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Organisation of public
employment services at
the local level in Sweden

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Sweden is undergoing a major reform of its public employment service (PES) *Arbetsförmedlingen*, shifting its main role from providing in-house services towards monitoring of providers and working with different stakeholders in guiding and implementing labour market policies. At the same time, the PES is undergoing a significant restructuring, resulting in a downscaling of physical presence across the country and an increased digitalisation of services. To support this reform and services to jobseekers across urban and rural settings, this report first introduces the challenge (section 1) and describes the main features of the Swedish labour market and employment system from a local perspective (section 2). In light of international examples, it then outlines policy options for contracting services to ensure coverage in all places and for all jobseekers (section 3), managing the balance between physical and digital services (section 4), and coordinating services at local level (section 5) before concluding (section 6).

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Acronyms and abbreviations

ALMPs Active Labour Market Policies

AUD Australian Dollar

CPA Contract Package Area

CSN Swedish Board of Student Finance (Centrala studiestödsnämnden)

DUA Delegation for Youth and Newly Arrivals to Work (Delegation för unga och nyanlända till arbete)

DWP Department of Work and Pensions

ERDF European Regional Development Fund

ERSA Employment Related Services Association

ESF European Social Fund

EU European Union

FA-region Functional regions of analysis (Funktionella analysregioner)

FINSAM Financial Coordination (Finansiell samordning)

GMCA Greater Manchester Combined Authority

ICT Information and Communication

IEEP Instituto do Emprego e Formação Profissional

IFAU Institute for Labour Market and Education Policy (Institute för arbetsmarknads- och utbildningspolitisk utvärdering)

KROM Kundval Rusta och Matcha

LOU Public Procurement Act (Lagen om offentlig upphandling)

LOV Freedom of Choice System (Lagen om valfrithessystem)

NEET Youth not in employment, education or training

NESA National Employment Services Australia

NHS National Health Service

OECD Organisation for Economic Cooperation and Development

OES Online Employment Services

PES Public Employment Service

SALAR Swedish Association for Local Authorities and Regions

SBU Swedish Agency for Health Technology Assessment and Assessment of Social Services (Statens Beredning för medicinsk och social utvärdering)

SEK Swedish Kroner

SEPE Servicio Público de Empleo Estatal

SKR Sveriges Kommuner og Regioner

SSBTEK Composite basic service for financial assistance (Sammansatt bastjänst för ekonomiskt bistånd)

SSC National Government Service Centre (Statens Servicecenter)

SSM Service System Managers

STOM Kundval Stöd och Matchning

TSI Technical Support Instrument

UK United Kingdom

US United States

UWV Uitvoeringsinstituut Werknemersverzekeringen

Executive summary

Since early 2019, successive Swedish governments have embarked on a major reform of the Swedish Public Employment Service (PES), *Arbetsförmedlingen*. A main pillar of the reform is the large-scale contracting-out of job brokerage and counselling services to independent providers. The reform takes place in a context of increasing public criticism of the Swedish PES and its efforts to match unemployed with jobs. Inspired by existing systems e.g. in Australia and the United Kingdom (UK), the ambition is to build an employment system that more effectively and efficiently places jobseekers into employment and more explicitly puts clients at the centre through the contracting-out of services in a quasi-market setting. The reform will shift the main mandate of the Swedish PES from providing such services in-house towards monitoring of providers and working with different stakeholders in guiding and implementing labour market policies. At the same time, the PES is undergoing a significant restructuring, resulting in a downscaling of physical presence across the country and an increased digitalisation of services.

Sweden has a high rate of labour force participation and a low unemployment rate on average, but labour market performance is not uniform across the country. Employment and unemployment rates differ across the Swedish regions. An important element of the ongoing reform of *Arbetsförmedlingen* is to be sensitive to these differences and seek to ensure that no region or local area is left behind.

The reform of *Arbetsförmedlingen* will have implications for the provision and organisation of employment services across regional and local labour markets. While the new contracting-out system is still in its early phases, there are indications that provider presence will be more difficult to ensure in some parts of the country (especially in more rural and remote areas). This is due to relatively smaller “client bases” and lower levels of labour demand. There is a risk therefore that independent providers in the new system will not have adequate incentives to provide high quality services in all locations, and for all jobseekers. In addition, when moving services to digital platforms, there is a risk of a “digital divide” between those who can, and those who cannot, easily use digital services. Moreover, there is a risk of fragmentation of services at the local level. This is especially the case for the group of unemployed furthest away from the labour market where the responsibility for services is divided between the national PES and municipalities. To address these risks, *Arbetsförmedlingen* could build on the following policy recommendations laid out in this OECD report:

Incentivise provider entry into “non-profitable” areas through adjustments of provider areas and costs

To increase the business case for providers to enter less profitable areas, the new system could be adjusted in several ways. One option is to adjust the current provider areas through restructuring or bundling of delivery areas. Another option is a review and possible adjustments to the payment model, for example through a differentiated payment model which takes geography into account or adjustments in upfront payments. Provider costs could also be adjusted indirectly through changes in the existing provider selection criteria – e.g. in relation to staff requirements or the requirement of physical presence.

Consider alternative strategies to create a more diverse provider landscape

Some of the main features of the new contracting-out system tend to favour relatively larger providers in entering the market. These providers have been reluctant to establish themselves in delivery areas with more limited client bases. Given the right circumstances, other types of providers such as smaller, non-for-profit and often more locally based actors could potentially help to close existing provision gaps in the market. These types of providers could be interested in delivering services in less profitably delivery areas – e.g. because their business model is adjusted to a smaller client base or because they are non-for-profit operations. Different options exist to strengthen the participation of these types of actors in the Swedish market. One option is to adjust existing provider selection criteria to reduce barriers to entry (e.g. in relation to capacity and staff requirements). Another option is to promote the use of sub-contractors to target providers or specialised contracting practices for certain geographic areas.

Consider developing a separate procurement system for the hard-to-place clients

For the jobseekers furthest from the labour market, several support options exist, including continued in-house services. However, there are a number of overlaps in client groups – in particular the long-term unemployed – and the services provided to them between *Arbetsförmedlingen* and municipalities. Often this results in a lack of clarity around the procedures to place individuals in alternative programmes and negatively affects the quality of services for this group of jobseekers. A separate procurement system targeted the group of unemployed furthest from the labour market would be one option to overcome these challenges. The procurement system could exist side-by-side with the existing contracting-out system and it could include alternative outcome measures in the payment model that measure the progress towards work, rather than rewarding only employment and education outcomes.

Put in place measures to manage the transition towards digital services

The digitalisation of public employment services can be an important tool to reach and provide services to large numbers of clients with diverse needs. Sweden has a highly digitalised society, but attention is needed for those who lack digital skills or means to access digital services. To find the right balance between physical and digital services, the Swedish PES could consider segmenting its service offer based on clients' digital skills. In addition, local measures to support clients in accessing digital services could be developed by *Arbetsförmedlingen* together with municipalities. Lastly, *Arbetsförmedlingen* could take steps (together with other national and local authorities) to develop a national strategy for digital upskilling.

Put in place procedures and IT systems to facilitate co-operation between levels of government

Going forward, co-operation between *Arbetsförmedlingen* and municipalities will be important to decrease the risk of individuals ending up in long-term unemployment and improve services for the most hard-to-place clients. This will require further clarification and definition of roles and responsibilities of PES office counsellors and counsellors in municipalities. This will also require improved mechanisms and IT systems that facilitate information and data sharing on individual clients to allow for more seamless servicing of clients that are registered both with the PES and municipalities.

Find ways to improve co-operation between independent providers and municipalities

With an increased role for independent providers in the Swedish employment system, strong co-operation between providers and municipalities is equally important. Going forward, *Arbetsförmedlingen* could introduce contractual requirements for providers requiring them to i) have a deep understanding of local labour market needs and ii) co-operate with local actors.

Consider the role of the PES in regional skills forecasting and employer support

Skills mismatches will be an increasingly important challenge for the Swedish labour market going forward. To overcome this challenge, the Swedish PES could consider continuing their work on regional skills forecasting systems as well as their good relations with employers to help meet the demand for skills now and in the future. The Swedish PES could investigate models like the “Competence Arena Stockholm” (*Kompetensarena Stockholm*) as a way to build regional skills forecasting systems.

Carefully analyse the challenges and opportunities related to municipalities as providers

Drawing on experiences from Scotland, UK and Canada, the Swedish authorities could consider the possibility of allowing municipalities to act as providers in the new contracted-out system or in a separate procurement system for specific geographic areas or for those furthest from the labour market.

1 Introduction

Employment services in Sweden are delivered by a range of public and non-public actors across different levels of government. The Swedish national public employment service (PES), *Arbetsförmedlingen*, has the main responsibility for the design and management of labour market policies across the country. However, other actors including municipalities and regions, independent providers and social economy organisations all take up different roles in the broader employment support system for those who are out of work. Even before the start of the ongoing reform of the Swedish PES in 2019, making all these actors work together in a coordinated manner to deliver high-quality support for jobseekers was a challenge.

At the same time, the Swedish labour market is characterised by regional differences. Unemployment rates are generally lower in the northern and more sparsely populated regions compared to the southern and more densely populated regions. In addition, also in terms of skills supply and demand, regional differences exist, resulting in varying challenges in terms of skills shortages and mismatches. As in any other country experiencing regional labour market variation, it is important to take these differences into account when reforming labour market policies in Sweden.

The purpose of this report is to analyse how the organisation of employment policies at local level in Sweden is influenced by the reform of *Arbetsförmedlingen*, and to put this into an international context. More specially, the report analyses the main features of the Swedish labour market system from a local perspective (section 2). It then analyses how the reform of the PES will influence the organisation and provision of employment services locally, organised around three topics. First, it assesses the current market for publicly financed employment services and discusses different ways to improve employment service coverage in all parts of the country (section 3). Second, it analyses the ongoing digital transition of the PES as well as the possible risk of a digital divide in Sweden (section 4). Third, it analyses the local co-ordination challenges that may arise from the ongoing reform of the PES (section 5). Lastly, it offers recommendations on how to re-organise *Arbetsförmedlingen*'s services at the local level to support local presence and coverage, as well as co-ordination and collaboration with other actors (section 6).

The report builds on several sources of information. It includes data research as well as a national and international literature review. In addition, the report draws on interviews with a wide range of stakeholders and experts in Sweden and internationally (Box 1.1).

Box 1.1. Fact-finding interviews

In addition to a literature review and data analysis, the findings of the report are based on a series of interviews with stakeholders and experts in- and outside of Sweden.

In Sweden, interviews have been conducted with:

Local government actors: 15 municipalities out of which three cover larger urban areas (Helsingborg, Malmö, and Stockholm), five are smaller/medium sized municipalities in the mid/northern part of the country (Nordanstig, Skellefteå, Östersund, and Ånge) and seven are smaller/medium sized municipalities in the southern part of the country (Borås, Falun, Filipstad, Karlskoga, Köping, Strömstad, and Tingsryd) as well as seven regions out of which three are in the southern part of the country (Halland, Kalmar, and Stockholm), one is in the central part of the country (Gävleborg) and three are in the northern part of the country (Norrbotten, Jämtland Härjedalen, and Västernorrland).

- **National government actors:** Experts at the Swedish public employment service (PES) *Arbetsförmedlingen*, the Ministry of Employment, the Ministry of Health and Social Affairs, the Ministry of Finance, the Ministry of Climate and Enterprises, the Swedish Competition Authority (*Konkurrensverket*), the Swedish Institute for Evaluation of Labour Market and Education Policy (*Institutet för arbetsmarkands- och utbildningspolitisk utvärdering*, IFAU), and The Swedish National Audit Office (*Riksrevisionen*).
- **Non-government actors:** Several independent providers/employer organisations operating in the new contracted-out employment services programme KROM (*Kundval Rusta och Matcha*) and providers of educational and vocational training outside the new contracting-out programme; several unions/employee organisations and the *Association for Swedish Municipalities and Regions* (SALAR) (*Sveriges Kommunar og Regioner*, SKR).

In other countries, interviews with the following experts supported this report:

- **Fact-finding interviews** with representatives from the United Kingdom (UK) Department of Work and Pensions, the Greater Manchester Combined Authority (GMCA) in the UK, the Ontario Ministry of Labour, Training and Skills, the Scottish Ministry of Labour (UK), and the Dutch PES.
- **A roundtable** with representatives from the UK's *Employment Related Services Association* (ERSA) and the *Association for Swedish Municipalities and Regions* (SALAR).
- **An international workshop** with representatives from stakeholders in Sweden as well as international speakers from the UK, Australia, and Finland.

2 Main features of the Swedish labour market and employment system from a local perspective

The Swedish labour market is characterised by regional differences, which are important to understand and consider when designing new labour market and employment policies. The objective of this section is to present main characteristics of the Swedish labour market as well as the regional differences that characterises it. Moreover, the section will outline the main features of the Swedish public employment system as it is today as well as the main elements of the reform of *Arbetsförmedlingen*.

The Swedish labour market and regional variation

The Swedish labour market is undergoing significant changes, and these are not felt equally across regional and local areas. In the following sub-sections, main characteristics of the Swedish labour market and regional differences are presented.

Main characteristics of the Swedish geography and administrative organisation

Sweden is the third largest country in the European Union (EU), with a surface area of 450 295 kilometres. The country borders range from the regions of Skåne in the Southwest facing the maritime border with Denmark to the regions of Norrbotten and the land border with Finland in the North. In 2021, the country hosted 10.3 million inhabitants, corresponding to a population density of 25 individuals per km² (significantly lower than the OECD average of 38.1) (Figure 2.1) (OECD, 2021^[1]). This average hides significant regional differences. There is a high concentration of the population and workers in the industrialised southern part of the country, while the northern part consists of vast areas of wilderness, populated mainly along the coast (down to three inhabitants per km²).

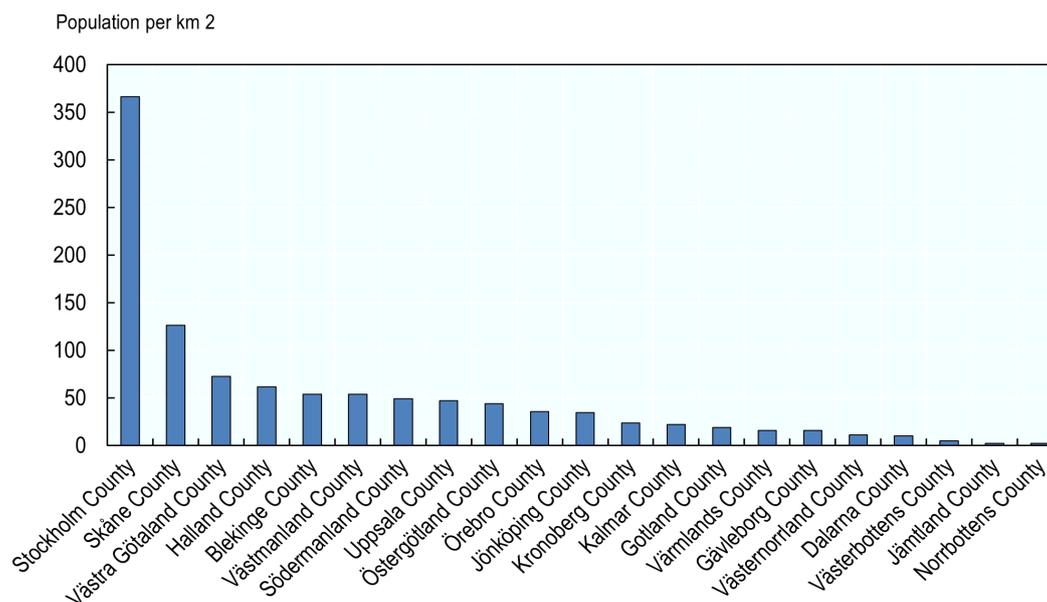
Administratively, Sweden is divided into 21 regions (*regioner*) and 290 municipalities (*kommuner*). Every region corresponds to a county (*län*) with a diverging number of municipalities per county/region¹. Municipalities and regions vary significantly in size. In terms of area, Kiruna is the largest municipality (19 447 km²) and Sundbyberg is the smallest (9 km²). Stockholm municipality has the most inhabitants (about 976 000) while Bjurholm has the fewest (about 2 400). Half of all municipalities have less than 16 000 inhabitants while only nineteen municipalities in Sweden have more than 100 000 inhabitants (Regeringskansliet, 2021^[2]).

¹ The Swedish regions and councils have the same geographical borders, but their governance and responsibilities differ. The regions are governed by a regional assembly that is elected by the regional electorate every four years in conjunction with the general elections while the counties are governed by the county administrative boards that is appointed by the government for a term of six years.

There is a long-standing tradition of local self-government in Sweden. Power has been extensively transferred from the national to the local level over the years. Today the bulk of the Swedish public administration is placed at the local level and local authorities are independent bodies, free to make their own decisions within certain limits. In addition, local authorities have the right to levy taxes to carry out their tasks (Regeringskansliet, 2021^[2]) (see further discussion in section 2.2).

Figure 2.1. Swedish regions vary in population density

Population density (population per km²), TL3 regions, 2020



Source: OECD Regional Database: [Regional Labour \(oecd.org\)](https://data.oecd.org/regional-labour/)

The changing labour market in Sweden

The Swedish labour market is characterised by a high labour force participation rate – among the highest in the EU and OECD. Changing demographics in Sweden are reducing the supply of labour. Yet, so far this has been counterbalanced by an increase in migrants. During the last decade, the workforce has increased with over 500 000 persons from a labour force participation of 80.3% in 2012 to 82.9% in 2021. At the same time, the number of individuals not in work and not actively looking for work (the economically inactive) have fallen in recent years, from 20.1% in 2012 to 17.2% in 2021. This puts Sweden in front of other OECD and EU countries that the country normally compare itself to, including Denmark and Germany (Figure 2.2 and Figure 2.3).

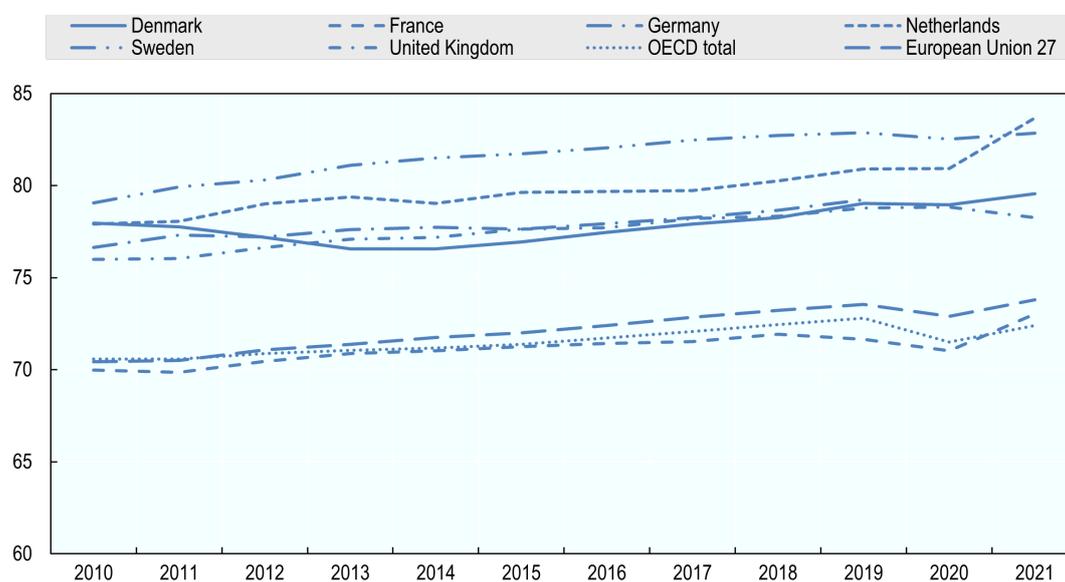
The demand for skilled labour has outpaced supply, resulting in unfilled vacancies, but also relatively higher unemployment rates for low-skilled workers and migrants. Unemployment was already rising in Sweden before the COVID-19 pandemic. In the first quarter of 2022, the overall unemployment rate was at 7.7%, somewhat lower than during the peak of the COVID-19 pandemic in mid-2020, but higher than the OECD average of 5.2% and the EU28 average of 6.8% (OECD, 2022^[3]). Youth, low-skilled and migrants are among those overrepresented in the unemployment statistics due to their generally weaker link to the labour market as well as lower skills level. At the same time, the “2020 Swedish Trends and Forecast” report showed that the current shortage of personnel within certain sectors is expected to persist and increase up to 2035. This is especially the case in the health and social care sector, as well as in the education sector (Statistics Sweden, 2020^[4]). While the forecasting period covered by the

report only goes to 2035, challenges with skills shortages will most likely persist also beyond 2035 if nothing more is done to better match skills supply with demand.

In addition, large differences in labour force participation remain, notably depending on age and country of origin. Out of the working age population, around 1 million do not participate in the labour market – e.g. because of studies or health issues (OECD, 2021^[5]). Inactivity rates have fallen within recent years. However, there is a risk that increasing skills mismatches in the economy will generate unemployment and even economic inactivity. This is a risk in particular for the low-skilled and foreign born, whose position in the labour market is relatively weak in times of increasing demand for high-level skills (OECD, 2021^[1]).

Figure 2.2. Labour force participation in Sweden compared to selected OECD/EU countries

Labour force participation rate (% of labour force 15-64 over total population 15-64), selected OECD/EU countries, 2010-2021

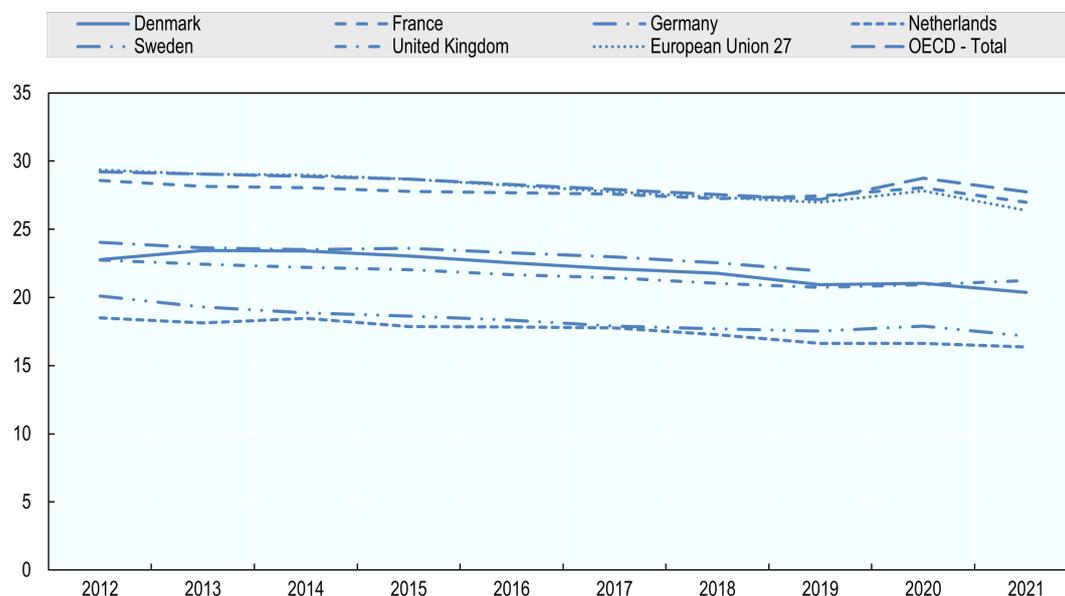


Note: Data was not available for Germany in 2020 and 2021.

Source: [OECD Statistics](#).

Figure 2.3. Inactivity rate in Sweden compared to selected OECD/EU countries

Inactivity rate (proportion of the population 15-64 that is not in the labour force), selected OECD/EU countries, 2012-2021.



Note: Data was not available for Germany in 2020.

