

The British 'welfare market'

Lessons from contracting out welfare to work programmes in Australia and the Netherlands

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From 2009 all long-term unemployed people will be referred for employment assistance to external New Deal 'prime contractors' paid largely according to their success in placing people into sustained employment.

Senior politicians of all parties are in agreement that such a 'welfare market' will lead to service innovation, improved accountability, better job outcomes, greater value for money, and better customer service, citing the success of market-based reform in countries such as Australia and the Netherlands.

This report looks in detail at the development and impact of the Australian and Dutch welfare markets.

This report considers:

- how welfare markets in each country operate and how well the systems deliver the benefits that policy-makers anticipate;
- the risks involved in contracting out these services; and
- the impact that welfare market delivery has had on services for the most disadvantaged jobseekers and on the non-profit organisations that play a significant role in meeting their needs.

The final chapter reflects on the implications of these findings for the design and implementation of the British welfare market and how policy-makers may further safeguard the interests of service users.

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Executive summary

The latest phase of British welfare reform involves the creation of a managed welfare market. The principles of the Government's new delivery strategy will be applied as part of the 'flexible New Deal' (fND). From 2009, all long-term unemployed people will be referred for employment assistance to external 'prime contractors' paid largely according to their success in placing people into sustained employment.

There is consensus among senior politicians that such a market will lead to service innovation, improved accountability, better job outcomes, greater value for money and better customer service. These assumptions are justified by frequent reference to 'international best practice' and the success of market-based reform in countries such as Australia and the Netherlands. This report contains detailed findings on the development and impact of the Australian and Dutch welfare markets.

The Australian Job Network (JN) was created in 1998 and, in a decade, made the transition from 'radical experiment' to established institution. Its design changed as policy-makers adapted the model to secure greater efficiencies, to deal with unanticipated effects and, through successive 'welfare reforms', to redefine services to 'activate' more working age benefit claimants. The evidence suggests the JN delivers more job outcomes for half the cost of the previous system.

The Dutch 'reintegration market' was fully established in 2002. Municipalities and the social insurance agency (UWV) purchase reintegration services from private providers. The cost of UWV reintegration 'trajectories' fell from an estimated €4,700 to between €2,500 and €3,000 by 2007. The 'work first' and 'workfare' programmes introduced by municipalities have cut costs and increased the number of social assistance claimants leaving benefits and entering employment. Recent Individual Reintegration Agreements (IROs) signal a new phase with the potential for a more responsive, client-driven

system – at least for those claiming social insurance benefits.

The evidence reveals, however, that contracting out employment assistance services is not a simple option and both the Australian and Dutch systems have been in flux over time. Securing the delivery of government objectives through contracts is prone to the same implementation problems experienced in public sector delivery systems. Contracting out poses further challenges because it fragments programme responsibility among multiple contractors, changes the relationship between those who design policy and those who deliver front-line services, and blurs lines of responsibility and accountability.

The degree of success of performance-based contracting is contested. Evaluations suggest a typical improvement of the short-term job prospects of participants by around 5 to 10 per cent, and they are more quickly attained than through more standardised programmes. The cost-efficiency gains attributed to the Dutch and Australian models appear significant, but relatively little is known about the extent to which these gains have been offset by high transaction costs for the purchaser, providers and service users.

Parking, price competition and benefit savings

In both Australia and the Netherlands, incentive-based contracts have been associated with 'parking' harder-to-help service users, even though greater rewards may be paid, as in Australia, for

placing ‘highly disadvantaged’ jobseekers into jobs. Private and public providers in incentive and target-driven systems are more likely to concentrate their efforts on those participants closer to the labour market, while harder-to-help participants receive fewer services.

A distinctive contributory factor to parking has been price competition – now abandoned in Australia and the Netherlands. Price competition encouraged unrealistic cost estimates that subsequently limited provider capacity, stifled innovation and encouraged parking. It seems clear that too great an emphasis on cost reduction undermines service quality.

In the absence of price competition, the challenge for the purchaser is to determine the level and combination of fees and outcome payments to ensure service quality for all participants and sufficient incentives for providers. The model for the fND envisages a 20 per cent service fee with 80 per cent of provider income dependent on interim (13-week) and full (26-week) job outcomes. This will provide financial incentives but advocates and policy-makers should be vigilant for parking if prime contractors or their subcontractors prioritise the more job-ready in an effort to secure cash flow and early profitability.

Expenditure savings arise not only from downward pressure on prices but also from reductions in benefit caseloads. Budgeting rules for Dutch municipalities now enable them to reinvest savings from benefits into employment assistance or use them for other purposes. Steps towards such a model are now emerging in the UK. Such an incentive system needs careful design to ensure that those entitled receive benefits and that priority is on assisting service users into employment, rather than simply on deterring applications. While a stronger ‘gateway’ role, as in the Netherlands, can ensure that only those eligible receive benefit, there is a risk that new procedures and reward incentives may deter and reinforce the exclusion of marginalised groups.

Service quality and outcome payments

Evidence on the quality and variability of the services delivered is mixed. More positive assessments highlight how the capacity of front-

line case managers is enhanced when they have flexibility to tailor support to individuals and broker job placements with employers. More critical evaluations suggest that providers ‘crowd around’ less costly jobsearch assistance. Incentive payment systems need careful design if they are to encourage service innovation, substantial investment in training, wage subsidies or other forms of more expensive assistance for those with significant employment barriers.

To tackle problems with parking and improve transparency, Australian and Dutch purchasers have introduced greater specification of service requirements and shorter periods of intensive assistance. These developments have relevance for the fND where providers will enjoy considerable flexibility over the year that participants may be with them. It is easy to envisage an outcome similar to that under the first JN contracts where providers concentrated service provision during the initial stages and towards the end of the process, with little contact in between. To guard against this, Jobcentre Plus personal advisers should have a continuing responsibility for monitoring the quality of *individual* provision delivered within the existing New Deals.

Consideration should be given also to a mechanism such as the Australian Jobseeker Account, to ensure that a significant element of the public budget involved is ‘ring-fenced’ for investment in jobseekers. Such a ‘guaranteed’ budget would assure case managers of discretionary resources to deliver flexible investment in disadvantaged jobseekers and would constrain negative tendencies for profit-taking.

Significantly, as in Great Britain, both Australia and the Netherlands have introduced new funding streams for vocational training. A key challenge is to ensure that prime contractors and training providers integrate the additional and pre-vocational support necessary to allow long-term unemployed people to take advantage of the opportunities created.

Star ratings and innovation

The emerging British ‘star rating’ performance system appears designed to avoid some unintended effects of the Australian relative

performance system. For example, it measures performance in relation to individual contracts and includes a quality and contract compliance assessment. Nevertheless, as the system is extended to cover all programmes, care must be taken to ensure it does not create perverse incentives and shape provider behaviour in negative ways.

When service delivery is devolved to independent providers, the purchaser loses insight into the 'why' of 'what works'. Contractors and their front-line staff inevitably gain an advantage as they develop greater operational knowledge of how to achieve specified outcomes. Some of this insight gap may be bridged through contract management, audit and inspection. It is not clear, however, that welfare market delivery will figure highly in the priorities of the learning-focused and wide-ranging remit of the Office for Standards in Education, Children's Services and Skills that recently absorbed the Adult Learning Inspectorate. The new standards body and the National Audit Office could learn directly from the experiences of the equivalent bodies in Australia and the Netherlands to develop a coherent programme to monitor and assess how the welfare market delivers the expected improvements.

It seems clear from international experience that competition alone may not be sufficient to drive continuous improvement and, after an initial period, further innovation. The development and spread of best practice requires both contract redesign and exchanges through networks that extend beyond individual organisations and often across sectors. Contract managers may be able to do some of this but the Department for Work and Pensions (DWP) and other interested bodies, such as provider and third-sector associations, will need to further develop a more open structure for brokering information exchange and technical advice involving prime contractors, subcontractors, related public sector organisations and groups that can articulate the perspective of service users.

Service user safeguards: 'voice and choice'

Service user journeys across mixed public and private provision are complicated, especially for the most disadvantaged. There are increased risks

associated with the fND because of its duration, subcontractor delivery chains and the requirement for regular contact with a private provider while continuing to 'sign on' fortnightly with Jobcentre Plus (JCP). Service users need clear and timely information to avoid 'mixed messages' and it will be important to monitor trends in sanctions imposed and in provider referrals.

The DWP stresses the importance attached to 'excellent customer experience' and that service users should have 'informed choice', including choice between prime contractors where available. The evidence from Australia suggests that, for 'informed choice' to be meaningful, users need clear information on the providers with whom they will be placed and on the content of the service on offer. Such information should be communicated about fND providers before service users come to the end of their time with JCP. While choice is constrained by the jobsearch obligations of Jobseeker's Allowance (JSA) recipients, individuals should still be able to exercise choice at the point of recruitment and after their first month of participation. They should be able to move at any time if they have legitimate grounds to be dissatisfied with their experience. Such choices should not be restricted to one or two prime contractors but extended to the different subcontractors available. There should be flexibility to ensure that providers who attract participants can expand their capacity to accommodate user choice.

More radically, the success of IROs in the Netherlands suggests there may be scope for a user-driven alternative to the rather constrained choice on offer in the fND. IROs give service users more time to choose a provider and negotiate the kind of employment assistance they receive, and the results appear promising. Experiments with such an approach might be tested first in specialist DWP disability provision and, if successful, extended to fND. It may be feasible for prime contractors themselves to experiment with such an approach.

Comparative evidence on welfare markets confirms the importance of contracting agencies independently monitoring client experience and ensuring that robust systems are in place to respond to complaints of unfair treatment and poor service delivery. DWP should consider

the introduction of a clear Service Guarantee, as developed in Australia, with recourse to an independent complaints line. It should ensure all fND delivery sites display such a Service Guarantee with information on how to make complaints and require providers to keep a complaints register. It is important also to establish clear lines of responsibility and inter-agency collaboration in handling complaints, and to develop a comprehensive system for collating complaints information.

Contracted providers and non-profit organisations

In all three countries, both for-profit and non-profit providers have emerged as a distinct interest group and powerful lobbying force, sometimes with competing interests about their relative competitive advantages. Providers have a legitimate interest in lobbying for additional resources and reform of market design so long as it is borne in mind that provider interests do not always correspond with those of users as well as those of the purchaser. It must be recognised also that the interests of many local and smaller charities and community-based organisations may differ from those of larger national charities that may have a more powerful voice.

The involvement of non-profit organisations in welfare markets has raised concerns about the relationship between their values and social mission and the constraints of contract delivery. There has been some evidence of ‘mission drift’ induced through the requirements of contracts, especially in the role that providers play in imposing conditionality and referring people for sanctions.

The relationship with providers at times can be uncomfortable for government. In Australia, for example, there was particular controversy about ‘gagging clauses’ in contracts between government and providers that progressively sought to constrain their freedom to make public criticisms. Such criticism is an important dimension of public debate and encourages accountability.

DWP contracts *and* those of primes with subcontractors should allow informed and free comment, and not constrain the ability of small and large non-profits in particular to advocate on behalf of disadvantaged communities.

It will be important to monitor the dominant role of larger providers in the British market. The transition to prime contractors is likely to reshape the landscape, with for-profit organisations with access to risk capital dominating service provision. The future for many voluntary and community-based organisations, and for some for-profit providers, will be as subcontractors. It will be important to understand the impacts of the new market on the organisational capacity and social capital of local areas, and the extent to which this may be at risk should market conditions change and larger for-profits ‘buy out’ contracts and remove their capital to seek greater profits elsewhere.

Contracts and accountability

Contracts for the delivery of employment assistance services involve more than commercial considerations. These include clauses that seek to shape the ways in which providers exercise operational discretion, encouraging contractors and their staff to act with the professionalism expected of public officials. The accountability of contracted providers is, however, more limited than that of public providers concerning, for example, the scrutiny role of parliamentary committees, audit authorities and the Human Rights Act (1998), and they are beyond the scope of the ombudsman.

Contracting out employment and other such services poses challenges for political accountability. There is considerable scope for ‘blame shifting’ and the responsibility for poor performance is less obvious. In this context, the role of independent research, challenge and scrutiny is of particular importance, especially where political consensus is so wide and where ministers, senior officials and providers have a clear interest in promoting the success of contracting out.

Introduction

The British welfare state has changed radically. The rights and responsibilities of adults without jobs have been redefined and the public sector institutions that deliver working age benefits and employment programmes have been reformed. The latest phase of change involves both extending jobsearch and work activity obligations to lone parents and people with health problems and disabilities and a 'major transformation' in the delivery of welfare to work programmes (DWP, 2007a, p. 9). In future, most employment-related services for people on working age benefits are to be delivered through a 'managed welfare market' (WPSC, 2007, ev. para. 112). Unlike other markets, however, purchasing power does not come directly from consumers but from public sector agencies. Services in this 'quasi market' will be delivered by a diverse range of private, voluntary and public sector organisations.

Over the past ten years, there has been much experimentation with private sector delivery of employment programmes and in how the Government contracts with them. Recently, there has been increased emphasis on paying providers for performance in getting people into jobs and for Jobcentre Plus (JCP) to reduce transaction costs by entering larger contracts with fewer providers. By 2007, the number of providers that JCP contracted with directly had fallen from some 2,000 to a network of some 900 for-profit and non-profit providers delivering services with an estimated value of about £950 million (DWP, 2007a, p. 28).

Further significant change is envisaged following the 'Freud Report', commissioned by the Government in 2007 (Freud, 2007). It proposed the extension of employment requirements to more workless people and the expansion of employment programme provision. This would be delivered through a national network of private sector 'prime contractors' paid according to their success in placing people into sustained employment.

The proposals were welcomed by the then Prime Minister Tony Blair and by his successor Gordon Brown as the 'first stage in the next decade of welfare reform' (Grice, 2007). The Liberal Democrats (2007, p. 21) cited Freud in support of their proposal to 'give the voluntary and private sector responsibility for delivering the full range of back-to-work support'; and in 2008 the Conservative Party endorsed the 'clear way forward' offered by Freud in shaping its proposed 'managed market for back to work employment services' (Conservative Party, 2008, p. 27). Subsequently, the Secretary of State for Work and Pensions published a comprehensive 'Commissioning Strategy'. It detailed government plans to simplify and rationalise existing welfare to work contracts and to realise the 'radical vision of David Freud's proposals' (DWP, 2008a, p. 7). This was followed by a further welfare reform Green Paper committing the Government to implementing all of the Freud proposals (DWP, 2008b, p. 7).

The Department for Work and Pensions (DWP) is now directly responsible for commissioning and managing the welfare market. DWP envisages that it will do '80 per cent of its business' with a 'stable core of reliable top tier' or prime contractors capable of delivering multiple contracts across the country (DWP, 2008a, p. 10). Smaller providers will act mainly as subcontractors. Successful prime contractors will be awarded contracts that last usually for five years, with the possibility of two-year extensions. Most of the funding will reward sustained job outcomes for employment that lasts initially for six months, but with the aspiration of moving beyond this to reward providers if they keep people in employment for a year or 18 months.

The principles of the new strategy will be applied first to the flexible New Deal (fND) that will replace all existing New Deal and Employment Zone provision for the JSA unemployed from 2009

(DWP, 2007b). The future delivery of employability services through these performance-based contracts represents ‘a major milestone in [the] welfare reform programme’ and for successful providers ‘the rewards will be high, with longer contracts and a growing market’ (Purnell, 2008).

Consensus and international comparisons

There appears to be consensus among senior British politicians that delivery of employment programmes by for-profit and third-sector organisations through a welfare market will lead to service innovation, improved accountability, better job outcomes, greater value for money and better customer service. These claims are justified by frequent reference to ‘international best practice’ and to evidence from British ‘Employment Zones’ (EZs). In particular, the respective proposals of all the parties point to the ‘success’ of welfare reform in countries such as Australia and the Netherlands that began to contract out case management and employment assistance services on a large scale in the late 1990s. The Freud Report describes them as ‘world leaders’ (Freud, 2007, p. 57).

In the past decade, employment rates have increased and regular unemployment

has fallen significantly in the UK, Australia and the Netherlands, although in both comparator countries more people are in part-time work (see Table 1). In all three countries there has been pressure to increase economic participation rates because of ageing populations and a marked increase in the number of working age people on long-term disability benefits. Each country has pursued ‘work first’ activation policies targeted at the unemployed and this approach has been progressively extended to previously ‘inactive’ lone parents and people with health problems and disabilities. The relative success of the strategies used in Australia and the Netherlands has been attributed in part to the ways in which they have outsourced public sector provision, including the creation of quasi markets for delivering employment assistance.

