



# International developments in Public Employment Services

Leave No One Behind, Maynooth University

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# Twin tracks of welfare reform: activation turn



**Beyond Entitlement**

The Social Obligations of Citizenship

Lawrence M. Mead

Jobseeker's Agreement

**About this agreement**

This agreement sets out my availability for work and the things I will do each week to actively seek work.

I understand looking for work often and in the right way improves my chances of finding work quickly.

Looking for work will be a significant part of my every day activities, taking several hours each day.

I know it will be reviewed regularly and that I or an adviser can ask to change the agreement at any time.

**My responsibilities**

I know I must do everything I can to:

- find work
- improve my chances of finding work and
- overcome things that might be making it harder for me to look for and get a job.

I know I must:

- actively seek work by doing at least  things a week
- show I have been actively seeking work every week, every time I attend the Jobcentre
- be available for work for one hour
- sign and set out this agreement
- apply for any job that my adviser tells me to apply for, including any saved by my adviser in the 'Saved Jobs' section of my Universal Jobmatch account if I have one.

**Change of circumstances**

I will tell DWP immediately if my circumstances change in any way which could affect my Jobseeker's Allowance.

I understand that if I give false information or do not tell DWP of something I should, I could be liable to repay any overpayment of benefit and I could be taken to court.

- **Re-orientation** over past 30 years from 'passive' social assistance **towards 'active'** welfare measures
- Mandatory participation in PES for claimants + shift in PES role from labour exchange to activation agency
- ALMPs include **very different conceptions of activation**: human capital building approaches, supported employment, job matching and job counselling services, and job creation programmes
- But **strong emphasis on 'work first'** (job search services and sanctions) in many countries
- **Symbolised** by relabelling of social assistance from *unemployment benefits* to *jobseekers allowance*
- **Widening conditionality:**  
*More groups are being targeted for activation (lone parents, people with disability, ageing workers)*
- **Stricter conditionality**  
*More demanding behavioural requirements (e.g. new forms of in-work conditionality, Work-for-the-Dole) 2*  
*Tougher sanctions for non-compliance*

## Track 2: Operational and implementation reform - marketisation and new managerialism

- Performance management and outcome measurement systems:* common across nearly all OECD and EU PES
- Competitive tendering of PES** delivery to for-profit and not-for-profit agencies
- Outcomes-based contracting** via payment models and performance systems weighted towards job placement and sustainment (12, 26, 52 weeks) rather than services delivered

**Marketisation dynamic** differs from long tradition (in many OECD countries) of outsourcing components of PES delivery via grants and service delivery agreements:

- A. **Embedding competition** for clients, contracts, and payments as a key institutional logic
  - B. Making significant proportions of **provider income dependent on (employment) outcomes** secured through varieties of 'Black box', 'No cure, No Pay' and 'PbR' contracts
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- Wave of marketisation in 1990s/early 2000s (Australia, US, then UK and NL and also DK, France, Germany)
  - More recent post-crisis wave, as some countries have turned to marketisation (IRE and now Finland and SWE) and others have increased commercialization and PbR (UK, Australia)
  - Although pace of marketisation has slowed elsewhere (NL, DK)

# Marketization and payment-by-results

Attractive to governments because:

- Shifts responsibility (for service investment) and risk (of low success) onto private actors
- Ensures governments only pay for actual outcomes and ‘what works’ – *provided that what is treasured is measured*
- Up to the market to determine ‘best practice’ rather than top-down specification of guidance models (which is complex and hard to evaluate)
- Allows (in principle) for greater local variability, tailoring and innovation in implementing practice models compared to centralized guidance models



*'Steering not rowing'*

‘Quasi-markets’

- Monopoly purchaser who contracts services on behalf of citizens who have little power of exit
- High entry barriers for new agencies because of the transaction costs associated with bidding for and administering contracts
- PbR emphasis tends to favour larger, multinational human service delivery agencies

Version of ‘double’ (Considine et al. 2015) even ‘triple’ (van Berkel 2013) activation

# The (inescapable) problem of transaction costs

1. **Tendering costs** for purchasers and bidders associated with bid preparation, evaluation, and vetting; writing and negotiating contracts
2. **Regulatory costs of administering the market** through auditing providers' contractual compliance, process delivery, and monitoring performance

Can be minimised by:

- Less frequent tendering** and more stable purchaser-provider relations (e.g. contracting with 'trusted' partners) *but at the expense of competition*
- 'Hands off' approach** to vetting, specifying service levels, and monitoring execution  
*but this increases risk of gaming and low quality*



"Don't worry, the first 30 years of contracting are the hardest."

