

InFocus Programme on Skills, Knowledge and Employability

*Public-Private Partnerships in Employment Services*

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## Foreword

The adoption of ILO Convention No. 181 on private employment agencies in 1997 signaled an important change in the relations between public and private employment agencies. It marked a discontinuation of the traditional ILO policy which recognized a public sector monopoly in the provision of labour market services and which had been observed for decades in many countries.

The adoption of the Convention acknowledged the real changes that had been taking place in the labour market. During the 1970s unemployment rose and the public employment services, with their limited resources, were unable to provide all job seekers with services. At the same time, temporary and part-time employment was growing rapidly and private employment agencies, particularly temporary work agencies, were proliferating in many countries to meet a need for more short-term and flexible employment.

Because the phenomenon of partnership between public and private employment agencies is quite recent, there is very little descriptive information available on this topic, and only in the case of Australia have there been significant efforts to assess the impact of partnership. As a result, the scope of this paper has been limited to providing a context in which to view public/private partnerships in employment services and to study a range of concrete examples of partnerships that currently exist in developed, transition and developing countries.

This paper was initially prepared by the Skills Development Department of the ILO as a background paper for the workshop “Strategies to Reduce Unemployment by Promoting Links between Public and Private Employment Services”, which was jointly organized by the Peruvian Ministry of Labour and Employment Promotion, the World Association of Public Employment Services (WAPES) and the International Labour Organization (ILO) in Lima, Peru in March, 2003. The workshop addressed the issues of creating and maintaining links between public employment services and private employment agencies and also served as a platform to exchange views on initiatives and good practices in this field.

The paper is now being made available to policy makers in Ministries of Labour and public employment services, principals in private employment agencies and their trade organizations, the social partners, academics and others responsible for the promotion of full employment and decent work.

Girma Agune  
InFocus Programme on Skills,  
Knowledge and Employability

# **I. Framework for Public-Private Partnerships**

## **A. Historical context**

Growing international trade and other aspects of globalization, the accelerated development of information and communication technologies, the increase in temporary and part-time work, and growing unemployment have changed labour markets and given rise to the emergence of private employment agencies (PREAs) in those countries where they did not exist previously.

For much of the twentieth century the potential for abuse and exploitation of workers overshadowed the benefits of PREAs, and they were banned in a number of countries. However, the above changes in the structure and operation of labour markets have presented expanding opportunities for PREAs, and they are now increasing in some areas. The growing recognition of their positive contribution has led to a reconsideration of their role. This new attitude was codified in ILO Convention No. 181 on Private Employment Agencies, adopted in 1997. This Convention balances the recognition of the productive role that can be played by PREAs in the delivery of specific labour market services with the need to ensure that the basic rights of workers are upheld

The Private Employment Agencies Convention also responded to the growing pressures faced by firms as a result of increasing international competition. The Convention balances firms' needs for flexibility in expanding or contracting their workforce with workers' needs for employment stability, a safe work environment, decent conditions of work, and a safety net when they are unable to work. The Convention proposes criteria for temporary work agencies (TWAs), a subcategory of PREAs, as a means of striking this balance.

The growing interaction between governments and private employment agencies is a subject of great interest in a number of countries. Private employment agencies are increasingly known as staffing services and are expanding their range of functions. Public employment offices are also diversifying their structures and the range of services offered. In addition, there is a trend in both the public and private sectors to enhance effectiveness through partnerships with others.

In view of this new situation, the first role of governments is to determine whether or not PREAs can operate as businesses, and, if so, under what conditions. This is the regulatory role of government over the functioning of business, and it exists over most sectors of private economic activity. The fact that PREAs are businesses that are basically providing labour market services under increasingly flexible conditions raises issues concerning possible abuse of clients. The regulatory framework establishes parameters for the private market for services, not the public sector delivery of services. It does not directly affect the expenditure of government resources (except for the relatively minor costs of licensing and monitoring these businesses). This regulatory function of government, however important it might be, remains outside the main focus of this paper.

Partnership is essential because PREA activities affect public employment service (PES) policy and programme choices. The degree of partnership is influenced by factors such as the initiative and willingness of PES and PREA to cooperate and the attitudes of the social partners and local counterparts, such as local government. Governments aim, in particular, to ensure the respect for a number of key principles: free access of workers to basic labour market services, transparency in the placement process, free access to labour market information, avoiding duplication of work and minimizing public expenditure.

## **B. Rationale for public and private sector roles**

Public-private partnerships in employment services can take a number of different forms. It is relevant here to examine the strong and weak points of the various types of partnership and to take account of the position of their clients, i.e workers and employers.

There is no doubt that the public employment service has powerful moral and historical *raison d'être*. It is an agency of the government, usually created with the support of the social partners, responsible for improving recruitment, ensuring the transparency of the whole placement process, and providing free access to labour market services for all job seekers. The PES has gained a solid reputation with its clients in many countries. Its territorial infrastructure and the professional skills of its staff are its key assets.

At the same time, the recent growth of private employment agencies reflects the inability of public employment services to serve the entire labour market adequately. Rising unemployment and demands for more specialized employment services, along with severe constraints on government budgets in a number of countries, have created a market for private services.

Exempt from the obligation to promote public policies, private employment agencies can target specific groups of jobseekers and highly skilled workers. In particular, they can excel in areas of the labour market such as temporary work. The strong point of private employment agencies is their ability to intervene rapidly and efficiently in a designated sector of the labour market, delivering personalized quality services in a more flexible manner.

The mandate of PES, on the other hand, is to provide universal services rather than to favour one segment of the market. In addition, the PES has to promote overall social inclusion as well as labour market efficiency (effective job placement) goals.

Public and private employment agencies are motivated to cooperate by common points of interest. For private agencies, cooperation means recognition of their role as legitimate and successful providers of labour market services. Cooperation with the PES also gives them better access to labour market information and other data at PES disposal, as well as being a further possible source of revenue and profit.

For PES, cooperation means optimizing the use of public funds through cost savings and higher efficiency in the delivery of labour market services. It also means gaining greater overall understanding of labour market developments.

