

The Quest for Welfare State Sustainability

Managing Youth Unemployment by Social Impact Bonds?

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1. Introduction

“As a society we know numerous challenges and government alone cannot tackle them, but a SIB is a contract by which a private investor invests in such a social problem, the government pays the investor the return on the basis of savings the government achieves.” - Ruben Koekoek, innovation manager at ABN Amro Bank

The main role of the welfare state is providing social protection for vulnerable groups (see e.g. Taylor-gooby, 2011). However, the sustainability of the welfare state stands under discussion since the oil crises in the 1970s. These crises led to instability of the economic system and consequently created inflation and stagflation. Welfare states responded to emerging financial and societal pressures in different ways (Pollitt & Bouckaert, 2011). The old Keynesian model based on public sector policy responses is replaced with a neoliberal way of governing welfare (Morel, Palier, & Palme, 2012). This crisis of the welfare state was accompanied by societal transformations, such as the shift from a male breadwinner model towards an adult worker model, the development of the knowledge economy, and higher mobility that led to more migration streams (Morel et al., 2012). New social risks such as having low or obsolete skills and discontinuous career paths posed an even greater demand on social protection (Bonoli, 2005). Groups of people most affected by these new social risks are youth, women, older workers, and migrants (Bonoli, 2005; Knijn, 2012; Schmid, 2005). Welfare states increasingly deal with ways to cover these new social risks, while at the same time budgets need to be cut due to an unsustainable level of welfare expenditures (Pintelon, Cantillon, Van den Bosch, & Whelan, 2013).

Two major policy frameworks developed in response to these developments include the social investment and social innovation (See e.g. European Commission, 2014; Oosterlynck et al., 2013). Both frameworks have implications for the way social protection is delivered. Social investment means investments in education and skills across the life course – but especially in childhood – as top priority for welfare provision (see e.g. Morel et al., 2012; Van Kersbergen & Hemerijck, 2012). Social innovation delivers social protection through network relations between public, private and nonprofit organizations (Oosterlynck et al., 2013; Phills, Deiglmeier, & Miller, 2008).

In the aftermath of the financial crisis of 2008, societal needs increased, which is especially apparent on the labor market with rising unemployment levels. Comparative OECD unemployment data of 2008 and 2012 show that the level of unemployment rose, the number of jobs available is low, and employers hesitate to hire people. According to Statistics Netherlands the overall unemployment rate in the Netherlands increased from 4.5% in 2007 to 9.0% in the first quarter of 2014 (CBS StatLine, 2014). The group most at risk is youth; their position on the labor market is endangered by people with more work experience and stable contracts, and the low willingness or ability of employers to hire young people (OECD, 2012). Statistics Netherlands shows that the unemployment level for people aged 15-25 increased from 9.2% to 16.5% in the first quarter of 2014 (CBS StatLine, 2014). Young people face an increasingly precarious position on the labor market due to the financial crisis.

Generally, youth unemployment is addressed by Active Labor Market Policies (ALMPs) in the Netherlands, combining benefits with activation measures. But challenges welfare states face also makes way for alternative policies, such as Social Impact Bonds (SIBs). A SIB is an agreement between a ‘problem owner’ (usually the government), a (social) entrepreneur who can solve the problem, and investors (e.g. banks, trust funds). The agreement is based on a ‘no cure, no pay’ basis. The social entrepreneur has to reach an agreed target. The investors provide working capital. The government repays the investors and the social entrepreneur if targets are met (see Joy & Shields, 2013), e.g. an agreed amount of benefits saved. The potential of SIBs to offer social protection ranges from improving school performance, taking care of the homeless, reducing alcohol and drugs use, to reducing recidivism (Liebman, 2011; Lunes et al., 2013; Vennema & Koekoek, 2013). In the Dutch context SIBs are best suited for tackling unemployment (Vennema & Koekoek, 2013).

Problem statement

In this research I focus on youth unemployment as a social risk and look into one novel way of possible social protection for this risk: the Social Impact Bond (SIB). By researching SIBs I hope to gain an understanding of whether and how a SIB can offer social protection (cf. McHugh, Sinclair, Roy, Huckfield, & Donaldson, 2013; see e.g. Vennema & Koekoek, 2013). SIBs are a way of financing only those interventions that are effective by only paying for improved social outcomes in comparison to existing social interventions financed through conventional methods such as subsidies. Therefore SIBs are interesting in the way they

finance, deliver and improve social interventions, as SIBs could form an alternative means to social protection in the existing welfare system.

SIBs as a possible form of social protection are little researched to date. Given the lack of research in this area, it is necessary to compare SIBs with conventional policy approaches to youth unemployment. The focus, however, is whether and to what extent SIBs contribute to social protection offered through the welfare state, either as a form of social innovation or social investment. The comparison between the CYU policies and SIBs is carried out using labor market regional action plans of the G4 (the four largest municipalities in the Netherlands: Amsterdam, Rotterdam, Utrecht, and The Hague) and the Rotterdam SIB. Rotterdam is the first Dutch municipality to develop a SIB to address youth unemployment, thereby offering the best case for researching this issue. The main question of this research is:

Does the Rotterdam Social Impact Bond offer an alternative means of addressing youth unemployment? If so, how?

To answer this research question I look into five sub questions:

1. *What are CYU policies in the G4?*
2. *Are these CYU policies a form of social investment or social innovation?*
3. *What are SIBs? And how does the Rotterdam SIB relate to SIBs in general?*
4. *Is the Rotterdam SIB a form of social investment or social innovation?*
5. *How do CYU policies relate to the Rotterdam SIB to address youth unemployment?*

Reading guide

This thesis structured as follows: in chapter two I discuss scientific work on CYU policies and SIBs, and I introduce important aspects of social investment and social innovation, including the basis for the analytical framework. In chapter three, I discuss the methods and data used for this research, present the analytical framework, and the operationalization. This chapter concludes with some expectations derived from theory. In chapter four I discuss the empirical findings, starting with CYU policies and the Rotterdam SIB separately, this chapter concludes with a discussion of the relation between CYU policies and the Rotterdam SIB. In chapter five I present a conclusion, answer to the research question, and discuss the research and its place within scientific work, including suggestions for future research and practice.

2. Theory

This chapter provides a theoretical framework for analyzing conventional youth unemployment (CYU) policies and Social Impact Bonds (SIBs) in relation to youth unemployment. It starts with a discussion on the scientific roots of CYU policies. While little research exists on SIBs, the research done to date is considered before moving on to look more closely at social investment and social innovation.

2.1 Conventional youth unemployment policies

Dutch youth unemployment policies have been organized around the principle of a guarantee for youth from a ‘control perspective’, and the Dutch labor market program offers continuity and coherence (Meijers & Te Riele, 2004). The Netherlands has had the strongest linkages between school and work, with school tracks that have relatively high occupational specificity compared to other European countries. As a result active labor market policy measures were not introduced in the Netherlands until the beginning of the 1990s (Schroder, 2004).

The Dutch welfare state is shifting its propositions from social protection to prevention and activation, which becomes clear in the current discussion on the Participation-state (*Participatiestaat*). With this trend Dutch youth unemployment policies moved towards ALMPs. ALMPs as described by Bonoli (2012) focus on a two-dimensional classification: The first dimension focuses on the extent to which policies comprise an investment in beneficiaries’ human capital. The second dimension considers the degree to which beneficiaries are expected to re-enter the labor market. This two dimensional classification leads to the formulation of four types of ALMPs: incentive reinforcement, employment assistance, occupation, and *upskilling*. The current research is mostly related to the later two as occupation is characterized by job creation schemes in the public sector and non-employment related training programs; and *upskilling* points to job related vocational training.

2.2 Social Impact Bonds

The development of SIBs cannot be seen separately from the recent economic crisis, which led to cuts in social services and a rise in the need for general support (Joy & Shields, 2013). This led to a growing attention for the third sector, “as governments turn to non-governmental institutions to pick up the social deficits created by economic recession and the state’s retreat from social provision responsibilities” (Joy & Shields, 2013, p. 40). From a government point of view, SIBs are a new form of performance-based contracts (McKay, 2013). SIBs represent a new form of social program financing and make investments in preventative services more accessible, typically for vulnerable groups (Warner, 2013).

No two SIBs are exactly the same from a social policy standpoint, neither in operations nor in goals. However, some aspects can be distinguished to help understand the general idea behind an SIB. The development of SIBs starts by the government commissioning service design and delivery (Joy & Shields, 2013). Wong, Ortmann, Motta, Zhang (2013) explain the design of SIBs as follows: First, (social) investors enter a contract with the government in which agreements are made regarding the service area and particular projects suitable for SIBs. Second, desired outcomes are formulated, along with an estimation of the project costs, anticipated savings and the rate of return for the investors when the program outcomes are met (Joy & Shields, 2013). Third, a nonprofit carries out a social intervention that is believed to achieve the agreed outcomes, after which the program will be assessed. Finally, the government repays the investors and the executor based on improvements in the target population, on a ‘no cure, no pay’ basis.

In other designs of SIBs, an intermediary organization plays a key role, linking government, investors, and the executor. The intermediary issues the SIB to investors and a service provider. If the project is successful, the intermediary repays the investors with the agreed upon rate of return (Joy & Shields, 2013). The rationale behind SIBs is similar to payment-by-results schemes associated with target-based performance management (McKay, 2013). This way of working encourages goal clarity and focuses on key areas of activity.

2.3 Social investment

Central to the idea of social investment is the focus on preparing instead of repairing, which means that it is better to focus on prevention of social risks than to wait until vulnerability has led to a social problem (Morel et al., 2012). Therefore, this perspective focuses on the future and makes special efforts to help young people achieve the necessary skills and education to thrive in the contemporary and future society. In addition, activation of citizens in general is promoted. In this perspective, skills and education, and activation are used to enhance human capital. The social investment approach aims to make efficient use of human capital in order to ensure economic development and employment growth by a government driven exercise. Van Kersbergen & Hemerijck (2012) point out that the social investment approach tries to ensure maximum returns on social expenditures, in terms of employment and participation.

