

Master thesis

# **The effect of steering by municipalities on the fulfillment of Social Return**

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Word count: 15349



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## Preface

This thesis forms the final project of my Master Social Policy and Social Interventions. Towards the completion of my master thesis I want to thank certain people for the contribution and support.

First of all, I want to thank all the respondents that contributed to this research.

Thanks to your willingness to speak openly about the subject of Social Return I was able to conduct this research.

Secondly, I want to thank my supervisors of both the university and my internship.

Marcel Hoogenboom from University Utrecht, for his comprehensive feedback that stimulated me to go beyond limits and safeguard the quality of the research.

Suzanne IJsselmuiden and Samira Zafar of Society Impact for their support and their trust that I was capable of overcoming theoretical and practical difficulties.

Lastly, I want to thank family and friends who understood that developing academic skills at times can be at the expense of social competence.

Rosanne Kamer

July 1th, 2015

## Table of contents

Preface .....	2
Summary .....	5
1. Introduction .....	6
2. Theoretical framework.....	9
2.1 Relevance of steering .....	9
2.2 Forms of steering: formalization versus trust. ....	10
2.3 Components of steering .....	11
2.3.1 Goal component.....	11
2.3.2 Monitoring .....	12
2.3.3 Realignment .....	13
2.4 Reintegration by the private partner .....	14
2.5 Focus of research.....	15
3. Research design .....	17
3.1 Method and data collection .....	17
3.2 Case selection .....	17
3.3 Quality of the research .....	18
3.4 Ethics.....	19
4. Operationalization .....	20
4.1 Steering by municipalities.....	20
4.2 Fulfillment of Social Return .....	20
4.3 Interview structure.....	21
5. Results.....	22
5.1 Setting the percentage of Social Return.....	26
5.2 Finding the right form.....	27
5.2.1 First form of Social Return: labor participation .....	27
5.2.2 Second form of Social Return: compensation orders .....	28
5.2.3 Third form of Social Return: social cohesion .....	28

5.2.4 Additional options.....	29
5.3 Trajectory of fulfilling Social Return .....	30
5.3.1 Matching .....	31
5.3.2 Creaming .....	32
5.3.3 Transparency & support.....	33
5.4 Fulfillment & Side effects .....	33
5.4.1 Quantification & monitoring.....	33
5.4.2 Sanction & reward .....	35
5.4.3 Crowding out & carousel effect.....	36
5.5 Sustainable outcome .....	37
6. Conclusion & discussion.....	38
6.1 Steering by municipalities .....	38
6.2 Fulfilling of Social Return by private organizations .....	39
6.3 Influence of the goal component on the fulfillment of Social Return.....	40
6.4 Influence of the monitoring component on the fulfillment of Social Return .....	41
6.5 Influence of the realignment component on the fulfillment of Social Return.....	41
6.6 Conclusion: effect of steering on the fulfillment of Social Return .....	42
6.7 Reflection & recommendations for further research.....	42
7. References .....	44
8. Appendix .....	46
8.1 Topic list.....	46
8.2 Codes – First analysis.....	49
8.3 Codes – second analysis .....	51

## Summary

Social Return is one of the instruments that is broadly used by governmental institutions, mostly municipalities, to stimulate corporate responsibility and reintegration in to regular firms. The instrument is applied in the procurement of projects and services, by obliging a percentage of the budget that needs to be spend on the reintegration of people with a long distance to the labor market. The instrument is however criticized for the risk of perverse effects. To prevent these effects municipalities tend to steer private organizations.

Steering has been subject of discussion for a long time, too much steering is expected to lead to opportunistic behavior, but no steering at will make private organizations ignore the demand. This tension in the form and intensity of steering within the context of Social Return is the focus of this research.

Theory on steering and reintegration form the basis of this research. The different forms of steering, formalization and stewardship (Corrà, 2014) are used to analyze the three components of steering; goal, monitoring and realignment (Crawford, 2006). The effect of steering by municipalities on the fulfillment of Social Return by private organizations is reflected in terms of theory on reintegration, which entails the concepts of customization, sustainable outcome, prevention of adverse selection, safeguarding of privacy and handling of complaints. The following research question is central to this research:

*How do the different forms of steering used by municipalities affect the fulfillment of Social Return by private organizations?*

To investigate this question qualitative research has been conducted in the form of interviews with both municipalities as their related private organizations that have the obligation to fulfill Social Return. 9 interviews were held with representatives of municipalities that belong to the G4 or G32, in the mid-west of the Netherlands. The 9 related private organization vary in the sector, geographical work range and the form of fulfillment of Social Return. In addition two intermediaries were interviewed.

This research shows that municipalities steer private organization in the fulfillment on Social Return to realize sustainable reintegration and to create a sustainable relationship. The instrument of Social Return is used to let the market contribute to the solution of unemployment. With a combination of enforcement and stewardship municipalities tend to present themselves as constructive partners willing to help private organizations to discover the value of Social Return.

Private organizations appreciate the constructive approach of municipalities but still see Social Return as obligation and at times even as a burden. The adaption of the obligation to the context of the private organization seems to increase the likeliness that Social Return actually leads to sustainable reintegration. The fear of mismatches by municipalities however create doubt that the most distanced people from the labor market will actually get the chance to reintegrate.

## 1. Introduction

In May 2015 617,000 people were unemployed in the Netherlands (CBS, 2015). People who form a heterogeneous group and experience difficulties to (re)enter the labor market. Diversity is found in the form of assistance, the level of education, the physical and mental condition, and so on. The people with the largest distance to the labor market are people who are considered to be unattractive for employers due to personal, social or economic problems, obsolete skills and, or a long period of inactivity. On the other hand highly educated people with many years of experience are no exception since the economic crisis. Unemployment has, besides the financial burden for the state, many negative side effects such as social isolation and risk of criminality (Zwinkels, 2007). The urge for reintegration is therefore considered to be high. How this should be organized is still under construction.

Since the beginning of this century, the Dutch state has moved back and forth in the privatization of reintegration services. In 2002 municipalities became obligated to outsource their reintegration activities to the market. A call for privatization motivated by arguments of efficiency, effectiveness and cost limitations (van Berkel, 2006). Four years later the obligation was abrogated, because of too much dissatisfaction from municipalities related to perverse effects of marketization. Ever since that state has been searching for the right provision or reintegration services. Since the enrolment of the Participation Law in the beginning of this year, the responsibilities of municipalities have been expanded from people in social assistance, with the population disabled youngsters and sheltered employment (Rijksoverheid, 2015) This comes along with a severe budget cut. In other words more responsibility with a smaller budget. The most 'simple' solution for this financial burden is to reintegrate more people back to regular jobs. Since the state is limited in the facilitation of jobs, the connection with market actors is sought with the intention to share the responsibility for reintegration with them.

Social Return is one of the instruments that is broadly used by governmental institutions, mostly by municipalities, to stimulate corporate responsibility and reintegration in to regular firms. It is directed at stimulating equal opportunities for people with a long distance to the labor market, and help them find their way back to work (BESO, 2011). The instrument is applied in the procurement of projects and services. Municipalities include the terms of Social Return in the form of performance expectations. By using Social Return terms, the purchaser (municipality) obligates the provider (private party) which is selected for the procurement by tendering, to spend a part of the investment on the reintegration of people with a long distance to the labor market. Usually this obligation is framed in the form of a certain percentage or amount, often around 5%, of the budget that has to be spend on reintegration of people with a long distance to the labor market. See figure 1.

## Social Return

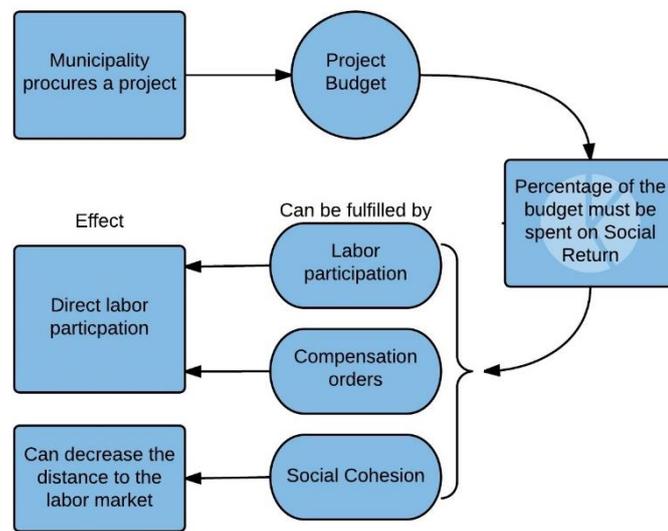


Figure 1 - Schematic view of Social Return

It is one of the instruments that has been introduced in the time of governance (Fruneaux & Barraket, 2014). It seeks to combine market mechanisms with the objective of social value, by working together with private actors. The construction of Social Return in the Netherlands has its offspring at the end of the 1990s. In 2006 20% of the municipalities used Social Return, in 2009 it had been increased to 62% (BESO, 2011). In 2011 the government decided that Social Return is obligated for tendering of national state projects with a budget of at least €250.000,-.

The use of the instrument has been and still is, criticized. Crowding out of regular employees and other perverse effects are expected to be related with the fulfillment of the Social Return. To prevent such perverse effects municipalities tend to keep control over the implementation of Social Return. By setting the framework for the fulfillment and controlling the pursuance municipalities tend to steer the private partner in a way that Social Return leads to sustainable reintegration. The form of steering has been under debate (BESO, 2011). Too strict steering might lead to opportunistic behavior in the form of quick fixes, but too little might lead to no fulfillment of Social Return at all (BESO, 2011; TNO, 2012). This tension in the form and intensity of steering is the focus of this research: how does it affect private organizations in the fulfillment of Social Return?

To find an answer to this question, qualitative research has been conducted. 18 interviews were held with representatives of both municipalities and the associated companies in relation to Social Return. In addition, two interviews were held with intermediary agencies who mediated between the municipality and the company. These interviews have confirmed theories and at the same time provided new insights.

The outline of this thesis is as follows. First the theoretical framework is provided to understand the field of steering and reintegration. The theory forms the basis for the research question that is central to this thesis

and that is presented at the end of the chapter. Next the selection of qualitative research methods is discussed, including aspects such as case selection, data selection and the quality of the research in terms of validity and reliability. The fourth chapter is designed to transform the independent and dependent variable from theoretical concepts to variables which will be discussed during the interviews. The fifth chapter shows the findings of the research. The final chapter, conclusion and discussion, will discuss the findings in the light of the theory and provides an answer to the research question.

