



DESIGNING AND IMPLEMENTING INNOVATIVE CONTRACTED-OUT EMPLOYMENT SERVICES IN OECD COUNTRIES: LESSONS FOR SWEDEN

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BETTER POLICIES FOR BETTER LIVES



Contracted-out employment services promise potential benefits – but they can also present challenges



Potential benefits of contracted-out employment services

- **Tailored services** and **sector-specific knowledge**
- **Flexibility and scalability** in response to unemployment fluctuations
- **Improved accountability** and cost-effectiveness of public expenditures
- **Possibility to introduce consumer choice**, empowering jobseekers



Past challenges and criticisms of contracted-out employment services

- **Inconsistent positive results**: many pilot programmes not scaled up
- **Criticisms** include “parking”, lack of cost-effectiveness, and difficulty in securing coverage in remote areas
- **Providers have complained** of poor design and excessive administrative burdens





Models incorporating client choice have several important benefits compared to mandated referrals

Advantages for...



... unleashing competitive pressures

- Contractors have stronger incentives to offer quality services compared to having competition only during procurement phase
- Empirical studies in health and education support the positive impacts of increased provider competition

Positive evidence from recent pilot programme in Belgium (Flanders)

Requires that jobseekers make an informed and deliberate choice



... jobseekers

- Facilitates more tailored support and can improve match quality between providers and jobseekers
- Act of making a choice enhances motivation and effort

