



REFORMING THE SWEDISH PUBLIC EMPLOYMENT SERVICE

ASSESSMENT OF THE PLANNED REFORM WITH LESSONS
FROM INTERNATIONAL EXPERIENCES

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Structure

Session 1

- **What kind of market does Sweden want to create?**

Session 2

- **Monitoring providers and jobseekers placed with providers**

Session 3

- **Revising the role of Arbetsförmedlingen staff, integrating training into contracting model, and lessons from other OECD countries**

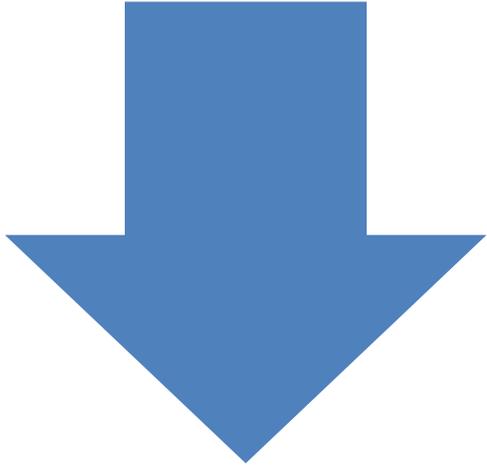


Key guiding principles outlined in the government reform proposal

- Contracting out most job brokerage and counselling services
- Highly outcome-based payment model
- Increased responsibilities as a contracting authority for Arbetsförmedlingen
- Important role of consumer choice
- Ensuring a local presence
- Arbetsförmedlingen's continued important role in guiding labour market policy



Potential benefits of having a diverse and competitive market that includes smaller providers



Potential drawbacks

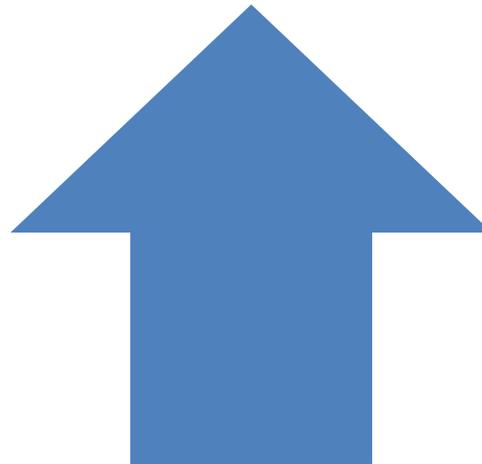
- increased contracting and monitoring costs, greater variability in provider performance

Relationship between size upon entry and subsequent effectiveness is unclear

- some long-existing markets for employment services are characterised by a smaller number of relatively large providers (e.g. Australia, the UK), while others have a varied market that includes large players in addition to smaller ones (e.g. Netherlands)
- increase in concentration may be inevitable as market matures, but it may make sense to have a larger number of providers initially

Potential benefits:

- different providers may be better placed to offer services tailored to specific groups, may have ties with employers in certain industries, or particular approach which is effective





Criteria for becoming a provider should be carefully considered

Criteria for providers in *rusta och matcha* are relatively strict for a newly-developed market

