

## SMALL-SCALE STUDY

# PARTNERSHIPS AMONG EMPLOYMENT SERVICES

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## TABLE OF CONTENTS

Introduction.....	2
Policy context .....	3
Types of partnerships and reasons for their promotion .....	8
Findings of the case studies.....	20
Conclusions.....	23
Annex: Case studies .....	26

## INTRODUCTION

In recent years, public employment services (PES) have assumed a pivotal role as providers of active labour market policies (ALMPs) throughout the European Union (EU). They have been asked to go beyond their traditional bureaucratic role of registering the unemployed and monitoring/supporting their job-search activities, to provide a broad range of employment services and measures to support a wide variety of groups, some of whom have complex needs. The ambitious employment rate target set by the Europe 2020 strategy – to have 75% of people aged 20-64 in work by 2020<sup>1</sup> – will only be met by considerably increasing the participation of groups that are currently under-represented in the labour market such as women, younger and older workers, the disabled, the low-skilled, ethnic minorities and migrant workers. As the central public actor in the labour market, PES have a key role in activating these groups and facilitating positive labour market transitions. At the same time, shrinking public budgets and financial austerity measures throughout the EU are stimulating a widespread overhaul of public services, including PES. Indeed, a recent survey of European PES confirms that the majority expect expenditure to decrease in the short to medium-term<sup>2</sup>.

As PES are expected to do more and better with less resources, a consensus is emerging among policy-makers that they cannot do everything on their own. As a result, the model of the PES as a universal or self-sufficient provider is gradually being replaced by a role as the co-ordinator/promoter of networks of different service providers. Indeed, a recent study conducted by the European Job Mobility Laboratory on PES business models found that partnership agreements for selected elements of PES service delivery are now in place in nearly all EU Member States<sup>3</sup>.

The main objective of this study is to present an overview of the main types of partnerships or co-operative arrangements that currently exist between employment services of different types - public, private, third sector – and between the PES and providers of complementary types of service (e.g. education, training, health, social assistance, local authorities, social partners). The main questions to be addressed are:

- **What types of partnership exist?** Which actors are involved? Which services are provided? Which groups do they target?
- **Why does it happen?** Is this a strategic development, a long standing practice or else one-off, ad hoc cooperation, perhaps in response to the increased workload experienced as a result of the crisis?
- **In what context?** Agreed objectives, subcontracting with PES as conductor, partnerships in specific areas, focus on specific groups of clients.
- **What works?** Is there an evaluation of results, impact assessment, what can be learned from these forms of cooperation? What types of cooperation work best?
- **What trends for the future?** Is the tendency towards increased cooperation among employment services dependent on market conditions, levels of unemployment, state of public finances? Are PES emerging/establishing themselves as orchestrators of the employment market in the sense that they are coordinating and bringing together initiatives by the different employment services and labour market actors?

<sup>1</sup> European Commission (2010), Europe 2020 – A European strategy for smart, sustainable and inclusive growth, COM(2010) 2020, 3 March 2010. [http://ec.europa.eu/europe2020/documents/related-document-type/index\\_en.htm](http://ec.europa.eu/europe2020/documents/related-document-type/index_en.htm)

<sup>2</sup> Applica/Ismeri (2011), *PES Adjustment to the Crisis*, DG Employment, Social Affairs and Inclusion, The European Job Mobility Laboratory, Ad Hoc Request.

<sup>3</sup> Applica/Ismeri Europa (2011), *PES Business Models*, DG Employment, Social Affairs and Inclusion, The European Job Mobility Laboratory, Small-Scale Study 2011.1.

The study is structured as follows. Section 1 provides a brief overview of the policy background. Section 2 contains an analysis of the origin and reasons for partnerships, a brief typology of partnerships and the main areas of cooperation. A key part of the study is a series of detailed case-studies (see Annex) looking at a range of different examples of partnership arrangements. The main findings from these are summarised in Section 3, which asks: What works and why? Are there any common conditions for success? What are the necessary interrelations between the policy and legal contexts, the actors involved and the functioning of the partnership? The conclusions in Section 4 sketch out the study's key inputs for the ongoing debate as well as implications for policy development.

## POLICY CONTEXT

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### Job placement: from public monopoly to a 'quasi-market' regime

Today, relationships among different providers of employment services are best described as a mix of cooperation and competition. These originate in a phase of PES 'modernisation' that started in the 1980s and 1990s, when they were reformed and strengthened in all European countries. The first form of structured partnership involved social partners, which in some countries were directly involved in PES management structures. Other forms of partnership mostly concerned the delivery of training services, which was often in the hands of specialised agencies with close links either to the social partners or to the government. This kind of cooperation has changed over time and become less widespread as employment services have been liberalised and the influence of social partners reduced. Many governments, indeed, sought to open the 'market' for employment services to external providers, especially in relation to the provision of training services but also in the field of placement services. The end of the PES monopoly over placement was then formalised once and for all by the 1997 ILO Employment Agencies Convention 181<sup>4</sup>. Australia and the Netherlands were the first two countries to introduce market competition for employment services, but they were soon followed by others that sought to improve the performance of public job-brokerage organisations or wanted to overcome the limited capacity of public providers and extend the supply of employment services. A similar process can be observed in all Member States, though it is more advanced in Northern and Central Europe<sup>5</sup>. As a result, transfers to external providers now account for about a third of overall EU expenditure on ALMPs, though there is still considerable variation between countries like the UK and the Netherlands, where more than two-thirds of expenditure goes to external providers, and others where the share is still well below one third<sup>6</sup>.

Figure 1 below summarises the main types of job placement 'regime', ranging from a PES monopoly to a free market for employment services. Although the schematic was designed to illustrate the German case, it is just as relevant here since it shows the full range of possible interrelations between public and private providers.

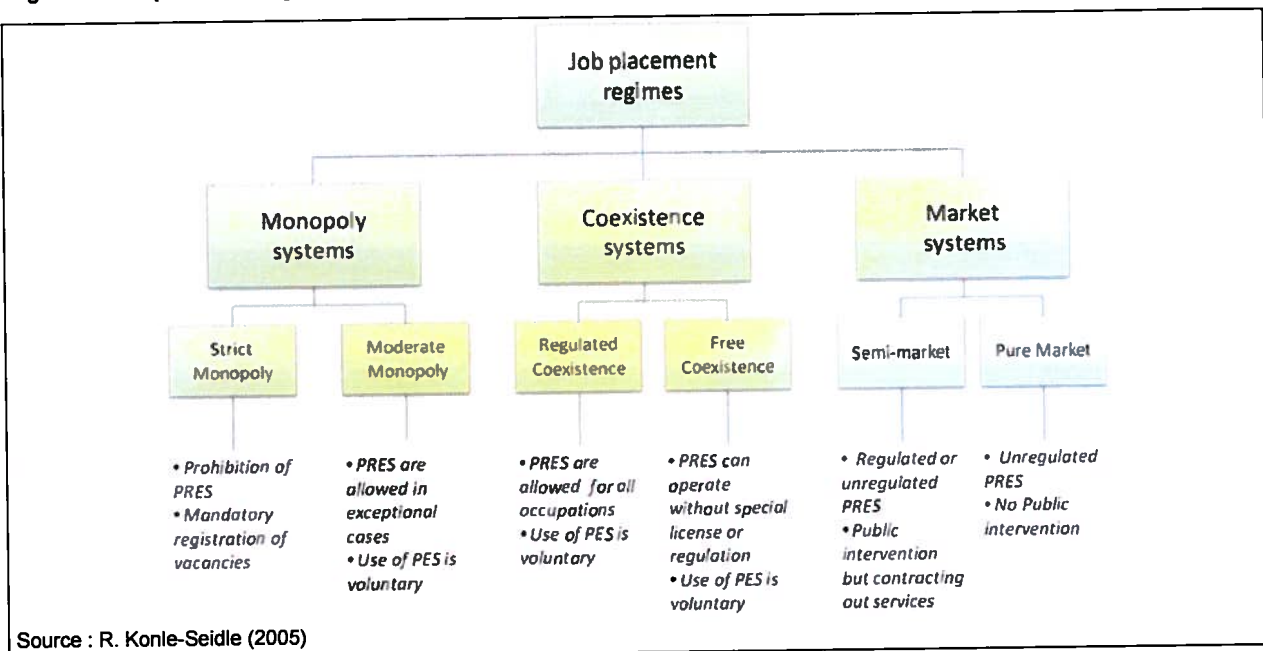
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<sup>4</sup> Weinsaupt, J. T. (2011), *Managing Public Employment Services: Trends and Experiences with Recent Governance Reforms*, unpublished paper.

<sup>5</sup> OECD studies noted this trend already in the early years of the century; see for instance Struyven L. and Steurs G. (2003), *The competitive market for employment services in the Netherlands*, OECD, Working Papers 13, or Struyven L. (2004), *Design choices in market competition for employment services for the Long Term Unemployed*, OECD, Working Papers 21.

<sup>6</sup> Finn. D. (2011), *Subcontracting in Public Employment Services: Review of Research Findings and Literature on Recent Trends and Business Models*, DG Employment, Social Affairs and Inclusion, The European Commission Mutual Learning Programme for Public Employment Services.

Figure 1 – Job placement regimes



The widespread liberalisation of employment services is the result of a large number of factors. On the one hand, the new public management (NPM) approach to public sector reform that started in the 1980s called for more competition in public services in order to increase efficiency and effectiveness. This was combined with a general perception that PES were underperforming and an increasing awareness of the capacity of the market to deal with changing job markets (e.g. increased numbers of temporary jobs and demand for workers with specific skills profiles, etc.). On the other hand, labour markets were also undergoing significant change, for example: regulatory changes allowed for more flexibility in contractual arrangements; the characteristics of labour demand changed as the decline of large-scale manufacturing saw large numbers of standardised vacancies replaced by increasingly diverse requirements for new skills; and on the supply side, changes in social behaviour resulted in a steady rise in the numbers of women wanting to work. Together with changing patterns in the way that companies organised production, these trends resulted in an increasingly fragmented demand for labour (in quantity, duration, skill, contractual forms) and a consequent need to strengthen ALMPs and ensure individualised assistance for jobseekers. These needs, coupled with the high variety of skills needed and constraints on public budgets, led to a gradual shift from a model of PES as self-sufficient service providers towards more open models based on a number of different public and private actors.

The spread of competition and partnership mechanisms, which is founded on the realisation that some of the tasks traditionally performed by the government can, in reality, be performed by a range of other governmental and non-governmental actors, has been termed a 'new form of welfare state governance'<sup>7</sup>. The traditional public bodies in charge – i.e. PES – no longer act as the sole, or even the preferred, service providers. Instead, by extending the range of providers, competition and partnership can contribute to meeting the needs of a greater number and variety of clients and an opportunity for PES to overcome their constraints and limitations in terms of resources, information and skills.

In more analytical terms, the standard arguments put forth in support for cooperation among different employment service providers are<sup>8</sup>:

<sup>7</sup> See E. Sol and M. Westerveld (2005) (eds.), *Contractualism in Employment Services. A New Form of Welfare State Governance*, Kluwer Law International, The Hague.

<sup>8</sup> See Struyven L. (2004), *Design choices in market competition for employment services for the Long Term Unemployed*, OECD, Working Papers 21.

- **Choice for the client:** leaving clients free to choose among different providers is thought to contribute to better matching between services and recipients and, ultimately, to motivating clients;
- **Competition in quasi-market arrangements:** competition, according to a long-standing stream of market theory, is conducive to efficiency and quality of service and encourages experimentation;
- **Flexibility of private organisations:** compared to traditional public structures, private bodies are considered more flexible, less bureaucratic and more service-oriented.

In conclusion and from the point of view of the present study, the progressive liberalisation of employment services has increased the number of actors involved in the supply of employment services (mainly new private providers, but also not-for-profit and public ones<sup>9</sup>). These interact in a number of different ways (direct competition, outsourcing, voluntary cooperation), thus giving rise to complex governance mechanisms based on contract-type arrangements between the different actors. Liberalisation released competitive and cooperative forces. Competition derived from the emerging contest among the private actors and between public and private providers, while cooperation took advantage of the new possibilities for collaboration between public and private actors. Currently, the majority of EU countries have 'quasi-market' placement regimes<sup>10</sup>, wherein different actors compete with each other for public resources within limits set by the public sector. Competitive and cooperative approaches coexist. This implies that public resources are still significant and play a fundamental role in orienting the actors and ensuring an easy access to employment services for all kinds of clients; in this environment, cooperative approaches and partnerships can produce synergies, multiplier effects and coordination externalities without imposing barriers or distorting competitive pressures.

### **Public policies supporting partnerships between employment services**

Around Europe, a range of regulatory changes have been introduced to support partnerships between employment services. In particular, forms of outsourcing from public to private providers have been implemented in all EU Member States<sup>8</sup>. In the United Kingdom, for instance, systematic outsourcing started in 1997 with the New Deal programmes, which were mainly delivered by the PES but also offered some specialised services delivered by private providers. Subsequently, 'Employment Zone' programmes were implemented by private providers and the New Deal for disabled people (NDDP) was subcontracted to networks of 'job brokers', which often included for-profit and voluntary organizations working in collaboration with PES. The 2005 labour market policy reforms in Germany (the so-called 'Hartz reforms') extended the possibility of cooperation between public and private providers and introduced individual training and placement vouchers to be 'spent' with approved providers. On a local basis, the reforms also allowed individual PES offices (ARGE) to work together with subcontracted private providers. Similarly, Italian PES, which are decentralised at provincial level (NUTS3), are able to use private providers for specialised or intensive services. In France, private providers have been increasingly involved in the activities of *Pôle emploi*, especially since the start of the recent economic crisis. Within the EU, the involvement of private providers is greatest in the Netherlands where they handle responsible account for a large share of 'reintegration' services funded by the National Institute for Employment Benefit Schemes (UvW) and the municipalities. The situation is similar in countries such as Denmark.

### **Partnerships as a new method for social policy**

The increased use of outsourcing between public and private actors for the delivery of employment services is mainly a result of the general liberalisation of the market but this is not the only factor involved. The increasing freedom that PES have to implement partnerships at local level is also part of a broader

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<sup>9</sup> For instance, since 2003 municipalities and universities in Italy have been allowed to provide intermediation services.

<sup>10</sup> Le Grand, J. And W. Bartlett (eds.) (1993), *Quasi-Markets and Social Policy* (London: Macmillan Press).

reorganisation of welfare systems and of a new relationship between the centre and periphery, which is developing in all EU Member States<sup>11</sup>. In this framework, partnerships between PES and other public bodies may be spontaneous and reflect the need to address specific problems or fix organisational issues without waiting for regulation or guidance from the centre. The interaction between local and central levels of government is still important for the purposes of resource allocation, respect for rules and networking effects but is less prescriptive than before, so that the governance of employment services can assume a more flexible and adaptable design.

This particular aspect cannot be investigated in depth by the present study. However, it is important to bear in mind that partnerships amongst employment services are affected by general trends in the reorganisation of public services and that they frequently address specific local problems.

### Employment partnerships in the recent EU agenda: main initiatives and strategies

The European Commission has encouraged the development of employment service partnerships in a number of ways. Firstly, the European Social Fund (ESF) and the European Regional Development Fund (ERDF) support local initiatives for job creation that are often based around collaboration and partnership amongst local actors (territorial pacts, integrated interventions in multi-annual programmes, support for innovative actions, etc.). Secondly, the ESF has strengthened the capacity of local governments (regions, municipalities) to promote employment policies and encouraged collaboration with the PES, particularly in countries and regions with limited resources and experience of ALMPs. Thirdly, the 2000-2006 programming period of the ESF strongly and directly supported PES reform in many countries, particularly in southern and eastern Europe, though it also funded innovative projects in central and northern Member States<sup>12</sup>.

The Community Initiative EQUAL (2000-2006), which aimed to tackle discrimination issues and support labour market integration, also supported important developments. Financed by the ESF and covering all of the 25 Member States at the time, EQUAL invested EUR 3 billion and generated 3,480 partnerships that involved more than 20,000 individual partner organisations and reached over 200,000 beneficiaries<sup>13</sup>. EQUAL partnerships were generally made up of public authorities (national, regional or local), training and education organisations, third sector organisations providing support and guidance to disadvantaged people, employer organisations, university and research bodies, social economy enterprises, and social services. PES accounted for around 3% of partner organisations and 6% of project leaders<sup>14</sup>. The programme strengthened existing forms of cooperation and supported the establishment of new partnerships. In general terms, it promoted a 'culture' of cooperation and concrete experiences of integrated, multi-dimensional interventions.

The impact of the crisis on labour markets – in terms of higher unemployment and an increased workload for employment services – and public finances – in terms of budget cuts and fewer resources to finance public services – has prompted governments to foster stronger cooperation among different policy actors. Indeed, the European Commission is now placing great emphasis on cooperation and partnership among different employment services, as a means of reaching ambitious policy targets to increase participation and improve the level and quality of service and support available to all groups of jobseekers, at all stages of their career,

<sup>11</sup> See C.F. Sabel, *A quiet revolution of democratic governance: towards democratic experimentalism*. In OECD (ed.) *Governance in the twenty-first century*, Paris, OECD, 2001; C.F. Sabel and J. Zeitlin *Experimentalist governance*. In forthcoming David Levi-Faur (ed.), *The Oxford Handbook of Governance* (2011).

<sup>12</sup> See Ismeri Europa / Amnyos *Ex-post evaluation of the 2000-2006 ESF: Impact on the functioning of the labour market and on the investment in human capital infrastructure through support to systems and structures, 2010* (evaluation carried out for DG Employment and Social Affairs)

<sup>13</sup> See [http://ec.europa.eu/employment\\_social/equal/consolidated/index.htm](http://ec.europa.eu/employment_social/equal/consolidated/index.htm) and BBI / ICAS / ECONOMIX, *EU-wide evaluation of the Community Initiative Equal 2000–2006*, commissioned by DG Employment and Social Affairs, European Commission, 2006.

<sup>14</sup> These data refer to the first round of the programme.

despite the resource constraints facing PES and public services in general. This approach is supported by the European Network of Public Employment Services through its on-going Working Group on Europe 2020.

Key recent policy documents support this interpretation. The Europe 2020 Integrated Guidelines for the economic and employment policies of the Member States<sup>15</sup> call upon PES to play a new and more active role in the implementation of the European Employment Strategy. In particular, Guideline 7 (*Increasing Labour Market Participation and Reducing Structural Unemployment*) asks Member States to raise labour market participation by introducing flexicurity-type policies based on a mix of flexible and reliable employment contracts, active labour market policies (ALMPs), effective lifelong learning, policies promoting labour mobility and adequate social security systems that establish clear rights and responsibilities for jobseekers. Specific targets for activation include a range of under-represented and vulnerable groups, such as women, the young, older workers, the disabled, the low-skilled, and legal immigrants. For this purpose, *'employment services should be strengthened and open to all'* and provide *'personalised services targeting those furthest away from the labour market'*. It is worth stressing that the text of the guideline does not mention PES but 'employment services' in general, thus also encompassing private and third sector actors.

The 'Youth on the Move' Communication takes a similarly broad view on the remit of employment services. Support for youth employment, it is argued, should include all categories of young people and should rely upon a broad and coordinated mobilisation of many different actors<sup>18</sup>. Furthermore, in order to strengthen the flexicurity approach, the 'Agenda for New Skills and Jobs' calls for a broader range of ALMPs, more widespread lifelong learning initiatives, greater involvement of stakeholders and stronger social dialogue<sup>17</sup>. Here again, considerable emphasis is put on the crucial role of employment services, and of PES in particular. They are urged to become *'transitions agencies'* and strengthen service provision by moving from servicing mainly the unemployed to playing a more comprehensive role as *'lifelong service providers'*. This implies *'delivering services in skills assessment, profiling, training, individual career guidance and client counselling (workers and employers), matching people to job profiles and offering services to employers'* as well as helping the job-reintegration of those furthest away from the labour market. In so doing, *'employment services should also promote partnerships between and among services (public, private and third sector employment services), education and training providers, NGOs and welfare institutions'*. It is worth noting that awareness of these trends is shared among national PES, which pointed out in a recent common working document<sup>18</sup> that *"networking and outsourcing will become routine"* and that it is *"important to strengthen the linkage and exchange between PES and other policy stakeholders at national and European level, including a broad range of actors in the fields of employment, education, career guidance and social services as well as social partners"*.

Finally, in the 2010 "Agenda for New Skills and Jobs" the European Commission paves the way for non-legislative action to set up a platform to promote partnership - PARTnership between Employment Services (PARES): *"Establish, by the end of 2011, a partnership between employment services from the public, private and third sectors to encourage an EU-level strategic dialogue to make transitions pay. The partnership will also provide small-scale funding for best-practice projects; a new web tool will disseminate the evaluated and tested good practice"*.

<sup>15</sup> European Commission (2010), *Guidelines for the Employment Policies of the Member States – Part II of the Europe 2020 Integrated Guidelines*, COM(2010) 193 final, Brussels 27 April 2010.

<sup>16</sup> European Commission (2010), *Youth on the Move. An Initiative to Unleash the Potential of Young People to Achieve Smart, Sustainable and Inclusive Growth*, COM(2010) 477 final, Brussels 15 September 2010.

<sup>17</sup> European Commission (2010), *An Agenda for New Skills and Jobs: A European Contribution towards Full Employment*, COM(2010) 682 final, 26 November 2010.

