



OECD Local Economic and Employment Development (LEED)
Papers 2011/10

**Building Flexibility
and Accountability Into
Local Employment Services:
Synthesis of OECD Studies
in Belgium, Canada,
Denmark
and the Netherlands**

**Francesca Froy,
Sylvain Giguère,
Lucy Pyne,
Donna E. Wood**

<https://dx.doi.org/10.1787/5kg3mkv3tr21-en>

Building Flexibility and Accountability into Local Employment Services

Synthesis of OECD studies in Belgium, Canada, Denmark
and the Netherlands

Francesca Froy, Sylvain Giguère, Lucy Pyne
and Donna E. Wood

Updated January 2012

Building Flexibility and Accountability into Local Employment Services

Synthesis of OECD studies in Belgium, Canada, Denmark
and the Netherlands

Francesca Froy, Sylvain Giguère, Lucy Pyne
and Donna E. Wood

Updated January 2012

FOREWORD

In a globalised economy, where both capital and labour are highly mobile and technology evolves rapidly, workforce development institutions have a key role to play in improving prosperity and living standards. Human resources are a fundamental source of economic development in a knowledge-based economy at the local level. Policy makers within the field of labour market policy and training have a major contribution to make, not only in providing the pool of skills which the economy needs locally, but also in fostering innovation, entrepreneurship and social cohesion. Their role is particularly important in the context of the economic downturn, where challenges such as high youth unemployment call for an increasingly collaborative approach between local employment officials, educational institutions and wider social and economic development partners.

The possibility of creating joined-up strategies at the local level depends on the ability of local policy makers to align their policies and services, which in turn depends on the *flexibility* they have to influence the delivery of these policies and services. While a number of OECD countries have decentralised their labour market policies in recent years, helping decision-making to occur closer to the ‘reality on the ground’, there is still some way to go before local employment service staff have the autonomy to make a significant contribution to achieving broader local strategic goals.

The OECD LEED Programme has been arguing for the need for more flexibility in labour market policy for a number of years, while recognising the importance of retaining strong accountability and the achievement of national policy goals. A previous report, entitled *Flexible Policy for Better Jobs*, compared the degree of flexibility available in 25 OECD countries and assessed its impact on employment. The results provoked debates among Labour Ministers and other high level policy officials attending a conference in Venice in 2008 on [*Decentralisation and Coordination: the Twin Challenges of Labour Market Policy*](#), who requested more detailed guidance on how flexibility could be enhanced.

The present report examines in more detail the management practices in four countries – Canada, Belgium (Flanders), Denmark and the Netherlands. It identifies ways to deliver greater flexibility effectively while maintaining accountability, on the basis of an assessment of the latest and most far-reaching labour market reforms. This synthesis report contains the key findings of this work, and sets out policy recommendations that will be of use to both national and local policy makers alike in ensuring that labour market policy makes the maximum contribution possible to building economic growth in the recovery.

I would like to warmly thank the Department of Work and Social Economy in Flanders, Belgium; Human Resources and Skills Development, Canada; the Danish Labour Market Authority; and the Ministry of Social Affairs and Employment in the Netherlands for their active support and collaboration on this project. In addition the collaboration of the Danish Labour Market Authority and the Municipality of Aarhus on the high-level conference on this theme held in Aarhus in April 2011 is very much appreciated.

A handwritten signature in black ink, consisting of a large, stylized loop on the left and a series of smaller, connected strokes on the right.

Sergio Arzeni,

*Director, OECD Centre for Entrepreneurship, SMEs and
Local Development*

TABLE OF CONTENTS

FOREWORD.....	3
BACKGROUND.....	8
The OECD research project.....	11
The key findings of OECD research in 25 countries in 2008.....	15
Understanding the employment system in each case study country.....	17
FINDINGS: HOW FLEXIBLE ARE DIFFERENT MANAGEMENT TOOLS IN ACTIVE LABOUR MARKET POLICY?.....	26
Programme design and strategic approach.....	26
Budgets and financing.....	33
Performance measures and targets.....	37
Client eligibility.....	45
Outsourcing and staffing.....	52
PERCEPTIONS OF FLEXIBILITY AND PRIORITIES FOR INCREASED FLEXIBILITY.....	56
BUILDING COLLABORATION: MAKING THE MOST OF FLEXIBILITY TO ADAPT AND INTEGRATE LOCAL POLICIES.....	61
Collaboration and partnerships to deal with community level issues.....	61
The impact of collaboration on programming.....	70
The contribution of local employment offices to local economic strategies.....	70
Capacities.....	71
CONCLUSIONS AND ISSUES FOR CONSIDERATION.....	73
Main conclusions.....	73
Achieving accountability without increasing bureaucracy and reducing flexibility: main issues for consideration.....	74
CONCLUSIONS BY COUNTRY.....	82

BIBLIOGRAPHY	86
ANNEX A: VENICE ACTION STATEMENT ON ENHANCING FLEXIBILITY IN THE MANAGEMENT OF LABOUR MARKET POLICY	88
I. Preamble	88
II. Background: A changing role for labour market policy.....	88
III. Proposed Actions	89
ANNEX B: PERCEPTIONS OF FLEXIBILITY IN DIFFERENT MANAGEMENT AREAS IN THE PARTICIPATING COUNTRIES	91
ANNEX C: METHODOLOGY FOR IMPLEMENTING THE OECD E-QUESTIONNAIRE.....	94

ACKNOWLEDGEMENTS

This project was led by Francesca Froy (Coordinator of Employment, Skills and Local Governance in the LEED Division) and Sylvain Giguère (Head of the LEED Division) with the support of Lucy Pyne (Consultant) and Michela Meghnagi (Statistical Assistant). The editors would like to thank Debbie Binks, Elisa Campestrin, François Iglesias, Damian Garnys, Helen Easton and Emma Mooney for their help and assistance during the project.

The following experts made significant contributions to the synthesis and country reports: Donna Wood from the University of Victoria, Canada; Hugh Mosley in Berlin, Germany; Kristel Bogaerts, Hans Echelpoels, Wouter Van Dooren, and Ive Marx from the University of Antwerp in Belgium; Ruud Dorenbos from NICIS and Els Sol from the University of Amsterdam in the Netherlands and Lars Buchholt Pedersen from mploy in Denmark – we would like to thank them all for their collaboration.

BACKGROUND

In the context of the growing knowledge economy, human resources and skills are becoming increasingly crucial to economic development. This is especially pressing in the aftermath of the global economic downturn. Labour market agencies and institutions have the capacity to contribute significantly to returning localities to prosperity, but only if they adapt themselves to new priorities: helping workers to compete on the global market, and ensuring that people access employment that is sustainable and productive, and that best harnesses their skills and aptitudes. At the same time, achieving higher employment rates will mean bringing new groups of workless people into the labour market and developing innovative means of reducing labour market disadvantage in the context of limited public funds.

This broader context for labour market policy calls for policies that are well coordinated and adapted to meet local challenges, requiring increased collaboration between labour market policy actors and their social and economic development partners. Such local collaboration and experimentation does not always fit with the standardised procedures of employment and training organisations. Public employment services are often managed in a relatively centralised fashion, offering few possibilities for local agencies to identify for themselves the opportunities to be seized and the problems to be tackled. The demand for more proactive local employment agencies has significant implications for how government policies are designed and managed, with one of the biggest challenges being to provide more flexibility on the ground where policies are implemented. These responsibilities require a new framework for the management of workforce development.

The Organisation for Economic Co-operation and Development (OECD) and its Local Economic and Employment (LEED) Programme conducted a study on *Managing Accountability and Flexibility in Labour Market Policy* in four countries: Belgium (Flanders), Canada (Alberta and New Brunswick), Denmark and the Netherlands to identify:

- What degree of flexibility is available at the local and regional level regarding active labour market policy measures?
- How can more flexibility at the local level go together with more effective policy measures while preserving accountability and the achievement of national policy goals?

This research is a follow up to two ministerial conferences which were held over a ten year interval – in 1998 and 2008 – in Venice, Italy on the theme of decentralising labour market policy. Both events, hosted by the Italian Minister of Labour, gathered ministers from OECD and non-OECD countries in addition to high-level officials. Participants at the 2008 conference agreed a Venice Action Statement (see Annex A), which included a commitment from governments to inject flexibility into the management of labour market policy so that local staff could give strategic orientations to the implementation of programmes to match local needs and better contribute to viable economic development strategies, in

addition to achieving national policy goals. The current study enables the OECD to look in more depth at the management of accountability and flexibility in the participating countries to assess how the Venice Action Statement can be best put into practice. The conclusions of the study were discussed at a high level OECD conference in Aarhus in Denmark in April, 2011, hosted by the municipality of Aarhus and the National Labour Market Authority (*Arbejdsmarkedsstyrelsen*) of Denmark.

Why is local flexibility important?

There is strong variation between local labour markets in terms of their business base, the skills level of the workforce, and the particular barriers that people face to accessing employment. Labour market policy needs to be adaptable so that it can better help localities to harness opportunities and tackle weaknesses and threats (see Box 1 below). In addition, as problems become more complex, a cross-sectoral response is often needed, drawing together government policies in the field of employment, skills and economic development, among others. Each of these policy areas needs to be flexible enough to adapt programmes and services to meet objectives decided in partnership. Otherwise, little will change in terms of actual programme delivery. In practice, making a real difference at the local level may mean giving preference to actions that are part of broad long-term local strategies at the expense of those yielding more immediate results for individual policy areas. It is not just public actors that can benefit from working together flexibly in this context. It is also necessary to mobilise representatives from the social partners (trade unions and employers) and the not-for-profit sector (voluntary associations and community groups), to work in partnership on specific issues.

Box 1. Why is local flexibility important?

Local diversity: Local labour markets vary significantly with respect to industrial composition, skills and employment, meaning that a one-size-fits-all approach is not always appropriate. Some local economies can be left behind within a growing national economy because of the pull of successful areas both for employers and higher skilled workers, while others experience the challenge of integrating new immigrant populations. Local diversity calls for different strategic priorities locally, not only differences in day-to-day delivery.

Adaptability: The skills and employability of the local labour force are crucial to the ability of economies to adapt to global change. The quicker that the unemployed can be re-trained for new jobs, the more adaptable a local economy will be. However, it is not just about responding to job losses – companies and workforces also have to adjust to new production processes and new ideas in the knowledge economy, while workers have to constantly update their skills to contribute fully to productivity. Governments therefore need to establish institutional frameworks that permit local economies to adjust quickly.

Complexity: The problems faced at the local level are often complex, requiring multi-faceted solutions. One organisation working alone will not make a significant difference. The local level is therefore the point at which different policy areas become joined up to provide solutions to particular problems. This is important not only for strategies for economic growth, but also for tackling high rates of economic inactivity, where people with multiple labour market disadvantages require holistic and tailor made approaches.

Supporting a joined up approach: OECD LEED research in 11 countries (Froy and Giguère, 2010) has shown that despite the plethora of partnerships which exist in OECD countries, too often there is a functional separation between economic development and human resource development at the local level. Different strategies are pursued by different actors and often in contradiction with one another. Employment and skills are often managed from a labour supply perspective while economic development is run from a demand point of view. To make this situation more complicated, each of these policy areas is often itself relatively fragmented with several organisations being involved in local decision-making. Where local policy makers have more flexibility to join up their policies into coherent local strategies this can make a significant difference to both making policy more effective and reducing duplication and the waste of public resources.

A variety of studies by the OECD LEED Programme have determined that more flexibility in the management of programmes is required for labour market policy to contribute fully to local strategies for economic growth and social inclusion (OECD 2003; Giguère, 2008; Giguère and Froy, 2009; Froy and Giguère, 2010). A LEED study carried out in 11 OECD countries (Froy and Giguère, 2010) sought to identify the most important factors influencing the ability of local actors to deliver integrated policies in the fields of employment, skills and economic development on the ground. The factors analysed included cooperation between government departments at the national level, cooperation between government and other stakeholders at the local level, and local capacities (skills and resources). However by far the most important factor identified was the flexibility awarded to local offices in the management and delivery of national policies. The flexibility local stakeholders had in the delivery of their policies varied considerably between the sectors. The study found that flexibility in the management of labour market policies was the least flexible, followed by vocational training policy and then economic development policy.

Creating more management flexibility helps labour market agencies to work with others to tackle the more entrenched problems of long-term unemployment which can result from multiple barriers to the labour market. It can improve the connectedness between employment and other related programming, providing clearer route maps for clients to help them back into jobs. It can reduce fragmentation and duplication, therefore conserving valuable resources. It can ensure that training is made more relevant to local labour market needs, and addresses local skills shortages and bottle necks. And on a strategic level, it can help local economies to plan in the longer term to ensure that they develop and host the right human resources and skills to support economic growth. Perhaps because of such factors, more local flexibility in the delivery of policies has been found to be associated with an increase in employment rates in OECD countries (Eberts and Giguère, 2009).¹

However, allowing local agencies greater room for manoeuvre is a difficult challenge for governments. The awarding of greater flexibility must be accompanied by guarantees regarding the accountability of decision-making and the efficiency of service delivery. Capacities are a particularly important issue, as no organisation will be happy to allocate new responsibilities to local level actors if they do not feel that they have the skills and resources to deliver. At the same time, new forms of governance are being developed at the local level (such as cross sector targets, scrutiny committees etc.) that allow horizontal accountability² to tighten as vertical accountability relaxes. This offers interesting possibilities for increasing the effectiveness of local development strategies and the local impact of labour market policy.

¹ Estimates suggest that sub-regional flexibility is positively and statistically significantly related to employment rates in the countries surveyed by the OECD. An increase of 1 point in the flexibility index (for an index that ranges from 0 to 5.0) is related to an increase in employment rates of around 2 percentage points.

² Horizontal accountability means developing a sense of mutual responsibility between local actors for the achievement of local policy goals. This may mean consulting other actors when targets are set so that the performance of individual policy sectors is compatible with broader area-based strategies. It could also mean allowing a wider group of local actors to scrutinize and report on the performance of individual agencies.

The OECD research project

Labour market policy aims at making the most effective use of a country's human resources. Occupying an ambiguous place between economic and social policy, it is often subdivided into active and passive components. Financial transfers to reduce hardship among the unemployed and provide a social safety net through programmes such as unemployment insurance and social assistance³ are considered as *passive* labour market measures. Activities to help the unemployed improve their skills and get back to work, as well as support employers to obtain the workforce they need, are considered as *active* labour market measures.

For this project, the OECD has analysed the management of flexibility and accountability in active labour market regimes in four OECD countries: Canada (looking at the provinces of Alberta and New Brunswick), Belgium (focusing on the region of Flanders), the Netherlands and Denmark. All represent examples of political decentralisation within a multilevel governance structure. Using the same procedure in each country, country experts assessed the balance between flexibility and accountability in the local management of labour market programmes and policies. This procedure consisted of (i) a detailed OECD e-questionnaire to local employment offices,⁴ (ii) interviews with government officials and service delivery providers, (iii) a series of roundtables in different locations with government officials and their community partners. In this project, the focus was on active labour market policy delivered to both the insured and uninsured unemployed. Previous OECD LEED work had only focused on active measures provided to the insured unemployed. This report provides a synthesis of the findings from the four country reports, and also incorporates the outcomes of an international conference hosted by Denmark in Aarhus, April 2011 to review results and debate the best way of managing flexibility and accountability within labour market policy. Best practice lessons are extracted from these four case study countries (and from a broader set of OECD countries) for consideration by policy makers.

What do we mean by flexibility in labour market policy?

Flexibility in the management of policy can be defined as “the possibility to adjust policy at its various design, implementation and delivery stages to make it better adapted to local contexts, actions carried out by other organisations, strategies being pursued, and challenges and opportunities faced” (OECD 2009). Mosley (2003) equates flexibility with the “density of generally binding rules and procedures”. In this sense we are not referring to flexibility in the labour market itself (for example in relation to labour laws) but in the management regimes which oversee and influence how labour market policy is planned, designed and delivered. In this context it does not matter whether central or sub-state governments are in charge of employment policy, but that flexibility is available to actors at various levels

³ These will generally be referred to in this report as the *insured unemployed* - who have contributed to a fund that provides financial support while they are out of work - and the *uninsured unemployed* who do not have this protection and are often identified as being in receipt of social assistance.

⁴ This e-questionnaire was sent to all local job centres in Denmark and a sample of local employment offices in the other three countries. Details of the sample are included in Annex B. In addition to asking a series of detailed questions about the way in which the work of local employment offices was managed, the respondents were also asked for their own perspective as to the flexibility of their management framework.

of the system to allow for the adaptation of the orientation of programmes to contemporary economic challenges.

The study has focused on the following key dimensions of flexibility:

- *Programme design and strategic approach*: Do regional and local offices have input into the design of policies and programmes? Are they consulted? Are they free to determine the programme mix and adapt programmes? Can they design local employment strategies?
- *Budgets and financing*: Are the resources available to regional and local operating units adequate? Do regional and local actors have flexible global budgets or line item budgets for active measures? Are they free to allocate resources flexibly between budget items?
- *Performance measures and targets*: To what extent are performance measures and targets centrally determined? Do they allow room for regional targets and flexibility in adapting to local circumstances? Are targets and indicators hierarchically imposed or negotiated with regional and local actors? Are sanctions imposed if targets are not met? Are regional and local offices benchmarked against each other?
- *Client eligibility*: Do regional and local offices choose the target groups that they will work with? Who decides who can be served?
- *Staffing and outsourcing*: To what extent are regional and local organisational units free to hire, recruit, train and pay personnel and assign them to tasks at their own discretion? Are they free to decide what services to contract out to external providers?
- *Collaboration and partnerships*: Can regional and local offices decide who they collaborate with locally? Is collaboration recognised or rewarded? Are regional and local offices involved in co-delivery arrangements?

What do we mean by accountability in labour market policy?

In most countries, labour market policy is considered as a national priority that requires national co-ordination. This requires:

- Ensuring there is even quality in services and a minimum quality of services available to all in line with equal citizenship and equal application of the law;
- Being able to respond quickly to national labour market challenges;
- Ensuring that evidence-based policy is implemented (e.g. where it is proven that a particular technique works with a particular group of unemployed people, this needs to be shared and adopted);
- Ensuring the right point of contact for employers (at different levels) and supporting sectoral strategies.

As a result, systems of accountability are as important as awarding flexibility. Accountability is essentially a system of checks and balances designed to protect the public interest and minimise the potential for abuse of power or spending. The purpose of an accountability regime is not to eliminate the possibility of failure, but to ensure that public money is spent for the purpose intended, that audit trails are maintained, and that there is some mechanism to measure or report on the impact of the spending (Bruce, 2009).

Government is typically concerned with ensuring four principal types of accountability (Mosley, 2003):

1. **Political accountability:** to elected government officials, parliaments and the public;
2. **Legal accountability:** to act on the basis of the rule of law and in conformity with applicable regulations;
3. **Fiscal accountability:** to ensure correctness and economy in the use of public monies; including audits;
4. **Performance accountability:** to ensure output or outcome oriented effectiveness and efficiency.

In considering accountability the key questions are *who is accountable to whom and who is accountable for what?* Answering these questions can be especially challenging in decentralised political systems such as the four case study countries, as elected leaders and government officials at the various levels may have quite different perceptions of the accountability relationship. Where many different organisations are involved in delivering labour market policy, this can also make performance accountability more ambiguous.

What do we mean by local?

By local, we mean the level of “local labour markets”, where economic development strategies are designed and policy areas need to be linked up. This does not necessarily correspond to the municipal level, where the Public Employment Service (PES) has its antennas. The analysis of local focuses on OECD sub-regions with a population of between 150 000 and 800 000 (NUTS 3 or territorial level 3) which fits reasonably well the description of a local labour market. The relationships being assessed in the four case study countries are as follows:

Table 1. What do we mean by local?

Country	Population and structures for the implementation of labour market policy	Administrative level at which flexibility and accountability was assessed
Belgium	<i>Flanders</i> - 6.2 million citizens, served by 13 regional offices and six provincial competence centres of the Flemish Public Employment Service (VDAB), coordinated with the 30 local unemployment offices of the National Employment Office (NEO) and 308 municipalities through one-stop job shops (<i>werkwinkel</i>).	13 sub-regional offices of the VDAB ¹ .
Canada	<i>Alberta</i> – 3.7 million citizens, served by Alberta Employment and Immigration's (AEI) six regional offices and their 59 local points of service under bilateral agreements with Human Resources and Skills Development Canada (HRSDC).	Six regional offices of AEI and 59 local labour market offices.
	<i>New Brunswick</i> – 750 000 citizens, served by the Department of Post-Secondary Education, Training and Labour's (PETL) seven regional offices and their 19 points of service under bilateral agreements with HRSDC.	Seven regional offices of PETL and 19 local labour market offices.
Denmark	5.5 million citizens served by job centres run by 98 municipalities under the authority of the National Labour Market Authority and in conjunction with four Employment Regions.	98 municipalities.
Netherlands	16.5 million citizens. The insured unemployed are served by UWV WERKbedrijf, a national organisation with 127 local offices, of which 30 have increased responsibilities. The uninsured unemployed are served by 418 municipalities.	127 local offices of the UWV, of which 30 have increased responsibilities. 418 municipalities.

Note 1: For Belgium, the analysis of the e-questionnaire results included in this report considers the responses of the sub-regional offices of the PES (VDAB) despite the fact that the survey was also sent to provincial training centres (competency centres) and local strategic bodies, RESOC and SERR. Findings for these bodies are published in the relevant country report (Bogaerts et al, 2011)

Is local flexibility always a good thing?

Local flexibility in provision does not necessarily make sense for all aspects of labour market policy. There are some elements of labour market policy— for example standards for occupations and professions and labour market information— that are necessary on a broader geographic basis in order to ensure free movement of workers and enable comparisons from one country or region to another.

There may also be unintended negative effects if awarding flexibility is not managed effectively. For example awarding flexibility may result in a lack of standardisation in performance due to uneven quality in service delivery and problems with harmonising performance data. Citizens may feel that there is unequal access to programmes and a loss of social citizenship on a national basis. Additional potential downsides of awarding flexibility at local level include:

- Difficulty in ensuring that computer systems are compatible and able to communicate results efficiently to higher governance levels;
- Duplication of effort. Unless good national networks are in place to identify and share good practice, local stakeholders may find themselves “reinventing the wheel”;
- A lack of economy of scale (for example in outsourcing);

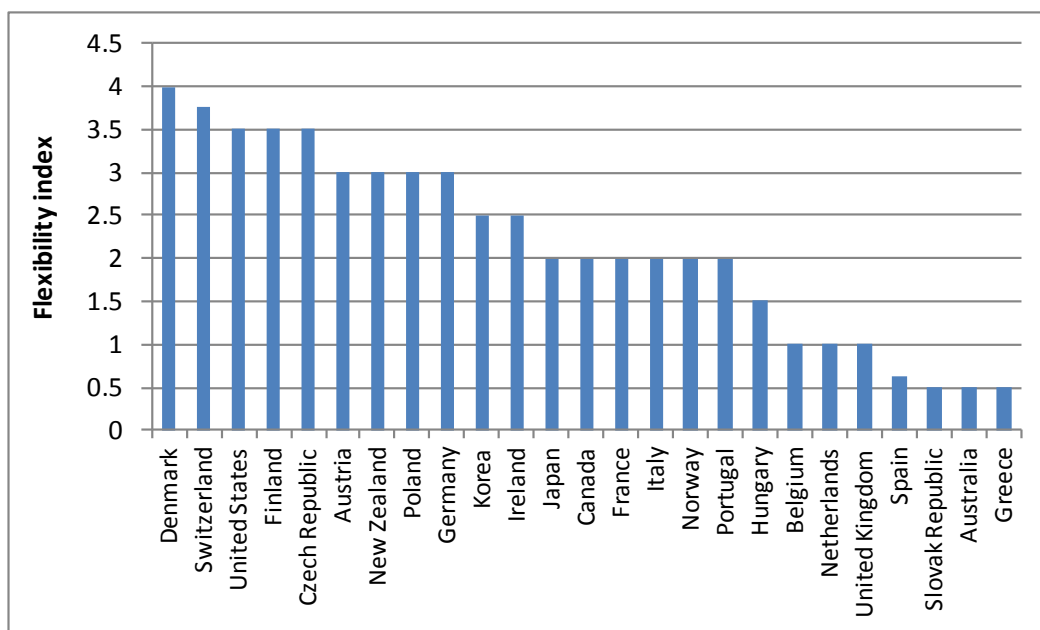
Because of these issues, in the Netherlands the Public Employment Service (UWV) is keen to talk of local offices gaining further *leverage* at the local level as opposed to encouraging extremes of variability, pointing to the value of national organisations in identifying overall labour market goals, sharing good practice, supporting virtual job matching services and providing technical assistance and ensuring labour market information systems remain coherent. This highlights the importance of ensuring local flexibility is provided within a coherent multi-level governance system with checks and balances and clearly allocated responsibilities at different governance levels.

The key findings of OECD research in 25 countries in 2008

In 2008 the OECD LEED Programme compared local flexibility in the delivery of labour market policy in 25 countries, and ranked countries according to a set of criteria relating to the influence local labour market offices⁵ have in the design of programmes and policies, the management of budgets, the setting of performance targets, eligibility criteria for participation in programmes, outsourcing and staffing, and collaboration (Giguère and Froy, 2009). The results can be seen in Chart 1.

⁵ At OECD Territorial Level 3 – labour market offices covering populations of approximately 800 000 and below.

Chart 1. Flexibility in the management of labour market policy at sub-regional level in 25 OECD countries in 2008



Note: Estimates of flexibility in the management of labour market policy were prepared drawing on the results of an OECD Questionnaire to the Employment, Labour and Social Affairs committee (ELSAC) on Activation of Labour Market Policy in 2007. The findings were supplemented by further research in March and April 2008. No information was available for Sweden at the time of the study. The estimates were based on an analysis of flexibility in six main areas: 1. designing programmes; 2. allocating budgets; 3. defining target groups; 4. setting performance criteria; 5. collaborating with other actors and; 6. outsourcing.

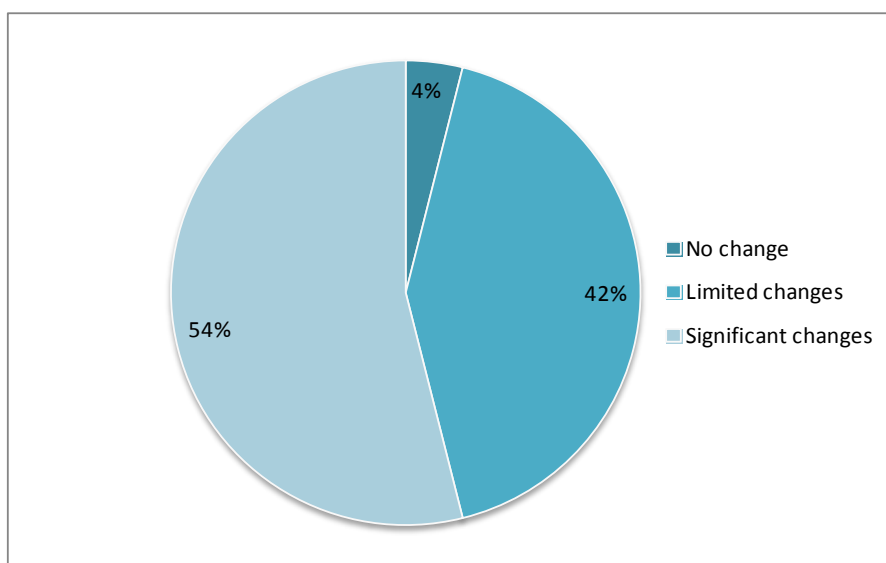
Source: Giguère and Froy (2009).