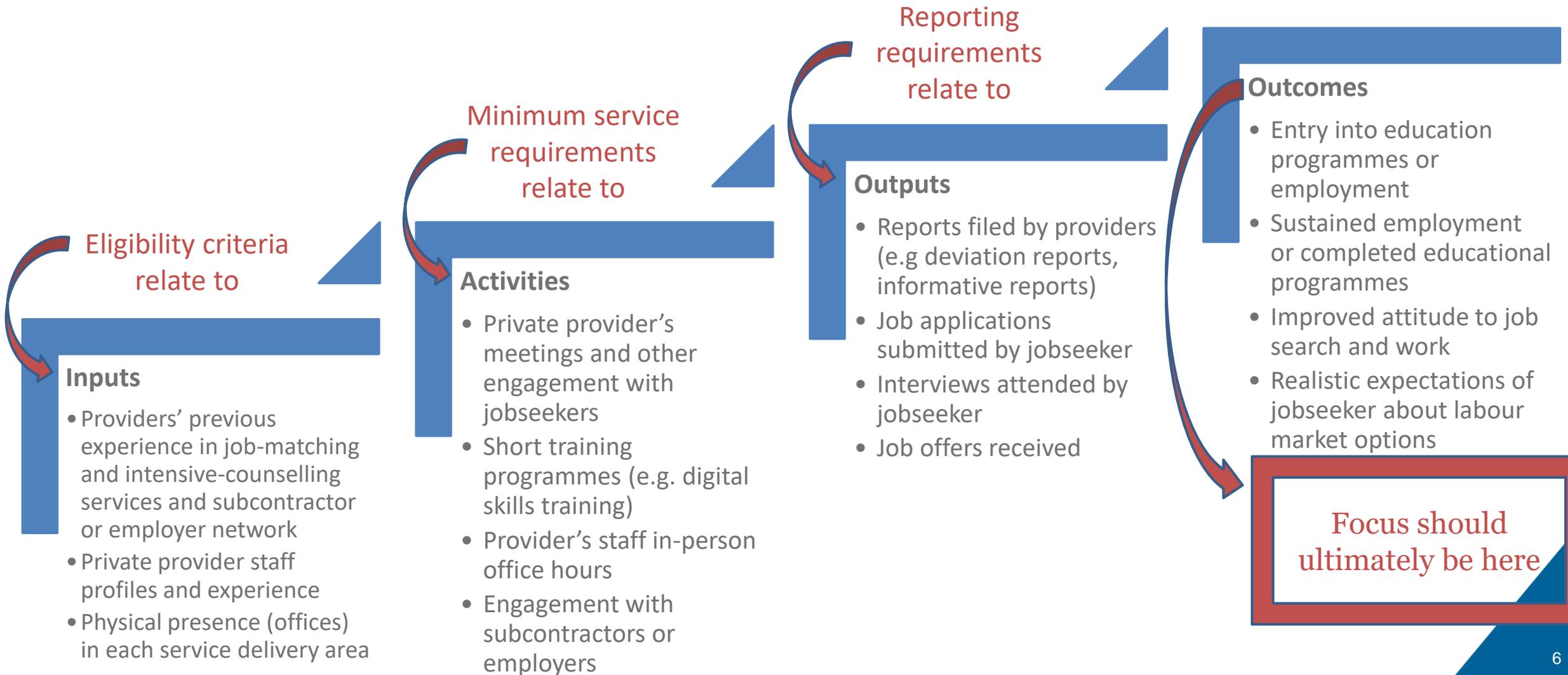
- Most binding constraint is demonstrating *two* reference experiences, experience in both (i) job matching and (ii) in-depth counselling
- Rejection rate of providers applying to be eligible under *rusta och matcha* are relatively high for a system where clients choose providers
- Additional barrier to entry: maintaining a physical presence (in-person office hours) in each service area for at least 16 hours per week

Criteria in systems with client choice vary considerably across countries

- Italy (*assegno di ricollocazione*): accreditation by regional or national authorities, with certain categories automatically eligible: universities, vocational education providers, municipalities, employers associations and trade unions
- Netherlands (*reintegration markets*): accredited providers are selected based on minimal requirements which are determined by contracting authority (PES or municipalities)
- Australia (*jobactive*): past performance (30%), other qualitative aspects such service delivery proposal (70%)



Ultimate focus of employment services should be on outcomes – not on inputs, activities or outputs



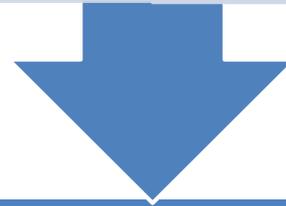


Actively managing providers improves likelihood of creating a successful employment-services market

Some providers indicated that providing minimum level of services could still be a viable business strategy in *rusta och matcha* – despite the high share of outcome-based payments

Such providers would engage in cost-minimisation but still possibly receive some outcome-based payments

Having a market with such providers is not in the interest of Arbetsförmedlingen or highly-successful providers – although it may be in the interest of a minority of jobseekers



Importance of having the contracting authority actively dealing with underperforming providers

In Australia, during an earlier *Job Network* tender round, best 60% of providers had their contracts automatically rolled over, leaving the bottom 40% to compete with new entrants

In the UK, the contracting authority in the *Work Programme* could shift market shares and ultimately exclude poorly-performing providers

Both programmes can be judged to be cost-effective and successful



Legal basis for the market would ideally allow Arbetsförmedlingen to exclude underperformers

