

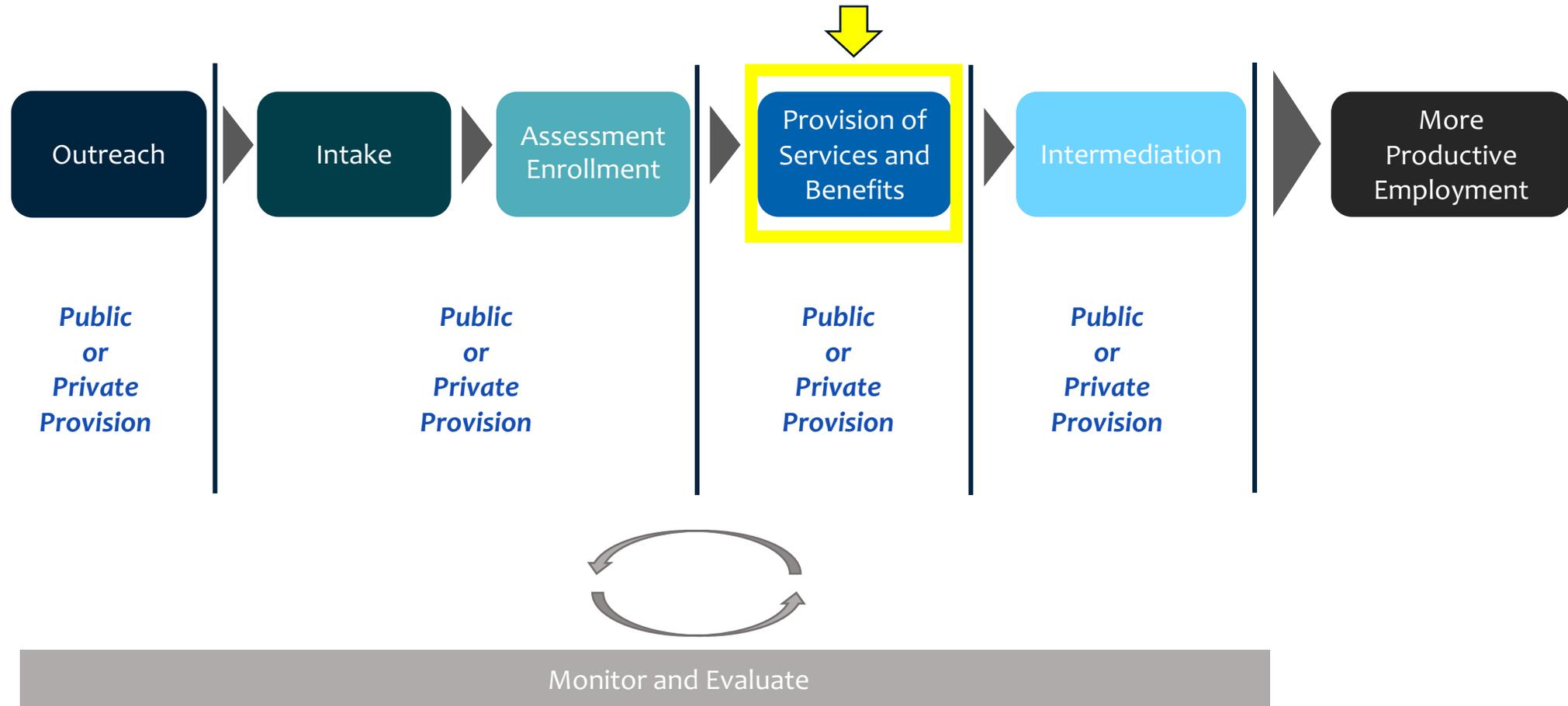
PES Review Workshop

Provision of Services and Benefits

May 2021



PES delivery chain



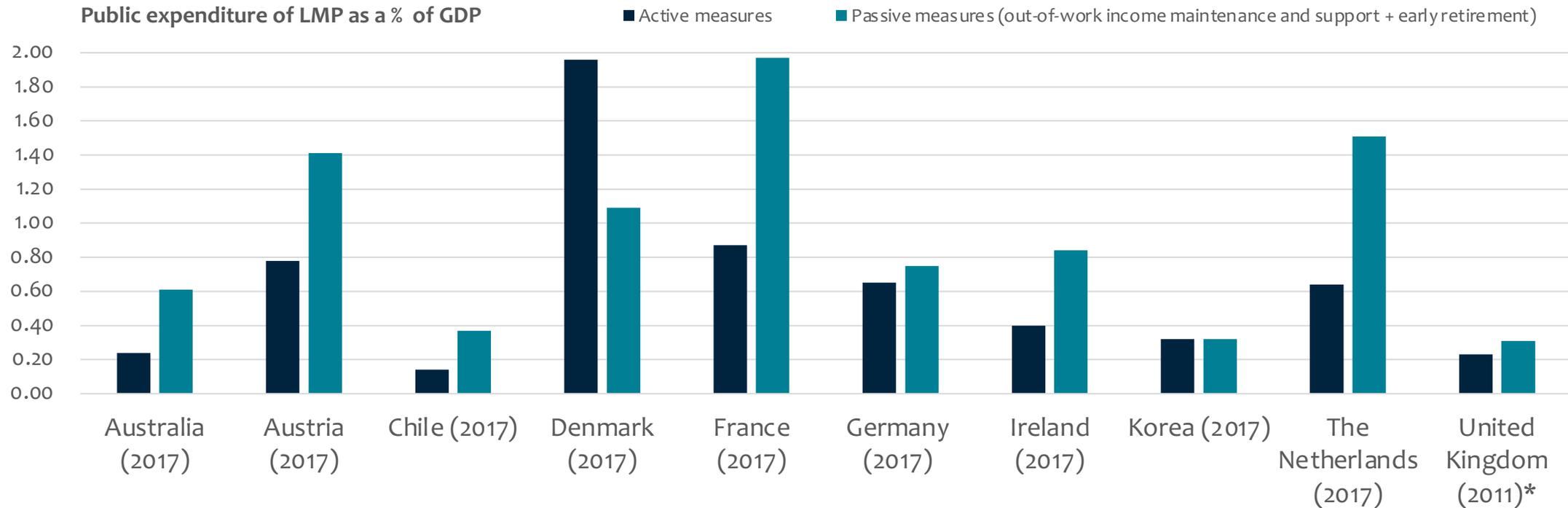
Part III

Provision of Services and

Benefits

Countries allocate resources differently in active and passive labor market programs (LMP).

Most countries tend to invest more on passive measures. However, the difference in expenditure between passive and active programs varies across countries.



* No recent data found for the UK in the OECD and EC databases. The PES was absorbed by the Department of Work during 2011 and only general expenditures seem to be available after this.

Different types of benefits are available across countries

Provision of
Services and
Benefits

-  Several countries have unemployment insurance (UI) and unemployment assistance (UA), e.g., Germany and Austria
-  Others only have one of the two, e.g., Australia only has UA and Denmark only has UI
-  The UK has a new system called ‘*Universal Credit*’, which combines several needs-based benefits for working-age people, in addition to the classic unemployment insurance benefit.

Incentivizing jobseekers to participate in ALMPs and search for jobs is key to avoid benefit dependency

Most countries link benefits to participation in ALMPs, job search requirements, and frequent interviews at the PES offices.

→ This is usually done for unemployment benefit claimants but can also be in place for social assistance claimants of working age and capable of work.

