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Labour Activation in a Time of High Unemployment

Key Developments in the OECD

September 4, 2011

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In recent years, various OECD countries modified their financial assistance programs in an effort to “activate” those receiving unemployment, disability, and social assistance. These changes are both substantive (such as eligibility, and the terms, conditions, and amounts of assistance) and administrative (such as consolidating, decentralizing, and privatizing services).

The countries that have been most active in these reforms are Australia, Denmark, Germany, the Netherlands, the United Kingdom, and, to a lesser extent, Italy and Norway. Key aspects of these changes are summarized below.

Tightened eligibility rules. In an effort to improve the targeting of programs on the most deserving or needful, some countries have modified how they define and measure eligibility.

United Kingdom. As part of broader reforms to unemployment, disability, and social assistance programs, in 2008, the UK replaced the disability assessment used since 1991 (the Personal Capability Assessment) with a new assessment (the Work Capability Assessment) that reduces the number of exemptions to work and assesses the extent to which the individual’s disability prevents them from working.¹

¹Child Action Poverty Group, “The Work Capability Assessment,” <http://www.cpag.org.uk/cro/wrb/wrb204/wca.htm> (accessed July 16, 2011); and Department of Work and Pensions, *Work Capability Assessment: Internal Review* (London: Department of

New claimants have been subject to the Work Capability Assessment since its inception in 2008. In addition, the UK instituted a reassessment of claimants who began receiving disability benefits under the Personal Capability Assessment. A reassessment pilot program was undertaken in 2010 in two cities in the UK. About 32 percent of recipients who were reassessed were found fit to work.² After the pilot program, limited reassessments began nationwide in February 2011, and reassessments were expanded to about 11,000 claimants a week beginning in May. Recipients of Incapacity Benefit and Income Support are being reassessed first, followed by recipients of Severe Disablement Allowance.³ The percent of reassessed recipients who have been found fit to work since the nationwide roll-out of reassessments began has not yet been released.

Of 1.2 million new claimants between October 2008 and August 2010, 75 percent either were found to be fit for work or dropped their disability claim before finishing the evaluation.⁴ (There are, however, no comparable data from prior years to indicate whether this constitutes a significant change.)

Mandated job search and other work-first activities. In an effort to encourage recipients to look for work and to raise the “opportunity cost” of being on assistance, some countries have mandated various “activation” activities.

Australia. Between 1998 and 2009, Australia instituted a series of reforms to its unemployment and social assistance program. Both groups receive benefits under the Newstart Allowance, and since 2009, all recipients are assigned to one of four activation “streams” in the new Job Services Australia program.

Work and Pensions, 2009), <http://www.dwp.gov.uk/docs/work-capability-assessment-review.pdf> (accessed July 16, 2011).

²Department for Work and Pensions, *Interim Results of Work Capability Assessments for IB Reassessment Trial Areas* (London, Department for Work and Pensions, April 2011), http://research.dwp.gov.uk/asd/asd1/adhoc_analysis/2011/ib_reassessment.pdf (accessed July 13, 2011).

³Newcastle City Council, *Being Reassessed If You Get Incapacity Benefits*,” <http://www.newcastle.gov.uk/wwwfileroot/socialservices/welfare/IBReassessmentjune11.pdf> (accessed July 13, 2011).

⁴Department for Work and Pensions, *Employment and Support Allowance: Work Capability Assessment by Health Condition and Functional Impairment* (London: Department for Work and Pensions, April 2011), http://research.dwp.gov.uk/asd/workingage/esa_wca/esa_wca_27042011.pdf (accessed July 13, 2011).

Stream 1 is for the least disadvantaged and stream 4 is for the most disadvantaged. All recipients (excepting parents with dependent children under six) are required to meet an “activity test” indicating that they are searching for employment and willing to take “suitable” employment⁵ or participate in an activation program. Recipients who refuse to participate in employment or an activity lose their benefits until they comply.⁶ Recipients who have not found employment after twelve months in a stream “can be allocated to a higher stream or, more frequently, enter the work experience phase where they continue until they cease claiming benefit.”⁷

JSA activation services are provided through a network of private vendors (for-profit and non-profit), described below.

