SUMMARY

The new Work and Social Assistance Act
The Hague, 4-5 June 2007

Summary of the Peer Review

1. Introduction

The Peer Review, held in The Hague on 4-5 June 2007 was hosted by the Ministry of Social Affairs and Employment (MSZW) and examined the recent reforms contained in the Work and Social Assistance Act (WWB).

In addition to the host country (the Netherlands), twelve peer countries participated in the Peer Review: Austria, Bulgaria, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Latvia, Norway and Romania. The meeting received presentations from host country officials from the MSZW, an external perspective on the Dutch reforms provided by an independent expert from the Netherlands, and presentations and discussions from peer country participants, comparing the situation in peer countries with that in the Netherlands, and exploring the scope for transferability of the Dutch approach. A site visit to Rotterdam was undertaken in order to visit local projects aiming to activate social assistance recipients and to learn about the approach to delivering the WWB at municipality level.

This summary draws on the contributions from experts and officials during the meeting itself. The papers presented by independent experts from the host and peer countries in advance of the meeting provide fuller elaboration of these themes and can be found, along with further relevant information, on the web site of the Mutual Learning Programme, http://www.mutual-learning-employment.net/

2. Background and outline of the Dutch approach

The meeting was opened by Jan van den Bos (Director General for Labour Market Policy and Social Assistance, MSZW), who welcomed delegates, expressed his pleasure at the interest shown by peer countries in the subject of the Peer Review, and commented that he saw the Peer Review process as an effective method of communication between member states. In introducing the new Dutch approach, he noted that the MSZW had been working hard on the Lisbon agenda, with an inclusive policy approach, aiming to increase labour market participation, based on the principle that everyone should have the opportunity to work, or to contribute to society in another way. The approach, based on ‘work above social assistance’, offers an income guarantee for those who are unable to support themselves. The focus of policy implementation is at the municipality (local authority) level, with financial incentives for the municipalities built in. The background to the new approach is that the volume of social assistance provision has grown in recent years, and social trends have been an important contributing factor. The main focus of recent policy development has been on getting long-term claimants back to work. He concluded his introductory remarks by expressing interest in hearing other perspectives from member states as a contribution to helping to improve Dutch policies, and he wished delegates an inspiring visit.
Official presentations

Peer Review participants received an overview of the Dutch approach through two official presentations.

First, Elleke Davidse (Senior Policy Advisor, MSZW), introduced herself as the project manager for evaluation of the WWB (which is required to be evaluated after four years). Material is currently being gathered to inform the evaluation, which will be ready towards the end of 2007.

Elleke Davidse began her presentation by describing some key aspects of the Dutch social security system and, in particular, the background to the current approach to benefits and work in the Netherlands. She emphasised that social assistance benefits are seen very much as "a last resort". The Dutch social security system is based around three main types of benefits:

- Unemployment benefits (WW)
- Disabled benefits (WIA)
- Old age pensions and benefits (AOW).

In 2006 around 302,000 households (comprising around 500,000 people) received some kind of social security benefit, and this has fallen to 298,000 households in 2007. Benefit rates vary from €1,236 per month for a family, to €865 per month for a single person. 27% of benefit recipients are single parents (receiving €1,112 per month); most benefit recipients have been in receipt of benefit for a year or more (18% have been receiving benefit for less than a year), and most are aged 25 or older (7% are under 25). There is considerable regional variation in the incidence of benefit receipt.

Elleke Davidse continued by outlining why change was seen as necessary, and explained that the reform was part of a larger review of the social security system. In general terms it was seen that there were too many people on benefits, some of whom had been switched between different types of benefits over time (with, for example, an excessive use of disability benefits as an alternative to unemployment benefit), and who had been effectively written off (in labour market terms) for life. In part, these trends were attributed to the strong role of the social partners in the social security system, a role which has recently been diminished. Financial considerations were important, but not the only motivation for change; in addition there was diminishing public acceptance among Dutch taxpayers for the growth in benefit receipt, and a general philosophical approach based on the notion that work should be the key means of integration into society. Under the previous system it was clear that there was too little emphasis on the outflow from benefits to paid work (and too much emphasis on the administration of the system), not enough attention paid to fraud and abuse of the system, and no financial incentives for the key actors (e.g. the municipalities) to diminish the number of people on benefits.

With this background, new legislation (the Work and Social Assistance Act: WWB) was introduced in 2004 based on the principles of decentralisation, deregulation and a reduced administrative reporting burden. The focus of policy shifted from the national level to the municipality level, and there was a reduction in federal rules and control, with greater policy freedom and financial responsibility devolved to local authorities. Municipalities are responsible for delivering benefits, for developing reintegration and activation measures, and for prevention and sanctions to combat
fraud. Alongside this, and in line with the principle of “work above benefits”, there was an emphasis on the rights and duties of clients – individuals now have a duty to work, or to move towards work (e.g. by participating in reintegration projects or training activities), but benefits are guaranteed for those who cannot work. It was emphasised that the municipalities are generally in favour of the change to the new system.

Elleke Davidse presented data showing:

- A fall in the number of benefit recipients since the introduction of the WWB from 336,000 households in 2003 to 298,000 in 2007 (representing the lowest figure for 25 years);
- A reduction in the inflow to benefits from 110,000 in 2003 to 99,000 in 2005; and
- An increase in the outflow from benefits from 93,000 in 2003 to 105,000 in 2005.

It was explained that these changes arise from a complex set of factors, including changes in the economy as well as the WWB itself, and it is hard to be precise about the share of the impact which is due to the WWB (a fuller evaluation of the impact of the WWB is being conducted), but it has been argued that up to half of the improvement might be attributed to the Act. As noted by the Netherlands Bureau for Economic Policy Analysis (CPB), in 2004, on the basis of a preliminary economic evaluation conducted in 2006, there were “…8,000 less benefits than could be expected without the introduction of a new law and system”. Looking ahead, and drawing on her personal experience in shadowing municipalities and other actors in the system, Elleke Davidse stressed that a change in attitudes among those working in the system has been seen with a shift away from a paternalistic attitude towards one which focused on rights and responsibilities and which was oriented towards achieving employment results. Municipalities are nevertheless still on a learning curve with regards to developing their reintegration activities and Elleke Davidse highlighted a number of challenges for the future operation of the WWB. In particular:

- Achievement will be harder in the future, because as benefit numbers fall, the focus will increasingly be on activating the ‘hard core’ of benefit recipients, often with multiple disadvantages, including disabilities.
- The durability of the financial incentives in the long-term is currently a major issue of concern for municipalities; the budget is currently determined on an annual basis, but the municipalities argue for a longer-term stable budget for the future to facilitate planning of their activities.

The second presentation was from Tof Thissen (the Director of Divosa, which is the organisation which represents the directors of social services in the Dutch municipalities). He began by explaining that, from his perspective, WWB was a major shift towards putting into practice the philosophy of activating clients.

The WWB was an unprecedented development in the Dutch context, because it brought both the funds and policy responsibility to the level of the municipalities through a decentralisation process, and led to a major change both in the way of working and in the mindset of the social services departments of the municipalities. Municipalities now receive a budget for social assistance (income budget), and an additional flexible budget which they can use as they see fit to help benefit recipients back to work (work budget). They can no longer submit a claim to central
government to cover the social assistance benefits which they paid out. Rather it is now their responsibility to deliver, and they have a clear financial interest to help as many people as possible into work, and to combat benefit fraud. At the same time there are fewer rules for the municipality to observe and the number of reports which they have to send to the central government has been reduced substantially. The new system has given municipalities many more tasks under the Act, which defines the general policy and lays down a performance agreement with the municipality’s social services department via the alderman in charge of social services (who is not a member of the local council). Many social services departments have been renamed as departments of work and income.