While Australia and the Netherlands provide useful comparators for the UK, they have distinctive labour markets, governance arrangements and welfare systems. Australia has a federal system of government, and in the Netherlands, local government (the ‘municipalities’) plays a direct role in delivering working age benefits and has stronger powers than in either the UK or Australia. The Netherlands also provides more generous benefits for working age people

Table 1: Comparative population and labour market data: Australia, Netherlands and UK (OECD standardised)

	Year	Australia	Netherlands	UK
Population (000)	2006	20,605	16,356	60,587
Total labour force (000)	2006	10,765	8,562	29,942
Total employment (000)	2006	10,241	8,176	29,338
Unemployment (000)	2006	524	385	1,604
Labour force participation rate (%)	1994	73.2	68.6	76.0
	2006	75.9	75.7	76.7
Part-time employment (%)	1994	24.4	28.9	22.4
	2006	27.1	35.5	23.4
Unemployment rate (%)	1994	9.5	6.8	9.3
	2006	4.9	3.9	5.3
Long-term unemployed (12 months+) (%)	1994	36.1	49.4	45.4
	2006	17.8	45.2	22.1

Source: OECD Online Statistics and Statistical Annex, OECD Employment Report, 2007.

and invests more in labour market programmes, such as subsidised employment, a factor that may be linked to its higher level of long-term unemployment (OECD, 2006).

Despite many references to the positive impact of the respective reforms in both countries, there is little detailed knowledge in the UK about how both systems work and their respective impact on the experiences of service users.

The research

The research design combined an evidence and literature review with findings from interviews with policy-makers and analysts undertaken in both countries in 2007. The review covered English language official reports and evaluations, independent studies from various policy institutes and academics, and findings from audit, oversight and regulatory authorities.

The report

This report does not consider the normative arguments concerning the private delivery of welfare to work services. It offers a critical contribution to the British knowledge base on how welfare markets in each country operate and insight into how well the systems deliver the benefits that policy-makers anticipate. It considers in particular the risks involved in contracting out these services and the impact that welfare

market delivery has had on services for the most disadvantaged jobseekers and on the non-profit organisations that play a significant role in meeting their needs.

The transition to performance-based contracts offers the potential for innovation, flexibility and efficiency savings, but the difficulties of managing complex services through contracts also has important risks for service access, costs, quality and accountability (Heinreich and Choi, 2007; Pollock *et al.*, 2007). There are two particular risks associated with welfare to work performance-based contracts. The first is 'creaming', where contractors who are paid by results are likely to concentrate their efforts on those participants closest to the labour market and more easily placed in a job. The second risk is 'parking' where other participants will receive a bare minimum of services and are unlikely to make any progress while participating in a programme. Arguably the most disadvantaged, those with the greatest employment barriers, are the most likely to be 'parked'.

In the following chapters, the report presents findings from the evidence review on how these risks were managed in Australia and Holland, and on the impacts of their respective systems. The final chapter reflects on the implications of these findings for the design and implementation of the British welfare market, and the ways in which policy-makers may further safeguard the interests of service users.

1 The Australian Job Network

The Australian Job Network (JN) was created in 1998 and, in a decade, made the transition from ‘radical experiment’ to established institution. Its design changed as policy-makers adapted the model to secure greater efficiencies, to deal with unanticipated effects and, through successive ‘welfare reforms’, to redefine services to ‘activate’ more working age benefit claimants. Nearly all federal employment services are now outsourced and regulated through JN-type tendering and performance arrangements with an estimated overall value of A\$2.1 billion for 2008–09.

The JN is a managed quasi market providing scope for competition, some degree of choice for jobseekers, flexibility in the way services are delivered and financial rewards for successful providers (PC, 2002). Since the JN’s inception, the Australian Government has maintained that it has cost much less and consistently outperformed the former system (Thomas, 2007). In this context, the JN model has been a primary source of ‘policy learning’ as other OECD countries have sought to test the outsourcing of such services.

The following sections describe the evolution of the JN. They consider how the Australian market works, how the contracting system has changed and evidence on its impacts and costs. In particular, they consider the experience of disadvantaged jobseekers, the rights of service users and the impact that involvement has had on non-profit organisations.

The Job Network

Federal ministers and the Department for Employment and Workplace Relations (DEWR)¹ are accountable for the design and delivery of the JN. DEWR has a ‘business partnership arrangement’ with the public sector agency Centrelink to deliver services related to employment and referral. DEWR manages and monitors the JN through its central office in Canberra and 19 regional offices

that employ around 500 staff involved in contract management.

The JN has experienced three distinct periods marked by different ‘employment service contracts’ and is now made up of core JN members who deliver a full range of services. There is a wider network of licensed job placement organisations that provide vacancy finding and job matching services.

In 1997, over 1,000 organisations submitted tenders, from which 306 core JN members were selected. By 2007, the number of core providers had fallen to 99 delivering services from over 1,000 sites in 137 ‘employment service areas’. The increased availability of network services was of particular importance given the geography of Australia and was contrasted with the 296 front-line offices previously operated by the Commonwealth Employment Service. JN ‘sites’ vary in size, with most having between one and twelve staff members, and very few having more than 20 (DEWR, 2006). In most locations, the sites of different JN organisations are clustered around Centrelink offices.

The core network of JN members comprises a range of generalist and specialist organisations, with about 60 per cent of market share controlled by 13 larger generalist providers, with five of those responsible for nearly 40 per cent of delivery. The market is shared almost equally between for-profit and non-profit agencies (see Table 2).

Initially, the privatised ex-Commonwealth Employment Service public sector provider was awarded a significant market share, but it struggled in the new environment and, by 2003, had gone out of business. The most notable growth has been in the employment services organisations established by and through organised religious institutions. By 2004, Mission Australia and the Salvation Army were the largest agencies in the network.

Table 2: Market share of Job Network by type of organisation (%)

	Number of agencies	Public	For-profit	Non-profit
1996–97*	243	55	20	25
1998	306	33	37	30
2000	205	8	45	47
2003	109	3	47	50

* Contracted case management only.
Source: adapted from Eardley (2003, Table 1).

Access to the Job Network and the role of Centrelink

Although employment assistance has been privatised, working age benefit entitlements continue to be assessed and paid through ‘Centrelink’, a public sector executive agency (see Appendix 1 for a brief description of the main working age benefits).

Centrelink acts as the gateway to the JN. Before a new claim interview, jobseekers should ‘where practical’ attend an ‘information seminar’ that will explain the services offered through the JN and provide information on providers available in their area. At the interview, the jobseeker must choose the provider with whom they wish to register. If a jobseeker makes no choice, they are allocated randomly to a provider.

When a person makes a new claim for benefit, the first interview involves completion of a computer-based diagnostic tool, the ‘Jobseeker Classification Instrument’ (JSCI). It consists of 30 questions (reduced from 60 in 2003) intended to be answered quickly about age, education, disability, language skills and so on. The responses are used to identify the likelihood of long-term unemployment. If designated as ‘highly disadvantaged’, the individual enters intensive employment assistance with a higher level of discretionary funding available.

The JSCI produces a measure of relative disadvantage. It is the Government that determines the proportion of jobseekers who qualify as highly disadvantaged. The proportion of highly disadvantaged jobseekers fell from as

much as 33 per cent in the early phase of the JN to 10 per cent by 2007 (NESA, 2008, p. 25). Over the same period, however, the proportion of the JN caseload receiving income support for more than five years increased from 10 to 25 per cent (DEEWR, 2008, p. 4). This change reduced the resources available to Job Network members, even though they now had to work with a harder-to-help client group.

The JSCI score may trigger a further referral for a Job Capacity Assessment, undertaken through contracts with other public sector providers. These assessments are targeted at those with ‘significant employment barriers’. Those with disabilities are assessed in terms of the number of hours of work they can manage and whether they qualify for Disability Support Pension (DSP). Jobseekers whose circumstances prevent them from working until certain barriers are addressed may be referred by the assessor to a range of other programmes, including specialist provision for young people, for those with disabilities, or to a Personal Support Programme. Most providers of these programmes are non-profit organisations and the number of places is limited.

In both JSCI and JCA processes, minorities of users fail to reveal issues that would affect their classification. These often come to light after the person has registered with a provider. In the early phase of the JN this resulted in many re-referrals to Centrelink, but subsequently JN providers were allowed to reclassify participants. This not only increased the support available for the individual but also meant the provider would be paid a higher fee for a job outcome and it would improve the provider’s relative performance. This flexibility

was to create unintended consequences when it was found that some inappropriately reclassified their participants. In 2007, several providers were required to make repayments, amounting in the case of the Salvation Army to A\$9 million.

Centrelink continues to be responsible for the imposition of benefit penalties, against which claimants have legal rights of appeal. JN members submit 'participation reports' when a claimant fails to attend interviews or to meet their activity-related obligations. Benefit sanctions have escalated and penalties increased in the wake of welfare reforms and the introduction of 'mutual obligation' programmes (see Box 1).

Box 1: Mutual obligation, Work for the Dole and welfare reform

The JN developed alongside parallel 'mutual obligation' programmes that arose from a wider welfare reform agenda.

The idea of 'mutual obligation' emerged in 1997 when the Prime Minister announced the introduction of a Work for the Dole (WftD) programme where long-term unemployed people would be required to fulfil their 'mutual obligation' to society. The concept underpinned successive welfare reform policies designed to further 'activate' the benefit system. As in the UK, these reforms have involved the extension of work requirements to lone parents and, since 2006, lone parents whose youngest child is aged over eight years and a partnered parent with care whose youngest child is over six must actively seek work of at least 15 hours a week. At the same time disability benefit entitlement was changed and those assessed as capable of working between 15 and 29 hours a week must also seek employment of at least 15 hours a week. Both groups now claim the 'activity-tested' Newstart Allowance and participate in JN services or more specialist employment programmes.

In addition to meeting jobsearch and work availability conditions, unemployed Newstart

(Continued)

claimants currently have to meet 'mutual obligation' requirements after each six months of unemployment. Each individual has to undertake an 'approved activity', which may include part-time or voluntary work for up to six months. Most are required to participate for up to 15 hours a week in a WftD project to improve 'work habits'.

Delivery of WftD is contracted out to non-profit and for-profit 'community work co-ordinators' who organise project development and placements largely with charities, community organisations and local government. The organisations are contracted to ensure places are available, that participants engage and that community benefit is delivered. There are no payments for helping participants obtain jobs.

The referral processes between Centrelink, the JN and mutual obligation programmes are complex. In 2001, the OECD found 'no show' rates after Centrelink referral ranging between 30 and 60 per cent, which not only had an impact on the viability of individual providers, but was also a key factor behind a major increase in administrative benefit sanctions (Pearce *et al.*, 2002). In the wake of further welfare reform in 2006, JN members were put under pressure to report claimants who failed to meet their participation requirements. Centrelink struggled to manage the workload resulting from an estimated half a million 'participation failures' reported in the first year. It was only after challenge that Centrelink ceased to automatically suspend payments in all such cases and now does so only after they are investigated.

Job Network services and contracts (1998–2003)

The JN delivers a job placement and matching service, and more intensive services for the longer-term unemployed. Most JN funding is allocated to intensive services. In most locations, DEWR ensures the presence of several agencies to induce competition and provide choice for jobseekers.

In the first two contracting periods, employment assistance consisted of short 'jobsearch training' courses for people usually unemployed for six months and 'intensive assistance' (IA) for those out of work for over a year or identified as being at risk of long-term unemployment. Those referred to IA were eligible for assistance for 12 or 15 months, depending on their degree of disadvantage. This could be extended for up to 18 or 21 months by mutual agreement.

The first contracts (1998–2000) were based on fixed prices for more intensive services and a bid price for job matching services. JN members were paid a combination of 'up front' fee payments and job outcome payments after 13 weeks (interim) and 26 weeks (final). Submitted tenders were assessed initially on meeting quality standards and then by price. Nearly 80 per cent of successful providers had held previous contracts for delivering federal labour market programmes (PC, 2002).

In the second contracts (2000–03), price competition was extended to the more intensive services subject to a minimum 'floor' price set by the department. Bids were assessed on quality as well as price, but it was found that successful tenders settled around the pre-determined 'floor' price. The second tendering round took place during 1999 and the process had a major impact on DEWR and JN members. Uncertainty and the administrative and organisational effort required to produce and assess bids resulted in a noticeable fall in job entry performance.

The JN contracts for 2000–03 involved changes designed to regulate the services given, especially to the most disadvantaged users. Providers had to include a 'declaration of intent' as part of their tender, which outlined the strategies and service options they would make available for participants. They were required to draw up an agreement with each IA participant. DEWR contract managers monitored the extent to which providers delivered on their 'declaration of intent', which included indicators such as the ratio of clients to case managers and the frequency of contact with participants (PC, 2002, p. 4.15).

The most important innovation was the introduction of comparative 'star ratings' from 1999. The original aim was to inform participant (and employer) choice, but the 'stars' have been

used mainly to drive provider performance (PC, 2002; ANAO, 2005b). In 2001, the methodology was developed with regression adjustments for labour market conditions and participant characteristics allowing a more rigorous comparison of local provider performance. The regression formula has been revised but there is continuing criticism of its weakness in taking regional/area differences into account (Lam, 2007). Star ratings do not take into account qualitative factors such as customer satisfaction or the number of complaints about a provider.

The rating system allocates scores distributed between one and five stars in half-star increments. They are ranked so that, on a national basis, about 70 per cent of providers of JN sites are rated at three stars or better; 5 per cent are rated at five stars and 4 per cent at one star (PC, 2002, p. 4.16). DEWR estimates that, within two years of introducing the revised star ratings, 13-week job placements increased from 15 to 35 per cent. From the providers' perspective, however, the forced relative ranking appears perverse, as it means that a significant group of sites must be ranked as poor performers even if they maintain or increase their absolute performance.

Evaluations of the first phase of the Job Network

The most comprehensive evaluations of the JN were undertaken during the first two contract periods. These included the results from DEWR's own in-house evaluation, and independent reviews from the OECD and Australian Productivity Commission.

The evaluations suggested that the purchaser-provider framework was working and that performance rating, outcome payments and competition had created incentives for improved efficiency. The JN was performing as well as the earlier Commonwealth Employment Service system and at much lower cost (DEWRSB, 2001; OECD, 2001). The Productivity Commission concluded that the advantages of the new market 'outweigh its limitations' because 'it sets out clear objectives, provides stronger incentives for finding ways of achieving job outcomes and encourages cost efficiency' (PC, 2002, p. xxvi).

Significant problems, however, had emerged. The DEWR evaluation reported that most IA employment assistance was given in the first few months of participation, when most job entries were secured. Over time, client contact with case managers diminished and ‘the intensity of job search activity and motivation of job seekers decline[d]’ (DEWRSB, 2001, p. 62). The OECD 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, 2001, p. 59). It concluded that ‘few providers appeared to be offering effective services to address the underlying barriers to employment’ of the hardest to place (OECD, 2001, p. 193). There was little expenditure on employment subsidies or on vocational training.

The Productivity Commission reported that only 15 per cent of participants that JN members moved into employment resulted in payment of a 13-week outcome payment. Providers were instead deriving 70 per cent of their income from the ‘high level of commencement fees’ and there was little incentive for them ‘to achieve additional outcomes’ (PC, 2002, p. xxxiv). Critics argued that the funding incentives and the lack of regulation encouraged providers to take the upfront fee, work with the most job ready and ‘park’ the hardest to place. The OECD suggested that the complex interplay of eligibility rules, referral pathways and disparate programmes meant ‘there is a risk that significant groups are falling through the gaps’ in provision (OECD, 2001, p. 93).

The Active Participation Model

The JN service delivery model was reshaped in 2003. The Active Participation Model (APM) was designed to deliver a ‘service continuum’ that would ensure jobseekers ‘remain on the radar’ of a JN member at all times and are ‘actively engaged in job search, mutual obligation, or other authorised activity’ (ANAO, 2005b, p. 29). DEWR emphasised the importance of the expected compliance effect of the APM in which participation requirements would themselves induce claimants to cease claiming income support (ANAO, 2005b, p. 33).

Jobseekers have been required to register with one JN member contracted to deliver initial registration, job placement and matching. After three months, participants who are ‘fully eligible’ for JN services enter ‘intensive support’. At this point the provider develops a Jobsearch Plan with the participant, who is required to undertake 100 hours of jobsearch training. After five months the JN member interviews the participant, who is then referred to a Community Work Co-ordinator to organise their mutual obligation placement, with the default option being WftD (the outcome for over 80 per cent of participants).

The most expensive provision – Intensive Support Customised Assistance (ISCa) – is mandatory after a year of unemployment or earlier if the person is ‘highly disadvantaged’. Unlike the previous, less regulated IA phase, ISCa requires fortnightly contact with a case manager who develops and monitors a back-to-work plan. This may include jobsearch and work preparation activities and, where appropriate, referral to training or rehabilitation services. To inject more intensity, the JN member must involve the participant in at least three days of structured activity a week for three months. The period of ISCa was reduced to six months.

If a service user fails to get a job during this period, they again are required to participate in a six-month period of mutual obligation activity during and after which the JN provider contacts them at least on a bi-monthly basis. A second period of ISCa commences after 24 months. Once a person has completed two periods of ISCa in their current unemployment spell, they are classified as very long-term unemployed and are able to access some additional levels of support, such as a time-limited wage subsidy. If at this point it is determined that the participant is a ‘serial job avoider’, they are required to participate full-time (25 hours a week) in WftD.

