



RIKSREVISIONEN

*Summary:*

Efficiency measurement as a means of  
comparing employment offices

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### Efficiency measurement as a means of comparing employment offices

The Swedish National Audit Office has audited the resource efficiency of the Swedish Public Employment Service. Efficiency is examined through comparisons between employment offices. This study has also investigated how the Government controls the work of the Public Employment Service in order to achieve an efficient operation.

### Background to the audit

*Motivation:* On 1 January 2008, the National Labour Market Board (AMS) and the County Labour Boards were wound up and a new combined authority, the Swedish Public Employment Service, was established. The aim of the reform was to achieve a more efficient, uniform and legally secure operation. It is not known how this new, combined authority has influenced efficiency. It is unlikely that efficiency is only affected by various organisational changes. Working methods, expertise, etc., are also significant components in this context.

In conjunction with its formation, the Swedish Public Employment Service worked with the concept “Objective 2010” as a vision of what the new authority would be in 2010 once the organisational changes had been fully implemented. This objective specifies that the operation must be run cost-effectively, which requires resource efficiency, as well as having a flexible and lean administration.

The Government has also emphasised the importance of the Swedish Public Employment Service’s operations being run cost-effectively. Since 2010, the authority has therefore been tasked, via appropriation directions, to describe and analyse its cost-effectiveness. In order for the Public Employment Service to be cost-effective, it is also necessary for operations to be run in a resource-efficient manner.

Against this background, the Swedish National Audit Office has decided to audit the resource efficiency of the employment offices.

*Purpose:* The purpose of the audit is to analyse the efficiency of the Swedish Public Employment Service on the basis of the goals laid down by the Government and the Swedish Parliament. This audit has also investigated how the Government controls the work of the Public Employment Service in order to achieve an efficient operation.

*Implementation:* The audit relates to the period 2004–2010 and the efficiency calculations are based on the DEA method (Data Envelopment Analysis). The DEA method is particularly appropriate when both production (output) and resources (input) are multi-dimensional, i.e. that several types of outputs are produced with a wide range of inputs. This is the case for the Swedish Public Employment Service.

The Swedish National Audit Office’s audit is not based on an in-house definition of efficient employment provision. The audit question regarding the resource efficiency of the employment offices is instead answered with quantitative methods for measuring the efficiency of the offices. The efficiency of the Swedish Public Employment Service is measured through comparisons between the employment offices, whereby the offices that achieve the most output, e.g. transitions to work or studies, given the amount of resources are viewed as most efficient.

The method is relative, and it is consequently the Swedish Public Employment Service's own working method that defines what is considered to be efficient employment provision. An employment office is deemed to be efficient when it is not possible to observe any other office that achieves more output given the available inputs. The potential for improvement that is identified using the DEA method is consequently defined as the fact that employment offices can be observed that produce less output with a comparable amount of resources than the efficient employment offices. The extent to which the most efficient offices can further increase their efficiency is outside the framework of this analysis, since it can only be based on theoretical assumptions.

## Results of the audit

The audit has resulted in the following observations and conclusions:

*High efficiency but there is some potential for improvement.* The Swedish National Audit Office's calculations show that the majority of the employment offices conduct their activities in a resource-efficient manner. This means that, according to the model, they cannot increase output unless additional resources are provided. The average improvement potential during the studied period is just over 8 per cent for each individual year. This means that the final output could increase by an average of 8 per cent without any change in the level of resources. For example, this would entail approximately 17,000 more individuals working by 2010, if all the employment offices were equally efficient.

*The potential for improvement appears to exist primarily in the employment offices' internal work.* The calculations of the employment offices' scale efficiency, i.e. if the employment offices are too large or too small, show that a relatively small proportion of the total potential for improvement can be explained by the size of the offices.

The Swedish National Audit Office has also investigated whether there are any additional exogenous structural factors that differ systematically between efficient offices and the offices that demonstrate potential for improvement. This analysis illustrates relatively clearly that there are few additional factors that co-vary with whether an employment office is efficient or not.

The Swedish National Audit Office therefore concludes that a considerable proportion of the calculated potential for improvement that has been observed can be attributed to the offices' internal working methods, such as organisation, governance and leadership. This means that it should be possible for the Swedish Public Employment Service to utilise the potential for improvement through internal development work. It is therefore important for the Swedish Public Employment Service, in its continued work to improve efficiency, to initiate work aimed at identifying the internal factors that influence the calculated potential for improvement.

*The efficiency improvement work should be targeted at employment offices with significant potential for improvement.* It is important to point out that the potential for improvement that has been calculated is not distributed evenly between the employment offices. As mentioned above, a number of offices are efficient, according to the model. Introducing general efficiency improvement work without taking this fact into account could, in the Swedish National Audit Office's opinion, lead to already efficient offices instead becoming less efficient. The method that is used makes it possible to identify the efficiency of individual employment offices. The improvement work can consequently take place through comparisons between offices that are efficient and those that have the potential for improvement, in order to identify differences in working methods. It is important to note that the method for calculating efficiency is relative. This means that it is not possible to comment on the potential for improvement that may exist for the entire operation.

*The Swedish Public Employment Service should improve the capacity to follow up its efficiency.* According to the Swedish National Audit Office, the Swedish Public Employment Service's ongoing work of following up its cost-effectiveness can be developed using the method that the National Audit Office has used in the audit. Such work would also provide valuable information for the Government, enabling it to follow up the authority's work aimed at achieving an efficient operation.

The Swedish National Audit Office's collection of data in conjunction with the study has entailed extensive work, where the National Audit Office, in collaboration with the Swedish Public Employment Service, has run concurrently and produced data from different registers. If the Swedish Public Employment Service is to be able to monitor its efficiency in the future, it is important for the type of information required for this purpose to be gathered, compiled and quality-assured in a systematic way at office level. This is not being done at present, according to the Swedish National Audit Office.

## The Swedish National Audit Office's recommendations

*Recommendations to the Swedish Public Employment Service:*

- Implement an analysis of the causes of the differences in efficiency between the employment offices, in order to make use of the potential for improving efficiency that has been identified at individual offices.
- Develop procedures for systematic data collection, in order to make it possible to follow up efficiency in the provision of employment.

*Recommendations to the Government:*

- Commission the Swedish Public Employment Service, as part of the cost-effectiveness assignment, to repeatedly follow up and analyse the authority's resource efficiency.

## Facts and figures

The Swedish Public Employment Service is responsible for the public provision of employment and its labour market policy activities. In 2010, the Employment Service's state appropriations totalled SEK 79 billion. These appropriations fall within expenditure area 14 in the Government budget. Just over SEK 6 billion of these appropriations were administration appropriations to cover salaries, premises and other operating costs. The majority of the remaining appropriations were used for income support for unemployed individuals in the form of unemployment benefit and activity support.

The Swedish Public Employment Service has a total of around 220 local employment offices across the country conducting employment provision activities. Up until 2010, these offices were divided into 68 labour market areas. In January 2011, the Employment Service had 10,769 employees, of whom around 8,400 had direct contact with jobseekers and employers. In 2010, a total of 551,000 vacant positions were registered with the Swedish Public Employment Service, and 493,900 jobseekers were taken off the register, of whom 281,800 found employment. The number registered at the end of December totalled 708,600. Of these, just over 210,000 were in open unemployment.