



European Network of Public Employment Services

Benchlearning Initiative External Assessment

Sweden

2016

Summary report



Written by ICON-INSTITUT Public Sector GmbH

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PES of Sweden

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1. Introduction

This report outlines the results of the Benchlearning (BL) external assessment of Arbetsförmedlingen (Af) in Sweden, conducted between 25 and 27 April 2016. The team of six external assessors comprised two peer PES staff (Slovenia and the UK), two PES experts from the European Commission, and two experts from ICON-Institute (the supporting contractor). The programme of the 2.5 day visit included meetings at the Af Head Office with senior management/directorates and a visit to a local PES office in Enköping, a smaller city 75 km northwest from the capital Stockholm.

The time and resources invested in the preparation for the Benchlearning visit by Af and in particular their internal self-assessment, were key to the success of the BL external assessment process.

Af is organised as a government agency under the remit of the Ministry of Employment. The Ministry is responsible for setting labour market policy and the approval of the budget. Every year, the government (i.e. Ministry of Employment together with Ministry of Finance) formulates targets for all institutions in the field of Swedish labour market policy,¹ the so-called "Appropriation Directions". Together with the legal basis, these directions form the main goals of the PES which can be summarised in three points. Swedish PES should:

1. effectively bring together jobseekers and employers searching for employees,
2. prioritise jobseekers that are far from the labour market, and
3. contribute to a steady, long-term increase of employment.

The main tools of the government for the management by objectives of Af are the annual budget guidelines and ordinances. Within this framework, Af is free to decide on the design and implementation of services including the definition of key performance indicators.

Af is led by a Director General, who is appointed by the government. Af has a Board which is responsible for strategic decision-making. The members of the Board are appointed in a personal capacity by the Government, and the Director General is also a member of the Board.

The Management Group consists of the Director General (DG), the Deputy Director General (DDG), the head of DG's office, and directors of departments and regions who report directly to the DG or DDG. Af's operational activities are carried out by 280 local employment offices, which are divided into 10 geographical areas and a specific National Service market area. The latter includes the Af Customer Services, and the AfService Culture Media, the Settlement Unit and the Unit for Benefit Decisions. The market areas are divided into three regions (North, Middle, and South). The 11 market areas report to one of the three Regional Directors.

Af is responsible for administering the funding from the central government budget for activity grants and unemployment benefits respectively, although these benefits are paid by other agencies. The unemployment insurance funds, which are private organisations, are responsible for deciding on entitlement to unemployment benefits as well as for paying these benefits. Af is responsible for monitoring that jobseekers fulfil the general entitlement conditions for benefits,

¹ These are Af, Swedish ESF Council, Institute for Evaluation of Labour Market and Education Policy (IFAU), the Swedish Unemployment Insurance Board (IAF) and Stiftelsen Utbildningen Nordkalotten.

while registered recipients of unemployment benefits are obliged to register with Af.

Social partners are not directly involved in the management, supervision, or monitoring of Af.

2. STRENGTHS

One of the key strengths of Af is its ability to be constructively self-critical while having already reached a comparatively high standard and consistent model of service delivery. During the current period of institutional renewal and reflection, the newly appointed General Director in conjunction with an internal review team, set out some key issues for Af in the 'Arbetsförmedlingen 2021' memorandum. These issues include observations that the Af working method is not efficient, nor does it create sufficient client benefit. It also elaborated that Af methods and way of delivering services are dated, and need to be reviewed. It goes on to point out that, "Clients experience an imbalance between service and supervision, between requirements and opportunities. At the same time, many employment agents feel that there is no time to carry out the work tasks that Af has been mandated to do."

The reforms outlined in 'Arbetsförmedlingen 2021' are founded on an existing level of PES organisational maturity that many other PES have yet to reach. A reinforcing element in the reform process is the general understanding that if something is good, it could be better. "We can do better" can be heard in the PES at any time, and this saying may serve as a sort of a guiding motto for the reform.

The choices and principles for the 'Journey of Renewal' are:

- the Journey is not a limited project (it becomes part of the regular operations);
- trust and faith in employees and managers;
- long-term thinking and holistic approach for the delivery of services in the short term; and
- the Journey did not start by changing the organisational chart (which mostly causes a lot of discussions and a lot of heterogeneity).

