STOCKHOLM SCHOOL OF ECONOMICS
Department of Economics
659 Degree project in economics
Spring 2014

In the Name of Individualization

- An Assessment of the Swedish Quasi Market of Employment Services

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Abstract: This paper analyzes the current quasi market structure of contracted out employment services in Sweden to determine whether it is socioeconomically optimal. Drawing mainly on theories by Rebecca M. Blank (2000) and Andrei Shleifer (1998) on the optimal provision of social services it is found that transforming parts of the employment services in Sweden into a quasi market was appropriate, from a theoretical perspective. However, certain characteristics of the current market setup are flawed making it socioeconomically suboptimal. These flaws mainly concern the information asymmetries inherent in the market being addressed through excessively high quality of contracts, rather than through the inclusion of reputational factors in the market; and the lack of a differentiated compensation model that deter private providers from engaging in parking of hard-to-place jobseekers.

Keywords: employment services, quasi markets, private providers, procurement

JEL: D63, I38, H11, H35, H57

Supervisor: Johanna Wallenius
Date submitted: May 14, 2014
Date examined: June 5, 2014
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List of abbreviations

Throughout the paper the following abbreviations are continuously referred to. As these have been translated from Swedish, the original terms are stated within parenthesis:

PES = Public employment services (Arbetsförmedlingen)

LPP = the Law of public procurement (Lagen om offentlig upphandling)

LFC = the Law of freedom of choice (Lagen om valfrihet)

IGP = the Introduction guide program (Etableringslotsar)

JDG = the Job and development guarantee (Jobb- och utvecklingsgarantin)

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1 Introduction and purpose

Following a governmental reform in 2007, the Swedish Public Employment Services (Arbetsförmedlingen), from hereon referred to as the PES, today contract out parts of its operations to private providers. The aim with this is to enrich and diversify the employment services in order to make them better fit for handling the different needs of individual job seekers. The reform mainly targeted services aimed at long-term unemployed and certain newly arrived immigrants. Seven years have now passed and the PES is subject to major critique concerning its effectiveness and efficiency. In a poll published in April, 2014 only 11 percent of the Swedish population claim to have high, or rather high, confidence in the PES (Medieakademin 2014). Out of all Swedish public authorities included in the poll, the PES receives the lowest credibility figure. Since 2007, the average duration of unemployment and the total number of unemployed in Sweden has increased (see Figure 1.1, Figure 1.2 and Table 3 in appendix). This calls for evaluation of the current structure of the employment services system in Sweden.

The political debate on privatization of social services tends to be a highly ideological one. In Sweden, privatization has traditionally been an issue where the different political wings present rather clear standpoints. There is thus a risk that policy makers promote certain reforms and policies in pursuit of proving an ideological point rather backing these up by research, economic theory and empirical evidence. The reviews of the privately provided employment services that have been carried out since the reform have mainly been focused on assessing the quantitative results of the providers rather than the structural mechanisms leading up to these results.

The aim of this paper is to take a step back and, through a theoretical perspective, look at the very setup of the contracted out market of employment services in Sweden. There is more to this issue than the question of whether a market should be privatized or government-run; in between these two extremes there is a range of market forms to consider. These different markets are commonly referred to as quasi markets - markets that the government funds through the purchase of services from private actors (Le Grand 1991). The contracted out employment services in Sweden are an example of such a market. This paper analyzes the appropriateness of the current quasi market structure drawing mainly on theories by Rebecca M. Blank and Andrei Shleifer on the optimal provision of social services. Concretely, we answer the question:

Is the current market setup within contracted out employment services socioeconomically optimal from a theoretical perspective?

By creating a theoretical framework, which is operationalized in the Swedish context, we find that transforming parts of the employment services in Sweden into a quasi market was appropriate from a socioeconomic perspective. However, certain characteristics of the current market setup are flawed making it socioeconomically suboptimal. These flaws mainly concern the information asymmetries inherent in the market being addressed through excessively high quality contracts rather than through the inclusion of reputational factors in the market, and the lack of a differentiated compensation model that deter private providers from engaging in parking of hard-to-place jobseekers.

Ultimately, it is our intention that this paper will serve as guidance for policy makers in the evaluation and development of the future provision of employment services in Sweden. By taking a step back to a focus on theoretical analysis of the market mechanisms, the policy debate on this topic will hopefully be able to take several steps forward.

2 Research focus and scope

2.1 Socioeconomic optimization

The theoretical focus of this paper lies within the socioeconomic optimization of the provision of social services. Socioeconomic optimization is here defined as the optimal provision of a service with respect to both economic and social factors. Due to the nature of social services, the optimization of such markets needs to take social factors into account to a much greater extent than regular markets. Generally speaking, these factors, such as the wellbeing of individuals and ethical consideration, would not be considered in a purely economic efficiency optimization. We view socioeconomic optimization as the goal to strive for within the provision of any welfare service.

In the context of employment services in Sweden, we have specifically looked at the relationship between the PES and the contracted providers. The basis for our analysis is comprised of mainly two theories by Rebecca M. Blank and Andrei Shleifer. Together these identify a number of factors that require consideration when determining the appropriate forms of interaction between

the government and private providers in a quasi market of social services. These factors have been fundamental to our analysis of the Swedish market. In addition to this we have consulted previous research on issues inherent in privatized employment services, observations made in the quasi market of employment services in other countries, as well as in the quasi markets of other social services in Sweden.

2.2 The market definition

In this paper, we define the contracted out Swedish employment service market as limited to the two services Job and development guarantee (Jobb- och utvecklingsgarantin), from now on referred to as JDG, and the Introduction guide program (Etableringslotsar), from now on referred to as IGP. Private providers are used in the provision of multiple services with differing rules and regulations, and in order for this paper to not be in excess of detailed descriptions of regulative systems, we find it necessary to narrow our focus. JDG and the IGP are currently the two largest services contracted out to private providers. These cover approximately 70% of all the jobseekers that are referred to private providers (Arbetsförmedlingen, Af-2013/162687 2013). Furthermore, the two programs constitute two different forms of quasi markets as they are procured using two different procurement methods. The two methods yield significant impact on the analysis and are therefore, in some cases, valuable to review separately. It is our belief that focusing on these two programs, with their different market characteristics, adds complexity to our analysis while allowing it to still be easily comprehendible and clear to the reader.

Note that the quasi market of employment services in Sweden is regulated by highly complex procurement laws. As this paper inquires the current market setup from the perspective of socioeconomic optimization, we do not make any claims concerning whether our findings and propositions are compatible with prevailing procurement legislation.

3 The current quasi market of employment services in Sweden

3.1 The reform in 2007

In 2007, the PES initiated the first contracts with private providers of employment services. The explicit aim of the reform was to improve the quality of the services through better matching of jobseekers and available jobs; increased individualization of employment services; and to allow

for jobseekers to take part of the experiences and knowledge of other providers (Arbetsförmedlingen, Af-2013/162687 2013). Private providers are not contracted to act as private employment agencies but instead, they are contracted in a complementing manner to carry out some of the different services that the PES offer. Consequently, the official name of these providers in Swedish translates into Complementing Actors (Kompletterande Aktörer).

3.2 The system of contracting out to private providers

The first contact with the employment services, for all jobseekers, goes through the PES and their administrators. All jobseekers that qualify for IGP, and that accept enrollment in the program, are referred to a private provider as the PES does not provide this service themselves. JDG is also provided by the PES and it is individual administrators at the agency that determine whether the jobseeker is referred to a private provider or is maintained with the PES. There are no official guidelines for when a jobseeker should be referred to a private provider. However, there are no indications that the jobseekers that are referred to private providers have different characteristics compared with those that are maintained in the PES operations. Statistics show that the distribution in terms of gender, ethnicity, functional disability, age and level of education is very similar regardless of who provides the service (see Table 1.1 in appendix). In this paper, we therefore assume that the jobseekers in JDG that are referred to private providers do not have any particular characteristics other than those that make them eligible for enrollment in the program.

3.3 The services that are contracted out

3.3.1 The Introduction Guide Program

IGP is targeted at assisting certain newly arrived immigrants in understanding and establishing connections and networks within the Swedish job market in order to find employment. If there is an assessed need of further education in order for the jobseeker to be employable, enrollment in education stretching over, at least, a semester is also considered as sufficient result for compensation to the provider. The target group comprises individuals between the ages 20-64, or individuals of ages 18-19 without parents in Sweden, who have been granted a residence permit in Sweden as a refugee within the past two years. Furthermore, individuals of corresponding ages who have moved to family members that have been granted a residence permit in Sweden as a refugee within the past two years are also eligible for the service (Arbetsförmedlingen 2012). A

jobseeker can stay with an Introduction guide for a maximum of 24 months. If the jobseeker after 24 months still has not found employment or enrolled in education, they are referred back to the PES. As the program is procured through LFC, the jobseekers may actively choose their Introduction guide (Arbetsförmedlingen 2012).

3.3.2 The Job and Development Guarantee

JDG is aimed at helping a diverse target group of long-term unemployed individuals. The primary goal of this program is for the jobseeker to find full-time employment lasting for, at least, six months (Arbetsförmedlingen 2013). As in the Introduction program, education may also be a sufficient result for compensation. The jobseeker can stay with the same provider for a maximum of six months. After six months, the jobseeker is referred back to the PES, or to another private provider (Arbetsförmedlingen 2013). All jobseekers that are registered at the PES and have not found employment or enrolled in education within six months after initial registration are referred to the program. For jobseekers that are younger than 25, the time prior to referral is three months (Arbetsförmedlingen 2013).

3.4 The procurement processes and contracts

The services are purchased through procurement. There are two different types of procurement processes. The services can either be procured through the law of public procurement (Lagen om offentlig upphandling), from hereon referred to as LPP, or through the law of freedom of choice (Lagen om valfrihet) from hereon referred to as LFC. Generally, it is up to the PES to determine what process to use when procuring the different programs. However, the initiation of IGP came with requirements from the government demanding the PES to procure the service using LFC (Olofsson 2009).

In LPP, providers may submit tenders during a specific period of time when a new procurement is announced. After the procurement round is completed, the PES evaluate the tenders based on whether they meet a number of pre-specified minimum requirements concerning, for example, premises, education and competence of personnel, and capacity. All tenders that fulfill these criteria are then ranked based on how well they are assessed to meet four different qualitative criteria concerning the service. This quality assessment is then weighted by their offered price before the ranked list is produced. The ranked list comprises the order in which providers receive

jobseekers. As long as the top ranked provider still has unutilized capacity, the providers ranked below will not receive any job seekers (Arbetsförmedlingen 2013).

