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Building Flexibility
and Accountability Into
Local Employment Services:
Country Report
for the Netherlands

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TABLE OF CONTENTS

INTRODUCTION.....	4
What is meant by flexibility?.....	5
Previous OECD research in this field.....	7
THE ORGANISATION OF LABOUR MARKET POLICY IN THE NETHERLANDS	9
Active labour market policy for those eligible for unemployment benefit.....	9
Active labour market policy for those eligible for social assistance.....	10
FLEXIBILITY AND ACCOUNTABILITY IN THE MANAGEMENT FRAMEWORK.....	12
Programme design	12
Budgets and financing	15
Performance measures and targets.....	17
Client eligibility	18
Staffing and outsourcing.....	20
Overall conclusions with regard to degree of flexibility	21
COLLABORATION AND PARTNERSHIPS	24
The mobility centres	24
Special collaboration to support youth	25
Work Squares (<i>werkpleinen</i>)	25
Collaboration in Breda and Friesland.....	27
STRATEGIC APPROACH.....	32
LOCAL CAPACITIES	34
ANALYSIS	35
LEARNING POINTS FROM OTHER OECD COUNTRIES.....	41
Local cross-sector boards to oversee employment policy	41
Performance targets which support local collaboration and innovation.....	41
BIBLIOGRAPHY	43
ANNEX.....	45

INTRODUCTION

In the context of the growing knowledge economy, human resources and skills are becoming increasingly crucial to economic development. This is especially pressing in the aftermath of the global economic downturn. Labour market agencies and institutions have the capacity to contribute significantly to returning localities to prosperity, but only if they adapt themselves to new priorities: helping workers to compete on the global market, and helping regions to move along the path towards a high-skills, high productivity equilibrium. At the same time, achieving higher employment rates will mean bringing new groups of workless people into the labour market and developing innovative means of reducing labour market disadvantage.

This broader context for labour market policy calls for policies that are well co-ordinated and adapted to meet local challenges, requiring increased collaboration between labour market policy actors and their social and economic development partners (Mosley, 2009). Such local collaboration and experimentation does not always fit with the standardised procedures of employment and training organisations. Public employment services are often managed in a relatively centralised fashion, offering few possibilities for local agencies to identify for themselves the opportunities to be seized and the problems to be tackled. The demand for more proactive local employment agencies has significant implications for how government policies are designed and managed, with one of the biggest challenges being to provide more flexibility on the ground where policies are implemented. These responsibilities require a new framework for the management of workforce development.

The Organisation for Economic Co-operation and Development (OECD) and its Local Economic and Employment (LEED) Programme is conducting a study on "Managing Accountability and Flexibility in Labour Market Policy" in four countries: Belgium (Flanders), Canada, Denmark and the Netherlands to identify:

- What degree of flexibility is available at the local and regional level regarding active labour market policy measures?
- How can more flexibility at the local level go together with more effective policy measures while preserving accountability and the achievement of national policy goals?

This research is a follow up to two ministerial conferences which were held over a ten year interval – in 1998 and 2008 – in Venice, Italy on the theme of decentralising labour market policy. Both events, hosted by the Italian Minister of Labour, gathered ministers from OECD member and non member countries in addition to high-level officials. Participants at the 2008 conference agreed a Venice Action Statement, which included a commitment to inject flexibility into the management of labour market policy so that local staff could give strategic orientations to the implementation of programmes, and make decisions on the orientation of public programmes and services, in addition to achieving predetermined objectives. The current study enables the OECD to look in more depth at the management of accountability and flexibility in the participating countries to assess how the Venice Action Statement can be best put into practice.

In the aftermath of the economic downturn, the Dutch government has recognised the need for a more network-based approach to employment policy, establishing a series of work squares (*werkpleinen*) which unite the public employment service (*UWV WERK Bedrijven*) and municipalities to provide a one-stop-shop service to both local people and business. 30 municipalities have been given increased powers to coordinate economic strategies at the regional level. Due to the economic crisis, mobility centres were established temporarily to better coordinate community responses to business closures, learning and work desks have been set up to help increase skills, and special partnerships have been created to help youth. Such initiatives enable local stakeholders to collaborate on strategic objectives at a number of different governance levels. The question is whether the labour market organisations involved have the flexibility available to contribute fully to joint measures and to achieving effective and sustainable outcomes.

As part of the international study, the OECD conducted research in the Netherlands in spring 2010, using a combination of interviews and roundtables at the national and local levels, and an e-questionnaire. The e-questionnaire was designed by the OECD and was sent to a sample of 81 work squares (*UWV WERK Bedrijven* and municipalities) between April and May 2010¹. In order to shed light on the way the labour market policy is managed and delivered, the study focused on two case study areas in particular; Friesland in the north and Breda and Dordrecht in the south west. The organisations consulted included the Ministry for Social Affairs and Employment (SZW), national and local branches of the *UWV WERK Bedrijven*, municipalities, colleges, business representatives, trade unions, and private employment agencies.

It is important to note that since this study the policy context for the delivery of labour market policy in the Netherlands has continued to shift. In 2011, the tasks of the UWV are being amended as part of a redesign programme known as *Redesign UWV Werkbedrijf*. The UWV will be reduced from 100 local offices to 30 regional offices and only 30 work squares will remain at regional level, with reduced tasks. At the level of these 30 work squares important attention will be given to joint services to employers (involving both UWV and municipalities in the region) building on the successful collaboration between the PES and private parties in so-called mobility centres (*mobilitieitscentra*), 2009-10, which followed the economic downturn. The UWV is also working on modern electronic services for jobseekers (in the future there will be fewer face to face contacts, just 10% of the clients) and one registration system for both UWV and municipalities.

As of January 2012 there will be no reintegration budget for the UWV, and the 418 municipalities will also receive reduced reintegration budgets. More tasks will be progressively decentralised to municipalities, while at the same time awarding the municipalities a greater degree of freedom in terms of policy and budgetary responsibility. For example, the municipalities will be fully responsible for the labour market integration of young people, including young people with disabilities. A new scheme to be introduced in 2013 called 'Work according to your ability' (*Wet Werken naar vermogen*) will also be implemented locally by the municipalities. It remains to be seen what the impact of these reforms will be on flexibility and accountability at the local level.

What is meant by flexibility?

The OECD (2009) defines flexibility as "the possibility to adjust policy at its various design, implementation and delivery stages to make it better adapted to local contexts, actions carried out by other organisations, strategies being pursued, and challenges and opportunities faced". In this sense the OECD is not referring to flexibility in the labour market itself (for example in relation to labour laws)

¹ A list of the work squares consulted is included in Annex A of this report.

but in the management regimes which oversee and influence how labour market policy is planned, designed and delivered.

Labour market policy has two components, a passive part – a benefit system that supports individuals while unemployed - and an active part – a number of active labour market programmes offered in order to improve the employment opportunities of unemployed workers. In this case, the focus is on the active part of labour market policies (the ALMPs). ALMPs are often defined as measures to improve the functioning of the labour market that are targeted on the unemployed.²

There are a number of areas where governments can allow local actors flexibility within the development and implementation of active labour market policies and programmes, including programme design, performance measures and targets, client eligibility, collaboration and partnerships, budgets and finance, staffing and outsourcing.

For the OECD it is not as important whether central or sub-national governments are in charge of labour market policy, but that flexible policy is available to actors at various levels of the system to allow for the local orientation of programmes in a manner that addresses contemporary economic challenges. Local flexibility is important as it leads to more strategic, responsive and customised active labour market programmes, which in turn directs more training resources to those who need it, resulting in a positive effect on employment rates (OECD, 2009).

By local, the OECD refers to the level of local labour markets – sometimes known as “travel to work areas”³, where economic development strategies are frequently designed and where local policy makers have the opportunity of a strong level of contact with local businesses, sectors and clusters in addition to non-governmental organisations and community groups. This does not necessarily correspond to the municipal level, where the public employment service has its antennas. In order to reflect this territorial subtlety, the OECD distinguishes between three levels of government and/or administration, when the size of the country permits:

- Regional level: administrative regions with a population of between 800 000 and 3 million (Territorial level 2 or NUTS 2, following the nomenclature used by the European Union).
- Sub-regional level: smaller regions with a population of between 150 000 and 800 000 (Territorial level 3 or NUTS 3).
- Local level or municipal level: localities under 150 000 (Territorial level 4 or NUTS 4).

The level of most interest to the OECD is the sub-regional level, corresponding to NUTS 3 in the Dutch context.

The OECD acknowledges that there can be downsides to introducing too much flexibility at this level, for example through increasing the variability of service provision. In most countries labour market policy is considered as a national priority that requires national co-ordination. Although decentralisation may enhance programme outcomes, it may also have unintended negative effects, for

² ALMPs have three different roles: (1) a job brokerage role; (2) a training/educational role; and (3) a job creation role.

³ A Travel to Work Area or TTWA is a statistical tool used to indicate an area from where the population would generally commute to a larger town, city or conurbation for the purposes of employment.

example, uneven quality in service delivery, duplication of effort, and difficulties in achieving standardisation in labour market and performance data. It is important to maintain the involvement and oversight of other government levels, in order to meet national targets and objectives, provide technical assistance and spread good practice at the local level.

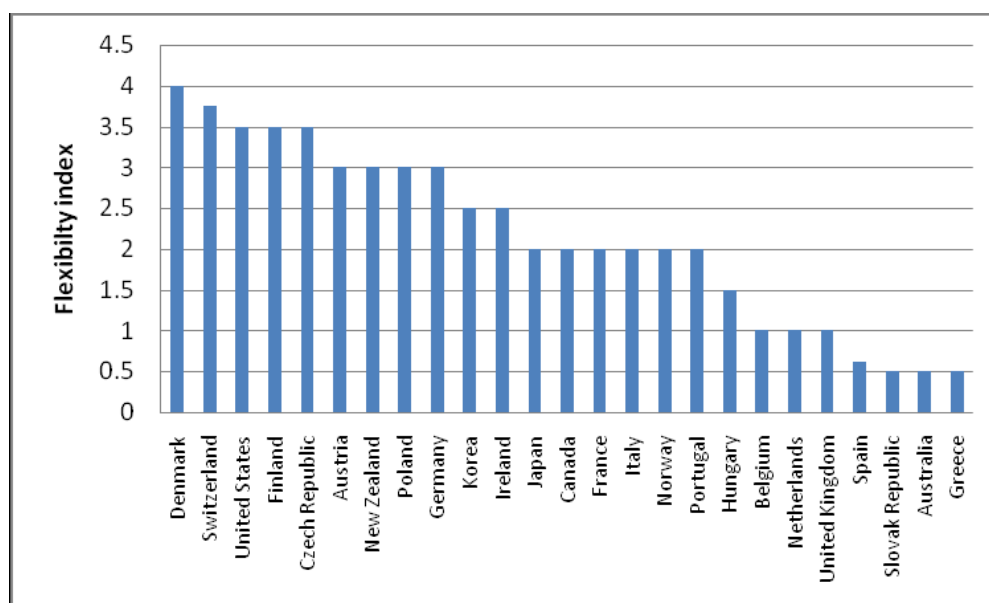
Allowing local agencies greater room for manoeuvre at local level is a difficult challenge for governments. The awarding of greater local flexibility must be accompanied by guarantees regarding the accountability of decision-making and the efficiency of service delivery. Mosley (2009) identifies four dimensions of accountability that are considered important by governments: legal accountability (public agencies being expected to act on the basis of the rule of law and in conformity with applicable regulations), fiscal accountability (correctness and efficiency in the use of finances), performance accountability (output-oriented effectiveness and efficiency), and public accountability (responsiveness to the needs of citizens and other stakeholders).

There are a variety of policy mechanisms which can be put in place to ensure that flexibility is balanced with continued accountability and consistent basic service provision. These include complementing core obligatory performance targets with additional targets specific to a local area, developing common targets across different policy areas, and increasing horizontal accountability at the local level through setting up employment based strategic boards and committees.

Previous OECD research in this field

In 2008 the OECD LEED Programme assessed the flexibility available to local level offices within the public employment service in 25 OECD countries. The study compared the degree of flexibility in the management of labour market programmes for those eligible for employment insurance benefits. Based on the information available from national ministries, it was concluded that Denmark, Switzerland, the United States, Finland and the Czech Republic presented the highest degree of flexibility at the sub-regional level in the field of employment policy, while the United Kingdom, Spain, the Slovak Republic, Australia and Greece showed the least flexibility.

Figure 1. OECD countries with the most local flexibility in labour market policy



Note: Estimates of flexibility in the management of labour market policy were prepared drawing on the results of an OECD Questionnaire to the Employment, Labour and Social Affairs committee (ELSAC) on Activation of Labour Market Policy in 2007. The findings were supplemented by further research in March and April 2008. No information was available for Sweden at the time of the study. The estimates were based on an analysis of flexibility in six main areas: 1. designing programmes; 2. allocating budgets; 3. defining target groups; 4. setting performance criteria; 5. collaborating with other actors and; 6. outsourcing.

Source: Giguère and Froy (2009).