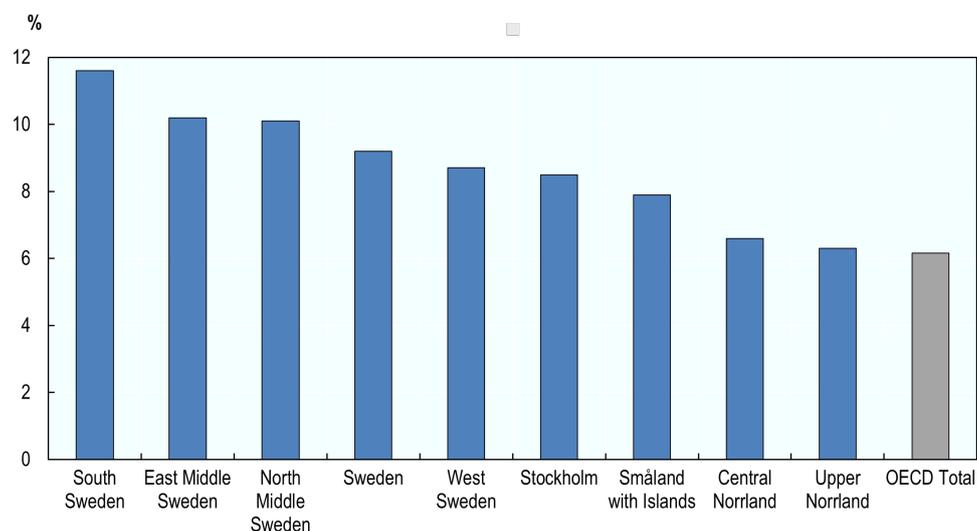
Source: [OECD Statistics](#).

Regional and local labour market differences in Sweden

Ongoing labour market changes impact differently on Swedish regions. Prior to the COVID-19 pandemic, the unemployment rate varied by 3 percentage points across regions, from a low of 6.3% in Stockholm, Upper Norrland and West Sweden to a high of 9.3% in South Sweden. The COVID-19 pandemic has further exacerbated existing differences and put some places further behind. In 2021, the average unemployment rate in Sweden was 9.2%, with the regional rates ranging from 6.3% in Upper Norrland to above 10% in North Middle Sweden and East Middle Sweden, and above 11% in South Sweden (Figure 2.4). Also, the share of youth not in employment, education or training (NEET) varies across regions. In 2019, the NEET rate ranged from 6.0% in East Middle Sweden to 11.8% in North Middle Sweden (Figure 2.5).

Figure 2.4. Swedish regions experience variation in unemployment rates...

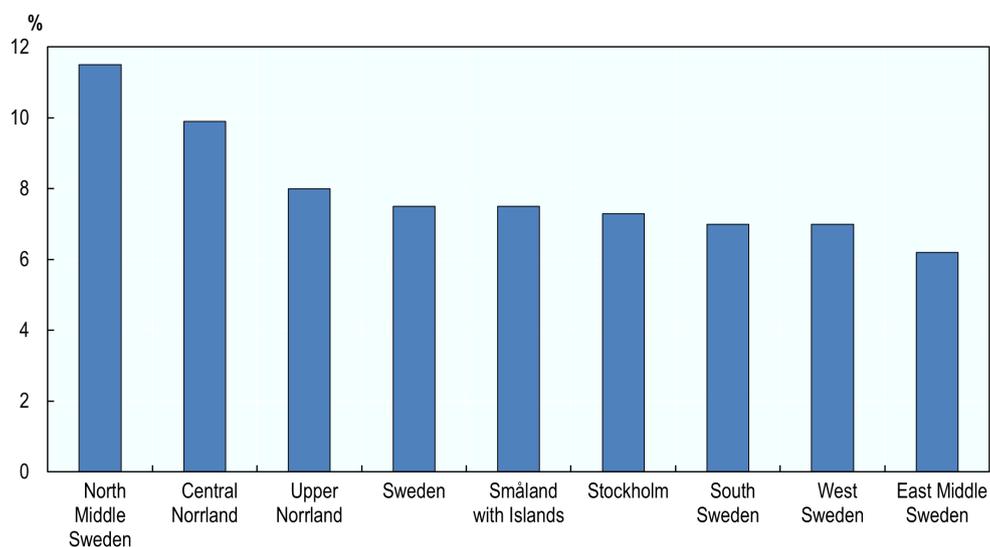
Percentage of unemployed over labour force participation, 15-64, TL2 regions, 2021



Source: OECD Regional Database: [Regional Labour \(oecd.org\)](https://data.oecd.org/employment/regional-labour)

Figure 2.5. ...as well as in NEET rates

Share of 18-24 year-olds not in education and unemployed or inactive (NEET), TL2 regions, 2019



Note: Data for Central Norrland is from 2018.

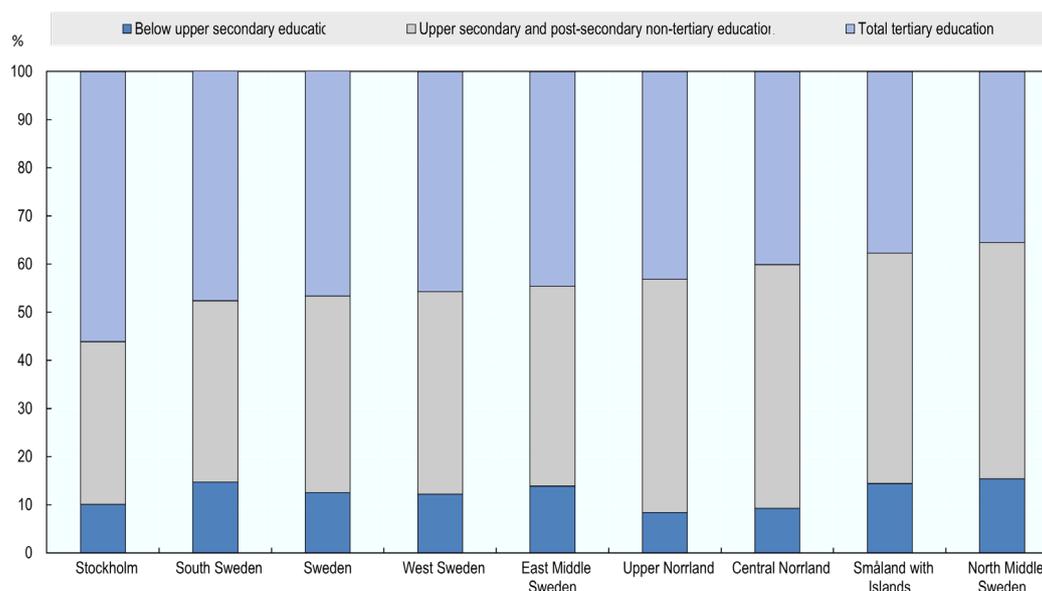
Source: OECD Regional Database: [Regional Education \(oecd.org\)](https://data.oecd.org/education/regional-education)

Swedish regions also experience variation in terms of the educational attainment of their populations. The overall educational attainment of the Swedish population is high compared to other EU

and OECD countries. Yet, levels vary significantly across the country. The highest share of individuals with only a below upper secondary education is in North Middle Sweden (15.4%) while the lowest share is in Upper Norland (8.4%). At the same time, the lowest share of the population with a tertiary education is found in North Middle Sweden (35.5%) while the highest share is found in Stockholm (56.1%) (Figure 2.6).

Figure 2.6. Educational attainment levels vary across regions in Sweden

Educational attainment of the population, TL2 regions, 2021



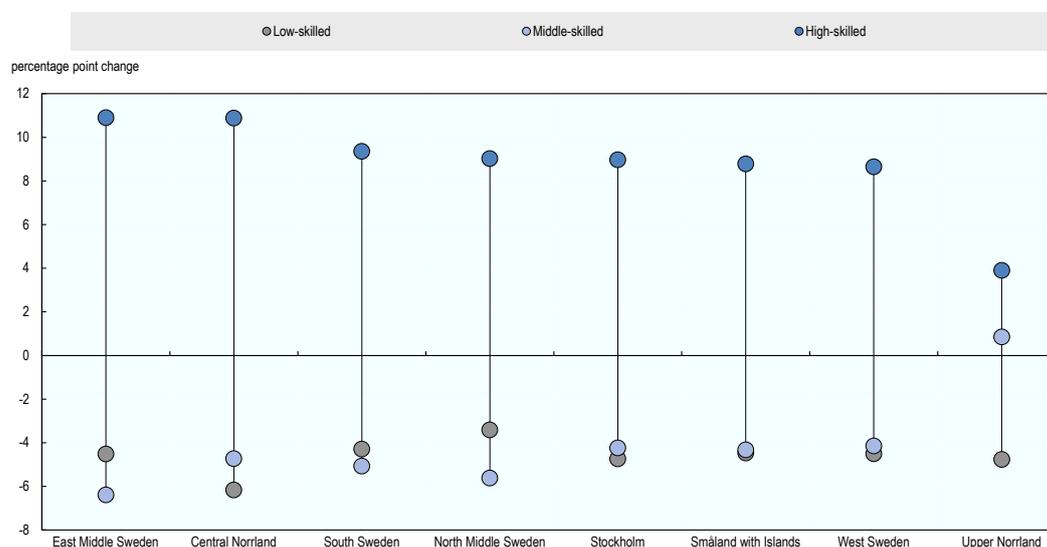
Note: Total tertiary education includes ISCED2011 levels 5 to 8.

Source: OECD Regional Database: [Regional Education \(oecd.org\)](https://data.oecd.org/education/regional-education/)

At the same time, all Swedish regions are experiencing significant job polarisation in their labour markets. Within recent years, the share of high-skilled jobs has increased across regions in Sweden, while the shares of middle- and low-skilled jobs have decreased. However, the magnitude of these changes varies significantly, with East Middle Sweden and Central Norrland in particular experiencing the largest degree of job polarisation. In these regions, the share of high-skilled jobs has increased by more than 10 percentage points while the share of low and middle skilled jobs has decreased between 4 and 7 percentage points respectively (Figure 2.7). These changes are a challenge especially for the Swedish regions with generally lower educational attainment levels.

Figure 2.7. Job polarisation is significant in most Swedish regions

Percentage point change in the share of jobs by skill level, 2011-2020, TL2 regions



Note: High-skill occupations include jobs classified under the ISCO-88 major groups 1 (legislators, senior officials, and managers); 2 (professionals); and 3 (technicians and associate professionals). Middle-skill occupations include jobs classified under the ISCO-88 major groups 4 (clerks); 6 (skilled agricultural workers); 7 (craft and related trades workers); and 8 (plant and machine operators and assemblers). Low-skill occupations include jobs classified under the ISCO-88 major groups 5 (service workers and shop and market sales workers); and 9 (elementary occupations).

Source: OECD calculations based on EULFS.

The organisation of the Swedish PES – from the national to the local level

Sweden has a highly modern public employment service system in place that aims to ensure that all people of working age can actively take part in working life. As the national government authority responsible for the management of public employment services, *Arbetsförmedlingen* sits at the centre of this system. In addition, other actors at both national, regional, and local level take up important roles in supporting unemployed and jobseekers getting into work. The reform of *Arbetsförmedlingen* will have implications for the organisation, not only of the national PES, but also for the broader public employment service system and the actors operating within it. In the following sub-sections, the main actors and services in the Swedish public employment system are analysed with an emphasis on the evolving role of local governments in supporting those furthest away from the labour market. In addition, changes in the budget and staff of *Arbetsförmedlingen* are assessed considering the ongoing reform.

Main actors and services in the Swedish employment system

The national government agency, *Arbetsförmedlingen*, has the main responsibility for the management of labour market and employment policies. According to Swedish law, *Arbetsförmedlingen* shall work to improve the functioning of the labour market by effectively bringing together those seeking work with those looking for labour, and give priority to those who are far from the labour market (Regeringskansliet, 2007^[6]). *Arbetsförmedlingen* serves a broad range of client groups, including persons with disabilities, migrants and long-term unemployed.

The national authority is also involved in the management of unemployment insurance, which is the main source of temporary income support for the unemployed in Sweden (Box 2.1). The

unemployment insurance consists of two components: 1) a voluntary unemployment insurance scheme (*Arbetslöshetsförsäkring inkomstrelaterad*) which requires membership of an Unemployment Insurance Fund (*Arbetslöshetskassa*) and 2) a mandatory basic assistance scheme (*Arbetslöshetsförsäkring grundnivå*) which is aimed mainly at those individuals who are not insured or who have not been insured long enough to meet the employment conditions². For all three schemes, the Swedish PES has the responsibility to control that the individual jobseeker lives up to the requirements attached to those benefit – e.g. in terms of job search activity. Moreover, individuals who are out of work may receive social assistance (*ekonomiskt bistånd*) from the social services (*socialtjänsten*) in the municipality – either in addition or as an alternative to unemployment insurance or activity support. Individuals who are capable of work will, however, remain clients at and receive employment services from *Arbetsförmedlingen*, while still receiving social assistance benefit from municipalities (Alsén, 2021^[7]).

Box 2.1. Income insurance for unemployed in Sweden

The Swedish system for income insurance for the unemployed includes the following main elements:

- **A voluntary unemployment insurance scheme (*Arbetslöshetsförsäkring inkomstrelaterad*):** This is an unemployment insurance benefit scheme which is voluntary, contributory and requires membership of an Unemployment Insurance Fund (*Arbetslöshetskassa*) for at least 12 months, as well as fulfilment of job loss conditions and other requirements (the benefit claimant must be capable of work, be registered as a jobseeker at the PES, and otherwise be available for the labour market). Recipients must have worked at least six months (with at least 80 hours per calendar month) during a framework period of 12 months immediately prior to the onset of unemployment. Alternatively, the recipient must have worked for at least 480 hours during a consecutive period of six calendar months and have performed this work for at least 50 hours during each of these months. Payments of the insurance are administered by the Unemployment Insurance Funds. The benefit duration is 300 days for those without children and 450 days for those with children. Family and housing benefits can be paid in addition to unemployment insurance benefits.
- **A mandatory basic income scheme (*Arbetslöshetsförsäkring grundnivå*):** This is a non-contributory and non-means-tested scheme which does not require membership of an Unemployment Insurance Fund. The basic unemployment insurance is aimed mainly at those individuals who are not insured or who have not been insured long enough to meet the employment conditions. However, individuals are subject to the same eligibility criteria and employment history requirements as for the voluntary unemployment insurance scheme. The benefit duration is 300 days for those without children and 450 days for those with children. Family and housing benefits can be paid in addition to unemployment assistance benefits.
- **An activity support (*aktivitetsstöd*) scheme:** The activity support can be provided to jobseekers participating in active labour market programmes. Payments of activity support are administered by the Social Insurance Agency (*Försäkringskassan*). For individuals who are not eligible for unemployment insurance because they have exhausted the maximum benefit duration of 300 days but are participating in an activation programme for the long-term unemployed (e.g. the Job and Development Guarantee (*jobb- och utvecklingsgarantin*)), activity support may still be provided.

² In addition, activity support can be provided to jobseekers participating in active labour market programmes.

For all three schemes the Swedish PES has the responsibility to control that the individual jobseeker lives up to the requirements attached to the benefit – e.g. in terms of job search activity – and to notify the Unemployment Insurance Fund or the Social Insurance Agency if this is not the case.

In addition, individuals who are not eligible for unemployment insurance e.g. because they have exhausted the maximum benefit duration, are not capable of work or not available for the labour market, may receive **social assistance (*ekonomiskt bistånd*)** from the social services (*socialtjänsten*) in the municipality. This is a non-contributory, means-tested benefit with the purpose of giving temporary relief when there are no other means of economic support. It is possible to receive both unemployment insurance and social assistance at the same time, but income from other benefits is included in the social assistance means-test and thus influences the benefit amount. Individuals who are capable of work will remain clients at, and receive employment services from, *Arbetsförmedlingen*, while still receiving a social assistance benefit from municipalities.

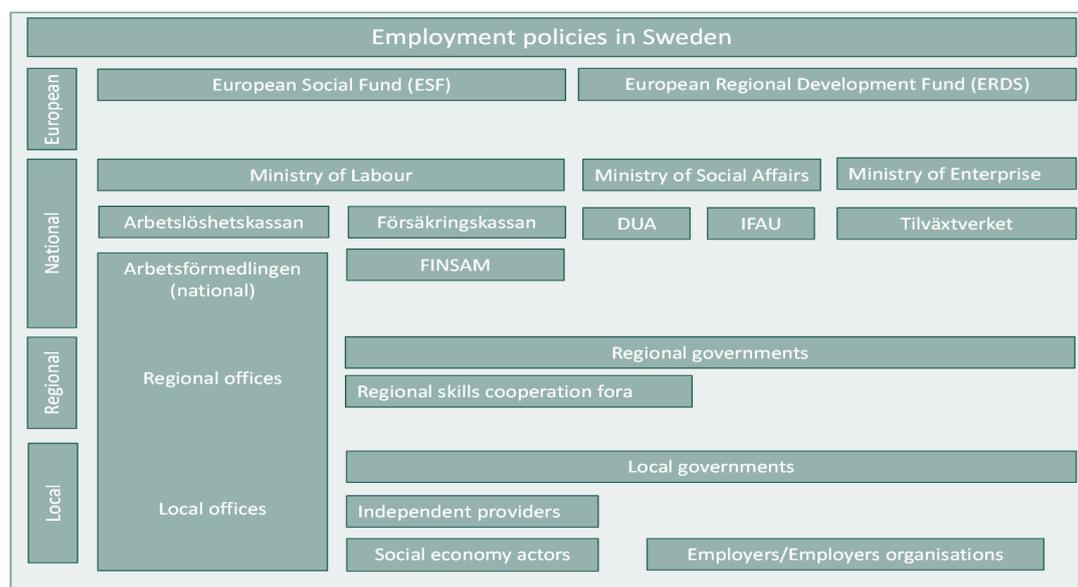
Note: Additional types of income support exist for specific sub-groups such as persons with disabilities or ill health, as well as asylum seekers and lone parents.

Source: OECD (2020^[8]), *The OECD tax Benefit Model for Sweden*, OECD Publishing, Paris, <https://www.oecd.org/els/soc/TaxBEN-Sweden-2020.pdf>.

Neither regions nor municipalities have a formal responsibility for labour market or employment policies. Municipalities, however, take large responsibility in related service areas such as social services, schools and youth, adult education, and local and regional economic development. In addition, Swedish regions have responsibility for building regional systems for skills supply and demand, including through the creation of networks with municipalities and employers (see further discussion in the following subsections) (Forslund et al., 2019^[9]).

In addition to national and subnational governments, several other actors are involved in the broader employment system. These include the Unemployment Insurance Funds (*Arbetslöshetskassor, A-kassor*), the Swedish Agency for Economic and Regional Growth (*Tillväxtverket*), the Institute for Labour Market and Education Policy (IFAU), the Delegation for Youth and Newly Arrivals to Work (*Delegation för unga och nyanlända till arbete, DUA*), FINSAM (*finansiell samordning*), which support financial cooperation between *Arbetsförmedlingen* the Social Insurance Agency, municipalities, and regions (see Box 5.2 for further explanation), independent providers of employment and adult education services, and social economy actors (Figure 2.8).

Figure 2.8. Overview of main actors in Swedish labour market policies



Notes: The figure is a non-exhaustive overview of the main actors in Swedish labour market and employment policies.

Source: Author's own compilation.

There is a long tradition of active labour market policies (ALMPs) in Sweden, and this is also reflected in the programmes and services provided by the Swedish PES. *Arbetsförmedlingen* provides a range of programmes with the purpose to improve the job readiness of the unemployed and to help them find suitable employment. Among these are the Job Guarantee for Young People (*jobbgarantin för unga*), the Job and Development Guarantee (*jobb- och utvecklingsgarantin*) and the Establishment Programme (*etableringsprogrammet*) for newly arrived immigrants (Box 2.2). These are all programmes that combine unemployment benefits, active employment support measures to improve job readiness and activity requirements to motivate and incentivise individuals to get back into work. In addition, the Swedish PES has several other programmes such as supported employment programmes, apprenticeship programmes, and education and training programmes.

Box 2.2. Main labour market programmes provided by *Arbetsförmedlingen*

The Job Guarantee for Young People (*jobbgarantin för ungdomar*)

This is a programme for youth under 25 years old that have been unemployed for at least three months. The programme provides support for youth through help with job search, job and career guidance and short-term education and training.

The Establishment Programme (*etableringsprogrammet*)

This is a support programme for newly arrived immigrants where the main goal is for participants to learn Swedish as quickly as possible, find a job and manage their own livelihood. The target group is the unemployed between 20 and 65 years who have or have recently been granted a residence permit as a refugee or person in need of protection.

The Job and Development Guarantee (*jobb- och utvecklingsgarantin*)

This is a program for those who have been unemployed for a long time, are registered as a jobseeker and need help to get back to work. The programme consists of individually designed interventions and support, combined with requirements for participants to actively look for a job. Among others, jobseekers who have participated in the Establishment Programme or the Job Guarantee for Young People for the maximum period, but are still unemployed in whole or in part, may participate in the programme.

Source: Arbetsförmedlingen (2022^[10]), *Stöd för dig som är arbetslös*, <https://arbetsformedlingen.se/for-kommuner/overenskommelser-for-samverkan> (accessed on 16 June 2022). Sveriges Riksdag, (2007^[11]), *Förordning (2007:414) om jobb- och utvecklingsgarantin*, Sveriges riksdag (The Swedish Parliament), Stockholm. [Förordning \(2007:414\) om jobb- och utvecklingsgarantin Svensk författningssamling 2007:2007:414 t.o.m. SFS 2022:1351 - Riksdagen](#)

The role of local authorities in employment policies

Both Arbetsförmedlingen and municipalities have a responsibility for actively supporting individuals far from the labour market. On the one hand, *Arbetsförmedlingen* is explicitly tasked to prioritise individuals furthest from the labour market. On the other hand, as stated in the Swedish Social Service Act (*Socialtjänstlagen*), services to support individuals on social assistance must be designed so that the individual's ability to live an independent life and become self-supported is strengthened (Alsén, 2021^[7]). This means that both *Arbetsförmedlingen* and municipalities have a responsibility for actively supporting individuals far from the labour market,

In practice, this results in a significant overlap in client groups and responsibilities between Arbetsförmedlingen and the Swedish municipalities. In 2019, around 240 000 adults received social assistance from the municipalities, out of which 120 000 indicated that they did so due to unemployment. Roughly estimated, this was equal to around one in five of the total number of individuals signed up with *Arbetsförmedlingen* (Alsén, 2021^[7])(Box 2.3).³

Box 2.3. Social assistance recipients and the overlap with clients at Arbetsförmedlingen

Data on the share of jobseekers signed up with *Arbetsförmedlingen* who are also receiving social assistance and social services from municipalities is not collected in Sweden. However, different efforts have been made to estimate this number based on other existing data sources. In 2019, IFAU released a report with unique data from 2016 on employment policies and client groups in 105 out of the 290 municipalities in Sweden. The 105 municipalities covered around 3.5 million inhabitants, out of which around 490 000 individuals were signed up with *Arbetsförmedlingen* and around 40 000 received employment support measures from municipalities. Of the 40 000 receiving employment support from municipalities, around 33 000 were signed up with *Arbetsförmedlingen* and around 24 500 received some kind of service from the agency (Forslund et al., 2019^[9]). This indicates that more than 50% of the unemployed who receive support from municipalities are simultaneously signed up with, or receive support from, the national PES.

In 2021, based on data from 2019, Alsén (2021^[7]) came to a somewhat similar conclusion. In 2019, around 240 000 individuals across the country received social assistance from municipalities and out of these around 50% (120 000) indicated unemployment as the main reason for receiving the

³ It should be noted that these overlapping clients are not necessarily eligible for support from the new contracting-out system.

assistance. Roughly estimated, this number was equal to one in five jobseekers signed up with the national PES. This figure, however, hides large regional differences, ranging from a potential overlap of only 13% in Stockholm compared to a potential overlap of 31% in Dalarnas. At municipality level, the differences were even larger, with a potential overlap below 10% in 13 municipalities and above 30% in 28 municipalities (the highest share was 52%).

Source: Forslund et al. (2019^[9]), *Kommunal arbetsmarknadspolitik. Vad och för vem? En beskrivning utifrån ett unikt datamaterial*, IFAU, Uppsala. Alsén (2021^[7]), *Arbetsökande med ekonomiskt bistånd*, Arbetsförmedlingen, Stockholm.