The second striking feature of the new Act relates to the responsibility of the individual citizen. Each individual is now personally responsible to provide their own work and income, and can only appeal to the welfare system if they are unable to do this. All those entitled to social assistance have a general duty to accept work (only single parents with young children are exempt). In order to help people find work, the municipalities now buy in reintegration services from the open market, most of which is private provision. Tof Thissen argued that, under the previous system, the national government had failed to generate a notion of the ‘responsible society’ among individuals and employers (who must also be prepared to employ people such as those with disabilities, the long-term unemployed and older people). He turned to the question of the image and portrayal of social assistance beneficiaries, pointing out that the new Act (with its emphasis on activation over benefits) represented a major break in the trend of the previous seventy years, during which there had been a shift from a social security system based on private charities to a fully-fledged welfare state system, one aim of which had been to eliminate the humiliating aspects of poverty and charity. The outcome, by the 1970s, was a welfare state in which all citizens were guaranteed a basic income above subsistence level, in all circumstances, but a side effect of this was to create a new kind of dependency which was also, in its way, a threat to individual self-respect (“benefit claimants were identified with the state provisions they made use of”). He summarised this as the “paradox of the welfare state”, whereby arrangements which were meant to provide protection against illness and unemployment, turned out to be impediments to early re-entry to the labour market.

Overall, Tof Thissen argued that the new law was revolutionary in its impact; people have been emancipated by the Act to be active citizens, but the Act makes demands on all the players in the system (individuals, local authorities, employers and employees). The weight of finding work must not simply rest on the shoulders of the individuals; the municipalities must create favourable circumstances. The role of the local authorities is critical. He characterised the municipalities as the “spiders in the web of local social policies”, in addition to their responsibilities for social assistance and reintegration, also being responsible for education, economic development, employment policies and welfare. Since January 2007, municipalities have also become responsible for implementing the Social Support Act, under which disabled people are entitled to provisions which compensate for their reduced participation in society, and which gives local authorities a duty of care to provide social support and care at home for disabled people. For these purposes, local authorities are given a fixed budget with no guarantee that it will cover the actual costs, which means that local authorities are facing a substantial financial risk, while at the same time the government is reducing the ability of local authorities to levy local taxes. With regard to both of these Acts (the WWB and the Social Support Act), Tof Thissen argued that the government gives the impression that it is mainly interested in balancing its own budget.
In this environment it is essential for the local authorities to develop their own vision for generating more employment opportunities for people. A particular challenge is for them to develop an integrated approach for citizens in all these different areas, and Tof Thissen stressed that in order to do so, barriers need to be removed between the various departments in the municipalities, and a key challenge is to avoid the drift into social benefits by increasing the linkages with areas such as economic development and education. Convincing all the actors of the benefits of lifelong learning and sustained employability is a key tool in reducing dependence on social benefits. He stressed that while considerable success had been achieved in getting unemployed people into work through targeted support and good contacts with employers, this really fell into the category of ‘aftercare’ (i.e. dealing with people already on social assistance); the bigger challenge is one of prevention, i.e. preventing people from ending up on social assistance, by improving education so that it appeals to young people who are not interested in learning, and so that it meets the needs of employers; by engaging existing employees in continuing education, so that they can get new jobs in cases of restructuring; and more generally preventing people from becoming used to the state of receiving social benefits. Social services needed to be organised on a ‘one-stop-shop’ basis, and to become more active in the prevention period, and a to work more actively with the whole system from primary school onwards, and work with the whole family (he referred to the Swedish approach as a positive example in this context). He stressed also that the needs of those who cannot be economically productive must not be forgotten, and that social labour and volunteer work has an important role to play in generating self-respect and reintegrating the disadvantaged groups as well as adding to local quality of life.

Overall Tof Thissen felt that the WWB offers municipalities the opportunity to focus on and invest in those in the worst circumstances. He emphasised, however, that it was important for government to create the right financial and regulatory context for long-term investment by the municipalities, including a sufficient degree of certainty relating to the financial circumstances around the Act. He pointed out that, although the Act requires local authorities to seek the shortest route into work for clients, this may sometimes in the long-run turn out to be more expensive.

Turning to implementation, he emphasised that a crucial factor in achieving success was the role of enterprising managers in the municipalities, who needed to have a changed view of social assistance recipients and their capabilities, seeing them as emancipated, responsible individuals. Managers need to give professionals the freedom to find creative ways for individuals to get back to work.

He noted that his organisation, Divosa, is now working on the third phase of evaluation of the WWB and that the evidence suggests that the Act has led to a consistent year-on-year fall in the numbers of social assistance claimants, and the levels have been below official estimates of what would be expected given current economic circumstances. He argued that the two key factors in achieving this success have been:

- **Administrative enforcement.** An important element of the new system is administrative enforcement of the gateway to benefits, which involves screening and linking the claimants database with tax records to check the financial status of applicants (further checks may be made at the homes of claimants).
- **Work first**: In 85% of municipalities, a ‘work first' model has been adopted in which individuals are asked to undertake some work immediately after registering for benefits, in order to ensure they get used to work again, and to help identify their characteristics. Some people withdraw their benefit claims rather than undertake these initial ‘work first' activities, and choose to go directly to an employment agency.

Turning to the financial side of the picture, he emphasised that under the WWB, local authorities are fully responsible for the financial aspects. Each municipality receives a fixed annual budget based on objective criteria which are used to assess how much the municipality requires to meet benefit payments. If they over-spend, there is no compensation, and they will need to save money in other areas of local expenditure. There is a strong financial incentive here, and in fact around half of local authorities under-spent their budget in 2006/06. Among those who over-spent there is some debate about how far this reflects weak management on the part of those local authorities, and how far it is because the government's calculations underlying the initial budget allocation were incorrect. In addition to the benefits budget, municipalities receive a separate budget for reintegration activities, but most municipalities do not fully use it, and it is likely to be reduced in future. This under-spend on reintegration seems paradoxical, but one explanation is that subsidised jobs (a relatively expensive reintegration method) are no longer paid for by the government, but need to be funded out of the reintegration budget and, as a result, are tending to disappear, and this is a process which has taken place more quickly than anticipated.

Looking to the future Tof Thissen identified several key issues and challenges:

- He noted that the likelihood was that the social assistance caseload would consist of fewer job-ready people and more harder-to-help individuals. Initial success has been achieved particularly through helping the job-ready, and through curbing the new inflow to social assistance. The focus will now turn to long-term benefit claimants, many of whom who have been on social assistance for 5-10 years or longer. There is a question about whether the Act offers sufficient incentive for municipalities to invest in this group as well.

- Long-term planning. Most local authorities plan ahead for just two years, and have no long-term strategy, a deficiency which is reinforced by the one-year budget allocation from the government. The current proposals are for agreements between the government and local authorities to fix the budget over a four year period, and allow local authorities to retain surpluses generated during that period.

- The Act assumes that everyone receiving social assistance will eventually be able to work in the regular labour market, but in practice about 40% have been exempted from the obligation to seek work for health and other reasons. Municipalities need to organise alternative useful activities outside the job market for these people, who retain their benefit (but the Act does not allow the use of the reintegration budgets for these purposes).

- There is an issue related to the size and number of municipalities. Up to half of the municipalities feel that they are too small to deliver the requirements of the WWB on their own, and that the financial and staffing risks involved are too large. As a result there has been some collaboration between neighbouring municipalities, and this trend is likely to continue (There are currently 443 municipalities, but only 375 social services departments, and this number is expected to decrease further).
There is a question of how well the culture of those working within the system is adapted to the principles of the new Act (work before benefit; each person being personally responsible etc.), and the need for those working in social assistance to be in touch with opportunities in the jobs market and to become effective personal advisers and job brokers for clients, rather than simply administrators of benefit payments. Those working to implement the Act are now getting used to this, but it will take some time to achieve a change in the attitudes and culture of the officials operating the system.

Independent expert's assessment

The Dutch independent expert (Roeland van Guens) gave a presentation to the Peer Review meeting, building on the discussion paper (prepared jointly with his colleague Marije van Gent). He began by saying that, overall, he agreed with many of the points made by the official representatives, but was critical of some of the others.

He reiterated first, the point that the WWB represents a fundamental system change in the Dutch system in two ways:

- Most significantly, by focusing on the financial responsibility of the municipalities (who are financially rewarded for successful policies, and penalised for unsuccessful ones); and
- by focusing on the role of the individual – the expert argued that this change was really just a change in emphasis, since there was already an individual responsibility to look for work in the previous system, prior to the introduction of the WWB. Previously, however, benefit claimants could refuse a job offered, (e.g. because they were overqualified for it) but they now have an obligation to take any socially acceptable job offered.

