

# Conclusions and recommendations of the National Audit Office

## Employment services for persons who are difficult to employ – The functionality of the Nordic labour market service model, cross-sectoral joint service promoting employment (TYP) and SIB model

The audit assessed whether the Nordic labour market service model, cross-sectoral joint service promoting employment (TYP) and social impact bonds (SIB) improve the employment opportunities of persons who are difficult to employ.

Persons who are difficult to employ are individuals struggling to find employment in the open labour market and are therefore circulating between unemployment, employment services and short-term employment relationships. When referring to this group of unemployed people, we often talk about structural unemployment, i.e. unemployment that is not decreasing even though at the same time the employment rate is high and there is a labour shortage. Prolonged unemployment is predicted by at least an advanced age, a low level of education and diagnosed illnesses. According to the Employment Service Statistics of the Ministry of Economic Affairs and Employment, there were about 150,000 people who were difficult to employ in September 2023. Persons who are difficult to employ account for about 40 per cent of all unemployed jobseekers or those in services promoting employment. Due to the high prevalence of difficulties in finding employment, the functioning of the employment services targeted at persons difficult to employ is a key factor when the aim is to strengthen central government finances by improving the employment rate and reducing social security expenditure. Unemployment accounted for around EUR 5 billion in social security expenditure based on the most recent, 2021 statistics.

## The rigid service process of the Nordic labour market service model does not allocate resources efficiently

The aim of the Nordic labour market service model introduced in May 2022 is to provide jobseekers with individual support earlier and more frequently than before and to increase jobseekers' independent job search with a quantitative job search obligation. Based on the information received during the audit, the personnel resources of the TE Offices and local government pilots on employment are currently insufficient for the implementation of the model. Due to insufficient human resources, the number of interviews and discussions organised with jobseekers in line with the new service model during the first year of operation was only just over half of that required by the model. Interviews and discussions were also delayed from the target schedule, and little time was available for them. During the first year, the share of local services of the initial interviews remained

at 38 per cent, even though, as a rule, all initial interviews should be arranged face-to-face at a TE Centre or an office of the municipality.

The rigid service process of the Nordic labour market service model does not allocate resources efficiently to the promotion of employment, as it does not pay attention to jobseekers' varying situations and service needs. Currently, the rigid process leads to excessive service provision for independent jobseekers and inadequate service provision for persons who are difficult to employ, as there are not enough resources for the intensive support needed by the latter group.

The increasingly complex customer processes have also significantly increased the share of administrative work in experts' total working time, which takes up resources from individual support for job-seeking. Only one third of the TE personnel who responded to the NAOF survey estimated that the new service model enables referring jobseekers to the necessary services more quickly than before. Resources should be allocated more to persons who are difficult to employ and whose service processes are complex and time-consuming.

## Job search obligation requires simplification

The Nordic labour market service model led to introducing a quantitative job search obligation. The audit found that this has increased independent job searches among some client groups, such as young people. However, the scope of the job search obligation has remained clearly more limited than was estimated in the preparation phase. In the first year, the number of job opportunities that jobseekers applied for amounted to only 10 per cent of the anticipated number. According to the TE personnel, there was a significant increase in ostensible applications among the total applications.

Overall, the experts in TE Offices and local government pilots on employment find that the job search obligation has made the jobseekers' obligations more tangible. However, the experts do not apply consistent criteria in setting the job search obligation, as the experts find that setting the obligation is a complex process with ambiguous instructions. Due to the varying criteria applied in setting the job search obligation, jobseekers are placed in an unequal position.

Fulfilling the job search obligation is challenging for many persons who are difficult to employ, whose obstacles to employment are often associated with reduced work ability. However, the improvement of their work ability and employment conditions is currently undermined by the scarce resources of social, health and rehabilitation services.