In services procured using LFC, providers may submit their tenders whenever they like and, consequently, the list of providers is constantly updated. The PES accept all tenders that meet the minimum requirements and it is then up to the jobseeker to choose provider. If the jobseeker is unable to choose, or does not want to make a choice, the provider that is geographically closest to the jobseeker's home is automatically selected. Jobseekers may reselect Introduction guide at any point if they are unhappy with their current one (Arbetsförmedlingen 2012).

3.5 The compensation model

The compensation to private providers is partly fixed and partly performance based. Payments are made in a three step process where the two last steps are performance based. The first part of the compensation is paid up-front, when the provider is assigned a jobseeker. The second part is paid out if and when the jobseeker finds full-time employment, starts its own business or enrolls in education. The final part is paid out if and when the jobseeker has maintained fulltime occupation or been enrolled in education for at least six months. In JDG, the division of the payments over the three steps is as follows: 45%-10%-45% (Arbetsförmedlingen 2013-10-23 2013). Within IGP, the ratios are instead: 10%-20%-70%, in addition to this, providers within IGP also receive a monthly compensation corresponding to approximately half of the compensation in step one (Arbetsförmedlingen 2012).

Another difference between the compensation model to providers within JDG and Introduction guides is the fact that the level of compensation to introduction guides is made dependent on the level of education of the jobseeker. The compensation for jobseekers with six years of education or less is higher than the compensation for jobseekers with more than six years of education (Arbetsförmedlingen 2012). In JDG, the compensation is the same for all jobseekers. In both programs, the compensation level is the same regardless if the ultimate result is employment or education. A final difference between the two compensation models is the fact that within JDG, providers receive the price that they offered in their tender, and it consequently differs between providers, while all providers within IGP receive the same fixed amount.

4 Current State of Knowledge

In mapping the current state of knowledge, we focus on three areas of previous research. Namely, previous research on the inherent agency problems of private provision of employment services, observations made in the quasi markets of employment services in other countries and previous research within quasi markets of other social services with customer choice.

4.1 Agency problems in quasi markets of employment services

Previous research within quasi markets of employment services has identified mainly two potential agency problems as being particularly prevailing within the field, namely *parking* and *creaming*. In order to establish a proper understanding of what type of behavior a quasi market of employment services need to deter, we find it helpful to focus this section on these two phenomena.

Creaming refers to the behavior of not accepting jobseekers that are deemed least likely to find employment. Parking, on the other hand, refers to the behavior of accepting such jobseekers in order to receive payment for these, but then refraining from investing resources and time in those individuals. Consequently, the person is "parked" within the service without benefiting from it.

Research has shown that the compensation model to the providers can play a central role in determining the propensity of providers to engage in creaming and/or parking. Behaghel et al. (2012) illustrate this through a straightforward model.

$$\Pi_P = P_0 + \lambda P_1 - c_a \qquad \text{(if parking)}$$
$$\Pi_H = P_0 + (\lambda+\delta)P_1 - c \qquad \text{(if helping)}$$

As in Sweden, payment models generally include an initial part, P_0 obtained when receiving the jobseeker, and a performance based part, P_1. The probability of the jobseeker finding employment is thought to be partly affected by the private provider's services, and partly affected by the characteristics of the jobseeker. The ability of the jobseeker to find employment on their own is defined by λ. The private provider can only affect δ, which corresponds to the increase in probability of finding employment due to the resource investment of the private provider. If the

private provider decides to invest resources and time in the jobseeker it is likely to incur a cost on the provider, denoted c. If the provider decides to park the jobseeker it only incurs the lower administrative cost c_a. Through engaging in creaming, a private provider avoids any costs at all. Consequently, the private provider ends up with two different profit functions as displayed above.

If $\Pi_P<0$ and $\Pi_H<0$ the private provider will engage in creaming; If $\Pi_P>0$ and $\Pi_P>\Pi_H$ the jobseeker will be parked; and if $\Pi_H>0$ and $\Pi_P<\Pi_H$ the private provider will help the jobseeker through investing resources and effort into this individual. To align providers' incentives with socioeconomic optimal outcomes, finding the appropriate balance between P_0 and P_1 is key. If too much weight is put on P_0, Π_P quickly becomes positive and thus encourages parking. On the contrary, putting too much weight on P_1 results in Π_P and Π_H seldom being positive. Creaming is thereby encouraged (Behaghel, Crépon & Gurgand 2012).

We now believe it is clear why it, in the context of employment services, could be beneficial for actors concerned with making financial profit to act in a non-socially optimal manner. While a quasi market completely absent of creaming and parking behavior may not be socioeconomically optimal *per se*, we do wish to have highlighted two types of behavior that need to be addressed when creating a quasi market of employment services.

4.2 Observations in the quasi markets of employment services in other countries

Sweden is far from being the only country contracting out their employment services. Australia, UK, Denmark, France and the Netherlands are some examples of other nations that have gone down a similar road (Finn 2011). The markets of these countries represent different systems and types of quasi markets. In Sweden, only some services are contracted out, while, for example, Australia and the Netherlands contract out all their services to private providers (Bredgaard, Larsen 2007). We acknowledge the importance of looking at other markets in order to evaluate observable results in these in relation to the theoretical framework. In this section, we draw mainly two conclusions. Firstly, the nature of the procurement process seems to have important implications for the type of competition that evolves in the market, and secondly, the design of the compensation model really does impact provider behavior.

4.2.1 Implications of the procurement process on the market

There are indications that the type and nature of procurement process have far-reaching effects on the market and its characteristics. For example, there seems to be a clear link between procurement process and nature of the competition that evolves in the market. Bredgaard and Larsen (2007) acknowledge that markets in the Netherlands and Australia have experienced competition based on price much due to the design of their procurement models. As qualitative aspects initially have proven to be a difficult basis for a fair selection of tenders, both countries have moved towards stricter and more static evaluation criteria (Bredgaard, Larsen 2007). Price appears to have become the main selection factor, as this is less subjective compared with qualitative measurements. Consequently, a downward spiral has evolved, where prices have been pushed further and further down by private providers in order to win procurements. Cost cutting has thus been necessary in order to offer competitive prices (Bredgaard, Larsen 2007). Furthermore Bredgaard and Larssen (2007) suggest that the competitive climate, with a focus on price, prevents innovation in the market. As providers are mainly concerned with surviving financially, they are unlikely to invest in innovation and quality improvement.

4.2.2 The Australian star rating

In response to the increased focus on price, Australia started to incorporate a, so-called, star rating system in their procurement process (Finn 2011). This system awards providers with one to five stars based on their performance. The performance is assessed based both on effectiveness and efficiency; how many jobseekers find employment and the average time it takes for jobseekers to find job. The assessment is performed on a rolling three-year basis with the help of an econometric model. The model considers a large number of different characteristics of the jobseeker characteristics of the local job market, in which the provider operates, in terms of unemployment rate, employment growth etc. (Job Services Australia 2012). The star ratings are published on a quarterly basis.

Contracts of the providers that are rewarded three stars or more are automatically renewed in the new contract period. In 2006, 90% of the contracts were rolled over to existing providers and, consequently, only 10% of the market was procured in the next round (Finn 2011). This has been a way to avoid excessive focus on price in the procurement and instead increase the focus on quality and results.

4.2.3 Implications of the compensation model design

The second important observation from the markets of other countries concerns the impact of the compensation model in terms of the incentives it creates for the providers. As mentioned, Behagel et al. (2012) suggests that the compensation model may induce creaming and parking behavior. Observations from other markets appear to confirm this theory. Bredgaard and Thomas (2007) report that parking and creaming has been an issue in the Australian, as well as in the Dutch market. In response to the reports of parking and creaming behavior, the Australian government introduced a profiling tool that categorize all jobseekers in four different, so-called, streams depending on their assessed job readiness. This categorization is an integrated component of the above-mentioned star rating system. The size of the compensation is now differentiated depending on what stream a jobseeker belongs to, the less job ready the jobseeker is, the higher the compensation (Finn 2011).

The Dutch government has also introduced a differentiated compensation model where the sizes of the payments are made dependent on the assessed job readiness of the jobseekers (Bruttel 2004). Thus, the governments of these countries have clearly identified a link between the occurrence of parking and creaming and the design of the compensation model.

4.3 Observations in quasi markets of other social services with customer choice

As stated initially, and is supported by the findings in foreign markets, we identify that the two different procurement processes create two types of quasi markets with, in some aspects, differing characteristics. LFC is a rather recently legislated procurement process that was only introduced on 1 January 2009 (Reinfeldt 2008). Gustaf Kastberg (2010) conducted an extensive review of the research findings within quasi markets with freedom of choice among consumers. This report yields important insights for understanding the provision of social services in general, and the differences implied by LFC compared with LPP in particular.

The report holds five different dimensions as essential to consider in creating a functioning market based on customer choice. These five dimensions will now be outlined.

4.3.1 The consumers

Kastberg (2010) points out that it is important to recognize that there are several factors that make individuals more or less able to make informed choices. Aspects that he identifies as essential are, for example, age, educational level and socioeconomic status. Studies show that choice based on qualitative factors, rather than purely geographical factors, is more prevalent among parents with a high social status and high levels of education compared with less privileged parents. For example, when a trial database, facilitating comparison of schools, was launched it was shown to be used almost exclusively by parents with high socioeconomic status and a high level of education (Kastberg 2010, see Blomqvist, Blomqvist, Rothstein 2000). Several studies also show that the main source of information when choosing provider of social services is close friends and family (Kastberg 2010, see Hjalmarson, Hjalmarson, Norman 2004). This would further indicate that factors like socioeconomic status highly affect the ability to make an informed choice, as individuals are likely to share such characteristics with family members and close friends.

4.3.2 Information

Having established that the capability of the consumer, based on his or her circumstances in life, is key to whether the consumer can make an informed choice, it is essential to identify that the ability of the consumer to make an informed choice is also made dependent on the available information in the market. Regardless of how capable the consumer is to make a choice *per se,* if there is no available information to base that decision on the market will still not function properly. Five requirements that are important for information to fulfill in order to be relevant support for consumers in making a choice (Kastberg 2010, see Statskontoret, Statskontoret 2007). There needs to be information that the possibility of choice exists, on what happens if no active choice is made and how one makes a new choice if the initial provider is not satisfactory, information about what different providers there are and what kind of services they offer. Finally, there needs to be information about the differences and similarities between providers, and it needs to contain qualitative aspects of the service.

