ERSA-SALAR-OECD Roundtable on Local Public Employment Services

OECD

Swedish Association of Local Authorities and Regions

ersa
Employment Related Services Association

Introduction: Knowledge-sharing between similar yet different systems

On 5 September 2022, the Employment Related Services Association (ERSA) in the UK, the Swedish Association for Local and Regional Authorities (SALAR), and the Organisation for Economic Cooperation and Development (OECD) organised a roundtable on the local provision of public employment services. The roundtable was an opportunity for the three organisations as well as a limited number of ERSA and SALAR members to discuss different ways in which the provision of public employment services can be strengthened at local level. In both the UK and Sweden, public employment services are largely a national responsibility, but local authorities take responsibility for the provision of a range of other closely related services, including social services and benefits (Box 1). In addition, both countries have experiences with the contracting-out of employment services to independent providers, which adds another layer of complexity to the two systems. In this context, local actors in both countries are looking for new and innovative ways to build up strong local partnerships and other co-operation structures, which can enable the myriad of actors on the ground to deliver services in a "joined-up" manner.

In Sweden, the public employment system is in the middle of a major reform process initiated by by the government in May 2019. The proposed reform will result in the contracting-out of a significant amount of public employment services to independent providers in a quasi-market structure and will shift the focus of the Swedish Public Employment Service (PES), *Arbetsförmedlingen,* towards monitoring of providers and working with different stakeholders in guiding and implementing labour market policies. The new system is planned to provide contracted-out services for the "middle group" of jobseekers who are neither very close to nor very far away from the labour market. Providers are to be given financial incentives for sustained employment or education outcomes and clients are to be given the opportunity to influence the choice of provider as much as possible (OECD, 2022[1]).

In parallel with the contracting-out of services, *Arbetsförmedlingen* is scaling back its physical presence in local offices across the country and moving more services to online platforms. With its plan for adjustment of local offices, which was implemented during 2019 and 2020, the authority reduced the number of local offices from 238 to 106 across the 290 municipalities. At the same time, the authority has put in place alternative solutions in 99 out of the 132 places where local offices have been closed (either through cooperation with municipalities or the national service authority) (Eliasson and Timander, 2020[2]). Jobseekers closest to the labour market will be supported by *Arbetsförmedlingen* mainly through digital services. Details on which jobseekers will continue to be served through face-to-face services and what services those furthest away from the labour market will receive are still to be defined.

The UK already has a long history of contracting-out employment services for jobseekers to independent providers for a range of different client groups. The current UK system builds on the commission strategy of 2008, which has as central elements a prime provider model with large (large delivery areas) and long contracts, competition between providers (mainly at tender stage), mainly outcome-based funding with a focus on sustained outcomes, and minimal service prescription through a "black box" delivery model. While responsibilities for the contracting-out of public employment services is mainly a national responsibility, some responsibilities are devolved to local authorities on an asymmetric basis. Local authorities may also act as independent providers, but so far examples hereof are rare.

In addition, in the UK, digitalisation of public employment services has been ongoing for several years. At the Jobcentre Plus, digital services are at the heart of the service provision supported by smaller expert face-to-face and telephone channels. Digital services enable claimants to self-serve and provide access to a wide range of information, support and other services. However, evaluations have indicated that there is a "digital divide" between those who regularly use digital channels and those who remain "digitally excluded" (Adam et al., 2011[3]). As a response, several measures, including one-to-one support sessions for improving the ability of older workers to connect to the internet and go online through partner community providers, have been put in place (ILO, 2021[4]).

In this context, participants at the roundtable engaged in discussions around two topics: 1) coordinating employment services at local level and 2) finding the right balance between physical and online presence. In the following sections, the main points raised during the roundtable are summarised.

Active labour market policies and unemployment benefits in Sweden and the UK

Sweden

In Sweden, public employment services are largely funded and provided by the national government agency, *Arbetsförmedlingen*. The national agency is responsible for designing, coordinating and overseeing labour market policies and for the delivery of employment services either in-house or through contracted provision. Local authorities, however, take responsibility in areas like social welfare, youth and adult education and local and regional economic development. In the context of the reform of *Arbetsförmedlingen*, the role of municipalities and whether they should be allowed to act as independent providers in the contracted-out system is still under discussion.