The Journey follows a clear vision: "We enrich Sweden by making people and companies grow" and it is supported by a dedicated management philosophy, consisting of the following elements:

- sum of people's behaviours, attitudes and competence results in the output of the organisation;
- development must include both the organisation/activities and the individual; and
- you can influence the organisation and its ability to produce good results by influencing values and culture.

Hence the basic principle is to create change through staff and management self-empowerment. It is based on the conclusion that human resources are the key to performance and their behaviour and work are crucial for the quality of services.

Af identified leadership and ownership as the core leverage elements for the substantial improvement of the PES performance and consequently launched a reform process that is based on long-term cultural change. Af also decided that this

cultural change could only happen by shifting the focus from detailed output-focused results orientation to one of individual and organisational self-renewal. Currently, a moderate complementary shift of focus back to results is also taking place. In this general context it is worth noting that incorporation of innovation as a permanent element within organisations is a challenge to achieve, and is a key approach taken by the most advanced European PES.

The watchwords of the new managerial philosophy are:

Professional - Inspiring - Reassuring (Trustworthy).

During the visit, the assessors observed that the new philosophy appears to be manifest in PES employees at all levels. All elements of the reform programme set out at central level appear to be understood at the local units. PES staff are clearly motivated, open-minded and confident about making the further Af development a success. During the visit, the assessors had the opportunity for several discussions, which indicated that the staff are prepared to accept and actively deal with the challenges ahead. In particular at the local level, the sense of responsibility for services provided and team spirit are really strong assets. However, the reform process at local level seems still to be at an early stage of development.

Management is aware that the journey is accompanied with some uncertainties, and that huge investments in empowering and supporting individual staff are required in order to ensure the success of the journey. In this context, it is important to note that the greater degree of freedom individual employees have, the more important it is to define a set of quality standards that are binding for the whole organisation. Management is also convinced that results will be improved in the longer term. The assessors had the opportunity to observe some initial effects of the reform at the local office visited, where an increase of vacancies was noted after the allocation of specialised staff to the dedicated delivery of services for employers.

3. CONTEXTUAL INFLUENCES

A good working and trustful relationship exists between the Ministry of Employment and Af, which is itself also actively involved in the design and development of legislative changes, PES services, and active labour market measures.

The contextual framework in which Af operates includes the following elements:

- Af funding increased considerably between 2011 and 2015, from EUR 6,155 million to EUR 8,079 million, the vast majority of which stemmed from the government budget (99.9%).
- In general, the number of employees has increased between 2011 and 2015, from 10,945 to 14,046, albeit with some fluctuations between the years. In the same period, the share of staff directly servicing clients increased slightly from 78% to 81%.
- Sweden passed through the global financial and economic crisis with limited damage, thanks to strong macroeconomic, fiscal, and financial fundamentals and a competitive and diversified business sector. The economy is proving resilient in the current environment of sluggish global growth and high uncertainty. Indeed, Sweden is among the few countries where output is now well above its level before the 2008 global financial and economic crisis. As a result, the amount of new jobs generated in the post-crisis period is significantly higher than during the period leading up to 2008. The growing de-

mand for labour is reflected in a relative low unemployment rate despite the relative high activity rate on the labour market. It is also accompanied by a growing number of unfilled job openings due to the mismatch between supply and demand in the labour market. On the other hand, the youth unemployment rate and the share of young NEET remain a pressing problem in Sweden.

Against this contextual framework background, Af already has difficulties in matching demands from employers with an adequate supply of workers to fill vacancies. Many of the registered unemployed are predominantly low skilled or unskilled. This makes it increasingly difficult for Af to respond adequately to those demands of enterprises for a skilled workforce. Furthermore, the recent and rapid growth of immigrants as a result of the wave of refugees from the Arabian, African, and Asian crisis regions has become a serious challenge for Swedish labour market policy and institutions. Part of the challenge in that regard relates to the mismatch of skills of refugees with the demands of local labour markets. A key challenge is to bring the skills levels (including language skills) of refugees/ asylum seekers up to the standard required by the demand side of the labour market.