The Jobseeker Account, the Service Guarantee and EA 3000

The APM introduced other changes, including the Jobseeker Account (JSKA). The Account comprised a restricted pool of funds earmarked for spending only on employment barrier reduction.

The highest amount is triggered for those entering ISca. The Account is not an individual entitlement and a provider can use it flexibly across their caseload. They are not allowed, however, to retain any surplus as profit. Although providers may spend the funds on a wide range of activities, all expenditure must be classified and reported. DEWR subsequently issued progressively detailed guidance on what could be spent making the 'administration of the JSKA very complex' (ANAO, 2007, p. 18).

A new Service Guarantee was introduced, supplementing an earlier Code of Practice. Providers are now bound by their contract to comply with the Code and Service Guarantee. The Code is an ethical framework that outlines the principles that guide how providers are expected to deliver quality services. The Service Guarantee outlines to participants their rights and the services and quality they can expect (see Appendix 2).

A further change was the development of a new mandatory IT system – EA3000. Providers are required to use this system for recording their interactions with clients, making payments and utilising the JSKA. DEWR uses EA3000 to monitor and regulate jobseeker flows, and to communicate procedures, manuals and guidance to providers. The system is used also to exchange and update jobseeker information with Centrelink.

The Job Network (2003–09) and contract management

DEWR intended that the transition to the APM would be less disruptive than in the previous change and the impact on JN members at the point of transition was less dramatic. Sixty per cent of the market was 'rolled over' with contracts given to incumbent JN members with a minimum level (3.5) of star ratings. The 40 per cent of the market that was open for competition was let on a fixed price tender and bids were decided on comparative quality, including criteria such as previous experience and proposed service delivery strategies.

After contracts were awarded, the number of JN members declined to 109, with seven new entrants. The system now was supplemented by a larger number of licensed job placement organisations, including many private recruitment agencies, which were paid only for registering vacancies and filling them with eligible jobseekers (Thomas, 2007, p. 3).

The funding system for JN members combined specified service fees, the Jobseeker Account and outcome payments, weighted towards difficult-to-place jobseekers. Table 3 shows the outcome payments for the ISca participants. The redesign was intended to ensure that, for providers, there would be a greater emphasis on income earned from outcomes rather than service fees.

Table 3: Intensive support customised assistance: outcome payments, 2003–09

Benefit claim duration	Payment type (A\$)	Interim payment (13 weeks) (A\$)	Final payment (26 weeks) (A\$)
4–12 months		550	n/a
13–24 months	Outcome	1,650	825
	Intermediate*	550	550
15–36 months or classified 'highly disadvantaged'	Outcome	3,300	1,650
	Intermediate*	550	550
3 years or longer	Outcome	4,400	2,200
	Intermediate*	1,100	1,100

* Intermediate payments are made for various part-time job and full-time education/training outcomes that reduce substantially the income support payments received by the participant, usually by an average of at least 70 per cent. Source: DEWR (2005, p. 144).

The JN system was driven through three 'key performance indicators'. The star ratings measured the speed of placing and the success in getting disadvantaged participants into jobs. Contract managers separately monitored Key Performance Indicator 3, which assessed the quality of service and its delivery to contracted specifications.

The Audit Office reviewed the transition to the APM and found that DEWR had not secured its 'transition objectives' (ANAO, 2005b, p. 18). There were significant problems with the new IT system and the anticipated numbers of jobseekers referred by Centrelink failed to materialise. Within a short period this threatened provider viability and the turbulence was reduced only after ministers injected more advance payments for providers (NESA, 2008).

Subsequently, the Government decided that 2006–09 JN contracts would be awarded automatically to incumbent providers with a minimum level of star ratings. About 95 per cent of the business was given to existing providers. This provided certainty and continuity of services but gave little potential for new entrants to compete for business.

Competition among incumbent providers is maintained with the reallocation of market share at six-monthly performance reviews when DEWR awards and publishes star ratings. JN contracts give providers only an allocated market share rather than a guaranteed number of participants and this can be varied between a minimum of 80 per cent and maximum of 120 per cent to accommodate jobseeker choice. This enables contract managers to move clients to more successful providers, subject to their contract capacity. Consistent poor performance can result in the loss of a contract. Day-to-day pressure is maintained by DEWR through comparative raw weekly statistical performance reports sent online so that providers can compare their results with others. Providers complain that these performance pressures 'force them to make decisions about what may be best for the stars not necessarily what is best for the job seeker' (JA, 2008, p. 17).

In 2007, 8 per cent of the market was removed from poor providers and put out to tender. Fifteen of the 77 organisations that tendered for the work were successful – 13 were current JN members

and two were existing subcontractors. This process reduced the number of JN members to 99 and continued the trend towards consolidation.

Job Network services

The Productivity Commission (PC, 2002) reported that one of the major gains from the JN came from the diversity of approaches developed by service providers. The outcomes-based funding model allowed providers to tailor services to different participants, provide continuity of support through case managers, test methods for motivating jobseekers and provide various post-placement services. This and other evaluations reported that JN providers developed new practices to identify and tackle individual employment barriers, from the simple provision of clothes or travel-to-work expenses through to the development of new assessment tools, counselling in jobsearch techniques, rehabilitation and short, job-focused training. Providers cultivated relationships with specific employers and better performers practised 'reverse marketing' where staff sought to 'sell' and place participants directly with employers (NESA and DEWRSB, 2001; DEWR, 2006).

A study of 'high performing' JN sites reported that their distinctive features included local management cultures focused on delivering 'key performance indicators', specialist staff working with employers and use of the JSKA to provide wage subsidies. 'Employer incentive' payments increased from around zero to almost 30 per cent of all JSKA expenditure by 2006. Typically, small payments were made to employers at the commencement of a job and larger payments were made at the three- and/or six-month marks, coinciding with outcome payments (DEWR, 2006, p. 34 and p. 35).

Other commentators have been more critical of service quality, pointing out that low-cost jobsearch assistance and motivational strategies are unlikely to reduce the employment barriers of the hardest to help. They emphasise also that JN providers may use employment subsidies to 'buy' outcome payments and that there is declining investment in training (Murray, 2006). About a quarter of 'intensively supported' participants receive JSKA-funded training but this includes jobsearch and motivation courses along with job-

specific training. Training courses last about three days and cost just A\$287 on average (Murray, 2006. p. 34).

'Micro-management': the impact of the APM on service quality and providers

As the JN evolved, several providers were found to have developed imaginative practices that enabled them to secure outcome payments without placing participants in real employment. Such practices included, for example, 'manufacturing jobs or recycling a succession of job seekers through the same job to get outcome payments' (PC, 2002, p. xxx). DEWR outlawed such practices and increased compliance monitoring. After 2003, this reduction in 'trust' combined potently with the Department's new policy objectives, to more directly 'steer' the actions of providers and enforce the jobsearch activities of participants. This reduced the flexibility of the system and soured the relationship with providers (Carney, 2007; Thomas, 2007; Horn, 2008).

The combined introduction of JSKA and EA3000, for example, gave DEWR greater transparency but injected more complexity into the system and created significant administrative burdens for providers. These processes were further intensified by a 'rules-based' compliance approach to contract management; a series of restrictive revisions on how JSKA funds could be spent; and the need to keep accurate records to demonstrate that the contracted service interventions were being delivered. Providers argued that the APM had created a more standardised and less flexible service delivery system that did not adequately support disadvantaged jobseekers. By 2007, up to half their available service hours were being consumed in meeting administrative and compliance requirements. DEWR's own administrative costs were now absorbing over 15 per cent of the total JN budget (Murray, 2006; JA, 2008; NESAs, 2008).

A report from Catholic Social Services Australia, which drew on the experience of its CentaCare JN provider, suggested that some competitors had sacrificed service quality for outcome volume with the emergence of

questionable practices including 'treble outcome strategies ... concealments, excessive wage subsidies and outcome buying' (Murray, 2006, p. 48). This distorted the measurement of provider performance, yet the results are built into the calculation of star ratings. This further disadvantaged those providers who exercised more care about job placement and sought to deliver high levels of interaction with jobseekers. The situation was exacerbated by a freeze in contract prices over successive years. The report estimated that cumulatively this reduced financial viability by at least 25 per cent. It was also critical of what it called a strongly risk-averse and controlling culture within DEWR.

These criticisms were echoed by the two main provider organisations, the National Employment Services Association and Jobs Australia. Both suggest deterioration in the relationship between DEWR and providers, and that the Department used its 'purchasing power to silence dissent and debate about the system and its governance and management' (JA, 2008, p. 3). Partnership based on collaborative relationships had been replaced by 'command and control', which 'shut down the innovation and flexibility that was sought from a new employment services system' (NESAs, 2008, p. 13).

DEWR dismissed these criticisms as self-interested lobbying, stressing that the changes introduced continued to increase the effectiveness of the JN.

Evaluations of Job Network performance, impacts and costs

DEWR publishes regular performance and job placement data. The post-programme monitoring survey measures outcomes achieved by jobseekers three months after they exit labour market assistance. During the 12 months to end June 2007, over 645,600 job placements were recorded by JN members and job placement organisations. The results from regular post-programme monitoring reports reveal lower outcomes for the most disadvantaged jobseekers (see Table 4).

Table 4: Employment outcomes: intensive support, Work for the Dole and participation support programme, 12 months to June 2007*

Programme	Employed full-time (%)	Employed part-time* (%)	Unemployed (%)	Education and training (%)	Jobseeker exits
IS (jobsearch)	24	26.7	41.7	14.5	139,525
ISca 1	18.7	28	38.5	13.2	181,495
ISca 2	12.6	28.7	47.1	11.5	77,574
WftD	14.2	17.4	58.1	10.4	93,983
Personal support programme	6.6	10.3	38.4	6.9	29,021

* Does not include those who have left the labour force or are in another form of DEWR assistance.
+ Part-time employment defined as less than 30 hours a week.
Source: DEWR (2007, Tables 1.1 and 1.2).

A longitudinal survey of a sample of those who had responded to the three-month survey found that, 16 months after receiving assistance, most ISca participants had sustained themselves in employment and there was a movement away from casual to permanent employment, with average earnings and hours worked also rising (DEWR, 2007). Over the period, 15 per cent of respondents who participated in ISca gained employment while 10 per cent lost employment, so there was only a small increase in the overall total entering employment.

The Productivity Commission (PC, 2002) and (Australian National Audit Office ANAO, 2005b) have been critical of the ways in which the data on gross outcomes can be misleading in terms of measuring the performance, efficiency and cost effectiveness of the JN. The ANAO points out, for example, that many of the jobs recorded are secured by individual jobseekers without the direct help of DEWR's providers or may simply be 'attributable to external factors (such as economic trends)' (2005b, p. 21).

DEWR has, however, undertaken other 'net impact' evaluations that have sought to determine the additional value created by JN interventions.

The first such DEWR evaluation was criticised by the Productivity Commission, which showed the Department's 'evaluation methods overstate the benefits of the programme'. It noted that, while the aggregate cost of employment programmes had fallen by half, with no impact on unemployment,

JN programmes 'had small or uncertain effects on the job prospects of participants' and their net impact on employment was 'very modest' (PC, 2002, p. 5.1). The Productivity Commission did emphasise, however, that even small net impacts 'still produce valuable social and economic outcomes' (PC, 2002, p. xxvii).

In 2006, DEWR published the results of a revised study of 'net impacts' that used a new methodology. In particular, it measured impacts from the point of *commencement*, giving a more accurate assessment of 'treatment' effects, rather than the 'compliance' effect generated where people leave income support prior to entry to a mandatory programme. DEWR concluded that the results in Table 5 suggest high impact levels 'equal to or better than' high performing international programmes (DEWR, 2006, p. 4). DEWR also recalculated earlier data and concluded that the net impact of IA/ISca had increased from 0.6 per cent in 2001, to 6.2 per cent in 2002, to 10.1 per cent in 2005.

DEWR assessments of the JN attribute this success to the performance pressure generated by star ratings and the pay for performance contracting regime. By 2005, services were being provided by a much reduced number of better managed agencies delivering service strategies that had been progressively refined on the basis of operational experience (Grubb, 2006). Other external factors were also significant, especially the fact that, in many areas, JN members now

Table 5: Net impacts of the Job Network

JN programme	Participants (2004–05)	Employment outcomes (3 months) (%)	Employment net impacts (February 2005) (%)
Jobsearch training (support)	144,300	55	11.2
Customised assistance/ intensive support	298,100	45.8	10.1
Work for the Dole	81,900	32.3	7.3
Mutual obligation	148,000	Not given	8.2

Source: DEWR (2006).

operated in conditions of near full employment.

The other much publicised success of the JN has been to drive down costs. DEWR officials frequently emphasise raw data on costs that indicate that, between 1991 and 1994, the cost per employment outcome was around \$8,000, rising to just under \$16,000 in 1995–96. These costs fell to \$6,500 in the first phase of the JN, and then to \$3,500 by 2005, reflecting in part the falling real values of fees and outcome payments after 2003. One significant question was the extent to which these efficiencies were, as many Job Network members suggested, secured at the price of weakened service quality.

Service user choice

One justification for the creation of the JN was to improve services for participants and to introduce an element of ‘customer choice’ into the system. A survey of over 3,000 jobseekers in 2002 (DEWR, 2002) found that many were ‘still unclear about their right to choose a provider’ and ‘found the process daunting’. Some 76 per cent recalled being told they could make a choice but were provided with ‘minimal information about providers’ and three-quarters of them wanted ‘a better description of what was on offer’. A significant minority believed they had not been given a choice. Just over 70 per cent had chosen a provider. Forty-five per cent had done so on the basis of convenient location, but 22 per cent had done so because of previous dealings with the provider or because of its reputation. The report cited other research findings indicating that users ‘may not exercise their right to choose because of

confusion rather than a conscious decision not to choose’ (DEWR, 2002, pp. 1–7). This information gap was supposed to be filled by the newly introduced star ratings.

The Productivity Commission found, however, that at the stage of its inquiry user awareness of star ratings was low (PC, 2002). It suggested that choice did not operate effectively because participants did not get the appropriate information and providers had no incentive to seek out participants because of the recruitment limits in their contracts. They recommended that more user-driven competition could be injected if participants were given more service and performance information, and if the contractual limits on recruitment were removed.

Subsequently, the ANAO reported that, in a detailed review of four Centrelink offices, the ‘provision of information [at] seminars was variable, often poor, and did not meet minimum requirements’ (ANAO, 2005a, p. 21). Jobseekers were not given sufficient information about local providers to enable them to make an informed choice and, in a significant number of cases, individuals had to choose a provider before being advised of their rights in selecting a JN member (ANAO, 2005a, p. 120).

The significance of this initial choice increased in importance after 2003 when participants were restricted to one provider only and could change only in limited circumstances. A participant normally is required to re-register with the same provider if they re-enter the system within 12 months. Dissatisfied service users have access only to the formal complaints and redress system.

Complaints and customer satisfaction with the Job Network

Each JN site is contractually required to display information about how to make complaints and to maintain a 'complaints register' that DEWR can monitor. The ANAO found, however, that practices and policies of different JN members varied and that the registers could not 'be regarded as a reliable record of job seeker complaints and of the response to those complaints' (ANAO, 2005a, p. 102). The ANAO reported also that 'user awareness of the Code of Practice, Service Guarantee and associated complaints mechanism remains very low' (ANAO, 2005a, p. 15). It suggested that these weaknesses restricted DEWR's insight into potentially systemic problems with service delivery.

The service user is expected in most circumstances to resolve any complaints with their provider but DEWR has its own 'customer service line', which can be used to make complaints. In a six-month period in 2008 the line received a total of 17,664 enquiries, of which 9,700 were registered as complaints. When senior officials were questioned, they had little knowledge of the outcomes of these complaints apart from suggesting some were resolved by the phone call itself (Senate Estimates, 2008, p. 16).

Complaints about JN services in practice are handled by several different organisations, including an independent ombudsman, Centrelink, as well as DEWR and individual JN members. They all have their own processes for recording and responding to complaints, but there is no comprehensive assessment. The ombudsman has pointed out that the complex policy, service and contractual arrangements through which JN services are delivered and participation requirements are met make it difficult for an individual to resolve issues they wish to challenge (CO, 2007, p. 40).

On a wider level, DEWR assesses the delivery of its service commitments through satisfaction surveys. The data is used by DEWR for 'policy development and reporting' and 'high-level results' shared with Centrelink (CO, 2007, p. 20). Unlike Great Britain, the results are not available publicly, with only headline statistics cited by Australian

officials. The ANAO found that, while JN members were aware of DEWR's satisfaction surveys, 'they had not seen results ... that related specifically to them, or to providers like them' (ANAO, 2005a, p. 109). Only one JN member had conducted their own client satisfaction survey, 'some time ago'.

The sparse information available suggests high levels of satisfaction with JN services (regularly 80 per cent plus), especially for those who participate in ISca. Basic job matching attracts lower ratings. In contrast, results released after the recent change of government suggested almost a quarter of jobseekers were not satisfied with JN services 'because the service was limited, inflexible or unresponsive to their needs' (DEEWR, 2008, p. 7).

