



**Cities for Active Inclusion**

## **Social Economy in Cities: Rotterdam**

**EUROCITIES NETWORK  
OF LOCAL AUTHORITY  
OBSERVATORIES ON  
ACTIVE INCLUSION**

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### **EUROCITIES-NLAO**

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The EUROCIITIES Network of Local Authority Observatories on Active Inclusion (EUROCITIES-NLAO) is a dynamic network of ten European cities - Barcelona, Birmingham, Bologna, Brno, Copenhagen, Cracow, Lille Métropole - Roubaix, Rotterdam, Sofia and Stockholm - each with a Local Authority Observatory (LAO) within its administration. Their aim is to share information, promote mutual learning and carry out research on the implementation of the active inclusion strategies at the local level.

The ten observatories are coordinated by EUROCIITIES, the network of major cities in Europe, and supported through Inclusive Cities for Europe, a partnership between the European Commission (DG Employment, Social Affairs and Inclusion) and EUROCIITIES.

EUROCITIES-NLAO website: [www.eurocities-nlao.eu](http://www.eurocities-nlao.eu)

# 1. Introduction: social inclusion policy at city level

Rotterdam is the second largest city in the Netherlands, with 606,000 inhabitants. By Dutch standards, the city has a relatively high unemployment rate of 8.8%<sup>1</sup>. A substantial percentage of the unemployed are at risk of social exclusion: estimates vary, but between 50% and 90% of unemployed people in Rotterdam are at risk of being excluded.

Rotterdam's social inclusion policy, which is aimed at increasing the participation in society of all the city's inhabitants, is focused on these unemployed as its main target group<sup>2</sup>.

Policies relevant to social inclusion issues in Rotterdam are developed and implemented by several of the city's departments. The four most important are:

- Building and Housing department (dS+V), dealing with housing issues.
- Social Affairs and Employment department (SoZaWe), responsible for social assistance benefits and employment strategies.
- Youth and Education department (JOS), which plays an important role in the integration of people with a non-Dutch cultural background.
- The Health Department (GGD).

However, for the past couple of years there has also been a growing tendency for social economy organisations such as NGOs to play an increasingly important role in social inclusion in Rotterdam, and the city authorities are becoming more successful in finding other organisations to cooperate with.

An example of this cooperation between the city and the social economy is the Zorgcampus project. Organised by a Rotterdam vocational training organisation, the Zorgcampus project offers second chance education, and is aimed at unemployed young people up to the age of 21 who are living on social benefits<sup>3</sup>.

Participation in the paid labour market is considered to be the best guarantee of social inclusion. In the social economy there at least two important aims: the usual aim of economic inclusion and also the aim of social inclusion.

However, social inclusion cannot be accomplished overnight, nor can it be easily achieved for all the relevant groups who are currently outside the labour market.

At the national level, to provide a measure of the extent to which people are engaged in economic and voluntary activity, a sliding scale has been defined, known as the participation ladder. This consists of six steps or levels of social and/or economic participation. On the highest level is paid work, which is seen as the ideal level of participation: the ultimate goal where people are socially and economically included and fully engaged with society. On the middle steps of the ladder are various kinds of voluntary activities; inactivity and isolation are on the lowest level, at the very bottom<sup>4</sup>.

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<sup>1</sup> 7.1 % WWB (social assistance) + 1.7% WW (unemployment insurance) Source: CBS (2009).

<sup>2</sup> Rotterdam Werk. Beleidskader Werk en Re-integratie 2011-2014, Rotterdam 2010, p. 16/26. Aim is 20 hours of participatory activities /week. In the meantime a few exceptions to the general rule were made, a.o. parents with children up to 12 years old are supposed to offer a reduced contribution (up to 12 hours / week) to the Rotterdam society.

<sup>3</sup> More information (in Dutch) [www.zorgcampus.nl/](http://www.zorgcampus.nl/).

<sup>4</sup> The 'participatieladder' was developed by Regioplan Research - by VNG (National Organisation of Municipalities) order.

Defining these various levels of participation is helpful in the practical implementation of the city's new full engagement policy, whereby every citizen of Rotterdam participates in society up to the limits of their capabilities. Under this new approach, which is also being used throughout the Netherlands, social assistance is no longer an unconditional right: recipients of social assistance and services are expected to do something in return.

