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*Partnerships and contractors in the delivery of employment services  
and ALMPs: a literature review*

Tony Powers

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## Preface

The primary goal of the ILO is to work with member States towards achieving full and productive employment and decent work for all. This goal is elaborated in the ILO Declaration on Social Justice for a Fair Globalization (2008), which has been widely adopted by the international community. Comprehensive and integrated perspectives on achieving this goal are embedded in the Employment Policy Convention, 1964 (No. 122), the Global Employment Agenda (2003) and – in response to the 2008 global economic crisis – the Global Jobs Pact (2009) and the conclusions of the Recurrent Discussion Reports on Employment (2010 and 2014).

The Employment Policy Department (EMPLOYMENT) is engaged in global advocacy and in supporting member States' efforts to place more and better jobs at the centre of economic and social policies and growth and development strategies. Policy research and knowledge generation and dissemination are essential components of the Employment Policy Department's activities. The resulting publications include books, country policy reviews, policy and research briefs and working papers.

The Employment Policy Working Paper series is designed to disseminate the main findings of research on a broad range of topics undertaken by the various branches of the department. The working papers are intended to encourage the exchange of ideas and to stimulate debate. The views expressed within them are the responsibility of the authors and do not necessarily represent those of the ILO.

Azita Berar Awad  
Director  
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## Foreword

This desk-based review of partnerships in the delivery of employment services and active labour market policies was commissioned by the ILO as part of a global study, comprising five country studies and a global literature review, to analyse the role of partnerships between public employment services and other providers, governmental and non-governmental. Policy-makers, practitioners and researchers are increasingly recognizing partnerships as one of the mechanisms that can be used to improve practice in delivering decent work outcomes. In the past two decades or so, new partnership initiatives have emerged both in advanced countries and in emerging and developing economies, spanning a wide spectrum of collaborative and contractual arrangements.

Several factors may be contributing to this policy trend towards partnerships. First, it is no longer either efficient or practically feasible to rely exclusively on the traditional governmental actors for the creation of more and better job opportunities. Second, while conducive policy and regulatory frameworks are necessary preconditions for inclusive growth and improved employment prospects, more downstream action is required to translate these into desirable outcomes – and such action can be supported by partnerships. Third, human resources and fiscal capacity constraints on public administrations necessitate collaboration with other actors.

The current review synthesizes information available in recent literature and on selected examples of current practice about the extent to which countries foster such partnerships. It thus offers an insight into how the design and strategies of partnerships are influenced by the national context and regulatory environment in which they are implemented. Noting the increasing investments in partnerships, this work reveals that these mechanisms are being more frequently used to fill service gaps, maximize service linkages at local level, and enhance results through the improved application of limited resources from the public purse. The author also identifies the challenges and unintended consequences of partnerships, considers the mitigation measures that have been taken in response, and offers general reflections on what to look out for when designing and implementing partnerships.

This comprehensive review makes an important contribution to the development of a broader, evidence-based understanding of the circumstances in which the benefits of partnerships can be optimized.

Sukti Dasgupta  
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## Contents

	<i>Page</i>
Preface.....	iii
Foreword .....	v
Acknowledgements .....	vii
Abbreviations .....	xiii
Executive summary .....	1
Partnership in practice.....	3
Contracted services.....	4
Some trends and design considerations in contracting.....	5
Results-based contracting .....	6
Development and stewardship of provider markets.....	6
Conclusion .....	7
1. Background and context.....	9
1.1. Purpose, scope and method of the review .....	9
1.2. Publicly funded employment services and ALMPs .....	10
1.2.1. The PES .....	10
1.2.2. ALMPs.....	11
1.3. What is driving change in employment services and ALMPs?.....	12
1.3.1 Market drivers.....	12
1.3.2. Management drivers .....	14
2. Partnerships: Nature, rationale and challenges.....	17
2.1. What do we mean by “partnerships”?.....	17
2.2. Benefits – What partnerships are said to offer .....	18
2.2.1. Adding new service capability and increasing service capacity .....	18
2.2.2. Creating better local connections and knowledge in service delivery .....	19
2.2.3. Improving flexibility.....	19
2.2.4. Increasing results based delivery and improving the cost effectiveness of services.....	19
2.2.5. Driving PES and ALMP performance improvement through competition and choice .....	20
2.2.6. Enhancing the role of the PES as network manager in local partnerships.....	20
2.3. What are the challenges of working in this way?.....	21
2.3.1. Difficulties caused by competitive rivalries and differing values.....	21
2.3.2. Lack of skills in building partnerships.....	21
2.3.3. Gaming results-based systems .....	22

---

2.4. How do policy settings and contexts affect partnership practice? .....	22
2.4.1. PES autonomy from government.....	22
2.4.2. The degree of local decision making and flexibility.....	25
2.4.3. Economic and labour market context .....	28
2.4.4. “Work first” or “human capital development” orientation .....	30
3. “True partnerships” in practice.....	35
3.1. Review of examples .....	35
3.2. Analysis and discussion .....	44
4. Contracted services in practice.....	50
4.1. Review of examples .....	50
4.2. Analysis and discussion .....	56
4.3. Some trends and design considerations in contracting.....	58
4.3.1. “Commissioning” and “co-design” of employment services.....	58
4.3.2. Results-based contracting .....	62
4.3.3. Development and “stewardship” of provider markets .....	66
5. Case studies .....	71
5.1. Australia — The Sydney Metro .....	71
5.1.1. Background.....	71
5.1.2. Working with partners and contracted employment services .....	71
5.1.3. Mechanics of partnership: A summary .....	72
5.1.4. Lessons .....	73
5.2. China — First steps in contracting out the delivery of employment services in Wujiang District.....	73
5.2.1. Background.....	73
5.2.2. Contracting out employment services provision to a private provider .....	74
5.2.3. Mechanics of the partnership .....	74
5.2.4. Lessons learned.....	75
5.3. Colombia — The 40,000 First Jobs Programme.....	76
5.3.1. Background.....	76
5.3.2. The 40,000 First Jobs Programme .....	77
5.3.3. Mechanics of the partnership: A summary .....	77
5.3.4. Lessons .....	78
5.4. India — National Career Service .....	78
5.4.1. Background.....	78
5.4.2. Mechanics of a partnership: The Don Bosco Skill Mission, Bengaluru (Bengalure).....	79
5.4.3. Lessons .....	80

---

5.5. Mexico — The Riviera Maya Tourism sector .....	81
5.5.1. Background.....	81
5.5.2. Enhancing employment services to meet industry’s workforceneeds .....	81
5.5.3. Mechanics of the partnership: A summary .....	82
5.5.4. Lessons .....	82
6. Conclusion.....	85
References .....	87



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## Abbreviations

AHRM	Association of Hotels of the Riviera Maya (Mexico)
ALMP	active labour market programme/policy
BA	Bundesagentur für Arbeit (Germany)
CCFs	<i>cajas de compensación familiar</i> (Colombia)
COSBOA	Council of Small Business Australia
DES	Disability Employment Service (Australia)
EC	European Commission
DWP	Department of Work and Pensions (UK)
ERSA	Employment Related Services Association (UK)
EU	European Union
HoPES	Heads of Public Employment Services
HR	human resources
HRA	Human Resource Administration (New York)
ICT	information and communications technologies
IDB	Inter-American Development Bank
ILO	International Labour Organization/Office
JCP	Jobcentre Plus (UK)
JSA	Job Services Australia
LAFOS	Labour Force Service Centres (Finland)
LDC	local development company (Ireland)
LEP	Local Employment Partnership (UK)
LES	Local Employment Service (Ireland)
NESA	National Employment Services Association (Australia)
NGO	non-governmental organization
NPM	New Public Management
NSW	New South Wales (Australia)
NYC	New York City
OECD	Organisation for Economic Co-operation and Development
PARES	Partnership between Employment Services
PES	public employment service(s)
PPP	public–private partnership
PrEA	private employment agency
P/T	Provincial/Territorial Government (Canada)
REC	Recruitment and Employment Confederation (UK)

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SFP	Structural Fund Partnership (Sweden)
SMEs	small and medium enterprises
SNE	Servicio Nacional de Empleo (Mexico)
TAFE	Technical and Further Education (Australia)
TWA	temporary work agency
USPE	Unidad del Servicio Público de Empleo (Colombia)
WAPES	World Association of Public Employment Services
WESS	Workplace Essential Skills Saskatchewan (Canada)

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## Executive summary

### About the review

This desk-based review of partnerships in employment services and active labour market policies and programmes (ALMPs) synthesizes information and analysis set out in the recent literature. It identifies some recent trends and reviews the available evidence on the effectiveness of the various partnership approaches. In the course of this endeavour, it also reviews the background and evolution of publicly funded employment services and ALMPs, identifies the current drivers of change in their design and delivery, explores the nature, benefits and challenges of partnerships, and describes the impact of different policy settings and national contexts on the design and implementation of partnership approaches.

### Background

A growing acceptance of partnerships between publicly funded employment services and other labour market actors in recent years has shaped both public employment service (PES) business models and international regulation. While the International Labour Organization (ILO) initially – in the Employment Service Convention, 1948 (No. 88) – placed the main responsibility for organizing service delivery on public authorities, subsequent developments, such as the Private Employment Agencies Convention, 1997 (No. 181), have recognized the important role of private actors in this area. PES have progressively increased their links with other public sector agencies, as well as with the private sector, non-profit-making bodies and non-governmental organizations (NGOs), leveraging their skills, knowledge and networks to improve service provision and to meet the needs of diverse groups in the labour market.

### About “partnerships”

The language used to describe the involvement of external organizations in the delivery of publicly funded employment services and ALMPs can be vague and ill-defined. This is especially the case with the word “partnership”, which is often used inappropriately to describe contracted services based on hierarchical “purchaser–provider” relationships. This report therefore distinguishes between these contracted service relationships and “true partnerships”.

The main benefits identified in the literature from using partnerships and contracted providers for PES provision are as follows:

- *Adding new service capability and increasing service capacity.* Expanding service provision can help meet the needs of a greater number and variety of clients, offer a better service to certain client groups (e.g. by harnessing the skills and experience of non-profit-making organizations with expertise in serving people with particular needs), respond more effectively to increases in unemployment, extend service reach to places and communities that might otherwise not have access (e.g. rural and remote communities), and optimize the effective use of local resources.
- *Creating better local connections and knowledge in service delivery.* Partnerships of local agencies and providers can enable them to work together in a “joined-up” way, improving linkages to and between local services and access to labour market intelligence. Such connections include alignment and coordination with other public, private and community sector activities that contribute to employment development – e.g. overcoming personal barriers to employment (in areas such as health, housing and education) or working with industry to maximize employment through economic development.

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- *Improving flexibility.* Non-government providers are often more agile, and this can make it easier for governments to expand or contract services in line with fluctuating labour market needs and without making the type of long-term commitment that can accompany public sector employment.
  - *Increasing results-based delivery and improving the cost-effectiveness of services.* Incorporating results-based contracting of service providers helps policy and programme designers to focus on defining the results that they really want to achieve. “Black box” contracts give providers more discretion in service design and delivery and can free them to invest in “what works”.
  - *Driving PES and ALMP performance improvement through competition and choice.* These approaches can harness the power of competition and user choice to drive performance improvements. They can involve reviewing and improving PES delivery by benchmarking its performance against that of other public, non-profit and private providers, replacing all or some of its functions with contracted services, and/or (as described above) funding results-based delivery in a contestable market.
  - *Enhancing the role of the PES as network manager in local partnerships.* Working in this way can help PES to play a leadership role in their communities, improving connections between local services and linking provision of services to local economic development.

Some challenges in designing and implementing partnerships were also identified:

- *Difficulties caused by competitive rivalries and differing values.* Some models create disincentives to cooperate, and to share information and good practice.
- *Difficulties in coordinating the activities of multiple service providers.* These can be especially evident in responding to emerging labour market opportunities and problems.
- *Finding common ground among partners.* Some partnership models struggle to establish shared views on the priorities to be addressed and the methods to be used.
- *Lack of partnership skills and ability to make local decisions.* New skills may be needed to establish and implement partnership-based approaches. It may also be assumed that local representatives have the authority to make decisions, whereas this may not be the case in practice.
- *Results-based contracts can lead to providers “gaming” the system.* This can take the form of practices such as “cream skimming” and “parking” hard-to-place jobseekers.

The design and implementation of partnerships and contracted services are influenced by national policy settings and labour market contexts. Key factors identified in the review included the following:

- *Extent of PES autonomy from government.* PES relationships with government vary greatly, as does the degree of local decision-making capacity and flexibility. In some, decision-making is highly centralized, especially regarding overall policy, strategic service design and contracting. Others allow more local decision-making and strategic flexibility, including in contracting and partnership formation.
- *Local economic and labour market context.* These shape policy and programme priorities (e.g. “activation policies” that focus on managing transitions from unemployment benefits into work; or facilitating structural adjustment). In developing countries, the economic and labour market context constrains the opportunities available for contracting out or partnering for service delivery in a variety of ways; often, the need to work within the limitations of the informal sector requires a different service emphasis, and the lack of a well-developed provider market can also be a limiting issue.

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- “*Work first*” or *human capital development orientation*. In essence, the former approach seeks to get unemployed people into suitable work as quickly as possible, while the latter emphasizes improving the skills of jobseekers so that they can find higher-quality employment or fill gaps in the labour market. Linked to this issue are the degree to which, and how, employment services systems respond to the skill needs of employers.

## Partnership in practice

### “True partnerships”

The review examined 35 examples described in the literature of non-contract-based “true partnerships” developed to support delivery of employment services and ALMPs. These included partnerships between public sector actors, between public and private sector actors, and between public, private and community/NGO sector (or “third sector”) actors. In broad terms, the partnerships coalesced around, and aimed to harness partners’ capabilities to find solutions to, four “employment policy problems”, and fell into four corresponding groups:

- *Partnerships to enhance or expand employment service delivery*. These included public sector partnerships to integrate regional employment services, to establish “one-stop shops” for this purpose, and to conduct joint initiatives involving PES and municipal governments; public–private partnerships to establish new employment services, to enhance cooperation between PES and private employment agencies (PrEAs), to facilitate school-to-work transitions and to offer a better service to major employers; and public–private–third sector partnerships to expand employment service delivery through municipalities and NGOs and to engage whole communities in improving service design and delivery.
- *Partnerships to develop skills to meet labour market needs*. These included public sector partnerships to improve the identification of training needs and to better connect training delivery by one actor with job placement by another; and a public–private partnership improving collaboration in training design and delivery.
- *Partnerships to enhance the employment of disadvantaged or vulnerable groups*. These included public–private partnerships to promote diversity action plans and agreements; and public–private–third sector partnerships to establish “covenants” of shared commitment, and to coordinate local projects promoting employment equality.
- *Partnerships to increase the supply of jobs and expand access to job vacancies*. These included public–private partnerships to share vacancies between PES and PrEAs, to strike deals with local employers (or industry associations) to access their vacancies, and to establish agreements to promote work provided through temporary work agencies (TWAs); and public–private–third sector partnerships to coordinate local economic development and job growth.

### Lessons

The diversity of these “true partnership” examples found in the literature review, combined with a lack of detail on their implementation and a paucity of consistent and reliable information on their impact, limited the assessment of what works, what does not work, and why. At best, the *prevalence* of partnerships in addressing certain types of employment policy problems suggests that they are *perceived to be helpful* in augmenting existing processes. This seems to be particularly the case when private or third sector partners can contribute their specialist knowledge and expertise (e.g. employers’ knowledge of skill needs, or NGOs’ expertise in servicing specific disadvantaged groups), but also applies more generally when “whole of community” partnerships can work across different

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policy and programme silos to better integrate services and to coordinate actions that support local economic development. Beyond this, however, the evidence of their effectiveness is thin.

More broadly, the literature highlights a number of other lessons:

- Partnerships benefit from the integration of the actions and policies of their members in a coherent and organic strategy designed to achieve a common set of objectives.
- To ensure local ownership, the impetus for partnerships needs to come from local actors in a way suited to addressing the problem at hand.
- In terms of membership, the involvement of employer representatives is crucial, although it is sometimes difficult to attain at a local level.
- Performance management is an important consideration. It helps in developing detailed implementation plans and budgets, setting measurable targets, monitoring performance and reviewing results.
- Cross-sectoral barriers remain stubbornly difficult to overcome. Participating agencies, including PES, often do not have the power to modify national programmes and policies to enable partnerships to meet their targets.
- Conflicting interests between key partners at the local level are sometimes entrenched. This raises the risk of local partnerships ending up being “more talk than action” or being too thinly spread across too many different objectives.

### **Contracted services**

In examining contracted service arrangements, the review focused on a number of countries that have been the focus of recent attention in this area. Like “true partnerships”, contracted service models are generally not described in the literature in a way that facilitates comparisons: so much depends on context, and there are so many contextual variables, that it would be unwise to draw any definitive, universal conclusions about “what works”. Moreover, most of the examples described are in a constant state of flux within their own contexts, making the advocacy of any particular model elsewhere even more risky.

#### *Lessons*

Keeping these important limitations in mind, the examples described here do highlight two recurring issues:

- *Outcomes for the most disadvantaged do not seem to have been significantly increased through market-based mechanisms.* Both the Australian and UK models (and possibly the New York City model) were reported to work well for the shorter-term unemployed and easier to place, but achieving sustainable job outcomes for the long-term unemployed and those with more complex barriers to employment remained elusive. This was the case despite these models providing additional incentives for these hard-to-place jobseekers and monitoring closely the performance of providers to ensure they did not engage in “parking” or “cream-skimming” practices.
- *The available evidence does not suggest that contracting out services is necessarily more effective or less costly.* Impact evaluations and observational studies of the Danish, French and German examples have found no close correlation between private provision and better or cheaper outcomes. Both the Australian and UK models, on the other hand, were claimed to be much less costly than previous models (which in both cases involved a mix of public services and contracted private services). It seems that the relative merits of private and public service provision may depend on context.

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More broadly, the literature identifies some important good practices in the contracting of employment services. These may be summarized under the following headings:

- *Design.* Contracting systems will inevitably evolve. Ways should therefore be found to allow for rapid learning and to provide contractual flexibility.
- *Piloting and testing.* Programmes should be piloted and evaluated before being implemented on a national scale.
- *Bid selection.* Giving too much weight to lowest price can result in poor services and unviable contracts. A range of criteria should be applied.
- *Public sector capability.* Contract management by public officials requires a specific set of skills, and attention needs to be given to developing these skills.
- *Size and duration of contracts.* Introduction of contracts that are larger and/or of longer duration creates an opportunity for greater risk transfer and encourages provider investment (as in, for example, the United Kingdom’s Work Programme). The risks associated with this approach can be managed through careful contract design and performance monitoring and management.
- *Collaboration between providers.* Although challenging in a competitive market, provider collaboration in the servicing of large employers and major projects is needed to maximize access to jobseekers. It is therefore desirable, even if difficult, to find ways to enable this collaboration.
- *Market management.* Effective competition between providers requires clear objectives and indicators, a clear framework of rules, transparent performance data and flexibility to adjust market share.
- *Information systems.* These need to be established to track participants, manage performance, and verify services and outcomes.
- *Payment systems.* The nature and frequency of payments, and how they are processed, are critical for ensuring viability, investment in service delivery and engagement with all clients.
- *The client experience.* This needs to be independently monitored to ensure client satisfaction and guard against “parking” clients.
- *Continuous development.* It takes time to learn how to steer the system, minimize perverse incentives, and capture the efficiencies and innovation that contractors may offer.
- *Impact evaluation.* Developing a systematic approach to measuring the impacts of contracted services will inform continuous improvement.

## **Some trends and design considerations in contracting**

### **“Commissioning” and “co-design” of employment services**

Unlike conventional “procurement”, which focuses on ensuring delivery of a service rather than on its design, and implies an outsourced, market-based approach to service provision, “programme commissioning” takes a broader view of how best to allocate available resources to secure and deliver services to meet public policy objectives – often through a mix of “government, private and not for profit involvement ... to secure and deliver services which meet public policy objectives” (EYGM, 2014, p. 3). “Co-design” is conceptually linked to commissioning and involves “designing a solution which seeks to actively involve all stakeholders ... to help ensure the result is practical and meets the needs of those involved” (NSWDI, 2016, p. 9).

Commissioning and co-design represent a new way of addressing policy challenges that seeks to access all available expertise, whether it is in the public, private or third

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sector(s), to develop the most efficient and effective programme or service response. Commissioning and co-design principles are increasingly being used in some member States of the Organisation for Economic Co-operation and Development (OECD). For example, in the United Kingdom, the new Work and Health Programme has involved extensive co-design with local authorities to ensure integration of employment support services with local health services.

Approaches to commissioning and co-design vary, and there is sometimes a gap between the rhetoric that surrounds these concepts and the reality of their application. In practice, they can be viewed as being on a continuum between “intelligent/collaborative” commissioning at one end and “commissioning on price/procurement” at the other. The former is associated more with what we have labelled “true partnerships”, while the latter tends to accompany the contracted services/outcomes approach.

### ***Results-based contracting***

Contracted service delivery has increased the opportunity for results-based delivery of employment services and ALMPs. Using this approach, government agencies identify the desired results or outcomes (sometimes through the commissioning and co-design approach described above) and can give providers more flexibility in how they achieve these results. Australia, the Netherlands and the United Kingdom are examples of countries that have developed employment services systems based on results-based contracts.

The way in which payments to providers are structured under results-based contracts varies – they can be purely results-based, or can include a mix of results-based payments and fees for services. In practice, results-based approaches can pose important implementation challenges that need to be addressed in programme design. For example, there is a risk of providers “cream skimming” those jobseekers who are easier to place (or investing most of their efforts in those who are least in need) and “parking” (or under-serving) the harder to place. Results-based systems can mitigate these risks by tightening their monitoring mechanisms and by implementing differential payment systems based on the measured level of difficulty in achieving results.

The increased flexibility to deliver services with little centralized prescription is referred to as “black box” contracting.<sup>1</sup> In its purest form, a black box contract would embody a “do whatever it takes” approach, removing the need for any service definition by the contractor and leaving all such decisions to the provider. In practice, some have questioned whether this kind of flexibility has in fact increased the level of innovation and personalization to any great degree, or whether these contracts are tending to deliver “the same kind of stuff that has always been delivered”. Even if providers are innovating and getting better outcomes as a result, the details of these innovations are unlikely to be openly shared as they would be protected as a source of competitive advantage.

### ***Development and stewardship of provider markets***

The type of results-based contracting of employment services and ALMPs described above presupposes the availability of a market of service providers that have the capability to deliver the services and to achieve the desired results. It also assumes a payment model through which providers can viably operate. For a variety of reasons, the potential pool of providers in some locations – especially in many developing countries – might be small and

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<sup>1</sup> The term is borrowed from computing, where it refers to a device or system that can be viewed in terms of its inputs or outputs without any knowledge of its internal workings.

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ill-prepared for a results-based approach. Market development is therefore an important issue.

In terms of market composition, the literature points to the existence of various combinations of for-profit, non-profit and public in the provider mix – although, as markets mature, for-profit providers seem to be increasing their market share. In some instances, the formation of consortia of smaller providers is encouraged. Individually, these providers may not be able to deliver the full range of services required, or may not have the financial capability or risk orientation needed to operate under results-based contracting regimes.

In some countries (e.g. Belgium, Germany, Italy, Rwanda, the Republic of Korea and Turkey), voucher systems are used, with the aim of both developing competitive provider markets and maximizing jobseeker choice. These voucher systems enable jobseekers to gain access to services that they choose themselves from a list of accredited providers. These systems do not, however, always stimulate demand to the extent that is anticipated. In Germany, for example, PES statistics indicate that vouchers distributed to jobseekers are often not used.

In developing countries, the availability of a pool of providers capable of delivering the services is often limited. The literature does not provide many examples of strategies to support the initial establishment of a provider pool for contracted employment services and ALMP delivery. Developed countries seemed to have built their capacity incrementally, often starting with small-scale outsourcing of defined services for which there was an existing market and gradually contracting out more. The opportunity to build markets in this way depends on three conditions that are often absent in developing countries – a high level of government expenditure on employment services; the ready availability of organizations with demonstrable relevant competence in the delivery of these services; and a sophisticated and effective public planning and management infrastructure that can support procurement and outsourced programme management.

In mature employment services markets, the emphasis is placed more on “market stewardship”, a broader approach to market development that focuses on setting the rules and conditions of the market so that its performance, including competition between providers, works to achieve optimal outcomes and maximum choice for clients. This typically involves such mechanisms as performance monitoring systems, individual contract management arrangements, arrangements to reallocate market share, and active support for the establishment of a peak representative body for providers.

## Conclusion

There is increasing interest in the use of partnerships and contracted services to achieve employment policy goals. These arrangements are seen as being able to fill service gaps, to be applied flexibly and strategically in line with local needs, to maximize service linkages through joined-up solutions, and to “spread the load” at a time of diminishing public sector resources.

Isolating the factors that make a “true partnership” a success is difficult, given the diverse nature and purpose of these mechanisms and the continuing lack of consistent and reliable evaluation of their impacts. Their prevalence in one form or another nevertheless suggests that they are gaining acceptance as a worthwhile response to labour market challenges. The literature highlights some key good practices and design elements:

- the *importance of local and national context and culture*: working in this way requires local knowledge as well as a willingness to “learn by doing” – there is no universal blueprint for a successful “true partnership”;

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- the *integration of the actions and policies of members* in a coherent and organic strategy that is built around agreed objectives;
  - the *need for leadership* – preferably from a single agency that is well positioned to foster cooperation and/or carries the most perceived risk if local outcomes are unsatisfactory;
  - the *involvement and leadership of employers*, to ensure that labour market demand issues are adequately addressed;
  - the *adoption of partnership structures and governance arrangements that work*, regardless of the formality of the partnership: this requires mechanisms by which the partnership can monitor performance and progress in achieving its agreed objectives;
  - *sensitivity* to the risks of partnerships and strategies to mitigate these.

Contract-based arrangements for the delivery of employment services and ALMPs continue to grow and evolve. Results-based contracting is now widely accepted practice, though this has required some trade-offs regarding smaller, specialist service providers that lack the financial backing to shoulder too much risk. The literature suggests that contracted services can work well for certain groups, but that sustainable job outcomes remain elusive for many disadvantaged groups. Moreover, the available evidence does not suggest that contracting out services is *necessarily* more effective or less costly than public services. Again, context and culture are important considerations.

There may still be a certain amount of rhetoric and hype in the promotion of “partnerships” in public services. It may also be that their potential has not been fulfilled. But this may be because governments have not gone *far enough* in embracing this approach to the design and delivery of services. Partnerships are hard work – especially “true partnerships” that rely on skills in persuasion and consensus-building – and may not sit well with agencies and individuals accustomed to using their situational authority to “command and control”.

Working through partnerships requires new leadership styles based on facilitation. Success will be judged by the extent to which cross-sector working can be fully exploited for public benefit.

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# 1. Background and context

## 1.1. Purpose, scope and method of the review

This desk-based literature review of partnerships in employment services and ALMPs is a component of a global study, commissioned by the International Labour Organization (ILO) that will also include five country studies (China, Colombia, India, Russia and the Republic of Korea). The current review aims to synthesize information and analysis set out in the literature, identifying recent trends, examples and lessons learned in the use of partnerships in employment services and ALMPs to generate job outcomes. The term “partnership” is here used to cover a broad range of relationships, but the review itself treats contractual relationships separately.

The review focused on documents published since 2010, although some earlier works provided important background and contextual information. Although the literature included many examples of partnerships and contracted services in employment service and ALMP delivery, their descriptions often provided only limited details of their design and implementation. Few presented any comprehensive data drawn from evaluations and this made it difficult to compare the relative effectiveness of different approaches. Only one of the five country studies (South Korea) was available at the time of the review.

Five case studies were also prepared, again primarily by desk review, but supplemented with information gathered via telephone interviews.

The report is structured as follows:

**Section 1, “Background and context”**, provides some important context to the review. It begins by reviewing the background and evolution of publicly funded employment services and ALMPs, and identifies the current drivers of change in their design and delivery.

**Section 2, “Partnerships: Nature, rationale and challenges”**, explores the nature of “partnerships”, differentiates contracted service provision from “true partnerships”, and outlines their perceived benefits and possible disadvantages. It then describes the impact of different policy settings and of national context on the design and implementation of “partnership” approaches, providing some illustrative examples.

**Section 3, ““True partnerships’ in practice”**, analyses examples of non-contractual partnerships outlined in the literature and reviews the lessons highlighted.

**Section 4, “Contracted services in practice”**, analyses examples of, and reviews lessons emerging from, the use of contract-based arrangements, focusing on the countries that have been shaping global trends in this area and reviewing some important trends and design considerations.

**Section 5, “Case studies”**, presents five examples of how the use of partnerships and contracted services has been integrated in addressing particular labour market challenges.

