

# 7. Delivering public employment services: which model works best?

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## 7.1 OVERVIEW

Public employment services (PES) have evolved through a long and continuing process as a key component of labour administrations, offering a range of complementary and interrelated services to strengthen the functioning of labour markets. These labour market institutions have as their main mandate facilitating the matching of people who are looking for work with enterprises that need qualified workers to fill their job vacancies.

The first part of this chapter describes how PES have moved, over nearly a century, from holding a monopoly in this area within most countries to a position of collaboration and partnership with numerous other stakeholders in the labour market. The remainder of the chapter will examine in more detail this shift in how governments are choosing to deliver employment services, considering the main reasons for the changes; providing specific examples of how various models of delivery are currently being implemented in a variety of countries; and discussing key issues drawn from experiences to date. The chapter will conclude with observations regarding these various approaches to providing labour market services.

## 7.2 THE HISTORY OF PUBLIC EMPLOYMENT SERVICES

The idea of linking people with jobs has had a long history, dating back to the nineteenth century. Widespread industrialization saw the emergence of labour exchanges on a significant scale, and this process was given renewed impetus by the creation of the International Labour Organization in 1919. The inaugural Washington Conference adopted the

Unemployment Convention (No. 2), which advocated ‘a system of free, public employment agencies under the control of a central authority’ in each country, with advisory committees being drawn from both sides of industry. On the principle that labour was not a commodity and that private employment agencies were potentially exploitative, the majority of ILO member States favoured giving the public employment service a monopoly and prohibiting the establishment of private employment agencies, following the Unemployment Recommendation, 1919 (No. 1). The Fee-Charging Employment Agencies Convention, 1933 (No. 34) provided for the abolition of all private agencies within three years, subject to some exceptions.

At the end of the Second World War, many governments committed themselves to the achievement of full employment. In this context, the ILO agreed in 1948 to new standards for PES through the Employment Service Convention (No. 88) and the Employment Service Recommendation (No. 83). According to these standards, employment services were to help ensure the best possible organization of the employment market for the achievement of full employment and the development and use of productive resources. Convention No. 88 proposed a network of conveniently distributed local offices providing such services as assistance to workers and employers, job placement and labour market information, and facilitating occupational and geographical mobility. The ILO softened its stance on private employment agencies with the Fee-Charging Employment Agencies Convention (Revised), 1948 (No. 96), which offered member States a choice between abolition and regulation of these private employment agencies.

The notion of the PES monopoly, still evident in Convention No. 96, gradually became obsolete over the next 50 years. Moreover, these standards could not anticipate the development of other labour market institutions besides PES, the ending of full employment as a goal or the extensive involvement of PES in labour market adjustment programmes. While the ILO has consistently emphasized the importance of PES in promoting policies designed to maximize employment and decent work, it has also recognized these historical developments, and the Private Employment Agencies Convention, 1997 (No. 181) was adopted. This standard acknowledged the role that private employment agencies can play in a well-functioning labour market and also responded to the growing pressures faced by firms as a result of increasing international competition. Convention No. 181 balances firms’ needs for flexibility to expand or reduce their workforces with workers’ needs for employment stability, a safe work environment, decent conditions of work, and a safety net when they are unable to work. The Convention proposes

criteria for the operation of private employment agencies with a view to achieving this balance.

The mandate of PES clearly identifies their main clients as jobseekers and employers. However, while jobseekers are always clients who require a service from the PES, employers may approach PES both as clients needing assistance (e.g. finding suitable workers for their vacancies) and as partners (e.g. providing work placements as part of the implementation of active labour market measures such as job subsidy programmes).

On the narrowest interpretation of this mandate, the PES operates labour exchanges where jobseekers may list their skills and occupational interests, and enterprises can post job opportunities. This role expanded in the 1960s with a revival of interest in PES as key to the development of employment policies for economic growth: additional functions taken on at this time included responsibility for training and other active labour market measures. As unemployment soared in the 1980s, PES began to place a much stronger emphasis on special employment measures to alleviate the consequences of job losses. At the same time attention turned to mitigating the concern that generous unemployment benefits were creating benefit dependency and inadvertently contributing to high levels of unemployment while enterprises were unable to fill their job vacancies. As a result, in the early 1990s there was a move within many OECD countries to shift the focus of labour market policies from passive provision of income support to more active measures aimed at reintegrating workers into the labour market (Thuy et al., 2001). This was achieved in a variety of ways, including making income support schemes less generous, introducing individual responsibility for making efforts towards labour market integration and employability, targeting more groups of unemployed people with ‘work-first’ and labour attachment programmes, and subjecting the unemployed to stricter monitoring practices, including the use of both sanctions and incentives (Van Berkel, 2009).

### 7.3 CORE FUNCTIONS AND HOW THEY EVOLVE

Today PES offer a range of complementary and interrelated core functions as part of their mandate.

When a country makes a decision to establish PES, they will typically begin by offering job-matching services. This can be done in a variety of ways, ranging from manual registration of jobseekers to completing online or electronic registrations, and will largely be determined by the resources available to the responsible ministry. At the same time the employment offices will gather information about the enterprises within

their community through the job vacancies that are being registered with them. This information will cover the types of business operating, the normal occupations required within each business, the hours of operation, average wages and benefits available, and general working conditions. Again depending on the capacity of the employment service, this information may be collected and displayed manually, or it may be collected manually and later transferred by employment office staff into an electronic database, which may or may not also be Internet-based.

Regardless of how the information is collected and shared, it is valuable in assisting the employment offices to understand their local labour markets in terms of both the supply of potential labour and the current and anticipated future needs of businesses. As the employment office is successful in reaching out to more businesses and jobseekers, this accumulation of data will continue and enable the office to establish trends and predict future needs. This body of administrative data, collected for the purpose of providing a high-quality labour exchange function, then becomes the basis for the development of labour market information. The collection and dissemination of these labour market data often become the second of the core services offered through employment offices.

As the employment office expands and matures in the delivery of these services, it is often the case that staff within the office not only collect and share this information but also analyse the data. Eventually, this analysis will be broadened to include general statistical data collected by other government agencies through means such as labour force surveys, adding even greater insight and value to the information collected.

This administrative information is useful to all clients of PES. Jobseekers will benefit from information on enterprises and the skills needed as well as information on what training is available locally to help them meet the requirements of employers as PES help them select appropriate occupations. Enterprises can benefit from information about the current skills available in the local labour force and the potential for new graduates in skills they may require in their establishments as they make decisions related to expanding their businesses, introducing new product lines or even establishing a new business within the community. Training institutions can benefit by learning what skills are likely to be in demand in the future and by knowing the needs of employers as well as the skills of the existing workforce. This knowledge will help them to develop curricula through which these needs can be addressed from both the supply and the demand sides of the labour market.

The training-related functions of PES can go yet further. PES can also help to link enterprises requiring skilled workers with training institutions

to organize customized courses to meet the needs of their industries or to cooperate on apprenticeship training or other types of on-the-job initiatives. As part of their regular employment services, PES can assist training institutions to arrange work placements as part of curricula that combine on-the-job experience with technical training. Further to this, PES can play a key role in assisting training institutions and students nearing the completion of their formal training programmes to arrange internship opportunities or to provide sessions on job search techniques to help prepare graduating students for their smooth entry into the world of work.

