



Public-Private Partnerships Reshaping National and Global Employment Services Markets

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by Jacqueline Mazza

Introduction

The model of Public Employment Services that grew up in the industrial economies post-WWI and WWII – single operators of a single national employment service – is no longer in operation anywhere in the world. From Australia to South Korea and from Honduras to South Africa, this old model has given way to a transformation of employment services using new forms of partnerships with a range of private and non-profit actors, creating a diverse and ever-growing market of employment and labor intermediation services. Today's connections between workers and jobs occur more frequently, across and within borders, and in new partnership forms with new technologies largely inconceivable even 50 years ago.

The preceding chapters of this book have detailed how much the “who, where, and what” of connecting workers to jobs has changed along with the increased frequency of job change globally and the increasing skill content of work. This chapter examines how the public, private, and non-profit sectors have joined in partnerships to change the way labor intermediation – the connection of jobseekers to jobs – happens in a more interconnected, more global, and more mobile world economy. It will discuss how these partnerships have helped transform the old Public Employment Services model

into what is better described as an expanding public-private-nonprofit “market” of not just employment services (connecting or matching workers to jobs) but a wider set of labor intermediation services, linking education and training, migration, and economic development to employment¹⁵.

Why not go it alone? The evolution from a single national PES to diverse forms of partnerships

Public Employment Services were first designed to assist job transition in the industrial sector of urban economies when the public sector had sufficient budget resources to completely finance these services. PES in Europe, the United States, and Japan got most of their clients from those compelled to walk in the door to demonstrate they were job-hunting in order to receive their unemployment checks. Only in the 1970s, as the developed economies diversified into services and economies stalled, did Public Employment Services evolve to serve a greater range of jobs and clients, including youth and other new entrants who did not qualify unemployment insurance, those with disabilities, and women reentering the labor force.

We can trace the experimentation of PES with public-private partnerships to many new economic, labor market, and institutional realities, beginning in the late 1970s and 80s. First, the diverse demands on PES required a greater range of services, particularly in new and emerging sectors and with youth. PES needed a greater range of placement and training expertise at very variable levels of scale – e.g., youth just leaving school, support to working mothers, training to adapt to technology, or workplace placement of persons with disabilities. These many connections, involving diverse barriers to employment, could simply not be met with a single standardized model fitting industrial jobs for unemployed workers. Second, old legal restrictions on the private provision of employment services were falling away, particularly after the International Labor Office (ILO) revised its convention banning private employment agencies from charging fees. The growing need for diverse sets of employment services spurred the increase of the number of organizations who could provide these employment services. And third, the economic model of 100% public financing simply

¹⁵ A more extensive treatment of the transformation from employment services to labor intermediation services can be found in Mazza 2017.

had become unsustainable even in the richest economies and had suffered in coverage and reputation with the private sector. This was particularly true in the developing world. Developing countries at best could afford a small service in the capital city, typically in a run-down Ministry of Labor building. Many of the services soon got the reputation of having only few listings. Revitalizing Public Employment Services in developed and even more in developing economies involved new strategies to work with employers and with private and non-profit providers of services.

Public-private-non-profit partnerships thus became vehicles to adapt to the emerging deficiencies and the changing global and national market. Among the purposes of these growing partnerships was to: 1) reinvigorate public services and expand their coverage, efficiency, and credibility with employers; 2) develop more specialized ranges of expertise; 3) stimulating market growth and self-service so that public services could concentrate on the harder-to-reemploy; and 4) expand from the provision of placement services to a wider range of services needed to get the harder-to-employ into employment.

On this last point, it is important to remember that while the term “Public Employment Services” continues to be used, PES, particularly in partnership with other providers, have evolved as their client base and the global economy demanded their intermediation between more than just jobseeker and job. They involved themselves in “labor intermediation services”, helping match jobseekers not ready for employment to training, youth just leaving education to transition programs, and migrants to work and training abroad.

In sum, the answer as to why not go it alone became obvious. To go it alone with at best a 1950s model for a 1950s economy in an industrialized economy simply does not fit the 21st century. Going it alone today, for any PES without partnerships, risks both obscurity and irrelevance.