## 2. Theoretical framework

In order to analyze the effect of steering theory of the field of research needs to be explored. This chapter provides the theoretical framework on steering and reintegration. It starts with an introduction to the paradigm of steering argued by the principal-agent theory. Second it discusses the theory on the different forms of steering and related empirical findings of previous research. Next the technical aspects of steering are explored by discussing the different components: goals, monitoring and realignment. The last part of this chapter elaborates theory on reintegration with respect to customization, sustainable outcome, prevention of adverse selection, safeguarding of privacy and handling of complaints.

### 2.1 Relevance of steering

The term “steering” underlines both the co-ordination and control functions of government and not necessarily the direct provision of services (Barlow & Röber, 1996). The focus on steering instead of rowing comes from the social paradigms of new public management and governance. Pollitt & Bouckaert (2011:22) state that these two paradigms have in common that the responsibilities of welfare provision should not be monopolized by the state. Instead of keeping execution of services as one of its own tasks, the state should cooperate with private actors such as society and the market.

New public management focuses specifically on the market and implies that to make government more efficient and ‘consumer-responsive’ it should use businesslike methods such as performance indicators, targets and quasi-markets (Pollitt & Bouckaert, 2011: 22). Governance emphasizes the collaboration with private actors in the sense that government would be more legitimate and effective if it includes a wider range of social actors in both policymaking and implementation. Both paradigms imply that rowing should be left to private actors, rowing by the state would simply be too ineffective and inefficient.

Different scholars have discussed their thoughts on the focus on steering. Proponents argue that it will create more innovation, specialization and better quality of services, if governmental tasks are shifted to the market (Zwinkels, 2007; Van Berkel & van der Aa, 2005). Opponents however state that some services are too delicate to outsource to private actors. The risk for opportunistic behavior at cost of the most vulnerable people would be too significant (Wuellrich, 2010; Sol & Kok, 2014). These pros and cons of steering in general, are applicable to the field of reintegration. Too much steering would limit the possibility to innovate, but too little steering on the other hand might even stimulate opportunistic behavior, which will be at cost of vulnerable individuals within the population unemployed people.

A theoretical approach that reflects the importance of steering is the principal-agent model (Eisenhardt, 1989A in Corrà 2014). This theory assumes that both parties will act rational and are governed by self-interest. ‘An agent if left unobserved is prone to opportunism’ (Corrà, 2014: 65).

Steering therefore appears to be crucial. However the term 'steering' entails different forms and components. To understand the effect of steering these need to be discussed. Next part will start with the different forms of steering.

## 2.2 Forms of steering: formalization versus trust.

Corrà (2014) distinguishes two forms of steering; *formalization* and *stewardship*. He describes formalization as '*the creation of a set of rules for the purpose of influencing and constraining the behavior of agents*' (2014: 71). The forms that are ascribed to this relation type are *enforcing* and *simplifying*. Enforcing encompasses the accomplishment of the desired performance. Enforcing the desired performance encompasses a relationship which is not built on trust. In the case of reintegration, the municipality expects that the private partner will be tempted to perform opportunistic behavior. Enforcing would prevent this by emphasizing the goals and the realignment. Monitoring is expected to be crucial in this form of steering. The second form of formalization, *simplifying*, relates to the services to be purchased in order to reduce information asymmetry and opportunities for opportunistic behavior (Corrà, 2014). By clarifying the demands the risk of information asymmetry can be controlled.

The second form of steering is *stewardship*. Stewardship is described as '*a relationship that emphasizes collective, pro-organizational behavior in which a higher value is placed on the goal convergence than on agent self-interest*' (Corrà, 2014: 71). This form of relationship can result in the selection of an agent which is *trustworthy* or has *intrinsic motivation*.

Black (2001) states that strict steering does not fit well in the context of governance, hierarchical formation of expectations will diminish the opportunity to increase the legitimacy of government. His theory is confirmed by de Ridder (2010), he states that the use of market mechanisms can safeguard the public value of efficiency but that this often is at cost of equality, tools directed at output tend to stimulate opportunistic behavior. The safeguarding process often requires a combination of different mechanisms and varying degrees of intervention (De Ridder, 2010). Governance is directed at regulating self-regulation of non-governmental actors and should therefore leave the possibility for creativity and innovation open (Pollitt & Bouckaert, 2011). Crawford (2003) states that as well the executors as the purchaser should be aware of the responsibility that their collaboration shares. De Koning et al. (2008) confirm this theory by stating that clear management, short lines, good attainability and a flexible approach influence the collaboration positively. This seems to be in conflict with the enforced form of steering. In fact these findings emphasize the importance of the relation of the two partners within the collaboration. The relation between municipality and private partner is of importance for the success in reintegration. Finally, Corrà (2014) states that the form of steering develops along the collaboration, he states that formalization (application of the rules of the contract) is dominant in the early stages of a contractual relationship. When trust develops, the formalized agreements becomes less

important. Only when the relationship deteriorates and conflicts develop the formalized agreements will be invoked again.

In sum, steering can be based on formalization or stewardship, with the corresponding forms of enforcement and simplification and trust and intrinsic motivation. If the enforced manner is preferred, the principal will decide how the agent should execute the services. Stewardship form of steering the execution of services will be discussed in a way that both partners can explain their wishes and concerns. It is expected that this form of steering will find a midway between the principal and the agent. These two forms, with its sub forms will be used to analyze the form of steering by the municipality in the formation of Social Return of Investment. The next section will describe the three components of steering.

### 2.3 Components of steering

In addition to the definition of Barlow and Röber (1996) who defined steering as a form of regulating the provision of services without executing, Osborne & Gaebler's (1992) definition of steering emphasizes more technical aspects of steering. Their definition of steering is '*governing by setting the course, monitoring the direction and correcting deviations from the course*' (Crawford, 2006: 453). Steering consists, in other words, of a goal-, a monitoring-, and a realignment component. While the goal components sets the expectations of the collaboration in terms of performance, the monitoring component is used to control whether these expectations are complied. Realignment is set up to create an incentive to stimulate the performance that is preferred. Steering will mostly consist of all three components but one can be more emphasized than the other. Whether the collaboration is more based on formalization or on stewardship will become clear if these components are analyzed. Therefore the components will be discussed separately in relation to the field of reintegration and form the basis for the analysis of this research.

#### 2.3.1 Goal component

The goal component refers to the rule, standard or set of values against which behavior or action is to be compared (Crawford, 2006). The goal component will be discussed in the sense of content and formation of agreements.

The content of the goal is what exactly is agreed upon as expected performance and how this is quantified. The agreements of performance encompasses the expected results in form of service, target population, duration of the service and the guidance during the trajectory (Crawford, 2006).

The form of the services can be divided in the direct stimulation of reintegration and indirect stimulation of reintegration. Direct stimulation is the provision of services of reintegration by the agent itself. The indirect stimulation of reintegration is the use of third parties who provide services of reintegration. What benefits the

most is depending on the situation of the agent. If possible direct reintegration is preferred, but if this would diminish the effect of reintegration, indirect reintegration is considered to be more effective (TNO, 2012)

The quantification of performance can be divided in input, output or outcome. Input orientation, does not directs it performance on the end result of the trajectory, but on the process and the investment that the private partner provides during the trajectory. Output orientation focuses only on the result on the end of the trajectory and tends to stimulate quick fixes and opportunistic behavior (Struyven & Steurs, 2005; Zwinkels, 2007). The third option, outcome orientation, is directed at the long term effects and the effects that reintegration might have beside the direct effects of work itself. The outcome of reintegration trajectories is however hardly measurable since the effects of the reintegration trajectory cannot be isolated from other external or internal effects (Corrà, 2014). Previous research has shown that the focus on input and process stimulates the sense of ownership and therefore increases the sense of responsibility (Zwinkels, 2007). For all three forms of content of the goal component, it is expected that enforced and simplified agreements decrease the risk of opportunistic behavior, but on the other hand limit the possibility for creativity and innovation and will it harm the quality of the trajectory (Struyven & Steurs, 2005).

Besides the content of the goal component, the formation of the content is expected to be influential for the behavior of the agent. The different forms of steering that are elaborated in the previous section, formalization and stewardship, are adaptable in the goal component of steering. Previous research has shown that simplified agreements would make controlling private partners easier. However, focusing dominantly on output and targets instead of monitoring the process and the input, triggers opportunistic behavior (Crawford, 2006; Struyven & Steurs, 2005). Simplification diminishes the information asymmetry and is therefore an alternative, from this form of steering it is however known that it will be at cost of innovation and creativity, since the framework of the reintegration is so solid (Corrà, 2014). A stronger reliance on trust and intrinsic motivation, instead of strictly focusing on targets in the setting of goals and the formation of process tends to stimulate the sense of ownership, which is expected to increase effectiveness and quality (Corrà, 2014). To find a trustworthy partner, is however considered to be very costly and time demanding.

### 2.3.2 Monitoring

The monitoring component encompasses mechanisms of feedback for evaluating what actually happens in pursuance of the goal, i.e. the agreed performance (Crawford, 2006). The monitoring is related to the goal components since it controls whether the provision of services is conducted in a way that aspires the agreed performance. This components also entails different forms and can differ in intensity.

The form of monitoring can entail personal or impersonal forms of evaluation. Personal monitoring is considered a face to face evaluation. Impersonal monitoring can be in the form of reports or a digital system

(Corrà, 2014). The intensity of monitoring relates to the frequency of the evaluation and the aspects that are taken into account (Corrà, 2014).

Previous research has shown that the form of monitoring affects the relationship between the principal and the agent. Simplified and formalized forms of monitoring make it easier to detect deviant behavior, but can also undermine the intrinsic motivation of the agent (Zwinkels, 2007). It is expected that the intensity of monitoring is expected to affect the relation, but also to be affected by the relation, if the collaboration is seen as trustworthy the monitoring might be less formalized (Corrà, 2014).

### 2.3.3 Realignment

The third component of steering, the realignment component, refers to a form of correction that is designed to realign the subjects of control in case of deviation from the goal (Crawford, 2006). If by monitoring it turns out that there is too much deviation from the intended goal, realignment should put it back on track. The realignment component is not only an instrument to correct, it can also prevent deviation. If the realignment instrument is known from the beginning of the collaboration, it can prevent the private partner from opportunistic behavior. On the other hand the realignment component can also be in the form of a positive stimulant, for example by benchmarks.

