programme' (PSP) replaced the earlier CSP. PSP is delivered independently from the Job Network and is an alternative form of employment preparation provision without the immediate focus on job outcomes that characterises the Job Network.

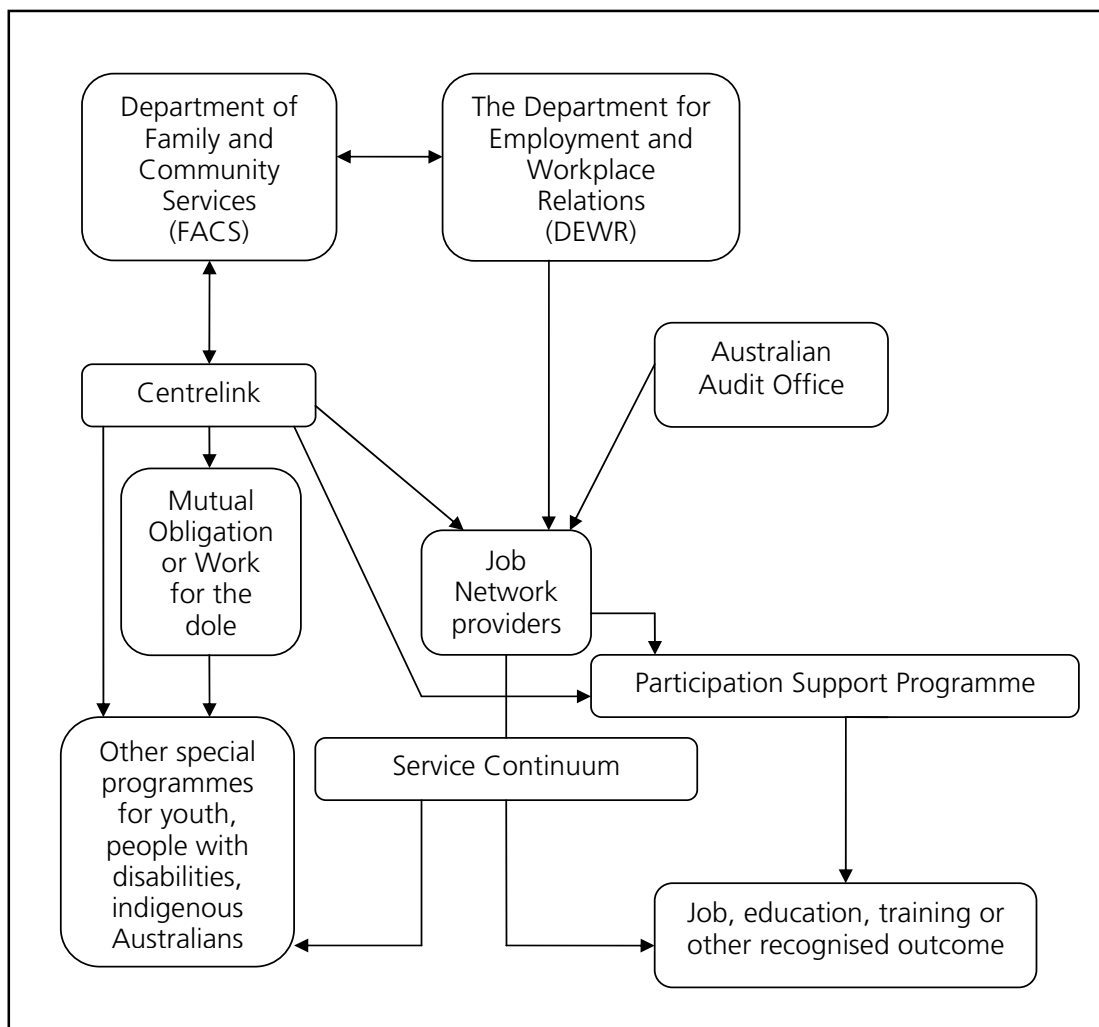
In 2002, the Government announced that in the following year the third contract for the Job Network would introduce a new 'Active Participation Model' (DEWR APM, 2002). The new approach reflected operational experience of the existing contracts and findings from evaluation studies (discussed later) and was designed to build on the measures announced in 'Australians Working Together' outlined above. The new model aimed 'to integrate Job Network services with Mutual Obligation activities to ensure that job seekers are engaged in ongoing employment-focused activity and job search' (ibid, p. 1). The intention was to build 'the employment services platform to support the implementation of further (welfare reform) initiatives in the future'.

This Active Participation agenda resulted in some significant changes to the Job Network through the APM introduced in 2003. This included the policy around clients staying with the same provider for 'life', intended to act as a deterrent to providers to 'park'.

The third contract also saw the introduction of more active management of Job Network activities with the 'Declaration of Intent' as already outlined and the introduction of Job Account. The Job Account is drawn down from DEWR, as and when expenditure is agreed, to spend on individual job seekers. This is similar to the EZ Personal Job Account but while this is audited on a sample basis, permission is not needed from contract managers for each spending decision.

In Australia, Job Network providers are permitted to spend account funds on a wide range of permissible activities but all expenditure must be classified and reported against 14 categories and can be disallowed if the appropriate administrative records or receipts are not available at regular audit. The rationale for this practice was to ensure that every client was being 'treated' and to guard against 'parking' clients. In previous funding models (and with EZs) providers were allowed to retain any surplus they generated. The Job Seeker Account has introduced rigidities which are explored in Chapter 4.

Figure 3.1 Institutions and organisations in Australia's Employment Service market pre-October 2004



NB: Post-October 2004 Centrelink reports to a new Department called Department of Human Services, rather than FACS.

4 Contract and performance management in the Australian model

4.1 Background

To date, employment services under the Job Network have been contracted over four periods:

- Employment Service Contract 1 (ESC 1) from May 1998 to February 2000;
- ESC 2 from February 2000 to June 2003;
- ESC 3 from July 2003 to June 2006;
- ESC 4 from July 2006 to June 2009.

4.2 Employment Services Contracts 1 and 2

The first tender exercise to select organisations to provide employment services under Job Network was conducted in mid-1997. The aggregate value of contracts was estimated at A\$1.7b and covered services in 29 labour market regions. Over 1,000 organisations submitted 5,300 bids. Tenders were selected according to quality and performance standards and then ranked according to price within each tender region. The first two tenders were conducted on this basis but in ESC3 price competition was dropped.

In ESC 1, 300 organisations were awarded contracts, divided as follows by sector:

- private – 50 per cent (33 per cent contract volume);
- community – 44 per cent; (30 per cent contract volume); and
- public (i.e. Employment National) – six per cent (37 per cent contract volume).

Successful tenderers came from a variety of backgrounds:

'including charities initially specialising in providing assistance to the homeless, migrants or the disabled, training organisations, industrial psychologists and recruitment consultants, private placement agencies and the former public employment service itself.'

(OECD 2001)

There was a broad principle that no single provider would be allocated more than 50 per cent of the business in any one area and that each area would be serviced by at least five providers. Interestingly, but perhaps not surprisingly, those organisations providing services in the pre-privatisation Working Nation programme won the vast majority of the contracts (79 per cent).

Contract 2 (ESC2) ran from 28 February 2000 to 30 June 2003. The tender for ESC2 offered contracts with an estimated aggregate total contract value of A\$3b.

A number of structural/organisational changes were made in this contracting round but the basic model remained the same. The changes included a reduction of the 29 regions to 19 regions. Each of these regions was divided into 'Employment Service Areas' (ESA). There were two reasons for the change: *'to improve administration and to provide greater scope for tenderers to price their bids to reflect local labour market conditions'* (DEWR, 2001). The same prices applied for the major metropolitan regions of Adelaide, Brisbane, Melbourne, Perth and Sydney but in other ESA areas there was differential pricing. There also was a reduction in the number of multiple providers in each area, from five to three. It is thought that this reflected the difficulties in stimulating competition in the more remote and thinly populated parts of Australia.

In terms of provider incentives, a Job Search Training outcome payment was introduced to encourage providers to place clients into jobs lasting at least 13 weeks. Department of Employment and Workplace Relations (DEWR) also raised outcome payments for placement of the most disadvantaged clients. Intensive Assistance (IA) providers could also tender to provide specialist support for specific client groups where they could demonstrate a need. These changes recognised that the most disadvantaged job seekers required additional specialised support which was not being provided by the Job Network.

ESC2 placed greater focus on the quality of services delivered in ESC1. To assess this, DEWR used administrative data for those customers leaving benefit from the first contract round, adjusted according to caseload and local labour market factors. In the selection criteria, quality attracted a 75 per cent weighting, with price attracting just 25 per cent. 'Declarations of Intent' were completed by each tenderer, indicating prospective strategies and interventions, which subsequently became contract conditions for successful tenderers. Contracts were awarded to 200 organisations in December 1999. Allocation of business in ESC2 reflected the provider performance in ESC1.

Contract volume was split by sector, as follows:

- private – 47 per cent (+15 per cent);
- community – 45 per cent (+15 per cent); and
- public (i.e. Employment National) – eight per cent (-29 per cent).

The second contract period gave rise to a marked increase in the share of the market held by church-based groups and voluntary sector organisations, in particular the Salvation Army and 'Mission Australia'. At this stage, some 200 organisations delivered services from just over 2,000 sites. Not all the sites provided a full range of services, with the more expensive case management based 'IA' being provided in around 1,200.

In the first year after privatisation, former public provider 'Employment National' held a majority market share winning more than a third of all contracts in ESC 1. The existence of a privatised former government organisation originally was intended to ensure universal provision. In order to safeguard the level of service previously offered by Commonwealth Employment Service (CES), the Government guaranteed that wherever there had been a CES outlet services would continue to be offered through Job Network providers. Employment National would provide services in areas which were not deemed commercially viable by other private providers. This 'community service obligation' was, however, never invoked as, even in remote areas, suitable service delivery organisations came forward.

In the first contracting round Employment National won 18 per cent of Job Matching contracts and 42 per cent of the IA market. In the second contracting round its share of Job Matching increased to 22 per cent but due to poor performance, it lost nearly all of its more lucrative IA contracts (OECD, 2001, p. 96). Following the second contract period, Employment National failed to win contracts and was eventually closed down.

4.3 The third contract (ESC3)

Significant changes were made in this contracting round, such as the introduction of the 'Job Seeker Account' and more active contract management of provider activities. The introduction of the Job Seeker Account placed a contractual requirement on providers to account for expenditure in terms both of the amount spent on each client and how it is spent. This accounting has to be made before expenditure is committed. Providers also are required to return the balance of each unspent account to the Department. The Department closely monitors how this money is spent and intensively polices this activity.

The Job Seeker Account is separate from the outcome payments and was introduced specifically to reduce parking/non-treatment of harder to help clients. Another reason for its introduction was DEWR concern about what they were paying for as

Government and the lack of knowledge of the amount being spent on various activities. In this respect, the Job Seeker Account provides important management and evaluation information.

Feedback from providers to the study team centred on the need to make significant capital investment in IT and new business models to meet the new requirements of the Active Participation Model (APM) in ESC3. There also were concerns about the compliance burdens of the new contracts. Providers felt that the Jobseeker Account would incur a significant administrative burden and this would be compounded by the lack of clarity about what it could be used for. The general sense was that the new model afforded the providers less financial flexibility. These views were also reflected in the industry bodies' response to ESC3 (NESA, 2002).³

Another important change introduced in ESC3 involved 'rolling over' 60 per cent of contracts determined on star rating performance. Contracts were rolled over if the provider achieved a minimum 3.5 star rating. This change was introduced to reduce the costs and disruption to services associated with the comprehensive tendering of the earlier contracting rounds. It appeared to act as a huge incentive to providers to perform and the study team felt that in many ways, it was a stronger performance incentive than the funding model which is now less outcome-based.

The Productivity Commission in the past have stated that it is the star rating rather than job outcomes fees which drives investment. They concluded that the system ensures that the primary focus remains on outcomes by providers. It does, however, limit exit and entry to the market and could be seen as reducing contestability.

In the Budget of 2005, the minister announced that in the fourth contracting round, most of the existing Job Network contracts will be extended for three years until 30 June 2009 using existing contractual provisions. Those existing providers at or below a 2.5 star rating will be reviewed and their business may be reallocated to other providers. The most important innovation will be the introduction of rolling local area level tenders. Providers will be subject to review at six-monthly intervals against the performance requirements specified in their contract and poor-performing providers may have their business put out to tender. The aim of the new approach is to introduce greater flexibility in the market whilst avoiding the disruption and performance downturn experienced in previous larger tendering rounds.

³ A subsequent report from the Australian National Audit Office (ANAO) confirmed that in the first year of ESC3, only 39 per cent of available Account funds were spent. Explanatory factors included uncertainty about the allowable use of the funds and concerns about the high administrative workload of recording and accounting for expenditure. By April 2005, usage of the Account had risen to 67 per cent, although the Audit Office reported there were marked variations in both how much and in what ways providers were utilising the Account. The report raised concerns about how this variation in services would impact on the services received by individual clients (ANAO, 2005, pp. 136-138).

4.4 Entry and exit

In ESC3, DEWR specified in each provider contract the maximum number of job seekers that the provider can assist at a given 'point in time'. Consequently, there has been limited scope for providers to grow **within** rounds. Growth **between** rounds has been determined by providers' success in the tendering process but limited by the constraint that no provider can be contracted to provide more than 50 per cent of business in any one area. The scope for growth between Employment Service contracts had been further constrained between ESC 2 and ESC 3 by the fact that 60 per cent of Job Network business was rolled over to existing high performing providers since only the remaining 40 per cent was now available to competitive tender. The composition of the market between ESCs has remained relatively stable. Over the 137 ESAs, only seven new providers won contracts in the third tender round (winning a total of only 1.5 per cent of the market share).

Consequently, the number of providers has reduced with each successive round of contracting:

- 310 in JN1;
- 197 in JN2 (30 new contracts);
- 109 in JN3 (seven new contracts).

The employment services market now comprises a small set of large providers and a larger pool of smaller providers. This is suggested by Table 4.1.

Table 4.1 Number of providers and market shares in Australia at the beginning of ESC3

Number of providers and market shares in Australia at the beginning of ESC3	
Total number of providers	109
Market Share of top five providers	38.8%
Market Share of top ten providers	54.8%
Average market share of remaining 90 per cent of providers	0.5%

Based on data from DEWR (2003).

4.5 Contract management

DEWR is responsible both for tendering Job Network services and contract management. There is a network of DEWR contract managers in district and state offices overseen by a national office.

