European Training Foundation

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PUBLIC–PRIVATE PARTNERSHIPS FOR SKILLS DEVELOPMENT

A GOVERNANCE PERSPECTIVE

Volume II.
Case studies

THE EU AGENCY SUPPORTING COUNTRIES TO DEVELOP THROUGH LEARNING

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PREFACE

Public–Private Partnerships for Skills Development discusses the concept of public–private partnership (PPP) and its application in the domain of skills development.

Volume I proposes a three-dimension typology of PPPs for skills development, and identifies common elements and governance characteristics of these PPPs.

The analysis relies on evidence from country case studies concerning the purpose of the partnerships, their scope and membership, governance, financing and risk management arrangements, as well as the motivation, role and capacities of the partners.

Volume II contains the 23 case studies described and reviewed according to the analytical categories of the European Training Foundation's (ETF) study methodology.

- Chapter 1 presents 10 cases coming from countries that have a long tradition of public–private cooperation in vocational education and skills development. The authors are Marc van der Meer (Italy, the Netherlands, Norway), Aram Avagyan (Israel, France, Sweden, Germany), J. Manuel Galvin Arribas (Morocco), Robert Petherbridge (Australia), and Lavinia Pastore and Luigi Corvo (Belgium).
- Chapter 2 presents 13 cases coming from four countries that are now in the process of building a tradition of public–private cooperation in vocational education. The author is Aram Avagyan.

CONTENTS

1.10 Integration and employment of young immigrants: ‘Duo for a Job’ programme in Belgium[41]

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Background

‘Duo for a Job’ is a programme that was originally sponsored by Actiris, the Brussels regional employment agency, as part of policies to support the integration and employment of recent immigrants aged 18–30. The programme has been carried out by the service provider Duo for a Job Association, a non-profit entity that designed the intervention. In particular, the programme has sought to work with young immigrants in order to ‘increase their immersion in the local culture by being matched with experienced local retirees, help [them] to connect to existing employment networks, and increase their professional opportunities’. The problem that the programme sought to tackle was the high unemployment rate (20.8%) in the Brussels region (in the period 2013–14). The situation was even worse for youth unemployment, which had peaked at 31.7%.

The Duo for a Job programme was implemented through a social impact bond (SIB) scheme, which was the first of its kind in Belgium. The present case study examines the preliminary results and lessons learned, as well as the definition and mechanisms of SIBs.

What social impact bonds are

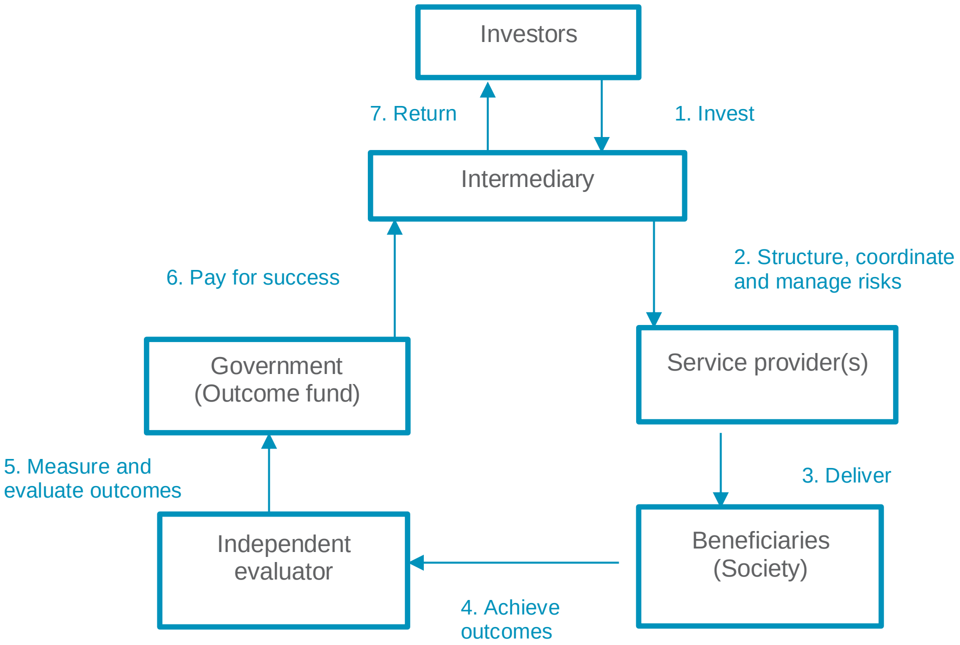
Social impact bonds are payment-for-results contracts that leverage private social investment to cover the upfront expenditure associated with welfare services (Edmiston and Nicholls, 2018). This new type of PPP scheme first emerged in 2010 as a potential answer to the effects of the 2007 crisis. Indeed, the financial crisis in 2007 led to two contrasting dynamics: the emergence of greater and more acute social needs and a call for policies to cut public spending. Since SIBs were introduced in 2010, they have attracted growing attention worldwide as a new financial instrument. Pioneered in the UK, SIBs attract not only traditional financial players and governments, but also new specialised intermediaries and a new breed of financial investors, who seek to make a social impact in addition to earning a financial return (Arena et al., 2016).