The Netherlands was considered to be somewhat of a special case, given that labour market policy was mainly sub-contracted out to private, public and non-profit providers. While Dutch municipalities were understood to have a relatively decentralised mechanism for implementing active labour market policy for those on subsistence benefits, this was not taken into account in the analysis. The analysis only focused on active labour market programmes and employment services targeting those people receiving unemployment benefits. For the shorter term unemployed receiving unemployment benefits, services were at the time delivered by the UWV (*Uitvoeringsinstituut WerknemersVerzekeringen*), where flexibility was only available at the level of six regional offices, which operated at a level above that classified by LEED as a local labour market.

This current study looks at flexibility within the active labour market policy administered by both the UWV (now UWV WERK Bedrijven) and the municipalities to give a fuller picture of flexibility within the country.

The study has focused on the following key dimensions of labour market policy:

- *Programme design*: To what extent have regional UWV WERK Bedrijven and municipalities an impact on the design of policies and programmes? Are they free to determine the programme mix and adapt programmes? Do they design local (regional) reintegration instruments or programmes?
- *Performance measures and targets*: To what extent are performance measures and targets determined centrally? Do they allow room for sub-regional targets and flexibility in adapting to local circumstances? Are sanctions imposed if targets are not met? Are UWV WERK Bedrijven and municipalities benchmarked?
- *Client eligibility*: Do UWV WERK Bedrijven and municipalities choose the target groups that they will work with? Who decides who can be served?
- *Collaboration and partnerships*: Can UWV WERK Bedrijven and municipalities decide who they collaborate with locally?
- *Budgets and financing*: Are UWV WERK Bedrijven and municipalities free to allocate resources flexibly between budget items?
- *Staffing and Outsourcing*: To what extent are UWV WERK Bedrijven and municipalities free to hire, recruit, train and pay personnel and assign them to tasks at their own discretion? Are they free to decide what services to contract out to external providers?

THE ORGANISATION OF LABOUR MARKET POLICY IN THE NETHERLANDS

Active labour market policy for those eligible for unemployment benefit

If someone becomes unemployed in the Netherlands, they first apply for unemployment benefits at the UWV. To qualify for an unemployment benefit a person must have been employed for at least 26 weeks in the 36 weeks before the first day of unemployment. The amount of the unemployment benefit depends on the daily wage and the number of years the beneficiary has worked. If eligible, the beneficiary receives a percentage of 75% of his daily wage – with a maximum - during the first two months of the unemployment period.⁴ After two months the beneficiary receives 70%. The duration of the unemployment benefit depends on a person's employment history.⁵ People receiving benefits must be available for work. In the first year a person only has to accept work suitable to their background and experience, but after one year must accept other types of employment.⁶ They must also actively seek work.

As in many countries, the organisation of labour market policy in the Netherlands has been in an almost constant process of reform in recent years. After a number of restructuring operations in 1995, 1997 and 2001, the SUWI Act of 2002 introduced a new institutional arrangement with the Ministry (SZW) retaining a supervisory role, in particular through its Work and Income Inspectorate,⁷ and through target agreements that it concluded with its main partners, the Centre for Work and Income (CWI) and the Social Security Agency, the UWV.

CWI became the first contact point for the clients, while also being responsible for the registration and intake of the unemployed. The CWI made preliminary assessments of their client's entitlement to benefits. Besides, when they provided free universal job-matching services and participated in controlling client's job-search obligations. CWI became also responsible for shaping the future trajectory of the newly registered clients through evaluating their distance from the labour market. It referred clients at risk of long-term unemployment to the appropriate authority for a reintegration pathway, *i.e.* to UWV (if they are entitled to unemployment or disability insurance) or to municipalities (if entitled to social assistance). Clients classified in the lowest risk segment received only CWI's basic services. UWV became responsible for the administration of unemployment benefits (*e.g.* judgment of benefit claims, payment of benefits, sanctioning, and payment of extra-statutory benefits).

⁴ The maximum daily wage taken into account was EUR 172.48 in 2009.

⁵ The benefit will be payable for as many months as the number of years the person has spent in employment (with a maximum of 38 months). From 2007 onwards, the number of years of unemployment during which voluntary work was carried out can also be considered to form part of a person's employment history (see Ministry of Social Affairs and Employment, 2010). There is current debate as to whether to reduce the duration period of unemployment benefits, for example to a maximum period of one year.

⁶ However, also during their first year of unemployment the unemployed are increasingly encouraged to accept work that is below their skills and capabilities.

⁷ Responsible for monitoring employment offices and benefit agencies.

The SUWI Act also introduced competition and marketisation into the provision of reintegration services. SZW determined the objectives for reintegration policies as well as the budget and the policy targets for active labour market policy. Initially, both the benefit agency (UWV) and the municipalities were obliged to spend most of their reintegration budgets on the market. This obligation was abolished for the municipalities in 2006, however, after the introduction of the new Social Assistance Act of 2004. As for the UWV, most of their reintegration budget is spent on the market.

As of January 2009 CWI and UWV have merged. CWI/UWV can be seen as a national organisation with a network of local agencies. It works following national principles with respect to ICT (information and communications technology), labour market information, procedures for outsourcing, monitoring and the evaluation of results. The reintegration activities of UWV and CWI are merged into a division called "Work Company" (UWV WERKbedrijf).

There are currently 127 local UWV WERK Bedrijven offices (at NUTS III and under), and 11 district offices (at roughly NUTS 11 level). UWV WERK Bedrijven operate as a single unified organisation for work and income for those on unemployment benefit: they support those eligible for unemployment benefit in finding a job, while also providing benefits. UWV WERK Bedrijven provide placement services and information on the labour market for employers and job seekers. They also issue dismissal and employment permits and provide information relating to labour law. With regard to their reintegration role, UWV WERK Bedrijven aim to make:

- every jobseeker as quickly as possible active at work or occupied by searching for a job (within six months);
- everybody who can work directly accessible by every employer.

Active labour market policy for those eligible for social assistance

People who are unable to pay for their own upkeep in the Netherlands receive social assistance from the municipality where they live. There are 418 municipalities in the Netherlands. Social assistance is intended to be temporary and the aim is that a person will provide for themselves again as soon as possible through paid work. Social assistance is means-tested: all family resources are taken into account, regardless of their nature or origin. Assets above a certain amount are also taken into consideration.⁸ The amount of the allowance depends on the social assistance standards that are reviewed twice a year and on the income (and assets) of the beneficiary. The income of the beneficiary will be supplemented by the social assistance allowance up to the standard amount applicable to the beneficiary.⁹

Ever since its introduction in the 1960s, there has been a local dimension to the way that social assistance is managed in the Netherlands, with municipalities having some discretion in how they administered this fund (Berkel, 2006). The municipalities started to engage in active labour market policy back in the 1980s, with initial programmes focusing on youth and long-term unemployed. At

⁸ In 2009 a maximum allowance of EUR 10 910 applies to families and a maximum of EUR 5 455 to single persons. If the assets are tied up in a house, the assistance will be given in the form of a loan (credit mortgage) that must be repaid once the claimant's own income is sufficient. A maximum asset allowance of 46 100 applies. Municipalities may deviate from general standards on the basis of individual assessments.

⁹ The amount of the allowance is linked to the social assistance standards. These standards vary according to different groups: people between 21 and 65 years of age, people over 65, married or unmarried couples living together, single parents and single persons.

this time, national activation programmes entailed clear definitions of their target groups in terms of age and duration of unemployment. These programmes gradually increased over time, as did the target groups for the programmes. Flexibility also progressively increased, with a broader national profiling system being established to determine eligibility for ALMPs based on a four-fold classification of distance from the labour market. National government also introduced performance agreements with the 30 largest Dutch municipalities in order to provide them with incentives to strengthen their efforts to activate social assistance recipients (the so-called “Agenda for the Future”). Extra activation funds were made available, in return for which the municipalities committed themselves to realise specified performance targets, which were defined in terms of the number of activation trajectories they should realise during a number of years, and the proportion of trajectories that should lead to a paid job (ibid).

In 2004, the Dutch government introduced new legislation on social assistance: the Work and Social Assistance Act (WWB). The Act is financed by the Ministry of Social Affairs out of the general budget. The motto of this new act was "work above income". In practice this means that whoever applies for a social benefit has to have a discussion about work first. People bear individual responsibility for securing their own incomes to the best of their efforts and abilities.¹⁰ The act obliges everyone entitled to a benefit to accept any generally accepted work. Everyone must therefore make every effort to return to the labour market. If someone does not co-operate, the social services are authorised to impose sanctions. The aim of the WWB is to activate people and to foster a belief in their own potential.

Since the new act, performance management targets (such as the Agenda for the Future) have been replaced by mainly financial incentives to encourage municipalities to reduce the number of people on social assistance benefits. Municipalities have been made fully financially responsible for social assistance expenditures. If they are able to reduce social assistance dependency, they are free to spend the remaining funds as they would like. This has had an important impact on the way that municipalities design and deliver active labour market policy.

¹⁰ With the exception of single parents with young children.

FLEXIBILITY AND ACCOUNTABILITY IN THE MANAGEMENT FRAMEWORK

This section of the report sets out the study findings in relation to the delivery of labour market policy by the UWV WERK Bedrijf and municipalities, looking at the each of the following areas in turn:

- Programme design
- Budgets and financing
- Performance measures and targets
- Client eligibility
- Contracting and outsourcing

Programme design

UWV WERK Bedrijven

Each local UWV WERK Bedrijf has a broad set of instruments at its disposal. These instruments are commissioned by the department of purchase and reintegration at the head office of UWV at national level. This department buys packages of reintegration instruments from private reintegration bureaus that are deemed appropriate for most of the UWV WERK Bedrijven. The private reintegration bureaus design the programmes on the basis of guidance from the UWV. Local offices can decide to deliver as many or as few instruments as they wish.

If a UWV WERK Bedrijf wants to use a more specific reintegration instrument or programme – e.g. an instrument or programme that is focused particularly on local (or regional) needs and specific target groups it may decide to develop such an instrument or programme. In some cases it will deliver this programme itself, but more frequently it will outsource the programme to a private reintegration bureau. In that latter case, the outsourcing has to be arranged by a department of purchase and reintegration at regional (district) level.

The local UWV WERK Bedrijven themselves take care of the basic provision of services such as the in-take conversation, advice on job applications and training and competence tests. So-called "work-coaches" play a crucial role in the reintegration process. These coaches have direct contact with the clients. They evaluate the clients by using specially developed tests to assess what kind of support the client benefits most from. Then, in co-operation with the client, they determine what instrument (or reintegration path) would be most suitable for them.

Since 2004, work coaches have also had the option to enrol the client in a so-called individualised reintegration agreement (IRO) which offers particular flexibility in the help and support offered. In an IRO, the work coach determines a specific reintegration path in co-operation with the client. This mainly involves discussing career goals and possibilities, designing a re-integration plan, vacancies search and active job hunting by reintegration specialists, intensive coaching and training, help with interviews, CVs and letters of motivation.

Often an IRO is implemented by a private reintegration bureau. Some 2 500 providers have been involved in IRO packages, many of whom solely supplied IRO (and thus no regular packages) (Veerman and Beekman, 2009). The IRO arrangement has attracted many (mainly small) private providers. Since IROs are relatively expensive (with a maximum of EUR 4 000 to 5 000 per client) the work coaches are more and more encouraged to make an assessment between the costs and benefits of using IROs per client, with some UWV WERK Bedrijven only using an IRO when they are convinced that it will lead to a regular job. In 2007 the IROs represented about 50% of all reintegration programmes at the UWV.

The job seekers who themselves take the initiative by opting for an IRO often indicate that they need training/education in order to get back to work (see NTN Activation, 2007). Since 2005, the UWV WERK Bedrijven has had a training protocol which recommends training for clients for whom additional schooling is an essential condition for a chance of gaining sustainable employment. The IRO can include a more extensive training element (beyond job search coaching) for certain clients. The training requested must be modular, flexible and immediately available. In general the UWV can only offer training which is under three months in length, although exceptions are possible in practice (for example, if a job is guaranteed after a training programme).

In cases where an instrument does not appear to be (cost) effective or there is a desire for a new instrument, the department of purchase and reintegration needs to act quickly. One UWV WERK Bedrijf noticed that this is not always possible due to regulations that have to be followed and because it takes time to arrange commitment of all involved organisations. As one interviewee put it, "it is not the question if it can be arranged faster; it has to be arranged faster".

All interviewed UWV WERKBedrijven indicated that they have considerable flexibility in terms of deciding on the mix of programmes from those that are available, although recent restrictions on budgetary expenditure and eligibility have made it difficult to offer programmes to all clients that would benefit from them. Despite the option to create their own specific reintegration instruments, 64% of the respondents from the UWV to the e-questionnaire found that there were labour market priorities in their region which they were not able to address through their employment programmes. This included undertaking preventative work with people at risk of losing their jobs on the labour market, and helping the significant numbers of low skilled people in former industrial regions, in the context of inadequate training resources and rising demands for skills from employers.

Since UWV operates at different levels – nationally, regionally (the plus-work squares) and locally (the 100 work squares), it is a suitable and effective organisation for engaging the social partners. For example, employers mainly operate regionally and therefore need a reliable contact point at this level. At the national level the UWV has shown its ability to react rapidly and respond to change through the introduction of mobility centres to combat the consequences of the economic crisis. The 30 mobility centres have been operational since March 2009 with relatively few additional staff. However, regulations in programme design and delivery (such as length of training provision, degree to which an activity can be offered collectively or individually) were seen to stand in the way of UWV WERKBedrijven being truly entrepreneurial in relation to addressing local needs and priorities.