The main source of temporary income support for unemployed in Sweden is unemployment insurance. This consists of two components: a mandatory basic assistance scheme provided by *Arbetsförmedlingen* and a voluntary income-related scheme for those who are voluntarily members of an Unemployment Insurance Fund (*Arbetslöshetskassa*). The basic unemployment insurance is aimed mainly at those individuals who are not insured or who have not been insured long enough to meet the employment conditions. Individuals who are not eligible for unemployment benefits either because they have been unemployed for longer time than the benefit duration (maximum 450 days) or are not capable of work or at the disposal of the labour market may receive social assistance (*ekonomiskt bistand*) from the social services (*socialtjänsten*) in the municipality. Individuals who are capable of work will, however remain clients at *Arbetsförmedlingen*, which means that in practice there is a significant overlap in client groups between *Arbetsförmedlingen* and local authorities (Alsén, 2021[5]).

United Kingdom

In the UK, the responsibility for employment services is devolved on an asymmetric basis. In England, Scotland and Wales, referral to active employment measures as well as the administration of working-age benefits are provided through the Jobcentre Plus (JPC), which is overseen by the Department for

Work and Pensions (DWP). In Northern Ireland, competences are devolved to lower levels of government, with the Department of Employment and Learning overseeing Jobs and Benefit Offices (OECD, forthcoming[6]). Across the country, local authorities are, however, responsible for a range of other services, including social services. The management of some programmes is also devolved (e.g. the management of the Work and Health programme in Manchester and London).

The UK has a long history of contracting-out employment services for jobseekers (as well as recipients of other out-of-work benefits such as incapacity benefits) to independent providers for a range of different client groups (Langenbucher and Vodopivec, 2022[7]). The largest current UK programme is *Restart*, which was launched in July 2021 across England and Wales. It will run for three years, targeting long-term unemployed (12 to 18 months unemployed). England and Wales are divided into 12 Contract Package Areas (CPAs) and in each CPA only one prime provider operates. There are eight different prime providers, with four holding contracts in two CPAs. End-to-end service delivery across the different CPAs is roughly split half-and-half between the prime providers' own offices and their sub-contractors. Around four-fifth of the supply chain are private companies, around 6% come from the voluntary sector, around 7% from the public sector, and around 8% are employee-owned companies. Seventeen percent of the providers are small- and medium-sized enterprises (SMEs) (Langenbucher and Vodopivec, 2022[7]).

Discussion 1: Coordinating employment services at local level

Across the two countries, participants agreed that local authorities have an important role to play in the design and implementation of public employment policies and programmes. Each borough, municipality or local community is different, and local authorities tend to have a better and more granular understanding of the specific characteristics and needs of their local area and the clients that live there. Therefore, local authorities can and possibly should be involved not only in the design, management and monitoring of programmes, but also in the direct delivery of services and/or the referral of individuals to programmes. Among other things, participants emphasised the need for measures to facilitate information flows from local to national governments that can influence the design of national programmes and tenders. While measures to support upward information flow is already in place for some programmes in the UK (e.g. for the ongoing Restart programme), some participants found that these were not sufficient.

Especially in the UK, a key argument for a stronger involvement of local authorities in employment support measures is their link with employers operating in their local area. Participants emphasised how these links are central in supporting individuals getting (back) into the labour market, not least for smaller providers that often lack the necessary contacts to employers. However, participants also stressed the risk of overburdening employers in a context of multiple programmes and support measures as well as a large amount of independent providers all seeking to establish contacts between clients and employers.

In a context of multiple actors operating across levels of government, participants stressed the need for information sharing between national and local authorities as well as independent providers. In both Sweden and the UK, national authorities gather information about the operations of independent providers, but systems to share this information with local authorities are lacking. In addition, many programmes do not include clear requirements for national prime providers to work with and share relevant information with the local authority. This limits the ability of local authorities to cooperate with independent providers and to provide the necessary support for their clients. In Sweden, especially the large amount of providers concentrated in the bigger cities makes it difficult for municipalities to collaborate with providers around individual clients. In addition, existing data protection and privacy legislation hinders information sharing. Participants agreed that independent providers should somehow be required to cooperate with local and regional actors and some participants suggested local partnerships or local

steering groups for each delivery programme as one way to ensure this. However, when creating local partnerships or steering groups it is important to understand the different roles and interests at play and to make sure that all involved partners benefit from the cooperation.