Over time, the collection, analysis and dissemination of labour market information will lead to the design and implementation of labour market measures intended to help narrow the gap between the supply side of the labour market and the demand for workers. Labour market information drawn from this administrative data combined with broader statistical data collected through government statistical agencies in the form of labour force surveys and regular census studies will help inform the development of active labour market policies and programmes. It will help decision makers determine which programmes are most needed and to choose the most appropriate mix of programming and services to meet labour market requirements. Continuous monitoring of these sources of information will help to ensure that PES are ready to respond quickly to changes within a labour market such as those that occurred in many parts of the world in the crisis that began in 2008.

In this way labour market programmes become a third core service offered through employment offices. There are several significant policy issues involved in the introduction of these programmes. First, it is necessary to identify which programmes will best serve the needs of both jobseekers and enterprises. Once this is determined, it is also essential that the means of financing the programme or programmes to be introduced is clearly identified. Specific eligibility criteria are a key element in order that the risk of displacing regular workers is avoided, as are clearly articulated measurement indicators in order to ensure that results are sustainable.

When an individual approaches an employment office seeking assistance in finding a job, one of the most common motivators is the need for some form of financial support to sustain their livelihood. Clearly, basic financial concerns will distract attention from any long-term strategy for moving into a sustainable and rewarding career. This urgency of need can lead jobseekers to make poor decisions and may make them vulnerable to exploitation. This is why in many countries employment offices are also centres that provide some form of income support to individuals in order

to cushion periods of unemployment, allowing them to focus on issues related to increasing their employability and giving them the opportunity to find sustainable employment. There has also been a growing trend to place conditions on continued receipt of these benefits, particularly as the length of unemployment increases, and these ‘activation’ measures have now been introduced in many PES throughout the world (Daguerre and Etherington, 2009). Many also offer high-quality counselling assistance to help reduce the amount of time that individuals remain unemployed. Such measures must be balanced with the need to ensure that jobseekers still have some choice in resolving their employment situation and are not forced into lower-paying jobs or labour market programmes that do not contribute to long-term employment security.

#### 7.4 REASONS FOR THE SHIFT IN DELIVERY APPROACHES

Until the early 1990s, many PES offered all the services outlined above, in some form or degree, directly through their own offices. However, since that time, in the face of increased pressures to deliver services more efficiently, to reduce government intervention in the labour market and to offer both jobseekers and enterprises more choice in their dealings with the labour market, many PES have been re-examining how they can best meet the needs of their constituents.

With governments increasingly recognizing the contribution of other service providers in assisting jobseekers and employers to function more successfully within the labour market, many countries across the world have reassessed their PES delivery models and adjusted them to include closer collaboration and partnerships with both not-for-profit organizations and private placement agencies. Some, such as China and the Philippines, have been able to extend the outreach and impact of their services through decentralizing delivery through collaboration with private agencies and municipalities in areas outside their large urban centres. Similar approaches involving decentralization are being tested in Argentina and Chile. Yet other countries, such as Cambodia and Egypt, have found in these more collaborative models encouragement for beginning to develop more comprehensive and affordable services within their labour markets.

When examining the reasons why governments have chosen to alter their delivery models for activation services in particular, it becomes clear that many are doing so as a means of achieving cost savings to the public purse. Currently there are two competing approaches to leading

the long-term unemployed to sustainable employment: they are known as 'work-first' and 'human capital development' (Cumming, 2011). The 'work-first' approach to employment services is based on the objectives of moving unemployed individuals back into the labour market as quickly as possible and with a minimum of intervention. One of the key measures of success of this approach is reduced durations for unemployment benefit claims.

The focus in these models is on provision of basic information related to job vacancies and on facilitating the linking of jobseekers to enterprises requiring their skills and services. Perhaps the clearest example of how this approach is currently being applied can be found in considering the delivery model in the Netherlands, where since 2011 all new jobseekers are required to register with at least one temporary work agency for the first six months of unemployment. Countries such as the UK also focus on a modified version of this approach for services provided directly through their government offices, JobCentre Plus. These offices provide services to jobseekers unemployed for less than one year, again with the primary focus on a speedy transition back into the labour force, although they also offer some short-term interventions and programmes to increase jobseekers' immediate employability when necessary.

The 'work-first' approach, however, poses the question of what happens to those long-term unemployed clients who face non-vocational barriers to employment, such as attitudinal issues, poor past performance in jobs or limited interpersonal skills, which will take significantly more intervention to remove before they gain entry into the labour market. While some delivery models attempt to address this need through variable levels of service, or through increased payments to providers for placing clients who are further from entry into the labour market, more needs to be done. The current delivery model in the UK, in which external contractors are used to provide employment services to all jobseekers who have been unemployed for more than one year, is a good example of variable levels of service. The model chosen by Australia illustrates the approach of variable payment schemes to encourage service providers to offer assistance to jobseekers who are harder to place. Models currently in use in both Australia and Canada demonstrate a more balanced focus between the popular 'work-first' philosophy and a 'human capital development' strategy that aims to increase jobseekers' employability in the hope that, once re-employed, they will be more successful in retaining work. It is hoped that this approach will lead to longer-term gains in terms of reduced levels of unemployment and the associated benefits payments in the future.

## 7.5 A CLOSER LOOK AT THE DELIVERY MODELS

### 7.5.1 The New Constellation of Approaches

Figure 7.1 summarizes key elements in the delivery and assessment of employment services, grouping them into three stages that continue to be evident in all delivery models currently in use throughout the world. What has changed in recent years is the degree to which these services are now provided via the traditional approach, directly through a public agency, with a new variety in the range of services that are now outsourced or subcontracted to private and not-for-profit agencies.

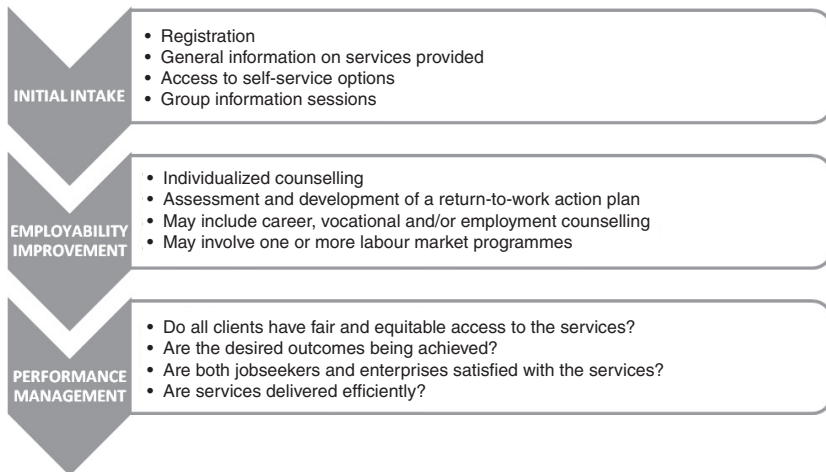


Figure 7.1 *Employment services: a summary in three stages*

One study (Considine, 2001) describes four types of governance in managing welfare-to-work policies. These are:

- procedural governance, describing the traditional hierarchical approach to public management;
- corporate governance, covering attempts to manage public agencies as private organizations;
- market governance, introducing the competitive and quasi-market approach to the delivery of publicly funded services; and
- network governance, referring to social partnership and/or networking, cooperation, co-production and co-financing involving a variety of public and private agencies.



