Participation of the social economy in the provision of Sweden's public employment services

OECD

Funded by the European Union

OECD Local Economic and Employment Development (LEED) Papers

Participation of the social economy in the provision of Sweden's public employment services

Sweden is undergoing a major reform of its public employment service *Arbetsförmedlingen* towards contracting out employment services to independent providers. At the same time, *Arbetsförmedlingen* is also undergoing a significant restructuring, resulting in a downscaling of physical presence across the country and an increased digitalisation of services. As this report shows, the social economy can play an important role in the delivery of publicly-financed employment services (section 1). The report first analyses the main features of the social economy in general as well as its current role in employment policies in Sweden (section 2). It then discusses challenges in engaging social economy organisations as providers in the market for contracted-out employment services in Sweden with respect to the legal framework, contracting rules, financial barriers, payment models, and co-operation structures (section 3). It then offers recommendations based on international practice to help design and implement the proposed policy recommendations in the Swedish context (section 4).

JEL codes: H53, H75, J48, J68, P11, R58
Keywords: Social Economy, Work Integration Social Enterprises, Public Employment Services, Local Labour Markets

ABOUT THE OECD

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies. More information: www.oecd.org.

ABOUT OECD LOCAL ECONOMIC AND EMPLOYMENT DEVELOPMENT (LEED) PAPERS

The OECD Local Economic and Employment Development (LEED) Programme Papers present innovative ideas and practical examples on how to boost local development and job creation. A wide range of topics are addressed, such as employment and skills; entrepreneurship; the social economy and social innovation; culture; and local capacity building, among others. The series highlights in particular policies to support disadvantaged places and people, such as the low skilled, the unemployed, migrants, youth and seniors.

This paper is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and the arguments employed herein do not necessarily reflect the official views of OECD member countries.

This paper was authorised for publication by Lamia Kamal-Chaoui, Director, Centre for Entrepreneurship, SMEs, Regions and Cities, OECD.

This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of (name of the author/partner) and do not necessarily reflect the views of the European Union.

Cover image: @OECD/CFE/Katrina Baker; Getty/Natalia Darmoroz/Booblgum/vector_s

Acknowledgements

This report was prepared by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities led by Lamia Kamal-Chaoui, Director, as part of the OECD's Local Employment and Economic Development (LEED) Programme. The report was produced as part of the project "Reforming the Swedish Public Employment Service". This project is being carried out with funding by the European Union via the Technical Support Instrument (TSI) and in co-operation with the European Commission's Directorate-General for Structural Reform Support (under framework delegation agreement REFORM/IM2021/009).

The analysis and preparation of the report were co-ordinated by Tilde Marie Ussing, Policy Analyst, under the supervision of Kristine Langenbucher, Deputy Head of the Local Employment, Skills and Social Innovation Division and Karen Maguire, Head of the Local Employment, Skills and Social Innovation Division, OECD. The report was drafted by Tilde Marie Ussing, Policy Analyst, OECD and Miguel Peromingo, Employment Policy Consultant, and benefited from valuable comments and contributions from Amal Chevreau. The report also benefitted from comments by Antonella Noya (Centre for Entrepreneurship, SMEs, Regions and Cities, OECD), Matija Vodopivec (Directorate for Employment, Labour and Social Affairs, OECD), and representatives from the Swedish PES (*Arbetsförmedlingen*), the Swedish Ministry of Employment, and the Swedish Ministry of Enterprises and Climate. Tahsin Mehdi (former labour market economist at the OECD) provided helpful statistical support. Many thanks to Katrina Baker, Communications Officer, CFE for preparing this report for publication.

The OECD Secretariat expresses its gratitude to all staff at *Arbetsförmedlingen* who supported this project through providing information and data on the work of *Arbetsförmedlingen* and the current state of the PES reform. In particular, the OECD team would like to thank Niclas Josephson and Sofie Carlsson from *Arbetsförmedlingen* for their support throughout the project in facilitating contacts within *Arbetsförmedlingen* and the various stakeholders in Sweden. Special thanks are also extended to Ana Ferreira Reis, European Commission, DG REFORM, for her support throughout the project. In addition, special thanks are due to the Swedish Association of Local Authorities and Regions (SALAR; *Sverige's Kommunar og Regioner*, SKR), and in particular Per Överberg, Åsa Karlsson, Anders Gunnarsson and Oscar Svensson, for their support in facilitating contacts with municipalities and regions in Sweden.

The OECD Secretariat is very grateful to representatives from various Swedish stakeholders, including the Ministry of Employment, the Ministry of Social Affairs, the Ministry of Enterprises and Climate, the Ministry of Finance, the Swedish Competition Authority (*Konkurensverket*), the Swedish Institute for Evaluation of Labour Market and Education Policy (*Institutet för arbetsmarkands- och utbildningspolitisk utvärdering,* IFAU), the Swedish National Audit Office (*Riksrevisionen*), representative from the social economy in Sweden, *Stadsmission Stockholm*, *Coompanion, MSI Malmö, Samhall, Inkludera* and *Skoopi*, independent providers of employment, education and training services, unions/employee organisations for their participation in many fact-finding interviews that provided important input for the report. Lastly, the OECD Secretariat is equally grateful to representatives from outside Sweden, including the leadership and selected members of the National Employment Services Association (NESA) from Australia, representatives from the Public

Employment Service *Actiris* and the Social Economy Advisory Agency *Tracé* in the Brussels Capital Region (Belgium), and the leadership and selected members of the Employment Related Services Association (ERSA) from the United Kingdom, for their participation in fact-finding interviews as well as a workshop that provided important input to the report.

This paper was approved for declassification and publication by the Local Employment and Economic Development Directing Committee on 9 December 2022 by written procedure.

Table of contents

FIGURES

TABLES

BOXES

Acronyms and abbreviations

BuiCaSuS Building capacity for a sustainable society

CAEHRS Commercial Agreement for Employment Health Related Services (in the United Kingdom)

DWP Department of Work and Pensions (United Kingdom)

ERDF European Regional Development Fund

ERSA Employment Related Services Association (in the United Kingdom)

ESF European Social Fund

EU European Union

GBP British Pound Sterling

IFAU Institute for Labour Market and Education Policy (*Institute för arbetsmarknads- och utbildningspolitisk utvärdering*)

INAES Instituto Nacional de la Economía Social (in Mexico)

IOP Idea-based public partnership model (*Idéburet offentligt partnerskap*)

KROM *Kundval Rusta och Matcha* (current contracted-out employment services system of the Swedish PES)

LOU Public Procurement Act (*Lagen om offentlig upphandling*)

LOV Freedom of Choice System (*Lagen om valfrithessystem*)

MSI Mötesplats Social Innovation

MUCF Swedish Agency for Youth and Civil Society (*Myndigheten för ungdoms och civilsamhällesfrågor*)

NESA National Employment Services Association (in Australia)

PES Public Employment Service

SALAR Swedish Association for Local Authorities and Regions (in Swedish SKR – *Sveriges Kommuner og Regioner*)

SEK Swedish Kroner

SKR *Sveriges Kommuner og Regioner*

STOM *Kundval Stöd och Matchning* (previous contracted-out employment services system of the Swedish PES)

VAT Value Added Tax

WISE Work Integration Social Enterprises

Executive summary

Sweden's welfare system has a long tradition of engaging the social economy in the delivery of public services. This is also the case for the Swedish public employment service (PES), *Arbetsförmedlingen*, which throughout the years has collaborated with social economy organisations to support the labour market inclusion of individuals living in a vulnerable situation.

Across OECD countries, the social economy is playing an increasingly important role in public service delivery, including employment and related services. Learning from experiences in working with social economy organisations in other OECD countries will be of benefit in context of the Swedish PES reform. Many social economy organisations have strong local roots and function within a larger local ecosystem of diverse stakeholders. This makes them well positioned to initiate and empower grass-root initiatives, support especially vulnerable groups far from the labour market and serve as engines for social innovation. At the same time, the social economy has proven to be an important driver of job creation and economic activity.

In addition to their role as employers, social economy organisations can participate in employment policies in several ways, including by providing advice on programme design and implementation and as providers of public employment services. This is also the case in countries where (parts of) the delivery of publicly financed employment services has been contracted out to independent providers. For example, in Australia, the Brussels-Capital Region (Belgium), and the United Kingdom (UK), social economy organisations play an important role in the delivery of employment services. In those countries, it has played an important role in closing service gaps for some places (especially remote areas) and people (especially the "hardest-to-reach" groups).

In Sweden, there is no legal framework or explicit national guidance for co-operation between the Swedish PES and social economy organisations in the procurement and delivery of employment services. Historically, there has been no clear legal framework for the social economy. Co-operation with social economy organisations has often originated through bottom-up local or regional initiatives, but a national approach is missing. Knowledge about the social economy and the value it can bring to society and the economy, for example in terms of job creation and innovation in public service provision, is not widespread among public procurement officials. As is a challenge also in many other OECD countries, the financial capacity of the social economy remains weak, limiting their ability to participate in public procurement. Despite these challenges, a limited number of social economy organisation have found their way into the public employment field in Sweden where they have provided interesting examples of how the sector through innovative social approaches can support the overall goal of getting people into jobs.

The proposed reform of the Swedish PES will raise the barriers to entry for the social economy to participle in the procurement processes to deliver employment services. In 2019, the Swedish Government started a reform of its PES with the aim to contract out significant parts of the publicly financed employment services to independent providers. Like other public services in Sweden, the aim is to introduce more choice for citizens and improve client satisfaction as well as to enhance the overall efficiency of the PES. The new contracted-out system, with its competitive procurement and outcome-based model, will most likely negatively impact on the ability of social economy organisations to deliver

services on behalf of the Swedish PES. Given the important role that social economy organisations can play in providing employment services especially in certain places and for certain people, the relatively high entry barriers for these organisations may run counter to the overall goal of the reform to improve labour market outcomes in Sweden. Since there is no organisation that represents small and large providers alike, social economy organisations are struggling to voice their interests in, and capacity to, support the ongoing reform. To address these challenges, *Arbetsförmedlingen* and the Swedish Government could build on the following policy recommendations laid out in this OECD report.

Continue the development of a legal framework recognising social economy organisations

The Swedish Government could continue the implementation and wider application of the Act on Registration of Idea-based Organisations (*Lag om reigstreing av idéburna organisationer*), which introduces a new voluntary registration system for such organisations. This could include making registrations under the Act free of charge. Going forward, Sweden could consider further developing the legal framework to identify the social economy more clearly.

Use the new legal framework to strengthen the financial viability of the social economy and improve data collection and evaluation

The new registration system under the Act on Registration of Idea-based Organisations could pave the way for changes in the tax conditions for social economy organisations. This includes, for example, exemptions from income taxation, Value Added Tax (VAT), social insurance or other employee-related costs. Often such favourable tax conditions are used to recognise the positive social externalities (impacts) of the social economy. A registration system could also support the development of a new system for data collection on idea-based organisations in general, and social economy organisations in particular. The collection of such information will also facilitate evaluation of the Act.

Consider developing a comprehensive strategy for the social economy

Social economy organisations could be recognised as trusted delivery partners at all government levels. This requires not only legal recognition, but a commitment from government to work with, and invest in, the social economy. An important first step could be an update to the 2018 strategy on social enterprises, social entrepreneurship, and social innovation (*Regeringens strategi för sociala företag – ett hållbart samhälle genom socialt företagande och sociala innovationer*), including additional funding to support its implementation. Important elements that a new or updated strategy could include are: i) improved access to finance and funding for social economy organisations; ii) ways to involve national and subnational public authorities e.g. through local and regional partnerships; and iii) skills and competence development for both public procurement officials and social economy organisations. The latter could be provided by public authorities or by the social economy itself (e.g. building on work already done by organisations such as *Skoopi*, *Companion* and *Inkludera*).

Find ways to diversify funding of social economy organisations beyond public sources

To avoid full dependence on public funding, Swedish social economy organisations could consider alternative financial instruments and support schemes. This could include support for targeted co-operation with private investors. In some OECD countries – for example Australia, the UK, and the United States

(US) – social economy organisations benefit from the wider use of social impact investment such as social impact bonds. Such funding models could also be introduced in Sweden to mobilise both public and private financing for certain types of social economy organisations. This could be supported by social impact measurement systems to measure the impact social economy organisations generate for society or specific target groups. It could also be supported by simplified guidance and support from authorities in applying these measures. Inspiration could be taken from countries such as Ireland, Korea, and Ontario province (Canada).

Adjust service requirements and payment models to support the entry into the market of smaller providers, including social economy organisations, to address service gaps

Outcome-based payments models are challenging for not-for-profit (but also smaller for-profit) organisations, as payments are received at a later stage of the contract. Furthermore, several provider service requirements in the new programme of contracted-out employment services pose barriers for smaller providers. There are several options to overcome these barriers and allow a wider range of stakeholders to participate in the newly created market for employment services. These include: i) adjustments of the payment model (e.g. by increasing the upfront payment or adjusting the time until payments are trigged); ii) relaxing some of the entry requirements (e.g. the capacity and staff qualification requirements, in ways that would not negatively impact the overall goal of the reform); iii) putting a stronger focus on holistic service models in the service requirements; and iv) supporting partnership or sub-contracting arrangements (e.g. through co-operation between the social economy and private organisations operating in employment service delivery).

Rethink the procurement strategy to strengthen support for those furthest from the labour market

The reformed Swedish PES system needs sufficient capacity to support those furthest from the labour market. Options include the expansion of the Steps to Work (*Steg til arbete)* programme for persons with disabilities or introducing a separate procurement system covering those furthest from the labour market. Such a system could include alternative outcome measures that focus on progress towards work, rather than focusing only on starting work (e.g. improved attitude to job search and work). Social economy organisations are often better placed to respond to tenders for programmes targeting those furthest from the labour market among other things due to their relative proximity to individuals living in vulnerable situations as well as their strong connections to local communities.

Establish an inclusive sector organisation that represents small and large employment service providers alike

Sweden currently has no over-arching representative body that represents the interests of independent providers irrespective of their organisational form. Different organisations represent only parts of the market of providers, which does not help the voice of the social economy to be heard. Given the important contribution that social economy actors possibly can make to the overall employment service delivery this may negatively impact the overall goal of the reform. While it would be a task of the independent providers to establish such a body, public “start-up support” could be provided. Such support was provided in Australia in the early 1990s when the Australian system moved to a fully contracted-out system. Such a representative body could include the interests of a broad range of providers (e.g. large/small, for-profit/not-for-profit, city/rural etc.) in discussions with national, regional, and local governments.

1 Introduction

The social economy can contribute significantly to the delivery of employment services. The social economy comprises the set of associations, co-operatives, mutual organisations, foundations and social enterprises, whose activity is driven by values of solidarity, the primacy of people over capital, and democratic and participative governance (OECD, 2022[1]). Across OECD countries there are many examples of how to involve social economy organisations in employment policies as employers themselves, as well as providers of specialised programmes for sub-populations. Also in employment service models where publicly financed employment services are partly or fully contracted-out to independent providers, social economy organisations, and in particular social enterprises, can play a central role. Given the right conditions, these organisations can participate in the provision of contracted-out employment services, including for the group of unemployed who are furthest from the labour market.

The ongoing reform to contract out employment services in Sweden presents both an opportunity and challenge for the social economy. The new contracted-out system with its competitive procurement, high entry requirements and outcome-based payment-model is likely to build high entry barriers for social economy organisations. At the same time, broader challenges to the social economy in terms of the legal framework, limited funding opportunities, and a lack of skills and knowledge among social economy organisations (e.g. on procurement procedures) make it difficult to identify organisations and support their participation in public service provision. An additional hindrance is the lack of knowledge on the social economy among public procurement officials as well as systems to measure the value added of the field. Nevertheless, with better framework conditions the new contracted-out system can be an opportunity for the social economy to engage with the Swedish PES as well as municipalities to deliver high-quality employment services for the groups furthest from the labour market.

The purpose of this report is to analyse and discuss the potential of the social economy in Sweden to improve employment service provision especially for vulnerable groups. First, the report analyses the main features of the social economy in general as well as its current role in employment policies in Sweden (section 2). Second, the different challenges in engaging social economy organisations as providers in a contracted-out employment market are discussed (section 3). These include challenges related to the legal framework, contracting rules, financial barriers, the payment model, and co-operation structures. A particular focus is given to the role of municipalities in procuring services from social economy stakeholders. The last section concludes the report and provides recommendations on how to increase participation of the social economy in the provision of employment services and provide guidance on how to design and implement these recommendations in the Swedish context (section 4).

The report builds on a range of data sources. They include quantitative data analysis, a national and international literature review, and fact-finding interviews with stakeholders and experts in Sweden and internationally (Box 1.1).

Box 1.1. Fact-finding interviews for the report

This report is based on desk research and a series of fact-finding interviews and virtual workshops focusing on the role of the social economy in the delivery of employment services in Sweden and in other OECD countries, conducted between October 2021 and May 2022. Between October 2021 and December 2021, several interviews were conducted with Swedish stakeholders and experts, including representatives from seven regions, 15 municipalities, several ministries and national authorities, and representatives of the social economy in Sweden, including *Stadsmission Stockholm*, *Coompanion* and *Skoopi*.

The National Employment Services Association (NESA) and representatives from social economy organisations in Australia shared their experiences in two fact-finding interviews between March and May 2022. The focus was on the reformed Australian employment service system and the role of social economy organisation and NESA in preparing for, and implementing, the new Australian system.

The Employment Related Services Association (ERSA) and several social economy providers from the United Kingdom (UK) provided information on the contracting model and supply chains for delivering employment services in the UK, as well as on the co-operation with the third sector, in a virtual roundtable in April 2022.

The Brussels-Capital Region PES *Actiris* and the social economy consultancy *Tracé* were interviewed and provided insights on the specific case of the Brussels work integration social enterprises.

In addition, an online international workshop with representatives from NESA (Australia), ERSA (the UK) and the Brussels-Capital Region PES *Actiris* (Belgium) as well as stakeholders from Sweden was organised on 24 May 2022. During the workshop, the three country cases in which social economy organisations take different roles in co-delivering public employment services were presented and discussed.

2 Main features of the social economy and its role in Sweden

Over the past three decades, the social economy has played an increasingly important role in many OECD countries and across many sectors of their economies. This includes employment services, where services are increasingly delivered in partnerships between public, private and social economy organisations. In Sweden, the social economy already has a long tradition in public service delivery, including in the employment area. With the ongoing reform of the Swedish PES, however, this role might be changing. In this section, a common definition of the social economy and its organisations across countries is provided. The size and characteristics of the social economy in Sweden is analysed, and examples of the contribution of social economy organisations in the delivery of employment services in Sweden and other OECD countries where employment services have been contracted-out are discussed. Lastly, the role of the social economy in a reformed PES system in Sweden is discussed.