4. CURRENT AND POTENTIAL GOOD PRACTICES IDENTIFIED DURING THE ASSESSMENT

The Af strengths outlined above, are supported by some potentially transferable good practices. These include the following:

- The innovative and comprehensive reform approach set out in the 'Journey of Renewal' is certainly worthy of further exploration by other peer PES. The Journey is defined by a clear statement of vision and objectives focusing on self-empowerment and renewal. The long-term perspective taken and long-term implementation period envisaged for the new management philosophy is also noteworthy.
- The self-leadership philosophy, which empowers staff and within set frameworks gives a maximum degree of freedom to those working directly with clients.
- The current renewal of the Af performance management model is challenging and does not fully align with the current BL definition of excellence in relation to the translation of targets into (key) performance indicators and measurement. This Journey of Renewal is accompanied by a new approach to performance dialogue that is designed to create individual staff commitment and personal ownership of operational achievement. This potential good practice related to performance management has yet to be tested within the overall BL initiative process.
- The good relations between government and PES, based on management by objectives, is worthy of study by peer PES.
- The use of well-designed customer journey research, based on open questions and then the active following up of the outcomes and results from those investigations.

- Extensive use of risk management as a tool for estimating future developments and their (budgetary) impact on Af.
- Extensive use of innovative pilots to develop new ways of channelling services to clients, on both the demand and supply sides of the labour market such as the "Job Hunters" project.
- The "Green House" technique to test and to develop changes or innovations in service delivery using a bottom-up approach, which includes also customers in the testing procedure.
- The existing high degree of individualisation in service delivery for both employers and jobseekers. A new tool for operational planning and budgeting of ALMPs. The tool is a support for local managers in formulating requests for ALMP financial allocation.
- The training programme "Employer Relations" which provides staff with a foundation for creating good relationships with employers and the implementation of the new employer strategy.
- The project to improve the automated matching system with competence-based matching started in 2014 and will be completed in 2016.
- The internal help-line service for staff.

5. AREAS WHERE IMPROVEMENTS MAY FURTHER ENHANCE PES OPERATIONS AND OUTCOMES

In this context, it should be mentioned that Af presents a methodological challenge for the overall PES Network Benchlearning project, as in some aspects they deviate with regard to the BL definitions of excellence. This is because of the decision to voluntarily not use the analytical potential and the controlling tools they already have for a certain period of the reform process, in order to shift staff focus away from counting outcomes to instead emphasise individual self-renewal/reliance and organisational cultural change. However, all controlling systems are still in place and data is collected. Having acknowledged the high level of maturity already in place at Af, the following tentative suggestions for improvements are offered:

- A crucial phase of the current reform will be the relaunch of measuring results on the basis that 'you always get what you measure'. The process might be organised bottom-up in order to base the results on a common understanding and acceptance. In addition, the results will illustrate to third parties the added value of the organisation.
- The Af risk management approach is very good, but while most of the elements of a quality management system are in place, it may not be entirely embedded into the decision-making cycle to improve operational results. Work is on-going to improve this area in order to ensure an effective control approach. It is clear that the PES is focused on this area, is well aware of how a classical QMS is designed and operates, and has a robust risk management approach. A good QMS reinforces organisational development and learning, and has the potential to be an effective support to the Journey of Renewal.
- Relationships to different groups of stakeholders are not optimally developed. For instance, expertise and support of social partners could be used more intensively in the planning, implementation, and review of activities

and measures at all organisational levels. In addition, the relationship to service providers shows some inflexibility and could be more supportive for the development and the implementation of tailor-made programmes and activities.

- Freedom of action of individual staff members needs comprehensive support to enable the individuals to make good decisions based on their own responsibility. Their decisions and all of their activities should follow minimum standards of quality. Currently, the variation in the way services are delivered is quite high.

6. RECOMMENDATIONS

The assessors are convinced that the 'Journey of Renewal' will lead to an improved PES performance. The general recommendation is therefore to continue the current reform process. The following recommendations are ideas for further performance improvement. It is acknowledged that Af is a very mature PES and has already reached a high level of performance and the following recommendations do not therefore imply that deficits are predominant.