4.3.3 Supply

In order for a market to facilitate choice, there needs to be enough providers providing rather similar types of services, for consumers to actually be able to choose. Previous studies recognize that this is generally not a concern within LFC markets, as the number of providers tends to

increase when freedom of choice is introduced (Kastberg 2010, see Hsieh, Hsieh, Uriquiola 2006). However, there are also indications that this increase is not always evenly distributed. There is a tendency that providers establish themselves mainly in areas with dense populations of consumers. For example, private schools tend to open in areas with large numbers of children of school age. In other areas, such as home care service, there has also been a tendency of more establishments in densely populated areas (Kastberg 2010, see Konkurrensverket, Konkurrensverket 2009). Generally the inability to take advantage of economies of scale within areas with low population numbers makes it more profitable to provide services to densely populated areas (Kastberg 2010). While it is natural that densely populated have a higher number of providers, it is important to acknowledge the fact that this may imply that individuals in smaller towns may not reap the potentially positive effects of customer choice.

4.3.4 Resource allocation

The main idea behind markets with freedom of choice is that resources should be allocated to those providers that are chosen by the consumers. However, this is not always as straightforward as it may first seem. As in the market of employment services, many customer choice markets, with the healthcare system as the perhaps most prevalent example, have used performance based compensation models. The dominating issue with performance-based compensation is the difficulty in defining a desired, and thus compensable, performance that yields incentives for the providers in line with socioeconomically optimal outcomes. A model that is completely successful in doing this seems yet to be developed. As Kastberg (2010) points out, the main conclusion to be draws from studies in other markets is that the design of the compensation model does have an observed impact on the behavior of the providers and that all models are associated with different benefits and drawbacks. The issue concerning the compensation model is equally prevalent in both LFC and LPP markets and is thus relevant in the discussion of the Introduction guide market as well as of the JDG market.

4.3.5 The regulatory system

The regulatory system is naturally a dimension that is closely related with the other four dimensions, as it needs to take the impact of these aspects into account. Kastberg (2010) mainly identifies that the main concern of the regulatory systems in these markets is to deal with different tradeoffs and conflicting interests. These are tradeoffs between overall costs and individual provider productivity, between productivity and equity. Additionally, the potential

conflict between the political system and market-oriented actors and their inability to understand each other is identified as a potential conflict.

An illustration of the latter is the fact that the PES of both Australia and the Netherlands went out of business within two years after they had to compete on the same terms as private providers (Bredgaard, Larsen 2007). Designing an appropriate regulatory system is a highly complex process and, in a nutshell, it is the design of the regulatory system of the contracted out Swedish employment services market that this paper evaluates. Thus, note that the challenge of designing an appropriate regulatory system is not unique to the LFC market but equally relevant for the LPP market.

Together, these five dimensions highlight some of the differences, and in some cases, similarities between procuring social services through LFC or LPP. These findings will be used in the operationalization of the theoretical framework, which will now be outlined.

5 Theoretical framework

Having summarized some of the relevant findings and theories from other markets, we will now go on to presenting the theoretical framework upon which we have based our analysis. These two theories, by Shleifer and Blank (Blank 2000), capture what is commonly seen as the key issues that need to be addressed when analyzing if and how privatization of social services is possible. An important aspect of the theories in general, and of Blank's in particular, is that they, in a highly concrete manner, identify what factors that such analysis should consider. Together, they therefore constitute a highly suitable framework for answering our research question. We will now outline the basics of these two theories.

5.1 Andrei Shleifer's theory on state versus private ownership in markets

Essential to Shleifer's theory is the recognition of what he calls non-contractible quality. Non-contractible quality is qualitative aspects of a service that are difficult or impossible to measure and thus unable to be specified in a contract. Shleifer states that whether a service should be privately or governmentally provided depends on how these two ownerships affect the incentives, and costs of delivering such non-contractible quality (Shleifer 1998).

Actors make investments in their operations, either to reduce costs or to innovate and thereby improve the quality of their service. Shleifer refers to these as two different investment incentives. The idea is that private firms, by nature, have stronger incentives to invest in both cost reduction and innovation. This springs from the fact that private actors may retain a larger portion of the benefits that accrue from potentially successful investments. Shleifer therefore identifies private ownership as crucial to innovation and efficiency in a market.

The issue of ownership is, however, complicated by the fact that there may be situations when cost reductions have an adverse effect on the non-contractible quality. In such cases, governmental ownership may be called for. However, Shleifer points out that even under such circumstances, there may still be arguments in favor of private ownership if the degree to which innovation is required in the market is great enough to outweigh the disadvantages of adverse cost reduction. Therefore, assessing the degree to which innovation is required in the market is essential for determining appropriate ownership. As Shleifer puts it "which ownership structure is more efficient depends on whether having high-powered incentives to invest and innovate is a good idea" (Shleifer 1998. p. 138).

Additionally, Shleifer identifies two other factors to assess when determining the appropriate ownership. Firstly, the quality of contracts plays an important role. He recognizes that with perfect contracts, where the details of the service and the outcomes are specified in detail, the non-contractible quality is minimized or eliminated. The service will therefore be identical regardless if it is privately or governmentally provided. Thus, with perfect contracts it does not matter who provides the service. Secondly, even in a market where there is non-contractible quality and where cost reductions may have adverse effects on this quality, concerns with maintaining a good reputation may create incentives to not invest in such cost reductions. The idea behind the use of reputational factors is to make providers aware that how they perform today will impact their profitability tomorrow in terms of customer retention. Consequently, the incentives to cut costs are partly counterweighted by the reputational concerns to maintain a high quality. Shleifer identifies that allowing for customers to choose freely among providers is one way of creating such reputational factors.

To summarize, the theory of Shleifer identifies the quality of contracts, the effects of cost reductions on non-contractible quality, the degree of innovation required in the market, and the

use of reputational factors as key elements to assess in a market when determining the appropriate form of provision.

5.2 Rebecca M. Blank's theory on the provision of social services

Blank points out four different factors that potentially make social services, such as employment service, suboptimal to be privately provided. These factors are externalities, information asymmetries, agency problems, and distributional concerns. She argues that the severity of these need to be assessed in order to determine the optimal form of provision (Blank 2000).

5.2.1 Externalities

Social services often lead to benefits and costs reaching beyond those the immediately impacted market. For example, a poorly run prison may in the long run, result in prisoners remaining in the criminal sphere after having served their penalty. Subsequently criminality rises in society. This leads to costs beyond those immediately impacted by prison services. Blank argues that private markets are unlikely to take these benefits and costs into account.

5.2.2 Information asymmetries

Information asymmetries comprise difficulties for the service recipient in judging the quality of the service. Social services can be rather complex and output quality may be hard to monitor and measure. For example, measuring how much a nurse cares about patient is very difficult but yet a fundamental part of good hospital service. The extent of such information asymmetries may have implications on what should be considered the optimal form of provision.

5.2.3 Agency problems

The individual recipient of social services is often not entirely in control of the decisions being made on behalf of them. The question is whether it can be trusted that private providers will make socioeconomically optimal choices for the individual. The idea that the government takes into consideration the wellbeing of the individual as well as other social factors that a profit-maximizing actor would not, can therefore call for governmental provision, or at least involvement in the market.

5.2.4 Distributional concerns

There are two main concerns when it comes to the distribution of social services within a private market context. The first one is a concern about access. This mainly focuses on whether all individuals in a society will be able to receive the social service if it were to be privately provided. The risk is that some members of society would be excluded from the service. Secondly, there are concerns regarding the equity in the receipt of the service. A privatized system may not be able to ensure that all recipients get a lowest level of quality in the service in the same manner that the government can. A minimum level would arguably be fair for everyone to receive when it comes to social services. Selection of market form should, according to Blank, be based on the impact and severity of the market characteristics as defined above.

6 Method

In our approach to answering the research question we make use of theoretical factors, as given by the theoretical framework. We summarize these factors as being:

- Impact of cost reductions on non-contractible quality
- Externalities
- Information asymmetries
- Agency problems
- Distributional concerns
- Degree of innovation required in the market
- Quality of contracts
- Use of reputational factors

While the theories, mainly that of Shleifer, in their original form discuss additional factors and aspects, we have chosen to focus on the above mentioned as they present the factors we deem to be relevant and measurable in the Swedish quasi market of employment services.

The following section describes how we have gone about in making the theoretical framework applicable to the context of Swedish employment services and motivates the applied methods.

6.1 Operationalization through operational indicators

In order to apply the theoretical framework to, and facilitate an analysis of, the Swedish quasi market of employment services the theoretical factors needed to be operationalized. Several of the factors are, on their own, of an immeasurable nature and consequently needed to be translated into operational indicators that lend themselves better to concretization. It has been our intention that the operational indicators should be well underpinned and that what has been measured and how it relates to the theoretical framework should be clear. To achieve this, we have strived to, as much as possible, use documented regulations and statistics as operational indicators. In cases where a certain degree of interpretation has been applied, this should be clearly stated in the analysis. Having stated this, we recognize the fact that each of these theoretical factors may have multiple operational indicators that are not considered in this paper. For whatever reason these have been left unconsidered, we identify this as a potential flaw that should be kept in mind when reading our conclusions.

As was made clear in the previous research, the nature of the procurement process has significant impact on the market. Because of the fact that the two services analyzed in this paper are procured using different procurement processes, some of the theoretical factors have been operationalized using different indicators in the two markets.

Table 1 describes the operational indicator that has been used for each theoretical factor and what documentation we have used to quantify the indicators.