For the government, an SIB is a form of payment for results, which removes the government’s upfront costs of service delivery and shifts the financial risk to private investors, who lose their investment if interventions do not improve outcomes (Social Finance, 2010e, p. 53). In addition, SIBs can enhance cross-sector and cross-authority cooperation, providing integrated solutions to long-term challenges. Another significant benefit for public-sector bodies is the opportunity to explore innovative solutions, which can pose major risks. Because governments with limited budgets cannot afford to take such risks, SIBs enable them to transfer the risk of social innovation to private-sector interests with greater flexibility and more resources in exchange for an opportunity to make a profit while engaging in altruistic activity.

The intermediary receives a loan from the investor(s) and allocates it to the service provider for project execution. The intermediary issues the debt and manages the relationships with investors, service providers, etc. The intermediary is also responsible for determining the outcome metrics and monitoring the project.

[41] The authors of this case study wish to acknowledge the editing of Siria Taurelli, ETF.

FIGURE 1.1 MAIN ACTORS IN AN SIB AND THEIR PERSPECTIVE ON THIS PPP SCHEME



Source: OECD adapted from Burand (2013)

Service providers are responsible for service delivery and project implementation. They can be any independent government entities, cooperatives, NGOs or private enterprises that carry out the interventions needed to achieve the desired outcomes. Service providers sign a contract with the intermediary. They are paid not by results but upfront. This means that they do not bear any of the risk for an SIB. Several different providers can deliver services that contribute to improving outcomes. Another key incentive for providers of social services is access to growth capital to scale up their operations. Access to a long-term, stable and predictable revenue stream without labour-intensive fundraising allows them to focus on the implementation of their programmes, invest in preventative operations, and deliver their services in the most effective and efficient way (Social Finance, 2012; Gustaffson-Wright et al., 2015).

Investors provide funding for the social intervention. For investors, SIBs offer a new investment opportunity with a 'blended return' (Mulgan et al., 2010); investors do receive a financial return but they also value the social return on their investment.

The overall society is considered to be the beneficiary. SIBs can improve outcomes and quality of life by funding service provision where there was previously none. It has been claimed (New Philanthropy Capital, 2010) that SIBs could be particularly useful to fund preventative interventions or other kinds of service delivery that governments might not prioritise for funding, especially in a time of budgetary constraints.

Therefore, the rationale behind social impact bonds comes from payment-for-results schemes associated with target-based performance management, which became extremely popular in the UK under the Blair government in the 2000s as a way to link contracts to specific outcomes (Warner, 2013). Despite worldwide interest, however, some aspects remain uncertain, especially in relation to the promised outcomes, and the adoption of SIBs is still modest (from 2010 to 2018, 121 SIBs were issued worldwide, but the results have not yet been published). The gap between widespread interest and actual adoption raises reasonable questions as to whether we are still in the early adoption phase of SIBs and massive diffusion is yet to come or we are observing a marginal phenomenon (Arena et al., 2016). Given the lack of structured data, it is more interesting at present to investigate the phenomenon through case studies.

The first application in Belgium: Duo for a Job programme

Duo for a Job is a Belgian programme that has a prominent innovation dimension. First, the programme is innovative in its content and design, because it matches young immigrants with experienced local retirees in order to connect immigrants to the employment network and help them to find employment. Second, the use of an SIB as a financing method is entirely new and its use by the Duo for a Job programme was unprecedented in Belgium. The pilot phase was carried out between 2014 and 2016.

The actors involved in the public–private partnership of the Duo for a Job programme are listed below.

- Actiris, the Brussels regional employment agency, is the public body that was the outcome payer and in this case the instigator of the process. Actiris launched a call for projects to find a service provider to carry out the first SIB. Actiris preselected six innovative projects that aimed to foster the professional reintegration of youth in Brussels. The six projects were evaluated on four criteria: (1) the project's target population; (2) the cost per unemployed person and the total cost; (3) the quality of the management of the social service provider; and (4) the project's fit with the anticipated SIB structure.
- Duo for a Job is a non-profit association that was selected to be the service provider. Out of the six proposals, Actiris chose Duo for a Job as the service provider because of its innovative coaching interventions and the evaluability of its outcomes. Duo for a Job is an association created in 2013 and its vision states that 'Duo for a Job aims at erasing disparities and inequality in access to the labour market for young people with immigrant backgrounds. Duo fully values the experience of elderly people, breaks down age barriers, [and] encourages intercultural and intergenerational activities. Duo combats stereotypes such as ageism and xenophobia by recreating close social ties based on understanding and solidarity'. Duo's approach is to pair up unemployed young immigrants with experienced mentors (usually recently retired people) who can help them to understand the labour market and guide them into it. The young person (mentee) and his/her mentor meet for a minimum of two hours a week for a period of six months. Since the SIB, Duo has expanded the model (at the time it was only in Brussels) and it now operates in four cities (Brussels, Liège, Gent and Antwerp). Duo's model has been quite successful; indeed in 2019 they stated that three out of every four immigrants enrolled in the programme had found a job or paid internship.
- An investor consortium led by Kois Invest (including the private Degroof Petercam Foundation as an investor) raised EUR 234 000 in capital for the intervention.
- An independent evaluator – the Brussels Observatory for Employment (l'Observatoire bruxellois de l'emploi) – used a quasi-experimental method to evaluate outcomes, involving:
    - a treatment group: 180 people from the target population (18–30 years old, non-EU nationality, registered at Actiris) who received the Duo for a Job coaching;
    - a control group: 6 200 people whose characteristics were similar to the treatment group.