A close examination of recent reforms suggests that many countries now employ a combination of these governance models in administering social security and providing activation services (Van Berkel, 2009).

The increased demands created during the financial crises in Asia and Latin America in the early 2000s and the global economic one in 2007–2010 continued to put unprecedented pressure on PES. At the same time there has been a growing recognition by PES that services offered through private employment agencies as well as not-for-profit and non-governmental organizations have positive impacts on the labour market.

*Table 7.1 The range of stakeholders in employment services*

Public employment services	Private employment agency	Non-governmental organization/Not-for-profit organization
✓ Placement/Job brokerage	✓ Placement/Job brokerage	✓ Placement/Job brokerage
✓ Labour market information	✓ Labour market information (generally limited to their sectoral specialty)	✓ Often specialized in issues related to a specific target group
✓ Administration of labour market adjustment programmes	✓ Some training programmes generally specific to the industry within which the PrEA specializes	✓ May offer some training, workshops or seminars on basic job search techniques, life skills etc.
✓ Administration of Unemployment Insurance		✓ May provide some financial support or other services to help jobseekers get started
✓ Regulatory activities	✓ The association of private employment agencies, CIETT promotes self regulation of its members	

Table 7.1 provides a breakdown of the typical functions and services provided by each of these types of organization. While the degree and emphasis placed on each of these functions differ according to the mandate of each type of organization, it can readily be seen that similar services are provided by all three groups. Article 1, Paragraph 2 of the ILO's Employment Service Convention, 1948 (No. 88) states:

The essential duty of the employment service shall be to ensure, in co-operation where necessary with other public and private bodies concerned,

the best possible organisation of the employment market as an integral part of the national programme for the achievement and maintenance of full employment and the development and use of productive resources.

This provision has led to a variety of organizational arrangements between PES and other service providers.

In some countries, most notably Australia and the Netherlands but also to a lesser extent the UK and Canada, PES have formed cooperative alliances with private employment agencies and not-for-profit organizations in the provision of some of these core functions. The way these relationships have been structured varies between the countries, but in general the rationale for these collaborative organizational changes has been to increase the overall cost-effectiveness in the provision of employment services within the labour market; to offer both jobseeking and employer clients more flexibility and choice in accessing services; and to build upon the strengths and competitive advantages found within the labour market in order to provide a more effective and satisfactory service. In some cases, there has also been an underlying hope that by adding a competitive process into the delivery of employment services the PES will be motivated to increase the overall quality and efficiency of services they deliver directly. While definitive evaluative studies are still somewhat scarce, partly because most of these countries continue to monitor and modify their delivery approaches, some results of this melding of service providers are emerging. The following sections review experience in a selection of key countries.

### **7.5.2 Australia**

Beginning in the early 1990s, Australia<sup>1</sup> developed a new PES delivery system, motivated by the goals of ensuring more rapid reintegration into the labour market and thereby generating savings to the government. This marked the beginning of what continues to be one the most significant divergences from the traditional model of a government PES directly delivering all employment services. In addition to the new delivery system, a new system of welfare-to-work provision, Working Nation, was introduced with the central objective of guaranteeing jobseekers who had been unemployed for 18 months or longer access, through a Job Compact, to case management services leading to employment, training or a combination of the two.

Between 1994 and 1996 the PES, the Commonwealth Employment Service (CES), remained responsible for job-matching services; however, the more labour-intensive service provision was outsourced. The CES

also classified jobseekers who had been unemployed for 12 months or more according to the severity of the barriers to employment they faced. Employment Assistance Australia (EAA) was established as an agency of the CES and was responsible for providing intensive case management services to two-thirds of all jobseekers; the remaining one-third of jobseekers became the responsibility of a network of external providers. These providers came from both the not-for-profit and the private sector. They were licensed by an independent body, the Employment Services Regulatory Authority, which allocated workloads among them and monitored their performance. This independent regulator performed the same functions with the publicly administered EAA.

Under this model, providers were paid more for the harder-to-place clients; jobseekers were required to enter into a case management arrangement with their providers; and providers were obliged to report non-compliance as well as recommend suspension of benefits in such cases. Providers were paid for each client they registered, and received an additional payment when the client obtained work or began a training programme, and a final payment when the client completed the training or 13 weeks of work.

In 1996, following an internal evaluation that found Working Nation to be both expensive and ineffective, a new system, Job Network, was established. Centrelink, a newly created public provider, became the gateway to all employment services, determining jobseekers' eligibility and providing basic job search information. Following this initial screening, Centrelink referred all jobseekers to a network of private and not-for-profit providers known as the Job Network. While jobseekers were free to choose their service provider, in reality most did not exercise this choice, normally selecting the provider in the most convenient location rather than one with the best record of providing services most suited to their individual requirements.

The Job Network system evolved through three contracting periods, the second and third benefiting from lessons learned in the earlier phases. Job Network 1 was in effect from 1998 to 1999; Job Network 2 from 1999 to 2003; and Job Network 3 ran from 2003 to 2009. While each phase saw some modifications aimed at addressing shortcomings identified through internal evaluations of the system, all three phases shared some similarities. With the introduction of the Job Network, providers were no longer required to sanction clients; this responsibility was shifted to Centrelink. Also, all jobseekers were assessed using a scientifically developed tool, the Job Seeker Classification Instrument (JSCI), to determine their level of employability. While the classification levels

were modified in the second and third phases, in all cases this JSCI level determined the type of service to which the jobseeker was entitled.

With Job Network 3, several features were added to address concerns that providers were profiting from job-matching and job search training assistance but were neglecting the harder-to-place jobseekers. Distinct service levels were abolished and replaced with a continuum of service. Providers were obliged to provide more intensive and individualized support to all jobseekers unemployed for more than one year and for highly disadvantaged clients from the outset. Another significant improvement in this third phase was the establishment of a Jobseeker Account. These funds, while not individual entitlements, were for the exclusive purpose of purchasing training for jobseekers. Therefore, while providers had the flexibility to assign these funds for jobseekers as they determined the need, the funds could not be retained by the provider as profit. Finally, and in order to encourage jobseekers to select their providers more carefully, a 'star rating' system measuring the providers' performance was introduced.

In 2009 a new model, Job Services Australia, was introduced and continues to operate at the time of writing (2013). It is similar to Job Network 3 in that providers have access to Employment Pathway Funds, which have replaced the Jobseeker Accounts. Providers continue to be paid under the same payment schemes as in earlier models, with jobseekers furthest from the market netting the highest placement fees. However, Job Services Australia utilizes a more prescriptive service delivery model through the introduction of service guarantees for providers that are shared with the jobseekers as the government continues to explore ways to avoid 'creaming'<sup>2</sup> and 'parking'<sup>3</sup> tendencies. This has resulted to a certain loss in the flexibility available to providers in tailoring services to individual client needs.

### **7.5.3 The United Kingdom**

In the UK<sup>4</sup> the provision of activation services has generally been more centralized (Van Berkel, 2009). The PES, Jobcentre Plus, is responsible for the administration of benefits, labour exchange services and advisory assistance to jobseekers, with most in-depth employment services and training programmes delivered through external service providers.