<sup>18</sup> PES 2020 – Mapping visions and directions for future development (June 2010)

## TYPES OF PARTNERSHIPS AND REASONS FOR THEIR PROMOTION

Although public policies to support partnership among different providers in the field of employment have been in existence for some time, PES have been involved in a significant way only recently. As mentioned above, the social partners were involved in the delivery of social and employment policies in most European countries, and even acted as direct service providers (in the field of training, in particular). This form of cooperation has, however, become less common as the traditional role of social partners in the governance of employment policy reduced and placement and training services were liberalised in most Member States.

This section aims to present a first overview of the different forms of partnership that now exist among employment services in the Member States. It is based firstly on a literature review and, secondly, on the findings of a questionnaire circulated in February 2011 to all PES participating in the HoPES (Heads of Public Employment Services) network managed by the European Commission<sup>19</sup>. The questionnaire covered all aspects of PES business models and the results include some interesting information on the issue of partnership. Firstly, for example, the findings confirm that most PES in Europe now co-operate with external providers in the delivery of labour market services and measures with the only exceptions among respondents being Greece and Luxembourg, where the state still holds a monopoly over employment service provision. A second significant finding is that the list of potential partners is long: local authorities, government ministries, social partners, private employment agencies, third sector organisations, training bodies, and so forth.

### The main actors involved

A first classification of the actors involved begins by differentiating between public and private actors and interest groups. The objectives and operational codes of these actors are profoundly different, and their activities often influenced by the old monopoly over employment services and by the different forms of competition prevalent in each country. Within these broad categories, there are further significant sub-divisions:

#### Public actors can be divided into:

- PES, which are responsible for placement and matching in all Member States but in some cases also deliver training and other specialised services. Resources and institutional capacities also vary considerably across countries.
- Local authorities (municipalities, districts, regions) are generally responsible for social services and social assistance, but in some countries may also run ALMP programmes (e.g. the Netherlands and Denmark). Other public bodies are responsible for target groups relevant to their particular domain of activity: health services deal with the disabled and substance-abusers, home ministries with ex-convicts, chambers of commerce with new entrepreneurs, etc. Each of these bodies plays a specific role in relation to employment services and labour policy (i.e. chambers of commerce with respect to firms, health services dealing with ex-addicts or disabled jobseekers).

#### Private actors can be divided into two main categories:

- For-profit organisations – here we mainly refer to private agencies offering employment services to jobseekers and firms alike. The profit-making orientation of their activities means that they are liable to focus on the segments of the market offering the best returns (creaming effects) and, as a result, are often highly specialised. Compared to traditional public structures, they tend to be more flexible, less bureaucratic and more service-oriented.

<sup>19</sup> The questionnaire was the basis of a study on PES Business models and covered PES organisation, financing, staffing, clients, service provision, and performance monitoring mechanisms. The results are presented in: Applica/Ismeri Europa (2011), *PES Business Models*, DG Employment, Social Affairs and Inclusion, The European Job Mobility Laboratory, Small-Scale Study 2011.1.

- Not-for-profit organisations mostly work with specific disadvantaged groups. Labour market integration of clients is not their main objective, but still an important element of their activity. Voluntary organisations generally have a better, hands-on, knowledge of the needs of vulnerable groups than private or public actors. They are also better able to reach out to clients that generally do not come into contact with other providers.

**Interest groups**, notably the social partners (trade unions and employers' organisations), may also be involved in the delivery of ALMPs. In the past such actors were directly involved in the management of PES in many countries and although their direct influence on PES is decreasing, they continue to have a key role in goal-setting for PES and ALMPs both at national and local level. This applies in countries around the EU, though the traditions for social dialogue and the political role of the social partners vary considerably. Social partner organisations often have their own specific services for recruitment, training or jobseeker support.

It is worth noting that the role of each of the above actors and the ways in which they interact to provide employment services are influenced in each country by local institutional and administrative traditions (policy-making processes, division of competences, governance of welfare policies), job recruitment regimes ('rules of the game' and prescribed limits of possible cooperation) and the level of development of social dialogue on employment policy issues (traditional attitudes to partnership, adequate arenas where interests and skills can communicate, problem-solving orientation).

### Reasons for promoting partnership

As discussed in the introduction, PES around the EU are being asked to undertake an expanding role in providing comprehensive services for a wider range of clients than ever before and the general consensus is that they cannot do this (efficiently) alone. There are three main reasons for this.

Firstly, it is widely recognised that the traditional standardised approach of PES to dealing with selected client groups is incompatible with the complex needs that some of them have - in order to be effective, services have to be carefully tailored to meet the specific needs of individuals. Given the diversity of clients that may require assistance it is unreasonable to expect a single team of advisors in each local office to have the full set of skills and experience necessary to help them all, particularly those who are most vulnerable and difficult to place<sup>20</sup>. This lack of skills / experience is more likely to be an issue in countries where service provision is driven by regulation and legislation rather than goals and objectives and a standardised approach to client management is more prevalent. In some cases, this problem applies not only to jobseeker clients but also to employer clients, most notably in those countries in the East and the South of the EU where PES have traditionally had a largely administrative role<sup>2</sup>.

Secondly, as mentioned previously, PES are constrained by limited resources, especially in the current climate of shrinking public budgets and cutbacks in public administration personnel. In this context, partnerships can improve the efficiency of service provision, as specialised providers are better equipped than generalist public services to perform their particular tasks effectively. Thirdly, PES may not have access to sufficient labour market intelligence to do all that they are asked to do properly. For example, they may lack information on market needs in terms of skills and job profiles. Cooperating and sharing information with partner organisations can help to bridge this gap and facilitate improved quality of service.

Although there are many reasons for partnership and they strongly influenced by the context in which they take place, it is useful to sketch out a basic typology of 'motives' that will support our understanding of the different forms of partnership outlined below. There are two main reasons for establishing partnerships:

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<sup>20</sup> See Applica/Ismeri (2010), *The Role of Third Sector Employment Services in Promoting Inclusion and Employment Amongst Vulnerable Groups*, DG Employment, Social Affairs and Inclusion, The European Job Mobility Laboratory, Thematic Workshop – Background Study.

1. **Upgrading the capacity of employment services** to perform their current tasks, which includes two aspects:
  - **The quantity of services provided** (for instance, assisting all the new unemployed people during the crisis, or producing a more intensive effort for long term unemployed people);
  - **The type and the quality of services provided** (for instance, implementing new services for disabled people or, in general, providing specialised services for specific target groups).
2. **Tackling multi-dimensional problems** (hard-to-place clients, industrial restructuring, young people entering the labour market, etc.), which normally requires:
  - **Additionality:** extra skills and expertise, which are more convenient to acquire on the market or that are available only in specific organisations (such as not-for-profit organisations dealing with particular target populations);
  - **Complementarity:** so as to avoid overlaps and duplication of effort (for instance, when different public bodies have both competences and obligations to support specific groups such as lone parents, ex-addicts, etc.).

Note that these categories are not meant to be mutually exclusive and overlaps are possible (e.g. between increasing the quantity of services and the need for additional skills). Note also that the classification derives from the perspective of the PES and the effective use of public resources for employment services, which means that it is of paramount importance to ensure good coordination of the activities undertaken by the partnership and avoid duplication of effort.

### Type of services and measures delivered by partnerships

Partnerships and cooperation among employment services cover the full range of labour market policy (LMP) services and measures, though to different degrees in different Member States depending on the type or class of activity being considered<sup>3</sup>. The well established Eurostat classification of LMP activities identifies one category of LMP services and 6 categories of LMP measures<sup>21</sup> but here this breakdown is reduced to three more general groupings: LMP services (approximately Eurostat category 1 and including services within the 'core business' of PES, TWAs and other similar private agencies); training services (approximately Eurostat category 2, which are often associated with labour services but require specific skills and organisational capacity); other LMP measures (approximately Eurostat categories 3 to 7, which are generally integrated with LMP services, but require specialised know-how). A more detailed review of these categories in comparison to the specialisation of the actors is presented below:

- In most Member States the provision of **LMP services** such as information, guidance, orientation and counselling, skills profiling, matching and placement is now open to a range of both public and private actors ranging from universities and chambers of commerce, to PrEAs and TWAs, to the voluntary sector. Private agencies are generally required to acquire a licence to operate. The risk of 'creaming effects' – i.e. private agencies concentrating on higher-skilled, easy to place clients, leaving the more vulnerable for public services to deal with – is well documented<sup>22</sup>. Third sector employment services, by contrast, tend to focus on vulnerable groups and mediate with employers in order to facilitate access to employment or return to work. Their LMP services are often part of broader social inclusion interventions<sup>3</sup>.

<sup>21</sup> Eurostat classification: 1. LMP services; 2. Training; 3. Job rotation and job sharing; 4. Employment incentives; 5. Supported employment and rehabilitation; 6. Direct job creation; 7. Start-up incentives. See: Eurostat Labour Market Policy Database – Methodology - Revision June 2006; [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-BF-06-003/EN/KS-BF-06-003-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-BF-06-003/EN/KS-BF-06-003-EN.PDF)

<sup>22</sup> On the case of 'pure' placement agencies in Austria, for instance, see Weinhaupt, J. T. (2011), *Managing Public Employment Services: Trends and Experiences with Recent Governance Reforms*, unpublished paper.

- All Member States have recourse to external parties for the delivery of **training services**. A few European PES organise training in-house<sup>23</sup> but even in these countries, training for specific target groups (the disabled, the very low-skilled, early school-leavers) is generally outsourced to external providers. These are typically private firms, usually subject to public checks in the form of licensing systems. Voluntary organisations are also active in this field, often in partnership with for profit training agencies. In addition to formal training, some third sector organisations provide different forms of 'life-skills training' for beneficiaries who need to develop skills to live independently and adapt to the requirements of a regular job. Associations working with the poor train people with long experience of homelessness or rough sleeping to settle back into their community, develop communication skills, build self-esteem and the confidence to search for a job and support themselves. Finally public bodies, such as municipalities and social insurance agencies, are involved – in countries like Sweden, for instance – in planning decisions regarding services for specific groups of common concern like new immigrants, the very long-term unemployed and other vulnerable groups.
- External providers are also active in the provision of **other LMP measures** – job experience, work trials, placement in community work, etc. In countries like Denmark and the Netherlands, where responsibility for ALMPs lies with municipalities, it is the latter that take a leading role and outsource services to private providers, while PES are left with the task of sharing information on potential beneficiaries. In other countries, such as Austria, Spain, Ireland, Sweden and Hungary, PES keep control over specific programmes, such as voucher schemes and the subsidisation of salary costs. Finally, different kinds of third sector organisations promote internship opportunities for their clients, put in place programmes to foster the transition from sheltered employment into the open labour market, support entrepreneurship and business start-ups.

Within this framework there is a considerable degree of variation across countries. Partnership can cover all or some of the services and measures listed above, and all or some of the relevant clients. Evidence collected via a PES business models survey conducted for the European Commission in 2011 seems to indicate the emergence of two clearly identifiable models of partnership between PES and other service providers:

- In some countries (for instance, Germany, Spain, and Italy) PES continue to act as the main service provider, but outsource specific services and activities, such as training, orientation, vocational rehabilitation and placement into community work, often subject to strict licensing mechanisms;
- In other countries (for instance, Austria, Denmark, the Netherlands and the UK) PES mainly act as a regulator, outsourcing all but the most basic employment services to other providers. In the Netherlands private employment agencies are allowed to compete freely with each other and with public services. In the UK, private providers selected through tendering procedures are only bound to deliver specific outcomes (job placements) and are left free to offer whatever services they believe to be most effective to individuals without government prescription (so called 'black box' approach).

### At what level do partnerships take place?

Both local and national levels of government play a fundamental role in developing partnership. The national or intermediate levels (federal states or regions) are key to ensuring a stable legal and strategic framework for the promotion of cooperation among different actors. At local level, in turn, the different types of partnership are often spontaneous and tailored to specific needs or institutional traditions. In general terms, territories with more consolidated experience of cooperation in different policy fields and with stronger social

<sup>23</sup> These are Belgium (FOREM, VDAB), Hungary, Ireland and Malta. See Applica/Ismeri Europa (2010), *The Role of Third Sector Employment Services (TSES) in Promoting Inclusion and Employment amongst Vulnerable Groups*, DG Employment, Social Affairs and Inclusion, The European Job Mobility Laboratory, Thematic Workshop – Background Study.

capital are able to produce partnerships more easily and efficiently<sup>24</sup>. Interestingly, the results of the business models survey shows that cooperation in most Member States takes place either at regional or at municipal/district level. By contrast, only few PES – in Greece, Germany and the UK, for instance – report striking agreements with partners at the national level<sup>3</sup>. Even there, however, cooperation is then put into practice at lower levels of government. Recent market research conducted in France confirms that most of the subcontracting for employment services takes place at the local level. The number of actors participating in the implementation of employment services is very high (several thousand every year) and only some of them are organised in national bodies, dealing directly with the national Ministry. In general, it is PES offices themselves that call upon external providers to subcontract, through competitive tendering procedures, the implementation of selected programmes offered to jobseekers and employers<sup>25</sup>.

Thus, with some significant exceptions, it is the local level that emerges as the main 'location' of partnership. This is the result of a generalised subsidiarity approach, which privileges the proximity of the policy-makers to the problems, and reflects a natural propensity for multidimensional methods to be used at local level, where the different dimensions are closer to hand and more easily identified and tackled in an integrated way than at national level. The actors involved and the geographic/administrative level at which local partnerships are organised vary considerably depending on the different institutional arrangements in each country. In some cases, regions or federal states play a leading role (Spain, Belgium, Austria, Germany), whereas in Italy, where a similar form of decentralisation is in place, Public Employment Services (PES) depend on sub-regional administrations (Provinces). Municipalities are responsible for active labour market policy (ALMP) programmes in countries like the Netherlands, Denmark, Sweden, Finland – and also, in part, Germany – which lowers the 'locus' of partnership down to the local level even though the PES are managed nationally. In France and the UK the national level plays an important role in defining large partnership and outsourcing arrangements, but local PES have a substantial or increasing autonomy (in France, for instance) to develop their own partnerships. Finally, central and eastern European countries still tend to have a centralised organisation of PES and weaker local authorities than their western counterparts, but devolution is underway in many policy sectors. Poland is a notable exception in that responsibility for PES was transferred from the state to the regions in the late 1990s.

### Contractual arrangements among Employment Services

Partnerships among employment services are managed through a variety of different contracts and formal arrangements. Contracts are needed to define the tasks, roles and objectives of the actors involved. In economic terms, they are intended to limit the distortions created by the principal-agent issue and by transaction costs. The former refers to the asymmetry of information between those involved and the consequent possibility of moral hazard or adverse selection (such as "creaming"); the latter relates to the risk of insufficient investment by the provider, resulting in low-quality services. The economic theory acknowledges the unequal positions of the purchaser and the contractor and accepts the existence of incomplete contracts, but it also gives recommendations to minimise the risk. Accordingly, contracts for employment services have developed in recent years to link payments to performance, better exploit the flexibility of providers and transfer organisational costs onto them (as in the 'prime contractor' model in the UK; see Annex).

<sup>24</sup> See, for instance, Germany (Hartz reform acts) or the United Kingdom (Freud Report in 2007 and subsequent changes in national ALMP programmes).

<sup>25</sup> Simonin, B. (2005), *Formal Contracting with Providers in France: A Technical Approach with Higher Political Stakes Today*, in E. Sol and M. Westerveld (eds.), *Contractualism in Employment Services. A New Form of Welfare State Governance* (The Hague: Kluwer Law International).

Contracts require monitoring and controls. For this reason, the governance of employment services is becoming ever more complex and sophisticated, regardless of whether PES maintain the role of purchasers of private services or PES are just one of the competitors in the market. Accreditation or licensing systems have been developed to identify competent suppliers; in other cases standard costs have been calculated in order to establish appropriate pricing levels for different services. Increasing the extent to which employment services are contracted out allows PES and public authorities to expand the range and flexibility of the services provided, but at the same time calls for considerable (new) capacity to tender contracts and manage other providers<sup>26</sup>.

Based on the findings of the most advanced literature on the topic<sup>27</sup>, contracts broadly fall within three main distinct types:

- **Internal government contracts** are variously dubbed as 'performance agreements', 'common protocols', 'service pacts', 'inter-institutional *ententes*', and so forth. These are public contracts between the government and PES, between PES and regional and local offices, or between PES and other agencies or bodies (local authorities, social services, schools, etc.). Partnership agreements of this kind often serve to allow the public bodies involved to abide by obligations or tasks set by the law<sup>28</sup>. These forms of partnership generally respond to the need for greater integration among different services and a smoother circulation of information on beneficiaries. They reflect the influence of performance management, trying to replace the traditional input-based culture of public administrations with a 'management culture' adapted from the private sector. It is worth noting that government-sector inter- and intra-agency agreements are seldom legally enforceable and provide for very weak sanctioning mechanisms in case of non-compliance. They are best described as 'quasi-contracts'<sup>27</sup>, whose purpose is merely to coordinate activities and provide a framework for accountability under which responsibilities, reporting requirements and transparency obligations are clearly assigned to the parties involved.
- **Market-based service provider contracts** are widely used in Europe to contract out service delivery to private commercial or non-commercial actors. When tendering is used, the role of public players shifts from one of direct provider to that of 'gateway'. The public 'principals' decide to purchase employment services from private external actors within a 'quasi-market' arrangement<sup>29</sup>, whereby clients (the beneficiaries) are not the purchasers (PES in this case) and demand can only move around between providers from one tender to another. Tendering bodies are either PES, or local authorities (especially municipalities or regions in countries where they are in charge of ALMPs), or both. Outsourcing may concern single parts of services or ALMP programmes, with the public tendering body retaining overall control, or else encompass the whole process. In this last case, the role of PES is limited to registering jobseekers and determining their eligibility for services. Their service delivery activities may nonetheless continue in parallel, but only as one actor among many. Finally, it is worth noting that third sector organisations are frequently 'privileged' in the award of public contracts, for instance by introducing in the award criteria social clauses regarding the integration of disadvantaged workers or a requirement to make services available to specific target groups<sup>30</sup>.
- **Client contracts** are contracts between (public or private) service providers and individual clients, usually laying down mutual rights and duties within reintegration agreements. In a sub-type of this

<sup>26</sup> Some authors (T. Bredgaard and S. Larsen, *Quasi-Markets in Employment Policy: Do They Deliver on Promises?*, Social Policy & Society 2008, Cambridge University Press) underline the possible re-bureaucratisation of this process and the risk of limiting the advantage of the quasi-market. They, for instance, put in evidence the trade-off between the higher freedom of choice of the jobseeker and the higher transaction costs existing in some regimes.

<sup>27</sup> Mosley, H. and E. Sol (2005), *Contractualism in Employment Services: A Socio-Economic Perspective*, in E. Sol and M. Westerveld (eds.), *Contractualism in Employment Services. A New Form of Welfare State Governance* (The Hague: Kluwer Law International).

<sup>28</sup> See below the case of Austria, where AMS is required by law to cooperate with municipalities with a view to activating minimum income benefit recipients.

<sup>29</sup> Le Grand, J. And W. Bartlett (eds.) (1993), *Quasi-Markets and Social Policy* (London: Macmillan Press).

<sup>30</sup> Defourny, J. and M. Nyssens (2008), *Social Enterprises in Europe: Recent Trends and Developments*, EMES Working Paper 08/01.

contract form, eligible clients can receive vouchers, allowing them to choose among different providers of training or placement services. The outcome is, again, a quasi-market system in which services are purchased with public resources from whomever the individual decides, provided that they meet a number of conditions set by the public body in charge of the scheme, usually through licensing mechanisms. As said above, these are generally either PES or local authorities, or both. In some cases, vouchers can be used to purchase services from either private providers or the PES themselves. In such cases, again, PES freely compete with private providers<sup>31</sup>.

Each of these categories encompasses a large range of contract sub-types and different forms of partnerships. It is impossible to review all of them here, considering also that they often depend on the national regulatory context. However, within the marked-based contracts category at least it is possible to identify some extensive and significant sub-categories<sup>6</sup>:

- **Cost-reimbursement contracts:** where providers receive payments for their expenses according to an initial budget defined in the tender process;
- **Fixed-price contracts:** whereby providers receive payments according to pre-determined fees or standard costs for a set of services defined in the contract;
- **Outcome or performance-based contracts:** under which providers are paid by results and according to outcomes defined in the contract (placements, action plan agreed, etc.). Payment can depend on results, in part or as a whole, according to different kinds of contract.

Table 1 below summarises the main costs and benefits of these contractual forms from the point of view of the purchaser - generally a PES or a public authority. This suggests that no single type of contract is necessarily better than any other, but each one of them could respond to specific needs and, at the same time, require a tailor-made control system. It is also worth noting that, as mentioned above, a potential trade-off can be observed between attention to results and administrative complexity.

Table 1 - Costs and benefits of different contract types

Type of contract	Cost	Benefit
Cost-reimbursement	<ul style="list-style-type: none"> <li>• Poor attention to results</li> <li>• Risks on the purchaser and very limited incentives for the contractor</li> </ul>	<ul style="list-style-type: none"> <li>• Little monitoring, only administrative control</li> </ul>
Fixed-price	<ul style="list-style-type: none"> <li>• Limited attention to results</li> <li>• Not flexible in the face of special circumstances</li> </ul>	<ul style="list-style-type: none"> <li>• Simple administrative controls</li> <li>• Possibility of improving efficiency by adapting fixed price</li> </ul>
Outcome or performance-based	<ul style="list-style-type: none"> <li>• Clear design and careful monitoring needed</li> <li>• Payments not easily predictable and potential risk of "creaming"</li> </ul>	<ul style="list-style-type: none"> <li>• More attention to results and financial incentives to improve performance</li> </ul>

Source: Applica/Ismeri, own elaboration.