In this 2008 analysis Denmark had the highest degree of flexibility out of the current four case study countries as regards the implementation of labour market policy for the insured unemployed, while the Netherlands had the least. The labour market governance regimes in the four case study countries in 2010-11 have evolved from those assessed in the 2008 OECD report, and in the case of the Netherlands are still changing. This follow-up OECD study presents an opportunity to reflect on the changes that have occurred in each country and the resulting balance between flexibility and accountability in the management of active labour market policy.

The context of the study: economic crisis and recovery

This new OECD research has been carried out at a time of economic downturn and recovery, and this is reflected in the research results. When asked whether the economic downturn had changed the way local labour market offices delivered their programmes and services, 42% identified limited changes, while 54% reported significant changes.

Figure 1. How far has the economic downturn changed the way you deliver your programmes and services?



Source: OECD Managing Accountability and Flexibility e-questionnaire.

In some places, the crisis has led to enhanced collaboration between local labour market offices, municipalities and other actors, whereas in others partnerships have had to be put on the back burner as the focus has turned to achieving minimum service delivery standards. This has resulted in reduced capacity to fully exploit the degree of flexibility in existing management frameworks. Special initiatives have been put in place in some cases to help deal with the larger number of jobseekers. In Flanders, for example, actions financed by the Work and Investment Plan 2010-11 (WIP – *Werkgelegenheids- en InvesteringsPlan*) of the Flemish Government have provided additional means to the PES to generate additional training capacity to meet skills shortages and for jobseekers looking for a new profession. In Canada, additional resources were allocated for two years, starting in 2009, towards labour market programmes and services through amended or newly signed Labour Market Development Agreements (LMDAs) and Labour Market Agreements (LMAs) in order to provide additional supports to Employment Insurance (EI) eligible, and non-EI eligible clients. In the Netherlands, so-called “mobility centres” (*mobiliteitscentra*) have been in operation since March 2009 to counterbalance the effects of the economic crisis. The main objective of mobility centres is to facilitate work-to-work transitions to prevent unemployment by helping employees faced with redundancy to find new work as soon as possible. As youth have been particularly affected by the crisis, the national government has also concluded special agreements with each of the regions to make arrangements to combat youth unemployment.

Understanding the employment system in each case study country

The *Managing Accountability and Flexibility* project has focused on four countries with very different governance systems. In each country political decentralisation has meant that additional responsibility has been assumed by sub-state governments – in Canada by provincial and territorial governments, in Belgium by regional and municipal governments, and in Denmark and the Netherlands by municipal governments (see Box 2 below). Political decentralisation (or devolution) of any kind is much more complex than administrative decentralisation within the public employment system, as here authority transfers to relatively independent political entities with their own elected leadership and power base. This results in a

relationship between the centre and regional or municipal authorities that is less hierarchical and requires more negotiation (Mosley, 2011). In federal systems, such as Canada and Belgium, sub-state jurisdiction is constitutionally protected and cannot be changed unilaterally by the national government; this contrasts with unitary states such as Denmark and the Netherlands where national governments retain greater control. In order to understand the balance between accountability and flexibility in each country, an organigram of the broad framework for the management of labour market policy in each country is presented followed by a brief overview.

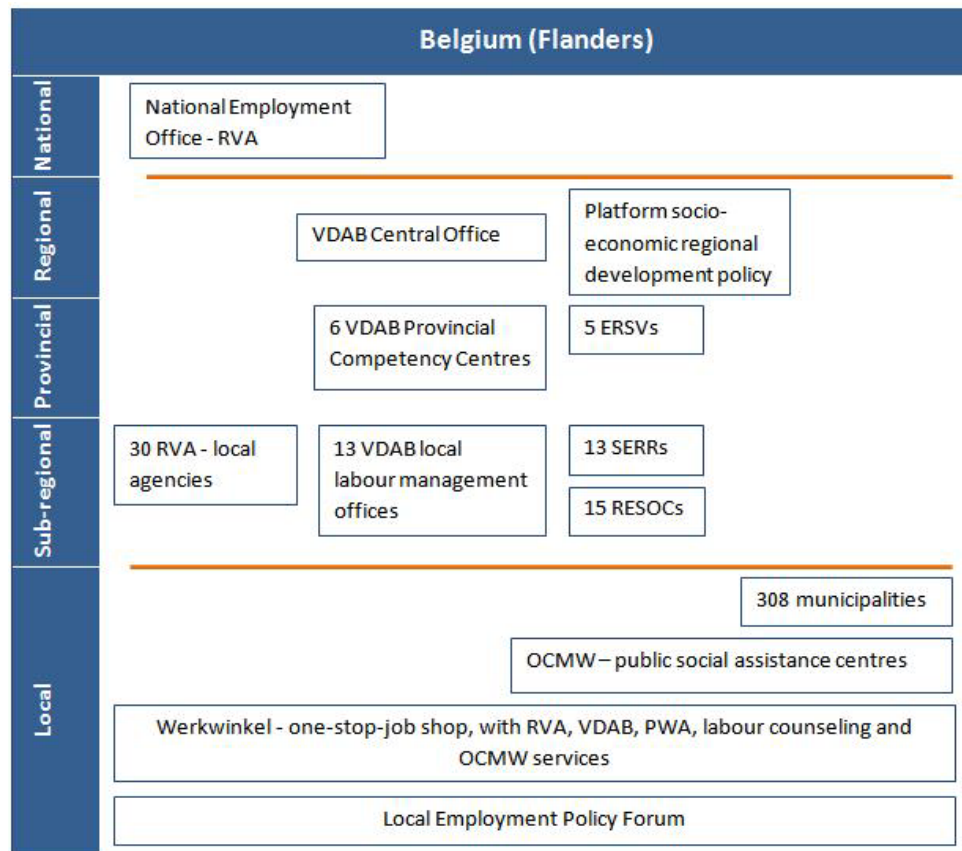
Box 2. Delegating tasks to municipalities

In Denmark, for some years an increasing number of public-sector tasks and services have been the responsibility of the municipalities. Across almost all policy areas, the municipalities perform the majority of tasks providing services to citizens and enterprises. The municipal/regional level is accountable for services corresponding to 63% of overall public expenditure in Denmark, of which the majority of services are managed by municipalities. A greater role has been allocated to the municipalities on the assumption that public services can be carried out in a more targeted, qualified and efficient manner if they are organised and supplied closer to the citizen and enterprise. A key intention of the municipal reform in the employment area was that by placing the tasks with the municipalities it would be possible to target employment policy and measures more specifically at the local labour market. Moreover, anchoring employment measures in the municipalities was to make it possible to strengthen cooperation and interaction with a number of local players. The chances of achieving results increase proportionally with increases in the level of local political support for local employment policy goals, and from increasing levels of commitment from local enterprises, sector associations, trade unions, educational establishments, etc.

Source: Mploy (2011).

Belgium

Figure 2. Belgium (Flanders): institutional framework



Source: OECD Managing Accountability and Flexibility study.

Belgium has a federal system of governance. Since the late 1970s five consecutive reforms have transferred more competences to the regions and communities. Labour law and social security (legislation, organisation, financing and administration) are a federal matter. The regions (Flanders, Wallonia and Brussels) are responsible for active labour market policies (sometimes co-financed by the federal government) and for labour mediation and the PES. The communities (organised by language: Dutch, French or German speaking) are responsible for person-related matters such as education (including social promotion and vocational training and retraining) and policy concerning people with disabilities. The Flemish government cannot elaborate labour market actions that belong to the competences of the federal level and vice versa. At sub-regional level, the provinces, cities and municipalities have no explicit competences for labour market policy. They mainly implement federal and regional decisions and actions. But, following the constitution, they do have residual competences which means that they can take all actions of local importance. This also counts for local labour market policy. The principle of subsidiarity is important here; what a smaller entity can do or perform sufficiently must not be done by a larger entity, unless the latter can do this more appropriately.

A major part of active labour market policy and instruments in Belgium is managed at the regional level by the four PES' which cover the Belgian territory: VDAB (*Vlaamse Dienst voor Arbeidsbemiddeling*) in Flanders, FOREM in Wallonia, Actiris in Brussels Capital region and ADG in the German speaking region. The PES' are administrative agencies accountable to their respective regional

governments and hence develop different policies and administrative practices. VDAB is 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. VDAB has central offices, 13 sub-regional local labour market management offices (*regionale arbeidsmarktdirectie*) and six provincial competence centres (*provinciaal competentiecentrum*).

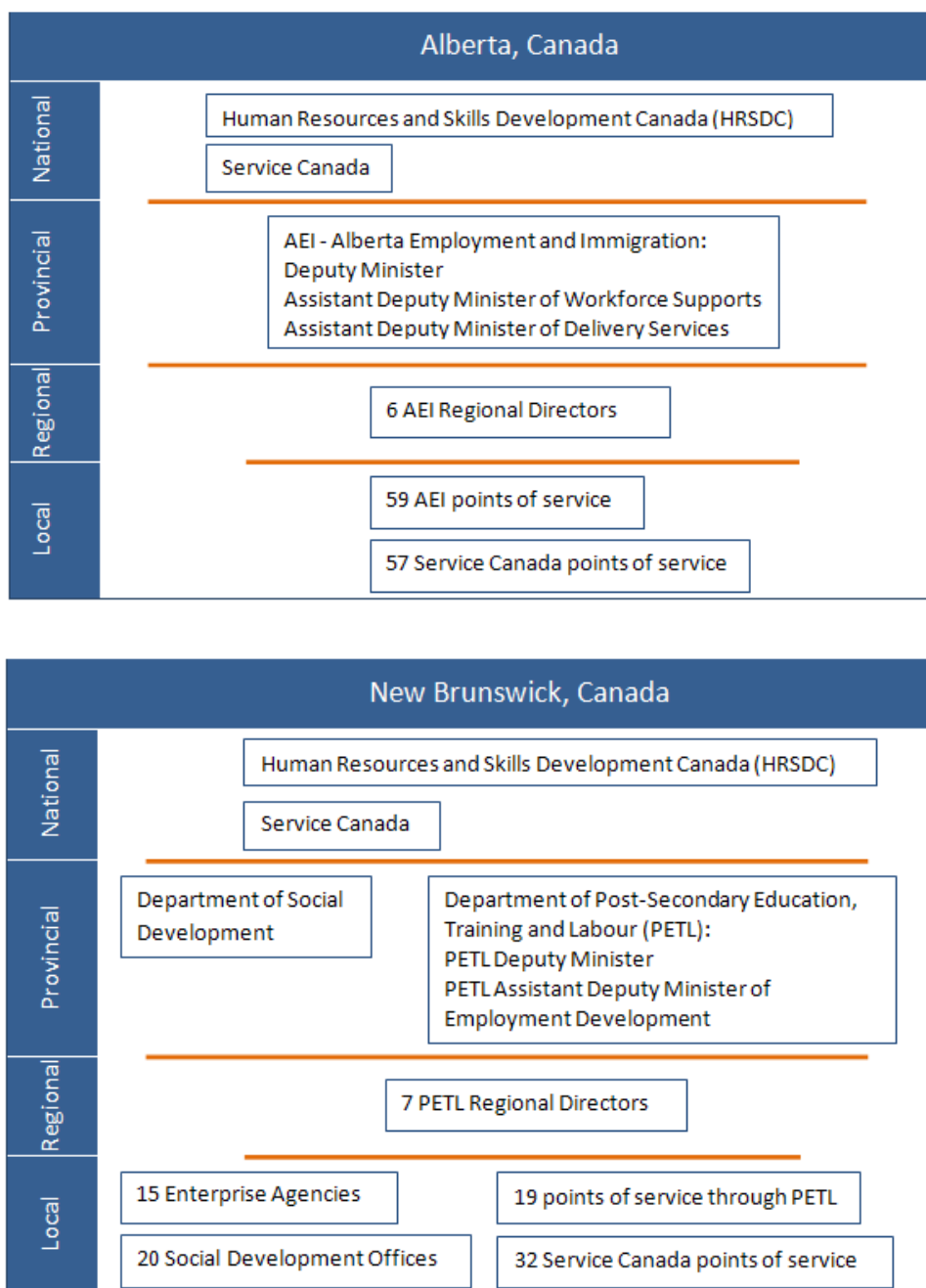
Efforts are made in Flanders to bring together all the different actors engaged in labour market policy. This is supported through a partnership agreement developed in 2005. A key mechanism for bringing together the different actors are the local one-stop job shops (*werkwinkels*). These represent a local partnership of PES, Public Social Assistance Centre, Labour Counselling, LEA, NEO and other local actors. The one-stop-shops focus on providing integrated services on work and employment and on information on the local service economy.

Throughout the system there are extensive advisory networks responsible for consultation and planning; in Flanders this occurs at the sub-regional level through councils called SERR (Socio-Economic Council of the Region, *Sociaal-Economische Raad van de Regio*) and RESOC (Regional Socio-Economic Committee, *Regionaal Sociaal-Economisch Overleg Comité*). Flanders is divided in five ERSV territories (Acknowledged Regional Co-operation, *Erkend Regionaal Samenwerkings-Verband*) - identical to the provinces, 13 SERRs and 15 RESOCs. The ERSVs are financed by the Flemish government which provides a subsidy to support the staffing and operations of the SERRs and RESOCs. SERR and RESOC operate on a policy level and do not provide client services. Their key focus is on regional and local planning.

The Flemish government is currently undertaking an ambitious reform agenda to reduce institutional crowdedness, as well as improve regional governance and local governance capacity. At the same time, the VDAB is also undergoing a process of internal restructuring.

Canada

Figure 3. Alberta and New Brunswick: institutional framework



Source: OECD Managing Accountability and Flexibility study.

Canada is a federation, organised into ten provinces and three territories. It occupies the second largest land mass in the world, with vast distances between individual jurisdictions and between each jurisdiction and the capital Ottawa. Until 1996 the Government of Canada held primary responsibility for designing and delivering labour market programmes and services through a Canada-wide national public

employment system (PES). The PES had a network of over 500 federally-managed offices for providing passive income benefits to the insured unemployed, as well as active measures. Each provincial and territorial government provided additional benefits to the uninsured unemployed as well as active measures to help them into work, supported by funding contributions from the government of Canada.

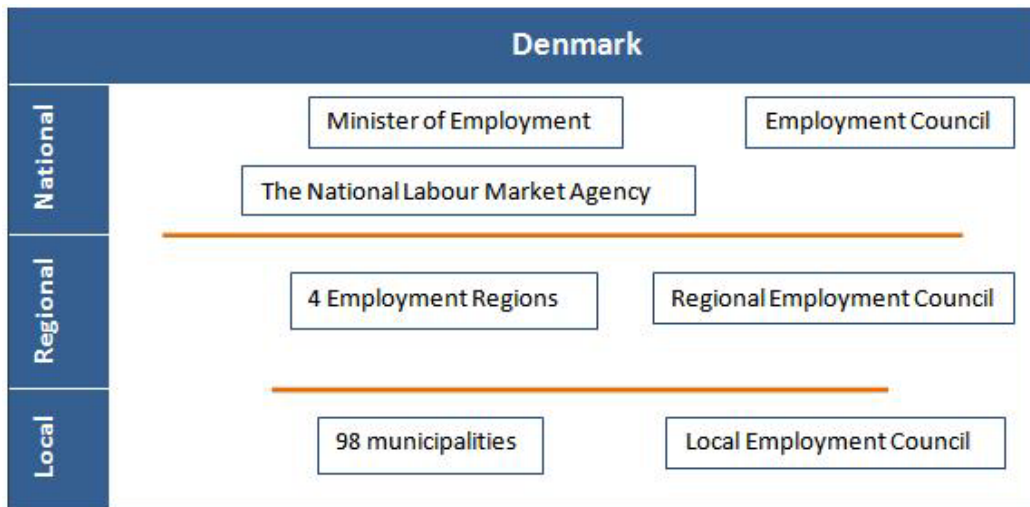
In 1996, the Canadian government offered to devolve responsibility for active measures for the insured unemployed to provincial and territorial governments. Since then the Canadian provinces and territories have gradually taken on responsibility for this policy area, through the transfer of federal staff, funding (from the Employment Insurance account) and assets to provinces and territories through bilateral agreements with defined accountability requirements. The federal government retained responsibility for the provision of EI to eligible clients, active measures for select client groups (e.g. Aboriginal persons and youth) and pan-Canadian programming. Federally funded programs for Aboriginal persons are delivered by Aboriginal organisations. In 2007 the federal government provided significant additional funding to provincial/territorial governments for active measures for the uninsured unemployed and low-skilled employed, many with additional barriers to labour market integration; this was supplemented in 2009 by additional funding and flexibilities for programming aimed at all unemployed individuals, employers and communities affected by the economic downturn. Today there are four template agreements between the Government of Canada and provinces and territories that deal with labour market issues; each with a defined target group (insured unemployed; uninsured unemployed and low-skilled employed; persons with disabilities; and older workers, although the territories do not have transfer agreements for persons with disabilities).

All jurisdictions in Canada have assumed these new responsibilities, allowing them the opportunity to develop an integrated system of active measures for both the insured and uninsured unemployed and low-skilled employed. Each province/territory determines their government structure and delivery system as they see fit. The responsibilities of Alberta Employment and Immigration also include social assistance and supports for employers. In New Brunswick these responsibilities are carried out by the Department of Social Development and provincial Enterprise Agencies. Canada's Public Employment Service is now, in effect, managed and delivered by 13 provincial/territorial governments as each deems suitable within the framework and funding provided through four template federal-provincial/territorial agreements. 85% of all federal funding for active measures is now managed by provincial/territorial governments and Aboriginal organisations. Benefits for the insured unemployed as well as active measures for the remaining federal target groups are provided through Service Canada, a national organisation which offers Canadians consolidated access to a variety of federal services.

Municipal governments in Canada are creatures of provincial/territorial governments. Although many years ago municipal governments in Canada were also involved in labour market measures, over time most provincial/territorial governments assumed these responsibilities. The one exception today is Ontario (Canada's largest province by population) where municipalities retain some responsibility for social assistance as well as active measures for these individuals. However, even though Canadian municipalities are not responsible for either active or passive labour market policy, they are a key partner in getting the unemployed back to work, given their related responsibilities for child care, housing, and local matters.

Denmark

Figure 4. Denmark: institutional framework



Source: OECD Managing Accountability and Flexibility study.

Denmark is a unitary state. Denmark spends approximately 1.4% of GDP on active labour market programmes (the highest percentage among OECD countries), providing considerable capacity and resources for active measures. Employment policy is highly prioritised and there have been many reforms and legislative changes in the past ten years. There is strong national legal framework in order to ensure that national performance targets are fulfilled and that citizens are guaranteed minimum rights and duties and that they receive similar services across the country. Initiatives include the More People into Employment (2002-03) and the 2006 Welfare Agreement Reform, which focused on enhancing workforce participation and increasing unemployed persons' availability for work and the extent of their job search activity. This also reduced the length of time benefits for the insured unemployed could be made available from four to two years. Unemployment benefits are paid through private Unemployment Insurance Funds which are organised in the form of associations and, in most cases, are administered by a trade union. In 2010 there was a further major reform of the financial system in the employment area.

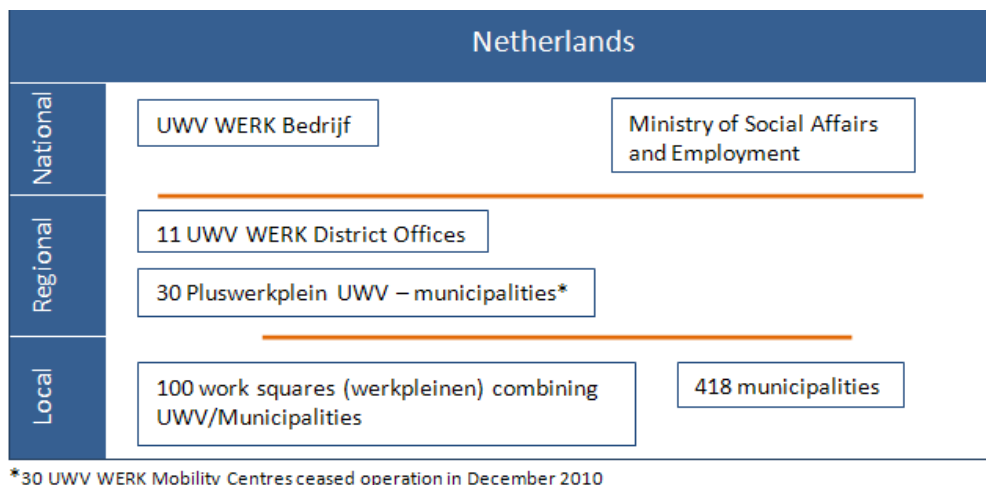
The most significant reform relates to decentralisation, when in 2007 a major structural reform of local and regional government came into effect. 271 municipalities were reduced to 98 and the 14 counties were abolished and replaced by five new administrative regions governed by popularly elected boards. As Danish politicians and officials did not feel it was natural or logical to have two employment systems in Denmark, responsibilities and the division of tasks were restructured resulting in more obligations for the municipalities. In 2009 active measures for insured unemployed people were transferred from the national office to the municipalities, to be added to the responsibilities they already had for the uninsured unemployed including full responsibility for active labour market policy and cash social benefits. This involved the transfer of over 2 000 national employees to regional and local governments. Merging the previous national and municipal employment system into one was intended to reap synergy benefits and enhance cooperation of employment measures with other municipal responsibilities.

With changes from 2011 municipalities also have a role in financing active measures in the enterprises (two thirds of budget from national, one third from municipal sources), however, there are also

incentives built in so that they can keep the money if they get people back to work. The Employment Regions' role is one of support and advice, they cannot directly tell the job centres what to do. They do, however, have responsibility for following up with municipalities if they are not performing and/or administering the Employment measures sufficiently. As the national and regional level has devolved responsibility, steering instruments like performance objectives, legislation, transparency, IT systems, incentives and intensive dialogue are used in order to maintain accountability and national steering.

The Netherlands

Figure 5. Netherlands: institutional framework



Source: OECD Managing Accountability and Flexibility study.

The Netherlands is a unitary state. The organisation of labour market policy in the Netherlands has been in an almost constant process of reform in recent years. The SUWI Act of 2002 (Work and Income Implementation Structure, *Structuur Uitvoering Werk en Inkomen*) introduced a new institutional arrangement with the Ministry of Social Affairs and Employment (SZW) retaining a supervisory role, in particular through its Work and Income Inspectorate and through target agreements with its main partners the Centre for Work and Income (CWI) and the Social Security Agency (UWV). The SUWI Act also introduced competition and obliged agencies to spend their employment integration budgets on the market. In January 2009 CWI and UWV merged into a division called Work Company (UWV WERKbedrijf). The UWV WERK Bedrijf can be seen as a national employment organisation with a network of district and local offices that supports the insured unemployed by providing both employment supports as well as benefits.

In the Netherlands the uninsured unemployed receive social assistance from the municipality in which they live. This is also overseen by the Ministry of Social Affairs and Employment. There are 418 municipalities in the Netherlands. They started to engage in active labour market policy back in the 1980s. At this time, national activation programmes entailed clear definitions of their target groups in terms of age, duration of unemployment etc. In 2004 the Work and Social Assistance Act was introduced which obliges everyone entitled to a benefit to make an effort to find work. Since the new act performance management targets have been replaced by financial incentives to reduce the number of people on social assistance. Municipalities are fully responsible for benefit expenditures and are free to use any saved

money as they wish. They are not bound to use the market for service delivery to the same extent as UWV WERK Bedrijf and more services are provided in-house.

Since 2008-09 the Dutch government has recognised the importance of regional partnership approaches to employment policy, and the need for a more networked-based approach. As a result they have established a series of work squares (*werkpleinen*) which unite UWV WERK Bedrijf and municipalities to provide a one-stop-shop service to both citizens and business. The government also introduced regional performance agreements with the 30 largest Dutch municipalities for combating youth unemployment in 2009. Extra activation funds were made available in return for a commitment for extra performance targets. 30 municipalities have been given increased powers to coordinate economic strategies at the regional level.

Since the OECD study in the Netherlands, the tasks of the UWV have been amended in what is known as *Redesign UWV Werkbedrijf*. This redesign means that the UWV Werkbedrijf (responsible for supporting people looking for jobs and employers looking for employees) will be reduced from about 100 local offices to 30 regional offices. At these 30 work squares important attention will be given to joint services to employers (involving both UWV and municipalities in the region), building on the successful collaboration between the PES and private parties in so-called mobility centres (*mobilitieitscentra*), 2009-10, which followed the economic downturn. The UWV is also working on modern electronic services for jobseekers (in the future there will be fewer face to face contacts, just 10% of the clients) and one registration system for both UWV and municipalities.

FINDINGS: HOW FLEXIBLE ARE DIFFERENT MANAGEMENT TOOLS IN ACTIVE LABOUR MARKET POLICY?

Each of the four countries under study has developed different mechanisms for achieving both flexibility and accountability in their management of labour market policy, particularly when it comes to implementing the six management tools included in Figure 6. The section below analyses these variations in the use of the management tools in more detail, looking at each country in turn.

Figure 6. Management tools for achieving accountability in labour market policy



Programme design and strategic approach

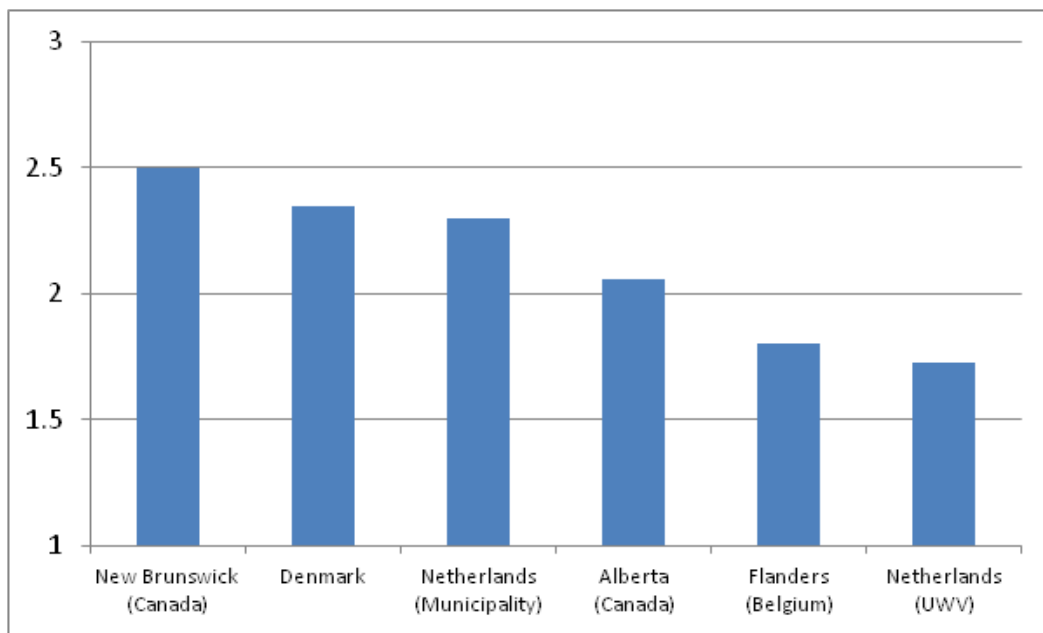
Both the strategic direction of employment policy (the aims of the policy, the focus and the priorities) and the design of labour market programmes (the activities and support mechanisms to be put in place, their duration and content) are often defined at the national level in OECD countries, or at the level of larger regions.

