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Redefining unemployment policy
Case: Rotterdam

The Netherlands, July 2015

GovLab creates innovative solutions through co-operation and a strong network
In this specific case, it redefines unemployment policy through a social impact bond

A local, holistic and innovative solution by combining...

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“ GovLab believes that by connecting the dots between public- and private organizations in an innovative way new solutions can be found for wicked societal problems, such as the case of Rotterdam-South ”



Redefining unemployment policy

Goal: re-employing the unemployed through co-operation between businesses, government and education in Rotterdam-South

Problem

10% Percentage getting re-employed

X Lack of trust between government & businesses

+ > 50% of unemployed citizens live in Rotterdam-South

Solution

 Co-operation/partnership between businesses in Rotterdam-South

 Mentorship, trainee program, real jobs, compensation for unproductivity

 Social entrepreneur selects people, based on their motivation

 A 'factory' in the middle of Rotterdam-South

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Redefining Unemployment Policy

€9.000.000,-
Net-savings for the municipality of Rotterdam



> 500 people back to work



Pay for Success



Economic & social activity in Rotterdam-South

Result

Problem

Increasing unemployment and ageing workforce, ineffective measures and high costs associated with unemployment

The costs of unemployment policy and replacement

Unemployment is a very costly problem in the Netherlands due to the unemployment benefits that are paid out. Moreover, once people are unemployed, they have a higher chance of falling ill. This complicates their unemployment and makes them less attractive to be re-hired. Employers also make costs on recruiting people from abroad to replace employees that are close to reaching their retirement age.

In response to these issues, the Dutch government has agreed with employers that they should more actively hire unemployed candidates. The goal is to hire 100.000 unemployed candidates in the coming years until 2020.

An entrepreneur in Rotterdam that was presented to this problem, saw an opportunity to create a solution with benefits for all parties involved: government, employers and the unemployed. We will use this case to illustrate the possibilities of Social Impact Bonds and a new unemployment policy which can be applied across the globe.