Municipalities

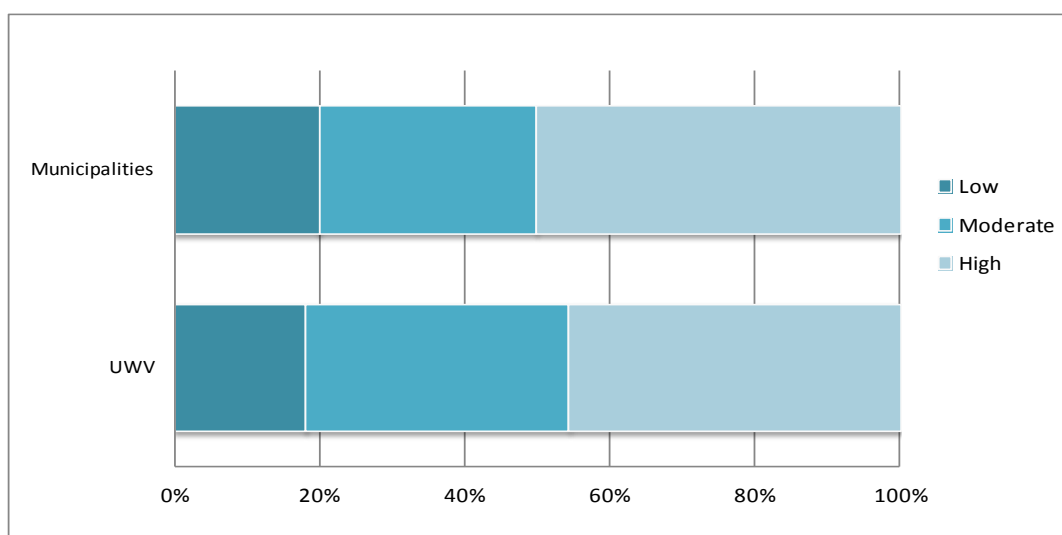
Municipalities feel that they have slightly more freedom than the UWV in terms of choosing the types of programmes and initiatives they will put in place to support local people back to work (see Figure 2). While UWV WERK Bedrijven have the "work coach" who play a crucial role in the reintegration process, municipalities have a "client manager" who acts as a personal advisor. After a

first in-take conversation, the client manager is free to determine which programmes or instruments they would apply for their clients.

Municipalities have the opportunity to adapt instruments (programmes) to their own specific local needs, and each municipality has its own set of instruments. For some instruments there are certain legal requirements (for example collective labour agreements, tax law etc.) that have to be followed. A reintegration instrument can take all sorts of forms: diagnosis of the client’s possibilities, job application training, wage-cost subsidy, a combination of learning and working, Work First schemes etc.¹¹ Almost one-third of the total reintegration budget is spent on wage-cost subsidies, around 25% is spent on guidance paths (*begeleidingstrajecten*) and another 25% is used for subsidised labour. During the past years, the budget is increasingly spent on wage-cost subsidies to private sector employers and less on subsidised labour within the public sector (Divosa, 2010). Generally, the emphasis is more on so-called *maatwerk* instruments, *i.e.* instruments that are a specifically designed to the needs of a client.

Generally, municipalities find the available instruments and programmes adequate given their clients. Being able to choose from a mix of programmes allows them the flexibility to tailor their labour market interventions to their local labour markets and client demographics. It is the job of the client managers to design and deliver the programmes in such a way that it is appropriate for the clients, while responding to performance management targets. However, 36% of the municipalities to the e-questionnaires identified that there were labour market priorities in their region which they were not able to address through their employment programmes. These included, for example, skills shortages in the health and care sectors, and difficulties in helping those at greatest distance from the labour market.

Figure 2. Perceived flexibility in the management of programme design



Source: OECD Managing Accountability and Flexibility e-questionnaire.

¹¹ This is an umbrella scheme that covers different approaches, but the essence is that people start work immediately (while retaining benefits or with a salary). Work First contributes to preventing influx and achieving relatively rapid outflow from the WWB (see Ministry of Social Affairs and Employment, 2008).

Budgets and financing

UWV WERK Bedrijven

In terms of financing, each UWV WERK Bedrijf is assigned its own budget by the UWV Head Office via a distribution code. This budget is based on an estimate of the number of unemployment beneficiaries, among other factors. The budget is not assigned to defined reintegration instruments (for example manpower, skills investment etc.) but since January 2010 has to be allocated according to the length of time that people have been unemployed.

In practice this means for all UWV WERK Bedrijven combined, that out of the total reintegration budget of EUR 126 million, approximately EUR 86 million has to be used for reintegration measures focused on those who have been unemployed for more than one year, EUR 20 million has to be used for to help reintegrate those who have been unemployed for between three and twelve months and EUR 20 million has to be used for reintegration measures focused on those who have been unemployed for less than three months (as well as those who are under threat of becoming unemployed). This means that reintegration measures are heavily weighted towards people who have been out of work for some time. The reason behind this is that a policy screening showed that reintegration measures are most successful for those who are unemployed for over 12 months.

Before CWI and UWV merged, CWI took care of a basic provision of services for those who were unemployed for less than six months (approximately around 60% of all unemployed). In case it was decided that a client receiving services from the CWI needed a training or employment programme (mostly for a short period) – UWV bought this programme following the wishes of CWI. UWV took care of those who were unemployed for more than six months. This was financed out of a reintegration budget. Now that CWI and UWV are merged, all clients receive a basic provision of services for a maximum of three months. After three months, the clients are offered – if necessary and dependent on their background characteristics – a reintegration package by the UWV WERKBedrijf or the municipality. Since 2010 all services, regardless of whether they are focused on clients for less or more than three months, are financed out of the reintegration budget, meaning that this has to be prioritised to some extent.

There is a district-wide budget for reintegration (at NUTS II level) and all interviewed UWV WERK Bedrijven noted that there was flexibility to move money between budgets at district level (both within a district as well as between districts, for example if one has a surplus and another a deficit). At the local level, there is no funding held back for special local initiatives, all is allocated through the budget process, and no funds are allocated for partnership working with other local institutions. However the UWV WERK Bedrijven have a limited flexibility to spend 5% of the total budget as they would see fit. If new circumstances emerge it is possible to ask the central office to make an adjustment, as long as money is available.

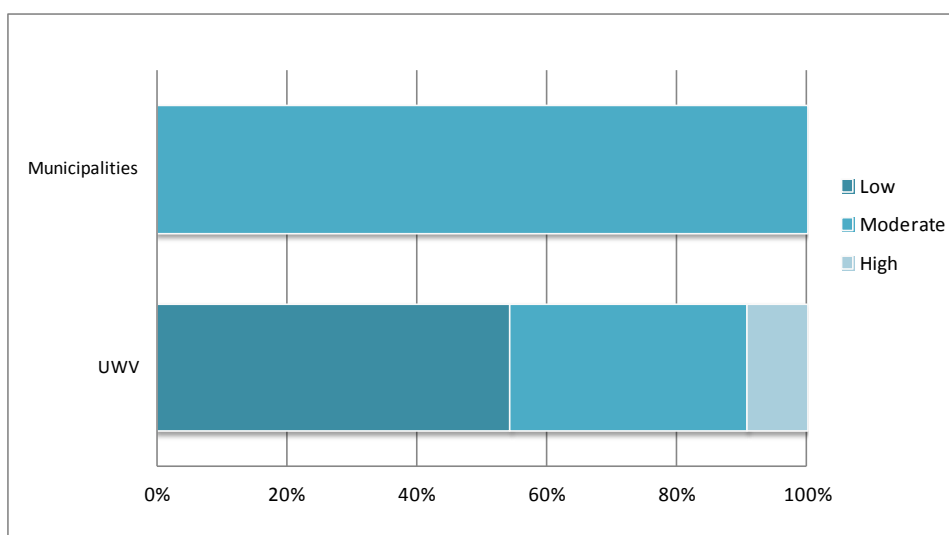
Municipalities

The municipalities surveyed for this study felt that they had much greater control over their budgets than UWV (see Figure 3). Since the introduction of the 2004 Work and Social Assistance Act (WWB), municipalities have had full responsibility for their budget on social assistance. This means that they have an interest in activating and reintegrating their social assistance clients as quickly as possible. The Ministry of Social Affairs and Employment (SZW) determines in advance how much funding each municipality needs in order to cover benefit payments, based on an assessment of the current local population (*e.g.* the share of low income households in a municipality) and on past expenditures. Municipalities receive an individual budget from which they have to finance social

assistance allowances and the reintegration activities. When municipalities exceed this budget, they have to draw on their own resources for financing, as legitimate claims for social assistance cannot be refused (and entitlement criteria are still determined by the central government). When municipalities do not fully use the national budget for social assistance payments, they are free to spend the saved resources. Because of this, it becomes more financially attractive for municipalities to reintegrate their social assistance clients into the labour market. Since October 2009 up to a maximum of 25% of the budget granted for that year may be carried forward to the following year. Otherwise, the budget that has not been spent has to be re-paid to the Ministry of Social Affairs and Employment.

Since 2009, the budget for reintegration is subsumed in the so-called "participation budget" which also includes budgets for adult education and civic integration. The idea behind the participation budget is that it will enable municipalities to pursue a more integrated policy and supply more customised services to clients (Blommesteijn and Mallee, 2009). Municipalities are free to determine whether they spend the budget on reintegration, education or civic integration. However, many municipalities indicate that the previous budget levels for reintegration, adult education and civic integration have been maintained, which indicates that it may take some time for this to have an influence on the pattern of expenditure.

Figure 3. Perceived flexibility in the management of budgets



Source: OECD Managing Accountability and Flexibility e-questionnaire.

In general, municipalities appear positive about the way in which the budget system is organised, however it was felt that the overall amount of the budget could be altered more flexibly in reflection of the overriding labour market context. For example, it was perceived that it would be better if there was more budget available for reintegration during crisis years and less budget during periods where labour market problems are more minor. Most municipalities noted that the effectiveness of their reintegration measures has been improved considerably since the introduction of the WWB in 2004, partly due to the financial incentive associated with the budgetary system, and partly due to the dynamic labour market which existed between 2004 and 2008.

Performance measures and targets

Both the UWV WERKbedrijven and the municipalities have to reach certain targets with regard to their reintegration instruments and programmes.

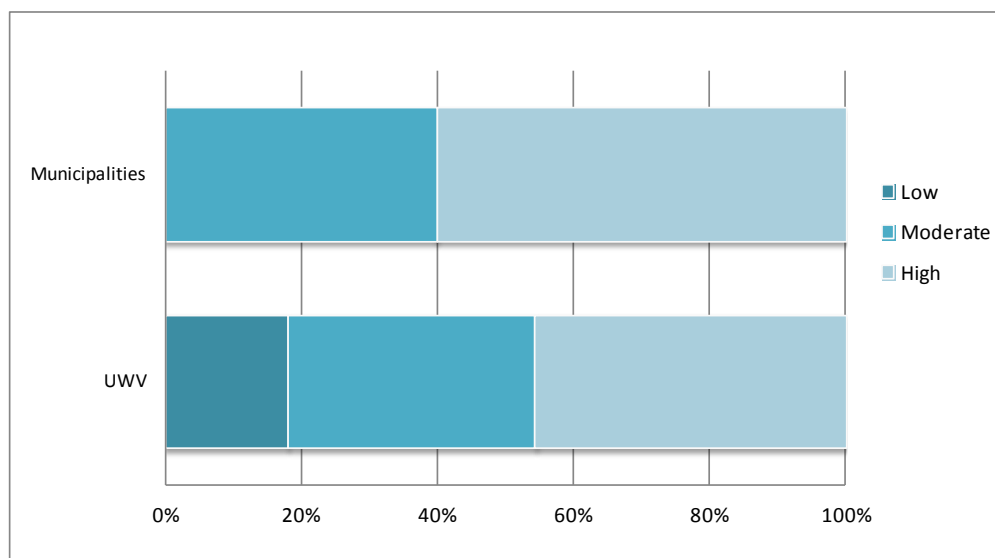
There are two performance indicators which apply for both the UWV WERKbedrijven and the municipalities:

- Customer satisfaction to both job seekers and employers;
- A certain labour outflow percentage.

For the UWV WERK Bedrijven, the overall performance targets for the Netherlands are determined by the central office of UWV, based on ambitions for labour market policy, past performance, and recent developments in the labour market context. Within this framework, the UWV WERK Bedrijven determines their own targets, taking their own specific local (regional) situation and available staffing into consideration. Generally the targets determined by the UWV WERK Bedrijven are similar (or very near) to the targets determined by the central office.

For municipalities, performance measures and targets are determined by boards which oversee the social services departments in an annual plan. This annual plan has to be approved by the city council. Municipalities surveyed for this study gave a slightly higher rating for the flexibility available to them in performance management (see Figure 4). Some reported that it is difficult to prove they have been effective at dealing with "soft issues" such as reducing distance from the labour market.

Figure 4. Perceived flexibility available within performance management



Source: OECD Managing Accountability and Flexibility e-questionnaire.