Table 1 Operational indicators

Theoretical factor	Operational indicators	Material/Data
Impact of cost reductions on non-contractible quality	Positive correlation between cost competition and innovation, and impact of compensation model on creaming, and parking	• Previous research from other countries (see section 4.2)
Externalities	Social and economic costs of unemployment	• Study by Ochsen and Welsch on the link between unemployment and life satisfaction • Report by Gerard et al. on economic cost estimations of unemployment

Degree of innovation required in the market	Heterogeneity of the target groups Transformation of job market	• PES reports on the participants of JDG in 2010 and statistics from IGP in 2014 • Survey of the labor force by Statistics Sweden 2014 • Data on immigration to Sweden from Statistics Sweden (SCB)
Information asymmetries*	Quality of contracts Reputational factors	See respective factor
Quality of contracts*	Level of detail in contracts	**LPP**: • Procurement documentation for JDG from the PES **LFC:** • Procurement documentation for Introduction guides from the PES
Reputational factors*	**LPP**: Past performance of providers in terms of the job finding rate of past jobseekers **LFC**: Quality of available information Ability of target group to make an informed choice based on their characteristics	**LPP**: • Procurement documentation for JDG from the PES **LFC**: • PES report on statistics from IGP 2014 • PES report from 2013 reviewing private providers • Online information provided by the PES to jobseekers in IGP
Agency problems*	Incentives for parking and creaming created by the Swedish compensation model	**LPP**: • Informational documentation from the PES to providers of JDG describing the compensation model **LFC**: • Calculations based on the procurement documentation for Introduction guides from the PES
Distributional concerns**	Geographic distribution	Data from the PES on the distribution of private providers Data from the Swedish migration board on municipal reception of refugees
		* Analyzed separately for LPP and LFC ** Only analyzed with regards to LFC

6.2 Presentation and discussion of operational indicators

6.2.1 Impact of cost reductions on non-contractible quality

Innovation, creaming, and parking have been identified as behavior that influence, so-called, non-contractible quality. Innovation improves this type of quality, while creaming and parking decreases. Furthermore, we have taken a, somewhat, broader perspective on cost reductions and discuss this aspect in terms of private providers allowing financial estimations and considerations to influence their operations. Consequently, when operationalizing the potential existence of a positive correlation between cost and quality, how the providers' financial considerations of profitability have been observed to affect innovation, creaming, and parking, has been looked at. While the previous research has been performed in markets other than Sweden, these observations concern issues inherent in employment services, as such, rather than in the country-specific characteristics of these markets. We therefore hold these observations as representative in the Swedish context as well.

Furthermore, the two factors *impact of cost reductions on non-contractible quality* and *externalities* have been identified as being closely linked. Externalities can be seen as a measurement of the potential scope of the effects that decreased quality of employment services may have. Note that the assessment of these two factors are equally relevant in the LFC market as well as in the LPP market.

6.2.2 Externalities

When it comes to measuring potential externalities, we have focused on the link between the quality of employment services and the unemployment rate in a society. For the discussion on externalities previous studies estimating economic and social costs of unemployment are consulted. In terms of social costs we refer to a study performed by Ochsen et al. (Ochsen, Welsch 2011) where they use data from 50,000 individuals in 10 different countries to measure the effects of employment status on life satisfaction. As regards the economic costs we have used a study performed by Gerard et al. (Gerard, Valsamis & Van der Beken 2012) through the consultancy company Idea Consult on behalf of the European Federation for Services to Individuals (EFSI), a body for federations and companies that are involved in the development of services to individuals in Europe. The study has calculated the annual average cost of an unemployed in six different EU countries based on, for example, the total spending on

employment benefits, the current employment insurance systems, and the taxation systems of each country.

While we recognize that there are multiple factors affecting the employment rate that are independent of the quality of employment services, we still find it as essential to hold employment services accountable in reducing these types of costs imposed on society and individuals. Given an assumed connection between the quality of employment services and the unemployment rate, an inquiry of the social and economic costs of unemployment allows for establishing the prevalence of externalities in employment services and thus the severity of quality reductions.

6.2.3 Degree of innovation required in the market

In the context of employment services, Shleifer's discussion on innovation has been interpreted as whether there is a need for the service to be developed. In light of this, to operationalize innovation we have looked at mainly two things. Namely, to what extent the recipients of the contracted out employment services comprise a heterogeneous group, and to what extent the job market is transforming. A heterogeneous target group and a transforming job market would imply that no standard solution will suffice but there will be a need for individualization and specialization of the service. Such diversification and specialization requires innovation of the employment services.

To measure the heterogeneity of the jobseekers within the contracted out employment services, we have looked at the characteristics of the target groups in terms of variation in age, level of education, and origin. These numbers have been collected from two different PES reports and the statistics are found in Table 1.1 and 1.2 in appendix.

Furthermore, we have looked at statistics of immigration of people born outside Sweden, as this serves as an indicator of whether the labor force, and consequently jobseekers, will continue to be heterogeneous. These statistics are based on absolute numbers between 2001 and 2013, as presented by the public agency Statistics Sweden (Statistiska Centralbyrån). Based on these, calculations of the growth rate has been made (See Table 7 in appendix). Finally, to measure to what degree the Swedish job market is transforming, statistics concerning what sectors that constitute the major source of employment and how these change, have been used. Potential shifts in sector focus are likely to yield large movements within the labor market. For these

purposes, we have consulted a report from Statistics Sweden, prepared by Birenstam, that maps the Swedish labor force.

6.2.4 Information asymmetries

In the operationalizing of the information asymmetries, we used the different regulations of the two procurement processes, the quality of contracts, and the use of reputational factors in each of the two markets. Thus, two of the theoretical factors have been used as operational indicators for information asymmetries. This is in line with Shleifer's (1998) reasoning that contracts and reputational factors are means with which to regulate information asymmetries. For a more detailed description of the two latter indicators, we refer to section 6.2.5 and 6.2.6.

In the LPP market the information asymmetry considered is that between the government and the providers based on how the regulations of the LPP procurement process affect these. In operationalizing this, the existing procurement documentation is consulted. In the LFC market the information asymmetry between the individual jobseeker and the providers is analyzed, mainly based on the factors that Kastberg (2010) gives as required in order for customers to be able to make informed choices. Note that, due to the differences, the information asymmetry analysis will be performed separately for the two markets.

6.2.5 Quality of contracts

In order to assess the quality of contracts we have looked at the procurement requirements for each of the services that stipulate the contractual obligations of private providers. The assessment of whether the procurement requirements should be considered to be of high quality or not is of course subject to interpretation. However, as will be clear in our analysis, we have considered aspects like to what degree the contracts specify how the service is to be performed contra specifying the outcomes, how detailed these descriptions are, and to what degree they leave room for interpretation by the providers.

6.2.6 Reputational factors

We identify making providers' future profitability dependent on their past performance as a way to introduce reputational factors in the market. Past performance is here defined as the job finding rate of the jobseekers that have previously been registered with the provider. It has therefore been examined to what extent past performance is taken into account when selecting providers in the LPP market. As for the LFC market, inspired by Kastberg (2010) we

operationalize the use of reputational factors through assessing the quality of available information and characteristics of the target group. To evaluate the quality of the available information we have attempted to, as much as possible, take part of the same information as jobseekers enrolled in IGP are given. As a majority of this information is web-based the website of the PES and its online tools have been consulted.

Regarding the assessment of the jobseekers' capability to make an informed choice, we have looked at numbers gathered from a PES report published in 2014 with statistics for the characteristics of jobseekers in IGP.

6.2.7 Agency problems

Guided by Behagel et al. (2012) the main agency problems within privately provided employment services have been identified as creaming and parking. However, measuring to what extent such behavior occurs in the Swedish market would be highly challenging as such behavior is, for natural reasons, difficult to observe. Rather than finding means to do this, we have instead operationalized agency problems through an assessment of the incentives to engage in parking and creaming as generated by the current compensation model designs. The compensation models within the two services have been consulted as documented by the PES. Based on the official compensation models, we have made calculations of our own to quantify the incentives. The basis for these calculations can be found in Table 4.1, Table 4.2, Table 5.1, and Table 5.2 in appendix.

6.2.8 Distributional Concerns

We identify geographic distribution of providers as the most relevant operational indicator of distributional concerns. If providers mainly establish within largely populated areas, an access problem will arise for inhabitants not living in such regions. Furthermore, the geographic distribution is also an operational indicator of the equity in receipt of the service. In order for jobseekers to benefit from increased diversification, which was the aim of the reform, it is reasonable to assume that there needs to be a variety of providers in their vicinity. Therefore, if providers are distributed unevenly, jobseekers in scarcely populated areas will enjoy employment services without the potential benefits that the introduction of private providers brings. Furthermore, as Kastberg (2010) points out, the geographic distribution is key in assessing whether choice can be facilitated in IGP. If there are not enough providers to actually make an

active choice, the LFC market will not function properly. Geographic distribution is thus also a good indicator of equity in receipt.

As a basis for the operationalization, data on the number of registered private providers in different regions, received from the statistical department of the PES have been used. The data present figures for Introduction guides separately, while figures for JDG have been aggregated with other services. It was therefore decided that no analysis of the geographic distribution of providers within JDG was to be carried out, as we could not isolate the data specifically for this service. We recognize that this is a flaw to our analysis as the geographic distribution of providers is linked to the equity in receipt of the service. However, arguably, the geographic distribution plays more of a central role in the market of Introduction guides. This service is only provided privately and, consequently, PES offices cannot back up a potentially uneven distribution of private providers as they can within JDG. Furthermore, it is only the LFC market that requires that the geographic distribution ensures the facilitation of choice. In light of this, it was concluded that it is more relevant not to consider the geographic distribution of JDG, rather than analyzing questionable data. The data of geographic distribution within IGP has been complemented with data on the distribution of received immigrants with refugee status from the Swedish Migration Board. A subsequent categorization of municipalities according to population size was also made. (see Table 2.1 and Table 2.2 in appendix).

Having outlined the operational indicators that have been used in the analysis, we will now present and discuss our results.

7 Results and discussion

7.1 Impact of cost reductions on non-contractible quality and externalities

7.1.1 Positive correlation between cost and non-contractible quality

Guided by Shleifer, we identify the potential adverse effect that cost reductions may have on the non-contractible quality in the market as an issue that lies at the core of the debate on private provision of employment services. Observations from, for example, the Netherlands and Australia show that competition based on price and cost stifle innovation in quasi markets of employment services (Bredgaard, Larsen 2007). When price competition forces providers to cut

costs, this has impacted the development and improvement of the service negatively. The link between the financial sides of the market and the quality of the service is further supported by the correlation between the compensation model and the propensity of providers to engage in parking and creaming that have been observed in the markets of other countries. When providers observe an increased financial risk or a decreased expected return due to the design of the compensation model, they have been shown to engage in parking and creaming (Bredgaard, Larsen 2007). This is arguably instances of cost cutting impacting the quality of the service negatively.

We thus conclude that employment services as such are characterized by a positive correlation between cost and the non-contractible quality. By allowing for interaction between the theory of Shleifer (1998) and that of Blank (2000), we identify that the prevalence of what Blank refers to as externalities is a way to get a sense of the scope of this positive correlation. Regardless of the exact causality between cost reduction and quality reduction, if the potential negative effects risk having a vast scope, the uncertainty in itself may call for questioning the appropriateness of private provision.