Denmark. Between 1994 and 2006, Denmark reformed its unemployment insurance and social assistance programs. Recipients of both UI and social assistance are now required to participate in an activation program within a defined time period after initial receipt of benefits (depending on the age of the recipient, at thirteen weeks for recipients under age thirty and at nine months for recipients older than thirty). Activation programs include job counseling, job training, and

⁵“Suitable” employment “must take into account other circumstances, including (but not limited to) whether the:

- location of either the workplace or the child care venue makes the total travel time to work unreasonable
- cost of travel to and from work is unreasonable;
- parent will be financially better off as a result of undertaking the work; and/or
- work is unsuitable on the basis of moral, cultural, or religious grounds.

Suitable work must comply with occupational health and safety standards and must also pay wages that meet legal requirements.” Participation Review Taskforce, *Participation Review Taskforce Report* (Canberra: Department of Education, Employment, and Workplace Relations, August 2008), 10.

⁶See Centrelink, “Activity Tests and Participation Requirements for Job Seekers,” [http://www.centrelink.gov.au/internet/internet.nsf/filestores/lw054_1007/\\$file/lw054_1007en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/lw054_1007/$file/lw054_1007en.pdf) (accessed May 27, 2011); and Herwig Immervoll, “Minimum-Income Benefits in OECD Countries,” (conference paper, Measuring Poverty, Income Inequality, and Social Exclusion, Paris, March 16–17, 2009), http://www.umdcipe.org/conferences/oecludmd/conf_papers/Papers/Minimum-Income%20Benefits%20in%20OECD%20Countries--Policies%20and%20Challenges.pdf (accessed May 27, 2011).

⁷Dan Finn, *Job Services Australia: Design and Implementation Lessons for the British Context* (London: Department of Work and Pensions, 2011), 15, <http://research.dwp.gov.uk/asd/asd5/rports2011-2012/rrep752.pdf> (accessed July 5, 2011).

subsidized employment.⁸

UI recipients must remain in their initial placement for six months and must take any “acceptable” employment offer.⁹ For each consecutive six-month period, recipients must participate in another activation program for at least four weeks. In addition, every three months, recipients must interview with staff at the Public Employment Service (PES) regarding their job search activities.¹⁰ Failure to attend the PES interviews, enroll in an activation program, interview for a job, or accept a job offer can result in a suspension of benefits for up to three weeks. Continued failure to comply can result in a suspension of benefits until the recipient accumulates “300 hours of paid work within a 10 week period.”¹¹

As an incentive to provide such activation services, the national government reimburses municipalities for 66 percent of such services compared to only 33 percent for “passive” social assistance spending.¹²

The Netherlands. In 2004, the Netherlands reformed its social assistance program. Under the new

⁸Torben M. Andersen, “A Flexicurity Labour Market in the Great Recession: The Case of Denmark,” (paper presented at CPB-ROA conference on Flexibility of the Labour Market, The Hague, January 2011), [http://www.cpb.nl/sites/default/files/paper flex andersen_0.pdf](http://www.cpb.nl/sites/default/files/paper%20flex%20andersen_0.pdf) (accessed July 5, 2011).

⁹Torben M. Andersen, “A Flexicurity Labour Market in the Great Recession: The Case of Denmark,” (paper presented at CPB-ROA conference on Flexibility of the Labour Market, The Hague, January 2011), http://www.cpb.nl/sites/default/files/paper-flex-andersen_0.pdf (accessed July 5, 2011).

¹⁰Organisation for Economic Co-operation and Development, “Denmark: 2009” in *Benefits and Wages: OECD Indicators* (Paris, Organisation for Economic Co-operation and Development, 2009), <http://www.oecd.org/dataoecd/10/16/47346737.pdf> (accessed July 15, 2011).

