



Central Steering and Local Autonomy in Public Employment Services

Analytical paper

October 2014

PES to PES Dialogue

The European Commission Mutual Learning
Programme for Public Employment Services

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1 Introduction

Not only since the Great Recession is **fighting unemployment and promoting social inclusion** a key goal of the European Union. Part and parcel of reaching this goal is an effective and efficient Public Employment Service (PES), transposing governmental labour market and social policy, while assisting private business in their efforts to create new employment. While the contents of “good” PES policies have been defined in the framework of the **PES 2020 Strategy** – such as activation, the provision of services to both jobseekers and employers, and the promotion of partnerships at various levels – *it remains unclear how Public Employment Services are best organised from an operational point of view.*

There is growing consensus amongst PES that some type of **performance management** needs to be included in PES modernisation strategies (European Commission (Nunn), 2012) and the PES need to **cooperate** if not **collaborate with other (profit and non-profit) actors** on the labour market (European Commission (Scoppetta), 2013). Given the multi-faceted array of tasks performed and their wide engagement with a multitude of actors, PES have recently been labelled as “conductors” creating – in a leading function – a symphony of labour market tasks. ***It remains controversial, however, if this conducting role is best performed at the central level, or if sub-national PES are better equipped to orchestrate their own (smaller) symphonies (attuned to local tastes).*** Indeed, despite a long era of discussing the merits of decentralisation public services in the context of New Public Management (OECD, 2003, OECD, 1999), there is substantial inhibition to fully decentralise PES, and some countries seem to *re-centralise* various PES functions.

This Analytical Paper seeks to build on previous assessment of PES decentralisation, provide updated evidence and deepen the debate on the various merits and disadvantages of different approaches relating to decentralised management and central steering approaches in PES management. First, in **Section 2**, building on Hugh Mosley’s Analytical Paper published in 2011, the reader is briefly reminded about the different types of decentralisation, followed by a discussion about the arguments for or against decentralising PES. This section then continues with a general outline of the trends in de-/re-centralisation drawing mainly, but not exclusively, on the literature published since 2011. The subsequent **Section 3** presents an *up-to-date (descriptive) review* of four EU Member States – Finland, Germany, Ireland, and Poland – based on phone interviews and structured email exchanges with PES representatives at central and local level. This section concludes with a general discussion of how different PES tasks related to the European Social Fund (ESF) and the recently launched European Youth Guarantee are integrated into different management approaches, and indeed how they may have influenced such approaches. **Section 4** offers an *analytical assessment* of the findings about what works and what does not (work), *draws some lessons*, and points to possibilities for *future research*. **Section 5** concludes with a summary of the main results.

2 Current Developments in the Decentralisation of PES: A Review of the Literature

2.1 What is decentralisation?

In an earlier Analytical Paper prepared for the PES to PES Dialogue Programme, Hugh Mosley defined decentralisation as the “transfer of responsibility for public policies from the national to the regional, sub-regional or local level” (European Commission (Mosley), 2011, 1). He also identified two types of decentralisation: (1) **administrative decentralisation** in which regional and local PES offices are given increased flexibility in implementing national policy objectives, and (2) **political decentralisation or devolution**, which usually entails a more far-reaching delegation of responsibility from the national PES to sub-national (regional, state, or municipal) levels of government.

Besides differentiating between administrative and political decentralisation, Mosley defines seven “components” of decentralisation, including:

1. **Budget flexibility** (the extent to which sub-national PES can decide how to utilise their financial resources)
2. **Programme flexibility** (the extent to which centrally designed instruments and programmes can be adapted, or new ones can be designed)
3. **Eligibility** (the extent to which local decision makers demarcate policies to specific target groups)
4. **Service delivery** (the extent to which sub-national PES can shape the way in which programmes and processes are organised, including data management)
5. **Personnel** (the extent to which sub-national PES have control over recruitment, training, and pay)
6. **Outsourcing** (the extent to which sub-national PES can contract external service providers)
7. **Performance targets and goals** (the extent to which sub-national PES objectives and indicators of the underlying performance management system are deliberated)

2.2 Why decentralisation?

Decentralisation of public institutions has become a major common trend in many capitalist democracies. Besides broader trends encouraging decentralisation such as regionalisation or public sector reform efforts conducted in the spirit of New Public Management (Weishaupt, 2010), policy makers concerned with employment and social affairs have become “increasingly aware of the importance of the local dimension of labour market policy and the need to facilitate more tailor-made policies in co-operation with other local actors that have a regional fit” (Mosley, 2012, 9). While decentralisation is generally seen as an appropriate tool to promote the sub-national flexibility needed to address the “reality on the ground”, implementation faces several practical and political difficulties. Mosley (2011, 2012), Froy et al. (2011), and Wood (2011) outline several theoretical arguments for and against decentralisation, which are summarised in the table below.

Table 1: The Pros and Cons of Decentralisation

	Pro	Con
Information	Local decision-makers know local needs better and are thus better at devising local strategies	Local decision-makers may lack experience and know-how to develop cohesive strategies; lack of capability
Tailor-made policy	Sensitivity and adaption of policy to local needs	Variation of policy may be to the disadvantage to some (violates equal treatment principal); fragmentation of national policy; uneven quality
Innovation	Local flexibility promotes upward competition	Local flexibility leads to a duplication of processes/efforts and thus wastes resources; may produce (negative) outliers; difficult to react swiftly to national labour market changes
Overcoming policy silos	Centralisation of policy creates grid-lock and hinders cooperation; flexibility allows local PES offices to build close ties with other local service providers	Reduced ability to connect actors beyond local context; difficult to ensure the "right" contact point for employers and to develop sectoral strategies; inability to produce "economies of scale" (e.g. when it comes to purchasing training or in outsourcing)
Accountability¹/Performance Management	Local "ownership" promotes better performance as policy makers need to make a business case to local community/central PES. Local performance management makes it possible to more	Local politics may be at odds with national goals ("localism"); it may also reduce accountability as responsibly is "deferred" to national level. Centralised performance management based

¹ Mosley (2012, 11) hereby distinguishes **four types of accountability** (and their enforcement mechanisms), including (1) **political** (through elections of public representatives), (2) **legal** (through the rule of law), (3) **fiscal** (through audits), and (4) **performance** (through management by objectives; evaluations).

	easily measure performance against locally relevant indicators and take local factors into account (e.g. economic trends, make-up of target groups, etc.).	on common indicators enables benchmarking exercises by comparison of outcomes between PES offices and regions.
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This stylised overview makes clear that decentralisation strategies must be **embedded in larger governance reforms** to minimise “unintended consequences”, ensure overall support by all involved stakeholders, and empower local actors with the capacities needed to perform their responsibilities and tasks. It also makes clear that decentralisation is not a single one-way, but rather a two-way street with many lanes. In other words, efforts to *decentralise* some aspects of administrative or political governance may require the *recentralisation* of other components. Up-and-down movements are possible over time and there are certain trade-offs to be considered. Decentralisation should always be a means to an end (e.g. better effectiveness or efficiency) rather than an end by itself.

Based on previous studies and in-depth discussions, **there are several lessons** about the conditions under which decentralisation produces more of the desired and fewer unintended results.

Table 2: Solutions to Decentralisation Challenges

Information	Decentralisation strategies need to include capacity-building elements to equip local staff with the skills they need. Awarding local responsibility incrementally . Change organisational culture such that work in partnership is appreciated and trust is built among partners.
Tailor-made policy	Definition of nationally defined minimum standards is needed to reduce fragmentation.
Innovation	There need to be possibilities to exchange information , e.g. through national handbooks that portray local innovations/good practices, rotation of (management) staff, or joint workshops to exchange experiences.
Overcoming policy silos	Local flexibility is needed to develop joined-up strategies, yet a multi-level governance structure can ensure regional and/or national, in contrast to local, contact/purchasing points only.
Accountability (Performance)	Decentralisation needs to be accompanied by modern performance management systems that monitor performance through quantified objectives and indicators, and allow for systematic evaluations ; Performance management systems need to be designed as “two-way streets” where local actors can deliberate with central actors about the adequacy of targets and indicators (this also creates ownership); ² There are advantages to standardise (centralise!) certain procedures such as data management to maximise data

² For more information about performance management in EU PES, please see (European Commission (Nunn), 2012, European Commission (Thijs/Staes), 2012).

	collection and ensure comparability through common indicators; Monitoring and verification of local data collection is needed (e.g. through advisory boards or “scrutiny committees” that may include the social partners, civil society actors, or academics); Provide incentives (rewards and sanctions) to ensure commitment.
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Sources: (OECD LEED (Wood), 2011), (Froy et al., 2011)

2.3 Current trends (since 2008)

Despite practitioners’ great interest in decentralisation – mainly discussed in the context of the OECD LEED programme – our state of knowledge about actual trends in EU Member States remains fairly limited. The lack of information is further complicated by the complexity of labour market governance, which differs greatly across countries. For instance, in some countries like **Poland** job-seekers are eligible for (most) PES services only if they receive *unemployment benefits*, while all others are referred to some type of “welfare office” often run by municipal actors (which may or may not be in close contact with PES). In other cases like **Spain**, jobseekers receive unemployment benefits from the *national* PES (SEPE), while active services are provided by *regional* PES, with their own offices, staff and measures. In yet other cases job-seekers may spend some time with the PES before being referred to private service providers or private placement offices (with different rules). This means that in practice a country with a highly centralised PES (like Jobcentres Plus in **England**), may be best described as highly decentralised when it comes to the long-term unemployed who are “passed on” from the PES to private firms after a pre-defined spell of unemployment (European Commission (Finn), 2011).

Notwithstanding these difficulties, there have been some efforts to trace the changes in decentralisation by the **OECD**. There are some general findings based on **an online survey** conducted in 2007/8 (based on PES services to “insured” workers), and a subsequent **in-depth study** of four countries, three of which being EU Member States (**Belgium** (Flanders), **Denmark** and the **Netherlands**). The table below summarises the main findings of the online survey. A succinct summary of the in-depth country studies can be found in the **Appendix** at the end of this paper, which also includes a short summary of **Spain**, a case for which some primary data was collected in the context of writing this Analytical Paper.

