



Technical note

# Improving Public Employment Services Through Partnerships with Non-Public Providers

**Synthesis of international experience and implications for Kosovo<sup>1</sup>**

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## EXECUTIVE SUMMARY

- ▶ **Rapidly changing labor markets are affecting the service delivery model of Public Employment Agencies (PEAs).** PEAs in Europe and beyond have come to adopt more comprehensive and client-centric services to satisfy the increasing needs of jobseekers and firms. In addition to expanding their range of services, PEAs have also become subject to increasing demands to improve their quality and efficiency.
- ▶ **PEAs around the world are responding to increased demands by engaging in different types of partnerships.** Besides collaboration with other public bodies, partnerships with non-public labor market actors such as private employment agencies, private training providers, and NGOs have become an increasingly important instrument for PEAs to increase coverage, quality, and efficiency of services.
- ▶ **There is not just one single model of PEA partnerships.** The types of suitable partnership models vary according to the different types of stakeholders and the PEA's objectives. In general, most partnerships can be considered either "cooperation" (e.g., information exchange) or "complementarity," the latter involving the out-contracting of selected services or active measures to qualified providers.
- ▶ **The main advantages of partnerships relate to improved exchange of information, better access to external expertise, as well as greater innovation and flexibility.** International experience suggests that PEAs mainly benefit from better exchange of labor market information, access to a larger pool of vacancies and CVs, as well as flexibility and efficiency gains through contracting out employment services, training and other active measures to external providers.
- ▶ **The Public Employment Agency of Kosovo can strongly benefit from engaging in partnerships with non-public providers.** Kosovo's employment policy framework acknowledges the role of non-public providers in delivering services. Given the limited experience with partnerships so far, however, it is important to follow a "learning by doing" approach that allows for the piloting and adequate sequencing of partnership arrangements while building capacity to manage such partnerships along the way.

## I. DYNAMIC LABOR MARKETS ARE AFFECTING THE SERVICE DELIVERY OF PUBLIC EMPLOYMENT AGENCIES (PEAs)

**Labor markets have become more dynamic and complex.** Several major trends have been shaping the world of work in recent decades. These include demographic changes (e.g., a growing number of young or old workers, the entry of women into the labor market), new forms of work and more flexible employment arrangements, the decline of traditional industries, technological change and evolving skills needs, and migration. These developments have been challenging the traditional employment model and led to more frequent and/or more difficult labor market transitions for workers and jobseekers. Therefore, strong and more customer-focused Active Labor Market Policies (ALMPs) have become increasingly important to promote employability and facilitate labor market transitions, especially for those most vulnerable to unemployment.

**The role of PEAs has been changing.** The above-mentioned trends have a significant impact on PEAs as they need to assume new tasks within a complex environment ensuring both fast and sustainable (re)integration of unemployed people. As a result, the service delivery model of PEAs around the world is evolving, and new intervention scenarios and innovative approaches are emerging to address the challenging labor market context and satisfy the needs of jobseekers and employers. In many countries the intervention logic of PEAs has been gradually shifting from primarily matching jobseekers with vacancies to more integrated and holistic service packages according to the specific needs of jobseekers. This includes, for instance, more individualized assistance to jobseekers including intensive coaching as well as the targeted provision of training and other active measures (e.g., subsidized employment) to support the employability of different segments of jobseekers.

**Increasing demands for efficiency and quality of PEAs.** In addition to their changing role and the

need for expanding the range of services, PEAs in many countries have been affected by constraints on public budgets, facing either hiring cuts or having to fulfill their growing mandate without additional resources. Moreover, governments in general including PEAs have come under increased pressure to demonstrate the effectiveness of public services, putting growing emphasis on the quality and efficiency of the delivery of employment services.

## II. PARTNERSHIPS HAVE BECOME KEY FOR PUBLIC EMPLOYMENT AGENCIES

**Partnerships have become an important instrument for PEAs to deal with the growing demands.** Being confronted with the increasing complexity of economic and labor market dynamics as well as the multi-faceted issues different groups of jobseekers face, PEAs in Europe and beyond have had to expand service delivery (especially after the 2008 economic and financial crisis) and adopt an increasingly comprehensive range of employment services and support measures to meet their customers' needs. Given these complex demands, it has become evident that PEAs are not in the position to deliver all required services alone and that partnerships are indispensable to increase the coverage, quality and efficiency of services. Indeed, partnering with other labor market stakeholders has become a major instrument for PEAs to better accommodate the growing demands, as they provide access to external capacity and expertise while increasing PEAs' flexibility in responding to dynamic and difficult labor market conditions (e.g., with regard to rapidly changing training needs).