The process of modernizing employment services began in the early 1970s with the separation of benefit administration from employment assistance through the establishment of a network of local Jobcentres. A tripartite Manpower Services Commission (MSC), one of the first public

agencies to contract out the provision of services, supervised the process of building the Jobcentre network.

In the late 1980s the MSC was disbanded as ineffective, and the Employment Service and Benefit Agency became one of the many Next Steps agencies. These agencies were given freedom to manage their activities, with the aim of improving efficiency and the quality of service delivery. Through the Modernizing Government programme the government continued to examine ways to achieve a renewed and sustained focus on quality schemes and measures, with an emphasis on partnerships with stakeholders in the broader public sector. Following the introduction of the Jobseeker's Allowance in 1996, one-stop shops were piloted, bringing together services provided by Jobcentres, the Benefit Agency and the municipalities. These centres formed the basis of Jobcentre Plus, established in 2002.

In the UK, jobseekers have access to different welfare-to-work schemes based on where they live and the type of benefit to which they are entitled. Since the late 1990s, various delivery approaches, often measuring PES delivery against that of external providers, were assessed. In 1997 the PES had the leading role in providing services through a succession of New Deal programmes and directly delivered frontline advice and job-matching services. Clients requiring a wide range of intensive labour market programmes and services were referred to subcontractors representing private and public sector agencies as well as not-for-profit organizations.

Between 1998 and 2000, a private sector contractual arrangement was piloted in five Employment Zones. This programme was deemed to be successful and was expanded to 15 zones with high levels of deprivation in 2000, then reduced to 13 zones by merging several zones in 2003–2004. Newer contracts were issued for longer periods than earlier in the programme, and allowed for multiple service providers in six of the 13 zones. Jobseekers were randomly referred to providers, which ensured more balanced use of the providers but denied the clients freedom of choice.

There were three stages to the programme. The first was overseen by Jobcentre Plus, the public 'gateway' provider. The second was spent entirely with a private or not-for-profit service provider. Providers were paid 21 weeks of benefit payments for each jobseeker who registered with them and were required to pay this benefit to the jobseeker while they remained unemployed. If the jobseeker found employment before the end of this period, the provider would keep the remaining benefits as a bonus; however, if the jobseeker continued to be unemployed beyond this period and remained with the provider for the full 26 weeks of the

second stage, then the provider was required to pay their further benefits from their own funds. Thus there was a strong incentive for providers to work with jobseekers in rapidly reintegrating them into the labour market. Providers were also permitted to stop benefit payments if jobseekers did not fulfil the conditions of their action plan. The development of the action plan was a key feature of this programme and was formulated at the start of the second stage. It was a collaborative effort with the private service provider facilitating the process with the jobseeker.

During the early 2000s the PES retained its central delivery role for the New Deal programmes, but the role of the private sector in the provision of services to the more difficult-to-place clients continued to grow. These external contractors were encouraged to develop new delivery approaches for the government programmes.

Another programme, Pathways to Work, first introduced in 2003 and expanded to 14 areas in 2005–2006, benefited from lessons drawn from the implementation of the New Deal.<sup>5</sup> In these areas, the programme was administered by Jobcentre Plus. Services were contracted out to external providers in the remaining districts<sup>6</sup> in 2007–2008 under a similar programme (Provider-Led Pathways).

By 2006, taking the view that the multiplicity of external contracts was inefficient, the Department for Work and Pensions introduced the concept of prime contractors, resulting in a reduction from 1000 individual contracts to only 94 prime contracts. Of these prime contractors, slightly more than 50 per cent were private providers, with the balance of contracts awarded to non-profit and public sector organizations.

In 2009 the Flexible New Deal (FND), designed to support long-term unemployed individuals, was introduced. Phase one covered 14 contract areas, most of which had two prime contractors, although some had only one. Following past practice, these prime contractors were enabled to subcontract to more specialized subcontractors when necessary. The FND provided greater flexibility in how contractors could deliver their services; however, there were still some mandatory requirements for each stage of the programme. In spite of this increased flexibility, most providers delivered a similar set of services (Cumming, 2011).

The second phase of the FND was cancelled owing to the introduction in mid-2011 of the Work Programme by the new coalition government that took office in 2010. The Work Programme provides a holistic and comprehensive range of services for all jobseekers throughout the entire country. Central to its delivery is an enhanced prime contractor model with a total of 18 prime contractors providing employment services to all long-term unemployed clients and many clients on disability benefits.

Consistent with earlier delivery models, Jobcentre Plus will continue to administer the benefit system directly as well as to offer job-matching services to jobseekers who have been unemployed for less than one year (DWP, 2012a, 2012b).

While many different programmes have been introduced in the UK in the past 15 years, the delivery model has remained consistently based on a system whereby the PES provide services to the near-to-job-ready clients and the in-depth services are contracted out to external providers. What has changed is the number of providers contracted for this work, which has declined dramatically over the past few years. This has in effect limited the choice available to jobseekers while at the same time reducing transaction costs for the government.

#### **7.5.4 The Netherlands**

The Netherlands<sup>7</sup> has also gone through a series of evolutionary stages in delivering PES, beginning in the late 1990s. In a country benefiting from a long culture of decentralized approaches to governance, the establishment of a fully contestable market has been accompanied by the decentralization of administrative and financial authority for welfare delivery.

Provision of employment services is characterized by a significant degree of interaction between national and local government and private sector delivery partners, thus providing a single gateway for all new customers with distinct onward streams for those who qualify for insurance-based benefits.

Since 2001, the Institute for Employee Benefits Schemes (UWV), the public entity responsible for the social insurance system and public employment services, has been required by law to purchase reintegration services from private providers. Similarly, municipalities must also contract out up to 70 per cent of their reintegration services. Reintegration services are targeted towards all benefit claimants subject to activation requirements. Services include case management, assessment, rehabilitation, vocational and/or job search training, mandatory work experience, extended work trials, and job placement and retention services. When the reintegration services are contracted to external providers, all services, including case management, are provided by the contractor. Alternatively, PES or municipality reintegration coaches or case managers refer their clients to shorter programme components composed of individual service modules.

Early tendering systems were for relatively small contracts intended to meet the special needs of particular target groups, including disabled

persons, and included prices and outcome terms customized according to the degree of the barriers faced by the clients. Payment schemes often involved staggered payments, with the first portion paid upon completion of a client action plan, a second payment after six months of client interaction and the balance of the contract, usually representing 40–50 per cent of the total value, paid after the client had remained in a job for two months. This system, however, proved to be cumbersome administratively and incurred high transaction costs, leading to a change in the payment scheme for future tenders. The revised payment scheme focused more on outcomes and promoted a ‘no cure, no pay’ approach to contracting. This in turn resulted in fewer providers being willing to enter into contracts as well as a reduction in the more costly reintegration services such as longer-term training programmes. This led to the introduction in 2004 of Individual Reintegration Agreements (IRO): a voucher system in which users were free to select services from much smaller agencies and organizations. While this did increase the pool of service providers and offered more choice to jobseekers, registration requirements for providers were minimal, leading to concerns about the quality of the services provided.

Further reforms to the contracting system were introduced in 2008 in the form of a purchase framework combined with an increase in the role of the UWV reintegration coaches, who assumed a more direct case management role with individual client action plans.

