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“Who does what” for active labour market policies

A zoom on the role of subnational
governments



“Who does what” for active labour market policies: A zoom on the role of subnational governments

This paper maps “who does what” across levels of government in OECD countries in relation to active labour market policies (ALMPs), with a focus on the role of subnational governments. It highlights recent reforms in the multi-level governance of ALMPs in a number of countries, and shows that in about two out of five OECD countries, subnational governments have some type of formal competences for delivering ALMPs. It also shows other ways subnational governments are commonly involved in such policies. This includes delivering their own labour market programmes, often targeted to those farthest from the labour market or facing multiple barriers to employment. Finally, it considers some of the benefits and drawbacks of more decentralised approaches to ALMPs and offers some general principles for managing these trade-offs across different types of governance systems.

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Executive summary

Alongside other reforms, countries are revisiting “who does what” for ALMPs

Countries use a range of active labour market policies (ALMPs) to support the unemployed in finding jobs and improve the quality of job matches. These include labour market services such as job brokering, job search assistance, provision of labour market information; training and rehabilitation services; as well as direct job creation measures and start-up incentives.

Public employment services are typically the key organisations responsible for ALMPs. They are increasingly expanding on their traditional roles, such as going beyond supporting the registered unemployed to also serving other types of clients, including those already in jobs. and through being more proactive in anticipating future skills needs. With shifts such as the green and digital transitions increasingly dictating the future of work, their role is likely to continue to evolve and grow in importance.

Alongside other reforms of ALMPs, many countries are revisiting “who does what”. This includes re-considering the role of other actors, such as social economy organisations and private providers, as well how responsibilities are shared across levels of government (e.g. both decentralising and centralising public employment services). The latter parallels a broader trend of multi-level governance reforms across OECD countries, with increasing responsibilities for subnational governments across a number of other policy domains.

Today, local and regional governments have formal competences for delivering ALMPs in about two out of five countries

Across OECD countries, the organisation of active labour market policies across levels of government is highly varied. It depends greatly on broader governance frameworks (e.g. unitary vs. federal countries), the overall management frameworks for labour market policies, as well as national approaches and views on how to improve the efficiency and effectiveness of public services.

Today, ALMPs are a shared or exclusive competence of subnational governments in about two out of five OECD countries. This includes fully decentralised systems common in federal countries, as well as countries where competences are shared across levels of government. However, subnational governments are less commonly involved in directly funding core active labour market policies. Most funding comes from national sources, which, in decentralised systems, are then transferred to subnational governments via various grants and schemes.

Beyond formal competences for delivering and financing ALMPs, many subnational governments are engaged in other ways too. For example, in some countries, they serve on national, regional or local advisory boards that oversee public employment services. They can also be part of “one-stop” centres or joint case-management approaches that bring together employment and social services across levels of government.

They may also play a larger role in supporting employment for the most disadvantaged or those facing multiple barriers to employment. In many cases, this is linked to their responsibilities for administering social benefits, which puts them in contact with those farthest from the labour market.

In a context of diverse governance frameworks, there is no single answer to “who does it best”

While there is no single, “ideal” governance framework or answer to “who does it best”, there are cross-cutting issues for consideration across countries:

- **The design, not the degree, of decentralisation is paramount.** Regardless of how centralised or decentralised a system is, careful attention needs to be paid to how legal competences, budgets and incentive structures align. For example, there could be risks that financing structures may incentivise local governments to use ALMPs that shift costs to higher levels of government, even if they result in poorer long-term outcomes, or vice versa.
- **The governance of ALMPs needs to be considered alongside that of related policies, such as social welfare, skills and economic development.** It may be easier to coordinate across these policies at both a strategic and operational level if they are delivered by the same level of government. If not well coordinated, there is also potential for duplication or overlap, for example in relation to ALMPs for people on social benefits and those on unemployment benefits.
- **Mechanisms to allow for tailoring to local conditions can be integrated into a range of governance systems, regardless of the degree of decentralisation.** There are ways to inject this type of local flexibility without compromising national policy goals, ensuring efficiency in service delivery and maintaining full accountability. For example, management by objectives systems can allow for targets to be negotiated between the central and the local level, with the national level verifying that the sum of all local targets meets national policy goals while allowing for local discretion in how these objectives are achieved.
- **Equity implications are important to assess.** While decentralised systems may improve efficiency and effectiveness, they may also create greater risks in terms of national equity objectives. Different capacities, costs of service delivery as well as management and political decisions can lead to disparities in service delivery across territories. Particularly when employment services and active labour market policies (as well as any benefits tied to participating in them) are important parts of national employment and social commitments, these territorial disparities can undermine confidence and trust in the system. Accordingly, some aspects of ALMP design and implementation may need to be regulated at the national level, such as minimum service standards. In turn, a variety of actors – from subnational governments to social partners – can be involved in setting these standards.

1 Setting the context

Governments are facing a number of important labour market challenges

Although unemployment is at record lows in many places, the future of work presents significant challenges for labour markets. The COVID-19 pandemic accelerated the digital and green transitions, and in turn the pace of upskilling needed to keep up. Whilst these skills gaps are being felt more intensely in sectors at the front end of this dual transition, virtually all sectors are affected to varying degrees, adding to labour shortages already existing in many countries in sectors such as hospitality, transport and care.

Action is also needed to address persistent disparities in labour market performance *within* countries. Unemployment rates vary two-fold or more across regions in over half of OECD countries, and the transition to the future of work could drive local economies even farther apart (OECD, 2020^[1]). For example, across the OECD, the regional share of jobs at high risk of automation ranges from 4% to 40% and regions with lower education levels, more rural, and/or with a large tradable sector have a higher share of jobs at risk (OECD, 2018^[2]). Active labour market policies (ALMPs) can help to mitigate the impacts of these divides, and potential increases (see Box 1.1 for a broader discussion of drivers of these divides).

Box 1.1. Drivers of local labour market divides

Geographic disparities in labour market performance may be driven by a number of factors, such as agglomeration dynamics, natural endowments, geographic specificities, historical development pathways, industrial composition, migration and geographic mobility, infrastructure and transport links, etc. (see Elhorst (2003^[3]) and OECD (2009^[4]) for examples).