When it conducted its first international comparison on flexibility in labour market policy with 25 countries in 2008, the OECD found that in just under a third of countries (32%) local actors had no role at all in providing input into the design of active labour market programmes. However in some cases, local offices had a greater role in defining their own strategic plans which link more closely to local economic development and social inclusion priorities, and greater flexibility in the nature of the employment programmes they implement through i. influencing the design of programmes, ii. deciding on the mix of

programmes to be implemented at the local level, and iii. having some possibility to design their own local programmes either instead of or in addition to mainstream delivery.

The e-questionnaire prepared for this study asked respondents from local job centres and employment offices how much flexibility they perceived they had in two different dimensions – the development of a strategic approach, and the development of labour market programming. The results for the two questions were different, with the PES in the Netherlands for example, reporting more flexibility in the design of programmes than in the design of the strategic direction of employment policy. In New Brunswick, Canada, the situation was reversed⁶.

Chart 2. Perceived flexibility in terms of strategic approach

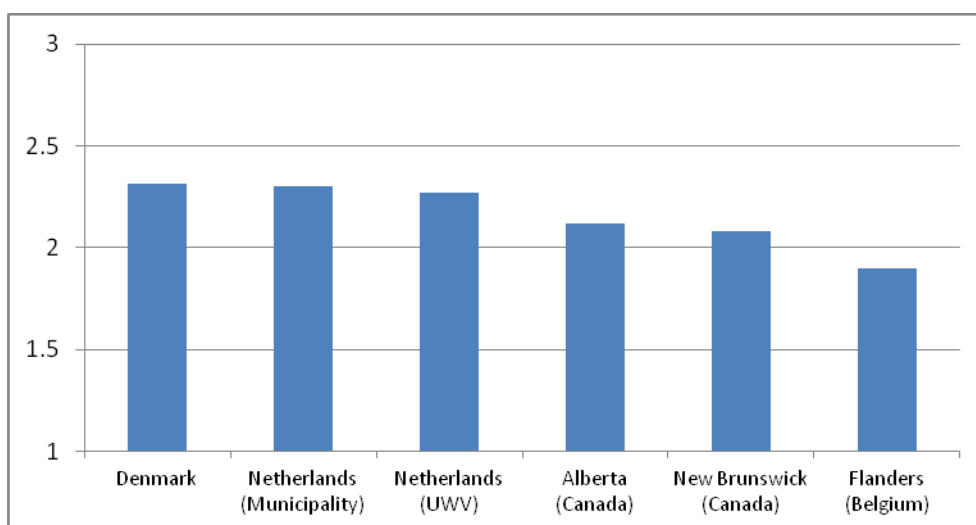


Note: The scoring has been calculated by summing the degrees of flexibility (Low=1, Moderate=2, High=3) and dividing by the number of valid answers for each dimension.

Source: OECD Managing Accountability and Flexibility e-questionnaire.

⁶ The methodology for the e-questionnaire is included in Annex C to this report.

Chart 3. Perceived flexibility in terms of programme design



Note: The scoring has been calculated by summing the degrees of flexibility (Low=1, Moderate=2, High=3) and dividing by the number of valid answers for each dimension.

Source: OECD Managing Accountability and Flexibility e-questionnaire.

Another way to ascertain perceived flexibility in programme design is to ask local offices how far they are able to address current labour market challenges through current programming (see Table 2 below). Out of all the countries local representatives from job centres in Denmark seemed less likely to identify challenges they could not address, with representatives from New Brunswick in Canada most likely to identify such challenges.

Table 2. Are there labour market priorities that local offices are not able to address through your labour market programmes?

Are there labour market priorities in your region which you are not able to address through your current labour market programmes?			
		Yes	No
Canada	Alberta	50%	50%
	New Brunswick	82%	18%
Belgium	Flanders	60%	40%
Netherlands	UWV	64%	36%
	Municipalities	36%	64%
Denmark		21%	79%

Source: OECD Managing Accountability and Flexibility e-questionnaire.

Belgium (Flanders)

In Flanders, Belgium, employment and activation measures are designed and financed mainly by federal and regional governments. For example both the National Employment Office and the Flanders PES (VDAB) define the specifications of the measures, their outcome and the juridical and fiscal implications of participation at central level. Within this framework, local offices manage access to

employment or activation measures for individual clients. They can use measures and instruments at their own discretion to guide individual clients at the local level, and meet local labour market needs in terms of filling skills shortages, vacancies and training needs as long as this meets with the framework of central programming, the centrally designed yearly business plan and the central management framework agreement with the Flemish Government. The 13 sub-regional offices of the VDAB are not obliged to implement all the possible programmes designed centrally but can pick those most relevant to the local labour market.

The 13 sub-regional VDAB offices are also given the possibility to design additional measures or actions to meet specific local needs by means of the Local Project Programme (LPP). The funding available depends on different regional characteristics but it represents a small percentage of the overall budget, and a significant proportion is pre-allocated for the continuation of ongoing projects which deliver good results. LPPs are very diverse in nature, including training, counselling, in-service guidance. Apart from the Local Project Programme, the six VDAB provincial competency centres can also introduce additional training initiatives to meet needs not covered by regional or federal policies or to complement existing programmes. 60% of local VDAB offices surveyed identified that there were labour market challenges which they could not address.

Canada (Alberta and New Brunswick)

In Canada the federal government retains a significant role in programme design and strategic approach — especially as it relates to active measures provided to the insured unemployed — through the structuring of the bilateral contribution agreements under which funds flow to provincial and territorial governments. Although some of these parameters are negotiated, they are mostly determined by the federal government. However, the federally-identified programmes and services to be offered are quite broad, and Alberta and New Brunswick have found it relatively easy to ensure that provincial programmes are similar to the examples identified in the federal legislation. Provincial and territorial governments are fully free to determine the mix of programmes they will offer, indeed some provinces and territories have chosen not to offer the full array of federally identified programmes. They are also free to adapt federal programmes as they see fit to their particular provincial and territorial circumstances and labour market needs. There is even greater flexibility in terms of programmes to be offered to the uninsured unemployed and low-skilled employed as , provinces and territories are almost completely free to design the programmes as appropriate to their needs with federally-transferred funds.

With the responsibilities that each province and territory has assumed from the federal government through the labour market agreements, considerable power and authority for strategic direction, policy and programme design has been retained at the provincial/territorial level and has not been passed down to the regional and local level. For example, in Alberta, all regional and local activities are identified against a provincial business plan through a logical, systematic process using a standard template that moves the departmental plan down into each division, from the division to the region, from the region to the local office, and from the local office into each manager's and employee's personal performance plan. However, in both Alberta and New Brunswick regional and local managers did not see the retention of policy and performance control at the provincial level as a big concern. They feel that they have ample opportunity to influence overall programme direction and design through the strong interactions that take place within the provinces and that there is a good mix of programmes that they can choose from. Regional and local offices can easily lobby and influence the programme parameters through direct contacts and by being

involved in regular meetings. In New Brunswick, regional directors are able to influence provincial programming through weekly teleconferences with the assistant deputy minister, and face to face meetings with all central office and regional directors every two months. In addition, regional and local office staff sit on central office led committees and working groups that develop programme guidelines and parameters and their input has often resulted in programme changes. Regional directors receive additional strategic direction from a network of 15 Enterprise Agencies across the province. Nevertheless, a high percentage (82%) of respondents to the e-survey identified that there were labour market priorities in their region that they could not address, as compared to only 50% in Alberta.

Denmark

In Denmark, national labour market regulations by law set down minimum measures for the municipalities, the frequency of contact, and the right of citizens to receive employability enhancement programmes. Legislation also stipulates general tools to be applied. For example, job centres are typically required to provide jobseekers with a CV/contact interview every three months as a minimum, access to an employability enhancement programme after a certain period of unemployment, and a job plan. Employability enhancement programmes for target groups ready to take on a job must have a minimum duration of four weeks and, as a general rule, employability enhancement on a training course can only last for six weeks.

However, within the legal minimum requirements, municipalities and job centres can determine the content of employability enhancement schemes and develop their own measures. The municipality may:

- structure and develop its own programmes/municipal projects for specific target groups
- compose programmes based on local challenges, needs and economic situation and;
- decide how to plan cooperation with enterprises, enterprises/sectors that the cooperation should be directed at, and what to cooperate on

Only 21% of municipal job centre managers identified that there were local labour market priorities which they could not address.

Netherlands

In the Netherlands, labour market programmes and instruments are commissioned by the department of purchase and reintegration at the head office of UWV at the national level. This department buys packages of reintegration instruments from private reintegration bureaus that are deemed appropriate for most of the local offices of UWV WERKbedrijf. The private reintegration bureaus design the programmes on the basis of guidance from the UWV. Local offices can decide to deliver as many or as few instruments as they wish. If a UWV WERK Bedrijf wants to use a more specific reintegration instrument or programme, focusing on local (or regional) needs and specific target groups, it may decide to develop such an instrument or programme. Since 2004 they have also had the option to enrol clients in an individualised reintegration agreement (IRO) which offers particular flexibility in the type of support offered. However, IROs are relatively expensive and work coaches are encouraged to assess the costs and benefits of using such a tool. In 2007, IROs represented about half of all reintegration programmes used by the UWV. Despite the option to create their own specific reintegration instruments, however, 66% of respondents

from the UWV stated that there were labour market priorities in their region which they were not able to address through their employment programmes. This included undertaking preventative work with people at risk of losing their jobs on the labour market, and helping the significant numbers of low skilled people in former industrial regions, in the context of inadequate training resources and rising demands for skills from employers. Regulations in programme design and delivery (such as length of training provision, degree to which an activity can be offered collectively or individually) were still seen to stand in the way of UWV WERKbedrijf being truly entrepreneurial in relation to addressing local needs and priorities.

Municipalities in the Netherlands (working with the uninsured unemployed) feel that they have more freedom than the UWV in choosing the types of programmes and initiatives they implement to support local people back to work. Each municipality can implement programmes which cater to their own specific local needs, and each has its own set of instruments. A reintegration instrument can take many different forms: training in how to apply for jobs, wage-cost subsidies for employers, a combination of learning and working etc. Municipalities also employ client managers who act as a personal advisor to clients, and who determine which tools to make available to them. Generally, municipalities find the available mix adequate and it allows them to tailor interventions to client needs and local labour market demands. Nevertheless, more than a third (36%) of respondents identified that there were labour market priorities in their region which they could not address. These included skills shortages in the health and care sectors, and difficulties in helping those furthest from the labour market. More recently, in 2011 the Dutch cabinet has opted for decentralising more tasks to local authorities and is in the process of giving them a greater degree of freedom in terms of policy and budgetary responsibility.

In summary, Table 3 below identifies the local flexibility that exists in programme design and strategic approach in the four countries.

Table 3. Local flexibility in strategic approach and the design of programmes

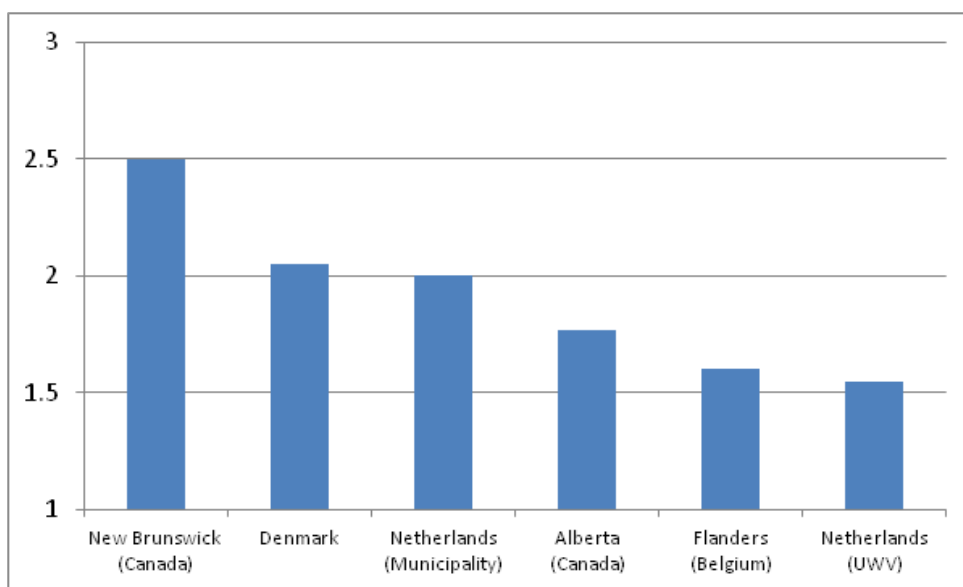
	No freedom in terms of strategic direction and the design of programmes	Are consulted on the development of programmes	Can choose between mix of programmes	Can design own programmes	Notes
Belgium: Flanders			✓	✓	VDAB offices have the possibility to choose which mix of programmes to implement but these are designed centrally. There is a limited possibility to design local projects (with a limited budget)
Canada: Alberta		✓	✓		Strong provincial business planning process. Directions are decided at provincial level incorporating federal parameters. Regional and local offices lobby and influence the provincial level on program design through direct contacts and regular meetings. Local offices can decide mix of programmes.
Canada: New Brunswick		✓	✓		Programmes are decided at provincial level incorporating federal parameters. Regional and local offices lobby and influence the provincial level on program design through direct contacts and regular meetings. Local offices can decide mix of programmes.
Denmark		✓	✓	✓	Within the national parameters, municipalities can design their own interventions to meet local target groups and local priorities. However they need to meet a set of minimum standards and use tools designed at central level.
Netherlands: municipalities		✓	✓	✓	Municipalities can design and implement their own labour market programmes and initiatives.
Netherlands: UWV			✓	✓	Programmes are designed centrally but UWV can select which programmes to deliver locally. They are also able to design their own programmes when felt necessary.

Budgets and financing

The degree of autonomy which local offices have in budget management also has an important impact on their ability to develop and implement active employment measures that are adaptable to local needs. The 2008 OECD study found that in just under one-third of OECD countries, local level PES offices had no freedom in this area i.e. budgets are decided at higher governance levels and it is not possible for local offices to move funds between these funding lines in order to meet particular local challenges or circumstances.

In the *Managing Accountability and Flexibility* study, the municipalities which had responsibility for labour market policy generally had more flexibility in the use of their funds than regional and local PES agencies. However the local offices in the more centralised PES system in New Brunswick, Canada identified having the highest perceptions of local flexibility in this area.

Chart 4. Perceived flexibility in terms of budgets and financing



Note: The scoring has been calculated by summing the degrees of flexibility (Low=1, Moderate=2, High=3) and dividing by the number of valid answers for each dimension.

Source: OECD Managing Accountability and Flexibility e-questionnaire.

Belgium (Flanders)

In the region of Flanders in Belgium, the degree of local autonomy available within the budget management system of the VDAB is more limited than in the Netherlands, for example. VDAB has a management agreement with the Flemish Government that provides the framework for the operation of its regional and local offices; in general finances are earmarked and it is not possible to move funding between budget lines. Budget flexibility is therefore virtually absent, although sub-regional VDAB offices

identify a certain degree of freedom in spending their budget by flexibly engaging their staff members (as long as the general personnel framework and the VDAB mission are respected). However, funding for personnel depends on several parameters, one of which is the number of jobseekers. In the Kortrijk region, for example, with only a limited number of jobseekers, the VDAB receives restricted resources which leaves a limited scope for new projects to address labour market bottlenecks, such as skills shortages and restricted home-to-work mobility in the region.

The Local Project Programme budget introduces a level of flexibility into the system, but funding for LPPs is limited. There is a large regional diversity in the amount sub-regions can spend of local issues, and the distribution of the total annual budget is determined by local labour market and jobseeker characteristics. The VDAB also emphasises the importance of partnerships at the local level; organisations with their own resources can be brought together to create additional room for manoeuvre.

Canada (Alberta and New Brunswick)

In Canada, both the Department of Post Secondary Education, Training and Labour in New Brunswick and the Alberta Employment and Immigration (AEI) have a relatively fluid budget management system with their regional and local offices. Regional directors usually manage to the bottom line, moving money between offices and regions and from one programme to another. However, the number of funding envelopes that must be tracked and accounted for separately to the federal government poses some challenges and contributes to the administrative burden. In Alberta, for example, administering the different funding streams funded through the various federal funding agreements (the Labour Market Development Agreement, the Labour Market Agreement and the additional funding provided in response to the economic downturn were identified as a problem by central and regional AEI staff).

Denmark

In Denmark, all expenditures for active and passive labour market measures are guaranteed to municipalities by the national government through a block fund with no earmarking for specific policy areas. The financial management system gives each municipality considerable flexibility with regard to deciding budget levels and resource allocations, allowing municipalities to prioritise and enhance active measures according to local needs. Municipalities can decide on the amount of operating resources to be allocated to job centres, can choose to invest in particular measures by adding resources, and there is no ceiling on the amount that they can use for this. There is, however, a ceiling for state co-financing of active measures. Generally, the municipalities obtain a financial benefit every time a citizen becomes employed; spending on public benefits is reduced and tax revenues are increased. There are also a number of financial incentives for meeting timelines and putting in place active measures through a system of refunds, and good results can generate revenues for the municipalities. A recent national study found that the incentives integrated in the financial management system are efficient in underpinning municipalities' compliance with statutory national minimum requirements (Slotsholmen, 2010). However the inclusion of financial incentives on one hand, and the numerous compensation and settlement schemes which act as stabilising mechanisms between municipalities on the other, make the financial system a complex one. In addition, there were concerns that some municipalities were increasing the scope of employment

enhancement schemes, without a corresponding improvement in the quality.⁷ In December 2010 the Danish Parliament adopted a reform of the refund system in which refund rates were adjusted in relation to employability enhancement measures, with a stronger focus on the outcomes from interventions rather than just volume.

The Netherlands

In the Netherlands municipalities considered that they had much greater control over their budgets than the UWV. Since the 2004 Work and Social Assistance Act, municipalities have had full responsibility for their budget on social assistance. The Ministry of Social Affairs and Employment determines how much funding each municipality needs in order to cover benefit payments, based on an assessment of the current local population and past expenditure. Municipalities receive an amount of money from which they finance social assistance allowances and reintegration activities. It is divided into two separate budgets: the I-part (Income) which is for income distribution and the W-part (Work) for reintegration activities. When they exceed this budget they must draw on their own funding sources as legitimate claims for social assistance cannot be refused; however, when they do not fully use their national budget they are free to spend the saved resources as they see fit. They can also carry up to 25% of the budget granted for that year forward to the following year; otherwise the unspent reserves must be repaid to the Ministry. This provides a powerful incentive for reintegrating social assistance clients into the workforce. Since 2009, the municipalities' reintegration budgets are subsumed in the so-called "participation budget" which also includes budgets for adult education and civic integration. The idea behind the participation budget is that it will enable municipalities to pursue a more integrated policy and supply more customised services. However, many municipalities indicate that the previous budget levels for reintegration, adult education and civic integration have been maintained, which indicates that it may take some time for this to have an influence on the pattern of expenditure.

For the PES, each local office of UWV WERKbedrijf in the Netherlands is assigned its own budget by the UWV head office, based on an estimate of the number of unemployed beneficiaries among other factors. The budget is not assigned to defined reintegration instruments, but rather length of unemployment. Since early 2010, the budget has been split according to the length of time clients of the local office have been unemployed. In practice that means that approximately two-thirds of the budget has to be used for reintegration measures focused on those who have been unemployed for more than one year. Thus, reintegration measures are heavily weighted towards people who have been out of work for some time, the reason for this being that a policy screening showed that reintegration measures are most successful for those who have been unemployed for over 12 months. There is a district-wide budget for integration which is not split into different reintegration measures, and it was noted that there is flexibility to move money between budgets at district level (both within and between districts). UWV WERKbedrijf also have a limited flexibility to spend 5% of the total budget as they see fit. If new circumstances emerge it is also possible to ask the central office to make an adjustment, as long as money is available.⁸

⁷ As the new legislation was implemented only after the Danish country report had been carried out, it has not been possible to examine the ramifications of these changes for accountability and flexibility.

⁸ Since September 2010, when the OECD country report was completed, a new government has come into office and has made decisions which include large targets and budget cuts. By 2012 there will be no reintegration

Table 4 below summarises the level of flexibility in the management of budgets in each country.

Table 4. Local flexibility in budget management in participating countries

	Funding pre-allocated and cannot move funds between budget lines	Funding pre-allocated but can move funds between budget lines	A budgetary envelope allocated which can be spent as seen fit	An additional budget is available to tackle local issues	Notes
Belgium: Flanders	✓			✓	In general, finances are earmarked and it is not possible to move funding between budget lines. However a small percentage of the budget can be used for local projects.
Canada: Alberta		✓			Provinces are constrained by federal budget envelopes which are allocated to provincial priorities as described in the annual plan, then they are translated to the regional and local level. However, regions can generally transfer money between budget lines and between local offices.
Canada: New Brunswick		✓			Provinces are constrained by federal budget envelopes which are allocated to provincial priorities as described in the annual plan then they are translated to the regional and local level. However, regions can generally transfer money between budget lines and between local offices.
Denmark			✓		Municipalities receive an allocation of funding from the Danish government per full time unemployed person, which is not ring fenced. Refund process is nationally prescribed.
Netherlands: municipalities			✓		Municipalities are allocated a block grant for social assistance and can spend as they see fit. Budgets are also increasingly being aligned across policy areas.
Netherlands: UWV	✓				Budgets are allocated at the central and district levels. The budget is not assigned to defined reintegration instruments (for example manpower, skills investment etc.) but it is not possible to move funds between allocations for people who have been unemployed for different periods of time.

budget for UWV (although the budget for the reintegration of people with disabilities will remain) and the 418 municipalities will receive smaller reintegration budgets.

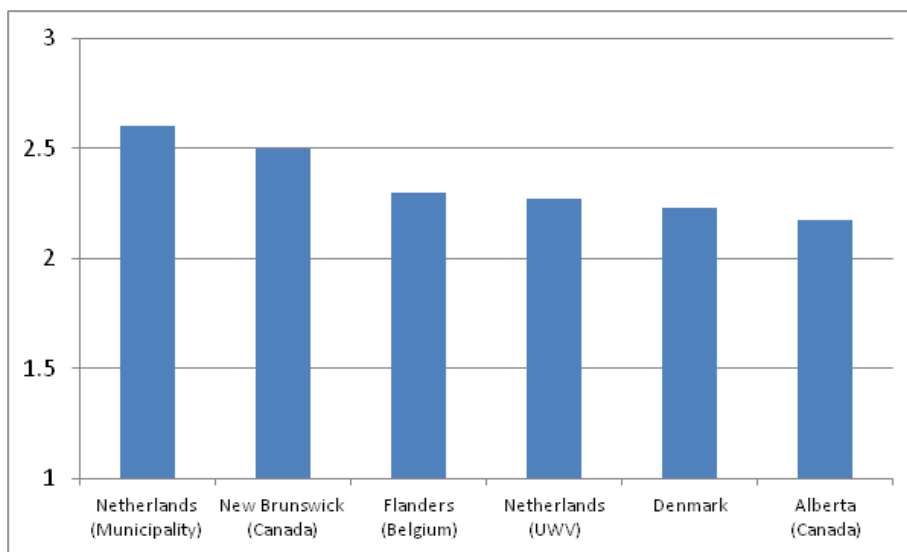
Performance measures and targets

Performance management also has a strong influence on how far local employment offices can be flexible in adapting their services to local needs and strategies agreed in partnership. In many cases local employment offices are measured on their performance against targets set at the national or regional level. In some cases, targets are negotiated with the local offices before they are set. In the 2008 OECD study, in just under half of all cases (48%) local offices were consulted when performance management targets were set.

In the four countries analysed for the *Managing Accountability and Flexibility* study, all local labour offices and municipalities were consulted when performance targets were set. Such negotiation is particularly useful when local officials can ensure that sector performance is compatible with broader area-based strategies. Setting outcome targets rather than input or output targets is also important in allowing governments to retain control over results while allowing local entities to determine the best way to administer services, including experimenting with innovative approaches. There was evidence that all four countries were moving towards a more “outcome” based performance management system.

The municipalities in the Netherlands identified that they had the most flexibility in this area, with local employment offices in Alberta identifying that they had the least.

Chart 5. Perceived flexibility in terms of performance management



Note: The scoring has been calculated by summing the degrees of flexibility (Low=1, Moderate=2, High=3) and dividing by the number of valid answers for each dimension.

Source: OECD Managing Accountability and Flexibility e-questionnaire.

Belgium (Flanders)

In Belgium performance targets are set by VDAB headquarters for the Flanders region. Decisions on sub-regional targets are made by a board of directors in which sub-regional VDAB directors are represented (through a rotation system). Targets are based on a management agreement between the

VDAB and the Flemish government (Department of Work and Social Economy) and the yearly business plan of VDAB at the central level. The current agreement between the PES and the Flanders government (2011-15) also focuses on improvements to the internal functioning of the organisation, the development of a performance budget and staff diversity. Following a decision by the Flemish government to change their performance management approach, the agreement is now based entirely on outcome targets and customer satisfaction measurements, has fewer indicators and provides more leeway and flexibility to VDAB, all of which are felt to be positive developments. Qualitative evaluation reports are also sought for areas of performance which are difficult to capture in targets or are in the experimental phase.

Targets are monitored by the central VDAB office using benchmarking and scorecards on a monthly basis; however, this is not used as a sanctioning tool as there are no financial implications for sub-regional units that do not meet their targets. Instead, performance information is understood to feed into a learning culture; e.g. it encourages dialogue as to why particular targets are not being reached, and gives sub-regions the opportunity to explain (non)-compliance. Local stakeholders remarked that the formal tasks of the organisation may sometimes only be covered or designed in a certain direction in order to meet formal targets as opposed to in response to local needs. For example, jobseekers are placed in training initiatives in order to reach the required number of training hours.

Canada

In Canada, each of the four categories of federal-provincial/territorial agreements governing active labour market programmes has defined performance measures, largely developed by the Government of Canada, but confirmed by each provincial/territorial government through the agreement negotiation process. While the four template agreements are largely similar from one province to another, each agreement has different performance measures and may or may not include a requirement for setting targets at the provincial level.

Both Alberta and New Brunswick have developed their own performance management systems that incorporate and expand on the federal requirements. Regional and local staff have ample opportunity to influence these measures and targets through their involvement on provincial committees which undertake the work. In addition to federal-provincial performance measures, PETL in New Brunswick has developed 27 additional indicators, and targets are set by regional and local offices. Alberta Employment and Immigration uses a defined business planning process and, like PETL, sets overall provincial measures and quantitative targets, but does not necessarily require these to be translated to the local level. Local and regional employment staff are expected to implement the broad departmental strategic priorities and objectives which have been developed on a provincial basis (without specific targets) according to local needs. The only place where hard targets are identified is in the provincial business plan, and these are not formally applied to the regional and local level plans. AEI regional and local offices report back on the degree to which they have met their strategic objectives. The province also collects additional information on the programmes implemented, individuals served and employment outcomes. There is therefore a great deal of feedback in the system, but overly stringent output targeting for lower level staff is avoided. As a result this avoids some of the "perverse" effects which quantitative targets can have, which been criticised for encouraging local offices to engage in certain activities just to "tick the right boxes" without a real eye to local needs. This system relies in part on strong levels of communication between the provincial and local staff which may be more difficult to achieve within a larger performance management system. External service providers are required to meet their targets and if they fail to do so their contract may not

be renewed. Again, targets can be negotiated during the contracting process and are mainly focused on outcomes. Some service providers developed their own targets that provide higher standards than those provincially agreed.