¹¹Michael Svarer, “The Effect of Sanctions on Exit from Unemployment: Evidence from Denmark,” *Economica* (2011): 1–25, <http://onlinelibrary.wiley.com/doi/10.1111/j.1468-0335.2010.00851.x/pdf> (accessed July 15, 2011).

¹²See Stig Martin Norgaard, “From Welfare to Work: The Danish Case” (presentation, Association for Public Policy Analysis and Management annual conference, Los Angeles, CA, November 2008); and Peter Abrahamson, “The Active Turn in Danish Welfare Policy: Employment and Social Protection in Denmark,” *SER Social* 11, no. 25 (July/December 2009): 274–301.

Work and Social Assistance Act (WWB), social assistance recipients are required to register as “job seekers,” take any “acceptable” employment that is offered, and participate in any activation program required by the municipality. Recipients who do not comply are subject to a benefit sanction. Municipalities are not required by the national government to mandate activation services, but more than 80 percent do so,¹³ probably because they get to keep any savings from a reduction in caseloads and have to pay for any increase.

United Kingdom. In 2008, the UK made major changes to its disability system, replacing its Incapacity Benefits with an Employment and Support Allowance (ESA). ESA required that new claimants be assessed using the Work Capability Assessment (described above) to determine if their disability limited their ability to be employed. Claimants who were deemed able to work were assigned to one of two groups: The Work-Related Activity Group (WRAG) and the Support Group. Claimants in the WRAG were required to participate in Pathways to Work. Claimants attended six mandatory “job-focused interviews” where they created a plan for returning to work, reported on progress made toward obtaining employment, and received assistance in preparing to return to work.¹⁴

In 2010, the Work Programme was adopted, adding mandatory activation activities to both the Employment and Support Allowance (for the disabled) and the Job Seekers Allowance (for the unemployed). Participation is mandatory for the long-term unemployed (recipients ages 18–24 who have received benefits for nine months and recipients ages twenty-five and above who have received benefits for twelve months) and disability recipients who are deemed eligible for work.¹⁵

In addition, a separate program, “Mandatory Work Activity,” was established to provide a four-

¹³See European Social Network, *Social and Employment Activation* (Brussels: European Social Network, 2006); European Commission, “Work and Social Assistance Act (WWB)--Netherlands,” <http://www.uk.ecorys.com/idele/themes/activation/studies/wwb.pdf> (accessed July 6, 2011); Marieke Blommesteijn and Luuk Mallee, *Minimum Income Scheme: Work and Social Assistance Act* (Brussels: European Commission, April 2009); and Wim van Oorschot, “The Dutch Welfare State: Recent Trends and Challenges in Historical Perspective,” *European Journal of Social Security* 8, no. 1 (2006): 57–76, <http://spitswww.uvt.nl/~worschot/wvo/ArtikelenOnline/DutchWSejss.pdf> (accessed May 27, 2011).

¹⁴Department for Work and Pensions, *Support to Incapacity Benefits Claimants Through Pathways to Work* (London: Department for Work and Pensions, May 2010).

¹⁵Her Majesty’s Treasury, *Spending Review: 2010* (London: Her Majesty’s Treasury, October 2010), http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf (accessed July 5, 2011).

week work experience program for unemployment insurance recipients¹⁶ who are not yet required to participate in the Work Programme but who are deemed to not be committed to looking for employment.¹⁷ Failure to participate in the Work Programme or Mandatory Work Activity can lead to a loss in benefits.¹⁸

At the same time, the government created a national bidding system (“Invitation to Tender”) for private vendors (non-profit and for-profit) to provide Work Programme and “Mandatory Work Activity” services.¹⁹ (See below under “Privatize ‘activation’ services.”)