Partnerships – expanding the coverage, reach, and effectiveness of employment services

It would have been hard to predict the variety of public-private-non-profit partnerships that unfolded in both the developing and developed world, driven by changing global forces. Partnerships discussed in this chapter encompass the public employment service in a range of relationships with private employers, private or non-profit service providers, or associations to jointly provide employment or other employment-related services. Sometimes this involves direct contracting, but also voluntary cooperation from joint promotional events, listings on national employment portals, and information sharing.

Finn (2016) explains that many OECD countries have a long tradition of delivering employment services through grants or contracts to other public and non-profit institutions, with a more recent expansion to contracting to for-profit organizations. This includes grants and contracting with various types of training institutions to carry out active labor market policies or providers of specialized services, for example, for vocational rehabilitation.

If we talk about partnerships *directly with* Public Employment Services to expand their reach it is best to talk about a spectrum of models, from the single public service model with no partnerships (which honestly no longer really exists) to a fully-privatized model with no public service offices, as in the Australian Star Network. Even these direct forms are a limiting concept, as the next section will discuss, because each of these models also interacts in an expanding public-private-non-profit market.

So, returning to our spectrum of private and non-profit providers working directly with publicly-financed employment services, we can find today¹⁶:

Model A: Fully Publicly Financed and Executed PES

Indeed, it is hard to identify a public employment service that does no contracting out to either public or private providers, whose employees are public employees, and

16 This typology is based on an earlier version in Mazza J (2013).



which has no associated services conducted by other private or non-profit entities in coordination with the PES. Technically, Tunisia is the only country that has not lifted the legal ban on private employment agencies, but Tunisia's PES exhibits a lot of regional diversity, drawing on non-profit providers and drawing in other public agencies.

Model B: National Public Service Operating in Association with or via Networks of Public and Non-Profit Providers

In this model, more common in the developing world, a public service operates with public financing but is supported in a range of collaborative forms with private and public providers. These collaborative forms are intended to extend the reach and client base of both a national public service and independent private and non-profit providers. The key in this model is that the public service essentially maintains its own set of public offices and trademark as a public service, but draws on private and non-governmental providers in a collaborative fashion, both formally, with possibly some limited contracting, and informally, particularly through loose associations at the local and regional level. Collaboration can be as loose as listing providers and job listings voluntarily on a national employment portal (e.g., Mexico), consultative councils with the private sector guiding the PES, sharing equipment and joint access for job registry and placement (e.g., Honduras), subcontracting special placements (e.g., Mongolia), or contracting specific services to local providers (e.g., Turkey and the Brazilian State of Ceara contracting the State Employment Service to an NGO provider).

Model C: Formal Association of Public and Private Providers

This model is midway between a public and private service, in that the functioning of the public service has formally integrated and made more systematic its collaboration or subcontracting of service provision to private providers. Management Boards, in many cases based on tripartite structures, have considerable importance as a formal public-private collaboration for policy decisions as well as other policy subjects in more in key European and African Public Employment Services, but were found to be less important in the Americas or the Asian-Pacific Public Employment Services (IDB/OECD/WAPES 2015, 64).

As in all models, it is important to remember that most Public Employment Services are in continual states of experimentation and evolution via such partnerships. Models that began as loose collaborations such as in model B can evolve to more formal associations, as is occurring in many OECD nations. The United Kingdom, for example, evolved its model by competitively contracting to private providers first in select areas of high unemployment. As both these providers and contracting relationships/monitoring of results evolved, they now contract out to private providers service provision to all those who have been unemployed for over 12 months, with the public service handling the short-term unemployed (those under twelve months).

Honduras provides an example of how a developing country can creatively use a private-partnership in this association form to expand coverage, effectiveness and the number of jobs open listed without money changing hands. To avoid potentially years of bureaucratic wrangling, Honduras used a simple legal agreement signed with the country's major business association to engage the local business association offices to register new jobs with their associates and, drawing on the national job bank, place jobseekers in employment. Although the national PES was at first worried about the competition with a private provider, the results shown in Figure 11 indicate what has been observed in both the developing and developed worlds, namely that the use of partnerships expands the client base of *both* the public and private sectors because the intermediation market has such limited coverage generally that more clients are drawn in with diverse providers who reach different types of clients.