In addition, there are a number of channels through which labour market and related policies may impact local labour market performance and divides, and ultimately national performance:

- **Uniform, national policies can have different local impacts, depending on the local context.** For example, research suggests relaxing employment protection regulations can have larger positive effects on growth in lagging regions (D’Costa, Garcilazo and Oliveira Martins, 2018^[5]).
- **Policies under national competences, such as regional development policies targeting regions or places in distress, are locally differentiated by design.** Research suggests that national spending has a different “bang for buck” across places, and that national resources that support employment can more effectively reduce the share of adults not working, if targeted to places with higher inactivity rates (Austin, Glaeser and Summers, 2018^[6]).
- **Other policy areas, such as those related to economic development and education that are linked to employment outcomes, are often managed at the subnational level.** Today, the most important responsibilities of subnational governments, as measured by subnational spending as a percent of GDP, are education, social protection, general public services, and economic affairs, which all have direct links with local labour market performance. Some of these specific policy areas have become increasingly decentralised in recent years. For example, local authorities, school boards and schools have more independence related to education (Burns and Köster, 2016^[7]), and in many countries, subnational governments have taken on increasing responsibility for social welfare (Andreotti and Mingione, 2014^[8]).
- **A growing body of research explores how the quality of governance can affect regional divides** (Charron, Dijkstra and Lapuente, 2013^[9]; Rodríguez-Pose and Garcilazo, 2015^[10]). For example, in Italy, which has long been characterised by a strong north-south divide, capacity gaps to plan, select and execute projects in lagging regions hamper the effectiveness of regional policies and the utilisation of EU cohesion and social funds (OECD, 2019^[11]). Likewise, capacity differences across regions have also hampered provision of ALMPs in Italy over time (OECD, 2019^[12]).
- **The different policy orientations of local and regional authorities can also impact the delivery of national programmes.** One study of the now defunct New Deal for Young People in the UK found that performance in many inner-city and depressed industrial labour markets was much worse than national average performance. These disparities were likely due not only to different local labour market contexts, but also different interpretations of regulations and guidelines, as well as willingness to deviate from the “rule-book” (e.g. degree to which sanctions were regularly imposed for not meeting job search requirements) on the part of regional and local officials (Nativel, Sunley and Martin, 2002^[13]). This may be both the result of “objective gaps” across levels of government (Charbit, 2020^[14]), as well as the discretion given to “street level bureaucrats” (Lipsky, 1980^[15]).

The role of ALMPs and public employment services in tackling labour market challenges is expanding

Countries use a range of ALMPs to support the unemployed in finding jobs and improve the quality of job matches. Such policies include labour market services such as job brokering, job search assistance, provision of labour market information; training and rehabilitation services to increase the employability of the unemployed; as well as direct job creation measures and start-up incentives.¹ Meta-evaluations show that ALMPs are particularly effective for women and the long-term unemployed, as well as during recessions. They can also have economically meaningful impacts in the longer-run (i.e. 2+ years) even if short-term impacts are minimal (Card, Kluge and Weber, 2017_[16]).

Public employment services, typically the key organisation responsible for ALMPs, are also going beyond their traditional roles. They are increasingly engaging other types of clients, such as those already in jobs or those not officially registered as unemployed, and are also being more proactive in anticipating and responding to future skills needs. The expansion of the gig economy, the need to respond to multi-faceted barriers some face to labour market participation, and the need to adapt to digital services means they need to innovate in how they design and deliver services.

In recent decades, governments have put increasing emphasis on active labour market policies, as opposed to passive labour market policies (i.e. out of work income maintenance, namely unemployment benefits, as well as early retirement schemes). This is in line with recommendations from the OECD and others. ALMPs were also important in mitigating the impacts of the COVID-19 crisis, with countries rapidly increasing budgets for PES and ALMPs with the onset of the pandemic. Testament to the increasing emphasis on ALMPs is the fact that ALMP budgets in 2022 were still significantly higher than in 2019, despite the recovery in employment rates from the pandemic shock (OECD, 2022_[17]).

In general, public employment services (PES) are the key organisations responsible for active labour market policies. In some cases, PES are part of the national ministry of labour or employment, while in others, they operate as an independent agency managed by a ministry or a tripartite management body. In most countries, social partners (i.e. trade unions and employer associations) have a role in overseeing PES, whether in an advisory or supervisory role (Laurinson and Lüske, 2021_[18]; OECD, 2021_[19]). As will be discussed further, labour market services for people on other types of social benefits or who are not officially registered as unemployed are sometimes delivered via different arrangements.

The involvement of subnational governments in ALMPs is shifting in many countries, alongside other reforms

In order to improve outcomes and cost-effectiveness, a number of countries have revisited “who does what” for ALMPs in recent years. This includes revisiting the role of other types of providers, such as social economy organisations and private providers, as well how responsibilities are shared across levels of government. The latter is the focus of this paper.

¹ The OECD classification of labour market policies includes the following active measures: 1. Public employment services and administration, including 1.1 Placement and related services 1.2 Benefit administration 1.3 Other; 2. Training including 2.1 Institutional training 2.2 Workplace training 2.3 Alternate training 2.4 Special support for apprenticeship; 4. Employment incentives, including 4.1 Recruitment incentives 4.2 Employment maintenance incentives 4.3 Job rotation and job sharing; 5. Sheltered and supported employment and rehabilitation, including 5.1 Sheltered and supported employment 5.2 Rehabilitation; 6. Direct job creation; and 7. Start-up incentives.

In many cases, shifting responsibilities across levels of government are part of more general multi-level governance reforms and growing responsibilities of subnational governments. In general – i.e. beyond ALMPs – there has been a trend of decentralisation in OECD countries over recent decades (OECD / UCLG, 2019^[20]). In two-thirds of OECD countries, the share of public spending undertaken by subnational governments (measured both in terms of share of GDP and share of total public spending) grew between 1995 and 2016 (OECD, 2019^[21]). Using the Regional Authority Index as a measure, regional authority increased in 52 out of 81 countries between 1950 and 2010, and only decreased in nine (Hooghe et al., 2016^[22]).

Belgium and Canada are two such examples. Since the 1970s in **Belgium**, a series of consecutive reforms have transferred more competences to regions and communities, including active labour market policies to the regional level. In 2014, the Sixth State Reform included a substantial shift in powers to regional PESs, including more autonomy for targeting labour market measures and monitoring the unemployed (Finn and Peromingo, 2019^[23]). Likewise, in **Canada**, as part of a broader transformation of intergovernmental relations in 1996, the federal government began to negotiate bilateral agreements (i.e. Labour Market Agreements) with the provinces and territories to transfer responsibilities for ALMPs. The last of these agreements was reached in 2010 in the Yukon (Morden, 2016^[24]).

In other countries, PES reforms were part of more general labour market policy reforms. For example, as part of the broader Hartz reforms in **Germany**, beginning in 2005, responsibilities for Job Centres, which provide services to the long-term unemployed and those with very low labour incomes, began to be decentralised on an asymmetric basis. Some municipalities took on full responsibilities for Job Centres, while others shared responsibilities with the national PES (Mergle and Weber, 2020^[25]).

However, in other cases, the opposite is true. For example, in as **Estonia** and **Lithuania**, competences for PES were transferred from municipalities to the central level in recent years.

Additionally, as of the end of 2022, Finland, France and Italy are in various stages of multi-level governance reforms. In March 2021 in **Finland**, a series of pilots were launched wherein some customers were transferred from the Employment and Economic Development Offices (TE Offices) to offices under the responsibilities of municipalities. By 2024, it is expected that full responsibility for PES will be transferred to municipalities (Ministry of Economic Affairs and Employment of Finland, n.d.^[26]). Through the Jobs Act (2014), **Italy** has been undertaking a series of ongoing labour market policy reforms, including for the institutional framework concerning national and regional governments in relation to active labour market policies, with competences being concentrated at the regional level (OECD, 2019^[12]). In **France**, the roles and coordination of different employment actors are being considered as part of the new *France Travail* project under discussion.

