

# Engaging the unemployed in the workforce

## Poland pilots a Welfare-to-Work program



Across Europe and large parts of the world, many countries are now dealing with unusually high unemployment. Citizens have become impoverished and social tensions have risen which, in turn, has placed greater strain on both the existing social benefits system and future pension schemes. A growing number of countries, including Poland, are therefore looking for improved approaches to engaging their unemployed.

### The challenge comes into focus

For the Government of Poland, the historically high level of long-term unemployment was becoming an economic challenge. More than 50 percent of the country's unemployed were considered to be 'long-term unemployed', and these high levels of inactivity were effectively siphoning off at least one percent of Polish GDP annually. Three specific challenges were creating barriers for properly engaging the unemployed in Poland:

**1. All unemployed were considered equally in need:** The reality is that unemployment is not a homogenous problem. Some unemployed are highly motivated or only recently unemployed and therefore require little support; others face

more complex barriers to finding employment such as challenging personal circumstances, lack of self-confidence and/or motivation, poor skills and/or extended periods of unemployment. These individuals are identified as further removed from the labor market and require more advanced engagement tools and methods. Proper categorization of the unemployed, therefore, is central to delivering the right services to the right people.

- 2. There was no capability for individualized responses:** Those identified as being further removed from the labor market often require individualized approaches to overcome complex barriers versus a one-size-fits-all approach.
- 3. Engagement measures were not being properly evaluated:** Traditional

assessments of the cost-efficiency and the employment effectiveness of individual labor market instruments put the emphasis on the efficiency of spending. Instead, focus should be placed on achieving an outcome where an unemployed person finds sustainable employment.

### A new model emerges

Recognizing these challenges, KPMG in Poland approached the regional government of Malopolska (Cracow) Region with a new model for engaging the long-term unemployed, one that opens the labor services market to non-public operators (specialized private organizations that undertake contracts for performing engagement services).

Commonly known as welfare-to-work (W2W), the approach has been used successfully in many countries around

the world and is based on a cooperative model between the public labor services, social aid institutions, non-governmental organizations and non-public operators. The model enables an individualized, and thus more effective, approach to engaging the unemployed and increases the efficiency of public spending, as payments are only made when specific outcomes are achieved.

With extensive experience developing and implementing major W2W programs in the UK, Saudi Arabia and the US, KPMG was uniquely qualified to help the regional government in Cracow implement this innovative program. Indeed, by combining KPMG's global expertise in human and social services with its local market knowledge, KPMG in Poland demonstrated a comprehensive understanding of the key stages required to design and implement an effective program and, as a result, won a tender organized by the Voivodship Labor Office in Cracow to assist in the development and implementation of a similar model.

## Making the change

To start, KPMG in Poland conducted a thorough review of both the current labor market and international W2W models to better determine which elements could be leveraged in Poland. The KPMG team then went on to develop and implement the model by providing a wide range of services from public tender execution support and employee training, through

to the on-going monitoring, evaluation and quality control for the program.

Known within the government as the 'express train to employment', the approach introduced many new or deeply redesigned features to the Polish market such as:

- Contracting out employment services to private companies based on **the principle of payment for outcomes**, under which installments are paid only when participants find and maintain employment.
- Providing **freedom to non-public operators to select the engagement mechanisms and tools**, beyond a 'minimum suite' of services that must be delivered by the operator.
- Using careful selection criteria to **categorize and select target groups of participants**, and thus focusing activities on those people who have serious barriers to finding employment.
- **Monitoring the status** of project participants after finding employment, which is critical to sustaining the new remuneration model.

The project – co-financed by the European Social Fund – called for strong collaboration among key stakeholders. Throughout the implementation KPMG in Poland collaborated with not only the client (project leader, the Voivodship Labour Office in Cracow) and relevant social assistance institutions, but also with the other county labor offices participating in the project (including offices in Tarnów,

Da\_browa Tarnowska, Nowy Sa\_cz, Gorlice, Chrzanów, Os'wie\_cim).

## Scaling up the solution

In just the first five months, the small pilot program had already achieved encouraging results, both in terms of securing employment for participants and uncovering jobs that had not been publicly advertised. Most importantly, the selected operator reported that a portion of potential employers were very agreeable to participating in the program.

Based on these early successes, the Polish government is now looking to expand the W2W approach to include additional regions in Poland. Labor market regulations have now been updated and voted into the Polish Parliament to reflect new approaches such as categorizing the unemployed, assessing program effectiveness and contracting non-public operators.

The W2W approach adopted in Poland is expected to offer significant benefits to all stakeholders. For individuals, the program increases employment opportunities and raises the prospect of improved standards of living. For labor services, the program offers a more efficient and effective approach and a comprehensive and complimentary service offering across the public sector. Ultimately, the government gains clear benefits by being able to better meet the needs of its citizens while simultaneously increasing the efficiency of expenditures and alleviating budgetary pressures.



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