



RIKSREVISIONEN  
*The Swedish National Audit Office*

RiR 2010:5 Summary

---

Work Practice

## Summary

Work Practice' is a labour-market programme managed by the Swedish Public Employment Service. Labour-market programmes are intended for people who have registered as job-seekers with the Service and aim to strengthen opportunities for such people to find or keep a job.

A job-seeker who participates in the Work Practice programme spends a practice period of six months maximum with an employer. Such placement may be with a private or public employer, or with a non-profit organisation. Participants receive financial compensation during their practice period in the form of 'activity support' disbursed by the Social Insurance Agency. Work Practice is not intended to include duties normally performed by regular employees, and employers receive no financial compensation for offering practice placements.

To mitigate the impact of the international financial crisis and the subsequent strong recession in Sweden, with a significantly weaker labour market and higher unemployment, the Government in January 2009 presented a Bill entitled 'Actions for jobs and readjustment' which announced a range of actions to be taken. Among other things, that Bill contained proposals for spending on personal job coaches, a doubling of subsidies for employers taking on long-term unemployed people in 'new-start jobs', efforts to be carried out in the regular education system and the infrastructure field, and the introduction of tax relief for the repair, maintenance, re-building and extension of certain homes. This package also included considerable spending in 2009–2011 on two practice-based measures: Work Practice and Practical Skills Development (the latter to help those who have significant work experience keep their skills up to date). Spending on practice-based measures during this period was estimated at SEK 3.3 billion for each of those programmes, i.e. SEK 6.6 billion in all. Participant volumes were already large in 2009, particularly for Work Practice. At the same time, previous Swedish and international studies indicate that similar measures have small or negative effects on employment compared with other options.

Against this background, *Riksrevisionen* (the Swedish National Audit Office, SNAO) initiated an audit whose principal aim was to assess the employment effects of Work Practice and the documentation on the basis of which the Government made its decision to expand the programme volume strongly. The audit is based on the following audit questions:

1. Did the Government base its decision to expand the volume of the Work Practice programme on adequate documentation?
2. Does Work Practice yield better employment effects than other labour-market programmes?

In the framework of the audit, the SNAO carried out interviews at the Government Offices (ministries) and the Public Employment Service, reviewed previous experience as regards the employment effects of various practice-based measures and performed a quantitative analysis on anonymised data from the Public Employment Service and Statistics Sweden.

## The SNAO's conclusions

### *Reasons and basis for the spending on practice-based measures*

In the Budget Bill for 2010, the Government stressed that the information underpinning decisions of labour-market policy must include knowledge about what the significant problems are when it comes to sustainable employment and what measures can be assumed to solve those problems in the best possible way, as well as information about whether the measures already being carried out are successful or whether the orientation of public policy needs to be reinforced or modified. The Government also stated that it may seem self-evident that the priorities of employment policy must build on a thorough analysis of those issues. However, the decision relating to the spending on practice-based measures did not build on any empirical data or any estimates indicating that the Work Practice programme would yield better employment effects in either the short or the long term than other labour-market programmes. Even so, the Ministry of Finance assumed that Work Practice will give rise to fairly small crowding-out effects, meaning that it will prevent fewer regular (non-subsidised) jobs from being created than other labour-market programmes. However, the only way to estimate actual crowding-out is to carry out empirical studies.

A review of earlier national and international studies, commissioned by the SNAO from Växjö University (now part of Linnaeus University), shows that various practice-based measures give rise to small positive, small negative or non-significant employment effects compared with other options. What is more, to the SNAO's knowledge there are no studies indicating that practice-based measures yield relatively better employment effects than other programme types either at times when the labour market is under pressure or in combination with the other crisis measures.

Taken together, this means that there is no support for the strong increase in the volume of the Work Practice programme initiated in 2009 in the sense that there is no empirical evidence showing that this programme will lead to better employment effects than other labour-market programmes. Moreover, the large volume increase may cause the quality of practice placements to deteriorate and reduce the extent to which programme measures can be adjusted to ensure the best possible fit with the needs of individual job-seekers. This, in turn, may (further) reduce the employment effects of the Work Practice programme.

The Ministry of Finance states, in accordance with the above, that the reasons for the present spending on practice-based measures were strongly influenced by the international financial crisis and the deterioration of the labour market; the Ministry also emphasises that this spending is part of the above-mentioned crisis package. In other words, the aim of the Work Practice programme is largely to improve the skills of the unemployed and to maintain their motivation and employability during the recession. The spending on practice-based measures is therefore expected to yield only small employment effects in the short term but slightly larger ones in the longer term.