There are several independent, smaller-scale studies of user experience. An ANAO indicative sample of jobseekers found that levels of contact between JN members and participants 'rarely met contractual specifications', documentation on jobseekers' barriers was limited and 'customisation' of jobseekers' Jobsearch Plans through the course of their time in ISca was very limited. This raised concerns about whether 'assistance is actually intensive and customised' (ANAO, 2005a, p. 138).

The impact on non-profit organisations

Non-profits play a major role in delivering the JN, providing about half the services available. The role of secular, community-based non-profits has declined, while that of church-based groups has increased. Two of the largest agencies are 'Employment Plus' (the Salvation Army) and Mission Australia. Secular organisations tend to operate as smaller specialist providers, catering for particular client groups or localities. Their continuing role has been secured in particular by two innovative networks – Jobs Australia and Job Futures² – that have emerged and, through pooling risk and providing expertise, have enabled remaining smaller non-profits to win and deliver JN contracts.

Many non-profits that delivered programmes before 1998 failed to win or have lost JN contracts. Some reappeared as subcontractors. Officials suggest this change removed less

effective providers and the successful non-profits have become more efficient and 'businesslike'. Others perceive a loss of important community resources and social capital, with negative impacts on disadvantaged communities (Abelló and MacDonald, 2002).

There has been much critical comment about the impact of non-profit involvement in the Job Network on their social objectives. Some suggest their involvement has provided legitimisation for neo-liberal welfare and employment policies that have worsened the living standards of the poor (Rapson, 2006). Others suggest that, even within a competitive environment, non-profits remained committed to providing more intensive services and sought to minimise the impacts of otherwise harsh policies (Eardley, 2003; Murray, 2006). The limited evidence available suggests that non-profits have higher staff to caseload ratios, that relatively lower numbers of clients are sanctioned and that they place more participants in 'interim' outcomes, such as education (DEWR, 2006, p. 31; Thomas, 2007, p. 27).

The most contentious relationship with DEWR concerned the imposition of sanctions, with the dilemma of non-profits increasing as participation requirements were more rigorously enforced. Non-profits lobbied against such changes and sought to mitigate their effects. For one commentator, this meant non-profit involvement became a 'trojan horse' and their criticism of and resistance to sanctions weakened the implementation of government policy. Many of these providers were now reliant on JN funding to support their other activities but their continued involvement in delivery undermined 'the compliance regime at the same time as they compromise[d] their own principles' (Saunders, 2008, p. 29).

Another serious, if less tangible, consequence of involvement in a competitive market has been a perceived negative impact on high levels of collaboration and co-operation that previously characterised relationships between non-profits delivering such services (Eardley, 2003).

'A fresh approach': the Labor Government's new employment services model

In November 2007, Labor defeated the Coalition parties. The new Government was committed to a review of the JN and to an expansion of training opportunities. In May 2008, it outlined its reform proposals for the employment services system to commence in 2009 (DEEWR, 2008).

Centrelink will use a revised JSCI to categorise service users into one of four 'streams' (see Appendix 3 for more detail). Each service user will develop an Employment Pathway Plan with their provider and a new more flexible Employment Pathway Fund will replace the JSKA. The level of resources for each participant, and outcome incentive for providers, will increase in relation to the stream to which they are referred. On completion of a stream, after 12 or 18 months, the user may be reassessed and moved to another stream, or required to participate in WftD or another work experience activity. Skills assessments and referral to training programmes are a new element of proposed provision. If participants are referred to accredited training and complete it, JN members will be paid a 20 per cent bonus for placing them into subsequent employment.

The new system seeks to improve the position of service users by giving them greater involvement in the design of their 'pathway to employment' and by allowing them to change provider during a 'cooling off period'. The Government is considering ways of incorporating user feedback into the performance management system.

Outcome payments will be weighted to better reward those providers who directly source vacancies from employers. The intention is to reduce the possibility for providers to maintain viability largely on the basis of service fees and the outcomes from participants who find their own employment. Providers will be required to set out their strategies to engage with and assist employers, especially smaller ones. There will be only one reallocation of business over the lifetime of the contract.

The new system will integrate seven funding streams, which were previously contracted

separately, saving an anticipated A\$350 million. All providers will, on their own or in partnership, be required to provide all four streams and access to work experience. A new Charter of Contract Management will be developed, performance management simplified, administrative burdens reduced, the IT system re-engineered and the star rating system reviewed. Many of the details are subject to further consultation.

Other proposals signal an ambition to secure greater integration between the JN and other forms of service provision. These include additional funding for 'employment brokers' who will create closer co-ordination between JN members, training providers and individual employers. An 'innovation fund' will support employment-focused partnership projects targeted at highly disadvantaged jobseekers in deprived areas.

Conclusion

The creation of the JN illustrates strengths and weaknesses of using market mechanisms to deliver employment services. DEWR created a viable network comprised of for-profit and non-profit providers. The evidence suggests the JN delivers more outcomes for half the cost of the previous system. In this process, competition between providers and the outcome-related funding system has stimulated some innovation, and focused providers and their case managers

on entry into sustained employment rather than on inputs and programme commencements.

As the system evolved, however, problems emerged with parking and creaming and the behaviour of some providers who used their flexibility to manipulate the incentive system. As the system was adapted to minimise these negative consequences and meet new objectives, further problems emerged. Flexibility was reduced by greater administrative and compliance demands, and transaction costs increased. Micro-regulation of providers, relative star ratings and the fall in value of fee and outcome payments drive providers to focus on the most 'job ready' and avoid more expensive but potentially longer-term solutions, such as vocational training. Jobseekers became largely passive recipients of JN services and unemployed people appeared to get little direct benefit from the competitive part of the system.

The new Government accepts that the existing JN model is complex and 'rigid', and that existing incentives 'skew' provider behaviour towards short-term jobs. The proposed reforms seek to reshape the market to resolve these issues and meet new objectives, many of which are driven by the new Government's ambition to increase the skills base of the Australian workforce. It will be interesting to review how well the reformed JN delivers following the implementation of the new arrangements in 2009.

2 The reintegration market in the Netherlands

The Netherlands has two distinct systems of income support for working age people (see Appendix 4 for a description of the main working age benefits). An insurance system, funded mainly by employee and employer contributions, covers most people in regular employment. This provides relatively generous wage-related benefits to people who cannot work either because they are unemployed or because they have a long-term health problem or disability. A parallel municipal social assistance system provides a 'safety net' of means-tested income support for those who do not qualify for, or who exhaust, their insurance-based entitlements.

The Netherlands has been reforming its social insurance and assistance systems since the late 1980s. The early stages of welfare reform coincided with economic recovery. Labour market participation increased from 60 per cent in 1983 to more than 70 per cent in 1998 and there was frequent reference to a Dutch 'employment miracle' (Visser and Hemerijck, 1997). Relative success disguised the emergence of significant problems including a marked increase in the number of people claiming disability benefits – reaching nearly a million by 2001; high rates of youth unemployment; persistent long-term unemployment; and more working age people claiming means-tested social assistance benefits.

Welfare reform efforts intensified after the late 1990s with successive changes in disability benefit entitlements and assessments, and reforms targeted at the unemployed and those claiming social assistance. There was major institutional change culminating in 2002 in the creation of the 'reintegration market' where municipalities and the social insurance agency (UWV) purchase reintegration services from private providers. The central Ministry of Social Affairs and Employment (SZW) does not act as a purchaser. Its aim has been to give the market 'as much freedom as possible' and keep government intervention 'to a minimum' (SZW, 2005, p. 54).

'Reintegration' services are targeted at all benefit claimants subject to activation requirements, including those on disability benefits and lone parents. These services encompass case management, assessment, rehabilitation, vocational and/or jobsearch training, mandatory work experience, extended work trials, and job placement and retention services. In the market, the service packages are often organised and purchased as 'trajectories'. Participants are assigned to more or less intensive trajectories on the basis of a profiling system that assesses relative distance from the labour market. When a municipality or agency purchases what is called a full 'reintegration trajectory', this includes contracting out the case management service. Alternatively, in-house case managers in the UWV or municipalities may purchase individual service components as required.

The institutional framework of the reintegration market: the 'chain of work and income'

The character of the Dutch reintegration market was developed through a sequence of reforms that culminated in the SUWI (Implementation Structure for Work and Income Act [2001]). The Act was designed to focus the system on 'work before income' and to provide a clear implementation structure through the 'chain of work and income'. The legislation requires the relevant institutions to co-operate in promoting the reintegration of service users.

Until the 1990s, benefits and employment assistance were delivered separately through a network of social insurance bodies, municipalities and the public employment service (PES). The Ministry funded PES employment programmes aimed at different target groups of benefit recipients with separate regulations and reporting requirements. Municipalities were funded to deliver

sheltered workshops and some job creation programmes.

In the mid-1990s, the Government began to restructure the system ‘from sharing to earning’. Insurance funds and municipalities were given control of the budget for reintegration services, but were obliged to source 80 per cent of these services from the PES. New private operators had started to deliver some municipal programmes and the 20 per cent flexibility saw further growth. Some municipalities restructured their own delivery agencies, often involving the formation of separate non-profit entities (Sol and Hoogtanders, 2005).

The emergence of a growing sector of private temporary agencies in the regular market and the relative flexibility and success of the private reintegration providers was contrasted with the expense, inflexibility and poorer results of the PES (Vink, 2002). Political pressure increased as purchasers sought more freedom and as private providers complained about unfair competition. In 2000, the PES was obliged to establish a clear internal division of responsibility for services and the obligation to purchase services from the PES was removed. This resulted in ‘a painful loss of market share’ for the PES (Sol, 2003, p. 208).

The other major delivery division of the PES, with responsibility for the nationwide network of front-line offices, was involved in a parallel reform process. The objective was to create a ‘one

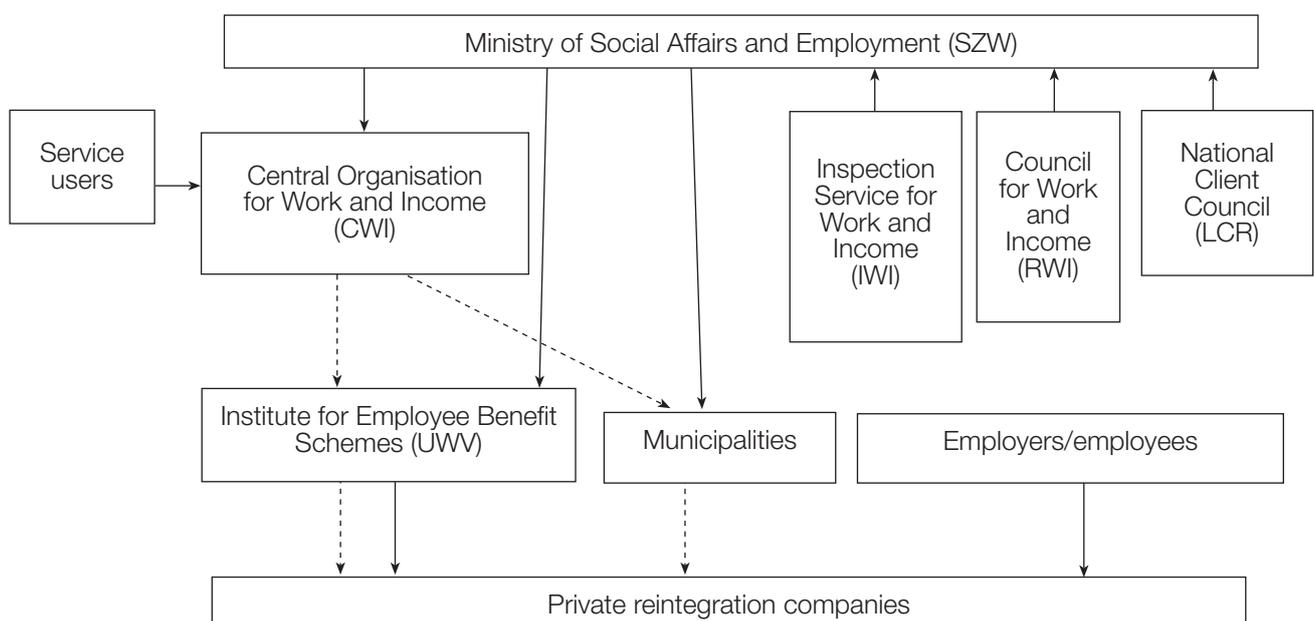
counter system’ comprised of a national network of ‘centres for work and income’ by the year 2000. These centres were to provide the platform for greater co-ordination and partnership working between the different components of the system.

In this context, the SUWI Act (2001) created new ‘autonomous administrative bodies’, somewhat similar to British executive agencies, which, with the municipalities, were to comprise the ‘chain of work and income’ (see Figure 1). The new bodies were the Central Organisation for Work and Income (CWI) and the Institute for Employee Benefit Schemes (UWV). Both are controlled by a board of directors appointed by the Minister with no direct role for the social partners. Initially, the legislation required the insurance funds and municipalities to contract out their reintegration programmes, but, in 2006, municipalities were given autonomy in deciding whether to ‘make or buy’ such services.

The CWI and UWV

The SUWI legislation privatised PES reintegration and training services. The Government was the major shareholder of the new companies but the ambition was to secure a full market transition. The CWI took over the PES office network and was responsible for the management and co-ordination of labour exchange services. The CWI had no

Figure 1: Service users and the Netherlands ‘chain of work and income’



budget with which to purchase reintegration services.

The UWV co-ordinates and administers employee social insurance funds for sickness, disability and unemployment benefits. UWV staff assess the eligibility of applicants, administer insurance benefits and refer eligible claimants to reintegration services. The agency initially purchased reintegration services through conventional contracts. It issued tenders and entered contracts with reintegration providers, supervised their delivery and published the raw performance data on the companies with which it contracts (Schils, 2007).

In 2006, the Work and Income Employment Capacity Act radically reshaped the role of the UWV. Employers are now obliged to pay the wages of any sick or disabled employees for two years and are responsible for the reintegration of such employees within their company or in other employment (the 'gatekeeper' law). If the UWV finds that the employer has failed to discharge their reintegration responsibility, they may be required to continue paying the employee's salary for a further year (OECD, 2007, p. 21). One aim of the legislation has been to stimulate a private market for reintegration services, purchased directly by employers or the private insurance companies with which they work. The consequence for the UWV has been a reduction of claimants entering the disability system from 100,000 to 20,000 a year (SZW, 2007, p. 52).

A further organisational change was announced towards the end of 2007. The UWV and CWI are to be merged in January 2009, integrating the delivery of employment services and social insurance benefits. The merger is accompanied by a budget reduction of €200 million to be realised by the end of a three-year process, with the loss of approximately 1,500 out of 21,000 jobs (EEO, 2008). The changes are likely to induce turbulence in the quality of service delivery and impact on relationships with the municipalities.

The municipalities

The municipalities, of which there are over 450, make up the final link of the 'chain of work and income'. They deliver social assistance through their social services departments and case

managers carry out assessments and channel eligible participants into employment assistance. The SUWI legislation required municipalities to move towards contracting out up to 70 per cent of their reintegration services and to introduce open tendering procedures.

The Work and Income Act (2003) introduced a new funding system. The Fund for Work and Income has two components. The 'income fund' pays for means-tested assistance and is determined on the basis of economic and social indicators. A separate flexible 'work fund' is designed to pay for employment or reintegration services and can be used only to pay for such services. Any surplus in the 'work fund' is returned to the Ministry. By contrast, if the municipality pays less than it is allocated in the 'income fund', it can use the surplus as it sees fit. The risk is that, if it overspends on benefits, it has to subsidise these payments from its own resources. The municipality thus has a powerful incentive to reduce the number of people claiming social assistance and many have done so through the introduction of what are called 'work first' programmes. In 2006, the total central government allocation for 'income' amounted to €4.3 billion; the total allocated to 'work' was €1.7 billion (SZW, 2005, p. 46).

In effect, municipalities act as 'prime contractors' and with devolved budgets are expected to manage local supply chains, provide employment services and purchase 'trajectories' from private companies.

The role of the Ministry

The Ministry's overarching responsibilities are to increase the employment rate and to ensure that the labour market is functioning effectively (Morrell and Branosky, 2005). It is responsible for policy development, funding social security benefits and reintegration services and sustaining a 'properly functioning reintegration market'. It sets the contracting framework, monitors trends and scrutinises the market to ensure it meets legislative objectives including, among other things, sufficient competition, transparency and open tender procedures.

The Ministry directs the system through a national framework of policy objectives, annual performance targets and reviews. The annual

cycle of policy direction from the Ministry and feedback from the funding bodies and services on the ground is referred to as the '4R-model' (SZW, 2005).

A major source of insight into the system is provided by the Inspection Service for Work and Income (IWI). IWI is responsible for supervising the effective, efficient and legal spending of public funds. It undertakes regular assessments and more detailed investigations, the results of which are presented to Parliament and made public.