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*“As PES are expected to do more and better with less resources, a consensus is emerging among policy-makers that they cannot do everything on their own. As a result, the model of the PES as a universal or self-sufficient provider is gradually being replaced by a role as the coordinator/promoter of networks of different service providers.”*

European Mobility Lab (2011)

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**Partnerships can involve both public and private stakeholders.** The main potential partners for PEAs include:

- **Public authorities:** This includes local authorities (regions, municipalities) that are often responsible for social services and assistance, and that sometimes may run employment support programs on their own. Moreover, other public bodies typically have responsibility for certain target groups or services (e.g., health services dealing with persons with disabilities, chambers of commerce with start-ups). Different ministries (e.g., Industry, Youth, Agriculture) may also offer training or other employment support programs relating to their mandate.
- **Private employment agencies:** This includes online job platforms which offer job search and placement services as well as head hunters offering services to firms, most of them specialized on rather high skilled job brokerage. Temporary work agencies are also covered under this definition (see Box 1). The main function of private employment agencies is to match jobseekers and vacancies.
- **Private training providers:** These providers offer formal qualifications and/or non-formal skills training courses, including technical and occupational skills as well as broader (life) skills (e.g., languages, IT, job search). Private training providers can provide upskilling services that are not directly delivered through PEAs.
- **Non-governmental organizations (NGOs):** NGOs mostly work with specific disadvantaged groups (e.g., youth, women, persons with disabilities, migrants). While labor market integration may not always be their primary focus, many NGOs have initiatives to support their clients in this regard.

#### **Box 1: Temporary Work Agencies**

Temporary Work Agencies (TWAs) recruit workers for the purpose of sending them to other companies that are in need of (short-term) workers. In many OECD countries, temporary work arrangements are today an accepted and common form of employment. As TWAs often

offer larger quantities of jobs they are of particular importance to PEAs. Many TWAs are using the PEAs' websites to place their vacancies. In the Netherlands, around 70% of the vacancies posted at the PEA website are agency work vacancies.<sup>2</sup> Besides, in many OECD countries TWAs are engaged in other PEAs activities such as the organization of job fairs or the planning and provision of training measures. Agreements between PEAs and TWAs are common practice in many OECD countries.

**Partnering with private and non-profit actors can yield many advantages.** Compared to traditional public structures, private providers tend to be more flexible, less bureaucratic and more service-oriented, and they may have significant information on the labor market. For instance, an online job portal may have access to a large database of vacancies and jobseekers with important knowledge on labor market trends and characteristics. Similarly, a private training provider would usually be more agile to prepare and deliver a new training course based on current market needs – with more flexibility in terms of hiring trainers, pedagogy, etc. Moreover, NGOs generally have a better knowledge of the needs of vulnerable groups than private or public actors and are typically better able to reach out to clients that do not come into contact with other providers.

**Given the amount and variety of labor market actors and potential areas of intervention, there is no one single model for PEAs to engage in partnerships.** While PEAs remain the main provider of employment services and measures in most countries (incl. the registration of the unemployed, profiling, matching to vacancies and services), non-public providers have shown to be important partners in delivering a variety of employment support services. In practice, different types of partners and tasks require different partnership modalities. PEAs therefore need to explore which types of partnerships can be most beneficial to them in the local context.

<sup>2</sup> World Employment Confederation Europe, 2018.

### III. HOW CAN PEAS COOPERATE WITH NON-PUBLIC PROVIDERS?

**There are two main partnership models for PEAs to engage with non-public providers.** Partnering with non-public providers to increase the coverage and quality of services can be done in different ways. These range from “soft” partnerships mainly for information sharing to financing agreements between PEAs and private providers. In practice, most PEAs combine the use of different partnership models.