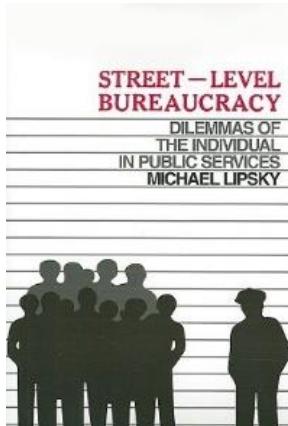
## Key tension of quasi-markets:

- Ensuring quality requires detailed oversight/regulation
- transaction costs that undermine operational efficiencies
  - more administratively and compliance oriented frontline
- Potential for **deepening market consolidation** around 'key players' who become locked-in while new entrants are 'locked-out'
  - E.G. Consolidation of Australian PES market from over 300 providers in 1998 to fewer than 40 in 2018



# Not just an operational/technical reform – also political (who gets what, how, when)

How do the turn towards activation in social policy and the turn towards outcomes-based contracting in public administration shape each other?



## The lesson of street-level bureaucracy research

- Outcome measurement and performance systems don't just increase the efficiency of what workers otherwise already do
- They 'reshape agency' (Soss et al., 2011) by encouraging workers to do different things

In the context of PES delivery, this reshaping involves:

1. *How service delivery is targeted* towards particular types of people
2. *The content of support provided* and the degree to which this is substantively personalized (especially for those most distant from the labour market)
3. *The types of organisations and staff* delivering ALMPs (goals; work conditions; values)

# Targeting challenges for PES markets

Risk of competition on cost & volume rather than innovation

- PbR incentivize a focus on maximizing outcomes at least cost
- Easier to **replicate ‘tried and trusted’** (Larsen & Wright 2014) approaches that can be quickly scaled
- Longer-term investments in personalised and integrated services may be too unproven to generate volume payable outcomes within contract time periods (Danish, Australian and UK experience of marketisation)

Risk of ‘adverse selection’ (Greer et al. 2018) practices

- Prioritizing clients on the basis of employability / ease of achieving performance targets
- Those most distant from the labour market are ‘parked’
- Interventions which may move people closer to (but not necessarily into) employment are avoided because they are not adequately rewarded

Table 1A – Outcome Payments for Stream Participants in Non-regional Locations

	Period of Unemployment (less than 24 months inclusive)		Period of Unemployment (24-59 months inclusive)		Period of Unemployment (60 months inclusive plus)	
Employment Outcomes						
<b>Stream A and Volunteers</b>	<b>Partial Outcome</b>	<b>Full Outcome</b>	<b>Partial Outcome</b>	<b>Full Outcome</b>	<b>Partial Outcome</b>	<b>Full Outcome</b>
4 Week	\$160	\$400	\$200	\$500	\$240	\$600
12 Week	\$200	\$500	\$400	\$1,000	\$500	\$1,250
26 Week	\$0	\$650	\$0	\$1,250	\$0	\$1,550
<b>Total</b>	<b>\$360</b>	<b>\$1,550</b>	<b>\$600</b>	<b>\$2,750</b>	<b>\$740</b>	<b>\$3,400</b>
<b>Stream B</b>	<b>Partial Outcome</b>	<b>Full Outcome</b>	<b>Partial Outcome</b>	<b>Full Outcome</b>	<b>Partial Outcome</b>	<b>Full Outcome</b>
4 Week	\$300	\$750	\$400	\$1,000	\$500	\$1,250
12 Week	\$600	\$1,500	\$800	\$2,000	\$1,000	\$2,500
26 Week	\$0	\$1,900	\$0	\$2,500	\$0	\$3,150
<b>Total</b>	<b>\$900</b>	<b>\$4,150</b>	<b>\$1,200</b>	<b>\$5,500</b>	<b>\$1,500</b>	<b>\$6,900</b>
<b>Stream C</b>	<b>Partial Outcome</b>	<b>Full Outcome</b>	<b>Partial Outcome</b>	<b>Full Outcome</b>	<b>Partial Outcome</b>	<b>Full Outcome</b>
4 Week	\$400	\$1,000	\$600	\$1,500	\$800	\$2,000
12 Week	\$800	\$2,000	\$1,200	\$3,000	\$1,600	\$4,000
26 Week	\$0	\$2,500	\$0	\$3,750	\$0	\$5,000
<b>Total</b>	<b>\$1,200</b>	<b>\$5,500</b>	<b>\$1,800</b>	<b>\$8,250</b>	<b>\$2,400</b>	<b>\$11,000</b>
<b>Education Outcomes</b>	<b>\$1000</b>					