Time limited benefits (or step-downs of benefit amounts). In an effort to prod current recipients to look for or accept work, some countries reduce or terminate benefits after a set period of time (sometimes transformed into lower, means-tested social assistance payments).

Denmark. Between 1994 and 2010, Denmark instituted a series of reforms that reduced the number of years that recipients could spend receiving unemployment insurance from seven years to two years.²⁰ After the two years, UI recipients are moved to social assistance and receive lower benefits.

In its social assistance program, after six months, the benefits of some groups of recipients are reduced: married couples by about 5 percent, and recipients under age twenty-five by the equivalent amount of education grants provided by the Danish government to those attending

¹⁶“Job Seeker’s Allowance.”

¹⁷Department for Work and Pensions, *Mandatory Work Activity – Equality Impact Assessment* (London: Department for Work and Pensions, March 2011), <http://www.dwp.gov.uk/docs/eia-mandatory-work-activity.pdf> (accessed July 14, 2011).

¹⁸Newcastle City Council, “Welfare to Work Plans and Changes,” http://www.newcastle.gov.uk/core.nsf/a/wr_bbi_welfaretowork#Mandatory (accessed July 14, 2011).

¹⁹UK Parliament, Work and Pensions Committee, *Work Programme: Providers and Contracting Arrangements* (London: UK Parliament, 2011), <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmworpen/718/71806.htm#note47> (accessed July 15, 2011).

²⁰European Commission, *Assessment of the 2011 National Reform Programme and Convergence Programme for Denmark* (Brussels: European Commission, 2011), http://ec.europa.eu/europe2020/pdf/recommendations_2011/swp_denmark_en.pdf (accessed July 15, 2011).

college.²¹

The Netherlands. In the mid-2000s, the Netherlands instituted a series of reforms to its disability system to focus on the severity and the permanency of the disability. Recipients who have lost more than 80 percent of their earnings capacity (and there is no potential for recovery) are awarded a “full and permanent” disability benefit (“IVA benefit”) that replaces 75 percent of gross earnings up to the cap of 44,400 euros.

If the disability is either less than 80 percent of earnings capacity or there is potential for recovery, however, recipients receive a partial disability benefit (“WGA benefit”), which has two parts:

(1) A wage-related benefit that is determined upon application for disability benefits and replaces 70 percent of the pre-disability wage.²² The duration of the wage-related benefits varies from four to thirty-six months based on the recipient’s previous years in the work force and age.

(2) A follow-up benefit that applies after the time limits are reached. To determine the benefit level, social insurance doctors and vocational experts assess the extent of the disability of the recipient and determines the residual earnings capacity of the recipient i.e. how much they are still able to earn. If disability recipients do not work enough to meet their residual capacity, they are penalized and receive a lower benefit than if they had met their residual capacity. According to Philip De Jong, at the University of Amsterdam, “It shows what the purpose of the WGA-scheme is: work pays, and working more, pays more.”²³

Germany. In the early-to-mid-2000s, Germany instituted a series of reforms of its unemployment and social assistance programs, the “Hartz” reforms, that created a two-step and two-tiered program for unemployment and social assistance benefits: the unemployed initially receive

²¹Peter Abrahamson, “The Active Turn in Danish Welfare Policy: Employment and Social Protection in Denmark,” *SER Social* 11, no. 25 (July/December 2009): 274–301; and Organisation for Economic Co-operation and Development, “Denmark: 2009” in *Benefits and Wages: OECD Indicators* (Paris, Organisation for Economic Co-operation and Development, 2009), <http://www.oecd.org/dataoecd/10/16/47346737.pdf> (accessed July 15, 2011).

²²Capped at 44,400 euros.

²³Philip De Jong, *Recent Changes in Dutch Disability Policy* (The Hague, Aarts Public Economics, September 2008), <http://www.ape.nl/include/downloadFile.asp?id=75> (accessed May 20, 2011), 12.

