

INTERREG SIV

D.T1.2.3

Draft Voucher Strategy

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1. The Interreg SIV Project

Even though the EU unemployment rate is at an all-time low, it is still vital to focus on reducing the risk of long-term unemployment and facilitating the integration of disadvantaged groups into the labour market. There is an untapped potential for solving these challenges by activating private capital. This is the main goal of the new EU funded Interreg project Social Impact Vouchers (SIV) that started in March 2019 and will run until February 2022.

Within the scope of the SIV project, eleven project partners from eight Central European countries will introduce a novel and innovative labour market instrument, aimed at increasing the capacities of social enterprises and public stakeholders to leverage private capital for solving social challenges of long-term unemployment. Based on a voucher system, the project will develop an incentive system for companies to hire long-term unemployed and individuals from other vulnerable groups.

The programme will be financed mainly by private capital. However, additional public financing in the form of mixed financing is not excluded. The specific financial instrument behind the SIV programme will be a social impact fund. A detailed description of this financial instrument and the planned course of action for its implementation within the framework of the SIV programme is provided in the draft strategy for the social impact fund (deliverable D.T1.1.4).

The programme will be partly conducted online. For this purpose, the project partners will develop an online platform, aiming to support the programme's implementation by enabling matching between job seekers and prospective employers. Furthermore, modules for online coaching and training of both employees and employers will also be provided on the platform. For additional information on this aspect, please see the coaching concept (deliverable D. T1.2.6).

The following subsections of this strategy paper will focus on shedding light on which possible voucher system designs would be best suited for implementing the SIV programme in each partner country.

2. Social Impact Voucher Models

2.1. General considerations

The international project Social Impact Vouchers is based on two main pillars - the Social Impact Fund establishment and the Voucher System launch. The voucher system shall be financed by means of the social impact fund. The main aim of the voucher system is to help people from disadvantaged groups to return to the labour market and thus to improve their quality of life. Benefits from successful implementation will apply not only job seekers, but also their surroundings, the community and the targeted regions as a whole.

The present strategy depicts possible scenarios for the voucher system function in the partner countries involved in implementing the Social Impact Vouchers project. Each project partner has a different history, different experience and different options for testing the voucher system. At the same time, there are different possibilities and existing labour market measures in each country that our voucher system should complement.

Therefore, our goal is to make the implementation of the voucher system as flexible and permissive as possible.

The strategy is therefore conceived as a catalogue of possible scenarios of voucher systems in each country, showcasing five main ones, presented next in subsections 2.2 to 2.6. The main concept was developed by Centire s.r.o. (PP11) and commented on by the partner responsible for the "Pilot Preparation" work package



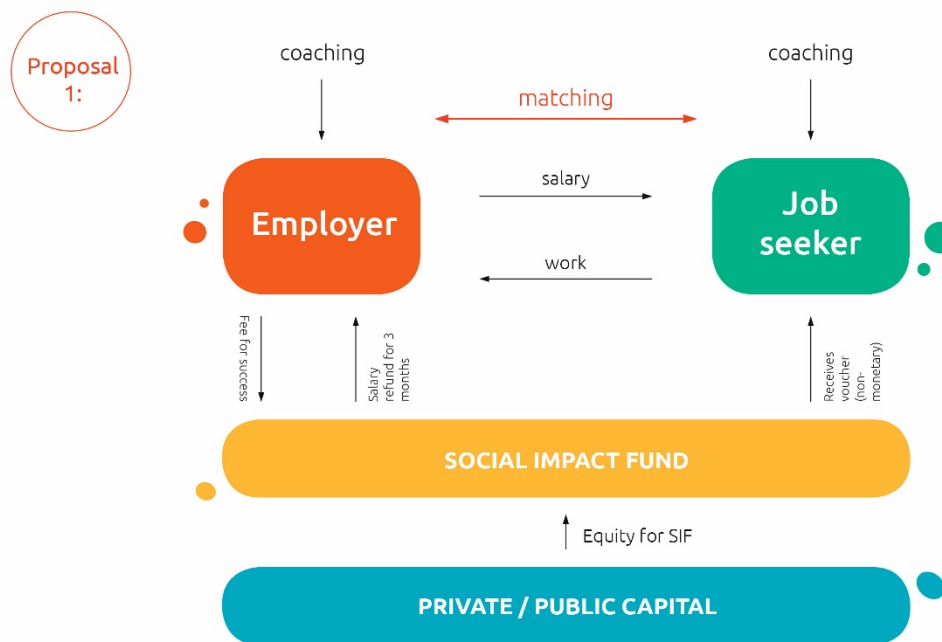
(T1), the Vienna University of Economics and Business (PP10). The five models differ primarily with regards to the relations and roles of the prospective employers, job seekers and possibly of job agencies. They also illustrate the different possible financial flows into and from the social impact fund.