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## 1.2. Publicly funded employment services and ALMPs

### 1.2.1. The PES

The idea of “partnerships” with other labour market actors did not feature prominently in the early history of PES. Although the social partners (employers’ and workers’ organizations) often played an important role in governance and policy-setting, early PES were largely built on the hierarchical “command and control” approach of traditional bureaucracies, and their operations did not involve collaborative partnerships in the contemporary sense. They emerged at a time when policy was driven by the standardization of services and the regulation (or prohibition) of private actors in labour market intermediation, and this context reinforced a stand-alone operational culture. It took many years for an openness to operational partnerships and contracted employment service delivery to emerge, both in PES business models and in international regulation.

Since the creation of the ILO, the Organization’s mandate has recognized and promoted the PES as a key institution that supports the achievement of full employment. International labour standards governing the functioning of employment services aim at promoting opportunities for women and men to obtain employment. Whereas Convention No. 88 placed on the public authority the main responsibility for organizing service delivery – while recognizing the need for “cooperation where necessary with other public and private bodies” – subsequent developments (e.g. Convention No. 181) have progressively emphasized the important role of private actors (see box 1). While the linkages between state and private actors have grown closer in the global economy, there remains a strong focus on maintaining employment service standards, especially in the promotion of inclusive, non-discriminatory labour markets, and adequate protection mechanisms and clear rules for all actors.

Recognizing the contribution PES can make to economic and social development, other international agencies have supported their establishment, expansion or reform in developing countries (Kuddo, 2012), as well as in former Soviet bloc countries (Thuy, Hansen and Price, 2001), and in emergency response situations (ILO, 2003). This also reflects the key role PES play in implementing active labour market policies in general and in contributing to economic development.

#### Box 1. Early history of the PES and its relationship with other actors

The First World War saw many countries establish or expand their PES in response to domestic labour shortages (ILO, 2010). At the inaugural International Labour Conference in 1919, the newly formed ILO actively promoted the establishment of PES in member states (Thuy, Hansen and Price, 2001). ILO constituents then argued that, if the placement of workers in jobs was considered a commercial transaction, possible abuses could occur and labour would be commodified. For this reason, public authorities alone were initially seen as the rightful actors in matching supply and demand in the labour market and the guarantors of a level playing field for all workers. This view influenced subsequent ILO Conventions, which initially sought to prohibit fee-charging agencies or to regulate or restrict their operation. In 1948, Convention No. 88 created the prospect of a more diversified system by recognizing the contribution of private agents to the organization of the employment market. A year later, the Fee-Charging Employment Agencies Convention (Revised), 1949 (No. 96), was adopted, essentially giving member States the choice between either abolishing fee-charging employment agencies or allowing them to coexist (under appropriate regulation) with a public service, thus ending the total prohibition of private agencies. In 1997, the ILO adopted Convention No. 181, which supersedes Convention No. 96 (on ratification), and established general principles for securing effective cooperation between the PES and PrEAs (ILO, 2015c).

PES promote the efficient development, integration and use of the labour force through a set of core functions and through the organization of other labour market interventions. While there are significant differences in their form, focus, organization and strategy, PES around the world broadly perform the core functions of:

- supporting **job-search and placement services for jobseekers and employers**;
- providing **labour market information** to help jobseekers and employers make informed career and business choices and to inform-policy making at all levels;
- implementing ALMPS to integrate the unemployed into the labour market;
- administering and disbursing **unemployment benefits**. (ILO, 2015c)

The growing linkages with PrEAs, as well as with the non-profit and NGO sectors, have also led the PES to also play an enhanced role in promoting cooperation and collaboration with these actors to improve service provision and to meet the needs of diverse groups in the labour market. In doing this, and by working within the normative framework established through Convention No. 181, PES can also play an important regulatory role, ensuring that, through these arrangements, workers are protected and have access to decent employment.

### 1.2.2. ALMPs

ALMPs are policy instruments designed to improve labour market outcomes by encouraging participation, enhancing employability, and supporting job creation and retention. They are “active” in the sense that they require participants to engage in activities, often as a precondition of receiving support and unemployment benefits (Angel-Urdinola and Leon-Solano, 2013). Such programmes have long been used (through or by the PES) to address skills mismatches, and to incentivize employees and employers to participate in the labour market (Kuddo, 2009). The OECD Jobs Study (OECD, 1994) supported a new focus on jobseeker “activation”, leading many countries to review their approach to ALMPs, linking them to “welfare-to-work” strategies and extending their use of specialized service providers in the delivery of jobseeker training programmes, particularly those focused on disadvantaged or vulnerable groups. ALMPs can also be considered as important “microeconomic planks of an employment-oriented macroeconomic policy” (Auer, Efendioglu and Leschke, 2008, p. 3).

ALMPs are targeted interventions that address such policy objectives as:

- the creation of new jobs (e.g. by providing hiring subsidies or through public works programmes);
- keeping people in jobs (e.g. by upgrading their skills through on-the-job training programmes or by facilitating work sharing);
- the prevention or reduction of long-term unemployment, human capital deterioration and drop-out from the labour market (e.g. through various approaches to improving employability, including different types of training, work experience, self-employment incentives and intensive jobseeker counselling and support) (ILO, 2010).

While often linked to activation policies and welfare-to-work schemes in developed countries, ALMPs are also used to support the placement of jobseekers not in receipt of benefits (e.g. by facilitating the school-to-work transition or as a type of early intervention to minimize unemployment duration). In emerging and developing countries, where unemployment benefits may not be offered, ALMPs are used solely as tools to achieve employment outcomes.

ALMPs often seek to use the specialized skills, knowledge and service networks of different private, public and third sector providers to deliver services and to implement measures that are tailored to specific client groups and are therefore more likely to be effective. These client groups are diverse: a recent survey (IDB, WAPES and OECD, 2015) identified the most frequent targets of ALMPs as young people aged under 25 (87 per cent

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of PES reported this as a target), people with disabilities (73 per cent), women (70 per cent), recent immigrants (67 per cent) and the long-term unemployed (60 per cent).

**Box 2. Delivering employment services and ALMP through partnerships and service contracts**

Partnerships and service contracts are mechanisms for achieving the implementation of ALMP services and measures that extend and complement those provided by the public provider (i.e. the PES). They can ensure that specialist expertise is available to improve relevance and results. As this review will show, partnerships can also contribute to these improvements in other ways, for example by aligning and coordinating other public, private and community sector activities that contribute to employment development (e.g. overcoming personal barriers to employment, such as those associated with health, housing and education, or working with industry to maximize employment through economic development).

### **1.3. What is driving change in employment services and ALMPs?**

In many countries, rapid change in the latter part of the twentieth century exposed weaknesses in existing approaches to employment service delivery. This included significant change both in the characteristics of labour markets and in public sector management practices. These trends continue to evolve and add impetus to the movement towards the use of partnerships and contractors.

#### **1.3.1 Market drivers**

**Globalization** has led to structural change and job losses in some countries, and job growth and an acceleration of economic opportunities in others. Firms operating in global production networks now seek to create integrated value chains that can tap into national skill pools (World Bank, 2012). Global competition drives them to seek competitive advantage through continuous restructuring, innovation and labour upskilling (ILO, 2015a). The capacity of PES as an institution to respond to these changes – and to facilitate the complex and location-specific labour market adjustments needed at community level – has been stretched. With high unemployment levels often coexisting with unmet market demand for new skills, the capacity of ALMPs to bridge this gap – especially through short-term training programmes – has also been tested.

Although globalization has increased the number of opportunities for decent work in many developing countries, work in the **informal economy** is still the only option for many people, especially those with low levels of basic education or without core work skills. The problem is exacerbated by increases in **internal migration** as people move from rural areas to cities in search of a livelihood (ILO, 2015d). Employment services can be used to develop the entrepreneurial and vocational skills of informal workers, both to improve their prospects in the formal sector and to enhance capability in self-employment and income generation (African Development Bank, 2014).

**Technological and structural change** is having a continuing effect on the numbers and types of jobs available and the skills required to access them. A long-term trend towards automation has reduced employment in manufacturing (World Bank, 2012). This has included the loss of many of the standardized, low-skill vacancies that PES once serviced in favour of jobs with more diverse skill requirements; and this “increasingly fragmented demand for labour (in quantity, duration, skill, contractual forms)” has required more individualized employment service assistance (Fuller, 2011, p. 4). In terms of opportunities for jobseekers, while there is sometimes a shift to service sector jobs that can counter such losses, the transition for *individuals* from one form of employment to the other is not straightforward (Anglicare Australia, 2016). Consequently, PES in affected labour markets

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need to deal with large numbers of long-term unemployed who have failed to adjust and who face multiple barriers to re-integration.

Technology is also transforming **the way employment services themselves are being delivered**. The diffusion of online technologies has changed the ways in which jobseekers learn about and apply for jobs, employers advertise their vacancies, and employment services and welfare programmes are run (Finn, 2016). There is potential to apply different modes to different needs or services – online self-service options (including social networking, mobile apps etc.) for some and face-to-face for others (IDB, WAPES and OECD, 2015).

**Demographic factors** are also driving change in a variety of ways. In many developed countries, ageing workers of the “baby boomer” generation (born between 1946 and 1964) are retiring from the labour market, exacerbating skills shortages in some occupations and sectors. Youth unemployment is also a pressing concern, especially in developing countries. To respond to these challenges, employment services and ALMPs may need to be lifelong in scope, providing access to transition services from education to work for new labour market entrants (Hadjivassiliou et al., 2016), mid-life career guidance, retraining and upskilling, and support for “the paradigm shift in employment policies from ‘early exit’ to ‘extending working careers’” (Finn, 2012b, p. 1).

**New forms of work and changing hiring practices** are also posing challenges for PES and ALMPs. The prevalence and even the legality of some of these vary from country to country. In the United Kingdom, for example, there has been debate about the “zero-hours contract”, a term used to describe “a form of working where the worker is not guaranteed any work but has to be available as and when the employer needs them” (Pyper and Delebarre, 2016). Such contracts are outlawed in many European countries,<sup>2</sup> but are an example of a newer form of work that PES practices must navigate. More unusual forms of employment (see box 3) are now emerging that may transform the traditional one-to-one relationship between employer and employee, involve unconventional work patterns and locations, and be more episodic in nature (Eurofound, 2015). Conventional PES and ALMP approaches, including those using partnerships and contracts, may need to be reviewed as these new forms spread. Some that have been found to have positive effects on labour market outcomes might be actively promoted (by the PES, partners or contracted providers of ALMPs) as creative solutions to entrenched problems. At the same time, these forms need to be closely monitored to ensure that they adhere to accepted work standards.

An increasing number of those who work are also poor, those in **working poverty** are employed, but cannot lift themselves and their dependants out of poverty. This may be because the returns of their labour are too low, or because they cannot get enough work, or both (ILO, 2015d). This too has implications for employment policy and services, indicating, for example, a need to create opportunities to improve the skills and productivity of the working poor so that they can escape such poverty traps.

In the developed world, full-time employment is no longer the norm, and workers can find themselves in **precarious employment** – temporary or casual episodes of work, often low-paid and with limited prospects for career advancement. While some countries orientate their employment services and ALMPs around a “jobs first” approach that assumes that any work is better than none (see subsection 2.4.4 below), there is still a need to balance this

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<sup>2</sup> Including Austria, Belgium, the Czech Republic, Denmark, France, Germany, Hungary, Italy, the Netherlands, Poland and Spain. The UK PES requires claimants to apply for “suitable” vacancies and does not consider those governed by zero-hours contracts to be – by default – unsuitable jobs. Disruption to unemployment benefit payment has been a consideration, but the new “universal credit” system is designed to respond to variations in earnings.

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priority with services and measures that can support skills retention and development to maximize each person's productive capacity and to reduce employment instability.

In a more recent phenomenon, some PES, especially in Europe, are increasingly involved in **integrating refugees and forcibly displaced populations** into their local labour markets (ILO, 2016). In Germany, for example, more than 1 million refugees are expected to be granted asylum by 2019, and this inflow will have an enormous impact on demand for PES services and targeted ALMPs that support labour market integration (ILO, 2015b). Other countries outside the European Union (EU) are also confronted with this challenge: the PES has been called on to play a role in dealing with such situations in e.g. Colombia, Lebanon, North Sudan and Turkey.

#### Box 3. Some emerging forms of work

*Voucher-based work*, where the employment relationship is based on payment for services with a voucher purchased from an authorized organization that covers both pay and social security contributions.

*Portfolio work*, where a self-employed individual works for a large number of clients, doing small-scale jobs for each of them.

*Crowd employment*, where an online platform matches employers and workers, often with larger tasks being split up and divided among a "virtual cloud" of workers.

*Collaborative employment*, where freelancers, the self-employed or micro-enterprises cooperate in some way to overcome limitations of size and professional isolation.

*Employee sharing*, where an individual worker is jointly hired by a group of employers to meet the human resources (HR) needs of various companies, resulting in permanent full-time employment for the worker.

*Job-sharing*, where an employer hires two or more workers to jointly fill a specific job, combining two or more part-time jobs into a full-time position.

*Interim management*, in which highly skilled experts are hired temporarily for a specific project or to solve a specific problem, thereby integrating external management capacities in the work organization.

*Casual work*, where an employer is not obliged to provide work regularly to the employee, but has the flexibility of calling them in on demand.

*ICT-based mobile work*, where workers can do their job from any place at any time, supported by modern information and communications technologies.

Source: Eurofound, 2015.

### 1.3.2. Management drivers

Faced with such changes in the labour market, **the effectiveness of employment services and ALMPs** has come under increasing scrutiny. The more "fragmented demand" from employers (described above) and the need for many jobseekers to overcome complex barriers have made the job-matching role less straightforward than it once was. The performance of PES as institutions in this more difficult market was in some contexts perceived less favourably, and the reputation of the PES in the eyes of employers, jobseekers and the governments that financed them suffered accordingly. Some have suggested that PES in some countries deal mainly with jobseekers and employers at the "low end" of the labour market (Larsen and Vesan, 2011). However, such negative views may not take into account the important role the PES plays in doing all it can to advance equity and inclusion in the delivery of its services.

The challenges of ensuring an adequate level of employment service and ALMP performance are particularly complex in many developing countries. As well as facing a lack of jobs in the formal economy, PES in these countries have been characterized as having poor coordination with the private sector, inadequate quality assurance and accreditation mechanisms, and weak monitoring and evaluation systems (Angel-Urdinola, Semlali and

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Brodmann, 2010). ALMPs in these countries have also been criticized in terms of their design and effectiveness, as being poorly targeted, fragmented and duplicative, supply-driven (i.e. insufficiently based on employer demand), too often delivered in the classroom and not the workplace, and inattentive to the need for “soft skills” and practical experience (Angel-Urdinola, Kuddo and Semlali, 2013). However, a number of countries in Africa, Asia and Latin America are making concerted efforts to address these weaknesses (Jaramillo, 2013; Kingombe, 2011).

The 1980s saw employment policy and services in some OECD countries (especially Australia, the United Kingdom and the United States) affected by what was to become known as the “**New Public Management**” (NPM) approach to public sector reform. NPM sought to improve the efficiency and effectiveness of the public sector by adopting management principles and techniques derived from the private sector. The characteristics of this approach include a focus on citizens as customers, an associated movement from bureaucratic structures to customer-orientated services, greater organizational accountability for performance, exposure to competition, tighter budgets and contracting out (Gruening, 2001; Larsen and Vesan, 2011). The emphasis on accountability has driven a focus on “results-based” approaches to service delivery and “management by objectives”, through which services are expected to achieve defined outcomes rather than simply the delivery of outputs or activities.

NPM was an important driver of employment service and ALMP reform, and has increased use of **partnerships and contractors** as well as “**results-based**” approaches in the countries that adopted it. Some countries overhauled their existing employment services arrangements, considering these to be no longer able to effectively and efficiently meet the challenges posed by changing labour markets (outlined above). If the original rationale for establishing PES was to correct “market failures” in job matching, this had now given way to a desire to correct the perceived failures of PES in labour market intermediation (Mosley and Speckesser, 1997). NPM offered options in this respect: “by extending the range of providers, *competition and partnership* can contribute to meeting the needs of a greater number and variety of clients and an opportunity for PES to overcome their constraints and limitations in terms of resources, information and skills” (Fuller, 2011, p. 4, emphasis added).

The **OECD’s Jobs Study** increased the momentum behind such reforms. Recognizing that budgetary constraints often ruled out increasing PES resources, the OECD advocated the adoption of new and innovative approaches – “designing and redesigning a range of policies across the economy and society in order to help foster – or in some cases, stop hindering – adaptation to evolving ways of production and trade” (OECD, 1994, introduction). The OECD proposed a series of reforms to improve PES capacity to achieve results, which included:

- **integrating employment services and ALMPs with unemployment benefit administration;**
- **improving jobseeker activation** through increased levels of contact with the PES; and
- **eliminating the monopoly of the PES** in the delivery of services.

As many countries embraced these reforms, liberalizing the provision of PES in this way required governments to review their position on the role of PrEAs. Some international and national policies that had previously sought to restrict or outlaw private providers were reversed in the face of changing global labour markets, increased demand for employment services and budgetary pressures on the operation of PES (Barbier, Hansen and Samorodov, 2003). The ILO’s historical position of advocating the abolition of private (for-profit)

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employment agencies<sup>3</sup> was formally revised. Through Convention No. 181 and the associated Private Employment Agencies Recommendation, 1997 (No. 188), the ILO now actively encouraged cooperation between PES and PrEAs while putting in place adequate measures and regulations to protect workers against possible abuse.<sup>4</sup> The wide range of private providers included those operating in employment market segments that might be relatively untapped by the PES (e.g. different industry sectors, temporary employment and “worker dispatch” agencies), specialist services for certain client groups (e.g. people with disabilities, youth, older workers) and those established specifically to deliver outsourced, publicly funded employment services (OECD, 2015). The international market for “welfare-to-work” services is now quite large, and there are some large multinational providers working in this space (Finn, 2011a).

While the laws and regulations affecting PrEAs still vary between countries,<sup>5</sup> these changes have enabled the establishment of “quasi-markets” in the delivery of publicly funded employment services and ALMPs in some jurisdictions. These markets share many of the characteristics of conventional markets in that they involve independent service providers competing for business, but differ from them in that purchasing power rests with the State rather than directly with the consumer (Le Grand, 2001).

Apart from PrEAs, the potential for other public, private and third sector actors to play a role in improving labour market outcomes is also increasingly recognized, and partnership and contracting models have been developed to harness their capabilities. For example, the task of overcoming jobseekers’ barriers to employment often involves the coordination of services in areas such as health, accommodation, psychological support, formal vocational training, child care, language training and many others. While the PES has a long history in helping to meet these diverse needs, including through ALMPs of various types, the scale and complexity of the task now demands a more coordinated and networked approach.

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<sup>3</sup> The regulations evolved over time. The ILO’s Fee-Charging Employment Agencies Convention, 1933 (No. 34), proposed the abolition of profit-making employment agencies in favour of a state monopoly; Convention No. 96 relaxed this requirement by giving a choice to member states; and Convention No. 181 superseded these earlier Conventions, removing the requirement to abolish PrEAs, encouraging instead regulation and cooperation.

<sup>4</sup> Recommendation No. 188 states that measures to promote cooperation between the PES and PrEAs could include, *inter alia*, launching of joint projects, for example in training and concluding agreements between the PES and PrEAs regarding the execution of certain activities, such as projects for the integration of the long-term unemployed.

<sup>5</sup> In some countries, provision of employment services continues to be a monopoly of the State: in Tunisia, for example, private providers of placement services, whether free or fee-based, are forbidden by law (Angel-Urdinola, Kuddo and Semlali, 2013).

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## 2. Partnerships: Nature, rationale and challenges

### 2.1. What do we mean by “partnerships”?

The language used to describe the involvement of external organizations in the delivery of publicly funded employment services and ALMPs can be imprecise and confusing. The use of the terms “partnership” and “partners” is especially problematic in this respect and requires clarification.

There is first a need to separate rhetoric from substance in the use of the term “partnership”. It is prone to be used rhetorically as a “**virtue word**” to build support for a position by harnessing the positive associations attached to the term. While “outsourcing” and “contracting out” often have a negative connotation in public discourse (i.e. they can be associated with structural change and job losses), “partnerships” seem more comforting and positive.

The problem in the specific context of PES is that the term is vague and ill-defined and “has been deployed by many of its users to mean simply what they want it to mean” (Rees, Mullins and Bovaird, 2010, p. 8). Used loosely in this way, it might describe any relationship between the State and other actors, regardless of its form and nature. Further, this usage **can have a normative effect** that discourages consideration of alternatives – even though “partnership can have a ‘dark side’ and is not always to the benefit of citizens, service users or communities” (ibid., p. 4).

There are various positions in the literature on this definitional issue. The World Bank uses “public–private partnerships” (PPPs) as a blanket term to cover a broad range of approaches to accessing private capabilities to achieve public goals, including straightforward outsourcing of ALMPs (Angel-Urdinola, Kuddo and Semlali, 2013, p. 20). Van Ham and Koppenjan (2001, p. 598) distinguish partnerships with reference to the “durability” of the cooperation they engender and the extent to which “they *jointly develop* products and services and *share risks, costs and resources*”. Hodge and Greve (2005, p. 4), foreshadowing the current “co-design and commissioning” trend (see subsection 4.3.1 below), define partnerships in terms of the unexpected cross-sectoral synergies they create, as a form of cooperation that “result[s] in some new product or service that no one would have thought of if the public organizations and the private organizations had kept to themselves”. Drawing on Wood (2010), the European Commission (Scoppetta, 2013, p. 5) has a more restrictive definition of partnerships, requiring “a close relationship with joint decision-making and shared commitment of partners”.

For the purposes of the present study, the distinction might be best made with reference to what partnerships in the real world are *not*. We argue, on the basis of the literature, that **contracted service delivery based on a hierarchical “purchaser–provider” relationship is not a true partnership**. According to some, a mere willingness to involve service providers in programme “co-design” and to engage in longer-term contracts that “share risks, costs and resources” is enough for a contracted service to be defined as a partnership. However, the inequalities of power in these relationships and their tendency to focus on delivering narrowly defined results at the lowest cost for the purchaser disqualify them from consideration as true partnerships in any “plain language” sense. Some commentators postulate that in the actual delivery of services, the use of the term in these circumstances is merely “suggestive of a changed relationship between government and others but without actually offering any evidence of how the status of partner has changed anything” (Sullivan, 2010, p. 11).

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This review will therefore consider the issues associated with engaging external organizations in employment services and ALMPs in a way that distinguishes between **contracted service delivery** relationships that involve external providers and **“true partnerships”** which will be explored through the lens of the European Commission’s conceptual framework. This framework makes distinctions based on the “intensity” of the working relationship (how loose or close); orientation (strategic or operative); and the number of stakeholders/partners involved.

## **2.2. Benefits – What partnerships are said to offer**

Engaging external stakeholders and service providers in the development and delivery of employment policy and programmes recognizes both the limited capacity of any single organization to address complex labour market problems and the interdependence of the public, private and third sectors and of different policy domains in maximizing results. Such “collaboration for public purpose” has been viewed through various lenses, and its advocates emphasize different benefits, economic, social and political (Sullivan, 2010).<sup>6</sup> In the case of employment service and ALMP delivery, benefits of all these kinds have been cited to varying degrees and include the following.

### **2.2.1. Adding new service capability and increasing service capacity**

Regardless of the nature of the relationship with external stakeholders and service providers and the prevailing policy setting,<sup>7</sup> accessing new capabilities and specialist expertise, and increasing the operational capacity and reach of services, have been identified as major benefits of the partnership/contracted service approach. In the sphere of contracted services, extending the range of service providers can help **meet the needs of a greater number and variety of clients** and allow existing public services “to overcome their constraints and limitations in terms of resources, information and skills” (Fuller, 2011, p. 4).

At one end of the contracted service continuum, this can take the form of selective “gap filling” (or “complementarity”, as the ILO has called it) to involve organizations that have the capability to **offer a better service to particular client groups** (PARES, 2012). These may include, for example, non-profit organizations with skills and experience in dealing with jobseekers who face barriers to employment such as people with disabilities, the socially excluded, low-skilled youth and women, older workers, indigenous people and minorities (European Job Mobility Laboratory, 2011). At the other end of the continuum, new capability can be created by establishing a quasi-market for these services (Barbier, Hansen and Samorodov, 2003) and by managing it in a way that extends delivery so that it meets identified needs in the labour market.<sup>8</sup>

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<sup>6</sup> For example, advocates of NPM and marketization tend to highlight economic benefits in terms of efficiency and cost, while advocates of “horizontal” or “joined-up” government stress the improvements in effectiveness when policy-makers step out of their institutional silos. Promoters of “interactive governance” see it more politically as “addressing citizens’ disenchantment with government by offering them a share in the act of governing in the hope that this would generate more responsive public policy and services” (Sullivan, 2010, p. 6).

<sup>7</sup> These relationships and settings are classified using a range of typologies including “cooperation, collaboration or competition” (Barbier, Hansen and Samorodov, 2003); “monopoly, coexistence or market” (Fuller, 2011); and “cooperation, coordination or collaboration” (Scoppetta, 2013).

<sup>8</sup> An example is Australia’s Disability Employment Service (DES), a quasi-market operating separately from that country’s mainstream “jobactive” privatized services.

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Contracting services can also **increase service capacity** in response to increases in unemployment (Finn, 2014) and can **extend service reach** to places and communities that might otherwise not have access, including rural areas in emerging economies. In this latter respect, the OECD (2015) cites examples of arrangements in Argentina, Mexico, Russia and Turkey to provide services through NGOs, PrEAs and partner local governments.

Partnerships also enhance overall employment service capability and capacity. Engaging with other policy-makers and agencies to coordinate and align services to overcome the multiple barriers faced by some jobseekers (e.g. education, health, housing, child care) **optimizes the effective use of local resources** (OECD, 2015). Local economic development and job creation can also be supported in this way by working with local training institutions to meet emerging industry needs: for example, Avila (in OECD, 2015, p. 16) describes such an arrangement in Queretaro, Mexico, supporting its aerospace industry.

### ***2.2.2. Creating better local connections and knowledge in service delivery***

The potential of partnerships and contracted providers to extend PES and ALMP **linkages to local services** and to **improve labour market intelligence** is also presented as a significant benefit. As part of a broader trend towards decentralization, such linkages are increasingly sought in recognition “of the local dimension of labour market policy and the need to facilitate more tailor-made policies in co-operation with other local actors that have a regional fit” (Mosley, 2012, p. 9).

As indicated above, these connections can be formed through “true partnerships” of local agencies and providers working together in a “joined-up” way to optimize resource use and improve interconnectedness. But in some countries, contracted service provision also seeks to maximize these links and actively encourage subcontracting to local ancillary providers. For example, ALMP outsourcing practices in British Columbia, Newfoundland and Labrador in Canada involve “subcontracting by community-based organisations to locally connected service agents ... [so that] more local expertise with the local economy and local employers could be obtained” (Wood, 2010, p. 58). The UK Work Programme’s “prime provider” model takes this a step further by requiring providers to involve smaller, local services in a “supply chain”.

### ***2.2.3. Improving flexibility***

The use of contracted services to deliver PES and ALMPs is also seen as offering more flexibility than “in-house” service provision through a government agency. **Non-government service providers are often more agile:** “they are not bound by the obligations of public service hiring practices ... They often have a single focus or business line and can concentrate on quick responses that meet the needs of labour market partners” (Wood, 2010, p. 58).

Outsourcing in this way also makes it **easier for governments to expand or contract services** without “assuming the long term commitments involved in public sector employment” (Finn, 2011a, p. 7).

### ***2.2.4. Increasing results based delivery and improving the cost effectiveness of services***

The ability to link service delivery costs to defined employment outcomes through **results-based contracts** is also an advantage of working in this way. To a greater or lesser extent, payments to contracted providers can be made contingent on the outcomes they

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achieve, helping to shift public expenditure away from funding outputs or activities and improving overall cost-effectiveness. While PES funding can also be linked to results under a fully contestable “quasi-market” model, the relative inflexibility of public sector entities to respond to fluctuations in market share can cause some practical difficulties.<sup>9</sup>

Another benefit of this type of contracting is that it stimulates **improvements in the focus** of employment policy and programmes. In developing results-based contracts, purchasing bodies must define exactly what they want contracted providers to achieve (Finn, 2014). Increasingly, this involves placing less emphasis in the contract on what the provider needs *to do* and more on achieving the *ultimate result* – the so-called “black box” contract. This type of contract gives providers more discretion in service design and delivery, and frees them to adopt a knowledge-driven approach to practice by giving them an incentive to invest in “what works” (Finn, 2011a, 2014).

### **2.2.5. Driving PES and ALMP performance improvement through competition and choice**

Harnessing the **power of competition to drive performance improvements** overall, both in the market and in public services, is one of the fundamental tenets of NPM, and employment services are seen as among the potential beneficiaries. This can involve reviewing and improving PES delivery by benchmarking its performance against that of other public, non-profit and private providers, replacing all or some of its functions with contracted services, and/or funding results-based delivery in a contestable market, as described above (Finn, 2011a, 2014).

