

Summary

A step in and a new start – how do
subsidised jobs work for new arrivals
in Sweden? (RiR 2013:17)



A step in and a new start – how do subsidised jobs work for new arrivals in Sweden?

The Swedish National Audit Office has examined two types of subsidised employment aimed at new arrivals in Sweden: entry recruitment (known as “step-in jobs”) and so called new start jobs. The National Audit Office's overall assessment is that these recruitment incentives generally work as intended, but that there are opportunities for improvement.

Assessment background

It is important for the Swedish economy that as many people as possible are employed. Step-in jobs and new start jobs for new arrivals are believed to play an important role in the establishment of new arrivals in the labour market. No comprehensive assessment has been made of how well these two labour market programmes actually works. However, there is a conflict of objectives between promptly getting work through subsidised employment and quickly obtaining sufficient knowledge of Swedish for a long-term establishment in the labour market. Furthermore, the Government's ambition for 4,000 step-in jobs per month has failed to materialise, with the actual number in recent years hovering around 2,500. One reason is believed to be that new start jobs displace step-in jobs, i.e., the employer chooses new start jobs instead of step-in jobs. In practice, new start jobs involve an almost equally large subsidy, but lack the step-in jobs' requirements of sfi (Swedish For Immigrants) studies and insurances.

The assessment objective is to answer the question of whether the step-in jobs and new start jobs contribute to improving the establishment of new arrivals in the labour market. We have investigated whether these two programmes lead to work by analysing newcomers' results in the labour market following step-in jobs and new start jobs. We have also investigated whether new start jobs displace step-in jobs, and have analysed how the two programmes, together and separately, works to improve labour market establishment and the learning of the Swedish language. Aside from step-in jobs being displaced by new start jobs, we have also investigated other reasons for why more step-in jobs are not being created.

The assessment was carried out using a number of empirical methods. We have conducted surveys targeted at employment officers and employers who have used either step-in jobs or new start jobs. We also utilised data from Statistics Sweden and Arbetsförmedlingen (the Swedish Public Employment Service) to conduct statistical analyses of step-in jobs and new start jobs, and have compared labour market outcomes for groups that have had step-in jobs or new start jobs (or both) with those who have not received any of these. We have also interviewed employers and



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organisations representing both private and public employers. In addition, the assessment consists of customary documentation studies and interviews with relevant authorities.

Assessment results

The National Audit Office's overall assessment is that step-in jobs and new start jobs for new arrivals largely function as intended. According to the National Audit Office's calculations, a chain consisting of a step-in job followed by a new start job leads to new arrivals eventually approaching the regular labour market. However, the National Audit Office has identified several problems and risks with the design of the initiatives. The National Audit Office also believes that Arbetsförmedlingen's work on the initiatives can be developed. The assessment has further shown that the explanations for the lower number of step-in jobs may lie with those eligible for the programmes, with certain employer groups, in Arbetsförmedlingen's work and in the conditions regarding step-in jobs.

It is not possible to evaluate the effects of step-in jobs and new start jobs for new arrivals

In this assessment, we have been able to observe that step-in employees and new start employees have gained an improved labour market status following the incentives. The results, however, in whole or in part, may be because it is the most resourceful newcomers who have both the best chance of getting step-in jobs and new start jobs, and who later also have the best chance of getting regular jobs. To determine the extent to which step-in jobs or new start jobs have contributed, one must compare the results for those who have had step-in jobs and new start jobs with a group of otherwise comparable individuals who have not had step-in jobs or new start jobs. When step-in jobs and new start jobs for new arrivals were introduced, the Government chose an arrangement wherein no comparison groups are created. Thus, it is not possible to calculate whether the two forms of subsidised recruitment for new arrivals have any effect on individuals' labour market outcomes, and if so, whether they are efficient.

Labour market status following step-in jobs and new start jobs for new arrivals

We know from labour market research that labour market initiatives that most resembles regular jobs are the most effective in bringing the unemployed closer to the labour market. The expectations for the results of the step-in jobs and new start jobs should therefore be high. However, the National Audit Office's statistical analysis reveals that step-in employees did not have a higher probability of gaining unsubsidised employment within three years. This can partly be explained by the fact that many step-in employees move on to a new start job and therefore do not have time to get unsubsidised work during this period. Our follow-up period of three years is probably too short to perform an accurate analysis of step-in employees' long-term labour market outcomes.



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The National Audit Office's analysis shows that those who had had a new start job had a significantly higher probability of getting a job within the three-year follow-up period than those who had not had a new start job.

The assessment shows that a step-in job increases the likelihood of a new start job, and a new start job increases the probability of a regular job. We have also observed that, among those who had had a new start job, it went significantly better for those who had had a step-in job before the new start job. From this we conclude that a chain of initiatives - first a step-in job with sfi and then a new start job - leads to the newcomer eventually approaching the regular labour market.