In ESC1, the approach was more basic administrative contract management in terms of monitoring progress against contracted numbers and placement targets. Contractors were also assessed against key performance indicators (outcomes, contract compliance and equity of service).

In ESC2, there was a desire to move towards a more involved contract management approach where contract managers developed a closer relationship with the providers to enable them to anticipate and address any problems before they impacted on performance. This approach is used in the UK Employment Zones (EZs).

Conceptually, the flexibility and outcome focus provided by the Job Network reduces the need for detailed monitoring of processes and procedures but does not entirely remove the need for monitoring to ensure accountability in the expenditure of public funds. DEWR has tried to balance this tension and moved from 100 per cent coverage in the first contract to a risk management approach to contracting from the second.

There will always be tensions in managing a contested market. An ACOSS⁴ report written at the time of the second contract noted that DEWR had 'increasingly intervened to correct what it perceives to be adverse effects of the funding model' and referred to a 'sustained attempt to micro manage the market':

'these and other interventions were necessary and desirable to improve outcomes for job seekers and employers. However, they reveal tensions between the ideal of a largely self regulating market driven by a system of incentives and the reality that Governments cannot achieve the best outcomes for job seekers by adopting a hands off approach.'

(ACOSS 2000)

The feedback from providers to the Productivity Commission (2002) reported that contract management had shifted too far towards detailed contract compliance. This mirrored feedback to the study team during visits to providers that at this stage, after a year of ESC3, the balance had shifted too far. The study team felt that the monitoring regime seemed to be quite extensive and the contractual requirements for ESC3 were much more heavily specified than the UK EZs.

One provider reported that with ESC3 they now regarded their relationship with DEWR as a 'master/servant' relationship rather than a 'purchaser/provider' relationship and described the contract management style as 'punitive'. NESAs, the umbrella body for the providers, was also lobbying for a more definite policy to guide contract management in terms of 'principles' as opposed to 'rules'. They have suggested that there is a lack of consistency in contract management in terms of guidance to providers on what they 'can't do'. They believe the Job Network providers want prescription in terms of 'what they can and can't do' rather than prescription in terms of process.

The increased policing of activation which features throughout ESC3 is distinctive to this contract round and is reflected in the contract management mechanisms around the Job Seeker Account. The changes implemented in ESC3 were seen as

⁴ ACOSS is the Australian Council of Social Service, an independent watchdog.

substantial by providers and by NESAs. One commentator reported to the study team that implementing ESC 'was more challenging than establishing the Job Network as a whole because it is a completely different service delivery model'.

However, although there is more active management of providers in the current system, DEWR continues to allow a wide variation in the type of service delivery to clients. It remains essentially a flexible and client-focused approach to employment services.

4.6 The funding model

In ESCs 1 and 2, the funding mechanism was predominantly output-based. ESC3 saw a more balanced approach to funding, a move which some saw as a regressive step from the bolder earlier models with 50 per cent process payment and 50 per cent outcome payment mode.

The funding framework for **services** in ESC3 is as follows:

Table 4.2 Funding framework for services in ESC3

Service description	Duration of unemployment (months)	Fees (A\$)
Job Search support	0 – 3	80 (total for two interviews)
Job Search training	4 – 6	700
Intensive Support: (Reviews)	7 – 12	90 (total for two interviews)
Intensive Support: (Customised Assistance) – Phase 1	13 – 18 (or if client is highly disadvantaged)	800
Intensive Support:(Job Search Reviews)	19 – 24	70 (total for two interviews)
Intensive Support:(Customised Assistance) – Phase 2	25 – 30	475
Intensive Support:(Job Search Reviews)	31 – 42	100

Source: DEWR (2002) Note that fees can be up to 50 per cent greater for highly disadvantaged clients.

The funding framework for **outcomes** in ESC3 is as follows:

Table 4.3 Funding framework for outcomes in ESC3

Outcome description	Unemployment duration (months)	Interim payment (A\$) (13 weeks employment)	Final payment (A\$) (26 weeks employment)
Intensive Support	4–12	550	-
Intensive Support	13–24	1,650	825
Intensive Support (intermediate)		550	550
Intensive Support	25–36 (or if client is	3,330	1,650
Intensive Support (intermediate)	highly disadvantaged)	550	550
Intensive Support	36+	4,400	2,200
Intensive Support (intermediate)		1,100	1,110

In general, full outcomes are defined as a reduction of benefits by 100 per cent. Intermediate payments are made where benefits are reduced by 70 per cent or more or where an educational outcome is achieved (e.g. placement onto a training course). In addition, providers have access to the Job Seeker Account, with a budget of between A\$900 and A\$1,575, depending on the degree of disadvantage. On top of this, providers have access to a training fund of up to A\$800 for older clients and those from the indigenous population.

In addition to earning fee income from the Job Network funding framework, providers may also earn income from placing vacancies onto the vacancy database, that are subsequently filled. It is, however, far more lucrative to retain vacancies which they can then fill without competition from other providers. Therefore, the Australian model works in the opposite direction from that of the UK where Jobcentre Plus seeks to widen the transparency of the labour market by increasing (mostly self-service) access to vacancies for its customers. Consequently, without having studied the vacancy filling process in depth, it appears there is a tension that neither DEWR nor FACS had addressed.

Providers also may earn income (between A\$165 and A\$550) from vacancies they place onto the public vacancy database, used in all Centrelink offices, that are subsequently filled. The study team was particularly interested in this aspect of the vacancy taking/filing system, given that providers admitted it was not in their interests financially to place vacancies on the open database if they themselves could fill such vacancies.

4.7 Performance management

DEWR has developed a sophisticated approach to performance analysis in its more devolved regime and has an effective information management system to support this.

It has performance indicators for the Job Network and for the work it funds Centrelink to undertake on its behalf. DEWR has three Key Performance Indicators (KPIs) for the Job Network:

- the number of new vacancies lodged on the national vacancy database;
- the number of total job placements;
- the number of long-term jobs (measured at 13 weeks, as in the UK).

DEWR undertakes comprehensive performance analysis. It compiles performance profiles (site level data) on outcomes, how many 'hard to help' clients are helped, and the amount spent on different client groups. It also publishes weekly performance reports on its website. Every Monday Job Network providers receive a performance report from DEWR with comparative data for each provider against the three KPIs. The average and the median is provided to give the 'spread'. Interviews with providers indicated that they found this useful in terms of focusing the business.

DEWR's Integrated Employment System (IES) supports the flow of information between DEWR, Centrelink and the Job Network. This is where all the information on individual job seekers is stored along with details of interactions. The IES can be accessed by Job Network providers through the internet. Most have their own client management systems but must enter data into the DEWR system. Providers pay for their own systems. DEWR specifies the fields which should be used and other functionality such as access levels. This data feeds centrally into DEWR and is not shared across the network.

4.8 The star rating system

DEWR's star rating system is a particularly innovative feature used in both contract and performance management. This system measures the performance of Job Network providers relative to one another in terms of job outcomes. They are based on a regression model which controls, to some extent, for local labour markets (e.g. unemployment rates and employment growth) and client mix (duration of unemployment, age and gender) enabling national comparisons to be made. The methodology has been reviewed independently by Access Economics who concluded that it was a robust approach.

This system looks at actual performance against expected (target) performance and in this respect, transcends the need for a target structure. If a provider's star rating does not meet expected performance, DEWR does not take existing clients away but rather reduces the provider's market share. Other providers in maximal market share

permitted to a single provider is 60 per cent. Providers were assessed annually in the previous contracting rounds but under ESC3 this assessment is conducted every six months.

Around five per cent of the providers are rated at five stars (the highest rating) and four per cent at one star. The vast majority of the providers are around three and 3.5 stars. This is the type of distribution to expect in a relative performance system-based on performance against targets rather than absolute performance. To score highly within the model and achieve at least three stars, providers must make effective interventions across the whole range of their customer base, including the hardest to help groups.

5 The impact of reform: evaluation evidence on the Australian model

5.1 Overview

There are three key sources of evaluation findings on the Job Network:

- the Department of Employment and Workplace Relations (DEWR) in-house reports;
- the Australian Productivity Commission;
- the Organisation for Economic Cooperation and Development (OECD).

DEWR has undertaken three in-house evaluations of the first two Job Network contracts. DEWR's Evaluation Strategy for the Job Network acknowledged that:

'the nature of the reforms mean that the focus of the evaluation and monitoring processes will be on individual client outcomes, rather than on programmes. Moreover, it will be important in the evaluation to take into account the flexible and diverse nature of the new employment services market' and that 'these changes have implications for the type of issues that will be addressed in the evaluation, the methodology and design of information systems.'

(DEWR, 1998)

The DEWR Evaluation Strategy for the Job Network aimed to provide information on how the Job Network was working so as to adjust policy over time. Evaluations of the completed contracting stages examine both process and performance issues.

The Productivity Commission and OECD reports cover the first two Job Network contracts (ESC1 and ESC2) and, therefore, do not provide a full picture in terms of the effectiveness of the Job Network as currently configured. The Productivity Commission probably provides the most comprehensive and rigorous assessment

and provides an interesting analysis of the Job Network in terms of its conceptual basis as a functioning contestable market.

The OECD report assessed the Job Network in terms of delivering a Public Employment Service with the associated traditional functions of vacancy handling, job search assistance, training, etc. It looked less at the Job Network as an economic market concept. It did not undertake a full evaluation but commented on existing evidence.

5.2 DEWR evaluations of the Job Network

5.2.1 Job Network Evaluation Stage 1

This report covered the first 17 months of operation of the Network and focused on implementation and market development. The evaluation, undertaken by DEWR, was based on a range of sources, including a qualitative study using focus groups and interviews with stakeholders and participants and a literature review of labour market assistance.

Its key findings were that the quality of service had improved under the Job Network, compared to previous delivery arrangements, as rated by both employers and job seekers. Employers rated the Job Network highly in terms of providing a more individually tailored service with a better understanding of the commercial market. Jobseekers also reported that they felt that they were being treated 'as a person rather than a number' (DEWR, 2000).

Limited data on outcomes at this stage prevented meaningful assessment of effectiveness but some assessment was made in terms of preliminary costs and benefits. This found that job outcomes compared favourably with previous arrangements with corresponding costs being substantially lower.

The evaluation held that the Job Network had made considerable progress towards setting up a competitive market but it identified some areas requiring improvement including equity of access to service for indigenous groups, further development of informed choice and further development of the Intensive Assistance (IA) fee structure to provide more incentives to providers to place these clients into jobs.

5.2.2 Job Network Evaluation Stage 2

This report covered the whole of the first contract period and the first few months of the second, up until September 2000. The evaluation was based on a survey of activity and attitudes of IA participants and DEWR administrative data tracking, the type of assistance received and income support status over time. Alongside this there was a labour market outcomes survey and a longer-term outcomes survey for job matching clients.

This report found that the Job Network had made further progress in establishing a competitive market by expanding services geographically by 45 per cent overall, doubling outside capital cities. It also found that post-assistance outcome levels compared favourably with previous labour market programmes with a substantial net impact of ten percentage points for IA and a three percentage point increase for Job Search Training, compared to previous provision. It also held that these outcomes were being achieved at substantially lower cost than previous assistance, thus providing better value for money.

Areas identified for improvement by the evaluation included the still considerable variation in outcomes for different groups with older job seekers, those unemployed for two years plus, the less educated and indigenous job seekers, with those with a disability faring yet worse.

Two measures of effectiveness were examined, sustainability and net impact. The report only covers initial findings based on participation effects. A comparison group was constructed of similar job seekers not participating in Job Network provision. On sustainability, the most interesting finding was the improvement in outcomes for those helped through job matching over time in terms of percentage in work and numbers moving from temporary to permanent work.

The study examined off benefit impacts post assistance for Job Network clients and a comparison group. Job Search clients had a small improvement in their chances of being off benefits. The impact for IA clients was substantially greater. Higher impact was associated with more emphasis on preparation for particular jobs than skills training, improving job seeker confidence and better matching.

5.2.3 Job Network Evaluation Stage 3

This report covered experience from inception to the end of 2001 (pre-ESC3). It covered the sustainability of job outcomes, net impact estimates and macroeconomic impact. The most important findings relate to net impact. These showed, as anticipated in the Productivity Commission report written at the end of Stage 2, that these are small and that the Job Network Evaluation Stage 2 had overstated them.

In the absence of a control group, DEWR compared Job Network assistance with assistance which was previously available. As well as programme effects DEWR also looked at 'compliance' and 'attachment effects' with this evaluation. Compliance effects results from referral to a programme and will include a programmes deterrent 'effect' where people sign off benefits to avoid going on a programme. Attachment effects include the effect of potentially reducing client's job search activities when they participate in a programme.

This evaluation reported that unit costs appeared to be considerably lower under Job Network provision than previous provision. It also found that the net impact of Job Search Training and IA were modest, particularly for IA. For many job seekers, the benefits of being in IA was substantially reduced by the attachment effect. DEWR

felt that this reflected both the new methodology and also the lengthening of the Intensive Activity period (12–15 months) and decided to reduce this to six months in ESC3. The Department also decided to intensify the job search element of provision in the initial months. The evaluation concluded that a significant part of the net impact came from compliance effects.

Disaggregation of the results found some variation between client groups. Interestingly, the most disadvantaged groups seemed to benefit most from IA. Jobseekers aged 25 and over and those from a non-English speaking background tended to benefit more from Job Search Training. Significant levels of deadweight were found with both job search training and IA. This is the case with labour market programmes internationally.

DEWR felt that the results indicated scope to increase the performance of the Job Network by more effective targeting and redesigning provider incentives. Policy recommendations for this included raising the threshold at which clients are referred to IA by using higher scores on the Jobseekers Classification Instrument to determine referral. They also felt that IA provision had to be reviewed again in order to increase the number of clients who leave for jobs.

The evaluation found that many job seekers received limited assistance from their provider and this was a key factor informing the introduction of the Job Seeker Account in ESC3.

DEWR also looked at structural integration between the provision of benefits and employment services and found that the majority of providers were satisfied with Centrelink services (80 per cent) but that many job seekers and employers were unclear about what the Job Network offered. It identified the need for better communication between Centrelink and Job Network staff.

5.3 Productivity Commission report

This report presented a comprehensive and independent evaluation of the network until 2002. Overall, it concluded that net outcomes were small and similar to previous programmes but that total costs were substantially lower than the services provided under the Commonwealth Employment Service (CES). It also found that job seekers' and employers' satisfaction rates were higher.

