



Extract from the report to the
Public Accounts Committee on
the effect and quality of the
employment efforts implemented
by external actors

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I. Introduction and conclusion

1. This report concerns the effect and quality of the employment efforts implemented by external actors. External actors can be, for instance, private companies, organisations or unemployment insurance funds that have been commissioned by the Danish jobcentres to handle part of the employment effort activities. The purpose of outsourcing employment activities to external actors is to ensure that efforts are targeted and tailored to meet the requirements of the unemployed job seekers and thus help them into employment as quickly and effectively as possible.

The effect of the employment effort is measured on the basis of how many unemployed it helps into employment.

2. Rigsrevisionen took the initiative to launch the study in September 2012.

3. The Danish Ministry of Employment has the overall responsibility for the employment policy, whereas the local authorities have the responsibility for implementing the employment efforts. The employment effort includes various activities like, for instance, interviews with the unemployed job seekers and participation in activation programmes like, for instance trainee positions in corporate environments. The purpose of the employment effort is to help the unemployed job seeker find a job.

The quality of the employment effort is measured on the basis of the relation between the employment plans and the active labour market programmes provided.

4. The background for Rigsrevisionen's study is the fact that the local authorities have for many years outsourced employment activities to external actors, but have failed to measure the effect of these activities for others than unemployed citizens with long-term higher education. The Danish National Labour Market Authority examined the effect of the employment efforts directed at the latter group in 2011 (the report was published in March 2013) and it showed that, irrespective of whether the jobcentres or external actors were responsible for the employment effort, the extent to which the unemployed citizens found employment was the same.

5. The local authorities may cooperate with external actors either within the terms of national framework agreements or on the basis of local agreements. The parties to the national framework agreements are selected external actors, the National Labour Market Authority and the Employment Regions. The framework agreements define the groups of unemployed citizens that are covered by the respective agreements, and the nature of the employment efforts.

Activation policies include counselling, upgrading of skills, trainee positions in corporate environments or subsidised jobs.

Since 2007, three different framework agreements have been available to the local authorities, including an agreement directed at all unemployed citizens with the exception of those with a long-term higher education – *Serviceudbuddet* – and an agreement directed at the unemployed job seekers with a long-term higher education – *LVU-udbuddet*. Using the LVU-udbuddet has, in the years 2007 to 2011, been obligatory for the local authorities, and unemployed job seekers with a long-term higher education have therefore in this period been referred to external actors. Using the Serviceudbuddet is optional for the local authorities; the Serviceudbuddet is directed at all recipients of unemployment benefits and social benefits, who are ready for the labour market, with the exception of unemployed citizens with a long-term higher education.

The local authorities are responsible for negotiating the local agreements with external actors, i.e. contents, target groups, price and duration.

6. In February 2013, the National Labour Market Authority informed Rigsrevisionen that the national framework agreements would be terminated; as per 30 April 2013, the local authorities may therefore no longer refer unemployed job seekers to external actors under the national framework agreements. The local authorities may, however, still enter into local agreements with external actors.

7. In 2010, approximately 80,000 unemployed – corresponding to 15.6 per cent of all unemployed citizens – were referred to external actors under the national framework agreements. In 2012, the number was approximately 53,000, corresponding to 9.9 per cent of all unemployed citizens. The Danish National Labour Market Authority has no data on the number of unemployed citizens that are being referred to external actors under the local agreements.

8. The objective of this report is to compare the effect of the employment efforts implemented by external actors under the Serviceudbuddet with the effect of the employment efforts implemented by the jobcentres. Rigsrevisionen has also studied how the National Labour Authority supports the local authorities' follow-up on the effect and quality of the external actors' performance. The report answers the following questions:

- Is the effect of external actors' employment efforts under the Serviceudbuddet agreement on level with the effect of the employment efforts implemented by the jobcentres?
- Is the National Labour Market Authority supporting the local authorities' follow-up on the effect and quality of external actors' performance?

9. The report includes a registry study, which compares the effect of external actors' employment efforts with the effect of the employment efforts implemented by the jobcentres. The registry study includes unemployed job seekers that have been referred to external actors under the Serviceudbuddet. Rigsrevisionen has also conducted a questionnaire survey among 50 municipalities.

Rigsrevisionen has previously examined other actors; in the report on The Danish Employment Services' involvement of other actors in job creation efforts from 2006, and in the report on Government transfers to local and regional authorities from 2011.

Jobindsats.dk is a web portal providing data on, for instance, number of citizens on social benefits, public social expenditure and the government's employment efforts.

Jobindsats.dk also provides data on other actors operating under national framework agreements, but not under local agreements.

MAIN CONCLUSION

Rigsrevisionen's registry study shows that the external actors' employment efforts are less effective than the employment efforts implemented by the jobcentres; unemployed jobseekers that have been referred to external actors are on average employed for 10 days less during the initial six months following their referral, and they do not catch up this loss of working time later. On the basis of the registry study, Rigsrevisionen has concluded that the effect of the employment efforts may depend on who is responsible for the employment activities; the jobcentres or the external actors.