Effective multi-level governance mechanisms matter regardless of the degree of decentralisation

In addition to formal competences for ALMPs, subnational governments are also involved in employment policies in other ways. For example, in some countries, they serve on national, regional or local advisory boards that oversee public employment services. They can also be part of “one-stop” centres or joint case-management approaches that bring together employment and social services across levels of government. They may also play a larger role in supporting employment for the most disadvantaged or those facing multiple barriers to employment.

This implies a need for effective multi-level governance mechanisms, regardless of the degree of decentralisation. While there is no single “best” model, issues such as aligning funding incentives and policy objectives, coordination across related policy areas, and flexibility to adapt to local conditions are relevant across governance models.

The remainder of this paper looks in more detail at how ALMP and institutions are designed, funded and implemented across levels of government, with a focus on the role of subnational governments, and these cross-cutting issues (i.e. the multi-level governance of ALMPs, see Box 1.2 for key terms). This analysis builds on the OECD’s rich body of research comparing labour market policies and institutions, and subnational government finance and structures.² It draws in large part on country responses to the “OECD survey on subnational variation in labour market and related policies” disseminated in the spring of 2020,³ as well as complementary desk research and other ongoing OECD streams of work.

² This includes in-depth thematic and country reviews on topics such as local job creation and activation policies, and mapping of the overall institutional setup of ALMPs (Lauringson and Lüske, 2021^[18]; OECD, 2021^[19]). The OECD also collects comparative data on participation and spending in active labour market programmes, the stringency of employment protection legislation, minimum wages, and collective bargaining (OECD, 2021^[71]; OECD, 2021^[68]; OECD, 2021^[69]; OECD, 2021^[70]). The OECD has also developed indicators on the flexibility to adapt active labour market policies to local conditions and local integration between employment, skills and economic development policies (OECD, 2014^[44]). On subnational finance, see the OECD/UCLG World Observatory on Subnational Government Finance and Investment: <https://www.sng-wofi.org/>.

³ Responses to the survey were received from Australia, Belgium (separately from Flanders and Wallonia), Canada, Chile, Colombia, Denmark, Estonia, Finland, Germany, Hungary, Ireland, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, Poland, Portugal, Slovenia, Spain, Sweden Switzerland, Türkiye and the United Kingdom, as well as Romania and South Africa.

Box 1.2. Key multi-level governance terms and definitions

- **Federal:** In federal countries, sovereignty is shared between the federal government and self-governing regional entities (the federated states), which have their own constitution in most cases (Canada is an exception), a parliament and a government. In a federation, the self-governing status of the component states may not be altered by a unilateral decision of the federal government. Powers and responsibilities are assigned to the federal government and the federated states either by provision of a constitution or by judicial interpretation.
 - **Quasi-federal:** Quasi-federal countries have several characteristics of federal countries while being formally unitary countries according to their constitution. For example, in quasi-federations, autonomous regions have less room for manoeuvre than in federations for defining and reforming local government functioning but more than in unitary countries.
- **Unitary:** A unitary state is a state governed as a single power in which the central government is ultimately supreme. The unitary states are “one and indivisible” entities, and sovereignty is not shared. This means that citizens are subject to the same unique power on the national territory. This does not preclude the existence of subnational governments, also elected directly by the population and with some political and administrative autonomy. However, subnational governments exercise only the powers that the central government chooses to delegate or devolve.
- **Centralisation / decentralisation:** Transfer of a range of powers, responsibilities and resources to / from central government to subnational governments (defined as legal entities elected by universal suffrage and having some degree of autonomy).
 - **Asymmetric decentralisation:** Differentiated assignment of competences across subnational governments, for the same level of administration
- **Deconcentration:** Geographic displacement of power from higher levels of government to units based in regions/localities (territorial administration of the central government, line ministerial departments, territorial agencies, etc.). These deconcentrated state services are part of the national administration and represent the central government at the territorial level. Unlike subnational governments, deconcentrated state services are a hierarchical part of the central government level.
- **Flexibility:** The possibility to adjust policy at its various stages, i.e. design, implementation and delivery, to make it better adapted to local contexts, actions carried out by other organisations, strategies being pursued, and challenges and opportunities faced.

Source: OECD (2019^[21]) and Giguère and Froy (2009^[27])

2 Taking stock of “who does what” across levels of government

Implementation: Subnational governments have more competences for PES in federal countries, with some exceptions

The role of different levels of government in operating PES generally fall into one of four stylised categories:

- **Centralised, with “deconcentrated” branch offices of national ministries or agencies responsible for delivery or coordinating outsourced delivery at the territorial level.** As shown in Table 2.1, this is the most common form across OECD countries, particularly in unitary countries.
- **Decentralised, with regional or local governments responsible for overseeing implementation.** Typically, a national ministry or agency plays some kind coordination, management and/or funding role, while regional or local governments are charged with actual delivery or coordinating outsourced delivery. This is the case in most federal countries, with a few exceptions, as well as a small number of unitary countries.
- **Combined systems, with shared competences between the national and subnational level.** This includes countries where competences are shared, or where they have been decentralised to subnational governments on an asymmetric basis. It should also be noted that in a number of countries, subnational governments also deliver other types of labour market services outside of PES, for example targeted to social assistance recipients, or to complement national programmes. However, those are not counted in this mapping of “core” ALMPs provided by PES in the table below.
- **Network of delivery agents, with some combination of public, private, and/or non-profit providers responsible for delivery.** This the case, for example, in Australia and Colombia. This is to be distinguished from a large number of other countries with varying degrees of decentralisation, where some programmes or services are outsourced to external providers, such as private providers or social economy organisations.

Table 2.1. Multi-level governance of public employment services

	Centralised <i>National ministry or agency responsible for overseeing implementation</i>	Decentralised <i>Regional or local governments responsible for delivery</i>	Combined system <i>Shared competences for same set of ALMPs/clients or asymmetric decentralisation</i>	Network / outsourced <i>Combination of public, private, and/or non-profit providers responsible for delivery</i>
Federal or quasi-federal countries	Austria, Germany ⁱ	Belgium, Canada, Spain, Switzerland, United States	Mexico	Australia
Unitary countries	Czech Republic, Estonia, France, Greece, Hungary, Iceland, Ireland, Israel, Japan, Latvia, Lithuania, Luxembourg, Netherlands ⁱ , New Zealand, Norway, Slovak Republic, Slovenia, Sweden ⁱ , Türkiye	Denmark, Poland	Chile, Costa Rica, Finland ⁱⁱⁱ , Italy, Korea, Portugal ⁱⁱ , United Kingdom ⁱⁱ	Colombia
Total	21	7	8	2

Notes:

ⁱ This table maps the governance structure of public employment services, which are typically the main provider of ALMPs for the registered unemployed. In countries such as Germany, the Netherlands, and Sweden, ALMPs for specific target groups, such as those on social assistance benefits, are fully or partially decentralised.

ⁱⁱ In Portugal and the United Kingdom, competences are decentralised on an asymmetric basis. In Portugal, competences are centralised with the exception of the Autonomous Regions. In the United Kingdom, competences for services in England, Scotland and Wales are provided through the Jobcentre Plus, part of the Department of Work and Pensions. In Northern Ireland, competences for employment matters are devolved.

ⁱⁱⁱ Finland is in a transitional phase of reforms to devolve responsibilities to municipalities.