Payment systems are not the only factor to be considered in outsourcing employment services. Other contractual factors determine the freedom of the contractor, his relative returns and consequent behaviour, and define the scope for cooperation among PES and other actors. All these factors are normally encapsulated in the notion of 'tendering', which refers to the public procurement procedure and includes the main rules to follow in the provision of employment services. Six main factors are considered in this respect:

1. **Tender form:** which determines, among other things, the aim and the scope of the services, the barriers to entry, and transparency requirements.
2. **Client profiling:** which requires a clear knowledge of the clients, their profile, circumstances and potential to participate in the labour market and find a job;

<sup>31</sup> This kind of system has been implemented in some Italian regions, Lombardy was the first region to adopt it, for the provision of some LMP measures (skill certification, recruitment assistance, training).

3. **Referral of clients:** which refers to the freedom of the client to choose the provider, the possibility for the provider to have a minimum number of clients and the responsibility of the principal for verifying the correct implementation of the referral process;
4. **Use of instruments:** which concerns the trajectory of services provided and the power of the providers in modifying it; this relates to a potential conflict between the necessary flexibility to support individual needs and the risk of 'shortcuts' in the services provided;
5. **Outcomes, pricing and payments:** which needs a clear definition of outcome ('placed client', 'processed client', 'satisfied client', etc.), especially if it is linked to the payment; this factor brings about possible distortions in the services provided and has to be considered in relation to the different needs of various target populations (for instance, the long term-unemployed may require different outcomes from those of newly unemployed people);
6. **Monitoring:** which has to ensure an equal treatment of jobseekers and respect of the rules; compliance and performance monitoring have to be considered in indicators, collected data and control visits.

The combination of these factors and their mutual consistency determine the effectiveness of the contract and its capacity to respond to the purchaser's goals and needs. It is not possible to detail here all relevant factors, but they reflect a basic checklist to orient purchasers in their tenders and highlights the learning process needed for a fine tuning of the different components of the tender both in the demand and supply side.

The 'main (or prime) contractor' model deserves a specific mention. This contract form was borrowed from public procurement in infrastructure (where many different activities have to be contracted out) and has the objective of outsourcing not only specific services, but also coordination activities. This contract form has recently been applied to employment services in the UK (see the UK case studies in the Annex).

Finally, it is worth noting that not all partnerships rely on contractual arrangements – some depend on purely **informal agreements**. These sometimes occur between PES and non-profit organisations or other public institutions, and have the aim of developing basic collaboration, informal division of labour and exchange of information. Clearly, informal agreements cannot entail monetary transactions. Regardless, recourse to such agreements is widespread, especially at the local level, as a response to immediate needs for coordination and efficiency. Their significance should not be overlooked, since informal solutions are often low-cost and improve the know-how of the actors involved. At the same time, there is a strong path-dependence in their effectiveness (institutional and legal space for enforcing this kind of agreements, cultural attitude to cooperation, existence of sites to promote such partnerships and identify common solutions) and informal agreements are not always the most suitable solution.

The case studies whose results are summed up in the following section cover a range of possible combinations of the four dimensions discussed above: the actors involved; the services provided; the 'location' of partnership (national, regional, local); and formal arrangements. Partnerships take different forms depending on the specific mix of these dimensions. Case studies examine the different types of partnership, the contexts in which they developed, and the key factors determining success or failure. The aim is to provide an initial record of exemplary cases and to identify common strategic issues to be taken on by future debates. The full text of the case studies is included in the Annex. Meanwhile, the next sub-section reviews the main forms of partnership. A number of implications from the outcome of the typology and the findings of case studies are drawn in the Conclusions.

## Forms of partnership

The different forms of partnership mainly depend on the actors involved and on the way they interact with each other. The brief review below focuses only on cooperative relationships<sup>32</sup>. Partnership with PES can be grouped according to the nature of the actors involved. More specifically:

- PES with **private for-profit actors** – private employment agencies (PrEAs), temporary work agencies (TWAs), head hunting firms, private training firms, and so forth – generally concerns either outsourcing of specific services or more general collaboration and exchange of information. This type of partnership is normally promoted on the basis of the efficiency and flexibility-related arguments mentioned above. For these actors, the market for government contracts is a normal addition to other commercial activities. They are equipped to face the cost of bidding for new contracts and of start-ups in new locations. Contracting authorities in the field of employment services are either PES or local authorities – especially municipalities – in countries, such as Denmark and the Netherlands, where these are in charge of ALMPs. A sub-type of this form of partnership involves private providers agreeing to cooperate with each other as well as with third sector organisations to provide services to one contracting authority (see the 'prime contractor' model in the UK described below).
- Partnerships between the PES and **private not-for-profit actors** often, but not exclusively, concern support for more difficult to place clients (the young, older jobseekers, disabled people, the socially excluded, substance abusers). Cooperation here is based around the established experience of third sector organisations in providing services for particularly vulnerable groups. Voluntary organisations working on the ground tend to have more accurate information on local needs and demands than public policy-makers, and are better able to tailor services to special needs<sup>3</sup>. Though often less resource-rich than for-profit organisations, they too can use their financial base to compete in a tender or start-up new services. A recent Commission-sponsored survey reported that in 2006 not-for-profit organisations accounted for about 20% of employment service provision in the UK. The figure, however, was much lower in the other countries covered by the survey (Germany, Poland, Sweden and the Czech Republic)<sup>6</sup>.
- Cooperation among different **public service providers** in sectors such as health, education, training, social assistance is also justified by the need to deliver integrated services to specific target clients, and includes different levels of networking, from simple exchange of information to contract-type agreements. Other types of partnerships also exist between PES and education and training bodies for the provision and delivery of training, municipal authorities for innovative and government-led programmes, and specific organisations, clubs and associations in other cases. Partnerships with municipalities are particularly important because throughout Europe they have some degree of competency for the implementation of social policies and, in some northern European countries, for employment services as well.

As is clear from the above, partnership is normally driven by division of specialisation and competences. In the majority of cases PES involve complementary actors, able to provide them with additional skills or experience. Alternatively, PES involve actors with similar expertise (i.e. private agencies) to increase the critical mass of publicly funded services. Even in this case, however, it is possible to underline that the private actors have different features from PES (i.e. higher flexibility in designing services and hiring new staff), which justify their involvement. As for the relationships among the actors, the case of the exchange of information between public and private providers is peculiar; here, information is an important element of the competitive advantage of the two actors and its exchange should happen on equal terms and to the benefit of both. The justification for this exchange can also rest on the different types of clients managed by public and private providers, which would keep the respective capacity unchanged, or on the will of the regulator to

<sup>32</sup> By their nature, competitive relationships cannot be included in partnership *stricto sensu*.

increase competition and exploit the unutilised resources of the two actors. These considerations reflect the interest different actors have to join forces when they can have a mutual advantage. Otherwise, competition would produce better results in terms of efficiency and, in fact, is often used in the more liberalised contexts to regulate the allocation of public resources between PES and other actors.

The groups described above of course simplify the large number of possible partnership types. For instance, commercial and non-commercial private organisations can team up to participate in public tenders, public bodies can involve PES in partnerships where different private and public actors coexist (for instance, business creation programmes often engage many different organisations). Hence, these categories should be considered as rather broad classes, within which a range of combinations and permutations are possible.

Table 3 below summarises the main types of possible partnerships deriving from the previous analysis of the relevant literature and the available information.

### A tentative typology of partnerships

Each of the dimensions of partnership reviewed above and in Table 3 (aims, services provided, kinds of actors involved, territorial scope, contractual arrangements) is composed, in turn, of a number of smaller elements. Many different combinations among these elements are possible, though not occur in practice. Some simplification is therefore necessary to summarise the cases in a more manageable model. Two dimensions appear to be most relevant in this respect: the general aim of the partnership and the type of arrangement (market-based or non-market-based) used to enforce it. Their intersection produces four broad models (Table 2).

**Table 2 - Broad models of partnerships between PES and other employment service providers**

Aim / Arrangement	Market-based arrangements	Non-market-based arrangements (Internal government contracts or informal arrangements)
<b>Upgrading the capacity of employment services</b>	<b>MODEL 1 – CAPACITY-BUILDING</b> <ul style="list-style-type: none"> <li>Prevalence of for-profit private actors, but also not-for-profit</li> <li>All services (from basic to specialised)</li> </ul>	<b>MODEL 2 – COOPERATION</b> <ul style="list-style-type: none"> <li>For profit private actors</li> <li>Exchange of information</li> </ul>
<b>Tackling multidimensional tasks</b>	<b>MODEL 3 – INTEGRATION OF SKILL SETS</b> <ul style="list-style-type: none"> <li>prevalence of not-for-profit private actors, but also for-profit</li> <li>Complex and multidimensional services</li> </ul>	<b>MODEL 4 – COORDINATION</b> <ul style="list-style-type: none"> <li>Other administrations and not for profit</li> <li>Coordination of existing services</li> </ul>

Source: Applca/Ismeri, own elaboration.

Models 1 and 3 involve the same type of actors, but with a different prevalence of for-profit and not-for-profit organisations in relation to the different aims. These two models are increasingly used in the liberalisation of employment services and assume a great variety of contractual forms and therefore support different degrees of market competition among actors. Models 2 and 4 are frequently organised on a voluntary basis and do not rest upon a principal-agent relationship. On the contrary, they promote collaboration, networking, and exchange of experience among peers. More structured partnerships are also possible between different public bodies (see the Finnish case study in the Annex).

It is worth noting that, in all four models, PES have lost their monopoly over recruitment and LMP services, and now share responsibility for service provision with other actors. However, the role and position of PES varies greatly. In model 1 the capacity of the PES is complemented by other actors and their role (principal in contracting relationships, peer among other competitors) whereas the PES role depends on the level of development of 'quasi-markets'. Model 2 implies, in general, a limited cooperation among peers, but it also requires a developed private sector in employment services. Here, again, PES share the market with other actors to a significant extent. Under model 3 PES can still have a central role and limited interaction with other actors. Yet these models can also function in more liberalised contexts. Model 4 requires a balanced

participation of all the actors involved and PES can play a limited role if the main focus of the partnership is not on employment issues. In practice, the role of PES in the policy arena depends more on the job placement regime than on the type of partnership. Nevertheless all the partnership models require PES to take a proactive attitude towards other actors, to build new skills and functions to manage contracts and relationships, as well as new planning abilities to share inclusion paths with other actors.

The four models are not alternative to each other and can be in place at the same time. They respond to different basic needs and result in different solutions. As mentioned above, within each model the possible solutions cover a wide range of contracting-out or other forms of formal or informal arrangements. For this reason, an adequate legal and administrative framework is a precondition for correct implementation, as more complex solutions need more advanced systems. This is not only a legal constraint, but also a 'learning by doing' process for many countries. For instance: utilising a system that depends on the licensing of providers necessitates the establishment and implementation of a certification system; the transition from a cost-reimbursement system to a fixed cost or outcome-based payment system requires the implementation of new control schemes. These examples explain why countries which developed partnership models before others are now experimenting with more complex or advanced forms of agreements utilising incentive schemes or prime contractor agreements, and underlines how important the constant empowerment of PES and other organisations involved in partnership really is.

Table 3 - Main types of partnership with PES and their characteristics

Aim	Service	Involved actors (others than PES)	Prevalent government level	Prevalent contractual arrangement
Strategic assessment	• Identification of priorities and goals of employment services	• Social partners and local authorities	• National / local	• Informal arrangements or institutional platform
	• Enhancing basic LMP services supply	• For-profit private providers	• National / local	• Market-based service provider contracts
	• Providing and strengthening training services	• Education & training bodies • Private training providers	• Local	• Market-based service provider contracts • Client contracts
Upgrading the capacity of employment services	• Providing LMP services and other LMP measures for disadvantaged groups	• For-profit and / or No-profit private providers	• Local	• Market-based service provider contracts • Client contracts
	• Labour Market Information and Intelligence (skills needs analysis & vacancy exchange)	• For-profit private providers • Enterprises • Education & training bodies	• National / local	• Informal arrangements or legal rule
	• LMP measures and intensive support in case of multiple obstacles (often vulnerable groups)	• Not-profit private providers	• National / local	• Market-based service provider contracts • Informal agreements
Tackling multidimensional tasks	• LMP measures and high number of different services	• For profit and / or No-profit private providers	• Local	• Market-based service provider contracts (prime contractor)
	• Coordinated delivery of complex public services (health, psychosocial, youth services, specialised training)	• Public authorities	• National/ Local	• Internal government contracts • Informal agreements

Source: Apical/Ismeri, own elaboration

## FINDINGS OF THE CASE STUDIES

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This section summarises the results of eight case studies which are detailed in Annex. The studies have been selected to ensure a broad coverage of the main types of partnership according to the dimensions identified above (actors, services, levels of government, formal arrangements). The cases are:

- Finland: joint service centres for hard-to-place jobseekers;
- Germany: partnership between PES, state administrations, schools and private actors to help students at risk of dropping out of school;
- Austria: co-operation between PES and municipalities to support recipients of minimum income benefit;
- Poland: partnerships between PES and training institutions;
- The Netherlands: public-private co-operation in employment services (PES and TWAs);
- The Netherlands: the full engagement initiative of the Rotterdam municipality: targeting unemployed youngsters;
- The UK: cooperation between JobCentre Plus and the Recruitment and Employment Confederation (REC);
- The UK: the government's engagement with third sector organisations to provide welfare to work services.

### What types of partnership?

- **Partnerships among public actors** can be observed in the Finnish, German and Austrian cases. The Finnish network of integrated service centres (called LAFOS) brings together local PES offices, municipalities and the national insurance body (KELA) to deal with the most hard-to-place clients. In Germany, the federal government, the BA (*Bundesagentur für Arbeit*, the federal employment agency) and state governments jointly financed projects aimed at providing students at risk of dropping out of school with internships, on-the-job training and other forms of job experience. Financing for school-based initiatives was awarded to private organisations through public tendering procedures. In Austria, PES and municipalities are now required to cooperate in order to activate beneficiaries of the new means-tested minimum income scheme, who are subject to similar rules as unemployment benefit recipients. The local PES (AMS) has been tasked with integrating beneficiaries into the labour market, while benefit payments are managed by municipalities. Participation of private actors is foreseen, as AMS can either provide services on its own or outsource them to private providers.
- **Partnership between public and private actors** is also discussed at length. The Polish case study presents two practices of cooperation between local PES and private providers in the implementation of training initiatives. The development of partnership between PES and Temporary Work Agencies (TWAs) in order to place disadvantaged groups is described by a case study on the Netherlands. A second case from the Netherlands analyses cooperation between the municipality of Rotterdam, private for-profit providers and third sector organisations to activate recipients of social assistance. Finally, a two-year programme in the UK dubbed 'Job-search Support for Newly Unemployed Professionals' (April 2009-March 2011) provides an illustration of how a strategic partnership between public and private providers can also be established in order to deal with a completely different target group, i.e. high-skilled job-seekers such as managers and executives affected by redundancies as a result of the recent crisis.
- **Partnership between public and third sector organisations** in the delivery of welfare-to-work services is sketched out by a second UK case study. The voluntary sector is very active in the UK market for employment services with around 40% of contracts issued by the Department of Work and Pensions awarded to third sector organisations.

### Why do partnerships take place?

- Partnership is often put in place to **tackle multi-dimensional issues** and tasks. In Finland, so-called LAFOS offices were first established in 2000 to combat long-term unemployment by improving the coordination among public service providers through a 'one-stop shop' model of service provision for clients with complex needs and requiring multi-dimensional services (employment, social assistance, health). This is a very different approach from the one adopted in countries like the UK, where the task of dealing with the long-term unemployed was by and large passed to private providers. In Germany, since 2005 PES have been able to fund projects to promote the labour market integration of young people, even though they are still in education, which, in the complex structure of the German federal state, is under the jurisdiction of state administrations. Cooperation between PES and municipalities in Austria is a by-product of social assistance reform, which established the principle whereby benefit recipients who are work-ready should be taken off benefits and placed in work. In the Netherlands, the job reintegration of social assistance beneficiaries has been entrusted to municipalities since the 1990s. These, in turn, organise their integration efforts exclusively via private reintegration firms.
- In other cases, partnership is intended to **upgrade the capacity of the PES** to deliver existing services or establish new services meet complex needs. Local PES offices in the Netherlands, for instance, have built close relationships with Temporary Work Agencies (TWAs) over many years. and relations between them have long been cooperative rather than competitive. The Dutch PES now treat TWAs as they would any other employer that might take on registered jobseekers. Similarly, the UK government has engaged with third sector organisations as providers of employment services for over twenty-five years on account of their ability and expertise in dealing with vulnerable groups. Polish PES, by contrast, have traditionally resisted partnership initiatives. Local and regional PES report cooperating mostly with other public bodies (including neighbouring PES). When partnership with non-governmental bodies does happen, in nearly 80% of cases it is for the provision of training services.
- One of the case studies reports an interesting instance of **one-off cooperation** to deal with the effects of the crisis. In the UK a partnership between JobCentre Plus and the Recruitment and Employment Confederation (REC - an organisation representing the interests of private employment agencies in the UK), was initiated as a result of the need to support high-skilled workers affected by the crisis and cuts in the civil service.

### What kinds of formal arrangements?

- Recourse to **internal government contracts** can be observed in the Finnish case. LAFOS is based on contract-type arrangements among the various public providers involved detailing: clients and operational model; management and supervision of operations; the staff to be allocated to different services; budget and monitoring of expenditure; and the outsourcing of services to private providers. In the Austrian case, by contrast, cooperation between AMS and municipalities is mandated by an administrative decree implementing a federal law.
- The use of **subcontracting** arrangements is widespread. Subcontracting with private training bodies is described in the Polish case. Tendering procedures open to private actors are in place for the financing of school-based projects on work experience for students at risk in Germany. Subcontracting of reintegration services to private parties is also common in the Netherlands. Here, municipalities are in charge, while the PES has a limited role registering jobseekers, providing labour market information and referring them to vacancies. A contract-type arrangement was also in force between the UK Department of Work and Pensions and REC, so that professionals and executives would be referred by JobCentre Plus advisors to approved recruitment agencies who received a small per-capita payment (£150). More recently, the UK government opted for a 'Prime Contractor' model whereby a limited number of private commercial and non-commercial providers are paid by the Ministry to provide some services directly and sub-contract others to third-parties. The model also allows for consortium agreements, under which one

contractor acts as the leader of a number of other providers. No positive discrimination is applied to voluntary organisations.

- Finally, **cooperation has emerged somewhat informally** and over time between PES and TWAs in the Netherlands. The Dutch PES had their own TWA for a time, but then took to subsidising existing private TWAs to improve their performance with disadvantaged groups. TWAs now make extensive use of PES information channels – especially the website WERK.NL – while PES seek to facilitate their recruitment efforts through pre-selection services just as they would do for any other employer.

### **What works? What types of cooperation work best? Evaluated results?**

Where available, all case studies offered information on results (see case by case details in Annex). Some indications can be drawn from these on 'success factors' for different types of partnerships:

- Private partners are particularly successful at selecting project participants (the young, women, the high-skilled), motivating them and supporting their choices for apprenticeship and training (see the cases of Poland, Germany and the UK), particularly when service quality and not price was taken as prime selection criterion for the award of public contracts.
- Cooperation between different public service providers is said to have enhanced the exchange of relevant information, technical knowledge and expertise (see the cases of Austria and Finland). In the Finnish case, the establishment of multi-professional teams of officials coming from different branches of the administration but operating in joint premises ('one-stop shop' service model) ensured a favourable ratio between staff and clients and was highly appreciated by the latter.
- The sharing of labour market information between PES and private providers is said to have a positive effect on the effectiveness of placement. About 35% of all vacancies notified for selection services by the Dutch PES come from TWAs (about 300,000 every year). About 100,000 of these referrals eventually result in an employment contract.

Conversely, administrative difficulties were frequently mentioned as a significant barrier to partnerships among employment services achieving good results. In Austria, for instance, lack of agreement on competences and resources between the federal governments, provinces and municipalities prevented the creation of 'one-stop' service counters for minimum income recipients. In Germany, the complexity of the federal system endangered the continuation of PES-financed projects in schools, which had to be recently taken up by state governments.

### **Future trends and developments**

Apart from the UK programme of cooperation between the government and private employment agencies, which was established as a short-term response to a perceived emergency situation in the market and has now been terminated, all other cases of partnership presented here are gaining further momentum. In particular:

- The LAFOS model in Finland is now included in the national employment guidelines and in the PES service concept.
- Initiatives in Germany to improve the educational level of teenagers and young adults, most of which are organised by the PES and outsourced to private providers, are expected to become even more common in the future as workers' skills will need to adjust to the requirements of markets after the current crisis.
- The models of cooperation between AMS and the Vienna Municipality concerning the integration of minimum income recipients into the labour market is to be applied throughout the country, though the level and speed of implementation differs widely across regions.

- The 'Full Engagement' Programme tested by the Rotterdam municipality is to be extended to all of its sixty-two residential districts by 2014, thereby establishing a closer connection between social assistance, reintegration policies and employment services.