The social investment perspective is used by governments that want to establish and accelerate knowledge-based economies (see e.g. Morel et al., 2012). The role of the welfare state is visible in policymaking and control on key societal issues, such as guidance for the unemployed (Jenson in Giddens, Diamond, & Liddle, 2006). Social policies in this perspective are essential to economic development and employment growth (Morel et al., 2012). Diamond & Liddle (2012) state that people in favor of social investment strategies focus their policy concerns on (long-term) unemployment. This strategy is also used to lower government costs (Morel et al., 2012). From a social investment perspective, then, youth unemployment is best countered by providing human capital development opportunities and activation policies. The current literature on youth unemployment approaches in most European countries demonstrates that many countries approach youth unemployment from a social investment perspective (Morel et al., 2012; Pintelon et al., 2013; Schroder, 2004; Van Kersbergen & Hemerijck, 2012; Wells, 2012), and focus on human capital development through e.g. ALMPs (Bonoli, 2012).

2.4 Social innovation

Social innovation is defined as the process of inventing, securing support for, and implementing novel solutions to social needs and problems and brokering a dialogue between

the public, private, and nonprofit sectors (Phills et al., 2008). However, Phills et al. (2008) reformulate this definition to a novel solution that tackles a social problem, which is more effective, efficient, and sustainable than existing solutions. Social innovation is used to create solutions geared primarily to society as a whole rather than to individuals. Moulaert, Martinelli, Gonzalez, & Swyngedouw (2007) point out that social innovation focuses on human needs through innovations in a certain area and community governance. Social innovation is about ideas that help to create new coping strategies for social needs (Link, Siegel, & Van Fleet, 2011).

The role of welfare states in this perspective is not that obvious. Some of these innovations are coined bottom-up (see e.g. Maynard-Moody & Musheno, 2000), however, a lot of social innovation initiatives come from third parties (see e.g. Certo & Miller, 2008; Evers, Ewert, & Brandsen, 2014; Mair & Martí, 2006; Mort, Weerawardena, & Carnegie, 2002). Evers, Ewert, & Brandsen (2014) show in what way government can use social innovation in ways that helps to tackle new social risks through new models of governance, which requires the cooperation of local government with other actors, such as social entrepreneurs, local charities, and target groups. The important insight in social innovation is that local government cannot work in isolation of other social actors anymore (Evers et al., 2014). From a social innovation perspective, youth unemployment is addressed through practice, creating policy configurations that involve multiple actors and (local) government.

2.5 Social investment and social innovation: control and policy goals

Based on the theoretical discussion above, two aspects of social investment and social innovation are integral for investigating policy approaches: control and policy goals. Control refers to who makes the decisions. Control in social investment is government centered (Giddens et al., 2006), while in social innovation it is multidimensional (Phills et al., 2008). Policy goals of social investment are human capital development and efficiency through lower costs (Morel et al., 2012), while policy goals of social innovation are effectiveness, efficiency through social outcomes, and sustainability of social outcomes (Phills et al., 2008). These two aspects, control and policy goals, will be used to analyze CYU and SIB approaches to youth unemployment.

Control

Control is an important aspect in the way social investment and social innovation differ, as control is performed by government and through the network of various actors respectively. The social investment approach is based on policymakers and administrators who are decision makers of the direction in which interventions are to be created (see Morel et al., 2012). In contrast, the social innovation approach is based on multidimensional control, as networks of third parties cooperate with government in order to establish how social interventions are carried out (Link et al., 2011). In this type of control networks are horizontal relationships, derived from the idea that policymaking in isolation is obsolete (Koppenjan & Klijn, 2004), explicitly including third parties. Third parties are those actors external to government: private and non-profit parties. These actors are important in order to create a network based on horizontal relationships (Hubert, 2011).

Policy goals

Both social investment and social innovation try to achieve greater social inclusion and social cohesion, however social investment focuses on certain target groups, especially vulnerable groups (Bonoli & Palier, 2009; Morel et al., 2012), whereas social innovation focuses on society as a whole (Link et al., 2011; Phills et al., 2008). Social investment is concerned with breaking the cycle of intergenerational inequality and poverty (Morel et al., 2012). This becomes evident in the way human capital development is an integral part of social investment. This research will therefore look into human capital development explicitly.

In the social investment approach, efficiency is important (Van Kersbergen & Hemerijck, 2012). However, efficiency is measured as a reflection of lowering cost, i.e. through social expenditures (Clasen & Siegel, 2007). The social innovation approach, in contrast, makes a clear distinction between different stages of improvement of interventions: effectiveness, efficiency, and sustainability (Evers et al., 2014; Phills et al., 2008). These three stages are related to the use of the interventions and their alternatives, and in particular their social outcomes, rather than based on financial aspects alone. For example, social investment looks at the fact that an unemployed young person finds work and calculate the savings, while social innovation calculates savings, and looks at that same person right now and a year from now to see the sustainability effects, i.e. are social outcomes of social interventions durable in the long run.

Based on the existing literature described above, it is possible to formulate an analytical expectation, namely that CYU policies are likely to be a form of social investment and the Rotterdam SIB is likely to be a form of social innovation. However, whether CYU policies or the Rotterdam SIB show indications of being either social investment or social innovation, or some other theoretical frame will need to be determined empirically.

3. Research Design

This chapter outlines the research design of the thesis, including the chosen research method and analytical framework, and an operationalization of important concepts.

3.1 Research methods

The central question of this thesis is: “Does the Rotterdam Social Impact Bond offer an alternative means of addressing youth unemployment? If so, how?” To answer this question, qualitative methods including semi-structured interviews and document analysis are used. I chose to do qualitative research because this type of research can bring about detailed information on the subject matter (Boeije, 2009), which is necessary in order to understand the relation between CYU policies and the SIB. Moreover, there is little academic literature on SIBs, which indicates that qualitative research is in order (Hart, Boeije, & Hox, 2009).

As noted in the introduction, the focus of this research is on the use of SIBs in the municipality of Rotterdam, so that the population of the research was policymakers and third party actors working on youth unemployment in the municipality of Rotterdam. However, throughout the course of this research it became necessary to obtain a broader view of conventional policies used to address youth unemployment and the use of SIBs. I therefore extended the research to include the four major urban municipalities in the Netherlands: Amsterdam, Rotterdam, Utrecht and The Hague, referred to as the G4. I also looked at SIB policies outside the Netherlands, which led to 2 interviews with international experts on the topic. The central population remains, however, the G4 municipalities on the level of youth unemployment policies, SIBs in general, and the Rotterdam SIB in particular. I conducted 13 semi-structured interviews with people working in the G4 on youth unemployment or SIBs. In addition, document analysis was performed, including 6 reports on SIBs and 4 G4 labor market regional action plans, one from each municipality. The 15 interviews¹ were conducted using a theory-driven topic list (based on the indicators described below), and were recorded and transcribed. The reports and action plans were read and summarized. Then, these texts were coded and analyzed using MaxQDA.

¹ See Annex 1 for a list of respondents, including organizations and functions.

The indicators described in the operationalization below informed the coding process, along with other codes described in Annex 2. While reading the transcriptions, report summaries, and action plan summaries, codes were assigned to important sections. These codes were then analyzed using axial coding strategy (Boeije, 2009). During the analyzing process it became apparent that the indicators derived from theory did not suffice, and in vivo codes developed during the analysis. These in vivo codes were related back to theory in order to understand what their implications are for the research. The final code tree can be found in Annex 3. In the end, the most important codes were selected by looking the number of times a code was used. This final selection was analyzed by creating a mind map of the codes in order to define how to discuss the codes. The end result of that process can be read in chapter four.

3.2 Analytical framework

Prior to the interviews, the theoretical framework discussed in chapter two was used to develop an analytical framework using the two dimensions emerging from the theoretical discussion: control and goals. Control and policy goals outline indicators that show the key differences between the two perspectives.

| Dimension | Social Investment | Social Innovation |
|------------------|---|---|
| 1 Control | Government-centered Municipal policymakers | Multidimensional Networks Third Parties |
| 2 Goals | Human capital Efficiency (lower costs) | Effectiveness Efficiency (social outcomes) Sustainability |

Table 1. Dimensions and indicators of social investment and social innovation based on theoretical framework.

Operationalization

A list of definitions of the indicators of the two dimensions is given below, to clarify what each indicator means, and SIBs and youth unemployment are defined.

| Indicator | Definition |
|----------------------------|--|
| Government-centered | Means that government dictates what needs to be done as well as how this needs to be done |
| Policymakers | Government describes what needs to be done in policies that are implemented in different government departments on the national and/or local level |
| Multi-dimensional | Means that government decides what needs to be done in dialogue with other parties, but not how this needs to be done |
| Networks | Indicate transcending departmental and/or sectorial boundaries, internally to government, as well as externally to government |
| Third parties | All parties outside of the government / public sector |
| Human capital | Skill and education level, and activation towards upgrading this |
| Lower costs | Lower costs for government on tackling social issues |
| Effectiveness | Depends on measurability of outcomes, and is a way of looking for optimal results |
| Efficiency | Effectiveness combined with a better balance between results and costs |
| Sustainability | Social initiatives are enduring in terms of social and financial results. |

Table 2. Operationalization of indicators based on theoretical framework.

SIBs are not included in the operationalization as it is part of this research to gain a better understanding of their definition. Aspects intrinsic to the SIB model are performance-based contracts and private sector financing (Joy & Shields, 2013; Warner, 2013)

Youth unemployment in the Netherlands is defined as all people aged 15 to 27 currently looking for a job of 12 hours or more a week (Broman & Samuelsson, 2013). I use this definition rather than other definitions because the municipalities use this definition to calculate their youth unemployment level.

4. Results

In this chapter I present the main results of the empirical data.

In section 4.1, I focus on answering sub-question one and two. Firstly, I look at characteristic of CYU policies in the G4 and discuss similarities and noteworthy differences, answering sub question one. Subsequently, I discuss how CYU policies fit in the analytical framework to determine whether it is a form of social investment or social innovation, answering sub question two. These results are based on the analysis of Youth Unemployment Action Plans of the G4 and interviews with policymakers and administrators working in the G4.

In section 4.2, I focus on answering sub-questions three and four. Firstly, I look at characteristic of SIBs in general and discuss these for the Rotterdam SIB, answering sub question three. Subsequently, I discuss how the Rotterdam SIB fits in the analytical framework to determine whether it is a form of social investment or social innovation, answering sub question four. These results are based on national and international SIB reports and interviews with national and international SIB experts, including all parties involved in the Rotterdam SIB.

