



RIKSREVISIONEN
The Swedish National Audit Office

RiR 2009:22 Summary

The Job and Development Guarantee programme
A guarantee of a job?

Summary

The Job and Development Guarantee¹ (JDG) was introduced in 2007 and is today the single largest programme of labour-market policy in Sweden. In 2009, an average of 61,000 people are expected to participate in this programme each month, meaning that it accounts for 48 per cent of the total programme operations of the Public Employment Service (PES). What is more, the number of places within the programme will increase considerably in 2010–2012.

The JDG programme was introduced as part of the Government's reform of labour-market policy. It replaced the Activity Guarantee programme, which had not been sufficiently effective and had also manifested shortcomings in quality. The JDG programme targets job-seekers who have been outside the labour market for a long time. The measures taken within the programme must be adapted to the individual needs of participants and aim to find employment for them as soon as possible. The programme consists of three phases. The initial phase includes job-seeking activities and other preparatory measures. The second phase then consists in work practice and on-the-job rehabilitation while the third and final one consists in work for an employer (or 'provider'). The PES must also, according to the Government's instructions, ensure that one-third of programme participants take part in activities organised by a supplementary actor. A 'supplementary actor' is any market actor other than the PES that offers job-seekers help to find a job.

Purpose and audit questions

The purpose of the present audit by Riksrevisionen (the Swedish National Audit Office, SNAO) was to examine whether the JDG is an effective programme when it comes to finding jobs quickly for long-term unemployed people. The audit focused on the design of the programme as well as on the direction exercised by the Government and on the PES's handling of the programme. When it comes to the design of the programme, the SNAO has taken the predecessor Activity Guarantee programme as one of its starting points and also reviewed the findings of recent research on comparable programmes in the field of labour-market policy. The audit also investigates how the JDG programme has been followed up and evaluated by the Government and the PES.

¹ The Swedish name of the programme is *jobb- och utvecklingsgarantin*.

The audit started from the following audit questions:

1. Has the Government given the programme an appropriate design and does it exercise appropriate direction over the programme?
2. Does the PES handle the programme in an appropriate manner?
3. Do the Government and the PES follow up the measures taken in the framework of the programme and evaluate them? And, if so, do they do so in an appropriate manner?

In the context of its audit, the SNAO sent web questionnaires to public employment officers whose work involves the programme as well as to job coaches and managers responsible for programme-related operations at supplementary actors. In addition, the SNAO commissioned a researcher² to analyse the PES's procurement of activities within the programme. To investigate whether the supplementary actors help make the programme more effective, the SNAO also compared labour-market outcomes between labour-market regions that cooperate with supplementary actors and regions that do not have this opportunity.

The SNAO's conclusions

The JDG programme is not adapted to large volumes

There are many similarities between the JDG and its predecessor, the Activity Guarantee programme. Both programmes target the long-term unemployed, and both focus on job-seeking activities. Both programmes also involve a risk that participants will be shunted around in them and locked in, since neither programme limits the duration of participation.

One important difference, however, is that the JDG has more participants than the Activity Guarantee did. Taking research into labour-market policy as its starting point, the SNAO concludes that the measures of the JDG programme (job-search activities and coaching) are effective provided that their extent is limited and that they target only the categories of job-seekers whose needs are greatest. If not, there is a risk that the quality of those measures will be low. It is likely that a considerable increase in the volume of measures during an economic downturn also entails a limitation or even a deterioration of the effect that the measures exert on participants' likelihood of finding employment.

The Government exercises inadequate direction over the programme

The SNAO's overall finding is that the direction exercised by the Government over the JDG programme is inadequate. The unclarity and lateness of the directives relating to Phase 3 have caused problems in the PES's initial handling of that phase. The wording of the JDG Ordinance makes it difficult for the PES to determine how much time a Phase 3 participant who is in

² The study was carried out by Sofia Lundberg, PhD (economics), Umeå University.

employment may devote to job-seeking. The lateness of the directives for Phase 3 has made it more difficult for the PES to arrange employment places for that phase.

