



Summary

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Subsidised jobs

– counteracting errors in a system fraught with serious risks

Summary

In Sweden, subsidised employment constitutes, in an international perspective, a large proportion of active labour market policies. Every year, SEK 18 billion is paid out and around 150,000 people have an employment subsidy. This system has been recognised as one of the central government's most high-risk subsidies. The Swedish National Audit Office's audit shows that, despite improvements, the control of subsidised employment programmes is not effective. It is the assessment of the Swedish National Audit Office that although the Swedish Public Employment Service captures many of the risks that are easily identified, it falls short when faced with more complex arrangements.

The controls performed by the Swedish Public Employment Service when an employment subsidy is granted are ineffective because of underdeveloped IT systems and cumbersome administration. The Swedish Public Employment Service has developed its working methods to detect errors during the course of a subsidised employment, but it takes a long time before suspected errors are investigated. The investigators seldom report matters to the police and people are rarely convicted of fraud or benefit fraud.

The Government has designed the employment subsidies in a way that involves a risk of misuse, in particular with regard to so-called 'new start jobs'. There are also problems relating to checking employers who do not have collective bargaining agreements, and the system for recovering erroneous payments.

Those covered by the initiatives are mainly newly arrived immigrants, people in long-term unemployment and persons with disabilities. Wage subsidies are the most common form of support, followed by new start jobs.

Inefficiency in the Public Employment Service's processing of decisions and handling of suspected errors

The audit shows that the Swedish Public Employment Service has the chain of controls needed to enable deciding on and checking employment subsidies in a satisfactory manner. However, efficiency in the various components needs to improve and greater automation is needed. Preparing a decision on a subsidised employment is demanding in terms of administration. It should be possible to simplify or eliminate certain documentation requirements. Ahead of decisions on wage subsidies and introduction jobs, employment officers submit a request to an employee organisation for their opinion on the suitability of the workplace. The opinions are processed by e-mail and are labour-intensive for both employment officers and employee organisations. Several employee organisations completely refrain from responding to the Swedish Public Employment Service's inquiries.

The Swedish Public Employment Service has improved the possibilities of detecting errors during the course of an employment in progress. However, there are shortcomings in how suspected errors are handled. It takes about three months before an investigator deals with a case. The long waiting times pose a risk of undue payments over a longer period, making it more difficult to investigate the cases. The Swedish Public Employment Service's sanctions sometimes lack proportion. Employers who have made minor errors risk large recoveries, while few matters are reported to the police and prosecutions for criminal offences are rare. Since 2016, there have only been six convictions of fraud related to subsidised employment. The control system is not designed to deal with employers who repeatedly abuse the system. The Swedish Public Employment Service can make decisions on new subsidies even though an employer is under investigation for suspected errors.

The Government has taken action against undue payments but problems persist in how the system is devised

In recent years, the Government has taken several measures to reduce undue payments at the Swedish Public Employment Service. However, these new duties have suppressed regular controls, causing longer lead times before cases are investigated. The Government has earmarked SEK 32 million per year for efforts targeting undue payments. In practice, this earmarking is of little relevance, as the Swedish Public Employment Service currently allocates more than twice that amount to its control activities.

The Government has designed subsidised employment in a way that involves a risk of misuse. This applies to new start jobs in particular, where there are few controls despite a high compensation level. It is difficult for the Swedish Public Employment Service to check wages and insurance when employers lack collective bargaining agreements. It is also complicated to recover undue compensation payments because of how the regulatory framework is devised. Employers who have deliberately misused the system can refrain from repaying and wait to be sued by the Swedish Public Employment Service in a general court, which can take several years or may not happen at all.

Recommendations

To the Government

- Ensure that the risks regarding new start jobs are matched by adapted requirements for controls.
- Conduct a review of the ordinances governing how the Swedish Public Employment Service is to check employers who lack collective bargaining agreements to ensure that good employment conditions can be secured without excessively costly processing.
- Conduct a review of the system for the recovery of undue payments to provide the Swedish Public Employment Service with the means to efficiently recover undue payments.

To the Swedish Public Employment Service

- Conduct a review of the processing procedure for subsidised employment with the aim of identifying ineffective time use, eliminating unnecessary steps in the procedure and simplifying the process for employment officers.
- Digitalise the request for an opinion from the employee organisations.
- Improve the handling of suspected errors by cutting lead times for investigations, improving procedures for re-examination of ongoing decision periods and initiating collaboration with the Police Authority concerning dealing with matters reported to the police.