Another source of insight is provided by the Council for Work and Income (RWI). This advisory body is the only platform for the social partners, who each, with municipalities, have five representatives on the council. The RWI makes recommendations to the Minister on the design and delivery of the system and, through its full-time secretariat, can undertake some independent research and analysis.

The voice of users

The SUWI legislation was motivated by concerns over efficiency and effectiveness, but legislators were concerned also to protect the interests of users. One important principle was that services should be tailored to the user's needs and the participant should have 'freedom of choice', subject to the objective of moving into employment (SZW, 2003). In particular, there was provision that users should be actively engaged in the analysis of the barriers they faced and that their opinion should be sought on important issues, such as the selection of a reintegration agency.

All of the organisations and providers in the 'chain of work and income' are required also to respect user privacy and confidentiality, and to act on complaints. The agencies, and most providers, undertake customer satisfaction surveys, although the practice appears less common in the municipalities.

The CWI and UWV had to establish regional and national client councils. These feed into a National Client Council, which represents the voice of service users, engages in dialogue with the Minister and the other bodies, and can play a challenge role. The councils are composed of service users or representatives nominated by advocacy and user organisations. While they

give a voice to users, the formal role is of a junior, reflected in the fact that the National Council has only one full-time staff member located in the same building as the RWI but with no seat on the more powerful Advisory Council.

Service users have a well developed right of administrative appeal within the insurance-based and social services system and, if unsuccessful, they can appeal to a judge. In these circumstances, they may have access to free legal aid and to a social council that will provide advice and support. Service users who cannot resolve other issues directly with the main agencies or reintegration companies can make representations through the Client Councils or through their elected representatives. In a case of maladministration, they may have recourse to an independent ombudsman who can investigate public sector bodies but has no jurisdiction over private reintegration companies.

Transparency in the reintegration market

While central government adopted a 'hands-off' approach to market development, there were concerns about the absence of information that could inform purchasers and users about the quality and performance of providers. In the absence of a public benchmark, the association of providers, Borea, developed its own 'quality mark' (keurmerk) for its affiliated companies. Borea was created in 2000 and by 2007, when it became Boaborea, had 150 member companies responsible for delivering more than half of the market.

The quality benchmark was launched in 2002. It comprises 13 performance indicators related to efficiency and speed in organising services, results, staff competences and development, customer satisfaction, privacy and complaint handling (Morrell and Branosky, 2005, pp. 96–7). The results are independently audited for each company twice a year. Any company failing on an indicator has to put an improvement plan in place and a second failure results in withdrawal of the quality mark. The quality mark became influential in contract-awarding processes but was not officially endorsed.

In the wake of continuing criticism, the SZW Minister encouraged the formation of a new foundation, established in 2005, which brought together the relevant organisations, including Boaborea and the Client Council, and was chaired and supported by the RWI. The foundation is charged with increasing insight into the quality and performance of the market and for developing another quality mark, building on the work of Boaborea, and publishing regular results.

The service user journey in the chain of work and income

Unemployed people must register for work with the CWI before claiming benefit from UWV or a municipality. About half of the CWI offices share premises with both the UWV and a municipality. Other offices have UWV services available on site but the municipality delivers its services from a different location. When the CWI and UWV are merged in 2009, there will be office rationalisation. Larger regional offices will offer a 'full service' with municipal involvement and smaller offices will offer a more basic service.

The CWI operates a 'work before income' strategy and service users are expected to focus their initial attention on finding work, with or without the help of CWI staff. All jobseekers may use self-service facilities at the CWI or over the internet, which provides a virtual labour market that is used by employers and temporary work agencies. The CWI remains responsible for assisting and monitoring the jobsearch activities of the most employable service users for the first six months of unemployment.

Front-line CWI staff undertake a formal assessment of the claimant before a claim for benefit. The assessment includes use of a profiling instrument to judge level of disadvantage and appropriate support. The original 'four-phase' classification model, the 'Kansmeter', allocated users into four phases, with phase 1 being closest to the labour market. Each category indicated the speed at which users would be referred to the UWV or municipality and signalled the type and cost of employment support for which they would be eligible. After implementation, the model was criticised for its poor predictive powers, often

caused by key factors not being identified at the CWI assessment. The purchasing agencies and their providers often would have to undertake their own subsequent assessments.

By 2007, the 'Kansmeter' had been replaced by a simpler two-phase system based on the capacity for independent jobsearch. Those users categorised as 'A' were 'immediately employable' and those classified as 'B' were in 'need of further preparation for work' and referral to UWV or the municipality. This was designed to avoid immediate categorisation and give more flexibility to an adviser to reassess a user if they encountered barriers in their search for work.

The UWV and municipalities pay benefits and provide reintegration services. After 12 months' unemployment, or six months in the case of people aged under 25, both agencies were responsible for delivering a reintegration service as part of a 'comprehensive approach' (OECD, 2006). The level and intensity of any reintegration activity is determined by either a municipal case manager or a UWV official.

After the SUWI reforms, there were criticisms of the lack of flexibility for participants and the poor quality of reintegration support provided by UWV staff. The organisation had introduced case managers in 2002 but they had little capacity to tailor reintegration services outside of the contracts agreed with providers. The pressure for more flexibility culminated in 2005 with the introduction of 'reintegration coaches', empowered to design and provide more tailored support, and to purchase group or individual service elements outside of the regular contracts. About 600 reintegration coaches were operating by 2007 (Desczka, 2007a).

The reintegration coach is usually located in the CWI office and has more flexibility in deciding what support to make available. This will normally include the use of formal assessment systems followed by an action plan, which the user undertakes to follow and which indicates the services the coach has agreed to provide. This may consist of selected service options, such as a work trial, or complete reintegration trajectories, both of which will be purchased from the private sector. During this process a user may seek to opt for an Individual Reintegration Agreement (IRO).

After entering reintegration services, the participant is expected to attend as required, which may be for several hours a day on most, and sometimes all, days of the week. In the case of a full trajectory, the provider is likely to focus initially on assessing need, improving basic skills and confidence, and support with jobsearch techniques. Subsequently, there may be periods of short-term or temporary employment or voluntary work, language training or even more formal skills enhancement through occupational training. These preparatory activities will be followed by more intensive jobsearch and placement support. The average duration of such trajectories is about a year.

During the trajectory, the reintegration coach will be sent reports and is expected to monitor progress and make any necessary adjustments after discussion with the user. If the user is thought not to be engaging with the process, they may be sanctioned by the coach and their benefit reduced until compliance is secured. They will be sanctioned also for non-attendance. Typically, this will involve a 10 per cent or 20 per cent benefit reduction for a specified period, the length determined by the nature of the non-compliance and whether earlier sanctions have been imposed.

The transfer of an individual from the CWI to a municipal case manager may happen immediately or within the first year depending on local policies (Desczka, 2007b). Municipal case managers have discretion about the type of employment assistance or reintegration services they provide. They also have the power to impose sanctions for non-attendance or compliance with requirements. Reintegration services available vary widely and may include referral to full reintegration trajectories, individual service elements, subsidised employment, social activation or, for some, placement in sheltered workshops.

Chain management and 'joined up' service delivery

One of the aims of the new system was for CWI, UWV and the municipalities to 'join up' service delivery. The ambition was to create shared offices, to encourage 'warm handovers' and to develop common IT systems. The delivery organisations work together through service level agreements

and joint performance indicators.

The process of organisational change that followed SUWI encountered implementation problems, especially in co-ordinating information flows and the 'handover' of service users between the respective parts of the delivery chain. The creation of 'shared premises' proceeded more slowly than anticipated, as did the development of common IT systems. The respective organisations were focused initially on internal changes and the redesign of work processes. There was also tension between them. One analysis suggests implementation problems were exacerbated by 'distrust'. As 'a result the question of who was responsible for what seemed to be more important than aspects of the information exchange or the infrastructure itself' (Bekkers *et al.*, 2006, p. 95). The system was characterised by a 'high density of all kinds of consultation structures on the political-administrative, operational and information management level' (Bekkers *et al.*, 2006, p. 97). Further organisational turbulence is expected after the CWI and UWV are merged in January 2009.

The reintegration market

There are three separate types of purchaser in the Netherlands market. The largest single purchaser is the UWV, which procures services for the unemployed and those on disability benefits. Municipalities 'make or buy' reintegration services for social assistance claimants and fund subsidised employment and sheltered workshops. Employers and their private insurers procure rehabilitation and occupational health services and, following the 2006 legislative changes, directly purchase reintegration services.

The composition of public expenditure on purchasing employment services has responded to policy change. Table 6 illustrates that the overall budget declined between 2002 and 2005, from €2.2 billion to €1.89 billion. UWV spending on reintegration increased slightly in response to increased unemployment. The most significant change was the reduction in the municipal budget for subsidised employment and the increase in the amount allocated to reintegration services. There is no clear breakdown of the proportion of the reintegration budget contracted out to private providers.

Table 6: Netherlands public expenditure on employment services, 2002–05

	2002 (€m)	2005 (€m)
<i>Total UWV reintegration</i>	270	279
Disabled	222	199
Unemployed	48	80
<i>Total municipalities</i>	1,958	1,611
Subsidised employment	1,525	841
Reintegration trajectories	433	770
<i>Total employment services</i>	2,228	1,890
Of which reintegration/matching	703	1,049

Source: Sol (2006).

One estimate suggests that, between 2002 and 2006, about 150,000 people participated in reintegration services each year. The majority, 60 per cent, were handled by the municipalities, with the UWV providing contracted out services for the unemployed and those on disability benefits (Sol, 2008, p. 76).

Reintegration companies vary in size and composition. A detailed analysis from 2004 reported that there were 663 providers, of which 232 provided reintegration services, 373 provided medical interventions and 58 were training institutions. Many were small, with 60 per cent employing less than ten staff; nearly a quarter employed less than a hundred; and less than one in five had more than a hundred employees. Of the 232 reintegration service providers, only 47 had contracts with the UWV. At that time, ten reintegration providers were responsible for 75 per cent of UWV reintegration programmes (OECD, 2006, para. 114).

The larger organisations are often involved in both national and multiple local contracts, and some deliver similar employment services in other countries.¹ They include several private recruitment agencies, the ‘reinvented’ delivery arms of older social insurance agencies and for-profit companies that have developed within the market (de Koning, 2007). These organisations may act also as subcontractors for each other. Klijq NV, the privatised arm of the PES, initially was a major provider with 2,000 employees. It struggled in the new market and failed to attain the 50 per

cent market share it anticipated. By 2003, it was in financial difficulty and, in 2005, it was declared bankrupt (Europa, 2006).

Municipalities often contract with local organisations from the non-profit sector, although for-profit companies will deliver reintegration contracts for the larger municipalities. The non-profit sector is composed of organisations created by municipalities to deliver programmes, especially subsidised employment and sheltered workshops. There is little direct involvement from the type of voluntary and third-sector organisations that play a more important role in Australia and the UK.

The UWV market: from tenders to IROs

The UWV has been at the forefront of developing the reintegration market. During the 1990s, social insurance agencies began to contract with private providers but the first major tender was issued in 2000. Subsequently the UWV, the largest sole purchaser, organised seven ‘tender rounds’ between 2002 and 2007, with the annual number of trajectories involved falling from the 60,000 purchased in each of the first two years to some 40,000 by 2006. Each tender invited providers to submit bids to deliver batches of trajectories and services targeted at particular client groups, sectors and regions.

The UWV continuously adapted the way in which it designed tenders and managed contracts. The initial tenders, for example, incurred high

transaction costs for both the UWV and providers, and problems were experienced in producing and assessing high numbers of submitted tenders in short periods (Sol, 2003, p. 212). Subsequent changes sought to reduce administrative burdens, create more stability and increase the emphasis on 'pay for performance'.

Throughout the period, there were some common elements in how tenders were awarded and delivered. When bidding for a contract, a provider must indicate the average costs for a trajectory and the proportion of participants they will get into sustained employment, with minimum job placement rates specified by the purchaser. The UWV has not stipulated 'floor prices' or fee levels, as happened in Australia. The bidder makes their own judgements about the costs of trajectories and the performance levels they would attain and the purchaser has then been able to decide which bid they would choose.

Bids are assessed by UWV staff on a combination of criteria, in particular quality of provision, placement percentage offered, anticipated drop-out rates, price and past performance (OECD, 2006). These latter two indicators assumed growing importance as costs increased and providers developed 'track records'. Many argue that priority was given to the lowest price bidders, rather than decisions being made on quality, which resulted in cost pressures on service quality (Struyven and Steurs, 2005; Sol, 2008).

Contracts were typically awarded for one year until 2004 when the UWV awarded two-year contracts for some target groups and introduced the possibility of contract extensions for high-performing providers. These changes covered about a third of the trajectories put out to tender.

A UWV contract does not guarantee a minimum number of referrals for a provider. Actual recruitment has depended on the discretion of the UWV case manager and, to some extent, the choice of the service user. This acts as a safeguard against 'creaming'. In certain circumstances, the provider can refer the service user back to the UWV if the individual has been wrongly assessed or is judged unsuitable, but it has been rare for them to refuse to enrol a participant (Struyven and Steurs, 2005).

A successful contractor is responsible for the complete management of the reintegration

process. Although they have considerable freedom to design services, they must meet minimum requirements. The most important for the service user is the production of an individual action plan that must be agreed by UWV. The action plan includes a diagnosis of the participant's circumstances, the intensive employment activity they will be placed in and when this will commence. The provider has eight weeks within which to produce the plan with the service user. The intensive activities may consist of a wide range of single or combined options including unpaid work experience, language training, intensive jobsearch and occupational training. Individual elements may be delivered by subcontractors. The provider is expected to deliver jobsearch support and, when an individual gets employment, up to six months' post-job-placement support.

Once the contract has commenced, the provider can recruit a participant for up to a year and delivery of a complete trajectory may take up to two years. One consequence has been that overall job placement results from particular contracts may not be known for up to three years from the point of commencement.

The primary aim of UWV contracts has been to reward providers for placing participants in sustained employment. In the first phase of contracts, the key principle was that of 'no cure, less pay', which meant that the provider would not recover the full anticipated cost of the trajectory they had given in their bid unless they placed someone into a sustained employment outcome. The job entry fee is paid usually after two months in employment where the participant has a minimum six-month job contract and the payment may be higher for an indefinite contract (Struyven and Steurs, 2005). In the early period, there was a separate budget for vocational training that could be claimed outside of the contract. This budget was subsequently removed and training was available only at the discretion of the provider.

Other contract clauses were designed to provide incentives that encouraged providers to exceed the job entry rates they committed to, and to do so quickly. These incentives vary with the barriers faced by particular client groups.

After 2003, greater emphasis was placed on 'payment by results' with the introduction of 'no cure, no pay' contracts for the relatively easy

to place. In 2004 this applied to about 40 per cent of the trajectories contracted for. The other trajectories continued to pay for services delivered and outcomes secured. Between 10 and 20 per cent of the price would be paid on completion of the action plan, a fixed payment of about 40 per cent six months after commencement and another 40 or 50 per cent after placement in a job for two months, with a minimum six-month contract (Sol, 2008, p. 77).

The increased emphasis on performance funding was designed to secure faster placement into employment and was, in part, a response to the increased costs of trajectories. One estimate suggests that, between 1998 and 2002, the average cost per contracted trajectory increased from €3,500 under the former PES to €4,700, but had then fallen to between €2,500 and €3,000 by 2007.²

The changes to the payment system helped drive down prices but reinforced criticisms of the contracting system. Boaborea, the RWI, the Client Council and others argued that the focus on short-term results to secure outcome payments had a negative impact on the quality of trajectories, with providers removing costly service elements, especially longer-term training (de Koning, 2007). In response to parliamentary pressure, the Government and UWV reintroduced an additional training budget in 2004.

UWV contracts have been designed to promote competition and reduce potential barriers to entry for new providers and portions of the budget in several tenders have been variously reserved for local providers, new entrants or innovative projects. Nevertheless, by 2004, provision was dominated by larger providers delivering standardised services and few new entrants were bidding in response to tenders (Morrell and Branosky, 2005). By that stage only 4 per cent of UWV provision was delivered by non-profits, which tended to be specialised organisations working with people on disability benefits (Sol, 2008, p. 75). Larger providers were better placed to absorb the high transaction costs involved in such a fragmented and volatile system. They enjoyed economies of scale, professional bid writing and administrative teams, and the accumulating advantages of incumbency and verifiable achievements in delivering contracts.

Individual Reintegration Agreements (IROs) and the 'purchase framework'

During the passage of the SUWI Act (2001), parliamentary representatives had pushed hard to ensure that the service user was placed at the heart of the reintegration process. As the UWV market developed, it became clear that, instead of client-focused innovation and specialisation, the tender system had induced a convergence towards standardised services. A 2004 report from IWI found also that 90 per cent of service users surveyed wanted a choice of trajectory, but only half of participants reported having some influence on the choice of provider. Nearly 80 per cent of those who reported exercising no choice would have preferred one. The report revealed also that the low cost of provision prevented individualisation and forced providers towards 'group reintegration'.³

In response to growing criticism, the UWV introduced IROs from January 2004. These allowed eligible service users to negotiate an individual plan with a provider of their choice, subject to agreement with the UWV, which subsequently enters a contract with the provider. The National Client Council played a major role in lobbying for IROs and for the introduction of a network of independent advisers now located in many CWI and 'shared premises' locations. The service user can now access advice on available providers from both the reintegration coach and the independent adviser, who has no role in decisions about the final plan or about benefits. The service user is encouraged to select the services that will best help them obtain a job and the provider has more freedom to personalise the services offered.