Rigsrevisionen's study also shows that far from all municipalities follow up on the performance of external actors. Follow-up is essential to ensure the right balance between price, outcomes and quality.

Data on the performance of external actors under the national framework agreements is made available to the local authorities on the website *Jobindsats.dk* by the National Labour Market Authority. However, this data was not updated in the period late 2011 to June 2013, and during this period the municipalities therefore had no access to data on external actors operating under the national framework agreements. This is not satisfactory.

Rigsrevisionen is of the opinion that the Ministry of Employment, including the National Labour Market Authority, should support the municipalities' supervision of the performance of external actors under the local agreements and, for instance, provide guidance to the local authorities and perform cross-cutting studies of the external actors' performance, which could contribute to disseminating good practices.

The main conclusion is based on the following sub-conclusions:

Is the effect of external actors' employment efforts under the Serviceudbuddet agreement on level with the effect of the employment efforts implemented by the jobcentres?

The registry study shows that the effect of external actors' employment efforts directed at unemployed job seekers covered by the Serviceudbuddet agreement does not measure up to the effect of the employment efforts implemented by the jobcentres; unemployed job seekers that have been referred to external actors are on average employed for 10 days less during the first six months after their referral. The main reason for this difference is the fact that the jobcentres are successful in helping the unemployed into employment faster and/or they work more hours than the unemployed job seekers that have been referred to external actors.

After the first six months, there is no difference between the hours worked by unemployed job seekers that have been referred to external actors and those who have not been referred. However, the unemployed job seekers that have been referred to external actors do not later catch up with the working time lost during the first six months.

The difference of 10 working days means that each unemployed person, who has been referred to an external actor, on average loses approximately DKK 11,200 in annual earned income. However, the external actors' operating costs relating to their employment efforts are lower than the jobcentres', yet not low enough to offset the above-mentioned loss of earned income. Thus the registry study shows that there are socio-economic costs associated with referring unemployed job seekers to external actors.

Is the Danish National Labour Market Authority supporting the local authorities' follow-up on the effect and quality of external actors' performance?

The National Labour Market Authority has only to some extent supported the municipalities' follow-up on the outcomes and performance of the external actors' employment efforts.

Data on the performance of external actors operating under the national framework agreements is made available to the municipalities through the web portal *Jobindsats.dk*, by the National Labour Market Authority. The web portal is not providing data on external actors operating under local agreements. It is not satisfactory that the data on external actors on *Jobindsats.dk* has not been updated in the period late 2011 to June 2013.

The employment plan is an agreement made between the unemployed and the jobcentre or other actor.

The employment plan describes the activation activities planned for the unemployed, potential job opportunities and it includes also various formal data, like for instance

- enrolment in activation programme;
- start of activation programme;
- Date and person responsible for following up on the employment plan.

The National Labour Market Authority has developed a guideline for the municipalities' supervision of external actors operating under national framework agreements. The guideline is, according to the Authority, meant as a service to the municipalities and provides a range of recommendations to the local authorities. In the guideline, it is emphasised that the local authorities must supervise all external actors irrespective of whether they operate within the terms of the national framework agreements or local agreements.

According to the questionnaire survey, 10 per cent of the municipalities do not – neither annually nor more frequently – follow up on the outcomes of the employment efforts implemented by the external actors, i.e. the number of unemployed citizens that have been helped into employment or started on an education. 20 per cent of the municipalities do not follow up on the employment plans prepared by the external actors, and 24 per cent of the municipalities do not follow up on the contents of the activation programmes provided by the external actors.

With regard to the local agreements, 16 per cent of the municipalities do not follow up on the outcomes of the employment efforts implemented by the external actors, i.e. the number of unemployed citizens that have been helped into employment or started on an education. Approximately 30 per cent of the municipalities do not supervise the employment plans prepared by the external actors and 10 per cent of the municipalities do not follow up on the contents of the activation programmes provided by the external actors.

According to the legislation, the local authorities are also under obligation to make the unit costs of their employment efforts public to ensure that they and the external actors compete on a level playing field. Forty-four of the municipalities in the survey, corresponding to 88 per cent, did not in the period 2010 to 2012 make their unit costs public. The Ministry of Employment has agreed with the Ministry of Finance and Local Government Denmark (KL – interest group and member authority of Danish municipalities) that the government will work towards abolishing the obligation placed on the municipalities to make the unit costs of their employment efforts public. Generally, Rigsrevisionen is, however, of the opinion that it is essential for the municipalities to know their own unit costs, as this will allow them to assess whether the prices quoted by external actors are competitive.

Rigsrevisionen is of the opinion that the National Labour Market Authority should continue to support the municipalities' supervision of external actors operating under local agreements.