Source: Results from 2020 OECD survey on subnational variation in labour market and related policies and author's own elaboration. See Annex for further descriptions by country.

Overall, subnational governments have some formal competences for PES in about two out of five OECD countries. Decentralised models are most common in federal or quasi-federal countries, while in unitary countries, more centralised models predominate. In about one-fifth of countries, competences are shared between levels of government. Private providers (e.g. for-profit as well as non-profit and social economy organisations) have important roles to play in implementing ALMPs in many countries, whether taking full responsibility for delivering employment services and referrals to other ALMPs, delivering specific ALMP programmes, or providing more intensive services for the most disadvantaged populations. While not discussed in detail in this paper, these outsourcing arrangements can be managed at different levels of government (see Langenbucher and Vodopivec (2022_[28]) for further discussion of contracting out systems and Lauringson and Lüske (2021_[18]) on the role of private providers).

Implementation is decentralised in more than half of federal countries, as well as a few unitary countries

In federal (and quasi-federal) countries such as Belgium, Canada, Spain, Switzerland, and the United States, competences are decentralised to regional/state governments. For example, in **Belgium**, the majority of active labour market policies are managed by public employment services at the regional level. This is part of regions' broader competences for "territorial matters", which include economic and employment policies such as active labour market policies, labour mediation, and the social economy. In **Switzerland**, the State Secretariat for Economic Affairs (SECO) – the central body of the unemployment insurance and public employment services – is responsible for overseeing subnational institutions of the unemployment insurance and public employment service, administration and monitoring of the unemployment insurance fund, and supporting the cantons in regards to the strategic management and implementation of specific labour market measures. Cantonal public employment service offices (KAST)

are branches of the cantonal governments that are responsible for regional employment centres (RAV) and active labour market policies, as well as the implementation of cantonal legislation. In the **United States**, funding through the Workforce Innovation and Opportunity Act is channelled from the national Department of Labor through state governments to local workforce development areas (WDAs), overseen by local Workforce Development Boards (LWDBs). LWDBs in turn, certify the operators of one-stop centres. These operators can include, for example, institutes of higher education, non-profits, for-profits or other government agencies (Congressional Research Service, 2021^[29]).

Australia and Austria are two federal countries that are exceptions. In **Australia**, the Department of Employment and Workplace Relations is responsible for mainstream employment services. The policy and program settings for employment services are managed publicly at the national level, while, the services are fully delivered by contracted providers, who may be either for-profit or non-profit. The **Austrian** public employment service (*Arbeitsmarktservice Österreich*) has a centralised structure, with deconcentrated offices at three levels: the national (federal) level, the regional (*Länder*) level, and the local (*Regionen*) level (i.e. the service delivery points). Additionally, in **Mexico**, competences are shared.

A smaller number of unitary countries also use decentralised approaches, with municipalities or counties playing a larger role. In **Denmark**, municipalities are responsible for the implementation of employment measures. Municipal job centres are regulated by national law and are partially nationally funded, but operate as agencies or departments of self-governing local authorities. The state partially reimburses local government expenditure and oversees and benchmarks the performance (OECD, 2021^[30]). In **Poland**, the Ministry of Family, Labour and Social Policy is responsible for the legislative framework, national strategy, managing the Labour Fund, and financing active labour market policies. Regional labour offices, part of regional governments (*voivodeship*) are responsible for analysis, strategic planning, and services for specific groups. Local labour offices, part of local governments at the district level (*powiat*) are responsible for providing benefits to unemployed persons and implementing active labour market policy instruments. In **Finland**, the Ministry of Employment and the Economy oversees 15 regional centres for Economic Development, Transport and the Environment (ELY centres). ELY centres in turn oversee the Employment and Economic Development Offices (TE offices). However, municipalities will eventually assume full responsibility for public employment services by 2024, building on a pilot launched in 2021.

Most unitary countries have more centralised systems

In unitary countries, models tend to be more centralised, with national ministries or agencies having deconcentrated offices across the territory. For example, in **Slovenia**, the Employment Service of Slovenia (ESS), which is under the Ministry of Labour, Family, Social Affairs and Equal Opportunities, is responsible for delivering most active labour market policies. Twelve regional offices are responsible for the implementation of tasks related to monitoring labour market trends at the local level and supporting local offices in their co-operation with employers and ESS sub-contractors. The local offices are the direct link between the ESS and the clients and implement the policies of ESS (e.g. employment counselling, providing insurance for unemployment, and implementing employment policies) (OECD, 2021^[31]). In **Japan**, the national government is predominantly responsible for active labour market policies, through the Ministry of Health, Labour and Welfare. Subnational offices of the national government (Prefectural Labour Bureaus and Hello Work offices) implement active labour market policies in the regions based on national government's instructions, with some discretion to tailor to specific labour market needs. In **Hungary**, the effective operation of the public employment services is the responsibility of county government offices, deconcentrated state entities.

In about one-fifth of countries, competences are shared between levels of government

Competences are shared across levels of government in about one-fifth of countries. This includes countries such as **Chile**, where PES is a shared responsibility between the central government and municipalities. Municipal employment offices (*Oficinas Municipales de Información Laboral - OMILs*) are run by municipalities but are overseen and financed by the National Employment and Training Service (SENCE) within the Ministry of Labour and Social Protection. SENCE also manages an online national job portal (*Bolsa Nacional de Empleo – BNE*).

Through the Jobs Act (2014), Italy has been undertaking a series of ongoing labour market policy reforms, including for the institutional framework for active labour market policies. While the initial design was intended to centralise the competences for active measures to the national level (i.e. with the Ministry of Labour and Social Policy and the National Agency for Active Labour Market Policies) the negative results of a 2016 referendum prevented this from happening. Instead, competences are being consolidated at the regional level (rather than the provincial level where they were formerly held). In this context, the Regions are responsible for designing and managing ALMPs, steering the local employment offices (*centri per l'impiego*), which provide employment services alongside accredited, private providers. The National Agency for Active Labour Market Policies has a coordination role. The Ministry of Labour and Social Policies consults with the State-Regions Conference to develop three-year strategies and yearly objectives and set minimum service levels (OECD, 2019^[12]). The national government can and has introduced employment incentives and/or subsidies which are managed centrally.

In Costa Rica, the National System for Labour Intermediation, Guidance and Information (*Sistema Nacional de Intermediación, Orientación e Información de Empleo – SIOIE*) consists of a decentralised network of employment offices and contact points. This includes employment offices administered by local governments, employment units hosted by regional branches of the National Institute of Learning (*Instituto Nacional de Aprendizaje*), as well as automated job searching tools through SIOIE's online job portal (Avila, 2015^[32]).

In Korea, the Ministry of Employment and Labor is the main provider of public employment services. Its 100+ Job Centres are the primary implementation agencies of active labour market policies. However, the Framework Act on Employment Policy also recognises the duty of local government to promote the employment of local residents taking into account the characteristics of the local labour market (Yang, 2015^[33]). There is also a growing recognition of the need to ensure employment policies and programmes address local needs, as exemplified by the creation of Regional Employment Deliberation Committees and the Locally Based Job Creation Support Program. In recent years, municipalities have increased their share of investments on ALMPs centred on direct job creation policies aimed at disadvantaged people, and play an important role in executing the central government's direct job creation programmes. Some local governments also have their own local Job Centres.