Already during the 1990s, Swedish municipalities increasingly became providers of active support measures for unemployed citizens. Among other things, this was due to the introduction of workforce arrangements in social assistance schemes as well as the massive increase in unemployment during the 1990s, which put pressure on both national and local government budgets (Bergmark, 2003^[12]). Ongoing labour market changes and the increase in unemployed far away from the labour market within recent years has only added to this pressure and increased the incentive for municipalities to engage in employment policies.

Given their responsibility for social assistance and social services, increases in the number of long-term unemployed will first and foremost be felt in the budgets of municipalities. According to SKR, municipalities spend around SEK 5 billion per year on policies to support the unemployed. This comes on top of the SEK 5 billion that are spent per year on social assistance benefits, which is expected to increase by 15-20% in the coming years due to rising unemployment levels among individuals that are far from the labour market (SKR, 2021^[13]). Municipalities thus have a strong incentive to promote integration into the labour market for as many recipients as possible. Integration will, however, result in positive outcomes for both municipalities (reduced spending on social assistance and services and increased income tax base) and the state (reduced spending on employment policies and increased income tax base).

The rationale for the financial incentive structure for municipalities to engage in employment policies is clear. However, there is a disconnect between active and passive labour market policies for unemployed groups receiving social assistance benefits. The responsibility for providing social assistance for the long-term unemployed, as well as other groups in need of temporary income relief (e.g. youth or migrants), lies with municipalities. This weakens the incentive for the state to support this group of unemployed. It runs the risk of pushing the responsibility and costs for employment services for these groups on to municipalities.

For the groups of long-term unemployed, this concern is supported by a report by the national Unemployment Insurance Inspectorate (*Inspektionen for arbetslöshetsförsäkringen, IAF*) from 2021. The report showed that the long-term unemployed (signed up with *Arbetsförmedlingen* for at least 12 months) did not have updates on their individual action plan (e.g. follow up on agreed activities and objectives) in eight out of ten cases. Furthermore, *Arbetsförmedlingen* had not made any updates or changes in the assessment of one in three long-term unemployed since the creation of the individual action plan. In addition, the long-term unemployed had overall fewer activities in their action plans compared to those unemployed for less than 12 months (IAF, 2021^[14]). Since unemployment benefits are only paid for a maximum of 300 days (450 days for jobseekers with dependent children), this means that many of these individuals would most likely receive social assistance benefits from municipalities (see also Box 2.1)⁴. The Swedish PES has (and will continue to have) in place a number of programmes targeting the long-term unemployed and other groups far from the labour market (e.g. the job- and development guarantee)

⁴ Long-term unemployed may also participate in the Job and Development Guarantee and receive activity support from the Social Insurance Agency for a period of 300/450 days.

and the authority's spending on these groups remains significant (Arbetsförmedlingen, 2022^[15]; Arbetsförmedlingen, 2022^[16]). Yet, the results from the IAF report indicate that more priority could be given to these groups of jobseekers in the day-to-day implementation of action plans and programmes.

In this context, Swedish municipalities are taking different approaches to support those furthest from the labour market, including for the long-term unemployed, youth and migrants. Some municipalities have decided only to focus on those individuals on social assistance who are not signed up with *Arbetsförmedlingen* (and thus are not jobseekers). Others have taken a more proactive approach, also supporting the group of unemployed signed up with the national PES or even those who are not yet but might eventually become social assistance recipients. Interviews with municipalities and SKR/SALAR show that over the last 30 years, several municipalities have set up their own employment unit in addition to the social service unit, providing active labour market programmes for those furthest from the labour market. These units provide a range of services (Box 2.4).

Box 2.4. Types of employment programmes provided by Swedish municipalities

In their report from 2019, IFAU gave insights into the types of employment programmes that municipalities provide and the clients receiving these services. Among the most common types of services provided were job search activities, apprenticeships/internships, language training and municipal employment. However, the exact mix of services in place varied significantly across municipalities and client groups. Individuals receiving social assistance were more likely to participate in job search and matching activities than other individuals, while migrants were more likely to receive language training. The report also showed that individuals participating in municipality activities were generally younger, single, with non-migrant background and relatively less educated compared to individuals receiving support from *Arbetsförmedlingen*.

Source: Forslund et al. (2019^[9]), *Kommunal arbetsmarknadspolitik. Vad och för vem? En beskrivning utifrån ett unikt datamaterial*, IFAU, Uppsala.

Swedish regions play a role in labour market policies mainly through their responsibility for regional development. This includes responsibilities for regional development strategies, business support, support for commercial services and European Regional Development Fund (ERDF) programmes. As a part of their work to support regional development, many regions work on policies and programmes to build up a strong skills supply systems in their area. Some regions have established skills supply networks with all municipalities in the region as well as with employers to help identify and develop forecasts on future skills demand and supply. In addition, the Swedish regions are often involved in different projects funded e.g. by the European Social Fund (ESF), or the Swedish Agency for Economic and Regional Growth (*Tillväxtverket*), e.g. to strengthen skills supply in certain areas or to promote support for those furthest away from the labour market. In these projects, regions are often co-operating with *Arbetsförmedlingen* as well as municipalities.

Changes in jobseekers, staff, and budget of Arbetsförmedlingen in times of reform

In the context of the COVID-19 crisis and increasing unemployment levels, the number of individuals signed up with Arbetsförmedlingen increased significantly. As shown in Figure 2.9, from 2020 to 2021 the number of unemployed not in work signed up with *Arbetsförmedlingen* increased by almost 100 000, hitting a record high of an average of almost 450 000 in 2021. However, already in October 2021, the level of unemployment in Sweden was back at the pre-pandemic levels of February 2020, and at the end of September 2022 the numbers of clients not in work signed up with the Swedish PES was 332 737. The average number of clients not in work signed up with *Arbetsförmedlingen* from January to

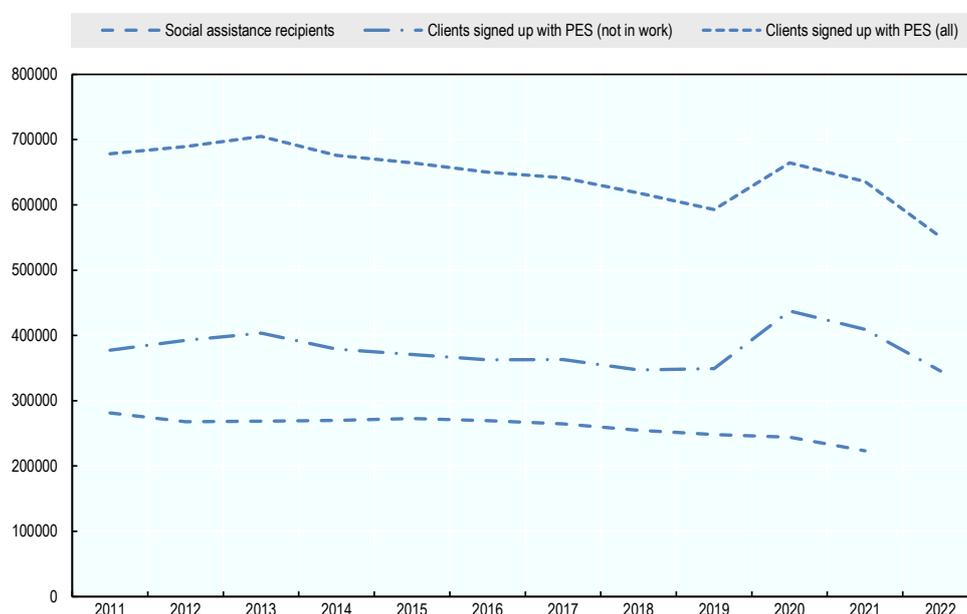
September 2022 is below the lowest yearly average in the period 2011-2022. At the same time, the total number of social assistance recipients in municipalities has decreased from around 280 000 in 2011 to around 225 000 in 2021.

In the same period, the Swedish PES has seen significant adjustments in both its budget and staff (Figure 2.10). In the period from 2019 to 2021, *Arbetsförmedlingen*'s core budget increased by around SEK 8 billion, to reach around SEK 56 billion. The period 2021-2022 has seen a smaller decline, but the core budget is still above the level of 2019. However, this covers significant differences between budget categories. Spending on active support decreased by around SEK 5 million from around 15 to around 10 million between 2015 and 2018 and then increased by around SEK 9 million from SEK 10 million to SEK 19 million between 2018 and 2022. Spending on other categories, including wage allowances and active labour markets policies remained more stable. At the same time, the non-core budget has fluctuated significantly – from around SEK 19 billion in 2019 to around SEK 36 billion in 2021 and back down again to around SEK 25 billion in 2022.

A significant part of the increases in the core-budget have gone to the development of new digital systems and services. At the same time, the number of core staff working at *Arbetsförmedlingen* has decreased significantly from a record high of almost 11 000 in 2017 to around 7 500 in 2022. These reductions have not materialised in a downscaling of the budget yet. However, the expectation is that budget cuts will follow once the reform is fully implemented and the new digital systems have been further implemented (Eliasson and Timander, 2020^[17]).

Figure 2.9. In the context of the COVID-19 pandemic registered jobseekers have gone up while social assistance recipients have gone down in Sweden

Number of clients signed up with the Swedish PES according to their work situation, 2011-2022, and the number of social assistance recipients, 18-65 years, 2011-2021.

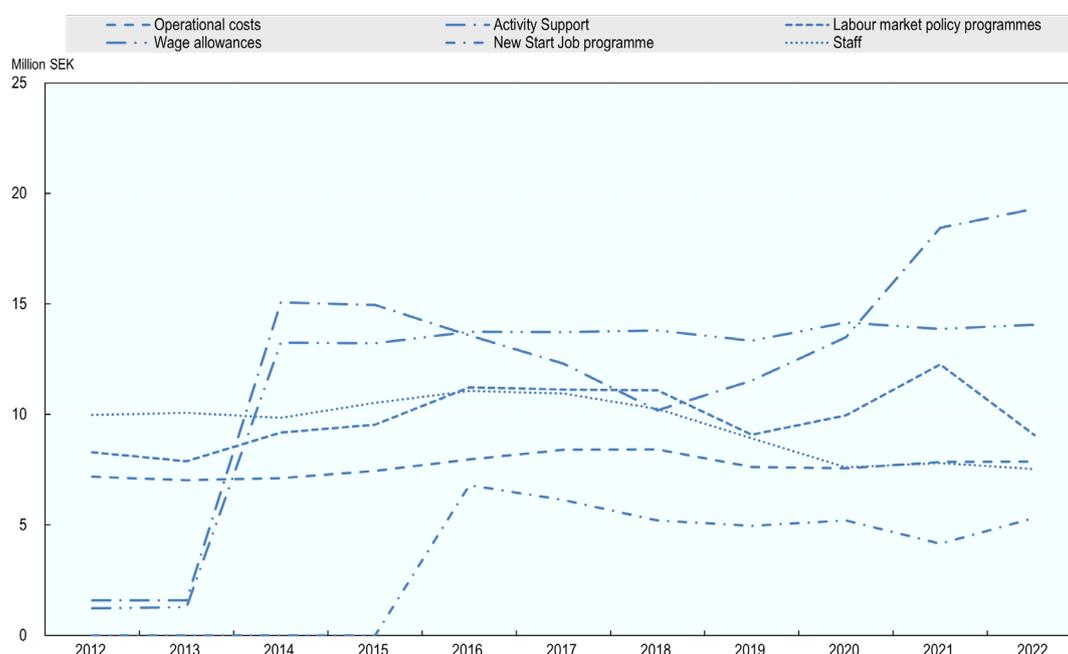


Note: Clients signed up with the Swedish PES (not in work) includes the unemployed without work and actively are looking for a job, but who do not participate in an activation programme (*Öppet arbetslösa*) as well as the unemployed participating in an activation programme (*Arbetslösa / program*). Clients signed up with the Swedish PES (all) includes the two categories previously listed, as well as client groups that are in work either with support or without support (part-time unemployed). The yearly number of individuals signed up with the Swedish PES is calculated as an average of the monthly participants for each year.

Source: The Swedish PES's statistical database, [Tidigare statistik - Arbetsförmedlingen \(arbetsformedlingen.se\)](https://www.arbetsformedlingen.se), and The National Board of Health and Welfare's (*Socialstyrelsen*) statistical database, [Statistikdatabaser - Ekonomiskt bistånd - Val \(socialstyrelsen.se\)](https://www.socialstyrelsen.se)

Figure 2.10. Decrease in the number of core PES staff and increase in the elements of the core PES budget

Evolution in key elements of the core budget of the Swedish PES, 2012-2022 and the number of core PES staff, 2012-2022.



Note: The core budget includes funds that *Arbetsförmedlingen* works actively with (e.g. to finance activity support, costs for labour market policy programmes, compensation for efforts for newly arrived immigrants and wage allowance). The figure includes the main elements of the core budget. The non-core-budget, which is not included in the figure, includes funds that are first allocated to *Arbetsförmedlingen* but then transferred to other entities. This includes among others unemployment benefit, state old-age pension contributions, state grant to municipalities for promotion of local agreements, projects within the European Globalisation Fund etc.

Source: Arbetsförmedlingen.

The reform of Arbetsförmedlingen

In the context of changing labour markets, the Swedish public employment service is undergoing a major reform process that is changing its fundamental role and organisation. The PES already has experience with the contracting-out of employment services to independent providers. However, the reform will more fundamentally shift the focus from the provision of in-house services to the management of external providers. In addition, a move from physical to digital services has already led to a significant restructuring of its organisation and presence in regions and municipalities. In the following sub-sections, the main elements of the ongoing reform of the Swedish PES are outlined, highlighting the changing role and responsibilities of the authority as well as the restructuring of *Arbetsförmedlingen's* services locally.

Reforming Arbetsförmedlingen – from provider to manager of services

In May 2019, the Swedish government commissioned *Arbetsförmedlingen* to prepare for a major reform of the authority and the provision of public employment services in the country. The proposed reform will result in the contracting-out of a significant amount of employment services to independent providers in a quasi-market structure and will shift the focus of *Arbetsförmedlingen's* mandate towards monitoring of providers and working with different stakeholders in guiding and implementing labour market policy (Ministry of Employment, 2021^[18]). The reform will build on lessons learned from the

implementation of the large-scale programme *Kundval Stöd och Matchning* (STOM) as well as the ongoing *Kundval Rusta och Matcha* (KROM) programme. Since 2014, *Arbetsförmedlingen* has been progressively engaging in larger scale contracting of its services, including job brokerage and counselling services. The *Kundval Stöd och Matchning* (STOM) programme was introduced in 2014 to contract out services especially for disadvantaged jobseekers (e.g. unemployed with low education levels, migrants, persons with disabilities or persons aged 55–64 years) to independent providers. In March 2020, a new programme – *Kundval Rusta och matcha* (KROM) – was introduced as a trial programme in six of the existing delivery areas. Over the course of 2021, the programme was rolled out in the remainder of Sweden (Langenbacher and Vodopivec, 2022^[19]). The KROM programme remains in place today and it forms the basis of the reform.

While the reform is still in its final stages, the main elements have been outlined in numerous government documents as well as in newly adopted legislation (Ministry of Employment, 2021^[18]; The Swedish Government, 2022^[20]; The Swedish Government, 2022^[21]; Sveriges Riksdag, 2022^[22]; Sveriges Riksdag, 2022^[23]; Sveriges Riksdag, 2022^[24]). The current reform plans foresee that in the new system employment services will be contracted-out for the broad “middle group” of jobseekers, as measured by their “distance to the labour market”. Providers receive financial incentives for sustained employment or education outcomes and clients will have the opportunity to choose their provider whenever possible. Providers applying for contracts in one or more of the 72 delivery areas must meet several criteria, including financial and organisational requirements. Services procured within the new procurement system will be named “mediation services” (*Förmedlingsinsatser*) and *Arbetsförmedlingen* will start the procurement of the new services in February 2023, in parallel with an update of the tender criteria of the current KROM programme (Box 2.5) (Carlsson, Román and Phalén, 2022^[25]). While the number of participants in the KROM programme will increase within the coming years, *Arbetsförmedlingen* will continue to provide a range of other labour market policy measures to jobseekers through in-house provision or other contracting and co-operation arrangements (The Swedish Government, 2022^[26]).

Box 2.5. Main features of the proposed reform of the Swedish PES

Among the main features of the reform, as outlined in numerous government documents, are:

- **Outcome-based contracting:** Job brokerage and counselling activities for a large part of *Arbetsförmedlingen*'s clients will be contracted out to independent providers, including for-profit and non-for-profit businesses or organisations. Providers will be given strong financial incentives for sustained employment or education outcomes. The prices paid to providers will be differentiated based on a client's employability to reduce the risk that providers focus their attention only on the most readily employable clients. Going forward, *Arbetsförmedlingen* plans to introduce additional requirements for providers to better respond to the needs of different jobseekers.
- **Introduction of a new labour market service:** A new labour market service named “mediation services” (*Förmedlingsinsatser*) will be introduced as a way to give a clear legal framework for the services that *Arbetsförmedlingen* procures within the KROM system. As part of the *Förmedlingsinsatser* services, jobseekers will receive employment mediation services from a contracted provider for a maximum of two six-months periods. Providers are obliged to map a jobseeker's qualifications and develop an individual action plan. The target group of the new services are jobseekers over 25 years who are full-time unemployed, or jobseekers enrolled in the Job Guarantee for Young People, Job and Development Guarantee or the Establishment Programme.
- **Consumer choice:** Jobseekers will have the opportunity to influence the choice of provider as much as possible. Providers cannot refuse to accept certain jobseekers, although they may set

upper limits for how many clients they can serve at once (they must be able to serve at least 50 participants at any time in each delivery area they operate in). It remains the responsibility of *Arbetsförmedlingen* to decide whether to procure services within the “Freedom of Choice System” (*Lagen om valfrihetssystem*, LOV) or under the “Public Procurement Act” (*Lagen om offentlig upphandling*, LOU), in the same way as applies to the authority’s procurement of other services.

- **A change in the responsibility of *Arbetsförmedlingen*:** *Arbetsförmedlingen* will retain its role in designing, coordinating, and overseeing labour market policies. Functions relating to procurement and monitoring of providers will increase in importance. *Arbetsförmedlingen* will retain the role of deciding which jobseekers should be referred to independent providers, but its role as provider of employment services will decrease.
- **Ensuring local presence and co-operation:** *Arbetsförmedlingen* will be responsible to ensure equal access to basic services and employment support throughout the country. In particular, the authority is required to design its services so that the job seekers who need physical meetings can have it and the authority’s knowledge of local and regional labour markets is maintained. Within the new contracting-out system, this includes that *Arbetsförmedlingen* may step in temporarily to ensure service continuity in cases where local presence is not available through contracted-out providers. In addition, *Arbetsförmedlingen* must co-operate with municipalities to ensure sufficient support for those individuals that receive support from both *Arbetsförmedlingen* and municipalities and ensure co-operation between *Arbetsförmedlingen*, municipalities and independent providers.

Source: Ministry of Employment (2021^[18]), *Vissa lagförslag med anledning av en reformerad arbetsmarknadspolitisk verksamhet [Some legislative proposals related to a reformed labour market policy activity]*, Stockholm. The Swedish Government (2022^[21]), *Uppdrag med anledning av en reformerad arbetsmarknadspolitisk verksamhet*. The Swedish Government (2022^[26]), *Regleringsbrev för budgetåret 2022 avseende Arbetsförmedlingen*, <https://www.esv.se/statsliggaren/regleringsbrev/?RBIID=22276> (accessed on 5 October 2022). The Swedish Government (2022^[20]), *Förbättrade förutsättningar för den arbetsmarknadspolitiska verksamheten*, <https://www.regeringen.se/rattsliga-dokument/proposition/2022/04/prop.-202122216/> (accessed on 12 September 2022). Sveriges Riksdag (2022^[23]), *Förordning (2022:811) med instruktion för Arbetsförmedlingen*, https://www.riksdagen.se/sv/dokument-lagar/dokument/svensk-forfattningssamling/forordning-2022811-med-instruktion-for_sfs-2022-811

The KROM system is expected to cover around 20-25% of the unemployed signed up with *Arbetsförmedlingen*. The programme stands out from other contracted-out employment services schemes internationally, as it explicitly targets the “middle group” of jobseekers. I.e. KROM excludes both readily employable jobseekers and those jobseekers who are judged to be too far from the labour market. Jobseekers closest to the labour market will be supported by *Arbetsförmedlingen* mainly through digital services. Furthermore *Arbetsförmedlingen* will be responsible to ensure that a wide range of employment support measures are in place for the jobseekers furthest away from the labour market (as well as other groups not receiving services within the KROM programme). This includes the continued development of digital and physical matching, guiding, training and other services provided in-house by *Arbetsförmedlingen*. In particular, the authority should procure services in KROM in such a way that resources remain available to provide other labour market policy interventions, either provided in-house or procured from providers outside the KROM system, including possibly from municipalities. In addition, *Arbetsförmedlingen* must ensure that jobseekers and employers have equal access to public employment services in all parts of the country (see further discussion in sections 3 and 5) (The Swedish Government, 2022^[21]).

Reforming Arbetsförmedlingen – Restructuring of local offices

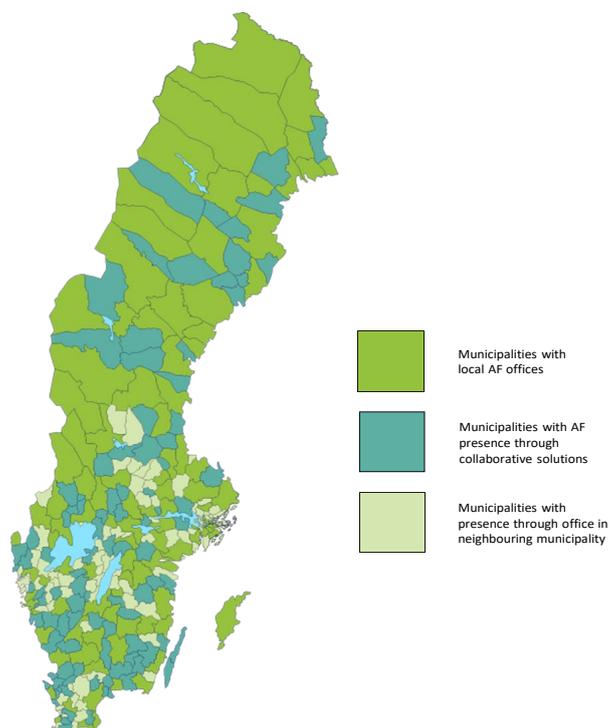
In parallel with the increasing contracting-out of services, Arbetsförmedlingen is – on its own initiative – scaling back its physical presence in local offices across the country and moving more services to online platforms. With its plan for adjustment of local offices, which was implemented during 2019 and 2020, the authority reduced the number of local offices from 238 to 112 across the 290 municipalities. At the same time, the authority has put in place alternative solutions in 99 out of the 126 places where local offices have been closed. These alternatives are either in the form of a co-operation with municipalities where *Arbetsförmedlingen* rent facilities from the local government or a co-operation with the National Government Service Centre (*Statens Servicecenter (SSC)*), which provides administrative solutions for a number of national authorities, including *Arbetsförmedlingen* (Eliasson and Timander, 2020^[27]).