- **Model 1: “Cooperation.”** This model presents a basic level of partnership. Such a partnership ideally provides mutual benefits to partners without the need for financial commitments or complicated contractual obligations. This typically refers to actions such as the pooling and sharing of relevant information and the exchange of vacancies and jobseekers’ CVs, hence allowing for better matching and ultimately leading to better labor market outcomes for PEAs’ clients (see Box 2 for an example).

#### **Box 2: Sharing vacancies and CVs (New Zealand)**

In the OECD, many PEAs make use of vacancy and CV exchange opportunities with other providers. The use of online databases and modern digital tools such as vacancy “crawling”<sup>3</sup> has simplified the exchange as information can be easily accessed and shared through single points. In 2009 the PEA in New Zealand (called Work and Income) has entered into a partnership with the representative association of private employment services. Since then PEA customers received automatic access to vacancies of more than 700 private recruitment services. In exchange the private agencies benefitted from access to a larger pool of jobseekers.

Source: Solano and Powers (2016)

- **Model 2: “Complementarity.”** This model typically involves contracting out services to

other providers. Since the 1990s, contracting out has become a widespread practice for PEAs across Europe. Transfers to external providers account for about a third of overall EU expenditure on Active Labor Market Policies.<sup>4</sup> Available research suggests that all PEAs in OECD countries outsource certain services, however there are differences to the extent to which PEAs do so. Some PEAs outsource selected services but still offer most services themselves, thereby acting as the main provider for employment services. This is the case in Germany, Austria and France, for example. These PEAs still act as the main contact point for jobseekers; registration of jobseekers, profiling, matching, counseling and information provision and selected programs remain mostly in-house services. In addition, certain services such as training or intensive counseling and coaching for vulnerable groups are provided through contracted non-public providers. On the other hand, some PEAs outsource most of their services. In these cases, the PEA is not necessarily the central contact point for jobseekers, but other (contracted) service providers assist jobseekers. This particularly applies for the UK as well as the Netherlands (see Box 3). However, it should be noted that there are many variations of how service provision can be organized. Therefore, it is not always evident to which of these two groups a PEA belongs.

#### **Box 3: Early reforms on contracting out employment services in the Netherlands**

The Dutch government has supported the development of a market for private employment service providers since the late 1990s. Since then, the PEA (UUV - Institute for Employee Benefit Schemes) as well as municipalities, which can contract out employment services for social assistance recipients, were obliged by law to purchase services for their customers from private providers. Between 2002 and 2008, the PEA

<sup>3</sup> Vacancy crawling refers to the automated/computer search for vacancies online (e.g., on company websites).

<sup>4</sup> European Mobility Laboratory (2011).

organized sixteen tender rounds involving relatively small contracts. By 2007, around 2,000 private providers delivered services for the PEA. In 2008, a major reform was launched which led into the introduction of 'purchase frameworks.' Providers that fulfilled specific requirements were placed on a list that enables them to offer their services.

Source: Finn (2011)

**The institutional setting and the mandate of PEAs have an influence on their partnerships.**

Depending on their mandate and tasks, PEAs can be very different from each other, also influencing partnership modalities.

- Level of autonomy: In some countries, PEAs operate autonomously from the government. Given a high level of autonomy, PEAs can make relatively independent strategic decisions, including about partnerships. In other countries, PEAs are under the direct administration of the government; thus, partnership arrangements may depend on the government's intention.
- Level of centralization: The level of centralization also has a significant impact on the way a PEA functions. Decentralized PEAs may have a better knowledge of local labor market needs and potential partners (incl. their capacity), thus allowing for more efficient partnership building. Local level partnerships may also be easier administered. On the other hand, centralized PEAs may have better capacity to administer large-scale contracts. Centralized PEAs also benefit from standardization of quality and comparability of results for contacted services compared to decentralized PEAs that may apply different standards.
- Scope of employment services: While some PEAs offer a broad range of services such as the administration and payment of unemployment benefits, job matching and the delivery of training and active labor market measures, other PEAs provide only a limited number of services. Depending on the scope of services,

different partnership arrangements may be useful. For instance, PEAs that do not administer unemployment benefits may face the challenge of reaching out to jobseekers. In this scenario, partnerships with social service agencies, NGOs and other community-based organizations can be an appropriate way of addressing this challenge.