Source: *jobactive deed*

**Differentiated payment models** main instrument to discourage this

But experience from Australia and UK shows they are very difficult to get right:

- Price differences in payments* need to accurately reflect differences in the relative cost of supporting different categories of recipients
- Categorisation challenges* of reducing people with complex and highly varied support needs into a small number of payment groups (e.g. 3 Streams)

# Our research on welfare-to-work

Industry partners:



Jobs Australia

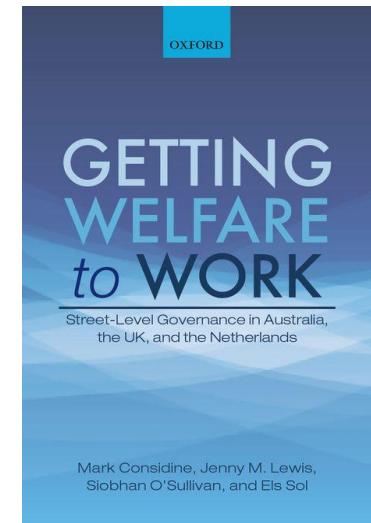


WCIG

- A study of the evolution of welfare-to-work in Australia and the UK (and the Netherlands) since late 1990s through researching the frontline delivery of employment services

Tracks the impact of marketisation and welfare reforms on:

- The types of agencies delivering PES
- Work conditions and the characteristics of those working with the long-term unemployed
- Frontline delivery practices and attitudes towards jobseekers