Through these three alternatives, Arbetsförmedlingen together with the independent providers can offer three types of local service solutions. In addition to these solutions, all clients can access *Arbetsförmedlingen* through digital and phone services. The three different engagement options are (Eliasson and Timander, 2020^[28]; Eliasson and Timander, 2021^[29]; Eliasson and Timander, 2022^[30]):

1. **Spontaneous meetings in local offices provided by the National Government Service Centre in 120 places covering 110 municipalities.** These offices can provide individuals with general information on available employment services and guidance on how to use digital services and how to access services provided by other authorities. Clients can sign up to *Arbetsförmedlingen* but cannot receive an individual action plan or get referred to an independent provider.
2. **Pre-booked meetings with PES counsellors provided in 218 places covering 211 municipalities.** Out of these, 112 are local PES offices while 106 are collaborative solutions within municipalities. In these offices, clients can meet with local PES caseworkers e.g. to develop their individual action plan and be referred to an independent provider. The offices where caseworkers are permanently based in are required to stay open at least 5 days per week and 6 hours per day. Caseworkers are permanently based in 88 out of the 112 PES offices. The same caseworkers are travelling to the rest of the local PES offices as well as 106 municipality solutions when needed. All clients are required to go through a digital solution before they can participate in a pre-booked meeting either in-person or by phone.
3. **Pre-booked meetings and activities with independent providers (within the KROM programme or within other procurement programmes).** Clients assigned to the KROM system must choose a provider. Once they have a provider, they can participate in meetings and activities with the provider. Independent providers are allowed to offer a mix of physical and online services, but they must maintain physical presence (in-person office hours) in each delivery area for at least 16 hours per week. The ambition of the government is to have independent providers present in all delivery areas (but not necessarily in all municipalities).

The strategy for restructuring of local offices has taken into account the geography of the country and especially the need for more services in rural and remote areas. Relative to population size, *Arbetsförmedlingen* has local presence through different local solutions more often in the north of the country – where distances and travel times are longer – compared to the south of the country (Figure 2.11). In this way the strategy for restructuring of local presence expresses a simultaneous desire, on the one hand, to provide continued presence and coverage in all parts of the country and, on the other hand, to provide a cost-efficient service offer. In parallel with the scaling back of physical presence, *Arbetsförmedlingen* is introducing new digital measures to support the unemployed (see section 4).

Figure 2.11. The local presence of public employment service offices in Sweden



Source: Eliasson and Timander (2020^[27]), *Lägesbeskrivning Arbetsförmedlingens lokala närvaro 2020-06-15*, Arbetsförmedlingen, Stockholm.

3

Ensuring employment service coverage in all places and for all jobseekers

The reform of *Arbetsförmedlingen* will have implications for the provision and organisation of employment services across local labour markets in Sweden. It will be critical that providers have the right incentives to provide high quality services in certain places (especially rural and remote areas) and for all individuals (especially those furthest away from the labour market). Without providers or with only little competition in certain parts of the country, important assumptions about the positive effects of contracting-out employment services may not materialise, including the political wish to provide freedom of choice for jobseekers. This section will analyse the current market situation for public employment services in Sweden as well as the possible risk of geographical “white spot” areas where no providers are present. Moreover, the section discusses different ways to improve coverage in all parts of the country, including by restructuring delivery areas, adjusting the payment model or entry requirements, and supporting the entry of smaller players in the market. In addition, the option to develop a separate procurement system for certain geographical areas or groups of unemployed is discussed.

The current market situation in the KROM system

In the current KROM system independent providers operate in 72 delivery areas. These areas correspond to the functional regions of analysis (*funktionella analysregioner, FA-regioner*), as defined by the Swedish Authority for Economic and Regional Growth (*Tillväxtverket*) in 2005⁵. These areas again correspond neither to regions nor to municipalities, but rather reflect areas where people can live and work without excessive time-consuming travelling (Myndigheten för tillväxtpolitiska utvärderingar och analyser, 2015_[31]). Some of the delivery areas cover several municipalities (up to 36), while 29 delivery areas only cover one municipality. The areas also vary with regard to the levels of unemployed – ranging from around 97 000 unemployed in the Stockholm delivery area to around 30 unemployed in the Arjeplog delivery area (equivalent respectively to 30% and 0,01% of all unemployed in early 2022) (Román et al., 2022_[32]).

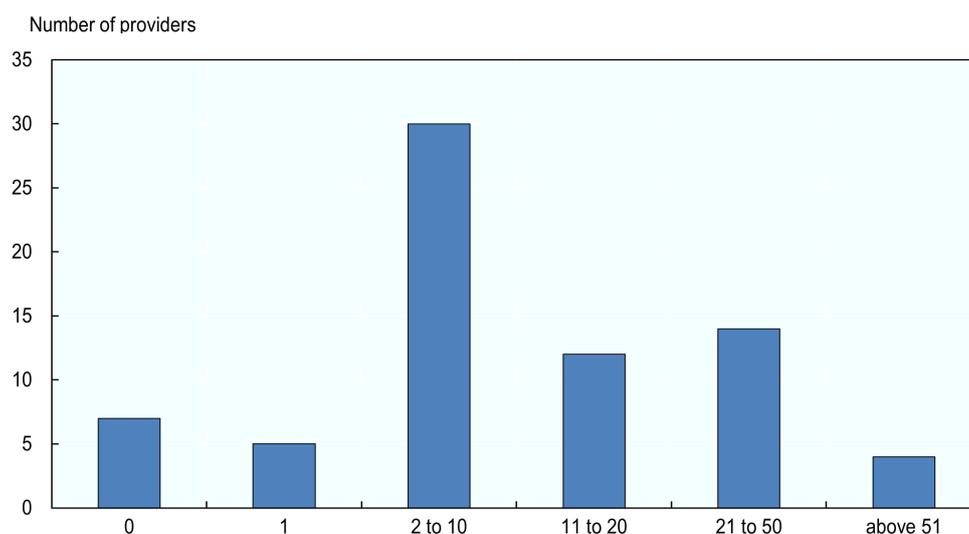
Potential providers can apply for contracts in one or more of the delivery areas. As of July 2022, 157 independent providers had been approved to deliver services within the KROM system, and these providers were present in 65 out of the 72 provider areas. There were no providers present in seven delivery areas, albeit currently only 0.15% of the unemployed population live in these areas. In terms of municipalities across all provider areas, there were no providers present with local offices in 64 out of the 290 municipalities, and currently 3.5% of the unemployed are residents in these municipalities. Many of

⁵ The FA-regions were revised in 2015 where the number of regions were reduced from 72 to 60. The regions are intended to give a picture of the geographical scope of Sweden’s labour market over a period of approximately 10 years. The revision was based on a prognosis of Statistics Sweden’s division of local labour markets up until 2025 and included studies of border-crossing work commuting, interacting commuter flows and discussions with regional representatives (Myndigheten för tillväxtpolitiska utvärderingar och analyser, 2015_[31]).

these municipalities are placed within commuting distance to other municipalities where independent providers are present in local offices. In addition, in 37 municipalities (across different delivery areas) only one independent provider was present, affecting 3.7% of all unemployed (Román et al., 2022^[32]). Apart from these under-served areas, provider choice is high in most areas with an average of 13 providers per area (Figure 3.1). Providers also have the possibility to apply for approval to use sub-contractors for all or selected parts of their services. By the end of July 2022, there were 253 sub-contractors registered in the KROM programme, with 38 of the 157 current KROM providers operating with sub-contractors in 37 out of 72 delivery areas. Sub-contracting mainly prevails in relatively densely populated delivery areas (Román et al., 2022^[32]).

Within each delivery area, providers can have several approved “places of business”⁶, both within different municipalities that are part of the delivery area and at several approved addresses within the same municipality. It is the approved “place of business” that is searchable by jobseekers when they choose a supplier. At the end of July 2022, the total number of approved “places of business” within the KROM system was 2 062, corresponding to 13 addresses per provider. There is a clear correlation between the number of jobseekers and the number of approved “places of business” in the municipalities. Overall, the number of “places of business” increases with the number of unemployed in the municipality (Román et al., 2022^[32]).

Figure 3.1. Number of providers in delivery areas



Source: Author’s compilation based on data from Arbetsförmedlingen

The smaller customer base in the more remote areas means that it may be more difficult for independent providers to establish a profitable market. Even though the costs associated with setting up a business in these areas (e.g. costs related to renting offices and salaries) are generally lower, the fixed costs may be difficult to cover given the limited client base. Such areas may, hence, not be profitable to serve for providers. In contrast, several delivery areas with a large number of unemployed have a high number of providers present (up to 87 in the Stockholm delivery area). Over time the number of providers may also reduce in those delivery areas, as non-profitable providers leave the market.

⁶ Places of businesses are local offices with frontline services for clients.

Data on the type and size of providers operating in different delivery areas have not been available for the writing of this report. However, interviews with stakeholders in Sweden indicate that it is mainly a few relatively big providers that operate in the more remote areas where provider presence is limited. Only a few smaller and more locally bound providers are present in areas with limited customer shares. This may be because larger providers have lower fixed costs and have the possibility to cross-subsidise costs across different delivery areas. Their large size allows them to operate by incurring short-run losses which small potential entrants may not be able to afford.

The relatively small group of jobseekers that live in areas where there are currently no providers can use a mix of digital services and services provided in physical offices in other delivery areas. Before referral, they can go either through digital services provided by *Arbetsförmedlingen* or travel to a local PES office. After referral, they can also access a number of services digitally. Not all services provided in the KROM programme can, however, be provided digitally and thus clients can be required to travel to another delivery area to receive support (see section 2). To support this, jobseekers can get reimbursed for commuting costs to receive services from providers in nearby service delivery areas. In most delivery areas that are lacking a provider today, the jobseekers are eligible for reimbursement for the commuting associated with neighbouring delivery areas.

Options to strengthen coverage of employment services

Different factors influence the current market situation and the risk of having delivery areas without independent providers. The following sub-sections provide a discussion of some of the factors as well as options to strengthen the presence of providers especially in the north of Sweden. These include: i) the design of delivery areas, ii) the price model and service requirements, and iii) the type of actors allowed to participate in the market. In addition, in the last sub-section, the possibility to create a separate system for specific geographical areas or sub-groups in the labour market is discussed. For a broader and more theoretically based discussion on how to create a competitive market for employment services in Sweden, please see OECD (2022^[33]).

Restructuring delivery areas to increase coverage

One way of overcoming challenges with non-profitable areas is through a direct restructuring of delivery areas to strengthen the client base in certain areas. A restructuring may involve drawing the boundaries of delivery areas differently, as well as reducing the overall number of delivery areas. As currently discussed by *Arbetsförmedlingen*, a proposal for new delivery areas could be based on the revision of the FA-regions in 2015, when the number of regions was reduced from 72 to 60. However, these regions are based mainly on studies of border-crossing work and commuter flows. Therefore, additional criteria could be taken into account to strengthen the client base in certain areas and thus make them more profitable for providers to operate in. Other alternatives that have been discussed, but for now also rejected by *Arbetsförmedlingen*, are to restructure delivery areas according to the internal organisation and representation of the PES or according to other public administrative units such as municipalities or regions (Carlsson, 2022^[34]).

Another way of (indirectly) restructuring delivery areas is through bundling of some of the existing 72 delivery areas. In a bundling model, the right to operate in more “attractive” areas are only given to providers who at the same time accept to also cover one or more less “attractive” areas. As discussed in OECD (2022^[33]), the bundling of non-profitable areas with profitable areas in contracting can be done either through a combinatorial auction where multiple goods are sold at once and bidders are allowed to place bids for any combination of the goods, or through direct negotiation with interested providers. One way to determine the bundles could be by a combinatorial auction in which the providers can bid for any bundle

of at least one non-profitable and at most one highly profitable area (for a more detailed discussion see OECD (2022^[33])).

In the Province of Ontario, Canada, where many areas are characterised by low population density, different measures are used to strengthen employment service coverage across all areas. In Ontario, a new system of contracted-out employment services that aims to improve client access and take up. To support presence also in more rural and remote areas, the system includes, among other things, special “service delivery zones” within delivery areas where providers are required to maintain in-person services. The system also includes a funding model that is designed to support the presence of providers in all parts of the province (Box 3.1).

Box 3.1. Ensuring coverage of remote areas in Ontario, Canada

The Province of Ontario is in the process of gradually implementing a system of contracted-out employment services which integrates social assistance and employment services throughout the province. Among the overall objectives of the reform is to improve client access and take up by creating an integrated system that is easier for clients to navigate. In the new system, the Ministry of Labour, Immigration, Training and Skills Development oversees the contracting with 15 Service System Managers (SSM) that are responsible for all clients in the system, and which operates in one of the 15 catchment areas throughout the province. The SSMs manage the contracting with a network of providers and has the overall responsibility for client outcomes. In terms of ensuring coverage and presence, the Ontario model has several interesting features, that all seek to create a locally responsive market that delivers locally tailored services. These include:

- **Structuring of delivery areas:** All catchment areas are sub-divided into “service delivery zones”. Within some of these zones (mostly in rural areas) providers are required to maintain in-person services.
- **Special model for the most remote areas:** The system is rolled-out in several rounds and the very remote areas in the northern part of the province have been saved for the last round (to be completed in 2023). Here, the Ministry plans to do additional market sounding and engagement with local actors to understand the needs and possibilities of creating a strong market.
- **Funding:** The introduction of the new system has so far not resulted in budget cuts for any of the catchment areas. However, in the northern part of the province the budget has been increased by 15% to cover additional administrative costs for SSMs related to the provision of services in this part of the province.

Source: Fact-finding interview with the Ministry of Labour, Immigration, Training and Skills Development.

Measures to adjust payments and costs in non-profitable areas

The KROM programme includes a differentiation of prices paid to providers depending on the client group and their employability, to prevent providers from focusing their attention on the easier to support clients. There are three payment groups (A, B and C), and individuals are assigned to a group based on the results of a statistical profiling tool determining the individual’s “closeness” to the labour market. In addition, the payment model consists of three different payment types: i) a basic payment paid as a daily allowance based on a five-day week; ii) a performance compensation paid for employment or education/training outcomes; and iii) a speed premium for work or education/training outcomes achieved before the end of the two six month attachment periods (Langenbacher and Vodopivec, 2022^[35]).

One way to tackle the problem of entry into non-profitable delivery areas is to differentiate payments also according to the delivery area itself. As discussed in OECD (2022^[33]), additional payments for providers to operate in otherwise non-profitable areas can be provided either directly (e.g. by raising the compensation fee for successfully served jobseekers in these areas or offer additional monthly lump-sum payments) or more indirectly by using auctions to restructure the (regional) market. The more complex approach of using auctions has the benefit of revealing providers' preferences and thus more clearly determining the optimal size of financial subsidies in non-profitable areas. In the State of Wisconsin (United States) the coverage of rural and remote areas is accounted for in the pricing model, thus providing independent providers with strong incentives to be present also in these areas (Box 3.2). This approach was also used in Australia in the *Jobactive* programme, which ran until June 2022. However, adjustments of that were introduced in July 2022.

Box 3.2. Adjusting for geography in payment models – the case of Wisconsin (US) and Australia

The State of Wisconsin (United States)

Wisconsin has been running the *Wisconsin Works (W-2)* programme since 1997. The programme allows any public or private entity to bid to administer its main social assistance benefit programme which includes both the management of subsidized employment or counselling and the social assistance benefits. For the running of the programme, Wisconsin is divided into 10 geographical areas (for the 2013 tendering round), four of which were in the largest city, Milwaukee. Within each area, one provider is awarded a contract. The payment structure includes both a monthly attachment fee as well as several types of outcome-based payments. To account for differences in the costs related to different geographical areas, the monthly attachment fee differs across regions and is almost double the size in the less-densely populated rural regions compared to the urban Milwaukee region.

Australia

In Australia, the payment model of the contracting-out system is highly outcome-based. Within the *Jobactive* programme which ran until June 2022, providers were rewarded outcome fees, after four weeks and then again after 12 and 26 weeks. These outcomes fees were “regionally loaded” which meant that they were adjusted to the geography of the country with relatively higher payment levels for regional locations (i.e. less densely populated) and relatively lower levels for non-regional (i.e. more urban) locations. According to the Australian Department of Home Affairs, all of Australia outside of the Australian Capital Territory, Sydney, Newcastle, the Central Coast, Wollongong, Brisbane, the Gold Coast, Melbourne, and Perth is considered to be “rural and regional Australia”. Depending on the type of client and the employment duration, prices differ from less than AUD 100 to over AUD 1 000 per individual between regional and non-regional areas.

The adjustment of outcome payments according to geography, however, was not carried over in the new *Workforce Australia* programme which replaced the *Jobactive* programme from July 2022. Among the main reasons for this were: 1) a lack of substantive evidence to support the inclusion of regional loading, 2) administrative data did not indicate significant differences in the proportion of full outcomes achieved in metropolitan and regional areas, with some regional areas outperforming metropolitan areas; and 3) independent financial viability analysis did not identify any consistency in regional cost differences and found variability differed across metropolitan and regional areas.

Source: Langenbucher and Vodopivec (2022^[35]), “Paying for results: Contracting out employment services through outcome-based payment schemes in OECD countries”, *OECD Social, Employment and Migration Working Papers*, No. 267, OECD Publishing, Paris, <https://doi.org/10.1787/c6392a59-en>. Comments from the Australian Department of Employment and Workplace Relations.

Another way to improve the business case in non-profitable areas is to adjust some of the service requirements that might entail extra costs for providers. Interviews with stakeholders in Sweden have shown that the larger providers in particular find that the requirement of physical presence (in-person office hours for at least 16 hours per week) can negatively affect their decision to operate in the more remote areas. As suggested by OECD (2022^[33]), one option could be to vary this service requirement across delivery areas e.g. by allowing providers to substitute physical offices with mobile units or on-site visits. Alternatively, as in the Ontario model, providers in sparsely populated service delivery areas could be given an additional budget to reimburse for costs related to meeting the requirements of physical presence. One of the main ambitions of the government proposal is to ensure that citizens in all parts of the country have access to the same type of quality services no matter where they live (Ministry of Employment, 2021^[18]). Hence, any variation of service requirements according to the geographic area should somehow take into account that the quality of services remains equally high in all parts of the country.

Supporting the entry of other types of providers

Given the right circumstances, smaller and often locally based actors could potentially enter the market and help to close gaps. The current market in the KROM programme is characterised by a relatively small group of large, for-profit providers dominating large parts of the market. In February 2022, around 65% of all payments in the KROM programme went to the ten largest providers (compared to around 40% in the previous STOM programme) (Román et al., 2022^[36]). Smaller providers, including non-for-profit actors, tend to be locally based and have strong connections to the communities they operate in. Smaller, for-profit or non-for-profit organisations may also be more open to having a small client base as compared to relatively larger for-profit providers. Thus, a stronger inclusion of these type of providers in the market may improve the overall presence in delivery areas where there are currently no or only few providers.

There are several ways to increase the participation of smaller actors in the Swedish market, including adjustment of entry requirements. The government proposal calls for the establishment of an outcome-based model, where providers are given strong financial incentives for sustained employment or education outcomes. However, the current model includes a significant amount of entry requirements for providers that in practice makes the model more input than outcome focused. Among the main criteria are financial and organisational requirements, capacity requirements (providers must be able to host at least 50 participants at any time in each delivery area where they operate), prior experience in the provision of similar employment services, staff with certain skills⁷, and the ability to serve clients without knowledge of the Swedish language. The capacity and the staff qualification requirements in particular tend to favour relatively larger providers. By relaxing or adjusting some of the input-based criteria, smaller actors would have a greater chance to enter the market.

Smaller actors may find it easier to enter the programme as sub-contractors to the larger providers or through specialised contracting practices. Providers in KROM may operate several contracts at a time, but each contract covers no more than one delivery area and within this area providers are required to serve all potential clients. The prime providers have the option to work with sub-contractors, but so far this option is not widely used (see section 2). This may be due to existing requirements for providers to up-front specify their use of and details on sub-contractors in the application procedure (even though this can be changed over the course of the contract). Nevertheless, the use of sub-contractors or more specialised contracts (i.e. contracts relating to specific sub-groups of the unemployed in a limited geographic area granted directly by the contractor rather than through sub-contracting) could be a possible way to increase

⁷ Staff who are to counsel jobseekers are required to satisfy two criteria: 1) a one-year post-secondary education in a broadly defined relevant field with 3 years relevant professional experience in the last 5 years, or 2) a (roughly) 2-year higher education in a broadly defined related field and 2 years of relevant work experience in the last 5 years.

presence across the country and close potential service gaps. These types of contracts are especially relevant for smaller niche-players that are otherwise limited by their size and geographic coverage.

In Australia, social economy organizations often operate in the remote parts of the country, where they hold specialised contracts or operate as sub-contractors to service specific groups. With the *Workforce Australia* programme, the government has introduced a new licensing system where providers operate either according to a generalist or a specialist licence. Generalist licences are used for the broader group of jobseekers who are relatively close to the labour market, while specialist licences are used to support specific groups who are further from the labour market such as refugees, ex-offenders, indigenous people, or culturally and linguistically diverse groups. When applying for specialised licenses, providers must demonstrate their abilities to provide services for specific sub-groups. The government actively works to find the right providers to take up the specialist licenses in specific geographical areas. Where this is not possible, the government works together with the providers holding generalist licenses to develop their capacities to serve specific sub-groups (Australian Government: Department of Education, 2022^[37]).

Another way to strengthen the role of smaller actors in the market is through representative organisations or bodies. In the United Kingdom, the Employment Related Services Association (ERSA) represents large, medium, and small sized independent providers, including several local authorities as well as providers from the social economy. In Australia, the National Employment Services Australia (NESA) also represents a wide range of providers, including those from the social economy. In both countries, these national bodies act as a bridge between the government/public authorities and the employment services sector and they support their members in bidding for and entering in contracts on the provision of employability services within the different contracted-out programmes (OECD, 2023^[38]). In Sweden, independent providers are represented by a range of organisations that all represent sub-groups of the provider landscape. These include *Almega* (an industry and employer organisation representing companies with activities in hiring and recruitment) and *Skoop* (the umbrella organisation for work integration social enterprises). However, it is not clear to which extent these organisations are supporting especially their smaller members in bidding for contracts in the KROM system.

Supporting those furthest away from the labour market – a separate procurement system?

The current reform does not include clear instructions on how the Swedish PES should support those furthest away from the labour market. For this group, the government has instructed *Arbetsförmedlingen* to keep in place a range of services, including in-house services and services procured from independent providers outside the KROM programme. Yet, according to interviews with representatives from *Arbetsförmedlingen*, the national authority is struggling to clearly define the conditions and processes for referral of individuals to services outside the KROM system. The profiling tool developed to support the identification of clients that are eligible of KROM services only serves as guidance for the PES staff who are ultimately responsible for taking the decision on which services each individual should receive. Without clear guidelines for the PES staff on how to take these decisions, there is a risk that more individuals will go into the KROM programme due to a fear among staff of “removing” market shares from KROM providers (Carlsson, 2022^[34]). This situation is further complicated by the fact that this group often receive services from both the PES and municipalities (see section 2).

To provide sufficient support measures for jobseekers furthest away from the labour market, one solution could be to develop a separate procurement system for employment services. Carefully designed, a separate system for procurement of services for those furthest away from the labour market could prove useful in the overall efforts to reduce long-term unemployment. A separate procurement system could also be a way to strengthen co-operation with and inclusion of the social economy sector in employment policies given their general strong expertise in providing holistic support for individuals far

from the labour market (see also (OECD, 2023^[38]). In this system, one option could be for municipalities or not-for-profit actors (either on their own or as consortiums) to act as commissioners or providers and thus make use of their expertise and knowledge to support the most vulnerable groups. With the legislative package to support the reform, which will enter into force on 1 December 2022, it was clarified that *Arbetsförmedlingen* can engage in partnerships with municipalities to provide employment services and that these partnerships can include compensation (The Swedish Government, 2022^[20]).

The Swedish PES has already started the implementation of a separate procurement system targeted people who are far from the labour market due to a disability or ill health – “Steps to Work” (*Steg till Arbete*) (Box 3.3). The programme represents a new way of supporting jobseekers with disabilities by integrating four different services that were previously provided separately – mapping, equipping, developing, and matching services. An important element of the new services is a new type of consultants, which are specialised in providing support to persons with disabilities that are looking for or entering a new job. The services will be procured from independent providers and will cover a total of 88 locations. Contracts have already been signed with several providers to start from 1 November 2022⁸. To better identify persons with disabilities that are eligible for the programme, the PES is enhancing the assessment/profiling procedure.

Box 3.3. Supporting jobseekers with disabilities through the “Steps to Work” programme in Sweden

The “Steps to Work” (*Steg till Arbete*) programme is targeted to jobseekers who, due to a disability or a history of ill health, need work-life oriented rehabilitation to get into work or education. Services provided in the programme are contracted out to independent providers across 88 delivery areas for a contract period of 18 months.