Denmark

In Denmark, the minister for employment sets three to four national goals and targets through an annual planning process to be incorporated into local employment plans, and approved by the municipal council on the basis of an assessment of their local challenges, needs and strategies. These goals are designed to be the central focus of the dialogue which the four employment regions have with each municipality and to raise ambitions in the employment area. If a ministerial goal is not thought to be particularly relevant to the locality (e.g. reducing the number of non-Danes on public assistance in an area with few non-natives), it is not given much focus in the performance follow-up and dialogue with the employment region. Job centres may also choose their own goals and measures. They determine which performance requirements are to be included in the employment plan, whether supplementary local targets and performance requirements are to be laid down, and the strategies to be launched. The employment regions have no direct means of dictating goals and performance requirements to the individual municipality, and all is done through negotiation.

Each year municipalities are expected to undertake a performance audit (a short status report on the results of employment measures) and prepare an income statement (a comparison between municipalities). Full transparency of regional, local and national outcomes is offered through an internet portal which allows municipalities to benchmark their own measures and performance against clusters of comparable municipalities (see Box 3 below). All of this data is available without charge to government bodies, citizens, stakeholders and the press, and all municipalities use the portal in preparing employment plans and the ongoing performance audit. To aid the monitoring and evaluation process it also provides a monthly performance overview; a one-page overview of the most important measures and results in the employment area compared to other similar municipalities. The primary goal of the regional and local employment councils is to monitor trends in performance results and the impact of local employment measures. Using this available data they then discuss approaches for improvements with the appropriate managers.

Box 3. Transparency in performance management in Denmark

Jobindsats.dk is an internet portal containing a wide selection of measurements calculated nationally, regionally and locally. All municipalities use www.jobindsats.dk in their work on their employment plans and in the ongoing performance follow-up on their own measures. Via Jobindsats.dk the municipality can analyse its own measures on the basis of data on target groups, measures and results. The performance against the ministerial goals and other performance targets set out locally can be monitored accurately month by month and for each municipality. Furthermore, the municipality can benchmark its own measures against clusters of comparable municipalities, or it can select appropriate municipalities with which to compare itself.

All data in jobindsats.dk is available without charge for government bodies, citizens, stakeholders, the press, etc., at local, regional and national levels. Data is obtained through registers from municipalities and other public authorities. Data collection is therefore “automatic” and is linked to the Danish Civil Registration System and Central Business System, where all citizens and enterprises have a unique number to which data can be linked. This means that data capture is not linked to manual and cost-intensive reporting by job centres and municipalities.

Source: Mploy (2011).

Netherlands

In the Netherlands, in 2010 both UWV WERKbedrijven and the municipalities had to reach certain targets, including two performance indicators which apply to i. customer satisfaction for jobseekers and employers, and ii. a certain labour outflow percentage. For municipalities, performance measures and targets are determined by boards which oversee the social services departments in an annual plan, and which are then approved by the city council – they therefore have significant local freedom in target setting. In the case of the PES, the Ministry of Social Affairs and Employment determines, in consultation with the UWV central office, the overall performance targets (which performance indicators will be used and the standard to be reached). This is based on ambitions for labour market policy, past performance and recent developments in the labour market context

For municipalities, performance measures and targets are determined by boards which oversee the social services departments in an annual plan. This annual plan has to be approved by the city council. Some municipalities reported that it is difficult to prove that they have been effective at dealing with “soft issues” such as building the confidence of long-term excluded people to return to the labour market.

A summary of the degree of local flexibility awarded within performance management in each country is included in Table 5 below.

Table 5. Local flexibility in performance management in participating countries

	No flexibility	Negotiate targets	Set own targets	Notes
Belgium: Flanders		✓		Sub-regional VDAB offices and provincial competence centres work with targets set at the central level, although a certain degree of negotiation exists
Canada: Alberta		✓		Although performance measures are set federally and provincially, local and regional offices provide input. Targets are not translated to the regional and local level. Measures are outcome, not output oriented.
Canada: New Brunswick		✓		Although performance measures are set federally and provincially, local and regional offices provide input. Targets are set by regional offices. Measures are outcome, not output oriented.
Denmark		✓		Outcome based performance targets are negotiated between employment regions and local job centres. Financial refunds encourage local job centres to achieve national objectives.
Netherlands: municipalities			✓	Within the context of the national frameworks municipalities set their own performance targets and report on these to local elected boards.
Netherlands: UWV	✓			Targets are set by local UWV offices on the basis of nationally established targets and local conditions.

Benchmarking

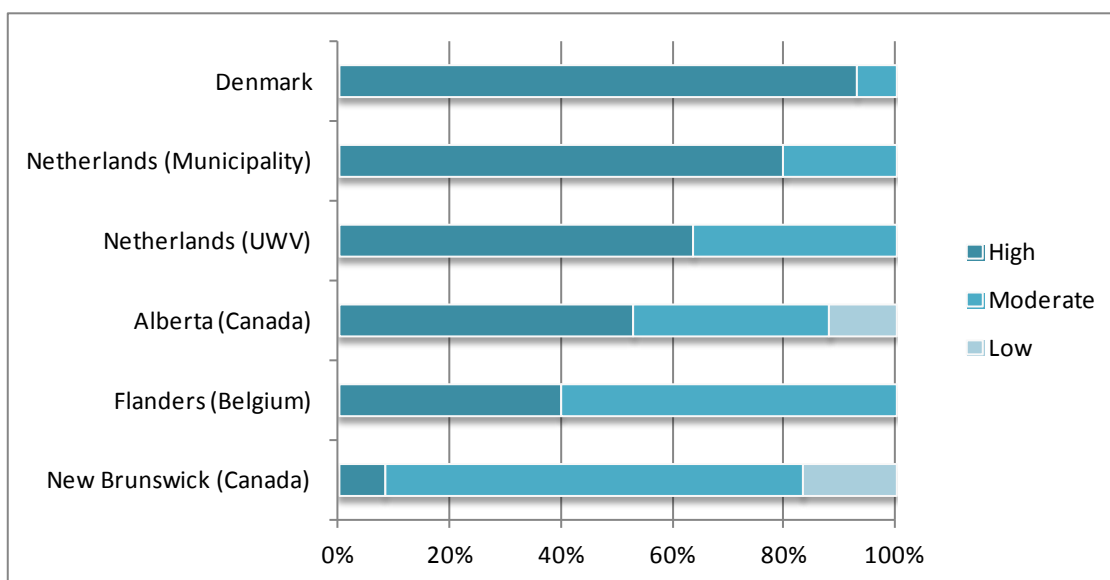
Various OECD countries have introduced benchmarking between local employment offices as a tool for ensuring accountability and highlighting good results. In Denmark, local job centres are strongly benchmarked against each other to compare results and facilitate improvement. In the Netherlands, both the UVW and municipalities benchmark among themselves on a voluntary basis. In the provinces studied in Canada there appeared to be a greater reluctance to take this approach. For example, in Alberta, although local and regional managers receive reports whereby they can compare their performance to other offices and regions, they are not benchmarked against each other and none of this information is made publicly available. In fact, the Assistant Deputy Minister of Delivery Services suggested that he was not looking for consistency but innovation. In New Brunswick, similarly, regional and local offices are not benchmarked, although information is shared on the result achieved, and offices look at how they performed in relation to their counterparts. Respondents noted that it is very difficult to make comparisons across regions as they are all so different; in the northern part of New Brunswick, for example, the mainstays of the economy such as fishing and forestry are declining, while cities are booming. This limitation in undertaking benchmarking within provinces also occurs at the federal-provincial/territorial level in Canada.

Monitoring and reporting back

An important dimension of the performance management system in any country is the degree of detail in which local offices are obliged to report the results achieved and the nature of this reporting. There were

concerns in each of the four countries studied that bureaucracy, and the time taken to feed results into the system, was very high, and that this situation can be magnified if there are difficulties with IT systems etc.

Chart 6. Perception of level of bureaucracy dealt with as part of accountability procedures



Source: OECD Managing Accountability and Flexibility e-questionnaire.

In Denmark, for example, 93% of job centres indicated that the amount of bureaucracy was too high, while 7% considered it to be moderate. Framework conditions, including guidance procedures concerning due process for citizens, rights of appeal, etc. were found to be partly to blame. Problems with the IT system were also felt to be a contributing factor. In late 2010, the Danish Minister for Employment launched a campaign on de-bureaucratisation and deregulation in the employment area. National government has encouraged all job centres and unemployment insurance funds to submit proposals for ways to reduce paperwork and red tape and has presented 46 proposals to de-bureaucratise regulations in order to optimise frameworks for flexibility and resource use at the local level. It is thought that these proposals will ease the administrative burden, and it is estimated that they will create municipal savings of DKK 94 million. There is currently an ongoing evaluation of the IT systems in place to identify how performance and compatibility between different systems can be improved.

In the Netherlands, respondents also identified that local offices have to deal with a medium to high level of bureaucracy and paperwork. For example, some local labour market organisations collaborating on the youth unemployment pact reported finding that the pact involved a high degree of bureaucracy and too many agencies and actors to be efficient. Red tape was also highlighted as being unduly present in the outsourcing process for UWV WERKbedrijf, which has been criticised for involving a significant amount of paperwork and for being relatively short-term in the allocation of contracts (Sol, 2003).

Concerns about bureaucracy also exist in Canada, and were certainly identified to some degree through the e-survey undertaken in both Alberta and New Brunswick. What was particularly noteworthy, however, were the views of service delivery contractors who noted that since the provincial government had assumed responsibility for labour market programmes the degree of bureaucracy had been significantly

reduced. They noted that provincial government staff are more accessible and can make decisions more quickly than those in Service Canada. Federal contracting rules dictate line-by-line allocations, and approval layers often delay programme implementation.. In Alberta, both central office and regional AEI staff identified problems in administering the LMDA and the LMA and the funding increases through the 2009 Economic Action Plan, as each funding envelope must be tracked and accounted for separately - both federal and provincial envelopes. As delivery administrators AEI Regional Directors cannot control who is using their service, they can only try to manage the funding allocations for the different client groups behind the scenes.

In Belgium, the paperwork sub-regional actors and local governments face in order to justify their activities is also perceived to be high (although local governments do not have to meet central targets in relation to their work on employment). Local actors often see this paperwork as evidencing a lack of confidence from central governments or administrations in the sub-regional or local organisations.

Sanctions

It is interesting to note that despite the relatively robust performance management systems in place in each country, sanctions for non-compliance appear to rarely be applied, at least within the PES and municipal systems. Sanctions are more likely to be applied in contracting relationships. For example in Alberta, Canada, no sanctions were identified if regional and local offices failed to meet qualitative targets. However, if contracted service providers do not meet their targets, the sanction is that their contract may not be renewed, and there is a very competitive and open bidding process for securing AEI contracts.

For both UWV and municipalities in the Netherlands there are also no direct sanctions for targets not being met. The managers of UWV WERKBedrijf and the director of social services bear final responsibility for overall results which are cascaded down to work coaches and client managers, who have to meet certain requirements. In the event of failing targets managers are expected to give an explanation and a well-founded plan on how to improve effectiveness and ultimately, failure to deliver can also have consequences in terms of job and salary.

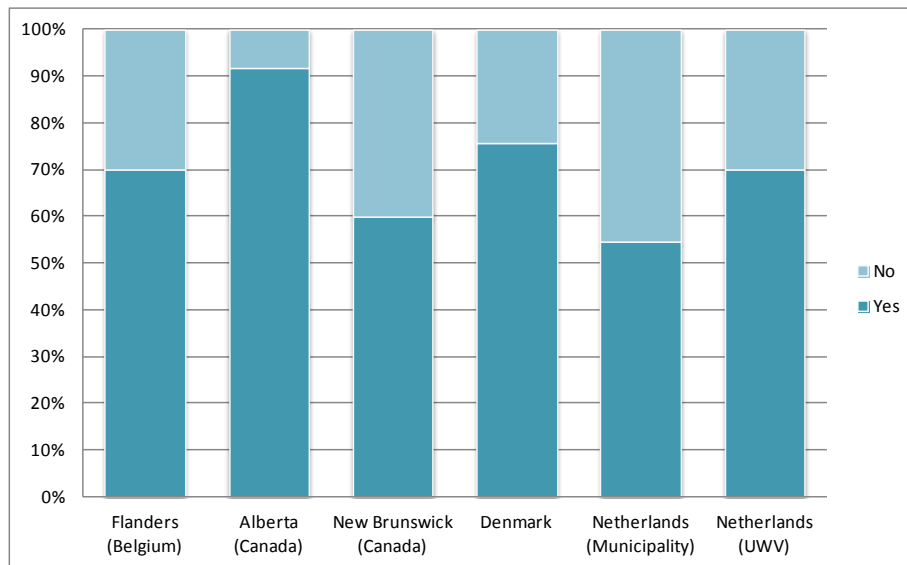
In Denmark, accountability is enhanced by the fact that persistent poor performance and lack of results influence municipal finances, and therefore has ramifications for management. If a job centre is having difficulties meeting performance requirements, the region will normally intensify discussions with it on how to improve performance and will offer assistance in making this happen.

Is all the work being carried out by local employment offices considered in performance reviews?

An interesting finding of this study is that local employment offices in each of the four countries are doing work on which they are not measured or evaluated, creating a potential “accountability gap”. Overall, approximately 70% of local labour market offices said that they carried out work which was not evaluated or measured within the existing performance management framework. This was particularly high in Alberta Canada (92% of valid responses) and particularly low for the municipalities in the Netherlands (55%) (see Chart 7). In one of the participating countries a respondent to the e-questionnaire said “*The sense of lack of flexibility is drawn from the perception of lack of clear direction as to what will be measured, and that performance measurements for the region is not pertinent to the work being accomplished.*”

This may be related to the fact that local employment offices carry out soft activities which can lead to ultimate employment outcomes but which cannot be easily monitored or recorded in the short-term. This was an issue highlighted by the Dutch municipalities, and it may also signal that the performance management system is either i. not always well defined, and/or ii. does not always feed adequately into the overall evaluation process. The result may be that positive work is not rewarded and successful innovations are not shared.

Chart 7. Is there other work you do which is not measured/ evaluated by the existing performance target framework?

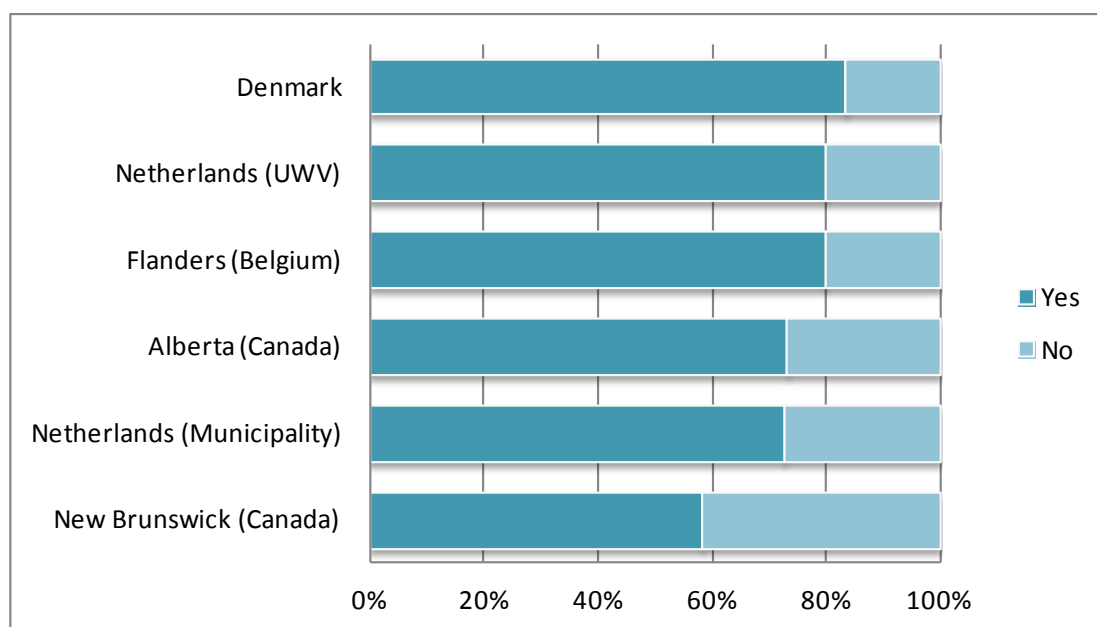


Source: OECD Managing Accountability and Flexibility e-questionnaire.

This finding is perhaps particularly surprising given that in many cases, local employment offices identified that they set additional targets to those allocated by the national or regional level, ranging from 58% in New Brunswick to 84% in Denmark (see Chart 8 below).

Interestingly, of those who set their own additional targets, 72% did so in collaboration with local partner organisations, with local employment offices in Flanders and the Netherlands being particularly likely to consult partners in this process.

Chart 8. Do you define your own additional performance targets for your office?



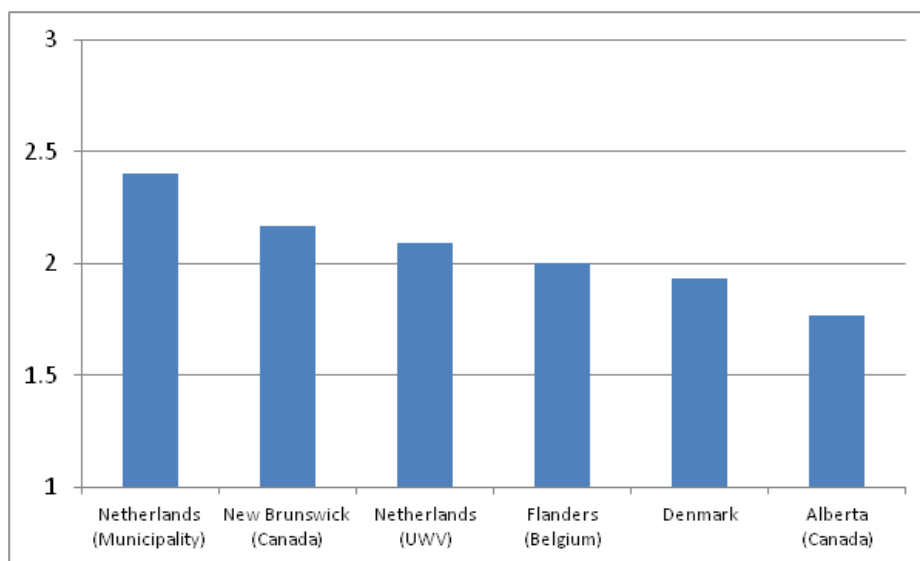
Source: OECD Managing Accountability and Flexibility e-questionnaire.

Client eligibility

Some groups of people have particular difficulty accessing the labour market and require specific support; however the types of people affected can vary considerably between different localities. In some instances, for example, local employment offices may be dealing with people from immigrant populations who need language tuition and support with recognising skills gained overseas; in other locations, the principal group experiencing labour market exclusion may be older people who have lost their jobs and find it difficult to re-enter a competitive job market. It is important that local employment offices have enough flexibility to tailor their programming to people in need of support and adapt their policies to meet the needs of local people.

In the OECD 2008 study local labour market actors were found to have limited flexibility to choose the target groups they work with and who can be served.

Chart 9. Perceived flexibility in choice of target groups/eligibility criteria



Note: The scoring has been calculated by summing the degrees of flexibility (Low=1, Moderate=2, High=3) and dividing by the number of valid answers for each dimension.

Source: OECD Managing Accountability and Flexibility e-questionnaire.

In the current study, overall, the Dutch municipalities identified that they had the most flexibility in defining eligibility criteria, whereas local employment offices in Alberta, Canada had the least.

When local labour market offices were asked “are there vulnerable groups that you are not able easily to work with?” an average of 79% of offices said yes, although the responses varied by country:

Table 6. Are there vulnerable groups that you are not able easily to work with?

Country	% Response “yes” to the question: <i>Are there vulnerable groups that you are not able to easily to work with?</i>
Netherlands (UWV)	89%
Canada (Alberta)	88%
Denmark	81%
Netherlands (municipality)	73%
Belgium (Flanders)	70%
Canada (New Brunswick)	55%

Source: OECD Managing Accountability and Flexibility e-questionnaire.

In some cases, relatively high percentages of people are turned away from the local employment office. In each country a percentage of local offices reported turning away up to 25% of people, although turn away rates varied considerably. In many cases, people who cannot be helped are referred on to partner organisations.

Belgium (Flanders)

In Flanders, both the National Employment Office and VDAB define their target groups and eligibility criteria centrally, leaving limited flexibility for local offices. Most survey respondents said that there were groups which they found difficult to work with, such as people with language problems, those with poor educational attainment and older people. It was also highlighted that there is considerable regional differentiation in the types of people who have trouble integrating into the labour market. Ghent, for example, is confronted with a large inflow of immigrants from central European countries, whereas these groups are not so prevalent in other areas.

Local VDAB offices identified that they are forced to turn away only a small number of people seeking assistance (most of whom they referred to other agencies), however several actors — especially at the municipal level — felt that federal and regionally designed measures were too rigid and insufficient to cover local disadvantaged groups. The Flanders post-downturn Work and Investment Plan, for example, includes a budget for specific initiatives for older workers, however Antwerp is confronted by a more pressing problem of youth unemployment and cannot use the additional means to remedy this. There was also considered to be a lack of measures addressing local barriers to employment such as poor mobility and the lack of affordable and flexible childcare, which local actors argue that they are best placed to identify and tackle.

Canada (Alberta and New Brunswick)

Pre-devolution, provinces and territories— according to their capacity — were funding a variety of programmes for the uninsured unemployed. In this regard a key target group for provincial/territorial active measures was people receiving provincially/territorial-funded social assistance. With the LMDAs provinces and territories also became responsible for labour market measures for the insured unemployed, as well as the public employment service. Given that the more expensive labour market interventions under the LMDAs such as training, wage subsidies or self employment were restricted to the insured unemployed, many people who were further away from the labour market than EI-eligible unemployed — for example, new entrants, immigrants, disabled persons — had more limited access to the full array of labour market programmes and services. To address the feedback received from provinces, territories and other stakeholders, Human Resources and Skills Development Canada with provincial and territorial support recognized this gap and new flexibilities emerged through the Labour Market Agreements (LMAs). Under these agreements the federal government has provided provinces and territories with additional funding and flexibilities to increase the labour market participation of groups under-represented in Canada's labour force (see Box 4 below). This includes uninsured unemployed persons, social assistance recipients, Aboriginal persons, older workers, disabled persons and immigrants, as well as employed persons who do not have a high school diploma or recognised certification, or have low levels of literacy and essential skills.

Box 4. Flexibility in eligibility through Labour Market Agreements in Canada

The Government of Canada's Budget 2007 supplemented the LMDAs with Labour Market Agreements (LMAs). These agreements provide provincial and territorial governments with \$500 million annually for six years to support labour market programmes and services for unemployed individuals who are not eligible for Employment Insurance (EI) benefits and employed individuals who are low skilled. There are a wide variety of programmes that provinces and territories can offer with the federal funding, and provinces and territories can set their own labour market priorities. The purpose of the LMAs is thus to enhance provincial and territorial employment and training programming – including an ability to serve groups previously not fully served under the LMDAs – using federal resources. The agreements specify that the federal funding must be incremental, and cannot be used to make up for provincial/territorial cutbacks in the same area. The LMAs are funded from the federal Consolidated Revenue Fund, are not founded on a particular body of legislation (like the EI Act), and are currently slated to end in 2014. Unlike the LMDA where funding was distributed based on historical allocations and labour market variables, LMA funding is distributed between jurisdictions on a per-capita basis.

Source: Wood (2011).

Within the context of the overall federal and provincial target group priorities, in both Alberta and New Brunswick, regional offices determine which target groups in their area receive priority programming rather than central office staff. In Alberta there are no central office restrictions on employers or industries served, with delivery staff free to focus on those occupations and industries most relevant in their localities. They are also expected to support provincial service strategies for sectors which have been identified as provincial priorities.

The Labour Market Agreement (identified above) has been welcomed by AEI and PETL, and seen as an opportunity to enhance programmes already in place, funded both through the LMDA and with provincial resources. For example, although New Brunswick continues to implement the same five labour market programmes as it had previously, the LMA has helped PETL staff think outside the box and loosen the guidelines in order to ensure take up and that the money allocated is spent. It was noted that provinces have also eased restrictions on serving selected groups, for example local offices in Alberta can now serve Aboriginal persons on reserve (see Box 5). The federal government also provides additional funding for Aboriginal and homeless clients. Despite this, 88% of staff in Alberta who responded to the e-survey identified that there were still vulnerable groups that they could not help to the extent that they would like. This included the Aboriginal community, refugee claimants, the homeless, those with mental health problems, and those with excess income. This may be due to budgetary limitations and difficulties in overcoming entrenched labour market difficulties, as well as the constraints of particular programmes. However, some Alberta service providers had not yet seen the programme changes made possible through the new federal LMA funding. The agreement is still filtering through into normal practice, and obviously not all local offices have been fully able to take advantage of the flexibility the agreement allows. In New Brunswick, 55% of respondents said that there were vulnerable groups that they could not work with or provide the full array of services to - for example, those with less than a grade seven education, those suffering from mental illness and youth between 18 and 21. More than 10% of those coming in for services are not eligible for the full array of services on offer such as training.

Box 5. AEI services to Aboriginal people on reserve in central region, Alberta, Canada

AEI provides basic Career and Employment Information Services to all Albertans through internally operated Labour Market Information Centres (LMIC), and contracted Labour Market Resource Centres. Services are also provided specifically to Aboriginal Albertans through Aboriginal Employment Centres. AEI recently changed departmental policy in terms of clients that could be served, including services provided to Aboriginal Albertans living on reserve. Previously the Government of Alberta's position was that these services should be provided by the federal government due to their constitutional responsibility for Aboriginal people and land reserved to Aboriginal people.

Although only 6% of Albertans are of Aboriginal descent, they are significantly disadvantaged in the labour market, especially those who live on reserve where there are very few employment opportunities. With this change in policy to permit the provision of provincial services on reserve, AEI local and regional offices now have the flexibility, within the funding they are allocated, to decide the degree to which customized Aboriginal services are provided in their area. This has produced interesting collaborative projects in some areas.

In the Central Region an Aboriginal Employment Service is in operation in Red Deer, another operates on reserve at Hobbema, and plans are underway to provide similar services in the Rocky Mountain House area. Upon occasion the mobile Career Cruiser has been made available at Aboriginal schools on reserve. In Central Region Aboriginals who are or have been living on reserve but are interested in employment in off-reserve cities or towns, have access to a training programme that provides basic employability skills. Occupational training is funded by AEI and provided in partnership with First Nation Human Resource Departments.

In tackling the multiple barriers faced by some Aboriginal people, regional and local AEI officials require flexible policies from other provincial departments (in the field of housing, transport) to significantly change employment outcomes. According to the fieldwork for this project, however, this flexibility was not always forthcoming.

Source: Wood (2011).

An area where regions and local offices in Alberta and New Brunswick have flexibility is in relation to providing services to those already employed. While the key focus of programmes in both provinces is on the unemployed, 15 – 20% of clients seeking services in New Brunswick, are employed and either at risk of losing their jobs or wishing to improve their employment prospects. There are also particular concerns about the quality of local jobs, as many local people are working in low skilled, low income employment. The province has developed a definition of underemployment (see Box 6 below), as there may be circumstances where it may be appropriate for a person to leave their job and return to school to improve their career prospects. The province of Alberta also have a “counsel to leave employment” policy in which they can approve leaving employment so that an individual becomes eligible for EI benefits. In both cases, Service Canada staff make the final decision on EI eligibility.

