

Study on integrated delivery of social services aiming at the activation of  
minimum income recipients in the labour market  
– success factors and reform pathways  
Contract No VC/2016/0604

(Draft) Executive summary

This report presents the results of an 18-month-long research project commissioned by DG Employment to explore drivers and barriers to effective and efficient reforms that aim to improve the coordination between employment and social services for minimum income recipients.

***Background and context***

Technological development, demographic trends and globalization induce frequent structural changes in post-industrial labour markets on both the supply and demand side. This has increased the vulnerabilities of the labour force, as well as the frequency of transitions between jobs and between employment and unemployment.

The recent global financial crisis and the ensuing upsurge in long-term unemployment have posed further challenges to welfare states and especially employment services and social protection. The crisis has intensified labour market volatility and at the same time augmented fiscal and political pressures to increase the efficiency of public services in most EU Member States. The rise in long-term joblessness has negative effects on both society and the economy.

All this necessitates an adjustment of the design of unemployment protection systems, which had originally been established to provide unemployment insurance for the temporarily unemployed male breadwinner and social assistance to those unable to work. In particular, the adjustment requires the partial or full integration of unemployment insurance, minimum income schemes and social services for working age benefit recipients. In most countries this would entail complex institutional reforms as social and employment policies are coordinated by separate ministries and implemented by a variety of institutions often operating at different levels of government.

The need for such reforms has already been highlighted by the European Commission's Social Investment Package (SIP), which called for Member States to adapt their social models to

achieve smart, sustainable and inclusive growth (European Commission 2013). The European Council Recommendation on the integration of the long-term unemployed reiterates the goals outlined in the SIP and explicitly calls for "close cooperation between, and effective coordination of, all parties involved in the reintegration of the long-term unemployed."

While all Member States have responded to these challenges, there are large variations across the EU in the depth and sophistication of reform initiatives. So far, closely coordinated or fully integrated and effective social and employment services for minimum income recipients are available in only about one third of the Member States.

### ***Objectives and scope of the study***

The overall objective of this study is to support the implementation of more integrated social services delivery as outlined in the SIP as well as the implementation of the Recommendation on the Active Inclusion and of the European Council Recommendation on the integration of the long-term unemployed into the labour market.

The focus of the study is on recipients of Minimum income schemes (MIS). Such schemes typically cover working-age individuals and their households (and in some countries they are available to pensioners as well) who may be unemployed or economically inactive. MIS recipients often face multiple barriers to returning to the labour market and many are discouraged from job search.

The study provides a comprehensive and concise analysis and assessment of reform processes focused on integration of social services aiming at the activation of minimum income recipients in the labour market. The aim is

- (1) to review the available evidence from past and on-going reform processes to provide a critical assessment of each phase of the policy cycle from design and implementation to monitoring, evaluation and follow-up;
- (2) to assess the fiscal costs and benefits of reforms;
- (3) by comparing reform episodes across countries to identify the determinants of the success and failure of reforms; and
- (4) to elaborate pathways towards successful service integration.

Besides contributing to the above objectives, the study contributes to filling important gaps in the existing literature and research by covering previously undocumented reforms in Eastern

and Southern Europe, calculating costs and benefits for several reforms, and by systematically comparing reforms implemented in countries with a similar institutional context. The explicit inclusion of the institutional arrangements into the analytical framework of this study strengthens the validity of results in terms of groups of countries and welfare regimes and allows us to draw conclusions and recommendations that are transferable to other countries with a similar institutional context.

### ***Methodological tools applied***

The study is based on a **detailed description of reform episodes** in 12 countries (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Portugal, Romania, Slovenia, Spain and Switzerland) that took place between 2003 and 2014. An episode is understood to cover a full policy cycle from decision making to evaluation. The selection of reform episodes ensures a varied sample in terms of the outcome of the reform and the institutional context. The twelve reform episodes also vary in terms of the degree of coordination of employment and social services and in terms of which functions and services are affected by the reform (Table 1).