Unemployment Benefits I (UB I) for up to one year only with the benefits replacing about 67 percent of previous net income; the able-bodied, low-income and those who have been unemployed for more than a year receive Unemployment Benefits II (UB II). These benefits are means-tested and provide a standardized amount of benefits that are much lower than UB I (some estimates put it at 40 percent lower).²⁴

In addition, UB II recipients are subject to a 30 percent reduction in benefits if they do not take “acceptable work” that is offered them (which may include community service or job training). According to Werner Eichhorst at the Institute for the Study of Labor, however, “Actual activation of the long-term unemployed is less strict than expected so far.”²⁵

Consolidated programs. In an effort to increase program efficiency (and thereby save money) but also to focus and maximize the impact of program rules, some countries have combined the operations and activation rules of their unemployment and social assistance and/or disability programs.

Australia. In 1996, Australia consolidated the administration and provision of unemployment insurance benefits, social assistance to lone mothers, disability payments, pensions, and other social benefits into one agency called Centrelink. Centrelink operates one-stop shops throughout the country, which determine eligibility for benefits and link recipients to providers of activation programs.²⁶

Germany. As mentioned above the Hartz reforms merged the social assistance program for low-income individuals and the unemployment benefit program into one program. (The reforms also included tax cuts, child care provision, and an increase in funding for the creation of temporary jobs.)

In addition, Germany created one-stop centers that were jointly operated by the national government and local governments. This was in an effort to reduce the fragmentation of services as unemployment benefits had been provided through the national government and social

²⁴Werner Eichhorst, Maria Grienberger-Zingerle, and Regina Konl-Siedl, “Activating Labor Market and Social Policies in Germany: From Status Protection to Basic Income Support,” *German Policy Studies* 6, no. 1 (2010): 65–106.

²⁵Wener Eichhorst, *The Gradual Transformation of Continental European Labor Markets: France and Germany Compared* (Bonn: IZA, March 2007).

²⁶John Halligan, *The Centrelink Experiment: Innovation in Service Delivery* (Canberra: Australian National University, 2008), http://epress.anu.edu.au/anzsog/centrelink/pdf/whole_book.pdf (accessed July 6, 2011).

assistance provided through the local governments.²⁷ The German Constitutional Court ruled this provision unconstitutional (on the unrelated ground that the joint job centers violate the right of local self-governance) but an effort is being made to revise the constitution to allow for these centers.²⁸

Norway. In 2006, Norway consolidated the administration of its unemployment insurance, social assistance, disability payments, and old-age pension programs into one agency, the Norwegian Labor and Welfare Administration (NAV). The purpose was to create an easy interface for recipients of more than one kind of benefit. Although the funding streams remain separate, all streams are housed within the same agency. The national government and local municipalities created joint NAV offices to streamline administration and provision of services. NAV was developed due to an overlap in services, and also because a significant share of the population receiving benefits received benefits from more than one stream. Condensing to one agency made application and service provision easier.²⁹

United Kingdom. As part of its 2010 package of reforms to its unemployment, disability, and social assistance programs, the UK created the “Universal Credit,” which combines tax credits, social assistance (including benefits for the low-income unemployed), disability benefits, and housing credits into a single benefit. The purpose was to create a single phase-out rate for benefits, reduce the high marginal tax rate for workers, and to eliminate the duplication and complexity of previously existing benefit programs. The government estimates that combining these programs will create a marginal tax rate of 65 percent.³⁰

²⁷Willem Adema, Donald Gray, and Sigrun Kahl, *Social Assistance in Germany* (Paris: Organisation for Economic Co-operation and Development, January 2003), <http://www.oecd-ilibrary.org/docserver/download/fulltext/5lgsjhvj7pzn.pdf?expires=1309964577&id=id&accname=guest&checksum=3F7D3C8D53BDC1D8065F2CF6B60DE4C4> (accessed July 6, 2011).