Box 6. New Brunswick Administrative Guidelines for Defining Underemployed

A client can be authorised to quit his/her employment and be considered eligible under the Training & Skills Development programme (TSD). In such instances, an employment action plan must be developed with an Employment Counselor. Normally, the client would contact the employment counselor prior to leaving his/her employment, however, TSD can still be considered after the fact so long as the individual would have been TSD eligible at the time he/she quit. Note that training should not have started.

In authorising a quit, Employment Counselors must ensure that training is actually the intervention required to assist the individual in obtaining more suitable employment. Oftentimes, in cases where individuals are deemed to be underemployed, further training is not the solution. TSD funding is made available only when the client demonstrates the need for training and that the learning intervention is likely to result in the client becoming self-sufficient. Situations which warrant consideration are as follows:

- seasonal employment where training intervention will result in the client moving to year round employment or extending his/her seasonal employment;
- threatened by the possibility of a layoff;
- unable to perform the work due to health related reasons (confirmation from medical profession is suggested);
- underemployed.*

*Note: In exceptional cases clients may be endorsed to leave jobs that are part-time, sporadic or low paying where client potential may lead to improved sustainable employment as a direct result of training. The return on investment must also be considered. The decision to authorise a quit due to underemployment must be approved by the Manager and be in line with labour market opportunities within the context of local and regional priorities. Low paying jobs are determined by using the Poverty Lines Chart, issued by the Canadian Council on Social Development, as a guide. Other elements to consider when approving a quit are: local job market, going rate provided by employers, occupations in demand, industry growth, fields in which training is currently being funded, etc.

Source: Wood (2011)

Denmark

In Denmark, four ministerial goals ensure that the job centre focuses on specific target groups – which in 2011 were 1) long-term unemployed (more than three months of unemployment), 2) people in

risk of losing attachment to the labour market, 3) people under the age of 30 who receive public benefits, and 4) non-western immigrants and their descendants. Nevertheless, outside of this, municipal job centres can locally identify and prioritise special target groups for measures and freely organise enterprise-directed measures, directing these towards sectors deemed the most relevant in relation to the local labour market. Decisions on prioritising target groups are usually a political choice, dealt with by the political committee and local employment council. Administrative managers can experience differing levels of influence on this decision process. To support the job centre's work, the four Danish employment regions regularly prepare analyses of target groups for employment measures for use by the job centres, supplemented by information available on municipal/job centre databases and the online jobindsats.dk portal. These resources can assist in identifying barriers facing target groups, options available in legislation, as well as examples of previously demonstrated successful outcomes. However, three-quarters of job centre directors stated that there were vulnerable groups that they find it difficult to work with. Job centres indicated that managing the problems of vulnerable recipients of social assistance benefits presents them with their greatest difficulties. In many cases supporting people from this group requires a joined-up service between employment, social services, health and education etc. in order to make a lasting impact.

The Netherlands

In the Netherlands, municipalities and UWV WERKbedrijf have considerable flexibility in deciding who to target within their programmes, although UWV are required to assist clients according to their overall length of unemployment (as identified above, approximately two-thirds of the budget has to be used for reintegration measures focused on those who have been unemployed for more than one year). The UWV WERKbedrijf are able to work with employed persons expecting to lose their jobs within four months and one of the goals of the mobility centres was to support work-work transitions in the economic downturn to prevent people from going onto unemployment benefit. There are no restrictions on employers or industries that can be served by UWV WERKbedrijf or municipalities; both work coaches and client managers are free to focus on those occupations and industries that are most relevant in their local areas. Municipalities perceived a higher degree of flexibility in deciding who was eligible for their programmes compared to UWV.

Despite this, 73% of the municipalities and 89% of UWV representatives responding to the OECD e-survey identified that there were vulnerable groups they were unable to help, including homeless people and drug related clients, some youth, and people aged 45 to 55. Municipalities report having to turn away a higher percentage of potential clients (with half of respondents turning away between 10% and 25%) than UWV (who mostly specified between 0% and 4%). There was also some frustration that it was difficult to help older clients (45 and older) into employment. In a recent survey of municipalities, 72% of the social services managers of the municipalities observed that older people were the most vulnerable group in the labour market; however recent government and municipal initiatives have focused more on supporting youth. Municipalities indicated that they are focusing more and more on programmes for those groups at a large distance to the labour market e.g. in one municipality this is known as the "health group", which includes clients with multiple problems and those who have been out of work for years, forming 50% of all clients. The social services division within this municipality offers such clients financial help by referring them to tailor-made social assistance or poverty policy measures.

Table 7 below summarises the flexibility available to local offices in each country.

Table 7. Local flexibility in choosing target groups and setting eligibility criteria

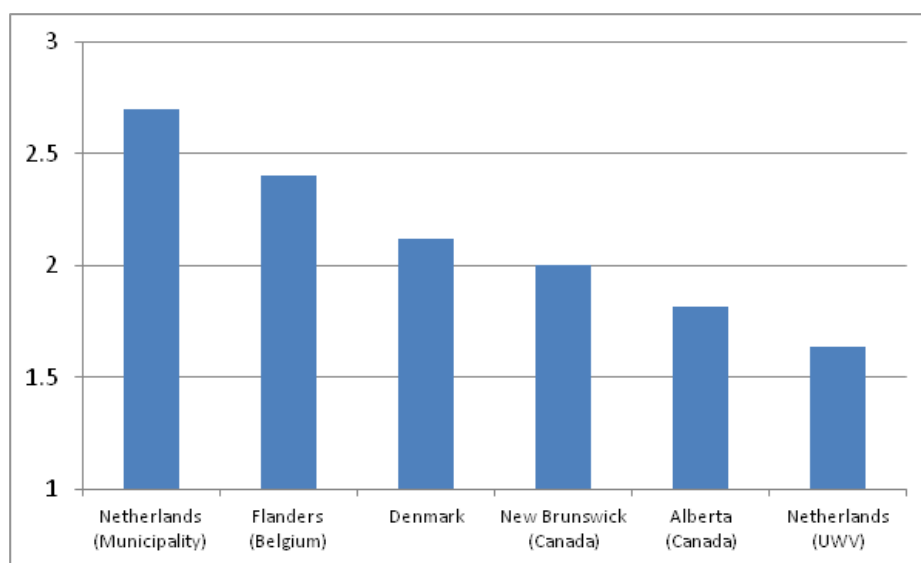
	No flexibility on eligibility	Some freedom to decide on flexibility	Local offices establish which target groups to focus on	Notes
Belgium: Flanders	✓			Eligibility criteria for employment and training programmes are set centrally.
Canada: Alberta		✓		Although some programmes are restricted to EI clients, considerable additional flexibility has emerged with the Labour Market Agreements.
Canada: New Brunswick		✓		Although some programmes are restricted to EI clients, considerable additional flexibility has emerged with the Labour Market Agreements.
Denmark		✓		Ministerial goals ensure that the job centres focus on specific target groups; however legislation allows for local identification and prioritisation of special target groups.
Netherlands: municipalities			✓	Municipalities can choose who is eligible for these programmes from those people who claim social assistance.
Netherlands: UWV		✓		The UWV WERK Bedrijven have considerable flexibility on who to target, but in-depth support must mainly be targeted towards people who have been unemployed for over a year.

Outsourcing and staffing

In OECD countries, many services to unemployed people are contracted out to private and not-for-profit providers. The degree to which local offices are involved in the process varies. The OECD 2008 study found that in roughly two-thirds of countries (64%), local offices are involved in outsourcing.

In the four countries studied here, in most cases local employment offices had some freedom in contracting out, choosing who to contract to and for what. However, in Flanders and Denmark the majority of tenders are carried out at the central level, while in the Netherlands it is the higher regional level (district level, OECD territorial level 2) which has responsibility for outsourcing.

Chart 10. Perceived flexibility in relation to contracting and outsourcing at local level



Note: The scoring has been calculated by summing the degrees of flexibility (Low=1, Moderate=2, High=3) and dividing by the number of valid answers for each dimension.

Source: OECD Managing Accountability and Flexibility e-questionnaire.

Belgium (Flanders)

In Flanders, outsourcing is mainly managed centrally, even when it is to address specific local issues identified in the region. The PES outsources specific services, mainly training and guidance programmes, to public, profit and non-profit organisations. The specification of the tender (the final decision on target groups, area of interest, requirements of the applicants) and the assignment of the tender itself is handled by VDAB at central level in consultation with the local level. Some criticism is heard from the sub-regional VDAB and the local non-profit organisations that the areas of interest are too broadly defined to focus on truly local problems and to involve smaller and specialised local labour market actors (e.g. training bodies, counselling institutions). However local VDAB offices can, by bottom-up consultation, define requests for local tenders, targeted to specific groups or needs and fund this through the Local Project Programme or through a more decentralised budget available to the provincial competence centres. Centrally contracted tenders mainly focus on issues such as poverty, outplacement, persons with physical or mental health problems and youth unemployment. Local or regional tenders have a narrower scope and focus particularly on skills shortages, for example care givers, fork lift truck operators, cleaning personnel etc.

In terms of staffing, VDAB at central level assign the staff to local offices and competence centres depending on the labour market situation in each. Local offices have a certain degree of freedom to allocate personnel to the different services they provide, as long as this fits into the general personnel framework and VDAB mission. The personnel framework is strictly monitored by the VDAB central office in terms of labour costs per region and per job category. SERR and RESOC must plan their personnel capacity and requirements and justify them to the Flemish government.

Canada (Alberta and New Brunswick)

In Canada, AEI and PETL in Alberta and New Brunswick respectively allow regional and local employment offices considerable flexibility in outsourcing services to other actors. They can decide whether to outsource services to third parties, and who to outsource to.

Most outsourcing is handled at the regional and local level in Alberta. Regional directors can sign for up to 250 000 CAD, depending upon whether the contract is sole source or whether it goes out to tender. Regions can decide what they want to outsource (with the exception of union jobs), when, and to whom, as long as they follow the overall guidelines. In New Brunswick, regional and local staff also have full responsibility to hire and outsource, without central office involvement or approval. It was acknowledged that some contracts have been in place for many years, and it is very difficult to end these as there is mentality of entitlement in place with some NGOs considering themselves as government and resisting any changes to contract procedure. Several contractors in New Brunswick and Alberta found that outsourcing arrangements were more flexible and less bureaucratic under provincial control than they had been under the previous federal management regime.

In both provinces, regional offices are free to adjust staff allocations between different activities and offices. In Alberta, for example, regional directors are free to adjust staff allocations between different departmental activities and local offices within their region, subject to the overall Government of Alberta classification system.

Denmark

Denmark's outsourcing policy is characterised by a high degree of flexibility. Each municipality decides how to staff its job centre and the extent to which it outsources. Job centres can enter into agreements with private sector players using service tenders available to all job centres, or alternatively make their own call for tenders. The municipality of Gribskov, for example, has chosen to outsource its job centre entirely to a private sector player. In addition, several job centres can come together to make a joint call for tenders. Entering into a contract with providers is supported by national standard principles, primarily designed to protect the rights of citizens, ease administration and assist in the performance-dependent payment to private sector players. Private sector providers must comply with the same rules as apply to the job centre in many areas, and are also required to use the IT support provided the National Labour Market Authority. Regardless of whether the municipality outsources services or manages them in-house, however, it maintains political and financial responsibility for measures and results.

Special national regulations are in place for unemployed university graduates with a certain number of years of work experience in his/her area - services are contracted through a national tender. Allocating this as a national responsibility has had repercussions for job centres in Denmark's four main university cities; as a large proportion of the unemployed in these cities are graduates, a significant slice of job centres' work is outsourced. To tackle this issue a number of jobcentres have been given the possibility to deliver the service for half of the graduates, while other providers deliver the service for the other half. These arrangements have been set up in a pilot scheme which will be evaluated by the end of 2012.

The Netherlands

In the Netherlands, the implementation of active labour market policy is mainly outsourced. The SUWI Act in 2002 introduced competition and marketisation into active labour market policies. This meant that both UWV and the municipalities were obliged to spend most of their budgets for labour market reintegration. Since 2004 municipalities now have a choice whether to outsource reintegration services or offer them in-house, however around 80% of municipalities outsource specific welfare to work programmes to private reintegration bureaus (the majority of which are non-profit). Where municipalities choose to outsource, the arrangements are handled by departments for purchase and reintegration, either buying services in the market or performing these services themselves. Some municipal representatives reported that they were increasingly securing collective contracts with collective targets, as opposed to developing tailor made solutions with individual clients, as such contractors are more able to absorb the risks associated with working with certain hard to reach groups.

Until the end of 2011, UWV WERKbedrijf have a reintegration budget at their disposal that has to be outsourced completely to local and regional reintegration bureaus. Private reintegration bureaus are chosen mainly by the central office of the UWV, with each of the 11 district offices having a contract manager who handles the regional contracting arrangements, completing paperwork, negotiating the contract and monitoring the results. Tendering processes are relatively large investments and when contractors report results they do not do so on a regional or local basis.

In terms of internal staffing, staff from the UWV WERKbedrijf can be reallocated between offices within districts (and even between districts). Staff working for social assistance clients cannot be reallocated between municipalities. If a municipality requires – for example – an extra client manager, this has to be agreed with the municipal planning office and approved by the city council.

Table 8 summarises the local flexibility available in outsourcing in each country.

Table 8. Local flexibility in outsourcing

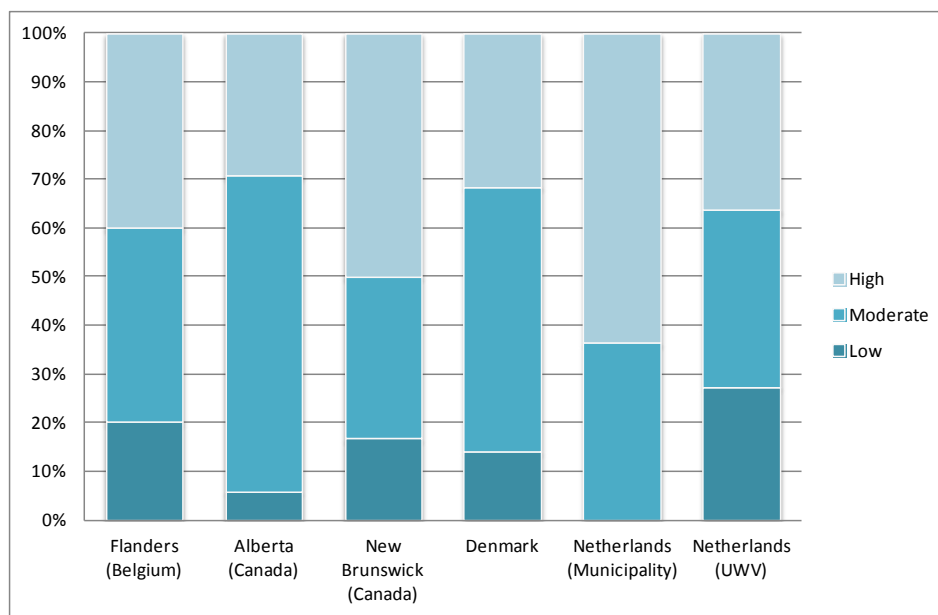
	No involvement in outsourcing at local level	Do outsource locally	Notes
Belgium: Flanders		✓	It is possible to conduct tenders locally, although the majority are carried out centrally
Canada: Alberta		✓	Regional and local offices can decide whether to outsource and who to outsource to.
Canada: New Brunswick		✓	Regional and local offices can decide whether to outsource and who to outsource to.
Denmark		✓	Job centres can use national tenders or make their own call for tenders.
Netherlands: municipalities		✓	Municipalities can decide who they outsource too.
Netherlands: UWV	✓		Outsourcing is managed at a central and district level.

PERCEPTIONS OF FLEXIBILITY AND PRIORITIES FOR INCREASED FLEXIBILITY

Overall, the level of flexibility available to labour market actors was perceived to be moderate to high by respondents to the OECD e-questionnaire in the four participating countries. 37% of respondents considered their flexibility to be high, 49% considered it to be moderate, whereas 14% considered it to be low.

The responses by country are set out in the chart below:

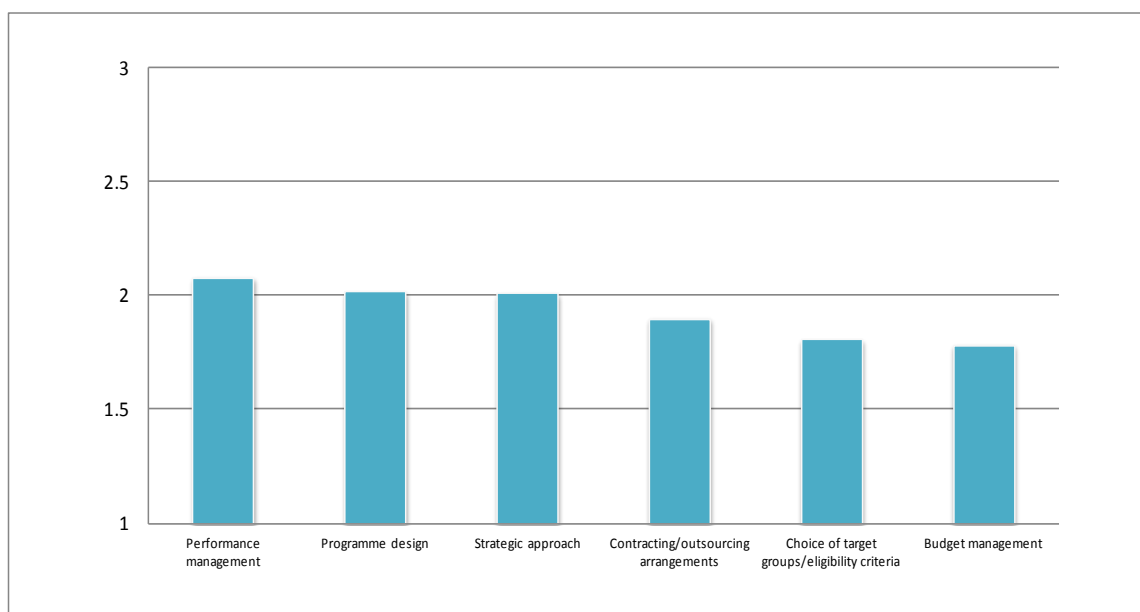
Chart 11. How much flexibility do you feel that your office has to tackle specific local issues arising in your community?



Source: OECD Managing Accountability and Flexibility e-questionnaire.

The perceived level of flexibility varied by the six management tools. Chart 12 below presents the average perceived relative flexibility of the different management tools across all four countries.

Chart 12. Total perceived flexibility by management area



Note: The scoring has been calculated by summing the degrees of flexibility (Low=1, Moderate=2, High=3) and dividing by the number of valid answers for each dimension.

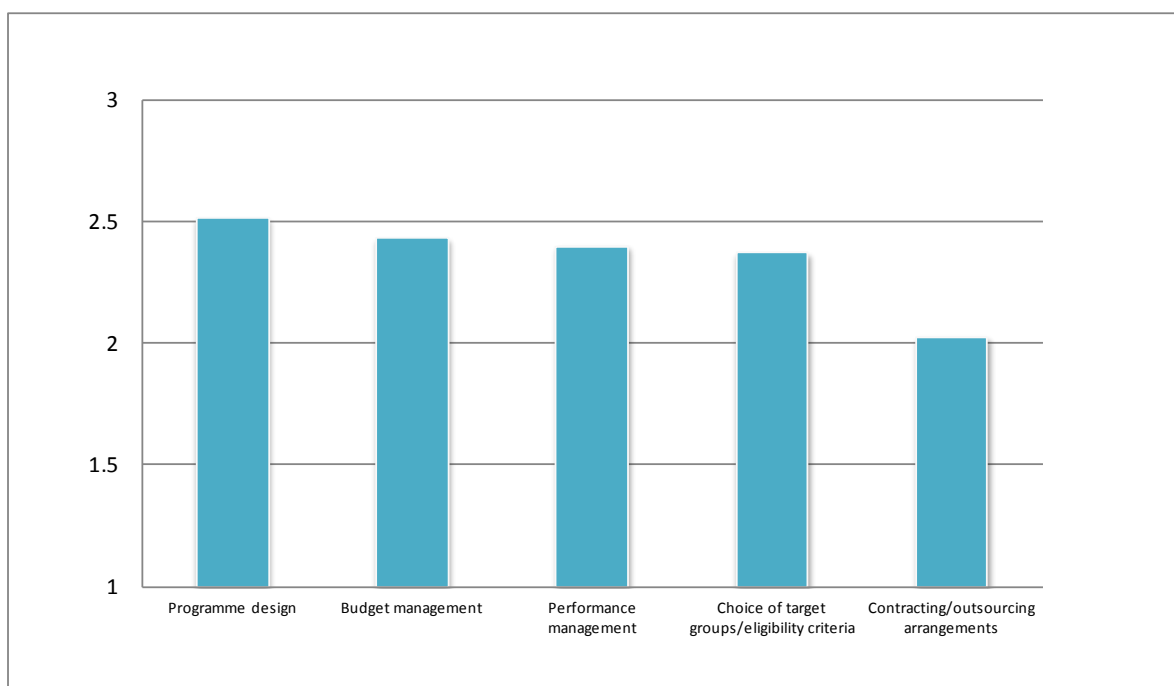
Source: OECD Managing Accountability and Flexibility e-questionnaire.

Flexibility was deemed highest in relation to performance management, programme design and having the possibility to lay down strategies for local employment measures. Flexibility was assessed to be lower in relation to being able to choose and determine criteria for target groups and manage budgets.

Where would local offices like more flexibility?

When asked where they would like to see more flexibility, local labour market offices identified a top priority as programme design, followed by budget management. Outsourcing was the area given the least priority.

Chart 13. Priorities for increased flexibility (where 1 is no priority and 3 is high priority)



Note: The scoring has been calculated by summing the levels of priority (Not a priority=1, Low priority=2, High priority=3) and dividing by the number of valid answers for each dimension.

Source: OECD Managing Accountability and Flexibility e-questionnaire.

The findings for each country are set out in the Annex B of this report.

What can be done with more local flexibility?

52% of respondents to the OECD e-questionnaire agreed, and 41% strongly agreed, that more flexibility would enable them to deliver active labour market programmes/policies more relevant to their locality. Local employment offices identified that more flexibility would allow them to be more responsive, to be more innovative and entrepreneurial, to be more strategic and to be more efficient in the use of resources (see Table 9 below).

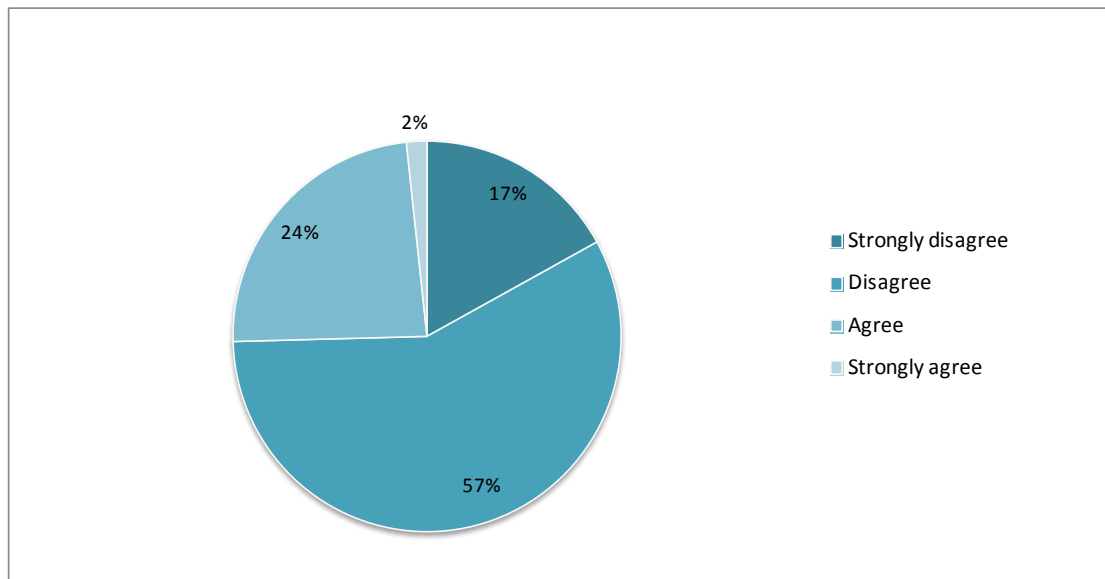
Table 9. What can be done with more flexibility?

What?	How? (drawn from responses to the OECD e-questionnaire)
Be responsive	<p>“More flexibility in funding sources would allow programmes to be delivered that meet community needs, learners’ needs and employers’ needs rather than developing programming that meets the funding source requirements.”</p> <p>“With more flexibility you can strongly respond to the labour market when the circumstances change.”</p>
Promote innovative and entrepreneurial approaches	<p>“I feel we already have some reasonable flexibility in our programmes but the local communities would likely have more innovative ideas to offer that we could consider if there was even more flexibility in our programmes.”</p> <p>“Creativity and initiative can move issues a lot quicker than current processes.”</p>
Be more strategic	<p>“We would be able to participate more regularly in economic development planning, work closer with industry and spend the time needed with our client group offering them support and programming to succeed in today’s workforce.”</p>
Reduce pressure on resources	<p>“Combinations of money...leads to more efficiency.”</p>

Source: OECD Managing Accountability and Flexibility e-questionnaire.

The majority of job centres (74%) either strongly disagreed or disagreed that increased flexibility would have a negative impact on maintaining accountability (see Chart 14 below).

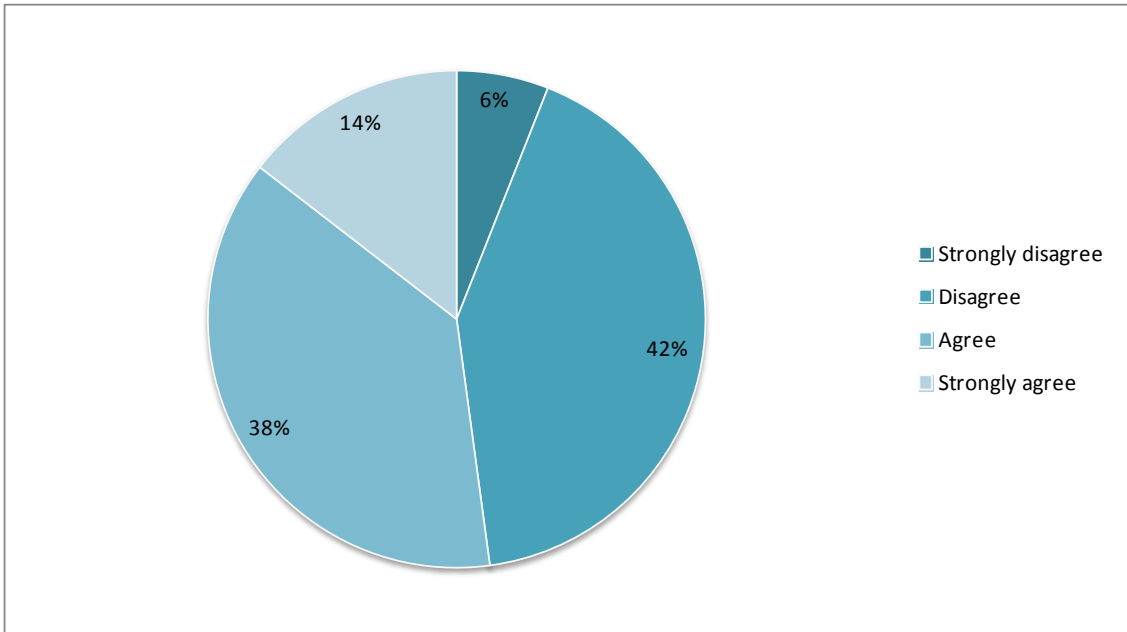
Chart 14. More flexibility would risk creating problems in relation to accountability



Source: OECD Managing Accountability and Flexibility e-questionnaire.