## **C. Types of partnership**

There are numerous possibilities for interaction between public and private employment agencies. The ILO Private Employment Agencies Recommendation, No. 188 (1997), which supplements ILO Convention No. 181 on Private Employment Agencies (1997), gives broad guidance on how cooperation between public and private employment services could be carried out. Paragraph 17 states:

Measures to promote cooperation between the public employment service and private employment agencies could include:

- (a) pooling of information and use of common terminology so as to improve transparency of labour market functioning;
- (b) exchanging vacancy notices;
- (c) launching of joint projects, for example in training;
- (d) concluding agreements between the public employment service and private employment agencies regarding the execution of certain activities, such as projects for the integration of the long-term unemployed;
- (e) training of staff;
- (f) consulting regularly with a view to improving professional practices.<sup>1</sup>

The International Confederation of Temporary Work Businesses, better known as CIETT, proposes a similar list of areas of potential cooperation between PES and PREA:

- pooling labour market information, including exchange of vacancies;
- subcontracting certain projects by PES to PREA;
- training the staff;
- participation in committees or councils;
- training workers.<sup>2</sup>

Among these possible activities it is necessary to distinguish between non-commercial and commercial relationships. In the first case public and private employment agencies cooperate in ways that do not involve the expenditure of funds in exchange for the services provided. The second case involves the decision to allocate public resources to for-profit or non-profit PREAs to carry out employment services. Among partnership alternatives, the non-commercial exchange of information regarding vacancies appears to be the most widespread. This exchange can involve any type of private agency, but for-profit agencies are the most likely to participate.

The range of partnership activities can be grouped in such a way as to establish a framework for the review of various current national practices. The European Commission has identified three categories of PES-PREA relationship: first, cooperation in the fields of information and basic matching services and in active brokerage and adjustment; second, complementarity provision of services to particular labour market groups; and third, competition in providing services.<sup>3</sup>

The authors of this paper use the basic framework of cooperation, complementarity and competition in examining existing partnerships between public and private employment agencies. The paragraphs below give a survey of the application of the cooperation-complementarity-competition framework, in a variety of national contexts.

The first form of partnership is cooperation in the exchange of information to facilitate job brokering or labour exchange activities. It may also include the exchange of broader information on general labour market conditions. This form of partnership appears to be the one that commercial, for-profit employment agencies are most likely to participate in because it most directly supports their business goals. Although this cooperation is largely non-financial, both partners gain: private agencies boost

revenues for private placements, and the result supports overall public sector employment goals at minimal public cost. This information sharing can take a variety of forms, and examples from a number of countries are described in Chapter 2.

Information sharing is essential for several reasons. First, it effectively expands the pools of job seekers and vacancies, increasing the probability of a good match. Increasing the number of good matches benefits employers and workers through shortened length of searches and reduced associated costs, increased job satisfaction and decreased quits or firings. And better matching of skills increases productivity, which benefits firms, workers, and the economy as a whole.

Second, the provision of effective placement services requires an extensive network of contacts for any given subsector of the labour market (secretarial services, for example). Establishing and maintaining such a network is costly, particularly as the geographical scope of coverage expands. Networks of local PREAs can fill the information gaps that PES, particularly highly centralized PES, may have. However, by virtue of their larger scope of coverage, PES have a better global picture of employment trends, which can help PREAs to fine-tune their services and to prepare for labour market changes in the medium and long term.

Finally, the registration of job vacancies and job seekers is a useful, although not sufficient, source of labour market information. However, relying only on PES registrations can result in a distorted view of the labour market; placement information from PREAs can provide an important complement to PES data.

The second form of partnership, based upon complementarity, involves the contracting out or outsourcing of government employment services, most often labour market programme activities, to private contractors—both for-profit and non-profit private agencies. Public sector funds are used to accomplish public policy goals, but the service delivery agency is outside the public sector. In this form of partnership the Ministry of Labour or the PES retains the dominant role as planner and overall manager of the programmes. In addition, the choice of services to be contracted out is based on the need to complement, not directly compete, with services directly provided by the public sector. Such an approach acknowledges that the PES may have gaps in services provision. Customers may demand services which already exist in the private sector and for which the PES has no comparative advantage, for example. Therefore, it makes better management sense to subcontract with PREAs rather than to provide the services directly.

In this contracting out or outsourcing process, either private commercial or non-profit agencies may participate. In some developed market economy economies, the increasing use of this practice has spawned a large non-governmental, non-profit sector that in certain cases owes its existence to this form of partnership. In some developing countries, non-governmental organizations (NGOs) will assume this service delivery role, although funding is often from third party foreign donors. In these developing countries the sustainability of services after the exhaustion of donor funding is often a problem.

In the competitive form of partnership, government employment services are outsourced through a bidding or tendering process to commercial employment agencies, private non-profit agencies, public employment services and perhaps other public institutions (for training programmes, for example). The difference here is that there is a “level playing field” of competition and there is no reserved or

presumptive service delivery role for the PES; it has to compete with everyone else to win the mandate to provide services. This management approach is described as contestability by the OECD. Contestability is a means of motivating a PES to concentrate its limited resources upon what it does best or what only the public sector can do, and leave to PREAs and other agencies the delivery of services most effectively provided by them.

One feature of this approach is that it demands overall management from a public institution somewhat independent of the public entities competing for services. This is essential to ensure neutral, objective analysis of rival bids for service contracts from the public service and from non-government providers. This neutrality can also be achieved through the use of government advisory bodies that represent the interests of the various stakeholders.

Australia is the clearest example of the competitive approach. In Australia, the basic job brokerage function has been contracted out, although maintaining the electronic infrastructure of a national job bank is still a government responsibility. However, the other PES functions, eg., labour market information gathering and dissemination and unemployment insurance administration, have not been contracted out. This is probably because these functions involve legislated taxation and information gathering activities that do not lend themselves to outsourcing.

It should be noted that the complementary and competitive forms of public-private partnership described above occur mainly, but not entirely, in developed countries. There are three basic reasons for this situation: 1) developed country governments spend more on employment services, particularly on labour market programmes which are most often contracted out; 2) private agencies with the competence to deliver these services are not plentiful in a number of developing countries; and 3) the more sophisticated and transparent public planning and management infrastructure necessary to support these partnership processes are beyond the capacities of the governments of many developing countries.