²⁸Hilmar Schneider and Klaus F. Zimmerman, *Agenda 2020: Strategies to Achieve Full Employment in Germany* (Bonn: IZA, March 2010), <http://www.politiquessociales.net/IMG/pdf/pp15.pdf> (accessed July 15, 2011).

²⁹Nicola Duell, Shruti Singh, and Peter Tergeist, *Activation Policies in Norway* (Paris: OECD, 2009), <http://dx.doi.org/10.1787/226388712174> (accessed May 27, 2011).

³⁰Department for Work and Pensions, *Universal Credit: Welfare That Works* (London: Department for Work and Pensions, 2010), <http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf> (accessed May 20, 2011) and Department for Work and Pensions, *21st Century Welfare* (London: Department for Work and Pensions, 2010), <http://www.dwp.gov.uk/docs/21st-century-welfare.pdf> (accessed July 5, 2011).

Decentralized responsibility and authority. In an effort to encourage local accountability and innovation, some countries have devolved to the regional or local level the operations of their unemployment and social assistance and/or disability programs.

Italy. Historically, social assistance in Italy has been a responsibility of municipalities. Reforms in 1977 transferred the responsibility of social assistance to the regions. Because there are no national requirements for social assistance, there is wide variation in how the regions administer social assistance and in the amount and duration of benefits. In 1997, the administration of activation programs was also devolved to the regions. Participation in these activation programs, however, is voluntary and does not appear to be widespread.³¹

The Netherlands. In 2004, the Netherlands passed the Act on Work and Assistance (WWB) which devolved the provision of social assistance and active labor market policies to the municipalities. Funding provided to municipalities for social assistance is determined by an econometric model that takes into account the past number of recipients and, in larger municipalities, other demographic and regional labor market factors to estimate how many social assistance claimants the municipality *should* have. If the number of claimants exceeds the estimated number, then the municipality has to pay the difference out of municipal funds. If the number is fewer, then the municipality is allowed to keep the excess.³² In addition, the national government reduced the requirements for how the municipalities could spend their social assistance budget, giving them greater freedom to innovate.³³

³¹European Commission, Directorate-General Employment, Social Affairs, and Equal Opportunities, *Flexicurity in the Italian Labor Market: Evaluation of Implemented Policy Measures* (Brussels: European Commission, 2008), <http://www.ees-italy.org/sites/default/files/Synthesis-Report.pdf> (accessed July 18, 2011); and Yuri Kazepov, Marco Arlotti, Eduardo Barberis, Barbara da Roit, and Stefania Sabatinelli, *Rescaling Social Welfare Policies in Italy* (Urbino: European Centre for Social Welfare Policy and Research, 2006), <http://www.euro.centre.org/rescalingDocuments/files/Italy.pdf> (accessed July 18, 2011).

³²Peter Tergeist and David Grubb, *Activation Strategies and the Performance of Employment Services in Germany, the Netherlands and the United Kingdom* (Paris: Organisation for Economic Co-Operation and Development, December 2006), <http://www.oecd.org/dataoecd/32/22/37848464.pdf> (accessed July 6, 2011).

³³Elleke Davidse, "The New Work and Social Assistance (WWB): System Change and Initial Results," (paper presented at The New Work and Social Assistance Act (WWB): The Peer Review conference at The Hague, Netherlands, June 4–5, 2007),

Germany. Prior to the Hartz reforms described above, German municipalities were responsible for the provision of social assistance, housing, and heating benefits; and the national government was responsible for the unemployment and disability programs. After the passage of the Hartz reforms in the early-to-mid-2000s, municipalities retained responsibility for social assistance, now called Unemployment Benefits II (UB II). But they were also given joint responsibility with the Federal Employment Agency for administering benefits and activation programs for the long-term unemployed receiving UB II. (This joint effort was declared unconstitutional by the German Constitutional Court as mentioned above.) In addition, the German government is running a demonstration wherein sixty-nine municipalities are fully responsible for providing benefits and services to both social assistance and long-term unemployed recipients.³⁴

Incentivized financing and reimbursement systems. In an effort to encourage employers to internalize the costs of unemployment and disability payments (and thus take actions to prevent both) and to encourage government agencies to target benefit payments to the truly needful (and thus reduce the number of recipients), some countries are deliberately embedding financial incentives in the way they tax employers to pay for benefits and in the way they reimburse local programs for benefits distributed.