The Productivity Commission concluded that competition and outcome payments had improved efficiency and outcomes and that this was likely to increase over time as the poorer performing providers exited the market. It found that the best providers exceeded the average job outcome performance by 12 percentage points, while lower performers did markedly worse. There, therefore, was potential in future contract rounds to secure improvements to performance.

The report concluded that the methods used in the Job Network Evaluation Stage 2 probably overstated net impact due to biases in the comparison group.

DEWR's estimates also ignored displacement (or substitution) and had been unable to track longer-term outcomes which would have provided a better measure of improvements in longer-term employment probabilities. Overall, the Productivity Commission concluded that biases and methodological difficulties had led to the overstatement of net impact and agreed with Dockery and Webster (2001) that:

'macroeconomic evaluations confirm the overall impression that the net effects are very small, and the real value of (active labour market programmes) is more likely to lie in their equity effects.'

5.4 Summary of estimated cost and benefits

In terms of costs, the Job Network is undeniably cheaper than previous labour market provision as delivered by the CES in the mid-1990s. Cost reductions were driven by a manifesto commitment to cut expenditure and were achieved by a combination of:

- cutting out more expensive programmes, typically training provision and job subsidies, e.g. the New Work Opportunities programme;
- rationalisation of the delivery infrastructure;
- a reduction in the overall client group numbers;
- privatisation leading to greater competition and innovation.

It is not possible to disentangle the relative contribution of each of these factors and stakeholders vary in their opinion on the relative impact of each. The most authoritative assessment from the Productivity Commission suggested that privatisation in itself had brought savings.

In terms of benefits, there is similarly no completely accurate means of judging whether the new arrangements are more effective than their predecessors. Gross outcomes, particularly under ESC3, may have improved but these have not been measured consistently over time with job entries for shorter-term unemployed people now being included in performance measures. There is an absence of data on a like-for-like basis.

As evaluation techniques have improved over time, estimates of net impact have tended to fall as better account is taken of other factors. Evaluations of CES administered programmes found quite significant effects but the methods used were relatively underdeveloped and likely to overstate impact. The Job Network Evaluation Stage 2, covering May 1998 to September 2000, estimated a 10 per cent point net impact for IA and three per cent for Job Search Training, similar to programmes in the mid-1990s. Following criticism from the Productivity Commission,

the third study adopted an improved methodology and found more modest impact. Further, a reworking of the data for Study 2 using this improved method showed that impact had been overstated in earlier findings.

DEWR's own evaluations, the Productivity Commission and OECD reports informed the design of ESC3 with many of the criticisms addressed, for example, in the creation of the Job Seeker Account and the Star Rating system. This has had the impact of changing provision and the focus of effort across the client groups. It is too soon to say what difference this has made and at the time of the study visit DEWR had no plans to repeat its economic evaluation. What is clear, though, is that the net effect of Job Network provision in the past has been relatively small; a result common across evaluations of active labour market interventions in many countries.

In terms of Job Network costs, DEWR reports that unit costs had fallen for similar interventions. Job Network Evaluation Stage 2 cites that costs per employment outcome in 2000/01 were A\$560 for job matching, A\$1,390 for JST and A\$5,440 for IA. This compared with previous costs for Job Clubs A\$2,600, and other programmes A\$12,100. As net impact is thought to be similar over time, this cost reduction does not seem to be at the expense of overall effectiveness. However, we cannot say the improvement is due to the Job Network. Indeed, the decline in labour market programme expenditure commenced in 1996, approximately 18 months after unemployment had peaked and Working Nation had been introduced. In August 2001, real labour market assistance spending remained significantly higher than in 1987 despite unemployment and long-term unemployment levels being similar (over A\$450m compared to under A\$300m). Comparisons between the periods of Working Nation and the Job Network are likely to overstate the impact of the Network.

Major budget reductions for training and subsidised employment programmes would have contributed to the reduction in costs. However, it is not true to say that this was replaced simply by less expensive job search and job search training activities. The IA support effectively guarantees expenditure on every job seeker if they are still unemployed once they have received job search support.

Privatisation or the introduction of the Job Network, in itself, therefore, played only a part in reducing costs and has not raised effectiveness at the time of the most recent evaluation. The highly controlled market put in place by DEWR also had costs associated with it, which could be reduced if a greater degree of flexibility (and delegation from the policy makers) was achieved.

The OECD states that the budget reductions meant that overall expenditure on labour market programmes as a proportion of Gross Domestic Product (GDP) was halved from 0.8 per cent in 1995/96 to 0.4 per cent in 1998/99. Comparable figures for the UK for the same years are 0.45 per cent of GDP in 1995 and 0.34 per cent in 1996. This indicates that our spend per capita is smaller overall and has fallen in the same period but much less steeply and from a smaller expenditure base (all OECD data).

This is represented in Figure 5.1 which shows a more gradual reduction of expenditure (as a percentage of GDP) over time. The Australian data shows an increase in expenditure just before the implementation of the Job Network and a steeper decline afterwards. Expenditure in the Netherlands is higher overall and increasing over time (OECD data).

Figure 5.1 Percentage of GDP spent on active labour market measures

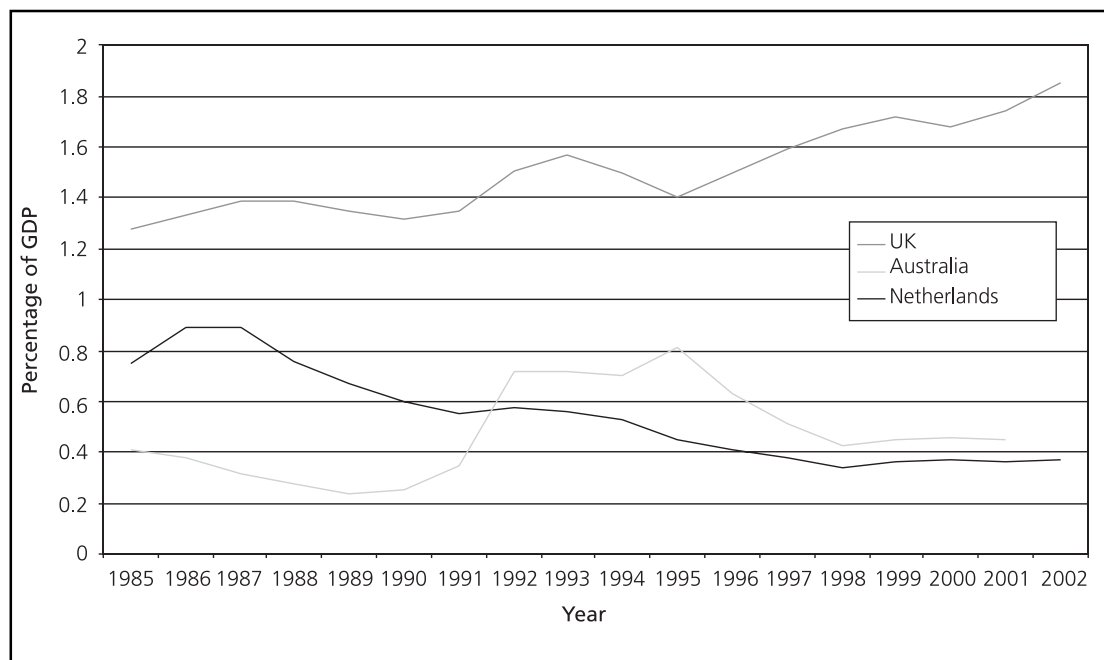
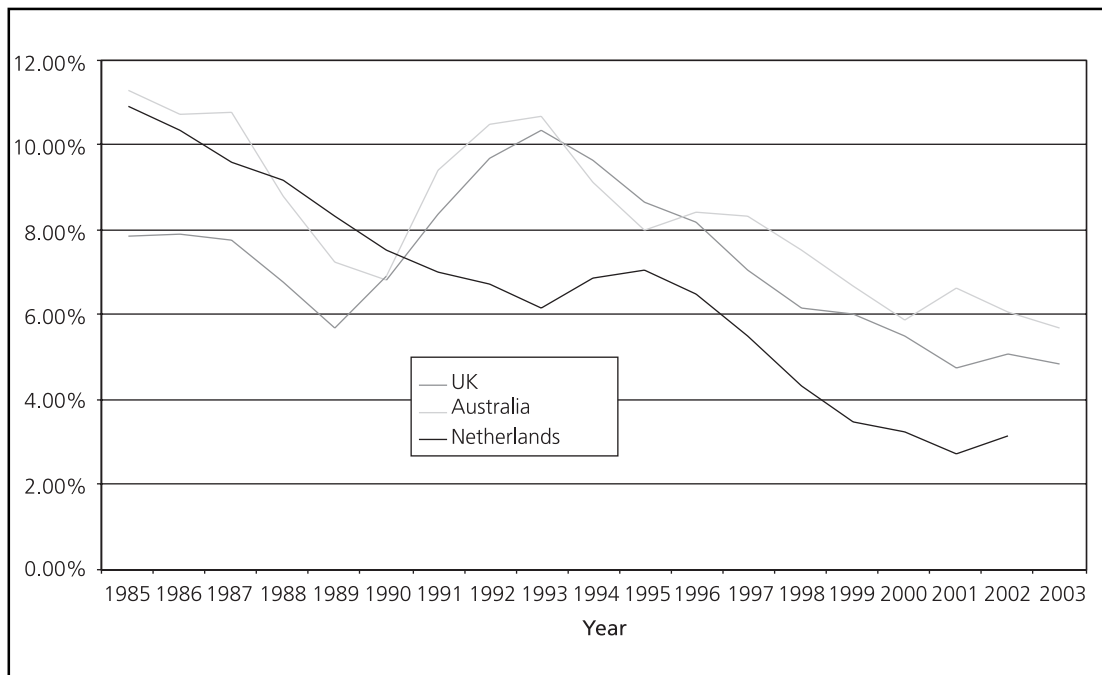


Figure 5.2 shows trends in the unemployment rate (International Labour Organisation definition) in all three countries over the period studied. All show a gradual decline over the time period but the UK and Australia have very similar trends in terms of when they peak in this twenty-year time period. In Australia, unemployment was falling before the introduction of the Job Network, after a peak in 1993. Unemployment continues to fall after the introduction of the Job Network in 1998.

Figure 5.2 Unemployment rate



6 Lessons from Australia

6.1 Key lessons from Australia

The study teams' interpretation of the key lessons from the Australian experiment are presented in this chapter under the following headings:

- delivery structures;
- flexibility and devolution;
- contestability and choice;
- contract and performance management;
- costs and benefits.

6.2 Delivery structures

At the time of the study visit, responsibility for welfare to work services straddled two Government Departments: Family and Community Services (FaCs) and Department of Employment and Workplace Relations (DEWR). This played out in a similar split in terms of delivery agents with Centrelink responsible for the more social and community programmes and the Job Network responsible for the employment/economic agenda. At the time, the study team felt that this reflected a more fundamental schism around social and economic agendas in Australian governance and, in terms of labour market policy, it differed significantly to the UK's 'work first' approach which is applied across all client groups. The team felt that this might impinge on Australia's ability to deliver effective job outcomes to the 'inactive' client group and those with most disadvantages. However, Machinery of Government changes since the study visit have brought these agendas together under DEWR. This mirrors developments in the UK with the creation of the Department for Work and Pensions (DWP).

The study team also concluded that the bringing together of delivery on benefits and employment policy in the UK into Jobcentre Plus, which reported directly to the DWP provided us with a more effective feedback route for policy learning. Centrelink was

regarded by the study team as being an incredibly effective delivery organisation but appeared to play no role in policy making, even at an advisory level. This differs from the UK where the delivery agent (Jobcentre Plus) feeds experience from the field back into policy making.

On job brokering, the competition for vacancies in the Australian system amongst providers differs to that in the UK where Jobcentre Plus manages this centrally with its own employer engagement strategy. We would probably not look to create a market for vacancies in employer engagement, especially in a market where demand is stronger than supply because it could create inefficiency and perverse behaviour with providers competing for vacancies from employers. It also means that employers would be approached by a number of different players in the market which may create confusion and duplication.

6.3 Flexibility and devolution

The gradual move towards more prescription and regulation in the Australian system is a key lesson for the UK in any future development of a Contestability Strategy. The Job Seekers Account appears to be highly monitored by contract managers and this seems to contradict a risk based approach to contract management.

Despite this, flexibility exists in the Job Network model and the model remains very different to the 'traditional' employment service suite of programmes which exist in most OECD countries. However, Job Network providers clearly articulated their desire for 'principle-based contracts' that spell out uniformly applied principles rather than prescribed processes. One provider suggested that the high level of prescription '*takes your eye off the ball in terms of being focused on the client*' which in itself goes against the objectives of flexibility in terms of focus on individual clients.

The Job Network is also still highly focused on job outcomes and has met its original objectives in this respect. It is no exaggeration to say that a Job Network provider's commercial existence depends on its performance in terms of job outcomes; and whether this applies to other OECD countries outside Australia is debateable. The focus on job outcomes in the Australian system is still very pronounced. The Productivity Commission found the Job Network's purchaser/provider model, with its focus on outcomes, competition and choice to be:

'a suitable policy framework for the delivery of active labour market programmes' and noted that *'competition between providers and the use of outcome payments have created incentives for improved efficiency and better outcomes.'*

(Productivity Commission, 2002)

6.4 Contestability and client choice

In terms of the 'idealistic' aims of creating a fully competitive and contestable market for delivery, the Australian system also goes much further than other Employment Service models internationally. However, there were one or two features of the Australian system which appeared to restrict the operation of competition.

The first is the 'roll over' of contracts introduced in ESC3 which was felt by the Study Team to reduce entry and exit barriers to the market and in this sense to reduce how far provision could be Contested. This roll over, however, provided a way of reducing the disruption to clients with each contract round and ensured some consistency of provision. It also provided a strong incentive to providers to achieve or maintain high 'star ratings' in order to keep contracts. This strengthened the outcome focus of the Job Network considerably.

Recommendation: The UK can learn from the development and application of the Star Rating System in Australia, and should consider applying a similar system to any further experimentation with multiple providers in the UK.

DEWR have developed a licensing system which effectively quality assures a large number of providers outside the Job Network to deliver job brokering services.

Recommendation: This model could be applied in the UK to facilitate quicker entry of providers into the market.

In terms of client choice, the principles of UK public service reform recognise the end-users of services as 'customers' entitled to make choices about the quality and type of service they receive. In the context of UK public service reform, the fields of education and health have been at the forefront in terms of implementing client choice.