By “employer”, we mean any company, organization or institution providing occupation. For instance, these could be SMEs, large multinational corporations, non-profit or non-governmental organizations as well as public organizations or institutions. The job seekers must belong to a group that is disadvantaged in the labour market and is at risk of, or already affected by long-term unemployment.

In principle, the five models are based on the idea that the voucher system can be applied to (1) reimburse personnel costs to the employers for employing a person from a disadvantaged group or (2) to facilitate participation of job seekers in a training program that will increase their employability.

2.2. Voucher Model 1

Figure 1: Illustration of Voucher Model 1



Source: Presentation of Centire (PP11)

Model 1 is based on the following assumptions: The Social Impact Fund will be financed by private and/or public resources. These will serve to fund the voucher system.

In model 1, as illustrated in Figure 1, the job seeker coming from a disadvantaged group in the labour market is the recipient of vouchers. The Job seeker receives a non-monetary voucher after registering on the online platform and meeting the predefined conditions for participation in the SIV programme. With the voucher, the job seeker should address a prospective employer also registered on the portal. The job seeker is assigned to different employers based on a matching system. The voucher brings the job seeker an advantage



in the labour market, as it allows the employer to be reimbursed for employment costs in the first three months of employment. Alternatively, the job seeker could use the voucher to participate in a training program that aims to increase his/her employability in the labour market.

If the employer decides to accept a registered job seeker, there is a professional exchange between them. The job seeker agrees to work for the employer and the employer pays the job seeker. Coaching is also provided to both parties.

After 3 months, or alternatively on a monthly basis, employers contact the social impact vouchers programme operators and ask for reimbursement, based on the voucher handover. The voucher will be given from a job seeker to an employer. In the case of a training programme, the voucher will reimburse the training costs. In the case of a long-term job employment contract, extending beyond the period covered by the voucher program, the employer is expected to donate a fee for success back to the social impact fund.

Pros & Cons of Model 1

Pros:

- flexibility of the voucher model
- possibility to provide tailored training programs to job seekers

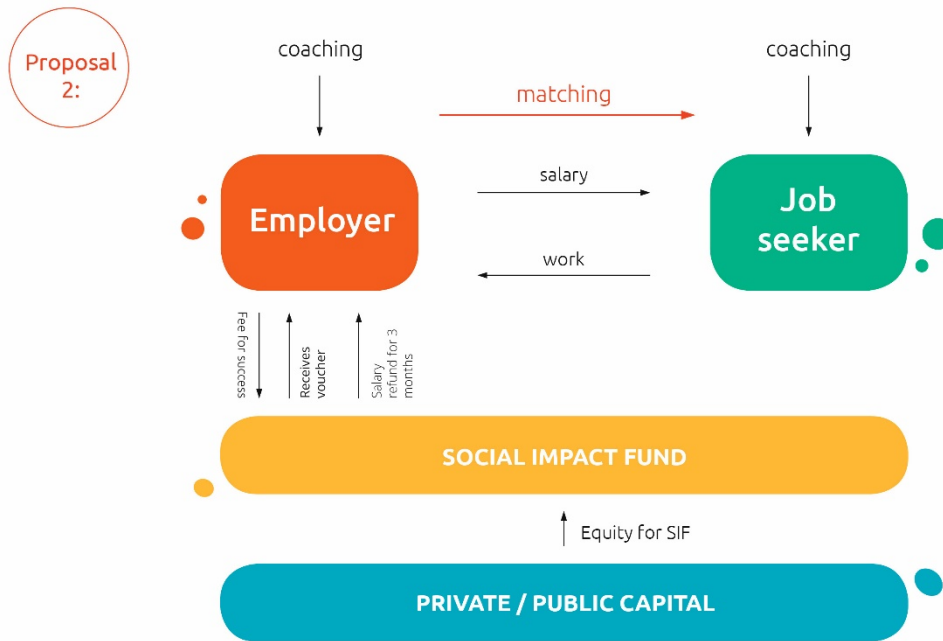
Cons:

- the risk of depleting the fund over time, as the fees of success may not cover the costs in their entirety
- the unwillingness of the employers to pay a fee for success
- the willingness of the employers to only pay a low fee for success
- questionable motivation of public and private actors to finance the fund



2.3. Voucher Model 2

Figure 2: Illustration of Voucher Model 2



02

Source: Presentation of Centire (PP11)

Model 2 is based on the following assumptions: The Social Impact Fund will be financed by private companies or public resources. These will serve to fund the voucher system.