Rotterdam's full engagement policy will be rolled out in 2011. However, two pilot projects have already been started in the city, in the Overschie and Tarwewijk districts. It has already become clear that a substantial proportion of socially excluded people in these districts do have the relevant capabilities to become more active, and to move at least one step up on the participation ladder. These early results suggest that Rotterdam's new full engagement policy will create opportunities for the city that are both positive and challenging.

In Rotterdam, the social economy makes an important contribution to achieving the city's social inclusion policy, by providing entrepreneurship and job creation. A job creation policy has been in place for the last 20 years, both in Rotterdam and in the Netherlands as a whole. Back in 1990, the Labour Pool programme (Banenpool), was set up to create additional job opportunities for people who are long-term unemployed. Then in 1992 a youth training programme was set up to provide short-term apprenticeships for unemployed young people (the Jeugdwerkgarantieplan). And since then, many social economy organisations have become involved in job creation.

One organisation which plays an important job-creation role in Rotterdam is Roteb. This provides a municipal waste disposal, street cleaning and other services in the city. Roteb provides sheltered jobs for people who may not be able to find work in the regular labour market due to physical, psychological or mental disabilities.

The city is also cooperating with many other partners that help people to integrate into the labour market. Another important partner for Rotterdam is the OK organisation, which aims to help people capitalise on their hidden potential (OK stands for Onbenutte Kwaliteiten: unused qualities). In particular, OK provides training and voluntary job opportunities for those who are not yet ready for the paid employment market.

One of the key instruments in Rotterdam's social inclusion policy is the 5% settlement initiative, which has been in force in Rotterdam since 1996. This specifies that any company tendering for local government contracts in Rotterdam that are worth more than €225,000 is obliged to dedicate a minimum of 5% of the contract value to creating employment opportunities for people currently on social benefits. In 2009, Rotterdam integrated the 5% settlement initiative into its municipal procurement policy. This ties in with the city's overall procurement policy aims which are to:

- incorporate positive social benefit objectives in all procurement activities;
- contribute substantially to the achievement of the city's employment goals;
- include environmental and social aspects in the tendering process.

The 5% settlement initiative has been very successful, due to the practical agreements that have been made with service providers. Since 2003, the number of jobs filled via the 5% settlement initiative, by people previously receiving benefits, has doubled to between 400 and 450 per year. The settlement initiative is well known throughout the city's administration. Privatised services which were previously provided by the local authorities, including public transport and harbour services, have ratified the 5% settlement initiative and now apply it in their own procurement process<sup>5</sup>.

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<sup>5</sup> As a result of the success in Rotterdam, other cities (Amsterdam, The Hague, Utrecht and Maastricht) have also decided to integrate similar practices.

## 2. Arrangements and trends in the Rotterdam social economy

For help with the practical implementation of the 5% settlement initiative, such as finding suitable candidates and providing appropriate training for them, organisations with public service contracts can turn to a social economy organisation known as DAAD<sup>6</sup> for support. Set up by Rotterdam's social services department in partnership with a local employer association, DAAD also ensures that the 5% settlement initiative is correctly implemented, by advising, monitoring it and reporting on it.

Job-seeking candidates are supplied by DAAD to the relevant company for a minimum of six months. But if the company does not meet the agreed performance targets, an amount is deducted from their contract payments, equivalent to the amount denied to the following target groups:

- People registered as job seekers for more than six months.
- Students combining targeted training and employment.
- Interns or people on apprenticeships.
- People supported under the Dutch Sheltered Employment Act (WSW) who have been assessed as only able to work in adapted conditions.

The 5% settlement initiative therefore ensures that each time the city outsources services to new external contractors, deals are made with these service suppliers to employ a certain percentage of job seekers. In this way, the city is reducing the number of inactive and socially excluded people living on benefits and is raising active inclusion levels.

Above all, Rotterdam's social economy can offer employees social and economic protection. After all, the ultimate employer is the Municipality of Rotterdam, which is able to guarantee these employees social and economic security. Problems that eventually may arise with these protected jobs will primarily be due to problems facing the employer: these will be solved by the employer, which is in effect the city.