While the formal responsibilities for public employment services lie at national level in both Sweden and the UK, the boarders between services provided nationally and locally are blurry and client groups tend to be overlapping. Consequently, many local authorities focus their efforts on those individuals furthest away from the labour market (e.g. economically inactive, persons with disabilities or long-term health challenges, or care leavers) that are not eligible for support from the national PES. While this is positive for the groups most in need of support, it might have a negative impact on the group of unemployed somehow closer to the labour market who tend to fall in between national and local responsibilities. In continuation hereof, some participants from the UK stressed the need for an overall review of the design and structures of programmes in the UK. While the UK system of contracting-out employment services is more mature than the Swedish system, it is also marked by its age. By now, the system is characterised by a plethora of programmes and funding streams that are often overlapping and do not always support the right behaviour of the actors in the system, including the independent providers.

For the individual client, the mix of government responsibilities, programmes and providers can be confusing and result in insufficient support. Individuals might find it difficult to understand which programmes they are eligible for and why and this can hinder their access to the right programmes. In addition, especially in the UK, participants found that the system is lacking flexibility to allow individuals to move from one programme to another depending on their needs. More could be done to design more human centred systems that support clients in choosing the programmes that are right for them and moving between programmes. An interesting example hereof is the *No Wrong Door* partnership in London, which aims to give clients a better overview of existing employment programmes and support opportunities. According to participants, the Department for Work and Pensions in the UK is slowly recognising the need for more integrated service provision locally, but more is needed to fully integrate employment support measures with other local services.

In the UK, local authorities still rely to a large extent on external funding (including the European Social Fund (ESF)) to provide services for those furthest away from the labour market. The easing of funding by the ESF by end March 2023 (following the withdrawal of the United Kingdom from the European Union in January 2020), is expected to create financial obstacles for local authorities and they are now looking for alternative funding sources to keep activities going. In this context, some participants form the UK stressed the need for more flexible funding sources where objectives can be adjusted to constantly changing labour markets along the way.
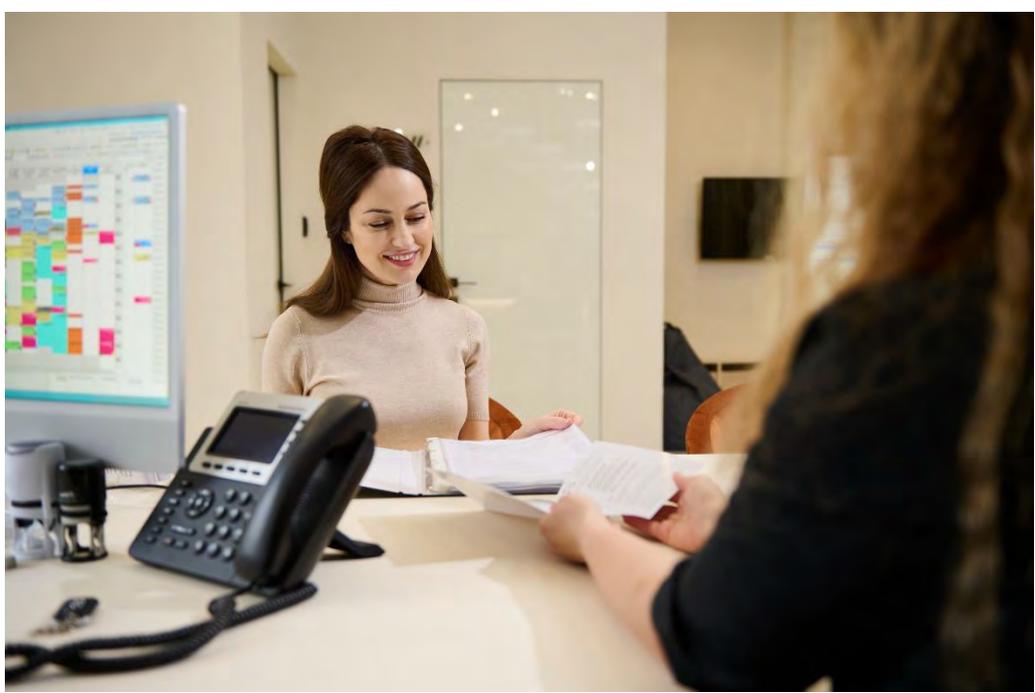
Key takeaways from the discussion:

- Local authorities can provide important insights on the characteristics and needs of local areas and individual clients which makes them a relevant actor in the design, management, monitoring and possibly also delivery of public employment services.
- Local authorities tend to have close relationships with employers and these could be better used when supporting individuals in (re)-entering the labour market
- Integrated local service provision and human centred approaches that puts the individual at the centre of support are key to support especially those furthest away from the labour market.
- While national governments in both Sweden and the UK are recognising the important role that local authorities can play in public employment services, upstream feedback and engagement with national governments can be difficult and programmes could take better into account local needs.