The SNAO's evaluation of effects, however, covers a follow-up period of, at most, two and a half years from the start of the programme. Any effects presented here can therefore be considered short-term in nature. Even though the crisis package contains other measures more explicitly intended to create employment, appropriate supporting documentation for decisions should have been compiled to ensure the best possible employment effects of the spending on practice-based measures as well, given that both the amounts and the volumes involved are large. That labour-market programmes aim to increase individuals' opportunities to find or keep jobs is clear from the Labour Market Programmes Act (SFS 2000:625) and other sources, while the Central Government Budget Act (SFS 1996:1059) lays down that high efficiency is to be aimed for in central-government operations. Further, the Government stated in the Budget Bill for 2007 that labour-market policy should help ensure that people can move as quickly as possible from unemployment to jobs in the regular labour market, and that the Government intended to concentrate on the programmes that had proved to be the most efficient. The Committee on the Labour Market of the Riksdag (parliament) endorsed that Bill, emphasising that policy must focus more on measures that lead to permanent jobs in business and industry. The SNAO's interpretation of those documents taken together is that the principal purpose of participation in a programme is for the individual to deregister with the Public Employment Service after having obtained a regular permanent full-time job in the open labour market. This has been taken as a starting point of the SNAO's audit.

### *Work Practice creates weak regular employment effects*

The SNAO's evaluation of the employment effects of Work Practice is based on programme participants during the period from February to December 2007. Outcomes after completing practice periods are compared with average outcomes after participation in two other categories of labour-market programmes to which Work Practice normally belongs: other programmes entitling participants to activity support and other cyclical programmes. The outcome period lasts until the end of June 2009. The analysis does not include people younger than 26 or people participating in the former Activity Guarantee programme or the present Job and Development Guarantee programme.

The evaluation shows that Work Practice yields worse results than the two control groups in terms of deregistration with the Public Employment Service following employment in a regular full-time permanent job in the open labour market. If a part-time job and employment on an hourly basis as well as

various types of protected employment are also considered to be successful outcomes, however, the picture changes markedly in favour of Work Practice. On that definition, the employment effects of Work Practice are even positive compared with one of the control groups (other programmes entitling participants to activity support).

The SNAO's main finding – that Work Practice has negative employment effects in terms of transfers to regular permanent full-time jobs in the open labour market compared with other labour-market programmes – does not represent better performance than previous studies of similar measures have shown. There is thus little to indicate that the present spending on Work Practice will yield significantly better employment effects than increasing the resources allocated to other programmes would. While it is true that the Public Employment Service claims, in its annual reports on labour-market programmes for 2007 and 2008, that Work Practice is among the programmes with the lowest average item cost per participant and month, it is not possible to say anything about the cost-effectiveness of a measure without also taking account of the revenue side, which is dependent on the employment effects of the programmes. A complete assessment of the costs and benefits to society, however, is outside the scope of the present audit; what is more, such an assessment would inevitably have to build on a series of assumptions.

#### *The unclear aims of Work Practice make it more difficult to assess the programme*

During the course of its audit, the SNAO noted that Work Practice is a programme with strongly varying aims, both officially and in practice. The objective of a practice period may range from regular employment in the open labour market to assessment of a person's ability to work (for people with disabilities). This flexibility is probably advantageous in some respects. At the same time, however, the diffuseness of the objectives and the lack of registry data from the Public Employment Service on the objectives of individual practice periods together make it more difficult to monitor and evaluate the success of the programme. This is clearly illustrated by the widely differing results obtained in the SNAO's evaluation of effects depending on how a successful outcome was defined.

#### *The SNAO's overall assessment*

To sum up, the SNAO finds that the heavy spending on the Work Practice programme that began in 2009 is not supported by previous empirical research, either national or international, as regards the expected employment effects. The SNAO's evaluation of effects in Sweden also fails to provide any arguments in favour of such an expansion. Further, the lack of registry data on the objectives of individual practice periods makes it more difficult to monitor and evaluate the Work Practice programme.

### **The SNAO's recommendations**

The SNAO recommends that the Government should:

- ensure, to the widest possible extent, that any major new spending in the field of labour-market policy builds on empirical evidence and/or well-founded theoretical starting points; such empirical evidence may include both national and international experience;
- clearly account for such evidence and any other assumptions underlying reforms, so as to create transparency;
- ensure that the objectives of labour-market programmes are clear, monitorable and measurable, so that they are capable of evaluation;
- ensure that it is followed up how increases in volume influence the employment effects of the Work Practice programme;
- review the mix of labour-market programmes with a view to making labour-market policy more efficient.

The SNAO also recommends that the Public Employment Service should investigate whether it would be possible to record the objectives of measures taken for individual programme participants and what the ramifications would be of doing so. It would be useful, not least for purposes of follow-up and evaluation, to have easily accessible information about whether a given measure is part of a more long-term action programme or aims to deregister the participant from the Service through regular employment in the open labour market.