The new system has decentralised the responsibility for costs as well as for policy-making, and has involved deregulation of administrative procedures. However, the expert argued that deregulation at the national level has been replaced by new regulations at the level of the municipality and that, as a result, most social services departments do not feel that the burden of administration has fallen substantially.

However, deregulation has not been possible in all areas, and some national regulations and restrictions persist. Thus the levels of benefits are regulated nationally, and the financial support for long-term benefit recipients is regulated at national level. Income policy remains the prerogative of the national government. (indeed this is a change from the past when there was some discretion at municipality level, and some concern that inequalities between local areas led to ‘social security migration’ in order to take advantage of different benefit levels between areas). Categorical exemptions from work obligations (e.g. for older workers) are no longer possible under the new legislation and this is regulated nationally, although some municipalities still operate such exemptions in practice. In addition, the regulation to outsource reintegration services to the private sector had begun before the WWB’s introduction, but this obligation was lifted in 2006, as it did not fit with the philosophy of local autonomy, and it was changed so that municipalities should have responsibility for deciding whether to outsource reintegration activities (which must be financed from the ‘work budget’ they receive from central government).
Roeland van Guens stressed that the Act has led to a considerable strengthening of sanctions on social assistance claimants in most municipalities, with a greater focus on fraud prevention and related issues compared with the late 1990s (although he pointed out that there had also been a strong emphasis on fraud and sanctioning during the early 1990s, which was subsequently relaxed somewhat).

He argued that the number of social assistance recipients had been declining over a long period, and that the continued decline since 2004 could not simply be attributed to the WWB. Previous institutional changes have also contributed to this (for example, the Social Assistance Act of 1996, which was evaluated in 2000 and found to have very positive effects, which raised questions about the need for another reform in 2004).

This leads to the question of whether the WWB is working. Roeland van Guens said that the full answer to this question is not yet known from the existing research, and depends on the historical perspective taken. The volume of benefit claimants has indeed reduced in the last couple of years, even during a period of relatively slow economic growth (the last recession in the Netherlands ended in 2004, and subsequently growth and labour demand has picked up somewhat). In 2006, there was a reduction of more than 9% in benefit recipients. This is comparable with the rates of reduction which took place in the second half the 1990s, when there was very rapid economic growth – even now, there is very little evidence to explain the developments in the late 1990s and what happened to reduce the number of long-term benefit claimants so dramatically (the introduction of subsidised jobs during that period can explain only part of that change, and many of these were, in any case, filled with short-term claimants). Turning to the current situation, the outflow is less than that achieved in the late 1990s, which may be partly due to changes in the characteristics of the population (with a growing mismatch between benefit recipients' characteristics and the needs of employers). In contrast, much of the recent overall reduction in benefit claimants has been achieved through a slowing of the inflow, and this may reflect the impact of the 'work first' approach and the emphasis on fraud prevention – the impact of these effects may decline over time. Similarly, the impact on the outflow may also decline over time, reflecting the initial concentration of the municipalities on 'short-term wins' (i.e. placing the easier to help clients), and progress slows as it becomes harder to develop innovative reintegration strategies to achieve similar rates of outflow among the long-term benefit claimants (in this context he argued that municipalities may be somewhat cautious, either because they are afraid to spend their ‘work budgets’ the wrong way, or because they do not trust the ‘commercial’ private sector reintegration firms, or take the view that they should not spend more than a certain amount per person – e.g. € 5,000 – in achieving a job placement). The integration 'market' itself is, he claimed, relatively immature in the Netherlands, and will take time to develop effective products and strategies. He argued that the evidence is consistent with these explanations because it shows that the rate reduction in the number of benefit recipients, which increased initially, has started to fall more recently.

He summed up this element of his talk by arguing that municipalities appear to depend more on the success of strict enforcement to reduce the inflow than on the success of reintegration efforts to promote outflow (but it will difficult to sustain the enforcement effect over the longer-term). He also raised the question of what is happening to those who are falling out of the system, and said that while income security does not seem to be in danger from an overall perspective, there is some
emerging evidence (e.g. growing use of food banks) of some groups experiencing greater poverty, although there is no research which suggests a causal relationship.

Looking to the future, Roeland van Guens highlighted the need to know more about the changing characteristics of the population on social assistance, and what these changes mean for reintegration strategies and their success. Thus it is clear that people on social assistance are increasingly older, more likely to be from ethnic minorities, less well-educated and female (especially single parents). It is not clear, however, that reintegration strategies are well adapted to the specific needs of these groups, and this will be a challenge for the future. The need for specific targeted strategies will increase the cost of reintegration programmes, although currently there is not so much a budget constraint as a lack of innovation in developing such strategies. Further, it is not clear that municipalities are putting in enough effort to develop serious evaluation of their reintegration programmes and projects; rather there is a tendency to copy and compete with each other, rather than to innovate and evaluate.

In conclusion, the expert posed some forward-looking questions for the WWB:

- Will municipalities be able to reduce the number of benefit recipients much further, taking account of the discrepancies between their personal characteristics and the demands within the labour market?
- Will municipalities be able and willing to spend much larger sums per person on reintegration activities?
- Will municipalities themselves be prepared to set an example by offering jobs to benefit recipients not being absorbed within the private sector (municipalities are themselves major employers, with large numbers of low-skilled jobs available)?
- Will municipalities be able to take advantage of current levels of economic growth and labour demand growth to achieve a substantial increase in outflow from benefits?

Site visit

The Peer Review participants paid a half-day site visit to the city of Rotterdam, during which they saw three reintegration projects (the host organisations being ROTEB, Seabrex and ECT) providing work and training opportunities for social assistance recipients. In addition, a meeting was held with Dominic Schrijer, Alderman for Social Affairs in the municipality of Rotterdam, who explained the activation philosophy of the municipality in implementing the WWB. He described the city’s economic and social background, a working class city, with relatively high levels of worklessness, and the need to convert from a harbour-based economy to higher skilled jobs. The Alderman stressed that the WWB had had great consequences for Rotterdam, and there was now a single regulatory framework in place which combines a stricter social security regime, with more proactive job guidance. The initial emphasis was on the groups close to the labour market, but they are now moving to the phase of helping the harder-to-place target groups.
3. The situation in the peer countries

The Peer Review process includes the prior circulation of the discussion paper from the host country independent expert, and the comment papers from the peer country independent experts. The latter provide information on comparable policies in the peer countries, and raise questions and issues regarding policy transferability. During the meeting itself, each peer country expert drew on their 'statements and comments' paper and presented the situation in their country (with additional comments from the peer country official), focusing on the current situation in the peer country and the scope for transferability of the Dutch model. These discussions took place in three working groups, each consisting of participants from four of the peer countries, together with Dutch officials.

In the discussions, independent experts and officials presented a wide range of information on the relevant labour market circumstances and policy frameworks in their own countries. Given this variety, the summary which follows is inevitably partial and selective (readers are referred to the individual 'statements and comments' paper for each country for further details of policy and trends in that country).

Generally, there were many similarities between the approaches of most peer countries (and a few important differences). In particular, it was clear that most countries recognised and shared the challenges faced by the Dutch system in the form of large and often growing numbers of marginalised people outside the labour market, dependent on social assistance; and most countries saw the need to develop new policy approaches to activate this group. While not all countries had moved as far as the Dutch in terms of decentralisation and deregulation, there were also common trends in several countries (such as the growing tendency to integrate benefits administration and employment services in a kind of ‘one-stop shop; and a growing emphasis on achieving a new balance between ‘rights and responsibilities’ among social assistance beneficiaries).