Just as consumers choosing a health care provider would want their health to improve, and consumers of education want access to the highest quality learning methods and environments available, we would expect job seekers to choose methods and providers that are most likely to return them to sustainable employment. There is a tension, however, between the welfare-to-work agenda and the move toward viewing Jobseekers as choice-makers in that there is potential for benefit recipients to use 'choice' to work against their responsibilities (i.e. by choosing a provider that is less effective at helping those moving from welfare to employment). Unlike most markets, benefit recipients cannot have full choice, as they must abide by certain obligations of benefit receipt that require them to take up employment.

However, in the UK, as in Australia and the Netherlands, Government policy is that people using employment services are entitled to a high quality service that is

effective at helping them find and retain a good job suited to their career goals. Choice for Jobcentre Plus customers tends to be viewed as managed choice, with the assistance of Personal Advisers to guide job seekers on decisions about which type of provision will help them to achieve sustainable employment. In this sense it is not as explicitly embedded in the system as in Australia, nor is it a design feature of the majority of UK programmes.

The UK is experimenting with client choice in the provision of New Deal for Disabled People and Lone Parent Employment Zone provision. However, as in Australia, to date the UK has found that choice is often not actively made by clients. The DEWR Job Network Evaluation Stage 3 found that 50 per cent of those surveyed in 2001 said that they exercised a choice of provider but of those who did choose, most chose on the basis of location.

There were several points in the welfare-to-work process where more information to clients could have been made available:

- There was a lack of information and low incentives for Job Network providers to market themselves to job seekers. They had already been contracted to provide services for a certain number of job seekers, therefore, their share of the market was virtually guaranteed.
- Though information on provider comparative performance was available at Centrelink offices, most job seekers were assigned a provider through an automated referral system.
- Choice was abandoned when, or if, numbers began to tilt in favour of one provider or another. In order for Job Network providers to meet contractual requirements, Centrelink/DEWR was able to steer customers to ensure that Job Network providers met between 80 and 120 per cent of their market share.
- Jobseekers who did choose a specific Job Network provider were limited to the Job Network member's availability to set an appointment to meet them. This had substantial implications for participation in employment programmes, as the likelihood of participation decreased, the longer job seekers had to wait for appointments.
- Once a job seeker has chosen or been assigned a Job Network provider, they were not allowed to move. Jobseekers are 'with a provider for life', a rule of the system which helps to mitigate against 'parking' but which works directly against the principle of choice.
- Some sparsely populated areas are served by only one provider, limiting choice to the user.

At the study team meeting with the Productivity Commission, they said that their view was that choice didn't operate effectively because of a lack of incentive to providers to market to clients because of their contract limits but also because of lack of information to clients. Their view was that this could be addressed by a) providing more information on the service and performance to clients a b) no fixed case loads for providers. They argued against allocating demand through artificial allocation to multiple providers.

Recommendation: The Australian experience provides key lessons for any further experimentation with choice in the UK. If the UK can implement further multiple provision then consideration should be given to two factors identified by the Productivity Commission: a) the provision of information to clients to inform choice and when this is done and b) contractual features which might impinge on client choice.

6.5 Contracting and performance management

The study team saw that the development of each Job Network contract reflected a learning curve in the implementation of such an ambitious project. Lessons to be learned included the importance of getting the funding model right at the outset, if possible, and to learn from Australian experience in perverse incentives which can arise from less process-based delivery.

As stated above, the study team felt that the star rating tool was a very effective way of both reinforcing provider focus on outcomes and creating transparency in provider performance both for the 'purchaser' and for the job seeker/client.

Recommendation: The star rating system could provide an important contract management tool to any future multiple provider contracts in the UK and might be used as a basis of any further trialling of client choice.

DEWR use a small number of key performance indicators which they publish on an ongoing basis and make available to Job Network providers routinely. They also publish weekly reports on performance and performance issues and disseminate, in real time, to Job Network providers

Recommendation: In the UK, more devolved provision would require the development of more sophisticated information management systems for Jobcentre Plus, to support a focus on the individual client rather than current programme-based information.

6.6 Costs and benefits

The Job Network was a very ambitious experiment in contestable provision compared to the UK, other international approaches, and indeed to other policy areas in Australia. Overall, the experiment has 'worked' in that it saved the Australian Government millions of dollars and resulted in only slightly better outcomes. However, because of the lack of a counterfactual and a change in some key definitions, it is very difficult to establish conclusively whether the current system is more cost effective than the old one.

What we can surmise is that net impact is not much higher than previous provision but the cost of provision is much lower. In the UK, experiments with contestability are being conducted in a much more incremental way, enabling us to collect robust data on whether private and voluntary sector-led devolved delivery is relatively cost effective.

The impact of competition/privatisation is not proven in the Australian context although it has probably had a positive impact through driving out the poorer performing suppliers. There is some indication that price competition has not been helpful, with some commentators believing that it led to provision of the lowest common denominator. It is notable that DEWR now sets prices and has introduced more prescription.

Based on the available evidence, we cannot say **conclusively** that the Australian model would provide the UK with significant **benefits** in terms of increased outcomes in service delivery. It has resulted in a reduction of cost but costs have been lower proportionately in the UK over the same period and in this sense, it is possible that the UK is starting from a more inefficient base.

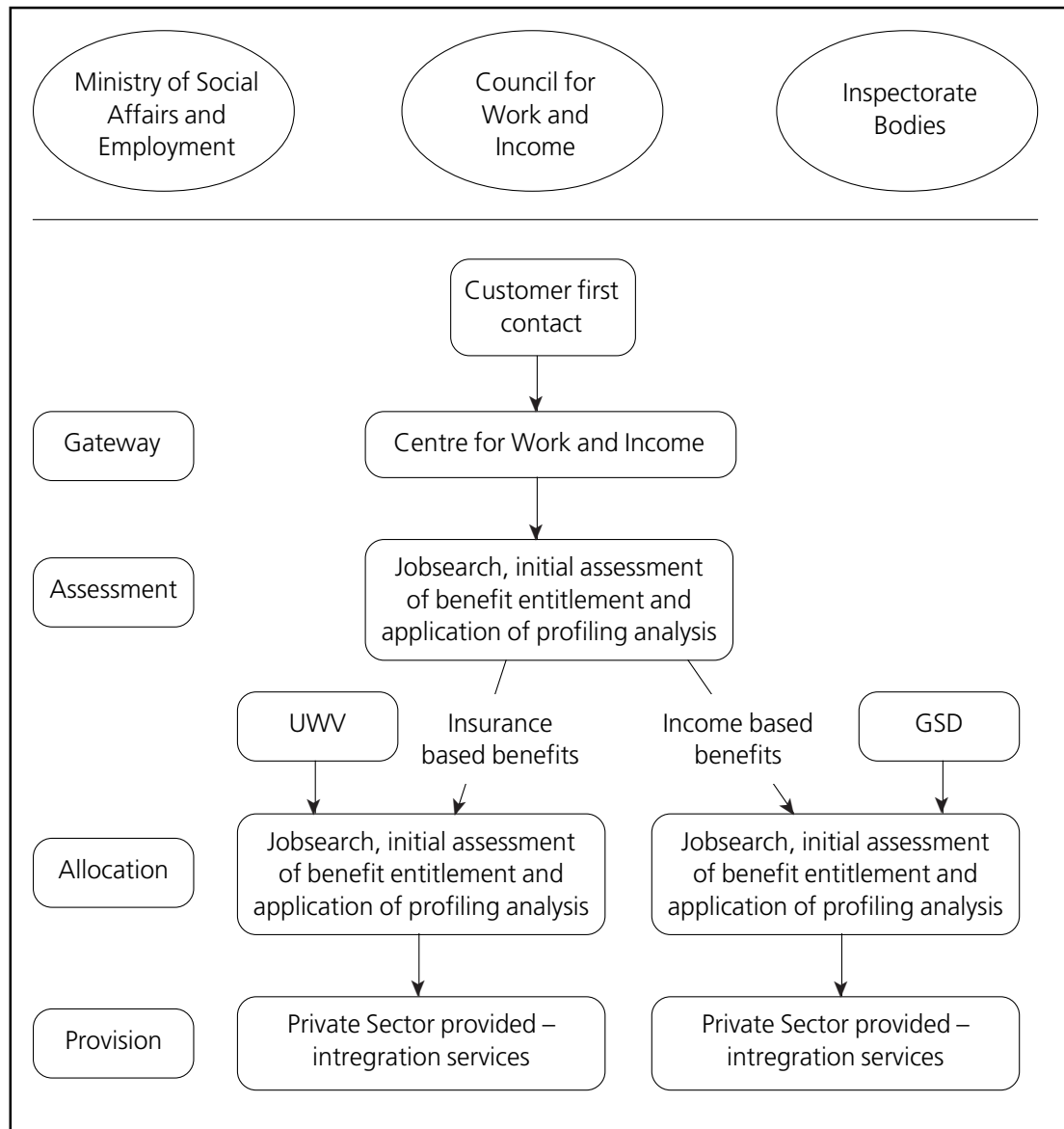
The Job Network has succeeded in creating a contestable and flexible market that is evolving and learning over time and it is an experiment which provides the UK and other countries with an ambitious benchmark against which to assess any movement toward creating a contestable market for employment services.

7 The Netherlands delivery model

The delivery model in the Netherlands requires a significant degree of interaction between national and local government as well as private sector delivery partners. There is a single gateway for all new customers with distinct onward streams for those who qualify for insurance-based benefits (equivalent to contributions-based Jobseeker's Allowance (JSA) in the UK) and social or income-based benefits (the equivalent of Income Support (IS) in the UK). The two key determinants of the service customers receive are the benefits they receive and their measure of employability. Those receiving social benefits received services tailored to the area in which they live, given the key role played by local authorities in both the payment of benefits and the provision of services.

7.1 The organisational structure of the reintegration market

Figure 7.1 Organisational structure of the reintegration market



The Dutch system has been subject to radical reforms following the election of a new administration in the late 1990s. This administration was formed on coalition terms but is predominantly 'centre-right' in political make up. This is a significant departure from the majority of governments elected in the Netherlands in the post-war period which have been largely 'centre' or 'centre-left'-led coalitions. The new administration has sought to bring about significant change in its social policies and has launched a wide raft of new legislation in this area, culminating in the 'Act on Structure of the Organisation of Implementation in the area of Work and Income', or the Structure for Work and Income (SUWI) Act which was implemented in early 2002.

The principal policy drivers behind this legislation included the ambition to increase the size and flexibility of the labour market and to counter rising unemployment. This was to be delivered through a greater emphasis on 'work first' (to reduce the number of people claiming benefits), a new requirement to 'earn' benefit through daily participation in reintegration activity, a new focus on identifying and overcoming barriers to work, and an end to the opportunity to remain on benefits on a long-term basis without contact from or intervention by the state.

The Government wished to utilise the skills of private sector companies to deliver the new reintegration services. From the beginning, most contracts were awarded to private sector organisations and the role of public and quasi-private providers remains small and is declining. The Government also took steps to reduce the formal role that social partners (trade unions and employers bodies) traditionally played in administering the system, by abolishing the Social And Economic Council (SER) which had been created in 1950. Its replacement is the National Council for Work and Income, an advisory body with a more limited scope and fewer powers.

This new legislation has led to a fundamental restructuring of the Dutch system from departmental level down. Some of the key outcomes from this legislative programme include:

- a complete overhaul of the structure for providing work and income services in order to prioritise the reintegration of job seekers into the labour market;
- substantial re-organisation of the Ministry of Social Affairs and Employment (SZW) in line with the restructuring of the operational services;
- creation of the Central Organisation for Work and Income (CWI) to act as a one stop contact point for all new benefit recipients;
- development and implementation of a new target and performance indication regime, managed by the SZW to monitor the performance of the delivery bodies;
- the establishment and promotion of a market for reintegration services;
- a move from demand to supply-side labour market policies with the emphasis on rewarding successful job seekers;
- a renewed emphasis on tailor-made solutions to labour market problems; and
- a revision of social security regulations to increase the focus on work and a return to the labour market, driven by the increased municipal responsibility for managing a fixed and finite social security budget.

The key bodies that supervise, inform and deliver this system are:

- the SZW – the government department with responsibility for reintegration policy. The Ministries of Economic Affairs, Finance and Education also participate;
- the National Council for Work and Income (RWI) – an organisation representing the social partners;

- supervising and inspectorate bodies – Inspection for Work and Income (IWI) for public institutions such as CWI, the Institute for Employee Benefit Schemes (UWV) and municipalities, and the Dutch Competition Authority (NMA) for private contracted suppliers;
- the CWI – the organisation that administers the one stop point of first contact and a limited PES offering;
- the UWV – pays benefits and administers reintegration services to those who have made insurance contributions;
- municipalities – who pay benefits and administer reintegration services to those who have not been employed, or who have not paid the minimum levels of insurance or who have exhausted their entitlement to insurance-based benefit;
- reintegration providers – predominantly private, commercial organisations who deliver reintegration services under contract to either the UWV or the municipality.

7.2 The Ministry for Social Affairs and Employment

The Ministry is responsible for establishing, updating and interpreting Government reintegration policy, and communicating it to the delivery bodies through the establishment of targets and the monitoring of performance. Its overarching priorities are to increase the employment rate and ensure that the labour market is functioning effectively. It is responsible for providing funding for social security benefits and all reintegration services and develops policies that focus on ensuring the rapid movement of customers off benefit and into work. It establishes the contracting regulations within which the UWV and municipalities operate, delivering a value for money focus with the emphasis on payment by results. The SZW also has responsibilities in the areas of industrial relations, working conditions and equal opportunities.

The SZW also has standard responsibilities for briefing ministers and parliament, although it should be noted that the system has been designed to devolve responsibility for much of the service content and standards down to the private reintegration providers and the municipalities. In line with new Government policy, the SZW has been made responsible for implementing a new policy in regard to the funding of municipality social security benefits and provision. Historically, the social security benefit costs were met in full by the national government.

However, in a tailored adoption of the model first developed in Wisconsin, USA, the SZW is implementing a fixed budget model, where municipalities are given a set amount of funding at the beginning of the year, alongside the opportunity to utilise for other purposes any amount which they do not spend. This effectively delivers municipalities a greater degree of ownership, which may well lead to a greater degree of off-flow from benefits driven out by more informed and effective purchase of reintegration services. This also satisfies ministers and the department as not only do the municipalities see the benefits of devolved financing, they also take on the responsibilities, and risk, of failing to live within their means.