In the United Kingdom and Portugal, competences are decentralised on an asymmetric basis. In the **United Kingdom**, the Department for Work and Pensions (DWP) oversees the PES in England, Scotland and Wales, including referral to active measures, as well as job brokering, referrals, and the administration of working age benefits. In Northern Ireland, competences are devolved, with the Department of Employment and Learning overseeing Jobs and Benefit Offices (Finn and Peromingo, 2019^[23]). Employment policy is centralised in **Portugal** through the Institute of Employment and Vocational Training (IEFP), a public institute with a special regime that continues the duties of the Ministry of Labour, Solidarity and Social Security, under the supervision of the respective minister. IEFP has a centralised organization at the national level, with a deconcentrated structure for delivery (five regional delegations, and 52 employment centres and employment and vocational training centres). Only the Autonomous Regions of Madeira and Azores have their own competences in this matter. Asymmetric decentralisation is also the case temporarily in **Finland** until the reforms to decentralise are fully implemented.

In Colombia, employment services and ALMPs are provided by a network of different actors, including subnational governments. In 2013, **Colombia** introduced a new system to coordinate an expanded public employment service network consisting of national, provincial, municipal, private, and non-profit employment service providers under the same branding: *the Red de Prestadores del Servicio Público de Empleo* (Network of Employment Services Providers). Prior to this, responsibility for providing free, public employment services primarily rested with the *Servicio Nacional de Aprendizaje*, a national agency primarily responsible for vocational training. This reorganisation was part of broader efforts under Colombia's national development plans to develop a more comprehensive and integrated system of protection for formal employees, including the creation of the Unemployment Protection Mechanism to strengthen linkages between active and passive policies. The network model was intended to expand service provision, diversify the range of services offered, and reach underserved groups (Avila, 2017^[34]).

Financing: predominantly national sources

Across these different models, most funding for core ALMPs typically originates from national sources – either general public budgets, social security funds or other specific funds financed via employer and employee contributions. In countries where the management and delivery of ALMPs is decentralised, these funds are dispersed to subnational actors through various types of grant and reimbursement schemes from the central government. These schemes may be combined in different ways, along with other sources of funding, to support the full suite of ALMPs (see Table 2.2). In most cases, other funding sources – such as regional or local revenues, fees for service, or social impact bonds, in very rare cases – are relatively small compared to national funding. In many EU countries, however, the European Social Fund plays a significant role.

However, there are some exceptions. For example, **Mexico** has a matching grant system. For each peso that state governments assign to the Program of Support for Employment, the federal government via the Secretariat of Labor and Social Welfare allocates an equal amount. In **Spain**, ALMPs are funded by the national Public Employment Service's budget, via transfers to the regional public employment services, as well as through the budgets of the Autonomous Communities. The distribution of funds is agreed annually at the Sectoral Conference on Employment and Labour Matters – comprising both the Central Government and the Autonomous Communities – taking into account the outcomes and indicators of the previous year's Annual Labour Policy Plan. In **Switzerland**, public employment services are mainly funded by means of wage contributions financed by employers and employees. To a minor extent, cantonal and national funds are used to finance the unemployment insurance. The latter funds are specifically earmarked in order to be utilised to finance ALMPs. The available funds can be used to finance programmes on the national level, for earmarked grants for regional employment centres and for programmes for unemployed on the regional level. Cantonal governments, however, have the possibility to fund further programmes for unemployed who are not entitled to unemployment benefits or local social services. Local governments normally fund the ALMPs provided by social services.

Table 2.2. Examples of subnational funding mechanisms for ALMPs

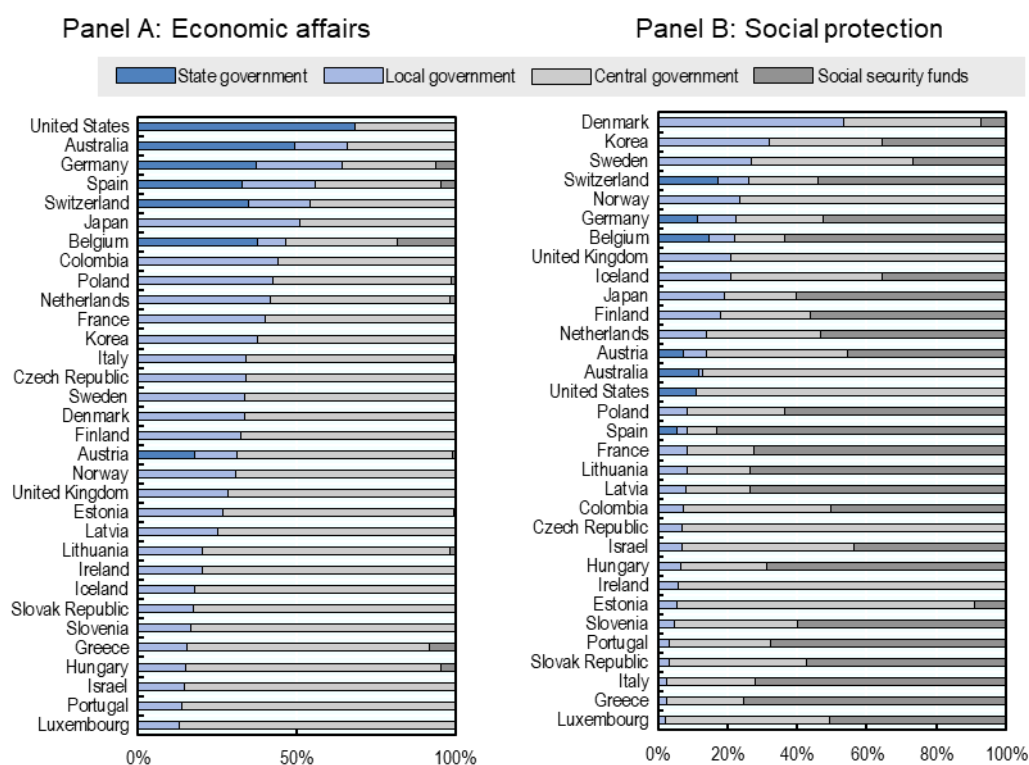
	Description	Examples
Direct funding		
Own revenue	Subnational governments fund ALMPs directly from their own budgets	Belgium: Regional public budgets provide funding for the respective public employment services.
Intergovernmental transfers (e.g. from central government budgets or social security funds)		
Matching, earmarked grants	Grants that vary based on the level of spending of grant recipient	Mexico: Through the “Stimulus to the state contribution” system, each peso that the governments of the federal entities assign to the Program of Support for Employment, the Secretariat of Labor and Social Welfare allocates an equal amount. European Social Fund: This is predominantly project-based funding for ALMPs in many European countries requiring a 50-85% co-financing rate. In some cases, it is provided directly to subnational governments for specific projects.
Non-matching, earmarked grants	Grants that do not vary on the level of spending of grant recipient but are earmarked for ALMPs	Canada: Through Labour Market Development Agreements, the Government of Canada provides provinces and territories with over CAD 2 billion annually (EUR 1.35 billion) to support skills training and employment assistance.
Performance-based funding	Financing levels tied to performance	Spain: The performance of regional PES are compared using aggregated scores of a mutually agreed Assessment Framework. Improvement in the results triggers an increase in the regional budget.
Block grants	Grants given as broader spending envelopes	Denmark: Administrative costs for running JobCentres along with other municipal expenses (e.g. for the social department) and income (e.g. from the municipal tax) are included in the annual calculation of a block grant from the government to the municipalities. On top of this, municipalities pay the expenses for certain social benefits, which are then partially reimbursed by the government. As an incentive mechanism for municipalities, reimbursement rates decline as the of weeks a person has received social benefits increases.
Reimbursements	Subnational governments receive reimbursement for benefits or services provided	
Other		
Referrals to specific ALMPs financed by other levels of government	Subnational governments can refer clients to ALMPs that are directly funded by other levels of governments	Poland: Local <i>poviat</i> offices can make referrals to ALMPs funded by ESF at the regional level.
Social impact bonds (SIB)	Funds raised from private-sector investors, charities or foundations. These funds are distributed to service providers to cover their operating costs. If the measurable outcomes agreed upfront are achieved, the government or the commissioner proceeds with payments to the bond-issuing organisation or the investors	Brussels, Belgium: In 2014, Actiris, the Brussels Employment Office worked with DUO for a Job (a non-profit association) and investors to launch a social impact bond to pair young immigrants with mentors to support them in finding a job.
Fees for service	Revenue raised via offering services to employers or other government actors	Flanders, Belgium: VDAB receives revenues for the vocational training services it provides for employers whose employees are not eligible for subsidised training, as well as from the National Institute for Health and Disability Insurance for services to job seekers reintegrating into the labour market.