## TYP client relationships have a long duration, and the clients have high health service needs

The cross-sectoral joint service promoting employment (TYP) is a cooperation model aimed at promoting the employment of persons with long-term unemployment by providing them with public employment services that meet their service needs as well as social, health and rehabilitation services. On average, the TYP client relationships are considerably long: nearly half of the client relationships that ended in 2022 had lasted for more than three years. Some

clients need several different services, and others are also actually unable to work. Those actually unable to work are covered by the employment services due to the conditions for receiving unemployment benefits because they are not entitled to a disability pension.

TYP clients have a high need for health services, and long waiting times delay client processes. The clients' referral to health services is enhanced when the TYP networks include sufficient numbers of public health nurses and physicians. However, many TYP networks find that the resources that the wellbeing services counties have allocated to the TYP activities are insufficient.

## Considerable regional variation in the TYP activities

The primary criterion for referring a client to the TYP activities is a need for a cross-sectoral service. There is regional variation in the implementation and resourcing of TYP activities. In 2022, approximately one third of the unemployed jobseekers who met the TYP client relationship criteria based on the duration of their unemployment were clients of TYP activities. There was variation between the TE Offices in the proportion of jobseekers meeting the criteria who were clients of TYP activities. The highest share was more than 70 per cent and the lowest was less than 10 per cent. There is variation in the resourcing of TYP activities, especially when it comes to the number of health care professionals in TYP networks and whether they operate part-time or full-time in the network.

There has been little steering, development, target setting and monitoring of the TYP activities. The Ministry of Economic Affairs and Employment has not been closely monitoring the implementation of the legislation. There is little reliable information available on TYP clients and TYP activities. The poor monitoring data is partly explained by shortcomings in the client information system, i.e. the TYPPI register, and by the fact that different implementers use the system and record data on clients in different ways.

## Social Impact Bonds can promote employment among people who are difficult to employ

Various performance-based models for procurement have been developed to promote employment. Of these, the audit focused particularly on the projects carried out using the Social Impact Bond (SIB) model, which involves performance-based funding arrangements. The key actors in the SIB model are the public sector organisation as the body ordering outcomes and payor when outcomes are achieved, investors as the providers of funding for the services and financial risk bearers, the project manager as the coordinator of funding and the contract, and the actual service providers selected by the project manager. Of the projects carried out with the SIB model, the audit focused on the performance-based employment programme (Työ-SIB) and the fast track training and employment programme for immigrants (Koto-SIB), both commissioned by the Ministry of Economic Affairs and Employment.

Based on the audit, SIB projects are time-consuming and labour-intensive processes, but they have the potential to promote the employment of persons

who are difficult to employ. However, the planning and monitoring of SIB projects aimed at promoting employment still require further development measures to ensure that the performance indicators and bonuses better serve the key actors. Drawing up a contract requires an understanding of the utilisation of register-based data and the criteria for determining the performance bonus as well as an ability to interpret the outcomes. Register-based data should be analysed before drawing up the contract, and the ability of key actors to carry out such analyses should also be improved.

In the SIB model, complex performance bonus calculations may cause administrative burden for different parties. It is still possible to further develop the performance indicators used to assess outcomes and determine performance bonuses. In the future, in addition to performance indicators based on employment targets, attention should be paid as far as possible to so-called soft impacts, i.e. the positive impacts of projects on the work ability and functional capacity of persons who are difficult to employ.

## Recommendations of the National Audit Office

The Ministry of Economic Affairs and Employment should

1. through the means of legislation and possible instructions, promote the allocation of personnel resources in TE Services to better meet the client's service needs.
2. simplify the legislation and instructions on the quantitative job search obligation to ensure that imposing this obligation is unambiguous for experts.
3. in future SIB projects, pay attention as far as possible to the projects' impacts on the work ability and functional capacity of persons who are difficult to employ.

The Ministry of Economic Affairs and Employment and the Ministry of Social Affairs and Health

4. should work together to ensure that those who are difficult to employ are directed to the social, health, rehabilitation and employment services they need.