However, approximately half of local employment offices (52%) either agreed or strongly agreed that increased flexibility would need to be accompanied by higher capacities and more resources for the job centres.

Chart 15. More flexibility would only make sense if we had more capacity and resources locally



Source: OECD Managing Accountability and Flexibility e-questionnaire.

BUILDING COLLABORATION: MAKING THE MOST OF FLEXIBILITY TO ADAPT AND INTEGRATE LOCAL POLICIES

Collaboration and partnerships to deal with community level issues

Management flexibility will only support the increased contribution of local employment offices to local and regional economic development and social inclusion if it is accompanied by meaningful collaboration with other local actors. There are a number of benefits which local employment offices can gain from collaboration (see Box 7 below), however it is important that collaboration leads to genuine policy synergies and concrete impacts on the ground.

Due to the increasing importance of partnership working in OECD countries, most local employment agencies now collaborate with, and sit on partnership bodies with other actors to tackle such issues. The 2008 OECD study found that in nearly all countries, sub-regional offices collaborate with other local actors in this way. In the absence of local decision making power, however, collaboration may in some cases just represent an effort by local PES offices to promote active labour market programmes and targets, rather than to actively work together on the development of new local approaches and strategies.

Box 7. Benefits of collaboration and partnerships with other local actors

Establish legitimacy in and impact on implementation of local policy

Collaboration and partnerships establish legitimacy for the goals and strategies in local policy and can underpin maximum impact from the policy in the implementation process. If all the important stakeholders in the local area, for example employers, employee organisations, other municipal administrations take ownership of the goals and strategies in the local employment plan, the opportunities for good results are increased when the measures are implemented in practice. By developing collaborations and networks, local employment measures can have a number of “ambassadors” to market and support the implementation of policy.

Supply important knowledge about the local labour market and solution strategies in measures

Collaboration and partnerships assist with important knowledge about the local labour market and the issues involved. For example, when representatives of the local employment council submit their input to the employment plan.

Create development and innovation in measures

Collaboration and partnerships can generate networks, cooperation across players and stakeholders within different policy areas.

Add resources to local employment measures/the job centre

Collaboration can help optimise and make more efficient local employment measures. Involving partners can ensure a positive injection of resources to local employment measures and the job centre can improve opportunities to optimise use of its own resources.

Contribute to making the political and administrative management responsible for prioritising measures to achieve good results

Finally, collaboration and partnerships can contribute to making political and administrative management of employment measures responsible for achieving good results. They generate expectations and questions regarding measures and results.

Who do local employment offices collaborate with?

The type of actors that local employment offices typically work with include large enterprises, schools, trade unions and business representatives, city development boards, organisations to support entrepreneurship, local skills bodies and colleges, primary health organisations, career counselling agencies, temporary work agencies, and non-government organisations (NGOs).

Local employment offices in the target countries were most likely to collaborate with businesses, closely followed by colleges and training institutions. The organisation type they were less likely to collaborate with was universities. Economic development organisations and regional development specialists were the next least likely partner. The most common form of relationship was informal, ongoing collaboration, followed by multi-stakeholder partnerships and then more specific contracting relationships.

The nature of collaboration in each country

The nature of local collaboration and partnership working differs; some collaboration has a political-strategic character, while some is operational in nature. Both types may be formal or informal. A variety of different forms of partnership working have been established in the participating countries, including brokers, platforms for operational and strategic collaboration and oversight bodies. Examples of the different tools for collaboration which exist at local level in the participating countries are included in Table 10 below, before a broader analysis of the nature of collaboration in each country.

Table 10. Examples of mechanisms used to support local collaboration

What	How
Brokers	<p>In both Alberta and New Brunswick in Canada new job roles have been developed and intermediaries employed to enable labour market officials to engage horizontally with a broad set of policy areas to solve problems. These are the Business and Industry Liaison Officers (BILs) in Alberta and the Labour Force Development Officers (LFDOs) in New Brunswick. These brokers catalyse cross-sector policy responses, provide linkages to employers, and contribute to resolving short-term collective problems.</p>
Operational platforms	<p>In the aftermath of the economic downturn, the Dutch government recognised the need for a more network-based approach to employment policy and established a series of work squares (<i>werkpleinen</i>) and mobility centres which unite the Public Employment Service and municipalities to provide a one-stop-shop service to local people and business. The main objective of the mobility centres is to organise a network to facilitate work-to-work transitions for employees faced with redundancy and to prevent unemployment and help people to find new work as soon as possible.</p> <p>In Flanders, a key mechanism for bringing together the different actors are the local one-stop job shops (<i>werkwinkels</i>). These represent a local partnership of the VDAB, Public Social Assistance Centre, Labour Counselling, LEA, RVA and other local actors. The one-stop-shops aim to provide integrated services on work and employment and information on the local service economy (although commentators identify that there may be some way to go before this integration is achieved in practice).</p>
Strategic platforms	<p>At the sub-regional level in Flanders, RESOCs and SERRs act as tripartite consultation platforms. They are involved in local policy issues such as addressing skills shortages, aligning education and labour market policies and the sub-regional mobility of workers. They do not provide services themselves, but act as a “strategic advisor” in their working area. They are a support and advisory body to remedy labour market bottlenecks that businesses are confronted with. In formulating their advice, they are expected to use their knowledge of disadvantaged groups and of the local labour market. There are concerns that these bodies do not feed directly back into local VDAB employment programme delivery, however.</p>
Oversight bodies	<p>The primary task of the local employment councils in Denmark is to monitor the trends in performance results and the impact of local employment measures. The local employment council regularly receives management information from the job centre about developments in performance results, and where performance results for important areas are poor the issue will be taken up with those who are responsible administratively and politically. Statutory provisions on the establishment of local employment councils in municipalities mean that there is a permanent institutional framework for involving social partners and other stakeholders in employment measures.</p>

Belgium (Flanders)

Collaboration in Flanders is relatively institutionalised. Local projects and partnerships provide a good opportunity to design local programmes to cover specific and unmet needs, and the composition of partnerships to develop such programmes is typically diverse. Collaboration was seen to provide opportunities to report back and also to create synergies.

On an operational level, a key mechanism for collaboration are the *werkwinkels* which represent a local partnership of the VDAB, Public Social Assistance Centre, labour counselling, RVA and other local actors in order to provide integrated services on work, employment and the local service economy. VDAB usually takes the role of coordinator of integrated basic services and local government takes the role of coordinator in relation to the local services economy. VDAB carries out local partner consultation twice a year in each province. This consultation is intended to provide an opportunity for information exchange between the different partner organisations, as operational partners are updated on VDAB training initiatives, guidelines, policy etc. In addition more ad-hoc arrangements are often made to tackle issues emerging in certain sectors (see Box 8 below).

Box 8. Examples of local sectoral partnerships in Flanders, Belgium

BouwKan Kortrijk: In response to a growing number of unfilled vacancies in the construction industry and the rising unemployment rate, the local construction companies, in co-operation with the city of Kortrijk and the local VDAB office, started the BouwKan project. The project focuses mainly on unemployed persons and school-leavers, and seeks to inform them about career opportunities in the construction sector and to guide them towards training. The intense involvement of the construction industry itself was mentioned in the roundtable discussions as a point of strength. Where VDAB counselling is only available to jobseekers while they are still unemployed, the sector itself is able to provide mentors that can continue to guide and counsel the newly-employed well into their working life, increasing the durability of the employment.

Welding centre in Mechelen: The region around Mechelen has found itself confronted with a severe shortage of trained welders. In response to this, RESOC Mechelen drew up plans to construct a new training centre in the region, (fittingly named *Lascentrum*, welding centre). The majority of the funds needed were obtained from the European Regional Development Fund (40%) and the Flemish government (45%), while RESOC Mechelen and the Campus De Nayer college supplied the remaining budget. Campus De Nayer also supplied the land that the centre has been constructed on. The centre will be managed by an assembly of various local and sub-regional organisations involved in training or with vacancies for newly-trained welders. The co-ordinator of RESOC Mechelen revealed that gathering the necessary funds took an estimated six times longer than the actual building of the centre.

Source: Bogaerts *et al.* (2011).

On a strategic level, the tripartite consultation platforms RESOC and SERR are responsible for the development of strategic objectives for employment policy at the sub-regional level. These are expected to give advice on certain issues, analyse the local labour market context, develop a regional employment plan and coordinate regional cooperation on labour market issues. However, their advice is not anchored in Flemish policy and appears to weakly feed into the development of policies and programmes. In parallel, efforts to bring together all the different actors engaged in implementing labour market policy in Flanders are supported through a partnership agreement developed in 2005, which sought to reinforce local employment policy by structuring its institutional architecture on three tiers; federal government, Flemish

government, and the local authorities. One of its main goals was to inform all parties on future policy decisions and to maximise policy integration and co-ordination.

Local Employment Policy Forums (with the same catchment areas as the one-stop-shops) have also emerged as a body for advice and consultation, each one established by a local agreement. They consist of representatives from the city/municipality (which acts as chair), the PES, local social partners, the public social assistance centre *et al.*, and its task is to optimise the co-operation of all local actors and approve a strategic action plan for local employment.

Given the number of different operational and strategic platforms in existence, Flanders has been characterised as suffering from “institutional crowdedness”. For example, in South West Flanders a study resulted in an inventory of no less than 134 formal and informal collaboration arrangements on public policy issues (De Rynck, 2010). An ambitious agenda for reform was launched in 2009 to reduce the level of institutional crowdedness in Flemish policy making and implementation. One element of this reform of state is institutional mapping, involving an inventory of the networks active in each region, an evaluation of their legitimacy, efficiency and effectiveness. Based on this it is planned that an action plan will be drafted in each region which should be approved by at least 75% of the municipalities to ensure sufficient local support.

Canada (Alberta and New Brunswick)

Of the four countries examined in this study, Canada has the lightest institutionalised arrangements in terms of partnerships and collaboration. The federal-provincial/territorial agreements generally do not prescribe partnership arrangements at any level — national, provincial/territorial, regional or local — other than in relation to how governments themselves will interact. The agreements prescribe the establishment of *bilateral* federal-provincial/territorial committees to oversee the agreements; however this varies from one jurisdiction to another and one agreement to another. With respect to *multilateral* relationships, the key institution used is the Forum of Labour Market Ministers (FLMM), set up in 1983 to promote inter-jurisdictional co-operation.

Under the LMAs consultation with stakeholders — including community organisations, business and labour representatives— is required as part of the planning process for all provinces and territories. However, it is up to each province/territory to decide on partnerships as they deem appropriate, and both Alberta and New Brunswick have established extensive collaborative arrangements to deliver active labour market programming. In Alberta, partnerships are determined primarily at the regional and local level and are mostly for operational — not strategic — planning purposes. Partnership working is formally recognised in the AEI performance appraisal system through the use of a common template. Collaborative behaviour is highly recognised — for example the Assistant Deputy Minister of Delivery Services provides comments and emails and considers that 90% of his discussion with his managers in relation to performance focuses on how the individual is managing partnerships in order to achieve departmental goals. Partners include industry sectors, economic development agencies, Chambers of Commerce, Aboriginal organisations, training providers, school boards, post secondary institutions, community organisations, and municipalities. Most partnerships arrangements are relatively informal, with an absence of strategic or operational platforms linking employment to economic development and skills issues.

In both Alberta and New Brunswick, useful local brokers have been put in place to help facilitate local collaboration on operational issues. In Alberta Business and Industry Liaison officers (BILS) help the AEI to reach out to industry and employers, e.g. by holding workshops on employee attraction and retention, diversity awareness. In the town of Wetaskiwin, for example, it was identified how this officer had played a catalyst role in setting up a day care service, and facilitated the provision of new transport for rural communities – evidence of their ability to facilitate cross-sector policy responses to urgent local problems. In order to secure industry information and consultation PETL also funds the salaries of the Labour Force Development Officer positions in the Enterprise Agencies under a defined contractual agreement.

New Brunswick's collaboration arrangements are more formalised than Alberta, including agreements with the Enterprise Agencies, the Social Development Department and Education & Industry Councils. PETL staff partner extensively with a wide variety of organisations; the highest level of collaboration was between government departments, followed by colleges, then economic development agencies. It was acknowledged that *'relationships were how programmes worked'*. On the other hand, it was noted that there was insufficient funding available for facilitating partnerships.

Denmark

Collaboration in Denmark is relatively institutionalised. There are statutory provisions for employment councils at three levels: national, regional and local which involve social partners and other stakeholders. As required by legislation, municipalities must engage with the local employment council and the employment region in the development of an employment plan, and their performance audit. Employment councils also help the job centre design local strategies, and in some cases they act as the initiative taker and facilitator for developing new collaboration by gathering relevant organisations to establish agreements and new partnerships. Outside of this framework, job centres can decide with whom they wish to collaborate and what this should cover, and they can take part in strategic collaboration and partnership across a range policy areas such as job creation, employment measures and developing the local community. There is also space for inter-municipal collaboration which allows for the implementation of more ambitious and effective measures than would otherwise be possible.

Municipal job centres in Denmark most frequently work in partnership with trade unions, unemployment insurance funds, enterprises and educational institutions. For example, currently many job centres have been focusing on collaborating on youth initiatives with educational institutions, education counsellors and a number of municipal administrations. However the number of people the municipalities collaborate with was more limited than other countries, possibly because many policy fields are covered by the municipalities themselves. Overall, most collaboration between job centres and the different players is needs-defined, ongoing cooperation. In addition, annually most municipalities hold strategy seminars in which they discuss the challenges facing employment policy in the short and long-term, and how various players can contribute to implementing local strategies.

The Netherlands

The Netherlands has a strong tradition of working in partnership locally in the field of labour market policy, however this weakened in the early years of 2000. In 2001, the 28 regional tripartite boards for employment services were disbanded as part of the SUWI act. Prior to restructuring, these boards had been

criticised for their lack of effectiveness, a lack of accountability and inadequate supervision of expenditure (Sol, 2003). Since 2007 the importance of local partnerships has come back on the agenda, with the aim to broaden employer contacts and activate a wider group of those unemployed. In 2009 a series of regional and local partnerships/networks were established incorporating UWV WERKbedrijf and the municipalities. In responses to e-surveys, municipalities were found to be more optimistic about the impact of collaboration on their day-to-day work than UWV WERKbedrijf.

The mobility centres which have been established as a result of the economic downturn to facilitate work-to-work transitions for employees faced with redundancy has involved co-operation between SMEs, local authorities, schools, temporary work agencies and the UWV, which has rolled out the centres. This cooperation has had different levels of success in different regions; in the northern case study region identified for this project, the centres were generally viewed as jointly owned collaborative structures, while in the western case study region they were considered as “UWV initiatives” which did not have the full ownership of other local stakeholders. As of 2011 the duties of the mobility centres will be integrated into the regular provision of services by UWV.

Box 9. “De vliegende brigade” - Mobility Centre, Friesland

30 regional mobility centres were created in March 2009 to counterbalance the effects of the economic crisis. The main objective of mobility centres is to facilitate work-to-work transitions to prevent unemployment by helping employees faced with redundancy to find new work as soon as possible. One successful example of the activities initiated and implemented by the Mobility Centre Friesland is the so-called *vliegende brigade* (flying brigade). The *vliegende brigade* is seen as a unique form of co-operation between public and private organisations. Besides UWV, the province of Friesland, the employer organisations VNO-NCW Noord and CNV, the temporary work agencies Randstad and AB Fryslân and other public and private organisations are also involved. The *vliegende brigade* helps enterprises which have a shortage of work for their employees, and enterprises with a (temporary) shortage of employees. Specialists from UWV and their associating partners visit enterprises at risk of developing economic difficulties to map the specific situation and look for solutions such as additional training for staff, short-term working and deploying employees to other enterprises or sectors.

In particular, the mobility centre has succeed in convincing local enterprises to pay for training courses for those working part-time or who are being made redundant. The argument they use is that businesses will need a pool of skilled people in the region when business picks up again and they experience skills shortages. The mobility centre is also able to work with employers on improving human resource practices and raising productivity. The overall aim is to prevent at-risk employees from losing contact with the labour market, to help enterprises ride through the economic downturn, and to maintain a good local pool of skills for when business needs to recruit again.

Source: Dorenbos and Froy (2011).

There is also an obligation for UWV and municipalities to work together in a “work square” (*werkplein*). The aim is to aid the transition to integrated labour market programmes by UWV and municipalities, create strategic partnerships, as well as provide a more accurate, joint diagnosis of the local labour market and client needs. Initially, 127 work squares were put in place, operating at the local and the regional level – with both work squares and plus-work squares (*pluswerkpleinen*). The plus-work squares were located in bigger cities in 30 regions, and combine both local and regional responsibilities. They had a regional function in co-ordinating different actors (e.g. employer organisations, education institutions), providing regional labour market information, and offering specific services. UWV WERKbedrijf and municipalities share responsibility for activities and they collaborate with a diverse group of local and regional organisations, including industry sectors, regional education centres, outplacement bureaus, private reintegration bureaus and temporary work agencies. Plus-work squares were found more likely to collaborate with a wider group of stakeholders. In the period to 2015 a number of UWV Werkbedrijf local offices will close, while 30 offices at the level of the regional working squares will remain. They are expected to focus strongly on joint employer services, and on implementing the tasks of the mobility centres that proved effective during the economic crisis (2009 and 2010).

Those consulted for this study were generally positive about the work squares, which they saw as providing useful mechanisms for building cooperation and exchanging techniques. As one WERKbedrijf representative commented, "*together we have a stronger portfolio with products for clients as well as companies*". At the same time, a municipality identified that the "*UWV has vast array of instruments we don't have and vice versa*".

The organisations involved in the work square in Breda (*Werkplein Breda*) co-operate locally with schools, businesses, sector organisations, housing corporations and welfare organisations and also form partnerships with neighbouring municipalities to tackle more regional issues. An interesting example of the sector cooperation being put in place is the *Brancheservicepunt Detailhandel* (see Box 10) which is focused on the retail sector. The work square recognised that involving actors in longer term actions would not only help in forward planning, but would build up much needed loyalty and trust, which could be called upon later to meet more short-term needs.

Box 10. Example of co-operation: *Servicepunt Detailhandel* (Werkplein Breda)

Economically and socially the retail sector is of great importance to Breda and its surrounding area. The sector has 2 200 establishments in the area, and is currently relatively stable. However, in the context of the ageing of the population it is expected that it will become more difficult to fill vacancies in the future. It is also acknowledged that more has to be done to increase the quality of employment in the sector and the productivity and competitiveness of local enterprises, particularly small and medium sized enterprises (SMEs). Several organisations such as the national board for retail trade, the retail platform Breda, the association of enterprises in the city centre of Breda, the Chamber of Commerce and Werkplein Breda have taken the initiative to establish a service unit for the retail sector (*Servicepunt Detailhandel*). The objective of this service unit is threefold:

- **Improving the inflow and outflow of workers and better managing labour market transitions** within the sector: for example, by improving the match between demand for labour and supply of labour through investments in skills;
- **Training of staff:** implementing an external information and advice service on human resource management for SMEs to improve work organisation, productivity and the quality of local job opportunities;
- **Improving the image of the sector:** stimulating and organising extra promotion with regard to working in the retail sector, improving customer satisfaction.

The strength of the service unit is that the approach is demand driven and based on one-on-one relationships with local retailers. If action is needed this takes place immediately through individual company visits and visits to the members and board meetings of the association of retailers. These visits are being undertaken by work coaches of the Werkplein Breda. They have extensive experience with regard to contacting local companies and good knowledge of local training opportunities in relation to the retail sector. The work coaches also receive training from the national board for the retail trade. *Servicepunt Detailhandel* started in 2009 and in early 2010 a similar service point was established for the care and welfare sectors, with plans to develop one for technical professions. A consulted business representative felt that through this collaboration they have come a long way in a short period of time.

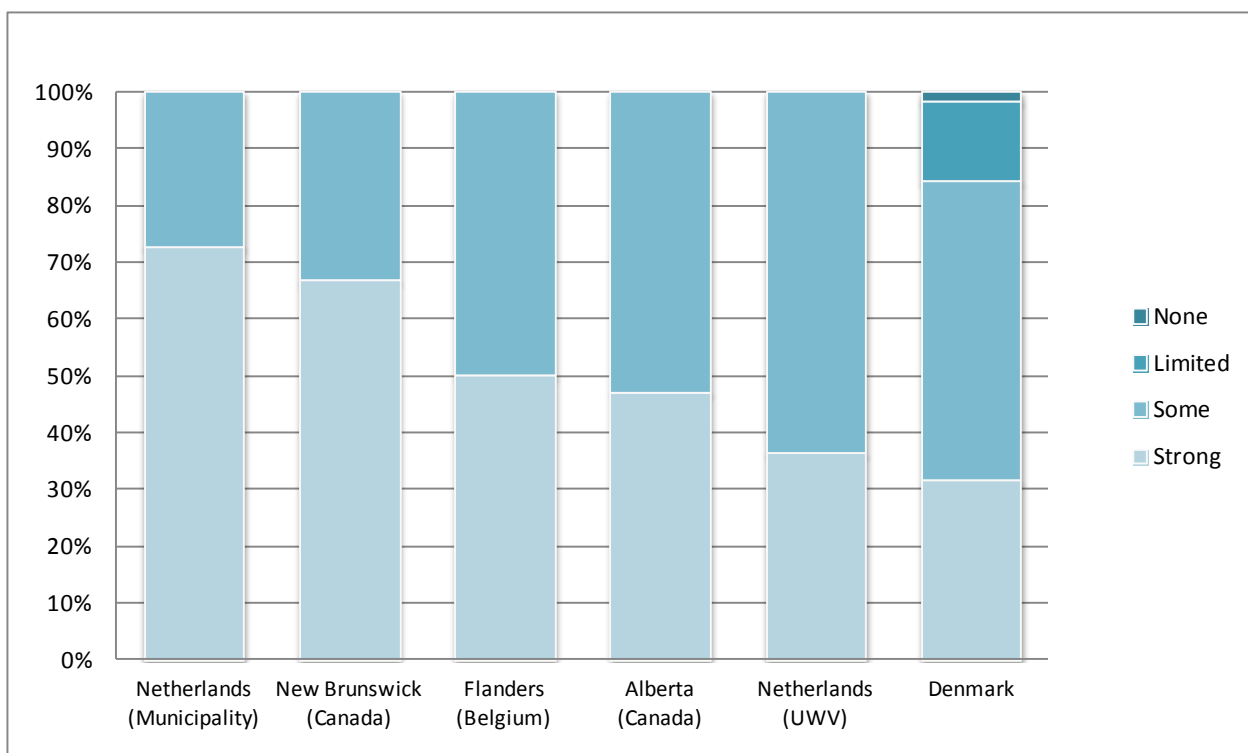
Source: Dorenbos and Froy (2011).

At the time of the study in 2010, the degree to which work squares had led to operational integration on the ground varied considerably from one location to another. To improve the integration of services, UWV, municipalities and other partners have since developed a framework for cooperation which sets out some compulsory criteria for joint working between the relevant institutions while leaving room for local discretion. This was included as a General Measure of Government (*Algemene Maatregel van Bestuur*, AMvB) determined by the Cabinet. The Redesign UWV WERKbdrif will have consequences for this regulation.

The impact of collaboration on programming

The impact of collaboration on the implementation of labour market programmes in the participating countries was variable. Collaboration was seen to have the highest influence on programme delivery in the Netherlands (for municipalities), Canada (New Brunswick) and Belgium (Flanders).

Chart 16. Does your collaboration with other agencies have an impact on the way you deliver labour market policy?

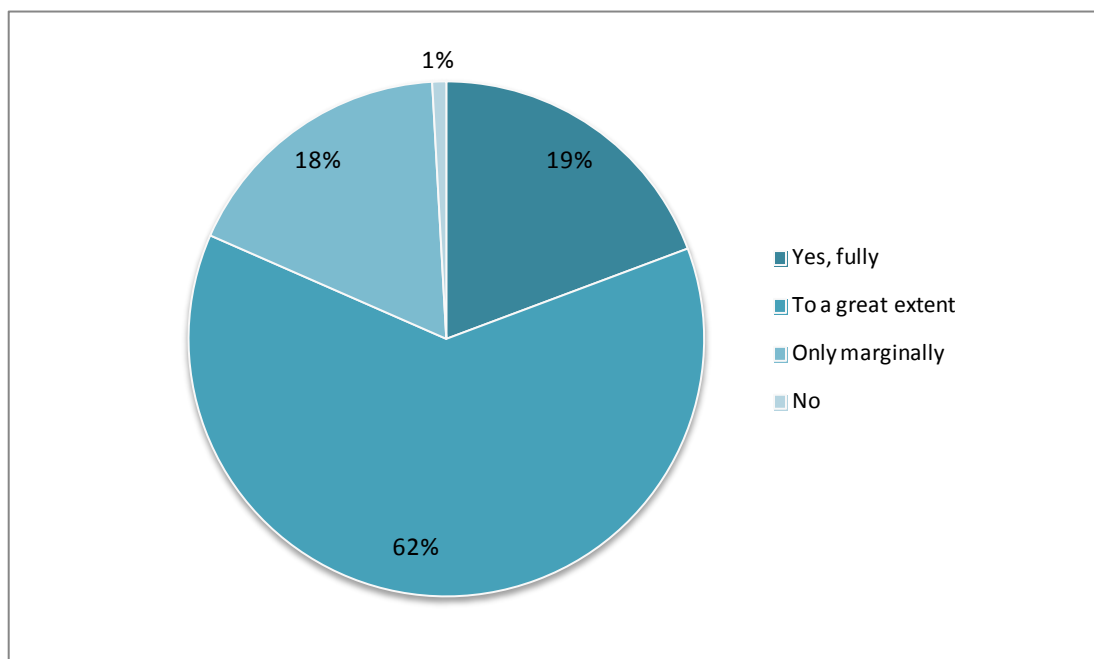


Source: OECD Managing Accountability and Flexibility e-questionnaire.

The contribution of local employment offices to local economic strategies

Local employment offices were also asked whether they were able to draw on collaboration in order to contribute to broader strategies for local economic development. Overall, only 19% of local employment offices across the four countries felt that they could fully contribute to local development strategies, although 62% felt that they could do so to a great extent.

Chart 17. Do you feel you are able to fully contribute to the delivery of local development strategies?



Source: OECD Managing Accountability and Flexibility e-questionnaire.

Capacities

Management flexibility can only lead to better outcomes at the local level if local employment offices have the capacities to use this flexibility. As identified above, 52% of responding local labour offices from all countries felt that allocating more flexibility would only make sense if they had more capacity and resources locally.

One respondent to the OECD e-questionnaire said “The labour market problems in our region are of such complexity that the only way to try and solve them is collaboration on a larger scale.” In Denmark, the Netherlands and Flanders the capacity issue was seen as closely related to the size of local municipalities. Increased responsibilities were not allocated to municipalities in Denmark until there had been a strong rationalisation of the number of municipalities in the country (270 municipalities were consolidated into 98 larger units, most of which have at least 20 000 inhabitants). In the Netherlands, more responsibility has been allocated to the 30 largest municipalities. In Flanders, it is acknowledged that large cities such as Antwerp and Ghent hold more local governance capacity than smaller municipalities for developing labour market policy, and with both cities the PES has a special agreement to elaborate an “inclusive and coherent city policy on activation, labour market and employment”, in collaboration with the OCMW (public social assistance centres).