- Programme parts:** The programme includes four separate parts each of which includes several mandatory and optional activities for providers: 1) Mapping the individual’s needs in the service (3 weeks); 2) Mapping the individual’s resources and capabilities (five weeks); 3) Strengthening and developing individual capabilities (six months) and 4) Finding a workplace (six months). Part 3 and 4 further include a segmentation of participants into four tracks: track 1a) and 1b) are for jobseekers with only pre-secondary education or no education who are/are not in need of enhanced language support and/or communication support. Track 2a) and 2b) are for jobseekers with upper secondary or post-secondary education who are/are not in need of enhanced language support and/or communication support. Almost all activities can be carried out either individually or in groups, but participants must receive one individual activity per week. After the termination of each part of the programme, the provider must report back to *Arbetsförmedlingen*, based on which a decision on initiation of the next part is taken. The total time that individuals can stay in the programme is 14 months (3 weeks + 5 weeks + 6 months + 6 months).
- Service requirements:** The programme includes a number of service requirements for the provider, including with regard to organisation and financing (e.g. providers must have the economic capacity to provide services according to the tender and must have a minimum annual turnover), provider experiences (providers must have previous experiences with similar type of work as required in the tender), staff experiences and competences (providers must have staff that fall under the categories of coordinators, employment consultants, occupational therapists,

⁸ Due to legal challenges by suppliers who were not selected in the procurement, the programme start has been delayed. *Arbetsförmedlingen* foresees it will begin in the spring.

and study and career counsellors, all of which are defined by specific requirements in terms of education and experience), occupational therapy instruments applied by staff (providers must be able to provide four specific instruments in their activities with participants, including the Model of Human Occupation Screening Tool (MOHOST) and the Worker Role Interview (RWI)).

- **Payment model:** The payment model combines daily fees with outcome-based fees. In the first part of the programme, providers are paid a daily fee of SEK 200 per participant. In the second part, providers are paid a daily fee per participant that varies according to the delivery area. In the third and the fourth part, providers are required to include a proposal for the level of a daily fee per participant in their tender bid. The daily fee is higher by 10% for participants in the “b tracks” (i.e. participants in need of enhanced language support and/or communication support). Moreover, outcome-based fees are paid to providers for participants that enters and stay in work (for at least four months) or education (for at least four months in an eligible education). The full outcome fee is SEK 8 500 for all types of participants; 50% of the outcome fee is paid when the participant takes up employment that corresponds to at least 50% of the participant’s work range.

Source: Interviews with representatives from *Arbetsförmedlingen* and tender documentation provided by *Arbetsförmedlingen*.

In many countries, there are examples of subnational governments acting as commissioners that manage and monitor the contracting with independent providers. In the United Kingdom (UK), employment services are mainly the responsibility of the national government, and thus contracting-out of employment services have historically been managed and monitored by the national Department for Work and Pensions (DWP). However, since 2017, responsibilities for the design, delivery and commissioning of the *Work and Health Programme* have been partly devolved to local authorities⁹. The programme includes a two-tier system of devolution. First, two of the ten Combined Local Authorities in the country (London and Greater Manchester) are given extensive responsibilities to commission and manage the programme. Second, the DWP is working with several combined authorities/city regions as a way for local priorities to influence the design and delivery of the programme. One of the main drivers behind the devolution deals in the UK has been the wish to provide more integrated and locally based services for individuals out of work (Box 3.4).

Box 3.4. The Work and Health Programme in Greater Manchester, United Kingdom

In 2017, a new employment support programme targeting people with disabilities and health conditions – the *Work and Health Programme* – was launched in England and Wales. The services within the *Work and Health Programme* are delivered through contracting with independent providers, similar to several other employment support programmes in the UK. The programme includes two different “tiers” of co-operation with local authorities. First, the DWP is working with several combined authorities/city regions to help local priorities influence the design and delivery of the *Work and Health Programme*. In the first round of contracts, the local authorities had the opportunity to contribute questions to be addressed by the providers in their last and final offers. These questions focused on how the providers would focus on local priority areas. As an example, through this process Liverpool expressed a particular interest in

⁹ In the UK, the responsibility for employment services is devolved on an asymmetric basis. In England, Scotland and Wales, referral to active employment measures as well as the administration of working-age benefits are provided through the Jobcentre Plus (JPC), which is overseen by the Department for Work and Pensions (DWP). In addition, additional responsibilities have been devolved to the ten combined authorities (a type of local government institution covering several local authorities) compared to the unitary local authorities. **Invalid source specified.** In Northern Ireland, competences are devolved to lower levels of government, with the Department of Employment and Learning overseeing Jobs and Benefit Offices.

ensuring mental health services for unemployed and this interest was taken into account by the Department of Work and Pensions (DWP) when drawing up the tender. Second, Local Government Partners are responsible for the devolved *Work and Health Programme* delivery across four sub regions of Greater London and the Greater Manchester Combined Authority. The devolution is based on a grant funding agreement and an extensive memorandum of understanding drawn up between the DWP and the combined local authorities.

The Greater Manchester Combined Authority (GMCA) also operates the *Working Well Work and Health Programmes* – a “whole population” approach to health, employment and skills that is tailor-made to the needs of Greater Manchester. The Working Well system first began with a relatively small pilot in 2014 and has since expanded to combine a range of national and local. The *Working Well Work and Health Programmes* provide support for those furthest from the labour market. In terms of the *Work and Health Programme*, the GMCA is fully responsible for the management and delivery of the programme and the authority has also been greatly involved in the national process of designing the programme led by the DWP.

Source: Fact-finding interviews with representatives from the Department for Work and Pensions, the Greater Manchester Combined Authority and the SKR-ERSA Roundtable.

In Scotland, the government is planning the implementation of the successor to the *Fair Start Scotland Programme* (see Box 5.8) with a new programme named *No One Left Behind*. The aim of this programme is to filter funding of employment support services from national to local level to create support programmes that are adjusted to local needs and labour market developments. The programme is implemented in three phases, with the last phase starting in 2024 where all funding that previously went into the *Fair Start Programme* will go to local authorities instead. Within the programme, local authorities – either on their own or in consortia – will act as commissioners and manage contracts with a range of smaller and more locally based contracts. Among the main objectives is to enable local authorities to create synergies between their community care and health work with employment services¹⁰. Also, in the Province of Ontario, Canada, local authorities may act as both commissioners/prime providers or as sub-contractors within the contracted-out employment support programme (see Box 3.1 and Box 5.9).

A separate procurement system in Sweden would need to be designed carefully so as not to disrupt the current division of responsibilities and finances between the state and local government. From the national point of view, a separate procurement system for the overlapping client groups might entail a risk of cost shifting from the local to national level of government. Since municipalities are already today investing in employment related support without one-to-one compensation, a new procurement system would in practice mean that the state would pay for something that is to some extent already provided. However, given increasing spending on employment support measures in municipalities, it seems necessary to further analyse and possibly introduce changes to the existing system for the overlapping client groups. A separate procurement system would entail additional tasks for municipalities as they would take over parts of the employment support that have or should otherwise have been provided by *Arbetsförmedlingen* and for which the national authority does have a separate budget.

To overcome challenges with cost shifting, inspiration could be found in the ongoing reform of the Finnish PES as well as the existing performance-based payment system in Denmark. In Denmark, municipalities have for a long time been partly responsible for the financing of both employment support services and unemployment benefits to enhance their incentives to get the unemployed into work. Different types of refunds from the state to municipalities are used to strengthen local incentives e.g. to provide certain types of support or to provide support for specific sub-groups. In Finland, the government is planning for a large reform of the Finnish PES, which will result in a decentralisation of responsibilities for

¹⁰ Based on interview with representatives from the Scottish Directorate for Fair Work, Employability, and Skills.

employment services from national/regional level to local level. To create strong incentives for municipalities to get the unemployed back into work, municipalities' responsibility for funding of unemployment benefits will be increased significantly. The preparations of the reform are still underway, but the evaluation of a large-scale pilot scheme that has been rolled out in several municipalities since March 2021 will be used in the implementation of the reform (Box 3.5).

Box 3.5. The reform of the Finnish PES – transferring employment responsibilities to local level

Until now, responsibilities for employment policies in Finland have been placed with the Ministry of Economic Affairs and Employment and the regional Centres for Economic Development, Transport and Environment. The regional centres have overseen 15 Employment and Economic Development Offices (with around 120 local service points) that have provided employment services across the country. A large part of the services (over 50%) have been contracted out to independent providers. With the reform, responsibilities of employment policies will be transferred from the state/regional level to municipalities from the beginning of 2025. In parallel with the PES reform, the Finnish government is preparing a reform of health and social services, which will transfer responsibilities for health and social services from municipalities to 21 new wellbeing services counties from 2023.

In the future system, employment services will be provided by the 309 Finnish municipalities in around 50-70 employment areas, each covering a labour force with a minimum of 20 000 individuals. Depending on the size of their local labour force, municipalities will either take up the responsibility for the provision of employment services on their own or in co-operation with neighbouring municipalities. Employment authorities will have the freedom to provide services that are suitable to the local context, including through the procurement of services from independent providers. To incentivise municipalities to get the unemployed into work, their responsibility for funding unemployment benefits will be expanded and will start earlier in the unemployment period. In the future model, municipalities will pay an increasing part of the unemployment benefits for unemployed individuals starting from 100 days and until 700 days of unemployment. In addition, the responsibility for funding will be expanded to also cover earnings-related and basic unemployment allowances.

The Ministry of Economic Affairs and Employment retains overall responsibility for the public employment system and sets the national goals for promotion of employment policies. To support adherence to the goals, the government will appoint a national advisory board on employment and business services and the Ministry of Economic Affairs and Employment will support co-operation and provide follow-up discussions with employment authorities. In addition, a negotiation procedure will be put in place in case an employment authority is unable to organise employment services in a satisfactory way compared to similar employment authorities across the country. Moreover, joint data sources, interface solutions and a national service platform will be put in place as a way to provide knowledge-based management.

Source: Presentation by a representative of the Finnish Ministry of Economic Affairs and Employment at the international workshop on 26 September 2022 in Stockholm.

In addition, the system could be designed in a way that allows for up-to-date knowledge on the types of services that work for those furthest from the labour market to be applied. In a recent report by the Swedish “Agency for Health Technology Assessment and Assessment of Social Services” (*Statens Beredning för medicinsk och social utvärdering, SBU*), existing knowledge on the effects of different labour market initiatives used by municipalities to get individuals far from the labour market were evaluated. The report shows that training related to workplaces, extensive and long-term training, as well as internships in the regular activities of municipalities are likely to lead to more people with long-term income support getting into work both in the short and long term. However, it also shows that the most effective services

are those that are longer term. Since these types of services are relatively more expensive, Swedish municipalities tend to prioritise other more short-term services (SBU, 2022^[39]). To reduce this risk in a contracted-out system, the contracting could allow for and design the payment system in such a way as to support long-term interventions. The programme could possibly also include requirements regarding the overall types of interventions that providers should use (even though this would make the programme more input-based).

4 Going digital: finding the right balance between physical and digital services

In parallel with the ongoing reform, Sweden is augmenting its digital services offer for jobseekers.

This approach is particularly relevant for those individuals closest to the labour market in need of limited support, but also in rural and remote areas where the presence of local PES offices and independent providers is more limited. Digital literacy in Sweden is above the OECD average and the government is raising investment to extend the coverage of broadband to rural areas (OECD, 2021^[1]). Yet, the risk of a “digital divide” remains between those who can easily make use of digital services and those who are more challenged. In this section, the ongoing digital transition of public employment services as well as the possible risk of a digital divide in Sweden is analysed. In addition, drawing on insights from other OECD countries, strategies on how to find the right balance between digital and physical presence and how to promote digital upskilling strategies is discussed. The section focuses on the digitalisation of client-related services (e.g. tools for skills mapping, self-service for job search, online career and chatbot services to facilitate information sharing and counselling, online meetings with individuals, etc.). Digitalisation of back-office structures for PES staff is not discussed in-depth.

Digitalisation of public employment services

Countries across the OECD are moving fast to introduce digital measures in their public employment services (OECD, 2021^[5]; ILO, 2021^[40]; OECD, 2022^[41]). This digital transition has been spurred by the challenges of the COVID-19 pandemic, which led PES in many countries to introduce significant changes in their services and operation. In the following sub-sections, the move towards more digital public employment services across OECD countries and in the Swedish PES is analysed.

The move towards digital services in PES across OECD countries

The digitalisation of public employment services can be an important tool to better reach out to and provide services for certain groups of the unemployed. Among the groups that might benefit the most are jobseekers relatively close to the labour market and with good digital skills and those groups who find it challenging to participate in physical activities (e.g. lone parents with dependent children or persons with disabilities). Digitalisation can also be an important measure to provide services in rural and remote areas where the presence of local PES offices or independent providers may be limited. In addition, digitalisation of services holds the promise of making public employment services more efficient (i.e. doing more with less resources) and possibly channelling surplus resources towards those who require extra support.

While digitalisation of services has been a central element of many PES strategies for a long time, the digitalisation process accelerated in response to the COVID-19 crisis. During the successive

lockdowns where the provision of in-person services was highly restricted, many countries used digital services to continue service provision. Countries with well-developed digital services were better able to continue their service provision during the pandemic (OECD, 2021^[5]). In addition, for many countries, the pandemic was an opportunity to advance the use of digital technologies to improve their services in the post-pandemic world. During the pandemic, the number of PES offering remote access across the range of activities undertaken (e.g. counselling, job fairs, career guidance, and job search assistance) increased from an average of 50% to an average of 80%. In addition, of those that delivered remote/digital access already before the pandemic, 42% increased their use during the pandemic. Today, job-search assistance, job matching, and career guidance are among the services that are most often delivered remotely by PES across OECD countries (OECD, 2021^[5]).

The digital transformation of Arbetsförmedlingen

Like other OECD countries, Sweden is experiencing declining productivity gains. Digitalisation of the public sector more generally can help provide public services more efficiently. Sweden is already far in the agenda for the digitalisation of public services, including in labour market policies. When it comes to the diffusion and use of digitalisation among individuals and firms, Sweden takes the lead among OECD countries (OECD, 2020^[42]). The country is characterised by well-developed telecommunication infrastructure and services, an almost generalised use of the Internet across many groups in society, and diverse online activities. As an example, the percentage of households with access to the Internet at home was 93% in 2021 (among the highest-ranking countries in the OECD and the EU) (OECD, 2023^[43]).

Sweden is among those OECD countries where the PES had a wide range of digital employment services already before the crisis. Before the pandemic, the Swedish PES had identified investment in digital services as a main priority, and several digital services had been or were about to be implemented. Since 2020, this work has been driven by the authority's Strategy for Customer Work – Digital First (*Strategin för kundarbetet – Digital först*), which sets the direction for the development of digital services based on the overall principle of meeting jobseekers and employers digitally first and foremost (Arbetsförmedlingen, 2020^[44]). Among other things, Sweden has introduced a statistical profiling tool to support the segmentation of jobseekers into different service streams and to generate individual action plans. In addition, the authority has introduced an online platform – “My Pages” (*Mina Sidor*) – where clients can register their unemployment, submit activity reports, plan, and keep track of their job seeking activities as well as their route to employment. All individuals seeking support from *Arbetsförmedlingen* are – as a starting point – required to sign up digitally on the online platform. As of October 2022, 90% of all registrations were made digitally via the website (Carlsson, Román and Phalén, 2022^[25]).

In the context of the reform and the overall digitalisation strategy, Arbetsförmedlingen has introduced a significant restructuring of their local PES offices. With fewer services provided in-house as well as the increased use of digital services and digital self-service for jobseekers, *Arbetsförmedlingen* has decided to reduce its own physical presence across the country. Since 2019, physical PES offices have been scaled back, and alternative solutions have been put in place, including collaborative solutions with municipalities (see also section 2). Among the main criteria for the placement of offices as well as alternative solutions have been to keep the travel time for individuals below 60 minutes. This means that on average compared to the population size, more local PES offices are placed in the rural and remote areas in the northern part of the country. However, on average, distances to offices are still longer than in the more densely populated municipalities in the southern part¹¹.

¹¹ Based on interviews with representatives from *Arbetsförmedlingen*.

The risk of a digital divide

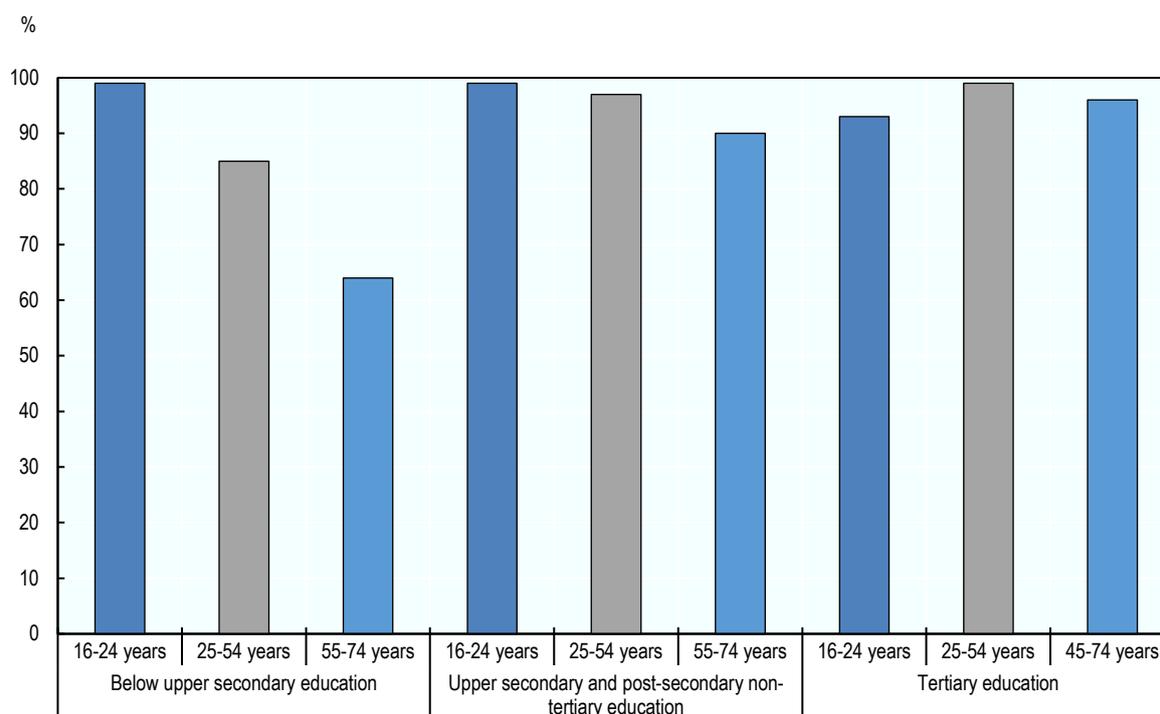
When introducing digital services, governments should pay special attention to clients lacking digital skills or with limited access to digital or online services. “Digital poverty” in terms of digital and/or language skills as well as access to digital tools is a problem in many OECD countries and this may hinder the ability of certain sub-groups to participate in, and benefit from, digital employment services (OECD, 2018^[45]). Previous research has shown that there is a statistically significant association between social disadvantages on an individual’s ability to access and use digital services (Dutton and Helsper, 2008^[46]; Internetstiftelsen, 2022^[47]). When embarking on the digitalisation journey, PES can make sure that measures are put in place to overcome digital inequalities between those with, and those without, the necessary skills and means of access. This is relevant not only in rural and remote areas, but also in urban areas struggling with high unemployment rates.

There are several client groups that may be challenged by the move to digital services. These include individuals with limited digital skills and/or access to digital means, persons with disabilities, older workers, working-age women not in the labour force, migrants, and people living in remote or rural areas. In a recent survey conducted by the European Network of Public Employment Services, the Swedish PES identified people with limited skills in Information and Communication (ITC), non-native speakers with language barriers, and people with physical or mental disability or long-term health issues as the client groups that are more likely to be adversely affected by more services going online. On the contrary, people living in remote or rural areas were seen as having only little difficulties with accessing and making use of online PES services (Walsh, 2020^[48]).

Compared to the OECD average, Sweden has a low share of adults with no computer experience, but challenges remain. The frequency of ICT skills use is lower than in the Netherlands, Germany, and Denmark and the share of all individuals with advanced software skills is lower than in Denmark and the Netherlands – countries that Sweden normally compares itself to. In addition, while most individuals use the Internet regularly, Internet usage still varies, with the elderly, low-income workers, and people with lower education levels using the Internet relatively less than the young, high-income workers and people with higher education levels (OECD, 2018^[45]). Data from 2021 shows that Internet usage overall tends to increase with educational attainment and to decrease with age. The only exception to this is the group of 16-24 years-old, where internet usage is lower for those with tertiary education than for those with lower education levels (Figure 4.1).

Figure 4.1. Internet usage in Sweden differs by age and educational attainment

Internet usage by age group and educational attainment, 2021



Source: OECD Education and Social Outcomes, [OECD Statistics](#)

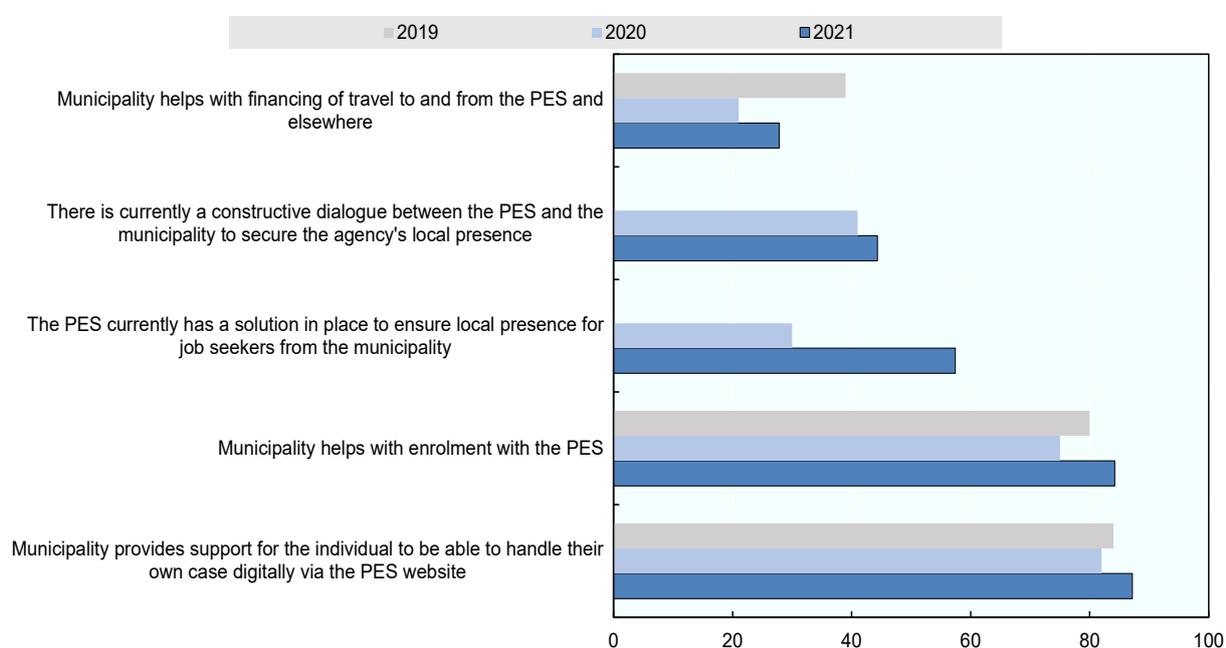
A central objective of the Swedish PES remains to ensure equal access to high-quality services for both jobseekers and employers across the country. In practice, this means that all jobseekers and employers should be able to contact the agency easily and receive an equivalent service based on their own circumstances and needs. In addition, jobseekers should be able to register easily and receive information about what is expected to receive benefits. Building on the restructuring of local offices, the national authority is working on strengthening and developing local presence in accordance with the existing government mandate and its strategy for digitalisation of services. Among other things, the national agency is continuously working to improve accessibility to the agency, including clarifying contact paths, developing the digital self-services, shortening response times and ensuring continuous possibilities for in-person meetings (Arbetsförmedlingen, 2020^[44]; The Swedish Government, 2022^[26]).