Note: The examples in the table include ALMPs provided both by PES and other actors (e.g. those for people on other types of social benefits). In any given country, these funding categories are not mutually exclusive, and may be combined in different ways to support subnational ALMP delivery.

Source: Author’s own elaboration based on survey results and Finn and Peromingo (2019^[23]); Upsocial (2020^[35]); Danish Agency for Labour Market and Recruitment (2015^[36]); and Klimavičiūtė et al (2021^[37]).

While detailed data is not available specifically for how funding of ALMPs is shared across levels of government, comparable data is available for two more general categories of public spending – economic affairs and social protection – under which ALMPs fall (Figure 2.1). Subnational governments are responsible for an average of 34% of spending related to “economic affairs”, which includes “general labour affairs” as one category. The share ranges from 13% in Luxembourg to 69% in the United States. Looking at “social protection”, which includes unemployment benefits and training for people without a job or at risk of losing their job among other items, subnational governments are responsible for 4% of spending on average. It ranges from 2% in Luxembourg and Greece to 53% in Denmark. However, it should be stressed that these are only very rough indicators for spending on ALMPs, as both of these categories include many other types of spending.

Figure 2.1. Subnational government expenditure in sectors related to labour market policies



Note: Economic affairs includes general economic, commercial and labour affairs; agriculture, forestry; fishing and hunting; fuel and energy; mining, manufacturing and construction; transport; communication; other industries, R&D related to economic affairs; and economic affairs n.e.c. Social protection includes sickness and disability; old age; survivors; family and children; unemployment; housing; R&D; social protection and social exclusion n.e.c. As both of these sectors contain other spending not related to labour market policies, these are only rough estimates. See [Manual on sources and methods for compilation of COFOG statistics](#) for further details on these spending categories.

Source: (OECD, 2020^[38]); OECD National Accounts Statistics (database).

In general, there is increasing emphasis on how to use financial incentives and performance-based funding to drive outcomes (OECD, 2005^[38]), including in decentralised systems. This corresponds with more general efforts to improve performance management systems (see Box 2.1). For example, in 2016, **Denmark** reformed its reimbursement system for municipalities. Now, the state reduces the percentage of benefits it pays to municipalities over the course of the unemployment period. This is accompanied by significant benchmarking analysis comparing how municipalities fare in employment

policies in the spirit of performance improvement (OECD, 2021^[30]). In **Spain**, regional performance is also tied to funding levels. In regards to social assistance in the **Netherlands**, municipalities have discretion to manage how a funding envelope from central government is spent (within legislative requirements) in providing benefits and reintegration services for their client groups. The grant is based on the expected cost of services, and the “reward” comes in the flexibility to use unspent money on other municipal services and investment (Finn, 2016^[39]).

Box 2.1. Examples of performance management in decentralised or partially decentralised systems

Switzerland: benchmarking to promote peer pressure and improvement

The central performance management system includes four overall targets (integrating jobseekers rapidly, preventing and reducing long-term unemployment, preventing and reducing exhaustion of benefits, and preventing and reducing re-registrations). Comparative results are published annually to encourage competition and improve performance, with regression analysis based on regional and local labour market conditions used to tailor to indicators and comparisons to local conditions (OECD, 2019^[12]).

Spain: performance-based funding and mutual learning

Since 2013, the performance of regional PES are compared using aggregated scores of a mutually agreed Assessment Framework. The Framework includes 13 strategic (general political) and 48 structural (PES tasks related) indicators. Improvement in the results triggers an increase in the regional budget. This system is complemented by mutual learning seminars to share good regional practices on topics such as profiling, implementing training voucher schemes or certifying competencies (OECD, 2019^[12]).

United States: common measures with technical assistance and potential sanctions

Six primary performance targets are set at the national and state levels based on outcomes of participants who have exited Workforce Innovation and Opportunity Act programmes, as well as effectiveness of employer services. For example, three employment outcomes are used: employed during the second quarter after exiting the program, employed during the fourth quarter after exit, and the median earnings in the second quarter. According to WIOA legislation, performance measures for states must be adjusted for the characteristics of participants and the local labour market conditions. Adjustments are made based on regression models that weight variables in both of these categories (e.g. educational levels and local unemployment rates). States can either directly take the regression-adjusted performance measures for their performance targets or use the information included in the analysis as a starting point for further negotiations. The first year that a state’s performance falls under set benchmarks, the state will receive technical assistance. However, if a state fails to meet performance benchmarks two years in a row, sanctions can be applied in the form of a 5% reduction in the governor’s discretionary funds (Employment and Training Administration Advisory System, US Department of Labor, 2020^[40]).

Designing: varying levels of autonomy and strategic flexibility at the national and subnational levels

Overall, public employment services have different levels of autonomy and flexibility in designing ALMP strategies and instruments based on the relevant legislative and regulatory frameworks and the role of social partners and other stakeholders (Lauringson and Lüske, 2021^[18]). The conditions for ALMPs can be set by a variety of regulations, depending on the country. These include, among others, parliamentary acts; government, ministry or minister decrees/orders; decisions by PES supervisory bodies or executive management bodies, as well as those by regional/local authorities. For example, in response to COVID-19, one-third of OECD and EU countries surveyed said that the framework laws for ALMP provision were general enough to allow for the introduction and redesign of ALMPs without particular emergency laws needing to be passed. In a further third, the emergency situation declared by the government or the passage of particular emergency laws were what enabled them to redesign ALMPs quickly without the normal parliamentary process (OECD, 2021^[19]).