Discussion 2: "Going digital" – finding the right balance between physical and online presence

Participants overall agreed that the digitalisation of public employment services can be an important tool to better match people to jobs. Among the groups that might benefit the most are jobseekers relatively close to the labour market and with good digital skills and those groups who find it challenging to participate in physical activities (e.g. lone parents with dependent children or persons with disabilities). As an example, in Fife Council in Scotland, which experienced an increased engagement of people with Autism Spectrum Disorder (ASD) when moving to digital services. In addition, since digital services often were the only option during the COVID-19 pandemic, more individuals are now trained in the use of digital services than before the pandemic. Digitalisation can also be an important measure to provide services in rural and remote areas where the presence of local PES offices and independent providers may be limited. Lastly, digitalisation of services holds promise of making public employment services more efficient and possibly channelling resources towards those who require extra support.

However, when introducing digital services, governments should be aware of the digital divide between those with good and those with limited digital skills. In both the UK and Sweden, digital poverty in terms of a lack of digital and/or language skills as well as access to digital tools is a significant problem. Therefore, for some groups, the use of digital services can be challenging and here the threshold to get in contact with PES should be low and physical services should be an option. Even for those groups who are better equipped to make use of digital services, there should be an element of choice between different types of services and hybrid solutions may be necessary to give them the right support. As stressed by the Swedish participants, this is relevant not only in rural and remote areas, but also in urban areas struggling with high unemployment rates. Also in this context, participants emphasised the need of human centred and integrated approaches where support measures and services "pathways" are adjusted to the needs of the individual and were the individual choice plays an important role.

When introducing digital services, governments should be aware of the sequencing. In Sweden, the replacement of physical services with digital services took place rather quickly, which according to the Swedish participants resulted in service gaps in the first period of the digital service provision. For many municipalities, this meant extra work since they were the immediate "go-to-place" for clients challenged by the new digital system. In addition, especially in the UK, local authorities are experiencing that temporary digital services put in place during the COVID-19 pandemic are taking on a more permanent character. As an example, in Blackpool Council in England, DWP is now only providing face-to-face services for around 30% of the unemployed cohort – a number that was much higher prior to the pandemic. In this context, the Greater Manchester Combined Authority have tried to measure how different services provision models

(physical, hybrid, digital) influence the engagement of the unemployed. Interestingly, the results show no clear link between the degree of digitalisation and the degree of engagement.

In both Sweden and the UK, local authorities have developed different digital tools to support the unemployed and develop their digital skills. Among other things, local authorities have developed different apps to facilitate application processes, simplify administrative procedures, and improve communication between clients and local authorities. In addition, local authorities make use of Social Media and websites as well as online meetings to communicate with their clients. However, in most cases, these are supplements to the physical services provided by the local authorities. Both in the UK and Sweden, local authorities are also engaged in the digital upskilling of individuals with limited digital skills. Participants highlighted adult education and community learning programmes as good ways to upskill individuals while also helping them to stay safe online. However, they also stressed that the responsibilities for digital upskilling are unclearly defined in both countries and that local authorities are engaged in this area only because they see an immediate need.

Key takeaways from the discussion:

- Digital services provide an opportunity to improve public employment services especially for some unemployed groups with good digital skills and limited support needs. In addition, digital services can be a way to provide services in areas where physical presence of PES is limited.

- Digital services cannot replace physical services neither for those close to nor for those further away from the labour market. For all clients, individualised and human centred approaches should be in place to adjust services to the needs of the individual.

- Physical alternatives should be scaled back only when digital services are sufficiently implemented and able to provide the necessary support for the unemployed.

- Digital upskilling is key to support especially those furthest away from the labour market getting into work. The division of responsibilities for digital upskilling should be clearly defined.

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