**Contracting out services has become part of PEAs business models.**

In addition to providing competitive grants (e.g., based on calls for proposals) which often involve other public or non-profit stakeholders, competitive tendering of services has become a frequently used instrument for PEAs to increase their service capacity. Bound by certain legal requirements, PEAs typically specify the content, the price, expected outcomes and the scope and duration of desired interventions. Offers are assessed through use of evaluation criteria such as the quality of the proposed service, the capacity and the experience of the bidders, as well as the price.

**Annex 1** provides further details on contracting modalities.

**Box 4: Partnership between public and private employment services (Bosnia and Herzegovina)**

Despite a positive economic outlook, persisting high levels of unemployment still constitute a main economic and social challenge for Bosnia and Herzegovina. To further support the labor market integration of young people, in particular, Bosnia and Herzegovina in cooperation with the World Bank and the Swedish International Development Cooperation Agency (Sida) has started a pilot in 2018, contracting out employment services to youth aged 18 to 30. Piloting is an effective way to assess whether new approaches add value to existing practices. Private employment service providers were invited to offer counseling and job matching services to this target group, and payments of providers was based on a mix of performance indicators (e.g., enrollment, placement, sustainability of placement). The objective of these partnerships was to offer better

and more targeted services, to benefit from innovative ideas and, in turn, to reduce the caseload in the public employment service. In order to assess the success of the outsourcing experience, an impact evaluation is conducted for the pilot project.

Source: World Bank (2018)

**Services that are contracted out to other providers usually range from more intensive counseling to the delivery of training and other active measures.** A survey amongst European PEAs<sup>5</sup> gave three options for contracting out services, with the first two being the most commonly cited ones:

- **Specialized services for hard-to-place groups** as these require specialized skills and resources that PEAs are usually not able to offer. Recent labor market trends in Europe suggest that this target group will soon be growing and evidence shows that the long-term unemployed facing multiple barriers account for a relatively high proportion of PES customers in many countries (see Box 5).
- **Complementary services** that are directed to mainstream clients (e.g., job counseling, matching, training, other activation measures). Through contracting out these services, PEAs can further increase the scale of services provided (compared to in-house only).
- **Functional and technical services** such as the organization and management of e-services, in which skills outside PEAs' core business are required.

**Box 5: Contracting out vocational training for hard-to-place youth in Austria**

The supra company-based apprenticeship system financed by the Austrian PEA aims to provide apprenticeship training to young adults who are not able to find a regular training company for an apprenticeship. Such an apprenticeship does not take place in a training company but is organized in workshops, where participants can follow a full apprenticeship curriculum (typically 3 years).

However, one of the main objectives of the program remains a fast integration into a company-based apprenticeship. Thus, participants are assisted to continuously search for an apprenticeship within a company. If a transition cannot be accomplished, participants can complete their apprenticeship within the workshop and receive a certificate once they passed the final exam, which corresponds to the exam that regular apprentices must take. Participants also receive a monthly allowance. The training courses are subcontracted to professional training providers through the PEA. The PEA regularly monitors the program through use of labor market relevant indicators.

Source: Government of Austria (2017)

**The contracting out of services is increasingly done through result-based payments approaches.**

Depending on the contractual details (above all the total contract value) and the respective service that is subcontracted, PEAs can make use of different payment mechanisms. While fixed service fees are common (price is defined as a set fee regardless of performance and actual costs of implementation), payments by results approaches have become increasingly popular. In Europe, the UK as well as the Netherlands are the most experienced with such outcome-based payments (see Box 6), while other countries have also been testing these approaches. In many cases performance-based payments are combined with service fees.