An IRO trajectory can last for up to two years and the normal maximum price is €5,000. For users with more significant barriers, the price may be up to €7,500 and, in exceptional circumstances, the UWV may increase this limit. The contract offers a 'no cure, less pay' funding formula and the provider is paid 20 per cent at the start of an agreed plan, 30 per cent after six months participation with 50 per cent of the agreed fee only paid if the participant enters

sustained employment. This formula may be varied with higher service fees for those most difficult to place.

The individual budget was more popular than expected and within months more users were opting for IROs than were participating in tendered trajectories. By the end of 2006, IROs accounted for some 30,000 of the 45,000 trajectories agreed that year and have since stabilised at about 60 per cent of agreed trajectories (Sol, 2008, p. 74). The IRO led also to an influx of much smaller providers and the number of companies that UWV contracted with increased rapidly from less than 100 in 2003 to 2,400 by 2007.⁴ About 1,900 of these delivered IROs only and some 1,600 were 'micro-providers' who might be servicing only five or ten participants. The provider registration requirements were minimal and there was concern about the quality of provision. The rapid increase in IROs also undermined the tender system. Larger providers who had incurred the costs of securing tenders saw recruitment fall and began to re-engineer their processes to deliver IROs.

These developments led to a major overhaul of the UWV contracting system with the introduction in April 2008 of a 'purchase framework' for procuring modular reintegration services and IRO purchased integrated service packages (trajectories). Price competition and the tender system have been abandoned. The UWV now determines prices and providers have to meet specified process and performance requirements to be placed on a UWV 'approved list'. Many service users continue to have an IRO option through the mediation of a reintegration coach. Many of the less disadvantaged unemployed will not have access to an IRO but it continues to be the main reintegration route for those on disability benefits or those with complex barriers.

The municipal market: reintegration services and 'work first'

The 'market' for municipal reintegration services and employment programmes reflects local conditions and caseloads. The municipalities of Amsterdam, Rotterdam, The Hague and Utrecht have the largest budgets and more diverse case loads and supply chains. Many of the smaller municipalities are likely to purchase from a

sole provider, or to join together to provide and purchase relevant employment services, or to purchase them from larger municipalities or their related agencies.

During the 1990s, municipalities increased the number of reintegration trajectories they purchased, especially after the transfer of PES funds, but the major part of their employment assistance budgets were absorbed by relatively high cost public and voluntary sector subsidised jobs for the most disadvantaged. Some of the employees in these subsidised jobs enjoyed permanent contracts. There were few incentives for either participants or providers to use subsidised jobs as a transition to regular employment. Municipalities have been responsible also for separately funded sheltered workshops organised for priority groups on different disability benefits. By 2002, it was estimated that there were 80,000 subsidised jobs and 90,000 users employed in workshops, costing some €3 billion annually (Vink, 2002, p.5). From the mid-1990s, the municipalities also introduced less costly 'social activation' programmes for the hardest to help aimed at promoting inclusion through various forms of unpaid community work (van Berkel, 2006).

Many of these employment programmes were delivered through special purpose non-profit agencies created by the municipalities. The status of these organisations as 'preferred suppliers' was, as with the PES, undermined by the SUWI requirement that municipalities contract out 70 per cent of their reintegration services and secure 'value for money' using transparent and verifiable tender procedures (SZW, 2005, p. 46). The non-profit sector declined too as the budget for subsidised jobs was reduced and as the focus of sheltered workshops shifted to acting as a 'springboard' to the regular labour market (van Berkel, 2006). In Amsterdam, for example, the share of reintegration expenditure delivered by non-profits fell from nearly 80 per cent in 1998 to 15 per cent in 2003, while that of for-profit organisations increased from just over 20 per cent to over 80 per cent (Sol and Hoogtanders, 2005).

After the SUWI legislation, municipalities enjoyed considerable freedom in designing their procurement strategies and, while influenced by UWV developments, followed no common

framework for contracting out services. Each developed its own tender process, procedures and contract requirements (Vink, 2003). Some purchased whole trajectories; others simply purchased individual service elements. There was a trend to performance-related contracting. In 2004, it was reported that over 70 per cent of the municipalities had introduced some element of 'no cure, less pay' contracting. Only 7 per cent of municipalities, however, made use of 'no cure, no pay' (SZW, 2005, p. 47).

This diversity of approach reflected in part local labour market conditions and the characteristics of the resident social assistance recipients. It reflected also bureaucratic capacity and the availability of local agencies, whether private or linked to the municipality, to implement programmes. Municipalities varied greatly in their administrative capacity to design tenders, assess bids and monitor effective delivery. Many took a highly cautious and prescriptive approach, and both they and the reintegration companies complained of the high transaction costs involved. An official evaluation of SUWI found that, in some circumstances, the bureaucratic character of the process and the unrealistic, sometimes unreasonable, expectations of municipalities were 'obstructing' market forces (SZW, 2005, p. 57). As with the UWV, municipalities have recently sought stability in provision either by awarding longer-duration contracts or by awarding extensions to existing contracts subject to performance.

Variations in approach were not simply the product of implementation conditions or the characteristics of social assistance populations but also reflected local policy priorities and the varied ways in which the political majorities in local councils analysed the problem to be tackled and the solutions to be implemented.

The evolution of the municipal market overlapped with the Work and Income Act (2004) that introduced the new 'block grant' funding system. The legislation removed many budgetary constraints on municipalities, including the requirement to provide reintegration services to all social assistance beneficiaries after a year. It was assumed that the new funding mechanism would drive the municipalities to activate recipients.

Subsequently, the municipalities were successful in persuading the Government to

remove the requirement that they contract out 70 per cent of reintegration services. From 2006, they have been able to decide which parts of their local provision they wish 'to make or buy' either through in-house provision or through contracts with external providers. Reports from the RWI indicate that many municipalities have brought case management and initial assessment back in house and no longer contract out full trajectories. In common with the UWV, the municipalities still contract out reintegration services but have developed a 'modular buying strategy' where they purchase shorter-duration interventions whose results are easier to monitor and measure (Corra and Plantinga, 2008).

'Work first' and 'workfare' in the municipalities

By 2006, 85 per cent of municipalities were developing what they described as 'work first' approaches (van Geuns and van Gent, 2007). These local strategies developed largely independently of each other and evolved through experience, with 'policy innovation' being 'generally a process of trial and error' (Bunt *et al.*, 2008, p. 20).

Despite local variation in 'work first' strategies, their common feature is the requirement that most social assistance recipients must be engaged in work or work-related activities immediately after they claim social assistance. Failure to comply results in sanctions or benefit withdrawal.

'Work first' interventions stress rapid job placement and are likely to include intensive supervision, short-term mandatory work, integrated services, case manager support, a time limit to activities and follow-up after job placement. Providers will have strong outcome incentives. These 'work first' components are of short duration and relatively cheap. One study estimated they cost between €1,300 and €1,900 per participant (cited in Bunt *et al.*, 2008, p. 28).

These are supplemented often by mandatory work experience or 'workfare' for those harder to place in regular jobs. These may be delivered by non-profit or for-profit organisations. Contracts will reimburse more of the direct costs in fees, but with some outcome payments. In some municipalities, participants work in return for their benefit

payments, others may be paid the minimum wage. The objective is both to deter those who could get regular work and to inculcate basic employability skills, such as timekeeping, adapting to work routines and so on. There is also likely to be some assistance with jobsearch and placement. According to municipalities, these mandatory employment services serve two different goals. They both minimise demands on social assistance through deterrence and maximise the outflow into work through employment assistance (Sol *et al.*, 2007).

All participants in reintegration and work programmes may receive additional support to remove barriers (such as debt counselling, childcare, transport, etc.). There is little provision of occupational training, which is made available only when linked to a definite vacancy (Bunt *et al.*, 2008).

There appears to be significant variation in service user 'voice and choice' across municipalities. Some municipalities have 'client councils' but only a few are experimenting with their own version of an IRO (van Geuns and van Gent, 2007). In many areas there may be little real choice, given the small scale of provision. In others choice may be excluded by policy design. In Rotterdam, for example, four reintegration providers have a monopoly of provision in each quarter of the city. One study suggested that service user action plans had little flexibility and there was 'little actual negotiation between clients and service providers' and that 'clients have little power to ensure their needs, wishes and ambitions are taken seriously in the activation process' (van Berkel, 2006, p. 29). There is no 'readily available information on client satisfaction' (Desczka, 2007b, p. 22).

Evaluations of the reintegration market

The SZW submits progress reports on the SUWI reforms and other legislation to Parliament several times a year. These cover general trends in employment and benefit populations, the gross outcomes of programmes and UWV tenders, but focus mostly on implementation processes and the extent to which the principle of 'work before

income' has been realised. One such report from 2006 suggested that, while the fundamental architecture of SUWI had been put in place, there were a variety of problems around co-operation and information exchange within the delivery chain (cited by Desczka, 2007a). Another report in 2005 expressed concern that the 'client focus' intended by the legislation was not being realised, given results from customer satisfaction surveys and complaints procedures. Progress had been made but the 'client is still insufficiently central to the provision of services' (SZW, 2005, p. 86).

The striking characteristic of the Dutch Government's approach is that it has undertaken few systematic evaluations into the net impacts of the reforms. One analyst found 'very few attempts' made to measure the impacts of SUWI (de Koning, 2007, p. 247). The reluctance of the Government to undertake such evaluations has been criticised by the Dutch Parliament and these criticisms have been echoed by the OECD.

Most evidence on outcomes is simply the number of people found to have secured employment for six months. A ministry progress report in 2005, for example, reported the results for the first two UWV contracts. The 2001 results showed that 39 per cent of participants on disability benefit and 46 per cent of those on unemployment benefit had been successfully placed, with 32 per cent of each group being successfully placed under the 2002 contract (cited by Struyven, 2008). Without more rigorous time series or evaluations, however, it is not possible to assess the extent to which these results reflect the performance of reintegration companies, local labour market conditions, selection bias or other external factors.⁵

There has not yet been an evaluation of the net impacts or costs of IROs. Anecdotal reports refer to the positive effects that IROs have on the motivation and engagement of users who themselves report higher levels of satisfaction with the services received. One evaluation of raw outcome results and costs found that, while IROs cost more per trajectory, job outcomes are higher. In terms of crude cost per placement, IROs were more cost effective for those claiming disability benefits and marginally more expensive for those claiming unemployment benefit (see Table 7).

Table 7: Characteristics of UWW service users, job outcomes and costs by IRO and by tender, 2004–07

		IRO	Tender
Service users	Number	66,456	131,323
	Disabled (%)	38	47
	Unemployed (%)	62	53
Price per 'trajectory'	Disabled (€)	4,730	4,320
	Unemployed (€)	4,431	3,430
Job placement	Disabled (%)	40	29
	Unemployed (%)	47	35
Total cost per placement	Disabled (€)	7,025	9,980
	Unemployed (€)	6,870	6,540

Source: adapted from Sol (2008, Table 2).

Combined 'work first' and 'workfare' strategies have, in the view of the municipalities, contributed to significant reductions in the cost of social assistance benefits. The cumulative impact of legislative changes has been a 'drastic cultural change' with staff now working 'in a more result-oriented manner' and more focused on preventing fraud and on assisting applicants to enter employment (Davidse and Kraan, 2008, p. 9). It appears, however, that the emphasis in the system, at least in the early years, has been to reduce the caseload rather than to assist the harder to place into work. For example, while individual municipalities closely monitor trends in the number of social assistance recipients, few 'have a follow up system to monitor clients' (de Koning, 2007, p. 237).

Government progress reports on the devolution of budgets to municipalities discuss trends in social assistance and the degree to which recipients are being activated. At the end of 2007, the relevant report indicated that the number of social assistance recipients in working age households had fallen from about 336,000 in 2003 to about 274,000⁶ (Davidse and Kraan, 2008, p. 9). The inflow of working age applicants into social assistance had fallen by 19 per cent between 2003 and 2006, and the outflow had increased from 23 per cent to over 30 per cent in 2005. The report found that the number of people being placed in jobs within two years of starting on a reintegration course had increased from 10

per cent for those commencing in 2002, to 19 per cent for those commencing in 2004 and to 27 per cent of those starting in the first half of 2005. A net impact analysis that filtered out other external effects suggested that the overall net impact of the legislative changes 'led to an extra reduction of 4% in the social assistance volume in the period 2003–2006' (Davidse and Kraan, 2008, p. 9).

An independent analysis of two studies commissioned by the Ministry and of other local municipal studies suggested that the legislative changes had accelerated an existing trend. The evidence suggested that the municipalities had been more successful in reducing the inflow into social assistance and that the increased outflow was facilitated by a more buoyant labour market. The authors reported that about 100,000 social assistance claimants joined employment programmes each year and that an estimated 30,000 left to enter paid employment. They also reported that some 40 per cent of working age recipients were exempted from jobsearch obligations and that more people left social assistance for other reasons, such as retirement or repartnering, than did to enter employment. The evidence from the studies on cost effectiveness and impacts suggested that the net effect of employment assistance was 'positive but small' (van Geuns and van Gent, 2007, p. 15) but few municipalities had yet 'succeeded in achieving a high rate of outflow to paid employment' (van Geuns and van Gent, 2007, p.17).

Conclusion

The creation of the Dutch reintegration market has been only one component of a wider reform process that transformed welfare state entitlements and the governance of the system. There has been a sharp learning curve and successive adaptations have been made to improve the efficiency of both public and private sector providers, and to make them more responsive to the needs of their service users. The tender system was beset, however, by constant re-engineering and high transaction costs both for purchasers and providers and for individual users. Price competition and micro-management of contracts impacted on innovation and service quality, with providers delivering standardised, inflexible trajectories and users having fewer opportunities to engage in more expensive, longer-term occupational training. Long-duration trajectories provided opportunities for creaming and parking, and the public debate, as in Australia, has been punctuated by various controversies about the poor service received by some users and the 'gaming' of the system by some providers (de Koning, 2007; Struyven, 2008).

Throughout this process there has, however, been progressive development in how to manage the contracting process, adapt incentives and bring more stability into provision. The expansion of the market has developed new capacities in the private sector and public officials have become more adept at steering the system. Procurement and management skills have been

more widely dispersed because of the multiplicity of purchasers, and entry barriers for new providers have been far lower than in Australia or Great Britain. The development of IROs and framework contracts is initiating a new phase with the potential for a more responsive client-driven system, at least for those claiming social insurance benefits. The reintroduction of training budgets and a more recent emphasis on longer-term job sustainability may offer more durable routes out of relative poverty and exclusion – at least for some service users.

Municipal devolution has illustrated some of the strengths and weaknesses of local control. It has enhanced local ownership and political accountability for the system, and enabled the municipalities to adapt reintegration services to diverse local populations and circumstances. Municipalities too have experienced a sharp learning curve in how to procure from and work with private providers, and some have struggled to manage these new delivery arrangements. Central government has lost some insight into local delivery and the ability to steer improvements. Local diversity means also an erosion of shared national equity and service users with common circumstances experience very different local welfare regimes, for example, in the expectations placed on lone parents. Finally, the incentive structure of the block grant may have prioritised stricter 'gatekeeping' and the exclusion from social assistance rather than the provision of more effective employment assistance.

3 Conclusion: policy and research implications

The evidence in this report reveals that contracting out of employment assistance services is not a simple option. Securing the delivery of government objectives through contracts is prone to the same implementation problems experienced in public sector delivery systems and ‘can falter for exactly the same reasons as traditional public bureaucracies’ (Chalmers and Davis, 2001, p. 74). The lessons from the public policy implementation literature are straightforward: ‘successful policy making is difficult, and its challenges are exacerbated by complexity’ (Chalmers and Davis, 2001, p. 84). Contracting out poses significant challenges because it fragments programme responsibility among multiple contractors, changes the relationship between those who design policy and those who deliver front-line services, and blurs lines of responsibility and accountability.

The experience of contracting out employment services in the Netherlands and Australia has been shaped through distinctive traditions, institutions, evolving policy objectives and national contexts. There are contending views about the success of performance-based contracting in each country, although evaluations suggest it typically improves the short-term job prospects of participants by around 5 to 10 per cent, and does so more quickly than more standardised programmes (ACOSS, 2008, p. 12). It is difficult, however, to make robust comparisons and to disaggregate the impacts of market delivery from those of other policy changes. There is evidence also that the hardest-to-help groups are least likely to get jobs and those that do are least likely to sustain them in the longer term.