Definition and impact of the social economy

This section provides a definition of the social economy and the main types of social economy organisations and as well as the impact the social economy has on societies.

Definition of the social economy

The social economy refers to a variety of organisations driven by common principles. These include solidarity, the primacy of people over capital and values of democracy, and reinvestment of most profits to carry out activities that address societal needs and pursue a social purpose (Table 2.1). Social economy organisations are present in many sectors of the economy but have traditionally been providers of education, healthcare, the energy transition, housing, and social services, increasingly with aspects of employability (OECD, 2022[1]).

Table 2.1. Main types of social economy organisations

Type of organisation	Description
Association	Voluntary not-for-profit organisation with self-governance to act for the benefit of the community they represent
Cooperative	Autonomous association jointly owning and democratically governing an enterprise
Foundation	Philanthropic organisation financed through an endowed private fund focusing on long-term benefit for a specific region or a not-for-profit activity
Mutual society	Member-owned organisation for self-help and provision of shared services
Social enterprise	Private entity focusing activities on vulnerable groups and reinvesting profits into striving towards social goals

Source: Compiled from OECD (2022[1]), "Legal frameworks for the social and solidarity economy" *OECD Local Economic and Employment Development (LEED) Papers* 2022/04, OECD Publishing, Paris.

In several European countries, the social economy contributes to social service provision. In Southern European countries such as Italy and Portugal, historically the supply of welfare services by public providers resulted in gaps that bottom-up experimentation by citizen groups in local communities helped to fill. Several countries in Central and Eastern Europe promoted the social economy by subsidising and awarding grants to charitable organisations, such as associations and foundations, as complementary to government services. Northern European countries, with a traditionally stronger public welfare system, usually also have a co-operation between public entities and third sector providers like associations or social enterprises (European Commission, 2020[2]; OECD, 2022[1]).

The OECD Recommendation on the Social and Solidarity Economy and Social Innovation adopted in 2022 provides an internationally agreed framework for the social economy. The recommendation is built around nine building blocks that provide the conditions for the social economy to thrive and help address challenges that affect social economy ecosystems at international, national, and local level (Box 2.1). The recommendation can work as useful framework to support the social economy ecosystem in countries across the OECD and beyond.

Box 2.1. The OECD Recommendation on the Social and Solidarity Economy and Social Innovation

Adopted in 2022, the OECD Recommendation on the Social and Solidarity Economy and Social Innovation promotes the social economy's potential to pioneer new business models, provide essential services, contribute to a fairer, green, and digital transition, engage youth, and build communities. The Recommendation is built around nine building blocks that capitalise on more than two decades of OECD work on the social economy and the guidance provided in the OECD-EU Better Entrepreneurship Policy Tool, which is being used to review social economy frameworks in OECD Member countries, EU Member States, and beyond. The nine building blocks are:

- Foster a social economy culture
- Create supportive institutional frameworks
- Design enabling legal and regulatory frameworks
- Support access to finance
- Enable access to public and private markets
- Strengthen skills and business development support
- Encourage impact measurement and monitoring
- Support the production of data
- Encourage social innovation

Source: OECD (2022[3]), *Recommendation of the Council on the Social and Solidarity Economy and Social InnovationI,* OECD/LEGAL/0472, OECD Publishing, Paris, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0472%20.

Many organisations in the social economy are rooted in local environments, based on local participation, and function within larger local ecosystems. This makes them well positioned to initiate and empower grass-root initiatives, give a voice to vulnerable groups, and serve as engines for rethinking and reforming socially relevant issues like economic resilience, fairness, and sustainability. Success factors for regional development like the identification of local assets, place-based policies and a framework that facilitates bottom-up approaches and involves different local stakeholders are also driving the social economy and therefore reinforcing each other. Social economy organisations, given their proximity to target groups, tend to be experts on what works and what does not work at the local level,

which makes them a valuable and often trusted source of information (OECD, 2020[4]). It is also a valuable resource in crises, where it can contribute to cushion economic instability including by supporting job creation and innovation for strained labour markets (OECD, 2020[5]).

Impact of the social economy

The social economy is a driver of job creation and economic activity. The social economy is estimated to account for approximately 6% of employment, representing around 12 million jobs and between 6 to 8% of GDP across European Union (EU) countries (European Commission, 2021[6]; OECD, 2022[1]). The social economy has also been contributing to solving social, environmental and economic challenges through innovative approaches. It does so mainly through its repair and transform functions (OECD, 2020[5]). Social economy organisations have pioneered sustainable solutions guiding governments to adjust policies and strategies (OECD, 2022[1]).[1] Among the main recognised impacts of the social economy on societies are:

- **Innovating and co-developing societal solutions:** Social economy organisations, including social enterprises (Box 2.2), have helped innovate social service delivery, prompting important organisational innovations. In countries like Luxembourg and Germany, social economy organisations have a leading role in managing migration and other demographic changes. In countries with a large Roma population, like Hungary and Romania, social economy organisations are the main providers for inclusion services. The approach of co-development also helps the social economy to connect policy fields like welfare, health, and environment. In Ireland, for example, social economy organisations provide farming projects for long-term unemployed simultaneously serving goals for the labour market and the environment (European Commission, 2021[6]; OECD, 2022[1]).
- **Offering preventive and integrative approaches:** Social economy organisations can deliver preventive approaches to save future costs or explicitly reduce the negative externalities of economic activities. This concerns, for example, savings on public expenses such as on health care (by preventing disease or injury) or unemployment benefits (e.g. through the action of work integration social enterprises). In addition, the social economy can complement public services, create, and manage workplaces and provide job opportunities in remote communities (OECD, 2020[5]).
- **Encouraging social responsibility:** Social economy organisations, in particular social enterprises, have also been an inspiration to promote corporate social responsibility of private companies, including a focus on workers and employment. Emerging economic and business trends such as “the sharing economy” have also been pioneered by the social economy and the underlying civil society movement.

[1] Social innovation refers to the effort of finding new and cost-effective approaches to social and societal challenges and develops solutions to improving the quality of life and well-being and aim for higher social and economic inclusion. The solutions can be products, production processes, or relationships between stakeholders (OECD, 2022[3]).

Box 2.2. Twinning economic activity and social mission: Social enterprises

Within the social economy, social enterprises are closest to the management and processes of a private for-profit company. Different from traditional not-for-profit organisations, which might be financed mainly on donations and grants, social enterprises engage in market exchanges that can generate additional commercial cash flow, further diversifying their funding sources. Typical open market approaches for running a company like measuring results, taking financial risks, and reinvesting surpluses into the development of the company is combined with the overall goal of pursuing the social statutory aim to serve the community.

Social enterprises are active in a broad range of sectors. They can offer solutions to demographic changes linked to ageing populations (e.g. Italy, Luxembourg); climate change; regional development, and the revitalisation of remote communities (e.g. Slovakia, Spain); care activities, education, community development, environment and energy, social housing (e.g. France), or migrant integration (e.g. France, Spain). One form is the work integration social enterprise (WISE), providing trainings for individuals with low employability to move closer to the open labour market.

The number of social enterprises has increased in recent decades. In the EU, based on national-level data, there are roughly 397 000 social enterprises employing more than 13 million Europeans with a large variety of job tasks ranging from essential care to digital services. The quality of data on social enterprises differs between countries and even subnational regions due to different levels of recognition. The recognition level is growing, but many social enterprises still operate *de facto* without the necessary legal recognition to access support programmes or other resources that enable growth.

Source: European Commission (2020[2]). *Social enterprises and their ecosystems in Europe*, Publication Office of the European Union, Luxembourg, https://ec.europa.eu/social/BlobServlet?docId=22304&langId=en (accessed on 11 July 2022). OECD (2020[4]), "Regional Strategies for the Social Economy: Examples from France, Spain, Sweden and Poland"*, OECD LEED Papers*, No. 2020/03, OECD Publishing, Paris, https://doi.org/10.1787/76995b39-en. OECD (2022[7]), "Designing Legal Frameworks for Social Enterprises: Practical Guidance for Policy Makers"*, Local Economic and Employment Development (LEED) Papers*, No 2022/04, OECD Publishing, Paris, https://doi.org/10.1787/480a47fd-en..

The social economy in Sweden

In Sweden, the social economy has a long tradition in public service delivery but does not benefit from a consolidated legal framework or wide national recognition. Successful co-operation in the social economy is rather regional/local and originates from bottom-up initiatives. National efforts like the Strategy for social enterprises, social entrepreneurship and social innovation (*Regeringens strategi för sociala företag – ett hållbart samhälle genom socialt företagande och sociala innovationer*) are not implementated for all social economy organisations. The following sub-sections assesses the definition, data, governance set-up and main stakeholders for the social economy in Sweden.

Definition and scale

Sweden's welfare state has roots in civil society organisations and thus traditionally considers the social economy as a way for citizens to engage in social matters. At the same time, the state and the public sector are largely responsible for social welfare (healthcare, education, and social security) to all citizens. Therefore, whilst the social economy has taken on a growing role as complementary provider of welfare services, it is not explicitly targeted in national strategies (OECD, 2020[4]).

Despite initiatives on the local and national level to make the social economy more visible, it remains at only a moderate level of recognition in Sweden. Often, the term "idea-based organisations" (*idéburna organisationer*) is used as a catch-all terminology encompassing civil society, social economy and third sector organisations to avoid imposing any uniform terminology. The term was first introduced in an agreement (*Överenskommelsen*) that was reached between the national government, local governments and idea-based organisations working in the social field in 2009. The agreement outlined the basic principles for the relationship between the three types of stakeholders, in particular in the field of health care and social welfare services, including for the disabled, elderly and disadvantaged families (OECD, 2020[4]).

In 2007, the Swedish Agency for Economic and Regional Growth (*Tillväxtverket*) suggested a definition of social enterprises. Social enterprises were defined as "*enterprises that sell/buy products or services on a market and are organisationally autonomous from the state, have a primary aim to integrate unemployed people into the labour market and society and use an including and participatory approach, and reinvest surplus in the enterprise or similar types of activities*" (European Commission, 2019[8]). This definition, which focuses on the work integration aspect of social enterprises, has since formed the base for initiatives stemming from this Agency for co-operation with municipalities and regions. However, as argued by the European Commission (2019[8]), this definition has proven rather vague, lacking correspondence with legal structures and other types of statistical indicators.

In June 2022, the Swedish Parliament adopted an Act on the Registration of Idea-based Organisations (*Lag om reigstreing av idéburna organisationer*) (Sveriges Riksdag, 2022[9])**.** With the adoption of the Act, a new voluntary registration system for idea-based organisations (*idéburna organisationer*) participating in welfare provision will be introduced from 1 January 2023. The purpose is to promote their visibility and distinguish idea-based organisations vis-à-vis other providers of welfare services in Sweden. Idea-based organisations may register themselves if they meet four criteria: i) have an exclusively public purpose/utility; ii) conduct or intend to carry out publicly funded welfare activities, iii) are not owned or controlled by the state, region or the municipality, and iv) do not make any transfers of value other than to other registered idea-based organisations or for research. The registration system is used to verify that idea-based organisations providing public services meet certain criteria. Following the adoption of the bill, the Government commissioned the Legal, Financial and Administrative Services Agency (*Kammarkollegiet*) to establish the register and prepare the supervision system. According to the Act, the Agency is allowed to charge fees to finance their supervising role (Regeringskansliet, 2022[10]; Sveriges Riksdag, 2022[11]) (see further discussion in Section 3).

The lack of a clear legal framework has limited data collection on the social economy, which focuses mainly on social enterprises. The data that do exist indicate that the size of the social economy in Sweden remains limited, and that organisations remain relatively small. Between 2009 and 2016, Sweden had approximately 3 000 registered social enterprises, compared to the UK with over 30 000 registrations in the period 2007-2017[2] (European Commission, 2020[2]). According to the Swedish Agency for Economic and Regional Growth (*Tillväxtverket*), Sweden had 343 work integration social enterprises (WISEs) registered in 2018 (European Commission, 2019[8]). In total, they employed approximately 3 500 people with disabilities or multiple barriers to employment in sectors such as care, retail sales, fast food and kitchen/ restaurant assistants. The majority of WISEs were rather small, with 75% of entities employing less than 10 people, and only about 1% employing more than 75 people. Among the registered social enterprises, 65% use the legal form of economic association (*ekonomisk förening*), 25% not-for-profit association (*ideell förening*), and 10% as limited companies (*aktiebolag*) (SALAR, 2021[12]).

[2] The numbers have been taken from national reports and indicates the estimated total number of registered social enterprises in each country. However, the numbers cover different time periods and often they are not precise statistics but rather calculations based on different calculations methods (European Commission, 2020[2]).

The governance set-up and main stakeholders

Despite the lack of a national legal framework, social economy organisations have for a long time worked in close collaboration to support welfare service delivery. As shown in Table 2.2, a number of organisations and networks reinforce and develop the social economy in Sweden, helping to facilitate the ecosystem and support capacity building (European Commission, 2021[6]; EUCLID Network, 2021[13]).

Table 2.2. Entities that serve and strengthen the social economy in Sweden

Entity	Role
Coompanion Företagspartner AB / Swedish Jobs and Society/ Social Entrepreneurship Forum	Associations of business advisors building capacity of cooperatives and social enterprises, including work integration social enterprises.
Cooperative Sweden	Interest organisation aiming to promote the cooperative form of enterprise by increasing knowledge, disseminating cooperative ideas and driving opinion formation.
Famna	Swedish Association for not-for-profit health and social service providers.
Forum	National forum for voluntary organisations.
Ideell Arena	Network to support the development of leadership capacity in the not-for-profit sector.
Mötesplats Social Innovation (MSI)	A national platform that unifies knowledge and supports collaboration on social innovation and social entrepreneurship.
Skoopi	Network for work integration social enterprises.
Swedish Agency for economic and regional growth (*Tillväxtverket*)	Government agency that works to promote sustainable growth and competitive companies in all parts of Sweden, including social economy entities.
Swedish Agency for Innovation Systems (*Vinnova*)	Government agency that builds capacity in innovation to contribute to growth in the country. Among other things, the agency supports organisations and companies to experiment and test new ideas to support societal change and growth.
Swedish Public Employment Service (*Arbetsförmedlingen*)	Government agency responsible for public employment services, including contracts with external for-profit and not-for-profit providers of public employment services
Swedish Agency for Youth and Civil Society (*Myndigheten för ungdoms- och civilsamhällesfrågor, MUCF*)	Government agency that supports youth and civil society policies by producing and disseminating knowledge, contributing to the co-ordination of government efforts, collaborating with authorities, municipalities, regions and civil society and distributing government grants.
Swedish Association for Local Authorities and Regions (SALAR) (*Sveriges Regioner och Kommuner, SKR*)	The association representing all municipalities and regions in Sweden.

Notes: Non-exhaustive list for the social economy in Sweden.
Source: Compiled from European Commission (2020[2]).

In 2018, the Swedish Government launched a new strategy for social enterprises, social entrepreneurship and social innovation (*Regeringens strategi för sociala företag – ett hållbart samhälle genom socialt företagande och sociala innovationer*). The main objective of the strategy is to strengthen the development of social enterprises so that they can participate in solving societal challenges and contribute to sustainable development. The strategy considers social economy organisations as helpful to the United Nations (UN) Agenda 2030. It builds on a broad definition of social enterprises, but without giving a clear definition or specifying ways of co-operating. The strategy is mainly targeted at social enterprises that: 1) use business as a means for social aims, 2) measure results in relation to social accomplishments, and 3) predominantly reinvest profit in a primary social field (The Swedish Government, 2018[14]).

The strategy was launched with a three-year funding of approximately SEK 1.5 million between 2018-2020 to support its implementation. The funding was primarily channelled via the Swedish Agency for Innovation Systems and the Swedish Agency for Economic and Regional Growth. The funding was used for a variety of activities such as advisory services, skills development, support for business development, innovation labs and peer learning, and the development of impact assessment measures (Regeringskansliet, 2018[15]).

However, the strategy lacks an explicit regional or local dimension which could otherwise have strengthened its implementation on the ground. The three-year funding and Government assignment given to the Swedish Agency for Economic and Regional Growth included activities to support the growth and awareness of social enterprises in all parts of Sweden. However, the specific geographical challenge of Sweden (with a significantly higher population density in the southern part of the country compared to the northern part of the country), is not explicitly addressed. Participation of social economy organisations at regional and local level can contribute to strengthening local communities and regional and local cohesion, especially in those areas where public municipal or regional services are difficult to deliver (OECD, 2020[4]; European Commission, 2021[6]). As suggested by SALAR/SKR, the national strategy is a good base to build political will on the national level, and going forward to formulate regional or local strategies on how to make co-operation with social economy organisations operational in terms of objectives and setting (SALAR, 2021[12]).

In this context, some regions in Sweden have adopted their own strategic approaches to include social economy organisations in their public procurement. This is possible due to the high degree of decentralisation of responsibilities for public services. Municipalities have notable responsibilities in areas such as social services, schools and youth, adult education, and local and regional economic development. In addition, Swedish regions have responsibility for building regional systems for skills supply and demand, including through the creation of networks with municipalities and employers (Forslund et al., 2019[16]). On the one hand, the decentralisation of responsibilities gives local and regional authorities the possibility to provide services targeted to local needs, including through co-operation with the social economy and other locally based actors. On the other hand, this also means that the co-operation with social economy organisations differs significantly across the country depending on the capabilities, resources and interests of municipalities and regions.

Strategies adopted by regions and municipalities tend to focus on the development of social enterprises (often work integration social enterprises) in alignment with the 2018-2020 national strategy. In the Örebro region, for example, the region's economic action plan was co-developed with representatives from social economy organisations and civil society as well as public sector representatives. The strategy includes milestones to increase understanding of the importance of the social economy for regional development and growth, and to strengthen and co-ordinate ecosystems (Region Örebro County, 2018[17]). The Östergötland region mentions the social economy in its Regional Development Programme 2030 encouraging municipalities to work with local businesses from the social economy and to fund alternative solutions to strengthen service provision (Region Östergötland, 2015[18]).

