

Public or private job placement services—Are private ones more effective?

Outsourcing to the private sector can only be effective if the service quality can be contracted on

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ELEVATOR PITCH

Expenditures on job placement and related services make up a substantial share of many countries' gross domestic products. Contracting out to private providers is often proposed as a cost-efficient alternative to the state provision of placement services. However, the responsible state agency has to be able and willing to design and monitor sufficiently complete contracts to ensure that the private contractors deliver the desired service quality. None of the empirical evidence indicates that contracting-out is necessarily more effective or more cost-efficient than public employment services.

KEY FINDINGS

Pros

- ⊕ From a theoretical point of view, contracting out job placement services opens this market up to competition, which might decrease costs compared to the public delivery of such services.
- ⊕ If contractual arrangements and performance measurement can be sufficiently well-designed, contracting-out could improve job placement, at least for certain population groups.
- ⊕ Contracting out allows the state to expand or reduce service capacity and to hire specialists for particular target groups while avoiding the long-term commitments that are often found in the public sector.

Cons

- ⊖ For the responsible state agency, ensuring the quality of private employment services puts great demands on contract design and monitoring systems.
- ⊖ It is by no means guaranteed that sufficiently well-designed contracts and adequate monitoring can be designed (or that the responsible state agency is even pursuing this goal).
- ⊖ Empirical studies for several countries indicate that – under given contract structures – the public provision of placement services performed equally well or even better than the private provision of such services.

AUTHOR'S MAIN MESSAGE

Contracting out job placement services might save costs and provide a service capacity buffer in times of increasing unemployment. However, state agencies must be able to ensure a suitable balance between services and quality, and to carefully monitor and evaluate private provider outcomes. Empirical evidence finds that public employment agencies are at least equally as successful in placing the unemployed as private providers. Conditions for successful implementation include the conclusion of sufficiently complete contracts, adequate monitoring of quantity and quality, low entry barriers into the market, and longer-term development processes.