7.3 The National Council for Work and Income

The RWI is the successor body to the Social and Economic Council and is the channel by which employer bodies and trade unions can impact on Government policy by commenting on the performance of delivery organisations and reintegration providers. However, this forum has very few powers and is largely an advisory body.

7.4 The supervisory and inspectorate bodies

These bodies are primarily responsible for ensuring that the state and privately provided elements of the system are delivering as expected and are following the process stipulated in their terms of reference and/or contract. Additionally, they have a key role in ensuring the validity of the performance claimed by these organisations and are expected to monitor and audit returns which impact on national targets and outcome-related payments.

7.5 The Central Organisation for Work and Income

CWI is the front end of the 'work and income chain' and acts as the first contact point for all customers wanting to make a new claim for benefit. Its primary responsibility is to deliver the 'work first' aspect of the benefit system, to classify the 'job readiness' of each customer, to identify the appropriate benefit entitlement of each new customer and to forward the customer to the next appropriate part of the chain. Customers will proceed to either the UWV or the municipality according to a detailed customer record indicating the individual's classification of need which is based on a job readiness score.

The CWI also ensures delivery of a transparent labour market, through the provision of job matching services and a 'trading floor' to bring employers and potential employees together, although the focus is increasingly moving towards becoming a provider of access to vacancies rather than a large vacancy-taking organisation. CWI is also responsible for managing the process by which employers obtain permission to make employees redundant and by which potential employees obtain employment permits.

The CWI is a national organisation which operates through a network of 131 offices, managed within six districts. These offices are currently undergoing a major modernisation programme, rolling out customer friendly premises called 'Market Places,' which bring together CWI, UWV and municipality services under one roof. Increasingly, these premises are also utilised by major employers, private recruitment agencies and reintegration providers, making real the vision of a one-stop shop.

7.6 The Institute for Employee Benefit Schemes

The UWV is the new unitary body responsible for paying benefits to those individuals who have qualified by right of their insurance contributions. The UWV is also responsible for purchasing and providing access to reintegration services for these customers, across a wide range of benefit types and for one stream of customers, is the second link in the work and income chain. UWV came into being in January 2002 and took on responsibility for work previously undertaken by six different organisations.

As a consequence of this six-way merger, the UWV currently occupies a network of over 330 different sites, a legacy of inheriting the estate of six different bodies, each with their own portfolio of offices. The ambition is to reduce this network significantly in the near future and this will be driven by a short-term consolidation of premises in locations with multiple offices and a longer-term move towards shared premises with CWI and municipalities. This is the 'Market Place' plan.

The UWV manages a diverse portfolio of benefits, regulated by a complex set of rules and regulations. The recent policy and legislative changes in the Dutch system mean that all benefit recipients need to be tested for employability and even those with very significant disabilities are expected to look for work and enter into reintegration programmes.

In common with the municipalities, the UWV tenders with private reintegration service providers for occasionally national, but more usually, regional contracts. The reintegration service requirements are largely dictated by SZW and national standards and there is little (and arguably no) room for innovation and differentiation in the bids. Most reintegration provision lasts for several months, sometimes years, and service providers earn money for meeting key milestones. However, the system predominantly pays the bulk – and sometimes all – of the money on delivery of a successful outcome. These are known as 'no cure, no pay' and 'no cure, less pay' contracts.

These contracts are favoured by UWV and the SZW on the basis that they are effective and economical. In many cases, the final reward for the service provider is relatively low (£3,000 as a total payment). In return, the service provider will spend several hours a day for most of the working week with the reintegration provider on a detailed portfolio of skills acquisition and job hunting techniques and, subsequently, structured job hunting. Reintegration providers are less enamoured of this approach as it can often mean that they bear costs for a lengthy period of time before deriving any income and that the focus on payment through final results is becoming increasingly unsustainable given rising levels of unemployment.

Finally, UWV is currently leading on the development of 'innovative' contracts where reintegration providers can propose programmes less tightly governed by requirements. UWV also offers customer choice provision, where the customer is able to select their own reintegration programme and service provider(s). At the moment both these schemes are too new and too small to have delivered much in the way of outcomes and evidence.

7.7 Municipalities (local authorities)

There are 486 municipalities in the Netherlands, covering areas of responsibility across a range of 750,000 to as few as 10,000. The general trend in the Netherlands in the post-war period – and particularly since the mid-1970s – has been towards decentralisation of responsibility and accountability from the centre outwards. This has applied under most, if not all, governments, irrespective of political make up. As a result, there is a strong tier of local government, used to dealing with significant levels of accountability and responsibility that is capable of responding quickly and efficiently to new demands.

Municipalities also receive customers from the CWI and are the next link in the work and income chain for customers who have little, to no, work history, and have not paid sufficient insurance contributions to qualify for the higher level of benefits. As a consequence, they receive social benefits (social security) for the duration of their claim. It is in this area where arguably the Dutch system has seen the greatest degree of change. Previously, there were large numbers of people receiving disability and health-related benefits for long periods with little need to demonstrate an ongoing health problem post-initial claim stage. Similar circumstances could be ascribed to many recipients of non-health-related benefits.

As outlined above, the payment and regulation of social benefits has been the long-standing responsibility of municipalities. The additional requirement to provide reintegration services for nearly all of these customers has brought a greater degree of responsibility into this tier of government. Additionally, the total budget for social security benefits and reintegration services has been set by the national government and cascaded down to municipalities. In the past, the management of the system was undertaken locally but the national government picked up the bill. The new system sets the total fund for each municipality and they now have the discretion to manage that as they see fit – within the legislative requirements. The onus is on them to use this money as efficiently as possible to drive down the numbers of people claiming benefit. The reward for this is that any underspend (or a large proportion of it) can be used by the municipality for investment elsewhere.

By using this funding mechanism, there are also significant benefits that accrue to the national government. Firstly, it is anticipated that the annual pot of money is unlikely to ever increase beyond this year's initial level. The intention is that as municipalities become increasingly effective at reducing the stock of long-term benefit recipients, the demands on the system will decrease; it is hoped that a combination of the work first regime and the requirement to 'earn' benefit will reduce new applications. Additionally, it is believed that the changes in eligibility criteria will reduce the number of people with a claim on the state.

However, if this proves incorrect, i.e. if municipalities are unable to drive down local levels of benefit receipt or if the new policies do not have the desired effect, the risk and political accountability has nonetheless been transferred away from the centre

and onto the municipality. Local governments will be obliged to cover any shortfall, which could result in budgetary reductions in other areas of local provision, or through increasing local taxes.

As a consequence, municipalities are having to radically rethink the ways that they administer their system and are injecting greater demands into the contracting requirements for reintegration services. This has led to a real injection of dynamism into some municipalities, many of whom are enjoying the challenge and are developing innovative strategies for delivering results. However, there is a level of public disquiet with the new system, and concern about the impact on key local services – education and social care for example – should unemployment rise significantly.

Finally, there is an emerging sentiment that the contracting requirements imposed by SZW policy could sometimes be a barrier to innovation and local tailoring, although there was some suggestion that municipalities have been more successful in this arena than their UWV colleagues.

7.8 Reintegration providers

Despite the diversity of reintegration companies, the heavily prescriptive nature of the contracts – the majority of which are determined by national policy – result in a relatively standard market in terms of actual provision. Whilst there is some limited experimentation around innovation and specialisation, the vast majority of the contracts are so standardised that reintegration providers are competing solely on price and the ability to promise higher outcomes. It would seem that the same product is being delivered around the country, irrespective of the location or the provider.

Reintegration companies feel this is a significant disincentive and that they could deliver better results and achieve greater profitability if they were granted more freedom in their service offering. However, despite this frustration, there is a very stable market with a low drop-out rate, indicating there is still a reasonable degree of profit to be made in this field.

There are fewer new entrants to the reintegration market as the market matures. In the last round of tendering, a number of reintegration companies departed the market, suggesting that there is still a reasonable degree of profitability to be had and no sense of excess supply. Reintegration companies vary significantly in size and make up, ranging from large multinational recruitment companies involved in both national and multiple local contracts, to localised and specialised organisations dealing with one or two municipalities and several contracts.

7.9 Customer experience

A new customer entering into the benefits system in the Netherlands must do so through the gateway point provided by the CWI. Whilst the CWI is looking to implement a strategy which moves customer contact away from offices and onto telephone and internet channels, this is not yet as radical as the equivalent UK policy and the vast majority of Dutch customers make first contact at their local office. Currently the majority of CWI offices are 'stand alone' offering a range of advisory and work search facilities. However, the Market Place programme will enable greater access to technology and advice by bringing together the other links in the work and income chain (UWV, municipalities and reintegration providers) as well as employers and other recruitment agencies.

The role of the CWI, in the first instance, is deliberately geared away from providing immediate access to benefit. Customers are expected to focus their initial attention on finding work and the CWI has advisers available to help customers identify appropriate vacancies and secure interviews. Customers who demonstrate immediate hardship can apply to the municipality for either an immediate benefit claim or a short-term crisis payment, but must continue to actively look for work as they do so. It takes approximately a month before the state will fully entertain a new claim for benefit. This is supported by policies that regulate the ability of employers to make redundancies.

In parallel to the initial work search activity, the CWI also undertakes an assessment of the customer's employability and classifies them with a ranking in one of four categories. This classification informs any future reintegration work and dictates how quickly the customer moves from the care of CWI and into that of UWV or the municipality. Those ranked as category 1 are considered capable of immediate work and remain a customer of the CWI for up to six months. This is notionally irrespective of the benefit they receive, although in practice there are very few category 1 customers who receive social benefits from the municipality.

Those ranked within categories 2–4 pass onwards to either the UWV or the municipality depending on the benefit for which they qualify. The assessment ranking is cascaded down to the UWV and municipality to help them determine the level of reintegration help that the customer needs. The CWI is currently revising the assessment process and it is likely that the system will be simplified in to two streams rather than one: 'immediately employable' and 'those in need of further preparation for work.' The UWV and municipalities make their own assessment of need thereafter.

Customers in category 1 will remain with the CWI for up to six months following their initial claim. In this period they will receive benefits from the appropriate source but will receive support and assistance from the CWI on a day-to-day basis. The CWI will support and assist the customer in their jobsearch activity, largely based around the delivery of a mutually agreed jobsearch plan. The CWI have virtually no access to additional funds, however, and access to training, education and any form of grant

or cash payment are not usually available to category 1 customers in this period. In the event that the category 1 customer does not find work within six months, they are passed on to the UWV or municipality as appropriate in order to access reintegration services. By default, a category 1 customer who fails to find work within the first six months becomes a category 2 customer, although it is likely that on handover the UWV or municipality will undertake a new employability assessment.

Customers outside category 1 pass on to the next stage provider soon after the employability assessment. In theory this handover should be immediate, however, this process can often take much longer. In many cases it can take up to six months for the system to move a customer through from the CWI and into the UWV or the municipality, a delay not helped by the separate IT systems used by each body and the lack of a connective interface. It is not unusual for category 2-4 customers to take as long to access reintegration services as those category 1 customers who are held by the CWI but ultimately fail to find work.

Customers who qualify for benefits paid by the UWV can expect to meet with an adviser early on in the relationship. The adviser is likely to refer the customer to undertake an assessment of employability. The outcome of this will dictate the type of reintegration service selected. Whilst category 4 customers are likely to enter reintegration services immediately, in some cases there may be a delay in category 2 and 3 customers starting reintegration services. If the assessment indicates employability might be enhanced through the provision of a specific item or solution then this might be offered first, before the commencement of relatively expensive reintegration provision.

Once entering reintegration services, the customer will be expected to demonstrate a commitment to finding work through regular attendance. Customers are expected to attend for several hours a day on most, and sometimes all, days of the week. In the first instance, customers are not expected or encouraged to look for work. The focus is primarily on assessing need and improving basic skills and jobsearch techniques. If appropriate, this may also be the point in the process in which the customer is asked to attend some form of education and training. The cost of this is met by the reintegration provider and impacts on their profit margin and is, therefore, only used where it is clearly going to make a significant and immediate impact on employability.

The initial phase of assessment, skills enhancement, confidence building and interview technique refinement can last for several weeks and sometimes months before the customer is expected to look for work. Job Search is structured and supported by advisers and feedback is sought from employers to help inform future work. Temporary or short-term work is used to help build the customer back to permanent work and during these engagements the customer remains in contact with the reintegration company. Most of these contracts are based on a final outcome payment which is close to 50 per cent of the total fee. This payment is only made when the customer is offered a 'permanent' job, accepts it, and remains in it for at least six months.

On average, the programme agreed between the reintegration company and the UWV is scheduled to run for up to two years. The unit of services to be provided is formulated in terms of 'trajectories', or periods of individual case management. It is only possible to tender for complete trajectories; sub-trajectories can be offered on a sub-contracting basis. If, at the end of the trajectory, the customer has not found work, they will be referred back to the UWV for a new assessment and a referral to a more appropriate programme (p. 28 Steurs and Struyven, 2003).

It is particularly important to note that this approach, whilst subject to certain modifications, is applicable to all benefit customers, including those on single parent, incapacity and disability-related schemes. One of the key changes to the system post-SUWI is that the customer's **capacity to work** is measured and not the **incapacity that prevents work**. Other than those who are deemed to be medically incapable of work, all customers are expected to undertake some form of reintegration provision based on finding work compatible with their health condition. Many of those customers who have particularly serious health problems or disabilities are catered for through subsidised and/or sheltered employment options.

Following concerns about the contracting process producing identical provision, some innovation and flexibility has been injected into the system. A limited number of specific contracts have been let by the UWV on non-standard terms and some customers are being given responsibility for selecting their own reintegration company and (within certain frameworks) devising their own programme. It is too soon after the launch of these initiatives to draw conclusions about their success, but initial indications suggest that schemes involving greater customer autonomy and choice are proving more expensive but no more or less successful.

For customers in receipt of social benefits the experience is largely the same, with the roles performed by the UWV taken on by the local municipality. There are very few discrepancies between the experience customers receive through the UWV and municipality routes.

Those differences that do exist tend to be driven by the smaller size of the municipality and the local tailoring of their provision. Whilst both the UWV and municipalities let the majority of their contracts to large and medium-sized national and regional providers, municipalities let a higher proportion of their contracts to small, local providers. This would appear to be driven by the demographic differences of this customer group who, by way of having paid few, if any, insurance contributions, have no work history and are more likely to be closer to the margins of society than those who have paid regular contributions whilst in work.