Table 3: Flexibility available at the local and sub-regional level in European OECD countries in 2008 except Sweden

	Budget ³		Programme Design ⁴		Eligibility ⁵		Performance Management	
	No flexibility	Flexibility (med/high)	No flexibility	Flexibility (med/high)	No flexibility	Flexibility (med/high)	No flexibility	Negotiate Targets
Austria		XX		X		X		X
Belgium	X			XX	X		X	
Czech Rep.		X		XX		XX		X
Denmark		XX		XX		X		X
Finland		X		XX		X		X
France		X		XX	X		X	
Germany		X		X		X		X
Greece	X		X		X		N/A	
Hungary	X			(X)		X	X	
Ireland		X		X	X			X
Italy		X	X			X	X	
Netherlands	X			X	X		X	
Poland		XX		X	X		X	
Portugal		X	X		X			X
Spain	X		X		X		N/A	
UK		X	X		X		X	

Source: Froy/Giguère 2009, 42.

X = medium

XX = high

³ High flexibility means "block grants", while medium flexibility includes either category "special funding" or "can move funding" or both.

⁴ High flexibility combines two of the three categories "design strategies", "can choose mix" and "involved in design", while countries medium flexibility only checked one of the three categories; Hungary is the only country, where the local level is only "consulted".

⁵ High flexibility means that local PES "set criteria", while medium means that they have "some freedom to decide"

2.4 The Role of the EU: ESF Funding and the Youth Guarantee

In the aftermath of the Great Recession, the EU Member States have launched the Youth Guarantee initiative in which they committed to “ensure that, within 4 months of leaving school or losing a job, people under 25 should receive a good-quality offer of employment, further education, and apprenticeship or a traineeship”. For that purpose the Member States were asked to submit national **Youth Guarantee Implementation Plans** (YGIPs) in 2013/2014, which outline planned long-term **structural reform actions** that are sensitive to national, regional and local circumstances.

PES play a crucial role in the implementation of the YGIPs, and accordingly, outlined their own capacity-building reform efforts as their specific contributions in separate documents (European Network of Heads of Public Employment Services, 2013). The priorities for reform efforts are divided into four areas, including “Restructuring PES to better service young people”, “Career guidance structures and coordination with school based services”, “Services for employers” and “Initiating alliances for basic and further training”. While the majority of financial resources are envisaged to come from Member State sources, the European Union supports the Youth Guarantee through the **European Social Fund** (ESF) as well as the **Youth Employment Initiative** (YEI). The YEI is a special measure that dedicates EUR 6 billion to regions struggling most with youth unemployment and inactivity (NUTS-2 regions where unemployment rates are above 25%). The ESF, in turn, is the EU’s most important financial tool to promote employment growth, enhance workers’ skills, address issues of discrimination and social exclusion, and mitigate the consequences of the economic crisis – especially the rise in unemployment and poverty levels. The ESF funds a large variety of employment-related projects throughout Europe and the PES is often an important actor delivering national, regional or local programmes.

In the country sections below, I will briefly outline how PES implement the Youth Guarantee and what role the ESF plays both in relation to the YG and more generally with regard to labour market programmes. While an in-depth discussion of the ESF goes beyond what is possible in this paper – and the YG has just been launched – the paper discusses how well PES incorporate both the YG and ESF-funded programmes in their daily operations, and assesses if the EU-specific requirements such as monitoring and reporting affect the PES’s centralisation/decentralisation strategies.

3 PES Governance Structures in Four countries: New Insights

In the following sections, I will outline the relationship between local autonomy and central steering as currently found in Finland, Germany, Ireland, and Poland; highlight relevant recent reforms, and briefly discuss how these four countries integrate the Youth Guarantee and the ESF. Each country section closes with a summary statement.

Please consult the **Appendix** for a more general presentation of the four PES governance structures. These short overviews **offer helpful background information**, especially to those readers not familiar with specific countries' PES organisational set-ups.

The review of the country cases is organised along the seven dimensions of flexibility highlighted above. However, two changes have been made to Mosley's categories: First, given that "eligibility" is practice highly dependent on "programme flexibility", I discuss these two dimensions under one heading; second, in order to make the labels more coherent, I have renamed the dimensions "service delivery" as "procedural flexibility" and the dimension "personnel" as "staffing flexibility".

3.1 Finland (Ministry of Employment and the Economy (TEM), 15 regional ELY centres, 15 TE offices plus 102 branches)

3.1.1 Budget setting / flexibility

The resources for PES come almost entirely from the (tax-based) state budget. The **Ministry of Employment and the Economy (TEM)** prepares the annual budget as a part of the four-year government budget draft. The principal (resource) group of the TEM is divided into seven different policy areas, according to its different departments/policy areas. PES resources are part of the policy area of the department for employment and entrepreneurship. Parliament approves the annual budget of the TEM alongside its main business objectives and targets.

In practice, there are two budgets for PES activities: an **operational budget** and a **budget for active labour market policies**. The *operational budget* is transferred directly to the **15 Employment and Economic Development Offices (TE offices)** by the ministry. This budget needs to cover all operational costs such as staff, lease, communications etc. The amount remains fairly stable over time, and reflects both the size of the office (personnel) and productivity enhancement targets.

The budget for *active labour market policy*, in turn, goes first to the **15 regional centres for Economic Development, Transport and the Environment (ELY)** – which steer and supervise the activities of the TE offices – before they pass the relevant items on to the TE offices. This amount reflects the level of unemployment and the size of the region (number of customers). It can be used flexibly in the sense that budget lines can be freely shifted as needed and the size can be renegotiated (if unforeseen changes occur). There is also the possibility to draw on this budget during the following year, which further enhances flexibility. The amount is set by the government *after* consulting the ELY, who prepare – jointly with the TE offices – annual strategy plans, outlining performance targets and associated budget needs.

There are is an additional budget mechanism that allows Finnish regions to request money from the government, pending parliament's approval. The use of ESF funding by the PES remained limited in the past and will no longer be available in the current ESF period (see below).

3.1.2 Programme flexibility / eligibility

All programmes are designed and contents defined centrally through **national legislation** and the **ministry's "user manuals"**. The ELY centres/TE offices can, however, set priorities with regards to target groups (as part of the annual strategy plans) and the TE offices choose what type of service is offered to what customer. In addition, ELY centres/TE offices can tailor the contents of education and training

measures – within the definitions of the law – such that regionally or group specific needs can be met. In some regions, the annual strategy plan includes an item for “innovations” which then allows TE offices to create their own tenders for additional measures put forward at local level. Especially when it comes to the hardest-to-place clients, the TE offices also rely on a large number of partners, including municipalities and the third sector, which increases operational flexibility by enhancing the “portfolio” of measures that can be offered.

3.1.3 Procedural flexibility

Recent Finnish PES reforms have been aimed at streamlining and innovating customer-oriented services. This includes the introduction of a demand-driven and **multi-channel approach** (face-to-face, phone, e-services), an **integrated action model** (employment and entrepreneurship services taking into consideration special regional characteristics), and the **promotion of close cooperation with other service providers and utilising (regional) partnerships**. The renewed service model is based on **three service lines**, including the “Employment and Enterprise Services”, the “Competence Development Services”, and the “Supported Employment Services”. The **first line** targets at job-ready clients and businesses, the **second line** targets job-seekers who need some form of training or education, and the **third line** seeks to promote labour market entry of those clients who require a variety of additional services (European Commission, 2014a). Partnerships promoted include private business and regional enterprise bodies in the first line, education and training facilities in the second line, and municipalities, care units, and Social Security related agencies in the third line. The ELY centres are responsible for ensuring that the necessary and statutory employment services are in place and available to all those who need them at all TE offices. **TE offices are granted the flexibility to create additional functions or service lines**. For instance, in North Ostrobothnia, a fourth cross-cutting service line has been introduced to monitor quality in the other three service lines.

The introduction of the three service lines represents only part of a larger reform. Until 2015, further steps will be taken including drawing up a (standardised) development plan for customer services, a development plan for online/e-services, including a customer management database, the introduction of a management model for skills and competences, systematic monitoring, and internal and external communications programme and a national management programme. The reforms enacted seek to not only improve the effectiveness and efficiency of PES services, but to respond to a **previously fragmented (too decentralised) system** in which local considerations determined to a great extent policy actions, which in turn compromised national objectives (Duell et al., 2009).

3.1.4 Staffing flexibility

TE office directors can hire their staff without intervention by the ministry or ELY. However, TE office directors are bound by the operational budget when it comes to staff numbers.

With regard to staff qualifications, TE staff is trained and receives further education by a ministry-owned training centre, which has been in existence since the 1970s. Supervising staff education and the development of curricula (including updating staff skills with regard to customer-service orientation or the needs of business) will become part of the **newly created central administrative unit**.

In the context of “streamlining” TE office procedures, staff activities have become comparable across the country. A **national payment scheme** has been developed that takes into account how demanding a particular type of role is.

3.1.5 Outsourcing / contracting

The TE offices provide a variety of placement, guidance and counselling and service in-house. All education and training measures, in turn, are provided by external bodies. **The ELY centres/TE offices organise the tendering process** without interference by the ministry, starting with an assessment of needs (forecasts) by specialists, followed by the development the topics and a definition of the needs to be fulfilled, the management of the tender process, and finally the monitoring of the tender's implementation. The "division of responsibility" between ELY and TE for each of the tender's steps varies by region.

Two pilot projects are currently underway in which **private job-placement agencies** are recruited, which are paid based on their performance.

3.1.6 Performance management

Results based (quantified) performance management has a rather long history in Finland, going back to the early 1990s. Performance targets (and indicators) are set annually by the TEM and passed on to the ELY centres, which then monitor the TE offices' performance.⁶ Target levels are based on a reiterative process. The TEM defines national strategic goals to which ELY centres, in close cooperation with TE offices, respond by defining performance targets. The targets are then negotiated and – at times – made more ambitious by the TEM. The Finnish performance management system includes a wide variety of over 30 outcome, output, process and quality targets.

There are neither positive nor negative incentives, even though performance is closely monitored by local statistical experts and the ministry. **Currently discussions are underway how to best update the performance management system**, including an overall reduction in the number of targets and indicators.