- Public procurement option could give Arbetsförmedlingen more flexibility in monitoring providers and steering the market
 - Swedish system of freedom of choice, LOV, requires that the contracting authority establish objective criteria for which providers can offer their services to clients in the government-funded market → not clear whether e.g. regression-based Star Ratings would legally qualify as such “objective criteria”
 - Using public procurement could enable Arbetsförmedlingen to institute a temporary market cap for poorly-performing providers or – in extreme cases – terminate a contract purely on the grounds of poor performance
- Under LOV, consumer choice is supposed to govern market structure
 - Some indications that consumer choice is working: for STOM, higher-rated providers attracting more clients, and improved rating leads to more clients choosing a provider (National Audit Office, 2020)
 - However, also some indications that consumer choice could lead to poorly-performing providers staying: survey for STOM, proximity was single most important factor, with almost 80% saying it played a role
 - Roughly 10% of consumers do not choose, and are automatically assigned the closest provider
 - Under STOM, older and lower-educated individuals are less responsive to Star Ratings



DISCUSSION

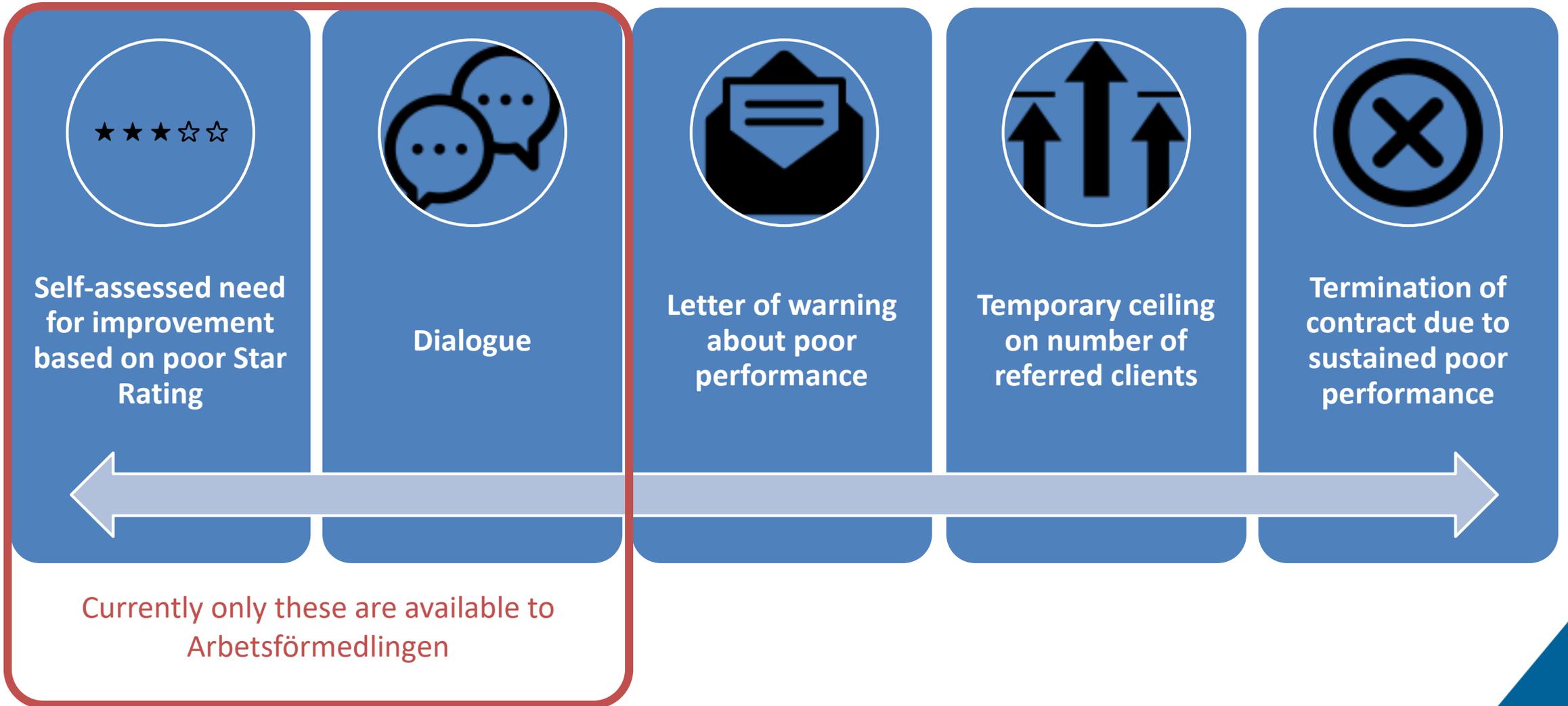


Lowering barriers to entry could be counterbalanced with enhanced and better targeted monitoring