**Jobseeker choice** can also influence competition. Although quasi-market systems and government procurement practices generally make the central purchaser the key “customer” for contracted services, some systems include jobseeker choice to a greater or lesser extent. In Australia, contracted providers receive a performance “star rating” which is used both as a performance management tool by the Government and as a way of informing jobseekers’ choice of provider.<sup>10</sup> In Germany, vouchers are issued to jobseekers so they can choose licensed providers for both training programmes and job placement services (Finn, 2016).

### **2.2.6. Enhancing the role of the PES as network manager in local partnerships**

The PES role can also be enhanced by its involvement in local partnerships. As more and more services are provided across networks of providers and, at a local level, government agencies seek to harmonize their programmes and work in a more interconnected way, the PES (or local representatives of the Ministry of Labour) can exercise a **leadership role** in maximizing local labour market outcomes. This can involve bringing

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<sup>9</sup> In Australia, the public provider in the quasi-market, Employment National, closed in 2003, unable to remain viable after losing business. This was reportedly because of poor results compared to its competitors, but also due to its higher operating costs as a public sector entity in a market dominated, at the time of its closure, by charities and the non-profit sector. While this does not mean that results-based approaches are inherently incompatible with the coexistence of a PES and contracted providers that compete on equal, results-based terms, it does raise the question whether the very survival of a PES should depend on its performance at a particular point in time. Australia has had no public provider since the closure of Employment National, and this has not been universally accepted as a good thing (Farrow, Hurley and Sturrock, 2015; COSBOA, 2017).

<sup>10</sup> Performance data of all providers are assessed, including performance in getting outcomes for difficult-to-place jobseekers, and providers are given a rating of 1–5, 5 being the maximum. These ratings are available to jobseekers and are also used to re-assign business from low performers to high performers.

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local stakeholders together to work out what work is most cost-effectively done by the PES itself and what can be better done by others, either as partners or under contract (Thuy, Hansen and Price, 2001); **improving connections to existing services** for vulnerable groups (e.g. homeless youth) that the PES itself might have trouble targeting (Scoppetta, 2013); or a multi-agency process that **links provision of services to local economic development** and job creation strategies (Avila, 2015).

This enhanced role is complex and requires different skill sets from those required in job brokerage. The European Commission has captured the essence of this new role in its PES 2020 Strategy – elevating the PES to the role of a “**conductor**” (in the sense of a conductor of an orchestra) that manages local networks to maximize the synergies available through partnership and cooperation.

### **2.3. What are the challenges of working in this way?**

Although they are now an almost universally accepted part of the employment services landscape, partnerships and contracted services are not without their limitations. Broadly, these may be characterized as follows.

#### **2.3.1. Difficulties caused by competitive rivalries and differing values**

In market-based approaches, contracted service providers often have strong **disincentives to cooperate, sharing information and good practice**, as these are the source of their competitive advantage – as one provider was quoted as saying, “it is like giving away the 11 herbs and spices recipe” (Farrow, Hurley and Sturrock, 2015, p. 38).

Such rivalries can make it **difficult to coordinate the activities of contracted providers**, whether to respond to emerging labour market problems (e.g. the loss of a major employer in a community) or to take advantage of new opportunities (e.g. meeting the employment and skill needs of an emerging industry or major project). Cooperative arrangements can be negotiated where they are seen to offer shared benefits – e.g., in the UK context, the co-funding by six primes providers of a work programme coordinator to identify vacancies within a major employer (Work and Pensions Committee, 2013) – but examples are hard to find.

“True partnerships” are not immune from this type of problem. Horizontal partnerships involving different public, private and third sector actors can **struggle to find common ground** in identifying both the priorities for action and the methods to be used. The European Commission’s call for PES to “conduct an orchestra” of interconnected services has been challenged by others who argue that while it makes sense in theory, in practice, “unlike our musicians, individuals and organisations from the public, private, voluntary and community sectors may have fundamentally different values, cultures, interests and rules” (Sullivan, 2010, p. 6). While ILO Conventions support a PES role in collaborating, regulating and coordinating with private actors (within the context of national laws and practice), there are challenges in practice.

#### **2.3.2. Lack of skills in building partnerships**

Positioning the PES to act as a “conductor” in addition to its traditional role in delivery assumes that it has the skills needed to perform the new role. These skills can be acquired and developed, but “while PES officials may be skilled at working with individual unemployed people, they **may not have the skills required** to work with other agencies, build networks, and plan activities strategically with other agencies” (OECD, 2015, p. 19,

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emphasis added). This may be an even bigger problem in some developing countries where, for various reasons, working in partnerships is a relatively new idea (Mazza, 2011).

### **2.3.3. Gaming results-based systems**

Much attention has been given to the risks of providers engaging in “gaming” behaviours, especially “**cream skimming**” and “**parking**”. “Cream skimming” refers to situations where providers focus their efforts on clients for which they can more easily attain an outcome and a payment. Commercially orientated service providers are often thought to be particularly prone to such practices, as the “profit-making orientation of their activities means that they are liable to focus on the segments of the market offering the best returns” (Fuller, 2011, p. 8), but public sector and non-profit organizations are by no means immune.<sup>11</sup>

In other situations, including where providers have less say in the selection of programme participants, there is a greater risk of “parking” – that is, not serving or under-serving the more difficult-to-place participants. In a sense, this is just another form of creaming – “parking might be characterized as a form of cream skimming *during* the program, in which providers try to maximize placement rates and keep costs down by focusing resources on the most able clients while doing little to serve those with the poorest job prospects” (Koning and Heinrich, 2010, p. 3).

Care is needed to design contracts and monitoring systems in a way that acknowledges and mitigates the risk of these practices – for example, by setting specific performance measures for hard-to-place clients (in respect of both service delivery and results), by ensuring that incentive payments are commensurate with the difficulty of placing some groups of jobseekers, and by acknowledging and rewarding success in serving these groups in other ways.<sup>12</sup>

## **2.4. How do policy settings and contexts affect partnership practice?**

Although PES functions and service offerings to jobseekers and employers might be broadly similar globally, they vary significantly in their institutional setting and structure, and in the scope, reach and sophistication of their operations. This variation reflects countries’ differing policy orientations and priorities, as well as factors relating to their individual economies, cultures and administrative heritage. These differences are important considerations in reviewing the potential applicability of partnership and external contracting models in different settings.

### **2.4.1. PES autonomy from government**

The degree of institutional autonomy from government can have important effects on contracting arrangements and partnerships in employment services. In general, PES operate (a) as *executive agencies*, with their own separate management, but *under the direct control of government*; (b) as *autonomous public bodies*, operating at arm’s length from government and sometimes with the strong input of the social partners; or (c) as *services that have been devolved* to a different level of government (in whole or in part). A fourth (and still unique) model is that adopted in Australia, where the PES service role has been *contracted out in its*

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<sup>11</sup> As Finn (2011a, p. 21) points out, “creaming and parking may occur in PES delivery systems, especially those that measure and reward performance standards or targets”.

<sup>12</sup> Such as the “star rating” system used in Australia, in which measures of placement performance are adjusted for differences in jobseeker characteristics and local labour market conditions.

*entirety*, excepting only the initial “gateway” services of initial assessment and referral and the administration of unemployment benefits (ILO, 2009; OECD, 2015; Fuller, 2011; Knuth, 2012).

Where the PES is an *executive agency controlled by government* (for an example, see box 4), it may be more subject to top-down changes in service interventions and overall strategy in line with the changing priorities or political complexion of the government of the day. This influence would flow down to contracting and partnership arrangements, which in this model are often more centrally controlled and are implemented as direct instruments of government policy.

#### Box 4. Example of a government controlled executive agency: The United Kingdom

The UK's PES, Jobcentre Plus, is a government service, and its structure, resources, operational budgets and targets are set by the government department that controls it (the Department of Work and Pensions: DWP). According to the European Job Mobility Laboratory (2011), in this respect the UK PES is the most centralized in Europe, concentrating decision-making and management authority at a national level close to the central Government.

Major contracts are initiated and managed at this level, though local PES are given some scope to award funding to local partnership projects via a “Flexible Support Fund”. (This fund is small in scale and details of the extent and nature of its use have not been made public: see McGuinness, Kennedy and Jones, 2016).

In contrast, where the PES is an *autonomous public body* (as in Germany: see box 5), central government control over its activities is limited. While implementing the employment policies of the Government of the day will be central to its charter and mission, this institutional form operates more at arm's length from government. Government funding flows through multiannual contractual agreements that provide the strategic framework and goals within which the PES operates; but the priorities, orientation and action plans of the services – including activities delivered through contracting or negotiated through partnerships – are determined by the organization's management council or board, which is often tripartite in nature (Ricca, 1994).

#### Box 5. The PES as an autonomous public body: Germany

Germany's Bundesagentur für Arbeit (BA) is a self-administering public entity operating under a mandate of the national Social Code. Its main decision-making body is a tripartite governance board that acts in both a supervisory and a legislative capacity. Under its national office are ten regional directorates, responsible for regional labour market policies (coordinated with the governments of the *Länder* or states), and, under these, 156 local employment agencies and 600 branch offices.\* Local employment agencies, which are likewise self-administering, have their own tripartite administrative committees (ILO, 2015b).

In terms of contracted employment services, local employment agencies are free to choose from a set repertoire of ALMP options. These are supplemented by federally initiated programmes for certain groups (e.g. older workers, sole parents, long-term unemployed). ALMPs provided as contracted services are organized through five “purchasing centres” connected to the regional directorates (Weishaupt, 2014). Voucher systems are also used (for details, see table 5 below).

Local initiation of partnerships to run innovative projects up to a value of €2 million is also a feature. For example, in Lower Saxony, a project was designed in partnership with the Ministry of Education and an employer-funded NGO to provide services to prepare school students for apprenticeships. Services were put out to tender and the PES managed the contract.

\* The BA is also responsible for 306 job centres, run jointly by the local employment agencies and the municipalities; 105 municipalities have opted out of this joint arrangement and have taken sole responsibility for their job centres.

Although complicated by the fact that PES themselves can operate via a devolved operational structure (as in Germany), *devolution of employment services* from federal government to other levels of government – state, territory, provincial, municipal – is another institutional arrangement (for examples, see box 6). Such devolved institutional

arrangements tend to be associated with more local-level contracting and partnership development activities, but this need not necessarily be the case. In practice this depends on the degree of local decision-making and policy/programme flexibility afforded to the devolved services.

**Box 6. Devolved employment services: Canada, the Netherlands**

In **Canada**, prior to 1996, there were over 500 PES offices operated by the federal government. Responsibility for delivery of employment services was then devolved, along with staff, assets and funding, to provincial/territorial governments. Federal funding was provided through bilateral “labour market development agreements”. While the federal government maintains an interest in ensuring a broad consistency and similarity of service offerings across the country, ALMPs are generally designed and delivered by the devolved institutions. (See also subsection 2.4.2 below on local decision-making, especially box 7.)

In the **Netherlands**, delivery of employment services is largely devolved to local governments which receive federal funding structured in a way that provides them with incentives to reduce welfare caseloads. Municipalities have freedom to design their own procurement strategies and delivery systems are diverse. Since 2006, they have been able to choose whether to contract out service provision or to deliver it in-house.

Full privatization of public employment services has occurred only in Australia, where only the initial assessment, referral and unemployment benefit administration tasks are performed by a public sector agency. Under this institutional arrangement, the Department of Employment contracts nearly all employment services nationwide to private providers. Business can be readily transferred from poorly performing to higher-performing providers to improve results. The department promotes provider engagement with other stakeholders and services (e.g. through subcontracting), but the competitive nature of the arrangements can deter cooperation between partners in responding to labour market opportunities.

Table 1 summarizes these various PES institutional forms and how these influence contracted services and partnerships.

**Table 1. The effects of PES institutional autonomy on contracting and partnerships**

Type	Effects on contracting and partnerships	Country examples
Executive agency controlled by government	May be more subject to top-down changes in services/strategy/targeting in line with the priorities of the government of the day. This flows down to contracting and partnership arrangements which can be more centralised.	<p><b>United Kingdom</b></p> <p>The DWP controls job centres, welfare-to-work programmes and jobseeker referrals.</p> <p>The trend seems to be towards centralizing purchasing and empowering fewer prime providers to develop their own local partners and subcontractors.</p> <p>The commitment to broader partnerships is less evident, with local authorities having no direct role in the design or commissioning of PES support and limited influence on how resources are deployed to meet local needs,</p> <p>Other examples: Colombia, Egypt, Kenya, Republic of Korea, Namibia, South Africa, Tanzania.</p>
Autonomous public body	Operates more at arm’s length from government. Government funding flows through multiannual contractual agreements that provide the strategic framework/goals for PES. Management boards determine priorities, orientation and action plans of services – including activities delivered through contracting or negotiated through partnerships.	<p><b>Germany</b></p> <p>BA is self-administering public entity with a tripartite governance board.</p> <p>Its local employment agencies are free to choose from a defined set of ALMP options. These are supplemented by federally initiated programmes.</p> <p>Contracted services ALMPs are organized through five “purchasing centres” connected to the regional directorates.</p> <p>Other examples: Sweden (semi-autonomous)</p>

Type	Effects on contracting and partnerships	Country examples
Devolved service delivery	Devolves PES provision from federal government to other levels of government. Tends to have more local-level contracting and partnership development, but not always.	<p><b>Canada</b></p> <p>Responsibility for employment service delivery was devolved to provincial/territory governments in 1996. Federal funding provided through bilateral agreements. Balance sought between local responsiveness and some degree of national consistency.</p> <p><b>Netherlands</b></p> <p>Employment service delivery devolved to local governments which receive federal funding (with incentives to reduce welfare caseloads). Municipalities free to procure services.</p> <p>Other examples: Brazil, Philippines, Rwanda, United States</p>
Privatized service delivery	Ministry of Labour contracts service providers in a competitive market. Can promote provider engagement with other stakeholders and services (e.g. through subcontracting), but there are challenges in forming effective operational partnerships among competing providers that can respond to labour market opportunities.	<p><b>Australia</b></p> <p>Federal Department of Employment contracts private providers to deliver services nationwide. Only initial assessment, referral and unemployment benefit administration rest with a public sector agency.</p> <p>Other examples: none</p>

#### 2.4.2. The degree of local decision making and flexibility

While organizational structure and autonomy from government clearly affect the degree to which decisions can be made locally on such key matters as service design, jobseeker targeting, external provider selection and local partnership formation, they do not in themselves necessarily dictate how things work on the ground. Other factors – national and organizational culture, operational strategy, even staff capability – also play an important role. As customer service organizations, PES generally operate through networks of local offices, but local decision-making and managerial autonomy vary significantly. Some PES allow for local offices to adjust services and to form operational partnerships as they see fit to maximize results; others, conscious of the need to maintain a degree of national consistency in service provision, are more restrictive (IDB, WAPES and OECD, 2015; OECD, 2015).

Assessing the impact of this policy setting on partnerships and the contracting of employment services is complicated by the high variability in the types of controls imposed or flexibilities allowed in different jurisdictions. Sometimes, a balance is struck between local flexibility in one area (e.g. budget management) and national controls in another (e.g. standardization of national programme implementation). Similarly, high levels of “operational flexibility” can be offset by low levels of “strategic flexibility” – that is, local staff can be given the capacity to decide what interventions to use for their clients, while being prevented from adjusting programmes and policies to reflect local labour market needs and in accordance with priorities agreed with other local stakeholders (Weishaupt, 2014). Nor is the level of apparent flexibility afforded to local PES always what it might seem: Weishaupt (2014) points to **Ireland** (see box 8) as an example of strong centralized control in theory but high autonomy in practice, and to **Poland** as an example where formal devolution has occurred but local decision-making remains quite limited.

In broad terms, envisaging a continuum of low to high levels of local decision-making and flexibility, some observations can be made about the impact of this factor on contracting and partnerships (for a summary, see table 2).

At the low end of the continuum, decision-making is highly centralized, especially regarding overall policy, strategic service design and contracting (for examples, see box 7).

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Centralized tendering, selection and contracting processes tend to be the norm. These can be more efficient and cost-effective, and can support a more nationally consistent performance management framework and overall monitoring of results. Centralization can also strengthen probity arrangements to ensure transparent and fair selection. More centralized models can allow cross-sectoral partnerships at peak national level, but this cooperation may not flow down to local institutions or fully meet local needs.

**Box 7. Lower flexibility and higher centralization: Australia, United Kingdom**

Australia's privatized employment service, in its various incarnations (Job Network, Job Services Australia and, currently, jobactive), represents a highly centralized model. The Federal Department of Employment in Canberra conducts the service tender centrally. Departmental officials from state and territory offices are involved in the selection process to provide local market expertise. While providers are given some operational flexibility in servicing clients, there is no overall variation in programme design and delivery at the local level. Examining the local flexibility and responsiveness of PES arrangements in a number of G20 countries according to a number of criteria, the OECD (2015) ranked Australia last in this respect.

The United Kingdom's Work Programme<sup>\*</sup> centralized the tendering and contracting of its welfare-to-work employment services in 2007. A distinguishing feature of this programme was its focus on engaging fewer, large, well-capitalized "prime providers" in larger regions. Operational flexibility (through the so-called "black box" approach) was an important design feature, as was the engagement by providers of smaller local providers in a service supply chain.

<sup>\*</sup> To be replaced in 2017 by a redesigned Work and Health Programme.

At the other end of the continuum, where PES are allowed more local decision-making and strategic flexibility, contracting and partnerships tend to have different characteristics. Greater strategic and operational flexibility can allow local PES to build on established service relationships with local providers more readily, achieve synergies with other local actors through partnerships, contribute to broader economic development efforts, and adapt policies to local labour market conditions, facilitating policies that are tailor-made with other local actors to have a regional fit (Mosley, 2012).

Of course, such decentralization of decision-making is not without its disadvantages. These may include, as Weishaupt (2014, p. 4) summarizes:

- lack of local capacity both to manage contract arrangements and to conduct sometimes high-level negotiations with potential partners;
- unevenness of service provision and fragmentation of national policy;<sup>13</sup>
- duplication and inefficiencies in, for example, tendering and contracting;
- limitations imposed by the fact that other partners may themselves be restricted in their decision-making and flexibility and subject to more centralized control;
- political tensions between the local and national;
- difficulties in establishing national performance management systems and benchmarks.

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<sup>13</sup> As the OECD (2015, p. 20) points out: "While some countries are endeavouring to make their systems more locally flexible, in countries with more decentralised PES services, such as Brazil and Indonesia, the opposite issue exists – that of ensuring consistent standards across local offices and sharing good practice across the system so that local officials are not required to 'reinvent the wheel'."

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#### Box 8. Greater local flexibility: Germany, Ireland, Canada

At the other end of the OECD's PES flexibility scale, referred to above, is **Germany**. Since 2013, local PES submit annual ALMP budget bids according to the labour market needs they identify; these bids are aggregated and assessed at regional and national levels. An overall budget for active measures is submitted for governmental approval; this is then distributed to local offices which are free to spend their budget allocations as they choose and move funds between budget items (Weishaupt, 2014).

**Ireland** is an example of a different mix of centralized and localized decision-making. The country has a "dual" PES, with most activation services delivered by public "Intreo" centres and the balance by contracted providers of the Local Employment Service (LES). Like the UK's Jobcentre Plus, Intreo centres focus on the short-term unemployed, while the LES providers work with both short-term and long-term unemployed in areas of high labour market need. The Irish approach centres on strong central control at some levels – budgets are set, programmes designed, staff recruited and tenders managed centrally – but still allows significant local decision-making and flexibility. While they do not generally design interventions themselves, they can choose from a large menu of nationally designed programmes and are empowered to continue a long-established practice of engaging in local partnerships with employers and a wide range of third sector actors (Weishaupt, 2014).

**Canada's** devolved system has been given a middle ranking in terms of flexibility by the OECD. Agreements between its federal and provincial/territory (P/T) governments are not prescriptive regarding contracting and partnerships. Some P/T governments retain most services in-house; others contract out most. Strategic vision, programme design and parameters for federally funded ALMP measures are mostly determined by the federal Government with input from senior P/T officials. P/T-specific ALMPs are also offered in line with agreements (Wood, 2010).

It should also be noted that policy settings in respect of local decision-making and flexibility are not fixed, and are especially prone to adjustment in line with prevailing management and political philosophies and evolving local priorities. The "pendulum effect" has often been noted in the application of centralized or decentralized management philosophies in organizational management (Aucoin and Bakvis, 1988), and this is evident in some countries in employment services administration. While decentralization is often advocated by international organizations such as the ILO and OECD, recent reforms in Finland, for example, seem to have gone in the opposite direction and have sought to correct a situation that had gone too far in allowing local considerations to shape labour market policy, compromising the achievement of national policy goals (Duell, Grubb and Singh, 2009).

**Table 2. The effects of the degree of PES local decision making and flexibility on contracting and partnerships**

Type	Effect on contracting and partnerships	Country examples
More centralized	<p>Centralized tendering, selection and contracting processes can be more efficient and cost-effective, and can support consistent performance management and monitoring of results. It can also strengthen probity arrangements to ensure transparent and fair selection.</p> <p>More centralized models can allow cross-sectoral partnerships at peak national level, but these may not flow down to local institutions or fully meet local needs.</p>	<p><b>Australia</b> (jobactive) Centralized tendering process with little variation in programme design and delivery at local level. Ranked last in flexibility in G20 by OECD (2015).</p> <p>UK (Work Programme) Centralized tender process (since 2007); limited number of prime providers are expected to form supply chains of local subcontractors and partners responsive to local needs.</p>
Less centralized	<p>Greater strategic and operational flexibility can allow local PES to contract proven local providers more readily, achieve synergies with other local actors through partnerships, contribute to broader economic development efforts, and adapt policies to local labour market conditions.</p> <p>Requires local capacity both to manage contract arrangements and to conduct sometimes high-level negotiations with local stakeholders. Some of these stakeholders may themselves be restricted in their decision-making and flexibility.</p>	<p><b>Canada</b> Agreements between federal and P/T governments are not prescriptive regarding contracting and partnerships. Some P/T governments retain most services in-house; others contract out most. Strategic vision, programme design and parameters for federally funded ALMP measures are mostly decided by the federal Government with input from senior P/T officials. P/T-specific ALMPs are also offered in line with agreements (Wood, 2010). Ranked in the middle of G20 by OECD (2015) in flexibility.</p> <p><b>Ireland</b> Programmes designed and contracted centrally, but local offices can choose from a large menu of nationally designed programmes and are empowered to engage in local partnerships with employers and also a wide range of third sector actors.</p> <p><b>Germany</b> BA is a self-administering public entity with a tripartite governance board. Its local employment agencies are free to choose from a defined set of ALMP options. These are supplemented by federally initiated programmes. Contracted services ALMPs are organized through five “purchasing centres” connected to the regional directorates.</p>

### **2.4.3. Economic and labour market context**

Some developed countries with strong labour markets have focused their policies and programmes on the long-term unemployed or other difficult-to-place jobseekers through “activation policies” and an employment service that seeks to manage and support transitions from unemployment benefits into work (e.g. Australia). For others (e.g. Austria, Germany, Sweden), despite relative labour market strength, the defining issue is rather structural unemployment associated with labour market or demographic change (e.g. an ageing workforce) (see box 9). The core challenge for employment policy and services in these countries is correcting the mismatch between jobseekers’ characteristics and the requirements of employers (Dietz, Bähr and Osiander, 2014). This requires closer attention to developing long-term partnerships with employers and industry groups to develop effective strategies to address these mismatches: if things are left at a purely day-to-day “transactional” level, there is a risk that employers will disengage from local PES if they become frustrated by jobseeker referrals which do not meet their immediate skills needs (Larsen and Vesan, 2012). In emerging and developing countries (e.g. China, Republic of Korea), economic shocks such as the 1997 financial crisis and the restructuring of public

enterprises have shaped PES activity and enhanced the recognition of their role by governments (Asian Development Bank, 2006).

**Box 9. Responding to economic and labour market challenges: Germany, Austria, Republic of Korea**

Germany and Austria both offer services to certain employers/enterprises that go beyond individual recruitment transactions and illustrate a more in-depth approach to developing relationships with employers as long-term “partners” in overcoming mismatches in labour supply and demand. The European Commission summarizes the key elements of these approaches:

*Both PES offers their advisory services to enterprises with less than 50 employees that often do not have many resources for human resource development systems and are on average less engaged in further training ... The Austrian PES helps enterprises to check training requirements, to clarify employers' needs and to choose appropriate suppliers of further training ... The German PES supports enterprises in analysing the characteristics of the work force, identifying needs for further training and planning measures and networking with other firms. (Dietz, Bähr and Osiander, 2014, p. 12)*

In Austria, there is also a special advisory service for larger enterprises focusing on measures of a flexible use of human resources (Flexibilitätsberatung). It is aimed at enterprises with more than 50 employees that have to deal with volatile workloads, many search processes or larger lay-offs.

*The PES offers different forms of advice ... like:*

- *re-alignment of organizational structures*
- *facilitating of employees' job mobility within or between firms*
- *higher flexibility of working hours*
- *diversity management*

*... There are also qualification networks where some enterprises co-ordinate their activities to ensure that common training programmes are established and provided. (Dietz, Bähr and Osiander, 2014, p. 12)*

In the Republic of Korea, the “Alternative Human Resources Bank” has operated since 2014 as a mechanism to help employers fill vacancies created when workers go on leave for various reasons (e.g. maternity, child care, illness, industrial accidents). Run by both contracted employment services providers selected by the Ministry of Labour and by the PES, the programme assesses the demand for substitute workers from various companies and organizations, recruits and trains substitute workers, and carries out job matching between the companies/organizations and available workers.

In contrast, in weaker labour markets emphasis is often placed on enhancing the employability of jobseekers over the medium term to ensure they can be re-employed when conditions improve. In these situations, strong long-term partnerships with employers and industry groups are also important, but the additional workload imposed on the PES as it deals with increasing numbers of jobseeker clients can sometimes detract from its capacity to engage with employers and partners (see box 10).

**Box 10. Responding to economic challenges in a weaker labour market: Slovenia**

Ongoing labour market weaknesses following the economic crisis of 2008–09 placed considerable strain on the capacity of the Slovenian PES to engage with employers. In the face of mass redundancies, it was required to focus on jobseeker servicing and to shift resources away from employer servicing and partnership building, despite the benefits that might accrue from the latter activities in terms of better aligning policies and programmes with current circumstances: “within this environment it became more difficult to reach the goals of balancing demand and supply and satisfy the needs of employers” (Dietz, Bähr and Osiander, 2014, p. 7).

In developing countries, the economic and labour market context puts quite different constraints on the opportunities available for contracting out or partnering for service delivery. First, in countries where there are few jobs in the formal economy, the opportunities for conventional job matching – referring jobseekers to available jobs – are often limited. In these circumstances, labour market policy interventions often need to work within the limitations of the informal sector, where possible seeking opportunities to help informal sector workers make the transition into scarce formal sector jobs by upgrading their skills, or, more often, supporting the development of entrepreneurial and vocational skills as the

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basis for more productive self-employment (Martin, 2014; Knuth, 2012). Second, contracting out or partnering can be constrained by the fact that developing countries typically have few resources of their own to devote to employment services or ALMPs. Third, even if they do have the resources, the lack of local private or third sector service providers with the capability to deliver employment services, or the restrictions placed on their capacity to perform this role through local regulations and laws, also represents a significant constraint. NGOs, UN agencies (including the ILO) and other international development bodies can support employment development in developing countries using their own methodologies and models and by providing project funding. Partnerships formed in this way, however, present challenges of their own, especially in respect of sustainability of services and measures when donor funding expires.

The resources available to PES to perform their role also greatly influence their capacity to engage in the design and implementation of contract-based interventions or in the development of partnerships. PES in developing countries face the greatest constraints in this regard, and can also be weighed down by regulatory work that prevents them from being more active in addressing labour market needs (Thuy, Hansen and Price, 2001; OECD, 2015; IDB, WAPES and OECD, 2015).

PES also differ in the clients they target – a factor linked to both their economic context and government priorities. Many operate on a “universal access” basis, but often give priority for services to specific groups – for example, benefit recipients and/or under-represented or vulnerable groups such as youth, old workers, women, indigenous people, legal migrants, people with disabilities, long-term unemployed, ex-prisoners and lone parents (OECD, 2015). The need to access specialist expertise in the servicing of such groups is an important driver of PES contracting and partnership activity.

#### **2.4.4. “Work first” or “human capital development” orientation**

The focus of PES service delivery and the emphasis placed on ALMP “measures” such as training programmes are also influenced by different governments’ policy preferences for either a “work first” or a “human capital development” strategy. In essence, the former seeks to get unemployed people into *suitable* work (however this is defined in government policy) as quickly as possible (for an example, see box 11), while the latter emphasizes improving the skills of jobseekers so that they can find higher-quality employment (Finn, 2016). In practice, approaches are not so starkly divided as either one or the other, and different intervention mixes suggest that programmes can be categorized by the degree to which they follow the “work first” principle (Woodward, 2013).