However, some countries work with a different model

The Chilean experience

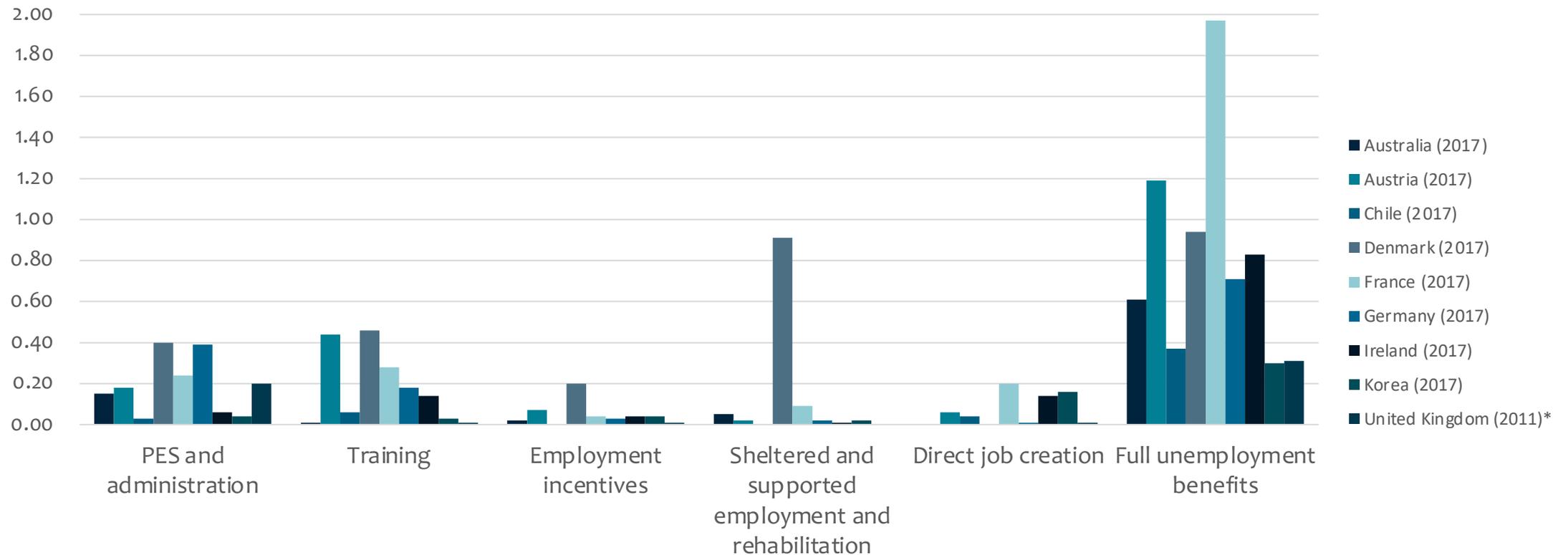
- The Unemployment Insurance (UI) scheme is managed by a non-governmental administrator.
- The system is based on an Individual Savings Account. In case of unemployment, the jobseeker obtains an amount from the savings he/she has accumulated. Benefits can be withdrawn as long as there are savings left.
- If the person does not have sufficient funds to finance an unemployment benefit, a certain amount can be covered by the unemployment assistance (Solidarity Fund) as long as the person fulfills the additional requirements.
- If the worker retires, s/he can withdraw the unused accumulated amount (tax-free).
- Only those claiming benefits from the unemployment assistance must report to the PES monthly. There is NO direct monitoring conducted by the UI fund.

The service offering varies across countries, yet some standard services are identified

- PESs offer services to both employers and jobseekers; usually, a wide range of employment services are offered online.
- Counselling, job search assistance, career guidance, and referrals are some of the most common employment services for jobseekers.
- ALMPs usually include wage subsidies, training, job retention schemes, work experience, and self-employment programs.
- Guidance about possible services (incl. subsidies), advice about training and recruitment, and site visits are often available for companies.

PESs distribute resources differently when it comes to the services and benefits that are provided for jobseekers.

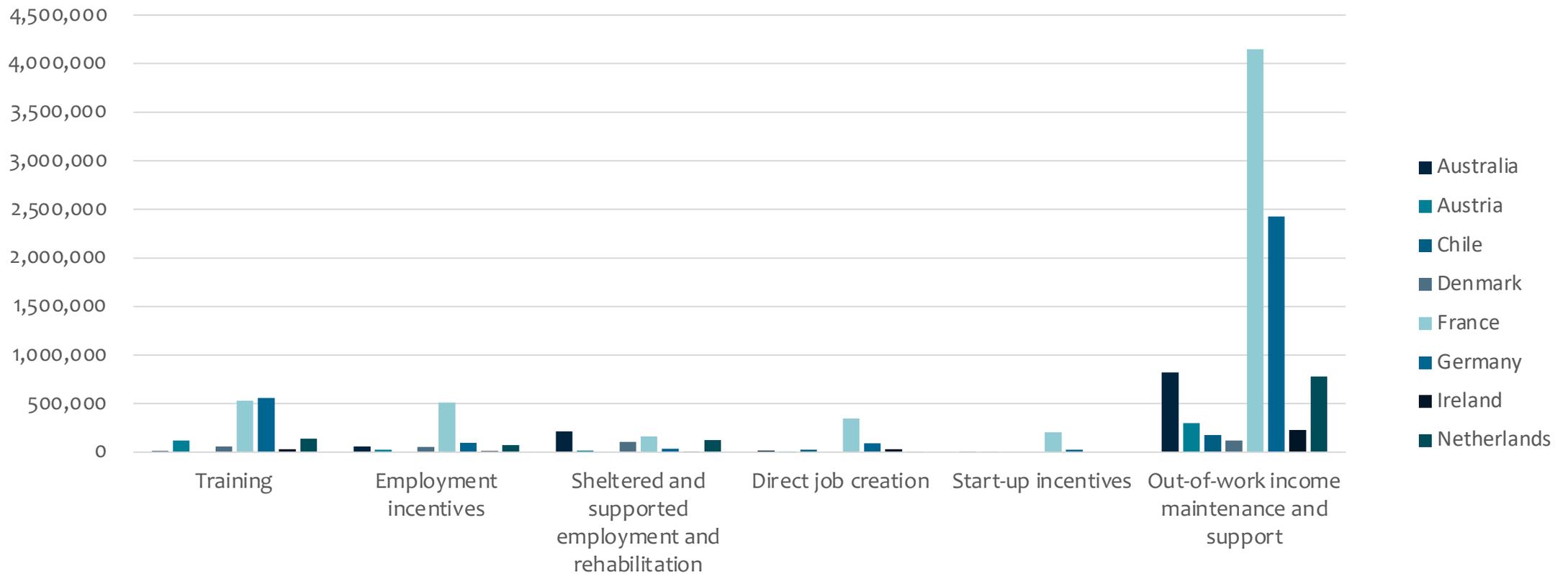
Labor market programs by main categories (%GDP)