In decentralised systems, this flexibility can be passed on to subnational governments to varying degrees. In places such as **Belgium** and **Canada**, subnational governments are largely responsible for designing ALMPs. In other countries, ALMPs are mainly designed at the national level, with subnational actors being able to choose amongst a menu of these options. This is the case in **Poland**, for example. Local labour offices are allowed to use only those instruments of active labour market policy that are defined in the Law on the Promotion of Employment and Institutions of the Labour Market. However, the catalogue of available instruments is rather broad, allowing for flexibility in adjusting to the needs of local labour markets and the unemployed. Local offices are also allowed to spend up to 10% of their budget (Labour Fund) on special programmes, designed on the basis of an analysis of local needs, but most offices concentrate on providing standard services for the general population of unemployed persons (OECD, 2016^[41]). There are also regional ESF-funded programmes that are designed at the regional level.

In other places, a combined approach across levels of government is used. In **Spain**, for example, the objectives for ALMPs are established on a multiannual basis within the Spanish Strategy for Employment Activation and specified annually in the Annual Labour Policy Plans. These instruments are jointly developed by the State and the Autonomous Communities. Within the framework of the objectives set out in the Strategy, the Autonomous Communities plan the following year's active labour market policy services and programmes for their territories, which may comprise common services and programmes of their own. In **Mexico**, the Secretariat of Labor and Social Welfare issues annual Operational Rules of the Employment Support Program, through which the offices of the National Employment Service of the governments of the 32 states operate services and supports for the target population of the National Employment Service.

In both Denmark and the United States, subnational governments can apply for waivers that allow for additional flexibility. In **Denmark**, as part of "*Fri kommune forsoeg*" (experiments/trials), municipalities provide input on the specific rules that they find unnecessary and can apply to do one to three year experiments where they offer employment or social services within a more flexible regulatory framework. Based on the results of the experiment, national rules and regulations may be changed for all parts of the country. In the **United States**, states can apply for waivers that allow for additional flexibility that would allow them to better achieve their goals and experiment with innovative actions. The Secretary of Labor has the discretion to grant these waivers with certain statutory prohibitions (e.g. cannot grant waivers in relation to wage and labour standards, allocation of funds to local areas, etc.). As of September 2021, for example, 13 states had been granted waivers to allow local areas to provide in-school youth with individual training accounts (US DOL - Employment and Training Administration, 2021^[42]). In one study, representatives of local workforce areas reported that waivers allow them to improve communication between states and local areas, serve more clients, increase efficiency, strengthen connections with

employers, and improve services for youth overall, allowing them to take a more “demand-driven” service strategy. However, the study did not examine how these perceived benefits translated into outcomes (Rowe et al., 2012^[43]).

Even in more centralised systems, where national governments or agencies are mainly responsible for ALMPs, there can be mechanisms in place to adapt ALMP provision to local conditions (see Box 2.2). In fact, earlier OECD research has suggested that the degree of decentralisation is less important than the flexibility to adjust policies and programmes at the level of local labour markets (i.e. travel-to-work areas), regardless of the degree of decentralisation (Giguère and Froy, 2009^[27]; OECD, 2014^[44]). For example, in **France**, Transco (*transitions collectives*) provides funding for re-training workers at risk of redundancy. Regional committees (*Comité régional de l'emploi, de la formation et de l'orientation professionnelles – CREFOP*) identify the professions with strong prospects in the region as the priorities for training.

This type of autonomy and strategic flexibility should be distinguished from operational flexibility. Operational flexibility applies to the delivery of programmes, and refers to the leeway given to individual case officers to decide on the type of policy intervention that should be used to serve a client. In an operationally flexible system, service providers can, for example, determine what available services should be provided to a particular client ranging from facilitated self-services, to different types of training and/or intensive counselling (OECD, 2014^[44]).

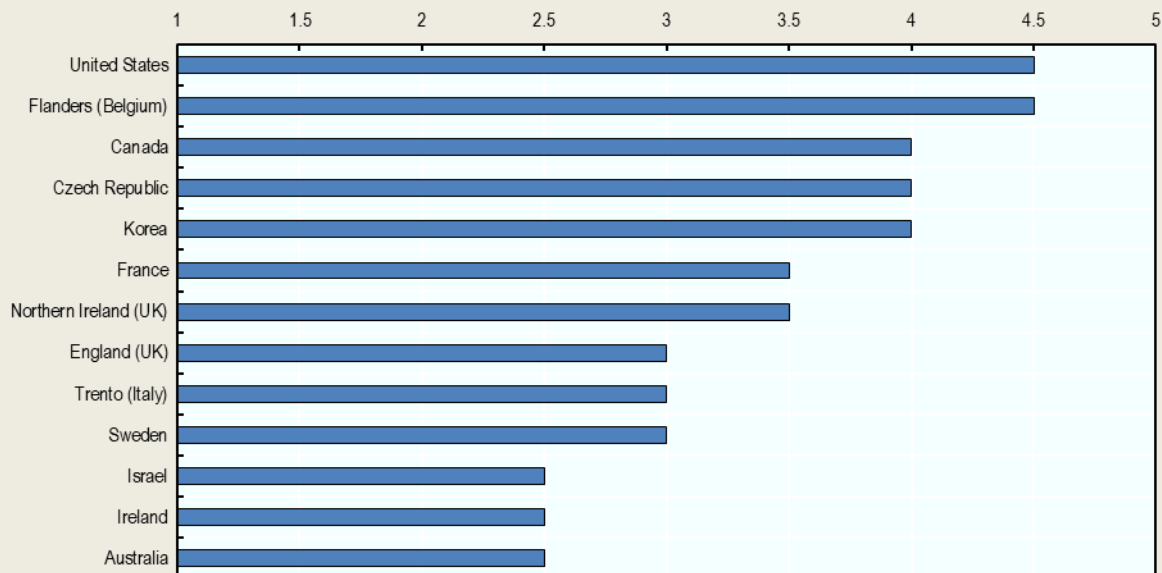
Box 2.2. Defining and measuring local flexibility beyond the question of decentralisation

Strategic local flexibility refers to the possibility to adjust policy at its various design, implementation and delivery stages. This can help to adapt to local contexts, opportunities and challenges; actions carried out by other local organisations; or other local development strategies being pursued. It includes a number of different components:

- **Programme design:** Do sub-regional offices have any input into the design of policies and programmes? Are they consulted? Can they influence the programme mix and adapt design features of programmes, including target groups, or are these largely centrally determined? Can local Public Employment Service (PES) offices implement programmes outside the standard programme portfolio? Do they design local employment strategies? Do national strategies allow for different design elements / target groups by region and municipality?
- **Financing:** Do sub-regional actors have flexible global budgets or line item budgets for active measures? To what extent can they allocate resources flexibly between budget items for active measures?
- **Target groups:** Can local offices decide on the target groups for their assistance locally or do programmes already specify particular target groups?
- **Goals and performance management:** To what extent are organisational goals and targets centrally determined? Do they allow room for sub-regional goals and hence flexibility in adapting goals to local circumstances? Are targets and indicators hierarchically imposed or negotiated with regional and local actors and harmonised with broader local economic strategies? Is performance assessment based solely on quantitative criteria?
- **Collaboration:** Are local offices free to participate in partnerships, and do they collaborate with other actors? Can local offices decide who they collaborate with locally?
- **Outsourcing:** Are local offices responsible for outsourcing services to external providers? Can they influence the terms of reference of contracts with service providers?