OECD countries have experienced such “supplier capture” in past

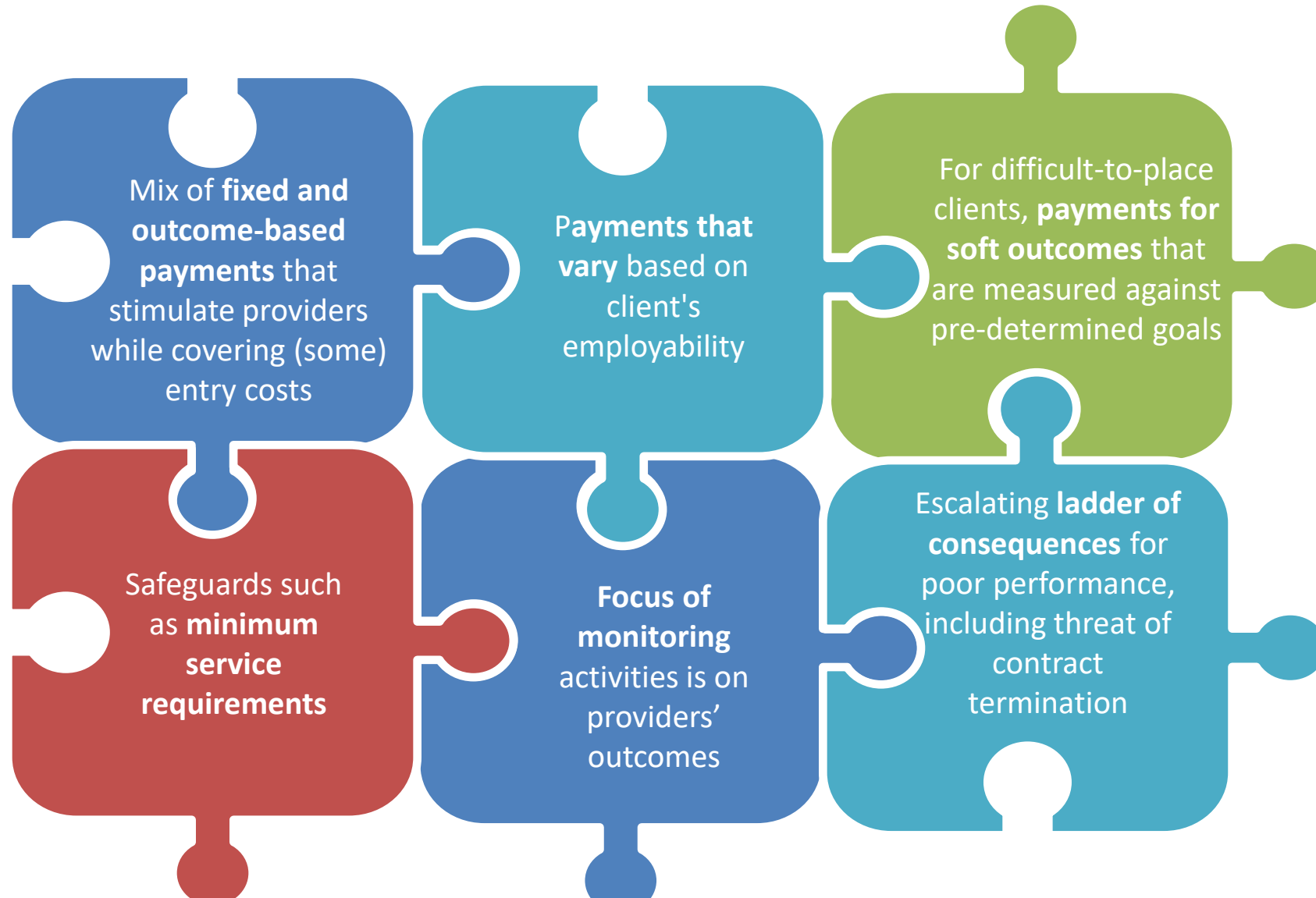


... contracting authorities

- Presence of several competing providers offers a credible threat of sanctioning underperformers
- Reduces systemic risks, allowing quick client absorption if a provider exits the market



Key features of well-designed outcome-based payment models





Legal & IT aspects of data exchange

Assessments

- Arbetsförmedlingen's **IT infrastructure is generally modern and up to date**, with remaining legacy systems being continuously modernised, although certain interfaces could be further developed and fine-tuned
- **Legal basis for information exchange has considerably improved** following legislative changes adopted in 2022

Recommendations

- **Effectively implement** expanded data exchange:
 - **Facilitate flow of key jobseeker data** between providers and Arbetsförmedlingen
 - Make use of data exchange to **introduce novel features in payment model**
- **Expand legal basis** so that additional administrative data can be shared (e.g. education data)
- **Impose more stringent, risk-based data security requirements on private providers** to improve security and address data security concerns

Introduction of shared individual action plans are a step in the right direction

Some providers already do this voluntarily



Creating a competitive market for employment services in Sweden

Assessments

- Arbetsförmedlingen has created a **vibrant market for employment services** with a wide array of providers
- However, crucial to note that **increasing the number of providers will not automatically unleash competitive forces** that improve services and employment outcomes
- **Star ratings and webpage information on providers are helpful and effective**, but their impact is limited by the large number of jobseekers not making an active choice of provider

Recommendations

- **Target monitoring efforts** more towards poorly performing providers, be more proactive in engaging in dialogue with providers and supportive of their suggestions
- **Invest more resources to ensure that jobseekers make a conscious, informed choice** of provider, including possibly strengthening the role of Arbetsförmedlingen counsellors
- **Impose caps on the market share** of poorly-performing providers if necessary
- **Focus more on providers' outcomes** and less on their inputs/outputs



Pricing model, customer journey and incorporating training into the reformed system

Assessments

- **Pricing model provides strong financial incentives to place individuals** into employment or CSN-financed education
- However, **providers have weak incentives for offering other types of training** to clients
- **Customer journey presumes that Arbetsförmedlingen counsellor will “chart the course”** for the jobseeker, limiting options for subsequent changes
- A sizable share of **clients appear to have difficulty in choosing providers** and may not give their choice due consideration



Pricing model and incorporating training into the reformed system

Recommendations

- **Harness automated data exchange of earnings information** to refine payment model:
 - payments could also be based on level of earnings or even total earnings
- **Modify time horizons** for outcomes that trigger payments to providers:
 - employment outcome payments could be lengthened, at a minimum to account for employment trial periods (generally, 6 months), and could differ across client groups
- **Consider various options to better incorporate training:**
 - **introduce explicit "stop-the-clock" mechanism** prolonging client referral period during training (including to allow inclusion in AUB - *Arbetsmarknadsutbildning*)
 - **include small training fund** to be used at provider's discretion → could be limited to best-performing providers
 - **introduce outcome-contingent payments** for short-term training → would e.g. pay for one-month training retroactively, if client becomes employed in related occupation for a year

More novel: tie payments to client's pre-unemployment baseline earnings (when applicable)



Thank you!