There is a distinction between rewards and sanctions. Quite obviously, rewards are designed to prize the performance of the agent and a sanction is created to punish misbehavior. It are incentives to steer the behavior of the agent in the preferred direction (Crawford, 2006). Besides the distinction of reward and sanction there is also the distinction between intrinsic or extrinsic form of realignment. Intrinsic awards are for example informal praise, extrinsic rewards are mostly used in the form of financial incentives (Braithwaite, 2002).

Previous research has shown that the realignment components is a delicate form of steering. As the findings has shown, realignment can either stimulate or discourage intrinsic motivation. Braithwaite (2002) states that extrinsic rewards can be interpreted as an attempt of manipulation which undermines intrinsic motivation. Besides, too much focus on financial incentives, extrinsic rewards or sanctions is expected to encourage opportunistic behavior (Zwinkels, 2007). It diminishes the sense of ownership in process which encourages 'quick fixes'. These 'quick fixes' are solutions to make sure the targets are met, which will be at cost of the quality of the process: *'the bigger the incentive the more complex the phenomenon regulated, the worse the compliance get'* (Braithwaite, 2002:4). It however should be noted, that since the agents are private market actors, these extrinsic incentives are expected to some extent to be necessary in order to trigger their interest in the first place.

In sum, the steering by municipality of the private partner seems to be crucial for the success of the collaboration. Steering is expected to influence the relation between the principal and the agent and the motivation of the agent. A combination of different steering forms in the different components seems to be necessary to create the relationship that would benefit the collaboration. The forms of steering, enforcement, simplifying, trust and intrinsic motivation will be used to analyze the different components of steering in the relation between the municipality and the private organization.

#### 2.4 Reintegration by the private partner

*'Participation in employment is seen as the core instrument in realizing individual inclusion and financial independence and in promoting the cohesion and the mobilization of human skills and the capacities within societies'* (Berkel & van der Aa, 2005: 3). As this quote states, participation in the labor market is expected to contribute to an individual's inclusion in society. Labor market participation is expected to positively affect the wellbeing of an individual in the sense that it increases financial income, social context and structure in daily life (Zwinkels, 2007). Municipalities tend to share this responsibility with the market since it would benefit the whole society.

According to Corrà (2014) there are certain public values that need to be maintained in case of collaboration with the market. He states that the main aspects of good delivery of services are related to the following variables: *customization, sustainable outcome, prevention of adverse selection, safeguarding of privacy and handling of complaints*. These concepts are applicable to outsourcing of social services in general. To get a clear understanding these concepts will be discussed individually and applied to the context of reintegration of people with a long distance to the labor market with the construction of Social Return.

First, *customization*, this aspect considers the extent to which the reintegration into labor corresponds with the personal demands and context of the client and the agent (Corrà, 2014). The client has certain skills, interests and qualities that most ideally are used for matching clients to the agent. Besides the demands, the context of the client is of importance, the personal situation in the sense of health, addiction, social problem, debt etc. should be taken into account to make sure that the client is matched to an agent which is capable of handling this context and demands. It depends whether the principle or the agent selects the clients, who conduct the matching (Corrà, 2014).

Besides the customization of the client, the customization to the situation of agent is relevant. The sector, the size and the condition of the agents company are aspects that should be taken into account in the fulfilling of Social Return (Sol & Kok, 2014).

Customization in sum, should be applied to the matching of the client, the aspects of the trajectory of reintegration and the situation of the agent. The better the aspects are customized the better the effect of reintegration will be.

This brings us to the second aspect of safeguarding of public values, the realization of *sustainable outcome*. Reintegration is directed at creating permanent outflow into the labor market. However this is not always the priority of the agent. Since it is expected that the agent will act rational and with self-interest, perverse effects are at risk. From previous experience with outsourcing of reintegration it is known that the risk of '*carousel-effects*' is severe. This effect describes the situation in which a client reintegrates from social assistance back into the labor market, but only for a short period. After the trajectory of reintegration it often happens that clients flow back into assistance (TNO, 2012).

The third aspect of the public values according to Corrà (2014) is the *prevention of adverse selection*, this aspect of public values is precarious in the context of outsourcing services (Corrà, 2014). The risk is two folded, on the one hand it encompasses the creaming of clients, some are expected to be more easily reintegrated than others, and on the other hand it can also encompass crowding out effect of regular employees. Crowding out effect is found in practice in two manners (TNO, 2010). First it can effect potential employees who would normally respond to vacancies, which now are fulfilled with reintegration clients. Second it can affect the employees who are already working at the firm.

*Safeguarding of privacy* is considered as a significant aspect since clients are required to present a large amount of personal information. If reintegration services are transferred to a private party, it should still be handled with care (Corrà, 2014). Municipalities have a legal obligation to safeguard privacy even if services are shifted to market actors.

The final aspect that Corrà (2014) indicates is the *handling of complaints*. One of the benefits of market forces is that it stimulates competition and enables consumers to choose the services which they consider the most beneficial. However, the market of reintegration is not a perfect market form, municipalities preselect the services of specific private parties. This affects the ability of candidates to freely choose their service provider. To correct this flaw the handling of complaints is of importance (Corrà, 2014).

In sum there are five aspects that are considered to be important for the sustainability of the services, in this case reintegration. Customization, sustainable outcome, prevention of adverse selection, safeguarding of privacy and handling of complaints. These concepts will form part of the analysis on the effect of steering on the fulfillment of Social Return.

## 2.5 Focus of research

In sum the previous exploration of theory on steering and the safeguarding of public values in case of outsourcing of reintegration services has shown that firstly there is a distinction to be made between the form of steering, it can be formed by formalization or more based on stewardship. Besides the form there are three components of steering, the goal, the monitoring and the realignment component. The form of the components is expected to affect the relationship between the principal and the agent, in other words the

collaboration between the municipality and the private partner. Since the principal-agent theory emphasizes the expectation that both will act rational and with self-interest, it is expected that if the agent is left without steering, it will perform opportunistic behavior which can result in the undermining of public values. These public values are built up by customization, sustainable outcome, prevention of adverse selection, safeguarding of privacy and handling of complaints. It is expected that the form of steering in the different components will effect the aspects that are considered as public values. This thesis will analyse this relation in depth by answering the following research question:

*How do the different forms of steering used by municipalities affect the fulfillment of Social Return by private organizations?*

The fulfillment of Social Return will be reflected in relation to the theory of reintegration, since this is the main purpose of the instrument.

To answer the research question the following sub questions have been distinguished:

- 1. What forms of steering are used by municipalities?*
- 2. How do private organizations fulfill Social Return?*
- 3. To what extent does the goal component influence the fulfillment of Social Return by private organizations?*
- 4. To what extent does the monitoring component influence the fulfillment of Social Return by the private organizations?*
- 5. To what extent does the realignment component influence the fulfillment of Social Return by the private organizations?*

### 3. Research design

Now that the research question is known, this chapter provides clarification of the methodological considerations to answer the research question. It discusses the method that is used in this research to find an answer to the research question and the case selection. This section will also discuss the ethical aspects of this research.

#### 3.1 Method and data collection

The theory on steering in the domain of reintegration has shown that there is a relation between the steering of municipalities and the strategy of private organizations. Theory of Corrà (2014), Crawford (2003; 2006) and others have shown that the form of steering as well as the combination of steering tools affect the behavior of private organizations. It is expected that steering affects the relationship between the two actors (public and private), the motivation of the private organization and therefore their act on reintegration of people in social assistance. However, there is still knowledge lacking on relationship between the different forms of steering, as developed by Corrà (2014) and the effect on the private organization. Therefore the focus of this investigation is exploratory. Exploratory research is best conducted using a qualitative research method. Data will be collected by conducting interviews. A topic-list will form the guideline for the interviews. This method is selected since there are still aspects of steering unknown. The use of a topic list enables the interviewer to discuss topics more in depth if they are considered to be important during the interview. The topic list is provided in Appendix 1. The selection of the cases will be discussed in the next section.

#### 3.2 Case selection

The case selection consists of collaborations between municipalities and private partners under the Social Return construction. The selection is based on municipalities and their corresponding partners. The private partners were to be selected based on the advice of the municipality. The relation between the municipality and the private partner is considered as precarious and should not be harmed by this research, therefore the private partner was only approached with approval of the municipality, this will be discussed more specifically in the paragraph on ethics.

The first selection is two folded and based on practical considerations. First is the size of the municipality. It is expected that bigger municipalities tender more projects and therefore have more experience with Social Return. The experience is expected to allow to discuss the steering and the effect on the private partner more in depth. The first selection led to the municipalities that belong to the G4 and G32, this in total counts 41 municipalities. The second practical aspect is geographical distance. Since all interviews were held personally, not too much time could be wasted by traveling. This led to a second selection that led to 17 municipalities that are located in the mid-west part of the Netherlands.

Intentionally the third selection would be based on the different forms of steering, respectively enforcement, simplifying, trust and intrinsic motivation. To find the municipalities that reflect these forms of steering the policy documents<sup>1</sup> on Social Return were analyzed. However after an exploration of these documents it turned out that the different forms of steering were not distinct. Instead, it appeared that each municipality combines different forms steering.

However the exploration of the documents showed that diversity could be found in other aspects, like the quantification of performance and the form and intensity of monitoring. Therefore it is decided to make a selection on these aspects. After contacting the 12 municipalities that were determined to include in the research, 9 actually participated in the research. An oversight of these municipalities and its characteristics is presented in Table 1 and 2 at the beginning of the result chapter.

Since the selection of cases and the related private organization is partly based on practical considerations and represent a small number of cases, the findings of this research are not considered to be representative for the population of municipalities of the G4 and G32. Conclusions can therefore not be generalized.

### 3.3 Quality of the research

In order to value the results and conclusions of this thesis the quality of the research needs to be discussed in terms of validity and reliability.

Validity is whether the measure that is constructed to analyze a specific concept really reflects the concept that is supposed to be measured (Boeije, 2010). The validity is pursued in the operationalization based on policy documents on Social Return. By translating theoretical concepts into variables that are related to the field of Social Return, validity is safeguarded as much as possible. In addition the topic list was tested by conducting a pilot interview. After the pilot the topic list has been adjust to the new insights.