Monitoring takes place regularly. As an example, some UWV WERK Bedrijven discuss the results of each WERK Bedrijf every two weeks at district level. Municipalities also discuss monitoring

results regularly. The UWV WERK Bedrijven are benchmarked amongst themselves on a voluntary basis, while municipalities also benchmark voluntarily against similar municipalities.¹²

For both UWV WERK Bedrijven and municipalities there are no direct sanctions for failing to meet the defined targets. Respectively the managers of the UWV WERK Bedrijven and the director of the social services within each municipality bear final responsibility for overall results. When targets are not met they are expected to give an adequate explanation and a well-founded plan how to improve the effectiveness of the organisation. However, failure to meet targets may have personnel consequences in case a director, unit manager or work coach (client manager) fails to meet the targets year after year. The overall objectives (and performance targets) that are formulated for the UWV WERK Bedrijven and the municipalities are cascaded down to the work coaches and the client managers, who have to meet certain targets. If they do not meet the defined targets it may ultimately have consequences for them in terms of job and salary.

Targets are also passed onto private reintegration bureaus, and if they do not meet their objectives, the sanction is that their contract may not be renewed. Often the reintegration packages are financed on a "no cure, no pay" or "no cure, less pay" basis. Having targets and measures in the contracts was accepted as the way that business is done. There is some room to negotiate the targets as part of the contracting process. The evaluation of the effectiveness of reintegration instruments and programmes is carried out by the purchase and reintegration divisions at district level for the UWV WERK Bedrijven, and similar divisions within the municipalities.

Client eligibility

Both UWV WERK Bedrijven and the municipalities are expected to work with all unemployed clients wishing to access their services. Employed clients who expect to lose their job within four months may also use the services of the UWV (accessing advice on job applications etc and the support of a work coach). Both UWV WERK Bedrijven and municipalities are also free to decide to target a programme on a particular group *e.g.* recent immigrants, youth or people over the age of 55, although UWV WERK Bedrijven have to assist clients according to their overall length of unemployment (see above). Municipalities perceive a higher degree of flexibility in deciding whether local people are eligible for their programmes than the UWV WERK Bedrijven (see Figure 5).

Despite this 73% of municipalities and UWV representatives responding to the e-questionnaire identified that there were vulnerable groups that were not easy to help, including homeless and drugs related clients, some youth, people from the age of 45-55 and the long-term unemployed. Municipalities report having to turn away a higher percentage of potential clients (with half of respondents from municipalities turning away more than 10%) than UWV (who mostly specified less than 4%). Some municipalities claim that there should be specific preventative programmes to help those at risk of becoming unemployed or on social assistance due to indebtedness. There was also some frustration that it was difficult to help older clients (45 and older) into employment. In a survey of municipalities, 72% of the managers of the social services observed that older people were the most vulnerable group on the labour market; however recent government and municipal drives have focused more on supporting youth (Divosa, 2010).

For those clients who are at a greater distance to the labour market, UWV WERK Bedrijven are free to decide whether to offer a more intensive provision of services or a more intensive training and employment programme. In the latter case the WERK Bedrijven are obliged to contract out the

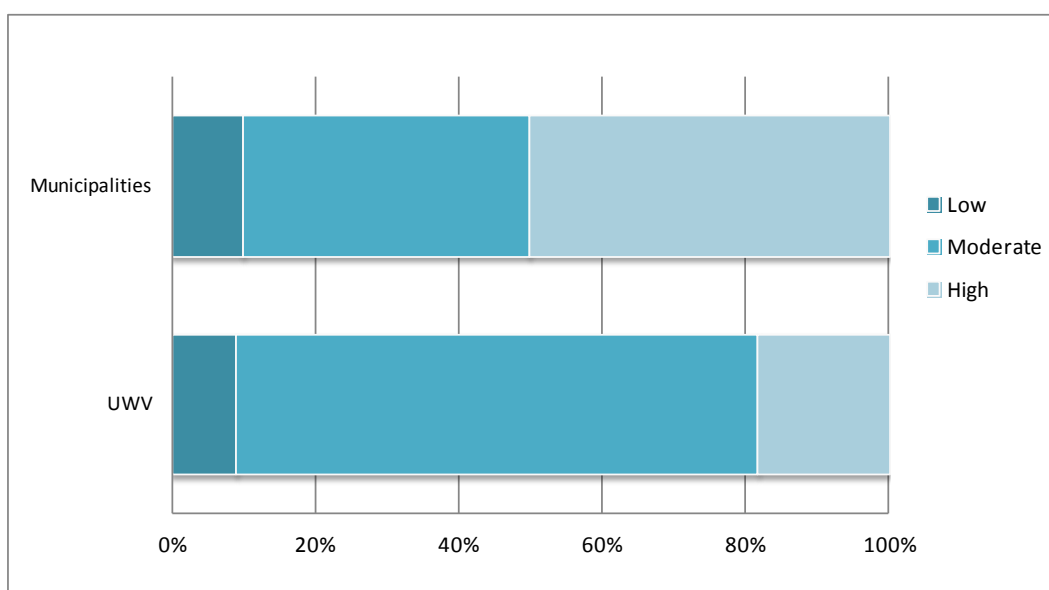
¹² For example, DIVOSA (the association of managers for work, income and social issues) monitors and compares results of social services.

training and employment programmes (e.g. IROs) to private reintegration bureaus. In case an intensive provision of services is offered this has to be financed out of the implementation costs. Some UWV WERK Bedrijven point out that the greater the distance of a client to the labour market, the more intensive the activation instruments that are offered. Other UWV WERK Bedrijven note that an IRO is only offered to those who have a real chance to find a job.¹³ Clients who are recently unemployed are generally more likely to be able to make the transition to a regular job without a significant amount of help.

Since the financial reform in 2004, municipalities have been criticised for offering *maatwerk* projects for those clients who have a relatively high chance to find a regular job. However, the municipalities consulted for this study indicated that they are focusing more and more on programmes for those groups that are at a "large distance to the labour market". As an example, in one municipality this group (known as the "health group") represents 50% of all clients. This includes on the one hand clients who have multiple problems such as high debts and psychological problems, and on the other hand clients who have been out of work for many years. Since for this group there is still a great deal to gain with regard to the effectiveness of reintegration instruments and programmes, the social service of this municipality offers such clients financial help by referring them to tailor-made social assistance (*bijzondere bijstand*) or poverty policy measures (*minimabeleid*).

There are no restrictions on employers or industries that can be served by either UWV WERK Bedrijven or municipalities. Both work coaches and client managers are free to focus on those occupations and industries that are most relevant in their local areas.

Figure 5. Perceived flexibility available within decisions as to eligibility and target groups



Source: OECD Managing Accountability and Flexibility e-questionnaire.

¹³ IRO packages are more expensive compared to traditional services (by a factor of 1.2 to 1.3) but are also more effective in getting clients back to work (by a factor 1.2 to 1.5). For unemployed the costs-per-placement are higher (by a factor 1.0 – 1.4) than with traditional services (Veerman and Beekman, 2009).

Staffing and outsourcing

Recent legislation in the Netherlands means that both the municipalities and the UWV WERK Bedrijven have a choice of whether to offer services in-house or outsource them.¹⁴

Municipalities

Municipalities can now decide to implement reintegration programmes themselves or to contract out to private reintegration bureaus, with a previous obligation to outsource all reintegration activities to the private sector now lifted. Most municipalities choose to take responsibility for intake, and initial diagnosis. In the majority (around 80%) of the municipalities specific welfare-to-work programmes (*maatwerk*) are then outsourced to private reintegration bureaus (the majority not-for-profit).¹⁵ The municipalities also establish contacts with employers and endeavour to set up agreements regionally with a view to placing "their" clients in regular jobs. Where municipalities choose to outsource, municipal departments for purchase and reintegration handle the contracting arrangements, either buying services in the market or performing these services themselves.

Municipalities need to use open tendering processes in order to reduce preferred supplier effects and promote competition, and some municipal representatives reported that they were increasingly securing collective contracts with collective targets, as opposed to developing tailor made solutions with individual clients, as such contractors are more able to absorb the risks associated with working with certain hard to reach groups. It was pointed out that certain political parties were also more likely to favour collective solutions than others.

UWV WERK Bedrijven

UWV WERK Bedrijven have a reintegration budget at their disposal that has to be outsourced completely to local and regional reintegration bureaus. Private reintegration bureaus are chosen mainly by the central office of the UWV, with each district having a contract manager who handles the regional contracting arrangements, completing paperwork, negotiating the contract and monitoring the results. Tendering processes are relatively large investments and when contractors report results they do not do so on a regional or local basis. The individual UWV WERK Bedrijvens do interact intensively with private reintegration companies, for example with regard to placements of unemployed jobseekers in reintegration programmes, drafting and approving reintegration programmes and reporting about the progress of these. The outsourcing process for the UWV has been criticised for involving a significant amount of paperwork, and for being relatively short-term in the allocation of contracts (see *e.g.* Sol, 2003).

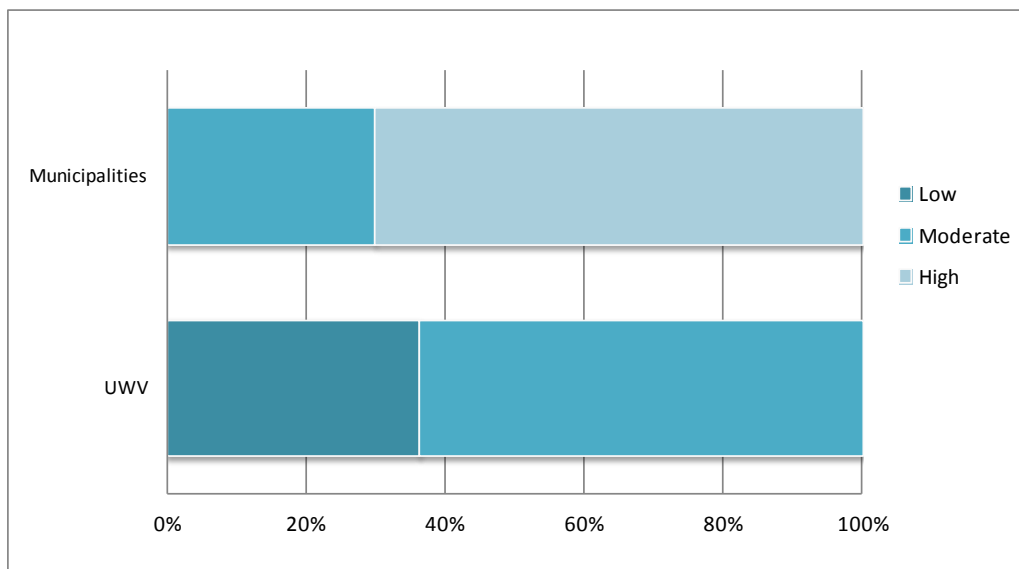
Municipalities are free to decide whether to offer their clients services themselves or to outsource them to (private) reintegration bureaus. The interviewees claimed that most of services to their clients were outsourced instead of being delivered by themselves. One explanation that was given for this was that the reintegration of social assistance beneficiaries demands a specialised approach since this group are far removed from the labour market. Another explanation given was that municipalities receive a

¹⁴ As noted above, if a UWV WERK Bedrijf wishes to offer more intensive training and employment programmes (*e.g.* IROs) to its clients it is obliged to outsource these programmes to a private reintegration bureau.

¹⁵ According to Koning (2009), in 2007 and 2008 most of the reintegration budget of the municipalities was spent on contracting to private organisations (74% on average). For 2008 only, spending on private contracts can be subdivided in those with private for-profit providers (22%) and private non-profit providers (50%).

relatively high reintegration budget per client, as compared to UWV WERK Bedrijven. Municipalities surveyed for this study perceived that they had higher flexibility in this area than the UWV WERK Bedrijven (see Figure 6). As noted before, UWV WERK Bedrijven have a determined reintegration budget that has to be outsourced completely to private reintegration bureaus. However, UWV WERK Bedrijven can also decide not to offer a programme but instead work with the client intensively themselves. In that case the costs cannot be reimbursed from the reintegration budget but from the budget for implementation costs.

Figure 6. Perceived flexibility available within outsourcing



Source: OECD Managing Accountability and Flexibility e-questionnaire.

Staff from the UWV WERK Bedrijven can be reallocated between offices within districts (and even between districts). Staff working for social assistance clients cannot be reallocated between municipalities. If a municipality requires – for example – an extra client manager, this has to be agreed with the municipal planning office and approved by the city council.

Overall conclusions with regard to degree of flexibility

Based on the interviews conducted for this study it appeared that municipalities in particular experience a relatively high degree of flexibility in the delivery of labour market policy at local level. The UWV WERK Bedrijven observed least flexibility with regard to budget management and – as it is closely related with the reintegration budget – client eligibility. Both UWV WERK Bedrijven and municipalities experience most flexibility in "collaboration and partnerships" and to a somewhat lesser degree "performance measures and targets".

From the results of the 24 e-questionnaires, however, a somewhat different picture appears. For example, only 36% of respondents from UWV WERK Bedrijven that filled in the questionnaire felt that they have a high degree of flexibility in tackling specific local issues that arise in the working area. 36% felt there was a moderate degree of flexibility and 28% a low degree of flexibility. Just below 64% of respondents from the municipalities felt that they had a high degree of flexibility compared to 36% who found flexibility to be moderate.