Additionally, the financial responsibility that now rests with the municipality for the payment of benefit has produced changes in behaviour. Anecdotal evidence suggests that the municipalities now take a much closer interest in the quality and value of provision. Whilst this is unlikely to alter customer experience in the short-term, over a longer period customers may well find that municipality-funded reintegration services are more dynamic, proactive, and focused on work outcomes than their UWV-funded counterparts.

Ultimately, whichever route the customer takes, they now are encountering a very different type of benefits and labour market system to what they have experienced previously. This involves a simplified first contact provision delivered by the CWI, a tailored assessment service provided by either national or local government and proactive and intensive daily provision provided by private sector delivery partners. There is a real focus on the importance of work and a clearly successful collaboration between local and national government which ensures the continuity of approach between the various partners. Whilst the private sector reintegration companies publicly suggest that the contractual framework is prohibitively complex and process driven, there is no suggestion that this has caused a failing market, indeed quite the contrary.

8 Contract and performance management in the Netherlands

8.1 Institute for Employee Benefit Schemes

During the pre-reintegration market period (1994-2000), an agreement between the Ministry of Social Affairs (SZW), the Institute for Employee Benefits Schemes (UWV) and the public reintegration providers set out the division of contracts between the public and private sectors. At that time, 80 per cent of reintegration services sat with the public sector and 20 per cent with the private sector. The contracts with private sector providers were not tendered competitively.

The first public tender procedure took place in 2000-2001 (contract year 2001). The SZW and the UWV supervised the procurement process, in order to manage issues arising from the status of preferred suppliers who now had to compete with others. This included the reintegration section of the Public Employment Service (now known as Kliq). The process also sought to improve efficiency and improve the quality of provision.

This initial experience represented a steep learning curve as the new purchasers learned on the job. As a result, the following areas for improvement were identified and incorporated in the 2002 tendering round:

- ensure transparency in the tendering process: more objective criteria were established at both the shortlisting stage (solvency/qualifications and track record) and final selection criteria/contract award stage (price/processing time/outcomes and specific expertise in dealing with particular client groups);
- reduce the administrative burden on suppliers: In 2002, 70 per cent was input financing and 30 per cent on output, in other words 'no cure, less pay'. An output was defined at six months in a job (subsidised or otherwise). About ten per cent of the contracts were awarded on a 'no cure, no pay' basis;

- level playing field: the 2002 tendering round provided for contracts on a national, regional and sectoral basis. Separate funding was set aside for innovation. 2002 saw the introduction of different payment regimes; aimed at addressing the problem of 'creaming' by providers;
- consult with customers: for each target group, three providers were appointed – giving customers an element of choice.

The 2003 tendering round saw further refinement to the payment regimes. About 80 per cent of contracts were awarded on a 'no cure, no pay' basis. This included the cost of training and educational provision (basic skills). The remaining 20 per cent, which were contracts for the hardest to help client groups were funded on a 50/50 per cent 'no cure, less pay' basis.

The 2004 tendering round focused on:

- the introduction of the individual reintegration contract;
- the introduction of two year contracts with the possibility of extending the contract term;
- the introduction of a scheme to identify very difficult to place clients;
- how to incorporate the costs of basic skills in a reintegration contract;
- a new target (85 per cent) to start the reintegration of people with disabilities within four weeks of their claim to benefit;
- customers claiming social insurance are mandated to attend reintegration courses after six months; and risk benefit sanctions if they fail to attend;
- customers claiming disablement benefits are mandated to attend reintegration courses after six years and risk benefit sanctions if they fail to attend.

Table 8.1 Categories of providers, February 2004

	Number	Per cent
Reintegration service providers	232	56
Medical Intervention providers	373	35
Training providers	58	9
Total	663	100

Table 8.2 Size of providers

Number of staff	2002	2004
1 – 10	60	61
11 – 100	23	26
More than 100	17	13

Table 8.3 Scope of operation: National or regional (February 2004)

	Per cent
National	27
Regional	73

In 2002, the UWV contracted for 70,000 reintegration courses for benefit recipients (52,000 for customers claiming Disablement Benefit and 18,000 for customers claiming Employee Social Insurance). It should be noted, however, that customers can select their own rehabilitation provision, which can cost up to 25 per cent more than contracted provision. The average time spent on rehabilitation programmes is 14 months.

8.2 Municipalities

Until the introduction of the Social Assistance Act in 1996, all reintegration/activation provision provided by the municipalities was either on a non-commercial basis (it was not competed on the open market as municipalities had 'gentleman's agreements'/preferred suppliers with a range providers) or delivered in house. The municipalities also provided subsidised employment.

2003 saw the introduction of the Structure for Work and Income (SUWI) Act and the purchaser/provider split in the delivery of activation services. Since then, private, not-for-profit organisations, have provided activation provision. Municipalities are now free to decide which reintegration/activation providers they want to contract with and how many. Nevertheless, there remain some central policy guidelines that they have to adhere to:

- they have to utilise open tendering processes (via the European Community (EC)) in the appointment of reintegration/activation provision; (this is to reduce the level of preferred suppliers); and
- central government sets the amount of money to be spent on reintegration/activation provision to be delivered by contracted suppliers and in-house. This is currently set at 70 per cent to be delivered by contracted suppliers; and 30 per cent in-house.

In addition, central government made available additional funding for integration/activation provision in return for a commitment from 30 of the largest municipalities to realise certain performance targets (per cent of job placements entering reintegration/activation provision).

In January 2004, there was further reform of the 1996 Social Assistance Act that made municipalities fully accountable for Social Assistance expenditure. Central government views this as an incentive for the municipalities to invest in effective reintegration/activation provision. The municipalities suggested that the Government imposes too many regulations on how the budget is spent to make this a reality.

Municipalities receive their annual budget, which is split between funding reintegration/activation provision and payment of Social Assistance. If municipalities overspend on Social Assistance, payments they have to fund the shortfall out of other resources (so that may mean a reduction in local services or if passed on to the citizen, an increase in local taxes). Any money the municipalities save from the budgeted benefits section of the fund, for example, if they have a successful policy for moving people off benefits, they can use as they choose provided this is in line with reintegration objectives. Shortfalls due to economic developments may be covered by the Government, others must be paid for by the municipalities from their own resources. (Ministry of Social Affairs and Employment, 2003).

Overall, central government will reduce the budgets available for Social Assistance year on year. This is seen by central government as an incentive for municipalities to appoint reintegration/activation suppliers who will work hard to place people into employment, and, therefore, reduce the burden on the state. At the same time, budgets for reintegration/activation provision have also been cut and central government has also announced that they want to reduce the number of subsidised jobs so that subsidised employment is only used as a stepping stone into more sustainable employment.

8.3 Contracting

There are 160 UWV Offices and 486 municipalities who each utilise the EC Directives to contract for all reintegration provision. This may be because the Netherlands relies on European Social Fund monies to part-fund their reintegration programmes. In the UK, we have utilised the EC Directives only when there has been brand new provision, for example when Private Sector Lead New Deal and ONE were introduced.

Contracts are awarded for one year only according to the EC Directives which specify minimum periods for responses by potential suppliers. They also use the 'restricted procedure' which utilises various payment regimes across provision and suppliers.

The CWI and UWV each have their own separately networked IT systems which are not compatible with each other and each municipality have their own separately networked IT systems – again these are not compatible with neighbouring municipalities. It is difficult, therefore, for both UWV and the municipalities to contract for specific provision to assist particular sections of the community.

Provision is, therefore, of a very generic nature and there is no evidence of collaborative working across municipalities in order to lever in joint purchasing power. It, therefore, almost goes without saying that there is no overarching commercial strategy; or phasing of either provision type; municipality/region. The market is saturated with invitations to tender from municipalities and the UWV who are tendering for similar provision; and accessing the same pool of suppliers.

To compound the situation further, both the municipalities and the UWV have, until very recently, awarded contracts for one year only. In the study groups' view this does three things:

- forces smaller providers out of the market (they cannot afford to respond to Invitations to Tender (ITTs));
- prevents innovation; investment and risk transfer by suppliers, because the contracts are for one year only, and if performance is poor they do not get a new contract;
- provides little incentive to innovate due to the funding regime and there is little interaction between providers and employers.

8.4 Funding models

Table 8.4 Payment regimes

	2002 %	2004 %
Fee for service/per hour	64	68
Fixed price per job seeker	60	66
Fixed price per component	42	47
Outcome (no cure; less cure; bonus)	15	23
Subscription	11	10
Subscription with additional fee for services	8	8

Reintegration companies generally reported that the most popular funding model is 'no cure, less pay.' Companies draw up an action plan and are able to access half of the unit price up front. If a client is successfully placed into a job with a contract of more than six months, the provider is able to draw down the second half of the payment after two months in work.

A less frequently used payment system is one of 'no cure, no pay.' This typically applies for services returning young people to work, and the providers are able to send back clients they are reluctant to treat under this contract. The exact proportion that could be sent back was unclear, but it was suggested that it might be 15 per cent. The providers were not fond of this contractual arrangement. One municipality suggested that 'no cure, no pay' models were not popular politically, as no politician wants to be associated with paying a private company for 'doing nothing'. Here the feeling was that it was more acceptable to pay for someone to be maintained in a job workshop on a semi-permanent basis than to pay contractors purely on an outcome basis.

This stands in contrast to the purchasing developments at the UWV. There, under the third contracting round (2003), 80 per cent of contracts are based on 'no cure, no pay' funding. Meanwhile, some municipalities are fixed into long-term contracts,

a high proportion of which are for sheltered employment. These sheltered employment programmes are very different to the tough contracts purchased by the UWV. There does not appear to be much convergence between the municipalities and the UWV's purchasing decisions.

There was also extensive use of unit-based funding models whereby providers receive a fixed price for each person they help. They do not provide a service based on an agreed profile of customers. This means that when more clients are being referred to provision, there is a proportionate rise in the cost to the municipality. The municipality does not take advantage of increased numbers of participants to lower the unit cost it pays.

This per-participant funding model leaves the 'work section' funds more exposed to fluctuations in the labour market than if it were to provide the services itself. However, this funding model has not yet been tested under conditions of lower-than-expected numbers of referrals. For example, one provider found that their expected number of 400 participants had increased to 1,100. These additional clients were all dealt with under the contract designed and costed under the originally anticipated flows.

8.5 The experience of 'phasing'

The term 'phasing' is used in the Netherlands for the process of 'ranking' someone based on their likelihood of finding work. The experiences reported so far have not been positive. The phasing is carried out on the basis of a variety of indicators such as education, work history and level of disability, and a decision is then made by the case manager at the Centre for Work and Income (CWI). The level attributed to the client (1-4) is decided based upon this conversation between case manager and job seeker, not by inputting details into a computer model.

There was unanimous displeasure with the phasing system amongst the stakeholders the study team visited. Municipalities reported that during the lifetime of the jobsearch, an individual can move around the categories due to changing circumstances, but this is not recorded – individuals appear labelled with their initial categorisation for the duration of the process.

Reintegration companies feel the tool failed to identify the true extent of people's distance from the labour market. They suggested that because clients are afraid to lose their benefits, they hold back certain information from the CWI at the point of phasing. It is only when clients are referred to the provider that they begin to identify the real barriers they face. Hence, the providers feel that the number of hard to help clients they get from the CWI phasing is lower than the reality.

As a result of the difficulties with the procedure, the phasing system is due to revert to a two-level system of categories A and B, based purely on the level of unemployment insurance contributions.

8.6 Contract management and performance monitoring

Some reintegration/activation providers report their performance to Borea (see Appendix B), an organisation that represents reintegration company interests and monitors market development and performance. Borea publishes individual companies' performance on their internet site. In effect, this is a version of a league table. There is no formal contract management strategy at either a national level; regional level or municipal level.

As previously mentioned, one provider suggested that the contracting authority should not demand information in respect of the nature of a customer intervention if the contract was 'no cure, no pay'.

8.7 Performance management

The Dutch welfare-to-work landscape and the reintegration market tend to be less 'data hungry' than the UK. Evidence-based policy making is not as evident in the Netherlands as in the UK, and policy makers have not yet addressed questions on what works and for whom.

In terms of performance monitoring information or 'Management Information' (MI) the first point of contact for the customer is at the CWI. Here the customer's claim is set up on the system and the customer record filled in. The CWI is developing a new IT package for handling customer records. The adviser then goes through the process of 'phasing' with the client, before referring them to either the UWV or the municipalities.

If the client is sent to the UWV, the client's details must be re-entered onto their system. Nationally, the UWV has five separate IT systems which it is trying to bring together. When it has done this, it will then try to link into the CWI system, which is being developed separately. At the UWV, we learnt that some internal evaluation is carried out with providers to look at performance, but this is not shared. Performance levels are agreed at the start of contracts, as is the information the UWV requires on individuals. The individual level data is put together onto a database, and performance compared against profiles. The exact information collected varies between contracts, but did appear to be the most optimistic area in terms of MI identified during the study trip. This was the only occasion that we learnt of any collation of data from several providers.

If the client is sent to the municipality, a similar re-entry of the claimant's details is necessary. Most municipalities use a similar IT system. However, they are not the same and they are not linked. There is reluctance to 'prescribe' one definitive system for recording MI across all municipalities. Given there are around 486 municipalities in the Netherlands, trying to integrate these together is a big challenge. Currently, when a client moves to a new municipality, they have to start on the system again.

The most striking thing about the MI systems in the Netherlands was that they were not passed up or down the chain of government, and were, thus, not aggregated. This is due, in part, to the fact that the CWI, UWV, municipalities and providers all have separate systems.

MI is only really used within the organisations who are completing it. The evidence from one municipality was that this was only used for recording which provision people had been on – no analysis of MI was carried out to assess which client groups were benefiting best from the system, or which forms of provision were getting the best outcomes for different sub-groups. This appeared to be because all clients are viewed on an individual basis dependent upon distance from the labour market, rather than the categories typically used in the UK.

In many ways, the UK is further advanced than the Netherlands in terms of its use of IT systems and MI. In the UK, MI requirements are built into programme design at the outset, and there is a national reporting tier which ultimately aggregates data under one centralised reporting system. In the Netherlands, MI is only being used to manage internal processes. However, it may be that in the Netherlands they have decided that the highly localised, devolved approach does not require more sophisticated national MI systems but ones which drive behaviour locally.

9 The impact of reform: evaluation evidence from the Netherlands

9.1 Evaluation evidence

There is a paucity of evaluation evidence on the effectiveness of the Dutch reintegration market. Randomised studies are not culturally acceptable, and are viewed as creating an environment of unequal treatment amongst vulnerable groups who are particularly in need of assistance.