In Alberta and New Brunswick in Canada, the allocation of greater flexibility has been accompanied by robust mechanisms to build up local capacities. Both jurisdictions have put systems of provincial-level staff training in place in order to ensure that local offices have the information they need (e.g. labour market information, research and analysis) and capacity to manage the responsibilities they have assumed. Involving regional managers in regular meetings is also seen to reduce the potential for conflicts of interest

and local protectionism that might occur at a very local level. As two of the provinces that first took on devolved LMDAs, Alberta and New Brunswick have been instrumental in assisting jurisdictions who came later with best practice suggestions on how to implement the LMDAs. However, Canada's vast area has meant that this best practice sharing is often confined to neighbouring jurisdictions. Likewise, Denmark has invested considerably in capacity building in their municipalities. The National Labour Market Authority seeks to build capacities and knowledge by circulating good practice and supplying both labour market information and information on successful strategies to support evidence-based policies (see Box 11).

Box 11. Promoting evidence-based policies in Denmark

In recent years Danish labour market policy has focused increasingly on implementing "what works" in terms of improving employment outcomes for jobseekers, through an evidence-based approach. This thinking has fed into the development of minimum standards in the service to jobseekers, and into rewarding municipalities for taking forward actions for which there is evidence of good outcomes. Denmark is not alone in moving towards an evidence-based approach, and the availability of longitudinal data on the outcomes of investment in training and education would seem to make this approach particularly valuable.

The National Labour Market Authority and the employment regions are regularly cooperating with selected job centres at the national level on trials and development projects aimed at identifying programme designs which generate good results for specific target groups or issues. For example, controlled trials have been carried out showing that early and intensive measures get unemployed people into employment much quicker than measures where the statutory minimum requirements alone are met. National trial activities may result in statutory amendments directed at underpinning better results from national employment policy by implementing experience and learning from the trials across all job centres.

Source: Mploy (2011).

CONCLUSIONS AND ISSUES FOR CONSIDERATION

Overall, this OECD LEED study has identified a broad consensus on the pivotal role of labour market policy for both economic development and social inclusion in the participating countries. Participants of the high level Aarhus conference on 5th April 2011, Denmark, agreed that careful action locally can help meet national policy goals in terms of economic growth, social inclusion and sustainability.

It is equally clear that ensuring flexibility in labour market programming can support increased collaboration and contributions to local strategic planning at the local level, although countries have to plan carefully to overcome the potential downsides of too much flexibility, such as ensuring minimum standards for service delivery and achieving national targets. The four countries appear to be managing this trade-off between flexibility and accountability effectively, although the governance arrangements used each time are very different. After presenting key conclusions, issues for consideration and a set of tools for policy makers, this final section will outline a summary of the main issues and opportunities for change identified in each of the participating countries.

Main conclusions

Key emerging findings from the study, as discussed at the Aarhus 2011 conference, include the following:

Local employment offices are collaborating widely and this is having an impact on their policies and programmes

Local labour market offices appear to collaborate widely, with the large majority feeling that this had an impact on their delivery of labour market policy. Although local labour market offices were less likely to collaborate with economic development specialists, the majority also felt that they could contribute to a great extent to local economic development strategies.

The degree of flexibility an office has is determined by a broad set of management tools

Overall, local labour offices felt that they had the highest flexibility in performance management and programme design. Despite this, many local labour market offices felt that there were labour market priorities in their region they were not able to address through their employment programmes, and further flexibility in programme design was identified as a high priority.

Budget management was perceived as the least flexible of the management tools, although municipalities appear to have higher flexibility, and the advantage of being able to combine employment budgets with other budgets to achieve integrated approaches.

There is a general move across all four countries towards setting outcome targets rather than input or output targets. This is clearly an important mechanism for allowing governments to retain control over results while allowing local entities to determine the best way to administer services. It is important that such targets capture the broad range of work that local offices are carrying out to avoid an “accountability gap”.

Eligibility criteria for employment and training programmes clearly restrict accessibility at the local level. It needs to be further explored why there are so many vulnerable people which local labour market offices find hard to help. Developing schemes which specifically target those people who “fall through the gaps” of other programmes is one possible response.

Outside of Canada, outsourcing often occurs at the national level. While this can achieve economies of scale it may prevent local offices building up strong relationships with local providers. However outsourcing was seen as the least priority for increased flexibility.

In many cases, while one management tool is managed more rigidly, more flexibility is allocated with another to ensure an overall balance between accountability and flexibility. It is the sum of the different management tools which create the working environment of each local employment office, not the individual tools taken separately.

Accountability and flexibility are not mutually exclusive

It is clear that awarding more flexibility needs to be matched by ongoing accountability at the local level. In a devolved system this means that local agencies who are implementing labour market policy need to pick up the costs if things do not work. In the case of non-devolved systems, taking this responsibility may mean ensuring that there is accountability to the public - via publication and comparison of results, for example. Responsibilities can also be internalised, with impact on annual budgets for individual local office or the managers’ performance and pay. But greater responsibility is not the same thing as heavier bureaucracy, and there was general agreement in the participating countries on the value of limiting reporting requirements and rigid legislation; “keeping things simple” to reduce “micro-management” at the local level. Governments need to have an eye to the overall management context they are creating at the local level and ensure that they are not seeking to create accountability through too many different mechanisms, thereby increasing complexity and rigidity at the expense of local effectiveness in delivery.

Achieving accountability without increasing bureaucracy and reducing flexibility: main issues for consideration

In the future, two approaches for increasing both flexibility and accountability could be considered. Firstly governments could *broaden the performance management framework* to encompass some of the things that local employment offices do to contribute to better, more viable employment. This could include measuring local employment offices on how they contribute to build a pool of skilled labour, how they facilitate career progression especially for the low skilled and underemployed, how they support skills utilisation, anticipate new areas of growth, and coordinate with economic development. This would help to motivate local employment services by recognising and further supporting their contribution to local economic strategies; it would also help increase available learning from innovative practices (which often currently go unevaluated) and improve the dissemination of good practice. For example, in Alberta, the strategic direction provided by Building and Educating Tomorrow’s Workforce was welcomed by AEI

delivery staff as it provided them with permission to move beyond working with just unemployed Albertans to also making connections with Alberta employers, a role that was previously viewed as the responsibility of the provincial economic development department. However sufficient funding would need to be available to support local employment offices in meeting these broader priorities without compromising their core delivery targets.

The second approach would be to take this opportunity to develop *horizontal accountability*. Given that there is increasing pressure on local employment offices to meet the needs of the community to improve living standards and economic prosperity, it would make sense for the local community to have more of a responsibility to scrutinise the work of local offices for the part of their work which is addressed to them. This would help to ensure programmes and services are delivered in a way that contributes to local social and economic development while continuing to meet national targets.

Ways to do this include establishing local boards and strategic partnerships, and sharing responsibility in hiring. A number of OECD countries have established cross-sector boards of advisers to guide and monitor employment policy locally, incorporating strong business representation. The Danish local employment councils and the Workforce Investment Boards operational in the United States are two such examples, with both countries performing well in the 2008 comparative analysis of flexibility granted to local level offices by the OECD (Giguère and Froy, 2009)⁹. In the United States, the 1998 Workforce Investment Act (WIA) mandated that each state establish a state-wide Workforce Investment Board (WIB) as well as Local Workforce Investment Boards (LWIBs). Each LWIB is chaired by a business leader and is also expected to include leaders from education, labour, economic development and other relevant organisations at the local level.

Having additional agencies overseeing their work may not immediately be welcomed. The OECD e-questionnaire asked whether local employment agencies which did not already have inter-agency advisory boards would welcome the involvement of other stakeholders in planning their strategic direction and monitoring their effectiveness and outcomes. 28% of respondents identified that they would welcome the involvement of other agencies in planning their strategic direction, while only 16% would welcome their involvement in monitoring their effectiveness and outcomes. Many respondents (39% and 66% respectively) opted for a neutral position on these questions.

Award flexibility to local offices with the right level of capacity at the right geographical scale

For flexibility to generate effective results, it is important for governments to build capacities more generally at the local level – both personnel capacities (technical, managerial), organisational capabilities (governance and management structures, IT systems) and fiscal capabilities (adequate resources to carry out responsibilities). Ensuring the sharing of information, providing training, and sound labour market information and analysis on successful and unsuccessful approaches is a prerequisite for ensuring good performance across a more flexible system.

⁹ The review (summarised in Flexible policy for more and better jobs, Giguère and Froy, 2009) also highlighted management practices across a broader set of OECD countries which we draw on in the best practice recommendations which follow.

At the same time, it only makes sense to award flexibility when the governance level is right (i.e. local employment agencies are working at the level of homogenous travel to work areas or local labour markets). Larger cities, for example, often have the skills and capacities to effectively implement labour market policies and strategies, but this is not recognised within ‘one size fits all’ management strategies taken forward by national governments. It may make sense in some countries to establish particular flexibility in the management of labour market policies for cities. For example, in the Netherlands it was decided to allocate greater strategic and operational responsibilities at the level of the 30 largest municipalities. Similarly in the United Kingdom, greater discretion and management flexibility in the implementation of employment policies was awarded to larger towns and cities participating in the City Strategy initiative (2007-2011).

It is also important to avoid a “chicken and egg” situation in relation to capacities. Governments frequently ask how it is possible to award more flexibility when the capacity is not there to deliver, but how will local agencies build capacity without responsibility and flexibility? Awarding incremental responsibility can be important here: devolving whenever possible where the accountability risk is judged to be minimal. This can include piloting innovative actions in small groups of areas and developing “waiver systems” where local actors can ask for bureaucratic rules to be relaxed in certain circumstances to allow for innovation and experimentation. In the United States, a waiver system has been established by the Federal Department of Labor to allow states to apply for additional flexibility in specific areas when implementing innovative workforce strategies and initiatives. Many states have taken advantage of the system. Texas, for example, has obtained waivers to expand the target group of people eligible for training and to relax the required 50% employer match for customised training (Froy and Giguère, 2010). Such an approach would provide a better feedback loop to the national level so that central managers are more aware of the types of obstacles which exist on the ground, and the potential benefits of providing increased flexibility in certain areas.

Support entrepreneurialism at the local level

In some cases the PES and municipalities are turning a blind eye to regulations in order to make local collaboration work. This not only places local officials in a difficult position, but ensures that any policy lessons which are learnt from the local adaption of programmes are not spread to other local employment agencies. Providing room for experimentation in developing labour market approaches can help to develop "bottom-up ownership" and stimulate useful innovation. One example of a useful tool in granting more discretion to the local level and stimulating local initiative are local project programmes. The budget allocated needs to be sufficient to ensure it can be brought to critical scale and has the means to have an impact. For example, while in Flanders it appears relatively limited, other OECD countries have in the past allocated between 10-15% of their budgets to this type of measure (Giguère and Froy, 2009). It may also be useful to consider mainstreaming successful local projects into wider active labour market policies and programmes as opposed to pre-allocating monies each year from the local project programme pot to keep them going. What is more, this would free up further funds for local innovation to meet emerging needs.

Avoid “perverse effects” in performance management: setting broad qualitative targets

The two Canadian provinces of Alberta and New Brunswick have developed sophisticated performance management systems which do not rely on setting quantitative targets for local staff and thus

avoid some of the "perverse" effects which quantitative targets can have. Quantitative targets have been criticised, for example, for encouraging local offices to engage in certain activities just to "tick the right boxes" without a real eye to local needs. In Alberta, local employment agency staff are allocated broad strategic priorities (without specific targets) which they negotiate according to local needs. They then report back on the degree to which they have met these strategic objectives. The province also collects additional information on the programmes implemented/individuals served and employment outcomes. On the basis of the data collected, the provincial government can adjust its own targets for the following year. There is therefore a great deal of feedback in the system, but overly stringent output targeting for lower level staff is avoided.

The United States has also been innovative in developing performance management frameworks in labour market policy which retain flexibility and leverage at the local level. For example, workforce development targets are set by the states in negotiation with the federal level and significant variation is evident in how local level actors respond to these targets. In Texas, for example, local WIBs are asked to set additional targets to those set at "baseline" by the state, based on local strategic priorities through a two-tier system of "formal" and "less formal" measures. Formal measures are consistent across workforce programmes and include mainly output targets, while less formal measures are often outcome based and consistent with local strategic plans. Local workforce boards report to the state on both sets of measures (Froy and Giguère, 2010).

Governments can provide incentives and structures for local agencies to develop joint targets with other government agencies to coordinate a range of services for businesses and individuals. With each organisation monitoring the performance of the other partners, a system of mutual accountability can be achieved. This has been envisaged in the future for the management of the work squares in the Netherlands, which unite the work of the municipalities and PES.

Break out of policy silos

In order to tackle the complex issues which can hold individuals back from getting into work at one end of the scale, and which can prevent local economies from developing at the other, labour market agencies cannot work alone. It is therefore not just labour market policy that needs to be flexible. The often compartmental nature of government does not help when trying to tackle difficult issues in a holistic manner at local level, whether it be childcare, mobility challenges or skills shortages. At local level there is potential for strategically merging employment policy with other policy areas which are most relevant for local employment measures, e.g. employment, social welfare and health, education. Policy integration does not necessarily require institutional change at the local level. Indeed institutional reform to achieve different policy objectives has often lead to a complex multi-layering of organisations, partnerships and initiatives and a confusion regarding roles and responsibilities at the local level, detracting from policy integration.

Wood (2011, drawing on work by the American Association of School Librarians) describes how relationships between organisations can range along a spectrum from co-operative (informal, no goals are defined jointly, no planning together, information is shared as needed) to coordinated (some planning is required and more communication, thus a closer working relationship is developed) to collaborative (working together, having shared commitment and goals, developed in partnership). Collaborative relationships are inherently conflicted, as most ideas spring from the parties sharing differences, debating

conflicting perspectives, and jointly working to develop a solution that meets all of their interests. This supports a finding of earlier LEED work, that a degree of conflict is perhaps inevitable on the road to local policy integration. Additional recommendations for building effective collaboration are listed in Box 12 below.

Box 12. Building collaboration

Based on previous LEED work on breaking out of policy silos at the local level (e.g Froy and Giguère, 2010) the following elements were identified as key to building effective collaboration:

- **Construct a shared vision** among local labour market and economic development entities. This can be difficult as even though they may share a common vision of job creation and economic growth their objectives may differ, and local actors need to work together to balance the trade-offs between them. At the same time, leadership is necessary to define the common purpose of the network, educate partners on the importance of cutting across administrative barriers, and hold partners mutually accountable for their performance.
- **Improve coordination at higher governance levels on labour market issues.** It is a common complaint that policy tensions at the national and regional level are repeated at the local level, leading to more conflict riven partnerships. Identifying common goals for the skills and employment infrastructure and understanding synergies with other policy areas is therefore critical. Many OECD countries have experimented with “whole of government” and holistic government approaches that provide a better vertical framework for joined up approaches at the local level.
- **Change organisational cultures:** Horizontal coordination will not be achieved through a simple restructuring of government but rather a cultural transformation among management, staff, and policy makers. This requires the ability to work in partnership, pay attention to clients and end users, provide leadership and generate trust among partners.
- **Provide incentives:** Horizontal coordination requires appropriate mechanisms that govern the way participants interact. These may include incentives, rewards, and sanctions that are aligned with the network’s objectives and goals. Mechanisms may range from contracts and memoranda of understanding, to informal agreements. More flexible network approaches, with partners meeting on a needs must basis, can also produce effective results.

Source: Froy and Giguère (2010).

For successful horizontal collaboration to occur national governments need to move away from hierarchical command and control models to networks of government agencies and non-government organisations. At the same time government organisations at the sub-national level must have sufficient autonomy to respond to local circumstances and form partnerships so that resources can be exchanged. One way of ensuring that collaboration creates more concrete results at a local level could be rewarding the contribution of local employment offices to broader local employment strategies. Carrying out a screening of all organisations involved in active labour market policy will also allow local actors a better insight into the operation of different organisations, their links and networks and degree of overlap.

Balance the interests of individuals and communities

The individualised approaches being put in place in certain countries provide an important degree of flexibility to produce customised approaches to tackle the particular types of labour market disadvantage

faced by individual clients. Examples of these are the UWV WERKbedrijf work coaches, municipal reintegration managers, and the individualised reintegration agreements in the Netherlands.

The prevalence of outsourcing in each of the four countries (especially the Netherlands) may be predicated on the fact that local officials believe that third parties can be more flexible in responding to the needs of unemployed individuals than government staff. In Canada, for example, Wood (2011) identifies that local contractors such as NGOs often have a single focus or business line and can concentrate on quick responses that meet the needs of labour market partners. In many cases, they are closer to the community of clients they serve and as a result can connect with the hard to serve groups targeted in many of programme studies. By operating smaller organisations, in many cases, third party contractors are well positioned to develop the trust relationships required to deliver effective employment programming.

However, it is important that when programmes are outsourced there is sufficient critical mass within the PES or other responsible local organisations to ensure that there is a parallel focus on the broader barriers which exist in many communities to employment, and on strategic longer term employment planning.

The stress on better supporting the labour market integration of individuals can also be seen in the recent emphasis in Denmark and the Netherlands on evidence-based policy, which provides the rationale for a number of the rules and regulations which are put in place at national level. For example in Denmark, the insistence that local municipal job centres provide timely advice and as far as possible get people into active labour market programmes is based on evidence that this is the most effective way of getting individuals back to work.

The development of evidence-based policy obviously bodes very well for the effectiveness of labour market programming in helping individuals back to a job. At the same time, however, to be most effective, labour market policy also needs to focus not only on improving trajectories for individuals but also for whole communities in order for more entrenched local problems to be addressed. As human resources become increasingly important to local economic development in the knowledge economy, employment policy needs to be understood not just as a service to individuals but as key player in helping local labour markets to adjust to new economic situations. While information on best mechanisms for labour market integration need to be widely circulated, a degree of latitude still needs to be left to local employment offices to ensure that they can also fully contribute to this process.

Table 11. Key tools for reconciling flexibility and accountability

Area of management	Tools and instruments for flexibility
Programme design and strategic approach	<p>Consulting local offices during programme design is an effective mechanism for ensuring that labour market policy is relevant and adaptable, as long as the inputs of local offices are heard and taken seriously. Local offices should seek advice from other local actors when making such inputs.</p> <p>Deciding on the programme mix: Local offices should be able to decide on the programme mix that they wish to implement and where programmes are not relevant there should be no requirement to implement them.</p> <p>Establishing broad programmes management frameworks or providing a waiver system: Programmes are often developed and delivered across the board, as if “one size fits all”. However governments should either establish broad management frameworks, or consider providing a formal system for waiving particular programming requirements (around, for example, eligibility, matched funding, length of a training programmes) where merited. This can be helpful in producing temporary flexibility without changing the underlying rules of programmes. At the same time, by awarding such flexibility to those local offices which have proven capacity to deliver it can reward performance, encourage innovation, and gradually build up the capacity of local offices to act with more responsibility and autonomy, an example of incremental flexibility.</p>
Eligibility	<p>Providing flexibility in catering to local target groups: Local offices should have the freedom to prioritise local disadvantaged groups in the delivery of programming and to design specific initiatives in collaboration with other partners. It is important that such initiatives are not seen as stigmatising certain groups, however (see e.g. Froy and Pyne, 2011). In addition, actions should be based on up to date local labour market information and where possible evidence of effective approaches, for example from the sharing of national and international best practice.</p>
Budgets	<p>Providing flexible budget envelopes: In countries where municipalities have responsibility for labour market policy they often have broad budget envelopes which they can spend as they wish on employment matters, within their targets and broader management framework. The PES could also consider providing more freedom in budgetary management where appropriate systems for audit and accountability are in place.</p> <p>Creating common budgets across several policy areas: Budgetary envelopes which go across several different policy areas (e.g. education and employment) can be effective in supporting joint actions which cover a number of different domains.</p> <p>Providing funding for innovative local projects: providing a proportion of local budgets to be spent on locally determined projects can be a useful way of stimulating innovation and collaboration, as long as the funding is sufficient to produce projects of critical mass.</p>
Performance management	<p>Setting broad outcome targets: All the countries participating in this project were moving towards a system where they could set broad, qualitative outcome targets rather than detailed output and process targets. Targets should be sufficiently broad to 1) take into account the full extent of the work agenda carried out by local offices, and 2) to guide work effectively without creating “perverse effects” (e.g. the delivery of inappropriate actions just to tick boxes). Qualitative targets must be supported by robust feedback mechanisms of results achieved, which in turn can guide future work planning.</p>

	<p>Negotiating quantitative targets: Where quantitative targets are established they should be negotiated with local offices, who should also consult with local partners to determine the feasibility of different actions and the priority which they should be given in line with local economic development strategies and social issues. The propositions for altering targets locally should be reviewed by the national level to ensure that cumulatively they still allow for national policy objectives to be attained.</p> <p>Allowing local employment offices to establish additional local targets: Some of the local employment offices surveyed for this study were establishing additional performance targets in collaboration with other local partners. This is a useful way of ensuring that the other relevant local work which offices carry out is measured. Having a set of core and additional targets can promote innovation while maintaining minimum standards. However it is important that the results feed effectively into evaluation systems.</p> <p>Setting cross-sector targets: Establishing joint targets for collaborative action with other local partners, for example in a local strategic plan, can be effective. However this is difficult to achieve in practice due to the problem of determining who is responsible for what in terms of the outcomes. Community scorecards can be a useful mechanism for doing this, when a group of local stakeholders all commit to achieving a specific objective and the contribution of each agency is tightly defined (see e.g. Friedman, 2005).</p>
Outsourcing	<p>Supporting local outsourcing: Providing some local flexibility in outsourcing, and ensuring that the results achieved by local contractors are fed back to local employment agencies can be effective in ensuring that contractors are meeting local needs. The benefits of local flexibility in this area need to be balanced against the advantages of cutting costs and reducing risk gained through economies of scale, however.</p>
Collaboration	<p>Rewarding collaboration: Few of the local employment offices surveyed identified that they had specific funding for partnership working and collaboration, despite the fact that this can be time intensive. Rewarding officials for collaboration (and specifically for the additional outcomes achieved through collaboration) and providing additional funding to cover the costs attached could be helpful.</p> <p>Establishing brokers: Establishing local brokers, can be very useful e.g. specific posts with responsibility for ensuring collaboration between different local actors to solve persistent barriers to employment. Such brokers can be managed within the PES, or the management of their roles can be shared with other local agencies.</p> <p>Developing local cross-sector boards: Establishing local boards involving representatives of employment, skills and economic development sectors can be effective in setting strategic objectives which can make a real difference to local economies. They can also build the types of trust relationship which can be useful in ensuring the ongoing resolution of day-to-day problems through more informal collaboration. Local boards can also be useful in having oversight of the work of local employment agencies in order to promote greater horizontal accountability.</p>

CONCLUSIONS BY COUNTRY

A summary of the main issues and opportunities for change identified in each of the participating countries is included below.

Belgium (Flanders)

In assessing the sub-regional flexibility available to local employment agencies in Flanders within the framework of the OECD criteria, it was found that there is still room for further flexibility at the local level in the management of programmes, budgets, eligibility, performance management and outsourcing. Flanders operates a relatively centralised PES. Employment and activation measures are designed and financed at the federal or regional level but are implemented at the local or sub-regional level. Thus, the flexibility of local labour market management offices is weak on programme design, definition of eligibility criteria and target groups, and outsourcing. Local offices only have flexibility in relation to a small proportion of their budget to support local projects to cover specific local needs. Targets and performance measurement are set centrally, based on the management agreement between the VDAB and the Flemish government.

Because of its relatively centralised management design, the VDAB system is clearly an efficient organisation in meeting the needs of individuals and firms, and this is welcomed by the social and sectoral partners at Flanders government level. However, it may make the organisation less adaptable to tackling opportunities and challenges at the level of local communities and local labour markets. Within the overall framework, the VDAB makes a strong effort to be both collaborative and active at the local level, an attitude supported by an emphasis on openness from the leadership of the organisation. There is clearly room, however, for discretion for local offices. Despite the plethora of partnerships and networks, until recently many local networks involving the VDAB seemed primarily to circulate information (*what are we doing?*) or have coordination functions (*who does what?*). Collaborative networks that develop a joint policy and implement joint actions for a local labour market (*what will we do?*) seem to be rare. The RESOCs and SERRs, while being useful in developing strategic plans in the field of employment have a limited influence on local VDAB programming.

A reform is underway of the VDAB to bring management responsibility from the 13 regional offices (with 13 directors) to five provincial offices (with five directors). This could be a useful opportunity to create more flexibility and strategic responsibility for the VDAB at sub-regional level. Flexibility could be added by providing regional managers with more power to contribute to strategic and integrated employment plans in collaboration with other actors. It could provide a good opportunity for the VDAB to have a single point of influence, and greater critical mass to address entrenched problems such as high youth and immigrant unemployment. In order for this flexibility within a larger organisational scale to work, VDAB will have to find ways of dealing with non-equivalent partners in terms of budgets and capacity and ensure that they are able to work in closer partnership with those municipalities that have a

higher capacity to deliver labour market policy such as larger cities. Finding a way to adapt the policies of the VDAB better to large cities, and ensuring that VDAB programmes and projects tie in further to city based strategies is a clear priority. Moreover, the performance contracts of the provincial directors may have to be more flexible, and require them to take differences in local labour markets into account when delivering policies and programmes.

Canada (Alberta and New Brunswick)

Devolution in Canada has provided additional flexibility at all levels than was previously available under the primarily federally-managed system. With the responsibilities that each province and territory has assumed from the federal government through the LMDAs, considerable power and authority in the policy domain has been retained at the provincial and territorial level and has not been passed down to the regional and local level. This includes responsibility for strategic direction, policy and programme design (including client eligibility) and how performance is measured. These elements have remained at the provincial/territorial level as many of these parameters are specified in the various federal-provincial/territorial agreements. However, in both Alberta and New Brunswick regional and local managers did not see the retention of policy and performance control at the provincial level as a big concern. They feel that they have ample opportunity to influence overall programme direction and design through the strong interactions that take place within the province, that there is a good mix of programmes that they can choose from, and that consistency of performance measures across the province is a very important principle. Targets are defined by regional and local actors, not by provincial decree. Regional and local offices have the greatest degree of flexibility in deciding who they partner with and have extensive collaborative relationships. They can move budgets from one area to another within the limitations of the funding envelopes. When not constrained by collective agreements and existing contracts they can also choose when to outsource and when to offer a programme with departmental staff.

While the devolution of greater responsibility in Canada to the provinces/territories has resulted in further flexibility at the regional and local levels, this does not seem to have translated significantly into enhanced strategic collaboration at these levels with other social and economic actors in the provinces studied. While labour market officials appear to have strong connections with individual businesses, and have established useful brokers (the BILs and LFDOs) to resolve short-term collective problems, it is less clear that they are working with economic development officials on longer term employment goals. The OECD research demonstrated a lack of funding for longer term, better quality job training and the underemployment of Aboriginal populations. These problems could be resolved through the systematic development of governance linkages at regional and local levels and a more strategic joined-up approach locally. This would mean that the strong employment strategies already developed at the provincial level would be complemented by more specific strategies, with cross-sector buy in at the sub-regional level.