The role of the social economy in employment service provision

Social economy organisations, and in particular social enterprises, have been taking part in employment service delivery for decades, both through project-based co-operation or in more formal agreements or procurement. Yet, in a more competitive setting such as the reformed contracted-out employment system, social economy organisations might struggle to participate given their limited organisational and financial capacity. In the following sub-sections, the different roles that social economy organisations can play in the employment field are discussed. In addition, the current and future structure for co-operation between the Swedish PES and social economy organisations in Sweden is analysed, considering the ongoing reform of *Arbetsförmedlingen*. Lastly, the possible role of social economy organisations to reduce the risk of services gaps in a reformed employment system is discussed.

The different roles of social economy organisations in the employment field

The social economy can support employment services in a variety of ways. This includes offering jobs to those that would otherwise be excluded from the labour market, supporting their job-readiness, and

contributing to innovation of sectors and enterprises. This potential can also turn into a long-term asset for employment policy and practice by supporting inclusion from a wider angle than a narrow job entry perspective. Labour market partnerships with social economy organisations can also lead to a more nuanced delivery structure, which not only addresses barriers to employment, but can also reach out to more sparsely populated areas (SALAR, 2021[12]; ILO, 2022[19]).

Contracted-out employment services are often delivered in partnerships between public, private and the social economy (Table 2.3). In countries where the public employment services still deliver a large share of services itself, public offices can enter different types of agreements with the social economy to improve a particular aspect of service delivery. One example is the career guidance centres for young people in Lithuania, that are delivered in partnership with third sector skills organisations. Another example is the post-COVID-19 support package established by the Dutch Ministry of Social Affairs and Employment that teamed up public employment services with social economy organisations to help job seekers find jobs after they have been made redundant following the economic downturn (European PES Network, 2021[20]).

Table 2.3. Potential ways the social economy can support employment services and related needs

Job creation	Social economy organisation can support employment services through the creation and offering of jobs.
Integration of vulnerable groups through job creation	Social enterprises that are work-integrating (WISE) offer employment opportunities for different vulnerable groups not able to integrate the labour market easily. WISE can operate as subsidised social enterprises for activation programs of the public employment service.
Employment service providers	Social economy organisations can act as providers of employment services in systems where (parts) of the services are contracted-out to external providers.
Specialist delivery of active labour market services	Social economy organisations can deliver specialised employment services to increase the employability of those jobseekers furthest from the labour market. These services may be part of broader employment programmes and may include e.g. support for confidence building and skills development.
Complementary social and health services	Social economy organisations can provide complementary services, which are not primarily labour market-oriented, but offer support to improve employability like social work, emergency food payments or debt advice.
Advice for program design and implementation	Social economy organisations can play an important role in helping to tailor large national or regional programmes to connect to harder-to-reach communities and to ensure accessibility of services across vulnerable groups.

Source: OECD (2013[21]), Job Creation through the Social Economy and Social Entrepreneurship, OECD Publishing, Paris, Report: Job creation through the social economy and social entrepreneurship - OECD. OECD (2022[22]), Summary of webinar with international experts on the participation of social economy.

Many public employment services in the EU assign or outsource specific tasks to external organisations or providers. They usually do so for various reasons, such as to compensate for services that they do not or no longer provide in-house, like training or coaching, or as a way to increase effectiveness and efficiency in the delivery of services. Some contracts are signed with social economy organisations to add the specific expertise and proximity to the target group that they bring to the delivery. An example is the contracted partnership between the Estonian PES and several social economy organisations in the country that were working with people with disabilities to implement the so called *Workability Reform* aiming to improve their inclusion in the open labour market (European Commission, 2021[6]; European PES Network, 2021[20]).

Employment service models that seek to contract out all or most of the services through a payment-by-results model often engage with social economy providers. The fully contracted-out model of employment services in Australia puts not-for-profit organisations on equal performance footing with private providers, while also providing support to these organisations to build capacity to become and remain competitive. According to the National Employment Services Association (NESA), a diverse range of social economy organisations cover a significant part of the employment service provider market. In the UK, where prime providers service the larger tiers of contracted-out employment services, social economy

organisations usually deliver targeted services in co-operation with larger providers. In the Brussels-Capital Region (Belgium), the public employment service manages a social economy employment market with a mixture of subsidies and performance monitoring to create jobs for vulnerable jobseekers with a mid-term perspective of job entry (OECD, 2022[22]).

The reform of the Swedish PES and changes in co-operation with social economy organisations

Since the early 1990s, public service provision in Sweden has become more open and competitive, with policies explicitly emphasising "competitive neutrality" between public, private and third sector providers. In practice, however, most of the independent service provision has been provided by private entities, or, in areas where provider choice is limited, by local public entities. The participation of not-for-profit organisations is limited, in part because they struggle with being competitive in the bidding process or lack the necessary experience (see Section 3).

In Sweden there are three legal approaches by which public welfare services from independent providers, including those from the social economy, can be procured. The Public Procurement Act (*Lagen om offentlig upphandling*, LOU) offers both an open procurement and a reserved procurement option – both of which are competitive. Reserved procurement allows contracting organisations, under certain conditions, to give favourable treatment to certain suppliers who would otherwise be unable to obtain contracts under normal conditions of competition. The purpose is to support the labour market integration of individuals who are far from the labour market (e.g. persons with disabilities, long-term unemployed and migrants). In addition, the idea-based public partnership model (*Idéburet offentligt partnerskap, IOP)* provides the option for public authorities to grant funds to not-for-profit providers in an agreement rather than a procurement arrangement (Bargström and Calmfors, 2020[23]; European Commission, 2021[6]). This is a non-competitive option.

The adoption of the Government proposal on idea-based welfare by the Swedish Parliament in June 2022 resulted in legislative amendments of the public procurement framework. In particular, the Parliament decided on an amendment of the reserved procurement option in the Public Procurement Act (LOU) with the purpose to link it more clearly to the new register for idea-based organisations. Going forward, only organisations that follow the overall principles as laid out in the new registration system can participate in reserved procurement. As part of its overall proposal, the Government also suggested to introduce a reserved procurement option in the Freedom of Choice System (LOV). This proposal was accepted with certain exceptions by the Parliament. In particular, the Parliament found that there is a risk that the proposal would exclude otherwise well-established and well-functioning providers of care services from the public procurement system. Thus, it was agreed to exclude the primary care sector from the proposal (Sveriges Riksdag, 2022[11]).

Within the overall procurement framework, the Swedish PES has been progressively engaging in larger scale contracting of job brokerage and counselling services within recent years. Such contracting is to be scaled up with the proposed reform of *Arbetsförmedlingen* (Box 2.3). The reform will move a significant number of jobseekers from existing programmes (in-house or contracted out) to the new contracted-out system, *Kundval rusta och matcha* (KROM). However, the Swedish PES will continue to support clients outside the new contracting-out framework, including through in-house services, other procurement strategies as well as co-operation with municipalities (Sveriges Riksdag, 2022[24]; The Swedish Government, 2022[25]).

Box 2.3. The reform of the Swedish Public Employment Service

In May 2019, the Swedish Government commissioned *Arbetsförmedlingen* to prepare for a major reform of the authority and the provision of public employment services. While the reform is still in its final stages, main elements have been outlined in numerous Government documents as well as in newly adopted legislation. Among the main features of the reform are:

- **Outcome-based contracting**: Job brokerage and counselling activities for a large part of *Arbetsfömedlingen's* clients are to be contracted out to independent providers. These may take various forms, including for-profit or not-for-profit businesses or organisations. Providers are to be given strong financial incentives for sustained employment or education outcomes. The prices paid to providers are to be differentiated based on a client's employability so that providers do not focus their attention only on the most readily employable clients.
- **Introduction of a new type of service:** A new type of service named mediation services (*Förmedlingsinsatser*) will be introduced. These services will form the basis of the contracting-out programme and they can be provided by independent providers for a maximum period of two times six months. The target group of the new services are jobseekers over 25 who are full-time unemployed, or jobseekers enrolled in the Job Guarantee for Young People, Job and Development Guaranty or the Establishment Programme.
- **Consumer choice**: Jobseekers are to be given the opportunity to influence the choice of provider as much as possible. Providers cannot refuse to accept certain jobseekers, although they may set upper limits for how many clients they can serve at once (they must be able to host at least 50 participants at any time in each delivery area in which they operate).
- **A change in the responsibility of *Arbetsförmedlingen*:** Functions relating to procurement and monitoring of providers are to increase in importance. *Arbetsförmedlingen* is to retain the role of deciding which jobseekers should be referred to independent providers, but its role as provider will decrease. *Arbetsförmedlingen* is also to retain its role in designing, co-ordinating, and overseeing labour market policies.
- **Ensuring local presence and co-operation**: *Arbetsförmedlingen* is to ensure equal access to basic services and support throughout the country. Within the new contracting-out system, this includes that *Arbetsförmedlingen* may step in temporarily to ensure service continuity in cases where local presence is not available through contracted-out providers.

Source: Ministry of Employment (2021[26]), *Vissa lagförslag med anledning av en reformerad arbetsmarknadspolitisk verksamhet [Some legislative proposals related to a reformed labour market policy activity]*, Stockholm, Vissa lagförslag med anledning av en reformerad arbetsmarknadspolitisk verksamhet - Regeringen.se. The Swedish Government (2022[25]), *Uppdrag med anledning av en reformerad arbetsmarknadspolitisk verksamhet,* Uppdrag med anledning av en reformerad arbetsmarknadspolitisk verksamhet - Regeringen.se. The Swedish Government (2022[27]), *Regleringsbrev för budgetåret 2022 avseende Arbetsförmedlingen*, https://www.esv.se/statsliggaren/regleringsbrev/?RBID=22276. The Swedish Government (2022[28]), *örbättrade förutsättningar för den arbetsmarknedspolitiska verksamheten*, https://www.regeringen.se/rattsliga-dokument/proposition/2022/04/prop.-202122216/.

With the exemption of municipalities[3], the Government's reform proposal as well as recently adopted legislation does not take a position on the types of providers that can participate in the new market. This is important because having a diverse market with different types of providers can offer

[3] In their legislative proposals from September 2021, the Swedish Government made it clear that while municipalities remain an import actor in labour market policies, they should not be allowed to act as independent providers in the new contracted-out system. Instead, focus should be on improving the conditions for co-operation between *Arbetsförmedlingen* and municipalities (Ministry of Employment, 2021[26]).

several benefits – including increased consumer choice, improved quality of service due to competition, and better local coverage. Nevertheless, the current market in the new KROM programme is characterised by a relatively small group of providers dominating large parts of the market. In February 2022, around 65% of all payments in the KROM programme went to the ten largest providers (compared to around 40% in the previous STOM programme). In addition, as of July 2022, only 11 out of the 141 or around 8% approved providers in the KROM programme were not-for-profit organisations (*stiftelse/ideel förening*). This is slightly lower than in March 2022, where 13 out of 131 or around 10% of the providers in KROM were not-for-profit (Román et al., 2022[29]). However, given the lack of clear legal definitions of social economy organisations, it is difficult to say if this corresponds to the actual number of social economy organisations acting as providers in KROM.

While social economy organisations are not excluded from the KROM programme, interviews with Swedish social economy representatives indicate that the participation in tenders is often too challenging. Before the rollout of the KROM programme (and its predecessor STOM (*Kundval Stöd och Matching*)), social economy organisations did operate a range of smaller-scale contracts with *Arbetsförmedlingen* to deliver targeted programmes for labour market and social inclusion. In the reformed system, *Arbetsförmedlingen* will still have the option to procure services outside the new procurement programme and, thus, some of these programmes may continue. This option is further enhanced by the recent legislative changes of the procurement framework, which links the option of reserved procurement to the new registration system for idea-based organisations and introduced a new reserved procurement option in the Freedom of Choice system. Yet, some of the interviewed stakeholders expressed a fear that these programmes may be halted if resources and potentially also former clients of social economy organisations will be moved to the new procurement system (see further discussion in Section 3).

Moreover, the co-operation between *Arbetsförmedlingen* and the state-owned company *Samhall* on sheltered employment for persons with disabilities further limits the potential market shares for social economy organisations (Box 2.4). By providing employment for around 26 000 workers on a yearly basis, *Samhall* takes up large parts of the "market" for employment services for persons with disabilities, which alternatively could have been delivered by smaller social economy organisations. It should however be noted that *Arbetsförmedlingen* only can decide on a referral to *Samhall* when the ability to work is so reduced because of a disability that the person cannot get any other work and his/her needs cannot be met through other interventions. Among alternative interventions are subsidised employment (*lönebidrag)*, which is provided to around 79 000 individuals in 2021, including in other social economy organisations[4].

[4] Based on interviews with representatives from Arbetsförmedlingen.

Box 2.4. Samhall – A state-owned company supporting persons with disabilities in Sweden

Samhall is a large state-owned company established in 1980 with the main goal to create meaningful jobs for people who have a disability that leads to reduced work ability and thus barriers to enter the labour market. *Samhall* functions as a regular company providing employment for around 26 000 workers across the country in areas such as retail, storage and logistics, care services, recruitment, cleaning, and manufacturing.

The company, however, differs from most other companies in Sweden in that it is 100% state-owned and operates according to overall targets set by the Government. For the year 2022, the main targets for *Samhall* is to 1) employ a number of persons with disabilities equivalent to 36.1 million wage hours; 2) out of which 40% must come from certain "prioritised groups" such as people with mental impairments, people with generally diminished learning abilities and people with multiple impairments that together cause a comprehensive reduction in working capacity; 3) provide a 5% return on own capital in average over time and 30% solvency; 4) ensure that at least 1 500 employees leave the company to find new jobs.

Jobseekers are referred to *Samhall* from *Arbetsförmedlingen* and this referral must be based on a thorough screening procedure and must only take place when all other measures to get clients into work have been tried. *Samhall* functions both as a company providing jobs for employees and as a matching service that, based on the "*Samhall* method", enables persons with disabilities to move on to other job possibilities. The "*Samhall* method" is a method to develop and match employees' skills and competences with client assignments.

Source: Based on interview with a representative from *Samhall*.

The risk of service gaps and the possible role for social economy organisations

An important challenge for the Swedish PES in the reformed delivery system is to guarantee services to all clients in all places, including rural and remote areas. As of July 2022, 157 independent providers had been approved to deliver services within the KROM system and these providers where present in 65 out of the 72 provider areas. There were no providers present in seven delivery areas where currently 0.15% of the unemployed population reside. In terms of municipalities across all provider areas, there were no providers present with offices in 64 out of the 290 municipalities, and currently 3.5% of the unemployed are residents in these municipalities (Román et al., 2022[29]). While *Arbetsförmedlingen* may step in temporarily to ensure service continuity in cases where contracted-out providers are not present, the Government ambition is to create a market structure that ensures coverage of all parts of the country.

Increased co-operation with the social economy could help close possible gaps in the market. Experiences from other countries show that social economy organisations can play an important role in identifying service gaps (either geographically or in terms of sub-groups) due to their relative proximity to individuals living in vulnerable situations as well as local communities. Several social economy organisations working in employment services in the UK find that large inactive target groups, including refugees and ex-offenders or people subject to trauma, are underserved by the current mainstream programs (see Box 1.1.). This is the case even if programs targeted those furthest from the labour market are in place, because the target groups often do not register with public entities. To overcome this challenge, social economy organisations in the UK help to improve the evidence-base for the design of policy programs aiming at labour market inclusion and social cohesion (Taylor, Rees and Damm, 2016[30]).

Several examples illustrate that social economy organisations in the UK for example are close to the social challenge that they are seeking to resolve, also in employment services (Box 2.5).

Box 2.5. Examples of social economy organisations in local communities in the UK

Empower

Empower in Grimsby, Louth, Scunthorpe and Gainsborough is an organisation that works with individuals that have been through the criminal justice system. In addition to working with offenders in the community, *Empower* also engages with offenders prior to release from custody, meeting them at the prison gate upon release and then providing a mentoring programme in the local community for up to 12 weeks, which includes pathways back into work. In 2017, they worked with 93 service users, of which in the 12-week period after release, only 6 re-offended.

Elite Supported Employment Agency

Elite Supported Employment Agency enables persons with disabilities across South Wales Mid, and West Wales, to access, obtain and maintain paid employment via appropriate support. It is one of the main providers of the Visual Impairment Specialist Employability Support Programme. Through this programme, and others, they help hundreds of people every year to access vocational opportunities and training and move them into lasting employment and independence.

Black Country Housing

Black Country Housing is a project within the Department for Work and Pension's (DWP) *Work Programme*. The project works closely in and with local communities in Birmingham and the Black Country to provide a holistic approach including housing, financial advice, and wellbeing coaching to help long-term unemployed people access and retain employment opportunities.

Source: 3SC (2022[31]), "The crisis in public sector contracting and how to cure it", *Position paper,* The crisis in public sector contracting and how to cure it: a Wales perspective. – 3SC.

In Australia, social economy organisations often operate in the remote parts of the country, where they hold contracts to service indigenous communities that would otherwise not have access to services. Social economy providers do not participate in larger competitive procurement processes but are commissioned and licensed by the Government to deliver the needed specialist (rather than generalist) services or act as subsidized employers to vulnerable groups, especially in remote areas (Australian Government: Department of Education, 2022[32]). Many employment services in remote Australia, including not-for-profit ones, are aboriginal-owned companies. Other models include joint ventures of larger commercial providers, which might engage in local sector development building up local providers and then phasing out. The social and economic development company *MyPathway*, for example, builds the capacity of small established not-for-profit entities that operate in remote areas and are run by indigenous entrepreneurs providing infrastructure and business know-how for them. *MyPathway* and similar providers function as local catalysts in the niche market of remote employment services recognized by the Government since they help close service gaps in under-equipped areas.[5]

In Sweden, the large in-flow of asylum seekers to the country, especially since 2015, led to a significant engagement of the social economy in providing skills and social support services to

[5] Based on interviews with stakeholders from Australia.

migrants. Among other things, civil society organisations participated in organising language courses and various social activities as part of larger settlement efforts by the Swedish Government. An example is the "Hey Stranger" (*Hej Främling*) project, which began in 2013 in the region of Jämtland to support integration and inclusion of migrants. Evaluations of this broader approach have concluded that social economy participation could possibly have made a larger impact had it also been used to provide employment services to help refugees find a job, for example through mentoring or network contacts. Another example of a social enterprise that worked outside the remits of the PES to support migrant labour market integration is the Yalla projects in Malmö and Stockholm. These projects seek to support the work-integration of foreign-born women into the Swedish labour market (Box 2.6). This potential of the social economy to support work integration of migrants has not been fully exploited yet. The same is true for other fields of activity for the social economy, such as the provision of services in rural areas as well as their potential to increase diversity and freedom of choice for the user (European Commission, 2019[8]).