- Existing monitoring approach:
 - Proactive monitoring of strategically important providers.
 - Proactive monitoring based on financial indicators
 - Reactive monitoring
- Existing approach
 - larger providers are monitored considerably more intensively than smaller ones even though they account for a smaller number of complaints in relative terms (Riksrevisionen, 2020)
 - relatively small share of providers are covered in proactive monitoring because providers are pooled in determining which ones are strategically important
- Modified approach – could do more proactive monitoring based on:
 - Star Ratings
 - client surveys → could be mandatory, as part of activation requirements



Expanding the toolkit of available options for steering the market





Contracted providers have weak financial incentives for enforcing activation requirements

For providers, sanctioning clients can result in

- loss of clients
- poor client satisfaction ratings
- forgone potential outcome payments

Directly or indirectly (switching to less strict providers)

But enforcing activation requirements is important

- to preserve trust in the system of mutual obligations and ensure financial viability
- to facilitate jobseekers' entry into employment or education

Individuals responses may vary, with potential trade-offs in terms of job quality



Activation requirements could be better enforced via targeted monitoring and proportionate responses

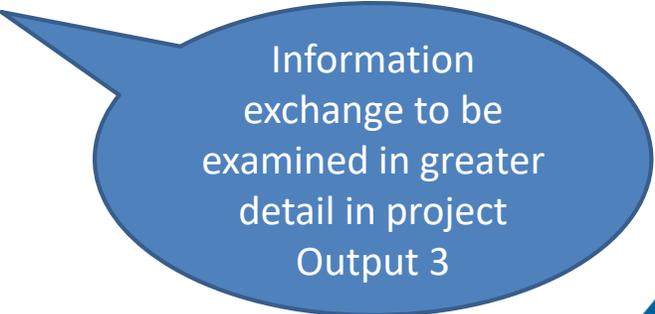
- Arbetsförmedlingen's existing system of monitoring compliance with activation requirements for jobseekers not in STOM/*rusta och matcha* appears to work well (IAF, 2021)
 - Arbetsförmedlingen has accurately and effectively automated the review of activity reports
- *rusta och matcha* providers, however, do not appear to be adequately enforcing activation requirements
 - Providers do not always submit deviation reports for each individual occurrence
 - Sometimes make assessment in deciding whether to send report to Arbetsförmedlingen → both in breach of Arbetsförmedlingen guidelines
- Could sharpen the focus of monitoring based on a systematic review of how frequently different providers submit deviation reports
 - Coarse measure could be used as basis for more informed targeted reviews
 - Could use options from toolkit discussed previously, including (temporary clients

Could also use regression approach (as in Star Ratings)



Streamlining information exchange would greatly facilitate monitoring of providers and jobseekers

- Existing framework imposes considerable administrative burden on all actors involved
 - Verifying sustained employment outcomes through employment contracts is work-intensive and conditional on consent of (former) client
 - Contracted providers are considerably constricted in their day-to-day work with clients
- Could be used to provide real-time information on client outcomes and provider performance
 - providers could receive timely information on their own performance relative to other providers
 - could also be used for proactive monitoring



Information exchange to be examined in greater detail in project Output 3



DISCUSSION



Creating an environment that supports both contracted providers and their clients

**Arbetsförmedlingen
could play more
supportive role in
helping**

Jobseekers

Help them make an informed decision about which provider to choose

Keep reference contact person to reinforce the accountability of private providers

Employers

Resolve issues relating to contract management

Provide relevant information on clients, such as eligibility for wage subsidies, in a timely manner

Counsellors can acquire expert knowledge about the performance of individual private providers, remaining in contact with their clients and following their progress (example from Netherlands)

Assistance from counsellors could be particularly useful for less-educated individuals and immigrants (example from Belgium (Flanders))

Issues may be result of ongoing restructuring of Arbetsförmedlingen – but they could conceivable get even worse without concerted effort to address them



Give contractors more autonomy in working with clients, possibly with small training budget