In 2004, when the Honduran Public Employment Service started rethinking its basic employment service, relations between the public and private sectors were strained if not non-existent. Each saw the other as highly politicized. But the Hondurans engaged the country's major business association, *el Consejo Hondureño de Empresa Privada*, in a public-private partnership for employment services that did not require any money to change hands; i.e., public-sector bureaucracy would not be a constraint. The public sector would maintain a national job bank and give computers and training to any COHEP office. The private sector would create a satellite office in their existing facilities with staff to register jobs of their members who regularly came to the offices

for meetings. Placement and matching from this now national database could be made at either a public or private sector office.

The change in seven years - through and out of the 2009 financial crisis - is demonstrated below.

Indicator	2004	2011	%increase
# companies registering jobs	200	10,000	5,000
Jobseekers served/year	4,000	23,000	575
# of public offices	2	6	300
# of networked private offices	0	6	700

Figure 11: Seven Years in Honduras: Partnership Expands both Public and Private Providers

(Source: Mazza J (2017).)

In the last two forms of partnership, described below, we see an evolution away from the identification of distinct public and private roles to the delivery of a comprehensive service that integrates the role of public, private, and non-profit actors, including those representing workers.

Model D: Autonomous Service with Tripartite Management

Evolving a previously solely public service to be independently managed by a typically tripartite partnership - public, employers, and trade unions - is a sophisticated management form that has only been attempted in the most developed OECD countries. This form means the principal decisions on the management and provision of services is being made in a tripartite or shared management form. The Netherlands had attempted such an autonomous service but modified it in later years. Some developing PES have allowed state-level Public Employment Services to adopt an autonomous state service, such as Nuevo Leon in Northern Mexico. However, in this model, the autonomy lies principally in how it is financed, as the principal services and eligibility follow the national employment service.

Model E: Completely Privatized Public Employment Service

Within the OECD, only Australia has evolved over decades to a fully privatized public employment service. The Job Services Australia Network involves a sophisticated contracting out to over 310 private, community-based, and public organizations. These organizations are paid to place a group of jobseekers. Such groups consist of a fair mix of easy and difficult to place people. It uses a sophisticated pricing model for paying providers for the difficulty in employing unemployed individuals with multiple barriers to employment (IBD/OECD/WAPES 2015, 101). The Star rating system continually monitors performance of its providers, adjusting their ratings for future contracting (for more detail see the chapter about Australia later in this book). Saudi Arabia has fully contracted out its service to a single provider, a distinct model from the Australian Star System.

This set of five models, with its great variety within each model, only comprises public-private-non-profit partnerships *with* Public Employment Services. This, however, does not tell the full story of how employment services – public, private, and non-profit – operate in a wider market, shaping and evolving how employment and labor intermediation connections are made in the global marketplace. For that, we need to open the lens even further.

A look at the wider, evolving, national intermediation markets

The range of partnerships with Public Employment Services described above can be seen as leading towards a national intermediation service of interlocking public, private, and non-profit providers. But this ever-evolving “octopus” is only one type of cephalopod in the sea, even if one of the larger creatures, particularly among non-fish. The expansion of a national intermediation “market” is also driven from within the private and non-profit sectors. There are private providers operating in niche markets with little connection to a larger national service, national online-only services, such as Monster.com or Caribbeanjobs.com, and international placement firms that operate across countries, such as Manpower Inc. and Ingeus. How these relate to national labor intermediation services is never static; as demand and technology advance, partnerships form later, in loose association or formal. A new publication by the World Association of Public Employment Services, the OECD, and the Inter-American Development Bank, identified six areas where Public Employment Services could



play a role in the critical new area of better matching labor skills to labor demand: identification, orientation, profiling, verification, matching, and development.

To take the sea analogy one step further, different intermediation fish may swim alone at first, but start swimming together over time as they find new ways to collaborate in a changing ocean. Mexico's PES, one of the larger Public Employment Services in Latin America, expanded its range of partnerships as it evolved its national employment portal. Private employment services such as Manpower now list jobs on the national Portal (www.empleo.mx). As a result, the public service gets more visits and expands its offerings nationally, and the private services reach jobseekers they might not have reached otherwise. In Hungary, the public employment service created a nationwide career guidance service in partnership with local universities (IBD/OECD/WAPES 2015, 95-96). Figure 12 describes a public-private partnership in Riviera Maya, Mexico, led by the private sector Hotel Association. In its beginning, the public employment service only played a minor role but the partnership – and the employer demand to serve the growing tourism sector – diversified and changed the intermediation market, which in turn changed the role of both the local public service and a new Association employment service, as well as their connections to national providers.