In developing countries, private employment agencies are emerging to fill a vacuum that exists due to the absence or scarcity of public resources dedicated to employment services. One variation of this trend is the emerging development of labour market services, including Internet job banks, which are funded by private resources in countries where there is an underdeveloped PES and sparsely distributed private employment agencies. This development is facilitated by powerful new information processing and distribution capabilities made possible through ICT. The development of these privately funded initiatives is often catalyzed by the technical cooperation resources of foreign donors. The example of El Salvador is described in this paper but similar experiments are planned or underway in Jordan and Sri Lanka. This new breed of partnership has exciting potential for developing countries, although the ongoing sustainability of such systems without government resources – after withdrawal of external funding – could well be a challenge.

The separation of the funding from the delivery of public employment services is one of three general trends in public administration that is increasing management options for the delivery of publicly funded employment services. A second management trend is the decentralization of funding and decision making about the delivery of employment services to sub-national levels in more and more countries. Instead of a monolithic programme of employment services throughout a country, decisions on the mix of services and possible service deliverers are being delegated. The objectives are to provide services that are more customer-friendly and better adapted to local labour market

conditions; another aim is to find the most efficient and effective provider of a particular service, whether public or private. Vastly improved ICT capabilities have made it possible to manage and control the more complex management tasks required by this approach.

Third, the separation between funding and delivery of employment services has made it possible for other public institutions to allocate funds to address employment issues. These other institutions, which may be local governments, social assistance agencies, or unemployment benefit authorities, generally have two characteristics in common: 1) they have clients who need employment services; and 2) they have the funds but not necessarily the service delivery capacity to meet these client needs. So other public authorities, which lack the traditional service delivery capacity of the public employment service, are becoming major purchasers of employment services, with the PES competing for contracts along with private non-profit and commercial agencies.

As a result, the PES is often being pulled in two directions. In some countries it is withdrawing somewhat as the monolithic direct provider of all public employment services, but is retaining or enlarging its role as the overall coordinator of publicly funded employment services in the country. This is the approach in the Flanders region of Belgium. But in other countries, the PES no longer has an overall steering role; instead it is simply another service provider, dependent upon successfully bidding to provide services that are funded and managed overall by other public entities. And regardless of the direction the PES is moving, new options are opening up for relationships with private employment agencies.

## **II. Current practices in public – private partnerships**

This chapter describes current partnership arrangements across a spectrum of developed, transition and developing countries. The objective is to provide a range of experience across different national contexts from which readers can find relevant examples. A brief comment on the scope of national PES activities is included in most cases to serve as a frame of reference. Unfortunately, little comparable information is available on the national scope of private employment agency activity.

### **A. Cooperation: The PES promotes cooperation through information exchange**

In this section, ten national examples of cooperative partnership through information exchange are presented.

#### **France**

ANPE (the French PES) is composed of 945 offices staffed by some 22,500 personnel. Its two main functions are to improve labour market functioning and to match supply and demand in the labour market. ANPE does not administer unemployment benefits.<sup>4</sup>

Private employment agencies include executive placement agencies (Agences de Placement des Cadres), recruitment agencies (headhunters), and temporary work agencies (TWAs). The last category dominates.

Partnership agreements have been developed between the ANPE and temporary work agencies. Local public employment offices disseminate private agency job offers more widely by making them available to all their customers. In return, TWAs benefit from ANPE assistance in the search and preselection of candidates. The TWAs and the local employment offices also exchange information pertaining to the local labour market, the temporary labour market and special public employment measures, so as to tailor their respective services better to the needs of jobseekers. This is particularly true for disadvantaged groups of workers such as the long-term unemployed, youth, and persons with disabilities.<sup>5</sup>

#### **Lithuania**

The Lithuanian PES is organized into 46 offices with approximately 1000 staff and an annual budget of US\$47 million.<sup>6</sup>

The PES has signed labour market partnership agreements with 17 private employment agencies. On a quarterly basis the heads of these enterprises are familiarized with labour market conditions and the annual labour market forecast. PREA representatives have the opportunity to attend PES briefings, participate in job clubs in local labour exchanges, meet with the unemployed and job-seekers, and announce information about their activities on the notice boards of the territorial labour exchanges.

In 2001, representatives of these enterprises participated in a seminar organized by the national PES for their own labour exchange specialists responsible for employment abroad and the work of foreign nationals in Lithuania.<sup>7</sup>

### **Moldova**

State policy in Moldova is to support private employment agencies and create conditions for their development.

This policy is being implemented through five main measures:

- enacting a law (2001) requiring that these placement activities for the employment of citizens in the country and/or abroad be licensed;
- ratification (2001) ILO Convention No.181 on private employment agencies;
- introducing mandatory statistical reports every quarter on the activities of private agencies;
- introducing formal collaboration agreements between the public employment service and private employment agencies; and
- organizing seminaries for private agencies in order to increase the efficiency of their staff.

At present, the PES has signed collaboration agreements/contracts with eight private employment agencies. The contract covers information exchange, know-how and staff training.<sup>8</sup>

### **Oman**

The objectives of the Omani Manpower Ministry are: to facilitate the movement of national manpower between the Gulf states, achieve full employment, balance labour markets, improve their efficiency in linking labour supply and demand, and respond quickly to the joint concerns of employers and job seekers. The Ministry believes that active partnership between the PES and private employment agencies is essential to accomplish these objectives.

The regulations governing private employment agencies, according to Ministerial Decree 98/299, are the foundation for relationships between the public employment offices and private agencies. In order to clarify the role of each party, and be highly transparent, an executive framework for cooperation and coordination between the various departments, public employment offices of the Manpower Ministry and the private placement agencies was drawn up in March 2000 and is presently in force. The owners of the private offices collaborated in drafting the framework document, which specifies:

- the tasks of the private sector employment services;
- standards for coordination between government departments, PES offices and private placement agencies; and
- forms and documents to be used for communicating information.<sup>9</sup>

### **Peru**

Peru has 40 PES offices with 120 staff and an annual budget of US \$ 0.8 million. The country has no unemployment insurance.<sup>10</sup>

Peru's PES has experienced problems common to a number of developing countries: high costs, long registration waits, inflexibility and a poor image. In recent years the Ministry of Employment and Social Development (MTPS) has set out to improve employment services by decentralizing the PES and making it more flexible. The Ministry has significantly improved outputs, increased placements, and boosted the participation of employers through modernizing the public service and developing the Peruvian Network of Centres of Intermediation and Labour Information (CIL), a national grouping of public and private for-profit and non-profit service providers. The network facilitates information sharing and capacity-building in order to reach more people on a wider geographic basis with a better quality service.