Section 4.3, answers sub question 5 on how CYU policies and the Rotterdam SIB relate in addressing youth unemployment.

4.1 Conventional youth unemployment policies in the G4

Similar to the national average (21%), youth unemployment grew in the G4 labor market regions, even in the past year (UWV & Beroepsonderwijs & Bedrijfsleven, 2014a). Compared to 2012 youth unemployment increased in Groot-Amsterdam with 19%, in Rijnmond (Rotterdam) with 26%, in Utrecht-Midden with 51% and for Haaglanden (The Hague) 62% in 2013 (UWV & Beroepsonderwijs & Bedrijfsleven, 2014a, 2014b, 2014c, 2014d). Rising youth unemployment in the Netherlands led to developing an Approach to Youth Unemployment (*Aanpak Jeugdwerkloosheid*) in April 2013 (Rijksoverheid, 2013). Based on this approach, municipalities developed regional action plans. The regional action plans of the G4 have been analyzed for this chapter. In addition, four interviews have been held with two administrators, one policymaker, and one project leader within the G4 that helped develop these action plans. The action plans and the interviews were analyzed using MaxQDA to answer sub-questions one and two. This form of triangulation and analysis led to the discovery of common denominators in all action plans and interviews, as well as noteworthy differences between the action plans of G4 municipalities or the interviews. Both common denominators and differences are discussed before analyzing CYU in the G4 through the analytical framework.

1. What are CYU policies in the G4?

The most important aspect of CYU policies is the goal of achieving basic qualifications, either via full-time education, or via training such as apprenticeships. Basic qualification means having at least HAVO (higher general secondary education) or MBO-2 (vocational training, level 2 – of 4). Next to this aspect, there are five other important aspects common in CYU policies: extra attention for vulnerable groups, financial incentives for employers, matching labor market supply and demand, sectorial foci, and cooperation.

Firstly, even though CYU policies are meant for all unemployed youth, there is special attention for vulnerable groups. For these young people additional actions are proposed in terms of guidance and creating educational and work opportunities. Secondly, financial incentives for employers are used to achieve the goals in the action plan, such as vouchers and

checks when employing someone for over 6 months. Thirdly, the match between supply and demand on the labor market is discussed. Working together with employers, UWV and educational institutions such as ROCs, municipalities try to minimize that gap. Fourthly, sectorial foci are used to ensure a better match between supply and demand, such as a technical pact (*Techniekpact*) to generate more young people for the technical sector. Lastly, intensifying existing relationships to create more cooperation is important. This occurs across three levels: within the municipality itself, across multiple departments with direct external partners, such the UWV, but also ROCs (vocational training), and lastly through increased cooperation with employers, whereby social initiatives and ambassadors are used to create an integrated action plan.

These important common aspects could indicate that CYU policies include the social investment perspective, since they are geared towards vulnerable groups and education or work. Before analyzing this more in depth, noteworthy differences in the action plans and interviews are discussed. These differences are noteworthy as they are not included in all action plans or interviews, but do play a large role in the respective municipality. There are four differences with implications for the way CYU policies are carried out: the use of technical innovations, selection criteria, scalability of social interventions, and ownership.

Firstly, technical innovations such as apps and gaming are used in Utrecht-Midden and Haaglanden to reach their target groups and keep them interested in preparing for a job, finding one, and maintaining that job. Secondly, different selection criteria in choosing the proper social intervention lead to interesting differences. In Rijnmond one of the criteria is that the social intervention needs to be innovative. In Utrecht-Midden the three most important selection criteria are activation, regional focus (not local), and financial sustainability (Gemeentebld Utrecht, 2013). Thirdly, an administrator in Groot-Amsterdam Amsterdam says “we try how things work on a small scale so we can introduce them on a larger scale later on.” This scalability aspect is important to create social interventions that are sustainable in the long run. Lastly, Utrecht-Midden focuses on letting young people create their own social intervention, a strategy of ownership. “It is important to us that young people themselves are involved as well,” says a project leader of the action plan in Utrecht-Midden.

2. *Are these CYU policies a form of social investment or social innovation?*

To see whether these CYU policies are a form of social investment or social innovation the action plans and interviews with G4 administrators and policymakers were assessed using the analytical framework. Control aspects indicate CYU policies are government-centered and policy goals indicate CYU policies are geared towards human capital enhancement and activation, as well as effectiveness and efficiency. Before determining whether CYU policies are social innovation or social investment, I discuss a third aspect that arose from the analysis: the financing of social interventions.

Control in CYU policies

Control in CYU policies is government-centered. This government-centeredness is clear since administrators and policymakers decide what needs to be done and how this needs to be done in terms of tackling youth unemployment (Action plans, interview with policymaker in The Hague and Utrecht). Government-centered control indicates social investment.

At the same time, my interviewees point out that there is a shift in control going on, from a government that provides welfare for its people to a government that provides welfare in cooperation and in dialogue with partners, which indicates that social innovation is used. “Youth unemployment is not just a governmental issue, it is a social problem” says the project leader action plan Utrecht, policymaker at Utrecht, “and since government has less money to spend, social issues are more and more tackled by building bridges.”

Cooperation is mentioned in all the action plans and interviews as becoming more important. “Structurally working together with the private sector is relatively innovative,” says the former alderman of Amsterdam. “Especially when working on a preventative level it is important to create bigger things, make connections, involve social organizations, ensuring to do activating things with your policy instruments.” To facilitate this, networks are used in CYU policies. Two types of networks can be distinguished: internal and external networks.

Internal networks are a means of cooperating within governmental departments in one municipality, or over a couple of municipalities, such as the labor market regions. The Hague, for example, created multidisciplinary teams in order to offer better guidance to unemployed youth (interview policymaker The Hague). Utrecht uses administrators as ambassadors; these

ambassadors use their professional network to help young people find a job (interview project leader action plan youth unemployment Utrecht).

External networks means working together with third parties in the private sector. The Hague uses their network of business partners who want to fulfill their Corporate Social Responsibility (interview policymaker The Hague). The former alderman of Amsterdam says: “What you see is that the business sector mingles more and more with the government, they want to contribute and make an effort to do so. So we try to facilitate that, for example by social return.” Yet, decision-making in CYU policies lies with government, which indicates social investment based control.

Policy goals of CYU policies

CYU policies built on the idea that a basic qualification is necessary to successfully enter the labor market. Human capital development is present in terms of attaining basic qualifications and activation. A policymaker at The Hague says: “We consider a start qualification as very important, and young people need to have one to stand a better chance on the labor market. So, we try to incorporate a schooling in all our services.” The importance of basic qualifications is backed-up by all the action plans of the G4. But CYU policies not only aim at those young people who are already unemployed, but also on potentially unemployed youth. “[...] We take extra care in that respect. [...] For example, by addressing attention to school dropouts, which are portents of youth unemployment and not participating in society,” says the former alderman of Amsterdam.

In CYU policies, schooling is the best way to fight youth unemployment, as a lot of these young people do not have a start qualification. But even though going back to school is priority, there are some vulnerable groups that need extra guidance in becoming activated. For those vulnerable groups, activation measures are used. Activation in youth unemployment means that young people are incentivized to actively do something about their unemployment status, for example by doing voluntary work, or following training in doing job interviews (Action plans, and interviews). “In the case that going back to school is impossible, the road to work is the best second option,” says a policymaker at The Hague.

In conventional policies of municipalities effectiveness becomes important, especially to lower costs, and this reflects in the way municipalities state their goals. However, it stays at the level of a results-oriented approach, which shows in the formulation of numerical targets

in the action plans, such as creating 100 apprenticeships. In addition to this results-oriented approach, cooperation – internally and externally – is viewed as a way to enhance effectiveness. As the project leader action plan Utrecht states: “We have decided to work together, we are going to combine our strengths because we think that is most effective.” Since the aim of effectiveness in the action plans is lower costs, this indicates that CYU policies are social investment based.

Additional findings

In addition to control and policy goals, an important theme not addressed explicitly in the literature on social investment and social innovation, policy financing, is visible in all the action plans and the interviews with policymakers and administrators. The labor market regions receive most of their money to tackle youth unemployment directly from the Dutch national government. In addition, they receive money from the European Social Fund (ESF). The labor market regions themselves distribute this money to initiatives that they selected looking at features such as regional focus, action oriented, and sustainability (Gemeenteblad Utrecht, 2013). Another financing method used to tackle youth unemployment is participation money (*Participatiegelden*), which municipalities receive from national government to tackle unemployment and inactivity in general. Next to this, social return in tendering processes is used to tackle (youth) unemployment. This means that the executor of the tender needs to allocate a certain percentage of the contract sum to helping people with a distance to the labor market. During all my interviews a new form of financing social interventions was mentioned: the Social Impact Bond. All four municipalities in the G4 are researching the possibilities of this new method, with the municipality of Rotterdam already implementing one. This trend in policy financing indicates a shift from social investment to social innovation. The construction and implementation of this SIB is discussed in the next chapter.

Sub conclusion

In response to sub-questions 1 and 2, which ask what CYU policies are and if and whether they are social investment or social innovation, I have shown in this section that CYU policies are focused on social investment. In terms of control this becomes evident because it is government-centered, even though there is cooperation through internal and external

networks. In terms of policy goals, human capital development via achieving basic education and activation measures is most important. In addition, preventative measures are used that aim to avoid youth unemployment. Effectiveness is present as well, but objective of effectiveness is lowering costs. CYU policies show use of Bonoli's (2012) ALMP typology, which is linked to the social investment perspective (see e.g., Morel et al. 2012). The role of government is prominent in CYU policymaking (see Giddens et al., 2006). However, policymakers and administrators state that cooperation with third parties is becoming more prominent. This cooperation is a prerequisite to establish networks (see Koppenjan & Klijn, 2004), and could indicate a shift towards more social innovation-like strategies to address youth unemployment.

4.2 Social Impact Bonds

Social impact bonds (SIBs) appear to be growing as a policy alternative. The concept of the SIB finds its roots in a study towards social innovation within the British. This led to the establishment of Council of Social Actions (CoSA) in 2007. In June 2014 there are 15 SIBs in the UK, five in the US, two in Australia, one in Belgium, and one in the Netherlands (Tomkinson, 2014).