Tables 1 and 2 summarises how the respondents from UWV WERK Bedrijven and municipalities respectively rank the various labour market policy themes on degree of flexibility. Overall, most flexibility is observed with regard to performance management. Least flexibility is experienced as for budget management. For most policy themes, the majority of respondents from the UWV WERK Bedrijven perceived a low or moderate degree of flexibility whereas respondents from municipalities perceived a moderate or high degree of flexibility. 27% of respondents allocated a score of low flexibility to one of the management areas compared with only 5% for the municipalities. As an example, seven respondents from the UWV WERK Bedrijven feel a low degree of flexibility with regard to budget management compared with only one respondent from the social services.¹⁶

Respondents also identified that the level of bureaucracy and amount of paper work that local offices had to deal with was medium to high.

Table 1. How much flexibility UWV WERK Bedrijven have in each management area

	Low	Moderate	High
Strategic approach	3	8	0
Programme design	2	4	5
Budget management	6	4	1
Performance management	2	4	5
Choice of target groups/eligibility criteria	1	8	2
Contracting/outsourcing arrangements	4	7	0

Table 2. How much flexibility the municipalities have in each management area

	Low	Moderate	High
Strategic approach	0	7	3
Programme design	2	3	5
Budget management	0	10	0
Performance management	0	4	6
Choice of target groups/eligibility criteria	1	4	5
Contracting/outsourcing arrangements	0	3	7

Source: OECD Managing Accountability and Flexibility e-questionnaire.

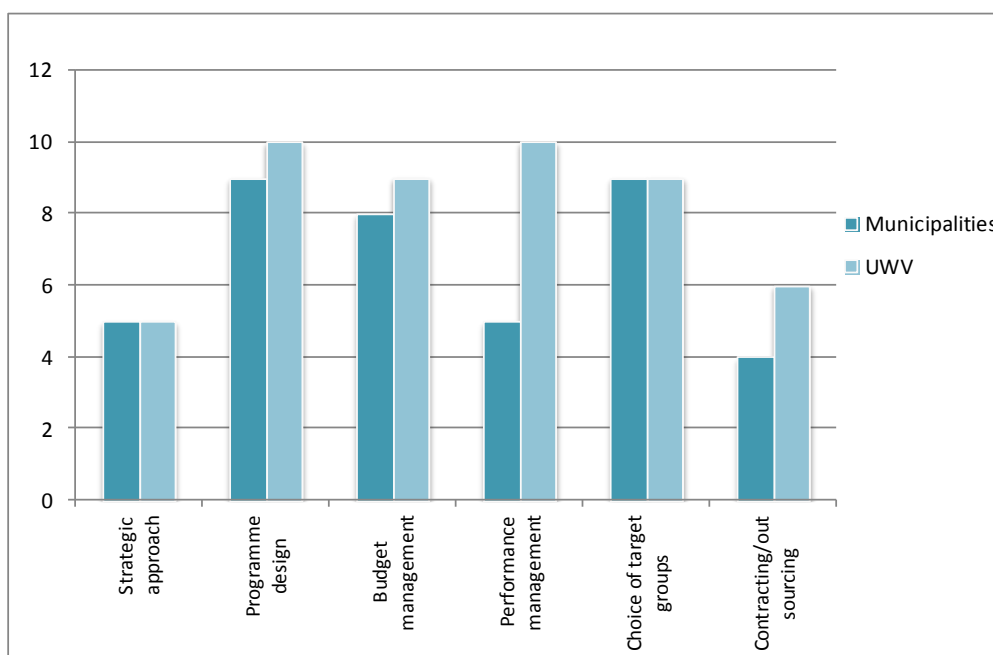
The respondents were also asked where greater flexibility to influence the programmes and services it delivers would be most useful. Figure 7 shows the results. It is worth noting that both UWV WERK Bedrijven and municipalities would find higher flexibility most useful for the management areas of programme design, budget management and choice of target groups/eligibility criteria.

¹⁶ The described changes with regard to the use of the reintegration budget for UWV WERK Bedrijven may be part of the explanation.

Moreover, respondents from the municipalities would find more flexibility useful in relation to performance management.

The majority of respondents (95%) felt that more flexibility would allow local offices to deliver active labour market programmes that were more relevant to their locality, although 24% of all respondents thought that this might risk creating problems in relation to accountability, and just under 60% felt that more flexibility would need to be accompanied by investment in capacities and resources at the local level.

Figure 7. Where the municipalities and UWV would like more flexibility



Source: OECD Managing Accountability and Flexibility e-questionnaire.

COLLABORATION AND PARTNERSHIPS

A key objective of this study is to analyse how the current level of flexibility available to local actors in the field of employment policy affects their ability to cooperate between themselves and other local actors. The Netherlands has a strong tradition of working in partnership locally in the field of labour market policy, but the local tier of collaboration has been relatively weak in the early years of this century. In 1991, the Dutch government responded to contemporary labour market challenges by establishing 28 tripartite regional boards for employment services, including employer associations, municipalities and trade unions. These boards were responsible for policy design, while management and operational matters were in the hands of the then public employment offices. In 2001 these boards were abolished as part of a period of the implementation of the SUWI Act, which restructured the delivery of labour market policy and introduced further marketisation. Prior to the restructuring there had also been some criticism as to the lack of efficiency and effectiveness of the regional boards, due in part to a lack of proper accountability for these regional units and an inadequate supervision of expenditure (Sol, 2003).

Since 2007, the new coalition government has reemphasised the importance of local partnership approaches to employment policy, with the aim to broaden contacts with employers and bring a wider group of workless people back into the labour market to increase the employment rate. In 2009, a series of regional and local based partnerships/networks have been established incorporating the UWV WERKbedrijf and municipalities. More information about each type of collaboration is provided below, before an analysis of how this collaboration has led to concrete outcomes in two of the case study regions, Breda and Friesland.

The mobility centres

As a response to the economic downturn, mobility centres have been established temporarily at the level of the 30 plus-work squares since March 2009. The main objective of the mobility centres is to organise a network to facilitate work-to-work transitions for employees faced with redundancy. The aim is to prevent unemployment and help people to find new work as soon as possible. To facilitate work-to-work transitions, local and regional co-operation is formed between sectoral or regional employers (SMEs), local authorities, schools, temporary work agencies, employment agencies and UWV (WERK Bedrijf). The mobility centres have been rolled out by the UWV which has been allocated a budget for both 2009 and 2010 from the national government. It was noted that this had increased the speed with which the network could be put in place. However, while in the north of the Netherlands the mobility centres have been seen as collaborative structures, in the west it was apparent that they were seen as "UWV initiatives" that did not have the full "ownership" of other local stakeholders, including the municipalities. As of 2011, the duties of the mobility centres will be integrated in the regular provision of services by UWV. The intention is that the regional networks of key stakeholders (employers representatives, education and government services) which the mobility centres have created will remain active in time of crisis as well as in times of growth.

Special collaboration to support youth

As youth have been particularly affected by the crisis, not just in the Netherlands but in other OECD countries, the national government has taken the initiative to conclude agreements with each of the 30 regions to make arrangements to combat youth unemployment, in a scheme known as the youth unemployment pact (*convenant jeugdwerkloosheid*). This scheme is being led by the municipalities with the aim to develop a regional network to promote and enhance employment for this group. The choice of regions is consistent with the plus-work squares. All the parties involved - local authorities, social partners, UWV, education centres, youth centres etc., have come together to develop a regional plan and to determine together how they will make a contribution to fulfil the ambitions of the plan.

Work Squares (*werkpleinen*)

Following the latest reforms there is also now an obligation by law for municipalities and UWV WERKbedrijf to work together in a work square (*werkplein*). The aim behind the work squares is the transition to integrated labour market programmes by UWV and municipalities and to strategic partnerships to deliver real changes and to improve the efficiency and effectiveness of services for job-seekers and employers. While working together it is also hoped that municipalities and UWV WERKbedrijf can provide a more accurate diagnosis of the local labour market, and of the needs of individual clients. Joint actions can be developed which cater for both those on unemployment benefit and those on longer term social assistance benefits. In January 2010, there were 127 work squares in the Netherlands, with this number being reduced to around 100 work squares in 2011.

Work squares operate at two different levels – the local level and the regional level. Of the 127 work squares, 30 are appointed as plus-work squares (*pluswerkpleinen*) which are spread over the country in 30 regions. Because the plus-work squares are particularly located in the bigger cities, they cover a larger population size than the regular work squares. As an indication, the plus-work square of Breda covers a total population of 113 000 (20-65 years). The neighbouring local work square Oosterhout covers a smaller population of 61 000 (20-65 years). The plus-work square Leeuwarden covers a population of 101 000 (20-65 years) whereas Werkplein Dokkum – located next to Leeuwarden – covers a population of 52 000 (20-65 years). The plus-work squares combine both local and regional responsibilities (*i.e.* they do not represent an additional organisational layer, and plus-work squares have no management responsibility for smaller work squares). The regions vary in size and experience different kind of problems.

The plus-work squares have a regional function in co-ordinating different actors, approaching other actors in the region (for example, employer-organisations, education institutions), providing regional labour market information and offering specific services (for example, mapping and facilitation services). The municipalities where these 30 plus-work squares are located are also the municipalities that have a stimulating role in the formulation and co-ordination of regional labour market policies. Within the work squares, municipalities are active on a local level - *i.e.* for the clients living in their own municipality – whereas the UWV WERKBedrijf is active for all clients living in the municipalities that are part of the work square. In some work squares the reintegration activities of several municipalities are integrated into one organisational unit.

As for the management of the work squares, UWV WERK Bedrijven and municipalities share responsibility for those activities where they have combined their expertise. The manager of the UWV WERK Bedrijf and the director of the social service (of the municipality) take turns to chair regular meetings. At the time of this study the work squares had only been in place a few months, and the degree to which they have led to operational integration on the ground varied considerably. The UWV identified that there were currently three work squares with full integration (in terms of information

technology and location), 10 with 95% cooperation, 30 planning 90% integration in three years, while 40-50% said they had no plans to cooperate any further, and were happy implementing tasks separately. Some work squares are in the process of combining the instruments of social services and UWV WERK Bedrijven together or in ensuring that similar instruments are available from both, whereas others barely co-operated in terms of labour market instruments. Some have set up joint management teams - *Werkplein Eindhoven*, for example, is run by an integrated management team that includes the UWV, municipalities, other government departments, business, industrial consortia and municipalities. Some have coordinated the outsourcing of programmes, others continue to make separate decisions on whether programmes are outsourced or not. Several of the UWV WERK Bedrijven and municipalities surveyed for the study identified that they now felt accountable to other partners working within their work square. Cited barriers to cooperation include financial systems and accountability arrangement (for example, it is not possible to transfer funding between a municipal and UWV WERK Bedrijven budget).

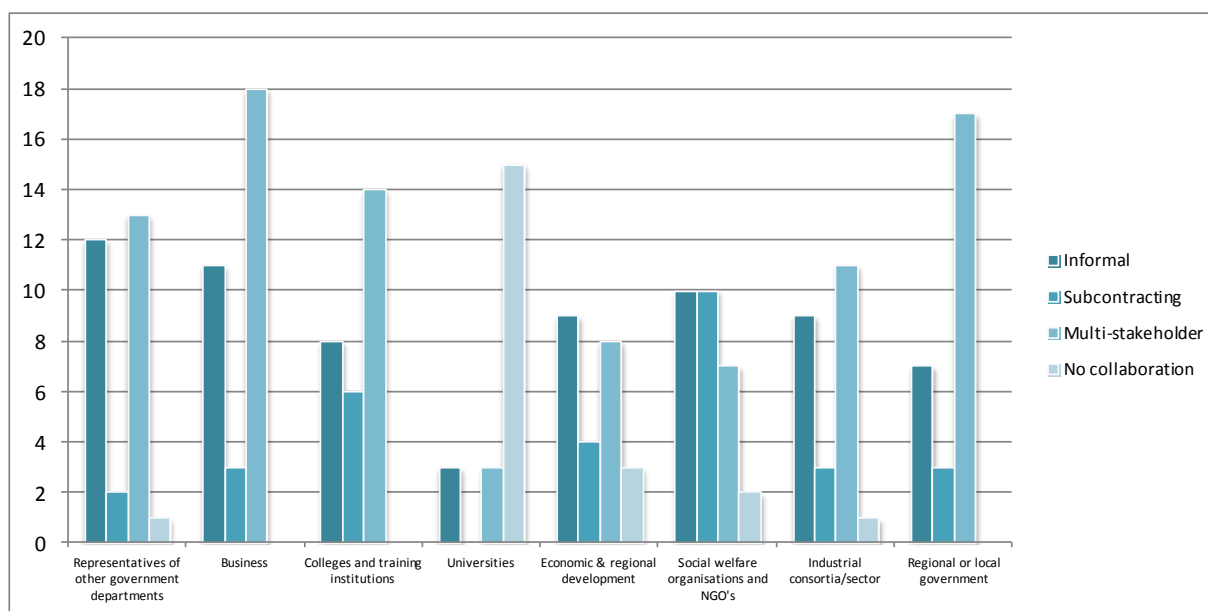
The municipalities and UWV WERK Bedrijven consulted for this study were generally positive about the new work squares, which they saw as useful mechanisms for building cooperation and exchanging techniques and instruments. As one WERK Bedrijven representative commented, "together we have a stronger portfolio with products for clients as well as companies". At the same time, a municipality identified that the "UWV has vast array of instruments we don't have and vice versa". The work squares also enable municipalities to work with some unemployed people before they reach the point of coming onto social assistance which helps them to take preventative actions.