The implementation focus of the two approaches differs in terms of their overall intervention model, the tools they use and the nature of the relationship they typically foster with jobseekers. They also differ in the way they work with other institutions and service providers in partnerships or as collaborators.

### Box 11. The Work First programme in Detroit, Michigan

In Michigan, applicants for welfare benefits who do not meet mandatory work requirements must participate in the state's welfare-to-work programme, Work First. Jobseekers are assigned to a contracted service provider who operates locally. Contracts with service providers are short-term (one year) and contractors may therefore change on the basis of performance.

Providers deliver a standard one-week training course aimed at improving participants' job applications and other skills. Each participant develops a résumé and is guided through techniques for completing job applications and handling interviews. Participants are also eligible for support services such as child care and transport.

The emphasis is on intensive full-time job search and placement of participants in jobs. During a Work First service period, participants may be placed with a TWA or directly with an employer (a direct-hire job). By the second quarter following entry, nearly all participants either are placed in a job or leave the programme without having obtained a job.

Source: Autor, Houseman and Kerr, 2016.

Related to this issue is the extent to which services are orientated towards the needs of employers as well as those of jobseekers. The importance of servicing employers through contracted services and partnerships is a vital yet under-explored issue in the literature on PES and ALMPs. In the process of contracting out services, the paradigm of a universal “labour exchange” – a central point where connections between jobseekers and employers could be facilitated – seems to have been supplanted by a focus on the needs of jobseekers. While traditional PES have generally continued to recognize employers as being customers in their own right, results-based contracting in some countries may have skewed delivery towards “jobseeker activation” and taking the path of least resistance to getting people off unemployment benefits. Under these circumstances, employer servicing is at best a means to an end, but not an end in itself.

Research on how European PES envisage their employer servicing role (Dietz, Bähr and Osiander, 2014) provides a good summary of the core elements of the conventional approach. As would be expected, the role as “job broker and filler of vacancies” was perceived as the central role, followed by those of “labour market advisor”, “partner in addressing the needs of jobseekers” and, to a lesser extent, “human resource consultant”. The rationale that underpins this approach is that only by building trust through the delivery of these services can PES encourage employers to engage disadvantaged jobseekers. This means, however, that PES must demonstrate to employers that they can work in their interests as well as the interests of jobseekers before an effective service relationship can be created. The European Commission has highlighted the need for improved interaction with employers, “not only in order to achieve the goal of serving the needs of a larger share of employers, but also to address negative perceptions which exist in many countries around the types of jobseekers mediated by the PES” (Weber, 2012, p. 2).

Contracted employment services and ALMPs have sometimes paid insufficient attention to meeting the services needs of employers. In the United Kingdom, a House of Commons inquiry into the Work Programme heard evidence that painted a picture of private providers playing “a ‘numbers game’, ‘randomly’ pushing jobseekers towards vacancies in the hope that ‘a few stick’” (Work and Pensions Committee, 2013, p. 27). In the eyes of providers, employers were regarded not as customers but as a “problem”, frustrating their efforts to place clients through their (unreasonable?) preference for “ready-made” recruits who were already proficient in their roles (ibid., p. 25). The inquiry concluded: “We believe that providers should do more to prepare jobseekers for real vacancies and should desist from simply deluging employers with a random selection of CVs and poorly prepared candidates” (ibid., p. 28).

To meet employers’ increasingly sophisticated skills requirements, effective employer servicing demands attention to human capital development, but this is often not a priority in welfare-to-work systems. Rather, these systems favour a “work first” approach that pursues

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placement in available work assessed as suitable. The likely result of this approach is to canvass and service job vacancies at the lower end of the skills spectrum for which jobseekers can be more easily prepared. Providers have no extra incentive to prepare unemployed people to meet industry skills shortages: training can be costly, and outcome payments are the same as for placement in a low-skill job.

It is interesting to note that the peak body for Australian small business employers, COSBOA, has recently called for the scrapping of the existing employment services system because of its inattention to skills. Noting its limitations in placing the unemployed in work, its failure to stimulate job creation and its inability to meet industry's skills needs, COSBOA has called for a more responsive employment service that is linked with training: "the current system has failed the small business community and is a waste of government funds because it is driven by 'numbers' and not by industry outcomes" (COSBOA, 2017, p. 19).<sup>14</sup>

The need for employment services systems that can respond to employers' skills needs has been noted elsewhere. Mazza (2011, p. iii) sees a need for national job brokerage systems not only to increase the involvement of private providers, but also "to connect employment services to the wider human capital development systems, most importantly to education and training". The harmonization of employment services and vocational training systems has obvious advantages, and may be more easily orchestrated through local partnership mechanisms than through contracts. Given that PES usually operate under ministries of labour, while training systems usually operate under ministries of education, high-level strategic partnerships may be required to bring this harmonization about.<sup>15</sup> (Subsection 5.5 below describes a case study demonstrating this harmonization in Mexico's Riviera Maya.)

Similarly, local partnership models may be better placed than contracted services to help with the aspect of service delivery dealing with labour market demand. Peak employer groups and industry associations can provide information on sector-wide trends and opportunities; trade unions have inside knowledge of emerging skills shortages and surpluses within enterprises; education and training institutions can be drawn into local skills development strategies; and PrEAs (operating outside government-contracted service provision) can open up market segments in which neither the PES nor contracted providers operate (IDB, WAPES and OECD, 2015).

In summary, the country context and policy settings within which publicly funded employment services and ALMPs operate are diverse, and this background strongly influences practice in contracting and partnerships. The centrality of the PES in developing these arrangements in each country is a particularly important consideration given the divergent forms of institutional authority, which in some countries (e.g. Germany, Italy, Spain) continues to act as the main service provider and outsource specific services, while in others (e.g. Australia, the Netherlands) it or the Ministry of Labour acts mainly as a purchaser or regulator, outsourcing all but the most basic services.

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<sup>14</sup> Small and medium enterprises (SMEs) in Europe have similarly been identified as requiring services that support skills development (see PARES, 2014).

<sup>15</sup> A recent report (IDB, WAPES and OECD, 2015, p. 92) identifies "six service areas through which public employment services could have a greater influence on balancing skill supply and demand", some of which are usually part of vocational training systems rather than employment services – e.g. skills verification, recommending that PES become access points for the evaluation and certification of skill-based schemes already operating in their respective countries.

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What remains constant across all jurisdictions is the retention by the PES – or the responsible government department or ministry – authority for:

- implementing labour market policy priorities and guidelines;
- disbursing or controlling the use of public funds earmarked for their implementation;
- monitoring activities and outcomes of providers, including establishing rules and conditions for service delivery and collecting consistent data for statistical purposes; and
- ensuring accountability.

This is in line with ILO Convention No. 181, Article 13, and its associated Recommendation, No. 188.



### 3. “True partnerships” in practice

#### 3.1. Review of examples

The European Commission (Scoppetta, 2013) provides a useful conceptual framework to summarize the commonly found forms of partnership. A diagram of this typology is included in figure 1. (Forms of *contracted services* are summarized separately in section 4 below.)

Figure 1. European Commission partnership typology

		Forms of relationship			
		Cooperation	Coordination	Collaboration	
		Loose relationship		Close relationship	
		Characteristics: information is shared, informal or formal	Characteristics: some joint planning, intensified communication and closer working relationship	Characteristics: joint objectives and decision making, shared commitment, developed partnership	
<div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 10px;">Multi-stakeholder arrangements of PES</div> <div style="margin-bottom: 10px;">↑</div> <div style="margin-bottom: 10px;">↓</div> <div style="margin-bottom: 10px;">Arrangements between two or three partners</div> </div>	Strategic Orientation	Aims	To share information To discuss topics To network	To jointly develop policy areas To solve (cross-policy) problems To elaborate future partnerships	<ul style="list-style-type: none"> <li>To improve strategic planning and policy delivery</li> <li>To contribute to systemic change by sharing responsibility</li> </ul>
		Forms of agreement	Informal: Mutual agreements	Informal/formal: Memorandum of Understanding, codes of conduct, guidelines	Formal (legally binding): Partnership agreements, pacts, multi-lateral contracts
		Examples	<i>Policy forums, strategic platforms, networks, consultations, etc.</i>	<i>Involvement in social dialogue, Councils, Committees, Boards, etc.</i>	<i>Strategic partnerships such as Structural Fund Partnerships in Sweden and the Territorial Employment Pacts in Austria</i>
		References <sup>14</sup>	-	<i>Cooperation model (model 2) provided that policy coordination is practiced, Coordination model (model 4)</i>	-
	Operative Orientation	Aims	<ul style="list-style-type: none"> <li>To exchange information about particular services</li> <li>To update knowledge</li> <li>To integrate skills into PES</li> </ul>	<ul style="list-style-type: none"> <li>To coordinate services</li> <li>To explore possibilities</li> <li>To balance options</li> </ul>	<ul style="list-style-type: none"> <li>To jointly improve specific (employment) services</li> <li>To enhance employment options</li> <li>To boost social inclusion</li> </ul>
		Forms of agreement	Informal/Formal: Mutual agreements, contracts in case of contracting out of services	Informal/formal: Agreements between parties	Formal (legally binding): Partnership agreements, pacts, multi-lateral contracts
		Examples	<i>Meetings between parties, contracting out, outsourcing of the delivery of PES services, etc.</i>	<i>Coordination of skill supply and demand in a territory, etc.</i>	<i>Service partnerships such as the Local Employment Partnerships in the UK and Public-Private Partnerships of various kinds</i>
		References <sup>14</sup>	<i>Capacity Building model (model1), Cooperation model (model 2), Integration of skills (model3).</i>	<i>Cooperation model (model 2) provided that policy coordination is practiced, Coordination model (model 4)</i>	-

Source: Scoppetta, 2013, p. 7.

The Commission’s partnership typology classifies relationships between labour market actors according to the **intensity** of their working together. This ranges from what it calls “cooperation” (in essence, sharing information) at the lower end of the continuum, progressing through “coordination” (involving some joint planning, more intensive communication and a closer working relationship) and eventually, at the upper end of the continuum, “collaboration”, which is characterized by joint objectives and decision-making, shared commitment and an interaction that is more in line with a “true partnership” approach.

This typology makes further distinctions on the basis of the orientation of the relationship towards **strategy or operations**: a strategic orientation is often characterized by dealings with **multiple stakeholders**, while an operational orientation more often involves just **two or three partners**. It also maps these partnership dimensions on to other variables, specifically the aims of these relationships and the types of agreement through which they are typically formalized.

The literature review (of publications since 2010) found descriptions of **35 examples of partnerships** that broadly conform with the characteristics set out in the typology outlined above. **Table 3** below provides a brief description of each partnership and identifies its characteristics. To provide additional insight, the table also identifies the partnership’s **geographical scope** (national, regional or local) and differentiates between partnerships **among public actors**, partnerships **between public and private actors**, and partnerships

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**between public, private and third sector actors,**<sup>16</sup> and presents any accompanying evidence of the effectiveness of the partnerships.

The status of many of these partnerships as at 2017 is unclear. Given that some descriptions were of arrangements in place as early as 2006, it is safe to assume that many are no longer operating or have evolved into a newer form. Moreover, the descriptions were often brief (e.g. presented as illustrations of concepts in “boxes” in reports). This made it impossible to conduct an in-depth comparative analysis of partnership characteristics beyond that presented in the table. Even these descriptions sometimes represent a “best guess” based on what details were given in the source document.

It is important to note that the evidence presented in the literature on the effectiveness of these partnership examples is often scant or non-existent. It is therefore not possible to draw conclusions about what constitutes good practice – what works, what doesn’t and in what circumstances – on the basis of the data presented. Nevertheless, what does emerge from this analysis is a picture of the recurring problems to which partnership approaches seem to have been applied. To determine the extent to which these problems have been overcome by these partnerships would require an in-depth evaluation of each that lies beyond the scope of this review.

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<sup>16</sup> These distinctions are based on the typology of the European Job Mobility Laboratory (2011). This typology includes contract-based relationships as “partnerships”; these are treated separately in this review (see section 4).

Table 3. Summary of “true partnership” examples found in the literature review

Partnership example (cited in the literature since 2010)	Actors	Orientation; intensity	Geographical scope	Evidence of effectiveness?
<p>1. <b>AUSTRIA – Step2Job.</b> Through an administrative agreement between the PES and the Municipal Government of Vienna, a cooperative project was established to apply a case management approach to provide additional integration support (personal coaching, child care, crisis intervention, training, personal management skills) to targeted hard-to-place jobseekers. Project was funded jointly by the municipality and the European Social Fund. An operational coordination committee comprising local PES representatives, the municipality and project evaluators was established to coordinate activities and ongoing development.</p> <p style="text-align: right;">Source: Fuller, 2011.</p>	Public	operational; coordination	Local	Source indicated that evaluation had not been completed, but reported high levels of participant satisfaction. No placement outcome data presented.
<p>2. <b>BELGIUM – Synerjob Network.</b> Belgium has four regional PES – VDAB, Le Forem, Actris and ADG. All have a commitment to working in partnerships with one another and within their own areas with other partners. The Synerjob Network, a formally constituted non-profit organization, has been formed to deliver national labour market priorities including mobility between regions and integration of regional labour markets. Partners deliver services to one another’s clients, share vacancy information and develop shared projects.</p> <p style="text-align: right;">Source: Nunn, 2015.</p>	Public	operational; collaboration	National; regional	Source provided no outcome data.
<p>3. <b>FINLAND – Labour Force Service Centres (LAFOS).</b> Based on close coordination and partnership among public providers – PES, municipalities and local agencies of the National Social Insurance Institution (KELA) – the approach has employment services delivered at PES premises, but support services of various types offered at shared premises – a “one-stop shop”. When LAFOS services end, the jobseeker is referred to one of the partners for future action.</p> <p style="text-align: right;">Source: Fuller, 2011.</p>	Public	operational; collaboration	Local	Source claimed that LAFOS partnerships had intensified cooperation between local service providers and clients had benefited from the integrated service approach. No impact evaluation presented.
<p>4. <b>MOROCCO – Framework agreement on skill matching.</b> The PES entered into a framework agreement on skill matching with the State Secretariat for School Education, professional associations and other labour market stakeholders to enhance cooperation in the identification of training needs, assessment of the quality of school education and need for complementary vocational training, selection of training providers, monitoring of training impact and initiation of labour market research.</p> <p style="text-align: right;">Source: IDB, WAPES and OECD, 2015.</p>	Public	Strategic; cooperation	National	Source provided no outcome data.
<p>5. <b>POLAND – PES–training institution partnerships.</b> Responsibility for PES in Poland rests with local governments and regional authorities. Partnership culture has not traditionally been strong and operational partnerships tend to be restricted to cases related to training. Example cited is of a partnership to establish a “simulation company” – a virtual on-site form of vocational training simulating “the natural environment and economic reality” of a commercial company. PES take the lead in placing participants prepared through these arrangements (including unemployed school graduates, jobless women, long-term unemployed, older workers and those needing retraining).</p> <p style="text-align: right;">Source: Fuller, 2011.</p>	Public	operational; coordination	Local	The partnership was reported to be effective, but resource-intensive. Placement data presented were difficult to interpret, but in at least one project some 40 per cent of participants found employment after training and work experience.

Partnership example (cited in the literature since 2010)	Actors	Orientation; intensity	Geographical scope	Evidence of effectiveness?
<p><b>6. UNITED STATES</b> – Workforce Intelligence Network in Michigan. A partnership between seven workforce boards, nine community colleges and economic development partners to build and share labour market intelligence and help consortium members, particularly community colleges, make better “real-time” decisions regarding skill gaps.</p> <p style="text-align: right;">Source: OECD, 2015.</p>	Public	Strategic; cooperation	Regional	Source provided one example of information gathered through the partnership on emerging industry needs to create a local talent pool for specific occupations/skills. It also publishes an annual <i>Region Top Jobs</i> report on current and projected opportunities by occupation.
<p><b>7. BELGIUM</b> – <b>Diversity action plans.</b> Regional Socio-Economic Committees and Socio-Economic Councils worked in partnership with local and provincial authorities, social partners, the PES and NGOs to support the development and provision of employment diversity action plans in almost 5,000 companies.</p> <p style="text-align: right;">Source: Scopetta, 2013.</p>	Public/private	Strategic; cooperation	Regional/Local	Source claimed that 750 diversity action plans were produced annually. No details provided on the impact of these.
<p><b>8. BELGIUM</b> – <b>Regional PES partnerships.</b> Le Forem, one of Belgium’s four regional PES, maintains a number of multi-stakeholder partnerships in support of integrated service provision to different jobseeker groups (e.g. disabled people). These “employment training guidance platforms” are governed by formal framework contracts between the partners and a steering committee.</p> <p style="text-align: right;">Source: Nunn, 2015.</p>	Public/private	Operational; coordination	Local	Source provided no outcome data.
<p><b>9. CANADA</b> – <b>Workplace Essential Skills Saskatchewan.</b> The Workplace Essential Skills Saskatchewan (WESS) initiative supports business and industry to train low-skilled jobseekers and existing low-skilled employees in the workplace to gain the workplace essential skills needed for long-term employment and/or advancement. WESS provides funding to employer, industry and training institution partnerships for the development and delivery of essential skills training that is tailored to their workplace. Service Canada (a broader public body that includes the PES) allocates funding (at the federal level) for training programmes seeking to enhance transferable or soft skills development in youth entering the workforce.</p> <p style="text-align: right;">Sources: Wood, 2010; Saskatchewan Chamber of Commerce, 2014.</p>	Public/private	Operational; collaboration	Local	Sources indicate 80 per cent of the 300 annual graduates of the programme find long-term employment.
<p><b>10. ESTONIA</b> – PES partnership with Enterprise Estonia. The Estonian PES entered into a partnership with Enterprise Estonia to select and train metalworkers, an area of labour market demand. Activities included a briefing session in which the PES could explain their service offer and representatives of the sector could set out their requirements. The PES then preselected candidates and organized meetings to bring together candidates, employers in the sector and vocational training providers. Together, these parties developed the training programmes, which lasted between four and 12 months.</p> <p style="text-align: right;">Source: Knuth, 2012.</p>	Public/private	Operational; collaboration	Local	Source provided no outcome data but indicated 20 applicants had been selected and that all were likely to be placed.
<p><b>11. FRANCE</b> – PES agreements with major employers. Within the PES (Pôle Emploi), major account teams at regional level are responsible for developing and managing partnership agreements with major employers at local or regional level. These cover training, integration assistance, “recruitment by simulation” and post-recruitment follow-up. A strong focus is also placed on encouraging and supporting employers to fulfil their corporate social responsibility obligations.</p> <p style="text-align: right;">Source: Knuth, 2012.</p>	Public/private	Strategic; Coordination	Regional/Local	Source indicated that 40 such agreements had been signed (by 2012) including 9 with TWAs. No impact evaluation data were presented.

Partnership example (cited in the literature since 2010)	Actors	Orientation; intensity	Geographical scope	Evidence of effectiveness?
<p><b>12. GERMANY – PES–schools partnership.</b> Through a formal administrative agreement between the PES and the Ministry of Education and Culture in Lower Saxony, joint funding was arranged for a project that targeted at-risk school students. Supervised by a “coordination council” comprising representatives of partnering organizations (which <i>inter alia</i> identified and resolved barriers to implementation and any disagreements between the partners), the project provided support to prepare students for apprenticeships (coaching, job-search training etc.). The PES was then responsible for placing students with employers.</p> <p style="text-align: right;">Source: Fuller, 2011.</p>	Public/ private	Operational; coordination	Local	Evaluation by the sociological research institute in Göttingen found evidence of success (based on interviews with job-placement officers, ministry officials, teachers, employers and students). Evaluated against a control group, 79 per cent of project participants were placed as opposed to 55 per cent in the control group.
<p><b>13. HONDURAS – National Employment Service of Honduras (SENAEH) Alliance.</b> SENAEH has established a partnership with private sector organizations to co-manage and co-finance employment and training services. SENAEH services are delivered in line with national rules, procedures and systems by staff and at the facilities provided by the employer associations/chambers. These services administer a training programme (Con Camba Vives Mejor – With Employment You Live Better) which provides enterprise-based training preparing young people for jobs.</p> <p style="text-align: right;">Source: IDB, WAPES and OECD, 2015.</p>	Public/ private	Strategic; collaboration	National	Source provided no outcome data.
<p><b>14. INDIA – PPP to expand employment service access.</b> Gujarat State Government established a PPP model, the Rojgar Sahay Kendra (KSK), which set up employment centres at the local level (where none previously operated) to provide employment services using the state Government’s job bank.</p> <p style="text-align: right;">Source: OECD, 2015.</p>	Public/ private	Strategic; collaboration	Regional	Source provided no outcome data.
<p><b>15. KOREA, REPUBLIC OF – Employment Stepping Stone Programme.</b> This programme uses the training capacity and facilities of large companies and government enterprises to support skills development. The PES (or ministries) recruit participants, connect them with firms and provide financial support. The big firms train or provide internship opportunities to the participants, and the small and medium-sized companies hire those who have completed the programme.</p> <p style="text-align: right;">Source: ILO, 2016.</p>	Public/ private	Operational; collaboration	Local	Source indicates that as of April 2016, 33 organizations had participated, consisting of 16 big companies and 17 government enterprises. No placement data were provided.
<p><b>16. MEXICO – Partnership for regional economic development in aerospace sector.</b> A partnership in the state of Querétaro between the PES, vocational training institutions and employers sought to adapt training programme curricula to better meet the medium and long-term needs of the sector. This included collaboration to provide targeted job-matching services and in-service training courses to upskill jobseekers in lean manufacturing systems.</p> <p style="text-align: right;">Source: Avila, 2015.</p>	Public/ private	Strategic/ operational; collaboration	Regional	Source indicated that by the end of 2006, 296 technicians had been trained and employed.

Partnership example (cited in the literature since 2010)	Actors	Orientation; intensity	Geographical scope	Evidence of effectiveness?
<p><b>17. MEXICO – Tourism training partnership in the Riviera Maya region.</b> Shortages of skilled labour in this popular tourism destination and poor coordination of training systems prompted the Association of Hotels of the Riviera Maya (AHRM) to initiate a partnership in 2009 to better link service provision (training, education, labour intermediation) with labour market demands. The partnership is employer-led (through AHRM); other key partners include public and private training centres, the Ministry of Public Education, technical upper secondary schools, the national employment service, employer hotels outside the AHRM and other industry operators. The partnership was co-funded by the Inter-American Development Bank (IDB) and local contributors (US\$2 million from each source).</p> <p style="text-align: right;">Source: IDB, WAPES and OECD, 2015.</p>	Public/ private	Operational ; coordination	Regional	Project outputs included occupational profiles for the region, improved links between employers and secondary schools (e.g. work-based learning for teachers and students, improved recruitment links), improved cooperation with the PES and new courses that meet the needs of smaller hotels. Source provided no outcome data.
<p><b>18. MEXICO – Vacancy sharing between PES and PrEAs via web portal.</b> Building on an established relationship between the PES and some PrEAs (such as Manpower), a cooperative arrangement was established for vacancy sharing.</p> <p style="text-align: right;">Source: Mazza, 2011.</p>	Public/ Private	Strategic; cooperation	National	Source indicates that the web portal has proved to be a powerful tool to facilitate coordination between public and private intermediation.
<p><b>19. NETHERLANDS – PES cooperation with TWAs.</b> The Dutch PES entered into a “framework agreement for cooperation” under which PES would actively promote job search via TWAs – e.g. through “speed-dating” sessions where jobseekers were briefly interviewed by a number of TWAs at PES offices.†</p> <p style="text-align: right;">Source: Fuller, 2011.</p>	Public/ private	Operational; cooperation	Local	No impact evaluation data presented for this cooperation framework. Source recognized labour market shift to “atypical” employment contracts, but, while work obtained through TWAs fits well with the “work first” philosophy, some concerns remain about whether these jobs provide a stepping-stone to stable employment, especially for disadvantaged groups.
<p><b>20. NEW ZEALAND – PES–PrEA cooperation.</b> In 2009, the New Zealand Minister for Social Development and Employment announced a formal partnership between the PES and the peak representative body for PrEAs, the Recruitment and Consulting Services Association. This partnership allowed jobseekers registered with PES to access an expanded pool of job vacancies that would not otherwise have been available to them and gave PrEAs access to a broader pool of potential candidates for their employer clients.</p> <p style="text-align: right;">Source: <a href="http://www.beehive.govt.nz/release/work-and-income-and-recruitment-agencies-join-forces-jobseekers">www.beehive.govt.nz/release/work-and-income-and-recruitment-agencies-join-forces-jobseekers</a> [28 Aug. 2017].</p>	Public/ private	Strategic/ operational; cooperation	National	Source provided no outcome data.
<p><b>21. SOUTH AFRICA – Harambee Youth Employment Accelerator.</b> Founded as a partnership between the private sector and the Treasury’s Jobs Fund; works with first-time jobseekers, providing them with intensive training, including on basic and skills development work readiness programmes, before matching them to jobs. It has since been scaled up with support from philanthropic institutions, such as the Clinton Foundation, with the aim of placing 30,000 young people per year in jobs of one year’s duration and 20,000 in work experience of at least three months’ duration.</p> <p style="text-align: right;">Sources: OECD, 2015; <a href="http://www.clintonfoundation.org/clinton-global-initiative/commitments/harambee-youth-employment-accelerator-initiative">www.clintonfoundation.org/clinton-global-initiative/commitments/harambee-youth-employment-accelerator-initiative</a> [28 Aug. 2017]</p>	Public/ private	Operational; coordination	National	Sources indicate that just under 30,000 young South Africans were placed.

Partnership example (cited in the literature since 2010)	Actors	Orientation; intensity	Geographical scope	Evidence of effectiveness?
<p><b>22. UNITED KINGDOM – DWP partnership with peak PrEA body.</b> The Recruitment and Employment Confederation (REC) has about 3,500 member businesses, over 7,700 branches, and an 80 per cent market share of the UK recruitment sector. A national-level partnership was agreed in 2010 to drive engagement between PrEAs and PES both nationally and locally. As part of the agreement, senior representatives from the REC and Jobcentres meet on a quarterly basis to share intelligence on the latest labour market trends and to identify policy challenges. (Example 16 below, on collaboration to support unemployed professionals, is an illustration of this partnership in action.)</p> <p style="text-align: right;">Source: Finn, 2016</p>	Public/ private	Strategic/ operational; cooperation	National/ Local	Source provided no outcome data, but initiative targeting unemployed professionals is an example of a solution developed.
<p><b>23. UNITED KINGDOM – Local Employment Partnerships (LEPs).</b> In some locations, this approach offered the fullest service to employers in return for increased opportunities for customers – essentially matching the level of PES service to employers according to their willingness to collaborate to place clients. The PES (Jobcentre Plus: JCP) provided access to recruitment and training services (both pre- and post-employment), supported by a wide network of partners. Employers with vacancies made the commitment to work with JCP and to open up their jobs to unemployed local talent.<sup>‡</sup></p> <p style="text-align: right;">Source: Scoppetta, 2013.</p>	Public/ private	Operational; collaboration	Local	Source claimed “250,000 people had found work through LEPs since they were introduced” (from 2007 to 2009), but provided no detailed analysis.
<p><b>24. UNITED KINGDOM – PES cooperation with peak PrEA body to assist unemployed professionals.</b> The DWP approached the REC to find ways of better servicing this group. From 2009 to 2011, the Job-Search for Newly Unemployed Professionals programme involved selected PrEAs working with PES to provide support through mentoring, coaching, motivation, CV updating and current labour market information in their fields. A small per client service fee was paid to PrEAs for each jobseeker.</p> <p style="text-align: right;">Source: Fuller, 2011.</p>	Public/ private	Operational; cooperation	National/ Local	Source provided limited data on results – some 80,000 received support “enabling many...to get back into work”, but no comprehensive impact evaluation seems to have been conducted.
<p><b>25. ARGENTINA – Cooperation with municipal governments and non-profit sector to expand employment service access.</b> Under this arrangement, the Federal Ministry of Labour, Employment and Social Security is responsible for quality control and consistency through provision of training to municipal staff in the regions and the municipalities assume costs related to operating local employment offices.</p> <p style="text-align: right;">Source: ILO, 2015e.</p>	Public/ third sector	Strategic; collaboration	Local	Source indicates expanded coverage with 70 per cent of the total population now having an employment office/unit within close proximity, including rural areas.
<p><b>26. AUSTRIA – Multi-stakeholder project focusing on improving employability of young females,</b> working in close collaboration with a training provider (VIA-School of Production). Priority groups include school drop outs, socially disadvantaged, unemployed, and those experiencing crises in their self-development of with deficits in their verbal skills. The training provider offers activities that include practical work in a creative/artistic area.</p> <p style="text-align: right;">Source: Scoppetta, 2013.</p>	Public/ private/ third sector	Operational; coordination	Local	Source indicated 50 per cent of 111 participants supported in 2011 were placed.
<p><b>27. CANADA – Workforce planning boards.</b> In Ontario there 25 workforce planning boards, set up to <b>promote local workforce development solutions for their communities</b>, strategically aligning the actions of all local stakeholders in the community in local labour market projects. Every local workforce planning board publishes detailed reports about its labour market projects, activities and partnerships.</p> <p style="text-align: right;">Source: OECD, 2015.</p>	Public/ private/ third sector	Strategic; coordination	Local	Source provided no outcome data.