3.1.7 ESF and the Youth Guarantee

Finland belongs to the group of Nordic countries considered "pioneers" of youth guarantees. Since 1996, Finland has made youth a priority, offering youth personalised needs assessments and individual employment plans, followed by a "guarantee" that may include either the offer of a job or a study opportunity (academic or vocational), or some other activation measure (Mascherini, 2012). In 2013, an updated version of the Finnish Youth Guarantee was launched. Accordingly, the **European Youth Guarantee** does not represent a challenge to the Finnish PES and no pilot studies have to be run. The Youth Guarantee is fully embedded in the national performance management system with three main targets, including an unemployment rate of maximal 15.6 per cent for people under the age of 25, a flow to an unemployment spell of more than three month of at maximum ten per cent – this is considered the most important targets as it monitors the effectiveness of PES –, and a flow to unemployment amongst recent graduates aged 25-29 of at maximum 13 per cent. The European Youth Guarantee has, despite Finland's long experience with youth guarantees, had an impact in the sense that it **stimulated horizontal** (cross-departmental) **and vertical cooperation** (between ministries, ELY, TE and municipalities). For instance, in the North Ostrobothnia region, the YG has led to the creation of **youth service points, operated jointly by TE offices and municipalities or cities**. Moreover, the introduction of the EYG has affected **enterprises** in several ways: it sends an important message to them that youth matters to the government and that youth receive additional training or education (which should make them more attractive to employers); improves the dissemination

⁶ Consult the following link for a more general overview of the Finnish public sector's performance management:
[Http://www.vm.fi/vm/en/04_publications_and_documents/03_documents/20130228Shortd/Performance_management_IN_FINLAND.pdf](http://www.vm.fi/vm/en/04_publications_and_documents/03_documents/20130228Shortd/Performance_management_IN_FINLAND.pdf)

of information on youth jobseekers and programmes available; and finally, employers who hire an unemployed youth receive a Euro 700 wage subsidy for up to ten months.

The **ESF** is administered by the central ministries, who also determine national priorities that include the EYG and EURES. Subsequently, ELY centres define, in close cooperation with TE offices, regional objectives and create tenders. Mostly private (third sector) actors, including training and education providers, as well as municipal authorities apply for the ESF funding to implement the programmes of the tenders. In the previous ESF-funding period, ELY centres/TE offices could also apply, but this did not happen in all regions. During this last ESF term, the priority was to find innovative measures, which had led to several projects implemented by ELY centres/TE offices, further enhancing the PES's programmatic flexibility. In the current ESF programme (from 2014 onwards), it is no longer a possibility that ELY centres/TE offices apply for/implement ESF-funded programmes. Overall, the ESF operational programmes have not had an effect on the Finnish PES's governance structures.

3.1.8 Summary statement

The Finnish PES used to be characterised by a highly decentralised system, with a strong local emphasis. Recently the government has begun a substantial reform process to "recentralise" the system in order to assure a harmonization of nation-wide services, improve efficiency of service delivery, react to changing demands of employers, and also address the needs of more disadvantaged workers. These reforms largely correspond with the recommendations of the OECD critique from 2009 (Duell et al., 2009). Further steps are still planned, including setting up a central administrative unit which will serve as a "central steering point", a reform of the performance management system, and a redefinition of the cooperation between the PES and municipalities, which also provide services to the long-term unemployed. Given the overlap of TE and ELY activities, there is also a need identify possibilities where responsibilities could be more clearly defined, a duplication of tasks and procedures avoided, and process implementation made more complimentary. The reformed Finnish system remains to be characterised by high levels of flexibility.

3.2 Germany (Federal Employment Agency, 10 Regional Directorates, 156 local Employment Agencies plus 617 business offices)

3.2.1 Budget setting / flexibility

The German PES's (Federal Employment Agency, **BA**) operations, overhead and tasks in the area of **unemployment insurance** are mainly funded through mandatory unemployment insurance contributions (close to 90% of the overall budget). These contributions – like other social security contributions in Germany – are automatically levied in equal parts on employers and employees (currently three per cent), and directly credited to the BA. Additionally, the *government* may provide extra (tax-based) funding for particular projects (e.g. reintegration of older workers through the Initiative 50-plus), while the EU provides funds through the ESF.⁷

Since 2013, the **local Employment Agencies** estimate their ALMP budget needs in autumn for the following year, based on labour market situation forecasts, their customer bases and strategic foci. The **Regional Directorates** aggregate the budget requests for ALMP, who then inform the central PES. The BA decides on the overall budget for active measures, which is subsequently approved by the government. The Regional Directorates distribute the money to the local Employment Agencies. At local level, the Employment Agencies are free to use the ALMP budget as they choose, shift

⁷ In addition, employers make small contributions for special expenditures (Wintergeld und Insolvenzgeld), and the BA may generate profits made on interest on previous BA budget surpluses.

budget items if needed, and to assign staff to office locations and determine their roles (e.g. placement officer, employer contact etc.).

3.2.2 Programme flexibility / eligibility

The available active labour market **instruments** are defined by the federal government and codified in the **Social Code Books (SGB)** II and III for uninsured and insured jobseekers respectively. The local Employment Agencies **can freely choose** which of the instruments defined in the SGB III they want to apply. Employment Agencies also have the opportunity (based on § 135 SGB III) to **temporarily launch innovative pilot projects** up to 2 Million Euro. These programmes can be initiated by the PES management or the local tripartite advisory boards upon approval by the central PES. However, since these programmes have to meet various efficiency and effectiveness expectations, their use remains limited. There is also the possibility (based on § 10 SGB III) to **support individuals** with special measures currently not available in the SGB III. Local instruments are supplemented by *federally* launched programmes – both by ministries and the BA itself⁸ – as well as programmes launched by *Länder governments*, often in the context of ESF funding. These programmes are typically targeted at specific target groups such as older workers, lone parents, low-skilled, or – most recently – long-term unemployed.

3.2.3 Procedural flexibility

The operational structures and customer interaction processes are defined through **central specifications** for both jobseekers and employers. Data collection is very comprehensive and managed centrally, albeit with high levels of local accessibility and usage (e.g. in the context of performance management or the use of the **Labour Market Monitor**, a data portal that provides geographically and sectorally specific labour market data and assists with building networks amongst all relevant stakeholders). The central PES also organises the **Jobbörse**, Germany's largest job-search online portal which offers nation-wide services for both jobseekers and employers.

3.2.4 Staffing flexibility

Local Employment Agencies can decide *who* to hire, in what location and in *what role* to employ them. Continuing education for staff is also decided locally. However, the **overall number of staff** is assigned to each Employment Agency based on a region-specific budget for personnel. Likewise, staff **initial qualifications** and staff **remuneration** is based on central input and nation-wide collective agreements for PES employees.

3.2.5 Outsourcing / contracting

Within the framework of the SGB III, the Employment Agencies can decide what type of additional (highly standardised) services they would like to purchase on the market. **The bidding process is organised through five "purchasing centres" connected to the Regional Directorates.** The typical services bought from external providers include "soft skill" courses (application and interview training), courses to *prepare* for vocational training, and *school-based vocational training courses*.

⁸ At **central level**, the BA can also initiate and implement its **own programmes** within the governmentally approved budget. Recent examples include WeGebAU, a programme launched to support training of low-qualified staff in SMEs, and IFlaS, an initiative to support structural change through qualification measures made available for low-skilled jobseekers. In addition to these instruments, there are several **initiatives** and **programmes** launched by various federal ministries (e.g. the Ministry for Work and Social Affairs, the Ministry for Education and Research, or the Ministry for Family, Seniors, Women and Youth). The BA operates as a service provider for the government implementing these programmes.

In addition, some services are “bought” by jobseekers themselves through **vouchers**. The vouchers include job-search support by *private placement services* (which are a “right” for jobseekers given certain requirements) and *further vocational training* (issued by PES officers if deemed appropriate). Since April 2012, local Employment Agencies can also use vouchers for the other outsourced activation services, such as so-called “soft skills” courses. All service providers must be accredited through independent third parties. **The introduction and use of vouchers effectively removes the need for a tender-based bidding system**, which reduces organisational and administrative costs and creates a demand-driven market structures.

3.2.6 Performance management

The BA relies on a wide range of quantitative and (since 2014) qualitative performance targets and indicators.⁹ In the recent past, the BA headquarters defined **targets**, based on mathematical calculations, and **indicators**, which were then assigned to local Employment Agencies via the Regional Directorates. Setting targets for each Employment Agency involved a process of negotiation (European Commission (Nunn), 2012, 46). **Since 2013, the target setting system operates differently** (and some indicators have also been adapted). Now, the local directors consult their team managers and – based on predictions of labour market developments, the current stock of clients and the strategic focus of the PES branch – **define targets to be reached themselves**. In some offices, this **bottom-up process** led to ambitious targets and no further target adjustments (negotiations) were needed; in other cases, the Regional Directorate negotiated with the manager to increase targets. Once targets are set, there are **benchmarking** exercises between PES offices, and performance is monitored on a monthly and assessed on a quarterly basis. Local Employment Agency managers receive performance-based bonuses on target achievement; good performance affects also their promotion prospects (European Commission (Nunn), 2012, 47).

3.2.7 ESF and the Youth Guarantee

In **Germany**, about two thirds of the **ESF** budget goes to the *Länder*, who – in close cooperation with Regional Directorates and local Employment Agencies – plan and monitor a variety of labour market programmes. The remainder third goes to the federal government, where several ministries receive ESF funding for social, labour and educational policy measures. All ESF-sponsored labour market programmes are implemented in full or in parts by the PES or, in case of programmes for the long-term unemployed, by the municipality-run employment and social affairs offices. Programmes and initiatives implemented in the context of the ESF are integrated into the operational business of the BA like any other federally or regionally funded measure. As such, the ESF does *not* require substantial adjustments to regular procedures or governance structures.

With regard to the **Youth Guarantee**, the BMAS is the responsible coordinating ministry at federal level, although numerous other federal ministries are involved (Federal Ministry for Labour and Social Affairs, 2014). The government believes that the recommendations of the YG are already fully implemented in Germany – a view fully supported by the central PES representatives and the local Employment Agency managers interviewed. Hence the German goal is to further improve the *quality* of integration of youth in employment or training, and to enhance the *cooperation of*

⁹ Qualitative targets include objectives such as, for instance, to better identify the needs of specific customers (e.g. small and medium sized enterprise, or youth unemployment with only a lowest-tier or without an educational degree, or long-term unemployment), while quantitative targets include a wide range of issues such as average duration on benefits, number of job placements, number of job-to-job transitions, vacancy filling, UB processing times, and customer satisfaction (Bundesagentur für Arbeit, 2013, 38).

local partnerships in the context of the Young People and Career Work Alliances. Designating a pilot area for the YG-roll-out is thus not necessary and a request for YEI funding is not applicable.