In terms of broader collaboration, all consulted UWV WERK Bedrijven and municipalities said that they are free to decide with whom – dependent on their needs - they collaborate. Both UWV WERK Bedrijven and social services identified extensive examples of collaboration and partnerships with industry sectors, regional education centres (ROCs), outplacement bureaus, private reintegration bureaus, temporary work agencies etc. As for the clients who have the largest distance to the labour market, municipal social services departments often collaborate with "sheltered workshops", health- and welfare companies and organisations that help people with large debt problems (Divosa monitor, 2010).

In the e-questionnaire it was asked with which local and regional agencies the UWV WERK Bedrijven and the municipalities collaborate – and on what basis. Figure 8 shows the results. It can be seen that the work squares collaborate with a diverse group of local and regional organisations.. They most frequently collaborate with business, social welfare organisations and NGOs. The universities are the least mentioned as partner of collaboration. By far the most popular type of collaboration is the multi-stakeholder partnership followed by the informal collaboration. Plus-work squares were more likely to collaborate with a wider group of stakeholders than work squares, having established relationships with all the organisations mentioned in Figure 8 except for the universities.

Of the 24 work squares that filled in the e-questionnaire, 12 claimed that the collaboration with local and regional organisations has a strong impact on the way the labour market policy measures are delivered, 11 believe it has some impact. Municipalities were more optimistic about the impact that collaboration has on their day-to-day work than the UWV WERK Bedrijven.

Figure 8. Partners and types of collaboration



Source: OECD Managing Accountability and Flexibility e-questionnaire.

Collaboration in Breda and Friesland

Collaboration and partnership working has created interesting results in helping to respond to local labour market needs in the case study regions of the west of the Netherlands (Breda) and the north (Friesland).

The west of the Netherlands (Breda, Dordrecht)

Until 2008 the labour market context in Breda and Dordrecht in the west of the Netherlands was strong: employment rates were rising, and vacancies were increasing strongly, with more and more becoming difficult to fill. At the end of 2008, the situation reversed with the economic downturn leading to a rise in the number of unemployed in Breda of over 6 000 to November 2009, an increase of 29% than at the end of 2008¹⁷. In Drechtsteden (Dordrecht) unemployment increased by 31% during the same period. Nevertheless, the unemployment level in the region remains relatively low compared with the rest of the country. As in the rest of the country, youth and migrants are thought to have been the most impacted by the crisis.

The interviewed UWV WERK Bedrijven and municipalities in the west co-operate extensively with other organisations in the region, with most UWV WERK Bedrijven and municipalities identifying positive outcomes in terms of improving the match between labour demand and labour supply. Aldermen (municipal councillors) were seen to play a key role in realising regional co-operation.

¹⁷ This data refers to the NWW rate which is the proportion of unemployed into the workforce registered at the UWV. The sources used are: Onderzoekcentrum, Drechtsteden, Crisismonitor Drechtsteden (2010) and Gemeente Breda (2010), Kwartaalrapportage Arbeidsmarkt Breda 2009, Afdeling Onderzoek en Informatie in opdracht van directie Sociale Zaken.

The plus-work square in Breda has 11 advisors, including representatives from the UWV WERK Bedrijven and municipalities who work in the same building. The aim is to provide a single "service point" for employers and individual clients. Feedback is provided to the agencies involved through a management information portal. The UWV WERK Bedrijven and municipality meet twice a week to oversee the collaboration. The agencies still report back to their respective vertical line management structure, with UWV representatives reporting to their central headquarters, and municipal staff working under the supervision of their alderman. The plus-work square also hosts a juvenile desk under the supervision of the municipality.

The organisations involved in *Werkplein Breda* consider that co-operation was necessary not only to tackle short-term labour market problems (such as rising unemployment rates) but also longer term challenges. It is expected that in the medium term the region will return to a situation of skills shortages, so the work square is putting in place co-operation now to help businesses to plan for their high and rising demand for labour. The work square recognised that involving actors in longer term actions would not only help in forward planning, but would build up much needed loyalty and trust, which could be called upon later to meet more short-term needs. *Werkplein Breda* co-operates locally with schools, businesses, sector organisations, housing corporations and welfare organisations and also forms partnerships with neighbouring municipalities to tackle more regional issues. An interesting example of the sector cooperation being put in place is the *Brancheservicepunt Detailhandel* (see Box 1) which is focused on the retail sector. Representatives of this sector identified a supply/demand mismatch in terms of skills, and find it difficult to take a long-term perspective on planning labour market needs for the future.

Box 1. Example of co-operation: Servicepunt Detailhandel (Breda)

Economically and socially the retail sector is of great importance to Breda and its surrounding area. The sector has 2 200 establishments in the area, and is currently relatively stable. However, in the context of the ageing of the population it is expected that it will become more difficult to fill vacancies in the future. It is also acknowledged that more has to be done to increase the quality of employment in the sector and the productivity and competitiveness of local enterprises, particularly small and medium sized enterprises (SMEs). Several organisations such as the national board for the retail trade, the retail platform Breda, the association of enterprises in the city centre of Breda, the Chamber of Commerce and *Werkplein Breda* have taken the initiative to establish a service-unit for the retail sector (*Servicepunt Detailhandel*). The objective of this service unit is threefold:

- Improving the inflow and outflow of workers and better managing labour market transitions within the sector (for example, by improving the match between demand for labour and supply of labour through investments in skills etc.);
- Training of staff: implementing an external information and advice service on human resource management for SMEs, to improve work organisation, productivity and the quality of local job opportunities;
- Improving the image of the sector: stimulating and organising extra promotion with regard to (working in) the retail sector. Improving customer satisfaction.

The strength of the service-unit is that the approach is demand driven and based on one-on-one relationships with local retailers. If action is needed this takes place immediately through individual company visits and via visits to the member and board meetings of the association of retailers. These visits are being undertaken by work coaches of the *Werkplein Breda*. They have extensive experience with regard to contacting local companies and good knowledge of local training opportunities in relation to the retail sector. The work coaches also receive training from the national board for the retail trade. *Servicepunt Detailhandel* started in 2009. In early 2010 a similar service point was established for the care and welfare sectors, with plans to develop one for technical professions. A consulted business representative felt that through this collaboration they have come a long way in a short period of time.

Collaboration in Breda has also centred around the health sector (with a particular focus on helping youth into health care jobs) and construction. Health has been a focus area of a number of work squares in the Netherlands as the Dutch health sector is characterised by an increasing number of vacancies which are hard to fill. Despite the best efforts of the work squares, a recurrent problem has been a mismatch between the skills sought and those of local job seekers, and the fact that sector employers do not make their needs sufficiently transparent. The municipalities and UWV have also collaborated on a targeted approach to help the older unemployed - people aged 55 and over - back into the labour market through competency testing and group activities to re-build confidence. In the field of construction, local labour clauses have been included in local construction contracts, and because of the broad focus of the work square, the scheme is not limited to people on certain kinds of benefits.

Despite these positive forms of collaboration in Breda, some still felt that the UWV WERK Bedrijven and municipalities were operating in separate worlds, in part because the organisations operate with different financial flows, use different job specifications, and have different collective labour agreements. While it was acknowledged that co-operation creates a surplus value with regard to the more integrated services now available, some UWV WERK Bedrijven representatives highlighted that it is a constant struggle to adapt UWV programmes and services to the activities agreed in partnership through the work square. The UWV identified that it had been complicated to identify how to participate in some cases, and they were not able to provide funding but just staff time. In general, agencies have found it easier to collaborate through the work square on the basis of pre-existing partnerships and external funding streams (for example, the European Social Fund, which has funded a more long-standing labour market initiative centred on care and well being in Breda).

The work square was also criticised by some for not maintaining enough contact with employers because of the difficulties in collaborating with the large number of SMEs operating in the region. Working with industry sectors (such as retail, health and construction) has been one way to redress this issue.

Collaboration to address labour market conditions in the north of the Netherlands

A different labour market context exists in the north of the Netherlands. Unemployment is slightly higher than average here, with the unemployment rate 7.5% in September 2009, as compared to 6.3% in the Netherlands as a whole. The economic crisis produced a marked rise in unemployment but slightly lower than in the west. Of the three Northern provinces, the province of Friesland showed the biggest increase (21%) in the number of unemployed between September 2008 and September 2009, followed by Drenthe (18.1%) and Groningen (15.5%) compared to the average rise for the Netherlands as a whole which was 19.5%¹⁸. Nevertheless, the province of Friesland has the lowest unemployment rate of the three Northern provinces.

The structure of the labour market in the north shows marked differences with the rest of the country. For example, the shares of agriculture, manufacturing and construction are above those for the Netherlands as a whole. The small average firm size and the low density of jobs are also strong characteristics of the northern labour market. In addition, participation rates in the north are lower, as are average educational levels, labour productivity, innovation levels and regional wage levels. Since the industrial and construction sectors tend to suffer from cyclical economic change, the expectation is that unemployment in the north will increase further; however, this region may have been buffered

¹⁸ This data refers to the NWW rate which is the proportion of unemployed into the workforce registered at the UWV. The source used is http://www.uwv.nl/Images/AMJ%20NOORD%20NOV_tcm26-215546.pdf

from the most important impacts of the crisis as it is less sensitive to the export and world trade. In addition, the service sector is now the largest and fastest growing sector in the region.

The UWV WERK Bedrijven and municipalities in the north appear to have extensive experience in regional co-operation. As one director of the municipality noted “in the north the problems on the labour market are generally a bit more intense and because of that we realise (already for a long time) that we need each other. Consequently, co-operating with each other has become part of our work culture. Moreover, when the Ministry of Social Affairs and Employment encourages the work squares to co-operate with other organisations in the region, we are more inclined to obey than work squares in the west”. A manager of UWV WERK Bedrijf identified that “in regional meetings I always see the same people discussing new (other) themes”.

The work square in Leeuwarden has set up an employer’s team to provide a single point of contact to employers. In order to address the important redundancies taking place in the north following the economic crisis, the region of Friesland has also taken advantage of the new mobility scheme taken forward at the national level, to develop a "flying squad" to deal with employer agencies and employers and ease work-to-work transitions (see Box 2).

Box 2. Example of collaboration: “de vliegende brigade” (Mobility Centre Friesland)

Mobility centres have been in operation since March 2009 to counterbalance the effects of the economic crisis. The main objective of mobility centres is to facilitate work-to-work transitions to prevent unemployment by helping employees faced with redundancy to find new work as soon as possible. One successful example of the activities initiated and implemented by the Mobility Centre Friesland is the so-called "*vliegende brigade*" (flying brigade). The *vliegende brigade* is seen as a unique form of co-operation between public and private organisations. Besides UWV also the province of Friesland, the employer organisations VNO-NCW Noord and CNV, the temporary work agencies Randstad and AB Fryslân and other public and private organisations are involved.

The *vliegende brigade* helps enterprises who have a shortage of work for their employees and enterprises that have a (temporary) shortage of employees. Specialists from UWV and their associating partners visit enterprises at risk of developing economic difficulties to map the specific situation and look for solutions such as additional training for staff, short-term working and detaching or deploying the employees to other enterprises or sectors.

In particular, the mobility centre has succeed in convincing local enterprises to pay for training courses for those on part-time working or those who are being made redundant. The argument they use is that business will need a pool of skilled people in the region when business picks up again and they experience skills shortages. The mobility centre is also able to work with employers on improving human resource practices and raising productivity.

The overall aim is to prevent at-risk employees from losing contact with the labour market, to help enterprises to ride through the economic downturn, and to maintain a good local pool of skills for when business again needs to recruit.

The UWV WERK Bedrijven and municipalities in Friesland were enthusiastic about the results of the mobility centre, and because they worked on the centre together on "an equal basis" they both felt responsible for its success. However, it is clear that the mobility centres still need to comply with national regulations which can make it difficult to put more entrepreneurial solutions in place. For example, a local yacht manufacturer seeking to develop an innovative training and apprenticeship scheme for young people was not able to access funding for an in-house trainer as such support was not yet available in Friesland. Given that the region experiences both low skills and low wage levels, it

will be important in the future that public agencies are able to support such employers who wish to develop skills upgrading in partnership with other actors.

Local actors have also collaborated on the youth unemployment pact, finding this easier as a clear structure for collaboration which already existed between labour market actors, regional education centres (ROCs), cultural organisations, health care organisations etc. Despite this, some report that the pact involves an important degree of bureaucracy and involves too many agencies and actors to be efficient.