Partnership example (cited in the literature since 2010)	Actors	Orientation; intensity	Geographical scope	Evidence of effectiveness?
<p><b>28. GERMANY. Perspective 50+.</b> Aiming to re-integrate older, long-term unemployed jobseekers, a wide range of regional and local stakeholders – including PES, training providers, PrEAs and other actors – come together to <b>coordinate regional employment pacts</b>. <i>Inter alia</i>, the programme aimed to change public perceptions of older workers.</p> <p>Source: Scoppetta, 2013.</p>	Public/ private/ third sector	Strategic; coordination	National/ regional/ local	Source claimed “70,000 job placements” achieved in 2011, but provided no detailed analysis.
<p><b>29. IRELAND – EU pilot initiative in Ballymun.</b> The Department of Social Protection led a partnership between the PES, education and training providers, the local authority, local development and youth organizations, and employer and trade union representatives in Ballymun, a socially disadvantaged area of Ireland with a youth unemployment rate over 50 per cent. Eligible youth were guaranteed access to career guidance/assistance leading to an individual career plan. This partnership focused on building links with employers to ensure that training was relevant to local labour market demands and that adequate work placement opportunities were available.</p> <p>Source: IDB, WAPES and OECD, 2015.</p>	Public/ private/ third sector	Operational; coordination	Local	Source provided no outcome data.
<p><b>30. IRELAND – Local development companies (LDCs).</b> Ireland has a long history of integrating “local voices” into policy delivery through national, regional and local connections. The 51 independent LDCs engage public, private and third sector stakeholders to <b>address disadvantage and promote equality and social and economic inclusion</b>. They deliver cross-cutting policy initiatives aimed at reducing local unemployment and, in 22 cases, manage a complementary local employment service that provides practical support and information to communities.<sup>§</sup></p> <p>Source: Scoppetta, 2013.</p>	Public/ private/ third sector	Operational; coordination	Local	40,292 individuals supported in 2011 – outcomes not elaborated.
<p><b>31. KOREA, REPUBLIC OF – Four party associations.</b> In 2010, representatives of labour, management, government and the community established “four party” associations in 16 metropolitan cities and in 82 municipalities to <b>develop local strategies for stimulating skills development and employment</b>.</p> <p>Source: OECD, 2015.</p>	Public/ private/ third sector	Strategic; coordination	Local	Source provided no outcome data.
<p><b>32. NETHERLANDS – Covenants to meet needs of identified jobseekers.</b> The PES in the Netherlands emphasizes partnerships as an important part of its movement towards the “conducting” role envisaged in the PES 2020 Strategy. To this end, it has established a series of “covenants”, a mechanism for collaboration among multiple stakeholders that focuses on establishing clear formal objectives and measurable targets in meeting the employment needs of identified groups or particular service areas (e.g. older jobseekers, long-term unemployed).</p> <p>Source: Nunn, 2015.</p>	Public/ private/ third sector	Strategic; coordination	National/loc al	Source provided no outcome data.
<p><b>33. NETHERLANDS – Employment Squares (Werkplein).</b> In a “one-stop shop” approach, the PES worked alongside municipalities and a range of other agencies including government services, welfare organizations, re-integration companies, PrEAs and TWAs.</p> <p>Source: Finn, 2016.</p>	Public/ private/ third sector	Operational; coordination	Local	Source indicated that coordination was hampered by the different work cultures of the partners and the different accountability and funding rules under which they operated. Budget cuts to PES have seen them withdraw from many front-line locations.

Partnership example (cited in the literature since 2010)	Actors	Orientation; intensity	Geographi- cal scope	Evidence of effectiveness?
<p>34. <b>POLAND – Pact for Employment in Lubusz region.</b> Since 2008, a “Pact for Employment” has operated through a formal partnership agreement which includes a range of partners including the PES, municipalities, employment services providers, social partners, education and training organizations, social entrepreneurs, business support organizations and a variety of public services. The Pact involves a range of sub-partnerships focusing on vocational guidance, labour market monitoring, lifelong learning and social economy. These each have a separate secretariat and work in different ways, with varying degrees of formality and depth to the cooperation.</p> <p style="text-align: right;">Source: Nunn, 2015.</p>	Public/ private/ third sector	Operational; coordination	Regional	Source provided no outcome data.
<p>35. <b>SWEDEN – Structural Fund Partnerships (SFPs).</b> Building on a tradition of cooperation between sectors, SFPs bring together local politicians, labour market organizations, local administrators, interest groups and third sector organizations for the programme design, selection and funding of “cooperation projects” operating at local, regional and national levels. These multi-actor projects address employment and cross-cutting exclusion issues (e.g. gender, disability).</p> <p style="text-align: right;">Source: Scoppetta, 2013.</p>	Public/ private/ third sector	Operational; coordination	Regional	3,785 projects prioritized by SFPs by 2012 – outcomes not elaborated.

\* Enterprise Estonia (EAS) is led by a supervisory board that includes top entrepreneurs, officials and members of Parliament, and by a three-member management board.

† It is unclear how the subsequent movement of basic Dutch PES services to an online platform has affected such arrangements.

‡ It is unclear to what extent this collaboration has continued under current Local *Enterprise* Partnership arrangements, which were introduced in 2011 and seem to be more focused on economic development.

§ Form of agreement not elaborated.

### 3.2. Analysis and discussion

As noted above, analysis of these 35 examples of “true partnerships” is limited by a lack of descriptive detail in the sources. In broad terms, based on the descriptions provided, the partnerships seem to focus on trying to develop solutions to one or more of the following labour market policy problems:

- How can employment service delivery be enhanced or expanded?
- How can the skills of jobseekers be developed to meet labour market needs?
- How can the employment of disadvantaged or vulnerable groups be enhanced?
- How the supply of jobs be increased and access to vacancies be expanded?

While it is sometimes difficult to determine from the literature what each partnership focuses on in practice, the descriptions suggest that 12 of the examples aimed to enhance or expand employment service delivery, 10 were about developing jobseeker skills to meet labour market needs; seven focused on disadvantaged or vulnerable groups, and six on increasing the supply of jobs and expanding access to vacancies.

In terms of the partnership actors, 18 could be described as “public/private” and 11 as a mix of “public/private/third sector”; six were partnerships between “public” actors. **Table 4** maps the 35 partnerships by actors and employment policy problems.

**Table 4. Examples of “true partnerships” mapped by actors and main labour market policy problems addressed**

Main policy problem addressed	Partnership examples (see numbered examples in table 3 above)		
	Public	Public/private	Public/private/third
Enhance or expand employment services	1, 2, 3	11, 12, 14, 22, 24	25,* 29, 33, 34
Develop skills to meet labour market needs	4, 5, 6	9, 10, 13, 15, 16, 17, 21	
Enhance employment of disadvantaged/vulnerable groups		7, 8	26, 28, 30, 32, 35
Increase the supply of jobs and expand access to vacancies		18, 19, 20, 23	27, 31
<b>Total no. of partnerships</b>	<b>6</b>	<b>18</b>	<b>11</b>

\* Public/third sector only.

#### *Partnerships of public sector actors*

The involvement of different actors in these partnerships often reflects their specific capabilities and their ability to contribute solutions to the policy problems. The partnerships involving primarily **public sector actors** tend to focus on improving linkages and coordination between levels of government in service enhancement and expansion, and in skills development.

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**Activities** (by policy problem) included:

- **Enhancing/expanding employment services:**
  - integration of regional employment services (no. 2);
  - establishing “one-stop shops” for integrated service delivery (nos 3, 33);
  - managing joint initiatives between the PES and municipal governments (no. 1);
- **developing skills to meet labour market needs:**
  - improving coordination in the identification of training needs by different public sector agencies (nos 4, 6); and
  - connecting training delivery by one actor with job placement by another (no. 5).

**Evidence of effectiveness** of these examples was limited to reported *process improvements*, training *participant satisfaction levels* and, in one case, a 40 per cent *post-training placement rate* (with no baseline provided).

*Partnerships between public and private sector actors*

Partnerships between **public and private sector actors** (including both employers and PrEAs) were found across all four policy problems, but again with the majority focusing on enhancing services and developing skills. The private sector’s ability to offer direct and current information on skills and service needs makes it a crucial partner in these areas.

**Activities** (by policy problem) included:

- **Enhancing/expanding employment services:**
  - collaboration to establish new employment services (no. 14);
  - PES–PrEA cooperation agreements (nos 22, 24);
  - service agreements between PES and major employers (no. 11);
  - involvement in the coordination of school-to-work transition strategies (no. 12);
- **developing skills to meet labour market needs:**
  - collaboration in training design and delivery (nos 9, 10, 13, 15, 16, 17, 21.);
- **enhancing employment of disadvantaged/vulnerable groups:**
  - promotion of diversity action plans and agreements (nos 7, 8);
- **increasing the supply of jobs and expanding access to vacancies:**
  - PES–PrEA vacancy sharing (nos 18, 20);
  - deals with local employers to access vacancies (no. 23);
  - agreements to promote access to vacancies provided by TWAs (no. 19).

**Evidence of effectiveness** presented in these examples was again patchy. Only example, no. 12 (the German PES–schools partnership), appears to have been subjected to a rigorous impact evaluation, which found a 79 per cent placement success rate among participants as opposed to a 55 per cent rate for a control group. Some made some impressive but unsubstantiated claims (e.g. no. 20 – “250,000 people had found work through LEPs since they were introduced”, i.e. from 2007 to 2009), while others were vague (e.g. no. 16 indicated that “many” of the 80,000 beneficiaries of the partnership had been placed). The remainder reported process improvements of different types or partnership outputs (such as action plans and reports), or presented no results at all.

Those partnership examples that involved **public, private and third sector** actors often had a focus either on disadvantaged/vulnerable groups, where third sector organizations often have specialist knowledge and capability, or on disadvantaged regions where a “whole of community” response is important.

**Activities** (by policy problem) included:

- **Enhancing/expanding employment services:**
  - expanding employment service delivery through municipalities and NGOs (no. 25);
  - engaging the whole of the community to improve employment service design and delivery (nos 29, 34);
- **enhancing employment of disadvantaged/vulnerable groups:**
  - establishing “covenants” or “pacts” as statements of shared commitment (nos 28, 32);
  - coordination and delivery of local projects promoting employment equity (nos 26, 35);
  - establishment of local partnership committees focused on equity (no. 30);
- **increasing the supply of jobs and expanding access to vacancies:**
  - coordinating local activities in support of economic development/job growth (nos 27, 31).

**Evidence of effectiveness** of these examples was again lacking. Descriptions generally presented no outcome data. No. 28 (a German initiative focused on raising awareness of some disadvantaged groups in the labour market) claimed to have assisted some 70,000 people, but without supporting details. No. 25 claimed that its partnership with municipal governments and NGOs extended local access to employment services in Argentina to 70 per cent of the population, including rural areas, though the source document (ILO, 2015e) reports that, in semi-urban and rural areas, these only basic information services are available.

#### *Lessons learned*

The diversity of these “true partnership” examples, combined with the lack of detail on their implementation and a paucity of consistent and reliable information on their impact, make it difficult to assess confidently and comprehensively what works, what does not work, and why. At best, the *prevalence of partnerships* in addressing certain types of employment policy problems suggests that they are *perceived to be helpful* in augmenting existing processes. This seems to be particularly the case when private or third sector partners can contribute their specialist knowledge and expertise (e.g. employers’ knowledge of skill needs, or NGOs’ expertise in servicing specific disadvantaged groups), but applies more generally when “whole of community” partnerships can work across different policy and programme silos to better integrate services and to coordinate actions that support local economic development. Beyond this, however, as Rees, Mullins and Bovaird (2012, p. 1) point out, “despite a decade of attempts to evaluate partnership outcomes, the evidence of effectiveness is thin”.

A different research approach may be needed in this area. Rather than focusing on what some might see as rather esoteric analyses based on complex typologies, new research should instead focus on the impact of these partnerships on the employment policy problems they have been designed to address. This would provide the basis for an evaluation framework that would offer PES and ministries of labour a more substantial basis for

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considering how best to incorporate partnerships into their operations and strategy. In the absence of this information, the risk remains high of “partnerships being more talk than action, as opposed to genuine collaborative working relationships on the ground” (IDB, WAPES and OECD, 2015, p. 73).

More broadly, the literature highlights other lessons about this type of partnership. In their most developed state, such partnerships can **integrate the actions and policies of their members in a coherent and organic strategy** designed to achieve a common set of objectives. According to Fadda (2008, quoted in Froy and Giguère, 2010, p. 21), this requires two things: “a plan consisting of common objectives and goals for which specific actions and instruments are designed” and “an organic link between these actions and instruments, capable of producing positive interactions and synergies which lead to the better achievement of common objectives”. At this highest level of integration, partnerships involving this degree of collaboration can bring participants together to develop sometimes unexpected creative solutions. Shergold (2008) describes this as part of a broader trend in public policy and service development – from control, through coordination and cooperation, to collaboration (see figure 1). While there may be inherent power imbalances in some of these collaborative forms – for example, where the processes of public sector collaboration reflect the hierarchical relationships between actors – these can be addressed if public servants “forsake the simplicity of control for the complexity of influence” and use their sometimes disproportionate power on behalf of the partnership or collaborative venture (ibid.) To some extent, the trend in contracted services towards “commissioning and co-design” (see subsection 4.3.1 below) is also an example of this acceptance of “the complexity of influence”.

In terms of **initiating and managing partnerships**, several other issues are addressed in the literature. In terms of leadership, while top-down efforts to encourage collaboration can play a useful role, as for example in national government efforts to support the creation of workforce investment boards in the United States, workforce planning boards in Canada and “four party” associations in the Republic of Korea (IDB, WAPES and OECD, 2015), there also needs to be impetus from local actors “in a way that best suits the problem at hand” (PARES, 2012, p. 3) to ensure local ownership (Froy and Giguère, 2010). PES are often important actors in partnerships, but are not necessarily the driving force, with federal ministries or other actors often taking the lead. PES are well-positioned to be “partnership brokers” (or “conductors”, as discussed above), facilitating connections between top-down and bottom-up initiatives, and clarifying the links between central policy and local practice (Scoppetta, 2013). In some situations, a high-level government unit – such as the Office of the President or Prime Minister – takes the lead role as it is well positioned to generate cooperation between different line ministries. Regardless of who assumes the leadership role, the literature suggests that it is better to have a single lead agency than to try to share the role. This lead agency should arguably be the organization that carries the most perceived risk (in terms of unsatisfactory local outcomes): this could be the PES, but might also be municipal government (Avila, 2015; Cunneen, 2012; PARES, 2012).

Partnership **structures and governance arrangements** take a variety of forms, formal and informal – including informal working groups established in response to a specific challenge such as a major plant closure (IDB, WAPES and OECD, 2015), formal committees or boards (Froy and Giguère, 2010) and multilevel structures that have both a strategic decision-making body and an operational body (Scoppetta, 2013). In terms of membership, the involvement of employer representatives is crucial, but is sometimes difficult to achieve at a local level. Performance management is an important consideration, too: developing detailed implementation plans and budgets, setting measurable targets, monitoring performance and reviewing the results – and, as partnerships generally should be created for a limited term, wound up if they are no longer adding value (PARES, 2012).

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An important determinant of the effectiveness of these partnerships is the **extent to which decision-making has been decentralized** to local actors. Weishaupt (2014) points out that, although the merits of decentralization have been promoted for a long time now, full decentralization of PES has been resisted and there have even been movements in the opposite direction. The European Commission (Mosley, 2011) describes seven elements of PES decentralization,<sup>17</sup> and these all have a bearing on the capacity of PES to engage in effective local partnerships (see box 12).

**Box 12. Decentralization and partnerships in Canada**

Since 1996, following a broader political decentralization trend, Canada's central Government has been progressively entering into agreements with P/T governments to devolve responsibility for labour market services. The focus is on the delivery of ALMPs and, while the central Government limits local flexibility to ensure a focus on national objectives and to maintain accountability, P/T governments are free to adapt programmes to their local circumstances as they see fit. In terms of collaboration, partnerships and outsourcing, the agreements are not prescriptive, and P/T governments organize these in their own way. For many, the ability to leverage contributions from other partners was a key factor:

- British Columbia uses First Nations service providers because of their ability to connect with hard-to-reach youth;
- Saskatchewan relies heavily on regional colleges and their post-secondary expertise to deliver core workplace skills;
- Ontario's JobConnect is delivered entirely through community organizations or colleges;
- Newfoundland and Labrador uses a community-based organization with significant economic development ties.

An OECD review of the Canadian approach concluded that, for successful collaboration to occur:

*National governments need to move away from hierarchical command and control models to networks of government agencies and non-government organisations ... At the same time, government organisations at the sub-national level must have sufficient autonomy to respond to local circumstances and form partnerships so that resources can be exchanged. In Canada, therefore, it may not be necessary to inject a great deal of further flexibility into the system. Rather, there needs to be support for better governance mechanisms which link labour market policy makers with other actors.*

Source: Wood, 2010

There are also lessons concerning the **risks and downsides of partnerships**. In practice, sustaining local partnerships is hard work, not least owing to the constraints of bureaucratic structures. While governments are increasingly expected to improve the coordination, integration and overall effectiveness of human service design and delivery, especially for disadvantaged people, **cross-sectoral barriers remain stubbornly difficult to overcome** (Farrow, Hurley and Sturrock, 2015). Participating agencies, including PES, often do not have the **power to modify national programmes and policies** to reflect partnership priorities (Froy and Giguère, 2010; IDB, WAPES and OECD, 2015). Even where power is supposed to have been devolved, there is sometimes a gap between theory and practice that limits local autonomy (Dietz, Bähr and Osiander, 2014).

Not all barriers are necessarily the result of top-down control issues. There are sometimes entrenched **conflicts of interest between key partners at the local level**. One survey of European PES identified recurring difficulties between certain stakeholders. For example, departments of education, which are responsible for the formal vocational training system, were perceived as often hindering the effectiveness of local partnerships through

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<sup>17</sup> Budget flexibility (i.e. local delegation of how funds are used); programme flexibility (i.e. adaptation of centrally designed or creation of local programmes); eligibility (local decision-making in respect of target groups); service delivery (extent to which local PES can tailor services); personnel (control over recruitment); outsourcing (local or national contracting arrangements); and performance targets and goals (local input).

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their reluctance to adapt their curricula to local labour market needs (Struyven, van Mellaert and González-Garibay, 2012).

In the face of such barriers, local **partnerships can end up “being more talk than action”** (IDB, WAPES and OECD, 2015, p. 73), where the partners commit to strategies that “say all the right things” but do not include a real framework for joint action, budgets or timelines. Instead, they become “**wish lists with many different objectives, but no consensus** on the most important cross cutting issues which need to be worked on together to achieve real economic growth and inclusion” (Froy and Giguère, 2010, p. 9, emphasis added).

Breaking through these barriers requires specific skills and a willingness on the part of government officials to **challenge prevailing paradigms** and act as advocates for their local partnerships. As Shergold (2016, p. 25) observed: “Most successes bear testimony to the leadership of particular **committed individuals** who have exhibited the capacity to stand in the shoes of the counterparts and see challenges through their eyes”. Unfortunately, in a climate of shrinking public sector resources, there is a great temptation instead to avoid the extra work and complexity of this approach and stick to existing hierarchical models, where control can be more easily maintained (including through contracting of services), but true integration of local services and policy is not achieved.

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## 4. Contracted services in practice

### 4.1. Review of examples

The contracting of private providers to deliver employment services and ALMPs is well-established practice. Most PES (or government agencies responsible for employment policy and programmes) now engage in it to varying degrees and with varying emphases. Some jurisdictions (e.g. in many European countries, and in emerging and developing countries) have largely restricted contracted services to training programmes or to specialist services for specific groups, while others (such as Australia and the United Kingdom) have extended contracted service provision to the full range of intermediation and job placement services (EC and AC, 2015).

While there are many potential ways of analysing the services and programmes themselves, and categorizing them through different typologies (e.g. by jobseeker target groups, intervention types, how they support activation policies, extent of consumer choice etc.), this review will focus on characteristics of the **purchasing arrangements and service delivery models of some well-documented recent approaches that illustrate current trends**.<sup>18</sup> It will then briefly review the evidence found in the literature of the effectiveness of these approaches.

**Table 5** sets out nine examples of contracting arrangements described in the literature since 2010 which illustrate some of the current design and implementation trends and issues. Each approach is briefly described and the following characteristics identified: purchase approach (central or local; scope of services contracted); purchaser (e.g. PES, national ministry, other); and the nature of interaction between the PES and contracted providers. The final column presents brief notes on any evidence of the effectiveness of the arrangements described.

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<sup>18</sup> As Finn (2011a, p. 5) pointed out, other than such well-documented examples (drawn primarily from countries where contracting out is a widespread public sector practice), “there is little data on how, or the extent to which most other European Ministries, PESs or municipalities subcontract the delivery of employment services”. Some recent research has examined ALMP effectiveness, but this focuses not on the issue of contracting out, but rather on the relative effectiveness of different types of intervention, regardless of whether they were delivered by PES or by other actors. See e.g. the work of Card, Kluve and Weber (2010), who conducted a meta-analysis of impact estimates from over 200 recent econometric evaluations of ALMPs from around the world.

Table 5. Examples of contracted employment services and ALMPs

Contracted employment service examples (cited in the literature since 2010)	Purchase approach	Purchaser	PES interaction	Evidence of effectiveness?
<p>1. <b>AUSTRALIA – Job Network (1998–2009); Job Services Australia (2009–15); jobactive (2015–)</b>. Australia’s competitive employment services model has been revised several times since it was first introduced in 1998. The most recent model, jobactive, was introduced in July 2015, superseding the previous model, Job Services Australia (JSA) launched in July 2009 to replace its predecessor, Job Network. A specialized Disability Employment Service (DES) programme also operates through a similar market-based approach (see below). A government service “gateway” (Centrelink) registers jobseekers for benefits, conducts an initial assessment (via a “Job Seeker Classification Instrument”) which determines their service needs (and barriers) and “streams” them into one of three categories (A, B or C). Providers are paid differential service fees and job outcome payments based on these streams, with the hardest-to-place attracting the most funding. <b>Procurement is managed centrally</b> by the federal Department of Employment, with contracts lasting five years. Performance in achieving outcomes is closely monitored and business is regularly re-allocated from poor performers to high performers.</p> <p>Over time, the following trends are evident in the evolution of Australia’s contracted employment services: (1) <b>provider consolidation</b> (from 300 at the beginning of the Job Network in 1998 to around 40 under the current jobactive incarnation); (2) <b>increased market share of the for-profit sector</b> (30 per cent under JSA; 45 per cent under jobactive); (3) <b>stronger application of results-based payment approach</b> (under JSA about a third of payments were contingent on outcomes; under jobactive, over half); (4) a persistent and unresolved tension between maintaining <b>accountability</b> (to avoid gaming behaviours) and freeing providers from administrative burdens so that they can invest more time and creativity in service delivery to maximize outcomes.</p> <p style="text-align: right;"><i>Source: Jobs Australia, 2015.</i></p>	Centralized purchasing All services contracted out	Federal Department of Employment	No “traditional” PES exists. Recipients of benefits are assessed and referred to private providers by Department of Human Services (Centrelink). Providers report non-compliance, and sanctions are applied by Centrelink.	<p>The Australian model of outsourced employment service delivery has evolved significantly since its inception in 1998. From the outset, the Australian Government maintained that this approach was <b>more cost-effective than its former public sector system</b> (the Commonwealth Employment Service) and, since then, has commissioned various evaluations and impact assessments that <b>found a net positive impact of the approach</b>, in terms of both “off-benefit” outcomes and employment outcomes (Finn, 2011b).</p> <p>Other independently commissioned studies have raised questions about the effectiveness of the system in assisting the most disadvantaged and long-term unemployed. For example, Farrow, Hurley and Sturrock (2015) suggest that while the system has achieved reasonable results for the short-term, frictionally unemployed (i.e. those unemployed as a consequence of people moving between jobs) at low cost, <b>improved outcomes for more disadvantaged jobseekers have proved elusive</b>. They conclude that:</p> <p>The labour market context of the Australian system should also be kept in mind. Although the system has been in place for almost 20 years, during that time Australia has maintained strong economic and labour market growth. As of early 2017, Australia holds the world record of longest economic expansion with 104 quarters of economic growth without recession. While the Australian system might perform well in a severe <b>economic downturn</b>, it has so far not been tested in these circumstances.</p>
<p>2. <b>AUSTRALIA – Disability Employment Service (DES)</b>. Running in parallel to jobactive, Australia also contracts 224 specialist DES providers to assist people with disability to find work in open employment situations, to assist employers to employ people with disability and to support the continued employment of people with disability. Responsibility for tendering and contract management originally rested with the Department of Employment (as with jobactive), but has recently been transferred to the Department of Social Services.</p>	Centralized purchasing All services contracted out	Federal Department of Social Services	Recipients of benefits are referred to private providers by Department of Human Services (Centrelink) or can be referred through other service channels.	

Contracted employment service examples (cited in the literature since 2010)	Purchase approach	Purchaser	PES interaction	Evidence of effectiveness?
<p><b>3. DENMARK – Local contracting of employment services.</b> The Danish system has three tiers: the national ministry, a regional tier, and a network of 94 job centres (for which responsibility was devolved to municipalities in 2009). The system encompasses both <b>strong centralized direction and accountability and local flexibility</b>. Until 2014, some tenders were managed centrally and involved results-based contracts, but these are being phased out. <b>Local job centres now design their own tenders</b> (sometimes collaborating across regions). The <b>extent of contracting out varies significantly</b> – some do not contract out any services, while at the other extreme, the municipality of Gribskov has outsourced its job centre entirely to a private provider.</p> <p><i>Sources: Finn, 2016; Mploy, 2011.</i></p>	<p>Local purchasing Selective use of contractors for service delivery</p>	<p>Local PES</p>	<p>The local PES manages the selection and contracting of providers.</p>	<p>An observational study conducted by Skipper and Sørensen (2013) found “that contracting out placement services has a <b>negative impact on employment rates during the first six months</b> after assignment, by which time they have converged [with a non-contracted service control group]. However, other actors are <b>cheaper than municipal job centres</b>. Still, a supplementary cost-benefit analysis shows that the cost saving <b>cannot compensate for the economic losses associated with lower short-run placement rates</b>; other actors are not cost-effective” (summarized in Rehwald, Rosholm and Svarer, 2015, p. 4).</p>
<p><b>4. FRANCE – Contracting services to support vulnerable groups.</b> In 2008, France’s national employment agency (ANPR) merged with its unemployment insurance network (Assedic) to create Pôle Emploi. Wishing to improve its services to the most vulnerable groups, the new entity increased its use of contractors to deliver specialist services. Much of the subcontracting of employment services takes place at the local level through one of Pôle Emploi’s 1,100 local offices. While the <b>central office manages the outsourcing arrangements, local offices have substantial autonomy to develop their own partnerships and manage the projects</b> in their localities. Bidding providers are expected to prove their capability to attract hard-to-reach population groups in their localities, including inhabitants of rural areas, those with limited mobility and those who are suspicious of institutions. The French payment model uses a results-based approach, based on a “<b>no cure, less pay</b>” contract. At the start, 50 per cent of the price is given to the private employment service firm if there is proof of implementation. The remaining 50 per cent is held until a long- term job or a short-term contract of at least six months is obtained by the jobseeker.</p>	<p>Local purchasing Selective use of contractors for service delivery</p>	<p>Local PES (Pôle Emploi)</p>	<p>The local PES manages the selection and contracting of providers.</p>	<p>Behaghel, Crépon and Gurgand (2014) conducted an impact evaluation in which jobseekers at high risk of long-term unemployment were randomly assigned to experimental groups. They found that an <b>intensive public programme outperformed</b> a private programme in terms of efficiency and effectiveness.</p> <p>The study found that the provision of job-search assistance increases exit rates to employment by 15–35 per cent overall, but that the impact of the public programme was about twice as large as that of the privately delivered programme, at least during the six first months after random assignment.</p>

Contracted employment service examples (cited in the literature since 2010)	Purchase approach	Purchaser	PES interaction	Evidence of effectiveness?
<p>5. <b>GERMANY – Voucher system.</b> PES services in Germany are complicated by the fact that different service delivery models exist in different municipalities. BA (the national PES) is the central body responsible for labour market intelligence, the unemployment insurance system, and the delivery of employment assistance and labour market programmes for most of the unemployed. There are 156 large regional offices (each with 200–400 staff), a network of smaller branch offices, and approximately 404 local job centres, most of which are co-managed by the BA and municipalities, but a quarter of which are managed solely by municipalities (which have chosen to opt out of the national PES performance management system).</p> <p>Within this institutional framework, BA contracts private providers in a number of ways, including <b>training vouchers</b>, <b>job placement vouchers</b> and direct contracting of providers by BA for <b>specific services</b>. While strictly speaking they are based on a direct contract, training vouchers provide a mechanism to accredit or license providers to facilitate jobseeker choice in employment services provision. Separate job placement vouchers have also been introduced and, following the liberalization of the relevant regulations, these provide incentives for PrEAs to place the unemployed. Vouchers are delivered through the PES: eligible jobseekers (generally, those who have been receiving benefits for at least six weeks) can request a voucher, or vouchers can be offered to selected jobseekers by PES case workers. Providers can claim payments based on duration of placements. BA also <b>contracts providers directly to deliver a wide range of re-integration and training services</b>.</p> <p style="text-align: right;"><i>Source: Finn, 2016.</i></p>	Local purchasing (for specific interventions; centralized accreditation of providers for voucher services)	Local/regional PES (for direct service contracts)	Local PES manages selection and contracting of providers	<p>Strittmatter's (2016) analysis of the effect of Germany's training vouchers on the unemployed found that voucher mechanisms <b>prolong the unemployment duration of training participants in the short term</b>, but open up <b>better long-term employment opportunities</b> (compared with a "mandatory assignment system" in which case workers make the decision). He found that the use of vouchers can increase consumer sovereignty, market transparency and competition among training providers. On the downside, jobseekers who let their vouchers expire have reduced short-term employment probabilities, and case workers' ability to sanction and supervise programme participants is limited.</p> <p>Doerr et al. (2014) also found that voucher recipients experienced longer periods of labour market success, but <b>found only small positive effects overall and no gains in earnings even four years after the voucher award</b>.</p> <p>Outside the voucher system, and focusing on direct contracting arrangements, Krug and Stephan (2013) conducted an impact evaluation through which hard-to-place jobseekers were randomly assigned either to the PES or to a private provider. They found that <b>public provision of placement services can be at least as effective</b> as contracting out.</p> <p>An earlier observational study by Bernhard and Wolff (2008, p. 4) concluded that "assignment to private providers is generally <b>ineffective ... regarding the goal of avoiding unemployment and benefit receipt</b>".</p>
<p>6. <b>KOREA, REPUBLIC OF – "Successful Employment Package"</b>. This outsourced employment assistance programme provides counselling, psychological assessment, employment pathway planning, training and job placement support to targeted jobseekers (including low-income unemployed, older workers and young adults). Financial incentives are provided to the participants for participation and sustained job outcomes. The <b>Ministry of Employment and Labour selects and contracts private providers (PrEAs) at both the metropolitan and local levels</b>.</p> <p style="text-align: right;"><i>Source: ILO, forthcoming.</i></p>	Local purchasing	Ministry of Employment and Labour	Conducts initial evaluation of jobseekers, refers participants, and monitors and evaluates the services of contracted organizations.	The employment <b>outcome success rate</b> for this programme in 2013 was reported to be <b>59.2 per cent overall</b> with higher rates for young adults (67.5 per cent) and low-income participants (63.3 per cent), and lower rates for older participants (47.5 per cent) and recipients of national basic welfare payments (43.6 per cent).