* No recent data found for the UK in the OECD and EC databases. The PES was absorbed by the Department of Work during 2011 and only general expenditures seem to be available after this.

Participant stocks in the different programs variates as well

Participants stocks on labor market program by main categories in 2017



Practices

Good practices



Emploi Store

This platform gathers a range of available online employment services and applications in a single location, making it easier and quicker for jobseekers to find the tools and information they are looking for.

- 316 free digital services are displayed on the Emploi store website, including 62 open online courses, e-learning games, interview simulators, quizzes, job boards showing vacancies, and the possibility to submit applications.
- All services have a short description and rating by users. Once a digital service is selected, the user is redirected to the relevant website or store, where the service can be used or downloaded for free.
- The PES counselors remain available to help jobseekers with lower digital skills.



Service for self-employment

This service provides a platform for unemployed individuals who want to become self-employed. It is open to everyone in the city of Amsterdam and explicitly targets those above the age of 40.

Participants who choose to become self-employed are given the opportunity to follow a six-month training course with a tailored orientation/start-up phase. Private providers offer the training.

Good practices



FiT Program

Under this program, women are encouraged to choose training in non-traditional occupations such as carpenter, car mechanics, IT technicians, etc.

Therefore, reducing the labor shortage of qualified workers in crafts and technical professions. The PES funding may be claimed for apprenticeships, training at vocational schools and technical universities of applied sciences. It is structured in three stages:

- Orientation phase (10 weeks): information on selected occupations, practical training, and individual training and career plan.
- Vocational preparation phase (12 weeks): technical preparation and basic qualifications.
- Final phase: vocational training in the chosen occupation.



Special Services for SMEs

Special package of services to help SMEs boost the quality and productivity of their workforce, including:

- Skill counseling
- Representation in events
- Specialized PES offices
- Support in dealing with the demand for skills and talent.



Innovative practices



Job Clubs

This service provides support for jobseekers through formal workshops (1-4 weeks), individualized support (e.g., pre-interview and CV preparation), and a ‘drop in’ service. Separate Job Club providers deliver these services under contract for the Department of Employment.



Work Clubs

The initiative aims to support the development of a network of community-based Work Clubs that grow organically, depending on local circumstances. Work Clubs provide unemployed people with a place to meet, exchange skills, share experiences, make contacts, and receive support for the job search.



Parents Next

This service is offered to parents and carers. Participants work with consultants to develop skills and confidence and access local support in planning for the future. It is available for parents with children between six months and six years old who have received Parenting Payment and not reported work in the last six months.



Innovative practices



Special Centers for Certain Target Groups

- The New Job Centers for Women provide special services for women whose career was interrupted due to childbirth or childcare. The centers offer counseling, training, and job-matching services. They also advise employers willing to employ women and make customized training opportunities available to them. These centers are established by the Ministry of Gender, Equality, and Family and the Ministry of Labor. Service provision is outsourced.
- The Self-Support Centers provide employment services to those with low income. Services include job opportunities and start-up assistance. The Ministry of Health and Welfare runs these centers.
- The Centers for Veterans provide (retired) soldiers with job information, job counseling, and job placement. They are created by the ministries of Defense and Patriots, and Veterans Affairs
- Centers for North Korean defectors.
- The Job Hope Centers are run by designated non-profit, public interest, and training organizations. They provide employment, guidance, and placement services for older jobseekers (over 50 years old).