In model 2, unlike model 1, the voucher recipient is an employer. Upon fulfilment of conditions for participation and upon registration, the employer becomes eligible as a beneficiary of the voucher program. The employer will then receive a monetary or non-monetary voucher used to employ a job seeker that is also registered for the voucher program and has been assigned to the company by matching (see Figure 2).

Both the employer and job seeker receive coaching. The job seeker provides work for the employer, in return the employer pays the job seeker.

After 3 months, or alternatively on a monthly basis, the employer claims a reimbursement of the employment costs for the job seeker's first months of employment that are covered by the voucher program. Alternatively, the employer can also claim reimbursement for their training program. In the case of a long-term cooperation with the job seeker, the company is expected to dedicate part of the reimbursed amount back to the voucher program, as a fee for success.



Pros & Cons of Model 2:

Pros:

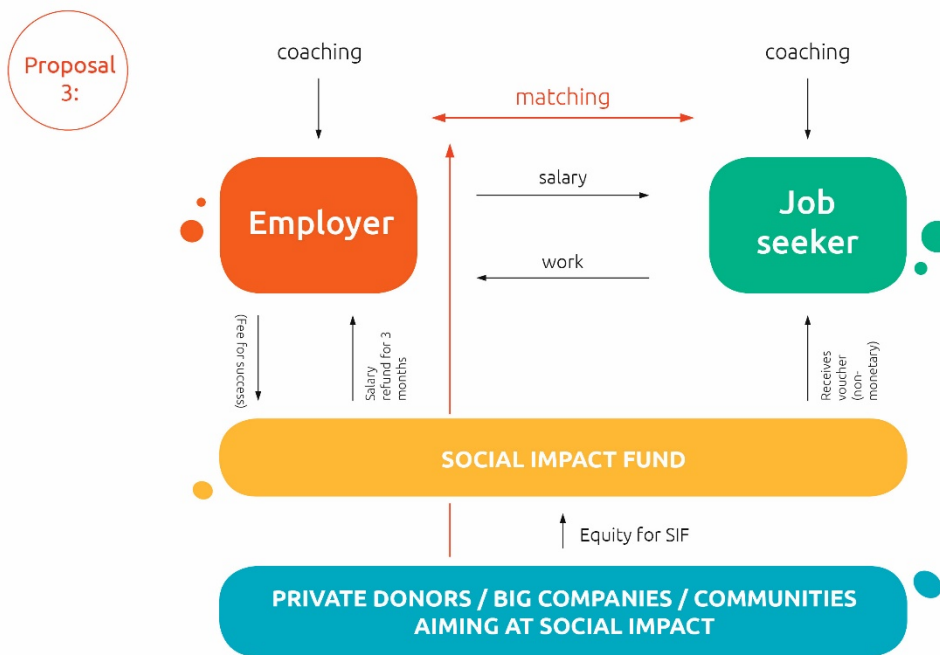
- companies can use the voucher for a training program that is tailored to their needs
- The conduct of the voucher program is coordinated only with the employer and the job seeker is not involved in the process, therefore making it more efficient and easier to handle.

Cons:

- more demanding/challenging to target the job seekers, as they might not perceive the role and contribution of the voucher system to their successful employment.

2.4. Voucher Model 3

Figure 3: Illustration of Voucher Model 3



"CLOSED ECOSYSTEM"

03

Source: Presentation of Centire (PP11)

Model 3 differs in several aspects from the previously described models and is probably the most similar to the model currently implemented in Germany as a pilot project from the Social Welfare Service of the Protestant Churches in Württemberg.



This model envisions financing the Social Impact Fund via private donors, big companies or communities aiming for social impact (see Figure 3). The assumption is that these stakeholders are interested in setting up the voucher system in order to help their select target groups to improve their chances in the labour market. It would therefore be a 'closed ecosystem' - a voucher model created by certain interested parties for their targeted beneficiaries. The matching will occur between the employer and job seeker, but will be heavily influenced by the fund donors that will want to ensure that the program serves their interests.