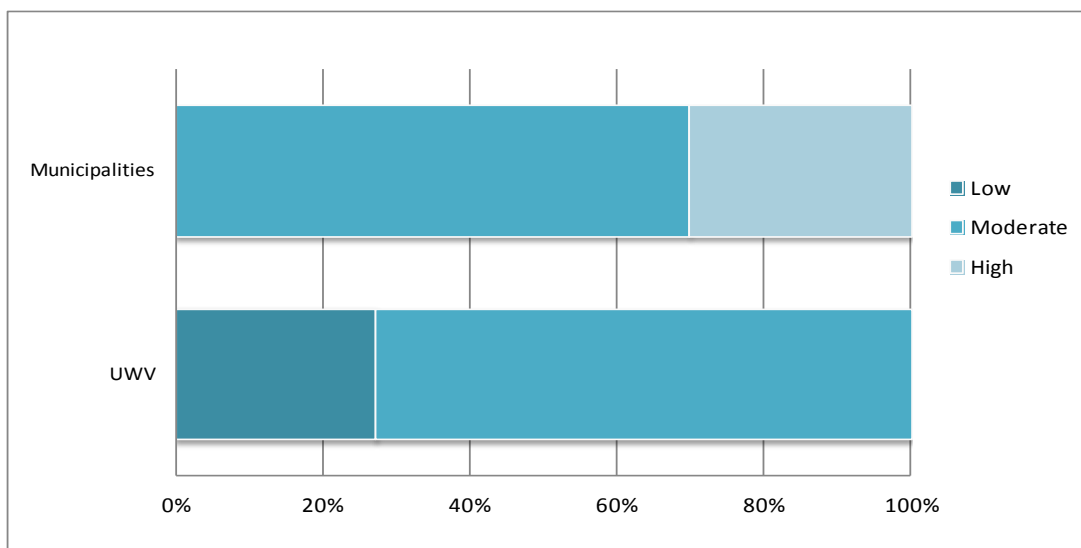
Outside of the case study areas, examples of the concrete outcomes of collaboration by the work squares include:

- A language training initiative with a local trucking firm, to help employees improve their chances of accessing higher-level training schemes in Dutch (Eindhoven);
- Construction training to support new building developments in Eemshaven, in collaboration with Groningen Seaports;
- Work with a non-profit organisation to help people at a significant distance from the labour market to access work in the community (for instance, shopping for the elderly) as a first step towards regular work;
- Facilitating a centre for employers (Weert).

STRATEGIC APPROACH

While the focus of the work squares, mobility centres and the youth employment pact is mainly operational, UWV WERK Bedrijven and municipalities identify that they also contribute to meeting long-term strategic priorities at the local level. Most respondents to the survey for this study indicated that they worked with other agencies in developing specific local and regional strategies to support the locality or region. Most (78%) felt that they were able to contribute to a great extent (or even fully) to the delivery of these strategies. Municipalities were slightly less positive than the UWV WERK Bedrijven – 33% felt that they could only marginally contribute to the delivery of local strategies, with one municipality identifying that, "the labour market problems in our region are of such complexity that the only way to try and solve them is collaboration on a larger scale than only a small region".

Figure 9. Perceived flexibility available within strategic collaboration



Source: OECD Managing Accountability and Flexibility e-questionnaire.

Municipalities were also more likely to report that they had flexibility in their strategic approach than the UWV (see Figure 9). The fact that municipalities combine a number of different policy areas under the same roof can be helpful when it comes to developing integrated strategies locally. Some of the municipalities interviewed for this study claimed that they were taking advantage of new consolidated budgets (such as the participation budget) to work towards a fully integrated service, where the policy areas of education, social affairs and economic affairs within the municipality were integrated in order to optimally serve their clients. The municipality of Breda, for example, has developed a far reaching strategy 2009-2015 (Geemete, 2009) for tackling employment policy which touches on many different policy areas locally, to the extent that some other agencies have criticised the municipality for covering areas not strictly within their jurisdiction. In other municipalities, despite

changes in legislation to align budgets for education and employment, these policy areas were still being implemented in a "silo" approach. As one municipality put it, "the legislation is OK now, but it takes time for the communities to make it really happen".

The Ministry of Social Affairs and Employment has already recognised the value of larger municipalities leading on integrated strategies at the regional level in the Netherlands. To stimulate the formulation and co-ordination of regional labour market policies, 30 municipalities have agreed to take the lead in bringing relevant regional labour market parties (employers, schools, UWV WERK Bedrijven etc.) together to develop regional strategies which concern all the unemployed in the region (and employees faced with redundancy), whatever benefits they receive. It remains to be seen how successful this will be, with some worried that there is still strong variation in the degree to which municipalities move beyond basic services to developing a strong vision for the future.

LOCAL CAPACITIES

It was clear from the study that one factor affecting the ability of local actors to work together flexibility was available capacities. Several work squares identified lack of funding to be a constraint on their activities.

All interviewed UWV WERK Bedrijven were worried that the reintegration budget for 2010 would not be appropriate. The budget for 2010 was the same as in 2009 but – as the interviewees indicated - the number of clients had increased considerably.¹⁹ As for the total costs of implementation, those increased from EUR 81 million in 2006 to EUR 98 million in 2008. This can partly be explained by the relatively strong increase of costs associated with the activities (such as progress reviews) of the work coaches due to the higher number of clients. It is expected that the costs of implementation will increase to EUR 146 million in 2010 (RWI, 2009).

The budget for municipalities is much higher – 1 436 million in 2010. In both 2008 and 2009 the overall budget for the reintegration activities of the municipalities was also considered insufficient, although some municipalities did not fully use their funds.

Table 3. Budget and expenditures re-integration (in million Euros)²⁰

	2004	2005	2006	2007	2008	2009	2010
Allocated budget	1.582	1.611	1.629	1.591	1.579	1.529	1.436
Expenditures	1.454	1.362	1.374	1.449	1.627	?	?
Surplus/deficit	128	249	255	142	-48	-?	?

Source: Divosa (2010).

¹⁹ In March 2010 the Minister of Social Affairs and Employment informed the parliament that the reintegration budget of UWV for 2010 had almost run out. Consequently the Minister decided to raise the budget by EUR 35 million. In 2009 the budget available for reintegration was also not found sufficient and the budget of EUR 126 million was overdrawn by EUR 25 million.

²⁰ See Divosa (2010). In addition, the municipalities have separate means for the costs of implementation. The costs of implementation amount to approximately 15% of the total budget for reintegration. It is estimated that the costs of implementation costs are around EUR 200 to EUR 300 million in 2009 (see RWI, 2009).

ANALYSIS

Following recent labour market reforms, both the UWV WERK Bedrijven and municipalities have a broad set of instruments at their disposal to implement labour market policy at the local level. Municipalities have a significant amount of flexibility to design and deliver programmes that meet the needs of their local and regional labour markets, although the legal framework currently provides municipalities with more freedom than many actually use in practice. UWV WERK Bedrijven have less flexibility to determine which instruments they would like to apply, due to regulations on who they can help and how.

In terms of achieving accountability, it is clear that the municipalities and UWV WERK Bedrijven are managed very differently in the Netherlands. In relation to social assistance, the municipalities are mainly held accountable through the financial incentive they have to reduce the number of people on benefits. This is complemented by political accountability as the social services directorates report regularly to their boards and elected members. Within this wider framework, municipalities have considerable discretion in terms of planning programmes and initiatives, allocating budgets, choosing eligible groups and meeting performance targets. Because flexibility is simultaneously available to the municipalities in other policy areas (such as education) this means that policies and budgets can be consolidated and aligned, promising integrated approaches in the future in the field of employment, economic development and skills.

The UWV manages accountability very differently, with programmes, budgets, outsourcing and eligibility still planned very much top down, and with clear limits on the discretion with which local UWV WERK Bedrijven are able to operate on the ground. Many of the regulations that the UWV WERK Bedrijven comply with are imposed by the internal management structure of the UWV, although the recent three-way split on the reintegration budget by the Ministry of Social Affairs and Employment according to length of unemployment has also placed important restrictions on the ability of the UWV to work with local clients.²¹

Currently both the UWV WERK Bedrijven and the municipalities have to reach certain performance targets, and while both institutions have some freedom in devising targets on the basis of their local situation, the UWV WERK Bedrijven have to do so within a national framework of targets, which has a strong influence on those set at local level.

Such nationally imposed accountability systems are important in ensuring not only that money is spent efficiently, but that national goals are met. Transferring the financial incentive to the municipalities for helping people off social assistance may help the national government to raise the overall employment rate in line with the European Lisbon Strategy. Allocating the reintegration budget nationally according to length of time unemployed will mean that support is orientated towards those at most distance from the labour market (at least in terms of those eligible for unemployment

²¹ The head office of UWV claims that the recent three way split on the reintegration budget has not led to a reduction in the number of clients served.

benefit). The regulations which exist at the programme level within the UWV will also help to ensure common standards and a uniformity of service delivery across the country.

However it is clear that such vertically imposed accountability mechanisms currently constrain the ability of the work squares to fully adapt their services to local needs and contribute to local labour market strategies. Given the recent drive to support collaboration at local level, it may be opportune to seize this moment to supplement national forms of accountability with greater horizontal accountability at the local level, so that labour market organisations have more discretion and flexibility to work towards locally designed strategic objectives.

The UWV WERK Bedrijven consulted for this study felt that they would benefit most from extra flexibility in programme design, budget management and choice of target groups. If more flexibility were to be developed in any of these areas it is important that this go hand in hand with greater mutual responsibility by UWV WERK Bedrijven to other actors at local level.

There is space for the Ministry of Social Affairs and Employment to do more to support the network of work squares through benchmarking the work squares, collecting performance data and circulating good practice. One way of increasing horizontal accountability would be to introduce a set of common performance targets for the work squares. These targets could be negotiated with relevant actors, and include core targets (to meet national employment policy goals) and local targets (which reflect the characteristics of local labour markets). To be effective there would need to be a focus on outcome-based targets over the longer term. Examples from Canada and the United States could be helpful when establishing such a target framework (see the following section on "Learning points from other OECD countries").

For UWV WERK Bedrijven it appears to be difficult to find ways within the existing regulations to make local collaboration work. This may not only place local officials in a difficult position, but ensures that any policy lessons which are learnt from the local adaptation of programmes are not spread to other work squares. The UWV could benefit from a system of awarding temporary flexibility to those UWV WERK Bedrijven which can make a strong case for it and have a good track record of delivery (see the following section). Such an approach would provide a better feedback loop to the national level so that central managers are more aware of the types of obstacles which exist on the ground, and the potential benefits of providing increased flexibility in certain areas.

The UWV is keen to talk of local offices gaining further *leverage* at the local level as opposed to encouraging extremes of variability, pointing to the value of national organisations in identifying overall labour market goals, sharing good practice, supporting virtual job matching services and providing technical assistance and ensuring labour market information systems remain coherent. The current shared responsibility between the municipalities and UWV WERK Bedrijven in delivering labour market policy would seem to provide an effective balance at the local level. As part of a national system, the UWV WERK Bedrijven can ensure that national targets and objectives continue to be met, provide technical assistance and spread good practice at the local level. At the same time, as municipal budgets for employment, education, economic development and social inclusion are consolidated and aligned, municipalities seem increasingly well placed to offer the type of broad and integrated approach necessary to contemporary labour market policy.

One issue which currently limits the ability of the municipalities to contribute to broader regional strategies and respond to business needs is political boundaries. In the Netherlands there are 430 municipalities, each making its own political choices. Both the operational cooperation within the work squares and the new strategic responsibilities of the 30 biggest municipalities requires municipalities to work with each other in a collaborative approach. While the municipalities have

flexible management tools to aid in cooperation, the competition which exists between some municipalities (particularly in the context of the WWB) means that municipalities do not always find it so easy to cooperate in practice. Business representatives in the round table meetings for this study highlighted that this can create problems when trying to resolve challenges or exploit opportunities which cover more than one municipal area. Further incentives for both the managerial level (municipal councillors) and the executive level (directors of social services) to look outside their municipal boundaries would be beneficial. Furthermore, it is important that the smaller municipalities in a region have confidence that they are represented by the municipal councillors who co-ordinate the co-operation activities around the work squares.

The municipality of Breda demonstrates effectively how larger municipalities can lead broad local strategies to bring back disadvantaged groups into work, support workers to up-skill and compete on the global market, and help local employers move towards high-skills, high-productivity strategies. The significant variation in the size of municipalities means that not all will be well placed to take such a broad approach, however, so the decision by the Ministry of Social Affairs and Employment to devolve strategic responsibilities to the 30 larger municipalities seems prudent. Capacity building will be important to help more municipalities develop the strategic vision which is so obviously present in towns such as Breda and Leeuwarden. Providing greater discretion at the local level to the UWV will also help them come in as an equal player in formulating such strategies.

There is currently considerable variation in the way that organisations are collaborating within the mobility centres, youth initiatives and the work squares. Providing room for experimentation in the development of these approaches may well have helped to develop "bottom up ownership" and stimulate useful innovation. To improve the integration of services, UWV, municipalities and other partners have since this study developed a framework for cooperation which sets out some compulsory criteria for joint working between the relevant institutions while leaving room for local discretion. This was included as a General Measure of Government (*Algemene Maatregel van Bestuur* (AMvB) determined by the Cabinet. This new framework may help resolve some of the "contested leadership" which is evident in the work squares at present between the UWV WERK Bedrijven and the municipalities. It will be important however to avoid overly "formalising" arrangements, as past OECD LEED research (*e.g.* Froy and Giguère, 2010) indicates that this can sometimes stifle concrete cooperation, and itself become a source of inflexibility locally.

The fact that there are two different levels of work square operating in the Netherlands produces interesting variation in approaches. The work squares interviewed for this study were the plus-work squares which had greater capacity to get involved in regional strategies. However national stakeholders (consulted in the roundtable) thought that it was not possible to easily distinguish between the different levels (work squares, and working plus squares) in terms of the degree of collaboration they engender, with smaller work squares being particularly successful in working with employers associations for example. Businesses in Breda also found that smaller municipalities could provide more one-on-one support to firms.