Reliability reflects on the consistency of the findings if the research would be repeated (Boeije, 2010). Reliability is pursued by using a topic list and following the same structure each interview in terms of introducing myself and the investigation and clearness about anonymity and the use of the findings. By interviewing both partners of the collaboration findings from the interview with the first partner could be checked in the interview with the other. This contributes to the reliability of the findings. However since the researcher is the instrument in qualitative research, reliability stays quite weak. The topic list and introduction can be found in Appendix 1.

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<sup>1</sup> These documents can be found on the website of the municipality but are not provided in this thesis for the sake of anonymity (see paragraph 3.4 ethics).

### 3.4 Ethics

In this research ethical considerations have been made, the three most important aspects are informed consent, safeguarding of privacy and to not harm the interviewee (Baarda, De Goede & Teunissen, 2005).

The first aspect in relation to ethics is informed consent. This is safeguarded by informing the respondents about the focus of the research, the content of the interviews and the goal of the research. This is done at the moment of first contact (phone or email) and at the moment of the interview.

The second aspect is the safeguarding of privacy. Since several respondents have declared their preference of contributing anonym, all respondents and the corresponding municipalities and private organizations are presented anonym.

As discussed in the previous section, one of the main ethical aspects in this research is not to harm the relation between the municipality and the private partner. Therefore the private partner was only approached with approval of the municipality. The content of the interview with the municipality is not discussed with the private partner if considered harmful, and vice versa.

## 4. Operationalization

In this chapter the theoretical concepts will be translated into observable variables that will be used as topics during the interviews. First the operationalization of the independent variable will be discussed, the forms of steering by municipalities. Second the operationalization of the dependent variable will be discussed, the form of fulfillment of Social Return by private organizations related to the theory on reintegration.

### 4.1 Steering by municipalities

#### *Goal component*

The goal component is the fulfillment of Social Return in general. In the theoretical framework two aspects were considered to be of relevance; the content of the agreements and the formation of the agreements.

The content of agreements is the agreements on performance and the quantification of performance. The agreements of fulfillment are labor participation, compensation orders or social cohesion, in addition the that municipalities expand the options by accepting Social Return beyond the tender project, or beyond the municipality. The quantification of performance is how the effort made by the private partner is valued. This can be based on input, output or outcome. The formation of agreements is how the fulfillment was designed and what the role of both partners was in the formation of agreements, what decisions were made and why.

#### *Monitoring component*

The monitoring component reflects the form of control that is applied by municipalities. How do municipalities evaluate the effort of private organizations and how does this effect the private organizations. The form, the intensity and the content of the monitoring will be discussed.

#### *Realignment component*

The realignment component is whether sanctions or rewards are used by municipalities and how this effect the private organizations in their fulfillment of Social Return.

### 4.2 Fulfillment of Social Return

The theory on reintegration and the safeguarding of public values will be discussed in relation to Social Return.

#### *Customization*

Customization will be discussed in the formation of agreements in term of the context of the private organization as well as the context of the candidate in case of labor participation.

### *Sustainable outcome*

Sustainable outcome in the context of Social Return is whether the candidates who became employed by Social Return are considered to be sustainably reintegrated. Especially whether the employment persists after the fulfillment of Social Return. Carrousel effects will be discussed in relation to this variable. It will be discussed in relation to the goal component of steering.

### *Prevention of adverse selection*

Prevention of adverse selection is whether the fulfillment of Social Return leads to crowding out of other employees or entails processes of creaming.

### *Safeguarding of privacy*

Safeguarding of privacy is the extent to which the context of the candidate is discussed with the private organization. It is expected in relation to customization that knowledge on the context of the candidate is considered as important. It will be discussed what aspects are considered to be important and what is shared with the private organization.

### *Handling of complaints*

The handling of complaints is related to the relation between the private organization and the Social Return candidate. Complaints can rise at side of both actors. It will be discussed who is responsible for the handling of complaints, whether this is part of the employer-employee relation in case of reintegration or whether the municipality interferes in the form of a mediator.

## 4.3 Interview structure

The structure of the interview will follow the process of the start of the tender project towards the fulfillment of Social Return. It is decided since this is expected that this will lead to more recognition with the respondents than following the topics, which will probably benefit the quality of the interview and the findings. The topic list is used as guideline to make sure that all subjects are discussed.

## 5. Results

The fieldwork consisted of 20 interviews with representatives of municipalities and their related private organization. It consists of 9 couples of municipality and private organization and two intermediaries. During the interviews both partner reflect on their own practices and on those of the partner. The intermediaries have contributed to the understanding of the effect of steering but will not be discussed separately, since their part in this research is too marginal. On the following pages there are two tables which specify the cases. Table 1 represents the nine municipalities, their related private organizations and if applicable the associated intermediary. Table 2 presents the steering profiles of municipalities on Social Return.

The municipalities that participated are different in size, experience Social Return and forms of steering of Social Return. However as stated in the chapter on method this is not representable for the total population. The interviews were held with representatives that were associated with the responsibility of Social Return. For the municipalities these are (account) managers, project leaders and coordinators of Social Return. Since the private organizations were approached by the municipalities, these were the contact persons of the representatives of the municipalities. The private organizations vary in sector, but since most of the tender projects are related to construction and infrastructure, this sector has the largest share. Most of the representatives of the private organizations were related to HR management. The representatives of the intermediaries were mediators. See table 1.

In general it can be stated that the bigger the municipality is the bigger the tender budget and the higher the Social Return total is. This does not mean that the policy and steering by these municipalities is always stronger developed. Since the introduction of Social Return more and more municipalities have implemented the instrument in their tender policy, however the implementation sometimes triggered internal dissatisfaction. This aspect is one of the differences that is found among municipalities, however since this is not the focus of the research, this will not be further discussed. Additional research might be of value on this subject.

The instrument Social Return seems to follow the same process in every procurement project. First the percentage of Social Return is determined by the municipality in advance to the tender procedure. This percentage is mentioned in the contract of the tender. Second the private organization that is selected for the project discusses the options for Social Return with the municipality. The intention is to find the form that fits the private organization best. After the setting of the goals the trajectory starts. This is seems to be the third phase. Along or beside the project Social Return is fulfilled, which is

Table 1 - Cases

Municipality	Size	Social Return experience	Participant	Private partner	Sector	Range	Participant	Social Return fulfillment	Intermediary	Sector
<b>M1</b>	G32	< 3 years	Account manager Social Return	<b>P1</b>	Cleaning	National	HR advisor	Labor participation and social cohesion	-	-
<b>M2</b>	G32	> 3 years	Account manager Social Return	<b>P2</b>	Social	Regional	HR advisor	Labor participation	-	-
<b>M3</b>	G4	> 3 years	Manager Social Return	<b>P3</b>	Construction	National	Advisor education and labor market		-	-
<b>M4</b>	G32	< 3 years	Account manager Social Return	<b>P4</b>	Care	Regional	HR advisor	Labor participation	-	-
<b>M5</b>	G4	> 3 years	Coordinator Social Return	<b>P5</b>	Technique (social enterprise)	Regional	Partner	Labor participation	-	-
<b>M6</b>	G32	< 3 years	Project manager social domain	<b>P6</b>	Law	Regional	Lawyer & member of the committee	All three	<b>I1</b>	Private
<b>M7</b>	G32	> 3 years	Project leader Social Return	<b>P7</b>	Infrastructure	National	Project manager	Labor participation	<b>I2</b>	Private
<b>M8</b>	G32	< 3 years	Commercial manager	<b>P8</b>	Construction	Regional	Project leader	All three	-	-
<b>M9</b>	G32	> 3 years	Project leader Social Return	<b>P9</b>	Construction & Infrastructure	International	HR policy officer	Labor participation and compensation orders	-	-

The source of the quotes in the text will be referred to as:

M1 – M9 municipalities

P1 – P9 private organization

I1 – I2 intermediaries

Table 2 - Steering profiles municipalities

Municipality		M1	M2	M3	M4	M5	M6	M7	M8	M9
<b>Social Return criteria *</b>	<i>Project adjustment</i>	Yes	No (5%)	Yes (2 or 5%)	Yes	Yes	Yes	Yes	Yes	Yes
	<i>Tender criteria</i>	No	No	No	Exploring	Exploring	Possible	Possible	Exploring	Possible
	<i>Obligation</i>	Yes								
<b>Forms **</b>	<i>Labor participation</i>	Yes								
	<i>Compensation order</i>	Yes								
	<i>Social cohesion project</i>	If no other option	If no other option	Yes	Exploring	If no other option	Yes	Yes	Yes	Yes
	<i>Funding</i>	No	No	No	No	No	Yes	No	Yes	No
<b>Rewarding ***</b>	<i>Population</i>	Everyone who is unemployed								
	<i>Beside project</i>	Yes	Yes	Yes	Yes	Related to the project	Yes	Yes	Yes	Yes
	<i>Previous effort</i>	Exploring	No	No	No	Yes (max 12 months)	No	Yes	Exploring	Yes (max 12 months)
	<i>Multiannual</i>	Yes	Depends on candidate	Depends on candidate	Depends on candidate	Max 12 months	Yes	Yes	Exploring	Yes
	<i>Inter municipality</i>	Yes								
	<i>Education</i>	Yes								

Municipality		M1	M2	M3	M4	M5	M6	M7	M8	M9
Trajectory ****	<i>Guidance</i>	Depends on candidate	Depends on candidate	Depends on candidate	Depends on candidate	Depends on candidate	Depends on candidate	Depends on candidate	Depends on candidate	Depends on candidate
	<i>Test placement</i>	Yes – under condition	Yes – under condition	Unknown	Unknown	Yes	Yes	Unknown	Yes	Unknown
	<i>Building blocks</i>	Yes	Yes	No	No	Yes	No	As backup	Yes	Yes
	<i>Wage costs</i>	Yes	No	Yes	Yes	No	Yes	Yes	No	No
	<i>Digital rapport</i>	Yes – sheet	Yes - system	Yes	Yes	Yes – system	Yes – sheet quarterly	Yes – Sheet	Yes	Yes - system
	<i>Meetings</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	<i>Sanction</i>	No	No	Yes	Yes (SROI remainder)	Yes (SROI remainder)	Yes (SROI remainder)	Yes (€250,- per day)	Yes (SROI remainder)	No
	<i>Reward</i>	No	No	No	No	Symbolic	No	No	No	No
	<i>Benchmark</i>	No	No	No	Exploring	Exploring	No	No	Yes (partner of municipality)	No

\*Social Return Criteria – whether the criteria is *adjusted to the project*, is a *Tender criteria* and an *Obligation*

\*\*Forms – whether the following forms are accepted for Social Return: *Labor participation, Compensation order, Social cohesion project, Funding of projects*

\*\*\*Rewarding – the valuing of effort related to Social Return: *Population, Beside project, Previous effort, Multiannual, Inter municipality, Education.*

*Previous effort* is whether people who are employed and can be categorized as ‘Social Return candidates’, can be accounted for. *Multiannual* is whether a candidate can be accounted for multiple years in case of long term projects.