Additional reforms to the provision of employment services were introduced in April 2011, which resulted in significant reductions in the functions and resources of the PES. The long-term goal is to provide only online services to up to 90 per cent of jobseekers eligible for unemployment benefits. This will be achieved through a major upgrade to the electronic systems currently in use by UWV and the municipalities. In addition to this move away from providing services in person to the majority of jobseekers, the UWV will have no budgets for active labour market measures to assist the unemployed. At the same time, stronger relationships with temporary work agencies are being established and all new jobseekers will be required to register with at least one temporary agency. Only persons receiving disability benefits and those jobseekers who have been unemployed for more than six months will receive the more in-depth reintegration services purchased by the UWV.

### **7.5.5 Canada**

Canada<sup>8</sup> has introduced a system similar to that of Australia. Changes to Canada’s delivery system began in the mid-to-late 1990s, motivated by a



commitment to downsize the federal government institutions as well as to decentralize the delivery of employment services, moving them nearer to their clients.

Throughout the changes in the PES delivery model, Human Resources and Skills Development Canada (HRSDC) has retained oversight to ensure consistency of the services delivered free of charge to jobseekers and employers throughout Canada. Service Canada, the network of HRSDC field offices, provides a one-stop shop where clients register for unemployment insurance benefits, social security and childcare allowances. These offices also offer resource areas where jobseekers can benefit from a variety of self-help options. These options include access to computers to prepare CVs and application forms; access to online websites posting job vacancies; information on training courses offered at local educational institutions; and, of course, information on job vacancies registered on the electronic labour exchange system on HRSDC's website. The electronic Job Bank for Job Seekers/Workers and for Employers remains under the direct supervision and control of HRSDC.

The HRSDC website also provides links to private employment agencies and other non-governmental organizations that post job vacancy information, thereby broadening the pool of vacancy information available to jobseekers who consult their website. In addition to this information, the HRSDC website contains a wide range of other helpful career counselling tools and advice to assist jobseekers who prefer to rely primarily on self-service options during their job search.

Since the late 1990s, through Labour Force Development Agreements signed with some but not all provinces, many of the extended counselling services related to employability improvement for jobseekers are delivered through third-party service providers. The provincial governments enter into contracts with local service providers, both private agencies and non-governmental or not-for-profit organizations, in much the same way that Centrelink subcontracts this activity in Australia. It is important to note that since all programmes and services are financed through public resources and all activities are overseen by both the provincial agencies directly and HRSDC indirectly, these services are still considered part of the overall PES. This ensures not only that these services are equally available to all jobseekers and enterprises that may need them, but also that the quality of services offered is consistent regardless of the office providing the service.

In Canada many agencies specialize in providing services to a particular target group (disabled clients, youth, women returning to the labour force), and this model of contracting the work to third-party service

providers has proven to be particularly successful when dealing with these groups of more vulnerable jobseekers.

### **7.5.6 Germany**

The desire to achieve greater efficiencies, to reintegrate the unemployed more quickly into the labour market and to implement more activation measures has not always led to new partnerships with private and not-for-profit agencies, but may instead result in a reorganization of the PES to both streamline and enhance the existing services.

In Germany, before the Hartz reforms beginning in 2003,<sup>9</sup> wage-related unemployment benefits, as well as a means-tested unemployment assistance benefit providing income support to the unemployed who had exhausted their unemployment benefit entitlements, were administered by the Federal Employment Agency (FEA). This agency was also responsible for activation measures for these two groups of recipients. As early as 1998, local offices of the FEA had significant autonomy in deciding upon the mix of activation measures available to their clients as a result of a decentralization process that grouped a variety of activation programmes under one reintegration budget. At this time, municipalities administered social assistance payments, including both income support and assistance for housing and heating costs. Social assistance beneficiaries deemed capable of work were referred to the local FEA office for appropriate activation support. In many cases, municipalities began to offer these activation programmes for their own clients.

In January 2003, Germany implemented the first two Hartz reforms, followed by the third and fourth packages of Hartz reforms in January 2004 and January 2005, respectively. The overall aim of these reforms was to accelerate labour market flows and reduce unemployment duration. Among other measures, Hartz II introduced the implementation of Job-Centers, agencies to improve matching between jobseekers and enterprises. Hartz III implemented a reorganization of the FEA and its local employment offices (Fahr and Sunde, 2006).

One of the core changes in policy resulting from the Hartz IV reform was the merging of unemployment assistance and social assistance for beneficiaries capable of working into a new system, unemployment benefit II. While municipalities remained responsible for clients unable to work, the FEA assumed responsibility for the remainder. The main challenge arising from these changes was how to streamline the provision of services for the long-term unemployed, the main recipients of this new benefit system.

This was addressed with the establishment of a new local agency, ARGE, jointly managed by the Federal Employment Agency and the municipalities, joining their services of benefit administration, activation and social service through the creation of a one-stop shop for the long-term unemployed. The ARGE agency is located in the same premises as the local Job-Centre, which also houses the Service Centre of the FEA and provides income support and activation measures to short-term unemployed clients.

These reforms paved the way to several new contractual arrangements with private providers. These included two separate voucher systems: one for use with training providers; the other for use with private placement agencies and personal service agencies – that is, placement-oriented temporary work agencies. The most extensive subcontracted area is for placement and integration services, ranging from basic job search assistance to comprehensive job search and placement activities (Finn, 2011).

In 2008 Germany further reviewed its PES organizational delivery model, refocusing provision of services on three specific and interrelated areas. The FEA has revamped its automated job-matching software to develop a Virtual Labour Market which offers a common platform for all labour market participants. In addition to jobseekers and employers, this includes private recruiters, educational institutions, third parties, EURES (the EU job sites), communal organizations and various other organizations. The Virtual Job Market has three components: a main information technology system for the internal core functions of employment services and vocational counselling; the JobBörse, which is the online job portal for jobseekers and employers; and a Job-Robot, which is an online job-crawler that collects job offers from company websites. The use of these high-end technological systems is particularly appealing to young jobseekers and has been quite successful in extending the outreach of the German employment services while maintaining the more conservative model of direct PES delivery through a government agency rather than outsourcing activities to private or not-for-profit agencies.

In addition to the Job-Centres, the FEA operates Career Resource Centres, often co-located with Job-Centres. These career centres offer a wide range of services and information, many of which are self-service-oriented through computers provided for jobseekers' use. Qualified career counselling specialists are also available to assist jobseekers should this be requested.

The FEA also operates call centres for the handling of unemployment insurance enquiries, which helps to streamline services to clients who qualify for income support.

### **7.5.7 The Philippines and China**

The quest for greater efficiencies and faster reintegration of the unemployed into the labour force are not the only motivations for PES to seek out partnerships with other employment service providers. In some countries, while it is possible for the government-funded agencies to deliver a full range of employment services to jobseekers and enterprises in the more populated and urban areas, they do not have sufficient resources to expand these services to provide a nationwide employment service. In these situations governments have formed alliances with other levels of government (as in the Philippines), or with private employment agencies (as in both the Philippines and China), in order to ensure that all members of the labour force can benefit from reintegration assistance.

In the Philippines, one of the significant programmes of the government's Bureau of Local Employment in 2010 was the review of its existing policies on employment facilitation aimed at strengthening the functioning of the local labour market.