While the study found that cooperation within both the smaller work squares and the larger plus-work squares has produced beneficial effects operationally, it will be at the plus-work square level that more flexibility may be most beneficial in helping UWV WERK Bedrijven to contribute to local labour market strategies. According to wider OECD LEED research this is the level where employment officials can influence relatively homogenous local labour markets, and have the leverage to bring other partners (colleges, sector organisations, economic development officials) together to deliver real change.

The UWV WERK Bedrijven and the municipalities consulted for this study identified that more flexibility would help them to deliver labour market policies more appropriate to their local area. One benefit of this could be that labour market strategies are developed for the longer term. One of the aims of the work square approach is to provide a one-stop-shop approach to business, and it is clear that businesses are starting to see the work squares as a single unit and not as a place where both UWV and municipalities are located. However it is important that work squares also work proactively and on a long-term basis with employers to ensure that they plan for future skills needs, and put in place opportunities for career progression for local people. The cluster working being carried out by *Werkplein Breda* is a good example of this approach.

Many work squares are facing problems of both local skills shortages, and a low skilled local population, meaning that a significant investment in longer term training may be needed to help some people back to work. Greater flexibility in the delivery of training (particularly by the UWV) would help work squares to better meet this goal. Further, the case study in the north of the Netherlands identified a region facing low incomes, low skills levels and low productivity. In such regions, meeting local skills shortages and facilitating work to work transitions will not address these longer-term issues on the labour market, leaving such regions particularly vulnerable to globalisation (see Froy et al, 2009). Ultimately such regions may benefit most from broader strategies to upskill the workforce and improve skills utilisation and career progression through developing sector-based strategies with employers.

At the level of individuals, the approaches being put in place by the work-coaches (UWV WERK Bedrijf) and the reintegration managers (municipalities), and the new individualised reintegration agreements (IROs) would appear to provide an important degree of flexibility on an individual level to produce customised approaches to labour market disadvantage. However both the UWV WERK Bedrijven and the municipalities appear to have strong incentives to use less individual instruments and more collective instruments. It would be useful to consider ways of further encouraging such approaches, despite the financial incentives and risk management benefits associated with developing collective outsourcing contracts. The fact that much outsourcing is currently decided at the central office of the UWV also mitigates against the UWV WERK Bedrijven forming relationships with local private providers, to plan and deliver approaches that are particularly relevant to the local community. In the provinces of Alberta and New Brunswick in Canada, for example, local and regional employment offices are fully in charge of outsourcing decisions.

Finally, capacities are a particularly important issue, as some of the work squares consulted for this study did not feel that they had enough resources to fully develop the potential of their current collaboration. At the same time, it will be important that skills are developed, particularly for those municipalities and UWV offices that will be working on the development of local and regional strategies. The national level could effectively build capacities to address current labour market trends, through holding policy learning conferences and seminars. Such events would help inject new ideas into some regions and also share existing good practice.

Box 3. Summary of key issues for consideration in the Netherlands

- The Netherlands is clearly in a moment of transition, with the global economic downturn stimulating a number of new initiatives to create greater coordination at the sub-regional level between organisations responsible for implementing employment policy. Some of these initiatives, in particular the mobility centres, have already had a positive impact in supporting work-to-work transitions and keeping people in employment during difficult economic times. The new work squares which join up the work of the UWV WERK Bedrijven and the municipalities have also produced innovative and concrete examples of policy integration in the short period of time since inception.

Provide a better balance between vertical and horizontal accountability in the Netherlands

- Given recent policy changes, it may take a while for the system to bed down and for the municipalities and UWV WERK Bedrijven to fully exploit opportunities for collaboration between themselves and other local stakeholders. However, a key barrier to the successful operation of such collaboration mechanisms will be the limited flexibility which local UWV WERK Bedrijven offices have to adapt their policies and programmes to the demands of local and sub-regional collaboration. While the UWV WERK Bedrijven may wish to respond innovatively to the demands of partners, there continue to be many rules and regulations in the operation of active labour market programmes which present obstacles to joint actions day-to-day. The municipalities have greater freedom to tailor programmes to local objectives – as one City Council Director put it "it takes a lot less time for us to be creative".
- The UWV WERK Bedrijven consulted for this study felt that they would benefit most from extra flexibility in programme design, budget management and choice of target groups. If more flexibility were to be developed in any of these areas, it is important that this go hand in hand with greater horizontal accountability at the local level.
- Performance management systems have yet to adapt to the new work square arrangements, with the agencies involved still constrained to some extent by the need to meet their own internal targets. This study would support the development of common shared targets for the work squares which would further incentivise collaboration, and allow the national level to reduce its reliance on internal regulations and performance targets for the UWV WERK Bedrijven. These targets could be negotiated with relevant actors, and include core targets (to meet national employment policy goals) and local targets (which reflect the characteristics of local labour markets). To be effective there would need to be a focus on outcome-based targets over the longer term. A benchmarking system may also prove an effective way of comparing outcomes without introducing perverse incentives, particularly if those highest performing work squares are awarded with extra flexibility in the future (similar to the Beacon Council scheme implemented in the United Kingdom).
- In the longer term, cross-sector boards of advisers could be set up to guide the work of all the work squares, incorporating strong business representation, similar to the Danish local employment councils or the Workforce Investment Boards operational in the United States.

Award greater flexibility at plus-work square level to support local labour market strategies

- While the study found that cooperation within both the smaller work squares and the larger plus-work squares has produced beneficial effects operationally, it will be at the plus-work square level that more flexibility may be most beneficial in helping UWV WERK Bedrijven to contribute to local labour market strategies. According to wider OECD LEED research this is the level where employment officials can influence relatively homogenous local labour markets, and have the leverage to bring other partners (colleges, sector organisations, economic development officials) together to deliver real change.
- The UWV WERK Bedrijven appears currently to be turning a blind eye to regulations in some cases in order to make local collaboration work. This not only places local officials in a difficult position, but ensures that any policy lessons which are learnt from the local adaption of programmes are not spread to other work squares. The UWV could benefit from a system of awarding temporary flexibility to those UWV WERK Bedrijven which can make a strong case for it and have a good track record of delivery.

Support innovation and entrepreneurial approaches to problem solving

- The current shared responsibility between the municipalities and UWV WERK Bedrijven in delivering labour market policy would seem to provide an effective balance at the local level. As part of a national system, the UWV WERK Bedrijven can ensure that national targets and objectives continue to be met, provide technical assistance and spread good practice at the local level. At the same time, as municipal budgets for employment, education, economic development and social inclusion are consolidated and aligned, municipalities seem increasingly well placed to offer the type of broad and integrated approach necessary to contemporary labour market policy.
- The significant variation in the size of municipalities means that not all will be well placed to take such a broad approach, however, so the decision by the Ministry of Social Affairs and Employment to devolve strategic responsibilities to the 30 larger municipalities seems prudent. Capacity building will be important to help more municipalities develop the strategic vision which is so obviously present in towns such as Breda and Leeuwarden.

Preserve individualised approaches where possible

- The individualised approaches being put in place by the work coaches (UWV WERK Bedrijf) and the reintegration managers (municipalities), and the new individualised reintegration agreements (IROs) would appear to provide an important degree of flexibility on an individual level to produce customised approaches to labour market disadvantage. It would be useful to consider ways of further encouraging such approaches, despite the financial incentives and risk management benefits associated with developing collective outsourcing contracts.

Be proactive with business and develop longer term approaches with business

- One of the aims of the work square approach is to provide a one-stop-shop approach to business, and discussions during the roundtables for this study made it clear that businesses are starting to see the work squares as a single unit and not as a place where both UWV and municipalities are located. It is important, however, that collaboration with local businesses is proactive rather than reactive. The national level could effectively build capacities to support the development of strategic partnerships with business on workforce issues, through holding policy learning conferences and seminars. Such events would help inject new ideas into some regions and also share existing good practice.

LEARNING POINTS FROM OTHER OECD COUNTRIES

Canada, Denmark, the United States and the United Kingdom all offer interesting models which the Netherlands could refer to when seeking to increase horizontal accountability and raise flexibility at the local level.

Local cross-sector boards to oversee employment policy

A number of OECD countries have established cross-sector boards of advisers to guide and monitor employment policy locally, incorporating strong business representation. The Danish local employment councils and the Workforce Investment Boards operational in the United States are two such examples, with both countries performing well in the comparative analysis of flexibility granted to local level offices by the OECD (Froy and Giguère, 2009).

In Denmark, local jobs centres are overseen by local employment councils which share knowledge, expertise and resources, and bring together employer representatives, trade unions and local authorities (OECD, 2010). As tri-partite institutions, these employment councils also play a role in helping to draft local employment policies and programmes. In the United States, the 1998 Workforce Investment Act (WIA) mandated that each state establish a state-wide Workforce Investment Board (WIB) as well as local Workforce Investment Boards (LWIBs). There are almost 600 local WIBs across the US. Each WIB is chaired by a business leader and is also expected to include leaders from education, labour, economic development and other relevant organisations at the local level (ibid).

Performance targets which support local collaboration and innovation

The United States and Canada have been innovative in developing performance management frameworks in labour market policy which retain flexibility and leverage at the local level. In the United States, for example, workforce development targets are set by the states in negotiation with the federal level and significant variation is evident in how local level actors respond to these targets. In Texas, local WIBs are asked to set additional targets to those set at “baseline” by the state, based on local strategic priorities through a two-tier system of “formal” and “less formal” measures. Formal measures are consistent across workforce programmes and include mainly output targets, while less formal measures are often outcome based and consistent with local strategic plans. Local workforce boards report to the state on both sets of measures (ibid).

The two Canadian provinces which were studied in the course of the Managing Accountability and Flexibility project, have developed sophisticated performance management systems which do not rely on setting quantitative targets for local staff and thus avoid some of the "perverse" effects which quantitative targets can have. Quantitative targets have been criticised, for example, for encouraging local offices to engage in certain activities just to "tick the right boxes" without a real eye to local needs. In Alberta, local employment agency staff are allocated broad strategic priorities (without specific targets) which they negotiate according to local needs. They then report back on the degree to which they have met these strategic objectives. The province also collects additional information on

the programmes implemented/individuals served and employment outcomes. There is therefore a great deal of feedback in the system, but overly stringent output targeting for lower level staff is avoided. This system relies in part on strong levels of communication between the provincial and local staff which may be less easy to achieve within a larger performance management system however (Alberta has a population of four million, for example, with six regional offices and six regional directors and 59 delivery sites across the province).

Providing flexibility incrementally at local level

Finally, the United States and the United Kingdom have also put in place useful mechanisms for supporting one-off cases of innovation at the local level, and providing greater flexibility incrementally to those local areas that have a proven capacity to deliver.

In the United States, a “waiver” system has been established by the Department of Labor to allow states to apply for additional flexibility in specific areas when implementing innovative workforce strategies and initiatives. Many states have taken advantage of the system, with 331 being approved by 2006. Texas, for example, has obtained waivers to expand the target group of people eligible for training and to relax the required 50% employer match for customised training (ibid).

In England, the Beacon Council scheme was established back in 1999 as part of a government strategy to improve the delivery of local municipal services. By seeking out local government bodies which had been innovative in a specific field and enabling other government bodies to learn from their experiences, the Government aimed to raise standards within local government (see DETR, 1999). English authorities could apply for status as a "Beacon Council" in relation to particular service areas, or for the council as a whole. Those authorities that were selected as Beacon councils were rewarded with wider discretion and greater flexibility in some areas of finance. Thus the scheme helped successful local authorities to obtain funding for innovative projects, and along with it, more freedom to develop more innovative programmes in the future. The Beacon Council scheme was replaced early in 2010 by the Local Innovations Award.

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ANNEX

Table A1 below identifies the sample used for the distribution of the e-questionnaire in the Netherlands.

Table A1: E-questionnaire sample

Target	Names	No. of respondents	Response rate %
A sample of 81 worksquares (UWV and municipalities)	Almelo, Almere, Alphen a/d Rijn, Amersfoort, Apeldoorn, Assen, Bergen, op Zoom, Bladel, Breda, De Liemers (Zevenaar), Dokkum, Dordrecht, Drachten, Ede, Emmen, Enschede, Ettenleur, Delft, Delfzijl, Eindhoven, Emmeloord; Franeker, Gooi Noord (Huizen), Gorinchem, Groningen, Gulpen –Weert, Hardenberg, Harderwijk, Hengelo, Heerenveen, Heerlen, Hoogezand, Hoogeveen, IJmond (Beverwijk), Kerkrade, Land van Cuijk, Leeuwarden, Leiden, Leidsche, Lelystad, Lisse, Maasland (Oss), Maastricht, Middelburg, Nijverdal, Noordenkwartier, Oldenzaal, Oost-Achterhoek, Oosterhout, Peelland (Helmond), Roermond, Roosendaal, Schagen, Sittard /Geleen, Sneek, Stadskanaal, Steenwijk, Terneuzen, Tholen, Tilburg, Oostburg, 's-Gravenhage, 's-Hertogenbosch Rijn, Texel, Tiel, Valkenswaard, Veendam, Venlo, Venray, West Friesland (Hoorn), Waalwijk, Weert, Winschoten, Winsum, Zaanstad, Zaltbommel, Zeist, Zoetermeer, Zutphen, Zwolle	25	31