Examples of further points relating to the specific situation in individual countries, included the following:

The Austrian social security and social assistance systems present a very different picture from that observed in the Dutch case. First, the Austrian system is already extremely decentralised, to the extent that there is no national law on social assistance, but a separate law for each of the nine Bundeslaender (Federal provinces) with the effect that there is considerable inequality in provision between different parts of Austria (joint working between the social assistance system and the PES in order to achieve integration of disadvantaged groups occurs in some provinces such as Vienna and Linz, but not in others). A second key feature is that, in comparison with the Netherlands, and despite some recent growth, social assistance plays a much more marginal role in Austria, and the incidence of social assistance recipients is much lower than in the Dutch case. Most Austrian social assistance recipients are characterised by multiple disadvantages and a high proportion of this group are effectively unable to work. Although there do exist activation measures for this group (some examples were cited by the Austrian expert), they are highly variable across the different provinces, and there is no national overview or data available on these measures.
Bulgaria has experienced rapid economic growth (6.1% in 2006) and recent decline in unemployment (down to 9% in 2006). Employment growth has also been strong, and there is evidence of skill shortages. Social protection in Bulgaria has two aspects: on the one hand the pension insurance and unemployment insurance system; on the other hand the social assistance system. In comparison with western Europe, social assistance benefits are very low, and the guaranteed minimum income is Euro 28.16 per month. Social assistance is entirely funded from the national budget, and municipalities’ activities in this area are confined to elder care, child care and related activities. Social assistance is delivered through the Agency for Social Assistance, and labour market measures are delivered through the National Employment Agency. Various measures have been introduced to reduce the numbers of social assistance benefits, for example: in 2006, the time limit for the unemployed to receive unemployment benefits was reduced to 18 months; in 2002 a national programme targeting social assistance recipients was introduced, which provides subsidies to employers who recruit from this group; in addition social assistance recipients must work at least 5 days per month in employment programmes, in order to receive benefit.

In Cyprus, the development of the social security system has been heavily influenced by the need to provide provision for refugees, following the Turkish invasion in 1974; and by the very low unemployment rate (however, this is changing, and there has been a rise in unemployment, which nevertheless remains low in comparative terms – around 5%). The key contrast with the Dutch system is the high level of centralisation evident in the Cypriot system, with most welfare policies being designed and implemented at national level by the Ministry of Labour and Social Insurance. Local government role in the social assistance sphere is small and constrained by legislative restrictions to dealing with social care issues (for the elderly, disabled, and young children).

In the Czech Republic, unemployment, previously very low (below 4%) rose strongly in the late 90s. Currently, there is fast economic growth at around 6%, and unemployment lies at around 8%, having fallen from a peak of near to 10%, and there is a high share of long-term unemployment (over half of the stock of unemployment is long-term unemployed). Some groups – disabled people, unskilled, Roma, single parents – have very high specific unemployment rates, and those with multiple disadvantages form a hard core of long-term unemployed who do not benefit from the effects of economic growth. Only around 5% of households are in receipt of social assistance, although this number has been falling (and some groups, e.g. large households, receive quite large replacement rates on social assistance – around 80% of the average wage; this is seen as an obstacle to activation). Only around a third of benefit recipients have been in receipt of social assistance for more than one year. There is an ongoing policy discussion about the problem of welfare dependency and the need for activation measures. Recent reforms have introduced a stricter definition of ‘suitable jobs’ for benefit recipients, a range of incentives, and some new policy tools (individual action plans, agency work, local projects funded through ESF). Some positive incentives have also been introduced – e.g. the possibility to keep entitlement to unemployment benefit while working, if earnings do not exceed half of the minimum wage, and the job is temporary. Two levels of social assistance have been introduced – including a lower rate for those who do not co-operate in job search activity, and stricter controls on eligibility for benefits. Since the new measures, there has been a significant fall in the number of social assistance recipients (much of this is due to tighter eligibility – e.g. by assessing income on a household rather than an individual basis). Active labour market policies are not, however, extensively developed in the Czech Republic, with a low share of GDP devoted to such policies compared with the EU average, and such policies are not a significant political priority (although this is increasing somewhat under
It was explained that Finland, having experienced severe recession in the 1990s, had subsequently moved into strong economic and employment growth, and in recent years the traditional discussion about how to deal with unemployment has been replaced with a discussion about responding to the undersupply of labour generated by an ageing population (in comparative terms, this is a particularly severe problem in Finland, and there is much less scope than in many other western European countries to compensate for its effects through mass immigration). A key challenge for Finland, therefore, is the challenge of workforce enlargement and the need to use all resources more effectively, and activation policies need (as well as addressing traditional issues of long-term unemployment), to adapt to this new demand-driven environment and to link better to the business community etc. This challenge has several aspects: one aspect is to extend working life (and Finland has achieved some success in increasing the employment rate of older workers); a related dimension, however, relates to renewing recruitment and change management (in sectors with an aged workforce); and at the more difficult end of the labour market, is the challenge of the wider issue of job-readiness among marginalised groups (how to improve the ability of the PES to increase job-readiness among these groups); and finally the question of what kind of provision (sheltered work, social enterprise etc.) should be made for those who will never be job-ready for employment in the first labour market. A key issue is how to retain an integrated approach and prevent a situation whereby, as the employment situation improves, a split emerges and the PES increasingly focuses on the better end of the labour market and does not work with the hard-to-place, who end up locked into a dead-end segment. A recent reform of employment policies in Finland has two strands: one is the traditional PES model focusing on improvements to job
brokerage and matching (the key challenge here is for the PES to introduce an rapid tailored engagement with the client at the initial stage of unemployment); the second strand relates to the harder-to-place groups who are supported through a new joint service (labour force service centres) between the municipalities and the PES, combining labour market and personal/family/social perspectives for clients who need such a multiple approach. This is not an automatic referral to the service centres based on the category of social assistance, but applies only to those clients whom the PES think will benefit from such a multiple approach (i.e. the referral is needs-based rather than benefit-based); in specific cases, the service centres will subcontract to specialised agencies (e.g. for dealing with people with drug problems). As with the Dutch case, the key challenge for the Finnish system is how to increase the outflow from social assistance (there is, however, less emphasis than in the Dutch case on curbing the inflow). A key issue relates to who should steer such a complex system – and the strategic relationship between the Ministry of Labour and the (constitutionally independent) municipalities in this respect.

It was noted by the French expert that the Dutch WWB is very diversified in terms of its objectives; two key objectives, however, are a) decentralisation (with the object of reducing expenditure), and b) activation. The overall flavour of the reform seems to be very much in line with the notion of ‘new public management’ with an emphasis on cost containment through the extensive use of incentives. In France, it was argued, very similar problems are faced (the need to control costs; and the need to tailor services to different populations), but within a very different management culture and a different context overall. It is clear, for example, that the Dutch reform has been part of a web of reforms, also affecting the PES and the system of disability benefits etc. All of these reforms form part of a system, and there is a systemic dimension of causality, and a systemic consistency in the overall approach (as also seems to have been the case in Denmark). This contrasts with the situation in France, in the areas of unemployment and social assistance policy, which has been marked by piecemeal reforms and an absence of consistency and a systemic approach (it was pointed out that although there was a decentralisation of benefits administration to the départements in France, in 2004, this was not associated with a reduction in benefit claimants as was the case in the Netherlands, partly because the overall economic situation was much less positive in France). It is clear that providing services to a large and diverse group of workless people is a complex problem; it seems that the Dutch approach is essentially a three-tier system: short-term unemployed and relatively employable people are handled by the PES (Centre for Work and Income); after six months people move into the scope of the Social Security Agency (UWV); and only the longer-term workless end up on social assistance, being dealt with by the municipalities. The system is very different in France, due to the many (five) different types of minimum income (see the paper from the independent expert); this leads to both a fragmentation of benefits provision, and also a fragmentation of the actors who deal with benefit recipients (these actors include the French municipalities, but these are very different in scope and function from the Dutch municipalities). Another crucial difference between the two systems is that, in France, beneficiaries of three out of the five categories of minimum income provision, have no obligation to seek work (this reflects the fact that the key benefit, the Revenu Minimum d’Insertion (RMI), is received as an individual right under the French constitution of 1958; the state must provide when the individuals cannot provide for themselves, in line with a philosophical principle of integrating citizens into society. Clearly work is part of this, but not the whole story). There are, however, at the time of the Peer Review, proposals for a reform which will involve a merger of the various minimum income benefits, and the creation of a stronger link to the PES – a ‘one stop shop’ (but unlike the Dutch case, this would not involve different systems for those on unemployment benefits and those
on social assistance).