Box 2.6. Social economy organisations supporting integration of migrants

Hey Stranger (*Hej Främling*)

"Hey Stranger" (*Hej Främling*) was founded in the region of Jämtland in 2013 with the aim to support integration and inclusion through a range of free and health-promoting activities, which often involves sports, culture, and outdoor life. Since then, the not-for-profit association has established operations in a total of 37 locations covering seven different regions in Sweden. The activities are delivered by volunteers around the country dedicated to everything from singing to running or skiing. Through these activities and the connections between people, the association seeks to promote individual well-being, employment and community attachment for people who are otherwise far away from friends and family, in higher risk of unemployment and long-term sickness, and who often lack Swedish language and basic skills. The association is funded by private individuals and companies in Sweden, and it relies to a large extent on the day-to-day work of its volunteers across the country.

The Yalla Projects – Supporting foreign-born women in Malmö and Stockholm

To overcome challenges of high unemployment and crime rates and low wage levels, especially for women, *Yalla Trappan* ("The Yalla Staircase") was started in the suburb of Rosengaard in Malmö in 2010. *Yalla Trappan* is a work integration social enterprise with the main objective to create jobs for foreign-born women with little or no work experience. Today, *Yalla Trappan* has about 50 employees in their three branches of business: café/catering, sewing studio, and cleaning and conference service. Any profit from these activities is reinvested in the company.

Faced with similar labour market challenges and inspired by the good results of the work in Malmö, the *Yalla Project* was started by *Byggvesta* (a housing company) in the suburb of Rinkeby in Stockholm in 2019. The idea with the project was to start a cooperative enterprise of women from Rinkeby cooking and catering food emanating from countries and food traditions that they have experience with. As part of the project, the participating women get language training as well as training in professional kitchen procedures and the use of digital tools related to the workplace. The project was funded by the Swedish Agency Economic and Regional Growth as part of the funding from the government strategy on social enterprises. With the main goal to expand the Yalla Project in Rinkeby, the Yalla 2.0 project started in 2019. The project aims to train 40 women per year and to open a Yalla Café to reach customers and increase profit for the cooperative.

Source: Hej Främling (2022[33]), *Välkommen till Hej främling!*, https://www.hejframling.se/. Yalla Trappan (2022[34]), *Yalla Trappan*, https://www.yallatrappan.com/. Coompanion (2022[35]), *Yalla Rinkeby 2.0*, https://coompanion.se/stockholm/projekt-i-stockholm/yalla-rinkeby-2-0/.

3 How to engage social economy providers in employment service delivery

Social economy organisations in Sweden are likely to face barriers to enter or remain in the reformed market for public employment services. This section takes a first look at those barriers and shows several international examples, mainly from Australia and the UK, where social economy participation in employment service delivery is rather mature. First, broader barriers for the participation of social economy organisations in the public service provision in Sweden are discussed. Second, barriers related to the KROM programme, including client choice, service requirements, contract sizes and the payment model are analysed. Third, options are discussed on how co-ordination between public authorities and social economy organisation can be improved. Lastly, the role of municipalities and regions as buyers of social economy services is analysed.

Legal and financial barriers for the participation of the social economy

The new system for contracted-out employment services in Sweden is a good opportunity for social economy organisations to increase their role in public employment support provision. However, both the legal and financial framework for social economy organisations in Sweden may hinder their participation. In the following sub-sections, the legal and financial framework and how they relate to the participation of social economy organisations in the KROM programme are discussed.

The legal framework (legal forms and legislation)

Legal frameworks can be an effective way to make the social economy more recognisable and help to regulate market participation. Social economy organisations can be supported by legal frameworks to better define and develop their social objectives as well as their role in networks and opportunities for innovation. Legal frameworks also facilitate financial and non-financial support for delivery of services (OECD, 2022[1]). Experiences in several EU countries show that engagement with social economy organisations is higher and more targeted if there is some sort of legal framework in place (European Commission, 2021[6]; OECD, 2022[1]). In addition, national legal and institutional recognition of the social economy tend to influence possibilities for their expansion. However, in some countries, legal frameworks have constrained the development of the social economy by limiting their activity, for example to specific sectors. Therefore, legal frameworks would ideally reflect the needs and conditions of the social economy in each national context (OECD, 2020[4]).

Historically, there has not been a strong legal framework to support and regulate the social economy in Sweden. To fill out this gap, in 2019, the umbrella organisation Cooperatives Sweden (*Svensk Kooperation*) launched a code of conduct with the purpose of strengthening the governance of major cooperative enterprises, building on a democratic form of governance with strong member

engagement. The code of conduct is in many ways a good initiative from the social economy itself to promote cooperatives and mutual enterprises in Sweden through a set of ethical principles and values (Cooperatives Sweden, 2019[36]). However, the code of conduct only covers a part of the social economy sector in Sweden, and it is not legally binding and, thus, it did not manage to clearly identify the social economy as a distinct part of the Swedish economy and society.

Significant steps have recently been taken by the Swedish Government to improve the recognition of social economy organisations in Sweden (see Section 2)**.** With the adoption of the Act on the Registration of Idea-based Organisations in June 2022, a new register for idea-based organisations will be introduced and the ability of public authorities to procure services from social economy organisations will be further enhanced. Similar registration or certification systems are found internationally, such as in the Brussels-Capital region (Belgium), Demark, Finland, France and Italy (Box 3.1). The overall purpose of these systems is to strengthen the ability of the social economy to engage in society and become a visible provider of public services (European Commission, 2021[6]; OECD, 2022[1]).

Box 3.1. Labelling systems as an alternative to legal recognition of social enterprises

Some countries opt for labelling systems to identify social economy organisations and improve their access to financing and co-operation with public actors.

- In **Italy**, for example, the label "social enterprise" is used for several social economy organisations, such as associations and cooperatives, generating at least 70% of their income in either health care, environmental protection, enhancement of cultural heritage, inclusion of disabled or disadvantaged workers or other areas of public interest.
- In **France**, organisations that are labelled as *ESUS* (solidarity enterprise of social utility) receive a five-year, renewable certification if they meet criteria of social economy.
- In **Finland**, the Association for Finnish Work issues three-year certifications for social enterprises. This approach of limited validity also ensures that social economy criteria are kept relevant and evaluated regularly.
- In **Denmark**, the Act on Registered Social Enterprises allows social entrepreneurs to register themselves as social enterprises if they meet five criteria, including that the enterprise must have a social purpose, significant commercial activity, independence of public authorities, inclusive and responsible governance, and a social management of profit.
- In the **Brussels-Capital Region (Belgium)**, social enterprises need to apply for a label presenting the content of their planned employability job offer to vulnerable groups and the social set-up of the company. The application goes through the public employment service *Actiris*, the social council and the regional employment authority, all of which give recommendations to the Ministry of Labour that ultimately decides whether the social company will be accredited. Labelled enterprises can then apply for funding and will sign a convention with *Actiris* upon approval.

Source: European Commission (2021[6]), *Building an economy that works for people: an action plan for the social economy*, Publication Office of the European Union, Luxembourg, https://ec.europa.eu/social/BlobServlet?docId=24986&langId=en. (OECD, 2022[1]), "Legal frameworks for the social and solidarity economy: OECD Global Action "Promoting Social and Solidarity Economy Ecosystems"*, ECD Local Economic and Employment Development (LEED) Papers*, No. 2022/04, OECD Publishing, Paris, https://doi.org/10.1787/480a47fd-en.. Interviews with stakeholders in the Brussels-Capital Region. OECD (2022[22]), Summary of webinar with international experts on the participation of social economy.

The new registration system is an important step to increase the visibility of social economy organisations in Sweden and to enhance their chances of participating in public procurement processes. Until now, the lack of a clear legal framework has been a significant barrier for social economy organisations trying to enter contracted-out public service markets (European Commission, 2019[8]; OECD, 2020[4]; EUCLID Network, 2021[13]). The new system can facilitate more structured dialogue between public authorities and social economy organisations, and in this way strengthen their participation in public procurement. It can also support the identification of social economy organisations vis-à-vis other entities providing public services. Social enterprises in Sweden, for example, do not operate under one clearly defined status. Instead, they are spread across a range of legal forms like economic association (*ekonomisk förening*), not-for-profit association (*ideell förening*) or even limited company (*aktiebolag*). These classifications also contain economic/for-profit and not-for-profit entities that will not primarily identify themselves as social enterprises or relate to the principles of the social economy. This has made it extremely challenging to identify social enterprises.

The term idea-based organisations, however, remains a catch-all terminology encompassing civil society and the social economy. The new registration system is a way to recognise the broader group of organisations operating in the social economy and related fields based on a set of principles, but without actually regulating the specific entities that compose the social economy (e.g. associations, cooperatives, and social enterprises). In other countries, statutory approaches that consist of listing the legal forms that are part of the social economy have been put in place. Specific laws in countries such as France, Mexico, Portugal and Spain provide a list of legal forms being considered as part of the social economy. However, also in these countries, framework laws are used to define the principles and common values of the social economy, thus providing flexibility for new legal entities given that they comply with these principles (OECD, 2022[1]).

Going forward, a more elaborate and encompassing legal framework could identify and define more clearly the organisations that make up the social economy in Sweden. In addition, the principles for registration could be further developed to clarify the specific characteristics of the social economy. This may include their *raison d'être*, or purpose, as they primarily address societal needs and pursue a social purpose; their way of developing economic activities, as they provide goods and services by implementing particular business models and adopting an entrepreneurial approach; and their governance relying on democracy and stakeholder inclusion (OECD, 2022[1]). Such a framework could lay the foundation for the social economy and make the sector more visible and unique in Sweden's economy and society. To support this, a new system for evaluation of the performance of the new legal framework could be introduced to support ongoing improvement or updates of the legislation. Examples of such evaluation mechanisms are found in countries such as France, Luxembourg, and Mexico (OECD, 2022[1]).

The new registration system may also pave the way for strengthening the financial viability of the social economy in Sweden. Legislation pertaining to tax conditions for social economy organisations is an important component of the overall legal framework that can facilitate access to finance and drive uptake of new legal forms while recognising the value of their positive social impact (OECD, 2022[1]). When seeking to become a provider of public employment services, legal forms that social economy organisations operate within are important for their financial viability. In Sweden, many social economy organisations are registered as economic associations or not-for-profit associations, which means that they can self-govern under Swedish law and can decide about aspects like membership fees and asset distribution. However, it also means that they operate under the same fiscal framework and pay the same taxes on sales, rent and capital investments as commercial companies. There are some exceptions to this rule, including for activities that contribute to public benefits (*syfte till nytta för allmänheten*), care for children or cultural activities, but in general, Swedish social economy organisations start with a smaller financial margin than peers in other countries. Moreover, at least 90% of the activities must relate to the public benefit aim, and 80% of the final turnover must channel to fulfil this public benefit (European Commission, 2019[8]). Going forward, the new registration system could provide a basis for adjustments of

the tax regulation as well as the restrictions on retained profit for social economy organisations to allow them to direct their funds towards social objectives and create incentives to operate as social economy organisations.

Financial barriers

The access to adequate and sustained sources of finance is a global challenge for the social economy. Social economy organisations usually finance their activities with a mix of income sources, such as public subsidies, sales, donations, private investments and venture capital. However, they can find it difficult to access and sustain financing, because of their focus on social impact over profit, limited business knowledge, and long waiting times for cash flow already in their day-to-day management. Taking part in larger procurement endeavours can further be a challenge of these organisations due to the size of contracts and the necessary financial capacity to respond to them (ILO, 2017[37]; OECD, 2022[1]). **In Sweden, a complex mix of funding sources finances the social economy**. Overall, the possibilities to get financial support for social economy organisations has grown within recent years, not least because of the increasing interest from the financial markets. However, this has also made the social economy more complex and difficult to navigate across Sweden's regions. In addition, the national strategy for the social economy does not offer explicit solutions for sustainable funding (European Commission, 2019[8]; 2021[6]; ILO, 2022[19]). Among social enterprises, the more established ones have generated assets over the years like real estate or shareholding, which makes it easier for them to integrate with ordinary financial structures. For smaller entities, especially new alternative financing sources can play an important role. Among the most important financial sources in Sweden are:

- **The Swedish Agency for Innovation Systems** helps to stimulate social enterprise development in regions by funding projects proposed by local and regional organisations. In 2018, for example, twelve regions received national funding to support the integration of social enterprises in their regional growth strategies.
- **The Swedish Agency for Economic and Regional Growth** also acts as a multiplier, including by providing venture capital through investment funds for green technology and digitalisation, which is also accessible for the social economy.
- **The Swedish Agency for Youth and Civil Society** distributes funds (national and European) to civil society in the form of support for organisations, projects, and international co-operation.
- **The European Social Fund (ESF) and the European Regional Development Fund (ERDF)** provide funding for specific short-term projects and programmes.
- **Coompanion,** which is an umbrella organisation that helps the development of cooperatives in general and WISEs in particular, provides targeted funding for social economy organisations. As an example, targeted policy initiatives have supported the funding and development of WISEs in regions, with particular focus on facilitating their access to public procurement.
- **Alternative financing sources** play an increasing role in Sweden. Among others, these include niche banks (e.g. *Ekobanken*) local or regional investment funds, Almi Företagspartner AB (a financial intermediary owned by the Swedish government and other public owners), credit unions, The "Micro Fund Sweden" (*Mikrofonden Sverige*), private investments and donations.

While public funding remains the main source of funding for social economy organisations, this type of funding poses certain challenges. Public funding tends to be short-termed and structured around service areas, which can be a challenge for social economy organisations trying to develop sustainable and innovative services. This is the case especially in municipalities where budgeting practices follow a one-year cycle and where there is often a significant time gap between the end of one financing and the start of another. For some social economy organisations, this can determine their survival. Social economy organisations that are foremost reliant on public funding usually cannot accumulate larger reserves, as public funds are generally dedicated to specific purposes or activities and are required to be

used in their entirety without much time flexibility. In addition, social economy organisations tend seek to solve problems that cut across public sector areas and thus could be funded from many different parts of the public budget. Often there is no natural place in the public budget for the financing of such holistic approaches that cut across several service and budget areas.

Alternative financing streams exist across countries with the potential to make the social economy less dependent on state financing and more financially robust. Policy makers can support the development of more flexible financing models and attract private funding for the social economy, including through new legislation. Private funding through trading activity, sponsorship, donations or voluntary and in-kind donations are some of the sources that are used by a growing number of social economy organisations (European Commission, 2021[6]; OECD, 2022[1]). In addition, at supranational level, initiatives like the European Social Fund or the European Regional Development Fund can provide additional access to finance, albeit for longer time-bound periods.

Mentoring schemes and social impact bonds could also be ways to help the social economy overcome financial barriers to market participation. In Australia and the UK a number of large providers, profit and not-for-profit, offer capacity building or mentoring schemes that help smaller providers, including social economy organisations, to start-up either in a supply chain or in a niche market and overcome financial fragility until they can operate more autonomously (OECD, 2022[22]). Social impact bonds are finance mechanisms in which governments make agreements with social service providers, including social economy organisations, and private investors to pay for the delivery of pre-defined social outcomes, therefore facilitating and funding a private-social economy partnership.

The PES of the Brussels Capital Region uses different forms of social impact bonds to address labour market challenges (Box 3.2**).** According to interviews with Swedish Government representatives, social impact bonds are currently discussed as an alternative financing model for social economy organisations hoping to attract more private investors in social policy programmes. A recent study by the University of Gothenburg on the potential of social impact bonds in Sweden, however, concluded that the lack of tax and other incentives for social investment might, however, limit the potential of social impact bonds from the outset (University of Gothenburg, 2020[38]).

Box 3.2. The use of social impact bonds by Actiris, the PES in Brussels-Capital Region (Belgium)

In recent years, *Actiris* (the PES in Brussels-Capital Region) has issued three social impact bonds to address labour market challenges: 1) A mentoring program for young migrants, 2) job crafting for the long-term unemployed, and 3) digital training for jobseekers. Within these bonds, social investors and private investors provide upfront funding to the service provider that develops the idea for the service. A monitoring committee representing all stakeholders oversees the operation of the bond to strengthen compliance with correct processes. PES representatives participate as observers. *Actiris* has explicitly thought to attract social economy organisations in the region to work with them to promote a client focus and encourage new approaches. Therefore, an open call was launched which allowed potential partners to present their innovative approaches to address what they considered to be the most urgent issues to be tackled. The selected projects were further developed through co-construction among the PES, social economy organisations and investors defining public targets, key performance indicators, and an evaluation methodology.

Source: European PES Network (2021[20]), *European Stakeholder Conference: The Power of PES Partnerships*, https://ec.europa.eu/social/BlobServlet?docId=23728&langId=en.

Barriers to entry in the KROM programme

Several elements of the KROM programme (as it currently designed) may hinder the entrance of social economy organisations into the newly established market. In the following sub-sections four potential barriers are discussed: 1) client choice, 2) service requirements; 3) contract sizes and 4) the payment model.

Client choice over the provider of employment services

A main element of the reformed employment system in Sweden is the introduction of client choice. Jobseekers in the new system are to be given the opportunity to influence the choice of provider as much as possible. Providers cannot refuse to accept certain jobseekers (although they may set upper limits for how many clients they can serve at once above the minimum of 50 clients). The ambition to ensure client choice is supported by the procurement framework. In June 2022, the Swedish parliament reached a decision on the main regulatory framework of the reformed system, which will enter into force 1 December 2022. Within this framework, it remains the responsibility of *Arbetsförmedlingen* to decide whether to procure employment services within the Freedom of Choice System (LOV) or the Public Procurement framework (LOU), in the same way as applies to the authority's procurement of other services. However, the framework clearly states that *Arbetsförmedlingen* should strive to ensure that the persons assigned to the program are given the opportunity to choose between different providers (Sveriges Riksdag, 2022[39]).