The Netherlands. The Netherlands has made employers responsible for the first two years of disability payments.³⁵

In addition, the Netherlands also provides social assistance block grants to the municipalities based on the nation government's estimate of how many social assistance recipients there should be in each municipality (taking into account economic and demographic factors). The municipality is allowed to keep any excess funds it does not spend on social assistance, but must use municipality funds to cover any excess spending on social assistance.

Outsourced "activation" services. In an effort to increase programmatic flexibility and accountability by escaping the strictures of government employment/agencies, some countries are outsourcing (contracting out) various activation services, either in whole or in part.

http://pdf.mutual-learning-employment.net/pdf/NL07/Discussion%20paper_official_NL07.pdf (accessed July 6, 2011).

³⁴Rik van Berkel, "The Provision of Income Protection and Activation Services for the Unemployed in 'Active' Welfare States. An International Comparison," *Journal of Social Policy* 39, no. 1 (2009): 17–34.

³⁵ACCESS Netherlands, *Social Security* (The Hague: ACCESS Netherlands, April 2010), http://www.access-nl.org/our_services/pdf/booklets/social_security.pdf (accessed September 5, 2011).

Australia. In 1998, Australia replaced the Commonwealth Employment Service, a centralized government-run department that provided employment services to those receiving unemployment benefits and social assistance, with a new system of contracted-out activation services for those receiving unemployment benefits and social assistance to private vendors (for-profit and non-profit) called the Jobs Network.

Since 1999, a “star” ranking system has been used to assess how well the vendors meet output and outcome objectives. The star system is used by both recipients (to identify high-performing vendors) and the government (to reward high-performing vendors with a greater market share in the relevant area).³⁶ Vendors with the highest stars are not required to rebid on contracts and have their contracts automatically renewed.

After a series of additional reforms in the 2000s, in 2009, Australia replaced the Job Network with Job Services Australia which created a classification system for recipients based on “the barriers to work they face.”³⁷ Each classification has defined services that providers must provide to recipients, including preparing Employment Pathway Plans, assistance in preparing resumes, placement in activation programs, and placement in work experience programs.³⁸ Payments are made to vendors based on outcomes, either the “full outcome” of former recipients being employed either thirteen or twenty-six weeks, or “pathway outcomes” of part-time employment and income support reduction. Vendors receive higher payments for more difficult-to-serve recipients who achieve long-term, sustained employment.³⁹

The Netherlands. In 2004, as described above, the Netherlands devolved the responsibility of providing activation services for social assistance recipients to the municipalities. The national government maintained the responsibility of providing activation services to the unemployed and

³⁶Dan Finn, *Job Services Australia: Design and Implementation Lessons for the British Context* (London: Department of Work and Pensions, 2011), <http://research.dwp.gov.uk/asd/asd5/rports2011-2012/rrep752.pdf>.

³⁷Lauren M. Cumming, *Payment-by-Outcome in Welfare to Work* (London: 2020 Public Services Trust at the RSA, 2011), 53, http://www.serco.com/Images/W2W%20case%20study_tcm3-37266.pdf (accessed May 27, 2011).

³⁸Department of Education, Employment, and Workplace Relations, “Job Services Australia,” <http://www.deewr.gov.au/Employment/JSA/Resources/Pages/Home.aspx#3> (accessed July 18, 2011).