## CONCLUSIONS

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The study has identified some key characteristics and trends in the development of partnerships between employment services and offers much food for thought for the ongoing policy debate. Before summarising these, however, some caveats should be applied. Studies on partnership in employment services are few and far between and the number of cases available in the literature is limited. More effort is needed if the policy debate is to be fed with new information and knowledge. The issue of partnership in employment services embraces a large number of policy fields (employment priorities, market orientations of different regimes, welfare organisations, tendering) and is made more complex by strong national path-dependencies, which does not allow for direct comparisons between countries.

Table 4 below summarises the strengths, weaknesses, opportunities and threats of the four broad models of employment service partnership that have been identified. This is not intended to define a possible strategy for partnership, but simply to highlight the characteristics of existing models as discussed in the study and provide an information base to feed the ongoing debate.

The main findings and conclusions of the study can then be summarised in seven points:

1. **Partnerships of employment services are becoming increasingly common** – though partnerships are typically less developed in southern and eastern EU Member States, overall there is a clear trend towards greater cooperation among different actors. New types of partnership and contractual or other informal agreements are constantly being developed. In this respect, more attention should be paid to sharing successful experiences and lessons learnt.
2. **The job placement regime plays an important role** – the scope of partnership activities, the partners involved and their different roles are strongly influenced by the national job placement regime. The general shift from a PES monopoly to a more liberalised market for employment services has produced a wide range of partnership forms but the institutional arrangements in each country still to some extent determine and constrain the forms of partnership that are possible. Partnership and co-operation between public and private employment services can develop further given adequate freedom to do so within the legal and policy context.
3. **First the problem and then the partnership** – not all kinds of partnership are suitable for every policy problem; actors, arrangements and resources vary according to the problem to be tackled. The broad classification of partnerships developed here has two main clusters according to the primary objective (capacity-building or tackling multidimensional issues) and shows that different models can respond to each type of issue. It means that in policy-making decisions it is necessary to focus first and foremost on deciding which partnerships to develop. Clearly, the theoretical models proposed here are much simpler than the actual problems at hand and the services needed, but they nevertheless represent an initial framework for policy design. This is particularly important, because the efficiency and effectiveness of partnerships depends on identifying the real source of the problem and the appropriate solution.
4. **Balance between efficiency and equal opportunities** – all forms of partnerships must strike a balance between efficiency and equal access to services. Efficiency is the driver that is moving the provision of employment services from public to private profit or not-for-profit providers whilst it is a basic tenet of public service to ensure equal access for all. The different forms of partnership and the ways in which they operate should be designed to improve service delivery from both angles or, at the very least, to

improve one of them without hampering the other. This means that both principles must be considered in the policy debate on partnership and their performance should be evaluated accordingly.

5. **Balance between different interests** – as said above, partnership can coexist with competition, but it represents a different way of problem-solving. A good balance between the interests of all of the actors involved is at the basis of every robust partnership, and in a market-based partnership, public resources are a fundamental incentive. This means, again, that the right balance between different interests must be found. Economic theory and past experience can help in this respect, but a forum for communication and discussion among actors and other stakeholders is an important instrument to promote partnership. This should be established at EU, national and local level. A merely bureaucratic approach to partnership, on the contrary, is likely to be counterproductive.
6. **Management and legal arrangements:** technical issues are important in defining the functioning and effectiveness of partnership, both under market-based arrangements and under other voluntary or administrative agreements. In particular, tendering procedures and payment systems are crucial and can significantly affect the outcome of market-based initiatives, just as the absence of incentives and sanctions can limit the effectiveness of other forms of partnership. This means that particular attention should be paid to the tools of partnership and that adequate governance mechanisms should be in place to ensure compliance and adequate results. Otherwise rules may be ineffective and the partnership become weak or unbalanced.
7. **Broad scope for empowerment and networking** – implementing partnerships is not only a question of legal rules and technical arrangements, but also depends on learning processes and social and administrative environments. It means that a broad scope for empowerment and networking activities to promote partnerships. In this respect it would be useful to disseminate the outcomes of experience, create communities of practice, identify good practices and design models, and share the results of evaluations. As partnership based delivery of employment services is still a relatively recent innovation in most Member States, this is still very much a learning process for all those involved and one that requires adaptation and on-going evaluation

Table 4 - Partnership models - summary of strengths, weaknesses, opportunities and threats

PARTNERSHIP MODELS		In relation to the model		In relation to the context	
		STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<b>MODEL 1 – CAPACITY BUILDING</b>	Traditional outsourcing	<ul style="list-style-type: none"> <li>Address peaks in demand or specific needs easily</li> </ul>	<ul style="list-style-type: none"> <li>Low control on outcome and limited pressure on private efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Involve new actors and develop new capacities</li> </ul>	<ul style="list-style-type: none"> <li>Limited feedback (organisational, learning, etc.) for PES</li> </ul>
	Prevalence of for-profit private actors, but also not-for-profit All services	<ul style="list-style-type: none"> <li>Very functional and flexible to specific needs</li> <li>Applicable to all kinds of employment services</li> <li>Extend the design and implementation of employment policy</li> </ul>	<ul style="list-style-type: none"> <li>Possible creaming effects</li> <li>More sophisticated governance and steering needed</li> </ul>	<ul style="list-style-type: none"> <li>Promote a quasi-market orientation and an easy comparison of existing services</li> <li>Potentially reduce public costs in relation to higher capacity</li> </ul>	<ul style="list-style-type: none"> <li>Advanced private supply is needed</li> <li>Distortions can generate unequal access to employment services</li> </ul>
<b>MODEL 2 - COOPERATION</b>		<ul style="list-style-type: none"> <li>Not expensive, based on mutual interests</li> <li>Increase the capacity of all the actors involved</li> </ul>	<ul style="list-style-type: none"> <li>Possible resistance of some actors, egalitarian exchange is preferable</li> <li>Few advantages if actors are unable to exploit the increased information</li> </ul>	<ul style="list-style-type: none"> <li>General increase in the efficiency of employment services</li> <li>Market more transparent and more power to the clients</li> </ul>	<ul style="list-style-type: none"> <li>A cooperative environment is needed</li> <li>Difficult to systematise if a legal obligation is missing</li> </ul>
<b>MODEL 3 – INTEGRATION OF SKILLS</b>		<ul style="list-style-type: none"> <li>Allows complex problems to be tackled</li> <li>Effective division of labour among existing specialisations</li> <li>Relatively inexpensive because based on existing skills and activities</li> </ul>	<ul style="list-style-type: none"> <li>Weakness of no-profit organisations in relation to public procurement processes</li> </ul>	<ul style="list-style-type: none"> <li>Develop new forms of employment policy and welfare</li> <li>At local level generates increasing awareness of potential</li> </ul>	<ul style="list-style-type: none"> <li>At local level existence of developed voluntary and specialised services is preferable</li> </ul>
<b>MODEL 4 - COORDINATION</b>		<ul style="list-style-type: none"> <li>Improve effectiveness of more services at the same time</li> <li>Facilitate the work of PES and diffuse the employment priorities</li> </ul>	<ul style="list-style-type: none"> <li>More frequent locally, at national level a specific plan/programme is needed</li> </ul>	<ul style="list-style-type: none"> <li>Not necessarily driven by PES or employment institutions</li> <li>Positive learning and knowledge effects overall</li> </ul>	<ul style="list-style-type: none"> <li>A cooperative environment and social control of efficiency are preferable</li> </ul>

Source: Applica/Ismeri, own elaboration

## **ANNEX: CASE STUDIES**

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### **A1. CASE STUDY: LABOUR FORCE SERVICE CENTRES (LAFOS) IN FINLAND**

#### **A1.1 Context of the partnership**

LAFOS is a network of Labour Force Service Centres that was established in Finland with a view to supporting the job-reintegration of the most hard-to-place jobseekers. The LAFOS service model is the result of a long-term development process that started in 2000, in close connection to the national employment policy guidelines which prioritised the fight against structural unemployment. The establishment of the LAFOS network took place in parallel with a major reform of the service model of the Finnish PES. LAFOS was intended as a response to the need to strengthen coordination among relevant public service providers and to develop more comprehensive and integrated services for the most vulnerable groups on the labour market. The model adopted in Finland through LAFOS, based as it is on close coordination and partnership among public providers, is significantly different, for instance, from that of the UK, where the task of servicing the long-term unemployed has been left, instead, to private employment agencies.

The LAFOS service concept is based on close cooperation among a number of partner organisations, namely:

- Local PES offices (the so-called Local Employment and Economic Development Offices, EED);
- Municipalities, especially social welfare and health departments;
- Local agencies of the National Social Insurance Institution (KELA).

Within the LAFOS model, employment services proper are offered within EED offices, whereas the municipal social welfare and health services and services offered by KELA are provided in shared premises, where officials from all organisations involved deal with clients in pairs or in larger multi-professional teams. The adoption of a 'one-stop shop' principle to the integration of services to support hard-to-place clients is the fundamental difference between the LAFOS model and conventional instances of cooperation between services.

After a piloting phase, LAFOS was granted permanent funding from 2006. LAFOS service units operate at local/regional level. Each LAFOS unit may involve one or several EED offices and/or municipalities depending on the regional administrative structures. In 2010 there were 39 LAFOS units in the country, involving 40 EED offices and 138 municipalities. The total number of employees was 600, or an average of around 15 employees per LAFOS unit. It is worth noting that the LAFOS network covers mainly populated urban areas, reflecting the concentration of structural unemployment in these areas.

LAFOS activities are based on contract-based, voluntary cooperation between EED offices and other partners. Partners subscribe to a contract agreeing at least the following:

- Clients and operating model;
- Management arrangements and supervision of operations;
- Personnel to be allocated to the services;
- Budget and monitoring of expenditure;
- Services to outsourced or purchased from external service providers.

Any changes to contractual arrangements have to be discussed and mutually agreed by all partners.

### A1.2 Description of the partnership

Staff from partner organisations work in shared offices and form multi-professional teams to deal with clients. Each official brings to the team his/her specific expertise and knowledge from the services offered by their parent organisation. Table 5 shows the services made available to clients on an individual basis.

**Table 5 - Partners and range of services available through LAFOS**

Partners	Role and services offered in LAFOS
<b>Local PES offices</b>	Local PES are responsible for employment services and ALMP programmes. This includes the following options that can be offered on the basis of individual plans designed within LAFOS: <ul style="list-style-type: none"> <li>• Job mediation and placement services;</li> <li>• Guidance and support for career planning;</li> <li>• Career counselling and Labour Market Information;</li> <li>• Labour Market Training;</li> <li>• Subsidised employment and traineeships;</li> <li>• Mapping of skills and working capacity;</li> <li>• Medical consultations.</li> </ul>
<b>Municipalities (social welfare and health services)</b>	As a rule, municipalities are the main partners in LAFOS, they offer: <ul style="list-style-type: none"> <li>• Municipal health care services;</li> <li>• Range of social workers' services;</li> <li>• Municipal income support.</li> </ul>
<b>National Insurance Institution (KELA)</b>	KELA pays out various allowances related to labour market and employment. <ul style="list-style-type: none"> <li>• Labour market subsidy, basic unemployment allowance, training subsidy;</li> <li>• Refund of medical expenses, sickness allowances;</li> <li>• Individual and group rehabilitation, rehabilitation allowance;</li> <li>• Retirement benefits.</li> </ul>

The core of multi-professional teams includes employment counsellors, social workers and health services professionals. In bigger LAFOS units the team also includes a nurse, whereas in smaller units these services are outsourced. The actual working model, range of services and focus of activities are formulated by each LAFOS taking into account local features, client volumes and profiles.

### A1.3 LAFOS staff structure

The staff structure of two very different LAFOS offices provides an interesting insight to the skills and services available. The LAFOS office in Tampere (Table 6) is based in a large urban area and consists of a central unit and five sub-units in the surrounding area. The average stock of registered clients is 1,200, with a waiting list for client status of 2-300 eligible applicants. On average, 20 new clients start the LAFOS service process every week.

**Table 6 - LAFOS in the Tampere region**

Staff Member - Profession	Number
Head of LAFOS	1
Head of section	1
Informer/publicists	1
Service counsellors	5
Career counsellors	17
Social workers	3
Psychologist	1
Nurses	2
Other staff	4
<b>Total</b>	<b>35</b>

LAFOS in the Kainuu region (Table 7), on the other hand, is a medium-sized service unit in northern Finland. It covers the town of Kajaani and the surrounding rural municipalities with 4 local sub-units. The average stock of registered clients is 450-500, less than half that of the Tampere unit.

**Table 7 - LAFOS in the Kainuu region**

Staff Member – Profession	Number
Head of services	1
Psychologist, specialised in rehabilitation	1
Employment counsellors	6
Social workers	3
Social counsellors	4 (2 of them on a part-time basis)
Nurse, specialised in occupational health	1
Other staff	3
<b>Total</b>	<b>19</b>

#### A1.4 LAFOS clients

The ultimate aim of LAFOS is to help hard-to-place clients into employment. A necessary precondition to become a LAFOS client is being in need of multi-dimensional support. Local PES offices can refer a client to LAFOS when he/she is deemed to need the support of municipal social and healthcare services as well as employment services. Conversely, municipalities can refer clients to LAFOS in case they are thought to need the employment services provided by local PES offices in addition to their own services. KELA agencies can also take the initiative to refer clients to LAFOS.

Referral to LAFOS is always based on an assessment of service needs, which is performed either by the referring organisation or by LAFOS itself. Since the need for multi-dimensional services is a prerequisite for referral to LAFOS, clients may not be referred solely on grounds like disability, immigrant status, duration of unemployment or need to apply for a disability pension. Clients may also access LAFOS services on their own initiative. According to the monitoring data of the Ministry of Employment and the Economy (MoEE), 8,752 clients were referred to LAFOS in 2010 (Table 8), while 9,149 clients completed the service in the same year.

**Table 8 - Referrals to LAFOS services by partner organisation in 2010, total in all centres**

Partner	Number of clients referred	%
Local PES offices	5,676	64.9
Municipalities (social welfare and health services)	2,052	23.4
KELA	6	0.1
Own initiative	372	4.3
Other	676	7.4
<b>Total</b>	<b>8,752</b>	<b>100</b>

Source: LAFOS monitoring data, MoEE

#### A1.5 The service process

The individual client service process in LAFOS can be divided into three main elements (Table 9). The service can either include all three elements, a mere assessment of service needs, or the service needs assessment and the rehabilitation and guidance stage. Within LAFOS, a single client's service process can, as a rule, last a maximum of 2–3 years. In cases where LAFOS has been unable to improve clients' prospects to find employment, they are referred back to social and health care services, which are the responsibility of municipalities. When a client's relationship with a LAFOS ends, he/she must be informed of

which partner organisation is going to be responsible for arranging the services he/she requires. LAFOS must inform the partner that takes charge of the client of the services offered and recommend future actions. Table 10 shows the status of clients after completing the LAFOS process in 2010.

**Table 9 - The LAFOS service process**

Services	Measures taken
Assessment	Assessment of service needs, necessary tests (e.g. medical, rehabilitation needs), development of an individual employment/activation plan
Rehabilitation and guidance	Rehabilitative activities, guidance and support
Training and employment	Employment measures (e.g. subsidised employment, traineeship), training activities, other active employment measures

**Table 10 - Client status upon completion of the LAFOS service process, 2010**

Situation when completing the service	Number of cases	%
Employed in the open labour market	924	10.1
Registered in EED office	943	10.3
Active labour market programmes	1,088	11.9
Pension	863	9.5
Sickness or rehabilitation	698	7.6
Out of labour force	385	4.2
Service completed on own initiative	421	4.6
No change in situation	1,951	21.3
Other	1,876	20.5
<b>Total</b>	<b>9,149</b>	<b>100</b>

Source: LAFOS monitoring data, MoEE

### A1.6 Organisational arrangements

The strategic orientation and operational management of LAFOS centres are agreed at the local level by partner organisations. A steering group composed of representatives of partner organisations meets regularly to discuss:

- The human resources allocated to the LAFOS (number of staff and official structure);
- Operational management issues;
- The role and sharing of duties between LAFOS and partner organisations
- Administrative duties (e.g. purchase of services, payments and settlements).

Government budget guidelines allow local PES offices to allocate resources to the functioning of LAFOS, on condition that the other partners share the costs in accordance with rules laid down by the MoEE.

### A1.7 Conclusions – Success factors and challenges

After the piloting phase ended in 2006, the LAFOS model has been formalised and is now included in the national employment strategy and PES service concept. In addition to the official LAFOS units receiving permanent government funding through MoEE, a number of similar type of service centres have been established, most of which received funding from the European Social Fund (ESF).

Interviews with LAFOS officials in Tampere and Kainuu highlighted a number of fundamental advantages of the LAFOS service model with respect to standard service provision by individual partner organisations:

- Multi-professional teams combine different areas of expertise and ensure that a wider range of options are made available when searching for solutions for individual cases. Compared to the standard services, a more sustained, intensive and solution-oriented service process can be established, starting from a profound assessment of clients' individual needs;

- The 'one-stop shop' principle is the fundamental advantage in LAFOS concept, as access to services is made feasible for the clients in a need of multi-dimensional support;
- Service providers and clients can build up a long lasting relationship within LAFOS and share common goals for the service process. Since more time is made available for each individual client, more attention can be paid to the quality aspect in services.

In addition to this, a number of challenges were also identified by the LAFOS officials interviewed:

- The main success factor in the LAFOS model is the low staff-client ratio and the long lasting relationships this tends to create. A significant rise in client numbers would hamper the current individualised approach, and the LAFOS services would become almost identical to standard services in the partner organisations;
- LAFOS support often comes too late: referral of clients to LAFOS services should take place at an earlier stage. The process is considerably slowed down by administrative barriers that still exist between the institutions involved.
- Targets and measurable indicators should be developed to fit the specific features of LAFOS clients. Criteria that are applied to standard employment programmes, e.g. employment outcomes of participants, do not apply directly to LAFOS operations that are targeted at some of the most vulnerable and hard-to-place groups.

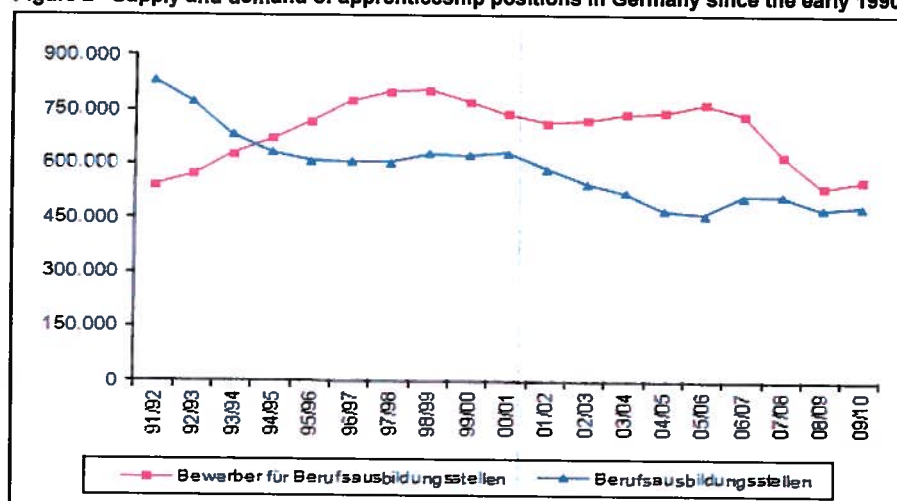
Existing evaluations of the LAFOS model confirm the views presented above. LAFOS partnerships have intensified cooperation between local service providers and clients have benefitted from the integrated service approach. This applies in particular to municipal social welfare and health services and local PES offices. LAFOS operations in the future will need to create stronger links with local employers. Evaluators recommended policy-makers to clarify the objectives set for LAFOS and to develop special indicators to measure the results attained with client rehabilitation. Finally, clients highly appreciate the time and attention given to their individual needs under the LAFOS service model.

## **A2. CASE STUDY: PARTNERSHIP BETWEEN THE FEDERAL EMPLOYMENT AGENCY AND THE SCHOOL SYSTEM IN GERMANY**

### **A2.1 Context of the partnership**

Youth unemployment is comparatively low in Germany. One reason for this is the German apprenticeship system, which combines on- and off-the-job training. However, the number of applicants for apprenticeship positions has been consistently higher than the positions available since 1993/1994, so that, on average, 18,000 applicants had to be turned down each year. In recent years, the gap has appeared to narrow, but the number of available positions is in constant decline (Figure 2). In 2009/2010 the Federal Employment Agency (BA) reported 552,000 applicants for no more than 484,000 positions.

Among those young people who do not succeed in applying for a training position, there are a high number of school dropouts and of students with a bad school report. Some of them decide to remain in school, while others are left to the care of BA, which is responsible for the job-placement and labour market integration of young people. People below the age of 26 are entitled to a range of services, including taking part in off-the-job training.

**Figure 2 - Supply and demand of apprenticeship positions in Germany since the early 1990s**

In recent years, the BA initiated partnerships with schools, employers, municipalities and state governments, which in Germany are responsible for the school system, in order to improve the labour market integration of young people (Kupka/Wolters 2010 for a summary)<sup>33</sup>. A special emphasis is put on programmes combining general-education secondary school ('*Hauptschule*') with work experience. In special classes, students at risk of dropping out of school are placed in internships or other forms of job experience or training schemes. Most state governments (*Bundesländer*) are participating in such partnerships. However, the scope of the programme is limited. A constitutional reform introduced in 2006 prohibited cooperation between the federal government and the states with regard to the school system. The BA is only allowed to cooperate with states with respect to the job placement of school students.