7.1.2 Externalities in the Swedish market of employment services

It is well documented that employment status has more extensive impacts on people's lives than solely on their disposable income. In their study, Ochsen and Welsh (2011) identify employment status as the single most important factor determining life satisfaction. The performance of employment services may therefore incur significant social costs on individuals in terms of their wellbeing and mental health. In addition to such social costs, there are also economic costs of unemployment on a macro level. Gerard et al. (2012) estimated the average costs per year and per unemployed in Sweden to a total of € 26,900. The costs of unemployment are thus significant and the negative externalities of malfunctioning employment services are substantial.

7.1.3 Implications for provisional form

We can thus establish that the externalities in the market are rather severe. This indicates that a decrease in the non-contractible quality may have major negative impacts on society as a whole. Having observed a positive correlation of cost reductions and quality, with such major implications on a societal level at stake, it is natural for this market to involve some form of government intervention. However, as Shleifer (1998) points out, introducing private provision

may still be justified if the need for innovation in the market is great enough. Therefore, we will now inquire the degree to which innovation is required in the Swedish market in order to see whether private provision may still be called for.

7.2 The degree of innovation required within employment services

Shleifer's (1998) notes that private providers, theoretically, have greater incentives to innovate than public providers and, thus, if innovation plays an important role, the potential benefits of private providers may outweigh the potential disadvantages of quality reducing cost cutting. If, on the other hand, innovation plays a minor role in the market, it may not make it worth considering market forms other than full government provision due to the potential drawbacks of private provision. It is therefore necessary to assess to what degree employment services require innovation.

7.2.1 Heterogeneity of the target group

The recipients of the contracted out employment services is a highly heterogonous group. As discussed, there is significant variation in terms of ages, nationalities and level of education in JDG (see table 1.1 in appendix). The same holds true for the participants in IGP. The main group of jobseekers is comprised of people in the ages 20-29 with less than nine years of educational experience. However, there is a substantial amount of jobseekers representing other age groups and education levels (see table 1.2 in appendix). The varying characteristics of the target group imply that there is a variety of different needs and preconditions among the targeted jobseekers. Furthermore, there are clear indications that this group will continue to be heterogeneous. For example, the number of immigrants in the Swedish labor force is constantly increasing. Since 2001, the total number of people born outside of Sweden has increased by approximately 48.1% (Table 7 in appendix). These people are bound to bring different experiences, backgrounds and competencies to the table. Not least due to the fact that the immigrants, as a group, transforms over time as the streams of asylum seekers vary as a consequence of major global events. For example, in 2013, Sweden experienced a tripling of refugees from Syria compared with 2012, due to the civil war (SCB 2013). The increase in immigration and the cyclicality of from where people migrate to Sweden, imply constant transformation of the labor force into a more diverse group.

The target group of employment services is destined to follow the transformation of the labor force and thus continue to be heterogeneous. This will in turn most likely require new competencies of the providers of employment services. Competencies such as knowledge of different cultures, more languages and different professional backgrounds will be essential. Ultimately, the transformation creates a need for innovation in order for the employment services to adapt to the heterogeneous target group.

7.2.2 A transforming job market

Furthermore, there are not only indications of a changing labor force; the job market itself seems to be in continuous transformation. During the past years, the Swedish job market has, for example, experienced a shift from the manufacturing sector towards a more service oriented economy (Birenstam, Larsson 2014). A natural consequence of such shifts in the job market is the transitional stage in which laid off labor in the manufacturing sector need to be shifted to the service sector. Employment services should, arguably, play an important role in facilitating this. Innovation of employment services is therefore important in order to adapt to the transforming job market and be able to match jobseekers with new types of professions in a growing service sector.

To conclude, the market of employment services in Sweden is a market characterized by great need for innovation. Innovation in terms of increased individualization to better meet the needs of the heterogeneous jobseekers, and to facilitate transformations of the job market. This seems to be in line with the explicit aim of the reform in 2007, as it was expressed to be that of diversification and individualization. In line with Shleifer's (1998) reasoning, we assess the extent to which innovation is required within employment services to justify the introduction of private providers.

7.2.3 The implications for the appropriateness of the quasi market form

To summarize what we have established so far we recognize that there is a positive correlation between cost and the non-contractible quality, a correlation that is immeasurable but that risks having major negative externalities on society as a whole. Simultaneously, employment services are characterized by a great need of innovation and development, which calls for private provision. Taken together, this implies that a quasi market setup is suitable for the provision of employment services in Sweden. However, as there are multiple types of quasi markets and we

will now consider the remaining theoretical factors in order to see whether the current design of the Swedish quasi market is socioeconomically optimal.

7.3 Information asymmetries

7.3.1 Information asymmetries in the LPP market

The inherent information asymmetry of the LPP market mainly concerns the selection of tenders in the procurement process and the subsequent ranking process. It is hard for the PES to know whether a submitted tender gives a fair representation of the actual service from a specific provider. Writing a tender is far from a straightforward process and experienced actors are likely to have better adapted their style of writing to the preferences of the PES. The problem is that there is not necessarily a correlation between how skilled a provider is at tender writing and the quality of the service it provides. Furthermore, the procurement format in itself is a rather blunt tool for selection based on quality. The PES cannot be assured that the stated requirements actually will result in the providers with the best quality in their service being selected. In essence, this is what Shleifer (1998) identifies as the non-contractible nature of quality within social services.

7.3.2 High quality contracts to address information asymmetries

To address this information asymmetry, the Swedish PES appears to have turned to creating high quality contracts. Contracts that in detail specify how the service is to be performed rather than what the service should lead to.

In addition to requirements concerning, for example, how many jobseekers each case manager at a private provider is allowed to work with simultaneously, and the exact qualifications a case manager should have, the contracts also stipulate the exact number of hours per day the jobseeker should spend at the provider's premises, regardless of the background and profile of the jobseeker. The activities that the jobseeker is engaged in are listed and described in the procurement documentation (Arbetsförmedlingen 2013). These activities are, to some extent, described in wording broad enough to leave some room for individualization. For example, the procurement states that a jobseeker should be assisted in finding information on the prerequisites of a specific job, but it does not explicitly describe how this should be done. However, if a jobseeker is to be enrolled in some form of work orientation at a company, the procurement

states that the company needs to be approved by the PES before the jobseeker can start the work orientation (Arbetsförmedlingen 2013). Overall, the contracts are of high quality in terms of their level of detail.

This is a very important point to make as Shleifer (1998) points out that contracts where the service is nearly perfectly specified, make it unimportant whether the service is governmentally or privately provided. As it is predefined exactly how a service should be performed, the information asymmetry is decreased along with the risk of some providers offering a service of poor quality. However, simultaneously, the theoretical advantages of having private providers vanish as the possibility of innovation in terms of individualization and specialization is eliminated, as such behavior would break the contract. In other words, the high quality contracts used by the PES to decrease the information asymmetries may actually counteract the very purpose of the privatization reform: to diversify and individualize the employment services. It has been observed that very little specialization among private providers have developed since the initiation of the reform (Arbetsförmedlingen, Af-2013/162687 2013).

7.3.3 Usage of reputational factors

Shleifer (1998) identifies reputational factors as an alternative to high quality contracts in order to decrease information asymmetries. In the Swedish market no official evaluation or rating based on the past performance of the providers is carried out. In fact, past performance is barely considered at all in the LPP procurement process. The procurement requires providers to have previous experience within the provision of employment services, but there are no requirements to present any records of the quality of these experiences or anything indicating the results (Arbetsförmedlingen 2013). Most importantly, previous experience and performance is not an evaluation criterion for either the selection or the ranking of tenders in Sweden.

A rating system similar to that of Australia could be useful in order to implement reputational factors as an alternative to detailed contracts. As 90% of the contracts in the Australian procurement process are renewed with providers that have proved to perform satisfactory in the previous procurement round, past performance is vital to the future possibility of operating in the market. This is a way to decrease the information asymmetry in the procurement process by utilizing reputational factors.

Before moving on to a more detailed analysis of the information asymmetries in the LFC market, we can make some concluding remarks on the LPP market. There are information asymmetries inherent in the LPP market. Currently, the PES attempts to decrease these through detailed contracts with specifications of how the service is to be performed. This does, however, have adverse effects on the providers' possibility to innovate in terms of diversification and specialization. There is therefore room to move towards a model in which reputational factors, rather than high quality contracts, are used to decrease the information asymmetries.

7.3.4 Information asymmetries in the LFC market

In the LFC market of Introduction guides, it is the individual job seeker who needs to be able to evaluate the quality of the different providers. Drawing on the previously discussed report by Kastberg (2010), we may analyze the severity of the information asymmetries from two perspectives:

- Is the given information appropriate to facilitate a choice?
- Are the recipients of the service suitable to make choices?

7.3.5 Quality of the information

Jobseekers are initially informed by their PES administrator that they may choose provider; that they can reselect if they are unhappy with their provider; and that if they do not make a choice, they are referred to the provider that is located closest to their home (Arbetsförmedlingen 2012). This is in line with what Kastberg (2010) identifies as essential requirements for the information to meet. When it comes to comparing providers, the web-based tool may be used for looking up Introduction guides based on their geographic location, in what languages they offer services, and whether they offer services targeted at a specific vocational orientation. This device also provides short presentations on both qualitative and quantitative aspects of the providers. The presentations concern what services they offer, the methods they use and the education and background of their staff. However there are a couple of shortcomings with the information. First of all, the information is provided by the private providers themselves, the information tends to be rather marketing oriented in the formulation and, consequently, it is rather difficult to actually distinguish any differences between the providers. Furthermore, the information is not mandatory to provide and some providers only present partial information while others lack information at all. In addition to this, the information in its entirety is only provided in Swedish,

which may not be entirely appropriate with respect to the target group of the service being newly arrived immigrants.

Kastberg (2010) claims that information should present differences and similarities between providers. The existing information is not comparative in any sense as it does not present any statistics on the past performance of the providers or similar. The ability of the provider to assist previous jobseekers in finding employment is arguably information that would help the jobseeker in assessing the quality of the service offered in comparison with other providers.

As in the LPP market, the observation is that reputational factors are not properly taken advantaged of in the LFC market. The Australian star rating system may, once again, act as a potentially beneficial example. In fact, as the Australian market is based on customer choice, the star rating system was initially introduced in Australia in order to assist individual jobseekers in choosing provider. Within the first two years following the launch of the star rating, the number of jobseekers finding durable employment increased by 20 percentage points (Finn 2011). Such a system could be of benefit in the Swedish Introduction guide market as well in order to facilitate the jobseekers' comparison and choice of provider.