The **German** system is similar in many respects to that in the Netherlands; in particular, there is a means-tested social assistance system, supplementing a traditional unemployment insurance system. In both countries levels of social assistance benefits are relatively high (in comparison with some other EU member states), but Dutch benefits are somewhat more generous than their German equivalents. In this context there has been much discussion in Germany about benefit levels in relation to low paid work and the implications for the so-called ‘poverty trap’. A further similarity with the Dutch system is that there has been a move towards integrated provision of services, combining activation with the provision of benefits; and there has also been a general shift towards a stricter regime with a greater emphasis on sanctions as part of the activation process (although this is a national shift, unlike the Dutch system, where the degree to which sanctions are implemented in practice appears to vary at the municipality level). Further, the target groups are rather similar in both Germany and the Netherlands, although it would seem that the relative size of the group receiving social assistance under the new German system is larger than in the Netherlands – up to two thirds of those out of work receive social assistance in the German system, and only a third receive the unemployment insurance benefit. A key issue in Germany, argued the independent expert, is that responsibility for activation and reintegration services is based on benefit entitlement (and whether the individual is receiving unemployment insurance or social assistance) rather than any direct assessment of clients’ labour market needs. This means that the clientele of the reintegration services is very heterogeneous, including around half who are long-term workless and need considerable support, and some groups including university graduates, lone parents and women re-entering the labour market who may need rather different kinds of assistance. This diversity can cause difficulties in planning and resourcing reintegration activities. The expert argued that a key design issue for the system is whether to organise it on the basis of benefit entitlements (which is largely the German case), or whether to design it around labour market needs, with local co-operation to provide customised services oriented towards those needs. He pointed out that under the new German system (Hartz IV) it is possible in principle for local social services to enter into co-operative arrangements with the PES (rather than both organisations maintaining separate specialised services for similar client groups), but to date this has not happened successfully on a significant scale. Under the new system, there are in fact three different models to providing social assistance: a) the dominant model involves 353 Jobcentres jointly run by the PES and local authorities, to provide a ‘one stop shop’; which raises issues of co-operation between two very different actors; b) an experimental model is the ‘local option’, which is similar to the Dutch case, under which 69 local authorities have been permitted to take sole responsibility for social assistance clients, to provide all services for them. This allows for a more consistent approach at local level, but has generated a wide variety of practice between local authority areas (under the German constitution, local authorities have a high level of autonomy from the national state) c) in the case of a minority of local areas (currently 22) it was not possible to reach contractual agreement between the PES and the local authority on the Jobcentre model, and in these areas, separate provision persists.

Active labour market policies and social assistance benefits are entirely separate from each other in policy terms in the **Greek** system. Benefit levels are very low in comparison with the European average and there is no guaranteed minimum social income. Policy responsibility for the two elements sits with two ministries: the Ministry of Health and Social Solidarity; and the Ministry of Employment and Social Protection. Municipalities in Greece have no responsibility in this area.
(they receive half of their income directly from the state), and they have little or nothing to do with the social security system, and do not have staff qualified in this area.

In Latvia, a new law on Social Services and Social Assistance came into force in 2003. Prior to this law the main target of social policy had been on people with special needs, but with no effort to promote their integration into society. The reform brought in a benefit aimed to support the most needy citizens (but aimed to set the level of benefit at such a level as to avoid generating dependence on social assistance), and introduced a range of tailored social assistance support. The reform had some characteristics in common with the Dutch reform, requiring the municipalities to provide a guaranteed minimum income (GMI) to people who meet the eligibility criteria, and the provision of this benefit is combined with reintegration measures delivered by the municipalities (although only a minority of recipients sign up to participate in these measures). Unlike the Dutch system, there is no financial mechanism to incentivise municipalities to reduce the number of GMI recipients; indeed the low level at which the GMI is set (around 45% of the official poverty line), is such that only a relatively small number of people apply and quality for these benefits, and there is no budget constraint for local authorities in meeting their obligations to these people.

The Norwegian labour market faces some very similar challenges to those of the Netherlands, albeit within a policy context of a the Nordic model of a universal welfare state with relatively generous social insurance provision. In particular, despite high labour force participation, low unemployment and a tight labour market, there is a very high incidence of economic inactivity due to sickness or disability, and a key objective of Norwegian policy is to integrate a greater part of the working age population into the labour market, and to reduce sickness absence. It was noted that although in Norway social assistance has been the responsibility of the municipalities for some time, the financial incentives do not work in the same way as in the Dutch system and, indeed, the municipalities have an incentive to shift the cost to the national insurance system. Recent policy developments have three key strands:

- A ‘workfare’ policy which, similarly to the Dutch ‘work first’ approach, consists of a restriction of social benefits and a tripartite agreement with the social partners to reduce sickness absence, and increase the employment of disabled people and older workers
- An major administrative reform of the employment and welfare system, involving a merger of the public employment service, the state national insurance organisation and the municipal-level social welfare system, in order to improve the integration between benefit administration and job placement activities. The reform is currently being evaluated, and there is currently a discussion in Norway about the need to establish a ‘new profession’ combining the different elements from the employment services and the social work/social welfare components.
- Reforms to important parts of the public social insurance and pension systems, targeted at increasing the inclusion of people at the margins of the labour market.

In Romania the nature and scale of the problems faced in the areas of social protection and social assistance are very different from those faced in many western European countries. In particular, following the process of economic transition and restructuring, the rapid decline in the active population due to emigration, and the associated increase in the dependency ratio (including a growth in the ratio of social assistance beneficiaries to contributors), have put considerable
4. Transferability and issues of special interest for peer countries

4.1. Questions and comments from peer countries on the Dutch approach

A wide range of issues were highlighted in discussion and general debate about the reform in the Netherlands. Key questions raised and themes highlighted included the following:

- A general issue was put forward relating to the wider societal role of local authorities; the example of some of the Nordic countries was highlighted, in which municipalities tend to have both a broad and comprehensive social responsibility and a high level of autonomy, compared with local authorities elsewhere in Europe. As in the Netherlands, however, there is a growing recognition of the need for more localised comprehensive societal policies, with an integrated perspective on activation (incorporating economic, health and education aspects, for example). In this light, several Nordic counties are also seeing trends towards mergers and consolidations both between local authorities (whose numbers have been significantly reduced in Denmark, for example) and across areas of policy (social welfare, health, education etc.). In this sense the developments in the Netherlands seem similar to those in the Nordic countries; one possible difference, however, was that these developments in the Nordic countries are taking place within the existing context in which local authorities already have a comprehensive societal responsibility.

- A related issue raised in discussion concerned the question of partnerships, and whether the municipalities had to deliver the implementation of the WWB on their own or in partnership, e.g. with the public employment service (PES) or with employers/employer organisations or with third sector organisations. The question was raised about how the reformed PES in the Netherlands (the Centres for Work and Income) was involved with the WWB and it was noted that the challenge facing the Netherlands, as with many other countries, was essentially an ‘outflow challenge’ and it was argued that the days when such a challenge could be tackled by one organisation alone had long gone. Success would require effective partnership between all the players, and new solutions needed to be sought and, in particular, effective linkages to the recruitment strategies of employers is seen as crucial. In this context, the independent expert (Roeland van Guens) agreed with the argument and added that for the long-term social assistance recipients, the ‘work first’ strategy was perhaps not the most appropriate. He referred again to the period in the late 90s when there was rapid growth and even long-term benefit claimants were getting jobs (at a time when there was much less policy attention given to activation and ‘work first’ approaches). He noted that, at this time, part of the success appeared to be due to the role of the (private sector) employment agencies, who were very active in working with employers facing shortages, to fill low-skilled jobs. The danger under the
WWB regime, he felt, was that the municipalities will make too much effort to undertake this job broking activity themselves (or with the Centres for Work and Income), when it would be better done in partnership with the private agencies which have strong relationships with employers gained through their normal job broking role.