There has been some evaluation undertaken although not to extent of evaluation activity in the UK. Studies thus far have tended to focus on policy implementation issues and the tendering process rather than on estimations of policy impact on the customer, spurring improvements to each new Institute for Employee Benefit Schemes (UWV) tender procedure over the past year. Smaller municipalities, in particular, have not yet managed to make significant headway with calls for tenders for reintegration by mid-2003, but efforts were, nevertheless, underway to develop tender procedures.

The Ministry for Social Affairs and Employment (SZW) is in the process of carrying out a review of what is known from the 'empirical evidence' on efficiency and effectiveness of the current process, including the issue of market delivery versus self-provision. The Ministry expects that the empirical base to answer this question is meager. They will then have to develop a strategy for gathering data in order to be able to carry out a full evaluation in 2006.

The Office of the Deputy Prime Minister has requested an evaluation to take place in 2006, assessing the performance of municipalities in particular. This will be particularly important; if the municipalities can prove that they have developed their own systems of high operation, the obligation to contract with private companies

could be lifted. There are 486 municipalities and each tenders in its own way, provoking difficulty for providers if they want to work in other districts. This also means that there is no easy starting point in aiming to create an evaluation of best practice and implementation of national standards.

Van Berkel and Van der Aa (2004) suggest that *'the frequency of policy reforms make rigorous evaluation of policy reforms very difficult, as programmes are continuously changing and institutions are involved in a process of almost permanent reorganisation'*.

Performance against targets varies greatly between municipalities: The best performing municipality realised 241 per cent of agreed job entries while the worst performer realised just 21 per cent. The worst performers cited institutional problems such as a lack of management information and acting as purchaser in the reintegration market, as reasons for their poor performance. They also mentioned local policy issues such as focusing on the activation of large groups of people at some distance from the labour market. Overall, these results show that municipalities perform very differently and reveal that local policy making and policy implementation do matter in producing these results.

One municipality delegated the role of purchaser of activation services to the municipal social services department that was in charge of administering social assistance. In 2000, the Department decided to divide the city into four parts and in each part a different company was contracted to provide the integration service to all the target groups in that area. The reasons for this quarter model were twofold:

- the market for activation and reintegration services was new and the municipality had very limited experience of contracting out services, so it straightforwardly decided to use one major contractor in each quarter;
- there was very little knowledge about what services worked for different client groups, so rather than subdividing client groups further, it was decided that each reintegration company would provide services for the full target population in each area.

The quarter model means that clients have no choice about the company to which they are referred as this is solely a function of where they live. The authors considered the issue of creaming and found no evidence of this occurring in terms of clients with longer unemployment, lone parents and ethnic minorities being rejected by the providers. There was some evidence of 'parking', which suggests that selection of clients takes place during support rather than at the start of the programme.

There has been disappointing evidence regarding the reduction of benefit dependence and the promotion of labour market participation. No more than 20 per cent of activation trajectories have resulted in paid work, while the agreement between the national Government and this particular municipality was for 40 per cent. The municipality has experienced unfavourable economic and labour market conditions and this is likely to have played a significant role in producing these disappointing results.

There is little evidence that the institutional reforms have increased the flexibility and effectiveness of service offered to clients. Case managers in the municipalities are incentivised to send as many clients as possible to reintegration companies in order to reach their target of 30,000 trajectories. They are, therefore, likely to send clients regardless of whether they need support to find work.

Van Berkel and Van der Aa suggest a number of early conclusions on the situation are that:

- the market does promote a local flexible labour market;
- reintegration companies are not stimulated to provide sustainable jobs as they received payment for a six month placement (still, this is longer than the 13 weeks' measure used for Employment Zones (EZs));
- at a national level, reintegration services are becoming standardised;
- the aim of using decentralisation to promote local partnerships and strategy development has been hampered by the short-term nature of reintegration contracts.

Municipalities are now attempting to keep the social assistance budget controlled through means other than activation policies. The most important target for municipalities, however, is controlling the budget. The market is likely to become dominated by a few national companies with some smaller specialised niche providers catering to specific client groups

9.2 Costs and benefits

There has been no assessment of the costs and benefits of the reforms in the Netherlands. This is a highly devolved system and little evidence is collected at municipal level. The evolution of financial responsibility to the municipality level in the Dutch welfare-to-work system has been the most fundamental change to this regime. Municipalities have adopted a style of funding that is similar to the 'block grant' US funding system but differs in some important respects: Municipality budgets are set by the Government and are put into two streams: an 'income section' and a 'work section'. The 'income section' is determined on the basis of overall economic conditions. Surpluses or deficits from this section are retained or paid for by the municipal authority. This provides an incentive to reduce the claimant count by successfully reintegrating clients or policing benefits. Any surplus from the 'work section' is returned to the Government.

The effect that this system is having in the field is impressive. The City of Amsterdam, for example, found the number of claimants had reduced from 53,000 to 45,000. Nearly 5,000 of that reduction occurred by identifying claimants that were not entitled to social security assistance. Over the same timescale, there was a 500 per cent increase in the number of 'social security police' to 300. Here, the focus has been on successfully identifying ineligible claimants. The feeling was that under the

old system there would not have been the incentive to sanction ineligible benefit claimants rigorously.

9.3 The impact on the market

As of 2003, there are three main types of purchaser of reintegration services in the Netherlands: the UWV, the 486 municipalities and the employers/insurers. The UWV has contracts with 700 reintegration companies, and approximately a dozen of these controlled over 50 per cent of the market. Contracts run for two years at a time, and only 20 per cent of contracts in the last round were open to new providers exclusively in an effort to encourage an innovative and healthy market. Clients are free to engage reintegration service providers independently as well.

The UWV now has no preferred bidders. The Public Employment Service's (PES's) reintegration wing has been privatised (now called 'Kliq') and there has been an attempt to create a level playing field. There is a separate budget for new entrants and innovative providers. In the UWV's fourth tender, there is increasing use of 'no cure, no pay' funding. Eighty per cent of contracts are on a 'no cure, no pay' basis. It has been necessary to move quite some distance from the earlier contracts which were based on 'components', whereby providers could add more and more elements of help, and increase their price without ever placing clients in work.

With so many providers in the market, and one clearly dominant purchaser, there are benchmarks on costs for the smaller reintegration companies. Though the municipalities do not seem to exercise much buyer power, they are all joint purchasers of the services. As the Structure for Work and Income (SUWI) Act dictates that 70 per cent of provision must be purchased, there is reduced scope for the municipalities to be wasteful in their purchasing decisions or to provide inefficient services in-house. However, we found little evidence that there is significant commercial pressure being placed on reintegration companies. Instead, through making municipalities purchase provision and not allowing them to keep surplus from the 'work section', the value for money element of reintegration services is almost assumed away.

Both municipality officials and service providers agree that the criteria upon which contracts are awarded are a combination of performance, quality of premises and provision and price. It was a requirement for some reintegration companies to have prime offices in convenient locations and to be able to deliver high performance levels. Price was not seen as the single main driver of the contract. It did not seem that the purchasers set the price and looked to the market to deliver on it, but rather, bids could come in with individual prices and service agreements. The purchaser was then able to decide what it wanted.

The issue of costs in the Dutch reintegration market need to be understood against a background of what was perceived to be inefficient local administration at the municipality level. The market has been engaged to create a level playing field across the Netherlands – municipalities can no longer compete to be the most efficient. Municipalities are given a clear incentive to reduce the claimant count and the number of people on Social Assistance.

Figures 5.1 and 5.2 show that whilst unemployment in the Netherlands has gone down, expenditure in this area has risen over time, suggesting that at this current time efficiencies are not being realised as a result of the reforms.

10 Lessons from the Netherlands

10.1 Key lessons from the Netherlands

It is too early to make judgements about the success of the reintegration market as the system has not yet been evaluated. However, the philosophy behind its creation deserves some analysis and comment. Whether it is down to trust in the market or confidence in its budget calculations and the ability of municipalities to deliver, the Dutch Government is willing to let market forces provide evidence for improved efficiency and effectiveness over time. The Government believes that:

'when the market acts as it should, the effective and efficient use of public reintegration funds will be guaranteed.'

(Ministry for Social Affairs and Employment, p. 42)

Without an evaluation of the reintegration market, the analysis below is restricted to information collected during study visit interviews, and addresses:

- national standards and accountability;
- devolution;
- flexibility;
- choice and contestability.

10.2 National standards and accountability in the Netherlands

In the UK interpretation of public service reform, the need for national standards becomes more important as delivery is increasingly devolved to local level and to different sectors. This ensures that, nationwide, there is a specified standard of service and benchmark which people can expect to receive even when decision making on **how** to deliver is devolved to the private and voluntary sector and local

authorities. National standards should be clear and transparent and are often published as league tables. This both helps customers to make informed choices and should help to prevent variation in performance, especially where the quality of delivery is low.

In the Netherlands, surveys to measure customer satisfaction are carried out frequently by the Centre for Work and Income (CWI). Data on the performance of reintegration companies is also rigorously collected by Borea – an organisation which represents the interests of reintegration companies. Borea offers a quality certificate that provides a 'seal of approval' to companies performing to the Borea-determined standard. This quality certificate has been developed to help the range of customers in making a decision about the quality of service provided. There is a view amongst the Centre for Work and Income (CWI), Institute for Employee Benefit Schemes (UWV), the municipalities, and now amongst the reintegration companies themselves, that Borea certification is something to which all reintegration companies should aspire.

The Borea certification is based on an impressive list of performance criteria, including the length of time to complete the reintegration plan, the tracking of 'successful' and 'unsuccessful' cases, the 'added value' of the reintegration plan, the reintegration company's plan for further staff development, a measure of privacy and customer complaint procedures, and the satisfaction of all customers (the beneficiary, UWV, municipalities, and employers) with the service. Borea note that they have expanded the traditional definition of 'quality' to include a reintegration company's success at achieving sustainable job outcomes (See Appendix B).

The companies must comply with 13 criteria, data on which is submitted to Borea. Borea compiles the data and provides a report to the companies, providing average scores so that companies know how they compare. Until recently, individual company data was not published, but this has since changed as companies have asked to know their performance in relation to others.

Performance data is also published quarterly by the UWV. This includes the percentage outcomes each company is contracted to deliver (which varies according to what has been contractually agreed) and the company's quarterly progress toward that agreed target. Performance data is published on the UWV website, but is more likely to be used by local UWV advisers who are assisting customers with reintegration plans, rather than by customers themselves.

Recommendation: The UK should consider developing a quality certificate similar to that developed by Borea. The Borea quality certificate criteria seeks to measure the overall impact of reintegration plans on individuals, and includes job placement 'success rates' in its definition of 'quality'. As in the Netherlands, the quality certification should be granted by an independent organisation, and should be mandatory for any provider wishing to contract with Jobcentre Plus. The quality certificate is a potentially powerful tool for improving the quality of services offered.

10.3 Devolution

The Dutch Government has passed legislation that enables local entities (the UWV and municipalities) to develop reintegration policy and to make use of the private and not-for-profit sector for the delivery of services, in the vein that good politics and good economics will serve the same end. The Government's view is that the political objectives to increase political responsiveness at the local level can coincide with the economic objectives of reducing national expenditure on the welfare system. The new funding model which rewards municipalities who have performed under budget, also requires them to absorb the risk should they overspend. This increased ownership may ultimately result in increased willingness to pay for local services, but the test will be whether local lawmakers are prepared to raise taxes in order to make up the difference.

The UK framework for the administrative devolution (or decentralisation) of authority is reflected in a range of Government policies (i.e. the local public service agreements) geared towards achieving better public services by devolving greater freedoms and resources to the private and voluntary sectors and/or local authorities. As the Government encourages local authorities to take on a greater community leadership role, private and voluntary sector and smaller community-based bodies will play a more prominent role in finding local solutions to helping disadvantaged groups into the labour market. In some local areas, economic development and welfare-to-work initiatives are developed and delivered under partnership agreements between the municipality and Jobcentre Plus.

Piloting the devolved elements of the Dutch reintegration market here would require:

- a decision on what services should be contracted out (payment of benefit, case management, job-matching, etc) and which are to be left to Jobcentre Plus;
- a decision on whether this would mean simply extending programmes (i.e. Employment Zones (EZs)) or identifying certain local areas with high levels of worklessness (i.e. entire municipality areas) where a contestable market could be introduced;
- consideration of the role of local authorities as potential purchasers and contract managers, using the National Partnership Accord and the Local Area Agreement pilots now underway as a framework.

Van Berkel and Van der Aa (2004) concluded that decentralising in this way offers both opportunities and risks. Municipalities have greater autonomy over the activation of social assistance recipients, and for experimenting with innovative approaches to realise locally decided policy objectives.

In the Netherlands, the framework is reported to have the support of local people, who, on this policy issue, must place their trust in local politicians and policy officials rather than in the national government. Local public ownership of the welfare system and the delivery of services seemed to be a positive element of the system.

A downside to this localised approach is that the local ownership, development and delivery of services might result in inconsistent reporting of management information, performance and outcome data back to the national government. The study team noticed, in particular, the potential for weakened local accountability and national standards in the current system.

Recommendation: If we decided to apply the Netherlands approach to welfare to work delivery in the UK, we would probably need some kind of pilot to test the effectiveness of the local authority as the purchaser of welfare-to-work services normally purchased by Jobcentre Plus, with the assistance of a Jobcentre Plus Personal Adviser. This would use current Department for Work and Pensions (DWP) frameworks which are already in place to encourage locally developed strategies for reducing social exclusion and improving employment outcomes.

10.4 Flexibility

Flexibility refers to the removal of bureaucratic barriers which detract from delivering with a focus on outcomes. Flexibility tends to be linked with the ability to experiment with new and innovative approaches to meeting policy goals.

A great deal of flexibility exists in the Dutch reintegration market: both administrative and financial. As the CWI is not the purchaser of services, views on funding flexibility come more from the UWV and the municipalities, and the reintegration companies themselves. The Structure for Work and Income (SUWI) Act provides a budget to municipalities for the purchase of reintegration services. If they achieve their targets and do so under budget, they may 'make a profit' by keeping the unused portion of the budget to use as they like. If they are unable to provide services within the budget, they are forced to identify a source for the additional required revenue.

While the expectation was that municipalities would worry about the implications of this, there was in fact a high level of confidence in their ability to perform under budget. While some of the municipalities had discussed the option of raising taxes if necessary, most believed that based on their current projections, adequate services could be provided for their caseload.