Problem

10% Percentage getting re-employed



Lack of trust between government & businesses

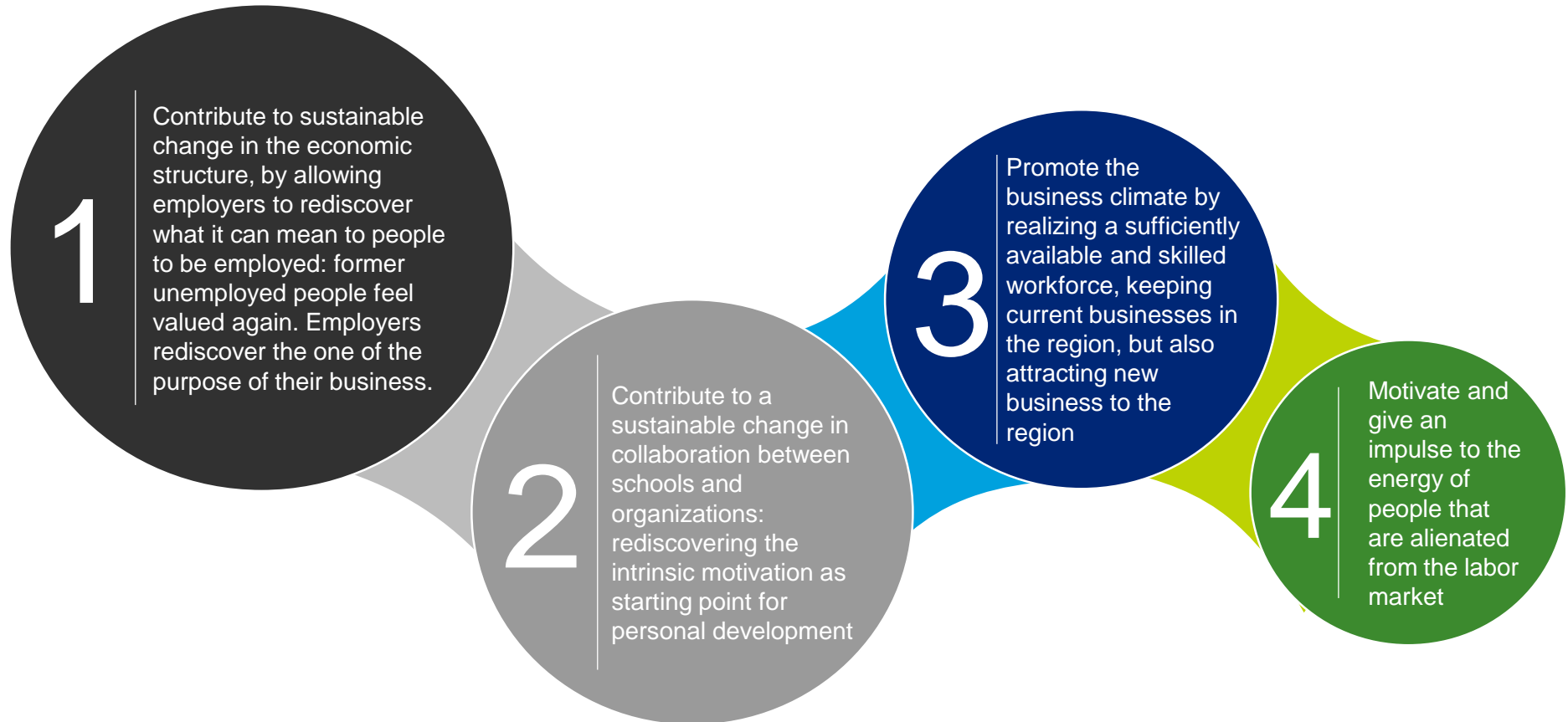


> 50% of unemployed citizens live in Rotterdam-South



Goals

What does Workplace Rotterdam-South aim to achieve?



Solution

Every partner provides part of the solution by providing funding, a location, mentoring or talent

Solution



**Co-operation/partnership
between businesses in
Rotterdam-South**



**Mentorship, trainee program,
real jobs, compensation for
unproductivity**



**Social entrepreneur
selects people, based
on their motivation**



**A 'factory' in the
middle of
Rotterdam-South**

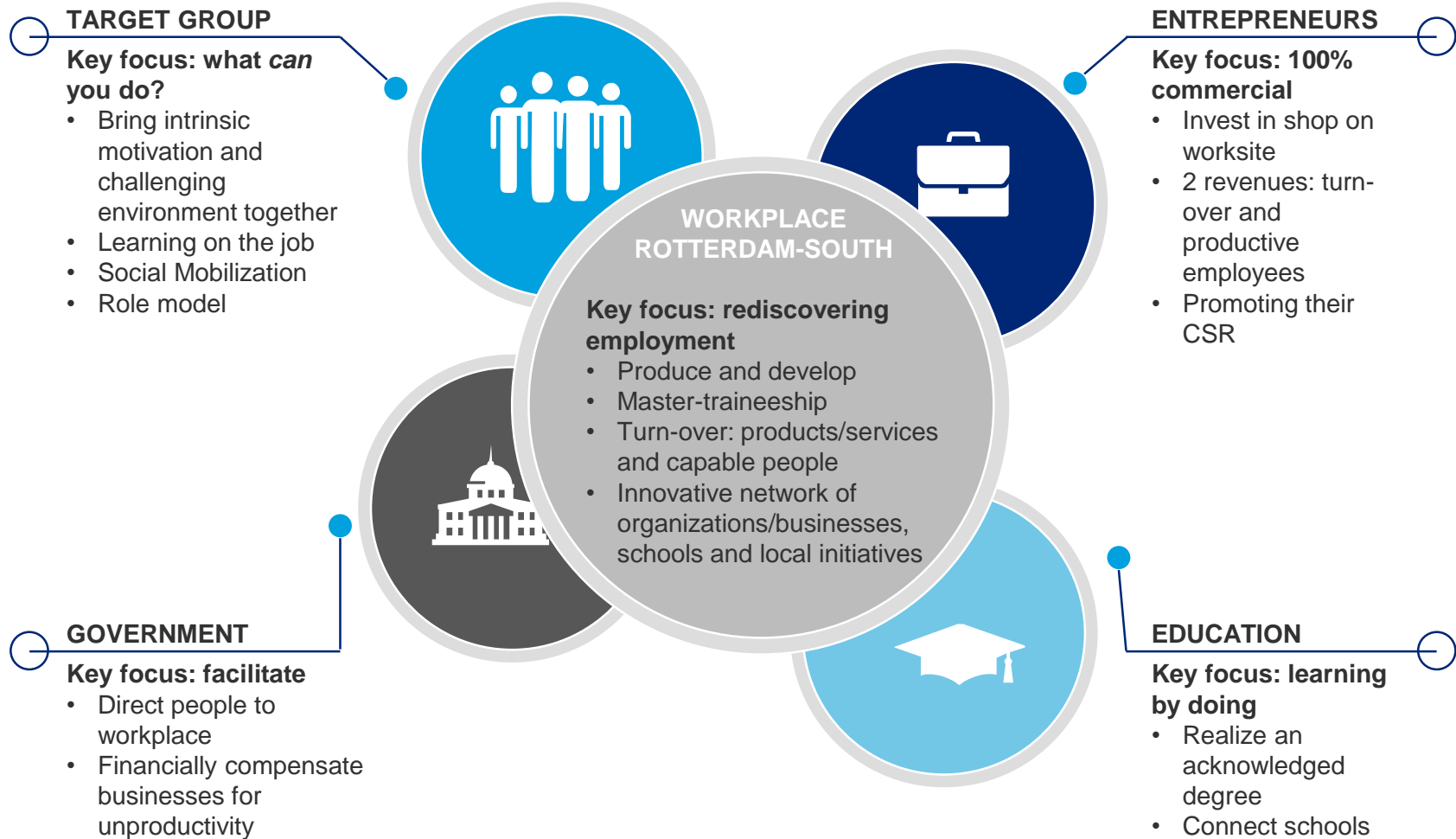
Co-operation between organisations, educational institutions and government