- Arbetsförmedlingen should re-evaluate reporting requirements
 - Not clear to what extent data gathered is useful for monitoring or research purposes
 - Goal: minimize *unnecessary* transaction costs
- Reform will need to address incentives for providers to provide training of 1-3 months
 - In *rusta och matcha*, some providers provide very short training, but they are not paid for this separately
 - employer representatives from industry councils, *Branschråd*, expressed frustration with Arbetsförmedlingen implementing their specific, local training needs in a timely manner
 - Consider introducing a small (training) budget to allow private providers to offer additional activities for clients



Additional aspects to consider

- Possibility of offering in-work support
- Can private providers (e.g. temporary work agencies) receive placement fees from employers in addition to outcome-based payments from Arbetsförmedlingen?
- Revisiting the monthly reporting requirements for jobseekers
 - Should providers be given access to monthly reports? Could jobseekers be required to complete (short) monthly surveys of satisfaction with provider?
- Payment model could also reward longer-term employment outcomes
 - payment after 6 months would reward sustained employment after (maximum) trial period for permanent contracts

Payment model to be examined in greater detail in project Output 4



Additional lessons from international experiences

Engage in dialogues with potential providers early in design process

Helps ensure that the contractual terms are viable for different types of providers so that they will enter the market

May also help clarify unanticipated aspects of contract design which need to be resolved

Consult with a wide array of legal experts to flag potential legal challenges

Leave sufficient time to modify the programme's parameters or make necessary changes to relevant legislation or regulations

Cross-check that information exchange regulations/systems are compliant with data privacy legislation

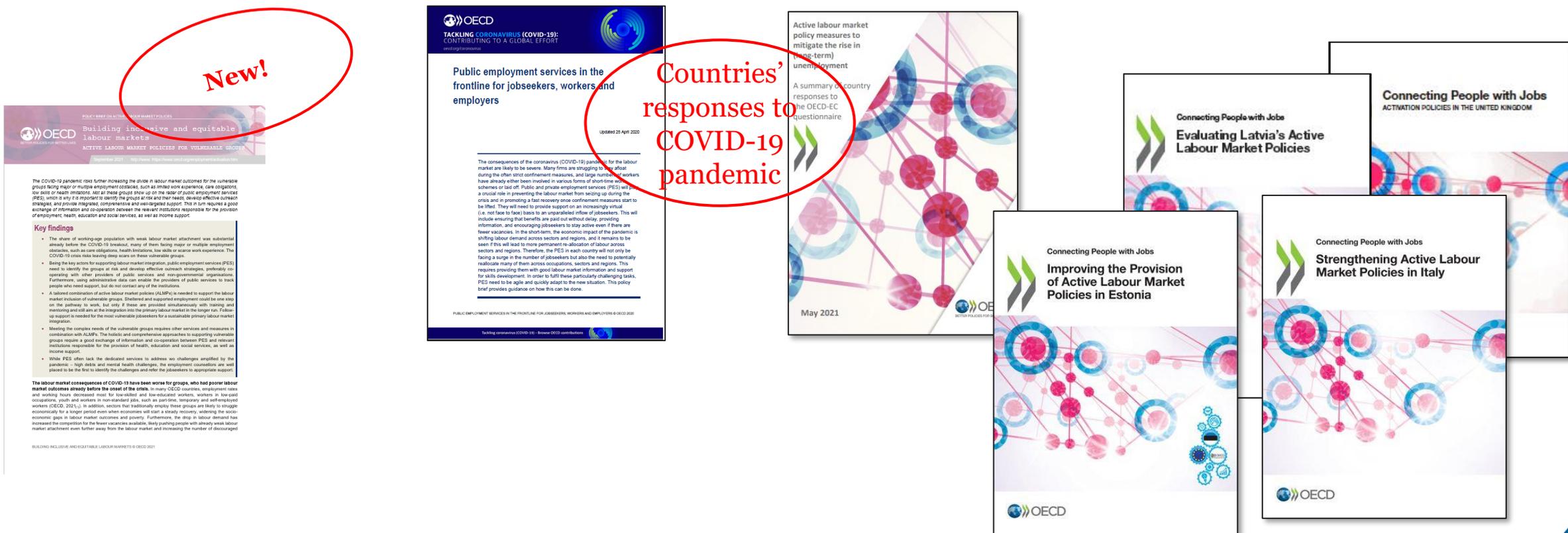
Mitigate financial risks by including profit caps or contingencies in contracts

Contingencies can account for unanticipated developments which may make placing jobseekers into employment easier – or more difficult – than expected

Open-book accounting together with profit caps can provide additional hedge

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More on active labour market policies: www.oecd.org/els/employment/activation.htm