Interviews with municipalities, however, indicate certain challenges with the move towards more digital services. Several municipalities report that they are experiencing a digital gap for certain groups in their day-to-day work¹². This is not (only) a question about access to internet/broadband or smart phones. but rather a question about having the right capabilities to make use of available systems and programmes. Municipalities often find that individuals such as the elderly, persons with disabilities and migrants with language barriers need significant support to make use of the digital services, including how to sign up with *Arbetsförmedlingen*. Some municipalities reported that the ongoing changes do not sufficiently take into account the challenges that some sub-groups experience with the use of digital services. Addressing these challenges is perceived as an extra burden by municipalities, which they “have to” assume as the level of government closest to the citizens.

¹² Per interviews conducted for this study.

Since 2019, SKR/SALAR have analysed the Swedish municipalities' perspectives on employment policies in Sweden and on the reform of *Arbetsförmedlingen* through a yearly survey. The latest survey was conducted in the first half of 2021. Results for some of the questions on local presence and the enrolment with PES from the 2019, 2020 and 2021 surveys are shown in Figure 4.2. Among other things, the survey showed that in 2021, 91% of the participating municipalities provided support for orienting individuals on the PES website (e.g. to make use of different online tools such as the Vacancy Bank (*Platsbanken*)). This is one percentage point lower than in 2019 (92%) but six percentage points higher than in 2020 (85%). Moreover, in 2021, 87% of the participating municipalities provided support for individuals to be able to handle their own case digitally via the PES website and with the enrolment with the PES. This is higher than in both 2019 and 2020 where the number was 84% and 82% respectively (SKR, 2019^[49]; SKR, 2020^[50]). These results indicate that from the point of view of municipalities, the right balance between physical and digital presence of the Swedish PES has not yet been found.

Figure 4.2. Swedish municipalities view on the local presence of PES and the enrolment with PES



Source: SKR survey 2021

Managing the transfer from physical to digital solutions in public services

The expansion of online services may improve the employment service delivery for many jobseekers, but it cannot be a total replacement for in-person services. PES need to find a way to balance digital and physical services and to reduce the digital divide so as not to leave the most difficult clients unserved, including in rural and remote areas where the travel distances to in-person support are longer. The following sub-sections discuss how to find the right balance between physical and digital employment service solutions, both in terms of supporting all people and places and improving digital skills to reduce the digital divide.

Finding the right balance between physical and digital services

Looking at experiences from other countries, it can be challenging to find the right balance between physical and digital presence. In the UK, digitalisation of public employment services has been ongoing for several years. At the British PES *Jobcentre Plus*, digital services are at the heart of the service provision supported by smaller expert face-to-face and telephone channels. Digital services enable claimants to self-serve and provide access to a wide range of information, support, and other services. Research in 2011 pointed to risks of a “digital divide” between those who regularly use digital channels and those who remain “digitally excluded” (Adam et al., 2011^[51]). In addition, later evaluations have shown that some sub-groups of the unemployed find it difficult to make use of the digital services. For now, however, this has not resulted in a re-introduction of physical PES offices in the UK (Box 4.1).

Box 4.1. Restructuring of the UK Jobcentres

Employment services are delivered primarily through the Jobcentres Plus in the UK, which are overseen by the Department of Work and Pensions (DWP). Jobcentres Plus work directly with a network for contracted providers that deliver a range of employment support measures, from self-employment support to case management. In addition, digital platforms exist to support online job search and vacancy matching. Already during a phase of redesign of the Jobcentres in 2014/2015, a new online job vacancy matching platform was introduced (in 2018 updated from *Universal Jobmatch* to *Find a Job*) which allowed clients to access services online. In addition, free Wi-Fi and access to computers was introduced in the new “digital” Jobcentres Plus, which enabled those without access to digital means to make use of the digital services. With the introduction of the new online platform, clients were expected to make use of the digital services to all claim-related interactions with the DWP through an online account or journal where they could message their work coach, upload various documents, record job search evidence, etc.

Between 2016 and 2018, a next step in this digitalisation process was the closing of over 100 local Jobcentres Plus (about 15% of the total Jobcentre Plus network). The closing of offices took place in parallel with the introduction of the Universal Credit benefit – a benefit targeting nearly all people of working age who are claiming benefits – and the Universal Credit Full Service. The Universal Credit Full Service, which began in May 2016, provides a full digital service for anyone of working age making a new claim. However, to support those groups that may find it difficult to make use of the new digital services, the UK introduced a new local service – Universal Support – which relies on collaboration between Jobcentres Plus, local government, social housing providers and advice agencies. Within this service, clients may receive assisted digital support. In addition, mandatory personal attendance at Jobcentres Plus interviews remains a core requirement of continuing to receive Universal Credit and most other working-age benefits.

Evaluations of the digitalisation and restructuring of the Jobcentres Plus have shown varying outcomes. The DWP claimant service and experience survey 2016 to 2017 showed that many claimants found it convenient to access services over the phone or online, while those with poor levels of literacy or digital skills found the transition challenging. In addition, the DWP claimant service and experience survey 2018 to 2019 showed that the ease of access to contact DWP, use their online account or to access the GOV.UK website had remained stable in the period 2016 to 2019 around 71-72%. In 2018 to 2019, overall, seven in ten claimants reported that they found it easy to get in touch with DWP. With regards to the Jobcentre Plus services, overall around seven in ten claimants who used the services reported that they were satisfied with help to find employment.

Source: DWP (2014^[52]), *Jobcentres go digital*, <https://www.gov.uk/government/news/jobcentres-go-digital>. DWP (2018^[53]), *Claimant Service and Experience Survey 2016/17*, Department for Work and Pensions, London, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/693573/dwp-claimant-service-and-experience-survey-2016-2017.pdf. DWP (2020^[54]), *Claimant service and experience survey 2018 to 2019*, Department for Work and Pensions, London, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901073/dwp-claimant-service-and-experience-survey-2018-2019.pdf.

In the Netherlands, the public employment service has been leading in providing digital services for unemployed. Already in 2012, the Dutch PES, the Institute for Employee Insurances (*Uitvoeringsinstituut Werknemersverzekeringen*, *UWV*) started to put a strong emphasis on the provision of online services to jobseekers. For example, all required forms were made online. One of the main reasons for this shift towards online services was budget cuts and the resulting need for higher efficiency in serving jobseekers. The introduction of digital services was, as in the case of Sweden, accompanied by a restructuring and downscaling of the local PES offices. However, following an evaluation from 2015, *UWV* decided to partly shift back to in-person guidance and to dedicate more time to personal conversations with jobseekers (Box 4.2).

Box 4.2. Digitalisation of employment services in the Netherlands

In the Netherlands, the national public employment service, the Institute for Employee Insurances (*Uitvoeringsinstituut Werknemersverzekeringen*), is responsible for recipients of insurance-based unemployment and incapacity benefits. In the period 2012 to 2015, *UWV* put strong emphasis on providing digital services to jobseekers. Only groups in need of additional help such as youth and the elderly unemployed received extra guidance in specific programmes. However, in 2015, an evaluation of employment services showed that digital services combined with personal meetings with a work advisor led to better employment outcomes than digital services alone. Therefore, from 2016, the service provision by *UWV* partly shifted back to in-person support. Today, personal guidance is again a common practice to help the unemployed in the Netherlands, and more time is dedicated to personal conversations with job seekers. Digital services, however, remain and all jobseekers are still required to fill out an online statistical profiling tool which gives an indication of their distance to the labour market and guides the choice of services for the individual. In total, *UWV* offers three main services that are all focused on reintegration into the labour market: digital services, personal services, and the use of personal learning paths. The type of service used depends on the characteristics of each client and the type of benefit a person is entitled to. A recent evaluation found a moderate positive effect of personal services with support in the form of a conversation and complementary services increasing the job finding rate by about 2%. Furthermore, the use of personal services led to a higher level of customer satisfaction.

Source: SEO (2020^[55]), "Ervaringen met persoonlijke dienstverlening door UWV in de WW", <http://www.seo.nl> (accessed on 8 July 2022). De Beleidsonderzoekers (2021^[56]), "Perspectief op bestaanszekerheid en arbeidsparticipatie".

One way to decide on the use of digital vs. physical services for different client groups is to segment clients based on their abilities to access and make use of digital services. For now, the Swedish PES does not formally segment customer sub-groups based on their digital skills. However, in the profiling tool, assumptions are made about which clients that might/might not benefit from online services based on their socio-demographic characteristics as well as their educational and employment background. In general, the profiling and segmentation of clients is based on the view that those with less prospects of finding work tend to have fewer digital skills, which may contribute to being less "job-ready"

as well as less able to use online job search methods. This again influences the placement of the individual into different categories in the KROM system.

In Australia, the Department for Employment and Workforce Relations is implementing the *Workforce Australia* Programme which introduces a new approach to online employment services.

In the programme, individuals are referred to appropriate employment services that can be either online provided in-house or in-person provided by independent providers. Contrary to the Swedish profiling tool, the profiling and segmentation of jobseekers includes several questions on the digital skills and access of the jobseekers. The programme also includes an Assisted Customer Claim call centre which provides support for enrolment. In addition, it includes an option for persons receiving digital services to opt out of the digital service track and move to in-person support services (Box 4.3).

Box 4.3. Workforce Australia and its approach to online services

Already under the previous contracting-out programme *Jobactive* and especially during the COVID-19 pandemic, Australia made use of online services for jobseekers. The *Online Employment Services* (OES) which allows the most job-ready jobseekers to manage their job search and reporting requirements online was created in response to the increased demand for unemployment benefit payments and employment services due to the COVID-19 pandemic. The transfer to the new contracting-out programme *Workforce Australia*, however, represents a new and broader approach to online employment services in Australia. In the new programme, jobseekers sign up either online or through the *Assisted Customer Claim* call centre. Thereafter, jobseekers are profiled and segmented through a Job Seeker Snapshot (conducted either online or by phone), which includes several questions on the digital skills and access of the jobseekers. Based on the *Job Seeker Snapshot* as well as a phone interview, jobseekers are referred to the appropriate employment service – either online services provided in-house by the department or in-person provided by independent providers.

Online services are provided through the OES platform. The platform allows the most job-ready jobseekers to manage their job search and reporting requirements online and is supported by safeguards including assistance from a *Digital Services Contact Centre* and the ability for jobseekers to choose to transfer to a contracted provider. The Digital Service Contact Centre has over 100 operation and support staff operating across two locations in Australia. If jobseekers cannot find work or appropriate training within 12 months, they are moved to independent provider services, which are suited for jobseekers who need or choose to receive more personalised and intensive case management. In this way, the new *Workforce Australia* programme aims to reduce the caseload for providers and allow for more emphasis on those jobseekers that are furthest away from the labour market. In September 2022, around 145 000 jobseekers participated in Workforce Australia Online services out of a total caseload across all contracts of around 680 000. In addition, 82.3% of the individuals who exited *Online Employment Services* were employed three months later, and 89.7% were either working, studying or both.

Source: Presentation made by a representative from the Australian Department of Employment and Workforce Relations at the international workshop on 26 September in Stockholm.

In Sweden, the National Government Service Centre (*Statens Service Centre, SSC*) plays an important role in supporting individuals with limited digital means and skills in accessing employment services. The National Government Service Centre is a national agency that provides information from a range of government agencies in one place through several local offices (from 2022-2023 the number of offices will be increased from 120 to 147). The agencies covered include the Swedish

Social Security Agency (*Försäkringskassan*), the Swedish Pensions Agency (*Pensionsmyndigheten*), and the Swedish Tax Agency (*Skatteverket*). In the context of the scaling back of local PES offices, the Swedish PES signed an agreement with the National Government Service Centre in 2019 to take over some of the services that were previously provided through local PES offices. In particular, the local service centres were assigned to provide information and support to individuals that struggle to sign up with and make use of the digital services provided by *Arbetsförmedlingen*.

The centres provide both access to computers/Internet and support staff that can help clients navigate the online services. In addition, the services can establish contact between individual clients and case workers in *Arbetsförmedlingen* when digital solutions are not possible for clients to use. However, the service centres do not have access to *Arbetsförmedlingen*'s IT systems, and thus, contact can only be established by phone or in writing. Among the main client groups making use of these services are migrants, persons with low skill levels, and persons with disabilities and about 75% of the clients that visit the local service centres report that their issues have been solved. The 27 new local service centres that are opening in 2022 and 2023 will be placed mainly in smaller municipalities and urban areas facing problems e.g. in terms of unemployment and criminality¹³.

Providing the necessary skills to reap the benefits of digitalisation

***Arbetsförmedlingen* has several programmes in place to support digital upskilling of the unemployed as well as their own staff.** These include a digital unit which provides training for both PES staff and jobseekers. The Swedish PES also collaborates with the *Google Digital Academy* in the “Digital Me” (*Digitala Jag*) initiative with the purpose to strengthen individuals’ ability to, and confidence in, using digital services in their everyday life. The initiative includes a track specifically focusing on teaching individuals how to apply for jobs online, including how to create a CV and cover letter and to apply for a job via online advertisement. In addition, since 2020 *Arbetsförmedlingen* has been involved in an ESF-funded project together with SKR/SALAR – Democratic Digitalisation (*Demokratisk Digitalisering*). The goal of the project is to improve the digital skills of the PES staff that are in contact with clients daily. This again is expected to improve the quality of their work and their ability to place individuals into work in an ever changing and increasingly digital labour market. However, interviews with municipalities indicate a lack of clarity around the division of responsibilities for the digital upskilling agenda.

Looking to other countries, several options on how to further improve the digital skills of unemployed can be found. In Madrid in Spain, the local employment service has developed a comprehensive strategy for how to minimise the digital divide and its impact on employment. Another example from Spain is the Free Training in Digital Skills programme, which is run by the national PES (*Servicio Público de Empleo Estatal, SEPE*). In Portugal, digital skills training has become an integrated part of the provision of online training courses by the Portuguese Institute of Employment and Training (Box 4.4).

Box 4.4. Examples of digital upskilling strategies and initiatives in other OECD countries

Digital upskilling strategy in Madrid

The Digital Upskilling strategy in Madrid includes programmes to upskill the workforce according to the needs of a more digitalised labour market, a digital talent programme to reduce the technological gap and add value to participants’ CVs, and measures to improve the overall quality and results of digital training. As an example, the city is engaged in a collaboration with Fundación Telefónica named the Digital Employment Project. The project targets young unemployed people aged 18 to 35 who are

¹³ Based on interviews with representatives from *Arbetsförmedlingen*.

interested in orienting their career towards the digital world. The overall aim is to train and prepare digital professionals in the technologies with the highest labour demand¹⁴.

The Free Training in Digital Skills programme in Spain

Another example from Spain is the Free Training in Digital Skills programme, which is run by the national PES (*Servicio Público de Empleo Estatal, SEPE*). The programme was launched at the end of 2019 and the COVID-19 pandemic only increased the relevance of the programme in increasing the supply of digital skills in Spain. Through the programme, digital training is provided free of charge to the entire working population with the aim to improve employability of workers as well as unemployed. The training is provided through partnerships between the national PES, the national foundation for training in employment (FUNDAE), and big technology companies such as Amazon Web Services, Google, Huawei and IBM. Training is delivered through online courses that are provided by the partner companies.

Integrating digital skills training into other training programmes in Portugal

During the COVID-19 pandemic, the Portuguese Institute of Employment and Training (*Instituto do Emprego e Formação Profissional, IEFP*) developed a system where trainers receive digital skills training and where digital training materials were elaborated prior to the start of the actual training course. In addition, clients' digital literacy was tested and reinforced in the weeks prior to the training courses. Furthermore, issues around clients' access to Internet and computers was handled, with possibilities to use computers at IEFP's training centres or on loaned devices. This made it possible for most training programmes to be provided either fully online or in a mixed format during the pandemic

Source: Csillag (2020^[57]), *Upskilling, reskilling and prevention in times of crisis*, European Network of Public Employment Services , Brussels. European Commission (2021^[58]), "Free Training in digital Skills", European Commission, Brussel

¹⁴ Based on interviews with representatives from the Madrid Employment Agency.

5 Coordinating services at local level

Providing support for the unemployed is a shared responsibility between national and local levels of government in Sweden. In addition to national and subnational authorities, several other actors are involved in the broader employment system. With the foreseen increased role of independent providers in the delivery of employment support services, the need for co-ordination and co-operation mechanisms to enable all actors within the public employment system to work together in a “joined-up” way is stronger than ever. Tackling ongoing labour market challenges in Sweden will require building partnerships locally that can provide integrated and holistic services, especially for those individuals that are furthest from the labour market. This section analyses the local co-ordination challenges that may arise from the ongoing reform of the Swedish PES. More specifically, three different forms of co-operation are discussed: i) co-operation between municipalities and *Arbetsförmedlingen*; ii) co-operation between regions and *Arbetsförmedlingen* and iii) co-operation between municipalities and independent providers.

Co-operation between municipalities and *Arbetsförmedlingen*

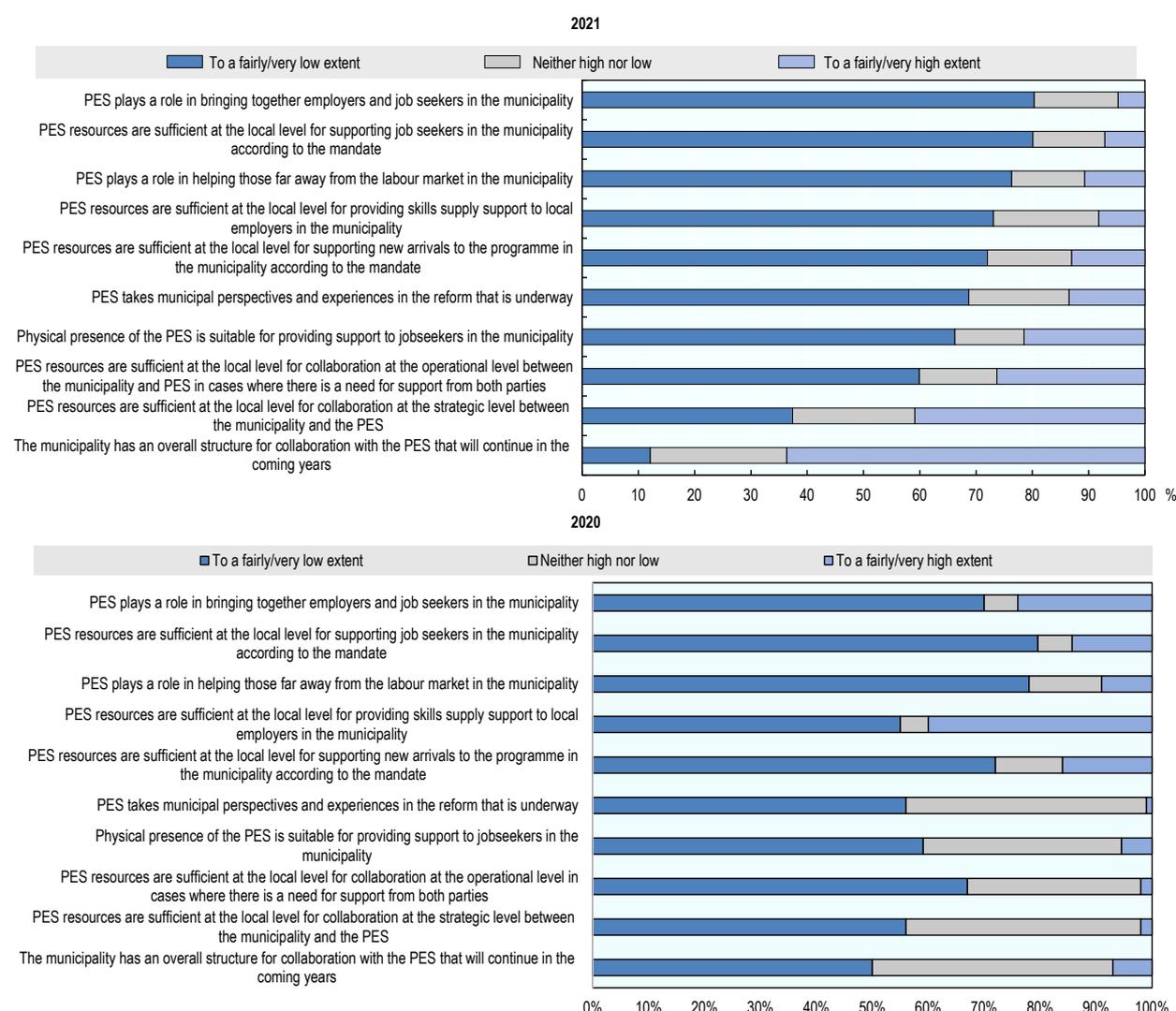
The significant overlap in clients and responsibilities as well as the great divergence in local and regional capabilities and financial resources calls for strong structures to support co-operation between *Arbetsförmedlingen* and municipalities. Nevertheless, the ongoing reform seems to challenge previously well-developed co-operation structures without offering good alternatives to put in their place. In the following sub-sections, the different ways in which the Swedish PES and municipalities co-operate in the labour market area are analysed. First, the differences in strategic and operational co-operation before and after the initiation of the reform are analysed, showing that previous structures to support both long- and short-term co-operation are undergoing significant changes. Second, the need for structures to support information sharing between *Arbetsförmedlingen* and municipalities are discussed. Third, different options to improve collaboration through service integration are analysed.

From strategic to operational co-operation

Swedish municipalities generally have a rather negative view on the role of *Arbetsförmedlingen* in supporting employment policies at the local level, according to the latest SKR/SALAR surveys¹⁵. The survey from 2021 shows that a significant part of the responding municipalities is critical about the resources devoted by *Arbetsförmedlingen* to support different groups of jobseekers at the local level. This includes those furthest from the labour market and newly arrived immigrants. In addition, they also find that support from the national authority to employers in their local area is limited. For many of the questions, the view of municipalities is more negative in 2021 than in 2020. This is especially the case when it comes to the agency’s role in bringing together employers and jobseekers in the municipality, providing skills support to local employers in the municipality, and taking on municipal perspectives and experiences in the reform that is underway (Figure 5.1).

¹⁵ For several of the questions data was not available for 2019. Therefore, the comparison focuses on the surveys from 2020 and 2021.

Figure 5.1. Swedish municipalities' view on the co-operation with PES in 2021 and 2020



Source: (SKR, 2019_[49]; SKR, 2020_[50]).

Interviews with municipalities generally support the results of the SKR/SALAR surveys. On the one hand, the interviews show that strategic co-operation at managerial level between *Arbetsförmedlingen* and municipalities is in place in most municipalities. This type of co-operation can go either through local PES offices or the national office and is often organised through different working and steering groups. The strategic co-operation is supported by local collaboration agreements between the PES, municipalities, regions and the Advisory Board for Young People and New Arrivals to Work (*Delegation för unga och nyanlända till arbete, DUA*), which are used to identify long-term objectives and conditions for collaboration (Box 5.1). On the other hand, municipalities mention that operational co-operation has been reduced or completely disappeared in the context of the reform. The long-term and trusting relationships that were previously in place to support day-to-day co-operation are difficult to uphold in the reformed system.

In those municipalities where operational co-operation remains, this is often project-based and is lacking connections to the strategic co-operation as set out in the local collaboration agreements. Interviews with municipalities also show that they struggle to establish contact to the national PES on a day-to-day basis. With the restructuring of local offices, the role of local PES staff is changing and often

municipalities are referred to the national office through a national phone line when decisions on individual clients are to be taken. Yet, municipalities find it difficult to use the phone line, not least because national caseworkers are not assigned to municipalities, thus making support dependent on the “caseworker of the day”.