In public-private partnership organisations, schools and government work together to achieve social return. Each party brings something specific to the table to achieve a sustainable solution:

- The *social entrepreneur* selects the candidates for the program based on their motivation, not necessarily their skills.
- *Companies* provide centralized workplaces in which the new employees can adjust to workdays and learn the necessary skills. To help them learn *elder employees* can mentor them and *local schools* can contribute with necessary courses.
- The employers are compensated by the *social investors* for the limited productivity of the new employees and the *government* ultimately pays the investors a return from the savings that they have gained through this new unemployment policy.
- *The new employees* have gained work experience, a job and a higher income.

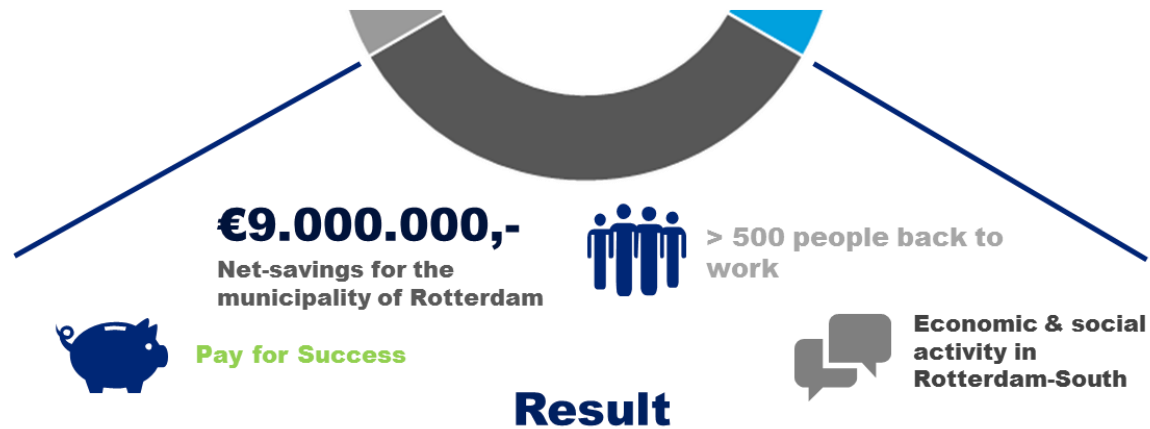
Mindshift: from limitations to possibilities

Instead of looking at people's limitations, shifting the focus to the capabilities and possibilities people still have