3.2.8 Summary statement

The German PES offers a **balanced mix** of central steering and local autonomy. The centre defines – jointly with the social partners – the overall budget, operative structures and procedures including data management, and performance indicators. The local Employment Agencies, in turn, decide rather independently the level of ALMP budget needed and their strategic visions (including how to utilise their budget). In recent years, the **level of local autonomy has gradually increased** and regular adjustments have been made based on the lessons learned (e.g. how to determine local ALMP budgets or set targets, or how to increase the scope for vouchers). At regional level, regional governments can furthermore accentuate a regional profile by providing additional funds for measures operationalised by regional and implemented by local Employment Agencies. Given the definition of minimum standards and operational guidelines, regional and local variation is minimised and jobseekers are likely to receive similar services nation-wide. Given the possibility to launch regional or local initiatives, there is slight variation in programmes, but not in benefit levels or ALMP tool kits.

3.3 Ireland (Department of Social Protection/Intreo Centres)

3.3.1 Budget setting / flexibility

The Irish PES is mainly tax funded as more than 95 per cent of funding comes the **Exchequer** (finance ministry), with some additional funding from the Social Insurance fund (European Commission, 2014c, 2) and the ESF. **The budget for PES activities is managed centrally by the Department for Social Protection (DSP)**. Some programmes have a pre-defined national cap (i.e., a set number of participants for a given time frame); other active programmes – as well as income support – are demand-driven: If the budget is exceeded, the DSP needs to seek additional funding from the Exchequer.

At **divisional level**, there is also a small flexible budget that can be used to organise Intreo-specific events. For instance, some Intreo centres regularly organise Job Fairs to which they invite a large number of their clients (several hundred) to meet with local employers and training/education providers.

3.3.2 Programme flexibility / eligibility

All labour market programmes are **designed centrally**, including purpose and target groups. There are no additional programmes designed at divisional level, which is considered appropriate given Ireland's small size and the wide variety of programmes available.¹⁰ The government sets out priority groups and thus defines, for some programmes, who can apply.¹¹ Nationally designed education and training programmes can be adapted locally, if needed and within limits. For instance, if it becomes clear that a training course is based on an increasingly obsolete curriculum, the divisional manager can engage with the local Education and Training Board CEO

¹⁰ Recruitment to programmes varies. SOLAS training programmes specifically for the unemployed, including Momentum recruit solely by referral from DSP/INTREO case officers. The same is true for TUS. Waiting times vary depending on the popularity of particular courses, but are very short (weeks) in the case of TUS and Momentum. Community Employment projects notify vacancies for qualified applicants to DSP, but may also recruit qualified applicants based on the project's linkages within its own community

¹¹ For instance, the government created the Momentum programme specifically designed to offer long-term unemployed youth educational opportunities. The Intreo centres have some flexibility, when it comes to who is prioritised within this group (e.g. by profiling category).

and the employers for which the course are relevant to update the course contents accordingly.

At local level **programme flexibility depends on the opportunity structures** in terms of programme provision and services offered to particular target groups. For instance, in some rural areas it can be difficult to find private employers (for instance to offer internships), education providers are difficult to reach, and particular third-sector actors are missing (e.g. youth organisations). However, given that the Community Employment programme is available nationwide, Intreo centres can offer some support to jobseekers.

3.3.3 Procedural flexibility

Activation administration procedures including client profiling are defined by the department centrally. The DSP also **collects and disseminates labour market data** and manages the *Jobs Ireland* website, the online recruitment platform for employers and jobseekers. The divisional managers, appointed by the ministry to heading up 13 geographical regions (divisions), play a crucial intermediary role in managing the data flow vertically (between the ministry's headquarters in Dublin and the local Intreo centres implementing labour market services) and horizontally (connecting PES offices with other relevant stakeholders and service providers).

3.3.4 Staffing flexibility

A central **human resources unit within DSP** manages staffing across the entire department, including Intreo centres. The **divisional managers** are given a total allocation from within which they can decide where (which office) personnel is deployed to, and in which role (e.g. placement officer, employer services).

3.3.5 Outsourcing / contracting

Ireland has a "dual" public employment service whereby about 75% of the activation service is delivered by DSP's Intreo centres and the balance by *contracted* providers of the **Local Employment Service (LES)**. The Intreo centres concentrate primarily on activating short-term unemployed, while the LES deliver services to both short-term and long-term unemployed. The LES does not have national coverage. They are located mainly in areas of higher deprivation. There is a close working relationship between Intreo centres and LES given that most LES clients are referred directly by Intreo case workers. In addition to the LES there are some 50 **Job Clubs** also operating under contract to the DSP. These provide additional services to "job-ready" clients including assistance with job search and job interviews. Referrals to Job Clubs are made by both Intreo Centres and LES. Most LES offices are operated by Local Development Companies many of which deliver other public employment programmes of communal value (such as CE and TUS). The LES and Job Club contracts are tendered at central level but are operated at local level.¹² Training and education courses are delivered by the Education and Training Boards, who in turn may contract some courses to private providers (in close cooperation with Intreo management). Tenders in these cases are issued at national level.

3.3.6 Performance management

The DSP sets a variety of performance targets for local Intreo centres, which are monitored by the divisional managers. These targets are mostly **operational** – e.g.

¹² Given a very high client-to-caseworker ratio, the government currently plans to launch the **JobPath** programme to increase existing activation capacity. JobPath is aimed specifically at the long-term unemployed and those most distant from the labour market. JobPath services will be delivered by providers under contract to DSP. Each provider will have a discrete contract area which means that Intreo Centres cannot "pick" their service providers themselves. It is expected that Intreo Centres will work closely with the private providers once JobPath has been implemented.

how quickly benefit claims should be processed, how many clients an Intreo centre refers to LES, etc. Accordingly, the divisional managers *do not negotiate* targets with central DSP staff. In 2012, the newly elect government launched a comprehensive multi-annual **Pathways to Work (PTW)** strategy, outlining 50 steps how to promote employment, reduce (long-term) unemployment and promote social inclusion. With the launch of PTW, the government also set a range of broader, partially quantified outcome targets, which have *not* however been broken down to the divisional or local level.¹³ While the Irish PES/DSP does not use a balanced scorecard or other data presentation system (European Commission (Nunn), 2012, 19), quarterly updates on progress against the PTW targets are published at national level.¹⁴

3.3.7 ESF and the Youth Guarantee

In **Ireland**, the implementation of the YG is coordinated by the **Department for Social Protection (DSP)**, who also mobilises and coordinates the support of other main partners, including other several other ministries and the **Training and Further Education Authority SOLAS**, as well as non-governmental actors such as the Irish business and employer association (IBEC), the trade unions (ICTU), the National Youth Council (NYCI) and many others. The DSP has set up a **Youth Guarantee Implementation Group** to develop and implement the YG. This group has organised a consultation forum, retained the OECD to provide input (OECD, 2014) and consulted by the advisory multi-partite Labour Market Council (who will also review the process) established in 2013 in the context of the Pathways to Work strategy (DSP and DES, 2013, 14-15).

The YG is fully integrated into **regular PES procedures** with some existing schemes being altered or modified and some new programmes (e.g. mobility programme) being developed. Young jobseekers are profiled when they first register, will be engaged on an accelerated schedule as compared with older job-seekers, and receive priority for interventions. The overall number of places/opportunities has been increased and quotas for young people established, even though youth unemployment has fallen from almost 80,000 in 2009-10 to 55,000 in 2013, and continues to fall in 2014 (DSP and DES, 2013). Upon receipt of benefits, all jobseekers including young jobseekers have to sign a Record of Mutual Undertakings/Commitment. Both at central level (DSP) and local level (Intreo) all relevant stakeholders are mobilised to deliver the YG (European Commission, 2014c, 9). The divisional manager found the YG to be a "perfect example" for the **need of both central guidance** (priority setting and coordination) and **local flexibility** (choosing the appropriate mix of instruments and partnerships, given a certain local economy and customer base).

For DSP/Intreo, the **ESF** does not represent an "additional" source of funding in the sense that locally implemented PES programmes or priorities are set independent from and in addition to regular planning.¹⁵ Rather, the Exchequer calculates expenditures for each department, and subsequently a budget that already includes ESF money is then passed on to DSP or DES.¹⁶ Thus, for the divisional managers implementing

¹³ The Labour Market Council, consisting of a group of expert and stakeholder representatives including employers and trade unions, was set up to monitor and advise the government on their Pathways to Work strategy. The LMC has recently encouraged the DSP to develop a benchmarking process such that individual Intreo centres' performance can be compared with each other (Labour Market Council, 2014). How this benchmarking process could look like still needs to be decided.

¹⁴ Compare current progress at:

<http://www.welfare.ie/en/downloads/PTWQ12014PerformanceReport.pdf>

¹⁵ Ireland is currently applying for the **YEI** and hopes to be able to receive co-funding for the roll-out of the Youth Guarantee.

¹⁶ The ESF is "located" within the Department of Education and Skills and most ESF activities relate to the support or training and education programmes (which are implemented by ETBs, who in turn work closely with the PES).

government policy, it makes no practical difference if a programme is (partially) funded by the ESF or not.

3.3.8 Summary statement

The Irish case represents an interesting case of *strong central steering* – budgets are set, programmes designed, staff recruited, and tenders managed centrally – yet local implementation offers significant degrees of autonomy. This autonomy stems from mainly two sources, including (a) a **wide range of programmes available** to choose from, including various high-quality measures designed to “upskill” the unemployed, and (b) a long tradition to engage in **local partnerships** that include not only private employers but also a wide range of third-sector actors. The centrally organised system has also the advantage that it enables a good flow of information and communication – both vertically down to local Intreo centres and horizontally between divisional managers. The divisional managers play a key role in the flow of information on local developments. In contrast to many other PES, **outcome-oriented performance targets are only aggregated at national level**. Accordingly, benchmarking of local Intreo centres is currently not practiced, which is seen as an area for further improvements (Labour Market Council, 2014). Finally, if the new governance system that only **marginally involves the social partners** – which is in stark contrast to FÁS, where the social partners were present in most, if not all, strategic policy making committees (Weishaupt, 2011a, 202) – represents a liability remains to be seen.