The Peruvian Network of Centres of Intermediation and Labour Information has expanded in phases. First it incorporated training centres and institutions (including technological institutions and occupational centres); then it expanded to private agencies, other public institutions and non-governmental providers. This expansion included institutions promoting local employment, such as municipalities and development organizations. In 2001, the Ministry started to include private agencies outside the capital city of Lima.

The system is more than a network of co-existing service providers. It includes mechanisms of joint promotion and regulation, and incentives to guarantee quality standards. The centres, public and private, talk the same language and use the same software and occupational classifications to assess workers' skills and match workers to vacancies. They provide job search assistance and occupational orientation. In addition, labour market data on both demand and supply can be jointly analysed from the centres and provided as feedback to local training institutions.

The result of these innovations has been to significantly increase placements, the number of registered jobseekers, and vacancies listed. Between 1998 and 2000, the number of placements made by public and private centres increased 27.5 per cent and efficiency in terms of the percentage of job seekers placed and vacancies filled also increased. In 2000, 34 per cent of job seekers were placed and 73 per cent of vacancies were filled. While the public sector offices (capital city and regions) still register the larger number of job seekers and jobs, the smaller numbers placed by the private network doubled in three years and continued to increase in efficiency (MTPS, 2001).

The next steps include: the development of a more integrated information system and extranet network operating via the Internet and the creation of a labour market observatory which will analyze labour market trends. The observatory will also improve planning for training systems and employment services and will provide the operators of job services with information to orient job seekers.

The Professional Employment network is an interesting public, private and non-profit partnership. It could serve as a model for other developing countries to extend the capacity of public and private employment service providers.

## **Poland**

Poland has 16 regional and 353 local labour (PES) offices with a total of 16,000 staff and a budget of US\$300 million.<sup>11</sup>

Private employment agencies have been authorized in Poland since 2002 under certain regulatory conditions. These authorized agencies are obliged to register job-seekers and to submit information on their activities to the Ministry twice yearly. Such information should include:

- placement activities (number of job offers; number of persons who started a job; number of such persons by occupation; countries to which Polish nationals are posted); and
- revenues received and costs incurred by placement activities.

The mandated information provisions have catalyzed other cooperation between private placement agencies and regional labour offices. Such cooperation has been mentioned in opinions issued by “starostas” (supervisors of local labour offices). Cooperation covers: exchange of databases on job-seekers; promotion of a system of budget subsidies for persons starting up their own business; joint organization of job fairs and job exchange; exchange of job offers which are difficult to fill, and joint implementation of special programmes addressed to unemployed persons.<sup>12</sup>

### **Russian Federation**

In the Russian Federation there are 89 regional employment services, and 2,744 city, district and branch employment services, with almost 35’000 staff (in the late 1990s).<sup>13</sup> The PES fulfils all major functions, including the administration of unemployment benefits.

In Russia, private employment agencies mushroomed during the transition to a market oriented system in the 1990s. There were 1,556 private agencies in 2000, despite the fact that no special legislation had been adopted to regulate their activities. (The National Statistical Agency, Goskomstat, monitors their operations through surveys, however). Private employment agencies offer the following services: provision of temporary workers; “head hunting”, i.e. recruitment, including e-recruitment; outplacement; organizing migration for labour abroad, “coaching” job seekers in CV writing and job search techniques, and consulting to enterprises on personnel policy.

Cooperation between the public employment service and private agencies normally includes the exchange of data on vacancies. Officers of the public employment service also participate in supplying PREA personnel with labour market information and interpretation of labour legislation. PES publications can publicize PREA activities or joint PES-PREA bulletins may be produced. In some regions, private employment agencies grant discount rates for special labour market services rendered to representatives of vulnerable groups of workers in the labour market such as redundant older workers, workers with disabilities, or young people.<sup>14</sup>

### **Slovakia**

With a population of 5.4 million the Slovakian National Labour Office (NLO) runs a PES with 8 regional outlets (335 staff) and 79 local outlets (4,748 staff). The NLO administers unemployment benefits and also collects contributions to unemployment insurance from enterprises.<sup>15</sup> The annual PES budget amounts to 255.1 million US dollars.<sup>16</sup> The NLO also issues permits to private employment agencies to provide mediation of jobs for fees. The NLO monitors these agencies and adjusts regulations concerning them as needed.

In terms of information exchange, the NLO publishes a list of private employment agencies on the website [www.nup.sk](http://www.nup.sk) and at all levels of the NLO. District Labour Offices post vacancy from the public and private agencies. Private agencies can choose job seekers for work abroad from the NLO database and give their contact numbers to the mediators; they can also assist in helping to select job seekers for work abroad. On the other hand, the NLO does not provide financial support to private partners to help their activities or projects.

## **Sweden**

Sweden has 325 PES offices with some 10,360 staff.<sup>17</sup>

The public service monopoly on placement was abolished in 1993. Since then, temporary work businesses (TWB) and staffing services (SS) have expanded rapidly. SPUR (the Swedish Association of Temporary Work Businesses and Staffing Services) divides the services its members provide in the labour market into the following categories:

- staff rental (81 per cent of enterprises);
- contract hire (12 per cent of enterprises);
- recruitment (7 per cent of enterprises).<sup>18</sup>

TWBs have moved into a niche that was not traditionally filled by the PES. However, the PES now also operates a Temporary Worker Bank (Vikariensbank), which is divided into a number of pools for different occupational groups and different regions.

In order to investigate the relations between public and private employment services a Swedish Employment Service Working Group was established. The working group produced a set of guidelines to be used by the PES to direct activities in various situations. Below are some key guidelines.

1. Staffing enterprises wishing to hire personnel for renting out (90 per cent of activity)

PES policy: When staffing enterprises act as employers and hire personnel, they are to be regarded as just another employer and are to receive services on the same terms as other enterprises.

2. Staffing enterprises wishing to recruit personnel for immediate placement (approximately 10 per cent of activity)

PES Policy: The PES should work with a jobseeker focus and be guided by its basic assignment to promote an efficient labour market. The PES makes the private agency job vacancies available to jobseekers by entering them into the nation-wide computer employment database under the appropriate heading. The PES does not need to know which enterprise ultimately hires the workers; it refers applicants to the private agencies.