**Box 6: The 'black box approach' (UK)**

In the UK next to the PEA (Jobcentre Plus) many private organizations are involved in the delivery of employment services. Since the introduction of the 'Work Programme' in 2011, targeted primarily at the young and long-term unemployed receiving unemployment benefits and those with health problems, employment providers were given greater flexibility in applying their own approaches to service delivery. In turn, greater emphasis was given to the results of their intervention, which is

<sup>5</sup> European Mobility Laboratory (2012).

the sustainability of placements. Bidders were invited to present their most efficient and innovative approaches indicating how these would support the labor market integration of potential customers. The tender procedure consisted of a two-stage process. While the first phase allowed for entry into a non-binding framework agreement, the second consisted of the actual contracting out of services. This approach turned out to be cost and time saving as it supported the identification of a limited number of potential providers. Subsequent bids were assessed giving equal weight to both price and quality. Actual payments consisted of four elements:

- 1) An attachment payment for each participant (initial payment)
- 2) An outcome-based payment for each successful placement
- 3) A sustainment payment subsequent to the placement (every 4 weeks)
- 4) An incentive payment based on a comparison of outcomes of participants to outcomes of unemployment benefit recipients that found employment without intervention

Source: Finn (2012)

**The advantages of contracting out services to non-public providers are manifold.** PEAs can gain access to expertise from outside the public sector, which enables them to offer more and better services to their customers. Competition also supports creativity, which encourages innovative approaches. Besides, contracting out also affects PEAs’ internal human resource planning as it does not lead to long-term commitments but leaves space for more flexibility. However, contracting out also involves additional challenges (e.g., in terms of procurement and contract management).

**Table 1:** Advantages and disadvantages of different partnership models

Model	Advantages	Disadvantages
Co-operation	<ul style="list-style-type: none"> <li>• Does not require funding</li> <li>• Improves information exchange</li> <li>• Improves access to vacancies and applicants</li> </ul>	<ul style="list-style-type: none"> <li>• Does not expand service capacity and delivery</li> </ul>
Complementarity	<ul style="list-style-type: none"> <li>• Access to external expertise</li> <li>• Stimulates innovation</li> <li>• Allows rapid expansion (and scaling back) of service delivery (i.e., flexibility, no long financial commitments)</li> <li>• Results-based contracts can enhance effectiveness and efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Requires government funds for outsourcing</li> <li>• Requires market of providers with appropriate capacity</li> <li>• Requires transparent government management and procurement</li> <li>• Risk of results-based contracts leading to “creaming” and focus on short-term (payable) results</li> </ul>

Source: Adapted from Solano and Powers (2016)

#### IV. SUCCESS FACTORS FOR PEA PARTNERSHIPS WITH NON-PUBLIC PROVIDERS

**Based on international experience, partnerships between PEAs and other providers are most successful when a range of conditions is met.**

These include:

- **Adequate regulatory environment:** PEAs can only engage in partnerships provided that a reasonable number of possible partners exist. Governments therefore need to ensure a favorable regulatory environment that allows non-public providers to operate and that provides security for those who receive services through these providers. Such quality assurance mechanisms may include registration requirements for non-public providers (see Box 7), data exchange between authorities (tax offices, social insurance) and labor inspectorate activities. Social partner



involvement may help to ensure both public acceptance and compliance with legal obligations.

- **Strategic planning:** Engaging in partnerships requires a clear understanding of what services are needed and which of these can best be delivered through PEAs directly and which cannot. Based on this, PEAs can determine the types of partnerships needed and identify suitable partners.
- **Maturity of non-public provider market:** Reaping the benefits of partnerships is also highly contingent on the quality of available providers. By engaging in partnerships and purchasing services, PEAs can also contribute to the development of a market for providers. Moreover, depending on the experience of existing providers, capacity building may be needed to strengthen non-public providers.
- **PEA capacity to manage partnerships:** Some types of partnerships (e.g., out-contracting) or partnership modalities (e.g., certain contracting models) require greater institutional capacity at the PEA (e.g., for procurement and monitoring). A sequenced approach is therefore warranted, starting with less complex partnership models and building experience over time.
- **Mutual benefits:** Partnerships are successful if they are based on a mutual commitment that generates a win-win situation for all partners involved. This implies that PEAs need to create the right incentives that make it attractive for potential partners to engage. The benefits and incentives may differ based on the type of partnership (e.g., improved access to jobseekers for private employment service providers, better services for NGO beneficiaries).
- **Relationship building:** Providing proof of credibility and reliability requires PEAs to invest time into building stable relations with non-public providers. Effective partnerships require a clear understanding of the partnership objectives, sufficient resources (e.g., in terms of time and predictable funding), and constructive communication and

collaboration in order to encourage capacity building on either side.

