



RiR 2017:20

## Effects of the Swedish Public Employment Service's Preparatory and Orientation Training

### Summary and recommendations

Preparatory and Orientation training is one of the Swedish Public Employment Service's largest initiatives. In 2016 just over 73 500 people participated, and the cost of purchasing the training amounted to more than SEK 2 billion. Of this, SEK 1.4 billion referred to the cost of purchasing Preparatory and Orientation Training as part of the introduction system for newly arrived immigrants. The number of participants in the initiative has increased substantially since 2008. An important contributory factor to this development is that in 2008 the Public Employment Service took over responsibility for groups of people who previously received support in the first instance from the municipalities and other government authorities (Government Bill 2015/16:100, Swedish Public Employment Service 2014a). The target group for Preparatory and Orientation Training is jobseekers who need to prepare for another labour market policy programme, studies or work. Those who participate in the initiative usually find it more difficult to find jobs than the average person registered with the Service.

There is limited knowledge of the impacts of Preparatory and Orientation Training. The Swedish NAO's audit 'Preparatory and Orientation Training – Governance, use

and follow-up by the Swedish Public Employment Service' (RiR 2016:21) notes that the effects of the measure can be evaluated to a greater extent than has been the case, which was also noted in the Government Inquiry on a more flexible labour market training programme (SOU 2007:112). Increased knowledge of how the initiative works may contribute to more effective use of the resources directed towards the Swedish Public Employment Service and its activities.

## Purpose and implementation of the audit

The purpose of the audit is to investigate how well Preparatory and Orientation Training works to improve the participants' future labour market outcome, mainly with regard to the jobseeker's future earnings. Outcomes in the form of social assistance and labour force participation are also investigated.

The audit is based on the following audit questions:

- What effect does Preparatory and Orientation Training have on its participants' labour market outcome?
- Does the effect differ between different groups of participants?
- Is the cost of purchasing Preparatory and Orientation Training covered by increased tax revenue in that the participants have higher earnings?

The audit estimates the impacts on the participants' labour market outcome from participation in Preparatory and Orientation Training compared with being openly unemployed or participating in the Work Placement programme for the period 2006-2011. The audit is based mainly on administrative data, and the individuals' labour market outcome is followed up to and including 2015. The Swedish NAO has also submitted a questionnaire to a selection of employment officers with the aim of increasing knowledge on the assessments made by employment officers when they allocate individuals to Preparatory and Orientation Training and other initiatives. This knowledge also provides support in interpreting the results. A delimitation in the audit is that participants in the introduction system are not included in the analysis as it is not deemed to be possible to estimate the impacts of participation in Preparatory and Orientation Training for this target group. Of those who participated in Preparatory and Orientation Training in 2016, about 45,000 people were registered in the introduction system, while about 28,500 participated outside the introduction system. In 2018 the Swedish NAO plans to conduct a follow-up of the participants in the introduction system in the report *preparatory and Orientation Training – follow-up of participants in the introduction system*.

---

## Audit findings

### Participants in Preparatory and Orientation Training have lower future earnings compared with other unemployed people

The Swedish NAO's audit shows that jobseekers who participate in Preparatory and Orientation Training have lower future earnings compared with if they had instead been openly unemployed or participated in the Work Placement programme. Two years after starting Preparatory and Orientation Training the earned income is SEK 5,000-15,000 lower compared with if the person had been in open unemployment, in the longer term the difference between the groups is small. Compared with participation in the Work Placement programme the earnings two years after starting the training are SEK 15,000-25,000 lower. The effect diminishes over time but is still negative nine years after starting the training. The results also show that there is a higher probability that participants in Preparatory and Orientation Training will remain in the labour force than those in open unemployment. This is positive, as people who participate in the labour force in general are more likely to find a job than people outside it. However, this is not reflected in higher long-term probability for participants of earning income from work, which may indicate that it is not important for the group to participate in the labour force for the opportunity to find a job.