Contracted employment service examples (cited in the literature since 2010)	Purchase approach	Purchaser	PES interaction	Evidence of effectiveness?
<p>7. NETHERLANDS – Various models through devolved “reintegration services”. Local government has responsibility for the delivery of employment services, with the national Government making block grants with incentives to reduce welfare caseloads. Municipalities either <b>provide employment services in-house or contract out delivery to external providers</b>. Intensive assistance “re-integration services” may include case management, assessment, rehabilitation, vocational and/or job-search training, mandatory work experience, extended work trials, and job placement and retention services. Services can be organized or purchased as separate elements or as a full “re-integration trajectory”. This includes contracting out the case management service and often gives the provider greater flexibility over how to get a participant into employment.</p> <p>Initially, the national Government obliged municipalities to contract out at least 70 per cent of the re-integration services, but since 2006 municipalities have been able to decide which parts of their local provision they want to “make or buy”, either through in-house provision or through contracts with external providers. <b>Many have brought case management and initial assessment back in-house</b> and have tended to <b>contract out the delivery of specific services, such as job placement</b>, rather than whole re-integration trajectories.</p> <p>PrEAs are important actors in the Netherlands’ employment services system, both as contracted providers of publicly funded employment services and as labour market intermediaries. Temporary work through TWAs is seen as a legitimate employment outcome and as a path to more regular jobs (in line with a “work first” philosophy).</p> <p><i>Sources: Finn, 2016; Slotboom and Blommesteijn, 2015.</i></p>	<p>Local purchasing</p> <p>Selective use of contractors for service delivery</p>	<p>Municipalities</p>	<p>PES (UWV) is moving towards an online service delivery model. Jobseekers register for work and submit benefit claims online through the UWV’s website. According to one source (Slotboom and Blommesteijn, 2015), cooperation between UWV and municipalities is not widespread.</p>	<p>The employment service landscape in the Netherlands has changed significantly in recent years and the literature review found <b>no reports that described the effectiveness of current arrangements</b>.</p> <p>Finn (2011a) refers to two older evaluations which are somewhat narrow in focus. Koning and Heinrich (2010) explored the differential impact of different results-based payment settings (i.e. “no cure, less pay” versus “no cure, no pay”),* and found that, overall, the latter increased job placement rates for more readily employable workers, but was not effective for harder-to-place jobseekers. Koning (2009) examined the impact of contracting out employment services on municipal social assistance caseloads. It found increased investment in welfare-to-work increased social assistance outflow rates, but by less than 1 per cent.</p>

Contracted employment service examples (cited in the literature since 2010)	Purchase approach	Purchaser	PES interaction	Evidence of effectiveness?
<p><b>8. UNITED KINGDOM – Work Programme (2011–17).</b> The mainstream welfare-to-work delivery system comprises a national network of PES (JCP) offices and a mixed network of for-profit and non-profit “prime providers” that deliver services to the long-term unemployed and other disadvantaged groups. Until 2007, PES regional offices were largely responsible for the competitive procurement and management of a wide range of employment programmes. A review led to a new system, the Work Programme, which replaced most existing programmes and involved a <b>centralized procurement</b> process run by the DWP. Key features of the programme were its use of “<b>prime providers</b>” – large, well-capitalized organizations which would be responsible for their own network of specialist subcontractors, called their “<b>supply chains</b>” – a strong focus on <b>payment by results</b>, and a non-prescriptive approach to service design (the so-called “<b>black box</b>” approach”.</p> <p style="text-align: right;"><i>Sources: Finn, 2016; Finn, 2011a.</i></p>	<p>Centralized purchasing Most services for long-term unemployed and at-risk groups contracted out</p>	<p>Department for Work and Pensions</p>	<p>In most cases, jobseekers receive services from PES (JCP) for one year before being referred to a Work Programme provider.<sup>†</sup></p>	<p>Several sources indicate that the Work Programme had a poor start (e.g. National Audit Office, 2014). Finn (2013) alludes to early problems with referral processes, allegations of fraud and profit-taking, “gagging” of subcontractors, and doubts about the degree to which promised service personalization had been achieved in practice.</p> <p>A National Audit Office report (2014) noted that, despite these early problems, the Work Programme had subsequently generated <b>similar outcomes to the programmes it replaced but for half the cost</b>.</p> <p><b>Job outcomes for harder-to-place groups were</b>, as in the Australian experience, <b>less satisfactory</b>, with results falling “well short of the Department’s and bidders’ expectations” (<a href="https://www.nao.org.uk/report/the-work-programme/">https://www.nao.org.uk/report/the-work-programme/</a>). The report notes that <b>prime providers were reducing what they had planned to spend on the hardest to help</b> and redirecting their support to jobseekers deemed to have better employment prospects.</p> <p>A House of Commons review (Work and Pensions Committee, 2013) asked whether some of these hard-to-place jobseekers were ready for Work Programme services and whether <b>some form of preparatory intervention was needed</b> for such groups (e.g. homeless people and those with serious drug and alcohol problems). The performance of the Work Programme also varied between regions, with results often lowest in regions with the highest levels of unemployment.</p>
<p><b>9. UNITED STATES (New York City: NYC) – Prime contractor model for welfare-to-work.</b> In NYC the Human Resource Administration (HRA) is responsible for delivering “public assistance” cash payments and referring all eligible applicants to mandatory employment programmes via its network of local job centres. Under the Back to Work programme, welfare-to-work employment services are contracted out and delivered through a network of <b>prime contractors under a results-based system</b>. <b>Each public job centre works with only one prime contractor</b>, which provides customized and flexible employment and work experience services and work to jobseekers throughout their period of registration.</p> <p>A separate service for jobseekers with multiple and complex barriers to employment – WeCARE – is provided via two contracted prime contractors and their subcontractors. Contracts for this service provide a mix of results-based payments (two-thirds) and monthly service fees (one-third).</p> <p style="text-align: right;"><i>Source: Finn, 2012b.</i></p>	<p>Local purchasing (by NYC Government)</p>	<p>NYC HRA</p>	<p>The HRA’s network of local job centres assess benefit eligibility and employability and all job-ready applicants are referred to a contracted provider.</p>	<p>Kasdan and Youdelman (2008) reported that in the first year of the Back to Work programme <b>less than 10 per cent of participants secured employment</b> and questioned the sustainability of these placements. The data and conclusions of this report (which was commissioned by an advocacy group) were refuted by HRA, but the present review was unable to find any available independent performance evaluations.</p>

<sup>\*</sup> On the “no cure, no pay” type of contract, see subsection 4.3.2 below on “Results-based contracting”.

<sup>†</sup> This may change under the new Work and Health Programme, introduced in 2017. According to the most recent announcements, the bulk of referrals will be jobseekers with disabilities or health conditions, plus jobseekers unemployed for two or more years.

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## 4.2. Analysis and discussion

Drawing conclusions from these disparate examples is difficult; confidently saying what works, what does not work and why, even more so. As was the case with “true partnerships”, contracted service models are generally not described in the literature in a way that facilitates comparisons. The studies that focus on effectiveness and impact – which are essential to the task of determining “what works” – all apply different methodologies and examine systems at a particular time (often before the “bugs” have been ironed out); and, if they use “experimental” evaluation techniques, they apply different approaches to random assignment. Everything depends on context, and there are so many contextual variables that it would be unwise to offer even a menu of policy responses. Moreover, most of the examples described above are in a constant state of flux within their own contexts, making the advocacy of any particular model elsewhere even more risky.

### *Lessons learned*

Keeping these important limitations in mind, the examples described above do highlight some recurring issues that need to be considered:

- **Outcomes for the most disadvantaged do not seem to have been significantly improved through the use of market-based mechanisms.** Both the Australian and UK models (and possibly the New York City model) were reported to work well for the shorter-term unemployed and easier-to-place jobseekers, but achieving sustainable job outcomes remains elusive for the long-term unemployed and those with more complex barriers to employment. Clearly, efforts have been made in programme design and through contract management to ensure that these jobseekers receive levels of service appropriate to their needs, and to calibrate results-based payments in a way that makes achieving outcomes for them attractive to service providers. Models have provided additional incentives for these hard-to-place jobseekers, and performance has been monitored to minimize the risk of providers engaging in “parking” or “cream skimming” practices (see subsection 4.3.2 below). Despite these measures, results continue to be disappointing for these groups, and a more rigorous analysis of service models and interventions may be required to highlight what works for different people and to overcome different barriers.
- **The available evidence does not suggest that contracting out services is *necessarily* more effective or less costly.** The German, French and Danish examples have been the subject of impact evaluations or observational studies, and these did not find a close correlation in general between private provision and better or cheaper outcomes. Both the Australian and UK models, on the other hand, were claimed to be much less costly than previous models (which both involved a mix of public services and contracted private services). As Rehwald, Rosholm and Svarer point out, “it stands to reason that the relative merits of private and public service provision may depend on context” (2015, p. 6).
- **Contracting approaches continue to evolve in such areas as programme design, provider payments and market development.** The next section accordingly explores in detail three key topics that are central to current practice in the design and contracting out of employment services and ALMPs: the trend towards “**commissioning**” and “**co-design**” of employment services; approaches to **results-based contracting**; and the **development and “stewardship” of provider markets**.

More broadly, the literature identifies other important considerations in the contracting of employment services. These include the following:

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- **Design.** Contracting systems will inevitably evolve. Ways should therefore be found to allow for rapid learning and to provide contractual flexibility. International experience suggests that the use of contracts in employment service and ALMP delivery has been in constant flux, and that purchasers regularly revise contractual terms and payment arrangements as conditions change. In the pursuit of better job outcomes and to respond to unanticipated effects, purchasers have been required to adopt a continuous improvement approach based on “learning by doing” (Finn, 2011a).
  - **Piloting and testing.** Programmes should be piloted and evaluated before being implemented on a national scale. This allows for necessary adjustments to be made and avoids scaling up interventions that are not effective or efficient. (Angel-Urdinola, Kuddo and Sendlali, 2013).
  - **Bid selection.** Giving too much weight to lowest price can result in poor services and unviable contracts. A range of criteria is needed; international experience suggests that price is only one factor considered in effective contracting systems (Finn, 2011a). Other factors can include demonstrated capability to achieve results for the target group; relationships with other relevant services; financial viability; and details of strategies to work with jobseekers and employers.
  - **Public sector capability.** Contract management by public officials requires a specific set of skills, and attention needs to be given to developing these skills. These include skills in contract design, programme commissioning and contract management (Finn, 2014).
  - **Duration and length of contracts.** Introduction of longer and/or larger contracts creates an opportunity for greater risk transfer and encourages provider investment (as in the United Kingdom’s Work Programme). The risks associated with this approach can be managed through careful contract design and performance monitoring and management (Finn, 2014).
  - **Collaboration between providers.** Although challenging in a competitive market, provider collaboration in the servicing of large employers and major projects is needed to maximize jobseeker access. Ways should be sought to enable this collaboration – as for example in Transport for London’s coordinated engagement with six prime providers (Work and Pensions Committee, 2013).
  - **Market management.** Effective competition between providers needs clear objectives and indicators, transparent performance data and, where feasible, scope for moving market share from lower to higher performers (Finn, 2014). An example is Australia’s “star rating system”, in which provider performance is regularly assessed on a five-star scale and market share is shifted from low-performing to high-performing providers.
  - **Information systems.** These need to be established to track participants, manage performance, and verify services and outcomes (Finn, 2011a).
  - **Payment systems.** The nature and frequency of payments (including through results-based systems), and how they are processed, are of critical importance for ensuring viability, investment in service delivery and engagement with all clients (Finn, 2014). The United Kingdom’s shift in its Work Programme to larger, well-capitalized providers that had the capacity to bear more of the financial risk enabled the results-based component of these systems to be strengthened. However, where smaller and less financially robust providers are involved, cash flow can become more critical and different payment regimes may be needed.
  - **The client experience.** This needs to be independently monitored to assess client satisfaction and guard against “parking” clients. The service experiences of individual jobseekers can be complex, and mechanisms need to be in place to seek feedback so that any service deficiencies can be addressed. These can include service guarantees (such as in Australia, where contractors are required to provide information on service entitlements and specify how jobseeker complaints can be addressed) or independent surveys of jobseeker satisfaction (Finn, 2011a).

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- **Impact evaluation.** Developing a systematic approach to measuring the impacts of contracted services will inform continuous improvement. Counterfactual impact evaluations can provide a solid evidence base for overall effectiveness, and qualitative techniques can also be useful, exploring the possible causal relationships between programme elements and outcomes using economic, psychological or other theoretical models (EC and AC, 2015)

### 4.3. Some trends and design considerations in contracting

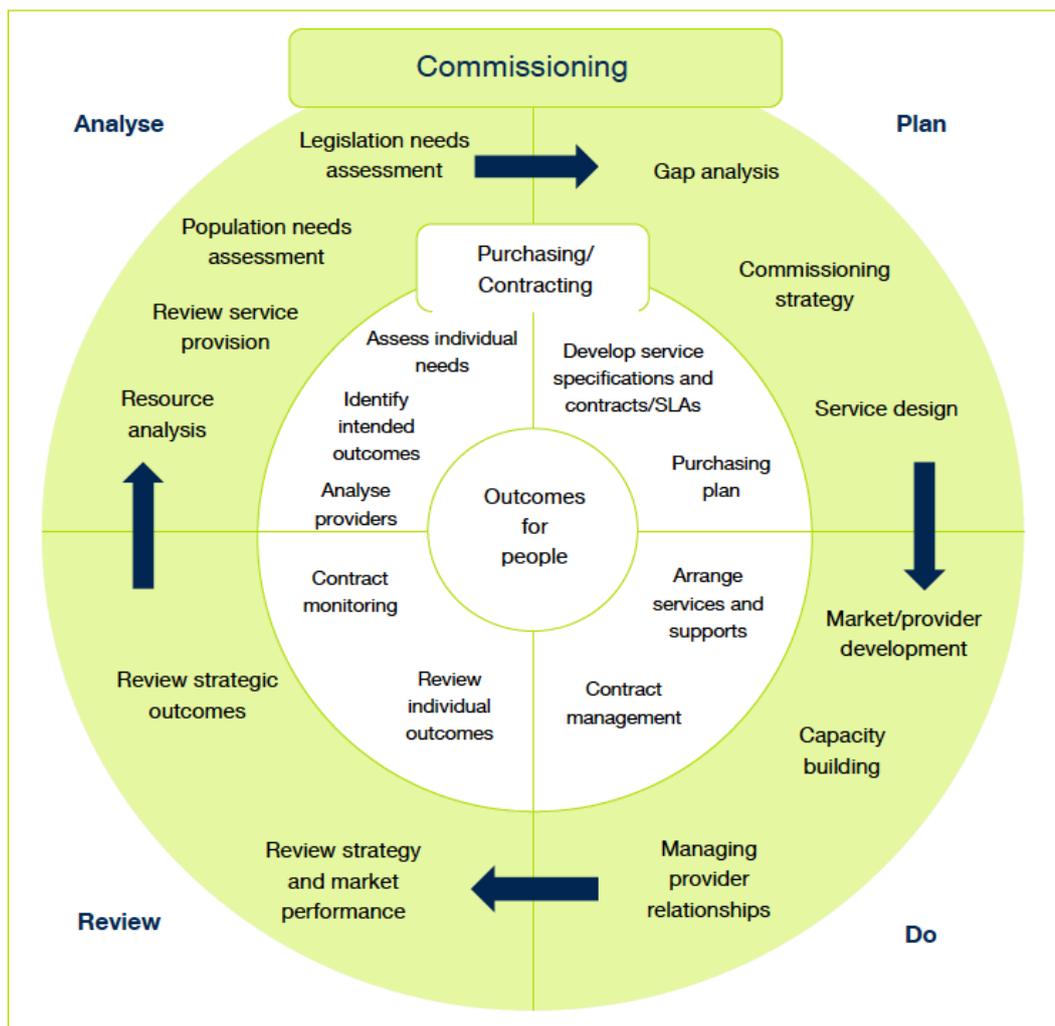
#### 4.3.1. “Commissioning” and “co-design” of employment services

New approaches to the design and development of public services are being introduced in some countries (most notably in the United Kingdom, but also elsewhere in the OECD), and these are influencing the administration of employment services and ALMPs, including contracting arrangements. Some approaches use terminology that is not always clearly defined, and this has sometimes led to quite different interpretations in practice. This is especially the case with the trend towards programme “commissioning” and use of a “co-design” approach (see box 13).

**Commissioning** can be seen as part of a wider international trend towards the diversification of providers within public services, and as reflecting dissatisfaction with existing contracting models (Rees, 2014). Unlike conventional “procurement”, which focuses on ensuring delivery of a service rather than on its design, and implies an outsourcing, market-based approach to service provision (Thomas, 2013), commissioning takes a broader view of how best to allocate available resources “through the right mix of government, private and not for profit involvement ... to secure and deliver services which meet public policy objectives” (EYGM, 2014, p. 3). It aims to harness “the strengths of the public, private and not-for-profit sectors and draw upon a wide range of service delivery and business models that allow governments and citizens to influence how services are delivered while achieving better outcomes” (ibid.). Dispelling the view that commissioning is simply procurement by another name, Thomas (2013, p. 4) argues that “commissioning is much more than procurement and might not involve procurement at all” and “is about researching and setting policies and deciding on the best way of achieving those policies”.

**Co-design** is conceptually linked to commissioning and “is an approach to designing a solution which seeks to actively involve all stakeholders ... to help ensure the end result is practical and meets the needs of those involved” (NSWDI, 2016, p. 9). In the “commissioning cycle” (Crowe, Gash and Kippin, 2014), co-design fits into the analysis and planning stages, where priorities and outcomes are first determined, and then services are collaboratively planned and designed (see the commissioning cycle diagram in figure 2. As Shergold (2016, p. 24) argues: “There is much more significant advantage if public administrators can engage commercial and social enterprises in the co-design and co-production of the programmes that make manifest the policy objectives of government.”

Figure 2. The commissioning cycle



Note: SLA = service-level agreement.

Source: Thomas, 2013

**Box 13. An example of a commissioning/co-design approach to ALMP development: Australia**

In December 2016, the New South Wales Department of Industry (a state government agency) released a tender for a new Youth Employment Programme to be delivered in four regions. Launching an outcome-based prime provider model for the programme, the tender recognized that this approach was “new to service providers and government alike” and that “interventions that will make a real difference for participants can only be designed if we all work together”. The approach adopted involved:

- the department describing in the tender documentation *how it viewed the problem and how it anticipated the programme could be implemented*;
- respondents to the tender using their experience and local job market knowledge to *propose a design approach to deliver defined programme outcomes*;
- the department assessing these proposals against published evaluation criteria and *creating a shortlist*;
- inviting shortlisted respondents to participate in a *co-design process*, involving a range of stakeholders, to agree on *how best to deliver outcomes* for participants and to determine the *exact mechanisms of the proposed solution*;
- respondents then *preparing refined proposals* which would form the *basis for the department’s appointment of prime providers*.

Source: NSWDI, 2016

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Approaches to commissioning and co-design vary and, as noted above in relation to the use of “partnership” language, there is sometimes a gap between the rhetoric that surrounds commissioning and the reality of its practice – as Rees (2014, p. 46) has put it, “commissioning is a difficult topic to get to grips with because it is still in development in theory and in practice”. In practice, there can be tensions that reflect the dichotomy referred to above between the hierarchical, purchaser–provider relationships characteristic of contracted service delivery and true partnerships. Because of these tensions, **commissioning may in practice often operate on a continuum** “between ‘intelligent/collaborative’ commissioning on one side and ‘commissioning on price/procurement’ on the other” (ibid., p. 50). The former is associated more with what we have labelled “true partnerships”, while the latter tends to accompany the contracted services/outcomes approach.

What is clear is that the commissioning approach exemplifies and reinforces the idea of government agencies and PES assuming a new role in employment policy implementation. Building on the NPM idea that governments “should steer rather than row” (Osborne, 1993, p. 352), and acknowledging the existence of a “mixed market” of public service providers in most developed countries, commissioning reflects a view of the role of government as in transition **from being the default deliverer of services to “being a creator, steward and regulator of public service markets”** (EYGM, 2014, p. 3, emphasis added) which might involve delivery by public, private or third sector providers.

This is a view that harmonizes well with the European PES 2020 Strategy, formulated by the Heads of PES (HoPES) and supported by European Commission. This seeks to position PES as “conductors”, promoting and managing labour market actors to improve the functioning of the labour market – a change in role that entails “a shift from functioning (only) as service providers towards functioning (also) as **service seekers**, that compose scenarios for the most qualitative, effective and efficient constellation of services” (HoPES, 2012, p. 5, emphasis added). The individual responses of European PES to this repositioning suggest that they vary in both their current orientation and their readiness to assume this new role – they are on a “continuum between a minimalist (‘residual PES’) and maximalist (‘full-service PES’) scenario”, and sometimes an overarching authority or ministry is better placed to act as conductor (HoPES, 2011, p. 1).

In any event, whether or not the language of “commissioning” is actually used, some jurisdictions are moving towards systems that seem not far removed from it, using processes for “measuring and comparing all possible measures for all possible target groups with a view to selecting the most efficient, qualitative and cost-efficient service” (HoPES, 2011, p. 2). For example, in a response to a HoPES issues paper on the role of PES as a “conductor”, Hungary indicated that:

*The integration of active labour market policies shall result in a single market of intervention tools where (public) funding is allocated to the most efficient response to any specific labour market problem and its most efficient supplier. In this single market the optimisation of resource allocation takes place irrespectively to the owner of a given capacity. (Ibid.)*

Similarly, in France, the approach seeks to systematically “adapt, diversify and expand the existing offer in the region so that it corresponds more adequately to the needs of its users, both in quantitative and qualitative terms” (HoPES, 2011, p. 2).

The commissioning cycle follows well-established methodologies in quality management and planning,<sup>19</sup> and refines these to ensure that the broadest range of service

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<sup>19</sup> Such as W. Edwards Deming’s “Plan–Do–Study–Act” continual improvement methodology – see <https://deming.org/explore/p-d-s-a> [accessed 5 Sep. 2017].

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solutions is canvassed from the “public service market”. But are there risks in the commissioning approach?

Although involving potential users, service providers and other stakeholders in analysing needs and designing services is unquestionably a good thing, the role of government in the process remains crucial. The administration and provision of employment services and ALMPs requires a depth of understanding of how services are delivered on the ground. Some have argued that **public sector capability in this respect can be eroded** if it withdraws completely from service delivery. Reviewing the experience of Australia, which abolished its PES almost 20 years ago, Farrow, Hurley and Sturrock (2015, p. 39) argue that public sector policy-makers and programme commissioners have

*become disconnected from direct service delivery and [are] increasingly lacking the expertise and experience to break down the complexity of human services, identify the key systemic challenges, and design a viable system that can robustly address disadvantage whilst catering for the frictionally unemployed.*

They point out that in the early years of Australia’s outsourced employment services, the system was steered by staff who had previously worked in the PES and who had experience as practitioners in assisting jobseekers and employers, case management and local labour market development. This hands-on experience has since been lost. In the words of one stakeholder whom they consulted: “Contract managers in the Department used to be [former PES staff] with hands-on experience. Now there’s a new generation of managers who have never delivered services to people. They are obsessive about computer screens. This leads to perverse outcomes” (ibid., p. 40). To put it another way, even if “governments should steer rather than row”, it helps to have at least someone at the helm who has been off dry land.

Such a loss of public sector capability can **adversely affect government influence in other areas** of the labour market. Because it operates in the space where jobseekers and employers interact, an effective PES can play important roles in aligning services with local economic development and job creation strategies and in directly contributing to the formulation of employment policy (Avila, 2015). PES can offer responsiveness to unexpected labour market threats (e.g. natural disasters, economic crises) and opportunities (major projects) – an agility that can be difficult to replicate through contracted services (ibid.) PES can complement macro-level strategic management and vision-setting by offering an understanding of “micro-level detail, keeping an eye on what needs to happen and in what order, managing issues and risks as they arise” (Herbert, 2009, p. 54). Without at least some direct public sector presence, these capabilities can weaken and “corporate memory”<sup>20</sup> in this space can be lost as a “national asset” (Thuy, Hansen and Price, 2001, p. 167).

Of course, properly implemented, commissioning is meant to consider the full range of delivery options, including outsourcing and retention by the public provider. At present, among OECD countries, only Australia has abolished its PES; but, while other countries that operate quasi-markets still retain varying levels of “in-house” service capability (HoPES, 2011), external contracting is on the rise (in line with the EU’s promotion of a PES “conducting” role). If this trend continues there may come a point where, as in Australia, governments find that their core “skills and expertise are built around contract and market management, and thus outsourcing becomes a **self-perpetuating cycle that crowds out**

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<sup>20</sup> As former Australian Treasury Secretary Ken Henry observed in relation to service outsourcing, “many departments have lost the capacity to develop policy; but not just that, they have lost their memory” (Tingle, 2015, p. 13).

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**other service models** from emerging” (Farrow, Hurley and Sturrock, 2015, p. 47, emphasis added).

### **4.3.2. Results-based contracting**

Contracted service delivery has increased the opportunity for results-based management of employment services and ALMPs. The movement towards results-based approaches is widespread, and is evident not just in the administration and delivery of government programmes, but also in such diverse fields as international aid, through “Results-Based Aid” (Klingebiel, 2012), the philanthropic sector, through “Results-Based Philanthropy” (Carter, 2011), and in performance-based remuneration of government officials (Halima, 2008). It is also at the heart of modern “programme logic” approaches to programme design that set out a chain of reasoning linking investments with results.

Unlike alternative output-based approaches that focus on the activities delivered by service providers, results-based approaches focus instead on providers achieving defined outcomes. Typically, they

- define the objectives and indicators by which results are measured;
- involve the collection of valid outcome data for the contracted service; and
- reward or penalize providers on the basis of measured results rather than just activities performed.