The cost-efficiency gains attributed to the Dutch and Australian models appear significant but relatively little is known about the extent to which these gains have been offset by transaction costs for the purchaser, provider and service user. A considerable element of the ‘savings’ attributed to the Australian model came, for example, from closing down more costly employment subsidies

and training programmes, and subsequently from the competitive pressures generated by the relative performance star rating system. Both these developments had negative consequences for the quality of service delivery for the most disadvantaged.

In Australia and the Netherlands there has been much ‘learning by doing’ and constant adaptation as officials have sought to establish a market and payment structure that promotes competition, increases job outcomes, reduces parking, improves service quality and controls the perverse incentives that enabled some providers to ‘work’ the system. In this process of market shaping, policy-makers in both countries have introduced more regulation of processes and sought stability and investment through longer-term contracts. Hostile press coverage and public concern about ‘fraud’ and poor services increased pressure on Australian and Dutch politicians to be more interventionist in provider processes, thereby constraining scope for flexibility and innovation.

The DWP (2008a) Commissioning Strategy outlines the British Government’s approach to developing and managing the welfare market. It already incorporates some design features informed both positively and negatively by overseas experience, especially from the Australian system. There are, however, significant risks as well as advantages in the structures proposed, especially the reliance on large prime contractors who will be awarded five- to seven-year contracts. For example, while long-term contracts offer greater incentives for providers to invest, innovate and develop specialised local networks over a longer period, there are risks concerning the renegotiation of the terms of such contracts when design faults are identified or economic or political circumstances change. When complex subcontracting chains are involved, the purchaser will have only a restricted insight into service delivery, the experience of users and the commercial and delivery relationships between the

prime contractor and its subcontractors.

In the context of broad agreement between the main British political parties on the merits of contracting out employment assistance, this final chapter considers further lessons on market design and safeguards for service users that can be extracted from the Australian and Dutch welfare markets. It focuses in particular on the design of the private sector delivery phase of the flexible New Deal.

Creaming, parking, price competition and benefit savings

The evidence from Australia and the Netherlands identifies two particular risks associated with performance-based contracts. The first is *creaming*. This has two aspects. If contractors can select at least some of those service users with whom they will work, as in the Netherlands, they may avoid recruiting the hardest to help. Where contractors do not have this flexibility, as in Australia (and Great Britain), they may seek to concentrate their efforts on those participants closer to the labour market and so more easily placed in a job. This second aspect gives rise to the problem of *parking* where harder-to-place participants receive less attention or services and may make little progress while participating in a programme. Should some such 'parked' participants manage to get jobs through their own efforts, this represents a windfall gain for the provider concerned.

Contract designers counter these processes in a number of ways, chiefly by providing greater financial rewards for placing the harder to help into sustained employment. This involves the development of a classification system, as proposed in the Freud Report (2007), which identifies the level of disadvantage experienced by a jobseeker and which is calibrated with outcome payments. To avoid perverse incentives, the assessment must be undertaken by an agency with no direct interest in the outcome.

In both the Netherlands and Australia, policy-makers have designed and redesigned client profiling systems but the accuracy of the instruments has been vitiated by implementation problems. The initial interviews undertaken by Centrelink and the CWI often did not

identify significant barriers, leading to frequent reassessments in the Netherlands and re-referrals to Centrelink in Australia. This increased transaction costs for the agencies and individuals involved, and delayed engagement with services. When the process was simplified in Australia and providers were allowed to reclassify participants, some were found to have used this flexibility inappropriately to increase their payments and position in the star ratings.

There is no easy solution to this problem. In the short term this may be less of an issue with the fND, as JCP will have worked already with most participants for a year before their transition to a private provider, or for six months with those to be 'fast tracked' into the system. It will be a complex design issue, however, for the wider development of the market envisaged by Freud (2007). A related issue is the degree to which any classification system is an absolute measure of disadvantage, calibrated with the resources needed to tackle the identified barriers, or whether it will be used flexibly by the purchaser, as DEWR did, to control levels of spending. The consequence of the latter option was that the proportion of classified 'hard-to-help' clients declined at a time when the proportion of the caseload with significant barriers increased.

Another factor behind the parking of service users has been price competition, which has since been abandoned in both Australia and the Netherlands. Price competition appears to have encouraged unrealistic estimates of costs that subsequently limited provider capacity, stifled innovation and encouraged parking. It seems clear that too great an emphasis on cost reduction undermines service quality.

Purchasers in both countries now select providers on tests of quality, including proven track records in successful delivery for relevant service users. This important criterion has the downside of making it difficult for new entrants to enter the market, even more so in the context of long-term contracts. Once a delivery market has been established, incumbent providers enjoy acquired advantages lessening the risk of loss of contract. DWP will face a difficult trade-off between the potential improvements that might be gained from a new prime contractor and the transaction costs and service delivery disruption that could arise in making such a transition.

In the absence of crude price competition, the challenge for the purchaser is to determine the level and combination of service fees and outcome payments to ensure service quality for all participants and sufficient incentives for providers. The model for the fND envisages a 20 per cent service fee with 80 per cent of provider income dependent on interim (13-week) and full (26-week) job outcomes. DWP is committed also to working with providers to test and 'develop more sophisticated, differentiated models' of outcome payments (DWP, 2008a, p. 22). The experience from the other two countries suggests that advocates and policy-makers will need to be vigilant for any creaming and parking that may emerge, especially in the initial stages should prime contractors or their subcontractors focus on the more job-ready in an effort to secure cash flow and early profitability.

Expenditure savings arise not only from downward pressure on prices but also from reductions in benefit caseloads secured when providers are more successful in placing participants into sustained employment. Budgeting rules for Dutch municipalities now enable purchasers to reinvest any savings from benefits into employment assistance. Steps towards such a model are now emerging in the UK, where DWP can retain some of the benefit savings generated by Pathways to Work, and the Treasury has agreed to trial a more direct experiment by adjusting the arcane 'DEL and AME' rules¹ (DWP, 2008b). The Conservative Shadow Chancellor has committed to allowing 'the Government to use welfare spending through payment by results across the out-of-work benefit system to get people into work' (Hansard, 13 March, col. 438). Such an incentive system needs careful design to ensure that the priority is on assisting people into employment.

Service quality and outcome payments

There is mixed evidence on the quality and variability of the services delivered in contracted out systems. More positive assessments highlight the crucial role played by front-line case managers and how their capacity is enhanced when they have flexibility to tailor support to individuals and

broker job placements with employers. More critical evaluations suggest that a combination of 'work first' provider incentives and inadequate funding has seen service providers crowd around a common set of minimalist intervention strategies (Considine, 2005). These improve the efficiency of jobsearch assistance but do not encourage service innovation, or substantial investment in training, wage subsidies or other forms of more expensive assistance required by those with significant employment barriers.

The evolution of contracting systems in Australia and the Netherlands has been accompanied by various reforms designed to ensure levels of individual service delivery. The initial models for intensive assistance and reintegration trajectories typically required the production of an individual action plan but then gave considerable autonomy to providers to deliver services as they saw fit. The assumption was that contract incentives, calibrated outcome payments and provider flexibility would secure public policy outcomes. The emergence of parking and the lack of transparency have been responded to differently in both countries. In the Netherlands, long-term reintegration trajectories have been replaced by the purchasing of more specific and measurable services by reintegration coaches and case managers. In Australia, long-duration intensive assistance was replaced by six-month periods of intensive customised assistance with specified jobsearch activities and contact requirements between case managers and service users. This was supplemented by the introduction of the Jobseeker Account that could be used only to purchase relevant services for jobseekers.

These developments have relevance for the fND where the service delivery requirements envisaged include an initial assessment; preparation of an action plan; 'regular contact', as yet unspecified; assistance with tax credits and in-work benefits; and a mandatory four-week period of work-related activity (DWP, 2008c). Participants will be placed with a provider for up to a year. It is easy to envisage an outcome similar to that under the first JN contract where providers concentrated intensive service provision during the initial stages and towards the end of the process, with little contact in between. The role of JCP will be important in monitoring the level of

service support received by participants. Although JSA claimants will continue to sign on fortnightly while participating in the fND, it is not clear if JCP personal advisers will have any continuing responsibility for monitoring the quality of individual provision delivered.

Consideration also should be given to a mechanism such as the Jobseeker Account, or the replacement Employment Pathway Fund, to ensure that a significant element of the public budget involved is 'ring-fenced' for investment in jobseekers. It should be possible to do this without the level of prescription and compliance monitoring that beset the Australian system. It could take the form of a 'Personal Job Account', originally associated with Employment Zones. Such a 'guaranteed' budget would ensure case managers had discretionary resources to deliver flexible investment in disadvantaged jobseekers and would constrain any negative tendencies for profit-taking created by over-reliance on outcome-based incentives.

Significantly, as in Great Britain, both Australia and the Netherlands have introduced new funding streams for vocational training. A key challenge in each of the systems is to ensure that such training provision works for service users with additional and pre-vocational support needs. Another challenge is to combine access to such longer-term training provision, where providers are paid for delivering accredited qualifications, with the incentives created by job-focused outcome payments. The longer-term solution proposed by Freud (2007) envisages a radically different outcome funding system that combines rewards for long-term job retention and skills acquisition. In the near term, it may need a relaxation of immediate JSA jobsearch requirements with incentives for fND providers to place people into jobs after brokering their participation in relevant training.

Performance management, transaction costs and innovation

When the Netherlands and Australian Governments contracted out the delivery of employment assistance they lost direct control of service delivery and now steer their respective

systems through contract design, monitoring and performance management. This involves transaction costs, additional to the significant costs already incurred during contract design, bid preparation, assessment and the decision phase. One important cost is that of collecting consistent performance information both for monitoring purposes and for an accurate measure of relative performance. Contract management will be informed by such data and, as in Australia, poor performance may trigger further investigation and loss of business. The emerging British 'star rating' performance system, first published in 2008 for provider performance in Employment Zones, appears designed to avoid some unintended effects of the Australian relative performance system (Tucker and Bateman, 2008). For example, it measures performance in relation to individual contracts and includes a quality and contract compliance assessment. Nevertheless, as the system is extended to cover all programmes, care must be taken that it does not create perverse incentives and shape provider behaviour in negative ways.

When service delivery is devolved to independent providers the purchaser loses insight into the why and how of 'what works'. Contractors and their front-line staff inevitably gain an advantage as they develop greater operational knowledge of how to achieve specified outcomes. There may be a tendency for private contractors to regard such knowledge as part of their commercial advantage and so they may be reluctant to share it, at least in the short term. Some of this insight gap may be bridged through knowledge acquired by contract management, audit and inspection, which may help identify and restrict poor performance and 'short cuts', and identify and spread best practice. It is not clear, however, whether welfare market delivery will figure highly in the priorities of the learning-focused and wide-ranging remit of the Office for Standards in Education, Children's Services and Skills that recently absorbed the Adult Learning Inspectorate. The new standards body and the National Audit Office could learn directly from the experiences of the ANAO in Australia and IWI in the Netherlands, and develop a coherent programme to monitor and assess how well the welfare market delivers the expected improvements.

It seems clear from international experience that competition alone is insufficient to drive continuous improvement and, after an initial period, further innovation. The development and spread of best practices requires exchanges and linkages that extend beyond individual organisations and often across sectors. Contract managers may be able to do some of this but DWP and other interested organisations will need to further develop a more open structure for brokering information exchange and technical advice involving prime contractors, subcontractors, related public sector organisations and groups that can articulate the perspective of service users.

Service user safeguards: 'voice and choice'

Service user journeys across mixed public and private provision are complicated, especially for the most disadvantaged, such as those with mental health issues or those whose first language is not English. In both Australia and the Netherlands, users are required to make various transitions between different service providers and to satisfy their various requirements. Many may find these transitions smooth but in both countries there have been problems with incorrect assessments, missed appointments and the imposition of sanctions, including variations in how different providers handle and report infractions. There have been problems also with the flow and sometimes accuracy of information and data exchanged between the respective agencies. Transitions between JCP and private providers are well established in British provision, although they may not always work smoothly. There are increased risks associated with the fND because of its duration, subcontractor delivery chains and the requirement for regular contact with a private provider while continuing to 'sign on' fortnightly with JCP. Service users will need clear and timely information to avoid 'mixed messages' and it will be important to monitor trends in sanctions imposed and any differences in provider referrals.

The DWP Commissioning Strategy stresses the importance attached to 'excellent customer experience' and that it will work with representative groups and advocacy organisations to develop

ways of promoting more active customer involvement in programmes. Customer feedback is to be an integral part of each provider's performance monitoring system and prime contractors will be expected to 'offer customers informed choices in the opportunities and services they receive and the way they receive them' (DWP, 2008a, p. 29). The intention is to give service users a choice in those areas with more than one prime contractor after the collection of 'robust' performance information, predicted to be a year after the fND starts operating. Several areas – for example, most of Wales, Devon and Cornwall, and Manchester – will have only one prime contractor. Some prime contractors might not subcontract provision.

The evidence from Australia suggests that for 'choice' to be effective in motivating jobseekers and driving provider behaviour, service users need clear information on the services on offer and the options available. The Australian star ratings give some transparency but little insight into the quality of service delivery. The British star ratings are being developed only for prime contractors, not for the subcontractors where many participants will experience service delivery. 'Informed choice' can be meaningful only when users have relevant information on the providers with whom they will be placed and on the content of the service on offer. Such information should be communicated about fND providers before service users come to the end of their time with JCP. While choice is constrained by the jobsearch obligations of JSA recipients, individuals should still enjoy the option of being able to exercise choice at the point of recruitment and after their first month of participation. They should be able to move at any time if they have legitimate grounds to be dissatisfied with their experience. Such choices should not be restricted to one or two prime contractors but extended to the different subcontractors who might be available. There should be flexibility to ensure that providers who can attract participants can expand their capacity to accommodate user choice.

More radically, the success of IROs in the Netherlands suggests there may be scope for a user-driven alternative to the rather constrained choice on offer in the fND. IROs give service users

more time to choose a provider and negotiate the kind of employment assistance they receive and the results appear promising. Experiments with such an approach might be tested first in specialist DWP disability provision and, if successful, extended to fND. It may be feasible for prime contractors themselves to experiment with such an approach.

Comparative evidence on welfare markets confirms the importance of contracting agencies independently monitoring client experience and ensuring that robust systems are in place to respond to complaints of unfair treatment and poor service delivery. There is no customer charter for British providers with the type of service standard commitments given by JCP in the Jobseeker's Charter. DWP should consider the introduction of a clear Service Guarantee as developed in Australia, with ultimate recourse to an independent complaints line. It should ensure all fND delivery sites display such a Service Guarantee with information on how to make complaints and require providers to keep a complaints register. It is important also to establish clear lines of responsibility and inter-agency collaboration in handling and resolving complaints, and to develop a comprehensive system for collating complaints information. Effective complaints procedures act as a public safeguard, enable systemic problems to be identified and provide a mechanism for quality assurance.

Contracted providers and non-profit organisations

There has been much debate about the role of third-sector and voluntary organisations in delivering contracted-out public services, including employment assistance. The DWP Commissioning Strategy places particular emphasis on their role as subcontractors and the potential they offer for working with the hardest to help. The prime contractor model creates a different market for many existing and future potential voluntary and third-sector providers who will negotiate with these lead suppliers.

There is little systematic evidence on the impact of the Netherlands reintegration market on non-profits, although non-profit municipal providers have lost market share as funding has

moved from subsidised employment and sheltered workshops to reintegration services. For-profits dominate the UWW market.

In Australia, the non-profit sector is more comparable to that of the UK, although it plays a much more significant delivery role across a range of social provision. The employment service organisations established by religious organisations secured a large segment of the JN market. Smaller secular voluntary and community organisations have fared less well, albeit the innovative collaborative structures created by Jobs Australia and Job Futures have enabled many specialist and community organisations to win contracts. Overall, non-profit involvement has been critical for government in ensuring JN coverage of areas that are less attractive to for-profit providers, either because of location or because of the particular characteristics of client groups.

The involvement of non-profit organisations has raised concerns about the relationship between their values and social mission and the constraints of contract delivery. There has been some evidence of 'mission drift' induced through the requirements of contracts, especially in the role that providers play in imposing conditionality and referring people for sanctions. There have been other tensions concerning, for example, cases where church-based providers delivering JN contracts questioned job applicants about their religious beliefs, suggesting that subscribing to a particular religion was a condition of employment (Mulgan, 2005, p. 65). Non-profits as well as for-profits have other accountabilities to those contained in contracts and these will not always correspond with public purposes.

In all three countries, providers have emerged as a distinct interest group and powerful lobbying force, with direct access to senior civil servants and ministers. In Great Britain, many providers are now organised in the Employment Related Services Association and have played a significant role in the debate on the future shape of the British welfare market. Providers have a legitimate interest in lobbying for additional resources and reform of market design so long as it is borne in mind that provider interests do not always correspond with those of users. Others point out that the interests of many local and smaller charities and community-based organisations may differ from

those of 'large multi-million pound charities that operate at a national or even an international level', either 'in terms of their relationship with the local community or closeness to their client group' (Davies, 2006, p. 6).