This chapter is based on 11 interviews, of which two with international experts, one national expert, one with the administrator responsible for the Rotterdam SIB, one with the municipal project leader of the Rotterdam SIB, one with the project manager of SIBs in Rotterdam, three with investors of the Rotterdam SIB, one with the executor of the Rotterdam SIB, and one researcher of SIB opportunities for Utrecht municipality. In addition, six reports on SIBs were used, including four international reports, one report on SIB possibilities in the Netherlands, and one report on the Rotterdam SIB. The interviews and the reports were analyzed using MaxQDA to answer sub-questions three and four. This form of triangulation and analysis led to the discovery of key characteristics of SIBs framed as criteria for implementation and challenges. Both key characteristics of SIBs in general and the Rotterdam SIB are discussed before analyzing the Rotterdam SIB according to the analytical framework.

3. What are SIBs? And how does the Rotterdam SIB relate to SIBs in general?

The first part of this sub question will be answered by looking at common aspects in definitions stated in the reports and the interviews. In essence, SIBs are performance contracts between government and a social intervention, financed with private capital. If the agreed upon targets are reached, the investors will receive a return on their investments. In most SIBs the money is distributed via an intermediary and an independent assessor monitors results (Joy & Shields, 2013; Liebman, 2011; McKay, 2013; Roman, 2013; Sinclair et al., 2014; Walsh & Roman, 2013; Warner, 2013). It is important to look at criteria for implementation and challenges of SIBs worldwide, as these aspects help to discuss the Rotterdam SIB in detail.

Criteria for implementation

SIBs are not always a viable policy alternative. A number of important criteria must be met to create a situation conducive to the use of SIBs: a reliable comparison group or counterfactual, transparency about savings, settling the rate of return, scalability, and knowledge.

Lunes et al. (2013) outline the most important criteria: firstly, a baseline needs to be formulated to state what is normal and from which level of improvement investors are paid back through a reliable comparison group or counterfactual. A counterfactual is used when a comparison group cannot be formed due to e.g. ethical or practical reasons, and is based on as much information as possible on the population related to the treatment group. Secondly, savings need to be made transparent for all partners. Thirdly, determining what rate of return investors find acceptable on basis of the track record of the service provider and the size of the investment. Also, scalability needs to be determined to create large social impact (Nicholls & Tomkinson, 2013). Vennema & Koekoek (2013) add that SIBs require knowledge of e.g. social impact assessment, jurisdictional adaptations, and financial products.

Challenges

There are also some important challenges to SIBs: most importantly realizing credible impact measurement and finding a suitable social service provider. But also realizing actual savings, high transaction costs, and complexity.

The biggest challenge to SIBs is defining how to measure outcomes and social impact (Lunes, Frissen, Vermeer, & Revenboer, 2013; Nicholls & Tomkinson, 2013; Vennema & Koekoek, 2013). There is not one answer to how impact could or should be measured. Another challenge is finding the right social intervention or service provider to execute the SIB (Vennema & Koekoek, 2013). The service provider needs at least a positive track record.

In addition, defining the savings for the government is hard, cross-silo savings, meaning that the savings are linked to governmental departments or levels (Nicholls & Tomkinson, 2013). Transparency of savings is complicated by the involvement of multiple parties, which creates high transaction costs since different financing streams aim to generate a return. Nicholls & Tomkinson (2013) point out that the process of designing a SIB is highly complex and this might create a barrier for implementing SIBs.

SIB Rotterdam

The Rotterdam SIB is a cooperation of several partners: the municipality of Rotterdam as the problem owner, the ABN Amro Social Impact Fund and Start Foundation as investors, the Buzinezzclub as service provider, Ortec Finance – an econometric consultancy – and Deloitte as assessors (SIB Rotterdam, 2014). The intermediary is created as a legal entity, and is used to make financial streams transparent (Business advisor at Start Foundation). See Annex 4 for a description of the separate actors.

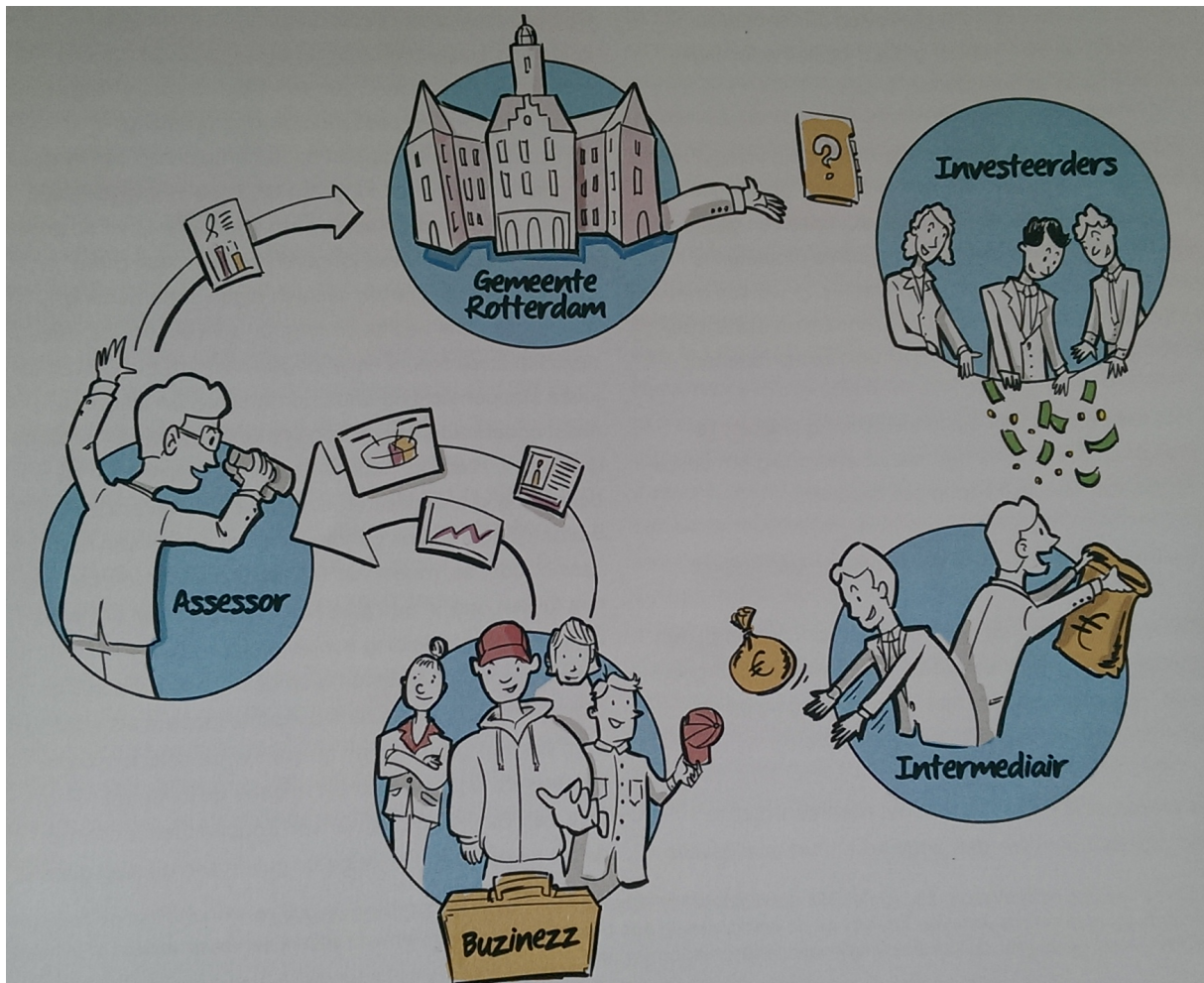


Figure 1. Schematic overview of the Rotterdam SIB. Source: Vennema & Koekoek (2013b, p.20)

The history the Rotterdam SIB is relatively recent. In 2012, the municipality of Rotterdam became aware of and gained inspiration from a SIB being used in the UK region of Peterborough, says the former project leader of the Rotterdam SIB (see also Nicholls & Tomkinson, 2013). Following, Rotterdam created a job for a SIB project leader to find partners to implement a SIB in Rotterdam. This partner was found in ABN Amro Innovation Centre, who helped to create business cases out of several potential service providers already

known to the Rotterdam municipality. Due to Ortec Finance's help it was possible to analyze 40 years of benefit data to create a counterfactual for the best potential service provider: the Buzinezzclub. This counterfactual proved that the Buzinezzclub social intervention was effective; the intervention is responsible for the shortening of the duration of benefits with an average of 7 months (SIB Rotterdam, 2014). At the same time, two investors were attracted: the ABN Amro Social Impact Fund, part of ABN Amro bank, and Start Foundation, a social investor that invests in improving the position of vulnerable people on the labor market. The municipality of Rotterdam, the investors, and the Buzinezzclub agreed on a target of helping 160 young people get off benefits over the course of two years, starting on March 17, 2014 (interview with project manager of SIBs in Rotterdam). Deloitte uses the Ortec model and data from the municipality on who left benefits to assess the results of the Buzinezzclub. The investors get repaid on the basis of the achievements of the Buzinezzclub. These achievements are based on the number of young people helped through the SIB construction, as well as the sustainability of the outflow in terms of people still off benefits one year after participating in the Buzinezzclub intervention (interview with project manager of SIBs in Rotterdam). The following section will answer the second part of sub question three.

Criteria for implementation

Criteria for implementation considered for the Rotterdam SIB are: having a counterfactual, ensuring transparency about savings, settling the rate of return, scalability, and knowledge required for SIB implementation.

An important criterion is creating a comparison group or reliable counterfactual. Ortec Finance used econometric logic to analyze 40 years of benefit data to create a counterfactual.

The possibility of savings is unclear in the Rotterdam SIB (see Vennema & Koekoek, 2013). In interviews, the project coordinator of SIBs in Rotterdam states that savings were certain, while the administrator involved in the Rotterdam SIB argues that organizational and personnel costs are higher than the expected return. It is not yet possible to be transparent about savings because the Rotterdam SIB started only recently, but the creation of a legal entity that records financial streams points out that this aspect is considered.