Using this approach, government agencies identify the desired results or outcomes (sometimes through the commissioning and co-design approach described above) and can give providers more flexibility in how they achieve these results. Contracting agencies might, for example, choose to be less prescriptive in defining the activities to be performed and instead allow providers more scope to innovate or to adapt their methods to local circumstances to achieve the service’s objectives. Ultimately, providers will be rewarded for the results that they can demonstrate (through verifiable outcome data) rather than for the completion of a checklist of activities or outputs. By making funding contingent on the achievement of defined outcomes, results-based approaches also shift the balance of financial risk towards contracted providers and away from government agencies, thereby enhancing cost-effectiveness.

The way that payments to providers are structured under results-based contracts varies – they can be purely results-based or can include a mix of results-based payments and fees for services. The results-based portion of either model (pure or mixed) can involve incremental payments (e.g. payments made in tranches over time, depending on the sustainability of the outcome or continuation of the job placement) or the achievement for each jobseeker of a defined period (e.g. six months) of continuous employment.

Under a pure results-based payment model, providers do not receive any payment until and unless specified outcomes have been achieved: such arrangements are sometimes referred to as “no cure, no pay” contracts. In this model, the provider shoulders all risks. The government purchaser would be committed to pay only for interventions that have led to demonstrable results, however these are defined in the contract.

In practice, such a pure results-based approach can pose important implementation challenges that need to be addressed in programme design. For example:

- There is a risk of providers “cream skimming” those jobseekers who are easier to place (or investing most of their efforts in those who are least in need) and “parking” (or under-servicing) the harder to place. Results-based systems mitigate these risks by tightening their monitoring systems and by implementing differential payment systems

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based on the measured level of difficulty in achieving results (Finn, 2013) – recognizing, for example, the difficulties associated with placing disabled people, long-term unemployed, older workers, or people living in remote communities or in places where jobs are scarce.

- Without some form of up-front payment, the long lead-times and labour-intensive work involved in activating jobseekers and preparing them for and placing them in employment can **prevent smaller providers with lower cash reserves from entering the market**, thereby reducing competition and provider diversity (Hitchcock, Pickles and Riggs, 2016). Even if they do enter the market, smaller providers might struggle to survive in business if outcome fees are paid only after the “cure” is achieved (ANAO, 2005).<sup>21</sup>

Some results-based payment models grant providers an advance payment in anticipation of results, which is repayable if the result is not achieved. Others structure payments by combining results-based payments with service fees, or payments for defined interventions that are provided as part of the contract service (also sometimes referred to as “no cure, less pay” contracts.) Service fee payments can be scheduled over the period of the jobseeker’s relationship with the provider; this mechanism could help to reduce the risk of cash-flow problems that certain smaller providers might face, thus effectively helping to develop the market of available providers. Overall, there are many variants of results-based payment models in employment services: according to Finn (2013), up to 40 per cent of contract value was linked to results in Australia, 10 per cent in much of the United States and even 100 per cent in a small number of “no cure, no pay” contracts in the Netherlands and the United States.

The United Kingdom’s Work Programme, introduced in 2011, in some ways represented a more ambitious venture into results-based contracting, one that sought to resolve many of the long-standing barriers to a fuller realization of its aims. A 2007 review of the UK’s welfare-to-work system (Freud, 2007) proposed a system which was intended to attract larger-scale, well-capitalized “prime providers” willing to invest their own resources in services up-front in return for longer-term, higher-value, results-based contracts (moving from 85 per cent to 100 per cent over the contract life) that gave them greater flexibility to deliver services as they saw fit. Although only a few “prime providers” would be contracted, to maintain provider diversity and local responsiveness they would be expected to engage and develop their own networks of subcontractors in a “supply chain” and manage their performance under the results-based regime.

The increased flexibility to deliver services with little centralized prescription is referred to as “black box” contracting. In its purest form, a black box contract would remove the need for any service definition by the contractor, leaving all such decisions to the provider, embodying a “do whatever it takes” approach. In practice, however, governments need to take account of the expectations and satisfaction of the jobseeker clients of the service, and so put safeguards in place, such as codes of practice, service charters and service guarantees, to define minimum service levels. In the United Kingdom, providers need to justify any changes to the services outlined in their original tender bid (including those provided in their supply chains), and in some cases contract variations may be required (Finn, 2016). Despite this, the UK system is regarded as applying a relatively “light touch” in this regard (Finn, 2012b).

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<sup>21</sup> This was the case in Australia in the early stages of implementation of its privatized Job Network system. Smaller providers from the non-profit sector, accustomed to being funded on a fee-for-service basis, especially struggled. Consideration of provider cash-flow issues is an ongoing issue and various changes have been made over time as the system has evolved (e.g. ANAO, 2005).

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There is a clear trend towards results-based approaches and more flexible “black box” models in the contracting of employment services and ALMPs, and these models are being promoted in both developed and developing countries by various international bodies, including the EU, the ILO and the World Bank (Angel-Urdinola, Kuddo and Semlali, 2013). But again, there are downsides and risks.

Results-based contracting can sometimes leave too little incentive for providers to support those who face severe barriers to employment and whose journey into work is likely to be much longer than the average. Even if differential payment systems offer significant extra rewards for the placement of these individuals, and monitoring systems are alert to “cream skimming” and “parking”, the progress of some jobseekers will be slow and, if only sustainable job outcomes matter, the pay-off for a provider’s efforts might be a long time coming, if indeed it materializes at all. In other words, sometimes achievement of narrowly defined results can be too limiting a way of assessing the benefits offered by the service (Rees, Mullins and Bovaird, 2012). If results-based contracting is to offer incentives for bringing those who are furthest away from the labour market towards work, it may need to “consider how to capture and reward ‘distance travelled outcomes’, which serve as staging points along a journey into employment” (Johnson, Murray and Windett, 2016, p. 3, emphasis added). For example, for people facing multiple and complex barriers to employment, payment models may need to incorporate the achievement of other intermediate “results” – such as achieving the stability required to allow workforce participation by overcoming mental health, drug, alcohol or homelessness issues.

Results-based contracting of providers can also raise important questions about accountability. Contracting out can make “accountability chains much longer, and thus [make it] more difficult to allocate and coordinate responsibility and to secure the transparency needed for public accountability” (Jantz et al., 2015, p. 1). Even when public provision of services is replaced by contracted private provision, the relevant ministers or public agency may remain ultimately responsible; but in these circumstances the temptation and opportunity exist to shift this responsibility to the providers when things go wrong. Thus this approach can “make the accountability of elected officials more remote and might encourage officials to shift blame to the contractors” (ibid., p. 7). While the risk of this happening has led some countries to establish codes of conduct or service guarantees, and to publish performance ratings,<sup>22</sup> the main performance accountability relationship under these contracts is generally between each provider and the ministry/purchaser, outside scrutiny often being rejected on the grounds of “commercial sensitivity” (ibid.).

The theoretical benefits of results-based contracting of providers have been outlined above; the existing evidence of its effectiveness and impact remains surprisingly mixed. A European Commission analysis (Knuth, 2012) highlighted continuing concerns about provider behaviours (e.g. cream skimming, parking, gaming and unethical conduct) and found that the benefits in terms of labour market outcomes for jobseekers were uncertain. In Australia, which was in many ways a pioneer of results-based contracting of employment services through quasi-markets and has placed a heavy emphasis on improving outcomes for the long-term unemployed and other disadvantaged jobseekers, better results for these groups remain elusive (Farrow, Hurley and Sturrock, 2015).<sup>23</sup> Nor do “no cure, no pay” regimes necessarily provide an effective long-term antidote – Koning and Heinrich (2010)

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<sup>22</sup> Australia’s “star ratings” system “has morphed from its original purpose as a tool for consumer accountability into a [set of] compliance and tender assessment criteria” (Farrow, Hurley and Sturrock, 2015, pp. 34–35).

<sup>23</sup> Though Farrow, Hurley and Sturrock concede that “the system has been relatively successful at keeping the least disadvantaged jobseekers active in the labour market and close to employment, at a relatively low cost” (2015, p. 25).

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found that “moving to a system with contract payments fully contingent on performance appears to increase job placements for more readily employable workers” but that these placements “were almost fully confined to temporary employment arrangements of twelve months at maximum” (abstract; p. 30).<sup>24</sup> The cost-effectiveness of such arrangements is also questionable: Bruttel (2004, p. 12), for example, points out that “some providers in the Netherlands<sup>25</sup> have indicated that they have increased the prices in response to the new principle in order to accommodate the higher risk”.

There are also some potential risks and downsides in embracing the “black box” approach. First, its use tends to be a matter of “all or nothing”. Contracting individual service elements (e.g. training, work experience, wage subsidies) becomes more complicated if providers are contracted to do “whatever works”, when such service elements become part of a “bundled” offering; this can impose some limitations on a purchaser’s ability to respond to what it sees as a labour market need. For example, market providers seem to be reluctant to use training, employment subsidies and more expensive services (Finn, 2012a) which governments might see as helpful in supporting broader local economic development strategies.<sup>26</sup> As Rehwald, Rosholm and Svarer (2015, p. 11) put it, “freedom of method is a two-edged sword: on the one hand, it is an important prerequisite for flexibility and innovation; the absence of precise guidelines for service delivery, on the other hand, creates the opportunity to save costs and allows contractors to act in their own best interest”. In other words, an inevitable consequence of a “black box” approach is a loss of central control (Work and Pensions Committee, 2013).

Second, the “black box” approach can hide what works and restrict the capacity of the system to identify and promote good practice. Competition means that effective practices can be prevented from being scaled up and thereby from achieving improvements across the system as a whole.

Finally, there is the question as to whether the purported benefits of the “black box” approach have been realized in terms of innovation, flexibility and improved results. In Australia, while the intention was “to ‘liberate’ service provision from a ‘slow, homogenous, ossified’ national provider” and mobilize more innovative and flexible providers (Farrow, Hurley and Sturrock, 2015, p. 34), “the end result of outsourcing labour market programmes has been at most a revolution half-fulfilled: jobseekers are still given too little real choice and providers afforded too little real freedom to innovate” (Shergold, 2016, p. 25). The rhetoric of the “black box” approach was prominent in the earliest incarnation of the Australian system (the Job Network, launched in 1998), but this has largely disappeared in the response to government sensitivity to the potential misuse of public funds and a desire for some consistency in service practice. In the United Kingdom, where talk of “black box” approaches is still prominent, there remains some uncertainty about what it means in practice (Work and Pensions Committee, 2013), and the level of innovation and personalization has not increased to any great degree: the system was viewed as delivering “the same kind of

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<sup>24</sup> They acknowledge that such results might be viewed as successes “if short-term jobs were a stepping stone to longer-term employment, and if shorter program lengths decreased the risk of lock-in effects for clients. So far, however, other evidence seems to suggest that short and long-term effects of programs are not strongly correlated ... casting doubt on the long-term effectiveness of the NCNP payment scheme” (Koning and Heinrich, 2010, p. 30).

<sup>25</sup> Until 2011, the Netherlands operated a “no cure, no pay” employment services model for the short-term unemployed, but its model for the long-term unemployed combined commencement and outcome fees. The service landscape has since changed in response to austerity measures. There has also been a measure of decentralization, with many municipal governments bringing case management and initial jobseeker assessment back in-house (Finn, 2016).

<sup>26</sup> Finn (2012a, p. 9) alludes to some instances where “re-regulations ‘ring fence’ resources for client services or separate contracts for specific services”.

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stuff that has always been delivered” (ibid., p. 42). Even if providers are innovating and getting better outcomes as a result, the details of these innovations are unlikely to be openly shared as they would be a source of competitive advantage.

### 4.3.3. Development and “stewardship” of provider markets

The type of results-based contracting of employment services and ALMPs described above presupposes the availability of a market of service providers that have the capability to deliver the services and to achieve the desired results. It also assumes a payment model through which providers can viably operate. However, for a variety of reasons, the potential pool of providers in some locations might be small and ill-prepared for a results-based approach, especially in many developing countries. Market development is therefore an important issue for whatever public agency is responsible for purchasing.

In its early stages, the emphasis might be placed on market composition and involve efforts to gauge the availability of potential providers that have the administrative or management capability, technical skills in jobseeker and employer servicing and intermediation, and ability to recruit people with the skills to deliver the services. To operate viably under a results-based contract, potential providers also need both the financial management capability and sufficient financial reserves to meet operational cash-flow shortfalls. In terms of market composition, the literature points to the existence of various provider mixes, drawing to different degrees from the for-profit, non-profit and public sectors (e.g. Finn, 2012a; Wood, 2010; Struyven and Steurs, 2004) – although, as markets mature, the market share of for-profit providers seems to be increasing. The market development process might also encourage the formation of consortia, drawing together smaller providers that may not be able to deliver the full range of required services independently, or may not have the financial capability or risk orientation required to operate under results-based contracting regimes.

Provider assessment and selection can take the form of open public **tenders** (in which any interested party can submit a bid) or selective tenders (in which invitations are sought from a defined group of potential providers). In the case of selective tenders, this group of potential providers might have first gone through a separate “prequalification” process that assesses their broad capability to provide services.<sup>27</sup> Contracts for those selected may be drawn up through any of a range of approaches: some jurisdictions (e.g. Germany, the Netherlands, Sweden) favour many small, specific contracts; others (e.g. the United Kingdom) relatively few “prime provider” contracts (Finn, 2014).

**Box 14. Provider selection: Tendering for services in Australia**

The public tender issued when Australia first outsourced its employment services highlights the potential scale and complexity of provider selection. The 1997 tender was the largest public tender of human services in the country's history. Over 5,300 bids were received from more than 1,000 organizations. The assessment and evaluation stage of the tender took over four months to complete. Over 300 organizations (50 per cent private, 44 third sector and the remainder public) won contracts to deliver services at over 1,400 sites (a significant increase on the number of sites previously delivering services under the PES).

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<sup>27</sup> This might include provider “panels” or lists of prequalified providers. These can be established in a number of ways, including through tenders and regular application rounds. Under these arrangements, providers have a “standing offer” to deliver services and can be contracted as needed, usually for the delivery of short-term activities. Prequalification or membership of the panel does not in itself guarantee any contract (for which a subsequent bid or tender might also be required), but expedites the purchasing process and establishes the provider’s basic eligibility and capability.

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In some countries (e.g. Belgium, Germany, Turkey), large-scale use is made of voucher systems, with the aim of maximizing jobseeker choice and competition. If adopted as the primary mechanism for market development, “the introduction and use of vouchers effectively removes the need for a tender-based bidding system” (Weishaupt, 2014, p. 14). Jobseekers can be issued with vouchers which they can trade for defined services in the market – such as job-matching services (e.g. in Germany), employment subsidies (e.g. in Belgium) and, more typically, training services (Schwegler-Rohmeis, 2015). While voucher systems are sometimes depicted as offering much greater opportunities for labour market expansion and development, in the process empowering users to select providers rather than relying on contracts organized by public authorities, in practice voucher systems still restrict access to licensed or accredited providers. In Germany, for example, only providers licensed by an independent accreditation authority can accept vouchers, and these licences can be withdrawn if job outcome performance does not meet expectations (Finn, 2016). Moreover, voucher systems do not always stimulate demand for providers’ services to the extent that is anticipated. In Germany, for example, PES statistics indicate that vouchers distributed to jobseekers are often not used. In 2014, 283,959 vouchers were handed out, but only 29,676 or 10.5 per cent were redeemed (ILO, 2015b).

In developing countries, the pool of potential providers capable of delivering the services might be small or non-existent. The opportunity to create more sophisticated markets in developed countries depends on three conditions that are often absent here – a much higher level of government expenditure on employment services, the ready availability of organizations that can demonstrate relevant competence in the delivery of these services, and a sophisticated and effective public planning and management infrastructure that can support procurement and outsourced programme management (Barbier, Hansen and Samorodov, 2003). While the World Bank and others are actively encouraging the development of market-based approaches to employment services and ALMPs in some developing countries (see e.g. Angel-Urdinola, Kuddo and Semlali, 2013), progress will require more ground work in laying these important foundations.

In mature employment services markets, the emphasis is placed more on “market stewardship”, a broader approach to market development that focuses on setting the rules and conditions of the market so that its performance, including competition between providers, works to achieve optimal outcomes for clients and maximizes choice (Institute for Government, 2017). This can involve the following factors:

- Performance monitoring systems, including the setting of and reporting against performance benchmarks and targets, the monitoring and verification of results (e.g. reviewing of information supplied by providers, random audits, collection of evidence from employers on the status of placed jobseekers, cross-checking unemployment benefit data), and “implementation monitoring” (i.e. monitoring service delivery and client satisfaction with services).
- Individual contract management arrangements, including regular performance feedback meetings and mechanisms for “open and transparent consultations with providers over issues that affect their operations” and “cooperative problem-solving and use of mediation in dispute settlement” (DOE, 2012).
- Facilitating the performance of the market as a whole in meeting the needs of the labour market. In some situations, it might be necessary to put in place special labour intermediation arrangements to ensure that employers have streamlined access to a broader pool of potential recruits from across the entire provider network. (Subsection 5.1 below provides an example of how this was achieved in Australia to ensure that a major public works project drew recruits from across the network of employment service providers.)
- Arrangements to re-allocate market share from poor to good performers (Finn, 2014).

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- Ensuring effective consultation with the market as a whole – for example, encouraging and actively supporting the establishment of a peak representative body for providers can also help market development by linking providers and giving them a collective voice in policy and programme development. Examples of such bodies are Australia’s National Employment Services Association and the Employment Related Services Association in the United Kingdom.<sup>28</sup>

The literature does not provide many examples of strategies to support the initial establishment of a provider pool for contracted employment services and ALMP delivery. Developed countries seem to have built their capacity incrementally, often starting with small-scale outsourcing of defined services for which there was an existing market and gradually contracting out more. Even in these countries, when delivery has shifted to results-based contracts weaknesses in providers’ operational and management capability have been exposed, and purchasers have sometimes had to provide direct support to avoid market failure: for example, in the early stages of the introduction of Australia’s competitive model, “Market Development Grants” were paid to some providers as they struggled to adapt to the new arrangements (DEWRSB, 2000).<sup>29</sup> In developing countries, where public funding is more limited, such approaches may not be a realistic option.

Where results-based quasi-markets have operated for some time, there appears to be a trend towards consolidation, with fewer, larger, “for-profit” providers, contracted for longer periods. This is partly the result of deliberate policy choices, such as in the United Kingdom following its strategic review of its welfare-to-work approach (Freud, 2007), but is also partly attributable to evolutionary factors as markets mature and improved performance has come to be associated with a reduction in the number of providers over time (Finn, 2012a). It also relates to budgetary pressures on purchasing authorities that drive them “to deal with fewer organisations in order to cut their procurement costs in the new era of austerity” (Rees, Mullins and Bovaird, 2012, p. 24).

Conscious of a need to maintain the involvement of smaller specialist providers, and recognizing the value that can be added by using local services, some systems are seeking ways of ensuring a balance by cultivating, as part of market stewardship, an “eco-system of providers, which accommodates both large providers and specialist niche providers” (Rees, Mullins and Bovaird, 2012, p. 5, emphasis added).

The UK’s “prime provider” model is an example of this, making explicit the expectation that smaller local services be engaged in service delivery as part of a “supply chain”. Under the Work Programme, a relatively small number of prime providers were contracted, but they were expected to delegate delivery, supporting and developing a local network of subcontractors. A prime provider could act purely as a “managing agent”, subcontracting all services, or as a “delivery agent”, typically subcontracting 30–40 per cent of business, but sometimes as little as 10 per cent (Finn, 2013). “Spot purchasing” of services on an ad hoc basis outside the formal supply chain is also allowed, though this has not happened to the extent expected (Work and Pensions Committee, 2013). The perceived benefit of these arrangements lies in their capacity to offer “innovative, local and community-based services in potential alliances with larger organisations with greater capacity and clout” (Rees, Mullins and Bovaird, 2012, p. 33).

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<sup>28</sup> [www.nesa.com.au](http://www.nesa.com.au); [www.ersa.org.uk](http://www.ersa.org.uk) [1 Sep. 2017].

<sup>29</sup> Some providers faced significant cash flows problems in the early stages of the system’s implementation. Payments of 10,000 Australian dollars (AUD) were made to identified providers to help them adapt. Changes were also made to the payment model to address the cash-flow problem. (Assistance was also given to smaller providers seeking to exit the programme altogether, with the offer of a package of up to 15,000 AUD per site to help providers with the cost of withdrawal.)

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The UK model could be described as a form of “mandated vertical collaboration”; similar access to local expertise can be offered by mandated horizontal collaboration. In an administrative climate in which fewer, larger contracts are increasingly offered, locally based providers can be shut out of the market. To strike a balance, smaller providers can be accommodated by encouraging the formation of consortia to bid for contracts (Rees, Mullins and Bovaird, 2012, p. 16).

In the context of developing countries, where labour market challenges are often great and where the need for alternative, more effective employment services delivery mechanisms is strongest, ideas for expanding the provider base are scarce in the literature. As Mazza (2011, pp. 51–52) points out in referring to the situation in Latin America and the Caribbean, “there is very little in current intermediation literature on how developing nations might expand the overall market for intermediation, so that more intermediation can be done without the direct assistance of a public employment service”. Unfortunately, it is still in many of these countries that the PES is most constrained – lacking resources, operating with limited influence on government and sometimes burdened by regulatory work that prevents it from addressing entrenched labour market problems (Thuy, Hansen, and Price, 2001; Auer, 2005). Noting the historically “dismal performance” of ALMPs delivered by PES in the Middle East and North Africa, the World Bank acknowledges the lack of private providers that might offer an alternative. It recommends developing the capacity of private employment providers and NGOs, but offers little guidance on how this can be done (Angel-Urdinola, Kuddo and Semlali, 2013).

Further inhibiting the development of markets in these countries is a lack of institutional capacity to manage complex procurement processes, and inflexible and slow national procurement laws and regulations (Angel-Urdinola, Kuddo and Semlali, 2013). Development of this capacity is a prerequisite for the delivery of market-based systems of employment services and ALMPs, but again there is lack of models for this in the literature.

Beyond procurement, institutional capacity to monitor and manage performance is also critical – without it, the effectiveness of contracted services cannot be assured. For example, in 2012 Chile introduced a pilot programme that offered municipal employment offices financial incentives to implement a voucher mechanism for contracting out job placement activities. However, this mechanism was suspended after only 12 months of operation, largely because of the difficulties faced in measuring performance of providers (ILO, 2015g).

In some countries, developing provider markets for contracted employment service delivery is further complicated by efforts to better regulate markets and to bring them into line with international standards. In Honduras, for example, the prevailing business model of PrEAs has included charging jobseekers for their services, but a new regulatory framework now prohibits this. Engaging with providers to help them navigate these changes and to collaborate with the public sector in employment services delivery requires public officials to develop new skill sets and capacities.

**Box 15. Shifting from a public to a market model: Colombia**

Colombia has undergone a major policy shift from a purely public provision of basic employment services to a model that includes authorized private providers and other stakeholders operating in a competency-based system regulated by the public authority. The current employment services system is designed in such a way as to enable the participation of PrEAs in delivering a range of employment services under conditions of equal treatment and fair competition. Implementation is based on a clear framework of rules and the introduction of service delivery standards and minimum requirements to obtain a licence. Other bureaucratic controls are also in place, such as regular reporting of providers’ activities for statistical purposes and better policy-making.

Source: Avila, 2017

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In **mature markets in developed countries**, the market consolidation described above also has a negative side. While there may be administrative efficiencies and cost savings associated with a smaller provider pool, **reliance on a shrinking pool of potential providers** reduces the benefits of competition, entrenches the market position of some incumbents and makes it harder to remove poor performers (Finn, 2012b). Moreover, when public sector authorities no longer have first-hand experience in employment services delivery, they become more reliant on the expertise of providers in this consolidated market who, naturally enough, have a huge operational and commercial stake in the maintenance of the current system at the expense of new ideas from outside it (Farrow, Hurley and Sturrock, 2015). This may be one of the factors responsible for the apparent standardization of service delivery, despite the promises of creative new approaches offered by the rhetoric of the “black box”. Initially, markets may create service delivery innovation, but in mature markets practices converge and the system reaches an “**innovation plateau**” (Finn, 2012a).

There are also some specific risks associated with the trend towards consolidated markets and the use of supply chains of subcontractors. It has been suggested that the prime provider model **increases opportunities to “park”** riskier, harder-to-help clients with subcontractors (Work and Pensions Committee, 2011). To reduce this risk, specific attention needs to be given to ensuring that subcontractors are treated fairly, through mechanisms such as the “Merlin Standard” introduced in the United Kingdom (DWP, 2011).<sup>30</sup>

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<sup>30</sup> “The Merlin Standard is a standard of behaviour which DWP prime providers are expected to adhere to in their relationship with their subcontractors. It is designed to encourage excellence in supply chain management by prime providers. This ensures the fair treatment of subcontractors and development of healthy high performing supply chains.” See: <https://www.gov.uk/government/publications/the-merlin-standard-guide-for-dwp-providers/the-merlin-standard-a-guide-for-dwp-providers> [1 Sep. 2017].

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## 5. Case studies

### 5.1. Australia — The Sydney Metro

#### 5.1.1. *Background*

Australia's Sydney Metro is the biggest urban rail infrastructure project in the nation's history, worth over 20 billion AUD. Work commenced in 2011 on this new, stand-alone rail system which will run from the city's growing north-west region under Sydney Harbour through the city centre and out to the densely populated south western suburbs, incorporating 31 stations and 66 kilometres of track.

The project is funded by the New South Wales (NSW) State Government and is being delivered by Transport for NSW, a statutory authority responsible for the management of the state's transport services. Stage 1 of the project (north-west to city) will be completed in 2019, while Stage 2 (city to south-west) will be completed in 2024.

It is estimated that the total workforce will exceed 20,000 over the lifetime of the project. The Sydney Metro Delivery Office (part of Transport for NSW) is committed to building industry workforce capacity and capability and increasing diversity in the workplace. These objectives contribute to key government socio-economic policy and legislation. The project uses contractual mechanisms that require its supply chains to recruit local people and under-represented groups, take on apprentices and trainees, and upskill the existing workforce.

#### 5.1.2. *Working with partners and contracted employment services*

The Sydney Metro Delivery Office was keen to ensure that the project achieved sustainable social outcomes in the form of jobs and opportunities for skills development. Reviewing examples of good practice in Australia and internationally, it learned of a model that was being applied in the United Kingdom in a similar transport infrastructure project – London's Crossrail – which sought to maximize the employment and training opportunities for local unemployed people. Through this model, a memorandum of understanding was negotiated with the PES (JCP) which saw JCP staff seconded to the project to coordinate employment services for contractors and subcontractors. This included matching and shortlisting vacancies and coordinating pre-employment training. JCP acted as a single point of contact for the project and collaborated closely with the project's commissioning agency (Transport for London) as well as other key public sector stakeholders (such as further education institutions) and prime providers contracted to deliver the Work Programme.

Seeing the similarities between the projects, Sydney Metro staff sought to establish a similar employment services model. However, they found that there was no agency equivalent to JCP in Australia, which instead has in place a network of contracted employment services, jobactive. Operating under a competitive, results-based model, these providers had no compelling incentive to collaborate. The potential pool of candidates for Sydney Metro jobs was effectively dispersed among these rival providers, and there was no existing mechanism to coordinate services for this major opportunity.

In the first phase of the project, Sydney Metro worked in partnership with the Australian Government (the Department of Employment), the NSW Government (the Department of Industry), training providers and employer representatives to pilot an initiative that would work around these barriers. Central to its approach was the selection by

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Sydney Metro of a *lead jobactive provider* through an “expression of interest” (EOI) process. Potential providers were given a presentation on the project’s requirements, and the selected organization would be expected to act as the central coordinator (like JCP in London) and ensure that the best candidates were sourced and trained from across the jobactive network. The Department of Employment provided technical support and advice on the EOI process and emphasized to all potential providers in the region the importance of the project and the opportunities it presented.

Training would be provided by the public vocational training provider (Technical and Further Education: TAFE) and funded by the jobactive providers under the normal provisions of their service contracts (the state Government later contributed additional funding for this training). Training included some vocational skills (e.g. in civil construction, pre-cast concreting and administration), but the emphasis was on developing broad work readiness (or “employability”) skills.

Working in this collaborative way was new to the providers. They needed to overcome a natural preference in a competitive model for presenting (and ideally placing) their own candidates so that they could maximize their own results-based payments. But Sydney Metro (backed by its government partners) insisted on the lead provider ensuring that referrals were sourced from across the provider network. This involved the lead provider distributing details of vacancies to all contracted providers in the region and actively seeking high-quality candidates to be referred (via the lead) to project employers. As part of this, Sydney Metro gathered referral information from the lead provider to ensure that referrals were being sourced from the network as a whole.

Results of this initial phase were very good. Of those candidates selected, trained and placed, 80 per cent were retained in ongoing jobs – over 100 people in total. Of these, some cohorts and individuals have successfully completed apprenticeships or traineeships, or have moved into higher-level roles.