³⁹Dan Finn, *Job Services Australia: Design and Implementation Lessons for the British Context* (London: Department of Work and Pensions, 2011), <http://research.dwp.gov.uk/asd/asd5/rports2011-2012/rrep752.pdf>.

the disabled, but contracted out activation services to for-profit providers. As part of the reform, municipalities were instructed to contract out up to 70 percent of activation services for social assistance recipients to for-profit providers.⁴⁰

This was done because of the perceived “expense, inflexibility and poorer results” of services provided through the national government.⁴¹ The national department that had been responsible for providing activation services to the unemployed and disabled was privatized and allowed to compete against other for-profit providers for contracts. (It subsequently failed.)

Germany. The Hartz reforms of early-to-mid-2000s shifted the provision of activation services for the unemployed and social assistance recipients from the public sector to the private sector. The reforms created vouchers for recipients of UB I and UB II (described above) searching for employment. If the public agency is unable to place a recipient in an activation program, the recipient may choose a private placement vendor. The private vendor receives payment from the government when the recipient receives employment. In addition, local municipalities are now able to contract out activation services to private vendors instead of providing activation services (although such contracting out is not mandatory).⁴²

United Kingdom. In 2010, as part of its reforms to its unemployment, disability, and social assistance programs, the UK created a national bidding system (“Invitation to Tender”) for private vendors (non-profit and for-profit) to provide Work Programme services in eleven regions of the country.⁴³ Forty contracts were awarded in April 2011, with two or three vendors

⁴⁰Dan Finn, *The British ‘Welfare Market’: Lessons from Contracting Out Welfare to Work Programmes in Australia and the Netherlands* (York: Joseph Rowntree Foundation, November 2008), <http://www.jrf.org.uk/sites/files/jrf/2306-welfare-unemployment-services.pdf> (accessed July 6, 2011).

⁴¹Dan Finn, *The British ‘Welfare Market’: Lessons from Contracting Out Welfare to Work Programmes in Australia and the Netherlands* (York: Joseph Rowntree Foundation, November 2008), 26, <http://www.jrf.org.uk/sites/files/jrf/2306-welfare-unemployment-services.pdf> (accessed July 6, 2011).

⁴²Lena Jacobi and Jochen Kluge, *Before and After the Hartz Reforms: The Performance of Active Labour Market Policy in Germany* (Bonn: IZA, 2006), <http://ftp.iza.org/dp2100.pdf> (accessed July 18, 2011).

⁴³UK Parliament, Work and Pensions Committee, *Work Programme: Providers and Contracting Arrangements* (London: UK Parliament, 2011), <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmworpen/718/71806.htm#note47> (accessed July 15, 2011).

in each region, based on their size, financial strength, and ability to deliver services (including working with smaller local sub-contractors). The firms awarded the most contracts are A4E and Ingeus UK.⁴⁴

The firms receive differing levels of compensation depending on the type of client they serve and the duration of the client's employment. For example, contractors will receive the highest compensation for clients who have been on disability for longer than a year and who remain employed for more than two years after receiving services.⁴⁵

⁴⁴Department of Work and Pensions, *The Work Programme Prospectus* (London: Department of Work and Pensions, November 2010), <http://www.dwp.gov.uk/docs/work-prog-prospectus-v2.pdf> (accessed July 14, 2011); and Department of Work and Pensions, *Work Programme Prime Providers* (London: Department of Work and Pensions, April 2011), <http://www.dwp.gov.uk/docs/work-programme-prime-providers.pdf> (accessed July 14, 2011); and UK Parliament, Work and Pensions Committee, *Work Programme: Providers and Contracting Arrangements* (London: UK Parliament, 2011), <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmworpen/718/71806.htm#note47> (accessed July 15, 2011).

⁴⁵Department of Work and Pensions, *The Work Programme Prospectus* (London: Department of Work and Pensions, November 2010), <http://www.dwp.gov.uk/docs/work-prog-prospectus-v2.pdf> (accessed May 20, 2011).