3. Staffing enterprises locating personnel for future placement.

PES policy: The PES should generally inform job seekers of work opportunities through staffing industry enterprises.<sup>19</sup>

In general, the new policy means that PES offices should give the same services to staffing industry enterprises as to other employers. This does not, however, include proposing suitable applicants when these companies are involved in direct recruiting services. (The public employment service should not – free of charge – help recruitment companies to perform services for which they can charge the client company).

There have also been a few projects where the Public Employment Service cooperates with private staffing and recruiting firms to develop new forms of employment services. So far, this has only occurred on a local experimental basis.<sup>20</sup>

### **United Kingdom**

With 1,500 PES offices, 80,000 personnel, and a budget of US\$4.4 billion, the UK Employment Service, JobCentre Plus, is one of the largest in the EU.<sup>21</sup> Historically, the PES has played the predominant role as labour market intermediary.

Apart from the PES, however, a variety of public and private organizations are involved in the provision of job placement services. The commercial agencies include a great many of small private employment agencies and a few extremely large multinational operators. Most of the private companies offer placement of permanent staff as well as temporary workers. In addition, private recruitment companies increasingly use the Internet to develop new forms of employment brokering services.

As in many other countries public and private for-profit employment agencies have marked out quite distinct sectors of the market. The PES dominates in placing unemployed people and in providing job matching services to employers seeking to fill vacancies for semi-skilled and unskilled labour. Private agencies provide services to organizations seeking highly skilled and professional workers.

The PES and PREA cooperate in only a few segments of the labour market; for example, they exchange information on vacancies and job applicants (particularly in dealing with hard-to-place clients and mainly in inner-city areas).

The PES is trying to expand cooperation between staffing agencies and Job Centres, and cooperation between the PES and private employment agencies can be seen through involvement in joint projects. In cases of mass redundancy, for example, the two work together, with the private employment agencies utilising the already established skills of the jobseekers to help them find alternative work. JobCentre Online advertises private employment agency vacancies alongside PES vacancies. Jobseekers can also be referred directly to private employment agencies to fill vacancies. Another example of this effort is the development of a good practice guide jointly with the Recruitment and Employment Confederation (REC), which is the main industry body.<sup>22</sup>

Work is also in progress to develop and formalise links with the private employment agencies in Northern Ireland to support the PES in helping more people into employment. This may lead to formal service level agreements to ensure standards of service and expected outputs focusing upon clients in urgent need of employment services. This would allow the PES to concentrate upon those needing more support to ease their transition back to work, to the mutual benefit of both organizations.<sup>23</sup>

**B. Complementarity: The government funds private partners to complement public employment services**

This section describes five examples of complementary partnerships between the PES and private employment agencies. In all of these country examples the PES purchases employment services that complement its own offerings, although the methods for doing so may vary.

**Belgium – Flanders**

With a multi-ethnic population of 10.2 million, Belgium has a complex structure for the delivery of employment services. Some functions are federal responsibilities (unemployment benefits and social security) and some are responsibilities of the various regions - Flanders, Wallonia, Brussels and the German-speaking area of Belgium. Each regional PES has its own budget, and the staffing rate is different. The increased complexity of the labour market, abolition of the public employment service monopoly on placement, and the emergence of new players in the labour market have promoted the reorganization of public employment services in Belgium. One variation is illustrated by the region of Flanders.

**Graph 1: Reorganization of VDAB**



Source: Eddy Verkammen, VDAB, 2002 (personal communication).

The Flemish Office for Employment and Vocational Training (Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding, VDAB) is the Flemish public employment service. The Flemish Government has delegated the role of director (régisseur) of the labour market to VDAB. VDAB remains the most important actor in implementing the labour market policy and in fulfilling its social and economic mission in relation to its three client groups: the unemployed, employees and employers. The VDAB has two main activities - guidance and vocational training.

Management contracts, based on quantitative and qualitative performance indicators, clear tasks, the necessary resources and tools to accomplish results, and evaluation are the means to implement the VDAB mission to “influence the labour market in harmony with economy and society”. Since October 2002 commercial services formerly provided by the VDAB are now contracted out to an autonomous and independent private company known as T-Group.

VDAB also has information sharing arrangements with private (commercial) employment agencies. These arrangements further labour market transparency for the users of VDAB's online services. For example, the first contract with Federgon, the representative organization of private labour market actors, was concluded in 1999. The contract specified obligations in respect to common gathering of labour market data; the identification of specific training requirements in the TWA sector; mutual referral of job seekers; and use of the online databases of the VDAB. The second contract was concluded in 2002; it specified the updating responsibilities concerning the mutual referral of job seekers; the identification of demand in training for job seekers at the TWA offices, etc.<sup>24</sup>

## **Germany**

The German PES has 660 local offices and 85,785 staff (2002).<sup>25</sup> It is one of the largest public employment services in the world. The Federal Employment Service (Bundesanstalt für Arbeit) administers placement services, unemployment insurance and labour market programmes.

The Government's view is that public employment services should not compete with private employment agencies and that cooperation and partnership with profit making agencies, as well as with voluntary and public bodies, is beneficial. Links between the public employment service and private placement agencies, especially at local level, are likely to increase in the future.

Vouchers have been distributed to job seekers, and private placement agencies can now be paid a fee in the form of a voucher for placing an unemployed person. However, the last available figures verify that from 207,000 vouchers only 13,560 resulted in new employment in 2002.<sup>26</sup>

The approach to a “new” public employment service in Germany focuses more on the establishment of personal-service-agencies (PSAs). These PSAs are temporary work agencies which place unemployed people in jobs on behalf of the public employment offices. Each public employment office in Germany is obliged to establish a PSA. Another focus is on profiling the unemployed which is combined with the development of integration agreements. The objective is to give the unemployed a more structured gateway to work. PSAs and profiling are mostly organized by private placement agencies.

## **Netherlands**

The Netherlands Central Organization for Work and Income (CWI) is a new public agency which has replaced the former public employment service. The budget for its operations is provided by the Ministry of Social Affairs and Employment. In 2002 the CWI employed some 4,400 staff in 130 local Centres for Work and Income. The CWI does not administer any active labour market measures, however.