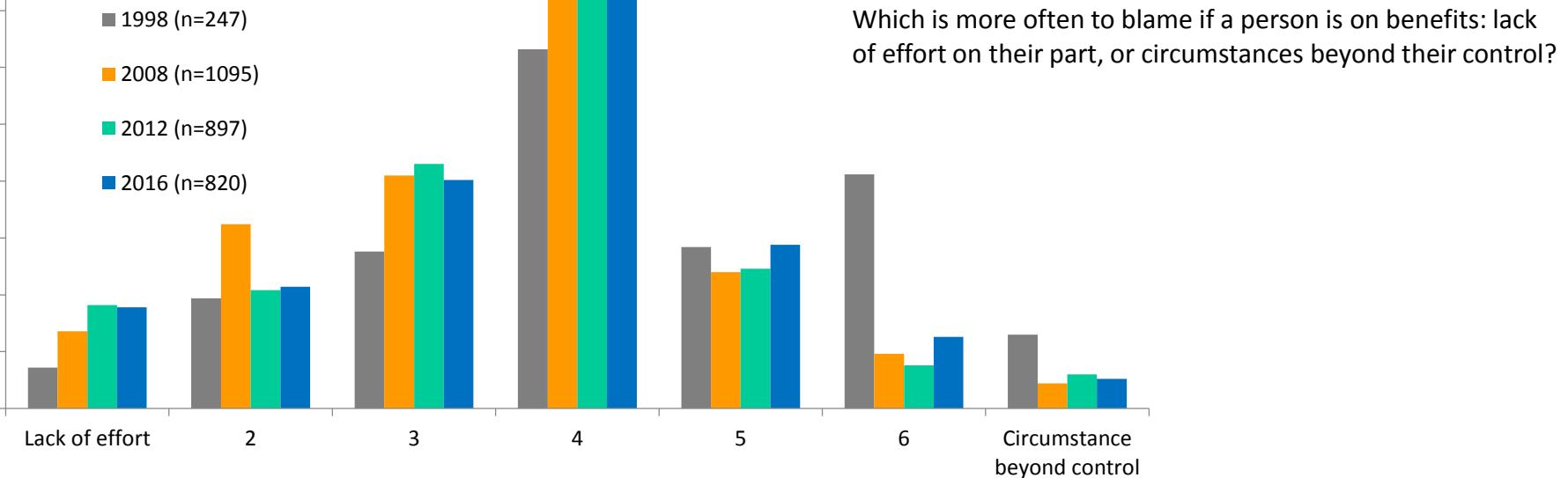


	Public	Not-for-profit	For-Profit	Other/Unknown	Total
AUS - 1998	273	196	118	38	625
AUS – 2008	n/a	1056	392	64	1,512
AUS – 2012	n/a	882	316	66	1,264
AUS - 2016	n/a	799	393	41	1,233

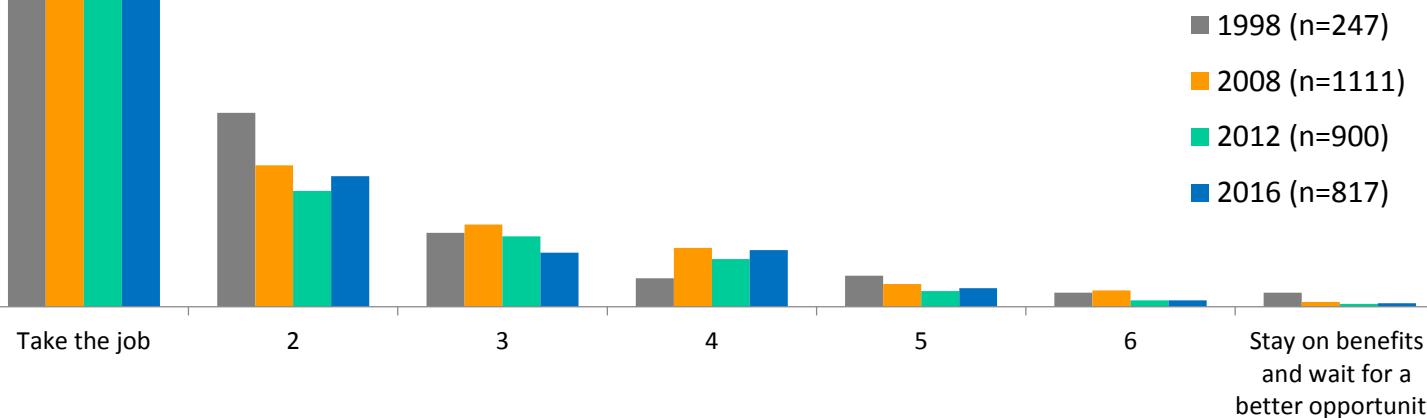
# De-skilling and standardisation of PES frontline