This case study is based on the programme in Lower Saxony, which was the broadest in terms of size and of the number of students eligible to participate in project classes. The projects were evaluated by the sociological research institute in Gottingen (SOFI). Two reports vouched for the success of the programme based on a large number of standardised interviews with job-placement officers, Ministry officials, teachers, employers and students (Solga et al. 2010, 2011).

## A2.2 Description of the partnership

The project was initially based on a federal law which enabled the BA to fund innovative projects not covered by the regular tasks of the employment services. As a result of the 2005 labour market reforms in Germany, the BA had no responsibility for apprenticeship programmes. The only thing that was needed was the approval of the federal Ministry of Labour (BMAS). The second phase of the project was subject to two federal laws that demanded the cooperation of a third partner (in addition to BMAS and BA) covering at least 50% of the project costs. In the end the state had to make up for about 75% of the total costs, since the new laws prevented the federal government and its agencies from funding services (school classes etc.), which are to be provided at state level.

For the first phase of the project (AQB 1), the BA signed an administrative agreement with the Ministry of Education and Culture in Lower Saxony. They agreed to split the costs of the project, with the Ministry responsible for selecting schools and approving special classes. The project was tendered by the BA and won by BNW, a non-governmental educational institution, financed by employers and the Chambers of Commerce. Tendering is compulsory in Germany for projects granted by federal agencies which exceed 150,000 EUR and the BA has a long experience of tendering and supervising training-related services. The object of the tender was the provision of services to prepare school students for apprenticeship, including

<sup>33</sup> In 2001, the ministry of labour (BMAS) enabled the Bundesagentur für Arbeit (BA) to fund projects outside its tasks defined in SGB III, the law related to services of the federal employment services, which made services for school students possible.

information on careers, counselling and orientation, help in finding an internship, and social support. A tutor was assigned to each of the 24 schools involved. The BA was charged with overseeing the correct implementation of the agreement and had a representative in the coordination council. At the end of the project, tutors and placement officers worked together to find an apprenticeship position for each student.

The Ministry of Education and Culture supervised the schools which had successfully applied for the project. It liaised directly with school Principals and could intervene if the project goals were at risk. A representative of the Ministry sat in the coordination council. In the second phase of the project, the Ministry was project leader. Since state governments are free to tender projects, the Ministry announced that given the positive experience with BNW a new formal bidding procedure was unnecessary.

The evaluation of the project, instead, was tendered out by the BA. The contract was awarded to SOFI, a Göttingen-based research institute. They were asked to measure the effects of the project on the likelihood of students dropping-out, on students' social skills and on their final results, as well as on their likelihood to start an apprenticeship after high-school. SOFI interviewed all students participating in this programmes four times and did expert-interviews with teachers, BA officials and internship programme advisors. The evaluation of the project was thought to be a key element in determining the success of the partnership.

### **A2.3 Implementation of the AQB projects**

The primary targets of the project were students at risk of failing to get a certificate of secondary education or of dropping out of school. The risk of dropping out was generally based on social behaviour and marks in previous exams but expert interviews indicate that it was difficult to agree on unambiguous criteria. It is possible, therefore, that some not at risk students were included in the programme.

Project classes started in the second half of grade eight and finished after one and a half years with the end of grade nine. Participating students spend three or four days a week at school, depending on the implementation strategy chosen by the school, and the remaining one or two days as an intern within a company. During the first years of the project, social workers were brought in to help socially deprived students but this service was reduced in the second phase of the project.

Students in project classes have different socio-demographic characteristics from those in regular classes including, for example, a high proportion of students who played truant from regular classes. Teachers used participation in project classes as a reward and those that misbehaved were expelled from project classes and had to return to regular classes (around one fifth of participants).

SOFI rated the learning environment as poor, mainly as a result of the selection of students, which may have discouraged students and resulted in bad marks. On the contrary, interviews with participants indicate that nearly all students were satisfied with their classmates and "happy" that they had been selected for the project.

A total of 775 students participated in the project in 24 different secondary schools. Professional tutors hired by the contractor BNW had the task to support students in finding an apprenticeship. Each of them coached students in one of the 45 project classes on how to successfully apply for an apprenticeship. After the end of project classes, BA placement officers were responsible for finding the students a placement.

The project was supervised by a 'coordination council' composed of representatives of each of the project partners, who met frequently and worked smoothly together. The council identified obstacles to implementation, settled disagreements between the partners and discussed issues related to the project and not foreseen in the planning phase.

Two kinds of challenges can be identified:

- The first concerns the legal status of the project. A federal reform law that came into force after the project started, prohibited the funding of education-related activities by any federal body. In the end, the BA had to reduce the funding of the project and restrict its services to tasks related to the orientation and placement of students.
- There were also a number of operational challenges. First, school Principals found it difficult to define the role of tutors within the school. In interviews, tutors stated that they sometimes taught regular lessons, which was not intended by the project and could violate the non-cooperation prohibition. The role of tutors should, instead, be to liaise with firms to guarantee every student an internship, talk to parents to improve the individual search strategy of students and supervise the success of internships. This problem was hotly debated within the coordination council. A second challenge for tutors and teachers was the cooperation with student families. Social workers were initially hired to deal with the students from socially deprived backgrounds, but at a later stage these had to be relinquished due to cost-related considerations. A third issue was the internship placement as tutors had to help students find internships without supporting familial networks. In the first project (AQB-1), all students were placed in an internship; however in the following project some students missed this opportunity. Tutors noted that the number of firms willing and able to hire a student is perhaps limited and so that the number of project classes may have reached a natural regional limit. This highlights the importance of a careful selection of participants, which should solve the problem of a natural limit of internship positions. Moreover, students were available only one or two days during the week, which may have discouraged some firms. Fourth and finally, teaching lessons had to be reduced to make room for internship days. Interviewed teachers mentioned that the reduction of lessons may either reduce the ability of students to continue secondary-school or that they may have problems in vocational school, which is compulsory during vocational training. A solution to this problem could not be found during the project implementation. In the expert interviews, mentors maintained that only 48% of the students were able to start an apprenticeship with the biggest difficulty being the ability of students to attend vocational school. Mentors thought that only 38% of students would be able to get the necessary grades to get their vocational training certificates.

#### **A2.4 Evaluation of the AQB projects**

In the project classes 92% of students received a certificate of secondary education, in the control classes only slightly more students (96%) received their degree. Final results were strikingly similar, which is remarkable given the highly standardised exams for secondary schools in Lower Saxony and the selection of students with bad marks for project classes. Most students in project classes succeeded in improving their marks, which indicates that the internships improved the motivation of project class students.

At the beginning of the vocational training year (September/October) 47% of students in project classes (38% in control classes) started an apprenticeship. One year after the end of the project 79% of project class students planning to start an apprenticeship were successful, as against only 55% of their counterparts in control classes. The interviewed placement officers explained the better success of students from project classes by reference to their participation in the internship programme. Employers were more impressed with the applications and job interviews of project class students compared to control-class students. Additionally, project class students started the application process earlier than control class students.

All project partners judged the project to be a success. The SOFI experts made only minor comments for the improvement of the project:

- The project evaluation found that there is still room for the improvement in the selection process. Only 57% of the students selected for project classes were really in danger of dropping out of school.
- The costs of the project are high (roughly 2,250 EUR per head per year). Cost-benefit analysis indicates that the financial costs of the project could not be offset by any reduction of transfers or services within two years.

That said, the cooperation between the BA's regional directorates that supervised the project seems to have worked well. There were frequent meetings with persons in charge of the coordination of the project from Lower Saxony's Ministry of Education and BNW, where problems and difficulties were discussed. The Ministry was in charge of supervising the teachers and BA implemented a standardised cooperation tool to help tutors and placement officers to work together. All project participants were assigned to special placement officers and there were talks between tutors, teachers and placement officers half a year and two to three months before the end of school.

The key problems emerging between implementers of the project relate to the project evaluation. Teachers had to be forced by the Ministry to give the necessary information to SOFI experts because they feared that it might be used to evaluate the quality of their lessons, which some of them were strongly opposed to.

As a result of the project, the federal Ministry of Education started an initiative to improve the apprenticeship orientation of students. The Ministry officially announced that it was satisfied with the organisational and scientific standards adopted during the implementation and evaluation of the project. The BA entered an agreement with the German government to manage an initiative aimed at 30,000 teenagers at risk of dropping out of high-school. The project is intended for 1,000 schools with 1,200 tutors to be hired by tender.

## **A2.5 Conclusions**

The partnership approach is seen as a key to reaching the national targets set within the Europe 2020 strategy, one of which is to reduce early school leaving to below 10%. This target can only be reached by increasing the number of students starting a vocational training course, which includes off-the-job training. This case study provides a good example of how partnership between the PES, state government and a private partner can help students at risk to get their certificate of secondary education which is essential to start an apprenticeship. This specific partnership is necessary since responsibility for the school system lies within the competency of the states, apprenticeship placement within the tasks of the PES, while services to boost the success of students applying for apprenticeships are best provided by private partners.

The project has shown that an effective apprenticeship orientation of students is best achieved by including work experience in the school curriculum. The project partner BNW demonstrated that using the services of private partners within schools can be highly efficient in terms of increasing the success of students applying for apprenticeship positions. The PES have learned that it is a good solution to start providing services as early as possible. From the point of view of the federal Ministry, the strategy of opening schools to private partners and the PES seems to be highly effective. After participating in the project, students previously considered to be at risk of dropping out are just as likely to complete school as their not-at-risk counterparts.

PES in Germany have a long tradition of cooperating with private partners, tendering services and evaluating results. However, the partnership between the state government and the PES with regard to the school system was a novelty. The main caveat seems to be the fragile legal framework which puts heavy constraints on partnerships between PES as a federal agency and the states. The tasks of the BA, according to the federal system reform law, should not include educational services, which are within the remit and competences of the states. This part of the reform law is currently seen as a great mistake and is likely to be repealed in the near future. For the time being, however, a partnership between BA and the states to improve the performance of the school system is necessarily limited to apprenticeship orientation.

The state level projects to reduce school drop-outs and improve apprenticeship orientation expired in 2010 but the success has led the federal Ministry for Education and Science to launch a national initiative with similar goals. Through an administrative agreement, the BA has been tasked with coordinating the initiative and setting up permanent partnerships similar to those used in the AQB projects. However, at the moment the legal framework and the implementation of the initiative are still unclear.

The BA's role as coordinator of the initiative indicates that it has established itself as a key player in the apprenticeship orientation of students, a development that follows some general trends. On the one hand, the BA is no longer servicing only the unemployed, but also people at risk of unemployment spells. On the other hand, it is increasingly tendering out tasks to private actors. A second observable trend in this partnership is the evaluation of services provided by the BA and its partners. Nearly every new initiative by the federal government is now accompanied by an evaluation, on the basis of which decisions are made on the extension or refinancing of services. The AQB projects represent a good example where the results of evaluation are used to prolong and improve governmental initiatives.

In the near future, a lack of skilled workers in Germany might lead to an increase in initiatives aimed at improving the education of teenagers and young adults. The lion's share of services dedicated to the further education of the unemployed is already organised by the BA and generally tendered out to private training companies. It is likely that the BA will be charged by the government with the using the experience gained through the AQB projects to extend this competence to help youngsters make the transition from school to apprenticeship and gain the skills needed in the market.

### **A3. CASE STUDY: COOPERATION BETWEEN PES AND MUNICIPALITIES TO ACTIVATE MINIMUM INCOME RECIPIENTS IN AUSTRIA**

#### **A3.1 Context and description of the partnership**

Austria's PES (*Arbeitsmarktservice*, AMS) has established numerous partnerships and forms of co-operation with public and private partners. These include federal states and municipalities, the Federal Social Welfare authority, the school administration as well as private placement agencies and other external partners, who implement a wide array of training, placement, counselling and support measures. In September 2010, when the new needs-based minimum income scheme was introduced, the AMS and the federal states and municipalities formed a new type of partnership, aiming to bridge the gap between the labour market policy of the federal government and the social policies of the federal states. The following provides an overview of the needs-based minimum income scheme in Austria, including a case study concerning its implementation in the municipality of Vienna.

The federal government of Austria introduced a new needs-based minimum income scheme (*Bedarfsorientierte Mindestsicherung*) in September 2010. It was intended to replace the previous social assistance scheme which was administered by the federal states (*Bundesländer*), which created disparities in the levels of payments, eligibility criteria and service provision. Implementation of the new system began in three federal states (Vienna, Lower Austria and Salzburg), followed by five provinces in the first half of 2011 and it will be introduced in Upper Austria in October 2011.

The new system is an attempt to reform and modernise social assistance legislation. Persons who qualify for the benefit are those who cannot support themselves, are not entitled to any other benefits and are ready to take up work. Claimants must be permanent residents in Austria. EU/EEA citizens are entitled to the benefit only if they are in Austria for work and have been living there for more than 5 years. In 2011 the total benefit amounts to € 753 per month for a single person and € 1,129 for couples.

Compared to the old system of social assistance, the needs-based minimum income scheme provides for:

- Minimum standards applied in all federal states;
- Reduction of the non-take-up-rate – access barriers for entitlement have largely been eliminated;
- Almost complete omission of recourse claims; in the majority of cases beneficiaries are not obliged to reimburse amounts received if they earn an income at a later stage;

- Improved measures to help unemployed beneficiaries integrate in the labour market;
- Incentives to take up a job.

Originally, a 'one-stop shop' to simplify the implementation procedures (information, counselling, application, examination of eligibility criteria, calculation and payment by one administrative body) was envisaged, but this idea was not fulfilled as the different levels of government involved (the federal state and the *Länder*) failed to reach an agreement. Eventually a looser form of cooperation was put in place.

The legal basis is an agreement (*Vereinbarung*) concluded between the Federation and the federal states – anchored in the Federal Constitution of Austria, Art. 15a – stipulating the cornerstones of the needs-based minimum benefit system, implemented by federal legislation and the legislation of the *Länder*. More specifically, the agreement (Art. 17, par. 2 and 3) envisages the subscription of an administrative agreement (*Verwaltungsabkommen*) between the individual federal states and the regional offices of the AMS. Payments to beneficiaries are still managed by the municipal and district authorities. Beneficiaries of the needs-based minimum benefit are subject to similar regulations as unemployment benefit recipients. AMS is responsible for their integration into the labour market and those who are able to work but refuse job offers are liable to certain deductions. In order to ensure the same level of information, a regular electronic data exchange between AMS and municipalities and districts has been established.

Integration measures are either provided by AMS itself or are outsourced to specialised private providers. AMS has a long experience with temporary outsourcing of services. A good example of an outsourced integration measure is the *Step2Job* project, which was contracted to *Context-Impulse am Arbeitsmarkt GmbH*, and implemented in Vienna in anticipation of the introduction of the needs-based minimum benefit system. The concept was based on past experience in outreach counselling, adjusted to fit the specific situation of needs-based minimum income recipients. The main challenge in the project *Step2Job* was the inclusion of a third partner, i.e. the municipality of Vienna (*Magistratsabteilung 40 – MA 40* – department of social affairs, social security and health care law), which is in charge of the payment of benefits.

### A3.2 Implementation of *Step2Job*

The main aim of the project *Step2Job* was to get social benefit recipients – from 2010 beneficiaries of the needs-based minimum benefit – acquainted with the requirements of regular employment, introduce them to sustainable professional activities and place them into jobs. In the pilot phase, which started in September 2009/December 2009 and ended in May 2011, the project was confined to the 21st and 22nd districts of Vienna but from September 2010, *Step2Job* was extended to all city districts. The project envisaged a close cooperation and networking among the social centres of the city of Vienna and the local PES in order to support beneficiaries of social assistance to become integrated into the labour market and into their communities through intensive individual coaching.

The administrative agreement concluded between AMS and the municipality of Vienna (MA 40) covers three main aspects<sup>34</sup>:

1. The determination of participants' ability to work: the ability to work of recipients registered with the PES is determined by the Pension Insurance Institute (PVA-Gesundheitsstraße) at the request of AMS. MA 40 may require a health certificate for those who are not registered with AMS.
2. Joint measures and projects to enhance participants' chances of placement and skills required on the labour market through the project *Step2Job*, based on the 'case management' concept.
  - Target groups: needs-based minimum benefit recipients who are able to work and have no entitlement to benefits paid by AMS; hard-to-place registered long-term unemployed (particularly

<sup>34</sup> The agreement between AMS Vienna and MA 40 was concluded in August 2010. The pilot project *Step2Job* was based on an oral agreement, which essentially consisted of the points of the later written agreement.

those who are entitled to the needs-based minimum benefit); persons whose residence or domicile is in Vienna.

- Participants in the project *Step2Job* are selected by AMS Vienna.
  - Counselling costs for the period 2010-2012 are borne by AMS Vienna and the European Social Fund (ESF).
  - The whole project is subject to an accompanying evaluation financed by AMS Vienna, the Vienna Employment Promotion Fund (*ArbeitnehmerInnen Förderungsfonds, waff*) – which administers ESF funds, and MA 40. Results will feed into further development of the project.
  - In order to coordinate activities and their further development, the agreement envisages the establishment of an operational coordination committee involving representatives of AMS Vienna, the Vienna Municipality (MA 24 – administration of health and social planning, MA 40, waff) and the evaluators. The committee has the task to approve any major changes to the project. A central coordination committee and regional coordination committees (social centres of MA 40 and local AMS offices) are also to be established.
3. The set up and running of a one-stop shop (information, examination of eligibility, forwarding of applications to MA 40 once a day).

Thus AMS is responsible for the labour market integration of clients by offering easy access to job placement and upskilling measures, while MA 40 acts as the paymaster of the needs-based minimum benefit. No other agreements are in force. The sole legal basis for joint action is the federal constitutional law (Art. 15a).

Prior to the start of the pilot project numerous adjustments had to be made in order to improve coordination between AMS and the municipality of Vienna, including:

- Matching of datasets;
- Learning and understanding of different working methods, data availability issues, system of logistics and the respective system constraints;
- Developing a common understanding of the pilot project;
- Common definition and clarification of relevant processes and procedures.

The main components of the project were the following:

- Maximum length of stay on the programme: 12 months;
- 800 participants – recipients of full social assistance who are able to work (from September 2010 beneficiaries of the needs-based minimum benefit), recipients who are entitled to only part of social assistance (*Teilsozialhilfeempfänger*);
- Target group: persons between 21 and 64 years of age from the 21st and 22nd districts of Vienna;
- Aim: integration of 30% of participants into the labour market;
- Financing: 54% from AMS Vienna and 46% from the ESF (planned cost: EUR 1.9 million);
- Ongoing evaluation by external consultancy firms.

The project target group was relatively unknown to AMS in that it comprised mostly persons at the margins of the labour market. Potential participants had multiple and complex problems, such as an immigration background, lack of language skills, physical and psychological shortcomings, lack of qualifications, social isolation, drug addiction and alcoholism, no access to childcare support, housing problems. In order to overcome these obstacles to placement, a detailed four-step project plan was elaborated:

- *Anamnesis* – potential participants were selected by the social services of the two Vienna districts and then confirmed by the local PES. It is worth noting that, up to the introduction of *Step2Job*, AMS and MA 40 had very little experience of cooperation. At an information meeting held with representatives of AMS, MA 40 and Context, participants were offered information about supporting measures. About 75% of them took up the invitation for a first interview with Context, where

individualised plans were drawn up together with the client. These were to be implemented through an integration contract between the client and Context; measures to be applied were proposed by Context, but required the final approval of AMS. Most participants, for example, attended a German language course, because more than half came from an immigrant background. Others took advantage of debt counselling or resolved their housing situation with the help of Context.

- *Stabilisation* – personal coaching, support in dealing with the authorities, support with childcare, crisis intervention, communication training, empowerment through participation in training, opening of a banking account etc. Throughout the whole duration of the project clients had the same counsellor;
- *Integration* – including career orientation, realistic professional perspectives, individual application strategy, preparation for job interview, contacts with firms and company internships;
- *Follow-up* – continued support within companies; psychological counselling to deal with personal issues, conflicts with bosses and colleagues; follow-up on implemented measures (e.g. debt-management counselling).

The project involved a number of experts including coaches, social workers, psychologists, remedial teachers, special education teachers, lawyers, debt counsellors and team assistants. During the entire project AMS Vienna and Context worked in close cooperation and coordinated their activities regularly. After the completion of the project, participants who did not find a job were handed over to the ongoing support services of AMS.

### A3.3 First results of the project evaluation

The first evaluation results<sup>35</sup> showed that, despite different objectives, structures and procedures, the cooperation between AMS, the municipality of Vienna and *waff* can be considered a success, since:

- Each organisation, including the contractor (Context), takes responsibility for their respective tasks;
- Clear structures and negotiation procedures were established: (i) at district level an operational coordination committee regularly discusses operational issues and develops short-term solutions; (ii) at provincial level a central coordination committee is responsible for the clarification of strategic issues;
- Partners managed to create a climate of confidence and reacted to problems calmly;
- Feedback from clients was positive from the very start.

Just over half of participants in the pilot project were women (53%) and a similar proportion (54%) had a migration background. The age distribution of participants was fairly even: 28% were up to 30 years of age, 29% between 31 and 40, 25% between 41 and 50 and the remainder (18%) were over 50. Nearly one in five participants (18%) had never worked before. The majority of participants had a very low level of skills and most of them, especially those from a migrant background, had only attended primary education.