7.3.6 Ability of the jobseekers to make an informed choice

Evaluating the group making the choice is key to determine whether it is reasonable that IGP should be procured through LFC. More than 50% of the jobseekers have less than nine years of education (see table 1.2 in appendix) and there are several cases when the individual completely lack previous education. Almost a third of the jobseekers do not have accommodation of their own but are staying at the government run reception centers for refugees (Arbetsförmedlingen, Af-2013/208922 2014). These factors may, indeed, impact the target group's propensity to utilize available information, as identified by Kastberg (2010). Furthermore, as studies show that the main source of information when selecting providers of social services, is friends and family, the jobseekers within IGP, being newly arrived in the country having very limited, or no, networks of friends and family present are put in a severe information disadvantage. In addition to this, the situation of coming to a new country and, in some cases, not even having an own place to live, is in itself, a naturally stressful situation putting the individual in an exposed and vulnerable position making it questionable whether these jobseekers should be expected to be able to make an informed choice.

Taken together, these factors indicate that it is reasonable to question whether the jobseekers enrolled in IGP should be considered to be able to make an informed choice of provider. There is available information in the market but the information is somewhat flawed in the sense that is does not facilitate a proper comparison of the providers. As statistics and information on past performance is not included, reputational factors as a way to decrease the information asymmetries are not fully taken advantage of. This, combined with the characteristics of the target group makes it highly questionable whether they should be expected to make an informed choice. If an informed choice cannot be facilitated, the idea of customer choice driving competition based on quality is lost. In fact, if uninformed choices are actively made in the market, customer choice may instead comprise a risk in that competition is driven based on unknown, potentially harmful grounds. Reviews performed by the PES show that, in 2012, approximately 98% of the jobseekers in IGP had actively chosen their provider (Arbetsförmedlingen, Af-2013/162687 2013). Recently, there has also been media coverage on IGP providers marketing themselves towards jobseekers through, for example, promising a laptop to the jobseeker (Petersen 2013). Thus, it appears that active choices are made and there seems to be evidence of cases when the choice is based on factors unrelated to the quality of the provider.

7.3.7 The appropriateness of the current procurement forms

A final remark concerning information asymmetries and procurement form can be made. It is noteworthy that IGP is procured through LFC while JDG is procured using LPP when, on paper, the target group with characteristics that most obviously decrease the ability to make informed choices, is that of IGP. Whether JDG would be appropriate for procurement through LFC is, however, not all that clear. The characteristics of the target group of JDG puts them in a, somewhat, vulnerable position. Long-term unemployment, a high ratio of disabilities of different kinds and, in general, rather low levels of education could arguable impact to what extent they should be expected to be able to make informed choices. However, compared with the characteristics of jobseekers in IGP, they are most certainly not less able. The choice of procurement process for the two services thus appears to be inconsistent.

However, there is an aspect that complicates the question of the possibility of procuring JDG using the LFC process. The fact that the PES also act as provider of the JDG service has important implications in the matter. If the JDG service was to be procured through LFC, the

PES would need to be treated on the same terms as all providers in order to facilitate fair competition. Currently, the administrators at the PES decides whether a jobseeker is referred to a private provider or maintained with the PES. In an LFC context, it would be the jobseeker making this choice. The administrators at the PES who first receives the jobseekers would consequently have vested interests. In a competitive market based on customer choice, it is evident that it would be problematic for the PES to act as both the purchasing entity and as a provider.

Concluding the extensive discussion on information asymmetries we note that the LPP market is characterized by high quality contracts that restrains innovation in the market Reputational factors are underutilized in both markets with respect to the lack of past performance measures in respective system. Finally, it appears as inconsistent with respect to the characteristics of the target groups to procure IGP through LFC while procuring JDG through LPP.

7.4 Agency problems in the Swedish market

The clearest forms of agency problems within the quasi markets of employment services are parking and creaming. As regards the latter, the Swedish system has efficiently avoided such behavior through regulation. The private providers are required to accept whoever is assigned to them by the PES (Arbetsförmedlingen 2013). In this way, the possibility of creaming is minimized. The regulation applies to services procured through both LPP and LFC.

The case of parking is, however, not as straightforward. Previous research indicates a clear connection with the design of the compensation model. Because the compensation models, to some extent, differ between JDG and Introduction guides, it is key to analyze how each of these affects the incentives of providers with respect to parking behavior.

7.4.1 The compensation model and parking in the LPP market

The compensation model within JDG could arguably induce parking, as it does not take into account how far from the job market the jobseeker currently is. A provider is subsequently paid the same amount regardless of education level and previous duration of unemployment. As shown by Behagel, this creates incentives to park individuals with a perceived low probability of finding employment.

As JDG is solely targeted at long-term unemployed jobseekers, it could be argued that all jobseekers that private providers within JDG handle are hard-to-place and that this, unlike in countries that contract out larger parts of their services, would imply that the need for a differentiated compensation model is of less importance in Sweden. However, this is arguably a highly simplified view of the Swedish market. As discussed in section 7.2, the target groups of the service are, in fact, highly heterogeneous. The argument that there is no room for a differentiated compensation model within JDG should therefore be considered invalid. Including profiling as a weighted factor in the compensation model would yield, to use the model of Behagel et al. (2012), a higher P_1 for hard-to-place jobseekers so that Π_H becomes greater than Π_P even if λ is small. This would decrease the incentives of parking.

7.4.2 The compensation model and parking in the LFC market

The compensation model of Introduction guides has been designed more in line with the idea of profiling as a means of discouraging parking behavior. The size of the compensation to providers is to some extent made dependent on the education level of the jobseeker (Arbetsförmedlingen 2012). One therefore acknowledges that different jobseekers require different amounts of resources. However, it is debatable whether it is differentiated enough to discourage parking. Currently, the initial compensation, the part that is independent of the result, is 71% higher for jobseekers with six years or less of education compared with those with more than six years of education. If the jobseeker finds employment or enrolls in education lasting for more than six months and, consequently, can collect all three payments, a jobseeker with six years or less of education will yield an approximately 42% higher compensation compared to one with more than six years of education given that the jobseeker finds employment within the first month (See Table 5.1 and 4.1 in appendix). From this perspective, there are thus substantial financial incentives to invest in receiving the performance based payments for jobseekers with low levels of education.

However, the fixed monthly fee that is included in the compensation model complicates things. The monthly compensation is approximately 50% higher for jobseekers with six years or less of education. If the jobseeker is parked for the longest possible duration, that is 24 months, the total monthly fees together with the initial payment corresponds to 75% of what the provider would receive if the jobseeker found durable employment or education as soon as possible, that is after one month. For jobseekers with six years or more of education the corresponding number is 70% (see Table 5.2 and 4.2 in appendix for calculations). Thus, the financial incentives to park a

jobseeker compared with helping them as fast as possible, based on how much of the compensation a provider can obtain without investing time and resources into helping the jobseeker does not differ significantly depending on their education. The question is whether these numbers should be considered as high or low enough to encourage or discourage parking behavior in general.

To put it in the context of the model of Behagel et al. (2012), P_0 corresponds to the 75% or 70% that one receives without investing any resources, δ. With the current compensation model to Introduction guides, a parking decision depends on whether a provider deems $c\text{-}c_a$ to exceed the expected additional revenue from helping. Depending on the value of λ and δ this additional expected revenue may range from zero to 35% or 38% of the total compensation depending on whether the jobseeker has more or less than six years of education. As all of these parameters, in turn, vary with the characteristic of the jobseeker there may indeed be cases where the extra revenue does not outweigh the extra cost. Taken together, there is therefore still a rather significant risk that providers will find it more profitable to park a jobseeker than investing resources in them.

We recognize that there is potential room for improving the profiling element of the compensation model to Introduction guides. The current basis for profiling, two different categories of education duration, is a rather rudimentary measurement. The compensation model is likely to benefit from including a more nuanced payment scheme based on different characteristics of the jobseeker and an increased number of groupings within each of these factors. As discussed, the target group of IGP is, in similarity with JDG, heterogeneous in terms of, for example, backgrounds and levels of education. This leaves both room and need for compensation based on profiling. Finally, the inclusion of a profiling tool in the system is likely to generate benefits in both the LPP as well as the LFC market. Looking at the Australian star rating model, profiling may be used as a component in a model used for an overall rating system which we have indicated the need for in both types of markets. Taken together, on paper, there are multiple benefits to be drawn from including a profiling tool in the contracted out Swedish employment services.

A concluding remark on the compensation model's impact on provider behavior can be made concerning the financial risk. While considering how the compensation model should be designed to minimize parking behavior, it should also be considered that there is a possibility of

transferring an excessive part of the financial risk over to the providers. This may result in private actors refraining from entering the market of employment services, especially small, specialized actors. While this is not discussed further in this paper, we identify the issue to require consideration in future studies and by policy makers.

7.5 Distributional concerns

7.5.1 Little geographic variation in the average number of jobseekers per provider

As the number of jobseekers vary across the country, it is mostly relevant to consider the average number of jobseekers per private provider rather than the distribution of providers in absolute numbers. We find that, in essence, populated areas do not have more private providers in relation to their number of jobseekers eligible for the services. Small municipalities have, on average, approximately 19.92 eligible jobseekers per provider of Introduction guides whilst large municipalities have around 25.79 jobseekers per Introduction guide. In the top four major cities, that comprise a category of their own, the corresponding number is 27.50. Thus, in terms of the average number of jobseekers per provider, there does not seem to be any major difference between populated and less populated areas indicating that access is not currently an issue in the Swedish market (see Table 2.2 in appendix).

7.5.2 The facilitation of choice in small municipalities

However, in the LFC market, the absolute numbers of providers in a certain area is relevant to consider as the ability of jobseekers to make an active choice requires that there are more than one provider to choose from. We find that, out of 216 small municipalities, 96 have zero or only one private provider of Introduction guides. In these municipalities it is reasonable to argue that choice is hardly facilitated. Consequently, the positive effects of competition driven by quality are lost.

However, there is a need to highlight some aspects that make it difficult to draw conclusions based on these numbers. For example, the geographic distribution of eligible jobseekers needs to be taken into account. Some of these small municipalities may not have enough jobseekers eligible for IGP to facilitate the entry of multiple providers. Furthermore, the geographic size of these municipalities is also of relevance. The categorization that we have used is based on the size

of the municipalities' populations. It is, however, possible that jobseekers in these municipalities may easily be able to commute to a larger municipality.