With regard to placement, the CWI continues to work with private employment services, especially temporary work agencies, which for decades have been substantial actors in the Dutch labour market. Employees hired out by temporary work agencies account for four per cent of total employment. The temporary work agencies are seen as complementary to the CWI, which refers work-ready job seekers simultaneously to three to five temporary work agencies. Job seekers can work temporarily through these agencies (not applying for unemployment benefit in this period) while searching longer-term positions. In addition, the Internet job bank of CWIs contain links to the vacancy-databases of temporary work agencies. Temporary work agencies also have access to the public CV-database.<sup>27</sup>

On the other hand, responsibility for placing unemployment insurance beneficiaries and social assistance clients has been given to the municipalities and to the employee insurance agency. The budgets for reintegration services have been allocated to these authorities in full. They organize tenders for reintegration services in which private companies may bid.

The delivery of more intensive reintegration services for disadvantaged job seekers is in the process of being transferred to a newly established private company called NV KLIQ. Initially all shares in the NV KLIQ company are controlled and subsidized by the government. After the company is firmly established in the marketplace, this situation will change. The legislation authorizing this new organization stipulates that 30 per cent of revenues need to be raised in the market in 2001, with the percentage rising each year until January 2004, when state subsidies will cease. At that point NV KLIQ is expected to be fully self-sustaining..

## **Slovenia**

The Public Employment Service in Slovenia carries out vocational guidance and placement, implements active labour market programmes, and is also responsible for running an unemployment insurance scheme, issuing work permits and organizing national scholarship schemes.

The Slovenian PES employment process begins with the preparation of individual employment programmes for each unemployed person. This activity may be contracted out to private employment services as well, primarily for the groups which are the most difficult to place. In this case, the private employment services are responsible for implementing the individual employment programmes.

A public tender specifies the services to be provided, the target groups, other conditions that the providers have to meet, and funds available. After the selection process, the PES signs a contract with the successful providers, which may be private employment agencies, as well as training institutions and schools, labour funds, etc.

A Working Group of the PES prepared Standards for Employment Programmes, which include:

- general conditions which a programme provider must meet (registration of the company, permission to provide the activities, etc.);
- premises (size, number of rooms or locations, appropriateness, accessibility, etc.);
- equipment (tools, aids needed at work);
- staff (their qualifications, skills, references);
- group work (maximum and minimum size of a group);
- information materials (the use of PES brochures and leaflets, the Internet, newspapers);
- monitoring (satisfaction of the participants, efficiency and effectiveness of the programme).

The Working Group also prepared a Uniform Programme Monitoring Methodology, which comprises the following items:

- target groups – they have to be precisely defined for each programme;
- basic indicators of efficiency–the main objective of active employment programmes is placement; therefore, according to the content, target groups and the duration of the programme, the percentage of outflow into employment (or in some cases into other employment programmes);
- quality–satisfaction is an important factor. Regular surveys of participants and staff are conducted and a final report of the provider’s performance is also available;
- persons responsible for monitoring the providers – the monitors are special members of PES staff, heads of the local offices and senior managers of PES;
- methods of monitoring–checking through the questionnaires for the participants, as well as the attendance at the programmes, information and data from the employment advisers, and visits to providers;
- monitoring costs – costs per participants are measured.

Initial experience with the providers and analysis of current programmes suggested certain changes which would improve programme efficiency. A review of the process has revealed that there are too many programmes, that they overlap because their contents are similar, and that transparency has declined. With some adjustments, however, the Slovenian PES expects that cooperation with its partners will become more specific and more target-oriented, which will contribute to greater efficiency of all actors in the labour market and better results.

### **United States**

In the year 2000 there were 1,300 local Job Service offices and a total staff of 17,399 in the United States.<sup>28</sup> However, with the passage of the Workforce Investment Act of 1998, Job Service activities are increasingly being integrated into the broader workforce investment system, which has a national annual budget of \$10.5 billion.

In the United States, the overall relationship between the PES and the private employment agencies has evolved from an atmosphere of competition and distrust to one where such firms are considered valuable clients. In terms of sharing information on job vacancies, cooperation is the usual pattern, although in different states and localities the extent of such cooperation may vary. Private placement firms have become just another employer. The relationship has been compared to the relation

between a “wholesaler” of services and a “retailer”. The PES is the “wholesaler” that provides résumés and talent to private placement firms who are the “retailers” – who have direct personal contact with customers. Private placement firms search the PES’ America’s Talent Bank, list job vacancies through the PES America’s Job Bank, and actively recruit in PES offices or at PES organized job fairs.

Moreover, the PES views any work experience (even on a temporary basis) as an opportunity to enhance employability and has therefore cultivated strong relationships with temporary employment agencies.

In addition, a special partnership to support information sharing has been forged by the US Department of Labor through two main electronic job exchanges; America’s Job Bank (AJB) and Monster.com. AJB is the largest government Internet job bank and Monster.com is the largest private Internet job bank. Monster.com will adopt, use and promote (as a standard) the Standard Occupational Classification (SOC) taxonomy, which is the government’s occupational classification system. AJB and Monster.com will adopt, use and exchange information on job vacancies. The Department of Labor and Monster will cross-reference each other’s job listings, exponentially increasing the opportunities for job seekers. It is believed that the combination of these two very large data sources will generate invaluable real time labour market information.

But the involvement of private employment agencies extends beyond cooperation in information sharing to complementarity in the delivery of labour market programmes in the workforce investment system. For several decades labour market programmes (job training, support services) have been contracted out to private – often non-profit – agencies. Decisions on the selection of service providers are usually made at the local level. But the role of private placement agencies in the public workforce investment system is not uniform nationwide. Local workforce boards have significant flexibility in determining how to organize their One-Stop delivery systems in selecting their service providers. However, where there is a connection, there is a firm policy that job seekers may not be charged for services.

Private placement agencies engage in the public workforce investment system in several ways. They may:

- list job vacancies with the public labor exchange system;
- be certified by the Local Workforce Development Board as a One-Stop partner and be located in the One-Stop Career Center;
- be selected by the Local Board (through a bidding process) to operate a One-Stop Career Center;
- be selected by the Local Board (through a bidding process) to become an eligible training provider; and
- collaborate on model workforce initiatives.<sup>29</sup>

### **C. Competition: The government places public and private employment agencies in direct competition for public resources**

One national example of the contestability approach is presented here. In this form of partnership, the PES competes on an equal footing with other public and private agencies to provide labour market services. Australia is the only country in which contestability has been applied across the full spectrum of labour market services.