- **Learning by doing:** International experience suggests that PEAs' partnership development and contracting out of services has been in flux over time, as conditions have altered, and contractual terms needed to be changed. Hence, an agile process that allows for piloting, learning and making adaptations is key to developing sound partnerships and performance management systems that maximize service quality and reduce unintended consequences.

**Box 7: Registration of employment service providers: The case of the European Network of Employment Services (EURES)**

Since 1994, the European PEAs cooperate in the 'EURES' network with the objective to contribute to the EU's fundamental principle of the free movement of workers. In order to enlarge the network, the EU Member States are requested to set up admissions systems allowing non-public employment service providers to join the network. The Member States have chosen different approaches to comply with this legal provision. In some Member States (e.g., Poland, UK) the relevant ministry is responsible for the implementation of such an admission system, while in other Member States (e.g., Belgium, Germany, the Netherlands, Sweden) it is the PEA that determines the admission criteria. In Germany, the PEA (Bundesagentur für Arbeit) has issued a guideline for admission defining procedures and criteria. Once a year, interested organizations can issue an application (January – May) that is assessed until August. In the case of a positive assessment, the admission is valid for a period of five years. Organizations must comply with several criteria, including:

- Existing labor regulations (e.g., free services for job seekers)
- Data protection arrangements
- Capacity (financial, human resources, equipment, quality assurance, language skills)
- Delivery of relevant monitoring data (e.g., number of placements, vacancies shared)
- Existing technical requirements (IT interfaces)

Source: <https://www.eures-deutschland.de/mitglied-oder-partner-werden/>

## V. IMPLICATIONS FOR KOSOVO

**The Government of Kosovo has recognized the role of non-public providers in delivering employment support services in several policy documents.** The law of the establishment of the Employment Agency of the Republic of Kosovo (EARK) clearly states a potential role for non-public service providers in the delivery of employment services and activation measures, including through the contracting of services by the Employment Agency. Moreover, the Sectoral Strategy for Labor and Social Welfare 2018-2022, the Regulation of Active Measures, as well as the Policy of the Employment Agency 2019-2021, mention that partnerships between EARK and non-public service providers are an expected part of the service delivery model. That said, the operationalization of these partnerships is still at a nascent stage.

**Strengthening partnerships will be key to increasing coverage of services and meeting the needs of different groups of clients.** Given increasing demands on the Public Employment Agency of Kosovo, such as expanding services to different disadvantaged groups in the labor market, including women, social assistance beneficiaries, ethnic minorities and persons with disabilities, developing partnerships with qualified providers will be essential for leveraging external expertise.

**EARK needs to define its partnership priorities.** As an initial step, EARK must determine the areas for which partnerships could be of added value. Such a strategic approach requires critical reflection on its own institutional capacity as well as on the availability and aptitude of potential partners. Based on this, EARK can develop a clear understanding on how to best achieve its objectives.

**Both “cooperation” and “contracting out” arrangements can be potential partnership options to advance EARK’s goals.** For instance:

- **Cooperation with public authorities and NGOs:** By strengthening cooperation with relevant public bodies (e.g., centers for social

work) and specialized NGOs, EARK can better reach out to priority target groups (e.g., women, social assistance recipients, persons with disabilities), better understand their barriers to employment, and ensure that the services offered meet their needs.

- **Cooperation with private employment agencies.** First, such cooperation can help EARK collect labor market information (e.g., number of total vacancies by year, breakdown by industry), which in turn can be used to orient future services (e.g., related to occupations and skills in demand). In practice, such cooperation could entail harmonizing selected information collected for job postings across EARK and online job portals to be able to aggregate vacancy data. Second, stronger cooperation with private employment agencies could also include a more systematic data exchange between EARK and private providers (e.g., sharing of jobseeker profiles by EARK). Such data exchange could increase the availability of vacancies to EARK clients, while giving private providers access to a larger pool of jobseekers.
- **Contracting out of vocational training and active measures to private providers and NGOs.** Contracting out training courses to private providers can complement the courses offered through EARK’s own Vocational Training Centers (VTCs). By partnering with private providers, the training offer can become more flexible and agile in line with market needs. Moreover, EARK can also consider contracting out other active measures (e.g., start-up assistance, package of services for hard-to-place jobseekers) to private providers and NGOs with the necessary expertise in delivering employment support services, especially for key vulnerable groups. Several specialized private providers and NGOs exist in Kosovo that could be candidates for such partnerships. Given challenges with out-contracting in the past, it will be essential to put in place a transparent selection process, clear tender specifications and contractual details, performance-based payment

elements, as well as clear monitoring arrangements.