Views on the outcome payments to reintegration companies varied considerably. Some companies were happy with the Government's decision to move from the 'no cure, no pay' model to 'no cure, less pay,' because it reduced the likelihood that they would have to invest in customers at the risk of not receiving adequate payment. Some continued to believe that 'no cure, less pay' was too risky. However, some companies commented that the government should increase the stakes for reintegration companies, while also increasing the rewards. One model would involve doing away with the Phase system, sending the company a mixed cohort (individuals receiving a range of benefits), setting a higher outcome target for that cohort (i.e. 60 per cent), and providing the outcome payment upon placement of 60 per cent of that cohort into sustainable employment.

Els Sol at the University of Amsterdam suggested that 'contracts' as we know them do not provide government with the tools it needs to adjust its expectations. Instead, an agreement or 'covenant' which sets out the relationship between government and its contractors, (which can be amended over time) would provide a more effective vehicle for improving performance, especially when several partners are involved in delivery.

Recommendation: In the UK we should consider the benefits of the 'no cure, no pay' and 'no cure, less pay' model. While the model calculates outcome payments based on the estimated individual cost of each reintegration plan and job placement, it is not a 'unit'-based model like that used in the UK for the range of Jobcentre Plus programmes. Companies are paid up-front for a cohort of individuals (regardless of the type of benefit they are receiving), and receive final outcome payments depending on their success at reaching the percentage-placement target agreed in the contract for a specified **cohort**, rather than simply according to the **individual outcomes** they receive. This, in theory, is one funding mechanism to trial to test if it helps to avoid 'parking' and 'creaming' of clients in a more flexible delivery environment.

10.5 Choice and contestability

Choice is a primary focus of the Dutch reintegration market. The Ministry for Social Affairs and Employment believes that 'freedom of choice for customers' is a necessary conditions for a properly functioning reintegration market. The Ministry's interpretation of 'customer choice' is as follows:

'To be successful, reintegration must be tailored to the customer's needs. Active deployment of the customer should be at the centre of the contact between the case manager and the customer. In light of the barriers to his/her access to the labour market, illness or disability, the customer must indicate – in their opinion – how these barriers can best be overcome. The customer will be asked his/her opinion on important issues, for example, when personal provisions are introduced (e.g. workplace adjustments), when the reintegration course is completed and when a reintegration agency is chosen. The customer's ideas and suggestions will of course be assessed in terms of their contribution to improving labour market prospects and achieving the aim of sustainable placement in regular employment. The government believes that customers' freedom of choice and client protection should develop particularly in contacts between on the one hand the contractor and the customer and on the other the reintegration agency and customer. Customers who are able to help put together their own course are generally motivated customers. Capitalising on the individual preferences of customers and taking a personal interest in customers is an important factor in ensuring successful reintegration. It is in the interest of both the contractor and the reintegration company that the personal wishes of the end customer on the content and implementation of the reintegration programme to be created are considered. This will allow a tailored programme to be provided in close cooperation with the customer.'

(Ministry for Social Affairs and Employment 2003, p. 42)

The CWI plays a role in providing information to its customers on the reintegration options available locally. Some of the CWI offices we visited provided a pamphlet to customers that describes the companies and services in the immediate area. Informal suggestions are also made by CWI staff familiar with the provision and the needs of the customer.

Customers of the UWV have a high degree of choice. UWV customers have the option of an 'individual contract', which allows the customer to depart from purchased reintegration provision and enter a contract with an outside provider of services. The UWV will pay up to 25 per cent above the cost of the pre-purchased provision (estimated in most cases to be 4,000 euros). This option is available only for UWV customers, as the municipalities operate with a budgeted pot.

Borea is also seeking to help customers make an informed choice about the services available, based on company performance. The Ministry itself has embraced the quality certificate and is investigating ways to broaden its scope.

Although there is no formal measurement or evaluation of customer choice, it is fair to say that the study group heard no complaints of a deficit of choice in the system. Providing the customer with the opportunity to contribute to the development of their treatment (the individual reintegration plan) and allowing for individual contracts with chosen reintegration companies, seemed to be generally accepted as a necessary component of a successfully functioning market, and we would agree.

As for contestability, the process of creating a contestable market itself was viewed by stakeholders as inefficient, as the UWV and municipalities had to develop their tendering systems, and companies had to learn how to proceed with business planning when they were required to make large investments in anticipation of outcome payments up to two years after receiving customers. There was a great amount of anxiety amongst the municipalities, who were reluctant to tie themselves to a developing market when the municipalities themselves were responsible for ensuring their customers received benefits and services.

Now that relationships have developed and several tender rounds have occurred, there is substantial information about the size and shape of the reintegration market. There is a large number of companies (approximately 660), most of which are small and medium-sized (in 2004, 61 per cent of providers had one–ten staff, 26 per cent had 11-100 staff, and 13 per cent had more than 100 staff). Most operate on a regional scale (73 per cent operating regionally as opposed to 27 per cent operating nationally).

The number of companies entering the market has been significant, but has diminished over time. In 1996, 34 per cent of companies were new entrants. By 2000, only ten per cent were new entrants, and by 2003, three per cent were new entrants to the market. That only three per cent of providers are entering and exiting the market, indicates that access for new providers is at a minimum. While there is competition for market share, that market share is exchanged between the same providers, rather than between seasoned providers and newcomers.

This has implications for innovative practice, and many believe the degree of innovation in the system has 'plateaued'. Reintegration companies had begun to offer similar provision, having learned what works from the more successful companies with larger shares of the market. This could pose a significant challenge for the market as harder to help customer groups become less successful at securing sustainable employment. However, this could be offset by the benefits of a decentralised, localised approach which enables reintegration services to be tailored according to local government policy priorities.

Recommendation: If a fully contestable market were developed in the UK, consideration should be given to a 'statement for ground rules for a properly functioning market' similar to the eight-point statement by the Ministry for Social Affairs and Employment in the Netherlands. This outlines the parameters of a properly functioning contestable market, distinguishing the operation of a market for employment services from the operation of markets for delivering goods or non-welfare type services (i.e. transportation). A statement on the principles of the market would help to communicate the policy intent to all partners in the system.

Appendix A

List of organisations visited

A.1 Australia

Table A.1 Central government departments and agencies

Commonwealth Department for Family and Community Services	<ul style="list-style-type: none"> • Serena Williams, Executive Director, Welfare Reform • Peta Winzar, Executive Director, Economic and Social Participation
Department of Prime Minister and Cabinet	<ul style="list-style-type: none"> • Liz Hefren Webb, Senior Advisor, Social Policy Division • Vicki Beath, Senior Advisor, Families, Income Support and Employment Branch
Department of Employment and Workplace Relations	<ul style="list-style-type: none"> • Bob Correll, Deputy Secretary, Employment • Jennifer Taylor, Group Manager, Employment Analysis and Evaluation Group • Paul Volker, Assistant Secretary, Evaluation and Programme Performance Branch • Fran Novitski, Team Leader, Purchasing Operational and Policy Team • Mary O’Neill, Team Leader, Centrelink Strategies Team

Continued

Table A.1 Continued

Department for Employment and Work Place Relations (continued)	<ul style="list-style-type: none"> • Kerren Thorsen, Assistant Secretary, Employment Services Performance Branch • Edel Kairouz, Director, Business Development section • Ali Jalayer, Director, CWC Policy and reporting section
Productivity Commission	<ul style="list-style-type: none"> • Dr Ralph Lattimore, Assistant Commissioner • Jim Roberts, Inquiry Research Manager
Centrelink Head Office	<ul style="list-style-type: none"> • John Wadeson, General Manager, New Business Solutions • Paul Conn, General Manager, Participation and Client Partnerships • Robert Williams, National Manager, Participation Services • Kerri Brooker, Manager, Participation Requirements
Centrelink Sydney	<ul style="list-style-type: none"> • Brian Ward, Area Manager, South West • Rosanne Mattiello, Manager • Adam Ainscough, Manager • Tour of Centrelink outlet and call centre

Table A.2 Job Network providers and industry bodies

National Employment Services Association (Industry body for the Job Network providers)	<ul style="list-style-type: none"> • Sally Sinclair, CEO
Jobs Australia (Industry Body for Not for Profit Job Network Providers)	<ul style="list-style-type: none"> • David Thompson, CEO
Australian Industry Group (Industry Group for Employers)	<ul style="list-style-type: none"> • Megan Lilly, General Manager, Education and Training
Employment Plus (Not for profit Job Network provider which is part of the Salvation Army)	<ul style="list-style-type: none"> • Megan Reay, General Marketing Manager • Lloyd Cassidy, National Community Programmes Adviser • Visit to Springvale Employment Plus outlet
Mission Australia (Not for Profit Job Network provider)	<ul style="list-style-type: none"> • Patrick McClure, CEO • Peter Richardson, General Manager, Employment Services
Work Directions	<ul style="list-style-type: none"> • Theresa Reign, Principal of Work Directions and other affiliated companies • Ray O’Grady, CEO Australia • Leonie Green, Regional Manager

Table A.3 Academics and institutes

Melbourne Institute, University of Melbourne	<ul style="list-style-type: none"> • Dr Beth Webster, Director
Policy Studies Institute, University of Melbourne	<ul style="list-style-type: none"> • Professor Mark Considine, Director
ACOSS	<ul style="list-style-type: none"> • Peter Davidson

Table A.4 Other

CPSU: Civil Service National Union	
Anthony Albanese MP: Shadow Minister for Employment Services and Training	

A.2 Netherlands

Table A.5 Central and local government departments and agencies

Centre for Work and Income (Amsterdam)	<ul style="list-style-type: none"> • Theo Keulen, Senior Adviser, International Affairs • Marijke Snijders, Manager of Products and Quality
Sociale Dienst (Amsterdam)	<ul style="list-style-type: none"> • Roy Mungra, Director
Social Security Agency – UWV (Amsterdam)	<ul style="list-style-type: none"> • Guus van der Heuvel, Adviser to Director, Intake and reintegration • Piet van Buuren, Strategy Department
Ministry for Social affairs and Employment (SZW) (The Hague)	<ul style="list-style-type: none"> • Arthur van de Meerendonk, Senior Policy Adviser, Directorate for General Labour Market Policy • Martin Blomsma, International Liaison, Marco van Dal, Implementation and Policy Directorate in the Division of Work and Income • Louis Bechers, Reintegration and Sanctions
Gouda Municipality (Social assistance and UWV)	<ul style="list-style-type: none"> • Hans Hoes, Department for Labour and Income • Marcel Scheenhart, Head, Labour and Integration Department
Centre for Work and Income, Rotterdam	<ul style="list-style-type: none"> • Theo Keulen, Senior Advisor – International Affairs, CWI • Maurice Depla, Reintegration Policy Adviser, Municipality of Rotterdam and CWI frontline staff • Rik van Berkel, University of Utrecht • Paul van der Aa, Social Services Researcher, Rotterdam Municipality

Table A.6 Reintegration providers

Hudson (Amsterdam)	<ul style="list-style-type: none">• Hanneke Bakker, Manager• Octavie van Erven Doren, Consultant
NV Werk (Amsterdam)	<ul style="list-style-type: none">• Evert Middelbeek• Wim Schreuders
Randstand Rentree (Amsterdam)	<ul style="list-style-type: none">• Ton de Kok

Table A.7 Academics and institutes

University of Amsterdam	<ul style="list-style-type: none">• Els Sol, Associate Professor• Yolanda Hoogtanders, Managing Partner, Policy Productions
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Appendix B

Borea certification

B.1 Reintegration company certification

Borea is an organisation that promotes the balanced development of the reintegration market, and encourages a diverse range of providers to take part. Borea looks after the interests of the members by consultation with constituents, customer organisations, social partners, politicians and civil servants. The organisation promotes transparency and quality improvement (i.e. the Borea certification), and provides professional and practical services to its members through the dissemination of information, practical guidance, and reintegration training workshops.

Borea encourages companies providing, or wishing to provide, reintegration services to gain certification. The organisation believes that publication of its members' performance statistics will increase competition. Borea certification is meant to help the range of customers participating in a reintegration plan (beneficiaries, the Institute for Employee Benefit Schemes (UWV), municipalities, and employers) in making decisions about the quality of service provided.

Borea also encourages users of reintegration services (clients and employers alike) to compare different reintegration companies by simply requesting performance data directly from the reintegration company.

B.2 Borea certification criteria

Timing

1. Time between the request for a reintegration plan and sending the plan to the customer for agreement.
2. Time between agreement of the plan and when the activity actually starts.
3. Time between the start of the first activity in the reintegration plan and the completion of the plan (this includes case management functions).

(For these three criteria, a minimum of 80 per cent of this period must be within the timeframe agreed with the customer.)

Unsuccessful cases

- 4a. Number of customers who do not receive a reintegration plan (i.e. because they moved residence, do not comply with UWV or municipality rules, etc).
- 4b. Number of customers who do receive a reintegration plan, but are not successfully reintegrated (i.e. are not placed into employment).

Successful cases

5. Percent of people who get jobs compared to the percentage agreed in the reintegration company contract (successful job outcome is defined as one day of employment).
- 5a. Successful reintegration with six months retention of employment.
6. Added value of the reintegration plan and the reintegration service provided. (NOTE: This criteria has been proposed by Borea but has not yet been implemented because of the debate over the definition of 'added value.' Borea is currently carrying out research to develop a measurement for 'added value' that may include job quality, likelihood to remain employed over time, and the reduction of 'social problems' such as poor health.)

Staff development

7. Reintegration company policy on the further development of company staff.
8. Measurement of reintegration company staff competencies – education level of staff, skills set, improvements made in relation to staff performance agreements.
9. Systematic improvement of the company. (Every company with Borea Certification must choose two areas of improvement from this list of 13 criteria, and demonstrate measured improvement in those categories over a one year period.)

Privacy and customer complaints

10. Companies must have a private statement signed by the customer, and adhere to it. They are also required to develop a customer complaint management system and report on any complaints they have received.

Customer satisfaction

11. Companies are obliged to organise a customer satisfaction survey for benefit recipients receiving reintegration services. This must be contracted independently and the results of the survey must be reported to Borea.
12. Satisfaction of those paying for reintegration services (municipalities and the UWV). Companies are obliged to organise a customer satisfaction survey for these customers and report the findings to Borea.
13. Satisfaction of employers. This is a prescribed questionnaire developed by Borea which includes satisfaction with the employee's performance on the job, productivity, skills, and the relationship between the employer and the reintegration company. These results are reported to Borea.

Translated into English by Jolet Woordes, Borea Certification Manager, transcribed by Natalie Branosky, Inclusion.

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