#### **Australia**

In the mid-1990s Australia pioneered a new framework for the delivery of labour market assistance. The government's objective, among other things, was greater cost efficiency and more value for money. In the Government's view, compared to other policy options such as simply cutting back poorly performing programmes, these radical reforms would in the long run increase the choices available to job seekers, raise the quality of services, and lead to more lasting employment outcomes.

Several principles underpinned this reform process:

- job seekers and unemployed people would be able to receive high-quality, streamlined service from the agencies and providers with which they interacted;
- assistance would be flexible and fit the needs and capacities of individual job seekers;
- the incentives framework would reward labour market assistance providers primarily for placing job seekers in employment;
- there would be additional incentives for placing unemployed people who were most disadvantaged;
- continuation of income support for eligible unemployed people would be closely linked with their participation in active employment assistance measures; and
- a competitive market for employment services would be established in which the purchaser would be separated from providers.<sup>30</sup>

The key innovation was the last item: the development of a competitive market for publicly funded employment placement services. It is known as the Job Network. Members of the Job Network are private for-profit as well as non-profit employment agencies, in addition to the PES replacement, Employment National. Job Network members compete in a national outsourcing, or tendering process for the delivery of labour market services. Another government agency called Centrelink was established to pay benefits and screen job seekers.

A unique feature of the Job Network is that the PES competes on an equal basis with other non-public service providers. As a result, the job brokerage or labour exchange function, previously delivered through the Commonwealth Employment Service (CES), has now been outsourced, although the public Internet job bank has been retained as a centralized function.

For the delivery of more intensive labour market services, a network of "Intensive Assistance" providers has been established. These providers are paid fees on the basis of the employment outcomes achieved by their clients, and they can choose their own strategies of service provision - up to a limit of 21 months.<sup>31</sup>

In June, 2002 the Australian Productivity Commission published an independent review of the Job Network, which found that the new system provided advantages, but that these were balanced by challenges. The advantages were that an outcome orientation, competition and choice produced some of the benefits associated with private markets for services. The challenges of applying a purchaser-provider model to employment services were two-fold: 1) measurable outcomes do not incorporate all aspects of what an employment service should deliver; and 2) price competition risks poor quality. On balance, however, the review concluded that the advantages outweighed the disadvantages.<sup>32</sup>

The Commission also summarized the advantages and disadvantages of a competitive approach to public purchase of services. The following table summarizes much of the Australian experience with this aspect of the Job Network and may be useful for other countries considering a similar approach.

**Table 1. Potential advantages and disadvantages of payment based on outcome, price competition and choice**

	Potential advantages	Potential disadvantages
Payment based on outcomes	<ul style="list-style-type: none"> <li>-Forces clarification of objectives</li> <li>-Better focus on those objectives</li> <li>-Greater flexibility</li> <li>-Can quantify results</li> <li>-Can avoid dissipation of funds on activity unlikely to produce an outcome</li> <li>-Easier to monitor (once performance measures defined)</li> <li>-No need to acquit expenditure</li> </ul>	<ul style="list-style-type: none"> <li>-Inequity – perceived or real – through creaming/parking</li> <li>-Possible focus on short-term payable outcomes, which may not align with long-term client benefit</li> <li>-Loss of accountability for expenditure</li> <li>-May need complex payment structures</li> <li>-Need to define default provisions</li> <li>-Complicated contracts</li> <li>-Poor information about what works</li> </ul>
Competition between providers	<ul style="list-style-type: none"> <li>-Spurs adoption of better practice</li> <li>-Possible lower costs, or ability to serve more clients for the same budget</li> <li>-Encourages exit of inadequate providers</li> </ul>	<ul style="list-style-type: none"> <li>-Possible reduction in quality where competition is mainly based on price</li> <li>-Weaker cooperation (including dissemination of best practice)</li> <li>-Possible loss of economies of scale</li> </ul>
Choice	<ul style="list-style-type: none"> <li>-Allows consumer preference</li> <li>-Can choose provider most likely to meet individual needs</li> <li>-Rewards success</li> <li>-Incentives for provider improvement</li> </ul>	<ul style="list-style-type: none"> <li>-Loss of economies of scale</li> <li>-Imposes additional costs on clients</li> <li>-Possible additional costs for government when client switches</li> <li>-May need a default referral mechanism</li> <li>-Risk of insolvency</li> <li>-Harder to enforce standardization</li> </ul>
<p><u>Source:</u> Productivity Commission of Australia Independent Review of the Job Network, Inquiry Report No. 21, June 2002 , p. 3.22.</p>		

## **D. Other models from the developing world**

The two examples below from South Africa and El Salvador illustrate different approaches to the current reality in a large number of developing countries around the world. In these countries employment services are effectively "privatized by default", because there is a lack or very low level of public resources for employment services. In the case of El Salvador, a new system is being built in a public-private partnership, but entirely with private funds.

### **El Salvador**

El Salvador is unique in that it is piloting national employment services financed entirely by private for-profit or non-profit agencies. The Salvadoren experiment constitutes a model for a "private-based national service" that goes beyond even the most adventurous reforms in OECD countries.<sup>33</sup>

For years, El Salvador has had a relatively small, poorly funded PES which enjoyed little visibility or credibility with the country's employer community. On the initiative of a non-governmental organization with ties to the social and business communities, and with key leadership from the Labour Ministry and the nation's tripartite, state-funded training institute, "Instituto Salvadoreño de Formación Profesional" (INSAFORP), the institutions are collaborating to create a new national employment service wholly based in the private and non-governmental sectors. The project has received the support of the Inter-American Development Bank for its pilot development.

The service will be run by a national non-governmental organization, "Fundación para la Educación Integral Salvadoreña" (FEDISAL). FEDISAL will develop a national job bank and develop the core services of job search assistance, brokering, and training referral to be provided to all workers and firms which seek assistance. The national job bank will be provided online and supported by counsellors at walk-in centres. For the first time, the service, will also register training course openings and provide training referrals and assessments, helping to link the country's employment and training system. FEDISAL will also develop a network of satellite offices and local partnerships with training institutions, NGOs, universities and others to expand coverage and access.