The detailed recommendations are as follows:

- **Review the external communication strategy:** Do this with a view to further support the change process and its acceptance by stakeholders and the broader public by reporting on the Journey of Renewal and about the added value of PES in a transparent way.
- **Develop a Quality Management System:** As outlined by Af, all organisational units conduct risk analysis and identify risks that could lead to lower operational quality. Risk analysis shapes a plan for monitoring, detailing control activities aiming at maintaining quality levels. A new control policy has also been adopted. In that regard, a common understanding of the term "quality" should be ensured. During the visit, the assessors observed that units or teams at local level have already discussed this topic. Their experience might be used as starting points for an organisation-wide discussion and the subsequent agreement on a common interpretation of "quality".² Secondly, a comprehensive inventory of the current situation could be conducted in parallel leading to a plan (which has to fit in the existing strategic map) for the implementation of the new, more intensive "quality-orientation". In particular, the links between the existing core elements of a QMS should be defined and established. Missing elements (if any) could be easily constructed and added. The elements can be brought together into a cycle which follows the principle of permanent increase of quality. Feedback from the front-line interaction with clients on both the demand and supply sides of the labour market would be brought back into the QMS cycle.
- **Ensure the quality of front-line services:** As already mentioned, measures should be taken to ensure that minimum standards in service delivery are observed. A well-balanced set of a few qualitative and quantitative

² For this case, it should be considered that the concrete interpretation of "quality" may differ over the organisational levels. For instance, the head management might have a relative abstract understanding which displays a very managerial perspective. Otherwise, the officers directly serving clients should have a distinctive customer-oriented understanding. But it is necessary that all interpretations of "quality" fit into the same overall frame.

indicators³ could be developed bottom-up using experience and expertise of employment officers. After discussion over the different levels and approval by the head management, the set of minimum indicators could be applied nationwide. In this context, it is acknowledged that better ICT supports for counsellors are being developed and are planned for implementation within the frame of the 'Journey of Renewal' and will support quality of services delivered.

- **Consider the scope for earlier intervention:** In the Swedish system, Af becomes responsible at the point when a worker loses his/her job. Earlier co-operation with job security organisations could be intensified in order to ensure that employees at risk of losing their job have access to all Af services as early as possible, before employees are made redundant.
- **Improve the focus on employers:** While it is acknowledged that different approaches to excellence in servicing employers are evidenced in the PES Network, Af might consider organising separate units responsible for pooling all contacts with employers in all market areas or local offices with the intention of being more focused on employers.
- **Improve demand-side indicators:** Af monitors various demand-side indicators, but does not have an indicator that shows if notified job vacancies were filled with referred candidates. If such an indicator were available, it could help Af to improve its employer services and also demonstrate its labour market added value to internal and external stakeholders.
- **Adapt procurement procedures:** A more local budgetary scope for procurement of local active measures would be beneficial. For example, while Af has centrally organised agreements with service providers of training and educational programmes (ALMP) for job seekers, they lack flexibility when employers need staff with specialised knowledge. A more flexible system would enable "tailor-made" programmes to meet emerging employer needs.
- **Improve communication of evaluation results:** The results of evaluations should be presented in a way that employment officers can read and understand easily. This would facilitate the transfer of evaluation results into day-to-day work.
- **Intensify co-operation with stakeholders:** Relationships, networking, and collaboration with social partners and relevant public authorities (e.g. municipalities) at all levels can be intensified. For example, consider establishing advisory boards at each level to involve social partners and local/municipal government comprehensively in the planning, production, and extension of services. Overall, a more pro-active approach to external collaboration and partnerships is recommended.
- **Continue support of and for staff:** The already significant efforts in preparing and empowering staff for the new management philosophy and the self-leadership approach are acknowledged and are assumed to continue. The current work of reviewing the large number of existing (quality) guidelines and support available on the staff intranet is also encouraged.

In the context of staff development support, it may be worthwhile to consider the provision of more longer-term staff career development opportunities

³ Examples may be the share of jobseekers having the first interview within five days after registration, or the number of contacts with employers who have had no contact with the PES within the last three years.

that could be perhaps supported/jointly provided by a third-level university or institution. Such an opportunity for long-term career development could be delivered both on and off the job. One such idea is the possibility of supporting staff to pursue an MBA that would in turn help to reinforce the increased focus on services for employers and increasing market share. Another might be the development of a post-graduate programme to provide holistic vocational guidance education, leading to a professional vocational guidance qualification for current employment officers, thus 'professionalising' the adviser/employment officer function.

- **Review staff incentives:** It might be worth considering the reinforcement of non-monetary incentives in order to support cultural change.