3.4 Poland (Minister of Labour and Social Policy (MPiPS), regional Voivodeship offices (WUP), local Poviats level offices (PUP))

3.4.1 Budget setting / flexibility

The Polish PES, comprising 16 regional **Voivodeship Labour Offices (WUP)** and about **340 local (Poviat-level) Labour Offices (PUP)**, is financed through various sources: the *main* funding source for PES tasks – *benefit and ALMP delivery* – is the **Labour Fund**, which derives its revenues through employer and employee contributions and subsidies from the national budget. The Minister calculates the shares for each region based on an algorithm and on advice of the tripartite **Labour Market Council** – consisting of employer, union and public authority representatives. The Voivodeship Marshals¹⁷ allocate the budget to local mayors (*starostes*), who in turn, allocate it to PUP. At PUP level, the Labour Market Council assess the budget’s breakdown and spending priorities can be set locally, but always within both the scope of the **National Action Plan for Employment (NAPE)** (defined by the government in consultation with WUP, PUP and the social partners), and the **Regional Action Plans for Employment** (defined by the Voivodeship). Part of the Labour Fund constitutes the **Minister’s Reserve** which the minister uses to intermittently issue public calls (competitions) for specific programmes or initiatives at regional and local levels. The regular funding provided by the government needs to first cover benefits, **the remainder can be used flexibly for ALMP** – PUP offices can set priorities for the division of funds, determine their spending plans, and make changes throughout the year as considered necessary. Budgets not fully utilised by be shifted to other PUP offices within the same region, or flow back to the reserves of the ministry. The **ESF** (see below) is a crucial source of funding for most activation and training activities and PES modernisation efforts in Poland.

Operational costs, including **staff** and the provision of **health insurance** for unemployment benefit recipients, are almost entirely born by the respective **governments at regional or local level**, which are formally responsible for the PES (five per cent of the Labour Fund are dedicated to subsidise these expenditures).

¹⁷ At regional level, administrative authority as shared between the **Marshal**, who are the heads of the regional executive, indirectly elected by the regional parliament, and the **Voivode**, or governor, appointed by the central government.

Regional and local government budgets are generally tight and the resulting budgets for PES are often considered inadequate: Earlier reports – drawing on Polish-language government documents and interviews – identified under-staffing as key source of day-to-day problems when it comes to drawing up individual action plans, counselling and targeting measures to the appropriate groups (Sztandar-Sztanderska, 2011).

3.4.2 Programme flexibility / eligibility

Labour market instruments and programmes for specific target groups are **designed at the national level** and mainly implemented by local PUP offices. There are standard instruments defined by law, and then there are the calls based on the Minister's Reserve, which are sporadically launched, and competitions for ESF-funded programmes. There is no set routine when these calls are issued, which makes it difficult for PUP to make strategic plans for each calendar year. There is also no guarantee that PUP will receive the money they have applied for. PUP can also create their own strategies, financed by the local government and/or co-financed by the ESF and approved by the *staroste*, as long as they follow state law. As such, **PUP can determine their own mix of nationally defined instruments as long as they have the approval of the *staroste* and are in accordance with the targets set out in the NAPE and regional action plans for employment, which also identify target group priorities.**

With the reforms of 2014, the role of Voivodeship governments/**WUP** has been strengthened, with the aim to create additional opportunities for the activation of the unemployed – as long as the initiative correspond with at least one of the priorities set out in the NAPE. The Marshal's launch of regional projects – financed by the Labour Fund and/or co-financed by the ESF– is optional and the involvement of designated PUP offices depends on the approval of the *staroste*.

WUP and PUP services – especially in the context of the YG – are supplemented by the **Voluntary Employment Detachments (OHP)**, which offer additional services to young people (including international placement through EURES and vocational guidance and reimburse part of the labour costs for employers hiring disadvantaged young people (Kaluzna, 2009, 17, European Commission, 2014d, 2). The Chamber of the OHP is part of the executive parties organising and monitoring the implementation of the YG – the other parties are Ministry for Labour and Social Protection (MPiPS), the Ministry for Infrastructure and Development (MIiR) and the Bank Gospodarstwa Krajowego (BGK).

3.4.3 Procedural flexibility

After formal devolution of PES responsibility to regional and local governments in 1999, a first step to streamlining service provision was taken in 2004, followed by the establishment of Occupational Activation Centres in 2009. In the spring of 2014, this act was amended to further **harmonize procedures** and **improve nation-wide data management**. Important innovations include the introduction of a three-tiered **profiling system, improvement of standards of PUP**, and the preparation of **individual action plans** after 60 days. As a result of the reforms of 2004, 2009, and 2014, most operational routines and interactions **are highly standardised and closely followed by PES offices across the country.**

The MPiPs is also responsible for the development and implementation of **ICT systems**, ensuring a consistent application of PES services and enabling the operation on a national job-search/matching data base. In recent years various advancement have been introduced, including the application of **Syriusz Std** in 2011, a software that enables and harmonises the collection of information on jobseekers/benefit claimants and employers. Syriusz automatically feeds into the **Central Jobs Database**, the **Central Application (CA)** database designed to detect benefit fraud, and the **CeSAR data warehouse** designed to run statistical analyses about the unemployed and other jobseekers. In addition, the minister commissioned the

development of **WUP-Viator**, a single software for all Voivodeship offices and to improve communication between PES offices and provide public access to information on jobs submitted to these offices.

3.4.4 Staffing flexibility

All PES staff are regional and local government employees. **Regional and local governments – not PES directors – appoint PES staff themselves and in principle decide on their roles.** However, due to the 2014 reforms, the national government established a mathematically calculated minimum number of workers per location acting as advisors or service providers. PES staff salaries are determined on basis of a national ordinance, which is lower than comparable employment in the private sector. The number of staff depends on local government funding, which is usually tight. Both of these features can lead to understaffing and high levels of staff turnover in some locations. However, the recent reform also introduced financial rewards to employees upon reaching performance targets, which may make staff salaries more competitive.

3.4.5 Outsourcing / contracting

Traditionally, PUP have provided most services such as job placement or vocational guidance in-house, except vocational training courses and employer-based work experience programmes (Berthet and Bourgeois, 2014). Public contracting laws define how training contractors can be chosen by *staroste*. The Marshals of the Voivodeships keep the national ministry informed about processes and developments.

Due to the labour market **reforms of April 2014** two important changes have been introduced. First, *staroste* (i.e. local mayors) may now engage with private placement agencies (PrEA). PrEAs are pay based on their performance, whereby maximum fees are defined by national law. Second, PUP may outsource activation services for clients with “profile 3” – i.e., clients considered most distant to the labour market – to private sector companies. Initiative to outsource activation services can come from both WUP (in the context of regional programmes described above) or from *staroste*. Voivodeship Marshals consult PUP offices to determine the scope and the terms of the tenders. Providers of activation services are also paid based on their performance, whereby the fee is paid in four instalments with 100% payment reached after 180 days of suitable work or economic activity.

3.4.6 Performance management

The nation’s employment and social targets and indicators are set out in the **National Action Plan for Employment**, which in turn is based on the **National Reform Programme for the Implementation of the Europe 2020 Strategy (NRP)**. The WUP and PUP are *consulted* in the process of establishing the NAPE. Voivodeships then draw up their own **regional action plans for employment** which identify priority groups and can include additional targets on strategies of Voivodeship development. The local PUP offices are *consulted* also in preparing the regional action plans. National and regional performance indicators are developed for a wide range of outcome and process objectives, and broken down for each PUP.

With the reform act of 2014, the performance system has become **incentivised** in two ways: first, PUP offices that perform *poorly* are less likely to receive funding from the Minister’s Reserve (calls), while those office that realise less than 50% of their targets are excluded entirely from the possibility to make bids; a second bonus can be given to those PUP offices that reach the highest levels of employment and the most cost effective utilisation of resources (two per cent of the Labour Fund are set aside for the payment of these bonuses). The **Governor of the Voivodeship** – i.e., the regional executive appointed by the national ministry (see footnote 17 for more details) – monitors performance. The exchange of good practices and experiences is highly encouraged. PUP staff can participate in workshops organised by the WUP and

WUP offices can select staff to visit office abroad to learn about practices used in other countries.

3.4.7 ESF and the Youth Guarantee

In **Poland**, the regional WUP are the main coordinators of the **Youth Guarantee**. A majority of funding for special youth measures comes from “regional-level calls for proposals (competitions) for activation activities (organised by regional labour offices) (European Commission, 2014d, 11). Locally, the PUP are then able to rely on “special programmes” to support young people through a combination of services and instruments (European Commission, 2014d, 11). The Youth Guarantee coincides with the priorities set out by the Polish government in 2012 and has led to **significant changes/innovations**, including earlier intervention in the unemployment spell (at four instead of six months), the introduction of new instruments (such as training vouchers, internship vouchers, employment vouchers and vouchers for resettlement), incentives to gain first employment (through a refund of Social Security contributions), and support for employers to offer training (in the context of the newly set-up National Training Fund). The YG has also stimulated enhanced cooperation and partnerships of PUP with public and private entities such as academic career centres, social welfare centres, schools or private employment agencies. Various pilots were implemented in between 2012 and 2014 in 23 Poviates and 3 Voivodeships.

Ten of the 16 Voivodeships qualify for **Youth Employment Initiative (YEI)** funding. YEI does not constitute a separate ESF Operational Programme (OP) but will be implemented under the OP Knowledge, Education, and Development which funds action for the age group 15-24. The **ESF** generally plays an important role in all PES operations, both in terms of funding and planning/conducting labour market policies. The regional action plans for employment also identify target group priorities. During the last funding period – 2007-2013 – the ESF provided 10 billion Euros in additional funds, which were used to improve inter alia employment, education and social services. The Ministry for Infrastructure and Development (MIiR) organises the financial aspects related to the ESF (European Commission, 2014d, 11). Poland receives 1.7 billion Euro through the **ESF**, including some 550 million from the **YEI** (European Commission, 2014d, 12).

3.4.8 Summary statement

The Polish case represents a rather unique (and complex) mix of decentralisation and centralisation. On the one hand, responsibility for **PES was formally delegated to regional and local governments** in 2000, with in principle high levels of programme, procedural and staffing flexibility and high levels of performance responsibility. On the other hand, **operational flexibility of local PUP offices remains moderate** – mainly due to three budget-related facts: First, the budget remains largely in the hands of the central government (and subsequent allocation has to pass several (political) intermediaries). Second, important parts of the PUP budget – Labour Fund and ESF – is based on competitions, which makes it hard for PUP to make strategic plans, especially over multiple years. And third, tight regional and local budgets inhibit the recruitment of larger (more adequate) numbers of staff. The Polish case furthermore shows interesting parallels to Finland in the sense that high levels of devolution has – over time – led to attempts by the national government to harmonise procedures and standards with the aim to “even out” (quality) differences between regions. Recent reforms introduced a variety of innovations with regard to inter alia the role of regional governments, data management, engagement with private actors, performance incentives, or new voucher-based services provided to youth. How these changes affect PES effectiveness and efficiency remains to be seen.