The fact that participants in Preparatory and Orientation Training have lower future earnings compared with people in open unemployment and participants in the Work Placement programme, while at the same time Preparatory and Orientation Training is one of the Public Employment Service's most expensive measures, indicates that Preparatory and Orientation Training is not an effective initiative. This applies even though several aspects need to be taken into consideration to determine the effectiveness of an initiative. Furthermore, an illustrative calculation carried out indicates that the total cost of Preparatory and Orientation Training - including the indirect cost in the form of lost revenues - may be more than double the amount shown by the direct costs of purchasing Preparatory and Orientation Training. In combination, the audit findings show that the effect of Preparatory and Orientation Training needs to be substantially improved for the tax revenues from increased earned income to exceed the cost of purchasing the measure. However, the participation of jobseekers in activities may have an intrinsic value, but at the same time there may be other initiatives that are more cost-effective as regards activating jobseekers.

In its audit the Swedish NAO also noted that there are deficiencies in how the Public Employment Service reports the costs of purchasing Preparatory and Orientation Training. For example, the agency's annual report for labour market policy programmes shows that the total cost of purchasing the training in 2016 was SEK 600 million. However, this constitutes only the cost for a subset of the participants - those participating in the initiative outside the introduction system. The Swedish NAO has noted, however, that in its Annual Report for 2016 the Public Employment Service has started to report the total cost for purchasing Preparatory and Orientation Training, which is positive. All in all, the assessment is that reporting of the costs of the initiative could be clearer and more transparent. For example, it should be shown clearly in the accounting that the cost of Preparatory and Orientation Training is divided among different appropriations, among other things to clarify the relationship between the number of participants and the costs for different appropriations.

## There are great differences in effect between the different types of preparatory training

Preparatory and Orientation Training consists of several different types of training with varying purposes and content. Using the Public Employment Service statistics. It is difficult to categorise and analyse various Preparatory and Orientation Training courses over a longer period (Swedish National Audit Office, 2016). Apart from investigating the effect of participation in Preparatory and Orientation Training, regardless of which type of training the unemployed person participates in, the audit has also investigated whether the outcomes differ for jobseekers who participate in the two largest overall types of training. *General theory/Vocational guidance* and *Level test*. Also with regard to these types of training there are some deficiencies in the statistics that affect the accuracy of the analysis. The results show, however, that a jobseeker who participates in a Level test has higher future earnings compared with having instead participated in General theory/Vocational guidance. Participating in a Level test also implies positive effects compared with participating in the Work Placement programme. To increase knowledge of impacts of different types of preparatory and orientation training there must be a better basis for evaluation. The Swedish National Audit Office (2016) recommended that the Public Employment Service improve its documentation, but other ways of evaluating different types of Preparatory and Orientation Training should also be reviewed more urgently. For example, the Public Employment Service applies random allocation of participants when evaluating the effect of early meetings, and it could be investigated whether it is

possible to use a similar procedure to increase knowledge of impacts of Preparatory and Orientation Training. Lack of knowledge about the effects of an initiative implies a risk that jobseekers will take part in initiatives that have no effect or even reduce their chances of finding a job.

## The effect of participating in Preparatory and Orientation Training is better for people born outside Europe and people with an educational level no higher than pre-secondary school level

For participants whose education is no more than compulsory school level, earnings four years after starting Preparatory and Orientation Training is the same or somewhat higher compared with those who were in open unemployment, and there are only small negative effects in the short term. Moreover, people born outside Europe who participated in Preparatory and Orientation Training had higher earnings four years after starting the training than people in the comparison group. There were no negative short-term effects for this group either. Thus, the lock-in effect for these groups is small. Lock-in effects mean that for the time they are participating in the training the jobseekers apply for fewer jobs than they would otherwise have done, thus reducing their opportunities of finding work. For people with difficulties in finding jobs the lock-in effects can be expected to be smaller. Jobseekers educated up to pre-secondary level or who are born outside Europe participate partially in other types of Preparatory and Orientation Training than average jobseekers. An illustrative calculation indicates that the positive effects of participating in Preparatory and Orientation Training for these groups are not sufficiently great for increased tax revenues to fully cover the cost of purchasing the measure.