The rate of return is based on the level of risk taken by the investors: the more risk is taken, the higher the return rates in case of success. "In the Rotterdam SIB, the Buzinezzclub takes on 43% of the risk because of due diligence and the investors take on the other 57%,

which means that the Buzinezzclub can also expect a higher return when delivering better results, just like the investors,” says the project manager of SIBs in Rotterdam. The investors can expect a rate of return in case of success to a maximum of 12% annually.

Scaling means taking locally successful initiatives and put them into practice in other contexts (Lunes et al., 2013). Scalability also indicates that there are better results and more people in the target groups can be reached (Vennema & Koekoek, 2013). “The Buzinezzclub has possibilities to scale their intervention since the SIB construction proves that their method works in Rotterdam, which generates trust of other municipalities to work with the Buzinezzclub,” says the owner of the Buzinezzclub.

Knowledge needed to implement a SIB was found in ABN Amro, who helped define suitable service providers through business cases, and in Ortec Finance who developed a model that could be used as a counterfactual to assess the impact of the social intervention. Jurisdictional knowledge was also consulted, especially during contract development.

Challenges

Challenges discussed for the Rotterdam are credible impact measurement, finding a suitable service provider, realizing actual savings, transaction costs, and complexity.

Credible impact measurement depends on the counterfactual and the benefit data of the municipality, including the record of people who are off benefits for a year. The reliability of the counterfactual is ensured by econometrics of 40 years of benefit data. Municipalities record when people get off benefits.

A suitable service provider was first selected by creating business cases. These business cases indicated the potential of several service providers to achieve financial returns. After developing the counterfactual, it became clear that the Buzinezzclub is most suitable.

The Rotterdam SIB in itself realizes actual savings since people are shorter on benefits, however, the organizational costs, such as personnel costs outweigh these savings. “For later SIBs these costs would be different, and future SIB could generate actual savings for the municipality of Rotterdam,” says the administrator in charge of the first SIB in Rotterdam. In addition, creating the first SIB is complex, as processes need to be adapted to SIB requirements. “This complexity could be a source of maintaining other means to tackle social issues,” says the administrator responsible for the first SIB in Rotterdam.

There are a couple of important differences in the Rotterdam SIB compared to other existing SIBs. Firstly, the Dutch welfare state differs considerable from other welfare state models in which SIBs are implemented, most importantly the UK and the US (Lunes et al., 2013). The administrator responsible for the Rotterdam SIB states: “In the Anglo-Saxon model the government is more comfortable with granting returns to the private market, this is not common in our Rheinland model.” Secondly, other SIBs were implemented using a tender process, but the Rotterdam SIB used another method to find a suitable social intervention, described above. Thirdly, the Rotterdam SIB has no real intermediary, only a legal entity to ensure a clear record of financial streams.

These characteristics of the Rotterdam SIB compared to SIB models worldwide imply possible differences in the way the SIB model influences the provision of social protection. To understand this better, the next section will look into the Rotterdam SIB and social investment and social innovation aspects.

4. Is the Rotterdam SIB a form of social investment or social innovation?

To see whether the Rotterdam SIB is a form of social investment or social innovation, I use the reports and interviews assessed through the analytical framework. First, control aspects are discussed, indicating that the Rotterdam SIB has a multidimensional form of control. Second, policy goals are discussed, indicating that the Rotterdam SIB is geared towards activation in terms of skills, efficiency in financial and social terms, and sustainability. Before determining whether the Rotterdam SIB is social innovation or social investment, I discuss aspects that arose from the analysis: a track record, and risk sharing.

Control in the Rotterdam SIB

Control in the Rotterdam SIB is in essence multidimensional. This multidimensionality becomes apparent as the Rotterdam SIB is constructed in cooperation and dialogue with different private sector parties. Multidimensional control is an indicator of social innovation.

The Rotterdam SIB is created by a network of partners that takes on the responsibility to tackle youth unemployment in Rotterdam (Vennema & Koekoek, 2013). The municipality, while still principal problem owner, is assisted by third parties to lower the youth unemployment rate.

“The municipality of Rotterdam is responsible for three aspects in the SIB,” says the project manager of SIBs in Rotterdam in an interview: “firstly, the municipality agreed to deliver 160 young people to the Buzinezzclub, obtaining this number is the responsibility of the municipality. Secondly, the municipality delivers benefit records to Deloitte, which enables them to check the achievements of the Buzinezzclub. Thirdly, the municipality of Rotterdam is responsible to repay the investors an agreed upon rate of return if targets are met.”

Other responsibilities are divided among the partners. “ABN Amro helped develop business cases to make a selection of social service providers. Ortec Finance developed the counterfactual that helped to determine the track record of the Buzinezzclub,” says the former project leader of the Rotterdam SIB in an interview. ABN Amro and Start Foundation provided working capital for the Buzinezzclub. The Buzinezzclub needs to achieve agreed upon targets and receives a bonus for sustainable outflow, i.e. an outflow duration of at least one year. Deloitte checks the outflow and reports this to the municipality. These reports determine the rate of return to be paid by the municipality to investors (SIB Rotterdam, 2014).

This network of partners stresses the importance of private sector organizations for the Rotterdam SIB. An important aspect of SIBs thus lies in creating room for market discipline (interview with a senior advisor at RadarAdvies, a consultancy for social issues).

Policy goals of the Rotterdam SIB

There are three important policy goals of the Rotterdam SIB: activation in terms of skill enhancement, efficiency, and sustainability.

The main policy goal of the Rotterdam SIB is to help young people get off benefits (interview with a business advisor at Start Foundation), and to do this faster than the average duration (interview with the former project coordinator Rotterdam SIB). This is done by activating young people, through learning skills young people need on the labor market. This skills-focus does not lead to school and qualification per se, but prepares the participants in the Buzinezzclub intervention for school, a job, or their own business. More than 400 people

participated in the Buzinezzclub intervention, and about 40% of the young people find a job, 20% started an education and 15% started their own company (Buzinezzclub, 2014).

Activation is a social investment indicator, but the way it is implemented in the SIB could also indicate social innovation, as it has a different view on how to activate young people compared to CYU policies. The philosophy of the Rotterdam SIB intervention is that learning entrepreneurial skills, rather than education per se, enhances human capital.

As far as SIBs are concerned, efficiency is a much-discussed topic, as one of the goals for SIBs to create efficiency gains to be able to repay the investors. In the SIB in Rotterdam it is unclear what efficiency gains are going to be achieved: in the first phases organizational costs are not taken into account, as it is ambiguous if a slight decline in unemployment leads to a more efficient government (Vennema & Koekoek, 2013). Still, financial returns are based on social outcomes, and thus efficiency gains are not measured by financial means directly but through social outcomes.

Sustainability in the Rotterdam SIB is important on two levels: financial sustainability and sustainable outcomes. Financial sustainability can be seen as financial returns achieved and as financing methods used. The SIB construction ensures that the financial sustainability is achieved for the term of the contracts. “However, the SIB is just a vehicle that ensures that investors are comfortable with investing,” explains the administrator responsible for the Rotterdam SIB. Next to the financial sustainability, sustainability of the outcomes achieved by social interventions is also important. The Rotterdam SIB is based on a financial return that will be awarded partially when people get off benefits, and partially when they have proven to stay off benefits for at least another year, to prevent a revolving door-effect. Sustainability, both in financial and in social outcome terms, is a feature of social innovation.

Additional findings

Alongside control and policy goals, two other aspects arose from the data analyses that are important in assessing the role of SIBs: a track record and risk sharing.

It is important for the SIB construction to work with interventions that are a proven concept, or in other words, that have a track record. This track record is important for a couple of reasons: investors would like to know the likelihood of a social intervention to achieve certain successes, and the rate of return is also based on this likelihood: the more risk is taken, the higher the return rates in case of success. A track record thus helps investors to determine

what is acceptable in terms of financial return and the size of the investment (Lunes et al., 2013). “If this track record is not available, it is unlikely to find investors, so everything is dependent on how well the intervention works,” says a business advisor from Start Foundation. With the prove of a track record, the intervention shows that is capable of achieving certain results, and thus also shows that it could become financially viable.

However, the requirement of a track record makes it hard to find suitable social interventions. “Sometimes it is a good idea for the government to subsidize the party for a year or two so they can build a track record, and that you use the SIB to ensure scalability,” explains the former project coordinator Rotterdam SIB. This is what has happened in the case of the Rotterdam SIB, as the Buzinezzclub was already known as a good an intervention from past years.

Risk sharing originates from economic theory, and is described in principal-agent terms (Shavell, 1979). In past decades, government acted as the principal and possible other actors involved were agents executing a task given tot hem by government, while government itself had primary responsibility. In the SIB model, this responsibility and the risks involved are shared amongst the actors through contracts. However, the risk-sharing model is dependent on the type of SIB (Lunes et al., 2013), and although there is no complete risk transfer, the risk that is covered by the government alone will decline in a SIB format (Vennema & Koekoek, 2013); in the case of the Rotterdam SIB risks related to tackling youth unemployment are shared among all actors. I found four different types of risk in the interviews and reports that government shares with or reallocates to third parties: financial risk, social risk, political risk, and reputational risk, yet these different types of risk are often intertwined (Nicholls & Tomkinson, 2013).

The most prominent risk transfer is financial risk, which is an inherent part of the SIB construction. Private investors use their money to realize a social intervention. Government thus transfers the financial risk to the private investors (Nicholls & Tomkinson, 2013). ABN Amro and Start Foundation as investors, and the Buzinezzclub take on financial risks. The project manager SIBs Rotterdam says: “The investors take on a risk and the rate of return is a kind of compensation for the risk they take. [...] A part of the risk can be allocated to the service provider, but this has to be backed up with due diligence.” In the Rotterdam SIB the Buzinezzclub takes on 43% of the risk – so-called entrepreneurial risk - and the investors take on the other 57%, which means that the Buzinezzclub can also expect a higher return when delivering better results, just like the investors. Vennema & Koekoek (2013) state that this

financial risk transfer is a result of social risks that would traditionally be covered by government. This indicates that social risks are the basis for the financial risk-sharing format. Also, “the risk is not allocated to the tax payer, but to the investors, so if the intervention fails the investors lose money, but the tax payers don’t,” as an innovation manager at ABN Amro bank explains. This means that the political viability of the SIB structure is strengthened in one aspect and weakened in another. Politically seen, using tax payers’ money for achieved results only would be beneficial, but at the same time, having investors involved deeply in the choosing of the service area and service provider could indicate less political viability, creating a democratic deficit (see e.g. Moravcsik, 2004; Nicholls & Tomkinson, 2013). Also, reputational risk is often significant for all parties. An international social impact analyst says, “This is increased by media attention.” The Rotterdam SIB got a lot of media attention, as it was the first SIB in the Netherlands and on the European mainland.