Box 5.1. Local Collaboration Agreements in Sweden

Strategic co-operation between *Arbetsförmedlingen*, municipalities, regions and the Advisory Board for Young People and New Arrivals to Work (*Delegation för unga och nyanlända till arbete, DUA*, is supported by local collaboration agreements (*överenskommelser för samverkan*). These agreements are used to identify common objectives and indicators, target groups (e.g. youth, migrants, or long-term unemployed or employers and business) and conditions for collaboration between the parties (e.g. the forum, its mandate, and the distribution of responsibilities). *Arbetsförmedlingen* is responsible for initiating and coordinating the work of signing an agreement. The agreements also include a section on how the operational collaboration around the defined target groups and objectives is organised and implemented through specific activities, working methods, information sharing, etc. Most Swedish municipalities have local collaboration agreements in place.

Source: (Arbetsförmedlingen, 2022^[59]), *Överenskommelser för samverkan*, <https://arbetsformedlingen.se/for-kommuner/overenskommelser-for-samverkan> (accessed on 16 June 2022).

Despite these challenges in co-operation between the Swedish PES and municipalities, some structures from before the reform remain in place to support co-operation on a day-to-day basis. These include DUA, which supports co-operation on support for youth and migrants who are out of work. Among other things, the organisation is involved in the Local Job Tracks (*Jobbspår*) programme which supports individuals far from the labour market getting into work through collaboration with employers. In addition, co-operation is also supported by FINSAM (*finansiell samordning*) (Box 5.2).

Interviews with municipalities indicate that they have a positive view on these co-operation structures. This is in line with the results of the 2020 SKR/SALAR survey on municipalities’ view on labour market policies in Sweden. Here, 67% of participating municipalities had a positive or neutral view on the Advisory Board for Young People and New Arrivals to Work, and 65% had a positive or neutral view on FINSAM¹⁶ (SKR, 2020^[50]). However, several municipalities are concerned about the temporary financing of DUA and the Local Job Tracks Programme, which makes long-term planning difficult. As it stands now, the financing of DUA ends by February 2023, which means that practical activities must cease around the end of 2022. From here on, the role of DUA will be taken over by *Arbetsförmedlingen*, and a new template for agreement between PES offices and municipalities, similar to the one previously used by DUA, has been developed for this purpose (Arbetsförmedlingen, 2022^[60]).

Box 5.2. Examples of co-operation structures in place in Sweden

Advisory Board for Young People and New Arrivals to Work (*Delegation för unga och nyanlända till arbete, DUA*)

DUA is a temporary governmental committee working to promote state and municipal co-operation on the support for youth and migrants who are not in work during the reform of *Arbetsförmedlingen*. The

¹⁶ Questions on municipalities’ view on DUA and FINSAM were not included in the 2021 survey.

delegation consists of representatives from government agencies, SKR/SALAR, a student council and business representatives. Among other things, the organisation supports the development and implementation of local collaboration agreements as well as the local job tracks (*Jobbspår*) (see below).

Local Job Tracks (*Jobbspår*)

Local Job Tracks (*Jobbspår*) are part of the collaboration between DUA, municipalities and *Arbetsförmedlingen*. They aim to meet employers' recruitment needs while at the same time providing an effective route to work for people far from the labour market. Local job tracks consist of a defined chain of interventions for individuals that are provided in collaboration with the employer. The skills needs of employers and the individual's conditions determine what services, activities and training are provided and for how long the individual will participate in the job track. Services and activities are provided by employers, municipalities and *Arbetsförmedlingen* in co-operation. Until December 2021, a separate programme was run by DUA to further improve the quality of the local job tracks.

FINSAM (*finansiell samordning*)

On 1 January 2004, the Act on Financial Co-ordination of Rehabilitation Efforts entered into force. The law makes it possible for *Arbetsförmedlingen*, the Social Insurance Agency, municipalities, and regions to co-operate financially by forming co-ordination associations with the objective to support individuals to become self-sufficient and (re)enter the labour market. Within a co-ordination association, the four actors decide how the co-operation should be designed based on local conditions and needs. The associations are supported by the National Council, which is a national collaboration forum between *Arbetsförmedlingen*, The Swedish Social Insurance Agency, the National Board of Health and Welfare and Sweden's municipalities and regions. Today, there are about 80 co-ordinating associations throughout Sweden and almost all municipalities are a part of a co-ordinating association. The consulted municipalities are generally very positive about the role of FINSAM.

European Social Fund Projects (*Socialfondsprojekt*)

A significant part of local and regional activities on labour market and employment policies are financed by the European Social Fund (ESF). Often, projects are driven in co-operation between municipalities, regions, *Arbetsförmedlingen* and other local, regional, and national actors. A particular challenge mentioned by the interviewed municipalities is the role of the Swedish PES in employment projects financed by the ESF due to uncertainty about how engagement in these projects fit with the national authority's role as contractor in the KROM system. However, with the most recent legislatively changes to support the implementation of the reform, the government has clarified that *Arbetsförmedlingen* can participate in ESF-funded projects.

Source: DUA (2022^[61]), *Kompetensförsörjning och etablering genom samverkan*, <https://www.dua.se/> (accessed on 16 June 2022). DUA (2022^[62]), *Lokala jobbspår*, <https://www.dua.se/lokala-jobbspar> (accessed on 16 June 2022). FINSAM (2022^[63]), *Finsam finansiell samordning*, <https://www.finsam.se/> (accessed on 16 June 2022). The Swedish Government (2022^[20]), *Förbättrade förutsättningar för den arbetsmarknadspolitiska verksamheten*, <https://www.regeringen.se/rattsliga-dokument/proposition/2022/04/prop.-202122216/>.

Information sharing and integration of individual action plans

To provide coordinated support for the unemployed who receive services from both national and local authorities, systematic and seamless information sharing is needed. This includes information on the clients signed up with the different authorities, what types of activities they receive, and for how long. In Sweden, SKR/SALAR coordinates the IT system SSBTEK (*Sammansatt bastjänst för ekonomiskt bistånd*), which supports case workers in municipalities in their handling of individual applications for income benefit. Through SSBTEK, local case workers get access to financial data on individuals from seven different authorities: *Arbetsförmedlingen*, the Unemployment Insurance Funds (*a-kassor*), the Social

Security Agency (*Försäkringskassan*), the Swedish Transport Agency for Transport (*Transportstyrelsen*), The Swedish Board of Student Finance (*CSN, Centrala studiestödsnämnden*), the Swedish Pensions Agency (*Pensionsmyndigheten*), The Swedish Tax Agency (*Skatteverket*), and the Swedish Migration Agency (*Migrationsverket*). Based on the personal identification number of applicants, case workers in municipalities can seek out information on an individual's financial situation which can form the basis of decisions on the granting on social assistance (SKR, 2022^[64])

Currently, there is no comprehensive IT system in place covering both income support and services to support systematic information sharing between *Arbetsförmedlingen* and municipalities on the individual cases they are working with. Beyond the SSBTEK, IT systems for case processing at national and local level in the employment field are not integrated, which makes it difficult to share data and messages on individual clients with overlapping needs. As a result, each case worker only has access to a subset of knowledge which can negatively affect the quality of the overall support system. This type of information sharing is hindered by data and privacy regulations as well as differences in IT systems used across levels of government, across municipalities and even within municipalities, and it takes place only on a case-by-case basis through individual contacts between caseworkers. Either interface integration or development of the underlying infrastructure is necessary to overcome this problem. In addition, changes in data and privacy regulations are most likely needed to allow for further sharing of individual data across different public authorities.

In addition, there are no requirements for *Arbetsförmedlingen* and municipalities to develop a shared action plan for those individuals who frequent both support systems. According to existing legislation, the Swedish PES is required to draw up an individual action plan and an activity report together with the jobseeker which sets out obligations, planned activities and the overall goals for the jobseekers. In addition, municipalities develop their own action plans for individuals that receive social benefits. These action plans play an important role in the support to, and control of, individuals who receive income support either from national or local authorities. In the reformed PES system, the individual action plans and activity reports will take up an even more important role since they will be an important means of communication between the PES and the independent providers. *Arbetsförmedlingen* is looking into the possibilities to share relevant information with independent providers, including through the development of shared action plans. However, this work does not cover information sharing with municipalities (Román and Ekselius, 2020^[65]; Carlsson, Román and Phalén, 2022^[25]).

One way to improve co-operation on services for the individual client could be through the development of a shared individual action plan across public authorities. A common individual action plan would replace existing action plans developed either by *Arbetsförmedlingen* or municipalities and would cover services and benefits provided by the different authorities. Ideally, the shared action plan would include individual objectives agreed by all parties and outline all the activities that the individual will take part in. The purpose would be to develop a more coherent, transparent, and integrated support offer for jobseekers that receive services from both *Arbetsförmedlingen* and the municipalities. The individual action plan could be supported by the development of a mechanisms and IT systems that allow for information and data sharing on individual clients.

In Denmark, work to develop one action plan for individuals who are furthest from the labour market and struggle with multiple challenges has been ongoing for several years. In 2018, a new bill was adopted which enabled case workers in municipalities to develop one action plan that cuts across employment, social, integration and education services. This also included legislation to enable municipalities to make use of and share data within the municipality and between regions and municipalities (Box 5.3). The legislation was the first step in the preparation of a broader system to provide integrated services for the most vulnerable groups. The Danish system differs in the degree of decentralisation (both social and employment policies are placed at local level). However, some of the experiences with integrating otherwise separate plans can be relevant in the Swedish context, including how this can help provide more holistic services for citizens.

Box 5.3. One action plan for those furthest from the labour market in Denmark

In 2018, a new bill was adopted in Denmark which made it possible for municipalities to develop holistic actions plans for clients who face multiple challenges and are in need of support services cutting across a range of service areas. The new individualised action plans can replace several action plans that are otherwise developed for social, integration, education, and employment services. It is up to the municipality together with the client to decide if the client would benefit from a holistic action plan as well as which services to include in the plan. The introduction of holistic action plans built on a pilot project in nine municipalities, which ran from 2016 to 2020 with the purpose to better understand how the development of one rather than multiple action plans could improve the quality of support provided to individuals with multiple needs. In an evaluation of the pilot project, it was shown that most citizens who participated in the pilot experienced a significantly better co-operation with the municipality and more quality in the support they received. In addition, 40% of the citizens that participated in a survey following the end of the pilot and who had full-time work as their goal indicated that they had achieved this goal. Around 57% of the citizens with the goal of taking up education achieved this goal.

For municipalities to be able to develop holistic action plans, it was necessary to improve the possibilities to exchange individual data across different government authorities as well as different divisions within the municipality. This required changes both in the data and privacy legislation as well as in existing IT systems. Case processing and stature data reporting in municipalities often takes place in “closed ecosystems” based on sectoral legislation and IT infrastructure. Each sector-specific system for case processing tends to be connected to its own IT infrastructure, which has no interface integration with other systems covering other sector areas. This makes it difficult to share data and messages across sector areas covered by the municipality. As a result, each case worker only has access to a subset of knowledge on the individual client which can negatively affect the quality of the overall support system.

Source: The Danish Government (2018^[66]), *Lov om ændring af lov om en aktiv beskæftigelsesindsats, lov om social service, lov om integration af udlændinge i Danmark og forskellige andre love*, <https://www.retsinformation.dk/eli/lt/2018/707> (accessed on 4 October 2022). VIVE (2019^[67]), *En plan for en sammenhængende indsats sammen med borgeren*, Det Nationale Forsknings- og Analysecenter for Velfær, Copenhagen, <https://www.vive.dk/media/pure/14128/3306255> (accessed on 4 October 2022).

Vertical and horizontal service integration

Going beyond individual action plans and data sharing, a more far-reaching solution could be to integrate the service provision for employment, social and adult learning services. Within recent years, governments in several countries have looked to integration of services to provide more holistic and person-centred support for the most vulnerable groups. Integrated service delivery is when multiple services across different sectors, government levels and providers are delivered in a joined-up way (OECD, 2015^[68]). By providing access to multiple services (e.g. in one place), service integration may improve the service experience and quality for individuals furthest away from the labour market. Service integration can come in many forms from almost complete separation over co-ordination and co-operation to almost complete integration, but especially different models of multi-disciplinary teams and “one-stop-shops” hold promise of improving outcomes for individuals, families, and society.

In countries where the responsibilities for welfare services are divided between different levels governments, vertical integration is especially relevant. Vertical service integration is the process of integrating the hierarchy of governance and finance within one or multiple service sectors – e.g. within employment and social sectors. In France, just as in Sweden, the French PES (*Pôle Emploi*) is anchored at national level while local authorities have the responsibility for social services. To support co-ordination

between employment and social policies for vulnerable jobseekers, the Comprehensive Support Programme (*Accompagnement Global*) has been established. Under this programme, employment, and social counsellors exchange information on overlapping clients in a more structured way. The co-operation also includes the setting up of a joint integration plan for the clients (Box 5.4).

Box 5.4. The Comprehensive Support Programme in France

The Comprehensive Support Programme (*Accompagnement Global*) is a co-ordinated programme provided by the French PES (*Pôle Emploi*) in co-operation with the County Council (*Conseil départemental*). The target group is the most vulnerable jobseekers who are not only unemployed but also struggle with other challenges such as homelessness or financial issues. Within the programme, this group simultaneously receives support from an employment counsellor and a social counsellor, who regularly exchange information about the progress of the client. These counsellors are not placed “under the same roof” and they are not at the same level of territorial governance, since employment policies remain a national competence in France, while social policies are governed at county level. This governance model has resulted in significant variation across counties. In the departments where co-ordination is most effective, one social worker oversees the work of all those within the county team and is responsible for the communication with the PES colleagues, and both parties are involved in setting up a joint integration plan for the client.

Source: Pôle Emploi (2022^[69]), *L’Accompagnement Global*, <https://www.pole-emploi.fr/region/hauts-de-france/candidat/pole-emploi-vous-accompagne/laccompagnement-global.html> (accessed on 24 June 2022). Csillag (2021^[70]), *Support to vulnerable groups*, European Network of Public Employment Services, European Commission, Brussels, [PES Network explores how best to integrate vulnerable groups in the labour market - Employment, Social Affairs & Inclusion - European Commission \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&code=sdg_8_4_1).

In the Swedish context, vertical integration of employment, social and adult learning policies could be built around the development of shared action plans for individuals that receive support from both municipalities and *Arbetsförmedlingen*. This could be supported by the creation of an interdisciplinary team with representatives from *Arbetsförmedlingen* and municipalities that will have the responsibility for the case management for individuals where responsibilities are overlapping. The purpose of such a team would be to bring all relevant competences together to provide a holistic perspective on the unemployed furthest from the labour market. One interesting example of vertical integration already in place in Sweden is the Stockholm Co-ordination Association (*Samordningsförbundet Stockholms Stad*). Formed in 2016, this is a collaboration between the city of Stockholm, the Social Security Agency, Region Stockholm and *Arbetsförmedlingen*. The initiative demonstrates how actors across levels of government can get together to provide holistic support for those furthest from the labour market (Box 5.5).

Box 5.5. The Stockholm Co-ordination Association: integrating services

To improve collaboration structures and develop new methods in the employment field, four different actors – the City of Stockholm, the Swedish Social Security Agency (*Försäkringskassan*), Region Stockholm and *Arbetsförmedlingen* – formed the Stockholm Co-ordination Association (*Samordningsförbundet Stockholms Stad*) in 2016. The association is responsible for a multi-disciplinary team, including PES and social assistance counsellors, which provides coordinated support for individuals facing multiple challenges. The team operates at the city’s Job square (*Jobbtorg*) and provides individuals with information and guidance on available support measures across numerous authorities. The team also supports the development of an individual action plan on how to reach work, studies, or self-sufficiency, which is followed up by the team after six months. To receive support by the team, individuals must be signed up through one of the four actors involved in the co-operation

structure. Thus, the co-ordination structure does not replace existing services, but is rather a supplement on top for the most vulnerable individuals in the City of Stockholm.

Source: Samordningsförbundet Stockholms Stad (2022^[71]), *UngKomp*, <https://samordningstockholm.se/insatser/ung-komp/> (accessed on 24 June 2022).

Furthermore, horizontal integration, bringing together previously separated services and organisations at one government level, may be relevant even in countries with division of responsibilities across levels of government. Beyond their more informal role in providing employment support services, Swedish municipalities are responsible for a range of services that are important for persons far away from the labour market struggling with multiple and often complex challenges. These include social services, adult learning, and youth services (see also section 2). By integrating these services on-the-ground, municipalities can potentially support the development of more person-centred service delivery models that meet the multiple needs of individuals far from the labour market in a more holistic and place-based way. In addition, Swedish municipalities are all part of a broader regional labour market, which implies a need for co-ordination of employment policies and services across municipalities within regions.

Interviews with municipalities in Sweden indicate that they are looking for ways to integrate social and employment support measures provided at local level – both internally within municipalities and externally across municipalities. As an example of internal service integration, the municipality of Karlskoga has developed a “one-stop-shop” for clients on social assistance combining social support services, adult education, and employment support services. According to the municipality¹⁷, the integration of services has resulted in a decline in social benefit expenditures in the municipality from around 50% above the national average to around 10% above the national average. At the same time, the municipality has seen a positive effect on employment levels compared to regional and national averages, which in turn has had positive effects on local income from taxation. While the municipality has also seen an increase in expenditures on job-related services, the expectation is that the overall long-term cost will decrease due to a reduction in social, health and employment costs.

In terms of cross-municipality co-operation and co-ordination, the Helsingborg Family (*Familjen Helsingborg*) is an interesting example. This is a co-operation between 11 municipalities in the northwest part of the Skåne Region. The municipalities collaborate on several policy areas, including infrastructure, business, learning, social services, housing, culture, and the environment. Their ambition is to be perceived as a diverse and cohesive urban area that can promote innovation and a high quality of life for their residents and companies. For each topic area, working groups have been created to support the development and co-ordination of policies.

Nevertheless, municipalities across the country differ greatly in the extent to which they have managed to integrate services locally and overall, and more could be done at local level to improve horizontal service integration. In many municipalities, labour market, social policy, youth, and adult education policies remain separated, and co-ordination of these areas remain limited. In addition, even though SKR/SALAR as an organisation offers support for municipalities on how to start co-operation across municipalities and beyond, there seems to be considerable scope for exploiting the knowledge accumulated in different municipalities. This is important not least given the limited capacity of many small municipalities. As confirmed by several studies, there are significant variations in the organisation of employment policies in municipalities (Vikman and Westerberg, 2017^[72]). This is amplified by the lack of any type of governance structure for these policies – in contrast to e.g. the education and school policy area where a national authority – the Swedish National “Agency for Education” (*Skolverket*) – co-ordinates the work across all municipalities. In the labour market area, municipalities have much more freedom to

¹⁷ Based on interviews with representatives from the municipality.

organise their own policies according to local priorities and knowledge that is not collected in a structured way (SBU, 2022^[39]).

Challenges in the co-operation between regions and Arbetsförmedlingen

The regions interviewed for this report describe significant changes in their co-operation with Arbetsförmedlingen over the last few years. In line with the objectives of the reform, regions find that the role of the agency has changed from an active matching agency to an agency managing the procurement of services from providers. This has influenced the way *Arbetsförmedlingen* can and will engage in co-operation with regions. The interviewed regions are finding it more difficult to get in contact with *Arbetsförmedlingen* and they are missing the dialogue on long-term strategic co-operation and development that they previously had. In addition, they find that the room for manoeuvre for staff in regional offices has become smaller and that the staff is lacking sufficient competences and responsibilities to take the necessary decisions and co-operate with the regions. An important concern among regions is the change in the skills composition of *Arbetsförmedlingen's* staff from more specialised to more generalist skills.

With the reform of Arbetsförmedlingen, the role of the authority in regional skills forecasting is changing. For a long time, a central task of *Arbetsförmedlingen* has been to conduct regional and local forecasts on the current and future development of skills supply and demand. These forecasts were made at regional and local level based on extensive data gathering, including a sequence of qualitative in-person interviews with a range of employers' organisations, businesses, industry clusters and workers across all regions. In this way, forecasts exploited the knowledge acquired by regional and local PES officers in their everyday work with matching services in their respective area. For regions and municipalities, the forecasts have been an important support measure in their day-to-day work on regional development, employment, and adult education policies.

After the reform, forecasting will shift from a local and mixed qualitative/quantitative approach to a national and mainly quantitative approach. Considering the transfer of responsibilities to independent providers as well as the scaling down of local presence, skills forecasting (national as well as regional) will be conducted from the national level and will be based on quantitative data sources such as online surveys and national and regional statistics. The interviewed regions are worried about this change for several reasons: i) the more specialised staff that used to work on regional skills development are no longer present in regional PES offices; ii) data at regional level will be provided at a less detailed level and difficulties in defining key variables (e.g. skills shortage or surplus) quantitatively may negatively affect the quality of forecasts; and iii) the connections with regional actors, including employers, that were built up through the regional forecasts will possibly be lost. The reduced engagement of *Arbetsförmedlingen* in regional skills forecasting runs counter to the increasing skills mismatches that are characterising the Swedish labour market (see section 2).

In this context, some regions are building up alternative structures, including in the region of Stockholm. In April 2021, the Competence Arena Stockholm (*Kompetensarena Stockholm*) was established as a new overarching structure to support co-operation and co-ordination around skills issues in the region of Stockholm. The arena includes representatives from a broad range of actors in the region, including Region Stockholm, Greater Stockholm (*Storstockholm*) which represents the 26 municipalities of the region, the municipality of Stockholm, *Arbetsförmedlingen* and social partners. The arena is still new, but interviews with actors in the region indicate that it has already proven successful in improving the co-ordination of work on skills supply and demand. Similar examples of co-ordination structures exist in other regions, e.g. in the region of Malmö. However, the example of Stockholm is unique in how it involves regional and local politicians in the work through the Stockholm Competence Council (*Stockholm kompetensråd*) (Box 5.6).

Box 5.6. Competence Arena Stockholm

The Competence Arena Stockholm (*Kompetensarena Stockholm*) is a structure for co-operation around skills and competence issues in the Stockholm region established in April 2021. The structure was developed as part of an ESF project which ran from April 2018 to March 2021 with the overall ambition to develop a long-term model for co-operation and dialogue on skills supply and demand in the Stockholm region. Historically, work on skills supply and demand has been driven by a range of actors in the region, including the regions, the 26 municipalities in the region, and *Arbetsförmedlingen*. Without an overarching structure to support co-ordination and co-operation between these actors, the work on skills supply and demand in the region was fragmented and driven by diverging goals and ambitions. The Competence Arena Stockholm seeks to overcome these issues and support a more coherent and holistic approach to skills supply and demand across the region.

The primary decision-making body in the arena is the Stockholm Competence Council (*Stockholm kompetensrad*) which includes high-level (political) representation by Region Stockholm, Greater Stockholm (*Storstockholm*) which represents the 26 municipalities of the region, the municipality of Stockholm, social partners, *Arbetsförmedlingen*, Stockholm University and other educational institutions in the region. On an annual basis, the Stockholm Competence Council decides on a strategy with goals and activities to support skills development in the region. This strategy builds on annual forecasts of skills supply and demand in the region developed by the partners in the arena based on data from Statistics Sweden as well as other regional data sources e.g. provided by regional competence councils that covers individual sectors such as transport, industry, trade, and construction. Below the Stockholm Competence Council exist different fora for co-operation, including different working groups that work on the day-to-day implementation of the overall goals and activities. The Competence Arena and Council are, however, an informal structure and body without any formal competences and without a dedicated budget to support the implementation of goals and activities.

Source: Interviews with representatives from Regions Stockholm.

The interviewed regions also highlight that the changes in local PES presence have had a negative impact on the engagement of *Arbetsförmedlingen* in supporting businesses to find qualified workers. Both prior to and after the reform, one of the main tasks of *Arbetsförmedlingen* is to support employers in finding employers with the right skills that fit their needs. Interviews with regions, however, indicate that the engagement of *Arbetsförmedlingen* in this regard has been reduced. The same picture comes out from the interviews with municipalities as well as the recent SKR/SALAR survey. As shown in Figure 5.1, both in 2019 and 2020, municipalities generally had a negative perception of the ability of the Swedish PES to bring together employers and jobseekers in the municipality and provide skills support to local employers. According to the interviews, municipalities are on their own working with employers to fill vacancies and find workers with the right skills. At the same time, regions work at a higher analytical level to analyse overall trends in the labour market. Again, this runs counter to the overall need and developments of the Swedish economy where skills mismatches continue to be a challenge.