In this model, the job seeker receives the voucher in a non-monetary form. Based on matching, the job seekers address suggested prospective employers. Subsequently, the job seeker is employed by and receives wages for work from the employer. Then, the employer will ask for the reimbursement of the employment or training costs for the duration of the voucher program, which will be covered by the social impact fund. This model does not expect a fee for success paid back by the employer, rather it remains as an option. . Both the employer and job seeker will receive coaching.

Pros & Cons of Model 3

Pros:

- secured funding of the social impact fund
- easy to reach out to job seekers through the fund donors
- high potential for success of the job seekers, as the employers are open for cooperation - since it is expected employers will be linked to the fund donors / recommended from the fund donors

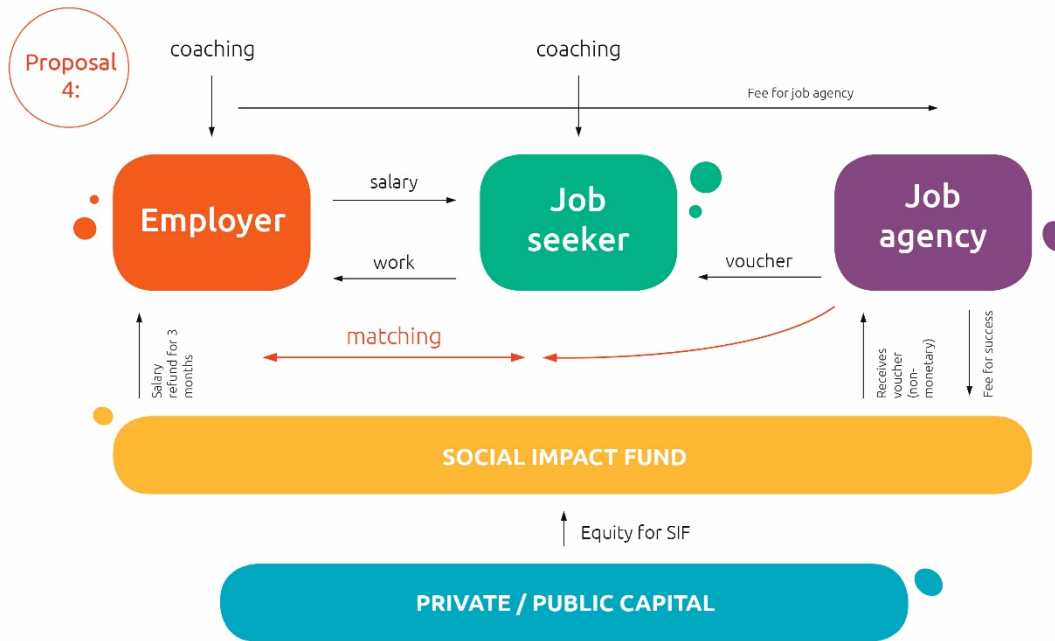
Cons:

- closed system only accessibly to select groups
- high dependence on the fund donors



2.5. Voucher Model 4

Figure 4: Illustration of Voucher Model 4



04

Source: Presentation of Centire (PP11)

Model 4 involves another partner for implementing the voucher model - the job agencies. This model makes use of employment agencies' role in the labour market. Specifically, job agencies can streamline the application of the voucher system, as they have long standing experience in this field.

As with models 1 and 2, this model also assumes private or public resources as a source for financing the Social Impact Fund. In this system, the primary voucher recipient would be the job agency. The job agency would then distribute the voucher further to the job seekers. The matching will also be the responsibility of the job agency (see Figure 4).

Upon successful matching and recruiting, the job seeker provides work for the employer and the employer pays him/her. Then, the employer will claim an employment or training costs reimbursement for the duration of the voucher program, which will be covered by the social impact fund. In the case of long-term employment, the employer is expected to pay a fee to the job agency. Part of this fee would then be paid by the job agency as a success fee back to the Social Impact Fund.