\*\*\*\*Trajectory – Options, control and realignment : Option for *Test placement*, control by *Building blocks, Wage costs, Digital rapport, Meetings, Sanction*, Realignment by *Reward, Benchmarks*

monitored by the municipalities.

This process forms the structure for the discussion of the results of this thesis. Beside these three phases, the fulfillment and side effects will be elaborated, which forms the fourth paragraph. The final paragraph reflects on what appears to be the intended outcome of the instrument of Social Return, sustainable reintegration and a sustainable relationship between the municipality and the private organization, what would lead to more collaboration on the field of reintegration.

### 5.1 Setting the percentage of Social Return

As discussed in the previous chapters, the instrument of Social Return is more and more applied to the process of tendering. By creating a social obligation for each project private organizations execute, municipalities tend to include private organizations in their mission to get people back to work.

The form and size of this social obligation, formed by the percentage of Social Return, are adapted to the branch, the market and the aspects of the project itself before the tender process proceeds. Labor intensive projects are set with a higher percentage of Social Return than labor extensive projects. By setting the conditions beforehand municipalities tend to create transparency at the gate to prevent discussion on the percentage. The hard criteria has proven to be necessary in previous experiences on Social Return. If the criteria was not set as a strict demand, private organizations appears to ignore it.

*‘At times there are companies that state ‘oh, I did not knew this was an obligation’. I do not accept this, I simply reply ‘well you applied for the project, you got the job and you signed the contract, so I expect you read it’ most often their reply is ‘that is right’ – M4.*

Since the implementation of Social Return as a unnegotiable demand, there seems to be more acceptance of the obligation by the private organizations. The perception of both municipalities as private organizations is that in case a market actor is not capable of fulfilling the Social Return obligation, ‘it should not apply for the job’, since it is part of the assignment, just like other criteria, it is part of the deal.

*‘you are already used to work sustainable in relation the environment, now you also have to work sustainable in terms of ‘people’. So you have to think about the people you employ and that you at times have to give someone a chance. I noticed that companies were searching for how to implement it, but most of them found their way.’ – P3*

However, since the core business of the private organizations is mostly commercial, their perception is that the aspect of Social Return must not be too dominant. Among private organizations, the reintegration of people with a large distance to the labor market has the image that it might risk the pursuance of the main project and that it will increase costs. It is important to understand that Social Return is just one part of the

total project and although it is considered to be a hard criteria, the pursuance of the main project and safeguarding its quality has priority for both the municipality and the private organization. Municipalities acknowledge this priority but also state that the wellbeing of people with a long distance to the labor market is at stake and that this responsibility should be shared with partners of the state.

*‘We want to implement Social Return because unemployment is not just the problem of the state. There has been a lot of discussion on this subject in the past years. unemployment is considered to be a problem of the state but the costs are paid by the whole society...’ – P9*

A balance seems to be necessary between the commercial priority of private organizations and the social goals of municipalities. Municipalities tend to find this balance by being a constructive partner who adapts to the context of the private organization by presenting the options of Social Return in a broad manner. This is the subject of the next paragraph.

## 5.2 Finding the right form

During the first meeting the municipality explores together with the private organization the possibilities for Social Return. Fulfilling the obligation itself is a strict criteria, but the options municipalities present are often numerous. Municipalities have the intention to create a sustainable relationship with the private organization on the field of reintegration and therefore stress their position as flexible and benevolent. The intention is to displace the attention from the obligation to the value of Social Return and from impossibilities to possibilities, to create an atmosphere that leaves the mandate with the private organization.

*‘We do not ask for impossibilities, but for possibilities. So if a part of an organization cannot contribute to Social Return, we will not pay attention to it, we look for other places where there are chances for success’ –*

*M2*

To respond to these chances the following options are presented: ‘Labor participation’, ‘compensation orders’, ‘social cohesion’. These terms are the names that are used in the field of Social Return and will be used in the analysis. The three forms will be discussed separately.

### 5.2.1 First form of Social Return: labor participation

Labor participation is a direct form of reintegration. In case the private organization decides to fulfill Social Return by this form, the Social Return candidates will become employees. The Social Return candidates are considered to be all people who are unemployed, however the distance to the labor market is taken into account if the person is reintegrated. Both municipalities as private organization seem to prefer labor

participation as form of Social Return. For the municipalities it leads to direct reintegration of people with a distance to the labor market. Private organizations prefer this option since it is seen as keeping the investment within the organization. If labor participation is applied in a sustainable way, the candidate will contribute to the business of the organization. The definition of sustainable reintegration seems to be under discussion, most municipalities state that their definition is employment of minimal six months and one day. Since the candidates do have a distance to the labor market, sustainable is often expensive and time-demanding and not all organizations have the space to guide the candidates. The context of the organizations is therefore discussed in depth with the municipality. If labor participation is expected to be ineffective the other options are explored.

### 5.2.2 Second form of Social Return: compensation orders

The second form of fulfilling Social Return is the use of compensation orders by which subcontractors are included in the responsibility of Social Return. This form of Social Return displaces the reintegration from the private organization to other companies which are part of the chain of supply. Most municipalities agree that if this is accurate, the responsibility for Social Return should shift simultaneously to the subcontractors. For instance in the construction sector, which has developed as a sector which works consistently with subcontractors.

*'Our organization, just like other big construction companies, is changing. We are becoming a knowledge organization, we do the project management but most of the actual execution is done by subcontractors. So that is where the most chances are for Social Return.'* - P9

Compensation orders can be fulfilled by regular companies who also have to search for possibilities to place Social Return candidates as well or by specialized organizations who focus their activities on reintegrating people with a long distance to the labor market. The responsibility for the fulfillment of Social Return remains with the contractor of the municipality. Municipalities do not steer subcontractors in relation to Social Return.

### 5.2.3 Third form of Social Return: social cohesion

The third form of Social Return is a form that is not directly related to labor participation and is appraised differently by municipalities and private organizations. Social cohesion projects are designed to create social impact. Some municipalities state this impact should at least be related to the target of people with a long distance to the labor market. These projects are appraised for the potential of eliminating contextual problems of people that form a hinder for labor participation. These contextual problems can be for example debts, addiction, low self-esteem, etc.

Private organizations appraise this form of Social Return differently. Some state that these projects form a waste of money since it will not contribute to the succeeding of the main project. They value labor participation higher since if the matching is well done, it can be of an investment in the project or even the company. Others state that 'social cohesion' can be an easy way out for fulfilling Social Return and would if possible be satisfied with only sponsoring the project, since it would save some precious time that could be invested in the project.

There seems to be a relation to this preference and the perception of Social Return. The private organizations who value the input of Social Return prefer labor participation over 'social cohesion' since the former is seen as an investment in the company. The private organizations who still see Social Return as purely an obligation and a burden for their project seem to appreciate 'social cohesion' as a way out, as a final option if labor participation is not possible.

#### 5.2.4 Additional options

Beside the three forms of Social Return, there are other options that create flexibility. These options are whether Social Return is fulfilled within or beside the project, whether it is in the related municipality or somewhere else (this often means with also the population of a different municipality) and the selection of the population for reintegration (regular unemployment, social assistance, disabled people etc.).

The municipalities that participated in this research mostly present the options as broad as possible. All municipalities state that every person who is unemployed has a distance to the labor market, no matter how long, what experience or what level of education a person has. In addition whether it is done beyond the project or in another municipality is considered as acceptable by all municipalities.

Although all forms and options are considered to be possible, there does seem to be a hierarchy in use of the different forms of Social Return. First priority appears to be labor participation and if possible with people who are in social assistance in the municipality, since this would lead to a direct saving of allowances at the account of the municipality.

*'Obviously we prefer that people of social assistance get employed, so they become independent from assistance. That is just entrepreneurship. The municipality only saves money on social assistance not on regular unemployment...'* – M8

Other municipalities look beyond the expenses of their own municipality and seem to approach the problem of unemployment as a national issue.

*'I believe that the first three months of unemployment are most important. If you can reintegrate someone in that period you can prevent so much worse. I do not believe in gradations. I think that everyone who is distanced from the labor market deserves a chance.'* – M2

The effect of this flexible approach in the early stage of Social Return seems to pay off. The private organization appreciates the benevolence of the municipality and the first hesitance of the obligation seems to diminish a little. The willingness of the municipalities to find a form of Social Return that fits the context of the company, seems to increase the sense ownership of the private organization over the responsibility which is found to stimulate intrinsic motivation.

Although the mandate is with the private organization, municipalities tend to steer the agent in the preferred direction. By mentioning stories of success, describing potential value and the financial benefits of placing a person with a distance to the labor market, it intends to make labor participation the biggest part of Social Return. As stated compensation orders are not steered by municipalities and social cohesion projects do not directly contribute to reintegration. The next sections will therefore be focused on labor participation.

### 5.3 Trajectory of fulfilling Social Return

As stated in the previous section the options for fulfilling Social Return are presented in a broad manner to find the best form. The goal of municipalities is to realize sustainable reintegration and a sustainable relation with the private organization. To create this there are some barriers to overcome. As discussed in the beginning of this chapter, there is a tension between the commercial focus of the private organizations and the social obligation of Social Return. Additionally the population of Social Return candidates appears to be coping with a strong stigma. Almost all private organizations state that their perception of the Social Return population is quite negative.

*'The majority of the people indeed has a negative self-image, so they are not very motivated. Besides they most often have to start at the bottom, since everybody is quite skeptical about their capacities. So they have to overcome so much before they get a little bit appreciated'* – P7

This section elaborates how municipalities coop with these conditions, by discussing the subjects stigma, matching, creaming and guidance all in relation to the fulfillment of Social Return in the form of labor participation.

### 5.3.1 Matching

The success of Social Return and the fulfillment in the form of labor participation seems to be strongly depending on the matching of candidates. Matching can be done by the market actor itself, municipalities or third parties (intermediaries). It again depends on the preferences of the private organization. 'Good matching' is considered to take both the context of the candidate as the context of the private organization into account.