Sub conclusion

In response to sub-questions 3 and 4, which ask what SIBs are and whether the Rotterdam SIB is social investment or social innovation, I have shown in this section that the Rotterdam SIB is focused on social innovation. In terms of control this is evident in multidimensionality, through strong cooperation between public, private, and non-profit parties. In terms of policy goals, skills enhancement is most prominent, which should lead to a better position on the labor market. Efficiency is another important policy goal, but is measured by social outcomes, rather than just by lower costs. In addition, sustainability is important in terms of social outcomes, by taking measures to lower relapses. Third parties and network cooperation are the basis of the SIB. Still, the initiative for the SIB comes from government, while the social innovation perspective indicates third parties are initiators (Certo & Miller, 2008; Evers et al., 2014; Mair & Martí, 2006; Mort et al., 2002). Also, Rotterdam already worked with the Buzinezzclub before implementing the SIB, which puts the level of innovation in perspective. The Buzinezzclub is not a new intervention, neither is it used in a new context, which are markers of social innovation (Phills et al., 2008). In addition, skill enhancement as a policy goal leads to human capital development, which is a social investment indicator.

Yet, it is also a possibility to conclude the Rotterdam SIB is neither social investment nor social innovation. Some of the findings suggest the presence of New Public Management (NPM) perspectives (Hood, 1991; Pollitt & Bouckaert, 2011; Pollitt, Thiel, & Homburg,

2007). This should be considered in future research. However, given the time and space limitations of the current research, and the analytical framework used here, the Rotterdam SIB appears to be a form of social innovation, but restricted by a social investment context, bound by the steps of change in policymaking (see Hall, 1993) and/or path-dependency (see Pierson, 2011).

In addition, both risk sharing and the necessity of a track record point out the importance of trust. Risk sharing needs the trust of all parties involved in order to create a fruitful cooperation, which could be backed up by contracts and, in the case of SIBs, a track record. These aspects could be researched in more detail using e.g. Homans' theory of social exchange, which intends to clarify the relations among behavioral psychology, economics, the dynamics of influence, and propositions about the structure of small groups (Homans, 1958).

4.3 Relating conventional youth unemployment policies in the G4 and the Rotterdam SIB

Youth unemployment in the Netherlands is on the rise, especially after the financial crisis of 2008. This led to the formulation of an approach to youth unemployment, resulting in labor market regional action plans. Next to these action plans, Rotterdam introduced a new way of tackling youth unemployment: the SIB. The indicators in the analytical framework, which have been discussed in the previous chapters separately for CYU policies in the G4 and the Rotterdam SIB, are integrated in this chapter, in order to see what similarities and differences are. First, control and policy goals are discussed, and subsequently other findings are analyzed. This section will answer sub question five.

5. How do CYU policies relate to the Rotterdam SIB to address youth unemployment?

Control

There are two aspects important to analyze control: the municipality as problem owner, and cooperation. The first aspect is important in both CYU policies and the Rotterdam SIB: the municipalities are officially responsible for guidance of unemployed people, which implies a social investment context. Nevertheless, the labor market regional action plans show that regional cooperation within government is a key aspect of CYU service delivery. In the case of the Rotterdam SIB, cooperation is also important. Cooperation in this case consists out of a network of public, private, and nonprofit organizations. Governmental cooperation with third parties is a prerequisite in the SIB, and the service is delivered in dialogue with these third parties, which indicates social innovation.

Policy goals

There are four indicators discussed regarding policy goals: human capital development, effectiveness, efficiency, and sustainability.

Human capital development is present in both CYU policies and the Rotterdam SIB, but different ways of human capital development are used. CYU policies and the Rotterdam SIB are both geared towards activation. However, CYU policies have basic qualifications as policy goal (Arbeidsmarktregio Utrecht-Midden, 2013; Es, 2013; Florijn & Mourik, 2013; Kool, 2013), while the Rotterdam SIB intends to create better (entrepreneurial) skills (interviews with the Buzinezzclub owner, and with project manager of SIBs in Rotterdam). Yet, both strategies should lead to employment (interview with former project leader of the Rotterdam SIB). This indicates that social investment is present in both CYU policies and the Rotterdam SIB.

Effectiveness as described in the analytical framework is only present in the Rotterdam SIB. Effectiveness here means achieving better results than the counterfactual established. This is done through cooperation with third parties, which should lead to better financial and social outcomes (interview with a junior social innovation manager at ABN Amro; Vennema & Koekoek, 2013). Effectiveness indicates social innovation.

Efficiency is not discussed in CYU policies in much detail, but cooperation within government should lead to efficiency gains that lower costs (Arbeidsmarktregio Utrecht-Midden, 2013; Es, 2013; Florijn & Mourik, 2013; Kool, 2013). This indicates social investment related efficiency. In the Rotterdam SIB, efficiency should lead to better financial and social outcomes; creating efficiency gains is key to being able to give a return to the investors, and this is measured by social outcomes (Vennema & Koekoek, 2013). This indicates both social investment and social innovation related efficiency.

Sustainability is not explicitly present in CYU policies, but a project leader of the action plan in Utrecht mentions that financial sustainability is discussed when selecting social interventions for their action plan. In the Rotterdam SIB sustainability becomes apparent in financial and social returns; financial returns indicate financial sustainability, while social returns are reflected in lasting social outcomes, such as lowering relapses (interview with the project manager of SIBs in Rotterdam). Sustainability is related to the social innovation perspective.

Additional findings

Additional findings discussed in previous chapters also clarify how CYU policies and the Rotterdam SIB relate. I discuss three aspects: financing, scalability, and risk sharing.

Financing in CYU policies is primarily arranged through national government, another important source of financing is the ESF (Arbeidsmarktregio Utrecht-Midden, 2013; Es, 2013; Florijn & Mourik, 2013; Kool, 2013). However, CYU policies also use social return as a means of financing guidance for unemployed youth (all interviews with G4 policymakers and administrators). In the Rotterdam SIB financing is arranged by private investors who provide operating capital and settle a rate of return based on the track record of the service provider and the agreed upon social outcomes. Without external financing the Rotterdam SIB could not materialize (Vennema & Koekoek, 2013).

Scalability in CYU policies is only mentioned by an administrator of Amsterdam, who indicated that scalability is important in order to create the possibility of implementing proven concepts in new contexts. This idea comes across as visionary in CYU policies as scalability seems to be unimportant in other action plans or interviews. Conversely, scalability is mentioned in the Rotterdam SIB as one of the objectives, especially by investors and the municipality. Scalability is important for private investors in order to create possibilities for new investments (interview with an innovation manager at ABN Amro). For the municipality of Rotterdam scalability is important in order to deliver proven social services to a larger target group (interview with project manager of SIBs in Rotterdam). This is also an aspect that the owner of the Buzinezzclub mentioned: being able to deliver the Buzinezzclub intervention e.g. at a larger scale in Rotterdam, or in other municipalities.

In terms of risk sharing, CYU is conservative, meaning that government appropriates all end responsibilities for tackling youth unemployment (Arbeidsmarktregio Utrecht-Midden, 2013; Es, 2013; Florijn & Mourik, 2013; Kool, 2013). Yet, they put trust of executing some social interventions in external parties that they select (interviews with G4 policymakers). The selection criteria for these interventions range from effectiveness and financial sustainability to innovation (Gemeentebld Utrecht, 2013). However, there is no real risk sharing as described by e.g. Shavell (1979) in CYU policies, simply cooperation. This becomes clear when looking at the Rotterdam SIB, where there are four forms of risk sharing: financial, social, political, and reputational. These forms of risk sharing are facilitated by the nature of SIBs. Firstly, financial risk is reallocated to private investors. Secondly, social risk is secured by service provider's track record. Thirdly, political risk in the end is with government, but is

shared through intense cooperation between investors, the service provider, and the government. This also holds for reputational risk. All forms of risk sharing create a new balance in terms of tackling youth unemployment in Rotterdam.

Sub conclusion

In response to sub-questions 5, which asks how conventional measures relate to the use of SIBs to address youth unemployment in Rotterdam, I have shown in this section that there are differences important in control and in policy goals between CYU policies and the Rotterdam SIB, indicating different policy perspectives. In addition, there are three other differences not discussed through the analytical framework: financing, scalability and risk sharing.

CYU policies are broader than the Rotterdam SIB in their focus, and government, represented in regional labor markets, dictates this focus (Arbeidsmarktregio Utrecht-Midden, 2013; Es, 2013; Florijn & Mourik, 2013; Kool, 2013). This is an indication of social investment. The Rotterdam SIB is defined by cooperation between public, private and non-profit actors, which creates multidimensional control. This is an indication of social innovation. These two forms of control also have implications for social protection, as welfare states struggle to address rising youth unemployment, and try to lower costs to maintain feasible social protection expenses. The Rotterdam SIB also focuses on another important aspect: defining successful social interventions that achieve social outcomes, and thus tackling youth unemployment more efficiently (interview with business advisor at Start Foundation and with the project manager of SIBs in Rotterdam). This shows that the Rotterdam SIB is social innovation. Social outcomes aimed at in CYU are different from those of the Rotterdam SIB. CYU policies are focused on basic education and the Rotterdam SIB is focused on skill development in terms of human capital enhancement. Both education and skills are part of human capital development, which indicates social investment.

In short, CYU policies show most resemblances with the social investment perspective. For the Rotterdam SIB it is more difficult to establish the perspective, although, the key characteristics of the Rotterdam SIB show most resemblances with social innovation, the SIB still operates within a social investment context, as CYU policies and bureaucratic constraints set the framework in which the Rotterdam SIB needs to operate. For example, it was difficult to arrange budget reservations to repay the investors in future years, as normally government pays the social intervention directly and for one year.