As productivity is not their main aim, social economy organisations can easily provide job protection for the job seekers they employ. On the other hand, social economy employers can effectively coerce disadvantaged people, especially those benefiting from social assistance schemes, to participate as employees in the social economy through sanctions such as reducing their social assistance benefits.

The quality of social economy in providing sheltered employment is maintained through at least four mechanisms, as follows:

- **Client involvement:** In Rotterdam, as elsewhere in the Netherlands, there is an independent group representing users of social and employment services (Cliëntenraad SoZaWe)<sup>7</sup>. This user organisation looks after the interests of all clients receiving social benefits, and has regular meetings with the management of the city's social services and employment department to discuss the quality of their services from a user point of view. Clients are encouraged to make their views

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<sup>6</sup> DAAD is an organisation involving the Rotterdam Social Affairs Department and a Rotterdam Employer's Organisation. DAAD subsidises jobs, cf. Table 3, Annex 2.

<sup>7</sup> There is a special 'Cliëntenraad' for young (<27) clients.

known, both to the group and to the local authority, either when requested or on their own initiative.

- **Quality mark:** The Netherlands has established a national employment quality mark which provides an insight into the quality of social enterprises offering sheltered employment. Municipalities are free to decide whether to award contracts to companies that have this mark. Criteria for being awarded this quality mark include run times, drop-out rates, results, durability of placements and the degree of client satisfaction with the services provided. However, employer organisations are not obliged to have this quality mark.
- **Quality assessment:** All procured sheltered employment services provide reports to the purchasing department on a quarterly basis. These include figures on the critical indicators for success.
- **Research and evaluation:** Procedures, processes, pilots and projects will be monitored and evaluated in assessment studies carried out by Rotterdam's statistical and research offices (e.g. COS and SWA<sup>8</sup>) as well as by independent social research institutions such as those at the Erasmus University.

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<sup>8</sup> COS stands for Centrum voor Onderzoek en Statistiek (Centre for Research and Statistics); SWA stands for Sociaal-Wetenschappelijke Afdeling (Social Research Unit, Social Affairs and Employment).

### 3. Main challenges in supporting the social economy

The main challenges that Rotterdam has set for itself in its full engagement programme are:

- To develop and maintain a sound financial basis for Rotterdam's social inclusion policy.
- To continuously promote accessibility to the paid labour market for all groups at risk of social exclusion i.e. to achieve a 100% inclusive labour market.

These challenges have grown significantly as a result of the 2008/2009 economic crisis, which has had a serious impact on the Rotterdam economy as a whole, and which has meant a reduction in the demand for labour in the regular paid employment market.

The economic crisis has also affected the social economy, although the full extent is not clear yet, as so far there are no figures available.

Rotterdam's full engagement programme, which is due to be rolled out in 2011, will be affected by major budget cuts. For 2010, the Rotterdam's social inclusion budget was €231.6 million. For 2011, it will be cut to €207.4 million, and from 2012 onwards, there are likely to be further major cuts. Depending on political decisions still to be made, the 2014 budget may go down to some €119.0 million or even as low as €105.3 million, which represents a reduction of more than 50%<sup>9</sup>.

The expectation is that the support offered through the national sheltered employment Act (WSW) will change substantially. Only people with an earning capacity of 20% or less than that of the average worker will have access to the sheltered employment made possible by this employment legislation.

The role of the city will also probably change. From being a key provider of services the city will increasingly outsource services and take on the role of a contractor<sup>10</sup>.

An additional challenge, of a totally different kind, is the emergence of new, private stakeholders into the social economy, within the framework of corporate social responsibility. These stakeholders aim to provide further opportunities for job-seekers to integrate into the paid labour market.

In the Netherlands, corporate social responsibility is not as common as it is for instance in the United States. But with the modernisation of the welfare state, which some regard as the deconstruction of the welfare state, the role of the private sector in the social economy, in fulfilling their corporate social responsibility, is already growing in the Netherlands as a whole, and is likely to take an increased role in Rotterdam.

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<sup>9</sup> Source: RWI Department, Social Affairs and Employment, Nov 2010. See also Annex 2.

<sup>10</sup> We will give some examples of this process in the 'future plans' section presented below.

## 4.1 Roteb

The city of Rotterdam has achieved notable success in terms of increasing social inclusion through the social economy.