South of Cancún, Mexico, new luxury hotel investment was expanding rapidly. The area later became known as “the Mayan Riviera” for its beautiful stretches of beach and proximity to a number of famous Mayan ruins. Hotels could not hire fast enough, but job rotation was very high and employers weren't finding the workers with the right skills they needed.

In 2008, if you were looking for a job in this job-rich area, employment services were hardly operating. You could go to the main square of the (then) small town of Playa del Carmen and look at the flyers posted on the wall. The major hotels were mostly going it alone to hire, taking to busing in workers from as far away as Chiapas: a 3-hour trip early each morning and then 3 hours back at night. The local Hotel Association of Riviera Maya (AHRM) would receive jobseekers in its offices and try informally to place them in its member hotels. The national

public employment service, STPS, did not have an office in Playa del Carmen; jobseekers were supposed to be served by the Cancún office, an hour north, but that office was overworked, so essentially all this new job growth was happening, albeit in fits and starts, without much involvement from public or private employment services.

The AHRM launched a public-private partnership involving local schools, large and small hotels, and the Labor and Education Ministries, to begin to more systematically address a much larger and growing demand for skilled human capital to meet the expected growth and tailor its market to luxury tourism.

By 2015, both with the support of the Association, financing from the Inter-American Development Bank's Multilateral Investment Fund (MIF), and even more via joint "voluntary" collaboration the intermediation market has expanded in ways, again, not imagined. Including the following key changes:



- The Association created its own private employment service "bolsa de trabajo" working directly with its employers that has climbed to 25,000 public listings.
- The Public Employment Service opened an office in Playa del Carmen enabling jobseekers to get walk-in job placement and counselling service and access to short-term training programs with local firms,
- Virtual Intermediation can be done via the AHRM's *Portal del Empleo* as well as the national portal, enabling the region to reach jobseekers across the country;
- Programmed Intermediation through local job fairs brings together the public service, AHRM's service, and individual employers;
- Hotel Driven-Intermediation (individual hotel methods);
- Use of private recruiting agencies;
- Outsourcing (contracting placement agencies);
- Use of social and electronic media;

- Job profiles developed by AHRM for 103 job types, enabling more rapid recruitment, hiring, and training to skill needs.

Figure 12: A Changed Intermediation Marketplace: Beachfront – Riviera Maya, Mexico

(Source: Mazza J and Kappaz C (2016).)

Conclusion

As demands for more rapid job transition, more skilled employment, and more job movement across borders changes the demands on employment / labor intermediation systems, so too will partnerships play expanding and diverse roles. It is important to understand this larger set of interactions between public, private, and non-profit providers as a national intermediation market in which Public Employment Services play leading, supporting, and informational roles all at the same time. The innovations in public-private-non-profit partnerships will undoubtedly offer a new range of unexpected roles as we look to the near future. Stay tuned!

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The new world of work is characterized by globalized employment, a mobile yet vulnerable workforce, and the challenges of demography and rising income inequality. Technological changes in both the demand for and supply of skills have a cross-cutting influence on how labor markets develop. In this book, different stakeholders from international organizations in the private and public sector discuss which role Public Employment Services and Workforce Development Agencies ought to play in the labor market today and in the future, why cooperation is crucial, and what kind of support digital services and software can provide for a more effective and efficient delivery.

Managing Workforce Potential – A 20/20 Vision on the Future of Employment Services seeks to inspire decision-makers in and around the labor market to reflect on governance, services, and partnerships to better cater to the new world of work.

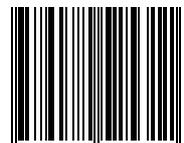
Why this book?

As a world leader in Public Employment software solutions, WCC believes in sharing knowledge. It is our vision that combining what we know and sharing this with the world leads to maximum value across the board. This is why we take initiatives to both exchange and expand expertise. For example, we started the PEPTalk webinar series, which provides a platform for Public Employment Services to share their knowledge about best practices and their vision on the labor market. This book is another example; with its publication, we aim to contribute to an all-round clearer vision on the developments in public employment.

*The term **20/20 vision** is used to express normal sharpness of vision. It means you can see clearly at 20 feet what should normally be seen at that distance.*



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