In accordance with the ILO Employment Service Convention, recruitment and placement of workers have always been part of the employment facilitation services of the Philippines government. To further expand these services and to locate them closer to the clients, 1700 Public Employment Service Offices (PESOs) were established in Local Government Units in accordance with the PESO Act of 1999. Currently, the PESOs are implementing employment facilitation programmes under the technical supervision of the Department of Labour and Employment (DOLE). These programmes include job vacancy referrals, placement, career and employment coaching, and provision of labour market information.

The Philippines recognizes the positive contribution of the private sector in enhancing job creation and facilitation within the country as well as cross-border migration. Parallel with the free employment facilitation services of PESOs, Article 25 of the Labour Code of the Philippines provides for private sector participation in the recruitment and placement of workers for local and overseas employment. There are currently more than 600 private agencies that hold valid licences from DOLE permitting them to operate in the local employment market, and nearly 1000 agencies licensed by DOLE to handle overseas employment opportunities.

An example of the positive benefits of collaboration between public and private employment agencies can be seen in Xiangcheng, China. In 2008 the governate of Xiangcheng, the youngest district in Suzhou province, undertook a three-year project to attain full employment. The

aim of the project was to be achieved by creating 60 000 jobs and offering training and self-employment opportunities for up to 200 candidates. It was hoped that 100 per cent of the communities within the district would reach full employment.

In pursuit of this goal, the Bureau of Labour and Social Security established a partnership with Humanpool, one of the first private employment agencies specializing in labour dispatch services. Humanpool was also engaged in contracting with businesses covering nearly 20 industries and approximately 800 enterprises for workers' employment and vocational skills training.

Humanpool undertook a number of projects, the first of which was the development of a system to monitor supply and demand within the district's labour market. This consisted of four databases, a monitoring management system and the related management software. A hot-line service system was established providing all required job information free of charge by mobile and landline phone, fax, email and the Internet, offering jobseekers fast, convenient and secure access to information on a large number of job vacancies. The system also offers follow-up services and free consultation on employment policies, making it possible to compile reports that can form a basis for management and decision-making. Humanpool was also instrumental in establishing an employment agency association responsible for developing service standards to promote fair competition, protecting the industry and its members' legal rights and interests, and conducting research on supply and demand to provide policy-making references. The employment agency association is also involved in organizing workshops, training programmes and job fairs within the industry; offering consulting services related to industry information; and implementing programmes on behalf of government departments and socio-economic groups. Finally, Humanpool was involved in establishing a centre for employment assistance and self-employment guidance in the district, including the preparation of 'business incubators' in five towns, and in the organization of employment guidance and special vocational skills training.

Overall, this three-year project based on cooperation and collaboration between the Bureau of Labour and Social Security and a private employment agency was implemented smoothly and considered a resounding success. Traditional employment service systems were improved and expanded; a supply-demand analysis system was established facilitating the development and implementation of employment policies; and more convenient employment services and channels were introduced. Public-private partnerships helped the government fulfil its roles and responsibilities and build a positive image, while at the same

time making best use of private employment agencies and strengthening their corporate social responsibility image.

### **7.5.8 Egypt and Cambodia**

Many countries are still in the early stages of developing the capacity to deliver PES, and face a particular delivery dilemma. In these countries, governments are committed to developing a PES that has the capacity to directly deliver the core services to both jobseekers and employers. However, as has been outlined earlier in this chapter, the functions of an employment service tend to evolve over time as the capacity and strength of the employment offices and their staff grow. Therefore these countries need to make decisions in the early stages of development as to what types of services can realistically be offered directly through their offices and what services will need to be sought out through other partners within their community, at least in the short and medium term. In these cases the provision of knowledge and information becomes a very important part of the services offered to both jobseekers and employers. Useful illustrations of how even the least well-resourced ministries can begin to develop and offer these services as a public function can be found in the recent experience of Egypt and Cambodia.

Egypt began to focus on building a national network of PES in the early 2000s and is still in the process of developing a modern and enhanced service. The PES here operate on the traditional approach of providing registration, job-matching and some limited employment counselling and employability improvement services to all jobseekers. Most recently, they have begun attempting to address the high rates and prolonged durations of youth unemployment by establishing youth employment units within some of their new employment offices. These units have as their mandate the role of facilitating the transition from school to work for young jobseekers. This project includes actively engaging both worker and employer organizations and training institutions as partners with the Ministry of Manpower and Migration and local employment offices. Plans for an extensive marketing campaign and a comprehensive website providing useful information on job search techniques and links to many popular job search engines are at various stages of development. There will also be a strong focus on training staff, both in the youth units and also in partner organizations such as training institutions, on effective career and employment counselling techniques.

In Egypt, labour inspectors make regular visits to their employer clients and during these visits are often made aware of current or imminent job opportunities. These vacancy notifications are then relayed

by the inspectors to job centre staff who are responsible for posting the vacancies within their centres as well as in a widely distributed monthly jobs bulletin. The inspectors also give employment centre staff general information related to the labour law in order to ensure that they can make both the jobseekers and employers with whom they work aware of their legal rights and obligations. This level of reciprocal cooperation helps to compensate for some of the constraints created by the limited financial and human resources of the Ministry of Manpower and Migration in carrying out its dual mandate.

The government of Cambodia has launched a series of initiatives aimed at addressing the mounting unemployment challenge in the country resulting from the global financial and economic crisis. At the same time, it is also committed to long-term efforts to strengthen Cambodia's labour market fundamentals, at the forefront of which are measures to improve access to and quality of local training and employment services nationwide. It is in view of these two priorities that the government has begun the task of establishing a network of regional job centres, both as an immediate response to the crisis and as part of a longer-term effort to strengthen employment services and market-based training and skills development in the country. Work in this area began in late 2009 and continues in 2013. At the time of writing, there were five regional job centres in operation with plans for additional centres to be operationalized.

The regional job centres will provide an effective mechanism for the provision of labour market services in Cambodia, in particular labour market information in local areas, job search and placement services, counselling and guidance to jobseekers, and the provision of labour market programmes such as training/retraining for employment. In providing these services, the job centres have the potential to assist workers to enter the labour market and thereby to cushion the effects of the economic crisis.

The National Employment Agency (NEA) was established in 2009 to ensure the efficient and effective functioning of employment services and facilitate the distribution of labour market information to all concerned. Established as a Special Operating Agency (SOA) under the National Training Board (NTB), it is responsible for managing the job centres and conducting a series of capacity-building initiatives to enable its staff to deliver its services and responsibilities fully and efficiently. Operational resources for the NEA were made available for the first time in 2011 and staff capacities are still limited. The government has therefore sought the assistance of the ILO, particularly in establishing new job centres and capacity-building for staff in the job centres and the NEA.

## 7.6 DO THE NEW DELIVERY MODELS RESULT IN COST SAVINGS?

Evidence regarding the achievement of goals related to cost savings and efficiencies through the new delivery models shows mixed results.

It was noted in the UK that while the duration of unemployment and wage levels were similar in Employment Zones and in the New Deal areas, Employment Zones cost significantly more. Similar results were found when using other measures of cost-effectiveness in the UK (Cumming, 2011).