For the next phase of the project, the service model is to be significantly scaled up and enhanced. The Department of Employment has agreed to provide grant funding for the establishment of an online job portal that will facilitate access to all job vacancies associated with the project. A dedicated Infrastructure Skills Centre, integrating employment and training services, will also be established. A lead jobactive provider will provide job-matching and referral coordination services from this centre, which will also extend service delivery to another 60 billion AUD of infrastructure projects currently under way in NSW.

### **5.1.3. Mechanics of partnership: A summary**

- The partnership was initiated by the Sydney Metro Delivery Office, a part of Transport for NSW, a state government agency managing the construction project. It was primarily motivated by a state government commitment to achieving social outcomes from a major public infrastructure investment.
- An important premise of the partnership was the provision of a streamlined “one-stop shop” for employers (primarily construction contractors and subcontractors) that allowed them to deal with a single contact point to source recruits who had received appropriate initial training and screening (e.g. for drug and alcohol issues, which was important for workplace health and safety reasons).
- The partnership structure was initially informal, involving discussions and problem-solving between Sydney Metro, the NSW Department of Industry (the state government agency responsible for vocational education and training) and the Department of Employment (the Australian government agency that contracts jobactive providers and is responsible for market stewardship). This evolved into a collaborative project steering committee, still informally constituted, that included

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additional members from the lead jobactive provider, TAFE and employer/industry representatives, and met monthly. As the project moves to a new stage, the role of the steering committee will include monitoring of progress in implementing the new arrangements established through the Department of Employment grant.

- Performance of the lead provider is monitored in respect of referral quality (via employer feedback), initial “job conversion” rates, sustainability of placements and its ability to secure referrals from multiple jobactive providers. Unsatisfactory performance against any of these criteria can jeopardize the lead provider’s continuing involvement in this role. With the new phase of the project, a formal project evaluation is planned.

#### **5.1.4. Lessons**

- In a competitive, quasi-market model of employment service delivery, it may be necessary to superimpose a partnership mechanism to ensure that employers have access to the largest pool of potential recruits.
- In acting as a lead provider in such a situation, a provider may need to trade off potential results-based payments earned from placing their own jobseekers with other benefits associated with being centrally positioned in a major employment project (e.g. market intelligence, enhanced links with employers etc.)
- In the Sydney Metro case, the organization managing the project initiated the process based on a review of national and international good practice and because it saw it as a way of achieving a desired social outcome (employment of local unemployed people). If it had not done so (or if social outcomes were less of a priority), it is hard to say who would have otherwise driven the process. Providers might not have spontaneously joined hands, as competitive rivalries reinforced self-interest. This is despite the fact that one of the intended benefits sought through the jobactive contracts (compared with previous arrangements) was a more collaborative approach.
- In the current phase of the project, the Department of Employment has itself taken a lead role, choosing to be more proactive in maximizing the employment outcomes flowing from a major economic development opportunity and providing extra funding through a grant to create a tailored approach. While some contracted providers may have seen this as government usurping their role in the market, it can also be seen as a legitimate part of “market stewardship”. The department is now considering whether the model can be replicated in other markets and industries.

## **5.2. China — First steps in contracting out the delivery of employment services in Wujiang District<sup>31</sup>**

### **5.2.1. Background**

In some provinces in China, the PES has started to work in partnerships with PrEAs to address job mismatches and labour shortages. In November 2013, the Public Employment Service Centre of Wujiang District, which is located in the province of Jiangsu, launched a pilot project that contracted the delivery of core employment services to a private provider, Suzhou Yin Courtney Human Resources Management Inc. While the PES maintained its role in service planning and design, delivery was fully outsourced, including the registration of job vacancies and jobseekers, job-search support, job matching and placement, and information services.

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<sup>31</sup> This case study is based on Tian, Avila, 2017.

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In 2015, the total employed population in Wujiang District numbered 760,000 and the urban unemployment rate stood at 1.9 per cent. Besides its important manufacturing industry, the district has emerging industries in such sectors as clean energy, new construction materials, biomedicine and food processing. All have an increasing demand for high-skilled workers, but many employers report difficulties in finding suitable skilled workers. At the same time, there is an increasing number of college and university graduates who have insufficient work experience to fill the available vacancies.

The PES acknowledged a pressing need to address these mismatches on a large scale, including through improving responsiveness to employers' recruitment needs and providing better labour market information to guide recent graduates looking for jobs. The use of a private provider was expected to alleviate this situation, given that the PES in Wujiang had very limited operational capacity and too few personnel (it had only two permanent staff members and one part-time member).

### **5.2.2. Contracting out employment services provision to a private provider**

The conversion of Wujiang from a city at county level to a district of Suzhou municipality in 2012 provided an opportunity to revitalize social and economic development. The current Government's strategic plan aims to develop a modern service sector and to improve the use of the potential labour force by tackling important imbalances between job requirements and workers' qualifications and level of experience.

The approach to bridging the gap in employment services provision by commissioning public services to a private provider was based on the principle that the district authorities and the PES retain final authority for planning the provision of services and for the use of public funds for that purpose. The PES, in cooperation with the Department of Finance at district level, also took on the task of managing the contractual relationship with the PrEA that was licensed to provide services for matching jobseekers to vacancies.

### **5.2.3. Mechanics of the partnership**

The preparation and conclusion of the commissioning contract between the PES and the provider involved three main stages:

- *market research for possible service providers*: this involved the analysis of existing vendors and the compilation of a list of licensed PrEAs (which is publicly available) and a guide on purchasing services and payments processes;
- *one-to-one discussion with the selected provider* to establish targets, delivery standards, service prices, level of investment by the provider, supervision mechanisms, liability and acceptance conditions; and
- *signing the partnership with the selected provider*, which took place in November 2013.

The selected provider, Suzhou Yin Courtney, had substantial experience in the market and offered a range of proven capabilities in service provision, including running large-scale recruitment fairs, labour market intermediation and vacancy matching, integrating online and face-to-face services, and delivering services across a wide geographical area through its branches.

Performance indicators were formulated by both the district Finance Department and the PES; these included four evaluative dimensions to be measured on a monthly, quarterly and annual basis, namely:

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- implementation of job fairs;
  - reporting of results to inform the PES of the activity of the private partner;
  - adequacy of office premises (e.g. space, equipment, property, ventilation); and
  - customer satisfaction.

Joint meetings between the two partners took place regularly for consultation on critical issues as the contract progressed. A third-party agency was also appointed to evaluate the Government's pilot project for commissioning employment services.

This pilot exercise involved the co-design of some of the services. For example, job fairs were suggested as the best solution for job matching at a large-scale, including information sessions to provide an opportunity to raise awareness among both employers and jobseekers of the importance of investing in training. Two main performance indicators were agreed for these job fairs:

- they should be held twice a week (Wednesday and Saturday) with a target participation of over 500 jobseekers on Wednesdays and over 1,000 on Saturdays; and
- a job-matching success rate greater than 70 per cent.

The provider was also required to survey customer satisfaction at the end of each job fair.

One of the immediate changes observed in the PES centre in Wujiang was the allocation of 30 full-time professional staff members by the private provider to implement the contract. A few of these remained at the central PES premises, with the majority working at grass-roots servicing points. New staff conducted analyses of labour demand and labour supply in local enterprises, neighbourhoods and communities, and delivered core employment services at no cost to jobseekers and employers. Between 2014, when service delivery under the contract began, and 2016 the provider organized 382 thematic job fairs, provided recruitment services for 12,089 enterprises, collected 103,168 job vacancies and placed 54,688 jobseekers in formal employment. Results by the private provider were considered to be satisfactory overall; the most significant improvement was in service provision to employers – for example, the rate of vacancies filled increased from 41 per cent in 2013 (prior to the entry of the provider) to 70 per cent in 2016. Nonetheless, greater variation was observed in the job placement rate, which rose from 55 per cent in 2013 to 70 per cent in 2015 but then declined to 56 per cent in 2016.

#### **5.2.4. Lessons learned**

The project revealed the advantages of involving private providers in the design and delivery of employment services, particularly when the public provider is not able to ensure the provision of quality services on a massive scale. Overall, Suzhou Yin Courtney adhered to the terms and conditions of the contract and helped to expand service provision at a basic level. There were, however, other areas of service provision that the external provider could not develop further because they were not included in the contracted services – for example, a dedicated level of support for jobseekers, including those with low skills and complex barriers to employment.

As in other provinces in China, the co-design and purchasing of employment services is still an emerging area that needs further testing and refining. Even so, it is possible to identify certain lessons from the pilot project in the Wujiang. These include:

- Partner selection. While there were clear rules on how the contract was to be awarded, and the PES gave priority to providers with experience in the delivery of similar services, selecting a suitable partner proved to be challenging. Currently, the PES

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cannot use a competitive tendering model for the selection of providers, but must instead directly approach and negotiate a contract with a provider it considers suitable. A lack of suitable potential providers is also a problem, suggesting a need to develop a market in the delivery of these services.

- The partner's evaluation methods. These should evolve and allow continuous improvements in delivery. The district's administration and the PES need to develop new skills that enable them to evaluate programme effectiveness, to facilitate improvements, and to overcome operational problems that were beyond its control – for example, fluctuations in economic activity leading to lower demand for workers.
- Flexibility. The commissioning of services should allow a more flexible and participatory role for the private partner in adapting services to changing circumstances. For example, the contracted services were limited to basic services and job fairs. This situation has since been corrected by introducing a clause allowing for the commission of additional services on special request from the public partner.
- Sustainability and development of private providers. The provider has been delivering the services in Wujiang District for more than two years, but with a lower profit margin than expected. Following the commissioning of additional services and improvements in the management and implementation of the contract by both parties, the provider expects to increase its margin in the future. Developing a long-term working relationship with partners needs to ensure financial sustainability while also maintaining quality and quantity standards.

### **5.3. Colombia — The 40,000 First Jos Programme<sup>32</sup>**

#### **5.3.1. Background**

Employment services in Colombia are based on a collaborative partnership model that involves a “Network” of 244 public and private employment service providers. Established in 2013, this represented a major expansion of services compared with the previous government-delivered services. Private providers go through a licensing process every two years, with those affiliated to the Network required to offer free basic services to jobseekers, including job matching, job-search support and services to improve employability. As part of the Network, unemployment benefits are administered through family compensation funds (*cajas de compensación familiar*: CCFs), which are private non-profit organizations and also offer employment services.

With half of the country's unemployed aged under 29, improving employability and job opportunities for young people is a policy priority for the Government of Colombia. The unemployment rate for 18–28 year-olds is twice the national average and making the transition from school to formal and stable jobs is increasingly challenging. Young people looking for jobs often find themselves at higher risk of being trapped in a vicious circle because they lack the experience requested by most employers.

With this in mind, the Ministry of Labour developed a new ALMP that sought to significantly increase the opportunities available for young people to participate in the labour force by both providing work experience and building the skills that employers need. In the process, the intervention integrates a range of supports: assistance with job search, information on the job market, skills development, and placement in jobs that comply with accepted standards and include social protection and training.

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<sup>32</sup> This case study is based on Avila, 2017.

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### **5.3.2. The 40,000 First Jobs Programme**

Launched in 2015 and targeting young Colombian jobseekers (aged 18–28) in initial or advanced vocational training and graduates from tertiary education, with little (less than six months) or no previous work experience, the programme aims to go beyond quick job matching and offers a package of services aiming to boost employability by giving young people and employers a helping hand to ensure the transition into the labour market starts with placement in formal jobs.

Interested young people respond to an annual public call, go through a preselection process and, if selected, undergo job counselling sessions and soft-skills training before placement. Private enterprises willing to offer quality job vacancies, with meaningful work experience and opportunities for advancement, register to participate. The programme covers participants' wages for the first six months on the condition that at least 60 per cent of those hired in this way are kept on for up to 12 months. TWA contracts and hiring out to a user enterprise are excluded.

The programme was initially established on the basis of an agreement between the Ministry of Labour and the CCFs affiliated to the Network of employment services providers. It soon became clear that there was a need to partner with other Network providers and stakeholders, both to take into account the challenges and opportunities in local contexts and to ensure that the services offered through the programme were provided at the same level across all CCFs' employment centres.

### **5.3.3. Mechanics of the partnership: A summary**

- The programme was funded via FOSFEC, the national Solidarity and Employment Promotion Fund, which, along with a voluntary system of individual unemployment savings accounts, forms a central component of the Colombian unemployment protection mechanism. A proportion of the FOSFEC is earmarked for employment services delivered by the CCFs.
- The main partners involved are:
  - the Ministry of Labour – responsible for programme design and evaluation;
  - the Unidad del Servicio Público de Empleo (USPE) – part of the PES and responsible for administration of the Network, which is responsible for the alignment of the programme with national priorities and monitoring of the achievement of its goals;
  - the Office of the Superintendence of the Family Subsidies System, which undertakes financial inspection and audit;
  - the CCFs, which administer and deliver the programme;
  - other Network providers, whose cooperation and support includes referral of candidates;
  - the Public Employment Agency (APE),<sup>33</sup> which offers outreach and information dissemination to graduates, trainees and employers within the sphere of the National Apprenticeship System (SENA);
  - municipal and provincial governments, which offer links to youth served through other programmes, SMEs, and employers involved in job creation projects (e.g. infrastructure construction);

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<sup>33</sup> The Public Employment Agency (APE) is the largest publicly funded employment service provider and is run by the National Training Service (SENA).

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- higher education institutions, which promote the programme to graduates and students looking for work and enterprises with established links to institutions.
  - The CCFs have sought to enhance their collaborative relationships with employers, gaining a better understanding of their needs and opportunities in local job markets. For instance, experience shows that despite technical skills being in demand, employers place a high value on soft skills when it comes to hiring for entry-level jobs. Soft skills are seen by employers as the foundation enabling new employees to learn workplace-specific methods and become integrated into workplaces more quickly as they gain experience.
  - Results to date have been good. Between February 2015 and June 2017 the programme received applications from 250,521 young people and notification of 90,929 vacancies; 40,366 young people had been placed in first formal jobs, of whom 52 per cent were women. The original target of 40,000 placements was achieved ahead of time and has been increased to 50,000 (with a commensurate budget increase). The employers who took part in the programme numbered 8,138, including large, medium and small enterprises.
  - The impact of the programme over the longer term is not yet known, but formal evaluation is planned.

### **5.3.4. Lessons**

- The 40,000 First Jobs Programme emphasizes building the soft skills employers seek and providing quality work experience to improve the employment prospects of young people. Service delivery is arranged as a package combining formal job-search methods with soft-skills training.
- Partnering was central to the CCF implementation of the programme, including mechanisms to mobilize funds, to reach the target population and to establish service protocols. The approach reinforced the linkages between providers and the move towards specialization while offering the target population access to a wider range of services.
- As employer engagement was vital to the programme's success, simultaneous efforts were needed to involve them both as clients who benefit from the programme and as partners providing the programme's job vacancies.
- The programme worked with pre-established quotas linked to the total amount of resources available for hiring subsidies and for programme administration. Future refinements of the targeting process might need to focus on areas where youth unemployment is most acute.
- The programme has not been formally evaluated, but the packaging of services and the continuous follow-up of individual progress appear to be important to programme retention and trouble-shooting.

## **5.4. India — National Career Service<sup>34</sup>**

### **5.4.1. Background**

Given India's rapid growth and huge size, in terms of both population and territory, traditional approaches to the delivery of public employment services there have been stretched for some time. Placement rates have stagnated and, in many services, registration

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<sup>34</sup> This case study is based on Abraham and Sasikumar, 2017.

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of vacancies by employers has dropped drastically. In this context, some even began questioning whether the National Employment Service (NES) should be maintained at all.

As part of a revitalization of the NES, India's Ministry of Labour and Employment launched the National Career Service (NCS) in 2015. While the NCS follows the same core goals as the traditional NES, it has taken a markedly broader approach and has widened its stakeholder reach considerably. The new service aims to solve mismatches in the labour market by enhancing job-search facilities, providing labour market information and actively improving the employability of jobseekers. As part of this new approach, a new emphasis has been placed on partnerships with the public, private and third sectors.

In line with a national policy that aims to harness service delivery and social empowerment through the internet and mobile devices (Digital India), web-based services are an important feature of the new approach. A national portal facilitates the registration of jobseekers, vacancies, training providers, career counsellors and private employment agencies, and allows users to obtain information and connect with service providers.<sup>35</sup> This facility extends to "unorganized workers" (home-based workers, self-employed and other informal sector workers) who can connect to potential customers via the portal.

Existing NES employment exchanges are being transformed into "career centres" which provide basic registration and other value added services, including counselling, assessment of capabilities, career planning and links to training programmes. They also initiate and implement job fairs and employment drives in coordination with industry and education and training institutions. There is also a focus on services for employers: registered employers gain access to a nationwide pool of candidates, the ability to post job and internship notifications, and opportunities to participate in job fairs.

Partnerships of various types are a major feature of the NCS approach. In addition to the 978 employment exchanges that are being converted to career centres in collaboration with state governments, the Union Government is establishing model career centres (MCCs). To date, 107 have already been established, including seven privately owned institutions; the ultimate aim is to establish a national network of some 1,200 MCCs, operating under various public, private and third sector modalities, that can be tailored to different labour market needs and opportunities. The MCCs are expected, when fully operational, to be "one-stop shops", each providing integrated career services to its clients. The following subsection describes one such example.

#### **5.4.2. Mechanics of a partnership: The Don Bosco Skill Mission, Bengaluru (Bengalore)**

- Bengaluru, the state capital of Karnataka, is known as the "Silicon Valley of India" and is ranked among the top four technology clusters of the world. Bengaluru Urban is a business hub with 315 large-scale enterprises, 211 medium-scale enterprises and 74,282 small-scale enterprises. Some 35 per cent of India's 1 million information technology (IT) workers are employed here, and Bengaluru is India's largest centre for IT-related exports. It also hosts more multinational companies than any other Indian city. All this contributes to a promising employment market in Bengaluru for youth.
- The NCS opened one of its first 100 career centres in Bengaluru, operating in partnership with a private training institute, the Don Bosco Skill Mission. The strategic location of Don Bosco, near two major industrial centres (Jigani Industrial Area and Bommasandra Industrial Area), enabled the partnership to leverage the institute's

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<sup>35</sup> [www.ncs.gov.in](http://www.ncs.gov.in) [5 Sep. 2017].

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existing operational infrastructure, industry networks and student base for the benefit of the NCS.

- The partnership is currently based on cooperation and collaboration, without any monetary commitments on either side.
- Unlike the traditional bureaucratic approach of the employment exchanges, the partnership's management orientation is more that of the private sector, providing career centre staff and management with more latitude in strategy and service delivery. This also helps shape public perception of the service as being attuned to stakeholder needs and able to deliver results.
- One of the major benefits of the partnership is the access it provides to the private partner's established industry networks and employer clients. Having these ready-made relationships with employers, the NCS does not need to invest as much time and energy into establishing these links itself.
- The partnership also offers benefits in jobseeker servicing, especially career counselling for youth. While young people in the region are attracted to the many opportunities available in technical and engineering jobs and demand for relevant courses in these fields is high, there is also a need to raise awareness of other careers to maintain equilibrium in the labour market. The service provider plays an important role in this, liaising with schools and colleges, and delivering counselling and awareness-raising sessions on the wide range of career options available.

### **5.4.3. Lessons**

- Traditionally, public employment services delivery in India has focused on the public sector and the organized private sector. As both these sectors together account for less than 8 per cent of employment and PES performance in effectively servicing them was poor, new approaches involving partnerships and contracted services were clearly needed.
- By partnering with private institutions and state governments to establish state-of-the-art MCCs and transforming employment exchanges into career centres, responsive to local industry needs and able to enhance the employability of local jobseekers, overall service has been improved, with numbers of vacancies notified, jobseeker registrations and training increasing, and employment outcomes being achieved.
- India has leveraged the Government's policy to promote e-government and technology in general to reform and revamp its PES through multiple partnerships. The success of online jobs portals offering automatic matching services depends among other things on the level of technology adoption by the population in general and the potential beneficiaries of the PES in particular.
- While these arrangements might improve public employment services delivery in formal labour markets, they have only scratched the surface in accessing India's vast informal sector. Efforts to reach out to this sector and to rural areas require decentralized local service delivery mechanisms, using both online and offline modes. This will require partnership development at grass-roots level.

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## 5.5. Mexico — The Riviera Maya Tourism sector<sup>36</sup>

### 5.5.1. Background

The Riviera Maya region in Mexico is a rapidly growing luxury tourism destination that has experienced rapid growth over the last 20 years. Building on the work of the Association of Hotels of the Riviera Maya (AHRM) and key regional leaders, the area has been highly successful in attracting foreign and domestic investment to capitalize on the area's natural assets, cultural history and archaeological sites.

As employment grew and the industry evolved towards a position in the higher-quality tourism market, it became clear that a huge investment in the skills of the workforce was required to maintain the region's competitiveness and continuing growth. In this context, the limitations of existing employment and vocational training systems were exposed: training practices were decades out of date, and employment intermediation was fragmented and ineffective.

To meet these workforce development needs, a number of reforms were required to ensure that new entrants to the industry were prepared, existing workers upskilled, and systems and services enhanced. Underpinning these reforms was a willingness of the public and private sectors to work in partnership, led by industry and building regional solidarity.

### 5.5.2. Enhancing employment services to meet industry's workforceneeds

In the past, various mechanisms had been in place in the region to connect prospective workers with job vacancies – the PES (Servicio Nacional de Empleo: SNE), online job-search tools, and hotel and association human resources centres, as well as informal and formal contacts – but these operated in unsystematic and fragmented ways. The SNE had no local office (a neighbouring region was responsible for services), it did not access many local vacancies and it was reluctant to work with private employment services, seeing them as a threat.

Through the AHRM, industry took the lead in improving labour intermediation processes in support of its broader workforce development strategy. From 2009, it progressively established and drove a more modern and diverse system of public and private intermediation, supported by new processes and relationships to better connect labour supply and demand. The AHRM itself expanded the employment services it offered to its members, including an improved and more easily used employment portal, a walk-in service that complements public sector services, and a placement and counselling service. Smaller hotels that do not have their own HR departments can use AHRM facilities to screen and recruit staff; these are promoted online as one-day “mini-job fairs”. AHRM also organizes larger-scale, regional job fairs.

To improve job matching, AHRM also worked with local employers to develop new occupational profiles, making it easier to define the skill requirements of job vacancies for the benefit of both employers and jobseekers. In total, 103 such profiles were developed.

The Ministry of Labour consequently decided to enhance its own services in the region, opening a new centrally located SNE office with local employment counselling services and access to computers to help clients search for jobs. The AHRM's redeveloped job portal was

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<sup>36</sup> This case study is based on Mazza and Kappaz, 2016.

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connected to the Ministry's National Employment Portal, facilitating distribution of its job vacancies throughout Mexico.

The SNE has overcome its former reluctance to collaborate with private services and now engages in many joint activities with AHRM, including regional job fairs which encompass on-site job placement and skill development. Public services complement private services – for example, through the national Bécate programme,<sup>37</sup> it offers traineeships with local hotels that provide a pathway to sustainable work for less experienced job applicants.

### **5.5.3. Mechanics of the partnership: A summary**

- This “true partnership” was initiated by a regional employer group, coalescing around emerging labour market needs associated with a successful local economic development strategy. This process of change was supported in its first phase by a human capital grant co-financed with the Multilateral Investment Fund of the IDB.
- The process has progressively transformed how young people are prepared for work in the region, modernized how hotels identify, hire and train workers, and created new HR tools to support the region's tourism sector. At the same time, partners have been progressively drawn into the evolving dynamics of the region on the back of cumulative changes, with multiple channels of workforce and education change reinforcing one another and leading in turn to more change. This meant that potential partners were not all involved initially, but could join as circumstances changed and opportunities were presented.
- Partnership structure is fluid, flexible and informal, allowing groups of public and private actors to come together on the basis of perceived self-interest. This has allowed the partnership to work with those actors most willing and flexible in the achievement of its goals. This contrasts with some formal partnership arrangements which start with a predetermined list of partners who must be at the table because of their institutional affiliations, but who may be appropriate in name only.
- Performance management in the human capital development sphere is focused on the achievement of three principal objectives: (1) training of active workers and of youth entering the workforce; (2) better articulation and expansion of labour intermediation services; and (3) increased productivity and competitiveness of both workers and companies.

### **5.5.4. Lessons**

- The strategies and partnerships formed in the Riviera Maya addressed a number of interconnected workforce development challenges including training, labour intermediation and HR management. Efforts to enhance delivery in one area (e.g. increasing open listing of job vacancies) often exposed unresolved problems in another (e.g. out-of-date position profiles around which these job vacancies were defined).
- Different partnerships with different members may be needed to address different challenges. This may mean that it is better to have a set of public-private partnerships in place with members connecting on distinct projects of mutual interest. For example, while improvements in local labour intermediation might benefit most from the participation of hiring managers drawn from industry, training system development might require a different set of HR management skills.

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<sup>37</sup> Bécate is a training programme operated by SNE which consists of a variety of training modalities, including on-site work experience delivered in partnership with the employer and local training providers.

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- Private sector capability is key to leading a partnership focused on workforce development. While equal representation across private, public and non-profit sectors may be appropriate for social or philanthropic projects, demand-driven human capital projects, particularly in countries with a history of failed attempts at private sector participation in publicly driven projects, require a strong private sector orientation as well as a streamlined membership.



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## 6. Conclusion

There is increasing interest in the use of partnerships and contracted services to achieve employment policy goals. They are seen as being able to fill service gaps, to be applied flexibly and strategically in line with local needs, to maximize service linkages through joined-up solutions, and to “spread the load” at a time of diminishing public sector resources. They are being used to address universal labour market policy challenges – enhancing or expanding employment service delivery, developing skills to meet labour market needs, enhancing the employment prospects of disadvantaged or vulnerable groups, and increasing the overall supply of jobs and access to job vacancies.

Isolating the factors that make a “true partnership” (as defined here) a success is difficult, given the diverse nature and purpose of these arrangements, and a continuing lack of consistent and reliable analysis of their impact. Nevertheless, their prevalence in one form or another suggests that they are widely accepted as a worthwhile response to the challenges identified above. The literature points to some contextual aspects, approaches and design elements that might in certain circumstances have a significant impact on the success of such partnerships, including the following:

- recognition of the importance of local and national context and culture: working in this way requires local knowledge as well as a willingness to “learn by doing”; there is probably no universal blueprint for a successful “true partnership”;
- integration of the actions and policies of members in a coherent and organic strategy that is built around agreed objectives;
- effective leadership – preferably from a single lead agency that is either well positioned to foster cooperation and/or carries the most perceived risk if local outcomes are unsatisfactory;
- the involvement and sometimes leadership of employers, to ensure that labour market demand issues are adequately addressed;
- the adoption of partnership structures and governance arrangements that work, regardless of the formality of the partnership, including mechanisms by which the partnership can monitor its own performance and its progress in achieving its agreed objectives;
- sensitivity to the risks of partnerships – for example, persistent cross-sectoral barriers to collaboration, lack of local empowerment, conflicting interests of members, and the tendency for some partnerships to be more about talk than action – and strategies to mitigate these.

The use of contract-based arrangements for the delivery of employment services and ALMPs continues to grow and evolve in response to local labour market challenges and opportunities. Results-based contracting is now widely accepted practice, though this has required some trade-offs regarding smaller, specialist service providers that lack the financial backing to shoulder too much risk. In terms of effectiveness, the literature suggests that contracted services can work well for certain groups, but that sustainable job outcomes remain elusive for many disadvantaged groups. Moreover, available evidence does not suggest that contracting out services is necessarily more effective or less costly than public services. Again, context and culture are important considerations.

Although contract-based arrangements may offer more control to government agencies in the implementation of employment services and programmes than is available through “true partnerships”, even the former may be moving towards more collaborative modes of design and operation through the application of “commissioning” and “co-design” principles. Already, in some countries, efforts are being made to empower contracted

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providers to deliver services in whichever ways they see fit to optimize results, and to tailor programmes to location and community. Some, too, are also seeking to empower citizens, as consumers of employment services, to exercise greater choice.

There may still be a certain amount of rhetoric and hype in the promotion of “partnerships” in the delivery of public services. It may also be that their potential has not been fulfilled. But this may also be because governments have not gone far enough in embracing this approach in the design and delivery of services. Partnerships are hard work – especially “true partnerships” that rely heavily on skills in persuasion and consensus-building – and may not sit well with agencies and individuals who are accustomed to using their situational authority to “command and control”.

Professor Peter Shergold, the former Secretary of the Australian Department of Employment and now Chancellor of Western Sydney University, foresees cross-sectoral collaboration as being at the heart of a new approach to public administration:

*The demands of public administration have increased and have become more complex and the exercise of authority needs to be more sensitive and subtle. It will require the leadership of facilitation. Success will be judged by the extent to which cross-sector working can be fully exploited for public benefit. The old-style modes of behaviour were based on controlling, contracting, consulting and communicating. In the new world, the dominant form of authority will be collaborating, co-designing, co-producing ... and communicating. (Shergold, 2016, p. 30)*

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## Employment Working Papers



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