Relevant links:

- Raising the bar: Designing and implementing innovative contracted-out employment services in OECD countries:

oe.cd/il/RaisingTheBar

- Swedish reform in detail: oe.cd/reforming-Swedish-PES

Selected other works:

- Harnessing digitalisation in public employment services: oe.cd/digitalPES
- Building inclusive labour markets: Vulnerable groups: oe.cd/44y
- More on active labour market policies: oe.cd/ALMPs

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Just released!



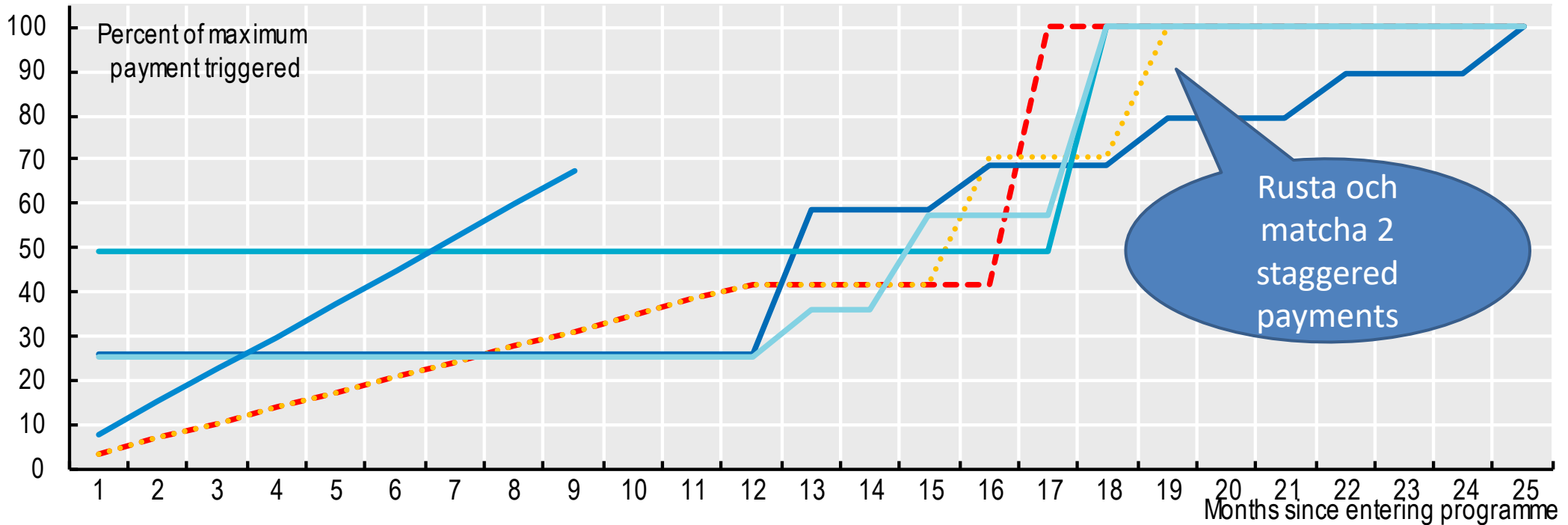


Outcome-based payment models differ in parameters – but these can also reflect other differences

Client becomes employed at 12 months and remains employed for 12 months

Hypothetical scenario

- Sweden - Rusta och matcha (Red dashed line)
- New Zealand - Employment Service Contracts (Dark blue solid line)
- Australia - Workforce Australia (Light blue solid line)
- Sweden - Rusta och matcha 2 (Yellow dotted line)
- Belgium (Flanders) - Intensive mediation and counselling (Cyan solid line)
- Netherlands - On your way to work (Medium blue solid line)