Pros & Cons of Model 4

Pros:

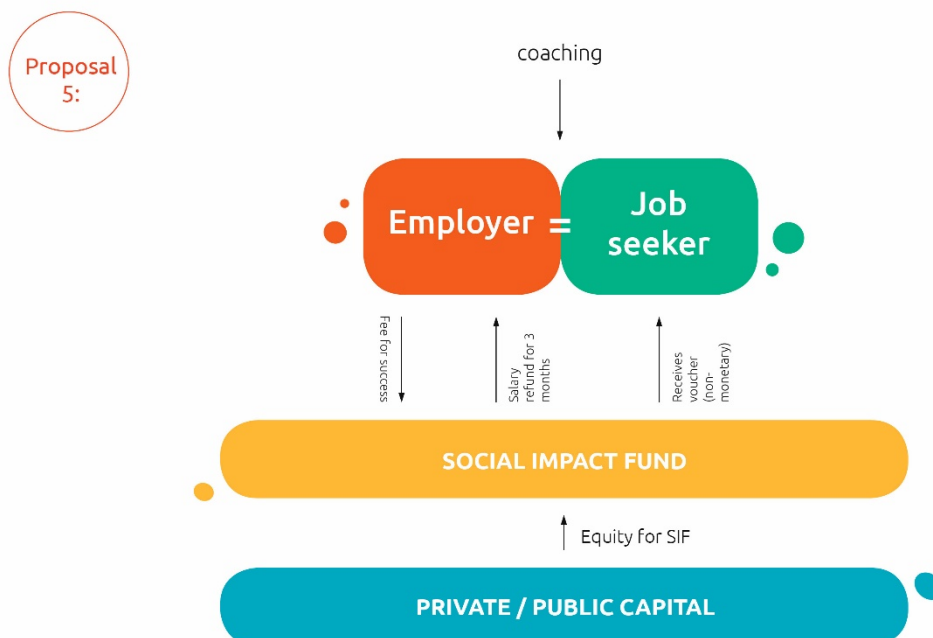
- model efficiency - job agencies have the best contacts and experience in the market
- high cost recovery rate - through the fee for success paid to the job agencies

Cons:

- Fund financiers may object to the involvement of job agencies, as these make a profit and thus the investment does not serve the primary beneficiaries, the job seekers, directly.
- the unwillingness of the employers to pay a fee for success
- the willingness of the employers to only pay a low fee for success
- questionable motivation of public and private actors to finance the fund

2.6. Voucher Model 5

Figure 5: Illustration of Voucher Model 5





Model 5 is based on the program promoting self-employment that is already implemented by the Czech partners. This model also envisions public and private financing of the social impact fund.

In this model, however, two target groups - job seekers and employers - overlap, as they represent one entity. The aim of this model is to serve as an incubator and to transform the job seekers into entrepreneurs, based on an intensive coaching program.

After fulfilling the selection criteria and registering for the voucher program, the job seekers will have the opportunity to participate in a training program, whose goal is to enable them to establish their own businesses. In addition to the provided training, the program will also ensure that their salary is paid for up to 3 months. The goal is that, over time, the fresh entrepreneur will make a profit from which he or she will be able to pay back a fee for success to the social impact fund.

Pros & Cons of Model 5

Pros:

- high probability of return on investment in case of successful projects

Cons:

- excluding existing employers as a target group from the model
- competition with existing business start-up / incubator programs

3. Planned implementation of the voucher models in each country

The partners in each country have to account for the different social, legal and economic conditions in each country as well as for the different challenges and difficulties that are shaping the population needs. Furthermore, the project partners will address different target groups, based on their individual expertise, background and networks.

In order to reach a decision regarding which voucher model would be best suited for the SIV programme, the project partners first had to discuss and answer the following key questions:

Questions on the voucher system implementation

- 1) What are our possible target groups in each partner country?
- 2) What should the intervention consist of?
- 3) What should the minimum and maximum duration of the intervention be?
- 4) What should the vouchers represent and who are the voucher recipients?
- 5) How should the vouchers be designed - are there any legal aspects to consider in each country?
- 6) What conditions need to be met in order to claim the vouchers?
- 7) How are the vouchers linked to the fund? How can the fund be accessed via the vouchers?



- 8) How will the payback/refund occur? What amount should the beneficiaries have to pay back? When will the payback be due?

Questions on the online platform for matching and coaching

- 9) What resources are already available and how can they be used for the matching? Should a new online platform be developed, or will the partners use an existing one?
- 10) What data/information on both prospective employers and job seekers should the platform contain?
- 11) Which criteria should be defined for the matching?
- 12) What data is required for the evaluation?
- 13) How will the matching occur: Automatically upon verification of the predefined criteria or does the prospective employer have to do another check and then agree to take on the employee?
- 14) Should the coaching mainly address job seekers or prospective employers? Or both?
- 15) How should the coaching take place: In person or digitally by means of the platform to be developed? A combination of both approaches?
- 16) What topics/content are particularly relevant for our target groups and should by all means be included into the coaching concept?
- 17) Should the participation in the coaching be mandatory or optional for the voucher recipients?

