



RIKSREVISIONEN
The Swedish National Audit Office

RiR 2009:13 Summary

Readjustment requirements under unemployment insurance

Summary

Riksrevisionen (the Swedish National Audit Office, SNAO) has carried out an audit to determine whether the Government and the government agencies in the field of labour-market policy ensure compliance with the requirement under unemployment insurance that beneficiaries must be ready to accept different types of jobs and jobs in other geographic areas.

Unemployment insurance is intended to provide financial compensation during periods of unemployment, but it does not constitute 'occupational' or 'residential' insurance. The purpose of unemployment insurance is to help create a well-functioning labour market, among other things by supporting a good level of both occupational and geographical mobility.

It is the duty of the Public Employment Service to check that job-seekers who receive unemployment benefit meet the basic eligibility requirements. Those who receive unemployment benefit have an obligation to apply for and accept suitable jobs. What jobs are suitable for an individual job-seeker is to be determined on the basis of existing job opportunities throughout the labour market. This may entail a requirement for the applicant to change occupation or to apply for and accept jobs that will force him or her to commute on a weekly basis or to move.

The Government has made changes to unemployment insurance in order to make it clearer that it constitutes readjustment insurance. Among other things, in 2007 it abolished the possibility to restrict one's job-seeking to one's previous occupation and the local area during the first 100 days of unemployment. The Government has stressed that it is important for job-seekers to apply for all suitable jobs at an early stage of their unemployment.

The Government's instructions for the Public Employment Service lay down that the Service should ensure that unemployment insurance truly functions as readjustment insurance and should design its operations in such a way that they will promote increased geographical and occupational mobility.

The SNAO's conclusions: readjustment requirements are imposed only to a limited extent

The SNAO's audit indicates that requirements to be willing to change one's line of work and accept jobs elsewhere are imposed only to a limited extent. The SNAO finds that the Government's objective for job-seekers to apply for all suitable jobs at an early stage has not been achieved. Few job-seekers have an occupationally and geographically unlimited search area covering all suitable jobs. It is rare for job-seekers to take a job in a different geographic area. Changes of occupation, however, are fairly frequent. Reasons are seldom given for restrictions to search areas.

The SNAO finds that there may be several reasons why requirements to be willing to change one's line of work and accept jobs elsewhere are imposed only to a limited extent. The task of the Public Employment Service is such that partly incompatible objectives must be balanced against each other. The

complexity of the rules and the general public's attitude to them may make their application more difficult. Another reason is that individual action plans are not used to impose readjustment requirements.

A failure to require readjustment may lead to a failure to counteract imbalances in the supply and demand of labour between industries or regions. It may also unnecessarily prolong many people's period of unemployment.

The rules are difficult to apply

The SNAO finds that it is not sufficiently clear what requirements should be imposed as regards occupational and geographical readjustment. The Government has stated that it is important that readjustment efforts intended to lead to a job should start at an early stage. At the same time, there are no explicit statutory requirements to change one's occupation or town of residence. The regulations issued by the Unemployment Insurance Board relating to the concept of 'suitable jobs' include complex considerations which make it difficult for the staff of local employment offices to know what readjustment requirements to impose.

Higher courts have examined only a small number of cases, mainly emphasising individual factors. This means that case-law can provide some guidance but not yet give a general answer as to how individual factors are to be weighed against each other.

The Public Employment Service interprets the rules to mean that occupational and geographical search areas are to be expanded gradually. The rate of expansion is to be determined by the job-seeker's likelihood of finding a job. The complexity of the rules and the unclear relationship between them and the practices of the Public Employment Service create a risk that equivalent cases will be treated differently.

The rules governing the requirements for occupational and geographical readjustment allow employment-office staff the discretion to make their own assessments and interpretations of difficult concepts. The SNAO considers it crucial to the principle of equality before the law that the Public Employment Service should give employment-office staff adequate support and guidance in relation to such assessments.