Denmark

The Danish system for the management of labour market policy has undertaken an important transition in recent years, with responsibility being progressively awarded to municipalities, while maintaining a strong system of control from the National Labour Market Authority facilitated by the four employment regions. Municipalities are well placed to play a significant role in combining an approach which meets both individual and community needs. They have the potential to work across policy silos and take broad community issues into account when planning employment policies and programmes. The local

employment councils also ensure that the system includes a degree of local horizontal accountability, through the involvement of the local social partners.

At the same time, the role of the National Labour Market Authority and the employment regions is essential in setting targets, ensuring minimum standards are met, sharing good practice and research findings, and measuring whether the sum of local actions allows Denmark to meet national employment policy objectives. The Danish employment system achieves a balance between accountability and flexibility within the management system through a number of different instruments; legislation, financing, performance-based and dialogue-based management, IT tools, methodology requirements, and organisational requirements. The system appears to underpin both high accountability with regard to national goals and focus areas, and moderate to high local flexibility, meaning that local players and stakeholders can cooperate on targeting employment measures at local challenges and needs.

This study would suggest, however, that the management situation has a certain complexity, which can challenge the ability of local employment offices to exploit the flexibility in the management system. A balance needs to be struck between following evidence to assure the best outcomes for individual jobseekers, while also allowing local job centres the latitude to contribute innovatively to solving more intractable employment problems within Denmark's local communities and contributing to local economic growth. As human resources become increasingly important to local economic development in the knowledge economy, employment policy (bringing people into jobs) needs to be understood in the context of a broader labour market policy which helps local labour markets to adjust to new economic situations.

Further, it was assessed that the flexibility available in the current employment system for merging employment measures with other political areas at the local level has not yet been fully exploited by municipalities. For example, local employment plans could serve to a greater extent as pivots for a broader strategy for job creation and development in the local area through the greater use of multi-annual budgets, and better integration with other policy areas.

Netherlands

The Netherlands is in a moment of transition, with the global economic downturn stimulating a number of new initiatives to create greater coordination at the sub-regional level between organisations responsible for implementing employment policy. Some of these initiatives, in particular the mobility centres, have already had a positive impact in supporting work-to-work transitions and keeping people in employment during difficult economic times. The new work squares have also produced innovative examples of policy integration in the short period since inception.

Both the UWV WERKbedrijf and municipalities have a broad set of instruments at their disposal to implement labour market policy at the local level. Municipalities have a significant amount of flexibility to design and deliver programmes that meet the needs of their local and regional labour markets, although the legal framework currently provides municipalities with more freedom than many actually use in practice. UWV WERK Bedrijven have less flexibility to determine which instruments they would like to apply, due to regulations on who they can help and how. While it may wish to respond innovatively to the demands of partners, there continue to be many rules and regulations in the operation of active labour market programmes which present obstacles to joint actions day-to-day. The municipalities have greater freedom

to tailor programmes to local objectives – as one City Council Director put it "*it takes a lot less time for us to be creative*".

It is important to note that while this report discusses public services by the UWV WERKbedrijf and municipalities, public-private cooperation and partnerships at the regional level are considered to be increasingly important in the Netherlands for a well functioning labour market. The UWV WERKbedrijf and the municipalities are both working closely with private employment agencies. In addition, the current government has chosen to put more responsibility on employers and citizens. The point of departure is: private wherever possible, public wherever necessary. It is felt that cooperation between all parties, both private and public, is badly needed in order to tackle future labour market challenges.

Since the study, there has been a redesign of the UWV Werkbedrijf, which will be reduced from about 100 local offices to 30 regional offices. The UWV is working on modern electronic services for jobseekers (in the future there will be less face to face contacts) and the UWV is also working on one registration system for both UWV and municipalities. The budget for the UWV is being reduced and more tasks will be progressively decentralised to municipalities, while at the same time awarding them a greater degree of freedom in terms of policy and budgetary responsibility. It remains to be seen what the impact of these reforms will be on flexibility and accountability at the local level.

BIBLIOGRAPHY

- Bogaerts, K, W. Van Dooren, H. Echelpoels, F. Froy and I. Marx (2011), 'Managing Accountability and Flexibility In Labour Market Policy: Belgium Country Report', OECD, Paris
- Dorenbos, R. and F. Froy (2011), "Managing Accountability and Flexibility in the Netherlands: Country Report", OECD LEED Working Paper, Paris.
- De Rynck, F. (2010). Sterk besturen in een sterke regio: Inventaris regionale samenwerkingsverbanden in zuid-west Vlaanderen. Kortrijk: Leiedal.
- Eberts, R. and S. Giguère (2009), "Effects of decentralisation and flexibility of active labour market policy on country-level employment rates", *Flexible Policy for More and Better Jobs*, OECD Publishing, Paris.
- Friedman, M. (2005), *Trying hard is not good enough*, Trafford Publishing, Canada.
- Froy, F. and S. Giguère (2010), *Breaking Out of Policy Silos: Doing More with Less*, OECD Publishing, Paris.
- Froy, F. and L. Pyne (2011), "Ensuring Labour Market Success for Ethnic Minority and Immigrant Youth", *OECD Local Economic and Employment Development (LEED) Working Papers*, No. 2011/09.
- Giguère, S. (2008) *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD Publishing, Paris.
- Giguère, S. and F. Froy (2009), *Flexible Policy for More and Better Jobs*, OECD Publishing, Paris
- Mosley, H. (2003), "Flexibility and Accountability in Labour Market Policy: A Synthesis", *Managing Decentralisation. A New Role for Labour Market Policy*, OECD Publishing, Paris.
- Mosley, H (2011) *Accountability in Four Decentralised Employment Service Regimes: Canada, Belgium, The Netherlands and Denmark*, OECD LEED Working Paper, Paris
- Mploy (2011), "Managing Accountability and Flexibility in the Danish employment system: Country Report", OECD LEED Working Paper, Paris.
- OECD (2003), *Managing Decentralisation. A New Role for Labour Market Policy*, OECD Publishing, Paris.
- Sol, E. (2003), "The Netherlands: Tackling the Trade-off Between Efficiency and Accountability", *Managing Decentralisation: A New Role for Labour Market Policy*, OECD, Paris.

Wood, D. and T. Klassen (2009), "Bilateral Federalism and Workforce Development Policy in Canada", *Canadian Public Administration*, Vol. 52, N°2, July 2009, pp. 249-270.

Wood, D. (2011), "Balancing Flexibility with Accountability: governing active labour market policy in post-devolution Canada: Country Report", OECD LEED Working Paper, Paris.

ANNEX A: VENICE ACTION STATEMENT ON ENHANCING FLEXIBILITY IN THE MANAGEMENT OF LABOUR MARKET POLICY

I. Preamble

We, the participants of the high level conference on '*Decentralisation and Co-ordination: The Twin Challenges of Labour Market Policy*', held in Venice on 17-19 April 2008, propose the following Action Statement, which aims to underline the importance of enhancing flexibility in the management of labour market policy in order better to reconcile national and local goals.

At a time when human resources are so much at the heart of economic growth, it has become urgent to review the organisation of employment policy so that it is better able to respond to the opportunities and threats experienced by localities in a knowledge-based economy. Working together, we hope to make new advances on the critical issue of balancing national policy goals and local concerns in a way which reaps maximum benefits from globalisation.

II. Background: A changing role for labour market policy

In a globalised economy, where both capital and labour are highly mobile and technology evolves rapidly, workforce development institutions have a key role to play in improving prosperity as well as working and living standards. Human resources are a fundamental source of economic development in a knowledge-based economy. Policy makers within the field of labour market policy and training have a major contribution to make, not only in providing the pool of skills which the economy needs locally, but also in fostering innovation, entrepreneurship and social cohesion.

The decentralisation which has taken place in many OECD countries in employment policy over the last 10 years has helped decision-making to occur closer to the 'reality on the ground', but there is still some way to go before local labour market agencies have the capacity to make a significant contribution to broader local strategic goals. Achieving local objectives often requires cross-working between a number of different policy areas (such as employment, vocational training and economic development) to achieve integrated local strategies. This depends on the ability of local policy makers to better align their policies and services, which in turn depends on the *flexibility* they have to influence the delivery of policies and services. By providing such flexibility, national authorities can make it possible for local actors to work together on the complex and cross-cutting labour market issues which affect their particular community, to innovate as necessary and to adapt policies to local needs.

A major factor restricting the ability of national actors to make flexibility available in the management of labour market policy at the local level is the need to retain accountability. Indeed, this is one of the most difficult challenges faced by decentralised frameworks. Proper decentralisation implies a sharing of responsibility for decision-making at the local level among a number of actors, and agreement on an

accountability framework politically acceptable to the various government levels. It requires partnership working among different stakeholders and between the national and local levels.

Capacity and intelligence are essential companions to flexibility at the local level. Co-ordinating labour market policy with economic development beyond the fulfilment of short-term business needs requires an understanding of both local and global economic conditions and an ability to help business managers avoid future bottlenecks, skills gaps and deficiencies in productivity. Joint and integrated planning requires locally-assembled data and expertise which can support the establishment of common strategic objectives and the better management of policy conflicts and trade-offs. Thus, for governments, building capacities and ensuring the availability of disaggregated data should also be central elements in any strategy to ensure the success of decentralisation.

III. Proposed Actions

We, the participants at the Venice high-level conference therefore invite national, regional and local level actors in the field of employment to work together with the aim to:

1. ***Inject flexibility into the management of labour market policy.*** It should be possible for the local level to give strategic orientations to the implementation of programmes. Local staff should have the ability to make decisions on the orientation of public programmes and services, in addition to achieving predetermined objectives.
2. ***Establish an overarching management framework which embeds local flexibility.*** Employment policy should be managed in a way which supports greater local differentiation while still paying attention to aggregate impacts at the national level. In particular, targets should be negotiated with the local level in order to ensure that they meet local strategic needs, while being embedded in a wider framework which ensures that aggregate national policy goals continue to be met.
3. ***Build strategic capacity.*** Enhancing local capacities becomes particularly important in this context, as strategies for human resources development must be integrated and matched to the economic reality on the ground. Staff within labour market agencies should have a strong knowledge of local business practices, local economic conditions, industry developments, and appropriate methods to identify skills gaps and deficiencies in local economic sectors. They should also develop the analytical skills necessary to use this knowledge as a basis for developing broad strategic orientations locally.

4. ***Build up local data and intelligence.*** Building an understanding of economic and labour market conditions demands, as a prerequisite, refined data collection and analysis as well as expertise in a wide variety of fields. The capacity to gather data locally and organise it in a way which can support strategic planning exercises is critical. The national level can support this process by ensuring that data is disaggregated to the local level and by making available analytical tools which can be adapted to local circumstances.
5. ***Improve governance mechanisms.*** Labour market agencies should collaborate effectively with business, trade unions, civil society, education institutions, research centres, economic development agencies and local authorities. There is no governance mechanism which fits all institutional frameworks, but partnerships have a certain value in bringing different stakeholders together to develop appropriate and realistic strategies.
6. ***Improve administrative processes.*** Aligning policies through institutional reform such as decentralisation is a difficult challenge. In large countries, with complex distributions of power, a perfect match may always seem just beyond reach. A wide-scale review of how administrations function, cooperate and manage policies is required to support better collaboration between different administrative layers and between different policy institutions. This is particularly important given that the new, broader goals for human resources development cut across a number of different policy areas.

ANNEX B: PERCEPTIONS OF FLEXIBILITY IN DIFFERENT MANAGEMENT AREAS IN THE PARTICIPATING COUNTRIES

Chart B1. Perception of flexibility in different management areas, Belgium (Flanders)

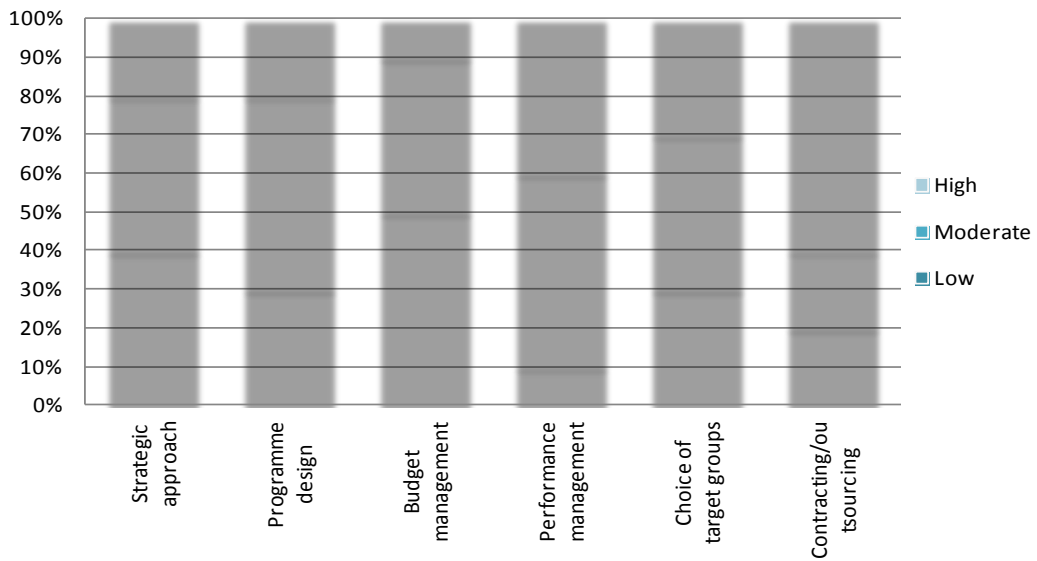


Chart B2. Perception of flexibility in different management areas, Canada (Alberta)

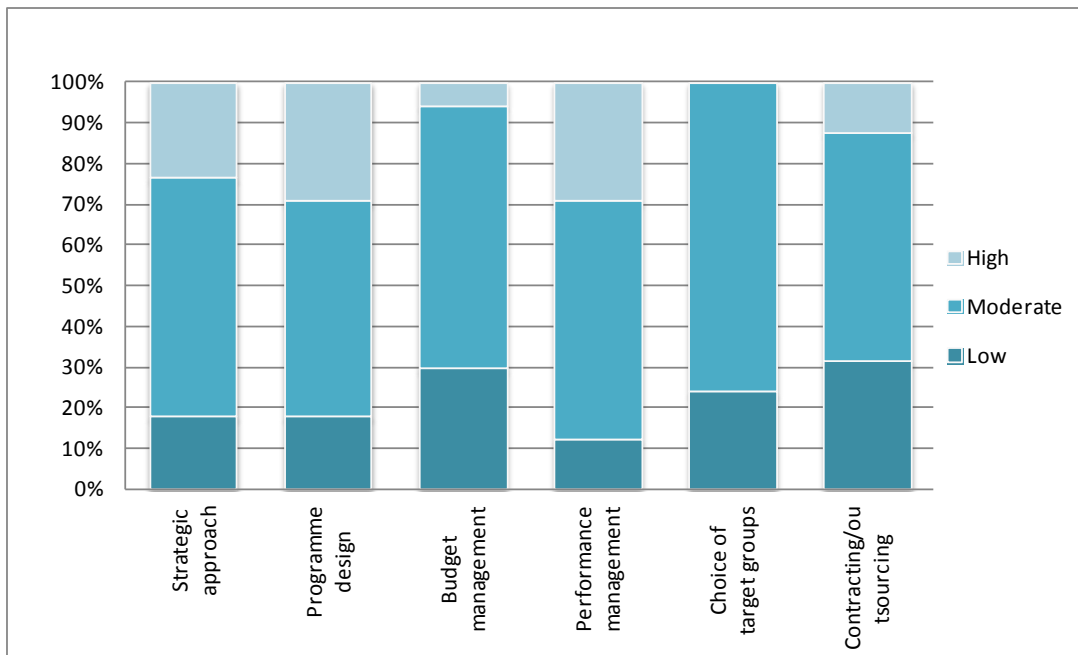


Chart B3. Perception of flexibility in different management areas, Canada (New Brunswick)

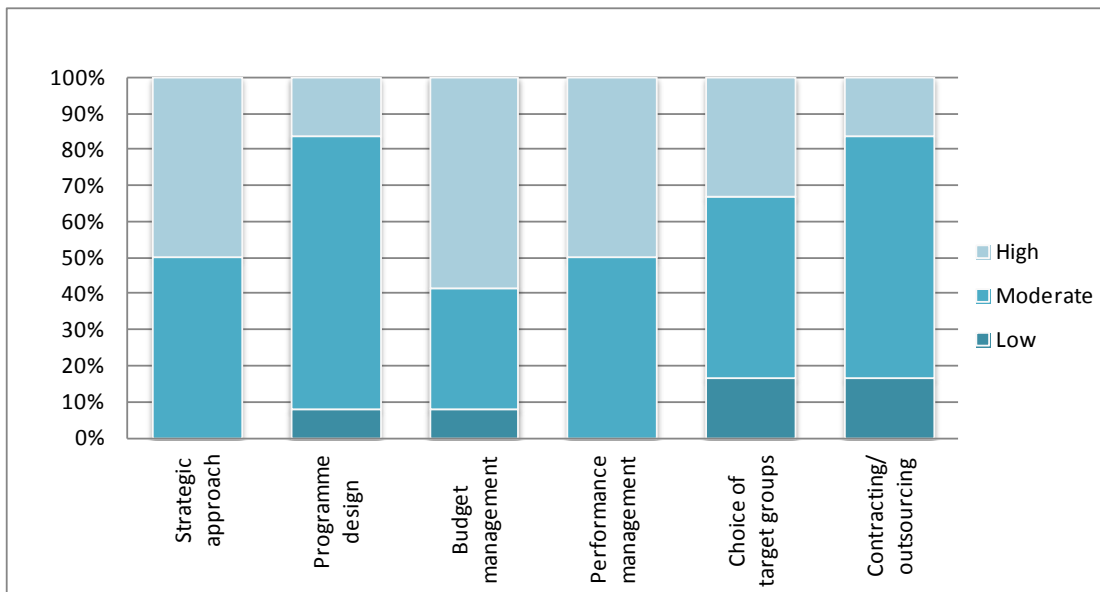


Chart B4. Perception of flexibility in different management areas, Denmark

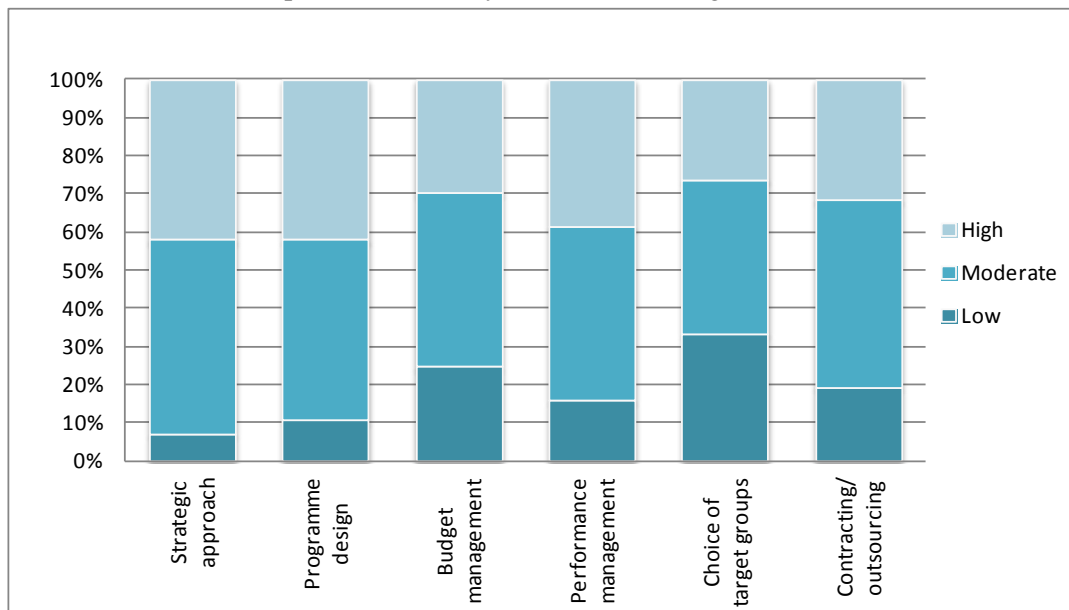


Chart B5. Perception of flexibility in different management areas, Netherlands (Municipalities)

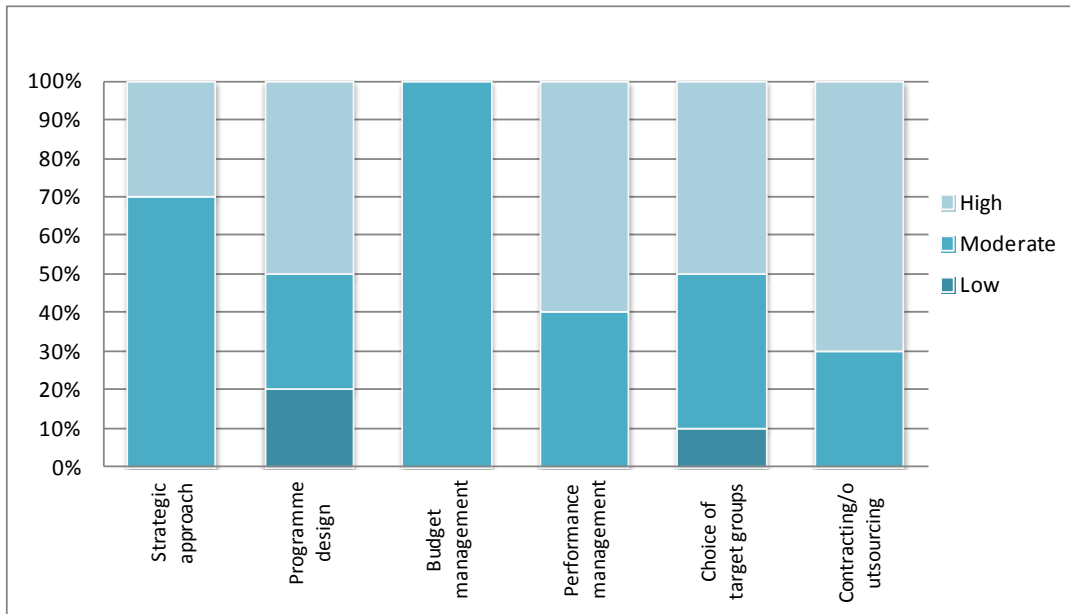
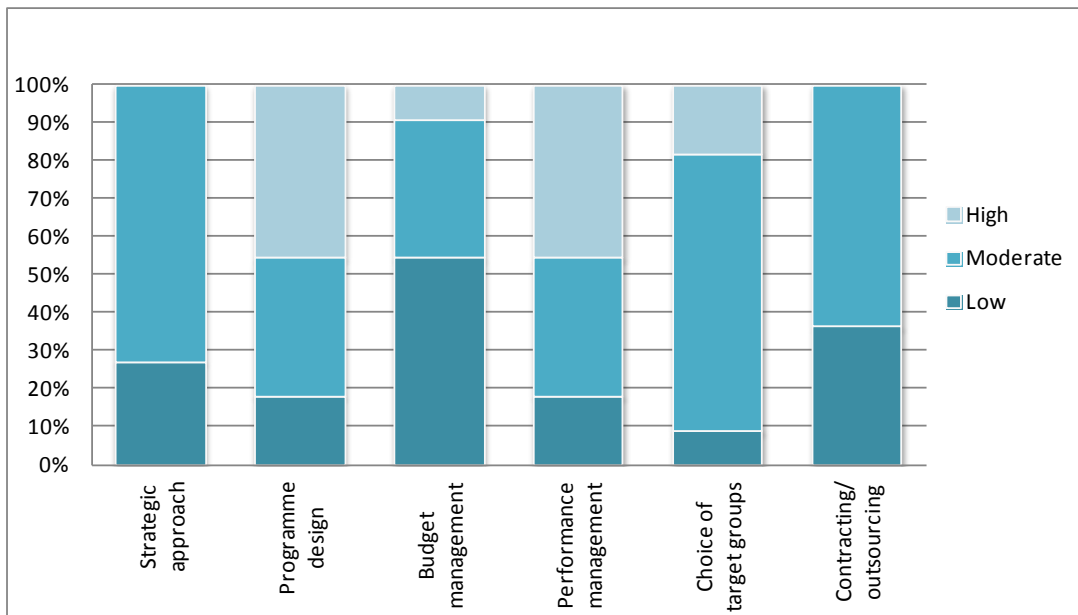


Chart B6. Perception of flexibility in different management areas, Netherlands (UWV)



ANNEX C: METHODOLOGY FOR IMPLEMENTING THE OECD E-QUESTIONNAIRE

An OECD e-questionnaire was sent to a sample of local employment offices in each country – please see Table C1 below. In Belgium (Flanders), Canada, and the Netherlands the e-questionnaire was circulated by the national or regional office of the relevant ministry or PES. In Denmark, the survey was sent directly by the OECD. The individual replies were collected directly by the OECD and remain confidential.

Table C1: OECD e-questionnaire sample

Country	Region	Target	Local offices	No. of respondents	Response rate %
Belgium	Flanders	A sample of 32 VDAB offices, RESOC/SERR and provincial competence centres	<i>VDAB sub-regional offices:</i> Aalst-Oudenaarde, Antwerpen, Brugge, Brussels, Gent, Hasselt, Kortrijk, Leuven, Mechelen, Oostende, Sint-Niklaas-Dendermonde Tongeren, Turnhout, Vilvoorde. <i>Competency Centres:</i> Antwerpen, Brabant, Limburg, Vlaams- Oost-Vlaanderen, West-Vlaanderen. <i>SERR/RESOC:</i> Antwerpen, Brugge, Dender, Gent en rondom Gent Kempen, Leie & Schelde, Limburg, Mechelen, Meetjesland, Midden West-Vlaanderen, Oostende-Westhoek, Waas en Vlaams-Brabant, Zuid Oost-Vlaanderen, Zuid West-Vlaanderen	21	65.6
Canada	Alberta	63 E& I offices	The e-questionnaire was sent to all regional and local offices in Alberta	17	27.0
	New Brunswick	19 PETL offices	The e-questionnaire was sent to all regional and local offices in New Brunswick.	17	89.5
Denmark		91 Job Centres	The e-questionnaire was sent to all job centres in Denmark	57	62.3
Netherlands		A sample of 81 works quares	Almelo, Almere, Alphen a/d Rijn, Amersfoort, Apeldoorn, Assen, Bergen, op Zoom, Bladel, Breda, De Liemers (Zevenaar), Dokkum, Dordrecht, Drachten, Ede, Emmen, Enschede, Ettenleur, Delft, Delfzijl, Eindhoven, Emmeloord; Franeker, Gooi Noord (Huizen), Gorinchem, Groningen, Gulpen –Weert, Hardenberg, Harderwijk, Hengelo, Heerenveen, Heerlen, Hoogezaand, Hoogeveen, IJmond (Beverwijk), Kerkrade, Land van Cuijk, Leeuwarden, Leiden, Leidsche, Lelystad, Lisse, Maasland (Oss), Maastricht, Middelburg, Nijverdal, Noordenkwartier, Oldenzaal, Oost-Achterhoek, Oosterhout, Peelland (Helmond), Roermond, Roosendaal, Schagen, Sittard /Geleen, Sneek, Stadskanaal, Steenwijk, Terneuzen, Tholen, Tilburg, Oostburg, 's-Gravenhage, 's-Hertogenbosch Rijn, Texel, Tiel, Valkenswaard, Veendam, Venlo, Venray, West Friesland (Hoorn), Waalwijk, Weert, Winschoten, Winsum, Zaanstad, Zaltbommel, Zeist, Zoetermeer, Zutphen, Zwolle	25	30.8