*Table 1 Variety of recently implemented reforms in EU Member States*

	<i>loose/ informal</i>	<i>multidisciplinary teams</i>	<i>partnership</i>	<i>outsourcing</i>	<i>merger</i>
<b><i>referral</i></b>	Austria (federal) Flanders (BE)	Romania Slovenia			
<b><i>service provision</i></b>		Switzerland	[Poland] Finland	[Netherlands]	
<b><i>monitoring and sanctions</i></b>	Vienna province (AT)				
<b><i>full case management</i></b>			France Germany Norway	Portugal	Denmark Ireland, [UK] Basque (ES)

*Note: The countries in square brackets were included in the comparative study but not in the sample of detailed case studies.*

The detailed descriptions of the reform episodes were prepared by country coordinators in each of the case study countries. Following initial desk research, information on the reform process was collected through 12-17 semi-structured interviews per country with the following stakeholders: (i) government officials, (ii) partner organisations such as NGOs delivering social or employment services, (iii) trade unions, (iv) employers' organisations, (v) political parties, (vi) independent experts (viii) representatives of service users and service providers.

The **assessment of the costs and benefits** of reform episodes was based on counterfactual estimates of the impact of the reform on re-employment outcomes and administrative data on the costs. For Austria, Germany and Ireland, we relied on existing evaluation studies, while for Denmark, Slovenia and Spain, we prepared our own estimate of the impacts.

The **comparative analysis** was based on the comparison of less and more successful reform episodes, while controlling for the most important institutional variables. In this analysis a reform episode was considered successful if it has achieved a net improvement in at least one, or several of the outcome indicators relating to re-employment rates, poverty, user satisfaction, or in some other outcome defined as a goal by the designer of the reform. In order to be able to identify obstacles in the design as opposed to the implementation stage of the reform, we considered the first concept of the reform initiative as an intermediate output of the policy making process.

The analysis was based on the reform descriptions prepared by country coordinators, and a dataset that includes comparable information on the main features and outcomes of the reform episodes in a quantified manner. Quantitative results were supplemented with qualitative information obtained in the stakeholder interviews and the literature review.

Building on the analyses described above, we elaborated two **reform pathways** for improving the coordination of employment and social services for minimum income recipients, considering the existing institutional context.

### **The costs and benefits of reforms**

The empirical analysis of the effects of service integration episodes showed that few reforms have been systematically monitored and evaluated. As a result, despite the variety of recent reform attempts, there is relatively little reliable evidence on the cost-effectiveness of reforms.

The limited available evidence compiled or generated by this study suggests that integration reforms rarely generate fiscal savings in the short term, however, the setup costs of these reforms are also relatively modest.

Importantly, the two reforms that led to substantive short term gains (in the Basque country and in the UK) entailed a major redesign of the approach to activating minimum income recipients. Furthermore, it seems that service integration leads to more positive outcomes and higher monetary gains when PES leads the integration process, and is the main institution involved in the activation of minimum income recipients (as in the Basque country or in the co-operative Jobcentres in Germany).

### **Drivers and barriers: results of the comparative analysis**

The comparative analysis has sharpened and extended the existing evidence on what drives successful reforms.

In the first, agenda setting phase of the policy cycle, high potential for political disunity in the institutional structure can be overridden by cross-party consensus rooted in a consensual political culture or pressure caused by an economic crisis. The government needs to endorse at least one of the underlying aims of service integration: the goals of activation and labour market integration were endorsed by the government in almost all cases. Fragmentation of the initial institutional setup of employment and/or social service could hamper successful design if the goal of the reform was overly ambitious. Lastly, the outcome of the first phase depends on the quality of governance. Poor quality public administration can be compensated by support from international organisations.

In the second phase when the policy is implemented, the initial setup and local capacities are important drivers of the outcome. The difficulties posed by the fragmented institutional setup may be overcome by local expertise, a strong tradition of cooperation at the local level and consultation with stakeholders during the design phase. Allowing sufficient time to implement the reform is important but time-pressure does not necessarily lead to failure if local expertise is available and/or political commitment (and pressure) to achieve results is high. Poor monitoring and lack of piloting and evaluation tends to lead to failure or limited results.