**Because EARK's experience with different partnership approaches is still limited, a sequenced approach of "learning by doing" is warranted.** One of the main success factors for public-private partnerships is the PEAs' capacity to manage them. Hence, EARK should start by piloting new partnership initiatives (e.g., out contracting of a limited number of training courses and/or active measures for a priority target group) with relatively simple contractual and monitoring arrangements, and further intensify the partnerships as EARK's experience and capacity to manage them grows. In doing so, monitoring and evaluation of the new partnerships will be key (e.g., regarding outcomes achieved, satisfaction of jobseekers and employers).

## VI. CONCLUSIONS

**Engaging in partnerships with non-public providers has become common practice for Public Employment Agencies in Europe and beyond.** Against the background of complex labor market dynamics and increasing demands for Public Employment Agencies to improve coverage, quality, and efficiency, it has become clear that Public Employment Agencies cannot accomplish their mandate alone. Hence, the provision of employment services in most OECD countries has shifted away from public sector monopolies towards new arrangements that increasingly rely on public-private partnerships. These include the cooperation with various public and private

stakeholders as well as out contracting of selected employment services and active measures to non-public providers.

**There is no "one-size-fits-all" model – Public Employment Agencies need to adopt a "learning by doing" approach.** Public Employment Agencies face many options in setting up partnership arrangements, for example in terms of the duration and payment mechanism for out contracted services. While a careful consideration of the advantages and disadvantages of different options should be considered from the outset, frequent adaptations are likely necessary to design a system that best fits the (evolving) local context.

**The Employment Agency of Kosovo can leverage the benefits of partnerships by engaging in cooperation and out-contracting agreements with public and non-public stakeholders.** There is already a recognition within the Ministry of Labor and Social Welfare and within the Employment Agency that many non-public providers offer services and experience that can be useful in complementing EARK's services. By successively engaging in different partnership arrangements (cooperation and out contracting), EARK can test how to best structure these partnerships while contributing to develop a more mature provider market. Ultimately, building and nurturing these partnerships will be key to meeting EARK's objectives to reach more clients with better quality services.

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## Annex 1: Considerations for contracting out of services

**A step-by-step approach for contracting out.** From an operational point of view a contracting out process can be separated into four main steps:

1. Tendering
2. Selection of the appropriate external provider
3. Contracting modalities
4. Monitoring and evaluation

**1) Tendering requires sound planning and careful implementation.** When preparing a tender, several aspects need to be considered in order to avoid subsequent problems.

- a. Application of legal requirements: Contracting systems need to be implemented in the national legal context (e.g., public procurement rules). This requires specific knowledge that is either available in-house or through external experts. In case of frequent tendering activities, it is recommended to build up in-house capacity. Regular training activities for staff should be considered.
- b. Definition of standardized (internal) processes: Defining standardized processes as part of the internal quality assurance systems is key to properly conduct tendering activities and avoid mistakes (e.g., unclear specifications, procurement rules not respected), which could lead to inadequate offers and/or having to repeat a tender. Usually, different units or persons are involved at different stages when carrying out a tender (e.g., technical department, financial department, legal department). Therefore, written instructions defining roles and processes are important to avoid any misconceptions.
- c. Level of specification of services (in detail or more openly): One option is to make tender specifications detailed, precisely describing the services (and potentially the outcomes) expected from the external provider. These service specifications then become the reference for PEAs to measure successful delivery. Another approach consists of defining only the minimum standards and basic parameters of service delivery, while leaving more flexibility for bidders to propose their own approaches. This second option is linked more closely to performance-based payment strategies. Detailed service specifications are useful in contexts in which it is well known the exact service needed, while more open specifications are better suited when the best approach is not clear from the start and to encourage innovation from providers.