Matching from the perspective of the candidate relates to aspects as capacities and personal context. If these aspects match well with the criteria of the company, the reintegration is expected to be more sustainable. A single mother of young children for instance, is probably more restricted in working hours than people without children. And a candidate with autism has more chance for sustainable reintegration at a low-stimulus workspace. To find such a match it is important that the municipalities are well aware of the people in their database. Even if the capacities are not completely matching, motivation of the candidate is considered to be decisive. If a candidate is willing to work, private organizations are willing to invest in the development of the candidate.

*'There are some people in my office who I cannot miss at all, they work with way more enthusiasm than other employees, only because they are so grateful for the opportunity' – P5*

For the private organization it is important to find the right candidate at the right time. Depending on the sort of project there is an urge in finding a suitable candidate quickly. The private organizations state that in case of a vacancy, they present it with the municipality or other matching partner to find a candidate that would be applicable for Social Return. However in case that the municipality is not capable of presenting a suitable candidate they will let it pass and turn to a 'regular' candidate for the vacancy.

*'It is always a struggle, how to fulfill Social Return in an useful way. Obviously we present vacancies to municipalities, but sometimes they cannot find the right match. We work under a lot of pressure, so if we can find someone who is not accountable for Social Return, well, than priority is given to the business and operation instead of waiting one or two months till the municipality finds the right candidate...'* – P4

This might be related to the fear of mismatches of municipalities. Municipalities seem to be well aware that the impact of matching is high. The tactical approach seems to protect the candidates and the private organizations from a mismatch, which is beside the negative consequence for the candidate, also considered as a great risk for the relationship between the municipality and the private organization.

*'I prefer to match the right candidate with the right spot, instead of matching someone of which I am not sure whether it will persist. A mismatch leads to dissatisfaction with the contractor and it is a huge*

*disappointment for the candidate. So you will not help anyone with such matches. We want to make quality matches so that a candidate reintegrates in a sustainable way and we create a good relationship with the contractor to make sure that he turns to us in case of a new vacancy, even beyond Social Return. That is the goal.'* – M2

The quote shows that municipalities expect that 'good' matches strengthen the relationship with the private organizations. To build up the trust of the private organizations the first matches need to be 'good', the next section will discuss this tactic, also called creaming, more in depth.

### 5.3.2 Creaming

Creaming or cherry picking, which is often discussed in negative sense in relation to reintegration, is actually expected to benefit the long term effects of Social Return. The 'best' candidates are matched first to eliminate or diminish this stigma. This finding puts the concept of 'creaming' in another perspective, as it is mostly presented as a perverse effect. The first 'good shots' are expected to affect the stigma of the entire 'population'. This approach benefits the ability to fulfill the demands of the private organization. Ever since the economic crisis many high educated and or experienced workers have become unemployed. Their skills and experience enable them to easily reintegrate into labor. This high quality match is of course preferred by the private organizations. If Social Return candidates are less distanced from labor the investment of the private organization is lower. Some municipalities acknowledge that Social Return is therefore used for people who might be able to find a job on their own and therefore displace the attention from the more needy candidates.

*'Well, you are under pressure, you need to place your candidates and you only have some vacancies left. Than you want to make sure that it is a good match, so you will select with higher standards. Sometimes it is quite odd, because it happens that you match a candidate which would have been able to find a job on their own within two weeks. Is that the benefit of Social Return? I doubt it...'* – M1

The private organizations confirm the expectations of the municipalities that the good match enlarge the chance for sustainable reintegration and that it diminishes prejudices. It seems to be the intention of municipalities to use the creaming tactic to pave the way for people with a larger distance to the labor market. It is however questionable whether the more distanced candidates will get their chance on labor participation as well, since the appreciation of high skilled or highly motivated people is so strong by private organizations.

### 5.3.3 Transparency & support

Although there are many candidates who are high skilled or motivated, there are most often contextual problems, as mentioned before, which make labor participation more difficult. Both the municipality as the private organization consider openness about the candidate's context as important. If considered as necessary, additional support in the form of test placements, wage compensations or job coaches can be arranged by the municipality. However understanding and support is also expected by the private organizations.

*'It is mostly showing understanding for the situation that someone is in, instead of pushing them to keep up with the rest. But that is part of the placement. Previous to the match we discuss the context of the vacancy. In response the municipality informs us about the context of the candidate 'be aware of attention and tempo, she needs self-esteem', well than we give a little extra guidance, based on the description of the municipality.'* – P2

As the quote shows, the input by municipalities is considered to be of value. Knowing the context of the candidate and the aspects that might influence the ability to work properly is expected to benefit the trajectory of reintegration. Both partners state that knowledge of the context of the candidate makes it possible to adjust the trajectory to the candidate. There however seems to be a tension between the transparency and the protection against stigmatization. As discussed before with most private partners the stigma is still very alive. Knowing the background of the candidate can on the one hand lead to more acceptance and understanding, but on the other hand might also lead to exclusion.

### 5.4 Fulfillment & Side effects

The risk of exclusion of Social Return candidates compared to other employees is one of the side effects that is related to Social Return. This section discusses these side effects. Previous to this subject a related subject is discussed: monitoring and the quantification of effort.

#### 5.4.1 Quantification & monitoring

The three different forms, labor participation, compensation orders and social cohesion projects, are often combined in a mixture to fulfill Social Return. Labor participation by hiring two people out of social assistance, a compensation order of a certain value and a project that provides Dutch language classes for migrants are for example all considered to contribute to Social Return. This mixture in some way needs to be translated to the obligation of Social Return. Several times during the tendered project private organizations have to present their effort so far. In general two different forms of valuing the Social Return can be distinguished. The first

one is the 'bouwblokkenmethode' (building blocks method), the second one the value of wage or investment (in case of social cohesion projects). Both will be discussed.

The 'bouwblokken methode', from now on referred to as 'blocks method' is a simplification of the quantification of output. The larger the distance to the labor market, the more value a target group is ascribed to.

**Table 3 – Bouwblokken**

<b>Social Return Population</b>	<b>Social Return Value (based on a fulltime year contract)</b>
Social Assistance < 2 year	€ 30.000
Social Assistance > 2 year	€ 35.000
Regular unemployment < 1 year	€ 10.000
Regular unemployment > 1 year	€ 15.000
Disables people	€ 35.000
Learning- trajectory	€ 10.000
Compensation order	Wage value of the subcontractors' candidate, or Bill of the social enterprise
Social Cohesion activities	€100,- per invested hour

As Table 3 presents the value of someone in social assistance is higher than a person who is regular unemployed. The effort is valued more if one is considered to have a larger distance to the labor market. This form is used by many municipalities, who all range their values similar to the presented example. For the sake of anonymity the table is a mixture of several municipalities. The simplification of the settlement is appreciated by some of the private organizations.

*'The building blocks method has the benefit that you can start calculating at the start, from the beginning you know how your effort is valued, that is the advantage.'* - P3

The blocks method represents the effort that is to be made to overcome the distance to the labor market. This method seems to entail a risk for perverse effects since the effort is determined in advance, the extra effort will not be rewarded and it might not be necessary to invest at all since the value is assigned no matter what.

*'Overall I think it is better if you can account the actual effort. That stimulates to invest. I can imagine that it is can counteract your motivation if only a fixed number can be ascribed to a certain candidate. There is no need to take an extra step.'* - P3

The other form of settlement is the 'value of wage'. This method reflects the actual costs that are made for Social Return. Some private organizations and municipalities describe this method as more sincere since it

actually represents the costs that are made, and it might stimulate to take that extra step in form of guidance if necessary, since it would be rewarded. On the other hand a perverse effect might be that a highly specified worker who has become unemployed for two months is valued higher as effort for Social Return, than for instance a unskilled cleaning employer who has been unemployed for four years. Even though the investment that needs to be made for reintegrating the person who was in social assistance is expected to be much higher.

The risk of the perverse effects seems to be related to the fact that the monitoring is only directed at quantity. The quality of the placement in form of the guidance or the qualitative aspects of the trajectory are hardly taken into account. Although the reports on progress are combined with personal contact about the fulfillment of Social Return, this seems to be more directed at finding new possibilities for collaboration than to reflect on the previous effort. Several private organizations confirm that this form of monitoring does not acknowledge their input. Municipalities seem to be aware of this deficit and are exploring the possibilities to take it into account. For now, financial and practical aspects seems to make this impossible.

#### 5.4.2 Sanction & reward

To make sure that the private organization actually fulfill the obligation of Social Return forms of realignment can be applied. Municipalities do not seem to be very keen on applying the sanction in case of a deficit. If the private organization has showed that it has made effort to fulfill its duty, the final bit of Social Return is often compensated with other social projects or even ignored. This seems to be related with the intention to create a sustainable relation between the municipality and the private organization.

*'In reality 99% of the companies fulfills its Social Return. It exceptional that they fail to do so. If this happens I mostly tolerate it. I do tend to push them to fulfill, but most often there are certain conditions which hinder Social Return, for instance because of mismatches. If a company has tried to fulfill, I will value the effort.'* - M6

None of the municipalities who have the ability to sanction the private organization, state that they have ever used it. Some even decided to eliminate the sanction from the policy in order to keep the conversation positive. Most of the private organizations however mentioned the threat of a sanction as a motivation to fulfill Social Return. Instead of sanctioning, most municipalities state that they are exploring the options of using a benchmark or positive publicity which benefits the image of the firm. This form of rewarding is also appraised by private organizations both as a marketing tool as a manner to diminish the stigma and the hesitation to work with people with a distance to the labor market. However since the municipalities were mostly exploring the actual effect cannot be analyzed yet.

### 5.4.3 Crowding out & carousel effect

Although the threat of the sanction increases the effort to fulfill Social Return, the pressure to succeed also seems to trigger opportunistic behavior. Social Return is directed at creating sustainable reintegration into labor participation for people with the largest distance to the labor market. Although this sounds positive, there are some negative associations with the instrument of Social Return which were discussed lively during the interview: crowding out and carousel-effects.