3.5 The Youth Guarantee and ESF: comparative impact assessment

The Youth Guarantee is generally integrated in already established PES policy-making and implementation structures and procedures, albeit some type of oversight body is created to coordinate cross-departmental and ground-level, multi-stakeholder activities. Accordingly, the formal integration of the YG differs greatly across EU members. Despite these structural differences, in most cases the Youth Guarantee affects PES/government **priorities** (e.g., how and especially when to engage with youth), **instruments and procedures** (e.g., the introduction of profiling, case management and data collection), and **partnerships** (e.g. increased mobilisation of youth relevant stakeholders, including the education system). In terms of (de-)centralisation, however, no changes have been made (or deemed necessary).

With regard to the ESF, a similar conclusion can be drawn. While the ESF certainly provides a **source of additional funding** that allows for the delivery of **complimentary services** and PES **modernisation efforts** – which was seen as especially important in Poland – it does not affect PES governance structures regarding decentralisation/centralisation. In some cases, including Ireland and Germany, the PES merely *implement* programmes designed by the respective national (or in the German case regional) governments; in other cases such as Poland and – until 2013 – Finland, the ESF becomes part of national or regional tenders for specific programmes or target groups, which may then be designed and implemented by the PES. In either case, the ESF programmes are integrated into already established PES activities without the need to reassess a given level of decentralisation.

4 Striking the balance between central steering and local autonomy: lessons for effective practice

The review of the four cases provides several interesting lessons about “what works” and where practical difficulties arise. Before drawing some lessons, several comparative observations on the above identified and described dimension of flexibility are made.

4.1 Comparative lessons on the main decentralisation dimensions

First, regardless of funding – taxes or insurance contributions – the overall **budget** for unemployment benefits *and* ALMP remains firmly with central decision-makers, even in countries with high levels of political decentralisation such as Poland (and Spain). The highest levels of **local** budgetary flexibility were found in Germany and Finland, where local PES management define their budgets when drawing up annual strategy reports. This autonomy is granted in the context of highly developed **performance management systems** and **the availability of robust data**, which allow for high levels of accountability. The use of national or regional competitions for supplementary budgetary resources – as implemented in Poland and recently launched in Spain – may result in unintended consequences. When resources are not predictable, strategic planning becomes more difficult. From a theoretical standpoint, the use of competitions may also introduce incentives *not* to share good practices and generate resentment between various PES offices, which may result in reduced trust and unwillingness in collaborations.

Second, while **instruments** are mostly *designed* at central level, their application – i.e., the mix thereof – is typically decided by the local PES, largely independently from central input. Given this freedom, priorities can be set and certain groups – such as youth – can be targeted specifically. However, the range of instruments may not always be sufficient to address the needs of all jobseekers, especially if jobseekers face multiple hurdles to labour market (re-)entry. To compensate for these shortcomings, **local partnerships often become crucial**. The recent development in some regions of both Finland and Germany where **all relevant youth services providers** are increasingly brought together in “one-stop shops” may be one way to overcome limitations in the choice of instruments. Likewise, the creation of Intreo in Ireland, where activation and welfare service providers are now joined in one agency, represents an important innovation to the previously fragmented system – such divisions can still be found in Poland. The challenge remains, however, that even in countries where multiple services are provided under one roof, much of the operational flexibility with regard to job placement, work experience, training etc. depends on what is available locally. In other words, in rural areas or in areas of economic deprivation with few private employers, programmatic options remain limited to what can be provided directly by the PES or through publically (sponsored) employers or training providers.

Third, **staffing remains relatively inflexible** as staffing numbers (or staff budgets) are mostly set by central offices/ministries or – if decided by regional or local governments (e.g. Poland and Spain) – remains dependent on sub-national funding, which is typically tight. Given the generally observable trend to “rationalise” public services, it can be expected that staffing numbers for PES will decline in many countries. **A reduction in staff, in turn, may negatively affect operational flexibility due to the need to more quickly deliver standardised procedures and products**. Put differently, the delivery of many individually tailored instruments and in-depth counselling (which is often necessary in the context of the Youth Guarantee) can *only* be adequately provided if staff numbers and staff qualifications are appropriate. Hence, increasing (budgets for) overall staffing numbers, and/or granting more local budgetary flexibility through the introduction of consolidated local budgets that include both operational costs (staff, rent) and active measures should be considered.

Fourth, **operational PES procedures** and **data management** are **highly centralised**, often as a consequence of unfavourable experiences in the past (e.g. Finland or Poland). In other words, centrally specifying customer interaction procedures, defining jobseekers' rights and responsibilities, standardising profiling measures, etc., is **not considered to compromise local flexibility**. Rather it is deemed necessary to assure nation-wide equal treatment. The Finnish and Polish cases illustrate that "too much" decentralisation can lead to too much emphasis on local concerns at the expense of national objectives. Likewise, **centrally managing and disseminating data is necessary** for multiple reasons, including nation-wide placement and recruitment, establishing nation-wide online platforms, coordination regional and local programmes and initiatives, facilitating partnerships and networks, and for (quantitative) performance management, benchmarking and programme evaluations.

Fifth, the relevance of **outsourcing** and **contracting** of activation and training services varies greatly across EU members. Certain advantages have been identified for *centralising* the bidding process, either at central level (e.g. in small countries like Ireland) or regional level (in medium to larger sized countries such as Finland, Germany, Poland or Spain). These include attracting a larger number of bids as well as relieving local PES managers from the often highly complex and rule-based tender procedures. However, in order to minimise risks the bids are awarded to service providers that are "too far removed" from local contexts, local PES managers should be able to inform the selection process and/or should be consulted before private providers launch their programmes. **The use of a voucher-based system like the one in Germany also represents an alternative to tender-based bidding processes**. A voucher system has – from a theoretical point of view – several advantages: it removes complex and laborious bidding procedures; it is more sensitive to local particularities; it stimulates market dynamics on a demand basis; it facilitates building long-term relations with the PES as uncertainty about the next tender's outcome is removed; and finally, it may stimulate endogenous innovation as services providers do not simply react to pre-defined bids, but seek to remain attractive in the market. Given that efforts are currently underway in Finland, Ireland, and Poland to rely more on private actors to deliver complimentary activation services, further monitoring of these developments is recommended.

Sixth, **performance management** through a variety of quantified operational and outcome targets, which are broken down to each local PES office is still not the norm in all EU countries. The German case suggests, however, that it is precisely **the development of a high quality performance management system – based on high levels of transparency, benchmarking, and robust data, in which ambitious targets are set by local PES management – that allows for high levels of local autonomy**. Similar conclusions were drawn also in studies on Austria (European Commission (Nunn), 2012) and Denmark (Mploy, 2011), where local autonomy is high, but without compromising national objectives or equal treatment/opportunity principles. The country reviews have also shown however that enhancing labour market data capacity and improving PES performance management is a top priority for many countries.

4.2 Additional findings and practical lessons

The review of the country cases also suggest further general lessons beyond the "dimension" of decentralisation outlined above.

First, the formal (*de jure*) degree of decentralisation may not reflect the actual (*de facto*) degree of local autonomy. As outlined above **Ireland** represents an interesting case of strong central guidance – budgets are set, programmes designed, staff recruited, and tenders managed centrally – yet local implementation offers significant degrees of autonomy. In turn, even though responsibility for the **Polish PES** is formally devolved to regional and local governments, local autonomy is often *limited* due to the lack of predictable resources and inadequate staffing

(Sztandar-Sztanderska, 2011). Similarly political *decentralisation* of placement and activation services to regional governments in **Spain** has led to administrative *recentralisation* in the sense that *local* PES offices lost any type of decision-making autonomy to the regional PES (López-Santana and Moyer, 2012, 778).

Second, political devolution that is not matched by administrative decentralisation can cause practical difficulties. In other words, in countries where PES are formally the responsibility of sub-national governments – such as Poland or Spain – *not* having a global budget over which regional and local governments can decide, limits their operational freedoms or creates perverse incentives for action. More specifically, in Poland, the calls in the context of the Minister’s Reserve may limit the range of instruments (due to time constraints), could make it more difficult to devise long-term strategies (given the uncertainty of programme approval upon which funding depends), and may hinder innovation as good practices are less likely to be shared. Likewise, previous research on Spain suggested that the strong role of the central government in determining the budget led to perverse incentives as regions that succeeded in placing the unemployed received less central government funding (Wölfl and Mora-Sanguinetti, 2011, 25). If the newly introduced system that awards budgets based on performance measured on basis of annual action plans succeeds in overcoming these shortcomings needs to be seen. It remains, however, unclear how the new system can overcome challenges associated with the formal the separation of unemployment benefit administration (which remains highly centralised) and activation (decentralised to the regions). This situation is said to promote the design of regional ALMPs that “place recipients in short-term jobs that re-qualify them for unemployment benefits paid by the central government” rather than promoting their employability (Wölfl and Mora-Sanguinetti, 2011, 25).

Third, and related, clearly demarcated and hierarchical structures can ensure finding the right balance between central guidance and local autonomy. In **Ireland**, the centrally organised system enables a good flow of information and communication – both vertically down to local Intreo centres and horizontally between divisional managers. The divisional (mid-level) managers play a key role in the flow of information on local developments to the centre and vice versa. The Regional Directorates in **Germany** are equally important transmission belts for the flow of information, performance management and cross-regional programme coordination, including the management of service tenders. In **Poland**, by contrast, local PES managers argued that the lack of formal hierarchies creates operational uncertainties, while the existence of multiple “principals” – local *staroste*, regional governments engaged in devising regional action plans for employment, and the central ministry – create a mixture of directional guidance, financial dependency, reporting procedures, etc. Finally, in **Finland**, there is concern about inefficiencies and a duplication of tasks and procedures given an unclear definition of responsibilities between ELY centres and TE offices.

4.3 Avenues for future research

The country studies suggest several future research avenues. Of interest could be:

- (1) investigating various ways to increase local budget flexibility;
- (2) investigating various forms of data and performance management, including alternatives to benchmarking;
- (3) investigating how to promote sustainable local partnerships to improve programmatic PES flexibility, especially in deprived areas;
- (4) compare and contrast the effects of a tender-based vs. a voucher-based system of contracting active measures;

- (5) observe and evaluate the increased engagement with private placement agencies, typically remunerated based on placement success (pilots are currently underway in Finland, Ireland, and Poland).