WORKFORCE CHANGES	1998	2008	2012	2016
• % of PES staff who hold a <b>university degree</b>	<b>39.2</b>	23.7	19.7	<b>25.6</b>
• ... who are <b>under 35 years of age</b>	<b>28.5</b>	42.3	43.3	<b>43.2</b>
• ... who are <b>union members</b>	<b>44.2</b>	6.8	6.2	<b>3.0</b>
• <b>Mean caseload</b> (number of jobseekers per case manager)	<b>115</b>	94	114	<b>148</b>
B LOSS OF PROFESSIONAL DISCRETION				
• When it comes to day-to-day work I am <b>free to decide for myself what I will do with jobseekers</b> (% 'agree' or 'strongly agree')	<b>84.6</b>	62.5	60.2	<b>49.6</b>
• <b>Own judgement is 'very influential'</b> when determining what activities are recommended (%)	<b>55.1</b>	26.3	28.8	<b>26.3</b>
• ' <b>Our computer tells me what steps to take</b> with clients/jobseekers and when (% 'agree' or 'strongly agree')	<b>17.4</b>	47.4	50.4	<b>48.3</b>
• When I came across something not covered by the procedural guide, I refer it to my supervisor (% 'agree' or 'strongly agree')	<b>56.9</b>	91.1	87.9	<b>86.2</b>
C STANDARDISATION vs. TAILORING				
• Decisions about jobseekers <b>determined by standard program rules and regulations</b>	<b>56.9</b>	71.7	77.8	<b>84.9</b>
• <b>IT system determines how they do their jobs</b> (% agree or strongly agree)	-	69.5	65.5	<b>64.0</b>
• Extent agency emphasises <b>client CHOICE about services</b> (% a 'good' or 'great deal')	<b>40.3</b>	29.1	30.6	<b>32.4</b>
• <b>Jobseekers' preferences</b> influential in determining what activities are recommended ...? ('quite' or 'very' influential)	<b>82.9</b>	58.9	72.7	<b>68.90</b>

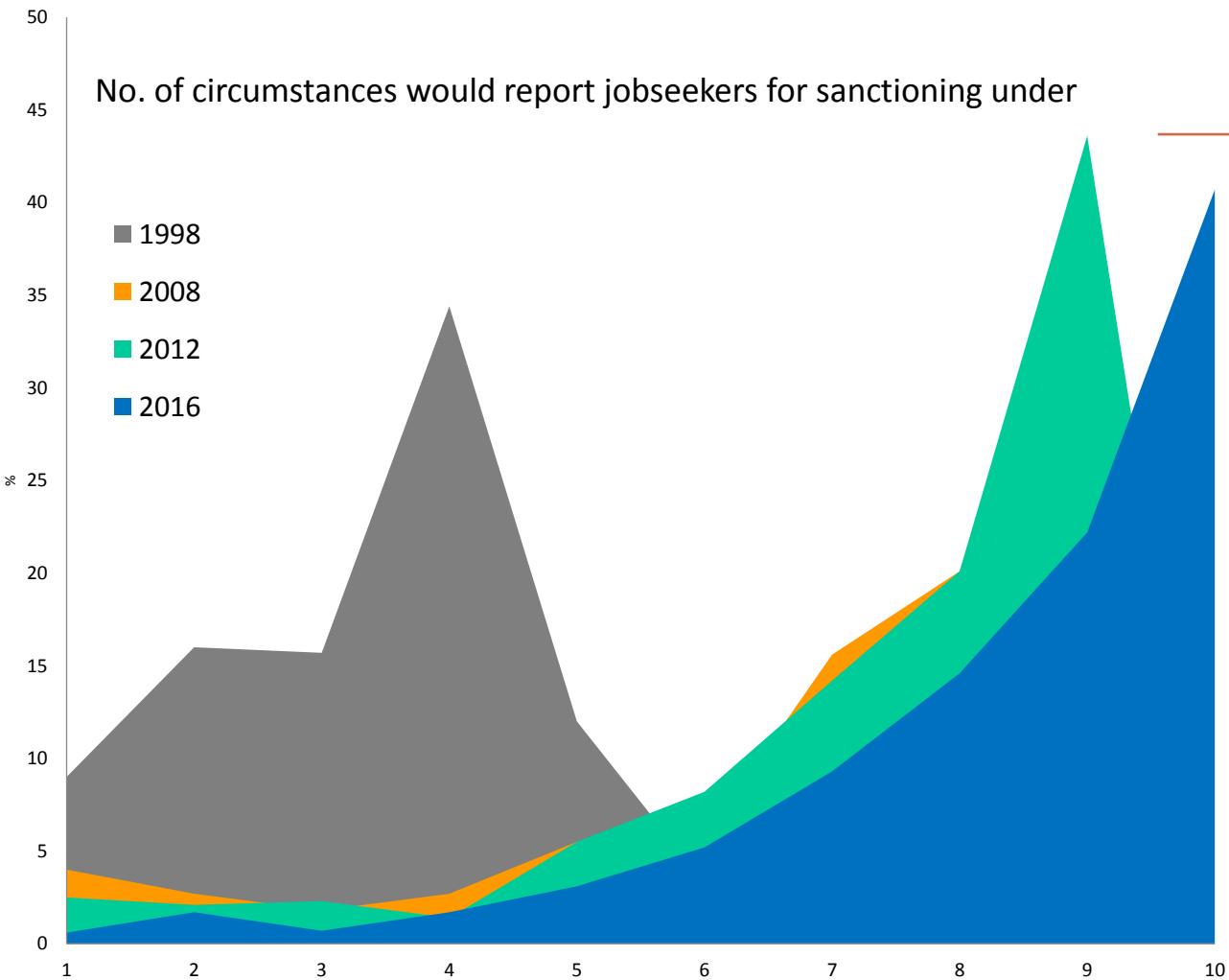
# Hardening ‘work first’ attitudes towards jobseekers