In general, Finn (2011) found that the competitive nature of contracting and providing services combined with payment-for-performance schemes has generated efficiencies and cost savings. It is clear that in most countries jobseekers facing few employment barriers were reintegrated into the labour market more quickly through external providers who were focused on quick results based on outcome-based payment schemes. The combination of shorter durations on benefit and less money expended on activation programmes such as training for these clients has generated savings in government budgets.

However, efficiencies and savings in providing services do not come without costs. Van Berkel (2009) observed that new public management may strengthen an emphasis in activation on short-term labour market integration and may also strengthen, rather than weaken, 'creaming' processes. There is still the temptation for providers to focus their efforts on providing the minimum level of required services to harder-to-place clients and devoting the majority of their services to less challenging cases. This concern can be further broken down into the issues of all clients having equal access to providers, without cream-skimming (Finn, 2011), and all clients receiving equal support and services according to their individual needs (*ibid.*). Bruttel (2004) further observed that providers were not rewarded for less tangible forms of progress such as increased employability, better motivation or more stable personal environments.

## 7.7 DO THE NEW DELIVERY MODELS WORK FOR THOSE MOST IN NEED OF ASSISTANCE?

The question arises: what happens to long-term unemployed clients facing substantial, often non-vocational, barriers to employment? While some delivery models attempt to address this challenge through variable



levels of service, as well as increased payments to providers for placing clients who are further from entry to the labour market, more needs to be done.

One study (Lilley and Hartwich, 2008) found that contracting out employment services in Australia had generated not only significant economies but also improved job placement rates compared to outcomes before 1998. However, these positive results have been weakened by recurring concerns that savings have come at the expense of the quality of service provided to the most disadvantaged jobseekers. In fact, many not-for-profit providers were seeking a change in the basis of the payment system from the 'work-first' to the 'human capital development' approach, whereby they could be paid on the basis of the help given to the most disadvantaged clients to overcome barriers to work and become more employable.

## 7.8 DO THE NEW DELIVERY MODELS BRING GREATER EFFICIENCIES?

In the Netherlands, concerns have emerged over the administrative costs attached to the new delivery models. Some stakeholders judged contracting out employment services to external providers to be inefficient, based on costs incurred in designing tendering systems, developing client-profiling tools and adapting stringent performance measurement and programme evaluation tools (DWP and the Centre for Economic and Social Inclusion, 2005).

There continues to be discussion on how this aspect can be handled. Finn (2011) observed that contracts of longer duration, such as found in the 'prime contractors' approach in the UK, and the 'star ratings' approach in Australia,<sup>10</sup> which limits the amount of new tendering for subsequent contracting periods, can provide a solution to this concern. The counter-argument is that more providers and shorter-term contracts offer more choice, making it possible to review and adapt services frequently, as well as to increase competition as poorly performing providers are quickly eliminated. However, this approach results in high transaction costs, with few providers willing to make longer-term investment in their delivery capabilities.

Public purchasers have sought to manage the gains and disadvantages associated with subcontracting through a continuing process of redesigning contracts and procurement systems. This has been judged by some as an indication of inherent instability but by others as an indication that governments are striving for continuous improvement (Finn, 2011).

Generally, three types of contract have been used in various countries. Cost reimbursement contracts cover eligible costs that are incurred by the service provider; while payment is not contingent on meeting performance standards, outcomes are defined and poor performance will usually result in non-renewal of subsequent contracts. Fixed price contracts offer the advantage of providing a degree of predictability and reducing the risks assumed by both the government and the providers. However, contracts of this type do not provide as much flexibility and therefore are not as adaptable when unforeseen circumstances occur. Since neither of these contract types focuses on payment for performance, they do not offer incentives for service providers to improve their performance or reduce their costs. Outcome-based contracts are the most commonly used and do create incentives; however, unless the incentives are well designed and carefully monitored, outcome-based contracts may increase the risk of 'creaming' and 'parking' (Finn, 2011). Also, because the whole idea of contracting out is built around incentive-induced behaviour, there are serious consequences if incentives are not well designed (Bruttel, 2004). A study in Australia supported this concern, noting that an incentivized system will always run the risk that service providers will sacrifice quality and seek the easiest returns (Lilley and Hartwich, 2008).

Outcome payments in many of the schemes are based on clients remaining in new jobs for 13 weeks, with some schemes paying bonuses to providers where jobseekers remain in their jobs for up to 26 weeks. However, it could be argued that the first benchmark of 13 weeks is not an indicator of sustainable employment. One evaluation (Cumming, 2011) found that in both the Employment Zones and the New Deal programmes in the UK, jobs lasting 13 weeks did not often continue over the long term. It was further found that many of these jobs were temporary, with smaller enterprises and offering low wages.

Perhaps the best solution is a combination of fixed and outcome-based contracts providing a trade-off between optimal incentive contracts and the risk aversion of providers (Bruttel, 2004). It is worth noting that this type of model works best when the outcomes are kept simple, are clearly defined, are understood by all parties and are carefully monitored with a credible performance management system.

## 7.9 DO THE NEW DELIVERY MODELS OFFER MORE INNOVATION, SPECIALIZATION AND CHOICE?

Another motivation for the changes in employment services delivery systems focused on the benefits to be gained from access to the

specialized expertise available in the private and not-for-profit sectors, which would in turn lead to more innovative approaches to rapid reintegration of the unemployed and, by providing greater choice of provider to clients, also increase their general satisfaction with the employment services.

Again, results are mixed. It has been observed that the failure of the customer choice ideal has led to increased governmental control, monitoring and regulation of the providers to ensure service quality. Not only has this increased administrative costs; it has also curtailed flexibility (Lilley and Hartwich, 2008). In Australia, while choice is given to jobseekers, early studies (Bruttel, 2004) found that only one-third of the Intensive Assistance clients selected their provider, and more than half of those who did exercise their right to choose did so on the basis of location. The reputation of the service provider was found to have influenced only one-fifth of all jobseekers' selections of providers. Generally it was found that jobseekers required more information upon which to base their choice, and this was often not provided. To address this issue, Centrelink introduced the 'star rating' system for providers; however, although that information is available to clients, it has still not entirely solved the problem. In the Netherlands, with the introduction of the IRO programme jobseekers were given a vast amount of choice, with many small service providers available and with information on the providers provided by UWV to facilitate these choices. However, under the delivery system announced in 2011 and continuing into 2013, most jobseekers will have significantly less choice as to which provider they can use. In the UK the prime contractor approach in itself implies a lack of choice for jobseekers.

Still, client satisfaction as measured by surveys and personal interviews has been positive. Of interest, though, is that many clients expressing satisfaction with the service provided under the new delivery systems base their responses on the increased flexibility offered through private providers, along with a more relaxed atmosphere than found in government offices and more frequent and personal contact with the service providers (Bruttel, 2004).

Expectations of a high degree of innovation and differentiation have not been completely met in any of the countries for which evidence is available. There are a number of plausible reasons for this. First, while service providers are given varying degrees of flexibility in the various countries, depending on the particular programmes and client groups registered with them, outcome-based contracts set minimum service requirements; payments are based on performance outcomes; and payment schemes limit the freedom of choice in terms of services that can be

offered. It has been observed that this strong focus on outcomes – that is, rapid reintegration into the workforce – leads to a lack of emphasis on education and training for jobseekers (Bruttel, 2004). Many providers have, over time, focused on group activities in order to benefit from economies of scale. Also, with the need to reduce the transaction and other administrative costs associated with lengthy tendering processes, most delivery models have introduced automatic contract renewals for providers who meet a minimum performance standard. At the same time, poor performers are being weeded out of the pool of applications. Finally, delayed payment schemes and requirements for upfront investments by providers has limited the number of smaller providers able to participate in these models. These factors in combination have resulted in market domination by the same providers, with few new entrants who might offer potentially new methods and techniques. Many service providers who have been contracted over several phases of these programmes have also determined what works best for their client group and have no incentive to try new methods.