The investor consortium gave the initial capital on the agreement that investors would be reimbursed only if the programme was successful. The initial hypothesis for their annualised rate of return was between 3% and 6% based on a calculation that the government's net savings after the activation of a jobseeker would be EUR 33 000 a year per person.

Lessons learned

Public–private partnership. The SIB is a complex PPP whose effectiveness in comparison to other schemes is still a matter of debate. According to statements from Kois Invest, the programme was successful, and the authorities returned the capital plus profit to the investors, who received an annual return of 4%. The government also gave the organisation six times more money to continue its work. Francois De Borchgrave, the founder of Kois, states: 'So, it is really a way for public donors to test different approaches and models without taking the risk that their subsidies will not be well utilised as they only pay if the programme is successful. If it works well, they can increase the amount of money given to the organisation'.

Funding. The investor consortium gave the initial capital on the agreement that they would be reimbursed only if the programme was successful. The initial hypothesis for the annualised rate of return was between 3% and 6% based on a calculation that the government's net savings after the activation of a jobseeker would be EUR 33 000 a year per person.

Sectoral applications. According to the key lessons from the service provider's perspective, the success of the mentorship programme 'validates our belief that a lack of social capital, rather than a lack of skill or motivation, accounts for the low rate of labour-market participation among migrants' (Duo for a Job).

Sustainability and scalability. In the absence of a legal framework that supports SIBs in Belgium, the Duo for a Job programme was implemented through separate contracts with each partner. The parties opted for bilateral contracts as a solution to avoid the technical restrictions imposed by PPP law. Another SIB with a similar arrangement is currently being implemented in Flanders. The situation in Belgium is common to other countries, so there are no examples of a legal framework to serve as inspiration. In the short term, this lack represents a limitation for the consolidation of the instrument and its scale-up for a whole sector or country.

Dimensions	Sub-dimensions	Detail
Functional type	Mixed type: Knowledge-oriented and Provision-oriented	Seeking knowledge about an innovative approach Provision of (informal) learning and counselling and guidance services
Scope and membership	Tackling unemployment among young immigrants Multiple partners	Context of public active labour market measures
Source of initiative	Actiris, the Brussels regional employment agency (promoter through a call for ideas) Duo for a Job, a private non-profit association (service provider that designed the project)	The project is still running (2019) and has expanded from one to four cities. The project is run by the Duo for a Job Association with private and public funding
Goal(s) to be achieved Goals of the PPP (problems addressed; opportunities realised)	Integrate young immigrants into the labour market	
	Tailor CV and skills development to the needs of individuals	
	Include people over 50 years of age and exploit their expertise as mentors	
Key design features – mechanisms of effect	Outcome-based payment	Quasi-experimental analysis

Dimensions	Sub-dimensions	Detail
Dimensions of the incentive and accountability environment	Risk allocation: taken on by the investor consortium	
	Risk monitoring and management: Actiris and investor consortium	
	Monitoring and evaluation: external evaluator - l'Observatoire bruxellois de l'emploi (Brussels Observatory for Employment)	The evaluator used a matched-comparison group and quasi-experimental method
	Termination clauses: the end of the project	The SIB was design to run 24 months
Policymaking framework	Policymaker functions: Actiris, the employment agency that was the instigator, could not rely on a set policy framework since SIBs are not yet regulated or listed as a type of PPP in Belgian legislation	
	Nature of industry–public sector interactions in policy design: SIB	Social impact bond – a pay-for-results mechanism based on outcome measurement
Outcomes	Increase in the employment rate for young immigrants aged 18 to 30 years who are not EU, US or Canadian nationals, who legally reside in Brussels, and who are registered with Actiris (the regional government's employment agency)	Financial terms: 100% repayment of the principal if the employment rate is 10% higher than the control group. If the employment rate is 10% higher, additional returns on investment can range from 3% to 7%.
Key contextual factors	Public authority capacity and experience: low	It was the first SIB in Belgium
	Degree of market readiness: low	
	Legal framework: complex	A law firm (Stibbe) supported the project for professional reasons (an SIB is an innovation with specific legal requirements) but also for its societal impact. One of the key legal challenges was to prevent the SIB from being treated as a public–private partnership (PPP) or a public offering ('Appel public à l'épargne') from a legal point of view. It was set up as a pilot project.
	Governance regime: contract-based	Three separate contracts linked the three entities (Actiris, the investor consortium and Duo for a Job). The contracts stipulated that Duo for a Job was responsible for gathering the initial funds and that Actiris, if the targeted milestones were achieved by Duo for a Job, had to pay Duo for a Job so that it could reimburse the investors for their initial investment and the agreed-upon coupons.

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