- Some participants raised a related point, that of fragmentation and efficiency, and questioned whether the number of Dutch municipalities (443, with 375 social services departments between them) was too large, and whether the decentralisation process needed to be accompanied by a process of rationalisation or consolidation of local authorities (as in Denmark) to ensure that all local units had the degree of professionalism and efficiency to deliver the programmes effectively. In response, it was stressed that this was a current issue for debate in the Netherlands, and there was a view that a smaller number of municipalities would be optimal to guarantee quality, and the fact that social assistance claimants face different approaches in different parts of the country has generated some controversy. On the other hand it was stressed that the research evidence suggests that many small municipalities have been particularly innovative and enterprising under the new regime, and it was not the case that “big is always better”, and it was important to remember that a key objective of the reforms was precisely to permit some variety and allow local areas to explore alternative approaches.

- A question was raised regarding the ongoing research and evaluation of the WWB, and whether this research would really be able to isolate the impact of the reforms from the other wider economic and other influences. In response it was acknowledged that this was a difficult exercise, and it was explained that a number of approaches were being taken in the research, including an econometric approach which, rather than treating benefit recipients as a single group, takes a disaggregated approach of estimating the chances for particular groups of leaving benefits, and how those chances have been affected by the introduction of the WWB. Several peer country participants highlighted the need for fuller, more rigorous evaluation of the WWB, ideally involving some kind of experimental or quasi-experimental design which can identify the impact of the different elements of the reform (including those elements which involve changing culture, changing attitudes, changing working practices at the local level), and which can also identify more precisely what happens to those who ‘disappear’ from the system (i.e. those people who do not form part of the inflow to social assistance, because of the stricter gatekeeping and work first measures, and those people who are part of the outflow from social assistance, but who have not entered work).

- It was noted that, in some other countries, where decentralised reforms had been introduced (the recent example of Germany was cited), experience suggested that there was often a trade-off at local level between decentralisation and autonomy on the one hand, and accountability on the other. In this context it was asked how this issue was handled in the Dutch case and whether there were performance standards (measures, targets etc.) to ensure accountability and to guarantee that, under the decentralised system, minimum standards of provision are delivered locally. In response it was explained that there are rules in place which focus on local accountability, but these are less detailed than before and are monitored by the local councils rather than at the national level. National level rules focus on financial incentives. Benefits levels and entitlements are, however, regulated by national law. It was observed, however, that one tension which arises is when questions are raised in parliament about particular instances where differences exist between local areas in the operation of the system.
It was argued, however, that in such circumstances it is important to resist any pressure for uniformity, in order to retain the local focus of the reforms. In addition it was explained that the legislation gives people who feel that they are not getting a fair deal recourse to the law (and most localities have client councils which can support individuals in this process). There is some research under way on this issue, but there is no clear evidence of people entitled to benefits who are not receiving them. In addition research has been undertaken with clients about how individuals react to the new stricter regime and the conclusion was that the new system is generally operating in a just fashion.

Several questions were raised regarding the financial arrangements of the new system, and how it differed from the previous system (in particular whether there had been a shift from a state reimbursement model to a state block grant model, and whether the municipalities really have the means to balance political/administrative responsibility on the one hand and financial responsibility on the other). It was explained that, prior to 2004, the (majority of the) bill for these activities could be sent to the central government, but after this period it could not. The social ambitions are not defined in advance; rather the budget comes first, and municipalities then have to work out their priorities across a whole range of services. It was acknowledged, moreover, that there is some tension between devolving financial responsibility to the municipalities on the one hand; and the social ambitions and how to steer the various partners active in social services provisions towards similar goals on the other hand. It was stressed that there are two budgets: the ‘income budget’ which goes towards benefits (and is estimated on the basis of objective factors including the economic situation and the number of benefit recipients); and the ‘work budget’ which goes towards reintegration activities, and in the latter case the municipalities can respond to needs by buying in services, and not all provision is in-house. It was also explained that a very important part of the system is that the two elements of the budget are kept separate so that, for example, a municipality which has a deficit on its income budget (because it is not being sufficiently effective in reducing the numbers of social assistance claimants) cannot simply transfer funds from the work budget to meet this deficit; rather there is intended to be a real incentive for the municipality to take action to address the deficit (which will otherwise have an effect on its ability to deliver its full range of local services).

The freedom of Dutch municipalities to use their reintegration budgets to give subsidies to create jobs was noted, and the question was raised of what regulations or arrangements were in place to ensure that this took place within the restrictions of European competition law. It was stated in response that the rules for applying such subsidies and the level of subsidies paid by the municipalities were in line with national guidelines which take EU competition law into account. Moreover it was emphasised that the subsidies were linked to specific individuals rather than being a general subsidy to the employer in question.

A number of questions were raised about the ‘work first’ approach and its implications. First, the question was asked regarding the previous regime: under the WWB it is the individual’s responsibility to look for a job; was this not the case previously? It was explained that the WWB embodied an important change in principle. Whereas under the previous system the government was responsible for supporting those who could not help themselves, under the new law the first principle is that the individual has the responsibility to earn their own income (if they are unable to do this, they are then able to apply for benefits, on a temporary basis). Second, given that 85% of municipalities had adopted a ‘work first’ approach, it was asked...
what approach had the others adopted? It was noted in reply that there was no single approach required; it was up to the local authority to decide the appropriate approach – some might be moving more slowly towards a ‘work first’ approach; others might have decided to adopt some other kind of activation strategy. Third, it was asked about the incentive effects of the ‘work first’ approach, and whether there was any evidence on this. In response, it was reported that some recent small scale research looking at the implementation of ‘work first’ showed that around 20% of benefit applicants, on being told that a condition of receiving benefit was that they would have to participate immediately in a work-related activity, withdrew their application for benefit. The key question, on which there is no information available yet, is what happens to that 20%, and whether the claims were fraudulent, or the individuals had been incentivised to search for a job themselves, or whether they had simply been further marginalised into deeper poverty. This lack of information on destinations is seen as an important issue to be addressed – some recent research in the town of Appeldoorn, looking at the ‘gatekeeper’ process, showed that 40% of applicants were granted benefits within one month, 5% were refused benefits, and 55% were not seen again by benefit staff (it is not known what happens to this 55%). Finally, the question was raised about what kind of jobs are offered under the ‘work first’ arrangements. Dutch colleagues replied that initially many of the jobs were ‘simulated jobs’ or very simple work, but recent research has shown that this is changing and that around 70% of ‘work first’ placements are in regular roles and functions.

- A question was raised about the relationship between municipalities and employers, and the extent to which the local authorities have good working relationships and co-operation arrangements with firms in their area, to facilitate their reintegration strategies. In response, Dutch officials stated that many municipalities were developing such relationships with employers but most had not got very far with this, and that it was a priority for organisations such as Divosa to stimulate effective contract between local authorities and firms, particularly because the current economic climate is generally favourable to this. It was also pointed out that this development could be facilitated by closer working between social services departments and economic departments within municipalities, because the latter tend to have closer working relationships with businesses in their areas.

- Peer Review participants were interested in the operation of sanctions in the Dutch case, and asked whether social assistance claimants had any recourse to the law to appeal against sanctions or when their application for benefits had been refused. A related question was raised as to whether there were any legal or administrative costs incurred in such cases by municipalities which would act as a financial check against municipalities being ‘over zealous’ in operating sanctions in order to save on their income budgets. It was explained that there was a well-developed process, which gave claimants the right of administrative appeal against municipalities being ‘over zealous’ in operating sanctions in order to save on their income budgets. It was explained that there was a well-developed process, which gave claimants the right of administrative appeal within the social services system, and if they are unsuccessful at that stage they have the right to a further stage of legal appeal to a judge (in which case they have free legal aid and access to a social council which will provide advice and support). There has been an increase in appeals since the introduction of the WWB, and Dutch officials argued that, overall, the appeal system was believed to work quite well.
4.2. Transferability discussions

Different views were taken by different peer country representatives regarding the possibilities for transferability of the Dutch reform. It was commonly agreed that the Dutch reforms were impressive and ambitious in their scale and innovative nature.