After a short time attending your service, an average jobseeker is offered a low-skill, low-paying job that would make him or her better off financially ... *If you were asked, what would your personal advice to this client be?*



# Widening use of sanctions



Number of clients reported for sanctioning within previous 2 weeks

	Mean	Std.
1998 (n =513)	1.7	3.45
2008 (n=858)	5.87	8.66
2012 (n=914)	6.53	11.95
2016 (n=781)	15.06	21.03

Sanction reports are normally filed when a JS...

- is dismissed from a job or training program
- refuses to apply for a suitable job
- refuses a suitable job offer
- fails to commence an employment program, activity or training course
- leaves a training course
- fails to contact our office
- fails to attend a job interview
- voluntarily leaves a job
- fails to keep an appointment with my office
- does any of these for a second time



## MARKET 'HERDING' / LOSS OF DIVERSITY

*Not just through fewer providers, but increasing similarity across sectors*

Measures on ...	2008	2012	2016
Caseload size and time spent on various tasks	3	3	2
Reporting clients for non-compliance ( <i>e.g. reasons for sanctioning; whether agencies encourage staff to be lenient; no. of jobseekers reported in previous 2 weeks</i> )	4	1	1
Work-first orientation	2	0	0
Degree of frontline autonomy	2	1	1
Work priorities and goals ( <i>e.g. job objective is to maximise financial outcomes; consider themselves an advocate for clients</i> )	5	0	1
Perceptions of jobseekers ( <i>e.g. View that jobseekers are on benefits due to lack of effort; % of clients they believe would rather be on benefits than work</i> )	6	0	0
<b>Total number of statistically significant differences (out of 113 items)</b>	<b>24</b>	<b>8</b>	<b>11</b>

*Statistically significant differences between respondents from for-profit and not-for-profit sectors across survey measures*

# Does this model work?

Reasonably efficient for those already near employment

- Large short-term effects of services and sanctions programs on earnings and off-benefit rates (Kluve 2010, meta-analysis of 139 EU ALMP evaluations)

## BUT

- Predominantly among jobseekers with less history of receiving benefits and in buoyant labour market conditions (e.g. expanding service sectors) (Borland and Tseng 2007; Greer 2015)

Effects more marginal among:

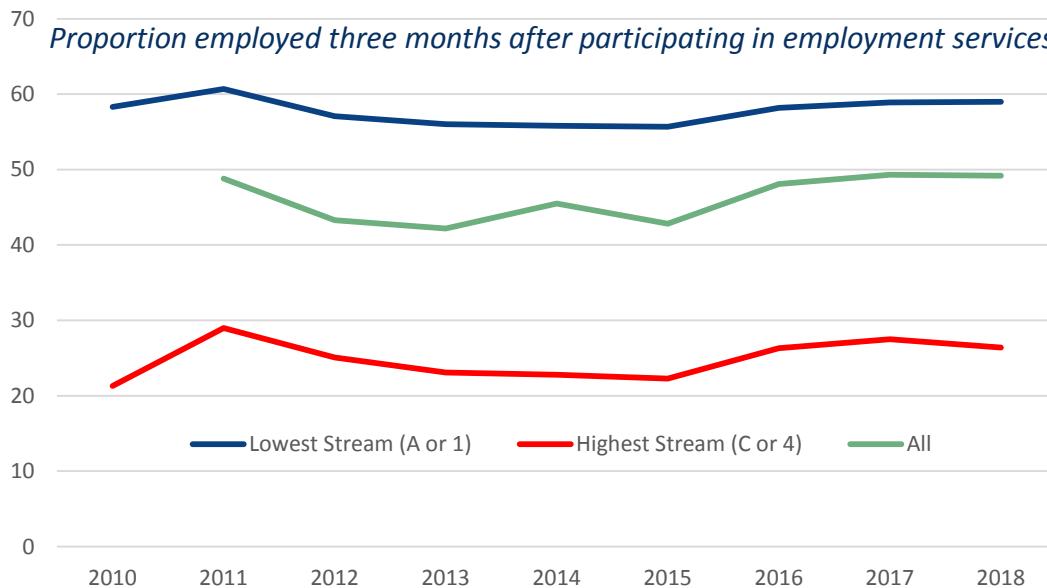
- Women and those who are long-term unemployed (Card et al. 2015, meta-analysis of 200 ALMP evaluations in EU and US; Ashworth et al. 2004, meta-analysis of 24 US welfare-to-work-programs)
- Recipients of long-term sickness/disability benefits (Martin 2015)

When evaluations take a medium-to-longer-term horizon (beyond 3 years)

- Human capital building approaches may yield higher participation rates ([Hotz et al. 2006](#), re-analysis of California GAIN evaluations; Card et al. 2015)

**Critical questions remain about quality and longevity of outcomes**

- ‘the aim of an effective activation regime should be not only to get people off benefits and into work, but also to help them access “quality” jobs (Martin 2015: 22)

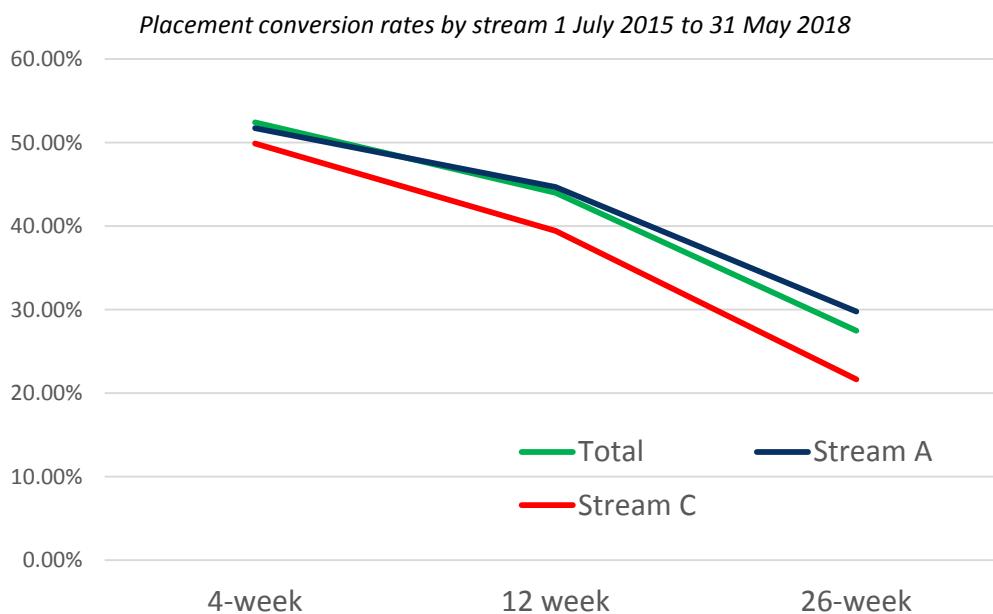


## Among Stream C jobseekers

26-week outcome rate is around 6%

- ~ 1 in 4 enter employment
- Of these, just over 1 in 5 remain in work for 26 weeks

Mean duration of 5 years registered with employment services (May 2018)



Source: extracted from data in Department of Jobs and Small Business (2018), *The Future of Employment services*



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# Thank you

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For more about our research:  
[arts.unimelb.edu.au/employment-services](http://arts.unimelb.edu.au/employment-services)

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