As regards the latter critique, currently, some of these small municipalities lack PES-offices. This would indicate that the PES have made the assessment that the services of nearby municipalities are within commuter distance for jobseekers in these small municipalities. Subsequently, these jobseekers may be able to choose from more private providers than the numbers suggest. Furthermore, to address the first objection, these 96 small municipalities with zero or one provider received an average of 27.54 refugees during the two-year period considered while small municipalities that have multiple providers receive an average of 69.43 refugees. Whether 27.54 should be considered as a number high enough to provide business for multiple providers is of course debatable. Independently of whether these municipalities should be able to facilitate choice or not, what can be concluded is that, in municipalities that cannot facilitate choice, there is the theoretical risk that jobseekers do not enjoy the same benefits as jobseekers in more populated municipalities. Competition based on customer choice is intended to drive quality. If that competitive mechanism is malfunctioning, jobseekers in municipalities that have very few introduction guides may receive a service of lower quality compared with those in municipalities that have more providers. Therefore, we still find it noteworthy that around 44% of all small municipalities do not, on their own, facilitate choice in the LFC market of Introduction guides. This is a potential issue concerning the equity in the receipt of the service and it suggests that the LFC market type may be suboptimal.

7.5.3 Excessive number of private providers

Furthermore, there is another aspect of the absolute number of providers of Introduction guides worth considering. As a matter of fact, in the LFC market as a whole, the PES reports that there is an excess of providers (Arbetsförmedlingen, Af-2013/162687 2013). This implies that the municipalities that are not referred to in the group having zero or one providers have a vast number of providers. While this facilitates the ability to choose, the market may reach a tipping point where the possible choices are too many for the individual jobseeker to be able to make an informed choice. The choice could seem overwhelming and it may be impossible to be able to research all the alternatives. This has been recognized by the PES as a potential issue (Arbetsförmedlingen, Af-2013/162687 2013).

This is mainly the case in the larger cities. Currently, there are 69 providers in Stockholm, 56 in Gothenburg and 52 in Malmö. Naturally, as these are the three major cities in Sweden, they also have the highest absolute numbers of jobseekers eligible for IGP. Naturally, these cities will have significantly higher numbers of providers compared with the rest of the country. However, for the individual jobseeker, choosing between 69 different providers of the same service may seem overwhelming. Especially when taking into account that, as previously established, the characteristics of the target group already puts them in an information disadvantage.

In their examining report, the PES recognizes the need for decreasing the number of providers of the Introduction guide service (Arbetsförmedlingen, Af-2013/162687 2013). The PES also points out that the natural way to do this would be by increasing the requirements in the procurement. Requirements concerning the number of employed, size of premises etc. However, they also acknowledge that this would mainly exclude small providers who would be unable to meet such increased requirements. These smaller providers are mainly located in municipalities with smaller populations and consequently, increased procurement requirements would likely decrease the access of jobseekers in small, less populated areas (Arbetsförmedlingen, Af-2013/162687 2013). Thus, there is a trade off between the access problem in small municipalities and the appropriate facilitation of choice in the largest municipalities.

The excessive number of providers in the LFC market implies that the competitive mechanisms that are supposed to follow from freedom of choice among customers are not functioning properly. This implies that the observations concerning the questionable ability of the target group making an informed choice has a significant negative impact on the market.

A concluding remark on distributional concerns and ensuring the equity in receipt of the service; an important connection with the quality of contracts can be made. The high quality contracts are a way for the PES to control the minimum level of quality of the service. By specifying the service in detail, the likeliness of equity in the receipt is, at least in theory, increased. However, as the high quality contracts may also hamper innovation, there is a risk that exaggerated concerns with equity in the receipt of the service ultimately results in all jobseekers receiving a low quality service. It is thus important to recognize that while distributional concerns are important to consider, these may also have adverse implications on the quality development of the service.

8 Concluding remarks and policy implications

In short, our findings can be summarized as such that, according to our theoretical framework, transforming parts of the employment services in Sweden into a quasi market was appropriate from a socioeconomic perspective. However, certain characteristics of the current market setup have their flaws making it socioeconomically suboptimal. These flaws mainly concern information asymmetries being addressed through excessively high quality contracts rather than through the inclusion of reputational factors in the market, and the lack of a differentiated compensation model that deters private providers from engaging in parking of hard-to-place jobseekers.

We establish that the fact that a continuous need for employment services and the providers of it to develop, makes quality innovation important in the market. As the incentives to innovate are theoretically greater in private provision compared with governmental provision, the private alternative is preferable. However, we also claim that there is a positive correlation between cost cutting and reductions in the quality of the employment services. We show that the externalities of such quality reductions are severe. High social and economic costs may be incurred on a society with malfunctioning employment services. This raises the stakes to such a level that government involvement in the market is a necessity.

In light of this, a quasi market form appears to be suitable. It is worth noting that while this paper focuses only on the two services Introduction guide and JDG, the conclusions concerning a cost-quality tradeoff, externalities and the degree of innovation required hold for employment services in general and indicate that it may be beneficial to look at introducing the quasi market form for the entire system of employment services.

Having established that the quasi market form is appropriate, we identify a number of remarks concerning the current market setup that can act as guide for future development of the Swedish quasi market of employment services.

Firstly, *the level of detail in the contracts discourages innovation*. Detailed specifications of how the service is to be provided act as a way for the PES to reduce the information asymmetries and ensure the equity in receipt among jobseekers. However, the detailed contracts do not allow for innovation and quality improvement in terms of specialization among providers and individualization of the

service as such behavior would break the contracts in their current form. Consequently, the current quality of contracts counteracts the very purpose of introducing private providers in the market.

Secondly, *there is currently an underutilization of reputational factors in the market.* In the current system, the LPP process does not consider past performance of providers in the selection of tenders and the LFC market does not provide the jobseekers with information on past performance of the providers, making comparison difficult. This implies that the potential benefits of making providers dependent on performing well, in order to maintain business in the market, are lost. An increased usage of reputational factors in the market would allow for a decreased level of detail in the contracts. Thus, this would decrease the impact of information asymmetries in the market while leaving room for providers to innovate. We point to the Australian star rating system as a successful role model that could be of benefit for Swedish policy makers to look at.

Thirdly, *the undifferentiated compensation model encourages parking.* The fact that the compensation to providers within JDG is entirely undifferentiated, regardless of the profile of the jobseeker, creates incentives for providers to engage in parking. The compensation within IGP divides the jobseekers into two categories depending on their education level. However, as our calculations show, substantial incentives to engage in parking remain. Previous research show that there does not seem to be a compensation model that perfectly eliminates parking but it is our belief that the Swedish system would benefit from including profiling in its compensation model. We identify the current Australian profiling tool to be a good starting point for Swedish policy makers to consider.

Fourthly, and lastly, *the current use of the different procurement processes is suboptimal.* Our findings indicate that the characteristics of the jobseekers targeted by IGP, in fact, make them rather ill-equipped to make an informed choice. Yet, numbers from the PES show that approximately 98% of the jobseekers enrolled in the program make an active choice. This could have potential adverse effects on the quality of the service as uniformed jobseeker do not necessarily choose provider based on quality. Furthermore, we acknowledge the fact that the jobseekers within JDG are, on paper, no less able to make an informed choice than those enrolled in IGP. While we do not draw any conclusions concerning whether JDG would benefit from being procured using LFC rather than LPP, we recognize that this constitutes an inconsistency in the system and should be addressed.

As a final remark, we recognize that the conclusions reached in this paper are mainly made in relation to the theoretical framework why there may be circumstances and aspects of employment services in Sweden that are not considered. We therefore recognize that this is an area that would benefit from further research. In light of this, we view the implications of this paper to be more of a guiding nature rather than prescriptive. The conclusions should be regarded as guidance for what areas to consider in the development of contracting out employment services, rather than a definite roadmap for how to go forth from here.

9 References

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10 Appendix

Table 1.1	Characteristics of jobseekers enrolled in JDG as of December 2009	
	Jobseekers at the PES	**Jobseekers at Private Providers**
Women (%)	50	48
Born outside Sweden (%)	26	34
Disabilities (%)	37	17
Age (%)		
16-24	6	5
25-34	15	17
35-44	20	23
45-54	25	27
55-64	32	28
Level of education (%)		
≤ Elementary	32	30
≤ Secondary	48	46
Post secondary	20	25
Average number of days registered in the current registration period	1 739	1 531
Number of observations	41 884	2 968

The numbers collected from a PES survey of the satisfaction of the participants in JDG in 2010
"*Jobb- och utvecklingsgarantin – en uppföljning ur deltagarnas perspektiv*"
Rosén Erika 2010, *Jobb- och utvecklingsgarantin, en uppföljning ur deltagarnas perspektiv (URA 2010:2)*, Arbetsförmedlingen, Stockholm.

Table 1.2	Age, Education level, and sex of jobseekers enrolled in IGP as of March 2014	
Age	**Absolute numbers**	**Percentage**
18-19	315	1
20-29	11640	37
30-39	10 382	33
40-49	5 977	19
50-59	2 517	8
60-64	629	2
Level of education		
Elementary ≤ 9 years	12 584	40
Elementary 10 years	4 404	14
Secondary	6 292	20
Post secondary < 2 years	1 258	4
Post secondary ≥ 2 years	6 921	22
Postgraduate	0	0
Sex		
Women	14 562	47
Men	16 808	53
Total	31 460	

Numbers collected from the PES report "*Etablering av vissa nyanlända - statistik kring etableringsuppdraget"*,
Arbetsförmedlingen & Af-2013/208922 2014, *Arbetsförmedlingens återrapportering 2014, Etablering av vissa nyanlända - statistik kring etableringsuppdraget*, Arbetsförmedlingen, Stockholm.

Table 2.1			
	Received immigrants with refugee status, per municipality (2012 plus 2013)	**Number of introduction guides registered, per municipality**	**Receiver immigrant with refugee status per registered introduction guide**
Stockholm	1908	69	27.65
Gothenburg	1 806	56	32.25
Malmö	1 184	52	22.77
Uppsala	354	14	25.29
Total	**569**	**191**	**27.50**

Table 2.2			
	Number of municipalities in the category	**Average number of received immigrants with refugee status, per municipality (2012 plus 2013)**	Average number of received immigrant with refugee status per municipality, divided by number of Introduction guides
Small municipalities**	**216**	**50.81**	**19.92**
Facilitates choice*	120	69.43	16.93
Do not facilitate choice	96	27.54	59.87
Large municipalities***	**42**	**240.60**	**25.79**
*the facilitation of choice is defined as 2 or more private providers	**< 50 000 inhabitants	***≥ 50 000 inhabitants (large cities excluded)	

Numbers based on data form the PES on the geographic distribution of providers within IGP, and data from the Swedish migration board on the number of refugees per municipality.