Although most countries faced similar labour market challenges to (re-)integrate disadvantaged and marginalised groups and to reduce dependence on social assistance, and although several countries had introduced organisational and policy reforms similar in approach to the Dutch model (e.g. some trend towards de-regulation, a greater emphasis on ‘work first’, and integration of benefit offices and public employment services), a key difference in the Dutch case was the strong emphasis on financial incentives to the municipalities in the WWB, which was generally much more marked than that found in recent reforms in most of the peer countries attending the Peer Review (some also commented that this was also in line with the reforms to the Dutch disability and sickness insurance – not discussed in detail at the Peer Review – which also placed significant financial incentives on employers).

A key constraint to transferability in some countries relates to the legal and constitutional arrangements for funding municipalities, and whether they are financed through block grants from the central state or through central or local taxation, or some combination of these; similarly the federal structure may also be relevant (e.g. in Germany, where the Länder come between the national level and the municipality, and from a constitutional perspective there is no direct financial relationship between the national level and the municipality level). Such factors clearly influence the scope for introducing a Dutch-type system of financial incentives for municipalities.

More generally, there were very different views taken among the peer countries regarding the merits of decentralisation of the management of activation etc., as in the Dutch model. In some cases decentralisation was seen as desirable in order to be able to shape labour market policies to the problems and circumstances of local areas. In other cases, however, there were seen to be potential dangers in ‘excessive’ decentralisation, because it might result in similar people being treated differently according to where they live, and in a lack of transparency and lack of knowledge about what is happening in different localities, which may impair the ability to learn from good practice and experience. A related discussion focused on the question of what is the most appropriate geographical level for the implementation of labour market policy – how large or small should that area be? Can a municipality really be seen as the adequate locus of labour market policy, with sufficient resources, scale and competences (particularly in countries such as France or the Czech Republic, with large numbers of very small municipalities, with limited powers)? Finally it was noted, that in some other countries where similar decentralisation measures had been introduced (e.g. in Norway), the operation of financial incentives at the local/municipal level do not appear to have had the desired impact on the number of social assistance recipients, and it was argued that, if the Dutch model has been more successful (although there was some debate on this), it is unclear what has happened differently in the Netherlands to secure this success.

A similar debate took place around the relative importance of measures to increase the outflow from social assistance on the one hand, and measures to reduce the inflow (whether through strict control of eligibility or through early activation via a work first approach) on the other hand. It was suggested, with evidence from several countries (and this was consistent with the Dutch
experience) that activation measures were often most effective on reducing the inflow, partly through some kind of 'threat effect'; however, it seemed that this was particularly true for the relatively advantaged target groups, who are already quite close to the labour market, and that an activation-based strategy may be less effective for those who are most disadvantaged and hard-to-place, and that other measures may be required in these cases (e.g. subsidised job placements, and programmes which combine job search activities with measures to tackle personal and social problems). More generally, several peer country representatives argued that the acid test of a strategy is the extent to which it can increase significantly the rate of outflow from social assistance, and here it was seen that a high level of co-operation between key players was required and, in particular, effective dialogue and co-operation with the business community who must be engaged in the process if they are to be prepared to recruit social assistance recipients. It was observed, moreover, that the Dutch approach appears to be based very heavily on the use of (financial and other) incentives, which apply both to individual social assistance recipients, and to municipalities; little evidence was, however, presented about incentives for employers which, it was argued, could play an equally important role in the reintegration process (in response, Dutch representatives drew attention to the involvement of employers in a task force focused specifically at youth unemployment – the subject of a previous Peer Review: http://www.mutual-learning-employment.net/stories/storyReader$137).

Several participants drew attention to the question of the skills and competences of the front line staff (from the municipalities or the PES) in dealing with hard-to-place client groups, often with severe and multiple disadvantages, and it was stressed that the effectiveness of a Dutch type activation approach would be heavily dependent on having or developing the necessary interpersonal and other skills, among staff whose background and training might not normally include such skills. It was felt that this might involve more than a simple 'cultural change' among staff, and for several countries this was seen as a potential barrier to developing an approach similar to that being implemented through the WWB.

There was a debate about whether reintegration services and policies should be structured on a benefit-based approach (i.e. the category of benefit which an individual receives determines the kind and level of reintegration services he/she receives, and determines which organisation provides those services), or whether it should be structured on a needs-based approach (i.e. all benefit claimants are treated in the same way, and each of them receives customised services according to an individualised assessment of their labour market needs). Some peer country representatives argued that the Dutch model, being based on the benefit-based approach, would be less transferable to their own countries which were moving in the direction of a needs-based approach.

Specific points raised in the transferability discussions by individual peer countries, included the following:

- A possible lesson for Austria from the Dutch example relates to the benefit of having national responsibility and national funding for the social assistance safety net (even if administration of the benefits and delivery of activation programmes are devolved to local level), A key disadvantage of the current Austrian system stems from the lack of national legislation on social assistance and the resultant inequality and inconsistency which is found in different parts of the country. Any transferability of the Dutch model (of decentralisation) to Austria
would, it was argued, depend on a prior stage of centralisation and the introduction of a national basic law on social assistance. Access to social assistance in Austria is currently both restricted and highly stigmatised.

- A key constraint to transferability to the Bulgarian context is the very limited institutional role and capacity of municipalities in the fields of social assistance and labour market policy. Benefit regulations, benefit administration, and labour market programmes are in the hands of the Ministry of Labour and its agencies, and there is not the capacity in the municipalities for a Dutch-type decentralisation or deregulation.

- The Cypriot social assistance system can be seen, in contrast to the Dutch system, as rather ‘passive’ in nature rather than ‘active’, the focus being on financial benefits rather than work. It is also characterised by limited tailored support. Legal provisions do, however, allow for social security benefits to be provided for vocational training and other work-related purposes, and there is the opportunity to retain social security benefits for up to 12 months after labour market entry. Recent developments include the modernisation of the PES, which is at an early stage, but is moving in the direction of offering more individualised support and guidance to job-seeker and the introduction, for the first time, of activation measures. Lack of staff and infrastructure, however, remain a barrier to the development of such activities in line with the Dutch approach. The emphasis in the Cypriot system tends to be towards disabled people and public assistance recipients, rather than the wider range of disadvantaged groups covered by the Dutch system. A further constraint to transferability relates to the limited role of the local authorities, although there is emerging some political recognition of the need to strengthen the capacity of local authorities in the areas of social protection and social integration. There are, nevertheless, lessons which can be learned for Cyprus from the Dutch experience in the design of activation measures, the development of profiling tools for early action, and the use of ‘at the gate’ prevention to control the inflow to social assistance.

- It was pointed out that, in the Czech Republic, municipalities (which are large in number – over 3,000 – and on average quite small) do not have much responsibility in this area of activity, do not generate their own revenues (they receive state budgets), and have little experience of strategic planning of labour market policies etc (although they do organise public works activities), which would limit the scope for widespread implementation of the Dutch approach. The Czech expert expressed some scepticism about the effects of the Dutch reforms, since the changes to inflow and outflow rates following the WWB could be seen as rather small, given the broader context of economic growth taking place in the Netherlands. It was observed that a barrier in the Netherlands was the problem of inadequate staff resources, particularly in small municipalities, and it was argued that this would also be a significant barrier in implementation of such a model in the Czech Republic. The key message for the Czech Republic from the Dutch model, it was argued, lies in the role of financial incentives, and it raises the question for Czech policy-makers of how to improve incentives for the key actors in the system (although the system is currently highly centralised and top-down, there is a trend towards decentralisation, and if this continues, there will be a need develop an appropriate approach to incentives for municipalities and other actors).

- In Denmark it seemed that transferability potential of the Dutch model would be limited, because many reforms in this direction (activation, decentralisation) had already taken place. The Danish expert felt that it was important to have elements of decentralisation, but within a strong framework of national supervision, in order to check that resources are being efficiently
used, and to ensure that the treatment of individuals does not differ too much between local areas (because of this, the Danish government recently introduced a centralised benchmarking system to ensure greater transparency).