Crowding out is a subject which is strongly related to the image of Social Return. Diversity was found in the reflections of this concept in relation to Social Return and the steering by municipalities. Some municipalities and private organizations state that crowding out cannot be prevented in this flexible economy, especially in the low-skilled sector where long term contracts are rare. Several private organizations and intermediaries on the acknowledged that the obligation of Social Return can be a reason not to hire a 'non Social Return candidate'

*'Almost all care organizations have a tender project and all need to fulfill Social Return. Many times I speak to candidates who state that they have applied for all the jobs, they want to work in the care sector, but they can arrange it. Well I can arrange it only because they now are Social Return candidates. So yes, I think it leads to crowding out' – I1*

This 'shopping' of Social Return candidates will obviously be at cost of sustainability. This adverse selection of personnel seems to trigger carousel-effects. This means that candidates are only employed for a short period and most often replaced by new Social Return candidates. This seems to be related to the period that a candidate can be valued for Social Return. Some municipalities formulate a maximum period for the 'title' of a Social Return candidate and claim that after a year the distance to the labor market is diminished. Private organizations state that the chance of sustainable outcome is partly related to the success of the match, but on the other hand is completely depending on the economic circumstances of the firm. The risk of carousel-effects are severe at this point. Some municipalities however state that the carousel-effect, with a minimum of six months of employment, is not a perverse effect since the candidate has renewed labor experience and therefore the distance to the labor market is diminished. For private organizations this however often feels like losing the investment that is made in the candidate.

*'It takes time to get return on your investment. You need to invest before a candidate actually contributes to your organization in terms of fulfilling tasks. If you want to establish this, three months is way too short.'* – P2

## 5.5 Sustainable outcome

All in all it is questionable whether the instrument of Social Return actually leads to sustainable reintegration for people who actually have a long distance to the labor market. Many municipalities have stated that they want to find out what happens with the candidates if the Social Return obligation is fulfilled, to see if they are still employed.

Beside the sustainable reintegration the goal of the instrument of Social Return is to create a sustainable relationship with the private organization to reintegrate more people in the future beyond Social Return.

*‘That is what we do as municipality, keep the contact warm and show what we can do. Since it is beneficial for the municipality if we can show that we can match good employees in a short period. That we can provide the same services as an employment agency. Then we can create a relationship with the employer that in the end leads to other regular vacancies.’ – M1*

This ‘hope’ for a collaboration beyond Social Return does not seem to be shared by the private organizations. Most state that the municipalities have proven themselves as constructive partners, but that the population of Social Return candidates still is too demanding. The matching and the diminishing of the stigma of the population of Social Return seem to be crucial for the sustainability of the relation.

The following and final part of this research will present a conclusion on the research question and a discussion of the research itself.

## 6. Conclusion & discussion

In the introduction of this research it is argued that the Dutch state has moved back and forth in the privatization of reintegration services. The cooperation with the market sector has been sought in different ways, one of them is the use of the instrument Social Return, mostly used by municipalities. By obligating to spend a percentage of the budget of a tender project, private organizations have to contribute to reintegration of people with a long distance to the labor market. The main instruments to do so are to directly employ a person (labor participation), to shift the responsibility to subcontractors (compensation orders) or to contribute to diminishing the distance to the labor market by organizing a social project (social cohesion).

Since the core business of the private organizations is commercial the social obligation creates a tension, with a risk for opportunistic behavior. To ensure that Social Return leads to sustainable reintegration, municipalities steer the private organizations in the fulfillment of Social Return. The theoretical framework showed that there are different forms of steering and that it is expected that there is a relation between the form of steering by the principal, the municipality, and the execution by the agent, the private organization. The central question in this research is:

*How do the different forms of steering used by municipalities affect the fulfillment of Social Return by private organizations?*

The previous chapter presented the findings on the effect of steering in the case of Social Return. This chapter will discuss these findings in relation to the theory that formed the basis for this research and formulates an answer on the research question. The discussion of the findings will be ordered by the previously presented sub questions of this research. First the steering by municipalities will be discussed, second the fulfillment of Social Return by private organizations. The third till fifth section will discuss the effect of the different components more in depth. Ending with the conclusion of this research. The final part of this chapter presents a reflection on the research and presents recommendations for further research and practice.

### 6.1 Steering by municipalities

Municipalities use the instrument of Social Return to include market actors in the responsibility for unemployment. The motivation seems to be that unemployment is not just seen as a problem of the government, but from the whole society. It is therefore expected by municipalities that besides the government and society itself, the market shares the responsibility to solve the problem. The search for collaboration in a field of welfare provision seems to correspond with the paradigm of governance (Pollitt & Bouckaert, 2011: 22). Contributing to a solution in the form of Social Return is enforced by municipalities. Social Return is embedded in the tender contract as a hard criteria.

As the principal-agent theory assumes, both parties act rational and are governed by self-interest (Eisenhardt, 1989 in Corrà, 2014). The private organizations agree on fulfilling the obligation, but tend to find the way that benefits them the most. Municipality tends to stimulate reintegration by the instrument of Social Return, since it leads to a financial savings. Labor participation is therefore more valued and steered upon than the other two forms of Social Return, compensation orders and social cohesion.

However, long term objectives seem to be more important than short term benefits. Most municipalities state that the intention is to create a sustainable relationship with the private organization in the field of reintegration. This intention entails that the municipalities tend to present themselves as trustworthy partners. Steering in the form of stewardship is visible at this point. By becoming a trustworthy partner for the private organizations, the responsibility for reintegration is placed as a higher value than on the agents self-interest (Corrà, 2014: 71). In other words the relationship is more important than short term savings on assistance money. Surprising is that the trustworthiness is found as important as aspect of municipalities instead of the private organization. Since Social Return is still most hardly used as tender criteria, trustworthiness cannot be taking into account in the selection of the private organization.

The aim for a sustainable relationship is also visible in the steering on matching. To create the sustainable relationship it is considered as important that the first matches are 'good'. The normally negative associated instrument of creaming is now used to show that the municipalities are capable of presenting good candidates. By presenting the less distanced candidates at first, the municipalities tend to invest in the relationship. If this is considered to be sustain, the more 'difficult' candidates are introduced.

This form of creating trust is not only directed at the partnership, it also used to diminish the stigma of the population. Openness about the context of the candidate is considered to benefit the match, as the theory on reintegration stated, there needs to be customization in terms of the context of the candidate and the context of the firm. The better the match is made, the more sustainable the reintegration is expected to be.

## 6.2 Fulfilling of Social Return by private organizations

As stated before the social obligation is in conflict with the commercial purpose of the private organizations. However, since Social Return is presented as a hard criteria, acceptance of the obligation seems to occur. This corresponds with the findings of Struyven & Steurs (2005) who state that enforced agreements decrease the risk of opportunistic behavior. Since Social Return is part of the contract, private organizations tend to make the best out of it and appreciate the constructive attitude of municipalities.

The private organizations use the different options that are presented by municipalities, to find the form that fits their organization best. If there are vacancies, they will be, if possible, fulfilled by Social Return candidates, if there are a lot of subcontractors on the project or in the chain of supply, these will be included

in the responsibility of Social Return, if this is both not an option the possibilities for social cohesion are explored. The fulfillment is therefore sought in the organization itself, instead of on top of the project. According to the theory this would lead to a stronger sense of ownership and would increase effectiveness and quality of reintegration (Corrà, 2014; ROB, 2012). This is confirmed by the private partners. The more flexibility is possible, the more intrinsic motivation becomes stimulated. Customization and openness about the context of the candidate is considered valuable since this enables the private organization to adapt the work circumstances. The strong reliance on trust and intrinsic motivation seems to benefit the trajectory of reintegration since this increase the willingness to invest in the candidate.

However, there is a limit to the willingness of private organizations. If it harms the pursuance of the main project or leads to too much costs, private organizations tend to find solutions in the term of quick fixes, with the risk of crowding out or carousel-effects. The relation between the private organization and the municipality therefore seems to be determining the success of Social Return. In case the municipalities acknowledge the difficulties and adapt the obligation to the context of the company, it will lead to more willingness of the private organization. This confirms the theory of De Koning et al (2008) that clear management, short lines, good attainability and a flexible approach affects the collaboration positively.

After discussing the two actors separately the effect of the form of steering on the fulfillment of Social Return by the private organizations will be discussed for each component. Starting with the goal component.

### 6.3 Influence of the goal component on the fulfillment of Social Return

As presented in the theory on forms of steering Corrà (2014) states that form of steering develops along the collaboration. He states that formalization is dominant in the early stages of a contractual relationship. This is found in the enforcement of Social Return in the beginning of the collaboration. Municipalities and private organizations state that clearness about the expectations in the beginning prevent discussion on the form of the obligation. If the private organization has showed willingness to cooperate, the enforced form of steering is replaced by the form of stewardship, which is found in the constructive position of municipalities towards private organizations. The formation of agreements in terms of the goal of Social Return are presented as broad so that the private organization can find the best fit for its organization.

One of the differences that was found in steering among the municipalities that participated in the research is the quantification of performance. As discussed in the results chapter, there are two forms to indicate fulfillment of Social Return. Blocks method and wage value. The former is output oriented, the latter on input. The theory on quantification of performance discussed in the theoretical framework argued that input orientation focusses on the investment that is made by the private organization would stimulate the sense of ownership and that output would increase the risk for opportunistic behavior (Struyven & Steurs,

2005). This theory is partly confirmed. Blocks method form an ascribed value to each target group that is expected to be necessary to overcome the distance to the labor market. Labor participation of someone in social assistance is therefore higher valued than someone who has been unemployed for three months. It is a form of simplification of the quantification which is appraised by private organizations. However, the focus on output triggers opportunistic behavior. The wage value would in this context be more 'fair' since the actual investment is quantified as performance. Unfortunately there is also a perverse effect in this method of quantification since the wage value of an high skilled employee is higher than someone without education or experience. The distance to the labor market is not quantified in this form of performance indicating.

Both methods therefore seem to trigger opportunistic behavior. Input measurement therefore does not seem to be redeeming in this context. This might relate to the fact that the performance is only valued in quantity and not in quality. The investment by support, guidance etc. is not taken into account. This relates to the component of monitoring which will be discussed in the next section.

#### 6.4 Influence of the monitoring component on the fulfillment of Social Return

The monitoring component is directed at evaluating what actually happens in pursuance of the goal (Crawford, 2006). All municipalities make use of digital and standardized forms of monitoring, by using a report or a digital system to evaluate the private organization's effort. In addition there is often a form of personal contact to reflect on the actions. The latter is not only used to identify the progress on the fulfillment of Social Return but also to keep the contact warm for further collaboration. Corrà states that simplified and formalized forms of monitoring make it easier to detect deviant behavior (2014), this corresponds with the intention of municipalities. Within some cases tender budgets over €4.000.000,- it is difficult to monitor each project individually. Corrà also stated that the simplified form of monitoring can undermine the intrinsic motivation of the agent (2014). This is confirmed by the experiences of private organizations that state that the lack of monitoring the quality of the trajectory is demotivating. The experience is that extra effort is not rewarded.