To achieve the benefits of a freedom of choice system, clients need sufficient information to exercise their consumer choice prudently. Early field tests of *Arbetsförmedlingen* with coaching and matching services have shown that a majority of jobseekers do prefer to choose providers themselves, and that through it, matching quality gets more effective and efficient (Arbetsförmedlingen, 2019[40]). In addition, an evaluation of the previous STOM programme found that the rating system (which indicates the performance of providers) provided jobseekers with useful information on the effectiveness of providers, with higher-rated providers attracting more clients (Riksrevisionen, 2020[41]). As discussed in (OECD, 2022[42]), stakeholders indicate that *Arbetsförmedlingen* counsellors go to extreme lengths to avoid

influencing a jobseeker's choice. For many jobseekers, however, making an informed decision may be difficult based solely on a provider's presentations providers submit to are made available on the *Arbetsförmedlingen's* webpage and the planned online Star Rating system (to rate provider performance from 1 to 5). This may especially be the case for those jobseekers who are relatively further from the labour market and who would benefit from services from social economy providers.

As suggested in (OECD, 2022[42])**, going forward, Sweden could consider changing the role of counsellors to help jobseekers make a better-informed choice of provider.** To pass on information on the benefits of social economy providers, this could be supported by efforts to increase knowledge on the social economy among counsellors in *Arbetsförmedlingen* (see also Section 4.3). Additional categories could be included in the self-generated webpage presentations to better display the specific features of social economy organisations and their work (e.g. highlighting relations to local communities or case workers with more practical experiences). In Brussels-Capital Region, as an example, the PES *Actiris* guides jobseekers to the available jobs in the social economy, especially those who are not in a position to choose themselves or will not have sufficient access to relevant information about the employment opportunities.

To promote client choice, some EU public employment services use vouchers that clients can spend with registered organisations, including social economy organisations. The payment in a voucher system varies based on the profile and employability of a jobseeker and the freedom of choice principle behind it implies that providers need to market their services to be attractive for clients, instead of relying on guaranteed payments. In Italy, different voucher schemes provide jobseekers with detailed information on the services and outcomes associated with different providers. In some regions, the PES ranks providers based on their service range, including number of hours of counselling, job placement rates, vocational training rates, and customer satisfaction indicators (Langenbucher and Vodopivec, 2022[43]). In some Central European countries like Slovakia, vouchers are used to incentivise the employment of home care workers. The governments of Lithuania and Croatia issue short-term contracts for not-for-profit companies that provide innovative services. In Finland, public authorities use social outcome contracting (European PES Network, 2019[44]; OECD, 2021[45]). In the PES of Flanders (Belgium), the region of Antwerp has introduced vouchers for career coaching and intensive mediation services. For the career coaching services, jobseekers can choose the specific service and provider. For the intensive mediation services, jobseekers can choose the service, but the PES supports with choice of provider (Langenbucher and Vodopivec, 2022[43]).

Service requirements for providers

Service requirements play an important role in the decision on which providers can enter the contracted-out system. Although the payment model in KROM is strongly focussed on outcomes, the model also includes several eligibility criteria or service requirements, which make the model more input focused. Several of these requirements may unduly favour incumbent providers and pose a challenge for social economy organisations, without necessarily ensuring a higher quality of services. This includes capacity and presence requirements and requirements related to staff competences and past experiences.

In terms of capacity and presence, providers are required to guarantee physical office presence of 16 hours per week in the delivery areas where they are present. In addition, providers are required to be able to host at least 50 participants at any time in each delivery area they operate. For social economy organisations that tend to be smaller in size and often more locally based, the capacity requirement can be a barrier to market entrance.

In terms of staff and experience, providers are required to have extensive prior experience with the provision of similar employment services and to have staff with certain formal educational

attainment[6]. Interviews with representatives of the social economy in Sweden indicate that this requirement also poses a challenge, not least because social economy organisations often employ individuals based on their lived experiences or practical knowledge. Often, good employment support does not rely solely on the formal education of employability staff, but also on the qualifications they have gained through previous work or experiences that they can pass on to others. With a focus only on formal educational attainment, there is a risk that the programme will not benefit from more on-the-ground experiences. As an example, a provider that supports newly arrived migrants might hire relatively more established migrants, not based on their educational background, but because they have been through the same experience and possibly speak the same language as the newcomers. While their experiences might be useful to support the newly arrived migrants into work, it is uncertain if this type of provider could make it into the KROM programme. While it is important to maintain an overall quality in the system, there seems to be options to develop a more competence-based system.

Looking beyond capacity and staff requirements, the KROM programme also does not include services requirements that are more directly supportive of social economy participation. The social values that characterize social economy organisations, like the application of sustainable operating practices, the local anchoring, or the drive towards social innovation, are assets that can be conducive to successful employment service provision (OECD, 2020[5]). Some OECD countries have taken steps to adjust service requirements to make procurement more accessible for the social economy – e.g. by including social criteria. One example is the new Australian employment service system *Workforce Australia*, where more emphasis is put on the tailored service capability of providers and local connectivity in the tender assessment. Another example is in the UK, where the *Public Services (Social Value) Act* requires providers to include wider social, economic, and environmental considerations in their bidding process. In addition, in the Province of Ontario (Canada), the Government is introducing a new contracted-out system where strong emphasis is put on local presence and engagement, including through the contract requirements (Box 3.3). In addition, some countries include social clauses into the procurement process to guarantee a wider participation of the social economy. As an example, in the UK, the Scottish Government's *Action Plan for an Enterprising Third Sector* encourages procurement with social clauses to strengthen the role of social enterprises as providers of a range of goods and services (OECD/EU, 2017[46]).

[6] Staff who are to counsel jobseekers are required to satisfy two criteria: 1) a one-year post-secondary education in a broadly defined relevant field with 3 years relevant professional experience in the last 5 years, or 2) a (roughly) 2-year higher education in a broadly defined related field and 2 years of relevant work experience in the last 5 years.

Box 3.3. Including social criteria in the procurement procedure for employment services

Workforce Australia

In July 2022, the Australian Government launched its new employment service programme *Workforce Australia,* which invites for-profit and not-for-profit providers, including social economy organisations, to compete for business, and therefore monitors outcomes equally. Compared to the previous system, *Jobactive*, the new programme puts more emphasis on support for those jobseekers who are relatively further from the labour market. Jobseekers that are closer to the labour market and who have sufficient digital skills are mainly supported by online services provided in-house by the Ministry of Employment and Workforce Relations. For those jobseekers that need more comprehensive support, services are contracted out to independent providers based on a licencing system that includes both generalist and specialist licences. The specialist licences target sub-populations such as indigenous people, ex-offenders, and refugees. Overall, the so-called enhanced services system (both generalist and specialist licenses) is a good opportunity for the social economy, which currently makes up 60% of the market share. The strong position of the sector, even in a competitive model, stems in part from procurement contracts reflecting the core mission of social economy. The tender assessment weighs the tailored service capability of providers and local connectivity at 40% each, with organisational capability at only 20%. The system therefore emphasizes the value the social economy can add to the employment service[7].

The Public Services (Social Value) Act in the United Kingdom

The Public Services (Social Value) Act in the United Kingdom is helping to make performance of social economy entities in public service delivery more measurable and viable. The act requires entities that commission public services to include wider social, economic, and environmental benefits in their bidding process. The Act came into force in January 2021 and aims to improve local provider markets by reaching out to smaller providers with a social economy focus and leave room for innovation. The Government has announced that they will explicitly evaluate social value with 10% of the procurement weighting when awarding major contracts, therefore introducing a more social economy orientation among prime providers.

The new contracting-out programme in Ontario, Canada

In the Canadian province of Ontario, the Government is transforming the employment services to become more outcome-focused and at the same time better integrated for social assistance. To retain a footprint of not-for-profit providers, universities and municipalities, procurement requirements ask bidders to design a holistic vision for the market they are targeting, including social employability issues and the plans and capacity to engage with the local market. Procurement timelines and consultations on application details are also open for longer and contain more results-focused terms of reference to make it more accessible for smaller bidding entities to participate.

Source: Interviews with representatives from Australia, the UK and Canada. Employment Ontario Partners Gateway (2022[47]), *Employment Services Transformation*, http://www.tcu.gov.on.ca/eng/eopg/programs/est.html.

[7] Based on interviews with representatives from the Australian Department of Employment and Workforce Relations.

Contract size

Another possible barrier for social economy organisations is the size of the contracts offered. In the current KROM programme, providers can apply for contracts within each of the 72 provider areas on a "pick and choose" basis. The delivery areas vary significantly in size in terms of the number of jobseekers and in their geographical reach, with a relatively higher numbers of jobseekers per delivery area in the southern part of the country (up to 97 000 jobseekers in the Stockholm delivery area) and with a relatively larger geographical reach in the northern part of the country (OECD, 2023[48]). Interviews with stakeholders suggest that social economy organisations are finding the delivery areas too large for the services they can offer. Many social economy organisations operate locally within one or a few limited geographical areas. *Arbetsförmedlingen* acknowledges that this may pose a barrier to entry for certain actors and considers to either adjust delivery areas or issue smaller contracts without yet specifying, which format those contracts could have (Eng and Olsson, 2021[49]).

One way to introduce smaller and more targeted contracts could be to establish a separate procurement framework for those furthest from the labour market. For persons with disabilities, *Arbetsförmedlingen* is implementing a specialised contracted-out programme named "Steps to Work" (*Steg til arbete*). The programme represents a new way of supporting jobseekers with disabilities by integrating four different services that were previously provided separately. The service will be procured from independent providers and will cover a total of 83 locations. Contracts have already been signed with several providers that will start providing services from 1 November 2022. This type of smaller procurement programme, alongside the larger KROM programme, could be one way to increase support for those furthest from the labour market and to strengthen the role of social economy organisations in the public employment procurement framework. Going forward, an option could be to expand the Steps to Work programme or introduce additional smaller programmes to also support other target groups furthest from the labour market (OECD, 2023[48]).

Alternative ways to introduce smaller contracts are implemented in other countries such as the UK and Australia. In the UK, the relatively new procurement framework for public employment services used for the *Restart programme* includes two different tiers of contracting, which are linked to the contract values. The first tier includes relatively larger contracts which are awarded to prime contractors while the second tier includes relatively smaller contracts which are awarded to sub-contractors to the prime contractors. All types of providers can make bids for contracts within both tiers. In practice, however, social economy organisations have mainly managed to bid for and win the relatively smaller sub-contractor contracts in the second tier[8]. For some social economy organisations in the UK, this model of prime and sub-providers works well as it gives them the possibility to bid for smaller contracts in the second tier. However, for some of the larger social economy organisations that are interested in bidding for the first-tier contracts, the system is more challenging. According to the industry's peak body the Employment and Related Services Association (ERSA), social economy organisations overall struggled to meet the requirements of the bid as prime providers. In the new prime provider environment, only a few larger not-for-profit providers like the Shaw Trust can compete as prime providers, while most not-for-profit providers participate as sub-contractors. In addition, the Australian model, where a distinction is made between generalist and specialist licenses (Box 3.3) serves as a good example of how to introduce smaller or more targeted contracts into the overall procurement framework.

Another way to establish contracts with social economy organisations is found in Brussels-Capital Region (Belgium). Here the regional PES *Actiris* works together with social economy organisations to provide subsidised works for individuals furthest from the labour market. The PES places individuals with social economy organisations, which then provides the actual support to get individuals back into work.

[8] Based on interviews with stakeholders in the UK.

The PES follows the funding of each social economy organisation or project, and it manages a labelling system to strengthen the overall performance of each organisation (Box 3.4).

Box 3.4. The Brussels-Capital Region PES: A guide and regulator of the social economy

The Brussels-Capital Region co-operates with social economy organisations to provide work for vulnerable groups. In this co-operation, social economy organisations are employers while the actual employment service to place and skill vulnerable groups into those subsidised jobs is done by the local public employment service *Actiris*. Jobs are offered for example in restaurants, bicycle repair stations, transportation services for persons with disabilities, and maintenance works for buildings. The social economy is not sheltered outside of the regular labour market but consists of jobs for the unemployed who need to improve their low employability and are expected to be able to enter open work opportunities within the next few years. *Actiris* funds the employment temporarily with a subsidy of either two years with up to 100% of salary coverage or with a five-year subsidy of EUR 10 000 annually as a longer-term employability support, including coaching.

Once the social economy project is running, *Actiris* follows up on the use of the funding and the performance of the project in monthly inspection meetings with the company, organizes knowledge transfer between peer social economy companies and reports back to the tripartite advisory committee. The performance monitoring is not strictly outcome-based, but social economy labels are renewed after five years, if the labelled company achieves increased employability among its staff and the entry conditions for obtaining the label are still met upon renewal. In 2021, the Brussels-Capital Region placed more than 1 300 unemployed jobseekers into the social economy, which is an occupancy rate of 87% of the subsidised job positions. More than half of the positions (54%) were filled by women, only 5% of social economy workers were younger than 25, 42% were older than 45 years. The majority of workers had elementary school education and 28% had a higher degree.

Source: Brussels-Capital Region (2019[50]), *Arrêté du Gouvernement de la Région de Bruxelles-Capitale du 16 mai 2019 relatif au mandat et compensation des entreprises sociales d'insertion*, http://www.ejustice.just.fgov.be/eli/arrete/2019/05/16/2019012780/justel.

The payment model

The KROM programme includes an outcome-based payment model where payments are linked to sustained outcomes in terms of education and employment. Participants in KROM are assigned to three client groups (A, B or C) based on the results of a statistical profiling tool, which also determines eligibility for the programme. Participants in group A are relatively closer to the labour market compared to participants in group B (the middle group) and group C (those furthest from the labour market). The system includes a differential payment model, which means that the economic compensation for providers is higher for clients in group C compared to clients in group A (Carlsson et al., 2022[51]). In addition, the payment model includes three different payment types: 1) a basic payment paid monthly based on a daily allowance over a twelve-month period; 2) a performance compensation paid for employment or education outcomes with a duration of four months or longer; and 3) a speed premium paid for employment or education outcomes (of four months or longer) achieved before the end of the participation period (which is a maximum of 13 months).

While the linking of payments to sustained outcomes is overall a positive characteristic of the KROM programme, this can pose a challenge for social economy organisations for several reasons. First, the focus on outcomes such as sustained employment or completed education can pose a challenge for social economy organisations who often focus on other less tangible outcomes that are fundamental for the realisation of work, education, and training outcomes. These include an improved

attitude to job search and work, improved motivation and self-confidence, improved social and human skills, and overcoming social, housing, and health challenges. Second, social economy organisations tend to focus their interventions on the groups furthest from the labour market who are often in need of long-term interventions to take up work or participate in education or training. In many cases, these interventions will go beyond the 12-month intervention period in KROM. Third, the fact that a large part of the payment to providers falls relatively late can be a financial challenge to social economy organisations.

These challenges could, however, be seen in relation to the target group of the KROM programme (i.e. the large middle group of jobseekers). For (parts) of this group, a 12-month intervention period as well as outcomes in the form of education and employment might be more suitable than for those who are further away from the labour market. In addition, the delay of outcome payments to make outcomes more sustainable is also an overall positive element of the KROM programme. Systems that reward only the immediate outcome of job matching carries the risk of undesirable outcomes such as very short-term contracts or even fraudulent behaviour (e.g. one-day contracts to fulfil the notion of an outcome). Therefore, most outcome-based programmes include a delay in their outcome-based payments (Langenbucher and Vodopivec, 2022[43]). Nevertheless, adjustments to the timing of payments could be introduced to increase the participation of social economy organisations (e.g. a larger up-front payment combined with a staggering of outcome payments). This would free up more resources for providers to invest in activities up-front and would possibly ease the financial situation of social economy providers. Additional outcomes measures beyond employment and education (e.g. improved attitude to search and work, improvement of relevant skills, and improved motivation and self-confidence) could be introduced (OECD, 2022[42]).

The outcome-based model can also create challenges for social economy providers to maintain their capacity for innovation. Participating in procurement can push the social economy into presenting itself like a traditional public welfare provider or a traditional mainstream enterprise (European Commission, 2021[6]). Social economy providers in the UK note that the move to a prime provider model with social economy organisations acting mainly as sub-contractors required substantial reframing of their mission statements. In some cases, this resulted in social economy organisations either having to drop their innovative potential or stay out of procurement altogether. Other social economy providers have chosen to continue to operate as specialist providers outside the two-tier procurement system in order not to compromise their mission, despite the fact that this weakened their social mission (Cabinet Office, 2021[52]). *Arbetsförmedlingen* states that service agreements and the payment model in the reformed system ought to be clear in their requirements and output expectations and, at the same time, not be so detailed that it hinders the supplier's opportunities to innovate or create unnecessary costs when doing so (Carlsson et al., 2022[51]). However, the PES does not detail how this can look in practice. Going forward, an additional service requirement for providers could be linked to their capacity for innovation.

Innovation labs – rune either by the public employment service or other public authorities – can give more room to develop innovative services and try new approaches. In France and Belgium (Flanders Region) the public employment service run innovation labs to create a space where different stakeholders can get together to discus new and innovative solutions to ongoing labour market challenges (Box 3.5). In Slovenia, *SocioLab* supports social economy development in the Podravje region by funding social innovation programmes. In Korea, the *Seoul Innovation Bureau*, a public-private lab, was created to engage citizens and social economy organisations in finding new ideas to solve complex issues, such as gender inclusion in the labour market (European PES Network, 2019[44])

Box 3.5. Innovation labs for public employment services in France and Belgium (Flanders)

The Lab (*Le Lab*) at the French PES and the *Work-out Room* at the Flemish PES in Belgium have been established outside of the public office in so-called co-working spaces. PES staff invites jobseekers, employers and stakeholders to work on common solutions to ongoing labour market challenges or to co-design future service components. The lab concept aims at opening institutional borders to new angles and establish a sustainable ecosystem of labour market actors for co-development and co-operation. Projects are planned with enough time to allow for ideating, designing and prototyping new products and services without the pressure to produce immediate results before reaching a clear understanding of complex problems. Both labs address topics such as inclusion of people with disabilities and effects of labour migration with explicit co-operation of social economy organisations.

Source: (European PES Network, 2019[44]), *European Stakeholder Conference: The Power of PES Partnerships*, https://ec.europa.eu/social/BlobServlet?docId=23728&langId=en.

Co-operation between public services and the social economy

An additional barrier for participation of the social economy in Sweden is the lack of knowledge and skills both among social economy organisations and public procurement officials. On the one hand, public procurement authorities would benefit from being more aware of the value the social economy might add to the service in question and design programs accordingly. On the other hand, social economy organisations could benefit from more accessible information and opportunities to network with more established stakeholders in the market. In the following sub-sections, ways to strengthen co-operation between public authorities and social economy organisations and to overcome challenges related to differences in culture and lack of mutual knowledge are discussed.