- From the Finnish perspective, it was noted that a key dilemma is how to secure a new, greater and more effective level of co-operation between the PES and local authorities and municipalities. However, the Finnish expert argued that he was not convinced that the Dutch model had fully solved this problem of joint working through the recent reform. He also raised concern about the question of people ‘disappearing’, e.g. because of the activation ‘threat’ or strict gate-keeping, and argued that this would not be acceptable in the Finnish context, because such people would, in any case, end up being the responsibility of the municipality (which is legally obliged to provide a universal social benefit). The constitutional and financial autonomy of the Finnish municipalities, and the fact that social assistance is already highly devolved, would also limit the scope for introducing a nationally-driven incentive-based model such as is found in the Netherlands under the WWB reform.

- In considering the relevance of the Dutch reforms to France, a key issue relates to decentralisation, and what would be the appropriate territorial area for labour market policy. There is both a political and a managerial/efficiency dimension to this in France where, at the municipal level, there exist some 36,000 communes; these are clearly often too small to be the basis for a Dutch-type approach; in addition however, there are some 1,000 employment areas which might correspond more reasonably to the level at which policy is delivered in the Netherlands, but the division of responsibility between administrative levels in France would raise many political difficulties in achieving some kind of ‘efficiency solution’ to the decentralisation question along these lines. A second key issue relates to the take-up of benefits and equal access to benefits – from a French perspective, the ‘work first’ approach may be seen to have too much emphasis on the ‘threat effect’ (rather than a ‘motivation effect’). Finally, the French expert argued that the approach to funding municipalities for the work budget – taking account of objective economic and demographic circumstances – might hold some lessons for the French case: in 2004, responsibility for benefit funding was transferred to the départements in France, and no effective mechanism has been established for dealing with over-spending and associated deficits, whereas in the Dutch case it would seem that the funding formulae allow for adjustments to funding to take account of economic shocks, which is not the case in France.

- From a German perspective, it was argued that the most interesting aspect of the Dutch reforms in terms of transferability, were the strong financial incentives built into the system, providing clear motivation for local authorities to improve their effectiveness in both gatekeeping and reintegration activities with regard to social assistance recipients. In Germany, by contrast, it was seen that financial incentives on local authorities were rather weak (essentially because central government ultimately picks up the cost), and in the early stages of the recent reforms, it became clear that costs were out of control. The only clear incentive for municipalities relates to the fact that they have to finance 2/3 of the housing costs of social assistance beneficiaries, but this seems to be insufficient in order to generate effective gatekeeping and reintegration activities. From a management perspective, therefore, the Dutch system is interesting (with some possible lessons for financial incentives in the current Jobcentre model), but transferability to the German situation is likely to be constrained by legal and constitutional factors, relating to the relationship between the national level and
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the municipalities, and the role of the Länder in mediating that relationship. It was argued by the German expert, moreover, that there was a risk in the Dutch model of over-reliance on financial incentives, and that the accompanying deregulation had led to a certain loss of transparency and accountability, and that it was not always completely clear what was happening to the client groups on the ground, with an associated risk that the cost savings to the social assistance budget might be at the expense of the most marginalised groups (Dutch participants pointed out that there was some ongoing research underway on this question).

- Given the very different system which pertains in Greece, with no significant role for the municipalities in this area, and a relatively underdeveloped system of social assistance and the strong role of family support and the black economy, the scope for direct transferability of the Dutch model, at least in the short term and in the absence of wider reform of the Greek system, was assessed as very limited. In the Greek context, it was argued that any decentralisation would have to take place at a different geographical and administrative level than in the Netherlands, i.e. not at the level of the municipality.

- The scope for transferability of the Dutch model to Latvia was also seen as limited. There is less pressure to reduce the number of social assistance recipients in Latvia (the numbers of which are rather small, and mainly composed of people some distance from the labour market, with limited scope for reintegration); given limited resources for labour market policy and integration, it is seen as unlikely that a similar policy could be introduced in Latvia.

- In the Norwegian context, where a similar deregulation reform has taken place, the expected positive results have not been achieved, and a key question relates to where are the blockages in the system stopping the reform from achieving these results. In considering transferability, therefore, it is interesting to examine what other elements have been put in place in the Netherlands to achieve success. Thus an important issue relates to the relationship between the WWB reforms and the other major reforms which have taken place in the Netherlands. In particular, it remained unclear from the presentations in the Peer Review, how closely integrated the reforms at municipal level embodied in the WWB are linked to other reforms in the Dutch system (in particular the creation of the Centres for Work and Income, and the reforms to the sickness and disability benefit systems). Further, it was clear that changes in culture, goals, and attitudes, and the introduction of new ways of working will be crucial to the success of the Dutch reforms, but in practice it can be very hard to achieve such massive change in large bureaucratic organisations in this way, and a key question relates to what processes were necessary to achieve such change? A related question concerns how it is possible to ensure, when the new approach is combined with decentralisation to municipality level, that the culture is changed all over the country at the same time – or is it necessary to have some kind of top-down co-ordination from the centre? Is it sufficient to introduce the (financial) incentives, as in the Dutch reforms or are other levers of change required? (it was noted, for example, in the site visit to Rotterdam, that it had also been necessary to implement training courses for municipal employees to facilitate the necessary change of focus from delivering benefits to acting as a proactive job broker for social assistance recipients – is there some kind of national level co-ordination of these courses?). The Norwegian expert stressed the importance of internal development work in meeting the challenges of the new approach in a decentralised environment, and asked whether there was an effective forum for the Dutch municipalities to exchange experiences. Further information about these elements would be required in order to fully assess the potential transferability of the Dutch model. In response,
Dutch officials noted that the ‘cultural’ change took time to achieve and was assisted by important organisational changes, including changes in the top management of social services departments and also, in many cases, changes in the staff employed in those departments. Some of the changes in culture were also driven by changes in the regulations (e.g. the requirement that social assistance recipients should take any acceptable kind of job offer, and not only those relevant to their educational levels).

- In Romania, the transferability potential of the Dutch model is limited due to: the extreme differences in the economic and institutional contexts of the two countries; the strong role of the informal and agricultural sectors in the Romanian economy; the fact that the potential for activation of social assistance recipients is limited since a high proportion of them are either over working age or engaged in informal or agricultural activities; and the fact that the formal labour market remains a relatively small contributor to household incomes (accounting for only just over a third of average monthly income). Reforms are, nevertheless, under consideration, with the aim of improving the capacity of the PES to work with social assistance recipients in moving them towards the labour market, and a key proposal is for a further decentralisation, involving a shift from the PES to the municipalities of some of the initial responsibility with working with the client (dealing with registration, early guidance and counselling etc.), and there are lessons for this development in the Dutch experience (although it was also noted that, similarly to France, Romania has a very large number of municipalities – around 3,500 – many of which are very small).

5. Concluding remarks

Martin Karlik from the European Commission thanked the Dutch hosts and all the participants, and noted that the subject matter of the Peer Review is a key part of the European Employment Strategy (guideline 19 in particular). He drew attention also to a European Commission-funded study, undertaken by Ecorys in 2003, addressing the question of benefit systems and their interaction with active labour market policies, and this study is currently being extended to new member states. He also mentioned a study in 2005-06 evaluating the effectiveness of active labour market policies (both studies are available from the European Commission’s website). Finally he mentioned other related activities in the current semester of the Mutual Learning Programme, including the Peer Review held in Germany in April 2007 (focusing on recent reforms to the unemployment benefit and insurance systems: http://www.mutual-learning-employment.net/stories/storyReader$200), and the Thematic Review Seminar in March 2007 on modernising and activating benefit and social protection systems to promote employment: http://www.mutual-learning-employment.net/Modernisingandactivatingbenefitandsocialprotectionsystemstopromoteemployment.

Responding on behalf of the Dutch ministry to the debate in the Peer Review, Elleke Davidse commented briefly, thanking all participants for their contributions, and noting that a key emerging message was that the Netherlands should continue monitoring the impact of the decentralisation reforms and should look at how the impact on particular groups was varying in different parts of the country. The experience of the Peer Review had confirmed the value of exchanging good practice between countries and this was a process which should be continued, although she acknowledged that the very different economic, political and institutional backgrounds of the different countries sometimes made this a difficult task.