The evaluation of the project is not yet concluded (the pilot ended on 31 May 2011). First results from a survey among 209 clients – about one-third of whom have gained some work experience – reveal that the overall level of satisfaction with the project is high: about two-thirds. Those satisfied most were women, older persons and persons who found a job. Clients report their satisfaction to hinge crucially on the skills of counsellors (empathy, knowledge of the Viennese labour market, company contacts). Other reported impacts of *Step2Job* are improved living conditions and integration effects.

The outcome of the pilot project was considered positive so that *Step2Job* was extended to all districts of Vienna when the needs based minimum benefit system became effective in September 2010. A follow-up project was put in place for a period of two years, involving over 7,000 participants selected by AMS.

<sup>35</sup> Hausegger T., Hager, I. and A. Reiter (2011), Begleitende Evaluationsstudie "Step 2 Job" Berufliches Unterstützungsmanagement für Sozialhilfe-BezieherInnen. Zweiter Zwischenbericht an das Arbeitsmarktservice Wien, den Wiener ArbeitnehmerInnen Förderungsfonds und die MA 40, Prospect Research & Solution, Vienna, February.

Implementation is the responsibility of nine different organisations. Project costs are planned at EUR 10.8 million and the financing will come from AMS Vienna and the ESF.

### **A3.4 Cooperation between AMS and the municipality of Vienna**

In practice the cooperation has functioned quite well due to regular contacts between AMS and MA 40. Regular meetings were held between representatives of the AMS regional offices, the MA 40 social centres and the contractor responsible for the counselling of beneficiaries of the needs-based minimum benefit. In principle the coding of the beneficiaries in the database of the AMS works well and access to the relevant AMS data is seen as very helpful by the MA 40. The 'Ability to work' criterion is seen as one of the main barriers to cooperation between AMS and the municipality. From AMS' point of view, ability to work is determined by the Pension Insurance Agency (PVA – *Gesundheitsstraße*) applying the same criteria as in the case of disability pensions. Thus, clients are sometimes considered as able to work by the PVA, but in practice their labour market integration is impossible for health-related reasons (e.g. psychological problems). MA 40, on the other hand, insists on registration and job placement by AMS.

Problems occur if potential clients refuse to participate in the project, which can lead to expulsion from the AMS register and consequently to a reduction of the target rate (*Richtsatz*) by MA 40. This is intended to work as a strong incentive to actively participate in the project.

### **A3.5 Conclusions**

The introduction of the needs based minimum benefit system is an important step in integrating recipients of social assistance into the labour market through a close cooperation between the authorities of the federal states and municipalities, on the one hand, and the PES, on the other. Although the evaluation of *Step2Job* in Vienna has not yet been completed, this project can be considered a success story, since it put into practice for the first time the close cooperation between AMS and the municipality of Vienna in the supply of integrated services for the job integration of benefit recipients.

Though the new system has brought about numerous improvements, its level of implementation still differs widely across provinces and even within them. Data are still insufficient and non-transparent in some federal states. In the province of Styria, for instance, most beneficiaries of the needs-based minimum benefit are reportedly worse off than before the implementation of the new system. Moreover, the original idea of the introduction of a one-stop-shop within AMS failed – as did a number of projects in other areas – due to the complexity of the federal structure of Austria, since none of the parties was willing to give up responsibilities.

## **A4. CASE STUDY: PARTNERSHIPS WITH TRAINING INSTITUTIONS IN POLAND**

### **A4.1 Context of the partnership**

Partnerships of employment services in Poland are strongly connected to the political and economic transition of the country, and especially to the administration reform of 1998 which made PES subordinate to local governments and regional authorities, and no longer to the Ministry of Labour. This reform and further legislation in 2004 were intended to promote subsidiarity and improve the effectiveness of ALMPs at the local level.

Partnerships between employment services providers in Poland vary substantially across regions and local PES. This mainly depends on the capacity and structure of third sector organisations in the region. Local PES often complain that NGOs are not innovative and creative enough and they have too high costs for individual services. Nevertheless, they appreciate that NGOs may be the most effective partners to dealing with socially excluded, vulnerable groups (Tyrowicz 2006).

Many local and regional PES in Poland act as self-sufficient institutions without any need for any kind of partnerships with other providers (MPiPS 2008). Most often local PES in Poland cooperate with neighbouring local PES (72%). They either exchange job offers or submit common applications for projects funded by the ESF. They also tend to co-operate with other local government institutions such as Local Centres for Family Support (63%), the police (19%), road management bodies (17%) and health institutions (6%) (MPiPS 2008). However, if local and regional PES in Poland decide to enter into partnerships with 'open labour market institutions', in nearly 80% of the cases these relate to training (Tyrowicz 2006). The two projects reviewed below are presented as an illustration of this kind of partnership, of its functioning, its outcomes and its strengths and weaknesses.

#### **A4.2 Simulation company as a mechanism of partnership with training institutions**

The simulation company is a specific test-case and mechanism of partnership with training companies in Poland. It is perceived by local PES in Poland as rather innovative, although it was first applied in the country in 1993. A simulation company is a 'virtual on-site form of vocational training' resembling 'the natural environment and economic reality' of a commercial company. It aims to imitate the environment of a 'real' company, where all formal procedures (finance, logistics, transport, trade, human resources management, administrative work etc.) run during the training are just as they would be in the real world. Only money and traded goods are fictional. People on training are employed on the basis of virtual work contracts and follow the regular pace of a working day. While on training, trainees go through all units of a simulation company which is intended to make them better prepared to run their own businesses than those who do not have this kind of complex training and 'ex-ante' experience.

There are two models of simulation companies operating in Poland on which partnerships can be based:

- Commercial simulation companies servicing all kinds of institutions, including labour market and education institutions;
- Simulation companies located within Vocational Education Centres across various regions of Poland catering for the needs of dedicated research projects.

The simulation company as a mechanism of partnership between PES and training institution is one of the most effective forms of job training, but is also time-consuming and one of the most expensive. The per capita cost is around 3,000 EUR (12 000 pln) and includes: costs of lecturers, individual coaching, costs of using equipment and professional IT programmes, costs of training spaces and income support of trainees throughout the course of eight hours of training per day for 4-6 months. The PES usually covers the costs of recruitment and selection procedures and job and internship placement. Usually two labour office civil servants are responsible for performing this kind of partnership.

#### **A4.3 Actors, services, targets and beneficiaries**

Simulation company training programmes usually involve a range of labour market actors, such as education institutions at various levels (vocational and high schools and universities), Vocational Education Centres; and commercial simulation companies. Simulation company programmes usually target:

- Jobless people, usually graduates of high schools as well as jobless housewives;
- People in need of re-training and/or willing to change jobs;
- Long-term unemployed vulnerable groups (senior and young workers).

Women made up the majority of participants in two-thirds of programmes<sup>36</sup> and were more likely to complete them. This may be the case because simulation company programmes are more often connected to back-

<sup>36</sup> This case study is based on three case projects: (1) Project 'Simulation companies- skill upgrade of unemployed' conducted in 2009-2010 and concluded in 2010 by the Vocational Education Centre in Zielona Gora (Lubuskie Region) in a form of co-operation with three local PES in Zagan, Nowa Sol and Zary; (2) Project 'New Perspectives' with key component of simulation company conducted and concluded in 2010 by local PES in Szczytno (Warmia & Mazury Region) addressed to young unemployed with high school level of

office services and administrative jobs where women usually predominate. Simulation companies or quasi-simulation companies are also applied in the field of construction and are usually called 'Construction traverse'. Unsurprisingly, participants here are mostly men.

Beneficiaries of this form of partnership mechanism include:

- Directly: vulnerable unemployed with long track record of unemployment caused by lack of marketable skills;
- Indirectly: local PES as institutions using the most effective instruments to activate their unemployed;
- Indirectly: training institutions as partners of PES;
- Indirectly: employers whose employees are re-trained and up-skilled.

#### **A4.4 The regulatory framework and aims of partnership**

The regulatory framework of programmes using simulation companies covers various regulatory schemes:

- Contracting or sub-contracting with Vocational Education Centres and commercial simulation companies by education institutions and labour market institutions such as local and regional PES in public procurement procedures or partnership agreements;
- Individual simulation company projects conducted by Vocational Education Centres with quasi-partnerships (informal) with regional and local PES based on:
  - The selection and supply of unemployed with targeted profiles, set up in a project;
  - Internship placement in real companies after simulation company training;
  - Job placement after simulation company training;
  - Follow-up on placement.

Partnerships between the PES and training institutions using the mechanism of a simulation company aim to:

- Search for novel, more effective mechanisms of training of vulnerable groups of unemployed by PES;
- Give tailor-made solutions, through one of the most effective ways of vocational training to long-term unemployed and people without jobs or with outdated skills;
- Bring the unemployed back to the social routine of work (training in the 8 office hours system);
- Deliver practically trained and flexible employees to employers who are able to rotate between units and replace absent workers as people are trained across all units of an average company.

#### **A4.5 Evidence of results**

Out of the three projects under consideration, one has been evaluated ex-post and another is under evaluation at the present time. The third project is not yet concluded.

The results of the ex-post evaluation of the Project '*Simulation companies - skills upgrade of the unemployed*', conducted in 2009-2010 by the Vocational Education Centre in Zielona Gora (Lubuskie Region, Western Poland) in co-operation with three local PES in Zagan, Nowa Sol and Zary, are:

- 36 people recruited in the project (all women aged 23 to 59; the majority in the 30-45 age group); 32 completed the course, the other 4 having found employment during the course of the programme;
- 40% found employment after simulation company training and internship placement;
- 2 participants set up their own business in trade and services;
- Participants acquired soft skills such as the ability to organise their own work and that of others, to become assertive, to orient themselves and define their occupational preferences;

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education; (3) Ongoing project '*Working women- well-earning women*' conducted by the Vocational Education Centre in Katowice with some co-operation with local PES.

- Younger workers proved more skilled in computer techniques; senior workers more skilled in making strategic decisions based on life experience;
- Employers expressed great satisfaction with the results of this form of training compared to others; employees gained a better understanding of the structure, business model and logic of a company; they are flexible and prepared enough to perform different tasks and replace others, when needed.

The first results of the ongoing evaluation of 'New Perspectives', a project implemented in 2010 by the local PES in Szczytno (Warmia & Mazury Region, Eastern-North Poland) and addressed to young unemployed with high school degrees, show that:

- All 16 long-term unemployed women who were recruited completed the project;
- Participants are still in internship programmes after simulation company training;
- Positive feedback was received from employers.

#### **A4.6 Rationale for partnerships between PES and training institutions using simulation company mechanisms**

1. An urgent need to search for novel, innovative methods of training or re-training of vulnerable groups where PES themselves are not able to bring them back to the labour market in a sustainable manner;
2. The best way to address the training needs of those who are willing to set up their own business;
3. Simulation company training programmes offer tested and reliable grounds to apply to apply for ESF funding to support partnerships with training institutions;
4. High level of satisfaction of employers from getting comprehensively trained employees and long-term job placement of vulnerable unemployed;
5. Building up an image of the PES as an effective, modern supplier of well trained employees in the eyes of employers.

#### **A4.7 OPERIS as a case study of partnership with training companies**

OPERIS (Latin word for 'for work') is a grass-roots initiative by the local PES in Nysa. It has been developed as a response to budget cut-backs for local PES as a result of the economic slowdown. The aspiration is to present the programme to the national Ministry of Labour and for it to be applied in other regions as well. The aims of the programme are:

- Opening up a supply of training services to companies nationally and from all over the EU; offers are advertised by local PES on the internet only, so that the quickest and most effective training and placement agencies can get their chance. Price does not matter: quality and effectiveness of training and job placement are the only important elements;
- Programmes assume a refund of the costs of training and job placement (90% of costs for those over 50 years of age and 75% for those under 25 plus refund of accommodation and commuting beyond the place of residence) when employment is maintained for more than six months.
- EURES can have a role in facilitating the process of sub-contracting services to employment and training agencies from abroad willing to address training and job placement openings by local PES.

OPERIS is open-ended and is designed to place in work around 50 people per year (25 persons in 2011) on the basis of partnerships with training companies offering the most effective tailor-made training and placement services. The cost of training and placement has been calculated at 2,000 EUR per capita (8,000 pln) and will include the cost of on-the-job training with selected employers and training in social skills. The programme will involve five officials from the local PES office whose main responsibilities are to cooperate with training bodies, carefully recruit and select participants (among those who are registered as unemployed for at least six months), and keep track of their progress.

#### A4.8 Actors, services and targets

The actors involved are local PES, private training and job placement agencies at regional, national and international level (including TWAs), and the local government. The role of local PES is to select the training agencies and potential participants, and to keep a record of both individual participants and firms taking part in the programme. Training and placement agencies support PES in the selection of participants, select employers for on-the-job training, set up and run training activities and are also responsible for providing placement services for at least 6 months after the completion of training. The local government approves and finances the programme activities. Services offered include tailor-made training and job placement both locally/nationally and internationally. The chosen targets are senior unemployed (50+), young jobseekers below 25 years of age and the long-term unemployed.

#### A4.9 Ex-ante evaluation and rationale for action

OPERIS was evaluated ex-ante by means of open consultation with potential partners: commercial training and job placement agencies (regional and international), regional EURES managers and representatives of the local government. OPERIS was initially evaluated as:

- An innovative, novel approach with a prospect of transfer to other local and regional PES;
- It is a platform of practical dialogue between local labour market institutions, commercial training agencies and employers;
- It has the potential to become one of the most innovative tools of ALMP in Poland.

#### A4.10 Concluding remarks: lessons to be learnt

Partnerships of PES with training companies constitute the most important dimension of partnerships of employment services in Poland (80% of all partnerships involving Polish PES are with training companies). 'Simulation company' and OPERIS have been identified as the most novel, innovative, non-routine modes of partnerships between PES and training institutions in Poland. Although the two cases are different, they allow for a number of lessons to be learnt:

- 'Simulation company' as a tool of ALMP can be effective under certain conditions of partnership between service providers. First, a clear regulatory framework needs to be set up. Private contractors must be selected in a transparent way by means of public procurement. Second, simulation company initiatives need to be well-resourced. The actors involved need to be patient and consider that this kind of initiative does not generally bear immediate fruits. Third, target groups need to be carefully selected: for instance, since the main topic of simulation company training is back-office and administrative duties, this seems to be better suited to female jobseekers in Poland.
- As 'simulation company' needs more time and resources than other types of partnerships between PES and training bodies. Creaming effects may appear on the side of PES when selecting instruments and types of partnership to fulfil the aims of the initiative. PES may go for quicker, cheaper, less tailor-made, more routine partnership solutions where they can report effects more quickly and in a simpler, short-term way.
- Evaluations of programmes/partnerships applying the 'simulation company' model show higher effectiveness than standard training in activating hard-to-place jobseekers as they regain the pace/routine of working life, a work ethos and social skills.
- OPERIS is a case of lifting barriers to the functioning of an open market for training services both nationally and internationally (up to now training services were supplied usually regionally in Poland) with incentives relating to the refund of the costs of training and job placement under condition that employment is sustained for at least six months (share of refund varies across target groups). This is based on a new interpretation of labour market legislation (by identifying loopholes). This partnership is likely to be effective when: there are clear rules of competition between training companies; quality and effectiveness, and not price, are taken as the prime criterion to select contractors; non-

discriminatory measures are introduced on the basis of the location of a training company; training openings are mostly announced via Internet (not in the local media).

- EURES managers have a role to play in OPERIS when acting as facilitators in the contracting of foreign training companies.

## **A5. CASE STUDY: COOPERATION BETWEEN PES AND TEMPORARY WORK AGENCIES IN THE NETHERLANDS**

### **A5.1 Context of the partnership**

In a simplified way, the main task of PES is to help registered unemployed jobseekers back into employment and away from benefits. Temporary Work Agencies (TWAs), instead, mainly focus on the demand side of the labour market. Their stated goal is to recruit workers for jobs that employers would like them to fill and pay for. While being recruiters, they also act as employers of the workers in the jobs that they fill. In that way they can spread out the recruitment fee over the hours actually worked by the jobseekers. In all European countries nowadays, TWAs neatly fit these two identities (recruiter and employer) by, in a large majority of cases, entering into an employment contract only for the number of hours/days that the user-employer likes to make use of the recruited worker.

TWAs in the Netherlands have gradually built a strong market position. They are involved (both as recruiters and as employers) in an impressive share of all new job starts in the labour market: the average figure in 2001-2008 was around 26%. These jobs are nearly all filled under temporary employment contracts. Moreover, these are mostly contracts that can be terminated without delay at any moment that the user-employer no longer wants to utilise the worker. The majority of these jobs are only temporary, as they are used by firms to deal with peaks in production or to replace permanent workers during periods of absence from work. However, some of these jobs will last much longer, with workers either continuously tied by a contract with the TWA, or at some point shifting to working directly for the user-employer. In order to fill all these jobs, TWAs start employment contracts every year with around 700,000 different people, some of whom fill in more than one job during the year. More than half of them are still in education (sideline jobs).

The growth of TWA started comparatively early in the Netherlands. Legislation was first introduced in 1972, binding every form of hiring out of workers to a licensing system. Though this placed various kinds of restrictions on TWAs' work, by the end of the 1970s they employed on a daily basis around 1% of all Dutch workers, a share that in many other European countries was only reached around the year 2000. During the 1980s their reputation quickly improved in line with neoliberal ideas becoming dominant in economic policy thinking. This led to a gradual loosening of the restrictive prescriptions imposed by the licensing system, which was eventually abolished in 1998.

Thus, TWAs had become fully integrated into the 'transactional machinery' of the Dutch labour market well before the ILO Convention 181 came about. Around 2000 they had acquired round about their present market position. Since then not much further growth has taken place.

Initially, PES looked down on TWAs as intruders into the market. Negative opinions were fed by the idea that agency work would reduce the volume of employment. Also the strong impression existed that access to temporary work agency jobs was relatively closed for certain disadvantaged groups of jobseekers and that temporary agency jobs added to a secondary segment in the labour market in which many workers would get trapped. But along with the progressive general acceptance of temporary agency work, PES started to cast an interested eye upon the growing number of jobs that TWAs managed to fill. At least part of the PES clientele might very well fit into those jobs. It also became apparent that a substantial number of the PES registered jobseekers were already spontaneously also seeking employment via TWAs. Of all non-employed

persons who were observed to be registered with the PES and searching for a job in the period 2001-2008, 60% were also searching via private employment services, nearly all of which were TWAs. Furthermore, it is worth noting that a significant part of the non-employed persons registered with PES who do find a job, indeed re-enter employment via temporary agency jobs (around 33%).

PES, therefore, started to become interested in TWAs as an outlet for their registered clientele, which resulted in expanding patterns that had already spontaneously developed. Thus started the development of a positive relationship between the Dutch PES and TWAs, which is analysed in detail in the next section.

### **A5.2 The historical development of the PES-TWAs relationship**

The PES initially tried to use the temporary agency formula to produce better results for their clients, especially the more disadvantaged ones, than standard TWAs were expected to offer. Under the name of START, a PES-subordinated TWA was established already in the second half of the 1970s. By the 1990s, START had risen to the position of the second-biggest TWA in the country, only surpassed by Randstad. START was managed as a not-for-profit enterprise. Its main aim was to place disadvantaged jobseekers into temporary jobs. Via START, the Dutch PES came to better understand TWAs' labour market position and working methods, but also what risks they truly did and did not create for acceptable patterns of labour allocation, and what opportunities and limitations they were actually subjected to.

START gradually became more and more independent and was eventually cut off from the PES to become a fully commercial enterprise. Through the START experience the Dutch PES developed a deep understanding of the world of TWAs, which prepared them well for overcoming a purely antagonistic relationship and entering into a more co-operative one.

A further step taken in the 1990s was the introduction of a subsidy measure ("Kader Regeling Uitzendarbeid, KRU) that was meant to help all TWAs to improve their performance with disadvantaged groups of non-employed jobseekers, notably with the long-term unemployed. It has existed for a number of years and produced reasonably positive results.

A third initiative came about in the second half of the 1990s, when by force of a legal reform, the PES was reduced to an institution that should mainly assist disadvantaged jobseekers. In order to maintain a more extensive intermediary role in the labour market, which was considered a vital precondition for success in the placement of disadvantaged groups of jobseekers, the idea emerged to create a joint venture with two big temporary work agencies. Together the parties combined in this joint venture would offer a "full recruitment service package". This initiative, however, became a hotly debated issue. Other TWAs feared loss of market share and objected on grounds of 'unfair competition'. They were successful and the project never really took off.

In 2002, PES' task was re-focused mainly on dealing with jobseekers claiming an unemployment benefit and checking on their labour market attitudes and behaviour. The emphasis on employer services withered, which also resulted in reducing numbers of vacancies notified to the PES. Then, through a project financed by the ESF, an offensive campaign was started to fight back into the vacancy market with the help of TWAs. These received a subsidy for bridging between vacancies and PES-registered jobseekers, bringing more vacancies into the PES registration and mediating actively between PES-registered clients and those vacancies. From that moment on, PES became again more purposefully focused on developing a systematic service package for employers.

Since the 2002 reform, reintegration services for hard-to-place registered jobseekers have mainly been outsourced to private (reintegration) firms. This concerns non-employed jobseekers on unemployment benefits, those (working or non-employed) who receive an incapacity benefit, and the non-employed persons who claim income support within the framework of social assistance. The idea has always been that private employment agencies providing recruitment services to employers - TWAs having by far the largest market

share among them – would become important players in the area of reintegration services. That would have added yet another partnership connection to PES. Nevertheless, this never occurred in practice. TWAs have not become a substantial player in this kind of intermediary services, leaving this business to non-profit organisations (as happens with the Salvation Army in Australia) and specialised private commercial firms. One possible explanation is that this kind of activity demands establishing a relationship with employers that is too different from TWAs habitual dealings with them. Only a few TWAs have established minor divisions dealing with this kind of (subsidised) services.