Innovative practices



Tús

The initiative is a community work placement scheme, which provides short-term working opportunities for unemployed people.

The work opportunities are aimed to benefit the community and are provided by community and voluntary organizations in both urban and rural areas.

Local development companies manage the Tús initiative by designation of the Department of Employment Affairs and Social Protection (responsible for PES services).



Successful Employment Package (SEP)

The PES offices play an essential role in the SEP, a program supporting specific disadvantaged social groups: middle-aged people (age 35–64) earning less than the national median income and young adults (age 18–34). Most of the services are outsourced. The PES offices only provide initial counseling and ensure eligibility.

The program consists of three stages:

- an Individual Activity Plan set up through focused counseling and vocational psychological tests; training, work experience programs, and other ALMPs; and intensive job matching.
- In total the program lasts up to 1 year. Allowances are paid during all stages.

Innovative practices



Work for the Dole

Jobseekers get an unpaid placement in a host not-for-profit organization or a government agency. Jobseekers can develop skills, increase confidence and show readiness to work.

Usual activities include:

- Retail work or administration support.
- Rehabilitation of parks and roads.
- Gardening or maintenance activities.

*Eligible jobseekers registered with a PES provider will need to participate in Work for the Dole or another approved activity for six months each year to keep receiving their income support.



The Work Programme

This service provides support for people who are long-term unemployed or are at risk of becoming so. Customers are usually transferred to the Work Programme after receiving employment services for 12 months. The program provides them with personalized support to help them find sustained employment.

This program is delivered by 18 private and voluntary sector providers and is managed by the Department for Work and Pensions (responsible for the PES). Providers can identify the most effective way of helping people into work and are given the freedom to do so.

Outsourcing of Services

Outsourcing

- PESs have been gradually transitioning to play the role of coordinators, as policymakers are becoming aware that they cannot do more and better with fewer resources.
- Most EU countries have restricted outsourcing to training and specialists services such as job placement, counseling, and re-integration services
- Australia has the most innovative approach with a fully privatized employment service - except for the initial assessment, referrals, and unemployment benefit administration, which rest with Services Australia, a public sector agency.



Countries outsource different shares of their service provision



Public



Mixed



Private



80%

Most of the services are provided by the PES. Outsourcing for training and placement is done through pre-selection of providers and a voucher system.



60%

60% of the services are delivered by the PES with the option of outsourcing mostly for ALMPs, e.g. Work Programme for LTU.



100%

The entire delivery of employment services is outsourced to private providers.

Challenges of outsourcing

- **Cherry picking** can occur when providers select and recruit more job-ready or easily trained participants.
- **Gaming or exploiting** is the risk of providers gaming or exploiting the program design. At its most extreme, this may include fraudulent activities such as falsifying evidence of job outcomes.
- **Creaming and parking** can occur after recruiting participants. “Creaming” refers to the practice of focusing on job seekers who are easy to place, while “parking” refers to the practice of ignoring the more vulnerable and difficult to place job seekers because they need more cost-intensive interventions.
- **Market failures** in outsourcing may occur when the government cannot find competent providers who can compete on the basis of price and quality, and/or market forces get weakened as a result of a single or a few providers dominating the market.

Contract Design

With the right institutional settings, many of the possible risks can be mitigated, and private providers may improve outcomes and bring innovation. No single contract type is necessarily better than any other.

Type of contract	Pros	Cons
Cost-Reimbursement	<ul style="list-style-type: none"> Little monitoring, only administrative control 	<ul style="list-style-type: none"> Poor attention to results Risks on the purchaser and very limited incentives for the contractor
Fixed-Price	<ul style="list-style-type: none"> Simple administrative controls Possibility of improving efficiency by adapting fixed price 	<ul style="list-style-type: none"> Limited attention to results Not flexible in the face of special circumstances
Performance-based	<ul style="list-style-type: none"> More attention to results and financial incentives to improve performance 	<ul style="list-style-type: none"> Clear design and careful monitoring needed Payments not easily predictable and potential risk of “creaming”
Size and duration	Small and short-term contracts offer flexibility; while long-term contracts incentivize providers to make long-term investments and scale up their services	



Possible issues



Black Box contracting for outsourced services

Since 2008 outsourcing in the UK is based on awarding large providers with long-term and higher value contracts. These large or prime providers are responsible for managing an appropriate mix of subcontractors to deliver services for participants.