Strengthening co-operation

Government institutions (national, regional or local), are important gateways for the recognition, procurement and quality assurance of social economy work, including in employment services. To drive quality and measure the impact of social economy providers, co-operation between government authorities and social economy organisations would ideally be based on a whole-of-government approach with a common general framework. Social economy impact could be more easily measured within an agreed common framework that includes harmonised, accessible and easy-to use reporting standards covering all relevant aspects. A common government approach could also facilitate the production and dissemination of impact evidence, which raises awareness of the contribution of the social economy to societal development and well-being. Evidence can further feed capacity development and better target funding or training (ILO, 2017[53]; SALAR, 2021[12]) (see also the following section).

Co-ordinated national efforts to facilitate co-operation between government authorities and social economy organisations on issues related to public procurement are in place in several countries. In countries like Korea and Mexico, the governments have set up designated institutions to operate as a single point of contact to social economy providers – the *Korea Social Enterprise Promotion Agency* established as a part of the Ministry of Employment and Labour and the *Instituto Nacional de la Economía Social* (INAES) in Mexico. Other countries and regions, such as Slovakia and Quebec (Canada), have forums or committees structuring communication between stakeholders, including consultations about larger initiatives concerning the social economy (OECD, 2022[1]). In the Brussels-Capital Region, the public

employment service *Actiris* certifies and co-ordinates the services provided by work integration social enterprises, including through a governing board (see Box 3.4).

In Sweden, co-operation between public authorities at all levels of government and social economy organisations could be improved through measures at both political and operational level. The national strategy on the social economy launched in 2018 includes advisory activities, support for business development and knowledge dissemination as well as development of impact assessment measures. In addition, the *Empowerment+ Project*, which aims to promote the role of civil society in the labour market, presents an interesting way to strengthen co-operation (Box 3.6). However, this could be further supported, such as by the establishment of executive boards or expert committees that can be used to enhance national and even local co-operation between public authorities and social economy organisations. At the operational level, the social economy can be further embedded, such as through a designated public official responsible for the participation of social economy organisations in public procurement, service design and implementation (SALAR, 2021[12]). Moreover, public services and social economy organisations could be connected according to the topics they work on, rather than in general agreements to further support mutual learning (ILO, 2017[37]). Lastly, a mapping of existing social economy organisations could help open up possibilities for future collaboration.

Box 3.6. Empowerment+ project in Sweden

The main purpose of the *Empowerment+ project*, which is funded by the ESF and run by *Coompanion* in collaboration with a range of organisations from civil society, is to strengthen the civil society as a labour market policy actor in Sweden. The programmes run from February 2021 to February 2023. Through six sub-projects spread out across the country and co-ordinated by different civil society organisations, the project sets out to develop innovative working and collaboration models that can enhance the role of civil society in the Swedish labour market. The project also aims to develop a road map that clearly defines the individual and common role of civil society organisations in labour market policies and shows how civil society can contribute to them in the best way possible. Among the specific themes to be analysed are inclusion methods, collaboration in sparsely populated areas, collaboration around the gig economy and collaboration with the business community.

Source: Coompanion (2022[54]), *Empowerment+*, https://coompanion.se/coompanion/empowerment/.

Competences and culture

The skills and competences of public sector officials to engage with social economy organisations can influence co-operation between government authorities and social economy organisations. Without knowledge on the social economy and the barriers to participation it faces, it is difficult for public sector officials to support social economy organisations seeking to act as public providers. Often, the lack of knowledge and differences in working cultures makes it difficult to build trust between the public sector and social economy organisations, and this again hinders co-operation. In Sweden, the Swedish Agency for Youth and Civil Society distributes funds as well as produces and disseminates knowledge on the civil society in Sweden. This includes activities to improve knowledge and skills for public sector officials on the social economy (Box 3.7). However, it seems that additional initiatives are needed. An additional challenge is the general lack of platforms for information sharing between social economy organisations and public service officials (European Commission, 2020[2]).

Box 3.7. The Swedish Agency for Youth and Civil Society

The Swedish Agency for Youth and Civil Society"(*Myndigheten för ungdoms- och civilsamhällesfrågor, MUCF*) is a government agency which focuses on the living conditions of young people and the conditions of civil society. The agency distributes funds (national and European) to civil society in the form of support for organisations, projects and international co-operation. In addition, the agency produces and disseminates knowledge in their two main areas of work – youth policies and policies focused on civil society. In the area of civil society, the main objective of the agency is to improve the conditions for civil society organisations in Swedish society, including by improving knowledge and skills for public sector officials, the coherence, co-ordination and transparency of public funding of civil society, and the methods of co-operation between public authorities and civil society organisations.

Source: MCUF (2022[55]), *Welcome to MUCF*, http://Welcome to MUCF | MUCF (accessed on 10 October 2022).

In the same vein, a lack of skills and competences among social economy organisations in crucial aspects of procurement can equally hinder co-operation and participation in public procurement (European Commission, 2021[6]; Langenbucher and Vodopivec, 2022[43]). Newer organisations, that have not yet defined their mission and business objectives, can have a weak understanding of the exact challenges they face, and what their needs are to overcome them. This makes them a less visible partner for contracted service provision. In addition, they often lack experience with participating in public procurement processes and in defining clear outcome measures that can form the basis of contracting with public authorities. Often, social economy organisations struggle to show the value and results of their work due to a more holistic approach that supports individual development in a number of areas that are not measured by the procurement framework.

Many international examples could inspire practice in Sweden. In countries such as Austria, Croatia, Estonia or Greece, accelerators have been created to support social enterprise development by providing consultancy and sometimes direct or indirect financial resources. In countries such as Belgium, France, Ireland and Spain, associations of social enterprises offer learning programs for members to develop business ideas, design and start new enterprises, and gather knowledge for the running of the enterprise. Those networks are often supported by foundations or other private institutions (European Commission, 2020[2]).

In Sweden, interest organisations like *Coompanion*, *Skoopi* and *Inkludera* are running training programmes for social economy organisations in procurements, social auditing, and related activities. As an example, *Inkludera* supports a range of social economy organisations to develop and grow their activities and to enable them to participate in public procurement processes. This includes support in the development of outcome measures that can support participation in public procurement (Box 3.8). In addition, folk high schools[9] (*Folkhögskola*) and non-formal study associations also conduct trainings of interest for social economy organisations. In some cases, they even get involved as partners in different types of projects, adding practical knowledge of co-operation with the social economy that could be shared with the public service (European Commission, 2020[2]). Going forward, an option could be for these organisations to develop training courses also for public sector officials as a way to improve communication and co-operation. In addition, a more strategic approach at national government level to skills and competence development (e.g. as a part of an updated national strategy) could be considered.

[9] Swedish folk high schools (*Folkhögskola*) provide non-formal and voluntary adult education targeted adults who are 18 years or older. to More than two thirds of the schools are run by various popular movements, organisations and associations (NGO´s), whilst the remaining are run by county councils or regions.

Box 3.8. Inkludera – a not-for-profit organisation supporting social innovation in Sweden

Since 2011, the not-for-profit organisation *Inkludera* has worked with social entrepreneurs across Sweden to turn small-scale social innovations into strong, sustainable organisations that can provide national solutions through co-operation with municipalities and other public authorities. *Inkludera* works together with a range of social economy organisations that all provide innovative solutions to improve vulnerable individuals' chances of participating in society, education and employment (e.g. children, youth, migrants, and persons with disabilities). The organisations that receive support are selected by *Inkludera* based, among other things, on their closeness to the problems they wish to solve, the innovative element of their initiatives, and the potential to up-scale to national level. Among the organisations that they work with are "Buddy Sweden" (*Kompis Sverige*; an organisation that creates meetings between newly arrived migrants and established Swedes), *Passalen* (an organisation that supports children with physical disabilities) and "Jobs Entrance" (*Jobentren*; an organisation that provides unemployment support for long-term unemployed migrants).

Together with the organisations, *Inkludera* seeks to build strong, sustainable organisations that can collaborate with municipalities and other public authorities across the country – e.g. by participating in public procurement. Often these organisations have a clear idea and ambition, but they lack the knowledge and tools to build and up-scale their initiatives to reach a broader audience. In this context, *Inkludera* supports them to define their core social purpose (the vision, methods, goals and communication), business development (to focus efforts on the best and easiest to sale solutions and to develop good outcomes measures), organisational development, and participating in public procurement processes. In addition, the organisation also works with municipalities (e.g. the municipality of Stockholm) to support their work in supporting local entrepreneurs in the city. Since 2011, Inkludera has supported 900 agreements between the organisations that they work with and municipalities. The initiatives provided through these agreements have reached over 85 000 individuals across all parts of the country according to *Inkludera*.

Source: Fact-finding interview with representatives from Inkludera.

Municipalities and regions as buyers of social economy services

In Sweden, regional and especially local governments play an important role in the broader employment support system. Given their responsibility for social assistance and services for the long-term unemployed or inactive, municipalities are central to providing support for those furthest from the labour market. Yet, co-operation opportunities with the social economy remains under-developed in parts of the country. In the following sub-sections, the role of local authorities in public employment policies in Sweden are analysed and the different options for procurement from social economy organisations by local authorities are discussed. In addition, ways to develop local networks for social economy organisations are raised.

The role of local authorities in public employment policies

In Sweden, neither regions nor municipalities have a formal responsibility for labour market or employment services. Public employment services are funded and provided by the national government agency *Arbetsförmedlingen*, which are obliged to support all jobseekers (Forslund et al., 2019[16]). Local authorities, however, are responsible for areas like social welfare and education as well as local and regional economy development, which are closely related to labour market and employment policies. While

regions are mainly responsible for health and medical services, regional development and public transport, municipalities are administering social care, school and pre-school services, youth services, adult learning and essential community services such as water supply, waste disposal and rescue services (Regeringskansliet, 2021[56]).

Both *Arbetsförmedlingen* and municipalities have a responsibility for actively supporting individuals far from the labour market. On the one hand, *Arbetsförmedlingen* is explicitly tasked to prioritise individuals furthest from the labour market. On the other hand, as stated in the Swedish Social Service Act (*Socialtjänstlagen*), services to support individuals on social assistance must be designed so that the individual's ability to live an independent life and become self-supported is strengthened (Alsén, 2021[57]). This means that both *Arbetsförmedlingen* and municipalities have a responsibility for actively supporting individuals far from the labour market. In practice, this results in a significant overlap in client groups and responsibilities between *Arbetsförmedlingen* and the Swedish municipalities (OECD forthcoming).

Swedish municipalities are taking different approaches to support those furthest from the labour market. Some municipalities have decided only to focus on those individuals on social assistance who are not signed up with *Arbetsförmedlingen* (and thus are not jobseekers). Others have taken a more proactive approach, also supporting the group of unemployed signed up with the national PES or even those who are not yet but might eventually become social assistance recipients. Interviews with municipalities and SALAR/SKR show that over the last 30 years, several municipalities have set up their own employment unit in addition to the social service unit, providing active labour market policies for those furthest from the labour market (OECD forthcoming).

Engagement with the social economy in regional development strategies also vary widely. Among the regions that are highly engaged with the social economy is Region Örebro, which adopted its first "Action Plan for Civil Society and Social Economy" in 2018. Among the objectives of the action plan was to support the implementation of the regional development strategy priorities, thus clearly linking social economy to regional development (OECD, 2020[4]). Interviews with regions indicate that co-operation with social economy organisations at regional level is limited. Many regions nonetheless see possibilities to better engage the social economy, especially in programmes on skills development in co-operation with municipalities and *Arbetsförmedlingen*.

The procurement of services from social economy organisations by local authorities

Municipalities can make use of public procurement procedures to purchase services to support those furthest from the labour market, but practices vary across the country. Interviews with municipalities and representatives from the social economy show that municipalities are overall positive towards working together with the social economy, but in practice the extent to which municipalities procure services from social economy organisations vary significantly. There are several reasons for this, including:

- ***Barriers for social economy organisations to participate in or win procurement processes*** e.g. due to the size of the procurement, the conditions and awarding criteria attached to these, as well as a general lack of knowledge about procurement procedures. To overcome these challenges, some municipalities make use of smaller procurement amounts or have established information and support measures for social economy organisations.
- ***Lack of knowledge of and experience among employees in the municipality with the social economy and with public procurement rules***. Local officials have limited experience with public procurement procedures, and they lack support measures to build up the needed skills. Local officials also lack knowledge on the social economy and the different ways in which they can provide support services for those furthest from the labour market.

- ***Difficulties in measuring and understanding the outcome that social economy organisations can generate***. Many social economy organisations struggle to measure and make visible the types of impact they generate for society or specific target groups, which makes it difficult to "sell" their services to municipalities. Some municipalities find that they can provide services at a similar or lower price than social economy organisations without lowering the quality of the services. In addition, they save time and resources when not having to go through the bureaucratic procedures related to the public procurement framework. Yet, other municipalities indicate that they have managed to get services at a lower price and higher quality through public procurement.

Those municipalities who procure services from social economy organisations often make use of the Idea-based Social Partnerships *(Idéburet offentligt partnerskap, IOP).* Within this framework, public authorities can grant funds to not-for-profit providers outside the procurement process based on a signed agreement rather than a procurement contract. However, funds can only be granted if the not-for-profit provider is assessed to be the only provider in the targeted market and if the provider itself initiates the partnership (Bargström and Calmfors, 2020[23]; European Commission, 2021[6]). However, according to the interviewed municipalities, there is a thin line between public procurement and Idea-based Social Partnerships, and a phone call at the wrong moment can be determent for the possibility to use the Idea-based Social Partnerships. Examples of municipalities that do work together with social economy organisations are Nordanstig and Boras. The municipalities apply a range of different strategies to engage social economy organisations in the provision of employment services (Box 3.9).

Box 3.9. Examples of Swedish municipalities using procurement rules to engage social economy organisations

Municipality of Nordanstig

In the municipality of Nordanstig, the former employment support services department was closed in 2007 and replaced by a comprehensive strategy to procure services directly from social economy organisations. Today, the municipality procures services from four different social enterprises based on the public procurement framework (LOU) for reserved procurement. The strategy of the municipality is to engage several and geographically dispersed actors to strengthen provision across the municipality. The social economy organisations run different businesses (e.g. cafes, second hand shops, cleaning services, simple manufacturing, etc.) and they provide an opportunity for the unemployed to get in-work training. For the municipality, these services are seen as a first step on the road to employment, which will be followed by services from the municipality and eventually also from *Arbetsförmedlingen.*

Municipality of Boras

To support those furthest from the labour market, the municipality of Boras is co-operating in several different ways with social economy organisations operating in their local area. This includes the Red Cross, Save the Children, local churches, etc. In some instances, collaboration is based simply on loose connections without any economic commitments, while others are more formalized through public procurement based on the IOP framework. Such formalized commitments are usually contracted over a longer period (normally a couple of years). This is a process that is supported by the political level, while the administrative board makes the formal decision when funding is required for the procurement. Such partnerships can be about language skills, physical fitness, and work training programs, as well as work placements in the private sector or through a social enterprise that hires individuals e.g. with work disabilities and offers services that the municipality does not have.

Source: Fact-finding interviews with municipalities.

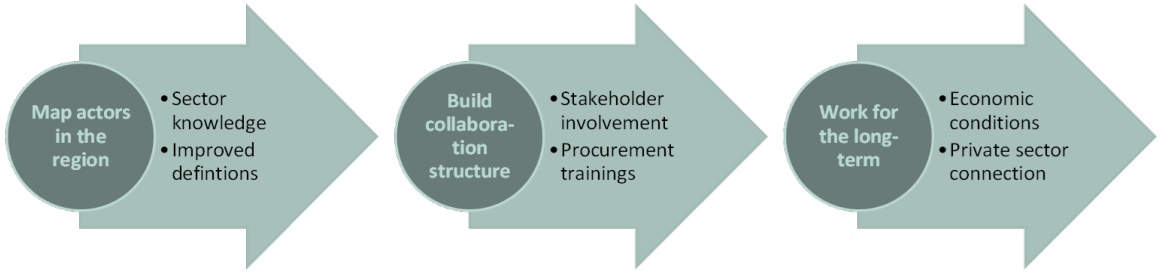
Some OECD countries such as Germany, Italy and the United Kingdom have introduced social impact measures to demonstrate the positive contribution to society and to specific target groups. Social impact measurement aims to assess the social value and impact produced by the activities or operations of any for-profit or not-for-profit organisation. It can support social economy organisations in implementing their social missions, receive funding from public authorities, participate in public procurement processes, and attract funding form external donors and investors. Given that policy makers are gradually shifting their focus from activities to outcomes, including in the design of contracted-out employment services, social impact measurement and monitoring gains increasing importance (OECD, 2021[58]).

With the adoption of the 2018 strategy on social enterprises and innovation, the Swedish Agency for Innovation Systems was tasked to further develop the area of impact measurement. The overall objective was to strengthen social enterprises and increase the visibility of their contributions to social value creation and social innovation (Swedish Ministry of Trade and Industry, 2018[59]). This approach to explicitly prioritise social impact measurement in the national strategy is also used in other countries such as Germany and Ireland. In other countries, however, governments are going further, including by supporting the design and dissemination of social impact measurement methods, producing and disseminating impact evidence, and supporting capacity development (OECD, 2021[58]). Together, these measures can improve the ability of social economy organisations to display the value of their work and improve their chances of becoming public service providers – including at local level.

Local strategies for co-operation with the social economy

Several measures exist at national and local level to support long-term collaboration between local authorities and social economy organisations in Sweden. In 2008, an agreement was reached between the national government, local governments and idea-based organisations working in the social field. This agreement (called *Överenskommelsen*) outlined the basic principles for the relationship between the three types of stakeholders, in particular in the field of health care and social welfare services, including for the disabled, elderly and disadvantaged families. The agreement outlined six principles for collaboration: i) independence and autonomy, ii) dialogue, iii) quality, iv) long-term approach, v) openness and transparency, and vi) diversity. The rationale behind the agreement was to give more visibility to the role of civil society and the social economy in society, to clarify their relationship with the public sector and to preserve their independence (OECD, 2020[4]). In their handbook on pathways to innovative welfare solutions from 2021, SALAR/SKR has proposed a three-step framework for the development of a local collaboration structure (Figure 3.1). The framework includes the establishment of a better understanding of the social economy among public institutions and officials as a basis for building a collaboration structure and engage in business operations with social enterprises (SALAR, 2021[12]).