### **A5.3 Present relationship between PES and TWAs**

As a result of these developments, PES nowadays treat TWAs equal to any other employer that might take on registered non-employed jobseekers. TWAs regularly publish their vacancies on the PES internet portal WERK.NL. TWAs widely use this channel in order to attract applicants. Around 70% of the (ca. 300,000) vacancies put up directly on WERK.NL come from TWAs. PES also offer TWAs the possibility to present their vacancies for active assistance in recruitment. PES will treat those vacancies in the same way as those of any other employer. Around 35% of all vacancies notified for active recruitment services (roughly 300,000) come from TWAs.

In principle all registered jobseekers are asked to publish their CVs on WERK.NL, by which they can be found by recruiting employers on the basis of their characteristics. An automatic matching tool is also available, connecting the characteristics of vacancies to suitable applicants. TWAs can use those facilities as any other employer. As part of their active placement services, PES conduct yearly around 1.2 million job referrals of registered jobseekers towards the vacancies notified to it for active services. So, each of the 300,000 vacancies receives on average four referrals. 36% of those referrals concern TWA jobs, which is approximately the same average as for other vacant jobs. Around 100,000 of those referrals result in an employment contract; 38% of those are employment contracts with TWAs. This implies: the success score for temporary vacancy jobs and other vacant jobs is about the same.

The conclusion from all this is that TWAs are fully integrated into the PES service package. PES seek to facilitate their recruitment efforts as much as those of any other employer. TWAs make extensive use of PES channels in many ways, notably to advertise their vacancies. Interestingly, PES is now part of a joint project of labour market service providers - among them many TWAs – to build a collective system for the standardised exchange of vacancy information.

The latest stage in the relationship between PES and TWAs adds a new dimension. A 'framework agreement for co-operation' was concluded, under which PES will start to actively promote job search via TWAs. A notable feature of the agreement is the so-called 'speed-dating': PES clients are invited for a special session at the local PES office where they can meet a number of TWAs and briefly present themselves. This is meant as a way to establish an effective contact. The jobseekers concerned may perhaps not immediately find a job, but they have the opportunity to become part of the reserve supply stock that TWAs keep to fill the job assignments that they receive. 'Speed dating' was first tried out in the city of 's Hertogenbosch, and thereafter became a mediation tool in many local offices.

The implementation of the speed-dating programme is assisted by the so-called "Flex service desk", which was established in 2010 within the PES head office in order to support the various co-operation initiatives of PES and TWAs. This service desk (with 2 full-time staff-members) is co-financed by the PES, the national federation of all big TWAs (ABU), the national federation of small TWAs (NBBU), and the six largest TWAs in the country. Its tasks are: to advise on the further development of the PES internet-portal, to increase transparency in TWAs' access to public subsidies, to work out all kinds of practical problems arising in the co-operation between TWAs and PES, and to organise periodic meetings of all the organisations mentioned above to discuss relevant issues.

In addition to the above, all jobseekers claiming unemployment benefits will become obliged to register as a jobseeker with at least one TWA. They are required to do so during the first three months of unemployment. This new obligation will be implemented in connection with a radical reform of the PES service model, which has been devised to cope with the deep budget cuts imposed on PES in the coming years. PES local offices will be drastically cut down from over 100 to 30. Service contacts with clients will predominantly take place online.

#### **A5.4 Evaluation of results, future trends and remaining challenges**

Fifteen years ago, when 'atypical' employment contracts were still scorned within European policy debates, any positive statement about TWAs would have been received with utmost scepticism. Now it is the opposite. TWA-jobs are now embraced as positive for the development of employment. It is, however, impossible to say on the basis of the current data whether the Dutch PES' positive attitude towards TWAs had a clear effect on the job integration of registered jobseekers, especially the more hard-to-place ones. Also, it is difficult to tell whether an even more dedicated effort to facilitate temporary work businesses will lead to noticeably more job opportunities. Perhaps the upper limits of what can theoretically be achieved has already been reached.

As regards the contribution that TWAs can make in reallocating the registered (non-employed) labour supply, one should be aware that the condition under which many workers who become unemployed have to fight back into the labour market is one of – at least at first instance – downward mobility. This downward mobility becomes an alternative to remaining unemployed. Temporary jobs, including temporary agency jobs, are often part of this (at least initial) downward mobility. Two observations are relevant in this respect:

- TWAs have a larger share of job starts among registered non-employed jobseekers than among all job starts in the labour market (around 33% against 26%). The difference is perhaps even larger if only job starts that concern persons outside of education are taken into account. The larger share among registered non-employed job finders than among all job finders might be caused by the fact that the former are less 'free' than others to turn down temporary work opportunities.
- 239,000 registered non-employed jobseekers had lost a job previous to their registration and then found a job in 2009. Of those, 28,000 had lost a temporary agency job and found a regular job in some business sector, but 40,000 had lost a regular job in some business sector and found a temporary agency job. High unemployment seems to move people towards temporary agency jobs, rather than temporary agency jobs launching people to the regular jobs that most of them aspire to.

TWAs are often temporary agencies considered as a forceful alternative to ill-performing PES. A recent research conducted jointly by ABU and the PES in 2008 suggests that TWAs on their own are unlikely to achieve impressive results as regards the placement of jobseekers belonging to disadvantaged categories. Two observations can be derived from this research report:

- Many disadvantaged groups in the labour market (older jobseekers, long-term unemployed, persons on social assistance, etc.) have less than average chances to find a job. That is why they are called 'disadvantaged'. But, contrary to widespread expectations, TWAs do not offer them better chances. Only youngsters from migrant populations seem to have a remarkably good access to temporary agency jobs. It is interesting to add that this research project was not a simple survey, but an administrative database analysis of all the over 2 million new positions occupied by registered non-employed jobseekers over the period 2001-2005.
- TWAs are not for all registered non-employed jobseekers a good stepping stone to move on to stable professional careers. This at least seems to be the case for disadvantaged groups in the labour market, here also including youngsters from migrant populations. When they indeed find a temporary agency job,

their chances to move on during the first year to a regular job are lower than when they immediately start in a regular job.

In conclusion, the co-operation between PES and TWAs still has a long way to go as far as providing job opportunities and access to stable professional careers to disadvantaged jobseekers is concerned. There is every reason to be more ambitious in joining forces. Success depends on co-operation.

One possible project might suffice to inspire some imagination. For disadvantaged jobseekers, youngsters from migrant populations for example, it is often not enough to provide a first temporary job. A more long-term support framework should be constructed, which also assists in finding a second (possibly even better) job after the first, and in gradually (re)building skills and employability. Such a support framework should count on the cooperation of PES and TWAs as key actors.

Notwithstanding all these critical reflections, there is of course every reason to invest in greater cooperation. It would be unwise for PES to ignore such an important intermediary actor in the labour market. The strong presence of modern TWAs certainly does not destroy decent allocation processes but adds to a healthy institutionalisation of the allocation of unfulfilled demand on the market. As argued above, however, one should not expect miracles. Solutions for disadvantaged jobseekers are not automatically established by TWAs on their own, but depend on public-private co-operation.

## **A6. CASE STUDY: THE 'FULL ENGAGEMENT' PROGRAMME IN THE MUNICIPALITY OF ROTTERDAM – A NEW APPROACH TO SOCIAL ASSISTANCE**

### **A6.1 Description of the partnership**

In the Netherlands, social assistance guarantees a nationally defined minimum income level for households without sufficient other means of subsistence. Social assistance is financed by general taxation and regulated by a national law. Providing social assistance is a task of municipalities, which have much leeway to decide on a range of organisational issues.

The final aim is to help beneficiaries to find employment and earn their own income. Yet it is also acknowledged that part of the clientele is a long way from the labour market and will probably never reach income self-sufficiency. Estimates vary between 30% and 50% of the total population on social assistance. These persons should nevertheless be stimulated to participate as fully as possible in social life. Promoting participation in a broader sense is seen as a value in itself and as the most effective way to maximise the number of clients who are likely to become financially autonomous.

The way towards employment is usually constructed as a pathway. A "Pathway Plan" is defined between the claimant and a counsellor from the municipal Social Services Department. The claimant is required to collaborate in the implementation of his personal Pathway Plan. Job-ready claimants can be tested by offering them a temporary job, which is often made available to them by means of wage-cost subsidies. Persons who are not yet deemed to be employable on the regular labour market can be obliged to take up, for up to 2 years, a so-called 'participation position'. This usually involves unpaid productive work that is executed as a supplement to specific regular jobs. These positions should not substitute any regular employment. Assistants to teachers in school classes are a case in point. Such positions are most often created in (semi)public organisations, but they can also exist in private companies if conditions of strict additionality can be met.

The number of social assistance beneficiaries has been on the decline in the Netherlands since the 1990s<sup>37</sup>. In 2009 the number of supported persons below the age of 65 was nearly 40% lower than in 1998. Yet since 2009 the number of beneficiaries started rising again as a result of the economic and financial crisis. Painful cuts have recently been decided to the budget that municipalities can use for their reintegration policies. These are part and parcel of the overall expenditure cuts that the national government seeks to achieve in order to reduce the government deficit that strongly increased during the crisis. Thus a new approach to reintegration of the population on social assistance is eagerly sought. The national government is planning on new legislation, but some interesting developments can also be observed at the municipal level.

## **A6.2 Brief statistical portrait of social assistance beneficiaries**

In 2011, around 3% of the working age population (15-65) received a social assistance benefit in the Netherlands. 62% of these persons are singles, 25% lone parents, and the remaining 13% couples (with or without children). Migrants from non-western countries and persons with low skills and a low level of education are strongly overrepresented. The share of couples is much higher among migrants than among other claimants.

Social assistance recipients over the age of 45 did not decrease since the late 1990s. At present their number is 10% higher than in 1998. As a consequence, their share of the total population of beneficiaries has gradually increased. It was slightly over one-third in 1998 and is now approaching 50%.

The stock of recipients of unemployment insurance is between 0.5 and 0.7 of the volume of the annual inflow. Yet the stock of people on social assistance is more than three times the annual inflow. This implies that, on average, claims on social assistance last rather long. More than 60% receive income support for more than 3 years.

In the four largest municipalities of the country (Amsterdam, Rotterdam, The Hague and Utrecht) around 6% of the working age population receives a social assistance benefit. This figure is twice as high as the national average. This relatively high number has various causes, but an important one is the large presence of migrants from non-western countries in those cities. Among these four largest municipalities, Rotterdam counts the highest percentage of persons on Social Assistance (nearly 8%). The traditional focus on industry and transport (harbour) is a key explanatory factor for this, as these business branches employ much relatively low-skilled labour. For this reason, the Rotterdam municipality is typically interested in policy innovation that might bring down the numbers of social assistance beneficiaries.

## **A6.3 Social assistance and labour market policy**

All recipients of social assistance are required by law not only to seek employment, but also to register with the PES (*UWV-Werkbedrijf*). This applies to everybody, including persons with a very low chance of supporting themselves. At present there is only one exception: lone parents with children under 5 years of age. It is nevertheless possible to set claimants temporarily free of this obligation, but only for urgent reasons and on an individual basis. Practice turns out to be less strict. Only about 60% of claimants are indeed registered with the PES<sup>38</sup>.

A large share of Social Assistance recipients is registered with the PES not to receive services, but simply to obtain 'proof of registration', which is a prerequisite for entitlement to income support. As municipalities expanded their reintegration policies and budgets, however, the involvement of the Dutch PES, which was recently merged with the national social security body (UWV), has become limited to some basic services (job referrals, general information available to all jobseekers, etc.). To date, services for social assistance beneficiaries are still mainly provided within integrated local offices that PES and municipalities have

<sup>37</sup> Of course some upward move remains in years that follow an economic recession (after 2002 and 2009).

<sup>38</sup> "Het participatiepotentieel in 2006, 2007 2008", CBS publications.

established over the past 10 years ("Employment Squares"- *Werkpleinen*). However, these are going to disappear in the coming years. The PES will be left with just 30 regional offices throughout the country, and its contacts with clients will mainly take place online.

Thus services to claimants of social assistance are regarded as a responsibility of municipalities, with the PES only providing some basic infrastructure for labour market information and job matching. Finally, new legislation ("Law on Investment in Youngsters", *Wet Investeren in Jongeren –WIJ*) passed in 2009 makes entitlement to income support for non-employed youth up to the age of 27 an exception and intends to abolish it completely. Under the new law, youngsters are obliged to either return to education or take up a job. If continuing education is no option, then the municipality is asked to provide a job, if necessary by recourse to some subsidy measure.

#### **A6.4 The Full Engagement programme in Rotterdam**

Under current legislation, all obligations put upon social assistance claimants of income support derive from one basic imperative: to make efforts to become financially autonomous. The Full Engagement Programme, which the Rotterdam municipality plans to roll out over its entire territory, *de facto* introduces a new obligation that cannot be derived from existing legal prescriptions. Participation in some social activity is now turned into an obligation in itself. Claimants must do something useful in return for income support. This creates a new exchange relationship between society (represented by the public sector) and the claimants of social assistance. Income support should in a sense be 'earned'. The idea is that taking part in socially useful activities will be conducive to restoring employability and will bring people closer to the labour market, or at least it will ensure beneficiaries' active participation in social life.

It goes without saying that the new obligation does not by itself automatically lead to savings. Savings will occur if this new approach leads to a more rapid off-flow from the social assistance register. Moreover, the introduction of the new obligation is not yet settled in the national legislation. However, the current government seeks to create a likewise obligation in the new law on 'To Work according to Capacity' (*Werken Naar Vermogen – WVN*) that will integrate the existing legislation on social assistance with the existing law on sheltered employment and the existing law on work and income for young disabled persons. Rotterdam is, therefore, a precursor to national legislative changes.

The total number of people in Rotterdam on Social Assistance is currently around 35,000. The new approach is to be adopted for all clients with the only exceptions being: those older than 57.5; youth under 27 years of age (who are already obliged to participate in gainful employment or education); and lone parents with children under the age of 5. Discounting those who are already participating in some productive or educative activity within the framework of an individual pathway plan, there are still 15,000 inactive claimants for whom the new duty to participate has to be implemented. This is clearly an impressive challenge.

A key issue then of course becomes: what kind of obligation to participate will be applied to whom? Many options are conceivable, all with different pro's and con's and different financial consequences for public budgets. In the current Rotterdam Full Engagement programme the target population is divided into three groups:

- The job ready;
- Those who are some way from the labour market, but can immediately endure reintegration efforts;
- Those who face several obstacles to entry into the labour market and need to be activated. Part of this category will never become employable on the regular labour market.

Each client will agree with a personal counsellor a 'Participation Plan', which will replace the current Reintegration Plan. Each client fulfils his/her duty to participate by way of an activity of a minimum of 24 hours weekly. Category a) will participate in group sessions with a focus on job search and will engage in productive work (supported by wage subsidies, if necessary) for two days per week. Category b) will engage in 'participation positions' (see above) for 24 hours per week. If necessary, this will be supplemented with

vocational training courses and re-integration pathways. Category c) will engage for 24 hours in unpaid socially useful activities, supplemented with personal support programmes.

The above implies a considerable extension of the interventions that the municipal services should finance. The necessary resources will have to be found by rearranging existing expenditure and by recourse to the hoped-for savings that will result from the expected quicker off-flow from social assistance registers. This also requires a substantial extension of partnerships with other organisations, which should provide the 15,000 additional opportunities for participation needed. The municipality of Rotterdam has been investing for years in a social infrastructure of this kind.

A key role is played in this respect by the Municipal Sanitation Department (ROTEB), which has developed a large number of subsidised jobs and participation positions for persons on social assistance, and has also developed a special unit to hire out claimants to other organisations. Every day around 1,000 social assistance clients are provided with participation positions and/or training activities for those filling positions within other enterprises and organisations. This is a significant number, though of course not enough as to cover the bulk of persons to be assisted. Moreover, the resources available to ROTEB will be significantly cut down in the coming years.

Partnerships developed by municipalities to provide jobs and 'participation positions' for their clients have been strongly dependent on the 'participation budget' financed by the government. This budget is going to be reduced by two-thirds. The implication of this decision is that participation positions will increasingly consist of unpaid work, while clients will retain their income from social assistance benefits. Partners will be asked to provide positions without coverage of costs involved. Therefore, developing this new policy approach further on a constantly decreasing budget is likely to pose a considerable challenge in the near future. Much will depend on the development of socially-oriented attitudes among the Rotterdam business community.

The programme was kick-started by two pilot projects in different parts of the municipality – Overschie in 2010 and Tarwewijk in 2011. The pilots followed different routes. In Overschie claimants keep their habitual income support while participating in specific activities in return for that support. In Tarwewijk participants leave income support after 4 months and are from then on employed by a private reintegration firm (AGENS). Their cost of living is partly financed by the municipality's 'participation budget' and partly by income from work. They are expected to gradually flow off into regular jobs from which they can earn their full income. It is too early to evaluate the outcome of these pilots.

#### **A6.5 Looking ahead**

The plan is for the new programme to be rolled out over all 62 residential quarters of Rotterdam by the end of 2014. Of course this is a very ambitious project that will require effective management with a stable focus over time. Action needs to be taken on many different fronts: training of the staff of the Rotterdam Social Service Department; an effective internal and external communication strategy; a reorganisation of existing service models and of the structure of social services and their budget and; a new and more ambitious partnership strategy. As regards this last point, however, one should not expect too much of partnership between PES and municipalities. This should be viewed as a division of tasks rather than fully-fledged cooperation. Municipalities take care of people on social assistance and unemployed youth with no entitlement to unemployment benefits. All those clients are obliged to register with UWV-Werkbedrijf, but there they are offered no individualised services, but only basic information available to all.

Finally, the Full Engagement programme will have to deal with a changing environment, if only because – as mentioned above – painful cuts are foreseen in the available participation budget. This may in the end also affect the way in which the obligation to participate will be defined in practice and the kinds of relationships that will develop between the municipality as a provider of income support and the claimants of such support. This might result, at the very least, in a simple duty to demonstrate participation in a very broadly defined

area of voluntary work. The programme outlined here is, in summary, a new policy practice that is still being developed.

### **A6.6 Concluding remarks**

This short description contains information on the networks and partnerships utilised in the Netherlands to implement such programmes:

- The PES is barely involved. It simply registers part of the population on social assistance who can access the PES website for information and matching purposes. Recent history shows that, after a temporary intensification of partnerships and cooperation between PES and municipalities, a rapid separation is taking place between them.
- Municipalities all over the country have been forced since 2002 to use private integration firms to implement all their reintegration services. Though this has now become more optional, it leads to a story of how to organise a market of subcontractors in the area of re-integration of benefit recipients in active social life and in the labour market. This is not a specific Rotterdam story, but over the past 10 years this has become a common theme in many countries.
- Multiplying the number of clients to become engaged in useful activities requires a mobilisation of many organisations of all kinds to provide and organise chances for participation. When a client flows off the register and into a job, the employer providing that job will usually not be regarded a 'partner' but as a client himself (employers as clients to the PES and the municipal Social Service Department engaged in placement activities). In the Full Engagement programme, the separate identities of client and partner become somewhat blurred. In Rotterdam, in particular, the municipal Sanitation Department (ROTEB) has turned into a key partner in the implementation of reintegration policy.
- In the pilot projects of the Full Engagement programme two different pathways have been tested: a private reintegration firm (AGENS) acting as employer of the clients to become engaged in productive activities; and the Social Service Department itself keeping those clients on its register and seeking out useful activities for them. Future activities will have to be organised in several different formats, depending on client characteristics and other relevant factors.
- The Full Engagement programme demonstrates a clear intertwining of employment and social reintegration policy, which implies a close linkage of social inclusion policy objectives with the employment policy objectives (see the Employment Guidelines 7, 8 and 9). There is, as it were, a close 'partnership' between the two.

It is far too early to gauge the success or failure of the programme, let alone to explain why results are obtained. It is likely, however, that changing budgetary conditions may lead to a reformulation of the programme. Be that as it may, two kinds of future trends can already be identified:

- The disentangling of PES and Social Services Department is a process that will continue (PES will be left with only 30 offices and will be re-focused on servicing only claimants of unemployment insurance benefits):
- The Rotterdam programme, introducing a new obligation upon claimants of social assistance, seems to be anticipating future developments in national legislation.

## **A7. COOPERATION BETWEEN THE RECRUITMENT AND EMPLOYMENT CONFEDERATION (REC) AND JOBCENTRE PLUS IN THE UNITED KINGDOM**

### **A7.1 Context of the partnership**

The recession in the UK – and ongoing recovery – has proved an extremely difficult time for workers and employers alike. Whilst many companies did their best to hold onto talented staff and adopted approaches such as reduced hours, part-time working and voluntary sabbaticals to avoid job cuts, redundancies were inevitable given the size and scale of the downturn, and its impact on virtually every sector in the UK.

This meant that many workers who had held down steady jobs, often at high skill levels, for long periods of time suddenly found themselves unemployed and seeking work. A range of workers were affected, right up to senior managers. Many had excellent experience and much to offer new employers, but simply had not had the experience of having to look for work for many years.