## 7.10 WHICH IS THE MOST EFFECTIVE MODEL?

Regardless of how the services are delivered, a key to successful outcomes is the accurate classification of jobseekers at the outset. While terms for screening processes vary, countries have invested considerable resources in developing tools for this purpose. The scientifically developed Job Seekers Classification Instrument (JSCI) is used in Australia; Canada has developed a continuum of employability dimensions used to assess the job readiness of clients; and most countries in the EU now use some form of standardized jobseeker profiling. Until 2005, in the Netherlands jobseekers were profiled by the Centres for Work and Income (CWI) using the Kansmeter and a more in-depth interview technique called Kwint (Qualification intake). However, this was adapted on the basis of the idea that profiling should take place not at one point in time but over a longer period, providing more time to better identify problems. This facilitated a more rapid referral of clients to UWV and the municipalities if more barriers to employment than initially determined emerged (Bruttel, 2004).

The principle behind this process is the same in all countries, in that it is essential that individuals first be assessed to determine the nature and extent of the barriers they face when seeking employment in order to ensure that they can be assisted in identifying the most appropriate labour market solutions.

While there appears to be a growing trend among PES to subcontract some elements of their service, this differs among countries in both degree and approach, as the various case studies in section 7.5 show.

In Australia and Canada, for example, the initial intake and jobseeker screening are delivered directly through the PES, which then refers all clients onward to external providers for most of the services related to employability improvement and re-entry into the labour market. Both countries have also retained – and in fact invested considerable resources in – a public function of monitoring and evaluating the performance of these third-party providers to ensure that the quality of services is consistent throughout all areas of the country. They are also continuously evaluating the effectiveness and efficiency of their delivery systems, seeking to build on good practices and offer the best service possible to both jobseekers and enterprises.

Other countries such as Germany and the UK continue to deliver the full range of services to the near-to-job-ready clients, generally those who have been unemployed for less than one year and who have no clearly identified barrier to employment. However, these PES have subcontracted to external providers the more in-depth and enhanced employment services, many of which require the provision of individual counselling assistance as well as the implementation of one or more active labour market measures. This has been done for several reasons, including recognition that more specialized services can be accessed through third parties; the inability of the PES to directly deliver the more labour-intensive services; and the economies of scale that can be gained when providing similar services to larger numbers of clients who are more distant from immediate entry into the labour market.

Countries such as China and the Philippines have turned to external providers to deliver employment services in outlying areas of the country typically beyond the reach of government offices. While the PES in China continues to provide the full range of employment services described in the model in larger urban centres, they rely on subcontractors and municipalities to deliver the same range of services on their behalf in other parts of the country. The result of this collaboration is greater outreach to a larger number of clients.

The recently reformed delivery system in the Netherlands suggests yet another approach. This system provides a combination of general job search and labour market information to all clients electronically, with little opportunity during the first six months of unemployment for more direct, face-to-face service from the PES. Job search assistance is provided to these jobseekers through temporary work agencies with whom they are obliged to register. Of particular note is that there is no

contractual arrangement between the PES and these temporary agencies, which also means that there is no built-in oversight to ensure that services are provided equitably to all clients. The arrangement is focused on providing access to a larger pool of potential workers for the temporary agencies and presumably a broader range of employment options for jobseekers.

While other delivery models described may realize cost savings for the government services based on outsourcing for the delivery of some services, the savings are to an extent offset by the needs to properly stream clients for the appropriate level of service at the onset of the relationship and to ensure that significant regulatory systems are in place to provide sufficient oversight on the quality and equitability of services throughout. Transaction costs related to tendering processes are another factor when examining cost savings. The system being introduced in the Netherlands is moving a step beyond this. While there is no doubt that this new delivery style will yield significant cost savings to the government, it will be interesting to study the impact this will have on the level of service, the satisfaction of both jobseekers and enterprises in the quality of the service provided, and the outcomes in respect of increased employability of the workforce.

It is difficult to state definitively that one delivery model is better than another. Perhaps it is not so much who delivers the services but how they are delivered that is the final determinant. In the end, most evaluations to date have taken this approach, focusing on outcomes achieved as well as the cost and benefits of delivery.

As illustrated in Table 7.1 above, public employment services, private employment agencies and non-governmental and not-for-profit organizations are all offering these services to some degree and to some target groups within most countries. Collaboration among the various organizations will broaden the pool of available workers and open the doors of more enterprises in terms of job opportunities, and consolidating these services in a one-stop-shop approach can benefit all partners within the labour market. This can serve to provide more options and greater choice to everyone. However, providing greater choice and achieving better results in terms of shorter periods of unemployment while at the same time reducing costs for the services may be a difficult goal to attain.

It is also clear that there is no one-size-fits-all solution when it comes to delivering employment services. Not all governments have the same scale of resources to devote to this activity; nor do all governments have the technical capacity within their own organizations to provide the best level of service to all participants in the labour market. In some countries there are few agencies capable of fulfilling the role of an external

provider. More stringent activation policies and limited choices may be acceptable to clients in countries where the labour market is relatively stable or buoyant, but less so in countries facing high levels and extended periods of unemployment. All these factors will play a deciding role in how PES choose to deliver employment services. What is important is that, regardless of the degree of collaboration with external providers, PES will want to ensure that the core employment services are universally available to all participants in their labour market and that all clients, both jobseekers and enterprises, have equitable choices in how they receive these services when needed.

## NOTES

1. Cumming (2011) provides a comprehensive summary of the evolution of the Australian PES.
2. Creaming is the term commonly used to describe the practice of focusing the majority of time and services on the jobseekers who appear to be closest to the labour market.
3. Parking describes a similar tendency to discriminate between jobseekers and refers to the practice of offering only limited services to the very hard-to-place clients and then leaving them to their own resources.
4. Cumming (2011) provides a comprehensive summary of the evolution of the PES in the UK.
5. It began with three locations in 2003 and the addition of a fourth location in 2004. It was further expanded in 2005–2006 with the inclusion of an additional 14 locations and in 2007–2008 it was rolled out nationally.
6. There is a total of 18 districts.
7. Finn (2011) and Cumming (2011) provide comprehensive outlines of the evolution of the PES in the Netherlands.
8. More information on these services can be found at: <http://jobbank.hrddrhc.gc.ca/>; <http://jobbank.gc.ca/>; and <http://www.servicecanada.gc.ca/>.
9. More information on these services can be accessed through their website at <http://www.arbeitsagentur.de/>.
10. The star rating system is used to provide information to jobseekers to help them choose the best provider for their needs but is primarily used by the government to measure the overall performance of the providers. Providers who do not attain a certain level of star rating must participate in the tendering process if they seek a renewed contract, whereas providers who do well on the star rating are exempted from the bidding process and have their contracts renewed if they are interested. This substantially reduces the burden on the government of a tendering process..