5 Conclusions

The findings in this Analytical Paper allow us to provide informed answers to three overarching and interrelated questions: (1) What can be considered **minimum requirements** for effective PES operations at the local level?; (2) What **mix of decentralisation and centralisation** is needed to provide these minimum requirements?; and (3) What are the most important recent **trends** with regard to decentralisation, and relatedly, are there any emerging **models**?

With regard to the first question, the experiences in the investigated countries suggest that effective implementation of public policies by local PES requires (a) **adequate and predictable budgets** so that instruments and programmes can be strategically planned, (b) the availability of a variety of **high-quality instruments** such that the needs of a wide variety of customers can be accommodated for, (c) adequate number of **staff** with appropriate skills and work ethic (which may be reflective of relative remuneration), and finally, (d) **durable and trust-based partnerships** with relevant stakeholders, such as private employers, training and education providers, the third sector, and municipal authorities. If these are indeed requirements for effective delivery and local autonomy, **questions about the adequacy of competition over budget lines arise**: does this compromise strategic planning, does it hinder the exchange of best practices, and does it cause resentment, affecting relations and strategic collaborative actions among PES offices? Similarly, if local partnership should be durable and founded on trust, does a system based on competitive bidding affect the conditions under which such relations could flourish? And finally, does political decentralisation introduce volatility and tension given regular elections, government turnover, and ideological disagreement over policy goals and instruments between different levels of government?

Second, the paper clearly shows that granting local autonomy without compromising nation-wide goals requires a mix of centralisation and decentralisation on the various dimensions under discussion. **Central steering** is crucial when it comes to (a) **demarcating the nations' labour market policy goals** and **providing a legally defined set of instruments**, (b) defining **procedural standards and routines**, (c) collecting, preparing and disseminating relevant **labour market data** in order to launch nation-wide job portals, develop indicators for performance management, assist in building multi-stakeholder networks, etc. **Local autonomy**, however, is crucial when it comes to the **implementation of the instruments**, i.e., on the "how" goals are met, should remain largely at the discretion of regional or local PES. The experience of Germany and Finland suggests that **local budgetary flexibility** is possible and desirable, but highly conditional on effective and by all involved actors accepted performance management systems. Finally, no clear verdict can be drawn when it comes to outsourcing. Clearly, all PES rely on third parties when it comes to training and education courses. There seems to be some tendency toward regional, in contrast to national or local, bidding procedures, but it is not clear if (in larger countries), bidding at local level might offer advantages in the sense that locally embedded providers would have clear competitive advantages. It is equally unclear, if a tender process is indeed the best way to organise PES-third-party-provider relations. The German voucher-based system might be an interesting alternative to investigate.

Third, the review shows that no common PES model is emerging, given significant legal, political and cultural differences with often deeply seated roots. However, despite these *structural* differences, there are **common reform trajectories**, including a **standardisation of procedures and standards**, improving the availability and access to **robust labour market data**, enhancing existing **performance management** systems, and finally experimenting with different forms of cooperation with **private placement agencies** (to increase capacity at local level).

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Appendix

A. PES Governance Structures:

Finland, Germany, Ireland, Poland

(based on own research conducted for this Analytic Paper)

B. Summary Statements:

Belgium, Denmark, Netherlands, Spain

(based on literature review only, except Spain, which also draws on own research)

A. PES Governance Structures

Finland

The activities of the Finnish Public Employment Service (**Employment and Economic Development Offices, TE offices**) are steered and supervised by 15 regional centers for **Economic Development, Transport and the Environment (ELY centres)**, who in turn operate under the aegis of the **Ministry of Employment and the Economy (MEE)**.¹ Combining employment and economic development tasks is unique feature of the Finnish system. At ministerial level, the **social partners** are involved in the work of the Council for Labour, Training and Economic Development, advising the government on a range of national policies such as working life, employment, education, training and economic development. Social partners are often involved in other temporary and informal working groups (European Commission, 2014a).

Since 2013, there are **15 TE offices nation-wide** (instead of the former 74 offices), to which 102 local branches are attached (the increase in numbers of local branches ensure nation-wide access points to all jobseekers). The **Finnish' PES** provides services to both jobseekers and employers including securing the availability of labour, quickly employing and re-employing job seekers, and guaranteeing the operational preconditions of the companies (European Commission, 2014a). The TE offices do **not pay unemployment benefits** (earnings-related unemployment allowance, basic daily allowance, labour market subsidy). Earnings-related benefit is paid by the unemployment fund to which the job seeker belongs; basic daily allowance and labour market subsidy are paid by the Social Insurance Institution of Finland. All recipients of unemployment benefits are obliged to register with the PES. The validity of job seeking is an absolute requirement in order to receive unemployment benefits. There are about 30 "one-stop shops", where PES and benefits services are provided under one roof (European Commission, 2014a).

The **ELY centers**, which are effectively an administrative branch of the government, are generally responsible for business and industry, labour force, competence and cultural activities; transport and infrastructure and environment and natural resources. They also monitor TE activities, support TEs' strategies to promote employment opportunities and social inclusion, and are responsible for developing and coordinating employment services.

Currently, a **central administrative unit** is being set up to monitor ELY centers and TE offices, coordinate their activities, and to ensure a more efficient and more equitable service provision throughout the country.

Ireland

The Irish PES formerly known as **FÁS**, which was responsible for employment and (vocational) training/further education services – but not benefit/social assistance administration and pay-out –, and has been dissolved and entirely remodelled from 2012 on. All functions regarding to funding, planning and co-ordinating a wide range of further education and (vocational) training are now organised by **SOLAS**, which operates under the aegis of the **Ministry for Education and Skills**. SOLAS services are delivered by 16 newly established Education and Training Boards (**ETBs**).

The **FÁS Employment Services and Programmes**, in turn, were transferred directly to the **Department of Social Protection (DSP)**. By the end of 2014, 60 newly established **Intreo** centres serve as a single point of contact for all employment and support services for both jobseekers and employers. Intreo thus effectively integrates the formerly separate community welfare services, all traditional income support elements, and placement/employment services including advice on/referral to training options, and assistance in securing employment. Putting forward a more proactive and work-focused approach, all jobseekers are profiled when they first register for benefits. At Intreo centres, jobseekers are offered a variety of service in-house, including activation support involving group engagement information and one-on-one sessions. Support can also be provided by Intreo centres in cases of planned restructuring of companies or redundancies. Intreo centre case officers can refer jobseekers to receive further guidance to either one of **50 Job Clubs** or a **Local Employment Service (LES)** office (both under contract with DSP). While Job Clubs are for “job ready” jobseekers, the LES mainly offer services for jobseekers identified as most distant from the labour market (European Commission, 2014c, 6-7). Intreo centres also work closely with SOLAS when training needs to be provided (e.g. through **Springboard** or **Momentum**) and has access to a variety of labour market programmes, which comprise a variety of temporary job offers, often of communal benefit (e.g., **Community Employment, TUS, Gateway**, or the **Rural Social Scheme**), internships with private employers through the **JobBridge** programme, or **wage subsidies** paid to employers taking on persons who are long-term unemployed.

For DSP purposes, the Republic of Ireland has been divided into **13 divisions**. The divisions’ geographic lines are based purely on practical (not political) considerations, such as demographics. Each division is headed by a **divisional manager** (who are civil servants), effectively in charge of implementing the government’s policy within their divisional area. Each divisional manager oversees a small number of Intreo centres, which in turn provide services and activation support locally. There are a total of 60 Intreo centres nationwide

In 2012, the Irish government put forward the “**Pathways to Work**” policy statement, which was informed by independent reviews on Irish activation policy (most notably from ESRI, NESC and the OECD (Labour Market Council, 2014)). The document includes a 50-point plan how to tackle long-term unemployment and specifies a number of qualitative and quantitative targets. The reform of the Irish PES forms part of the Government’s wider reform agenda with emphasis on the need for efficiency, effectiveness and value in the deployment of public funding. Reform involved not only structural change (i.e., Intreo) but also changes to planning, prioritising, funding and provision of programmes and services.

Germany

The German PES (Bundesagentur für Arbeit, **BA**) is a self-governing body created under public law. The BA has a mandate to deliver integrated, multifaceted services, including the administration of **unemployment insurance** tanks, the realisation **ALMP and lifelong learning measures**, and the provision of **occupational and vocational guidance** (European Commission, 2014b, 1).

The organisation of the PES is structured along three tiers of governance: national headquarters (located in Nuremberg), ten **Regional Directorates (RD)**, and 156 local **Employment Agencies** (plus some 617 additional business offices, which are governed by a respective Employment Agency). The BA is headed by a three person **Executive Board**, who represent the BA externally and manage daily operations (Weishaupt, 2013). The social partners are crucial actors at the national level as they are members in the tripartite 21 member **Board of Governors**. According to the constitution of the BA (Article 3), the Board of Governors is the BA’s main “monitoring, advisory, and legislative body”, responsible for the BA strategic decisions (e.g. development of indicators for performance management, approval of special programmes, etc.) and the appointment of the Executive Board. The Executive Board

consults the Board of Governors on all important issues, and decisions are typically made unanimously. The Board of Governors also approves the BA's budget and enjoys a variety of information rights.

The **Regional Directorates** are also managed by three-member boards, appointed by the Executive Board. The Regional Directorates mainly function as "transmission belts" between the BA headquarters and the local Employment Agencies, while monitoring, communicating with, and giving advice to the local Employment Agencies. The Regional Directorates also help with the planning and implementation of the Länder governments' labor market programmes. The social partners are consulted in advisory boards, which were (re-)institutionalised in 2012.

The local **Employment Agencies**, in turn, operate under a high degree of autonomy with respect to the use of their budgets, the priorities of the instruments, and the selection of partners, provided they reach their targets.¹ Local tripartite committees advise and monitor the local management boards. In particular, local labour market information and the needs of local firms and workers are envisioned to flow more effectively to the local management through these committees. Moreover, the committees receive data from the Regional Directorates and are engaged in the evaluation of local Employment Agencies through systematic benchmarking exercises in PES clusters. The committees are also involved in the development and coordination of regional programmes that involve more than one PES district.