Whilst private sector job cuts hit first, the squeeze on government finances meant that a significant number of public sector workers also lost what were previously very secure jobs that had clear paths for promotion and progression. These professionals too found themselves in unfamiliar territory as jobseekers, and were doubly challenged by a very difficult labour market with unprecedented levels of competition for jobs.

Naturally, these newly unemployed people turned to JobCentre Plus – the United Kingdom's public employment service – for help and support, not only for information on unemployment benefits, but also advice on securing a new role, which the majority were keen to do as soon as possible. These individuals tended to differ significantly from some of the higher-need clients that JobCentre Plus deals with, as the newly unemployed professionals had a long-term connection to the jobs market and a range of professional skills that higher-need clients often lack. This meant that those who had lost their jobs as a result of the recession often had very different needs from the long-term unemployed, to whom JobCentre Plus provide intensive advice and support to on an ongoing basis.

With this backdrop, the Department for Work and Pensions approached the Recruitment and Employment Confederation (REC) in early 2009 to explore ways of harnessing the contribution of recruitment agencies in providing additional support to jobseekers in this 'professional' category. This built on the existing relationship between the REC and JobCentre Plus, and a number of interested REC members subsequently became involved as approved suppliers. REC is the representative body for the UK's £20 billion recruitment industry. It represents around 8,000 recruitment company branches, which constitutes half of all recruitment agency branches by number but a higher proportion by turnover. Over 85% of the recruitment industry in the UK is made up of small businesses, many of which operate on a local or regional level and specialise in particular sectors. This new strategic partnership, as shown below, has proved valuable to both organisations.

### **A7.2 Description of the partnership**

The 'Job-search support for newly unemployed professionals' programme ran from 6 April 2009 until 31 March 2011, and was aimed primarily at unemployed people who had recently left a professional or executive job. In practice, this meant that professionals and executives who lacked up-to-date job search skills were referred to approved recruitment agencies – all of them members of REC – by JobCentre Plus advisers. The agencies' role was to advise jobseekers about the best way to go about finding suitable new employment.

Interested agencies had to formally register their interest to the Department for Work and Pensions, submit an application and be accepted as a supplier of support services through the initiative. This means that the agencies involved were fully vetted and approved to provide the support and assistance to the target group of jobseekers, and had the demonstrable experience to prove they could successfully help them. The

approval process also provided JobCentre Plus staff with the confidence that when they directed these professionals to external recruitment agencies, the agencies could offer the quality support and assistance required.

Guidance included:

- Mentoring and coaching;
- Motivational support;
- Assistance in writing updated CVs and marketing themselves;
- Providing valuable market information about the sector where they wished to work.

This support could be provided in person, or online, depending on location and the needs of the jobseekers. Some REC members developed innovative programmes of support that could be delivered to groups of professional jobseekers, which proved successful as well.

Recruitment agencies received a small payment of £150 for each jobseeker they assisted, upon completion of this provision. Whilst this was not a huge financial incentive, it encouraged REC members to take part, and was a cost-effective way for government to leverage the expertise of professional recruiters for professional jobseekers.

This relatively small sum offered a clear savings on the benefits that would otherwise be paid to jobseekers that remain unemployed, whilst the scheme also allowed JobCentre Plus staff to focus their expertise on the higher-need jobseekers they are specialised in dealing with.

### **A7.3 Outcomes and lessons learnt**

The reason for this new approach to supporting professionals who had become jobseekers was directly linked to the depth of the recession and strength of its impact on UK employment. The number of job cuts across the UK economy meant that professionals who may not have come into contact with JobCentre Plus under other circumstances suddenly did so. And whilst JobCentre Plus has significant expertise in supporting people into the labour market, the number of professionals seeking help and the type of support they required created a considerable challenge, especially since this group of jobseekers tended to differ significantly from the type of clients JobCentre Plus usually deals with.

The economic downturn was deeper and longer-lasting than many expected, as was the impact on jobs. So whilst this initiative developed out of a particular set of economic circumstances, it provides some key learning points for the future, as well as for other countries developing employment support services.

For example, the approach shows that sharing expertise between the public and private sector can achieve positive outcomes for individual jobseekers. Instead of stretching existing programmes to include these professional jobseekers, which may not have addressed their needs sufficiently, JobCentre Plus staff could direct such individuals towards approved and reliable specialist agencies. The agencies could provide insight and expertise on CV preparation, market trends, and selling yourself to potential employers, as well as providing links to their existing pool of employers and spotting opportunities for the professionals seeking work.

This not only gave a rapid, tailored service to the individual jobseekers, it also meant that JobCentre Plus staff could focus their efforts on the longer-term unemployed or those clients with more complex needs. JobCentre Plus can offer such individuals the in-depth, government-backed assistance that agencies often cannot, given that they can be more difficult to place and often need ongoing support, help with benefits, etc.

In terms of practical delivery of the programme, although there were some teething problems at the outset – in particular relating to the need for recruiters and JobCentre Plus staff to better understand each other's work – the feedback has been very positive overall. In addition to addressing a critical need in the

recessionary and post-recessionary labour market, the cooperation has served to further strengthen the links between the REC and JobCentre Plus.

The results have also been very positive for individual jobseekers. Over 80,000 jobseekers have received targeted support, enabling many of them to get back into work. The achievements by individual agencies were also impressive. For example, one agency involved in the programme kept statistics on the outcomes for the newly unemployed professional jobseekers that they helped through this initiative. This agency helped some 1,653 professionals through their bespoke support programme, of whom 93% reported they were satisfied with the service and believed it was helpful for their job seeking activity. Some 63% were back in full-time work at the time the programme ended in March 2011.

On the negative side however is the lack of a comprehensive data set on the programme's success. The REC is not aware that a full evaluation has been carried out, which may be due to the fact that the programme was designed for the particular circumstances attached to the recession rather than as an ongoing initiative.

The REC believes that this cooperation could successfully continue now that the UK has returned to growth, however, especially since the recovery remains fragile and in many sectors, the recovery in employment terms is still slow. There is also a longer-term opportunity for continued partnership between JobCentre Plus and private agencies, as set out below.

#### **A7.4 Looking ahead**

Despite the success of this initiative as a genuine private-public sector partnership, the Department for Work and Pensions unfortunately decided to end the scheme after its initial two-year run. This was due to budgetary pressures and, perhaps, the improvements in the job market post-recession, though these remain limited. This decision was especially disappointing for REC members who had taken part in the scheme and successfully developed their own expertise in dealing with unemployed professionals.

Although the financial incentive has now been removed, meaning that many agencies are no longer able to afford to take part, the scheme has certainly helped to build stronger links between JobCentre Plus and recruiters on a local level, as well as nationally.

Now, the UK is implementing a new approach to welfare-to-work called 'The Work Programme', and the REC is spearheading efforts to develop links between the providers of this new programme and recruiters. To this end, the REC has hosted providers at meetings of its Diversity and Equality Forum to understand how recruiters can get involved for mutual gain, and has begun a project to link providers with its members across the country. Hopefully this programme will provide a new avenue for harnessing the expertise of REC members in helping unemployed people find new roles.

#### **A7.5 The REC-JobCentre Plus Memorandum of Understanding and ongoing cooperation**

Cooperation between the REC and JobCentre Plus extends far beyond the limits of the programme described above, however. In fact, the two organisations came together to sign a Memorandum of Understanding in 2008, through which they agreed to work in strategic partnership across the following areas:

- Helping people into work by giving them the right support and the best opportunities for training and jobs;
- Promoting the benefits of a diverse workforce by offering employers clear guidance and access to the widest possible range of people seeking work;
- Acting as champions against discrimination and challenging unfair employment policies;
- Sharing expertise to create the best ways of helping people back into work;

- Giving employers the support they need to help people with different circumstances move back into work;
- Delivering a professional service that will show the positive results that recruitment agencies and Jobcentre Plus achieve every day; and
- Promoting the work that we are doing together that can make a difference to employers and people looking for work, such as the Diversity Pledge, Local Employment Partnerships and Integrated Employment and Skills.

In January 2011, the REC and JobCentre Plus launched a revised Memorandum of Understanding, which followed on from the 2008 partnership. The timing was significant as, given the extensive pressure on public sector finances and the difficulties facing the UK labour market, the two organisations felt there had never been a more important time for public and private sector employment services to work together.

The principal aim of the 2011 Memorandum was to outline specific areas of co-operation in helping people into work in the challenging economic climate. Signed by Kevin Green, the REC's Chief Executive and Darra Singh, Chief Executive of JobCentre Plus, the launch of the updated Memorandum was followed by a high-level roundtable discussion between REC members and JobCentre Plus representatives. This was an opportunity to share intelligence on the latest outlook for jobseekers, and propose ideas for even closer cooperation between the two organisations.

The key provisions of the 2011 Memorandum are:

- To help people into work by giving them the right support and best opportunities for training and jobs
- To raise awareness of the benefits of a diverse workforce by giving employers clear guidance and access to the widest range of people seeking work;
- To give employers support in helping people with different circumstances get back into work;
- To act as champions against discrimination and challenge unfair employment policies;
- To share knowledge and expertise on the best ways of helping people back into work.

One of the longest-running projects between the REC and JobCentre Plus is the Diversity Pledge, which began in 2005 and was included in each Memorandum of Understanding. This joint initiative is a commitment made by recruiters to harness the talent and potential of diverse recruitment to achieve business success. The pledge includes tailored versions for England, Wales, Scotland and Northern Ireland, and all pledge signatories can advertise themselves as a 'Diversity Pledged Recruiter' in bids and tenders.

As part of the Memorandum of Understanding, senior representatives from the REC and JobCentre Plus meet on a quarterly basis to share intelligence on the latest trends in the labour market; to monitor progress on the Memorandum of Understanding; to identify policy challenges and where required, approach government about them; to foster closer collaboration between JobCentre Plus branches and local recruiters.

JobCentre Plus representatives also attend REC sector group meetings and regional policy forums, and staff from both organisations remain in regular contact to further the relationship and promote wider cooperation.

## **A8. HOW THE UK GOVERNMENT ENGAGES WITH THIRD SECTOR ORGANISATIONS TO PROVIDE WELFARE TO WORK SERVICES**

### **A8.1 Context of the partnership**

The UK government has engaged third sector organisations (TSO) as providers in the delivery of employment services for over twenty-five years, illustrating their recognition of the value of TSO expertise in providing specialised services. The practical mechanisms for engaging the services of TSO have changed to correspond with new welfare to work programmes, but this has also meant that the use of TSO in the delivery of employment services has intensified over time. ACEVO<sup>39</sup> (an organisation of leaders of the voluntary sector) report that TSO deliver around 40% of contracts issued by the Department for Work and Pensions (DWP). The mechanism by which the government employs the services of TSO is the subject of this short report.

Following the implementation of the New Deal in 1998<sup>40</sup>, the extent to which the government uses TSO as providers has intensified. Some key government policy documents which have underpinned the case for TSO in their capacity to aid Jobcentre Plus with its role in 'assisting people of working age find jobs'<sup>41</sup> are noted here. Under the Labour government's stewardship, a report entitled 'Partnership in Public Services An action plan for third sector involvement'<sup>42</sup> mapped out the elements of governmental engagement with TSO (the report was published at the end of 2006) i.e. in terms of commissioning, procurement, learning from the third sector, and accountability. Another report which specifically looked into the efficiency and effectiveness of the Welfare to Work programme, widely known as The Freud Report<sup>43</sup> and published in March 2007, included a chapter on 'contracting support for the hard to help' which explicitly encouraged an increase in employing services from TSO with suggestions for how that might be managed, including a change in expenditure rules (from three year departmental expenditure limit – DEL, to annual managed expenditure – AME) which was adopted in a government White Paper in December.

### **A8.2 Description of the partnership**

There is no doubt that the government is keen on making use of TSO in the delivery of employment services. An explicit acknowledgment of the importance of TSO can be found on the Department for Work and Pensions website: 'Jobcentre Plus recognises the importance of partnership working with the third sector (voluntary and community organisations, charities, social enterprises, cooperatives and mutuals both large and small) in assisting our joint customers to move from welfare to work'. It goes on to note that TSO will often be in touch with many of Jobcentre Plus' customers as well as some hard-to-reach clients who are not actively in contact with Jobcentre Plus. In order to effectively utilise the skills and expertise of TSO, the government has refined its model to outsource risk to the provider and maximise value for money through a competitive tendering process.

The Government's model for issuing contracts for welfare to work services is based on a 'prime contractor' who is paid by the government to provide services directly and to subcontract some services to other organisations whose performance and payment they manage. This model also allows for consortium arrangements whereby one contractor acts as the leading contractor for a number of providers.

From the point of view of the government, this model is deemed to be the most efficient way to involve specialist providers whilst maintaining a degree of flexibility (i.e. to change contracts up until the point of a

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<sup>39</sup> Association of Chief Executives of Voluntary Organisations' website: <https://www.acevo.org.uk/sslpage.aspx>.

<sup>40</sup> The New Deal tackled the long-term unemployed, and was already engaging TSO' services (to place jobseekers into work in an accredited voluntary sector) when it was launched back in 1998.

<sup>41</sup> [http://www.direct.gov.uk/en/DI1/Directories/DG\\_10011018](http://www.direct.gov.uk/en/DI1/Directories/DG_10011018).

<sup>42</sup> Available at: <http://www.seco.org.uk/elibrary/socialenterprise/partnershipinpublicservicesanactionplanforthirdsectorinvolvement.html>

<sup>43</sup> <http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/freud-report/>

contract being agreed and implement new ones) that would be difficult with multiple smaller contracts. The prime contractor is able to oversee the whole delivery process and to respond to changes in needs innovatively as they unravel.

In terms of where TSO fit into this model, few prime contractors will have all the specialist knowledge required to deal with the various customer groups, and few TSO will have the capacity to act as a prime contractor, thus in theory the system will be mutually beneficial for all concerned. However, the TSO have not always been entirely satisfied with this arrangement (more on that later).

As explained in an information page provided by DWP which is dedicated to explaining how the government works with the third sector<sup>44</sup>, all opportunities to tender are advertised online (via [businesslink.gov.uk](http://businesslink.gov.uk)<sup>45</sup>). Briefing events are organised so that organisations can network and meet potential partners. The details of bidders are published online as well, to allow small organisations to contact them in the event that there is an opportunity for partnership. The tendering process is competitive and open to private, public and voluntary bodies. There is a set formula for evaluating the bids which is published online from the beginning of the tendering process so that tendering organisations can ensure they meet the requirements. No positive discrimination is applied to voluntary organisations, although the DWP website states that they 'are taking all reasonable steps to ensure that voluntary sector organisations have the opportunity to be involved in Jobcentre Plus programmes'. The procurement process is two-staged in an effort to ensure only those who are deemed strong applicants apply the resources into the compilation of detailed proposal. As a final stage, the strongest bidders are independently accredited (to verify their financial and legal status, health and safety policies and compliance with health and diversity requirements) by an organisation named Momenta.

Service providers are paid on the basis of 'look-up table rates (payments are made per individual for each week they are on provision)<sup>46</sup>. There is a danger that on the basis of this funding arrangement, providers under value the full cost of services, but it is their responsibility to recover their full costs. The relationship between the prime contractor and sub-contractor is not overseen by the government but is a wholly separate commercial enterprise between the two parties. Indeed, the government does not dictate the funding model used between the prime-contractor and the sub-contractor. Subcontractors have the responsibility of negotiating fair prices and the basis of their payment with prime contractors, although the government does issue best practice guidance namely that signed letters of intent between prime contractors and sub-contractors with terms of engagement including that prime contractors pay bills within 30 days and adherence to the Merlin Standard – more below).

### **A8.3 Barriers facing third sector employment services providers**

Whilst there is a clear desire from the point of view of the government to make use of the expertise and value that TSO can provide, their preferred and adopted model for contracting out services does not give TSO any guarantees (i.e. as a subcontractor, they are involved to the extent that the prime contractor decides is desirable), nor does it privilege them in any way in the tendering process<sup>47</sup>; in fact the model is more suited to large private sector organisations which have the capacity to manage large contracts. TSO expressed their concern with the model in a report<sup>48</sup> published in 2009 by ACEVO which investigated the potential role

<sup>44</sup> See <http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/frequently-asked-questions/working-third-sector.shtml>

<sup>45</sup> See <http://www.businesslink.gov.uk/bdotg/action/detail?itemId=1086600605&r.i=1086600691&r.t=PIP&type=PIP>

<sup>46</sup> The government wishes to move to a funding model whereby service providers are paid for the service that is delivered.

<sup>47</sup> The tendering process is a competitive enterprise; the government is not allowed to give preferential treatment to TSO on the basis of their social value. 'The department is bound by public procurement law and European law, and as such cannot specify proportions of successful bidders by organisation type'.

<sup>48</sup> <http://www.acevo.org.uk/document.doc?id=42>.

of the third sector within the new model and in the provision of reformed welfare to work services. As well as raising a number of issues in the commissioning model from the point of view of TSO, the report recognises that there has been dissatisfaction with the level of service provided by TSO from the government's point of view. This is attributed to the fact that TSO cannot always articulate their added value in material terms, as DWP would have it. The DWP works on the basis of targets but often the results of service provision are 'soft outcomes' which are not tangible but do contribute to helping people into work, for example boosting their confidence.

The complaints and concerns voiced by TSO through this report indicated that they did not feel they would be on an even footing in the tendering process and that, even once a contract is awarded they are at the mercy of large private firms who can and do drop them after the bidding process. Whilst it may be advantageous for the prime contractor to state their intention to subcontract a specialised TSO (since part of being successful will depend on being able to cater for local needs and target groups, i.e. TSO's strong point), they are under no obligation to carry this through in the implementation stage; the only obligation arises after a company and TSO sign a contract together once a bid has been won. Regarding this risk, DWP writes on their website: 'DWP acknowledges there are lessons to be learned regarding this issue. This is something we need to address during Post Tender Clarification (PTC) with successful organisations prior to contract award, ensuring there are clear lines of engagement as indicated within their bid and clear evidence provided for any change of plans including potential sub-contractors/partners'.

The other main concern for TSO, as mentioned above, is that they seldom have the capacity or the funding to engage in competitive tendering process and they may lack general know how in the negotiating stage in which a subcontract is arranged. Some recommendations were outlined in the ACEVO report. For example, in order to provide financial capital to TSO a "Social Investment Bank" was suggested; technical contracting expertise could be provided (ACEVO suggest that this is provided at the industry level – i.e. not just for TSO); TSO would benefit from publically established contracting norms providing information on the standard rules for engagement so that inexperienced TSO can get a fair deal when they are negotiating with prime contractors.

#### **A8.4 Government responses and current trends**

The Merlin Standard<sup>49</sup> was developed by DWP to provide advice and support, primarily for subcontracting organisations (i.e. TSO) and to ensure a fair deal for subcontractors. The document outlining the terms of the standard states: 'Prime contractors are required to submit a self-assessment based on the Merlin Assessment as primary evidence to support their application for assessment'. Four main areas are assessed to verify proper treatment and mutually beneficial arrangements for all parties concerned: supply chain design, commitment, conduct and review. The web portal facilitates contact between potential subcontractors and prime contractors.

The Big Society Bank, one of the coalition government's initiatives which has not yet been launched, plans to provide social ventures with capital so that they can scale up their business or get off the ground.

In terms of current engagement with TSO, the new 'Work Programme'<sup>50</sup> launched in June this year replaced various discontinued programmes such as Pathways to Work with one all-encompassing programme to help people into work (whether they receive Job Seeker's Allowance or Employment and Support Allowance) and it continues to give TSO a central role in the provision of work experience, training or support. Over 500 voluntary organisations have successfully tendered to supply services for the delivery of the Work Programme in collaboration with Jobcentre Plus. A list of the providers is available on the DWP website<sup>51</sup>.

<sup>49</sup> <http://www.merlinstandard.co.uk/>.

<sup>50</sup> [http://www.direct.gov.uk/en/Employment/Jobseekers/programmesandservices/DG\\_197781](http://www.direct.gov.uk/en/Employment/Jobseekers/programmesandservices/DG_197781).

<sup>51</sup> <http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/work-programme/>.

Continuing 'The New Deal' which has targeted long-term unemployed persons for more than ten years, a slightly reformed 'Flexible New Deal'<sup>52</sup> was announced in January 2008. This programme relies on a partnership approach, and makes use of the different capacities of private, public and TSO.

Finally, a scheme entitled 'Work Choice'<sup>53</sup> replaces an array of programmes targeting severely disabled people with assistance in entering employment (WORKSTEP, Work Preparation and the Job introduction scheme) with help from specialist providers. A list of these organisations is available on the DWP website<sup>54</sup>.

In addition to contractual agreements between Jobcentre Plus and TSO, informal arrangements have sometimes been used. Recently the Prince's Trust, which is a charity for young people, has set up advice desks providing information and guidance on volunteering in 30 Jobcentre Plus offices in Hull<sup>55</sup>.

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<sup>52</sup> [http://www.direct.gov.uk/en/Employment/Jobseekers/programmesandservices/DG\\_173717](http://www.direct.gov.uk/en/Employment/Jobseekers/programmesandservices/DG_173717).

<sup>53</sup> [http://www.direct.gov.uk/en/DisabledPeople/Employmentsupport/WorkSchemesAndProgrammes/DG\\_187696](http://www.direct.gov.uk/en/DisabledPeople/Employmentsupport/WorkSchemesAndProgrammes/DG_187696).

<sup>54</sup> <http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/specialist-disability-employment/>.

<sup>55</sup> <http://www.thirdsector.co.uk/news/1066667/Princes-Trust-move-Jobcentre-Plus/>.