5. Conclusion & discussion

In the introduction it was argued that the sustainability of welfare states is under pressure. This follows from necessary cutbacks as well as a rising need for welfare, especially in the aftermath of the financial crisis in 2008. The Dutch welfare state looks for new ways to provide welfare. In the UK and the US a new form of welfare provision was developed: the SIB. The current research focused on CYU policies in the G4 and the Rotterdam SIB to see if and how the latter could provide an alternative for tackling youth unemployment. This was analyzed by looking at two policy approaches: social investment and social innovation.

CYU policies in the G4 were discussed through regional labor market action plans and interviews with administrators and policymakers, and show the following characteristics: CYU policies are geared towards all unemployed youth, with special attention for vulnerable groups, the G4 use financial incentives for employers, their policies try to match supply and demand on the labor market better, they define sectorial foci, and intensify cooperation. CYU policies are based on government-centered control, human capital development through basic education, and using efficiency to lower costs, and thus are mostly related to the social investment perspective.

The Rotterdam SIB was discussed through reports and interviews, including all actors in the Rotterdam SIB, and shows the following characteristics: it is a performance-based contract between government, investors, and a service provider, based on a counterfactual, and financial return is based on social outcomes, in addition effectiveness and efficiency are important in order to achieve social outcomes with a financial return. The Rotterdam SIB is based on a multidimensional form of control, skill enhancement, and effectiveness, efficiency, and sustainability in process as well as outcomes, and thus is most related to the social innovation perspective. However, the Rotterdam SIB is restricted by its context of social investment-like expectations, such as government-centered control.

In terms of the expectations formulated at the end of the theory chapters, the main conclusion of this research is that the Rotterdam SIB shows social innovation aspects, operating in a social investment framework. These aspects sum up the important differences and similarities between CYU policies in the G4 and the Rotterdam SIB, which answers the research question:

Does the Rotterdam Social Impact Bond offer an alternative means of addressing youth unemployment? If so, how?

Yes, the Rotterdam SIB offers an alternative means of addressing youth unemployment and it does so by offering an alternative form of cooperation, scalability potential, and by focusing on skills rather than basic education. I elaborate on each point below.

Most importantly, multidimensional control creates room to intensify cooperation between public, private, and non-profit actors (Evers et al., 2014; Koppenjan & Klijn, 2004; Phills et al., 2008). The Rotterdam SIB achieves this through including private investors who provide working capital to tackle the social problem, in this case youth unemployment. In addition, the responsibility of tackling youth unemployment is shared amongst all actors, including risks involved. To attract private investors, it is necessary to have a service provider with a positive track record. This track record shows that the intervention is a proven concept and achieves better results than what could be expected of the counterfactual. This track record also measures past results in the same way results are measured during the execution of the SIB, thus clarifying the financial risk for investors. As the investors provide operating capital, government only repays the investors when agreed upon results – in terms of how many young people are off benefits and how sustainable this social outcome is measured after one year – are achieved by the service provider. This way of working is believed to lower costs for the government, as well as achieving more sustainable social outcomes. The political risk still lies with government mostly, but is covered by the payment scheme of the Rotterdam SIB: the government only pays for actually achieved results. Reputational risk is mostly caused by negative media outlets, but this is a risk for all publicly made decisions for all actors, and can be limited by managing media attention in cooperation with all parties involved. This risk sharing component (see e.g. Shavell, 1979) and the track record are related to trust in social exchange (Homans, 1958).

Another important aspect that indicates that the Rotterdam SIB is an alternative means of addressing youth unemployment is scalability. Scalability means that social interventions proved to be successful in one context are also implemented in other (similar) contexts (Phills et al., 2008), e.g. what works for one of the G4 municipalities could work for another one as well. Nonetheless, scalability is not only important for the social intervention, but also for the investors in the Rotterdam SIB. If scaling is possible, larger financial investments could be made, also indicating larger financial returns, through larger social outcomes (Vennema &

Koekoek, 2013). This last aspect is of great importance for municipalities, as better social outcomes for a larger group of young people is beneficial in terms of the official end responsibilities municipalities have, i.e. getting young people (back) into work or education.

A last important point that I would like to make is the way the social intervention in the Rotterdam SIB operates. Compared to CYU social interventions, this intervention is much more based on skills, rather than on education or work per se. This skills focus could indicate a new way of looking at how to achieve employment, creating a way for young people to formulate what they want, and developing a strategy to get there. In addition, this social intervention is based on volunteers and part of those volunteers participated in the social intervention successfully themselves. The social intervention tries to create a mini-economy of professionals, volunteers, and former participants to establish a new way of being in employment. These aspects of the social intervention relate to social innovation in terms of locality and targeting society as a whole (see Moulaert et al., 2007), in this case creating mini-economies that could be established in other places through scalability.

A remarkable asset of SIBs is that they could be used for virtually all social issues, as long as there is a service provider with a track record, investors who believe in the service provider, and one or more levels of government that can repay the investors according to results (i.e. saving achieved). Relating this to the problem statement and whether SIBs contribute to adapting social protection, the answer from my data would be yes. However, some social issues cannot be tackled by social interventions that can achieve financial returns. This is an interesting topic for further research.

Discussion

The theoretical framework started with scientific work on both CYU policies and SIBs. Social investment and social innovation were used as two policy perspectives in order to analyze CYU policies and the Rotterdam SIB. Throughout my research the importance of ALMPs as described by Bonoli (2012) appeared to be evident, since CYU policies incorporate human capital enhancement to ensure better chances on the labor market. Scientific work on SIBs mostly handled governance aspects, which will be discussed below, but also indicated that SIBs are geared towards performance-based contract, financial investments, prevention, and vulnerable groups (Joy & Shields, 2013; McKay, 2013; Warner, 2013). In addition, Van

Kersbergen & Hemerijck (2012) point out that the social investment approach tries to ensure maximum (financial) returns on social expenditures. This feature of social investment should be investigated in more detail to be able to draw conclusions on this aspect of social investment with regard to SIBs. Conversely, by analyzing the data used in this research, it became apparent that there are a couple of other important things to SIBs: risk sharing and scalability. These aspects are discussed in this research, but need further research in order to understand their implications for social protection more fully. Investigating risk sharing requires a more actor-centered approach, see e.g. Olson (2009), institutional lens, see e.g. Guy Peters (2011), or social exchange theory, see e.g. Homans (1958).

Some of the social investment and social innovation indicators could also imply governance perspectives: New Public Management (NPM) and New Public Governance (NPG). In short, NPM is based on reverse government growth and (quasi) privatization (Hood, 1991; Pollitt & Bouckaert, 2011) and NPG is derived from network and institutional theory (Osborne, 2010), and aims to “make government more effective and legitimate by including a wider range of social actors in both policymaking and implementation” (Pollitt & Bouckaert, 2011, p. 22). Although these two governance perspectives could be very useful for analyzing the implications of SIBs for government, this research was limited to the scope of policy perspectives since there was limited time to conduct the research. Future research could focus on governance aspects such as NPM (see also Warner, 2013) or NPG.

Looking at the Rotterdam SIB there are some noteworthy differences from other SIBs worldwide. Firstly, the Rotterdam SIB is geared towards an already existing social protection mechanism: guidance for unemployed youth. Secondly, the Rotterdam SIB is not preventative, which is deemed important in other SIBs. These two differences need further research to establish what their implications are for social protection. This research could take a comparative approach, looking into differences between welfare states in terms of social protection and their implications for SIB feasibility.

All my Dutch interviewees confirm that the G4 municipalities are researching the possibilities of SIBs in their municipality. The administrator of Amsterdam says “These studies are not focused on youth unemployment per se, but also on other policy areas, such as community development.” Not only municipalities are interested in SIBs, “also investors, including banks, are interested,” says an innovation manager at ABN Amro. However, there are little concrete plans to implement a new SIB. The project manager SIBs in Rotterdam states “a lot

of people now think that SIBs are the solution to anything, but this is simply not true. There are only a few interventions suitable for SIBs.” The lack of concrete plans for new SIBs could be due to the fact that developing a solid SIB is a lengthy and complex process. Therefore, more research is also necessary on a more practical level, looking into the application of SIB aspects, such as jurisdictional, financial, and political aspects.

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Annexes

1. List of respondents

| Nr | Name | Function | Organization |
|-----------|--|--|--|
| 1 | Ruben Koekoek | Innovation Manager | ABN Amro |
| 2 | Anton Revenboer | Senior Advisor | RadarAdvies |
| 3 | Ralph de Ruijter | Business advisor | Start Foundation |
| 4 | Hiske van den Broek | Project manager SIB | Rotterdam Municipality |
| 5 | Bjorn Vennema | Junior innovation manager | ABN Amro |
| 6 | Emma Tomkinson | Social Impact analyst | UK Cabinet Office (former employer) |
| 7 | Rosanne Koning | Project coordinator SIB | Rotterdam Municipality |
| 8 | Marco Florijn | Alderman Social Affairs | Rotterdam Municipality |
| 9 | Sergio Figueroa Sanz | Public Finance Consultant | Syncora Guarantee |
| 10 | Freek Ossel | Alderman Youth, Education & Poverty | Amsterdam Municipality |
| 11 | Leo van Loon | Owner | Buzinezzclub |
| 12 | Hiske van den broek (complementary) | Project manager SIB | Rotterdam Municipality |
| 13 | Yvonne Stiegelis | Policymaker youth | The Hague Municipality |
| 14 | Monique Hage | Project leader Action Plan | Utrecht Municipality |
| 15 | Dana Bodnar | Student exploring SIB opportunities for Utrecht | Utrecht University / Utrecht Municipality |

2. Theoretically driven codes

| Indicator | Social Investment | Social Innovation |
|-------------------------|--|---|
| <i>Activation</i> | People are actively guided towards the labor market via government initiatives, such as policies, trajectories, and so on | |
| <i>Bottom-up</i> | | The process of innovation starts at the street-level and locally, and not top-down |
| <i>Control</i> | Government keeps control over the different activities that are needed to guide people to the labor market | |
| <i>Economic growth</i> | Successful activation should lead to a more skilled people and better labor market conditions that support growth | |
| <i>Effectiveness</i> | | Activities need to be measurable and add to the main goal of the initiative |
| <i>Efficiency</i> | Activities need to add value to effectiveness and optimization of processes that help people onto the labor market | Activities need to add value to effectiveness and optimization of processes that help people onto the labor market |
| <i>Human capital</i> | Skills, education levels and work experience | |
| <i>Lower costs</i> | Indicates success | |
| <i>Networks</i> | | Cooperation and co-creation between multiple parties, sectors, etc. |
| <i>Policymaking</i> | Government describes what needs to be done in policies that are implemented in different government departments on the national and/or local level | |
| <i>Social inclusion</i> | People in vulnerable positions such as outsiders and newcomers are stimulated and guided to participate in society | People in vulnerable positions such as outsiders and newcomers are stimulated and guided to participate in society |
| <i>Social needs</i> | | Initiatives are driven by request from the target population |
| <i>Stakeholders</i> | | Parties that are actively partaking in forming the innovation and the target groups |
| <i>Sustainability</i> | | Initiatives should be enduring by making social and financial returns |
| <i>Third parties</i> | | Parties outside of the government sector play a large role in this perspective; nonprofits, not-for-profits, and private sector organizations |

3. Code tree after analysis

This annex shows the code tree after analysis of the action plans, reports, and interviews. On top it shows the codes derived from the data (other and SIBs), below it shows the codes derived from theory.