There already have been tensions between for-profit and voluntary sector providers about unfair competition in Great Britain, most notable in the allocation of the earlier prime contracts for Pathways to Work. As a consequence, DWP has established a Third Sector Taskforce to identify both the 'role and value of the third sector' and any 'impediments to [its] playing a full and active role in welfare to work reform' (ACEVO, 2008).

The relationship with providers at times can be uncomfortable for government. In Australia, for example, some were openly critical of the impact that changes had on their viability and service provision and questioned government policy. There was particular controversy about 'gagging clauses' in JN contracts that progressively sought to prohibit such criticisms, especially from the non-profit sector. The new Government is revoking these clauses. Such criticism is an important dimension of public debate and encourages accountability. DWP contracts and those of prime contractors should allow such informed and free comment, and not constrain the ability of non-profits in particular to advocate on behalf of disadvantaged communities.

In future it will be important to monitor the dominant role of larger providers in the British market. The transition to prime contractors is likely to reshape the landscape, with for-profit organisations with access to risk capital dominating service provision. The future for many voluntary and community-based organisations, and some for-profit providers, will be as subcontractors. It will be important to understand the impacts of the new market on the organisational capacity and social capital of local areas and the extent to which this may be at risk should market conditions change and larger for-profits remove their capital to seek greater profits elsewhere.

Another risk is that of market failure. In both Australia and the Netherlands some providers have gone out of business while holding contracts, notably the privatised companies formed from the previous PES. In Great Britain there have

been provider bankruptcies, causing disruption to individual service users and requiring speedy intervention by the public sector to shore up the capacity of local delivery systems. The continuing role of JCP, with its national coverage, and the DWP's commitment to actively manage the market and ensure that in most areas there are at least two prime contractors operating, should minimise (although not eliminate) the risk of performance or financial failure.

Contracts and accountability

Contracts for the delivery of employment assistance services involve more than solely commercial considerations. These types of arrangements are often referred to as 'relational contracts'. They specify performance, delivery specifications and the financial terms of the agreement, but include also an agreement to co-operate in pursuing wider common objectives and, to cover unforeseen circumstances, contain commitments to more general values. The JN contract, for example, requires 'members to act with honesty, due care and diligence' and to behave 'ethically and professionally'. The DWP Commissioning Strategy contains similar aspirations with a Code of Conduct that 'spells out the key values and principles of behaviour which DWP expects of providers and which are essential for creating healthy, high performing supply chains' (DWP, 2008a, p. 31). Mulgan (2006) suggests that, through such arrangements, the purchaser seeks to shape the ways in which providers exercise operational discretion and every attempt is made to encourage contractors and their staff to act with the same professionalism as that expected of public officials.

The accountability of contracted providers is, however, more limited than that of public sector organisations. They are subject to the normal legal requirements that apply to all private companies and charities and, since the passage of the Freedom of Information Act (2000), completed contracts and possibly unsuccessful bids may be released if requested by the public, including information that the bidder might regard as 'commercially sensitive or confidential' (DWP, 2008d, p. 13). Nevertheless, there are limits concerning the accountability of private

contractors to parliamentary committees, audit authorities and the Human Rights Act (1998), and they are beyond the scope of the ombudsman.

Contracting out of employment and other such services also poses challenges for political accountability. Ministers remain politically responsible for service outcomes and the effective use of public funds even though in practice they have less control over the actions of private contractors and more limited means of intervening in their activities. There is considerable scope for 'blame shifting' and the responsibility for poor performance is less obvious. In this context, the role of independent challenge and scrutiny is of particular importance, especially when ministers, senior officials and providers have a clear interest in promoting the success of contracting out.

Conclusion

Over the next decade, it will become clearer whether British policy-makers and those entrusted with implementing the welfare market have managed to fashion a contracting regime that has harnessed the resources and the capacities of the private and third sectors to deliver improved personalised services that assist workless people to get and keep jobs. It may be that contracting out these services simply will reduce the visibility of government decisions and disguise reductions in the funding and quality of welfare to work programmes. While much care has gone into the design of the new system, we may find that, after implementation, services for the most disadvantaged become mired in the same delivery problems that undermined the bureaucratic systems that the Australian and Dutch welfare markets replaced.

List of abbreviations

General

IT	Information technology
OECD	Organisation for Economic Co-operation and Development
PES	Public employment service
VET	Vocational education and training

UK

DWP	Department for Work and Pensions
EZ	Employment Zone
fND	Flexible New Deal
JCP	Jobcentre Plus
JSA	Jobseeker's Allowance

Australia

ANAO	Australian National Audit Office
APM	Active Participation Model
DEWR	Department of Employment and Workplace Relations
DSP	Disability Support Pension
IA	Intensive assistance
ISca	Intensive Support Customised Assistance
JCA	Job Capacity Assessment
JN	Job Network
JSCI	Jobseeker Classification Instrument
JSKA	Jobseeker Account
WftD	Work for the Dole

Netherlands

CWI	Central Organisation for Work and Income and Centres for Work and Income
IRO	Individual Reintegration Agreement
IWI	Inspection Service for Work and Income
RWI	Council for Work and Income
SUWI	Implementation Structure for Work and Income Act (2001)
SZW	Ministry of Social Affairs and Employment
UWV	Institute for Employee Benefit Schemes

Notes

Chapter 1

- 1 For consistency, this report refers to DEWR throughout but the name of the Department has changed slightly over the past ten years to reflect changes in its remit. In 2007, the incoming Labor Government made a further change and it is now the Department for Education, Employment and Workplace Relations (DEEWR).
- 2 Job Futures was created in 1997 to establish a viable business model for smaller community-based providers to work in the new market. It acts like a franchise but is directly owned by the licensees. It holds the government contract, which it then subcontracts to its members. After the third contracting round, its members were delivering services in 65 sites and were collectively the leading provider of specialist contracts.

Chapter 2

- 1 Maatwerk, for example, has operations in a number of countries, including France, Germany and the UK, where it has delivered services for JCP and local authorities. At the end of 2007, Maatwerk was taken over by ResCare, a large US human services provider, which at the same time acquired another small British provider, Biscom.

- 2 Estimates provided by Boaborea to the author in December 2007.
- 3 Report findings summarised during author interview with IWI in December 2007.
- 4 Estimates provided by Boaborea to the author in December 2007.
- 5 Up-to-date job placement data for individual reintegration companies is given in Dutch on the UWV and RWI websites, and is intended to inform the choices of purchasers and service users.
- 6 At the end of 2007, 58 per cent of working age households receiving social assistance in Holland were comprised of single people, 27 per cent were lone parents and the rest were couples. Thirty-eight per cent were members of 'non-western ethnic minorities' (Davidse and Kraan, 2008, p. 3).

Chapter 3

- 1 The DWP budget is divided between departmental expenditure limits (DEL), from which employment programmes are funded and annually managed expenditure (AME), from which benefits are paid. Treasury rules currently do not allow money saved on benefit expenditure by investment in employment programmes to be used as further investment in such programmes or as a reward for performance (Freud, 2007, p. 67).

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Appendix 1

Australian working age benefits

About 1.5 million Australians relied on working age benefits in 2007. This included around 450,000 people on Newstart or Youth Allowance, 400,000 on Parenting Payment and 650,000 people on Disability Support Pension. All Australian benefits are means-tested and subject to income and assets tests. All claimants subject to activity/participation requirements must report fortnightly to Centrelink and register and attend interviews with a 'Provider of Australian Government Employment Services'.

Newstart Allowance is a fortnightly unemployment benefit paid to eligible people aged between 21 and 65. Recipients have to agree a 'Preparing for Work Agreement' and are expected to make up to ten 'Job Search Contacts' per fortnight and record the details of these jobs on a 'Participation Contact Record'.

Youth Allowance is paid to young Australians participating in full-time study or in an Australian

Apprenticeship, or actively looking for work or undertaking a combination of activities leading to employment. 'Youth' is defined as 15–24 for full-time students or 15–20 for jobseekers. The payment is subject to a family means test unless a young person demonstrates they are living independently.

Disability Support Pension (DSP) provides income support for people with a long-term disability, which, in the opinion of an assessor, they will not recover from within the next two years and which means they cannot work more than 15 hours a week. While DSP eligibility is being determined, claimants are placed on another payment (usually Newstart with a medical certificate exempting them from the activity test).

Parenting Payment is paid to principal carers of dependent children under the age of 6 for partnered claimants and children under the age of 8 for single claimants or aged less than 16 if they were in receipt of Parenting Payment prior to 1 July 2006. This latter group may remain on this payment until their youngest child turns 16 but they are subject to participation requirements when this child turns 7.

Appendix 2

Job Network Service Guarantee

You will receive ongoing personalised employment services provided by your preferred Job Network member. These services will be culturally sensitive to your circumstances and background as well as tailored both to your needs and to the job opportunities available.

You can expect your chosen Job Network member to:

- provide access to job vacancy information and jobsearch facilities through touch-screen kiosks;
- advise you on jobsearch techniques, career options and vocational employment programmes and other services available to you;
- give you feedback on a job interview if your Job Network member arranged it for you;
- help you to meet your income support obligations when you are looking for work.

The services will include:

- recording your résumé summary and resulting résumé in JobSearch;
- matching of your résumé summary against vacancies in JobSearch;
- establishing a password for access to your personal page and job matches on JobSearch;
- immediate access to any job matches via your personal page with additional advice, where arranged, through your personalised email, SMS or telephone message bank service.

If you have been registered with Centrelink as unemployed for more than three months and are

receiving Intensive Support services, your Job Network member will also:

- assess your skills, experience and capabilities and develop an Activity Agreement to help you get work;
- help you to improve your jobsearch skills by giving you intensive jobsearch training and additional support to help you make job applications;
- contact you regularly, at least every three months and more frequently if you have been registered for more than 12 months.

If you are receiving Intensive Support services subject to the assessment of your needs, your Job Network member services may also include:

- help with access to training, a wide range of vocational programmes, counselling and other services and work experience consistent with your Activity Agreement;
- more intensive jobsearch activities and work preparation with fortnightly contact to help you into a job;
- additional services, facilities and activities, such as interpreter services, travel assistance if you are referred to a job interview by your Job Network member, vocational training, or counselling you may require to get a job;
- support while you are settling into your new job.

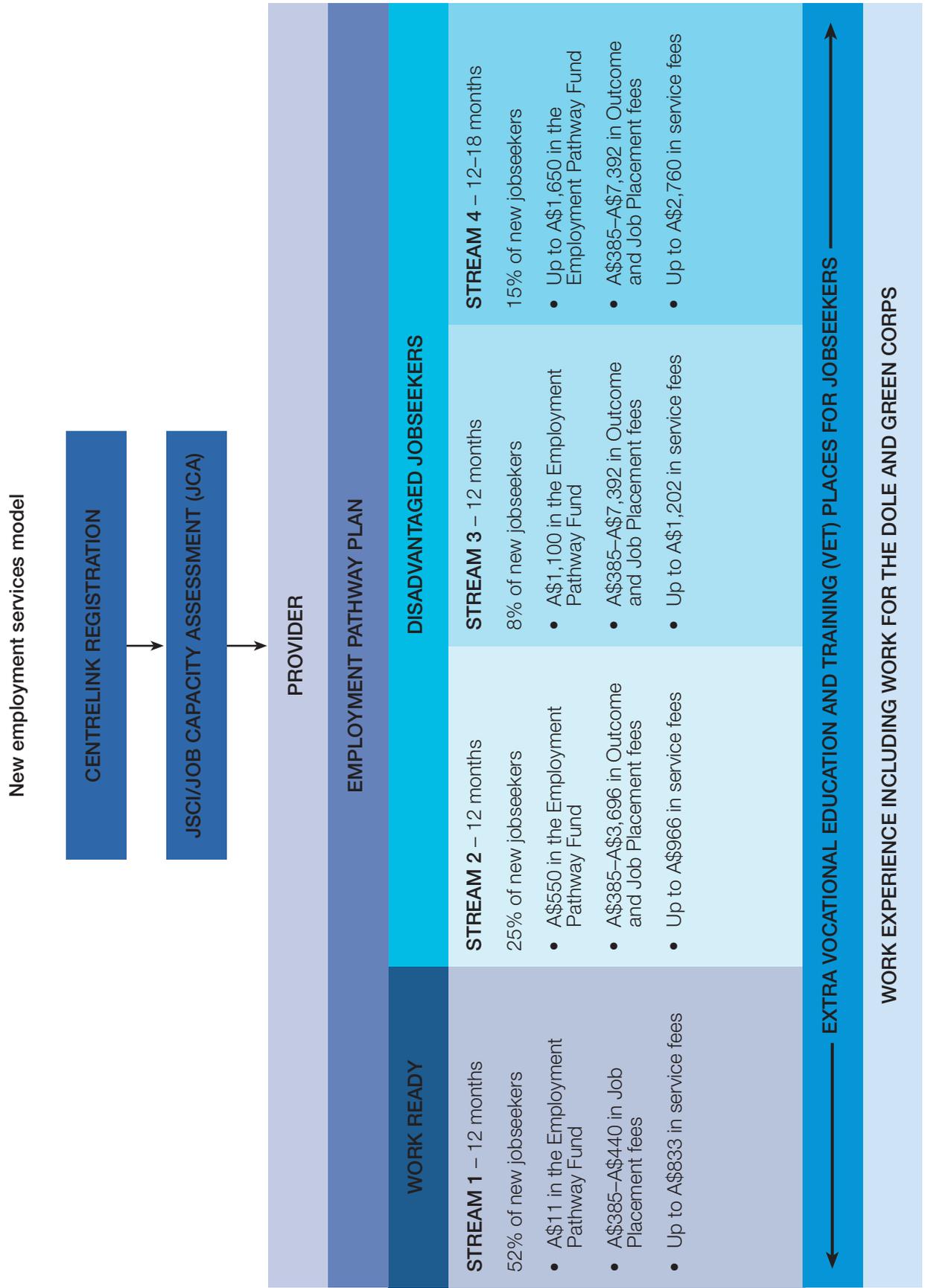
If you are not satisfied with the service you have received, you should raise this first with your Job Network member. If you are still not satisfied, then you should phone the DEWR Job Network customer service line on 1800 805 260, which will endeavour to resolve your concerns quickly and fairly.

Source: www.workplace.gov.au/workplace/Programmes/JobNetwork/ServiceGuarantee.htm (accessed 20 May 2008).

Appendix 3

Overview of proposed Job Network model for 2009

Figure A3.1: Overview of proposed Job Network model for 2009



Appendix 4

Netherlands main working age benefits in 2008

In December 2007, Statistics Netherlands reported that, out of a total working age population of about 7.5 million, there were just under 850,000 people receiving disability benefits; 192,000 receiving unemployment benefit; and 274,000 receiving social assistance.

Unemployment Insurance Benefit

A claimant must be available for, and actively seeking, work and may restrict the jobs they are seeking only for a defined period. If eligible an individual is entitled to:

- two months' benefit at 75 per cent of the previous or minimum wage, and a third month at 70 per cent, for those who have worked for 26 weeks of the 39 weeks preceding the claim to benefit;
- six months to maximum of 38 months at 70 per cent of previous wage subject to an upper wage limit. Duration depends on employment history.

Disability Insurance Benefit

Since January 2006, employers must pay an employee a minimum of 70 per cent of the previous wage level for two years (many Collective Labour Agreements increase this to 100 per cent for the first year). After initial registration, a case will be reassessed by the UWV after two years. If an individual is judged at less than 35 per cent of previous earning capacity then the employer must try to provide other employment, either within or outside the organisation, before a termination of employment is considered.

If loss of earning capacity is more than 35 per cent but less than 80 per cent, or up to 100 per cent but there is a reasonable chance of

recovery, the individual is then eligible for WGA, a wage-related benefit. The benefit is designed to encourage the person to work and any wages will be supplemented up to a certain proportion of their previous or to a proportion of the minimum wage. The actual amounts vary in relation to the period of the claim, the income earned and the degree of disability.

A separate IVA benefit is paid to adults judged fully and permanently disabled, and a WAJONG benefit to young people disabled from the age of 18. Eligible individuals are entitled to:

- 70 per cent of previous wage subject to upper limit until retirement age for those who are fully disabled (lost 80 to 100 per cent of earning capacity);
- 70 per cent of minimum wage until retirement age for young people who are fully disabled before being able to qualify for work-related benefit.

Social assistance

The central ministry determines a 'social minimum' income that varies according to family size and is set in relation to the minimum wage. Entitlement is subject to income and asset tests. There are supplements for additional needs, such as childcare or rent, and for those who have been on the benefit for over five years and have no chance of a return to work. Entitlement for young people aged between 18 and 21 is set in relation to the level of Child Benefit and normally subject to a parental means test.

Social assistance recipients who are judged employable, including lone parents whose youngest child is aged over 5 years, must be available for and actively seeking work and are expected to take any 'generally acceptable job', subject to limited conditions decided by the municipality concerning, for example, the availability of childcare. Young people receiving social assistance are expected to complete basic education or are generally required to participate in employment programmes up to the age of 27. In 2007, only 20,000 young people received social assistance, half of whom were lone parents (OECD, 2008).

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