Roteb is the city's main organisation in this field. Every Roteb subsidiary has achieved success, including RoSecurity, RoCare, RoAdmin, RoFood, RoLogistics and RoClean, which are active in different sectors of the Rotterdam economy.

One inspiring story involves RoFood. In an innovative initiative, RoFood decided to contact a group of key employers in the catering industry, including the Rotterdam Hilton, the hotel-restaurant Bazar<sup>11</sup> and the ocean-steamer SS Rotterdam, which has been transformed into a hotel, restaurant and conference center. These employers are always looking for waiters and waitresses on an ongoing basis, and RoFood had the idea of involving them in its active inclusion programme.

RoFood started training some 15 young unemployed people, first with several weeks of theoretical training at the Roteb Education Centre and then on-the-job training at Roteb's own restaurant. After the trainees had received their diplomas, the selected catering industry employers were invited for lunch. The result was that all 15 waiters and waitresses were given a job: the employers were pleased to have such motivated and trained personnel, and the city reduced the cost of paying social security benefits.

## 4.2 Group interviews

An interesting and promising experiment in the social economy arena is the use of a group session approach for the target groups. Instead of individual interviews, group sessions are being organised for different groups of job seekers, for example for different age-groups. One advantage is that this approach generally delivers substantial cost reduction. But there are also additional benefits: certain sub-groups were more likely to attend a group session than an individual session. It seems that for young people in the under 27 age group, and older people aged 55+ in particular, the opportunity to exchange experiences within others in their group is a major factor.

## 4.3 Monitoring

The Municipality of Rotterdam is a key player in the city's social economy. With such a significant involvement, this virtually guarantees that the city authorities will be automatically kept informed, and that they will be alerted when problems occur: for example, problems relating to the employer organisation, or problems for the employees concerned. However, the city authorities recognise the importance of a formal monitoring process. The city has therefore established a team of reliable monitoring professionals to undertake this crucial monitoring function, including in-house social scientists as well as external consultants such as university academics.

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<sup>11</sup> Hotel Bazar started in the 1980s as a refugee project, supported by the city, and is now one of the more attractive Rotterdam hotels!

## 5. Promoting inclusion: future plans

Full engagement in an inclusive economy will remain a key target of Rotterdam's social inclusion policy, even though the city's new social policy program, launched in October 2010, will suffer substantial cuts. On the other hand, some new investment is planned: in public safety, in citizens' initiatives, in public spaces and in education. It seems that financial cuts can encourage the creativity of social enterprise organisations and policy makers to devise different ways of supporting their communities.

Most of Rotterdam's social inclusion projects are still in the pilot phase. Once the detailed results of these pilot projects are made available, the city and its policy makers will adjust their plans according to the best practices that emerge.

Although it is not yet possible to report on the outcome of these pilot social inclusion projects, it is already clear that one impact of the budget cuts will be a growing need for co-operation between many different organisations, both public, private and third sector. One of the consequences is likely to be that increasing numbers of projects will be developed, implemented, and managed by clusters of organisations, operating in different social economy sectors and with different goals and objectives. There also seems to be a growing tendency towards location-based social policies that focus on a specific geographical location for service delivery.

It is also likely that the future will see a growing tendency to launch more multi-target projects. One example of a promising multi-target project is the Flex project<sup>12</sup> in Rotterdam's Overschie district. The Flex project is focused on mobility services, the environment, educational services and job opportunities. Ten small electric buses, transporting a maximum of some six passengers, and inspired by the Tuk Tuk vehicles used in Thailand, offer an additional, free, door to door public transport system. The project also provides education by teaching trainees work skills and social skills, as well as how to drive the Tuk Tuks around in the Overschie part of town. In the next phase, successful trainees will be introduced into Rotterdam's main taxi company, RTC. Here, they will receive more training so they achieve the more technical skills of driving a taxi as well as getting to know the Rotterdam street map and the locations of popular destinations such as leisure facilities.

These emerging trends are both promising and challenging. Of course, one risk to bear in mind is that multi-target projects may become too complex to manage. In addition, with more partners involved in a project, there may increased risk of organisational problems, especially in the current economic crisis.