Figure 3.1. Developing a collaboration structure between social economy organisations and local authorities in Sweden



Source: Compiled from SALAR (2021[12]), *New pathways to innovative welfare solutions. A handbook for collaboration with social enterprises*, Swedish Association of Local Authorities and Regions, Stockholm, https://skr.se/skr/tjanster/rapporterochskrifter/publikationer/newpathwaystoinnovativewelfaresolutions.58966.html

Building on these measures, municipalities and regions have found ways to work with the social economy to provide services for those furthest from the labour market. The City of Helsingborg in the Skåne region, together with the School of Social Sciences at Lund University, is running a learning process around the social economy. In different steps, Helsingborg identifies target groups with multiple barriers and reaches out to socially innovative organisations that can help tackle the barriers. First results indicate that this process establishes and strengthens collaborations between the municipality and the third sector (SALAR, 2021[12]).

The municipalities of Karlskoga and Malmö have merged their labour market and social services with the help of social economy organisations to create a single point of contact for job seekers. Karlskoga established a tight co-operation with social enterprises that covers activities such as carpentry, laundry services, catering, cleaning and recycling. Social enterprises provide the municipality with opportunities to place people into work training and, in the best cases, employment. In Stockholm, a dedicated co-ordinator has been put in place to promote collaboration between social enterprises and the municipality, including by offering knowledge and support to staff working in the municipality, and by reaching out to social enterprises and offering them support, guidance and possibilities to network.

In addition, until January 2022, several municipalities co-operated with social economy organisations to provide *Extratjänste*r (Box 3.10)[10]**.** The end of the programme may add to the fear of social economy organisations will lose market shares and possibilities to work with public authorities on employment-related services.

Box 3.10. Extratjänster – a subsidised employment programme in Sweden up until January 2022

Extra Services (*Extratjänster*) was a form of subsidised employment programme that was used to get individuals living in vulnerable situations into work. *Extratjänst* is a job with an employer in the welfare, public, cultural or not-for-profit sector, which provides individuals with a chance to enter working life while the employer receives a contribution to the salary. *Extratjänst* jobs can be either on the basis of a permanent contract or a fixed-term contract and can be both on a full- and part-time basis. The target group of these services were individuals who have been unemployed for a long time or migrants who recently arrived in Sweden. Employers were 100% reimbursed for their related costs for a maximum of 24 months. The programme was managed by *Arbetsförmedlingen,* and referrals were done by PES staff. However, the actual decision on where to place individuals was taken by municipalities, which in some cases used it as an opportunity to co-operate with social economy organisations without having to make use of the public procurement framework. In this case, the social economy organisations provided actual employment rather than employment support services. Several of the interviewed municipalities found the services to be effective in supporting those furthest from the labour market (and often they were hitting the ceiling of how many individuals they could place within the programme). Following a budgetary decision by the Swedish Parliament in 2021, it was no longer possible to refer individuals to *Extratjänster* since January 2022. However, other forms of supported employment remain in place.

Source: Arbetsförmedlingen (2022[60]), *Extratjänst*, https://arbetsformedlingen.se/other-languages/english-engelska/extra-stod/stod-a-o/extratjanst.

Supporting local networks for social economy providers

Beyond a structured co-operation with municipalities, the social economy can also profit from networks or sector-specific organisations to improve information flow and strengthen capacity. Some social economy organisations, for example social enterprises, often self-organise and set up networks to explore growth potential through mergers or support innovation where contracting conditions do not sufficiently allow it. In the Basque Country (Spain), for example, the Mondragon Corporation unites 96 cooperatives from the region and operates as one of the cash-richest cooperatives in the country, including a member-owned grocery store and a credit union allowing for financial support of their members in procurement processes. The Trento region in Italy operates the *Intervento 18* tripartite agreement that recognizes the importance of social economy organisations as providers of active labour market programs, especially for the most vulnerable jobseekers, and allocates subsidies to social economy organisations to participate in the provision of employability programmes (OECD, 2022[1]). In the Netherlands, the *Social Enterprise NL* is a network that represents social enterprises, e.g. by issuing position papers to the government or running surveys among social economy organisations (OECD/European Commission, 2019[61]).

In Sweden, the Forum for Social Innovation Malmö (*Mötesplats Social Innovation, MSI*) acts as a platform to support knowledge development and collaboration on social innovation and social

[10] Based on interviews with municipalities.

entrepreneurship in the country (Box 3.11**).** The organisation plays an important role bringing together stakeholders from a range of different sectors to discuss societal challenges and the role of social innovation and social entrepreneurship can in overcoming these.

Box 3.11. Forum for Social Innovation Malmö

Founded in Malmö University in 2010, the Forum for Social Innovation Malmö (*Mötesplats Social Innovation, MSI*) is a national knowledge and collaboration platform focusing on social innovation and social entrepreneurship in Sweden. Today, the Forum is also represented at Jönköping University, Örebro University, Umea University and Lulea University of Technology. The forum actively follows what is happening in the field of social innovation and entrepreneurship, both in Sweden and internationally, and it seeks to develop, share, and make use of knowledge and experiences across the country. The forum also arranges and facilitates meetings arenas and make catalytic efforts to build capacity for innovation that meets societal challenges in collaboration with academia, industry, public authorities and social economy organisations. In this way, the forum gathers representatives from all different sectors to discuss common challenges and create strong coalitions and networks not least at local and regional level. In partnership with *Reach for Change* and *Inkludera* (two not-for-profit organisations), the MSI has been selected by ESF to represent Sweden, in a consortium with Spain, France and Latvia, in the project “Building capacity for a sustainable society” (BuiCaSuS). The general objective of BuiCaSuS is to foster transnational co-operation and mutual learning to create or strengthen institutions and organisations acting as national competence centres to nurture an ecosystem of social innovation.

Source: Mötesplats social innovation (2022[62]), *MÖTESPLATS SOCIAL INNOVATION*, https://socialinnovation.se/ (accessed on 14 July 2022).

Bodies that represent the entirety of social economy organisations, however, might not always be the best way to represent their interests in public procurement markets. While networks and sector-specific organisations might help in some circumstances, social economy organisations work in many different areas that span across the welfare spectrum. Thus, an interesting alternative could be to establish an organisation representing providers of employment services more broadly. Such a sector organisation would serve as the voice of the entire sector in advocacy with the government or other organisations and would be sensitive to the need of different types of providers (e.g. large and small, for-profit and not-for-profit). This organisation could also support the systematic development of capacity for all types of providers in entering and staying in the market. Examples of such types of representative organisations are the Employment Related Services Association (ERSA) in the UK and the National Employment Services Australia (NESA). Both organisations act as representatives of independent employment providers, including social economy organisations (Box 3.12).

Box 3.12. Representative bodies supporting social economy entities to act as providers

The Employment Related Services Association (ERSA)

ERSA is the principal platform in the UK through which exchange of experience and support among employment service providers is offered, including those from the social economy. Its members actively engage in a vast array of contracted employment services provision throughout the UK in different parts of the supply chain (prime vs. lower-tier provider). ERSA's membership comprises, among others, prime contract holders, organisations delivering devolved commissioned programmes in Scotland, Wales and Northern Ireland, holders of significant sub-contractors of the large national providers, devolved commissions in combined authority areas, health-funded provision, and skills-funded provisions. For these members, ERSA provides a range of services focusing around influencing policy to improve the design and delivery of employment-related services, as well as being a useful source of information and advice. Among other things, ERSA organises webinars, a partnership forum, and information on funding and evidence on what works in service delivery. Some of these services are targeted to smaller (for-profit or not-for-profit) organisations. As an example, webinars are organised to support business development and capacity for participation in procurement programmes. In addition, ERSA supports networking between organisations, e.g. through networking events on distinct topics. ERSA also hosts annual awards to celebrate success and best practice, for instance the Community Partnership of the Year.

The National Employment Services Australia (NESA)

The peak body of employment service providers in Australia, NESA, is a membership association which started alongside the creation of the out-contracted employment service market in 1998. The organisation received initial funding from the Australian government to support its creation. NESA supports its members by uniting their queries and giving a voice to the industry of contracted employment services. Within the peak body function, the association has created specialized interest groups and task forces to discuss certain topics like claims in the digital transformation of employment services or the challenge of disruptive changes in the provider landscape after new tenders. NESA also functions as an opinion platform for providers to voice their view about the design and implementation of programs.

For social economy organisations, especially smaller community entities, NESA builds capacity to enter and remain in the competitive market. The association helps strengthen the governance structures of not-for-profit companies by training on compliance and risk management techniques, fostering entrepreneurial skills and building awareness of the institutional obligations a provider has when entering a delivery contract. NESA also helps to build workforce development skills, helping to transform

organisations that are primarily focused on social support to also focus on labour market needs, such as job placements and communication with employers. In the context of remote Australia, NESA has been involved in delivering capacity building trainings to local communities in all 60 remote regions of the country in more than 250 programmes. Support includes organisational and service delivery models, financial management and audit, compliance review and process design, day-to-day operational delivery and case management. The organisation also offers support tailored to programmes that are targeted at Indigenous communities. In bidding phases, NESA offers customised service to members to support preparation and review of tenders and provide feedback after failed tenders.

Source: Fact-finding interviews with representatives from Australia and the UK.

4 Recommendations to increase the participation of the social economy in the provision of employment services in Sweden

Analysis of the legal and financial framework for the social economy, as well as the reform of the PES, has shown several barriers to the participation of the social economy in the provision of employment services in Sweden. On the one hand, the new system of contracted-out employment services remains open for social economy organisations. Recent changes of the legal framework for idea-based organisations may improve the overall legal and financial situation. On the other hand, the new system includes a range of elements that may limit the possibilities of social economy organisations to bid for and win procurement contracts. In addition, more could be done at national level to strengthen the recognition and capacity of social economy organisations. Drawing on analysis of existing data sources and interviews with stakeholders in Sweden and other countries, the following measures could be considered going forward to further enhance the participation of the social economy in the provision of employment services in Sweden.

Improving the legal and institutional status of the social economy

To improve the legal and institutional status of social economy organisations, Sweden could consider the following recommendations:

- **Continue the development of a comprehensive legal framework empowering social economy organisations in public procurement and beyond**. The newly adopted Act on the Registration of Idea-based Organisations is an important step to make visible and boost the role of the social economy in general, and in the employment service sector in particular. The Act could benefit from effective implementation and enforcement to promote wide use. This could start by making the registration of organisations free of charge to facilitate the participation of organisations with limited means. In addition, going forward, the legal framework could be further developed to clearly identify and define the social economy as encompassing the broader group of idea-based organisations. This could be based on an evaluation system Sweden could add to the new legal framework for idea-based organisations.
- **Use the new legal framework to strengthen the financial viability of social economy organisations and improve data collection**. The new registration system can pave the way for changes in the tax conditions for social economy organisations that could compensate for the positive impacts (externalities) created by the social economy. In particular, tax exemptions and/or fiscal benefits directed at organisations that are committed to achieve social objectives could be introduced. This could include exemptions or reductions, e.g. for income tax or Value Added Tax (VAT), or tax breaks on social insurance or other employment costs, e.g. to incentivise the hiring of vulnerable workers (OECD, 2022[1]). In addition, building on the new registration system and the data it will generate, a new and broader system to collect data on idea-based organisations in general, and social economy organisations in particular, could be put in place (e.g. including data

on size, financing sources, place of operation, types of service delivery, etc.). This will allow public authorities to better monitor and outcomes and can support the implementation of more targeted policy initiatives.

- **Take steps beyond legal changes to acknowledge and promote social economy organisations as actors that can fill public service gaps.** Social economy organisations could be recognised as trusted delivery partners at all government levels, not only by legal recognition, but also by developing and sharing knowledge and the added value they can bring. The Swedish Government could consider updating the existing strategy on "social enterprises, social entrepreneurship and social innovation" (*Regeringens strategi för sociala företag – ett hållbart samhälle genom socialt företagande och sociala innovationer*) from 2018 as a way to strengthen the role of these organisations in Swedish society. Going beyond the 2018 strategy, an updated strategy could include a more thorough analysis of the regional and local dimension of the social economy, a strategy for sustainable funding (see below), and a mapping of good practices where social economy organisations have supported successful projects, e.g. in co-operation with local communities. Importantly, a review of the strategy could be done in co-operation with municipalities and regions to strengthen the ownership and implementation of the strategy across the country. In addition, to support its implementation, the updated strategy could be accompanied by multi-annual funding.

Improve the financial capacity of the social economy

To improve the financial capacity of social economy organisations, Sweden could consider the following recommendations:

- **Develop a comprehensive public funding strategy for the social economy.** To improve access to funding and provide long-term financial stability for social economy organisations, a comprehensive long-term funding strategy could be developed and pursued. The strategy could cut across different national authorities, including the Swedish Agency for Innovation Systems (*Vinnova*) and the Swedish Agency for Economic and Regional Growth (*Tillväxtverket*), as well as subnational government. The strategy could build on a mapping of the financing market at national, regional and local level, the financing needs of different types of social economy organisations, and financing needs at different stages of their development (OECD, 2022[63]). In particular, the strategy could support the development new models to support long-term financing agreements, especially between municipalities and social economy organisations that spans beyond the yearly budget cycle and cuts across public service silos. The implementation of such a strategy could be closely linked to efforts for skills development among public sector officials (see below) that facilitates public funding to social enterprises.
- **Diversify funding of social economy organisations beyond public funding.** Depending on their organisational structure and legal form, as well as their stage of development, social economy organisations are in need of a wide array of financial resources. To avoid full dependence on public funding, possibly limiting the capacity to accumulate reserves, Swedish social economy organisations could consider alternative financial instruments and support schemes. Among other things, targeted co-operation with specialised private funders and support networks for the social economy (e.g. venture philanthropists, impact investors, ethical investors or social crowdfunding platforms) could help create additional financing sources. These funders can act as catalysts for boosting the social enterprise financing market, such as by introducing innovative financing instruments or by mobilising resources. In addition, co-operation with mainstream finance providers could be strengthened, including outreach by public authorities to mainstream funders to raise awareness about social economy organisations (OECD, 2022[63]).

- **Consider social impact investment, such as social impact bonds, as a way to mobilise public and private financing.** Social impact bonds are finance models for public-private partnerships that are outcome based, but flexible enough to allow testing and prototyping of services. They can help smaller providers including social economy organisations to overcome two financing problems when bidding for contracts: a lack of working capital from the start of the contract and continuity of funding over several years compared to annual funding cycles (OECD, 2016[64]). Such funding models could also be tested in Sweden as a way to mobilise both public and private financing for social economy organisations – either as an alternative finance model for the long term or as an interim solution to seek out new solutions (OECD, 2016[64]). This needs to be supported by measures to enhance the capacity of social economy organisations to undertake impact measurement and monitoring to better demonstrate the value that they can bring to individuals and society. This work could build on the existing efforts by the Swedish Agency for Innovation Systems in the context of the 2018 social enterprise strategy.

Adjusting the public employment procurement system

To reduce barriers for social economy organisations to participate in public employment procurement systems, and in particular the new system for contracted-out employment services, Sweden could consider the following recommendations:

- **Empower clients to make use of the freedom of choice by supporting the dissemination of information about social economy providers.** In a freedom of choice system, information is important for clients to be able to exercise the right to choose providers. This is especially important for those clients relatively further from the labour market, which are also the clients most frequently supported by social economy organisations. As suggested by OECD (2022[42]), *Arbetsförmedlingen* could consider increasing the role of counsellors in supporting individuals in making informed choices. This could be supported by measures to increase the knowledge on social economy organisations and their value added among counsellors.
- **Adjust service requirements to support the entry into the market of smaller and possibly more locally based providers.** Several of the service requirements in the KROM programme may unduly favour incumbent providers and pose a challenge for social economy organisations. The capacity and presence requirements as well as the experience and the staff requirements in particular could be adjusted to better accommodate the entry of smaller players in the market. Adjustments could include the lowering of the capacity requirement in terms of the minimum number of clients accepted as well as staff criteria to also acknowledge more practically/vocationally based staff experiences or qualifications. Such adjustments could be done in a way so as not to reduce overall system quality. Moreover, the requirement for prime providers to specify up front details on sub-contractors could be relaxed to increase the use of sub-contractors from the social economy. Based on experiences from other countries, criteria that reflect the values that social economy organisations can bring could be introduced, including for providers to prove proximity to the local communities to be served, the connection to social and health services to provide holistic approaches, or their capacity to innovate.
- **Review the PES procurement strategy with respect to jobseekers furthest away from the labour market to ensure sufficient funding is available for holistic support for these groups.** Within the overall PES framework, capacity is needed to support those furthest from the labour market – either through in-house services or through (smaller) contracting-out programmes. For this group of individuals it would be relevant to consider social economy organisations as service providers. With the recent introduction of a registration system for idea-based organisations and the adjustments of procurement rules, the PES has a good basis to procure services from social economy organisations. For example, the “Steps to Work” (*Steg til Arbete*) programme could be

further developed to also cover other groups far from the labour market, or a separate procurement system could be introduced for these groups. While such a system would be open to all types of providers, it could be designed in a way to encourage participation of smaller and more local actors. Within this system, an option could be to include alternative outcome measures in the payment model that measures progress to work rather than only getting into work (e.g. improved attitude to job search and work).

- **Enhance the financial capacity of social economy organisations to apply for and perform delivery contracts.** Social economy organisations are challenged by the outcome-based payment model where payments only fall after outcomes in terms of employment or education have been achieved. One option could be to adjust the payment model in a way that allows smaller not-for-profit entities to minimise risk, such as by shortening the time until payments are trigged for outcomes. However, this carries the risk of undesirable outcomes such as very short-term contracts. This may be overcome with the use of staggered payments triggered at different stages/employment spells – e.g. two, four, six and twelve months of unemployment.

Strengthening skills and competences among social economy organisations as well as public procurement officials

To strengthen the skills and competences among social economy organisations as well as public procurement officials, Sweden could consider the following recommendations:

- **Implement measures to strengthen competences and skills development among social economy organisations.** A main focus of such measures could be to improve knowledge on public procurement procedures and business development, as well as financial capacity. Such measures could be developed and provided at the national level, e.g. by the Swedish Agency for Economic and Regional Growth or the Swedish Agency for Youth and Civil Society. Alternatively, building on the work already done by *Skoopi*, *Companion* and *Inkludera*, competences and skills development in the social economy could be strengthened from the inside. As an example, this could be done through mentoring schemes where more experienced social economy organisations pass on their experience and provide training for newer organisations. In addition, support materials could be developed, such as training programmes and technical guides that help social economy organisations learn more about how to access public and private markets.
- **Put in place measures to strengthen competences and skills among public procurement officials to work with the social economy, including in *Arbetsförmedlingen*, municipalities and regions.** The purpose would be to increase the ability of public procurement authorities in Sweden to map out and understand social economy organisations and their potential as providers and co-designers of employment support services, including for the most vulnerable groups. Dedicated development and training for public sector officials could also be provided by the Swedish Agency for Economic and Regional Growth or the Swedish Agency for Youth and Civil Society or, for officials in local authorities, by SALAR/SKR. Alternatively, public authorities could work together with social economy organisations such as *Inkludera* to develop training courses that are tailored to the needs of the public sector.