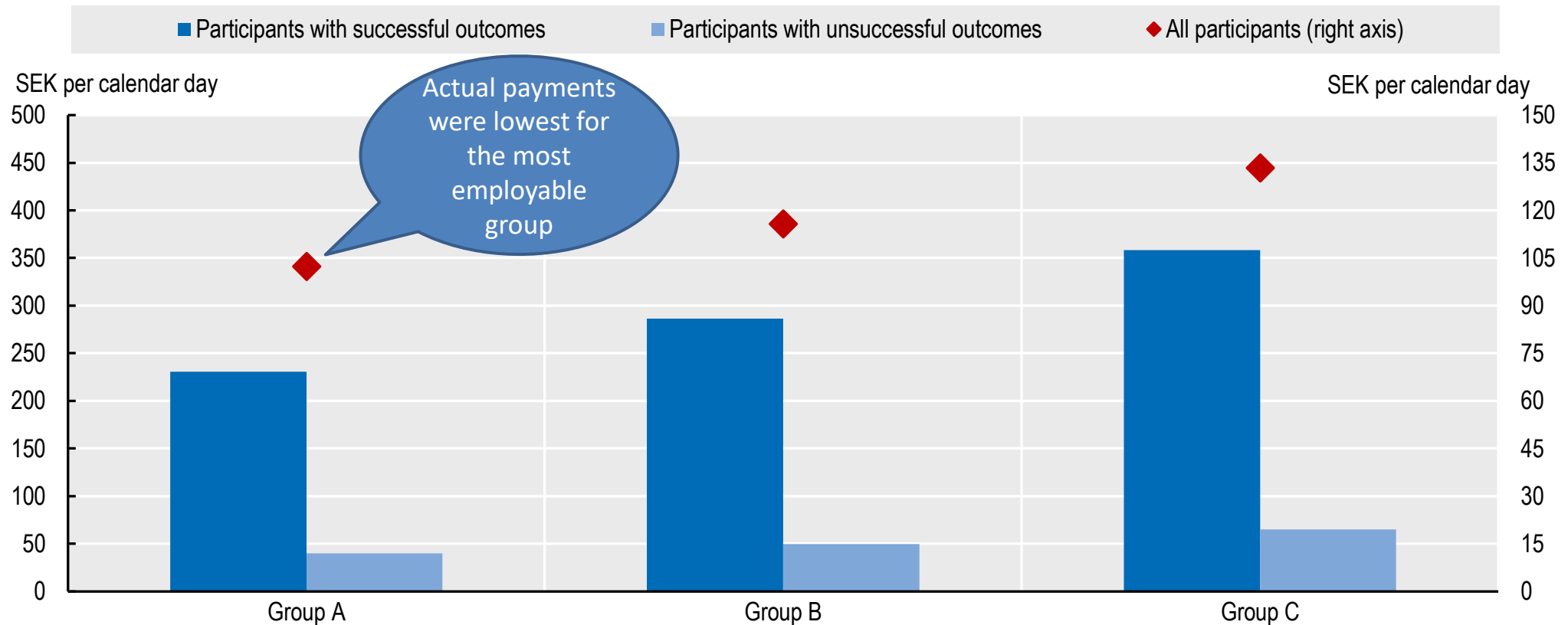


Rusta och matcha 2 staggered payments



Providers in Rusha och matcha were under-allocating time spent on harder-to-place groups

Realised payments to Rusta och matcha providers by segmentation group, 2021 entrants





Public employment services have been undergoing different types of modernisation & restructuring

Service delivery approach of Flanders (Belgium)

Strengthening client support and outreach with client-centred approaches

Rethinking role of outside providers

Australia providing some previously contracted services in-house

Estonia's X-road platform

Enhancing data exchange between institutions

Carefully considering the use of digital options

Netherlands moving back to in-person services

Canada's regular ALMP evaluations

Promoting evidence-informed policy making

Improving coordination within PES ecosystem

France Travail to establish a common framework across providers