The IDB-promoters of the project expect that FEDISAL will be able to develop for fee services to contribute to its long-run sustainability, including providing labour market information. The service will train specialists to work directly with key sectors of the Salvadoren employer community to assess their labour market needs and register job vacancies. The Labour Ministry, INSAFORP, and business and labour representatives will continue to provide policy direction to the service, but without direct management responsibilities.

### **South Africa**

In South Africa, the public employment service is part of the Department of Labour. But with a local staff of 527<sup>34</sup> to provide placement and training services, unemployment insurance, as well as inspection and enforcement-related duties for a country of 40 million people (with an unemployment rate of 33.3 per cent in 2001<sup>35</sup>), its resources are quite constrained. At the same time, however, there has been growth in private employment services. These private agencies match supply and demand

for both permanent work contracts and temporary ones. In addition, there are private, non-profit agencies such as church and community groups which provide various employment services. And the recent addition of online recruitment services has introduced a new broker into the labour market.

At the same time the country faces a number of problems related to the poor business practices of some of these private employment agencies. So the question of regulating private agencies returns. South Africa is currently debating how to regulate private employment agencies in order to promote professionalism in this sector, set minimum standards and codes of conduct, establish staff qualification standards, and, most importantly, protect vulnerable job seekers.

### **III. Conclusion**

The objective of this paper was to present a context within which to view public- private partnerships in employment services and to present a spectrum of national examples of current partnerships in developed, transition and developing countries. The specific shape that these partnerships take depends upon the prevailing labour market environment, the national legal framework, the availability of financial resources, and existing institutional relationships. It is left to the reader to draw conclusions about the transferability of the policies and practices highlighted to other national environments.

But given the continuing demand for various employment services, constraints on public sector expenditures in many countries and the worldwide growth of private employment agencies, it can be expected that partnerships will continue to grow and evolve. This topic could be a important area for social dialogue in the twenty-first century. This paper is just a beginning step in understanding the complex issues involved.

## Endnotes

<sup>1</sup> <http://www.ilo.org>, Convention No. 181 (1997).

<sup>2</sup> <http://www.ciett.org>

<sup>3</sup> European Commission: PES-PREA Relationship in a European Framework, Issues Paper submitted at the Meeting of the Heads of Public Employment Services within the EEA, 16 Nov., 1998, section II, p. 4 (Baden).

<sup>4</sup> World Association of Public Employment Services (WAPES) Member Survey, 2002, at <http://www.wapes.org>, and <http://www.anpe.fr/anpe/agence/anpe.historique.jsp>.

<sup>5</sup> Uwe Blien et al., "Labour Market Policy in Germany", Institute for Employment Research, 2002, pp. 17, 18 (Nürnberg).

<sup>6</sup> WAPES Member Survey, *ibid.*

<sup>7</sup> Country Response to ILO General Survey on Conventions 122 and 142 and Recommendations 169 and 189 (unpublished), ILO, 2003.

<sup>8</sup> Country Response to ILO General Survey, *ibid.*

<sup>9</sup> Country Response to ILO General Survey, *ibid.*

<sup>10</sup> WAPES Member Survey, *ibid.*

<sup>11</sup> WAPES Member Survey, *ibid.*

<sup>12</sup> Country Response to ILO General Survey, *ibid.*

<sup>13</sup> Tatiana Tchertvernina, an unpublished manuscript for the 1999 ILO Moscow Conference "Labour and social aspects of reforms in Russian Federation", 4-6 October 2002 (Moscow).

<sup>14</sup> Chelovek i trud, No. 4/2002, p. 67 (Moscow).

<sup>15</sup> National Labour Office, Slovak Republic, publicity CD ROM, 2002.

<sup>16</sup> Materials of a Workshop in Bratislava "How to adapt the Public Employment Services of the Candidate Countries to the Challenges of EU Accession", organized jointly by the World Association of Public Employment Services (WAPES) and Slovak Public Employment Service, 24-25 October 2002 (Bratislava).

<sup>17</sup> WAPES Member Survey, *ibid.*

<sup>18</sup> "Relations of the Public Employment Service with Temporary Work Businesses and Staffing Services", Arbetsmarknadsstyrelsen, 1999, p. 2 (Stockholm).

<sup>19</sup> "Relations of the Public Employment Service with Temporary Work Businesses and Staffing Services", Arbetsmarknadsstyrelsen, Report by the working group, Privab, appointed by the Swedish National Labour Market Board (AMS), 1999, p. 12 (Stockholm).

<sup>20</sup> Country Response to ILO General Survey, *ibid.*

<sup>21</sup> WAPES Member Survey, *ibid.*

- <sup>22</sup> ILO, Ellen Hansen, personal communication (Geneva).
- <sup>23</sup> Country Response to ILO General Survey, *ibid*.
- <sup>24</sup> Communication from VDAB fro the ILO, January 2003.
- <sup>25</sup> Bundesanstalt für Arbeit Internet site, 2002 (Berlin), <http://www12.arbeitsamt.de>.
- <sup>26</sup> Kurt Berlinger, Head of Department of International Co-operation, German Federal Employment Service, personal communication for the ILO, 7-01-2003 (Geneva).
- <sup>27</sup> Theo Keulen, International Relations Department, CWI (Central Organization for Work and Income), communication for the ILO, 15-01-2003 (the Netherlands).
- <sup>28</sup> ILO, Atlas Development database at <http://www.ilo.org> , 22.XI.2002 (Geneva).
- <sup>29</sup> Country Response to ILO General Survey, *ibid*.
- <sup>30</sup> “Labour market review of Australia. Background report for the OECD review team” Department of Employment, Workplace Relations and Small Business, 2000, p. 43 (Canberra).
- <sup>31</sup> OECD, Policy Brief, “Labour Market Policies that Work”, June 2000. (Paris).
- <sup>32</sup> Productivity Commission of Australia Independent Review of the Job Network, Inquiry Report No. 21, June 2002, p. 3.1 (Canberra).
- <sup>33</sup> The section on El Salvador is based on: Konle-Seidl, Regina, “Labour Intermediation Services in Latin America”, Unpublished paper, ILO, 2002, pp. 14-15 (Geneva).
- <sup>34</sup> ILO, <http://www.ilo.org>, Country Information, South Africa, 1997.
- <sup>35</sup> ILO, Key Indicators of the Labour Market, 2002, p. 281 (Geneva).