The National Audit Office finds that both step-in jobs and new start jobs for new arrivals are concentrated to a few industries and occupations. This entails a risk that many step-in and new start jobs do not provide increased opportunities for regular employment. Arbetsförmedlingen therefore has a central role in assessing whether each step-in job is likely to be an effective measure for the individual. When it comes to new start jobs, we note that this possibility does not exist, as employers have the right to the subsidy as long as the employee fulfils the formal requirements.

A relatively large proportion of employers in the National Audit Office's survey indicated that they are dissatisfied with the step-in employees' and new start employees' command of Swedish. The subsidy that employers get for hiring a step-in or new start employee is supposed to compensate for lower productivity, particularly in terms of the newcomer's lower Swedish skills. The employers' high expectations in relation to the employees' actual language skills could be due to the purpose of the recruitment incentives having not been evident. Arbetsförmedlingen has an important role in informing employers about the incentives' function.

New start jobs displace step-in jobs

The assessment shows that new start jobs significantly displace step-in jobs. The incentives' subsidy levels work as driving forces for employers to hire new arrivals with different qualifications in the labour market. On paper, the subsidy level for step-in jobs is significantly higher than for new start jobs, but step-in jobs' relatively low maximum subsidy and the insurance requirement means that, for ordinary salary levels, there are quite small differences in the actual subsidy between a step-in job and a new start job. The displacement is also due to new start jobs being eligible for unemployment benefits after termination of employment, which for example leads to some municipalities choosing new start jobs over step-in jobs to keep costs down for social assistance.

The incentives' impact on the learning of Swedish

The assessment shows that the step-in jobs that have been created have long working hours. In addition to the step-in job, the new arrivals also have to partake in sfi. One possible consequence of the employee having commitments in excess of full-time is that the sfi studies will suffer. As



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already mentioned, sometimes new start jobs displace step-in jobs. For new arrivals who have been in need of a step-in job but who received a new-start job instead, it may become particularly difficult to study Swedish. Given the long term benefits of studying sfi, this may adversely affect the prospects of newcomers regarding labour market establishment and social integration.

Prerequisites for more step-in jobs in the future

In addition to new start jobs displacing step-in jobs, there are a number of other explanations for the low number of step-in jobs. The assessment indicates that there should be a potential for more women to take part in step-in jobs. Large employers in both the private and public sectors are not as sensitive to the economic stimulus that a step-in job entails, and as a result have thus far offered few step-in jobs. The regulations also restrict the number of step-in jobs that are created. For example, the National Audit Office's survey of employers reveals that the incentive's short length, and the requirements of sfi and certain insurances, prevent some employers from taking advantage of this incentive.

The National Audit Office believes that, for more step-in jobs to be created, Arbetsförmedlingen's work on contacting employers will be of central importance. The agency should primarily focus its efforts on reaching out to employer groups who have not availed of the entry recruitment incentive. Employment advisers also state that their efforts to contact employers are hampered by a lack of time and resources, something which has also been pointed out in previous assessments.

Recommendations

To the Government

- Design labour market policy measures so that impact evaluations are possible.
- Maintain a difference in the actual subsidy level between the incentives, for example, through setting the same requirements of benefits and insurances for both the incentives and/or through a raised ceiling level for step-in jobs.
- Avoid trying to create more step-in jobs through implementing more generous rules.
- If the Government wishes to increase the number of step-in jobs, it requires, according to the National Audit Office's assessment, more active and directed efforts by Arbetsförmedlingen to reach more employers. Such work will most likely require more resources.
- Change the reporting requirements for the monitoring of step-in jobs and new start jobs to show the labour market outcome after completion of the incentives.
- Commission Arbetsförmedlingen to monitor and evaluate risks associated with step-in jobs and new start jobs being concentrated to certain occupations and industries, and pass on this knowledge to relevant employment officers.
- Commission Arbetsförmedlingen to closely examine the flows associated with the initiative chain step-in job – new start job, as well as the further flow into regular jobs, in



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order to investigate the characteristics in the chain of measures that are particularly favourable.

- Commission Arbetsförmedlingen to monitor the step-in employees' sfi studies during and after completion of the step-in job.

To Arbetsförmedlingen (Swedish Public Employment Service)

- Within the framework of the existing assignment, explore opportunities to streamline the work on employer contacts.
- Do not make exceptions from the sfi requirement in order to bring about more step-in jobs. Clarify and establish a consensus in the agency regarding the importance of Swedish studies and parallel integration activities (work and study) for new arrivals. Develop and clarify the administrative support following this.