A new element of labour-market policy is the introduction of supplementary actors. The PES began to work with such actors in 2007, as instructed by the Government. The SNAO finds that this introduction was too rapid and based on unclear assumptions as regards those actors' contribution to the effectiveness of the programme. The SNAO considers that the Government should make it clear what part supplementary actors should play in the JDG programme, so that better use can be made of those actors' potential.

Shortcomings in the PES's handling of the programme

The PES finds it difficult to arrange practice placements and allocate participants to workplaces in Phase 3. In the longer term, this may make it more difficult to find jobs for the participants. Other problems identified in the SNAO's survey of the PES are a heavy administrative burden on case officers and difficulties prioritising in relation to other job-intermediation activities. Those factors, combined with the large average number of job-seekers per case officer and the increasing participant volumes expected for the next few years, may lead to the deterioration of the quality and content of measures. To ensure that the measures will be of high quality, the SNAO considers that the Government should draw up guidelines on staff density for PES case officers dealing with long-term unemployed people who participate in the JDG programme.

Experience from other countries shows that the introduction of supplementary actors may be effective in the long term. However, the SNAO's analysis also shows that, in the short term, labour-market regions that cooperate with such actors achieve less good results than regions that do not. The SNAO's conclusion is that the PES should carry out a special follow-up of the introduction of supplementary actors. Given that the SNAO's evaluation shows that the introduction of such actors leads to negative short-run effects in terms of fewer job entries, it is important to find out more specifically why this happens.

The SNAO also found shortcomings in the PES's procurement of the services of supplementary actors. Those actors are paid a fixed price regardless of how long it takes for a participant to find a job. The actors thus have weak incentives to offer participants various types of measures that might help them find jobs sooner. The SNAO concludes that the incentives for supplementary actors to provide high-quality services, i.e. to ensure that participants find jobs quickly, should be improved. The PES should therefore review the payment models governing the compensation it pays to supplementary actors as well as its opportunities to impose sanctions under the agreements it has entered into with such actors.

The follow-up of the JDG programme is inadequate and evaluation is not given priority

Because of the lack of an effective follow-up system, it is not possible to assess the performance of the JDG programme either as regards the activities of the programme itself or as regards the contributions from supplementary actors. The SNAO finds that the PES should urgently continue the work it has already begun to organise effective follow-up of the activities of the JDG programme as well as to build robust system support for the handling of cases and for the follow-up of the services it has procured from supplementary actors.

The Government has not initiated any evaluation of the JDG programme after its introduction. However, both the Institute for Labour Market Policy Evaluation and the PES have begun, on their own initiative, to carry out some evaluation/follow-up of the programme. Despite the shortage of evaluations, the Government concludes that the programme is effective. However, the SNAO considers that it is too early to draw such a conclusion and that the Government should impose more explicit requirements for follow-up and evaluation of the programme. This is particularly important as the number of programme participants is set to increase and the costs of the programme will be large compared with those of other actions and programmes of labour-market policy.

Recommendations

The SNAO recommends that the Government should:

- clarify, in the JDG Ordinance, how much time participants are to devote to job-seeking activities on their own behalf during the third phase of the programme;
- clarify the role of supplementary actors within the programme;
- impose more explicit requirements on the PES as regards programme follow-up;
- provide the PES with guidelines on appropriate participant volumes per case officer.

The SNAO also recommends that the PES should:

- determine priorities within its existing employment services and create scope for JDG programme measures for participants based on their needs in the event of larger volumes;
- urgently continue the work it has already begun to organise effective follow-up of JDG programme activities and of services procured by the PES from supplementary actors;
- evaluate the contributions made by supplementary actors to the programme;
- improve incentives for supplementary actors to perform their services at a high level of quality.