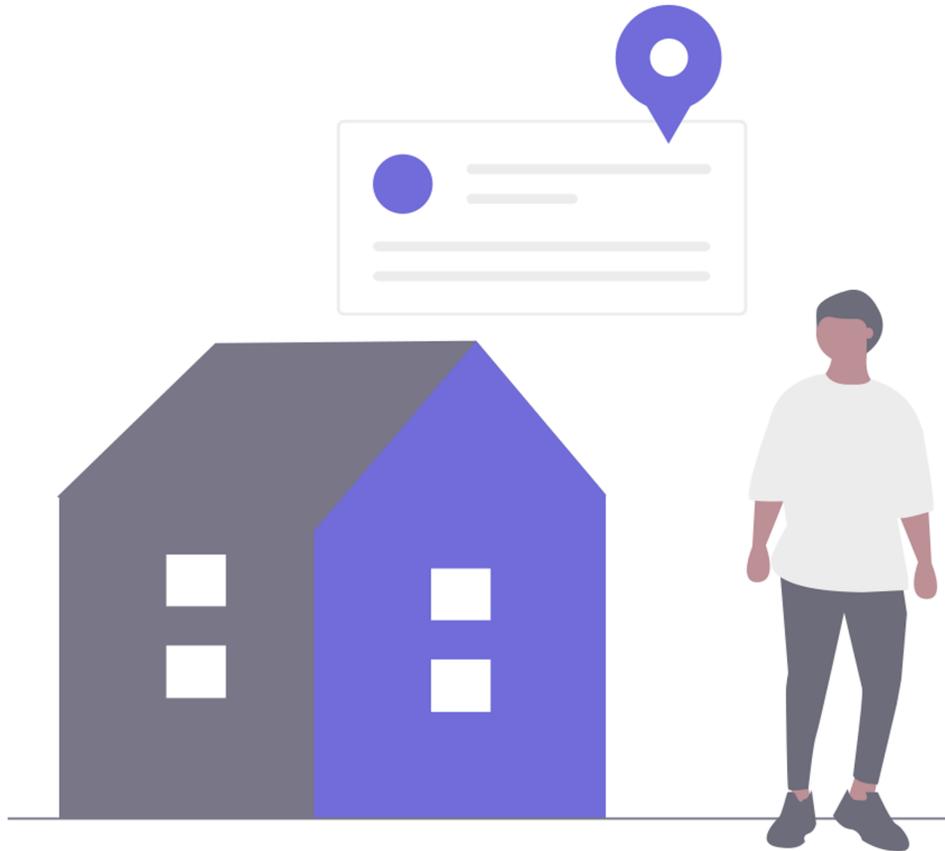
- Contract incentives and payment systems are designed to reward long-term employment retention with outcome-based payments. Due to this, providers must arrange their finances to be able to invest upfront.
- In return, prime providers are given greater flexibility to design their own service delivery system with little centralized prescription. These so-called ‘black box’ contracts give providers the freedom to use their expertise to do what they consider appropriate to secure sustained job outcomes.
- Prime providers have some specified minimum requirements. However, they have great operational flexibility, and there is less detailed oversight of quality and participant experience than in previous systems.

→ This type of outsourcing can lead to differences in service delivery. It is hard to guarantee that all clients are receiving the support they need at comparable levels. An evaluation of the Work Programme in 2013 reported that minimum service standards varied widely between prime providers. A further concern of the evaluation relates to inconsistencies in the messages providers receive from officials within the Department for Work. Prime providers felt that they received contradictory messages about whether the black box system applied only at procurement or whether they also had flexibility during delivery. This is a worrisome situation that also questions the standardization of services, and the requirements providers must follow.

Concluding thoughts

- Countries aim at providing tailored services that meet the needs of jobseekers, specific target groups, and employers.
- The offering and generosity of benefits vary across countries.
- Even though there is a wide range of services and active labor market programs, some standard programs can be identified across countries.
- Most of the innovative practices aim to provide services to specific groups or meet the needs of the general users and job-ready jobseekers.
- If services are outsourced, the PES needs to be careful and guarantee minimum standards for all job seekers. Moreover, it must communicate and monitor that procedures follow the set standards.

Q&A and Discussion



Thank you!