Some municipalities seem to compensate this lack by unloosing the strict monitoring if the relation starts to develop positively. It seems to that the more effort private organizations invest in the beginning of the trajectory, the more willing municipalities become in valuing other effort for Social Return. This finding confirms the expectations that steering not only affects the relation, but that steering is also affected by the relationship.

#### 6.5 Influence of the realignment component on the fulfillment of Social Return

The realignment component is used to correct and prevent deviant behavior. If the realignment component is known from the beginning it can prevent the private partner from opportunistic behavior (Crawford,

2006). This theory is confirmed by the private organizations. Since private organizations experience a conflict with their commercial goals, most of them would not perform Social Return if there was no sanction. Social Return is still seen as a burden and an obligation. Municipalities however stated that they are hesitant to apply the sanction, since they expect that it will affect the relationship in a negative way.

Besides sanctions rewards are expected to benefit the effort of the agent. Rewards are however hardly used in the field of Social Return. Both the municipalities as the private organizations state they have interest in exploring this option. Especially in the form of certificates or benchmarks, since private organizations state that there is a marketing value of Social Return. Presenting the success stories of Social Return is also expected to diminish the stigma and the resistance of private organizations.

### 6.6 Conclusion: effect of steering on the fulfillment of Social Return

This research has showed that municipalities steer private organization in the fulfillment on Social Return to realize sustainable reintegration and to create a sustainable relationship. The instrument of Social Return is used to let the market contribute to the solution of unemployment.

With a combination of enforcement and stewardship municipalities tend to present themselves as constructive partners willing to help private organizations to discover the value of Social Return. By offering numerous possibilities for the fulfillment, municipalities hope to find a form of Social Return that fits the organization and leads to more interest in the population of Social Return in the future.

Private organizations appreciate the constructive approach of municipalities but still see Social Return as obligation and at times even as a burden. The adaption of the obligation to the context of the private organization seems to increase the likeliness that Social Return actually leads to sustainable reintegration.

The stigma of the population of Social Return however decreases the chance that private partners will return to municipalities in case of vacancies in the future. Although Social Return, in case of good matching leads to a diminishment of the stigma, private organization still prefer 'regular' candidates, especially since the supply on the labor market is so high.

The steering by municipalities seem to improve the willingness to reintegrate people with a long distance to the labor market, but it is questionable whether it actually leads to sustainable reintegration and a sustainable relationship between the municipality and the private partner.

### 6.7 Reflection & recommendations for further research

The research provided more insight in the effect of steering. The 20 interviews that were held with the municipalities and the private organizations are as discussed before not representative for the Netherlands in general. The municipalities were selected on size and for practical reasons on geographical distance. The

fact that the municipalities were part of the same region, can influence the analogy of the findings. It would therefore be interesting to conduct this research on larger scale.

In addition, several times during this research it was questionable whether Social Return actually leads to long term reintegration and whether it helps the most distanced people to the labor market. Further research on these subjects is necessary to actually test the effect of Social Return.

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## 8. Appendix

### 8.1 Topic list

#### Introduction:

*My background:* Student Social Policy and Social interventions. Intern at Society impact.

*Purpose research:* thesis, possibly published by Society Impact

*Conditions participation:* anonym, information will be handled with care

*Data collection:* is recording the interview allowed?

#### Steering - Goal

- Content - *what agreements are made for the fulfilling of Social Return?*
  - Quantification of agreements
    - Quantity / quality
    - Input/ Output
  - Agreements on performance
    - Target population
      - Distance to the labor market
      - Specification
      - Matching
    - Duration of trajectory
    - Guidance during trajectory
  - Form of service
    - Direct
      - Labor participation
    - Indirect
      - Compensation orders
      - Social cohesion
  
- Formation of agreements – *how are the agreements formed?*
  - Specifics – what specifics are agreed upon?
    - Uniformity
    - Customization
  - Form of steering – *how are agreements made?*
    - Enforced
    - Simplified
    - Intrinsic motivation
    - Trust

#### Steering - Monitoring

- Forms – *How is the process monitored?*
  - Direct (principal)
    - Case management by account manager
    - Part of contract management in general
  - Indirect (agent)

- Management reports
- Client reports
- Digital system
- External
  - External audit
- Intensity – *What is the intensity of control?*
  - Frequency
- Content – *What aspects are monitored?*
  - Input
  - Output
  - Outcome
  - Quantity
  - Quality

### **Steering – Realignment**

- Sanction – *use of sanctions?*
  - Intrinsic
    - Diminishing of trust
  - Extrinsic
    - Ending of contract
    - Financial sanction
- Reward – *Use of rewards?*
  - Intrinsic
    - Increase of trust
  - Extrinsic
    - Extension of contract
    - Financial reward
    - Benchmark

### **Fulfillment Social Return**

Customization – *to what extent is customization safeguarded?*

- Client
  - Demands
    - Personal guidance
    - Instruments
    - Focus
  - Context
- Agent
  - Context of company

Sustainable outcome – *to what extent is sustainable outcome safeguarded?*

- Client
  - Duration of trajectory
  - Outcome of reintegration trajectory
  - Follow up after fulfilling social return
  - Carrousel effects

Prevention of adverse selection – *to what extent is adverse selection prevented?*

- Selection of clients
- Crowding out effect of (potential) employees

Safeguarding of privacy – *to what extent is safeguarding of privacy safeguarded?*

- discussion context candidate

Handling of complaints - *what happens in case of complaints?*

- system

## **Ending**

*Additional statements*

*Thank you for the interview*

*The report will be send in July in case of interest*

## 8.2 Codes – First analysis

### Steering - Goal

- Content
  - Quantification of agreements
    - Quantity / quality
    - Input/ Output
  - Agreements on performance
    - Target population
      - Distance to the labor market
      - Specification
      - Matching
    - Duration of trajectory
    - Guidance during trajectory
  - Form of service
    - Direct
      - Labor participation
    - Indirect
      - Compensation orders
      - Social cohesion
  
- Formation of agreements
  - Specifics
    - Uniformity
    - Customization
  - Form of steering
    - Enforced
    - Simplified
    - Intrinsic motivation
    - Trust

### Steering - Monitoring

- Forms
  - Direct (principal)
    - Case management by account manager
    - Part of contract management in general
  - Indirect (agent)
    - Management reports
    - Client reports
    - Digital system
  - External
    - External audit
- Intensity
  - Frequency
- Content
  - Input
  - Output
  - Outcome

- Quantity
- Quality

### **Steering – Realignment**

- Sanction
  - Intrinsic
    - Diminishing of trust
  - Extrinsic
    - Ending of contract
    - Financial sanction
- Reward
  - Intrinsic
    - Increase of trust
  - Extrinsic
    - Extension of contract
    - Financial reward
    - Benchmark

### **Fulfillment Social Return**

#### Customization

- Client
  - Demands
    - Personal guidance
    - Instruments
    - Focus
  - Context
- Agent
  - Context of company

#### Sustainable outcome

- Client
  - Duration of trajectory
  - Outcome of reintegration trajectory
  - Follow up after fulfilling social return
  - Carrousel effects

#### Prevention of adverse selection

- Selection of clients
- Crowding out effect of (potential) employees

#### Safeguarding of privacy

- discussion context candidate

#### Handling of complaints

- system

## 8.3 Codes – second analysis

### Setting of the percentage and obligation

- Framing Social Return
  - Promoting success stories
  - Showing value of Social Return
  - Win-win-win
- Including the market in the share of responsibilities for of municipalities
  - Adaption to market
  - Knowledge of the branch
- Tender criteria
- Strict framework with flexibility within
  - Resistance and acceptance obligation
  - Prevention of discussion

### Relationship

- Constructive partner
- Hope for sustainable relationship
- Employer-perspective instead of candidate-perspective
- Past performance

### Steering - Goal

- Content
  - Quantification of agreements
    - Quantity
    - Quality
    - Input – Wage value
    - Output – methods of blocks
  - Agreements on performance
    - Target population
      - Distance to the labor market
      - Specification
      - Matching
        - Differences in population
        - Knowledge of database
        - Profile vacancy
        - Creaming
        - Transparency on candidates
        - Poole forming
    - Duration of trajectory
      - Limit to 'title' Social Return candidate
    - Guidance during trajectory
    - Previous effort
    - Services of municipality
      - Limitation of risk
        - Test placement

- No-risk polis
- Form of service
  - Direct
    - Labor participation
      - Job carving
  - Indirect
    - Compensation orders
      - Chain of supply
      - responsibility
    - Social cohesion
  - Hierarchy
  - Beside the project
  - Outside the municipality

#### Formation of agreements

- Plan of action
- Specifics
  - Uniformity
  - Customization
- Form of steering
  - Enforced
  - Simplified
  - Intrinsic motivation
    - Sense of ownership
    - Connection with interest company
  - Trust

#### Steering - Monitoring

- Forms
  - Direct (principal)
    - Case management by account manager
    - Part of contract management in general
  - Indirect (agent)
    - Management reports
    - Client reports
    - Digital system
  - External
    - External audit
- Intensity
  - Frequency
  - Monitoring process
- Content
  - Input
  - Output
  - Outcome
  - Quantity
  - Quality

## Steering – Realignment

- Sanction
  - Intrinsic
    - Diminishing of trust
  - Extrinsic
    - Ending of contract
    - Financial sanction
- Reward
  - Intrinsic
    - Increase of trust
  - Extrinsic
    - Extension of contract
    - Financial reward
    - Benchmark
    - Marketing

## Fulfillment Social Return

### Customization

- Client
  - Demands
    - Personal guidance
    - Instruments
    - Focus
  - Context
- Agent
  - Context of company

### Sustainable outcome

- Client
  - Duration of trajectory
  - Outcome of reintegration trajectory
  - Follow up after fulfilling social return
  - Carrousel effects
- Education to prevent carrousel effect

### Prevention of adverse selection

- Selection of clients
- Positive discrimination
- Stigma of the population
- Creaming
- Crowding out effect of (potential) employees

### Safeguarding of privacy

- discussion context candidate

### Handling of complaints

- system