Poland

Since 2000, the Polish PES (PSZ) has been politically decentralised. There are 16 Voivodeships, or regions with their own regional governments, in which **16 regional PES (WUP)** operate. Province Marshals supervise the managing WUP directors, who report to the regional government (Governor of Voivodeship). At sub-regional level a larger number of **local PES (PUP)** operate (at poviats level), whose directors report directly to their local mayors (starosta). There are a total of roughly **350 PUP** offices in Poland (European Commission, 2014d). There is no hierarchy between WUP and PUP, even though WUP review various PUP activities. WUP and PUP offices are parts of the regional/local governments' administrative units, but perform their tasks as separate entities (Kaluzna, 2009, 15).

The national **Ministry of Labour and Social Policy** (MPiPS) defines general labour market policies, including ALMP quality standards and types of instruments, serves as the coordinator of PES, and seeks to assure the overall coherence of the system. The **Council of Ministers** (i.e., the national executive) identifies the country's policy objectives and formulates a **National Action Plan for Employment (NAPE)**, which defines qualitative and quantitative performance targets and serves as the guide of PES action (European Commission, 2014d). The Council of Ministers in general and the Labour Minister in particular are advised by a **Labour Market Council** that includes representatives of trade unions, employer organisations and NGOs. The WUP and PUP are also consulted in drawing up the NAPE.

WUP implement the NAPE and can choose their own mix of (nationally defined) programmes and strategies for that purpose. In a Regional Action Plan for Employment, the target groups are specified – after consulting with poviats-level governments and the social partners. WUP also perform a variety of other administrative and policy functions, including inter alia the initiation and implementation of regional programmes to promote employment or combat unemployment due to mass redundancies, issuance of certificates for job-placement services, vocational guidance, and temporary employment offices, supporting poviats PES offices, and disseminate information and PES programmes and services available. Furthermore, WUP organise and finance staff training for PUP and WUP employees.

PUP offices deliver services to the unemployed, other jobseekers and employers at the local level. They register unemployed, determine assistance profiles (according to three categories, introduced through national law in 2014), allocate and pay

unemployment benefits, issue individual action plans, keep records and organise (or subsidise) employment schemes and ALMP. **Social assistance** claims are made, however, in separate offices (OPS). PUP closely work with WUP when regional programs are implemented. While vertical communication and coordination between WUP and PUP is generally considered good, horizontal coordination of actions – between PUP offices or between PUP and OPS considered rather weak (Kaluzna, 2009, 22). However, the 2014 PES reform seeks to improve horizontal coordination.

B. Summary Statements for Belgium, Denmark, Netherlands, And Spain

Belgium (Flanders):

Belgium is a federal country in which the regions are responsible for active labour market policy and the PES, while social security remains a national issue. Accordingly, at the federal level, the Rijksdienst voor Arbeidsvoorziening (RVA), is responsible for unemployment benefits, prevention of unemployment and providing funding for a limited set of programmes to support the re-integration of unemployed people back to the labour market (Bogaerts et al., 2011, 16). These services are provided at the local level by 30 local agencies. Since 2004, RVA has a partnership agreement with VDAB, the Flemish PES, “responsible for registration and placement of jobseekers as well as for vocational training for Flanders and for the Flemish-speaking inhabitants of the Brussels Region” (Bogaerts et al., 2011, 16). Besides headquarters, VDAB consists of 13 sub-regional local labour market management offices and 6 provincial competence centres. VDAB, like the other regional PES in Belgium, is accountable to the respective regional government. Despite this fragmentation most but not all jobseekers receive integrated services in the local “werkwinkel”, one-stop shops housing RVA, PES and other local bureaucracies (Froy et al., 2011, 20).

The 13 sub-regional VDAB offices **can choose from an assortment of labour market policies** created at regional and national level. They also have a small budget to create their own instruments in the context of the Local Project Programme (LPP) or can apply for special funding if the central levels sees the need for it (Bogaerts et al., 2011, 34). Overall, however, **eligibility** criteria for employment and training programmes are set centrally, and finances for programmes are earmarked and **budget lines cannot be shifted**, which makes the system **highly inflexible** (Froy et al., 2011, 33). In order to compensate, the VDAB seeks to mobilise other local partners with their own resources to increase local flexibility in programme provision. As a result, the Flemish PES works “extensively” with external actors, both in **strategic partnerships** and through (tender-based) **outsourcing** of various tasks and programmes (which occurs mainly at the regional level).

VDAB relies on a modern **performance management system**, including benchmarks and scorecards on a monthly basis. Even though targets are set at the headquarters, the local offices are represented through a rotation system. There are no sanctions when targets are not met, instead performance management is understood as a learning tool (Froy et al., 2011, 38). This rather “lax” handling of performance is perhaps unsurprising given the relative strong top-down approach in programme design, eligibility and the budget when compared to Denmark.

Denmark:

Various centre-right Danish governments have – over the course of more than a decade – fundamentally reformed the Danish Public Employment Service step by step (see also Weishaupt, 2013, Weishaupt, 2011b). First, the responsibility for all labour market measures for both insured and uninsured jobseekers was combined in the National Labour Market Authority, followed by harmonisation of rules and regulations for insured and uninsured jobseekers in between 2001 and 2005. Second, as part of a larger regional governance reform, four larger Employment Regions replaced 14 counties in 2007, while the number of municipalities was drastically reduced from 270 to 98. Each Employment Region has an administrative PES unit that functions as a “transmission belt” between national and local levels, being primarily responsible for

the supervision of the local jobcentres. The regions can also give advice to those working at local level and produce annual reports that inform the national ministry's actions. The third step was completed on 1 August 2009, when the municipalities were given full responsibility for all PES tasks (and integrating former PES offices and staff). Since then, governance structures have remained largely unchanged, despite a change in government.

With respect to decentralisation, the Danish reforms have clearly empowered the municipalities (in expense of the regional PES), which enjoy **great flexibility** with regard to choice of instruments, eligibility and the budget. Even though certain minimum measures are defined at the national level (rights and responsibility of jobseekers), the municipalities receive **block funds** without any earmarks (Froy et al., 2011, 34). Accordingly, they can structure and **develop their own programmes** (based on nationally defined instruments) for specific target groups or local challenges and cooperate with actors of their own choosing locally (Froy et al., 2011, 30). PES offices can similarly independently decide if, and if so which, programmes they would like to **outsource**. **Accountability**, in turn, is enforced through annual performance audits (with monthly performance overviews), obligatory benchmarking amongst local PES offices, and full transparency as performance data is publically available on a local, regional and national level. While the government defines three or four headline objectives, the local PES offices, in negotiation with the regional offices, translate these targets into their own and may add locally specific ones as they wish. Persistently poor performance can affect municipal finances.

Hence, within this rather flexible framework, the **government influences policy** by setting national headline targets (which also sets priorities for certain groups) and selectively co-funding certain instruments over others (Mpoy, 2011). More recently, the government has also been engaged in a process of standardising the customer-interaction process and the available instruments, and tightly regulating the PES staff's work process (Bredgaard, 2011, 772). Indeed, Bredgaard concludes that the combination of tight performance management and recent efforts to standardise operational procedures has "closed" the compliance gap and "reinforced" central control. This in turn, has reduced local flexibility, mainly to the disadvantage of the integration of those jobseekers with "multiple and complex barriers to employment" (Bredgaard, 2011, 773).

Netherlands:

In contrast to Denmark, the Dutch government has retained a formal separation of unemployment insurance and social assistance: insured jobseekers receive their services from about 100 UWV WERKbedrijf (the national PES); social assistance claimants are cared for by 418 municipalities (Dorenbos and Froy, 2011). While the government mandates that WERKbedrijf spend their budget for labour market measures "on the market", the municipalities are allowed to produce service "in-house" and can use any money not spend as they wish. Recently, the number of local WERKbedrijf offices was reduced from about 100 to 30 offices, while also expanding the use of electronic services for jobseekers.

WERKbedrijf offices can **pick and choose reintegration instruments** (designed at national level) and budget lines can be shifted within target groups (i.e., short term vs. long-term unemployed). They can also **create their own instruments** (for specific groups if they wish) for which they have a limited budget. Nevertheless, local PES cannot deliver the instruments themselves but need to purchase them "on the market". Tendering and contracting, in turn, is mostly conducted at the district or even national, not local level. **Overall, the level of flexibility appears to be "medium"** (or in-between Belgium and Denmark) as practitioners often feel that programme regulations "stand in the way" and inhibit their entrepreneurial flexibility needed to adequately address local needs (Froy et al., 2011, 31). Representatives of municipalities do not share these concerns as they are not obliged to cooperate with private actors and enjoy much greater budgetary flexibility.

Local PES offices are required to set **performance targets** on the basis of nationally established targets between the respective ministry and the PES headquarters. The local offices are not involved in the negotiations. If desired, the local PES offices can engage in a benchmarking exercise. Local PES managers bear the responsibility for target fulfilment – failure can lead to reductions in pay and ultimately job loss (Froy et al., 2011, 43).

Spain:

The State Public Employment Service (**SEPE**) is an autonomous body under the Ministry of Employment and Social Security, with a separate legal identity. SEPE governing bodies include representatives of employers and trade unions.

SEPE is responsible for the management and control of the **unemployment benefits** (as well as unemployment allowance and other social benefits) through 52 provincial directorates and a network of 711 SEPE offices. Since 2012, enforcing activation and combating benefit fraud have been a top priority, resulting in significant cost savings. Furthermore, SEPE is entrusted with the arrangement, development, and monitoring of labour market policy, including the coordination of “the use of EU funds ...; management of employment and vocational training plans; maintenance of databases on employment and unemployment statistics as well as research studies on the labor Market” (European Commission, 2014e, 1). The delivery of **active measures**, in turn, is the responsibility of the **17 Regional Public Employment Services of the Autonomous Communities**, first created by law in 2003. Each of Regional PES has its own logo, offices, personnel payroll, and system of labor mediation. Royal Decree 951/2005 includes a provision of “portfolios of services”, setting out the minimum services which must be offered by the regional PES to the public.

The SEPE, regional PES and other actors collaborating with PES such as local governments, businesses and trade unions as well as private employment agencies form the **National Employment System**. This system coordinates its activities through (a) the **Spanish Strategy of Activation for Employment**, a framework with common goals; (b) the **Annual Employment Policy Plans** (PAPE), that establish services and programmes of active employment policies and labor intermediation that will be carried out by the Autonomous Communities and the SEPE in their respective territories; and (3) the **Public Employment Services Information System** (SISPE).

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