In addition, all the above-described voucher models were presented to all SIV project partners at a project meeting in September 2019 in Vienna. While keeping in mind the discussed key questions, each of the participating partners could express their preference for specific models. An overview of each partner's preferred approach is given in subsection 3. Table 1 below provides a summary of this discussion and illustrates the intentions as well as strategic orientations of each project partner regarding the voucher implementation:

Table 1: Summary of the planned implementation of the voucher models in each country

Austria (PP5, PP10)	The Austrian partners proposed a different system where the coaching and matching of the public job agency is improved. There will be no reimbursement of labour costs from the fund, since the public system is already covering this. Instead, the programme should represent an add-on to public interventions, with particular focus on matching and coaching. The payback will be possible because of successful matching. This concept diverges from the application form, but there are no objections from the consortium.
Croatia (PP2)	The Croatian partner will add on top of existing government payments and will also provide more specific and targeted training. They will work with disabled people to help larger companies to meet the quotas for employing people in this group. Therefore, the voucher system is envisioned as a complementary programme to models 1 or 2 with the add-on of targeted coaching and training. In this model, the salaries will be paid by the government and the training costs will be reimbursed after the successful completion of the training.



Czech Republic (PP6)	As illustrated in model 5, the Czech partner will continue with the BEC model for supporting aspiring entrepreneurs, which they already have running and is supported by the BEC cooperative. In addition, they want to combine this model with model 1, thus with a voucher system offering 3 months of labour cost reimbursement. Model 4 also presents a viable option and could be combined with model 5, by also involving job agencies in the process.
Germany (LP, PP9)	The German partners will use the originally proposed idea of salary vouchers, which are targeted at people who are not serviced by the existing social systems. A success fee will be paid back for successful integration. PP9 adds the target group of migrants and especially of refugees and mentions the possible use of apprenticeship as a training tool.
Hungary (PP4)	The Hungarian partner proposes a model to integrate disabled people into larger companies, since many of these companies have to pay higher taxes due to not meeting employment quotas for this target group. With improved matching and coaching, the voucher system could facilitate large companies employing more people with disabilities. The vouchers will be granted directly to the employers for a duration of three months of employment, as illustrated in model 2 and will cover salary and training costs. The success fee could be paid out of the excess tax savings.
Poland (PP7, PP8)	The Polish partners propose a system where they provide coaching for digital skills and then facilitate the matching with both SMEs and larger companies. Thus, they will create jobs for immobile job seekers with good qualifications, where they can work from home. Projections show that there will be great need for an additional work force in the future. As in model 4, the voucher will pay for the training (upskilling/reskilling) and the employer will cover the salary. After two months, the employer will pay back a fee for the matching and coaching.
Slovakia (PP11)	The Slovak partner's addressed target groups are graduated single parents or parents on/after maternity leave and 50+ year old unemployed. The voucher programme will provide digital coaching that will enable these people to work from home. They will focus less on training and more on working with online coaching models. They plan to add on top of existing schemes (the state pays 12 months' salary when keeping the job for a minimum of 18 months) by combining elements of models 1, 2, 3 and 4.
Slovenia (PP3)	The Slovenian partner does not have a clear picture at the moment of the exact voucher system to be implemented, but will go with employer salary vouchers, as depicted in models 1 and 2 or with a system similar to those of Poland and Austria, where the funds will be used primarily for training, designed for the limited educated segment.

Source: Presentation of WU Vienna (PP10)



4. Voucher model implementation strategy and next steps

In conclusion, the project partners will work on further developing and refining their voucher models and will commence with the concrete implementation of the models, as described in the present strategy and in the KANBAN task board for the voucher system (see deliverable D.T1.3.2.). In a nutshell, the partners are working on a common concept/story for all partners to communicate to programme participants and potential investors as well as on the compilation of pitch decks. Furthermore, there is regular exchange between the project partners concerning the stakeholders that each partner succeeded in engaging so far, which is particularly interesting especially for international companies or organizations. In addition, the partners provide input, based on their own experiences and knowledge, on examples similar to the voucher concept of other partners. Of course, each partner also undertakes individual actions necessary for implementing the voucher system in their respective countries and provide regular status updates to the other partners on the developments and changes related to the implementation process.

The specific steps will be described in more detail in the Voucher action plan (see deliverable D.T1.3.1.). Some of these steps are already being carried out and some are to be completed by spring/summer 2020, according to the estimated time frame agreed upon by the partners.