However, as already mentioned above, creativity and innovation among the social enterprise organisations too can still accomplish a surprising amount in terms of inventing and developing new solutions and new job opportunities.

In conclusion, the national Council for Employment and Income (RWI) in The Hague recently carried out a survey among local authorities across the Netherlands. In almost half these local authorities, the expectation was that 25% to 50% of the people currently living on social benefits will never get a paid job<sup>13</sup>. Rotterdam policy makers were (and probably still are) more positive. Their response to these findings is that city policymakers have to be optimists. So Rotterdam will continue to aim for a 100% inclusive labour market.

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<sup>12</sup> [www.flexoverschie.nl](http://www.flexoverschie.nl).

<sup>13</sup> RWI (Raad voor Werk en Inkomen = Council for Work and Income, The Hague), *Omnibus enquête onder gemeenten (survey of municipalities)*, Den Haag 2010, p. 2 (table 4).

## Annex 1. References

Relevant Rotterdam websites are:

[www.rotterdam.nl](http://www.rotterdam.nl), see e.g. [www.rotterdam.nl/werkloosheidscijfers](http://www.rotterdam.nl/werkloosheidscijfers)

General site of the Municipality of Rotterdam

[www.cos.rotterdam.nl](http://www.cos.rotterdam.nl)

Site of Rotterdam Institute for Research and Statistics

[www.rotterdam.nl/roteb](http://www.rotterdam.nl/roteb) and [www.roteb.com](http://www.roteb.com)

Sites of the Roteb organisation

## Annex 2. Data

Table 1: Forecasts for cuts in Rotterdam's inclusive economy budgets:

Scenario 1 : National Labour Institution pays 25%.

* €1000.00	2010	2011	2012	2013	2014
Reintegration	185,986	165,593	127,593	118,218	106,143
Civic integration	34,000	28,973	14,587	4,268	0
Education	8,595	6,676	6,676	6,676	6,676
Other	3,100	6,200	6,200	6,200	6,200
<b>Totals</b>	<b>231,681</b>	<b>207,442</b>	<b>155,056</b>	<b>135,362</b>	<b>119,019</b>

Table 2: Forecasts for cuts in Rotterdam's inclusive economy budgets:

Scenario 2: No support from other institutions.

* €1000.00	2010	2011	2012	2013	2014
Reintegration	185,986	165,593	121,093	109,393	92,493
Civic integration	34,000	28,973	14,587	4,268	0
Education	8,595	6,676	6,676	6,676	6,676
Other	3,100	6,200	6,200	6,200	6,200
<b>Totals</b>	<b>231,681</b>	<b>207,442</b>	<b>148,556</b>	<b>126,537</b>	<b>105,369</b>

Table 3: Subsidised jobs (2005 - 2010) \*\*

	31-12-2005	31-12-2006	31-12-2007	31-12-2008	30-12-2009	31-06-2010
Subsidised ID-jobs	5218	4416	3428	1983	1557	1494
WIW-jobs	1176	1103	1011	906	841	831
WSW-jobs			2549	2560	2442	2497
DAAD-subsidised			1098	1450	1985	1254
Projects with wage cost subsidy			823	1415	1734	861
Participation positions		345	875	1706	1191	536
Basic reintegration (work placement)	4348	2529	1586	1055	686	157
<b>Totals</b>	<b>10,742</b>	<b>8,393</b>	<b>11,370</b>	<b>11,075</b>	<b>10,436</b>	<b>7,630</b>

\*\* The Dutch terms used in this table are difficult to translate precisely, but the following gives an indication of their meanings:

**ID-jobs** are subsidised jobs created in the 1990s; the city is completing the implementation of this national scheme.

**WIW-jobs** are jobs related to the national Jobseekers Integration Act (WIW).

**WSW-jobs** are jobs related to the national Sheltered Workers Act (WSW) which regulates the employment for people with disabilities.

**DAAD** is an organisation involving SoZaWe and a Rotterdam Employer's Organisation, which subsidises jobs.

**Wage cost subsidy** is the share of an employee's salary not paid by the employer but by the city.

**Participation positions** are unpaid jobs which people can be forced to work in for up to 3 months, in return for receiving their social benefits.

A **basic reintegration job** is an unpaid work placement job which offers cheap labour to the employer and work experience and training to the employee.



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