Strengthening co-operation between contracted providers and different levels of government

To strengthen the co-operation between contracted providers and different levels of government, Sweden could consider the following recommendations:

- **Support the establishment of an umbrella organisation that represents the interests of all types of providers in the employment services market.** The umbrella organisation would serve as the voice with government or other actors, being sensitive to the needs of different types of providers (e.g. large and small, for-profit and not-for-profit). This organisation could also support the systematic development of capacity for all types of providers in entering and staying in the market. Moreover, it would be more likely to engage in frank dialogue with *Arbetsförmedlingen* than a collection of individual social economy actors (e.g. because they are depending on financing from the authority which makes them more hesitant to provide criticism). Inspiration for such a sector organisation could be found in the UK and Australia. While it would be a task of the providers to establish such a body, "start-up support" from the public sector, as was done in Australia in the early 1990s, would be an option.
- **Support the creation of networks to foster local co-operation and collaboration.** As an alternative or addition to a national umbrella body, networks between social economy organisations and all levels of government, independent providers, businesses training institutes and other relevant labour market stakeholders could be set up. The development of such networks could build on the framework developed by SALAR/SKR on how to develop collaboration structures between social economy organisations and municipalities.

References

3SC (2022), "The crisis in public sector contracting and how to cure it", *Position paper*, https://www.3sc.org/the-crisis-in-public-sector-contracting-and-how-to-cure-it-a-wales-perspective/. [31]

Almi (2022), *About Almi*, https://www.almi.se/en/in-english/ (accessed on 12 October 2022). [67]

Alsén, J. (2021), *Arbetssökande med ekonomiskt bistånd*, Arbetsförmedlingen, Stockholm, https://arbetsformedlingen.se/statistik/analyser-och-prognoser/analys-och-utvardering/arbetssokande-med-ekonomiskt-bistand. [57]

Arbetsförmedlingen (2022), *Extratjänst*, https://arbetsformedlingen.se/other-languages/english-engelska/extra-stod/stod-a-o/extratjanst (accessed on 15 July 2022). [60]

Arbetsförmedlingen (2019), *Vissa förutsättningar inför reformeringen av Arbetsförmedlingen Rapportering i enlighet med regeringsuppdrag*, Arbetsförmedlingen, https://arbetsformedlingen.se/statistik/analyser-och-prognoser/analys-och-utvardering/vissa-forutsattningar-infor-reformeringen-av-arbetsformedlingen. [40]

Australian Government: Department of Education, S. (2022), *Workforce Australia*, https://www.dese.gov.au/workforce-australia (accessed on 11 July 2022). [32]

Bargström, A. and L. Calmfors (2020), *The employment service of the future*, Fores, Stockholm. [23]

Brussels-Region (2019), *Arrêté du Gouvernement de la Région de Bruxelles-Capitale du 16 mai 2019 relatif au mandat et compensation des entreprises sociales d'insertion*, http://www.ejustice.just.fgov.be/eli/arrete/2019/05/16/2019012780/justel (accessed on 11 July 2022). [50]

Cabinet Office, U. (2021), *The sourcing playbook. Government guidance on service delivery, including outsourcing, insourcing, mixed economy sourcing and contracting*, Crown Copyright. [52]

Carlsson, S. et al. (2022), *Vissa förutsättningar för matchningstjänster*, Arbetförmedlingen, Stockholm, https://arbetsformedlingen.se/om-oss/var-verksamhet/styrning-och-resultat/aterrapportering/vissa-forutsattningar-for-matchningstjanster. [51]

Coompanion (2022), *Empowerment+*, https://coompanion.se/coompanion/empowerment/ (accessed on 13 October 2022). [54]

Coompanion (2022), *Yalla Rinkeby 2.0*, https://coompanion.se/stockholm/projekt-i-stockholm/yalla-rinkeby-2-0/ (accessed on 13 October 2022). [35]

Cooperatives Sweden (2019), *Swedish Code for the Governance of Cooperative and Mutual* [36]

Enterprises, https://svenskkooperation.se/wp-content/uploads/2019/06/cooperative-code-june-2019.pdf (accessed on 9 December 2022).

Ekobanken (2022), *Ekobanken*, https://www.ekobanken.se/ (accessed on 12 October 2022). [68]

Employment Ontario Partners Gateway (2022), *Employment Services Transformation*, http://www.tcu.gov.on.ca/eng/eopg/programs/est.html (accessed on 9 October 2022). [47]

Eng, A. and C. Olsson (2021), *Lägesbeskrivning utvecklade matchningstjänster Uppdrag 3.2 i regleringsbrevet*, Arbetsförmedlingen, Stockholm, https://arbetsformedlingen.se/download/18.45f2840b17863cf8a2338e1/1618496017199/lagesbeskrivnin-utvecklade-matchningstjanster.pdf. [49]

EUCLID Network (2021), *European Social Enterprise Monitor. The State of Social Enterprises in Europe 2020-2021*, https://euclidnetwork.eu/portfolio-posts/european-social-enterprise-monitor-esem/ (accessed on 11 July 2022). [13]

European Commission (2021), *Building an economy that works for people: an action plan for the social economy*, Publication Office of the European Union, Luxembourg, https://ec.europa.eu/social/BlobServlet?docId=24986&langId=en (accessed on 11 July 2022). [6]

European Commission (2020), *Social enterprises and their ecosystems in Europe*, Publication Office of the European Union, Luxembourg, https://ec.europa.eu/social/BlobServlet?docId=22304&langId=en (accessed on 11 July 2022). [2]

European Commission (2019), *Social enterprises and their ecosystems in Europe. Country report Sweden*, Publication Office of the European Union, Luxembourg, https://ec.europa.eu/social/BlobServlet?docId=21195&langId=en (accessed on 10 June 2022). [8]

European PES Network (2021), *European Stakeholder Conference: The Power of PES Partnerships*, https://ec.europa.eu/social/BlobServlet?docId=23728&langId=en (accessed on 11 July 2022). [20]

European PES Network (2019), "Building up a PES EU Innovation Lab - Concept Paper", European Commission. [44]

Forslund, A. et al. (2019), *Kommunal arbetsmarknadspolitik. Vad och för vem? En beskrivning utifrån ett unikt datamaterial*, IFAU, Uppsala, http://Kommunal arbetsmarknadspolitik. Vad och för vem? En beskrivning utifrån ett unikt datamaterial. [16]

Hej Främling (2022), *Välkommen till Hej främling!*, https://www.hejframling.se/ (accessed on 7 October 2022). [33]

ILO (2022), *Social and solidarity economy*, https://www.ilo.org/global/topics/cooperatives/publications/WCMS_546299/lang--en/index.htm (accessed on 11 July 2022). [19]

ILO (2017), *Promoting Social Entrepreneurship and Social Capital. A Practice Guide to Support Social Entrepreneurship and Inclusiveness in Rural Communities*, https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-cairo/documents/publication/wcms_589097.pdf (accessed on 10 June 2022). [53]

ILO (2017), *Promoting Social Entrepreneurship and Social Capital. A Practice Guide to Supporting Social Entrepreneurship and Inclusiveness in Rural Communities*, [37]

https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-cairo/documents/publication/wcms_589097.pdf (accessed on 11 July 2022).

Langenbucher, K. and M. Vodopivec (2022), "Paying for results: Contracting out employment services through outcome-based payment schemes in EOCD countries", *OECD Social Employment and Migration Working Papers*, OECD, Paris, https://doi.org/10.1787/c6392a59-en. [43]

Mikrofonden (2022), *Mikrofonden*, https://www.ekobanken.se/ (accessed on 12 October 2022). [69]

Ministry of Employment (2021), *Vissa lagförslag med anledning av en reformerad arbetsmarknadspolitisk verksamhet [Some legislative proposals related to a reformed labour market policy activity]*, Ministry of Employment, Stockholm. [26]

Möteplats social innovation (2022), *MÖTESPLATS SOCIAL INNOVATION*, https://socialinnovation.se/ (accessed on 14 July 2022). [62]

MUCF (2022), *Welcome to MUCF*, http://Welcome to MUCF | MUCF (accessed on 10 October 2022). [55]

OECD (2023), "Reforming the Swedish Public Employment Service (PES): The organisation of employment services at the local level", *Local Economic and Employment Development (LEED) papers*, No. 2023/01, OECD Publishing, Paris. [48]

OECD (2022), "Designing Legal Frameworks for Social Enterprises: Practical Guidance for Policy Makers", *Local Economic and Employment Development (LEED)*, OECD Publishing, Paris, https://doi.org/10.1787/480a47fd-en. [7]

OECD (2022), "Legal frameworks for the social and solidarity economy: OECD Global Action "Promoting Social and Solidarity Economy Ecosystems", *ECD Local Economic and Employment Development (LEED) Papers*, No. 2022/04, OECD Publishing, Paris, https://doi.org/10.1787/480a47fd-en. [1]

OECD (2022), *Note on options to strengthen employment services and activation programmes in Sweden (21SE03 - Reforming the Swedish Public Employment Service)*, OECD, Paris, https://www.oecd.org/els/emp/Options%20to%20strengthen%20employment%20services%20and%20activation%20programmes%20in%20Sweden.pdf. [42]

OECD (2022), *OECD Better Entrepreneurship Policy Tool - Guidance note: Access to Finance*, https://betterentrepreneurship.eu/en/node/51 (accessed on 6 December 2022). [63]

OECD (2022), *Recommendation of the Council on the Social and Solidarity Economy and Social Innovation*, OECD/LEGAL/0472, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0472%20. [3]

OECD (2022), "Summary of webinar with international experts on the participation of social economy", OECD, Paris, https://www.oecd.org/els/emp/reforming-swedish-PES.htm. [22]

OECD (2021), "Social impact measurement for the Social and Solidarity Economy: OECD Global Action Promoting Social & Solidarity Economy Ecosystems", *OECD LEED Working Papers*, No. 2021/05, OECD Publishing, Paris. [58]

OECD (2021), "Social Vouchers: Innovative Tools for Social Inclusion and Local Development", *OECD LEED Working Papers*, No. 2021?08, OECD Publishing, Paris, [45]

https://doi.org/10.1787/a98f02c5-en.

OECD (2020), “Regional Strategies for the Social Economy: Examples from France, Spain, Sweden and Poland”, *OECD LEED Papers*, No. 2020?03, OECD Publishing, Paris. [65]

OECD (2020), “Regional Strategies for the Social Economy: Examples from France, Spain, Sweden and Poland”, *OEC LEED Papers*, OECD Publishing, Paris, https://doi.org/10.1787/76995b39-en. [4]

OECD (2020), “Social economy and the COVID-19 crisis: current and future roles”, OECD, Paris, https://www.oecd.org/coronavirus/policy-responses/social-economy-and-the-covid-19-crisis-current-and-future-roles-f904b89f/. [5]

OECD (2020), *SOCIAL ECONOMY AND THE COVID-19 CRISIS: CURRENT AND FUTURE ROLES*, OECD, Paris. [66]

OECD (2016), *Social Impact Bonds: State of Play and Lessons Learned*, OECD Publishing, Paris, https://www.oecd.org/cfe/leed/SIBs-State-Play-Lessons-Final.pdf (accessed on 6 December 2022). [64]

OECD (2013), *Job Creation through the Social Economy and Social Entrepreneurship*, OECD Publishing, Paris, https://www.oecd.org/cfe/leed/130228_Job%20Creation%20throught%20the%20Social%20Economy%20and%20Social%20Entrepreneurship_RC_FINALBIS.pdf (accessed on 11 July 2022). [21]

OECD/EU (2017), *The Partnership for Supporting the Social Enterprise Strategy, United Kingdom, Scotland*, https://www.oecd.org/about/publishing/Corrigendum_BoostingSocialEnterprise.pdf (accessed on 7 October 2022). [46]

OECD/European Commission (2019), “Boosting Social Entrepreneurship and Social Enterprise Development in the Netherlands, In-depth Policy Review”, *OECD LEED Working Papers*, OECD Publishing, Paris, https://doi.org/10.1787/4e8501b8-en. [61]

Regeringskansliet (2022), *Uppdrag till Kammarkollegiet att upprätta ett register för idéburna organisationer*, https://www.regeringen.se/pressmeddelanden/2022/06/uppdrag-till-kammarkollegiet-att-uppratta-ett-register-for-ideburna-organisationer/ (accessed on 7 October 2022). [10]

Regeringskansliet (2021), *Local government in Sweden - organization, activities and finance*, Finansdepartementet, Stockholm. [56]

Regeringskansliet (2018), *Government assignment from the Ministry of Enterprise and Innovation Mission to support the development of social entrepreneurship and social enterprises*, https://www.regeringen.se/regeringsuppdrag/2018/02/uppdrag-att-stodja-utveckling-av-socialt-entreprenorskap-och-sociala-foretag/ (accessed on 7 October 2022). [15]

Region Örebro County (2018), *Action Plan for Civil Society and Social Economy 2018-2020 (Handlingsplan för civilsamhälle och social ekonomi 2018-2021)*. [17]

Region Östergötland (2015), *Regional Development Program 2030 for Region Östergötland (Regionalt Utveckliingsprogram 2030 för Ösetrgötland)*, https://dokument.regionostergotland.se/regsam/Samh%C3%A4llsbyggnad/RUP%202030_webprint.pdf (accessed on 11 July 2022). [18]

Riksrevisionen (2020), *Stöd och matchning– ett valfrihetssystem för arbetssökande [Support and matching - a system of choice for jobseekers]*, Swedish Audit Office, https://www.riksrevisionen.se/download/18.2661402717226a4d2ae9382c/1590394970066/RiR (accessed on 13 October 2022). [41]

Román, J. et al. (2022), *Utvecklade matchningstjänster - Aterrapport regleringsbrev 2022*, Arbetsförmedlingen, Stockholm, https://arbetsformedlingen.se/download/18.1c82023718358f698231815/utvecklade-matchningstjanster-oktober-2022.pdf. [29]

SALAR (2021), *New pathways to innovative welfare solutions. A handbook for collaboration with social enterprises*, Swedish Association of Local Authorities and Regions , Stockholm, https://skr.se/skr/tjanster/rapporterochskrifter/publikationer/newpathwaystoinnovativewelfaresolutions.58966.html (accessed on 11 July 2022). [12]

Sveriges Riksdag (2022), *Förbättrade förutsättningar för den arbestmarknadspolitiska verksamgeten - Arbetsmarknadsutskottets betänkande 2021?22:AU15*, Sveriges Riksdag, Stockholm, https://data.riksdagen.se/fil/294D0395-F9E4-4A1F-B96B-4E6BEFBA0934 (accessed on 16 September 2022). [39]

Sveriges Riksdag (2022), *Förordning (2022:811) med instruktion för Arbetsförmedlingen*, https://www.riksdagen.se/sv/dokument-lagar/dokument/svensk-forfattningssamling/forordning-2022811-med-instruktion-for_sfs-2022-811 (accessed on 12 September 2022). [24]

Sveriges Riksdag (2022), *Idéburen välfärd Finansutskottets betänkande 2021/22:FiU28*, https://www.riksdagen.se/sv/dokument-lagar/arende/betankande/ideburen-valfard_H901FiU28 (accessed on 7 October 2022). [11]

Sveriges Riksdag (2022), *Lag (2022:900) om registrering av idéburna organisationer*, https://www.riksdagen.se/sv/dokument-lagar/dokument/svensk-forfattningssamling/lag-2022900-om-registrering-av-ideburna_sfs-2022-900#:~:text=1%20%C2%A7%20Denna%20lag%20inneh%C3%A5ller,organisationer%20inom%20offentligt%20finansierad%20v%C3%A4lf%C3%A4rdsverksamhet. (accessed on 11 October 2022). [9]

Swedish Ministry of Trade and Industry (2018), *Government strategy for social enterprises - a sustainable society through social entrepreneurship and social innovation (Regeringens strategi för sociala företag ett hallbart smhälle genom socialt företagande och social innovation*, Swedish Ministry of Trade and Industry, Stockholm. [59]

Taylor, R., J. Rees and C. Damm (2016), “UK employment services: understanding provider strategies in a dynamic strategic action field”, *Policy & Politics*, Vol. 44/2, pp. 253-267, https://doi.org/10.1332/030557314X14079275800414. [30]

The Swedish Government (2022), *Förbättrade förutsättningar för den arbetsmarknedspolitiska verksamheten*, https://www.regeringen.se/rattsliga-dokument/proposition/2022/04/prop.-202122216/ (accessed on 12 September 2022). [28]

The Swedish Government (2022), *Regleringsbrev för budgetåret 2022 avseende Arbetsförmedlingen*, https://www.esv.se/statsliggaren/regleringsbrev/?RBID=22276 (accessed on 5 October 2022). [27]

The Swedish Government (2022), *Uppdrag med anledning av en reformerad* [25]

arbetsmarknadspolitisk verksamhet, https://www.regeringen.se/regeringsuppdrag/2022/06/uppdrag-med-anledning-av-en-reformerad-arbetsmarknadspolitisk-verksamhet/.

The Swedish Government (2018), *Regeringens strategi för sociala företag – ett hållbart samhälle genom socialt företagande och sociala innovationer*, Ministry of Enterprise, Stockholm, http://Regeringens strategi för sociala företag – ett hållbart samhälle genom socialt företagande och sociala innovationer (accessed on 7 October 2022). [14]

University of Gothenburg (2020), *Social ipact bonds in Sweden. Structural and operational impediments from experts' perspective*, https://gupea.ub.gu.se/bitstream/2077/65786/1/gupea_2077_65786_1.pdf (accessed on 9 October 2022). [38]

Yalla Trappan (2022), "Yalla Trappan", https://www.yallatrappan.com/ (accessed on 13 October 2022). [34]

For more information: www.oecd.org/cfe/leed/

Follow us on Twitter: OECD, SMEs, Regions, Cities

@OECD_local #OECDregions