The SNAO is of the opinion that it is a reasonable starting point for the expansion of the search area to be gradual, and that the search area must be designed on the basis of the job-seeker's qualifications and likelihood of finding a job. The SNAO wishes to emphasise that unemployment insurance constitutes readjustment insurance and that requirements for readjustment to help job-seekers find employment should be imposed at an early stage of unemployment.

Inadequate action plans make it more difficult to impose readjustment requirements

The Public Employment Service must draw up, in consultation with the job-seeker, an individual action plan detailing the job-seeker's obligations and planned activities. This action plan must state the job categories and

geographical area within which the job-seeker must apply for and be ready to accept. However, the SNAO's audit shows that action plans are not used in the intended way, i.e. as agreements between the job-seeker and the Service. Plans often lack important information such as reasons for restricting the search area and measures to remove obstacles preventing the job-seeker from applying for jobs in an unrestricted geographical area. What is more, plans are rarely updated. For all these reasons, it is difficult to use action plans to support and demand readjustment.

Since the rules allow the staff of local employment offices considerable discretion to make individual assessments, action plans are crucial when it comes to specifying the readjustment requirements imposed on job-seekers. It is also important to ensure that search areas are reconsidered and expanded through regular reviews of action plans.

Employment-office staff have difficult considerations to make

The Public Employment Service has a duty to enhance the functioning of the labour market. Its main task is to match up those who seek work with those who seek labour. This involves the provision of services for job-seekers and employers. The Public Employment Service should also give priority to job-seekers who are far from the labour market. In addition, it is responsible for verifying that those who receive unemployment benefit are at the disposal of the labour market.

To reconcile its service duties with its supervisory duties, the Public Employment Service has made adjustments to adapt its supervision to its service provision. For example, it no longer uses instructions for purposes of supervision unless they also help bring job-seekers and employers together.

The staff of the local employment offices must handle a professional role where they are both service providers and supervisors. They may feel that it is difficult to provide services and build a trusting relationship with job-seekers while at the same time checking that they follow the rules and imposing requirements on them.

The Government and the Public Employment Service have taken measures to enhance equality before the law in the application of the readjustment requirements under unemployment insurance. The SNAO takes a positive view of these measures but considers that additional measures are necessary to bring about the requisite uniformity of application.

Differences in attitudes render application more difficult

Employment-office staff differ in their opinions as regards the point in time when requirements for occupational and geographical readjustment should be imposed. When the rules are difficult to apply and staff have different attitudes, there is a greater risk that equivalent matters will be handled differently.

Few members of the public consider that job-seekers should need to move. Taken together with the fact that the rules involve complex

considerations, this may entail application problems within the Public Employment Service.

Recommendations

Recommendations for the Public Employment Service

It is important that individual action plans can be used as an instrument of supervision making it possible to monitor the actions taken by individuals to increase their occupational and geographical mobility. The Public Employment Service should ensure that action plans are used and function as a tool to support readjustment leading to employment. Action plans should include individually designed readjustment requirements and be reviewed on a regular basis.

The Public Employment Service should also consider, against the background of indications that its staff may need additional guidance, what measures may need to be taken in order to reduce the scope for differing interpretations of the rules.

Recommendations for the Unemployment Insurance Board

Within the framework of its authorisation, the Unemployment Insurance Board should amend its regulations to make it clear that the occupational and geographical search areas should be expanded gradually depending on the likelihood that the individual job-seeker will find a job. This means that each job-seeker's local labour market should determine how and at what pace the search area is expanded.

It is important the Board's operations should include bringing cases which are of interest from the point of view of legal precedent before administrative courts to ensure the development of case-law. The Board should continue to represent the central government in such cases before administrative courts. It should also analyse its litigation activities with a view to increasing the number of judgments that make precedent.

Recommendations for the Government

The Government has stated that unemployment insurance should constitute readjustment insurance. More in-depth follow-up should be made of the extent to which unemployment insurance really functions as readjustment insurance. Such follow-up should be undertaken after experience has been gained of the measures that the Unemployment Insurance Board and the Public Employment Service may take. The objective should be to assess whether additional measures need to be taken to ensure occupational and geographical mobility.