



**FOLKETINGET
STATSREVISORERNE**



**FOLKETINGET
RIGSREVISIONEN**

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The efficiency of jobcentres

1. Introduction and conclusion

1.1. Purpose and conclusion

1. This report concerns the efficiency of the Danish jobcentres (employment agencies). Efficiency in this context refers to the jobcentre's ability to help unemployed citizens find work or take up training or education in relation to the cost of doing so.

94 jobcentres are helping citizens find work or take up training or education, or seeking to ensure that the citizens are fully available for the labour market. The jobcentres also assist businesses in recruiting, training and upgrading the skills of employees, prevent work-related diseases and maintain sick people's attachment to the labour market.

The jobcentres are differently positioned to help the unemployed find work, as there are more job openings, better infrastructure and fewer long-term unemployed in some municipalities than in others, which makes it easier to find work for the unemployed. Therefore, our analysis of the efficiency of the jobcentres takes into account the socio-economic conditions prevailing in the respective municipalities.

It is important to examine the efficiency of the jobcentres, since it is relevant to determine not only how many individuals the jobcentres succeed in helping find work or take up training or education, but also the cost of doing so. This information can provide a basis for an assessment of whether it would be possible for the jobcentres to help more unemployed citizens find work or take up training or education on the same budget.

2. The local councils have the overall responsibility for the activities of the jobcentres and determine how the job creation effort should be prioritised in the individual municipalities. It follows that the Ministry of Employment is not responsible for the priorities of the jobcentres in terms of economy or management, nor has the ministry any direct influence on how much the municipalities spend on the administration of the jobcentres. The jobcentres are all operating within the same legal framework, but the municipalities organise and manage the employment effort at their discretion, cf. the principles of municipal self-government. This means, among other things, that the municipalities are not spending the same amount on the employment effort. It is relevant to consider the performance of the jobcentres in relation to expenditure, because it has a significant impact on the government's expenditure for the employment effort, particularly in relation to public income support.

There are 94 jobcentres in Denmark. A few of Denmark's 98 municipalities have joined forces to run a jobcentre.

The Ministry of Employment is required to monitor and analyse the employment efforts of the jobcentres, cf. section 21 of the act on organisation of the employment effort. The department also has a general obligation to monitor the administration of the legislation, including level of compliance and whether the law meets current requirements. The department is required to do so, because it is responsible for legislation in the area and in that capacity defines the framework within which the municipalities are to operate. It is therefore crucial for the department to collect information on general developments in the labour market and keep informed of the jobcentres' employment efforts, performance and resources spent.

The Active employment effort act concerns employment activities directed at unemployed citizens. The act stipulates what is required in terms of interviews, activation offers, etc., cf. consolidated act no. 1342 of 21 November 2016.

Public income support

Public income support includes:

- unemployment benefits
- cash benefits
- educational benefits
- integration benefits
- sickness benefits.

3. The efforts made by the jobcentres to help the citizens find work or get closer to finding work, for instance through training or education and upgrading of their skills, have a huge impact on expenditure for the employment effort. In overall terms, government spending as well as municipal spending on the employment effort consist of funding for public income support and funding for an active employment effort to ensure that the unemployed citizens are fully available for the labour market, cf. the Active employment effort act.

4. According to numbers from *jobindsats.dk* (central labour market database), 360,000 full-time individuals received public income support in 2016 within the framework of the employment effort (not including early retirement, flexi-job, pre-retirement, national pension and state educational grants excluded). The expenditure for public income support for this group of citizens amounted to DKK 55 billion in that year. In its report *Active employment policy*, published in May 2018, the Ministry of Finance states that government expenditure for the active employment effort was approximately DKK 13 billion in 2016, representing an increase of approximately DKK 3 billion since 2007. Additionally, the Ministry of Employment has stated that expenditure for the active employment effort in 2017 was on level with 2016, whereas expenditure for public income support was DKK 53 billion (2018 prices). The level of expenditure emphasises the importance of the Ministry of Employment's initiatives to support the municipalities in their efforts to manage government funding with due regard for the economy and thereby encourage the jobcentres to work as efficiently as possible.

5. The purpose of the study is to assess whether the jobcentres are efficient, and whether the Ministry of Employment, in following up on the employment effort, has focus on their efficiency. The report answers the following questions:

- Has the Ministry of Employment adequately monitored, analysed and followed up on the employment efforts of the jobcentres?
- Do the jobcentres have potential to help more citizens find work and take up training or education within their current budgets?

Rigsrevisionen initiated the study in September 2017.



Conclusion

Rigsrevisionen's study indicates that the jobcentres can help more unemployed citizens find work or take up training or education without additional government or municipal funding. The efforts of the jobcentres and their performance are extensively monitored and analysed by the Ministry of Employment, but the department's analyses do not take into account differences in the efficiency of the jobcentres.

It is important to link efforts and performance to costs, because the government and municipalities combined spend approximately DKK 53 billion on public income support and approximately DKK 13 billion on the active employment effort.

The study indicates a potential for the jobcentres to reduce the number of unemployed citizens that receive unemployment benefits, cash benefits and sickness benefits by approximately 18,000 full-time individuals annually. This means that these individuals can either find work or take up training or education, if the less efficient jobcentres rise to the level of the best performing jobcentres with similar framework conditions. If focus is directed at the potential of the jobcentres to reduce spending on the employment effort, the study indicates a potential efficiency gain of DKK 1.45 billion annually, which will be achievable while helping the same number of unemployed citizens find work or take up training or education. The government as well as the municipalities are funding the costs for the employment efforts. Government spending is therefore contingent on the performance of the municipalities' jobcentres.

The analysis of the efficiency of the jobcentres is not taking into account whether the efforts of the jobcentres are in compliance with the legislation. Rigsrevisionen needs to emphasize that striving for efficiency must never take precedence over compliance.

The Ministry of Employment monitors the efforts and performance of the jobcentres on a current basis with focus on the implementation and effect of recent reforms. The department makes data on the efforts and performance of the jobcentres available to the municipalities. This allows the jobcentres to compare their performance with that of other jobcentres operating under similar socio-economic framework conditions. This is considered a positive initiative by Rigsrevisionen. Additionally, the department has conducted a number of specific analyses of the employment effort, which cover the focus areas identified in the department's evidence strategy. The department's analyses are not taking into account differences in the efficiency of the jobcentres.

The study shows that the jobcentres achieving the best results when costs are included in the analysis are not performing equally well when costs are excluded from the analysis. In the opinion of Rigsrevisionen, this serves to illustrate the importance of including information on costs in order to establish the best possible basis for following up on the employment effort.

Without information on costs, it is not possible to determine whether differences in performance are caused by the fact that some municipalities incur more expenditure for the employment effort than others, or whether there is potential to make the effort more efficient. Rigsrevisionen finds it appropriate that the Ministry of Employment, going forward, focuses on including costs in its ongoing monitoring of the employment area and performing cost-benefit analyses, for instance. Rigsrevisionen notes that this approach is in line with an agreement made between the government and the municipalities concerning reassessment and simplification of municipal expenditure in the employment policy area, cf. the agreement on the municipalities' economy in 2019, that can support and contribute to generating more information on spending.

It is Rigsrevisionen's assessment that the Ministry of Employment would benefit from working with the results of this study, particularly in relation to identifying the causes of the differences in the performance of the jobcentres and learn from the jobcentres that achieve better results on the same budget. This would also be in keeping with the intention of the agreement on the municipalities' economy in 2019 and the department's intention to place more emphasis on financial evidence in the monitoring of the employment effort.