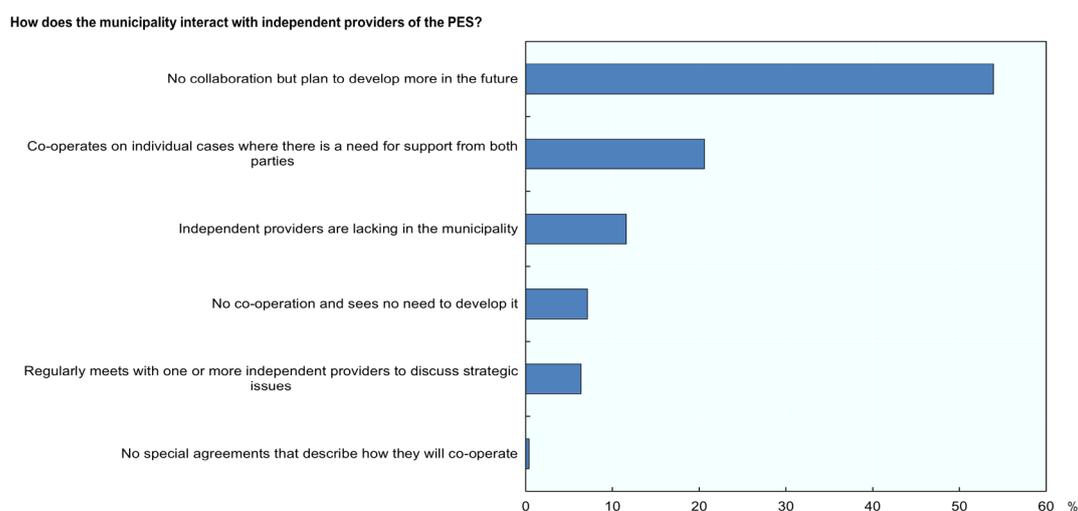
Improving co-operation between municipalities and providers

With the reform of *Arbetsförmedlingen*, the role of independent providers in employment services has increased and, as a result, government authorities increasingly need to co-operate jointly and consult with providers. The Swedish government has already proposed several legislative amendments to achieve a more effective exchange of information between the Swedish PES and the providers of labour market policies (The Swedish Government, 2022^[20]). The adoption of these changes will most likely

improve information sharing between the national authority and the independent providers. However, the changes do not take into account the need for co-operation between municipalities and providers. As for now, there is no system in place to share information gathered at national level with municipalities. In addition, the KROM programme does not include clear contractual requirements for national providers to work with and share relevant information with the local authority.

Even though Sweden has a long-standing experience in contracting out employment services, independent providers are still a relatively “unfamiliar” actor for municipalities. Interviews with municipalities show that structured co-operation between municipalities and independent providers in the KROM programme is lacking in most places. In several municipalities there seems to be no overview of the number and type of providers present in the area. This is especially a challenge in more urban areas where many independent providers are operating. In the 2021 SKR/SALAR survey, 52% of the participating municipalities replied that they have no collaboration in place with independent providers but that they plan to develop this in the future (Figure 5.2). Yet, most of the interviewed municipalities find that it is the responsibility of *Arbetsförmedlingen* to establish a national structure for co-operation that municipalities can use. The national authority recently updated the template for the local collaboration agreements to include a section on the collaboration with independent providers. Yet, in interviews with municipalities, this is not a measure that they refer to as helpful to support collaboration. This measure puts the responsibility for co-ordination solely on municipalities without engaging the independent providers.

Figure 5.2. Municipalities view on the co-operation with independent providers of PES



Source: SKR survey 2021.

The interviewed municipalities find that the co-operation with independent providers is more well-established and well-functioning in adult learning. There may be several explanations, including that municipalities have a more clearly defined responsibility in this policy area, that municipalities act as the contracting part for adult learning services, and that the market is more well established (adult learning services have been delivered by independent providers for many years).

One way to improve co-operation between providers and municipalities could be through the introduction of contractual requirements for providers to demonstrate local presence and co-operation. In Australia, local co-operation within the *Workforce Australia* programme is incentivised through licencing requirements for providers operating both generalist and specialist licences. All providers must achieve certification against a set of Quality Principles developed by the Department of Employment

and Workforce Relations, including a principle on “Labour Market, Employers and Community”. In the UK, a main objective of the *Restart* programme is that it should be tailored to local needs and responsive to changes in the local labour market throughout the contracting period. To support this, providers are required to set up a Stakeholder Engagement Plan and to engage with a range of both national and local actors. The Province of Ontario in Canada uses contractual requirements for prime providers to strengthen local presence and co-operation (Box 5.7).

Box 5.7. Strengthening local co-operation through licencing requirements

The Quality Assurance Framework in the *Workforce Australia* programme

The main aim of the Quality Assurance Framework in the *Workforce Australia* programme is to support continuous improvement and quality of service delivery. The framework includes two overall Quality Standards and seven broader Quality Principles which set out the minimum standards of quality for providers. Each provider is required to demonstrate capacity to achieve and maintain certification against one of the Quality Standards and all the Quality principles. The certification is undertaken by a third-party auditor from a panel appointed by the Department of Employment and Workforce Relations. Among the seven Quality Principles is the Principle on “Labour Market, Employers and Community”. To live up to this principle, providers are required to “*have systems and documented practices in place to ensure there is a clear understanding of the local labour markets in which they operate, and that there is effective engagement with employers, complementary services providers and other stakeholders who assist participants to gain employment*”. Systems and documented practices include “*processes for determining areas of current and future job opportunities, tailoring employment services to different cohort groups, engaging employers, complementary service providers and other stakeholders*” (Australian Government, 2021^[73]).

Stakeholder Engagement Plans in the *Restart* programme in the UK

The largest current UK programme for contracted-out employment services is *Restart*, which was launched in July 2021 across England and Wales. It will run for three years, targeting the long-term unemployed (12 to 18 months unemployed). England and Wales are divided into 12 Contract Package Areas (CPAs) and in each CPA only one prime provider operates. There are eight different prime providers, with four holding contracts in two CPAs. Within the *Restart* programme, collaboration between providers and local actors at the local level is seen as critical to secure the buy-in necessary to achieve outcomes for individuals. To support effective local stakeholder engagement, providers are required to develop delivery models and incentives that are “*aligned to local growth sectors, opportunities (e.g. training initiatives) and challenges (e.g. transport barriers, skills gaps)*” and providers must “*work closely with employers and stakeholders to maximise local job opportunities for the participants*” (DWP, 2022^[74]). In addition, providers are required to develop a Stakeholder Engagement Plan which sets out how they will identify and engage with stakeholders to deliver high quality, appropriate and individualised employment support. Among the organisations that providers should cover in the Stakeholder Engagement Plans is the Mayoral Combined Authorities, Local Authorities, Local Employment Partnerships, Skills Advisory Panels, Local Recovery Boards and the Association of Employment and Learning Providers. In addition, providers are required to engage with employers and employer representative bodies, as well as the Department for Work and Pensions and Jobcentre Plus. The Stakeholder Engagement Plan shall support regular Local Engagement Meetings between providers and identified stakeholders.

Supporting community partnerships in the contracting-out model in the Province of Ontario, Canada

Among the main objectives in the new programme for contracting-out employment services in the Ontario is to develop a locally responsive employment services model that meets the diverse needs of employers and job seekers. In the programme, contracts are made between the Ministry of Labour, Immigration, Training and Skills and Service System Managers (SSMs) that are responsible for the planning, design, and delivery of services within a given delivery area. As part of the contracts with SSMs, they are required to support the development of community partnerships between providers and local actors in the delivery area. Contrary to the UK model, however, there are no specific requirements on which actors the SSMs should collaborate with. In addition, the required level of accessibility of services of providers is defined based on driving times and this is included in the contracts. The average driving time in the previous system had been calculated and providers are required not to go beyond these limits.

Source: Australian Government (2021^[73]), *Request for Proposal for the New Employment Services Model 2022*, <https://tenders.employment.gov.au/tenders/75899c03-930f-ec11-b6e6-00224815762f/> (accessed on 4 October 2022). DWP (2022^[74]), *Restart Scheme provider guidance: Chapter 12: Stakeholder and employer engagement*, <https://www.gov.uk/government/publications/restart-provider-guidance/chapter-12-stakeholder-and-employer-engagement> (accessed on 4 October 2022). Interview with representatives from Ontario Ministry of Labour, Training and Skills.

Going forward, Sweden could find inspiration from these countries to introduce tender requirements to strengthen local co-operation. One specific requirement could be for all independent providers to participate in local partnerships or steering groups together with municipalities and other relevant local actors either within each municipality or within each delivery area. In municipalities or delivery areas with several providers, only one co-operation structure should be set up so to simplify the work and avoid duplication. Particularly in delivery areas covering fewer municipalities, one overall co-operation structure for all providers and municipalities in the area could be relevant. The requirement of co-operation could be supported by the development of a national structure for how such co-operation should look like, which topics it should cover, the actors that could participate, the roles and responsibilities actors could take, and models for financing activities within the partnerships or steering groups. Such work could be led by the Swedish PES and could take inspiration from the adult education area.

Another option to improve co-operation between providers and local authorities could be to create an option for municipalities to provide input on local needs during the tender process. Building on the example from the UK (see Box 3.4), municipalities could get the opportunity to contribute questions to be addressed by the providers in their last and final offers. These questions could focus on how the providers would ensure a focus on local priority areas in their provision as well as how they intend to co-operate with local actors in each delivery area. This could be a way to adapt the provision of local providers to the local context, improve local co-operation between providers and municipalities and strengthen engagement and buy-in from municipalities in the overall contracting-out system.

Devolution of responsibilities to subnational level

Since the start of the reform of *Arbetsförmedlingen*, the role of municipalities in the contracted-out employment system has been a matter of political debate. In June 2020, a government-appointed committee concluded that the existing legislative framework provides a relatively large scope for municipalities to participate as independent providers. Among other things, the commission concluded that municipalities could act as providers within both legal frameworks that had been discussed so far for setting up the market – the Act on Freedom of Choice (LOV) and the Act on Public Procurement (LOU). Moreover, the committee concluded that the national agency had the option to enter into a co-operation which may include compensation to the municipalities. However, the commission also pointed to a number of areas

where the legislation should or could be adjusted if the government wished to include municipalities in the new market system (Rundström, 2020^[75]). Among other things, the current legislation states that municipalities are not supposed to provide services for others than its citizens or to make a profit on the services they provide (Sveriges Riksdag, 2017^[76]).

In their legislative proposals from September 2021, the Swedish government made it clear that municipalities remain an important actor in labour market policies. In their legislative proposals that were sent for referral in September 2021, the Swedish Ministry of Employment wrote that municipalities remain an important actor in labour market policies and that *Arbetsförmedlingen* is responsible for providing equal and appropriate access to sufficient labour market activities and programmes through procurement, in co-operation with municipalities and other actors or through in-house delivery. Therefore, it will be important to improve the conditions for co-operation between *Arbetsförmedlingen* and municipalities (Ministry of Employment, 2021^[18]). SKR/SALAR has pointed to the fact that municipalities have extensive experience in providing employment policies for different client groups which suggests they could be suitable providers in the KROM model (SKR, 2021^[77]). In addition, municipalities tend to have strong connections to local employers, and they are often large employers themselves.

In a few OECD countries subnational governments act as providers in contracted-out public employment systems to the national authorities. In Scotland (UK), the *Fair Start Scotland* programme provides an opportunity for local authorities to act as providers of employment services for those furthest from the labour market. The Falkirk Council is operating a contract in one of the nine contract areas of the *Fair Start Scotland* programme together with Clackmannanshire Council and Stirling Council (Box 5.8). Experiences from the first four and a half years of the programme have shown several differences in how providers behave. First, the programme relies on an outcome-based payment model where a large part of the payments to providers is attached to outcomes in terms of getting individuals into work. For the for-profit providers, this means that their main goal is to get people into work as quickly as possible. For the local authorities, however, profit is not the main driver, and thus they tend to take more time to get participants into work. Second, since local authorities in Scotland are also responsible for other related welfare services, the Falkirk Council has been able to provide more holistic support for the individuals in the programme (including through their co-operation with the National Health Service (NHS))¹⁸.

Box 5.8. Municipalities as providers in the Fair Start Scotland Programme

With the Scotland Act from 2016, additional powers were transferred from the UK Government to the Scottish Government to provide employment support for disabled people and those at risk of long-term unemployment. To support those facing the greatest barriers to work and to find and stay in jobs, the Scottish Government has put in place the national employment support service *Fair Start Scotland*. This is a voluntary support programme that provides tailored, person-centred support for the long-term unemployed with complex needs. Referrals to the programme are made by the national PES Jobcentre Plus. Originally, the programme was planned to run for a three-year period (2018-2021), but so far it has been extended for a further two years to March 2023.

In the programme, services are delivered by prime providers in nine contract areas with one provider operating in each area. Six of the contracts have been awarded to private businesses and two contracts have been awarded to third sector organisations. The last contract, which covers the Forth Valley, was awarded to Falkirk Council in partnership with Clackmannanshire Council and Stirling Council. Falkirk Council is the lead partner and the relationship between the councils is formalised through a Memorandum of Understanding. The three councils co-operate with a range of national and local

¹⁸ Based on interview with representatives from the Scottish Directorate for Fair Work, Employability and Skills.

actors/specialist providers in the delivery of employment services. These include the NHS (to provide health-based interventions), Skills Development Scotland, the Scottish Association for Mental Health and Forth Valley College.

Source: Fact-finding interview with representatives from the Scottish Directorate for Fair Work, Employability, and Skills.

Another example of local authorities acting as contracted providers in national programmes is in Ontario (Box 5.8). The province is implementing a large-scale contracting-out programme (see also Box 3.1) where providers are signed to act as Service System Managers (a sort of prime provider) that are responsible for the delivery of services in a specific geographical area. For now, one of the Service System Managers in the programme is a consortium of smaller municipalities operating in the County of Bruce. However, since the programme is not yet fully rolled out, there is a possibility that more municipalities will join. In addition, local authorities may also act as providers delivering services for clients through contracts with the Service System Managers. In the current system, a small number of municipalities operate as contracted providers to the prime providers.

Box 5.9. Supporting the entry of smaller actors into the market in Ontario, Canada

In Ontario, a main ambition of the Ministry of Labour, Immigration, Training and Skills Development is to create a contracted-out system where smaller players can participate in the market, including local authorities, both as Service System Managers (SSMs) and as sub-contractors. Among other things, this is done through:

- **The competition selection process:** Providers bid on the number of clients they can serve within a fixed budget. Providers with the lowest and highest bids are rated lower than providers with bids placed in the middle. The purpose is to identify the “right” market price that supports both quality and quantity and to enhance possibilities for smaller actors to enter the market.
- **A consortium model:** Providers are allowed to get together and make bids as a consortium. This may create a pathway for smaller actors, including local authorities, to enter the market. As an example, in the first phase of agreements, one of the catchment areas was awarded to a consortium of smaller municipalities in the County of Bruce. To bid as a consortium, providers must live up to certain requirements (e.g. they must operate based on a binding agreement).

Source: Fact-finding interview with the Ministry of Labour, Immigration, Training and Skills Development on 21. September 2022.

6 Conclusion: Lessons from international experiences

The reform of the Swedish PES will have implications for the provision and organisation of employment services across local labour markets. Given the Swedish geography and the division of competences across levels of government, it is critical that the reform provides the right incentives and co-operation structures needed to provide services in all parts of the country and facilitate all actors working together. Local actors can play an important role in the support, especially for those furthest away from the labour market. As the level of government closest to inhabitants, local governments, in co-operation with other local actors, are often in a good position to provide individualised services that are adjusted to the needs of the local labour market. However, in a system such as in Sweden where the main responsibility for labour market policies lies at the national level, and where the contracting-out of employment services has brought additional players to the field, strong incentives and co-operation structures are needed to align local engagement with national priorities.

The analysis of the ongoing Swedish reform has shown several challenges and possibilities for further development of the organisation of employment policies across different levels of government. The reform is still in its early stages and the market for contracted-out services remains rather immature, and thus it is too early to conclude affirmatively on the outcomes of the reform. Yet, analysis of existing data and interviews with a range of stakeholders in Sweden have pointed to areas where there are possibilities to further enhance the already strong labour market policies. Drawing also on insights from other country experiences illustrated throughout this report, several measures may be considered going forward to optimise the organisation of employment services at local level and to ensure presence and coverage of all places and people.

Creating a market for employment services for all places and all people

To support the creation of a market for employment service for all places and all people, Sweden could consider the following recommendations:

- **Incentivise entry into “non-profitable” delivery areas through adjustments in the design of delivery areas and entry requirements.** Elements of the existing KROM programme could be adjusted to improve presence and coverage in more remote or rural areas. This could be done by a direct restructuring of the existing 72 delivery areas based on the FA-regions as they were defined in 2015, but also including additional criteria that are more directly linked to the profitability of providers. Alternatively, as suggested by OECD (2022^[33]), an indirect restructuring could be pursued through a bundling of non-profit areas with profitable areas in the contracting process. An option could also be to vary the service requirement of physical presence across delivery areas, such as by allowing providers to substitute physical offices with mobile units or on-site visits in more rural or remote areas. However, any changes in this direction must be designed carefully so to adhere to the overall government ambition of providing equal services of high-quality for all jobseekers and employers in all parts of the country.

- **Incentivise entry into “non-profitable” delivery areas through adjustments in the design of the payment structure.** Options could be considered to differentiate the pricing model, either directly (e.g. by differentiating the basic payment or the performance compensation according to geography) or indirectly through an auction where providers’ preferences are revealed (OECD, 2022^[33]). The direct differentiation of payments could be targeted to certain sub-groups, such as by increasing the proportion of attachment or registration fees (i.e. fees paid to providers for each participant starting on the programme) while also lowering the total potential per-client payment. The option of an auction is possibly more comprehensive, but it has the benefit of revealing providers’ preferences, thus allowing for a more optimal design of the financial subsidy (OECD, 2022^[33]).
- **Adjust provider eligibility criteria/service requirements to support the entry into the market of smaller and possibly more locally based providers.** The capacity requirement and the staff qualification requirement in particular, which in the end makes the KROM programme more input than outcome-based, could be adjusted to better accommodate the entry of smaller players in the market (e.g. by lowering the capacity requirement or by acknowledging more practically based experience among key staff). In addition, the requirement for prime providers to up-front specify details on sub-contractors could be relaxed to increase the use of sub-contractors.
- **Introduce a separate procurement system for those furthest away from the labour market.** The purpose hereof would be to strengthen support for, and avoid overlap in, the services provided for the hardest to support clients who tend to receive services from both the national and local authorities. While such a system would be open to all types of providers, it could be designed in a way to especially encourage participation of smaller and more local actors, including municipalities. Within this system, an option could be to include alternative outcome measures in the payment-model that measures progress to work rather than getting into work. Even if these criteria were applied to all providers equally, it could give an advantage to smaller, locally based actors who may adopt a more holistic approach to helping individuals. Alternatively, a devolution model where local authorities act as commissioners of contracted-out services within their local area could be put in place. Such a model would allow local authorities to better adjust programmes to the needs of the local population and possibly also reduce existing problems with overlap in responsibilities for those furthest away from the labour market.

Managing the transition from physical to digital services

To manage the transition from physical to digital services, Sweden could consider the following recommendations:

- **Introduce a segmentation of clients based on the digital skills/abilities to access and make use of digital services.** This segmentation may support a more granular understanding of the digital skills of clients and the adjustment of services accordingly. Based on insights from the Australian model, *Arbetsförmedlingen* could consider to include questions on the digital skills and digital access of the jobseekers to support the segmentation of clients into different services.
- **Continue the co-operation with the National Government Service Centre to provide sufficient support for individuals who find it difficult to access digital services.** Physical alternatives should be scaled back only when digital services are sufficiently implemented and able to provide the necessary support for the unemployed. In addition, sufficient on-site support for those individuals with limited digital skills would need to be available to make sure that all unemployed can access PES services. Going forward, the co-operation between the Swedish PES and the National Government Service Centre will be important to develop a coherent support offer for individuals e.g. to sign up with and make use of the digital services provided by the Swedish PES. In particular, it will be relevant to continue work on the existing strategy to expand the

presence of these local centres in smaller municipalities and challenged neighbourhoods. In addition, possibilities for digital communication on individual cases between *Arbetsförmedlingen* and the local centres could be explored. In addition, building on the ongoing ESF project “Democratic digitalisation” (*Demokratisk Digitalisering*), further steps could be taken to develop the digital skills and competences of local PES and national Government Service Centre staff to improve the quality of support for clients with limited digital skills.

- **Develop a national digital upskilling strategy to close the digital divide.** The strategy could clarify roles and responsibilities across levels of government and promote community-based services to address the digital divide by ensuring that disadvantaged groups have access to the facilities and training they require. It may also include the introduction of a voucher system to increase up-take of digital learning and training courses across the country.

Strengthening co-operation at local level

To strengthen co-operation at local level in the employment area, Sweden could consider the following recommendations:

- **Make sure that strategic co-operation between *Arbetsförmedlingen* and municipalities is followed up by operational co-operation at caseworker level.** The roles, responsibilities and competences of local PES staff could be clarified and clearly communicated to all local staff and municipalities. Local PES staff should have the sufficient responsibilities to support municipalities in the day-to-day decision-making in individual cases. In addition, the national PES phone-line could be further developed – e.g. by making sure that each municipality has a national contact person that they can reach out to. However, in the long run, the contact point would need to be supported through more comprehensive channels of information sharing (see below). Lastly, it could be considered to keep existing co-operation structures such as the Advisory Board for Young People and New Arrivals to Work (*Delegation för unga och nyanlända till arbete, DUA*) and local collaboration agreements in place as well as to make financing of DUA permanent.
- **Put in place mechanisms and IT systems to improve information sharing on the support for individual clients between *Arbetsförmedlingen* and municipalities.** This may include the development of a shared action plan for individuals that receive or possibly will receive services from both national and local authorities. The action plan would replace existing action plans developed either by *Arbetsförmedlingen* or municipalities and would cover services and benefits provided by the different authorities. The action plan could be supported by an IT system for information sharing between the two government levels. The action plan could also be supported by further vertical integration of services, e.g. by setting-up an interdisciplinary team with staff from both national and local level that could work together to develop the action plan.
- **Carefully consider the future development of the regional skills forecasting system and the role of *Arbetsförmedlingen* within it.** One of the main challenges for the Swedish economy today and in the future is a significant misalignment in the supply and demand for skills. However, challenges with skills mismatches differ significantly across the country. In this context, the restructuring of the role and responsibilities of regional PES staff and changes in the engagement of the Swedish PES in regional skills forecasting need to be carefully considered. In particular, it is important find ways to help the long-term relationship between the Swedish PES, employers and regional actors remain in place. One option could be to find inspiration in the *Competence Arena Stockholm*, which supports both strategic and operational co-operation on regional skills forecasting.
- **Put in place a system for co-operation and information sharing between municipalities and independent providers.** As for now, providers and municipalities have only limited contact, which

may negatively affect the overall quality of services for clients in the KROM service. Inspired by the UK, Australia, and Canada, one option could be to introduce contractual requirements to strengthen local co-operation. As an example, it could be required that providers have a good understanding of the local labour market which they operate in and that they regularly engage with local actors to deliver high quality and individualised employment support. Such requirements would be monitored by the Swedish PES post tender. An equal requirement could be put on municipalities to make sure that they are also engaged in co-operation with providers. Another consideration is to support the implementation of such requirements through the development of a national structure, including how such a structure could be set up, and which topics it should cover. Another option could be to find ways to also include municipalities in the system for information sharing that is being developed between *Arbetsförmedlingen* and independent providers operating locally.

- **Carefully analyse the possible challenges and opportunities related to municipalities as providers.** Drawing on experiences from Scotland, UK and Canada, the Swedish authorities could investigate the possibility to allow municipalities to act as providers in the new contracted-out system.

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