Other [19]

- Youth unemployment [6]
 - Utrecht [27]
 - Actions [12]
 - The Hague [22]
 - Actions [12]
 - Amsterdam [10]
 - Actions [4]
- New SIBs [38]
- Traditional methods [55]
- Savings [31]
- Target [10]
- Cutbacks [18]
- Social entrepreneurship [7]
- Welfare state [12]
 - Subsidies [11]
 - Retrenchment [1]
- Crisis [6]
- Treatment population [7]
- Track record [15]
- Scalability [18]
- Risk sharing [44]
- Impact assessment [60]
- Financing model [35]
 - Performance-based [34]
 - Funding [2]

SIBs [82]

- Peterborough [5]
- Rotterdam [68]
 - Differences [7]

Model description [30]

Actors [18]

Deloitte [6]

Ortec [7]

Buzinezzclub [36]

Investors [27]

ABN Amro [11]

Start Foundation [8]

Municipality [66]

Genesis [17]

Social return [4]

Impact investing [2]

Implementation process [14]

Success criteria [21]

Potential drawbacks [6]

Usage [9]

Opportunities [9]

Challenges [16]

Actors [18]

Banks [11]

Government [16]

Evaluation advisor [2]

Independent monitor [2]

Intermediary [5]

Executor [10]

Investors [27]

SIBIO [2]

Definitions [4]

Description [10]

Both investment and innovation [0]

Social Inclusion [1]

Efficiency [14]

Social Innovation [53]

Sustainability [29]

Social needs [19]

Networks [76]

 Third parties [40]

 Stakeholders [14]

Effectiveness [55]

Bottom-up [5]

Social Investment [43]

 Future [12]

 Policymaking [10]

 Lower costs [39]

 Human capital [47]

 Economic growth [7]

 Control [23]

 Activation [21]

4. SIB Rotterdam actors

Municipality of Rotterdam

Rosanne Koning presented the idea of SIBs to the municipality of Rotterdam during her traineeship. SIBs create a course of action through which the municipality can invest in bettering unemployment and only pays for success. This ensures a budget neutral way of achieving maximized social return. After her traineeship she was responsible for making a SIB construction possible, and she found a partner in the ABN Amro bank. While conducting the research current research Hiske van den Broek had taken over responsibilities for all SIBs at Rotterdam municipality.

ABN Amro

Through its innovation centre ABN Amro collaborated in developing the first SIB. As a bank ABN Amro sees it as its job to develop new sustainable financial models. Therefore it is proud to be a part in this SIB by investing private money in social impact. The Social Impact Fund of ABN Amro invests in enterprises that do not only have financial return but also social return. This Fund is part of ABN Amro and is developed to invest more in sustainable initiatives. One of those initiatives is the SIB in Rotterdam.

Start Foundation

Start Foundation is an independent social investor that wants to create opportunities and work for people with a vulnerable position on the labor market. By joining this SIB as an investor, they invest not only directly in this goal but also help realize a sustainable improvement for the target group in Rotterdam.

Ortec Finance

Ortec Finance is an econometric consultancy that helped to create a model for determining the effectiveness of interventions that try to tackle youth unemployment in Rotterdam. Based on 40 years of benefit data, they found that age, education level, country of origin, being in a relationship with someone who is on benefits, and having children significantly determine the duration of being a beneficiary. They could also compare this data to the social intervention and see how effective it was in the difference between normal median benefit duration and medial benefit duration by the intervention.

Buzinezzclub

As a social intervention the Buzinezzclub has shown that it can help young people get off benefits successfully. Their intervention aims at creating a business plan for life for the participants; through this they learn entrepreneurial skills, making way for either their own business, or education or a job

that helps them achieve their dreams. The Buzinezzclub ensures that young people who are currently unemployed internalize the necessary skills to take their future into their own hands. Because of these numbers, and the track record they indicate, the Buzinezzclub is suitable for a SIB construction. The Buzinezzclub's method includes a couple of steps: writing a business plan for your company and for your life, following workshops, personal coaching customized to the needs of the participant, an internship in a sector of interest, developing a personal route towards a goal, and attending network events to make an education, job, or company a success (Buzinezzclub, 2014). On the basis of positive results they gained trust of the investors and the municipality to upscale their efforts in Rotterdam for a longer period of time.

Deloitte

Deloitte is the independent assessor in this SIB. By means of checking the results and creating interim reports, Deloitte ensures that the government pays the right amount of money to the investors and that savings are correctly rated.

5. Summary

Introduction

Welfare states are increasingly dealing with ways to cover new social risks, while at the same time budgets need to be cut (Pintelon, Cantillon, Van den Bosch, & Whelan, 2013). One of the new social risks that emerged is youth unemployment. Since the financial crisis of 2008 the youth unemployment level increased to 16.5% in the Netherlands in 2014 (CBS StatLine, 2014). Two major policy frameworks respond to these developments: the social investment and social innovation (See e.g. European Commission, 2014; Oosterlynck et al., 2013). This research looks into conventional youth unemployment (CYU) policies and the first Social Impact Bond (SIB) in Rotterdam. The main question of this research is: *“Does the Rotterdam Social Impact Bond offer an alternative means of addressing youth unemployment? If so, how?”*

Theory

CYU policies are influenced by the emergence of the Participation state based on Active Labor Market Policies (see Bonoli, 2012). SIBs are performance contracts between government and a social intervention, financed with private capital. If the agreed upon targets are reached, the investors will receive a return on their investments. (Joy & Shields, 2013; Liebman, 2011; McKay, 2013; Roman, 2013; Sinclair et al., 2014; Walsh & Roman, 2013; Warner, 2013). To assess whether and how the Rotterdam SIB offers alternative means to address youth unemployment, social innovation and social investment are used as policy perspectives. Control and policy goals are important dimensions that create the analytical framework to assess CYU policies and the Rotterdam SIB. The social investment perspective means control of policymaking is in the hands of government, and policy goals are human capital enhancement through investments in education and skills and lowering costs through efficiency (see e.g. Morel et al., 2012; Van Kersbergen & Hemerijck, 2012). The social innovation perspective develops policy from network relations between public, private and nonprofit organizations, and aims at effectiveness, efficiency in achieving social outcomes, and sustainability (Oosterlynck et al., 2013; Phills, Deiglmeier, & Miller, 2008).

Data & methods

This research is based on 15 interviews with policymakers, administrators, and experts on the topic of CYU policies and/or SIBs, especially the Rotterdam SIB. In addition, 10 documents were analyzed. Both the interviews and the documents were analyzed using theory driven codes in MaxQDA. During the analysis in vivo codes arose, which created a better understanding of the data.

Results

CYU policies are broader than the Rotterdam SIB in their focus, and government, dictates this focus (Arbeidsmarktregio Utrecht-Midden, 2013; Es, 2013; Florijn & Mourik, 2013; Kool, 2013). This is an indication of social investment. The Rotterdam SIB is defined by cooperation between public, private and non-profit actors, which creates multidimensional control. This is an indication of social innovation. These two forms of control also have implications for social protection, as welfare states struggle to address rising youth unemployment, and try to lower costs to maintain feasible social protection expenses. Cooperation could be a means to lower public expenditures (see e.g. Clasen & Siegel, 2007; Vennema & Koekoek, 2013), in the Rotterdam SIB cooperation also generates risk-sharing. The Rotterdam SIB also focuses on another important aspect: defining successful social interventions that achieve social outcomes, and thus tackling youth unemployment more efficiently (interview with business advisor at Start Foundation and with the project manager of SIBs in Rotterdam). This shows that the Rotterdam SIB is social innovation, however, this could also be related to NPM (see Pollitt & Bouckaert, 2011). Social outcomes aimed at in CYU are different from those of the Rotterdam SIB. CYU policies are focused on basic education and the Rotterdam SIB is focused on skill development. Both education and skills are part of human capital development, which indicates social investment. CYU policies show most resemblances with the social investment perspective. For the Rotterdam SIB it is more difficult to establish the perspective, although key characteristics of the Rotterdam SIB show resemblances with social innovation, the SIB operates within a social investment context, as CYU policies and bureaucratic constraints set the framework in which the Rotterdam SIB needs to operate.

Conclusion

Yes, the Rotterdam SIB offers an alternative means of addressing youth unemployment. The responsibility of tackling youth unemployment in the Rotterdam SIB is shared amongst all actors, including risks involved. This way of working is believed to lower costs for the government, as well as achieving more sustainable social outcomes. Another important aspect that indicates that the Rotterdam SIB is an alternative means of addressing youth unemployment is scalability. Scalability means that social interventions proved to be successful in one context are also implemented in other (similar) contexts (Phills et al., 2008), e.g. what works for one of the G4 municipalities could work for another one as well. This aspect is of great importance for municipalities, as better social outcomes for a larger group of young people is beneficial in terms of the official end responsibilities municipalities have, i.e. getting young people (back) into work or education. A last important point that I would like to make is the way the social intervention in the Rotterdam SIB operates. Compared to CYU social interventions, this intervention is much more based on skills, rather than on education or work per se. This skills focus could indicate a new way of looking at how to achieve employment, creating a way for young people to formulate what they want, and developing a strategy to get there.