**2) Selection of the appropriate external provider requires adequate assessment criteria and a transparent selection process.**

- a. Selection criteria: Selection criteria usually contain a mix of quality criteria and price. Quality criteria can involve several aspects such as previous experience of bidders, overall design of the service, adequate skills and resources of the bidders, as well as the use of further subcontracted partners. It is crucial to find the adequate balance between quality and price. If the lowest price becomes the most important criteria for awarding the contract, PEAs risk receiving low quality services as possibly better, but more expensive providers are excluded.
- b. Selection process: The selection process needs to ensure (i) adequate capacity to assess technical and financial proposals of the bidders; and (ii) transparency of the selection process. The first

typically requires a selection committee composed of relevant PEA staff complemented by external experts as needed. To ensure transparency, selection criteria and process, the assessment of providers, and the final selection must be clearly documented and communicated, including adequate measures to address bidders' potential questions and grievances.

**3) Contracting modalities need to put particular emphasis on defining the duration, payment mechanism and definition of services.**

- a. Duration: Short term contracts (e.g., up to one year) increase flexibility; in turn they may involve rather high costs. Such contracts may be most useful for temporary needs and when the quality of providers is still unknown. Longer contracts can have the advantage of further reducing costs and, successful service delivery provided, they increase stability and sustainability of service provision. When using longer contracts, the use of break clauses should be considered to secure flexibility in managing the contract. The contract duration may also have an impact on the bidders, as smaller bidders may be encouraged to participate in short term/small contracts.
- b. Payment mechanisms: There are several ways that payment can be arranged. Different elements of payment mechanisms can be combined. Contracts can also include milestones within the contract duration such as mid-term or end of contract. Payments are triggered after proof of service delivery at a given point in time (milestone).
  - Fixed-price contracts: In such contracts the price is defined as a set fee regardless of performance and occurring costs of the service. However, performance elements can be included.
  - Cost-reimbursement contracts: Providers receive payments for the incurred expenses. Ideally the contract defines a budgetary ceiling that must not be exceeded.
  - Outcome-based contracts: Providers are paid based on their performance in achieving the services and employment objectives. Therefore, the contract needs to include specific performance indicators and targets to be met in order to receive payments. For training and ALMPs, the placement of participants in the labor market and the sustainability of their placement are the most common performance indicators (outcome level). Additional performance indicators at the output level can also be selected, such as the number of people who participated and/or successfully completed training measures/ALMPs, and the number of individual action plans agreed.
- c. Definition of services and legal aspects: A clear description of the services expected is key to avoid misunderstandings and limit unintended negative effects such as 'creaming and parking.' This includes the definition of the 'target group,' definition of 'placements' (e.g., number of hours, formality), description of the 'intervention,' 'data requirements and data protection,' 'reporting requirements,' and 'performance targets.' Besides these service-related aspects, the legal provisions must be worked out carefully. This includes for instance 'break clauses,' 'place of jurisdictions, and 'publication rights.'

**4) Monitoring and evaluation of service delivery and results are crucial for successful implementation and learning.** Irrespective of the contracted-out activity, monitoring and evaluation (M&E) is key to ensure successful delivery and needs to be embedded into the contract design. M&E ideally consists of several stages at different levels:

- a. Definition of an M&E framework: The use of key performance indicators (KPIs) at output and outcome level provides the basis for project management and the assessing results of contracted

out activities. The M&E framework should also specify the M&E instruments (see below), schedule, and responsibilities for data collection and analysis.

- b. Monitoring: PEAs need to understand whether the contracted service has been implemented according to the expectation of the PEA and the clients/participants. For instance, this can be done by conducting regular 'audits,' 'spot checks,' and 'face-to-face interviews' with participants, 'client satisfaction surveys' and 'milestone reviews.'
- c. Independent verification/evaluation: It is necessary to assess whether the desired employment outcomes have been achieved. This typically requires an independent verification of the employment results reported by the provider, especially in the case of performance-based contracts. To this end, PEAs often use external evaluations next to their monitoring activities (e.g., based on review of tax and/or social security records, surveys of participants).

Source: Adapted from Finn and Johnson (2014)