Several reform episodes (Finland, France, Germany, Ireland and Spain) achieved an improvement in both employment and poverty outcomes. We could not identify any design features that would determine success in employment outcomes in all cases, however, two of the main design elements (ensuring adequate staffing and improvements in information sharing) seem to be important. Importantly, almost all the reform episodes involved a strengthening of the activation approach towards minimum income recipients and we found no indication that this would automatically lead to an increase in poverty. This implies that

service integration itself may yield improvements in poverty, and also that it is possible to design reforms that improve both poverty and employment outcomes.

## **Two pathways for reform**

The study outlines two reform pathways that have the potential to be most effective in contributing to the efficiency and effectiveness of social services aiming at the activation of minimum income recipients in the labour market. Based on the case studies and the comparative analysis, we identified features in the reform process that are likely to be applicable to all countries (within and outside the sample) as well as features or elements that are dependent on certain country-specific contexts. In order to ensure that they are concrete and relevant for all countries, two versions of pathways to reform were prepared, by reference notably to the initial status quo of service provision and the arrangements to be achieved by the reform. It is important to note that the pathways are defined as ideal types showing two contrasting models for integrating services, while existing institutional arrangements represent varying degrees and forms of coordination between services.

In elaborating the two pathways, we distinguish four stages of the reform process: goal setting, planning/design, implementation, and monitoring. In Pathway 1, the integration of services spans several policy areas and covers most aspects of case management. Pathway 1 also entails major institutional changes, such as, for example, mergers of earlier independent agencies and implies a change in the distribution of tasks between the state and local government. Countries that are typical of this model include Germany, Ireland, Basque country in Spain, and the UK. Pathway 2 is built on more or less institutionalized cooperation but is embedded in the existing institutional setting and characterized by considerable local leeway and variation (France, Romania, Switzerland and the Netherlands). In some countries elements for both models can be found (Slovenia).

The two pathways of integrated services might be inspiring for countries that have not yet implemented integrated services. Pathway 1 may be relevant for countries where existing services are relatively highly developed and are accessible and the reform capacity of public administration is relatively high. Pathway 2 may serve as a model for countries where employment or social services (or both) are less developed or highly fragmented, and for countries where the capacity to implement complex institutional reforms is constrained by constitutional barriers or the limited capacities of public administration.

## Recommendations

Based on the above analyses, we outline detailed recommendations for each phase of the policy cycle and for both the national and EU level policy makers.

At the national level, the main lesson for the agenda setting phase is that the goal of the reform should be chosen in view of the existing institutional setup and also considering the reform capacity of the government. Also, integration may not be a first priority in countries where available social services are limited both in terms of quality and accessibility.

For the planning and design phase, recommendations highlight the data requirements of good design, and provide some suggestions for particular design choices appropriate to the most common institutional arrangements in Member States. A general recommendation applicable in all contexts is that stakeholders should be consulted already during the design phase and that the newly established services should be adequately staffed in order to ensure manageable caseloads.

For the implementation phase, recommendations focus mainly on the importance of piloting and monitoring, the harmonisation of goals between the cooperating units, and skills development of staff. We also offer some insights on the more technical but nevertheless crucial aspects, such as addressing legal barriers and developing the IT infrastructure for data management.

For the last phase of monitoring and evaluation, the recommendations outline the data requirements, the importance of monitoring, and some concrete suggestions on how to set up reforms in a way that allows the calculation of counterfactual estimates on impacts.

The EU level recommendations focus on measures where the EU may have added value. These include the encouragement of systematic impact evaluations, mutual learning platforms and technical assistance in the design of integrated systems, and the careful motivation of Member States to consider integration reforms. In all of these measures it is important to consider the variety of existing institutional arrangements that tend to determine the optimal depth and width of a service integration reform.