Municipalities have been categorized as small, large, or major city regions, the latter comprising of the cities Stockholm, Gothenburg, Malmö and Uppsala. The categorization is based on how the Swedish Association of Local Authorities and Regions categorize Swedish municipalities according to size of population (Westerlund, P. 2013, 15 october-last update*,* *Kommungruppsindelning* [Homepage of Sveriges Kommuner och Landsting], [Online]. Available:http://www.skl.se/kommuner_och_landsting/fakta_om_kommuner/kommungruppsindelning [2014, 05/10]).

Municipalities that, as of March 2014, had not yet received any refugees were omitted from the list. This acts a proxy for the continuous flow of refugees, something private providers are likely to take into consideration when deciding where to operate. The data of refugees itself was based on the number of received refugees during 2012 and 2013 for every municipality. The choice to consider a two year-period is based on the fact that refugees are eligible for IGP during the two years that follow after their residence permit.

Dunge, Oscar; 2014-04-14; Arbetsförmedlingen; Analysed in Excel; Accessed via e-mail

*Kommunmottagna enligt ersättningsförordningen 2014 (*called *Personer mottagna i en kommun* on the website); Released/updated 04-01-2014; Migrationsverket; Analysed in Excel; http://www.migrationsverket.se/Om-Migrationsverket/Statistik.html;
*Kommunmottagna enligt ersättningsförordningen 2013 (*called *Personer mottagna i en kommun* on the website); Released/updated 02-01-2014; Migrationsverket; Analysed in Excel; http://www.migrationsverket.se/Om-Migrationsverket/Statistik/Oversikter-och-statistik-fran-tidigare-ar/2013.html;
*Kommunmottagna enligt ersättningsförordningen 2012 (*called *Personer mottagna i en kommun* on the website); Released/updated 03-01-2013; Migrationsverket; Analysed in Excel; http://www.migrationsverket.se/Om-Migrationsverket/Statistik/Oversikter-och-statistik-fran-tidigare-ar/2012.html;

Figure 1.1 Average duration of unemployment in Sweden

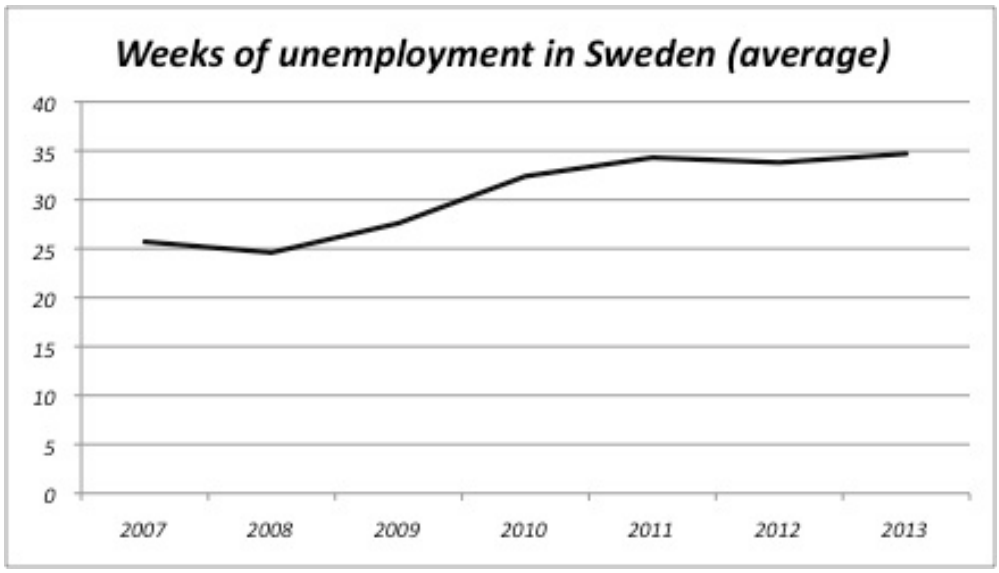
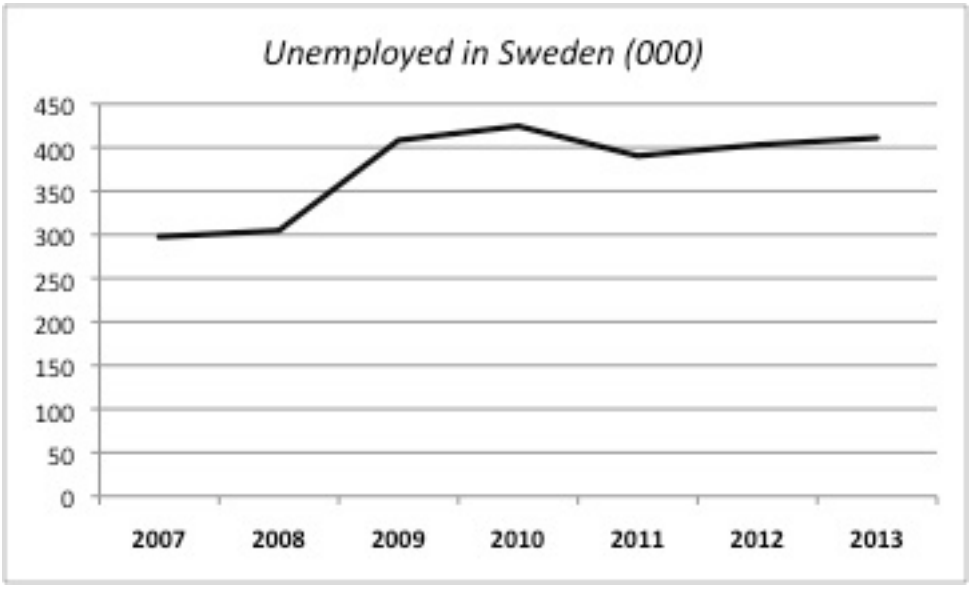


Figure 1.2 Number of unemployed individuals in Sweden (in thousands)



Numbers for Figure 1.1 and Figure 1.2 have been collected from Statistics Sweden. Age group is 15-74 years.

Table 3 Duration of employment, and number of unemployed in Sweden (age 15-74)

Average unemployment, weeks						
2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
25.7	24.6	27.6	32.4	34.3	33.8	34.7
Error margin ±, in weeks						
2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
1.2	1.3	1.4	1.3	1.2	1.3	1.3
Unemployed						
2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
297 500	304 700	408 300	424 500	390 400	403 000	410 900
Error margin ±						
2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
6 800	8 500	8 400	7 600	7 500	7 400	7 500

Table 4.1 Compensation model for jobseeker with less than six years of education in IGP

Commencement payment	6 000
Monthly payment	1 650
Payment for result 1	13 000
Payment for result 2	40 000

Numbers have been collected from the procurement documentation in IGP.

Arbetsförmedlingen 2012, *Förfrågningsunderlag etableringslotsar*, Af-2010/121363 edn, Arbetsförmedlingen, Stockholm.

Table 4.2 Compensation calculations in IGP for jobseekers with less than six years of education

Month	Compensation received by the introduction guide if jobseeker is parked	Compensation received by the introduction guide if jobseeker finds employment immediately	Compensation of parking as a percentage of compensation if jobseeker finds employment immediately
0	6 000	6 000	100 %
1	7 650	20 650	37 %
2	9 300	20 650	45 %
3	10 950	20 650	53 %
4	12 600	20 650	61 %
5	14 250	20 650	69 %
6	15 900	20 650	77 %
7	17 550	60 650	29 %
8	19 200	60 650	32 %
9	20 850	60 650	34 %
10	22 500	60 650	37 %
11	24 150	60 650	40 %
12	25 800	60 650	43 %
13	27 450	60 650	45 %
14	29 100	60 650	48 %
15	30 750	60 650	51 %
16	32 400	60 650	53 %
17	34 050	60 650	56 %
18	35 700	60 650	59 %
19	37 350	60 650	62 %
20	39 000	60 650	64 %
21	40 650	60 650	67 %
22	42 300	60 650	70 %
23	43 950	60 650	72 %
24	45 600	60 650	75 %

Calculations have been based on Table 4.1

Table 5.1 Compensation model for recipients with six years of more of education in IGP

Commencement payment	3 500
Monthly payment	1 100
Payment for result 1	8 000
Payment for result 2	30 000

Numbers have been collected from the procurement documentation in IGP.
Arbetsförmedlingen 2012, *Förfrågningsunderlag etableringslotsar*, Af-2010/121363 edn, Arbetsförmedlingen, Stockholm.

Table 5.2 Compensation calculations for recipients with six years of education or more, in IGP

Month	Compensation received by the introduction guide if jobseeker is parked	Compensation received by the introduction guide if jobseeker finds employment immediately	Compensation of parking as a percentage of compensation if jobseeker finds employment immediately
0	3 500	3 500	100 %
1	4 600	12 600	37 %
2	5 700	12 600	45 %
3	6 800	12 600	54 %
4	7 900	12 600	63 %
5	9 000	12 600	71 %
6	10 100	42 600	80 %
7	11 200	42 600	26 %
8	12 300	42 600	29 %
9	13 400	42 600	31 %
10	14 500	42 600	34 %
11	15 600	42 600	37 %
12	16 700	42 600	39 %
13	17 800	42 600	42 %
14	18 900	42 600	44 %
15	20 000	42 600	47 %
16	21 100	42 600	50 %
17	22 200	42 600	52 %
18	23 300	42 600	55 %
19	24 400	42 600	57 %
20	25 500	42 600	60 %
21	26 600	42 600	62 %
22	27 700	42 600	65 %
23	28 800	42 600	68 %
24	29 900	42 600	70 %

Calculations have been based on table 5.1

Table 7 The number and growth rate of immigrants originally born outside of Sweden

Year	Number of people born outside of Sweden, ages 15-64	Percentage increase from first year, 2001
2001	805 822	0 %
2002	826 583	2.6 %
2003	846 292	5 %
2004	863 494	7.1 %
2005	884 401	9.8 %
2006	922 580	14.5 %
2007	964 075	19.6 %
2008	1 004 685	24.7 %
2009	1 049 474	30.2 %
2010	1 087 760	35.0 %
2011	1 119 615	38.9 %
2012	1 152 421	43.0 %
2013	1 193 800	48.1 %

Numbers for Table 7 have been collected from Statistics Sweden. Age group is 15-64 years.