Results

The social impact bond ensures benefits for all parties included while also requiring active participation



The benefits for the participants of this redefined unemployment policy are the following:

Companies

- Gaining a group of highly motivated personnel
- Sharing of knowledge between the senior employees and the new employees. This decreases the knowledge drain due to an aging workforce
- Possibility to position the company as an innovative and socially responsible place to work

Government

- Decreasing budgets for unemployment and healthcare
- Creating a more capable workforce and therefore a more attractive region for companies

Education

- Bringing focus back on intrinsic motivation as a starting point for personal development
- A possibility to develop studies in line with the job requirements of the market

Employees

- Attention for talent and personal development
- More success in the job market

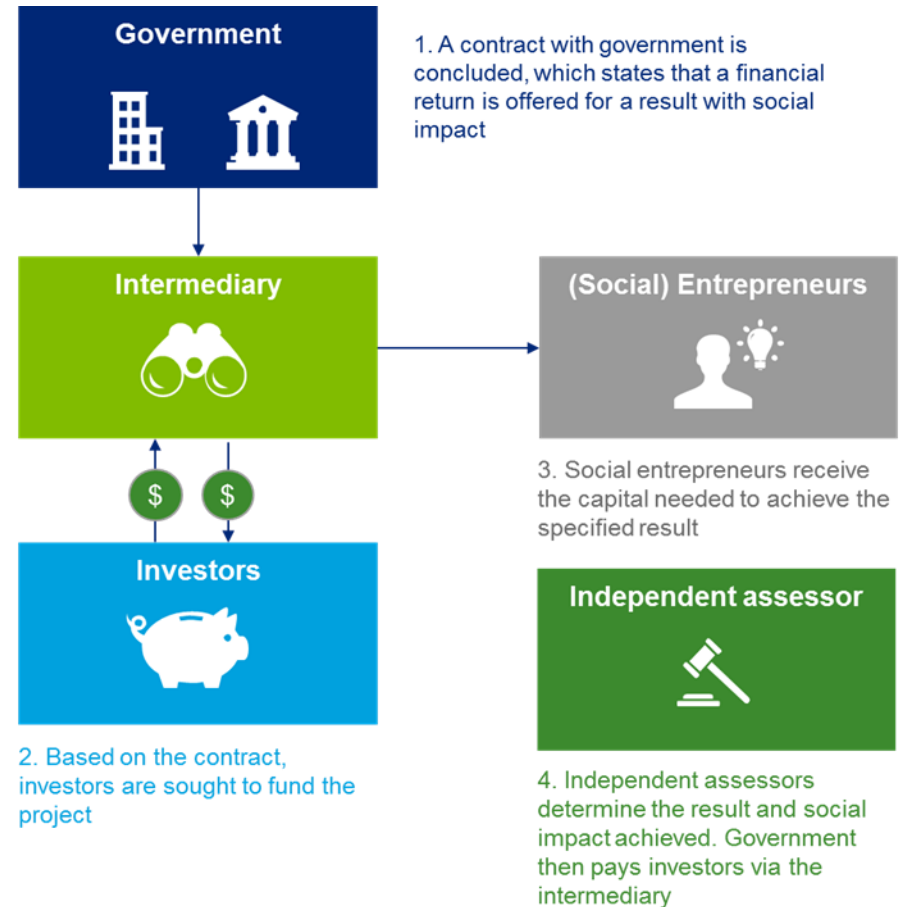
Means

The solution is funded through a social impact bond. The social impact bond also creates the foundation for co-operation

Financing the solution: social impact bonds

A social impact bond (SIB) is an innovative financial model in which private investors invest in innovative programs and new policies for societal issues. An agreed upon return on the investments is paid out depending on the success of the programs or policies. This return is paid out of the savings gained by solving the societal issue. By using private investors and a success fee the financial risk is shifted from government to private investors.

A SIB requires a new way of working between public and private parties as is shown in the figure on the right. This also means different roles for the parties involved. The investors will need to focus on 'impact first' instead of 'finance first' and the government shifts from 'solution provider' to 'solution enabler'. The government is no longer in the lead, but will co-operate with the other parties to make the solution work.



More information?

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