## Jobseekers participate in different chains of initiatives

Jobseekers participating in Preparatory and Orientation Training often take part in other initiatives after completing this training. The most common is Employment Training. Participants in Work Placement also often participate in other initiatives, where New start jobs or subsidised employment are most common. These different chains of initiatives mean that the estimated effect of participating in Preparatory and Orientation Training also includes the effects of the subsequent initiatives. The audit findings also indicate that a Level test could improve the effect of Employment

Training. Increased knowledge of the effect of different combinations of initiatives may help to improve the effects of the initiatives and thus also effectiveness.

## Assessment of the credibility of the findings

The method (*matching*) used to investigate the effect of Preparatory and Orientation Training aims to find relevant comparison groups, so that any differences in results between participants and persons for comparison can be assigned to participation in Preparatory and Orientation Training. The method builds on the assumption that all possible systematic differences between participants and the comparison group are identified by the information available in the data. This assumption is not possible to test statistically, but earlier research shows that the type of administrative data used in the audit to a great extent also identifies relevant differences between people that cannot be observed in data. The assumption also finds support in the questionnaire conducted by the Swedish NAO. To further investigate the credibility of the findings a number of analyses were carried out, including an analysis that also takes into account information not found in data but that can be assumed to be constant over time. This may be for example personal qualities such as a person's cognitive, communicative and analytical capacity. The results are stable for these analyses as well. One risk that remains concerning the credibility of the findings is that there are factors that we have not taken into account in the analysis and that vary over time. In addition, these factors should vary in systematically different ways for participants and persons in the comparison group and correlate with the time of the initiative. The audit could not identify any reasonable hypotheses as to what these factors could be that may have been left out. All in all the assessment is that the conclusions drawn in the report have high credibility. However, this analysis is the first exhaustive study of the effects of Preparatory and Orientation Training, and more studies in this area are needed.

## Recommendations

Based on the audit findings, the Swedish NAO makes the following recommendations to the Swedish Public Employment Service:

- **Use Preparatory and Orientation Training more restrictively.** The audit findings indicate that Preparatory and Orientation Training is an initiative that on average is not effective and the Swedish National Audit Office (2016) showed that the Public Employment Service's guidance notes for referrals to Preparatory and Orientation Training do not promote good management of resources. However,

the audit shows that the effects of the initiatives are positive for people with an educational level up to pre-secondary school or who are born outside Europe, but the positive effects do not seem to be sufficiently great to cover the cost of the initiative through increased tax revenues. Moreover, the findings show that there are types of Preparatory and Orientation Training that have good effects. The Public Employment Service's remit includes economy, efficiency and effectiveness in the use of public resources and the objective of labour market policy is to contribute to an efficient labour market. The findings are based on jobseekers participating in Preparatory and Orientation Training in 2006-2011, and the findings for those participating in Preparatory and Orientation Training today could both be better or worse than for the period studied in the audit. Based on the remit of the Public Employment Service and until there is more knowledge about the effects of the initiative the Swedish NAO recommends that Preparatory and Orientation Training be used more restrictively.

- **Create better conditions for evaluating different types of Preparatory and Orientation Training.** In the opinion of the Swedish NAO it is not possible to implement an evaluation of different types of Preparatory and Orientation Training on the basis of the Public Employment Service's register. Partly for this reason, the Swedish National Audit Office (2016) previously recommended that the Public Employment Service improves its documentation. Pending sufficient documentation, the Swedish Public Employment Service should also investigate other ways of improving the conditions for evaluating the effect of the initiative. The Public Employment Service's remit includes analysing, monitoring and evaluating how the Service's activities and the labour market policy measures affect the functioning of the labour market.
- **Contribute to increasing knowledge of the effects of different chains of initiatives as far as possible.** Increased knowledge of how different combinations of initiatives work may contribute to improved effects and thus improved effectiveness in the activities of the Swedish Public Employment Service.
- **Report costs of Preparatory and Orientation Training in a clearer and more transparent way.**