Using these criteria, Figure 2.2 shows how different countries and regions rank in terms of local flexibility, based on the findings of the OECD's Local Job Creation reviews. These findings suggest that this type of local flexibility is not necessarily correlated with particular forms of centralisation / decentralisation (Giguère and Froy, 2009^[27]). While decentralisation to the regional level may result in a high level of subnational flexibility, this flexibility is not necessarily passed down to offices operating at the level of local labour markets (Giguère and Froy, 2009^[27]). Likewise, strict management frameworks can result in subnational governments or offices acting mainly as delivery agents, with little flexibility to actually tailor programmes to local conditions. For example, in relation to the New Deal for Young People in the UK, Nativel, Sunley and Martin (2002^[13]) found that “the partnership approach and contractualism of the New Deal have allowed a certain degree of local discretion, there have also been strong bureaucratic and financial limits on the degree to which local flexibilities can be introduced and local needs met.”

Figure 2.2. Flexibility in the management of employment policies and programmes at the local level, 2013-2014



Note: This indicator is a composite index developed by the OECD based on a qualitative assessment of the extent to which employment policies and programmes are adjustable at the local level based on a series of reviews undertaken in 2013-2014. It is based on the degree to which local employment offices have influence over their strategic orientation, programme design, performance and budget management, as well as outsourcing services, where 1 is the lowest level of flexibility and 5 is the highest. The same methodology has been applied to all countries represented in the chart above. It should be noted reforms since these reviews were undertaken may have changed these scores, and that for some countries, complementary programmes not taken into account in these assessments may enable more flexibility at the local level (e.g. Australia's Local Jobs Program).

Source: OECD (2014^[44])

ALMPs and unemployment benefits: responsibilities split within and across levels of government

Activation policies have important links with unemployment benefits in most countries. On the one hand, benefit eligibility can be an initial determination of eligibility for ALMPs, in addition to more specific targeting based on individual needs. On the other hand, participation in job search efforts and / or ALMPs can also impact sanctions related to or eligibility for benefits.

There can be a division between responsibilities for the administration of benefits and activation policies, even when managed at the same level of government. In a study of European PES, just about half had no or only partial responsibility for administering unemployment benefits (European Commission, DG for Employment, Social Affairs and Inclusion, Peters, M, 2023^[46]). Another global survey of public employment services covering 73 countries showed that only about one-third of public employment services were also responsible for the administration of unemployment benefits (although in some cases, this may include countries without unemployment benefit systems) (OECD/Inter-American Development Bank/World Association of Public Employment Services, 2016^[45]). This implies the need for close

coordination between the actors responsible for benefit administration and those responsible for employment services and active labour market policies. In many countries, this is already case, such as coordination via “one-stop centres”.

In the vast majority of OECD countries, even those with decentralised PESs, unemployment benefits are funded and managed at the national level with uniform parameters across the country. The **United States**, where states have an important role to play, is a notable exception. The Unemployment Compensation (UC) program federal/state partnership is based on federal law, but administered by state employees under state law. The federal government sets forth broad coverage provisions, some benefit provisions, the federal taxable wage base and tax rate, certain administrative requirements, and funds for the administration of the programme. Each state designs its own UC program within the framework of the Federal requirements, including the benefit structure (e.g. eligibility/disqualification provisions, benefit amount) and the state tax structure (e.g. state taxable wage base and tax rates). Extended benefits, which can be triggered by states in times of economic distress, is funded on a shared basis. Additionally, Congress can enact temporary federally-funded programs of supplemental benefits to provide additional weeks of benefits (U.S. DOL - Office of Unemployment Insurance, 2019^[46]). In **Denmark**, municipalities are responsible for administering unemployment benefits, with varying reimbursement rates from the national government depending on the duration of time on benefits. However, unlike the United States, benefit levels and eligibility are still set nationally. **Mexico** is another unique case – it has no unemployment insurance system besides the Mexico City Unemployment Benefit scheme (*Programa seguro de desempleo del distrito federal*) for residents of Mexico City (OECD, 2017^[47]).

A few other countries allow for regional tailoring of their unemployment insurance or assistance, even if they are still managed nationally. For example, in **Canada**, unemployment rates for each of the 62 economic regions determine the qualifications, rate and length of unemployment insurance benefits. In **Poland**, the duration of the benefits doubles if the regional unemployment rate exceeds 150% of the average unemployment rate in the country (Maravalle and Rawdanowicz, 2020^[48]). In **Germany**, the reimbursement ceiling for unemployment insurance and short-time work schemes varies slightly between eastern and western Germany (Eichhorst et al., 2020^[49]). In **Australia**, some income support recipients living in a remote area may be eligible for the Remote Area Allowance, a fortnightly supplementary amount paid on top of their income support payment. Australia also has a separate remote employment programme, the Community Development Program, designed to address the unique social and labour market conditions in remote Australia.

Even in countries where there is no geographic tailoring / targeting, unemployment benefits still de facto flow to the places most in need, i.e. places where more people unemployed receive more transfers. Indeed, research suggests that unemployment benefits are indeed an important automatic stabilisers that can help cushion local economic shocks (Maggio and Kermani, 2016^[50]).

3 Other ways subnational governments are involved in labour market policies

Beyond having direct responsibility for core ALMPs delivered via PESs, there are many other ways subnational governments can be involved in labour market policies. This includes advising on and coordinating with PES, delivering their own complementary programmes, and providing ALMPs for other populations, such as those on social assistance benefits. Indeed, over 4 out of 5 European PES's report that they cooperate with municipalities (European Commission, DG for Employment, Social Affairs and Inclusion, Peters, M, 2023^[46]).

Advising on, and coordinating with, core active labour market policies

In some countries, subnational governments influence core ALMPs in other ways, even when they do not have direct responsibility for them (see Table 3.1). In some cases, they are able to input at a higher, strategic level, such as when they sit on advisory or management boards, while in others, it relates more to coordination of services at the level of individuals through joint case management approaches. When they have other responsibilities, for example related to skills policies, they may also coordinate these with ALMPs provided by other levels of government.

Table 3.1. Models of subnational government engagement in core ALMPs

	Description	Example
Advisory or management boards	Representatives of municipalities or local authorities sit on advisory or steering boards which provide guidance and oversight to local employment agencies or input into ALMPs at a national level	Germany: Tripartite boards which include public sector, employer, and employee representatives, exist at the national, regional, and local levels
Co-location of services	Single access point for integrated services, including assessments and individual action plans, where previously separated services are combined in a single programme of merged provisions	Norway: Norwegian Labour and Welfare Administration (NAV) one-stop centres bring together centrally managed employment services and municipally-managed social services
Coordination, joint case management, and / or referrals	Mechanisms for institutionalised cooperation between PES and other local employment or social service providers, from referrals up through joint case management for the most disadvantaged jobseekers	France: Job seekers benefiting from a comprehensive management (<i>l'accompagnement global</i>) are supported via a caseworker from the PES and a social worker from the county (<i>département</i>)

Source: Author's own elaboration based on survey results and Pôle emploi (2019^[51])

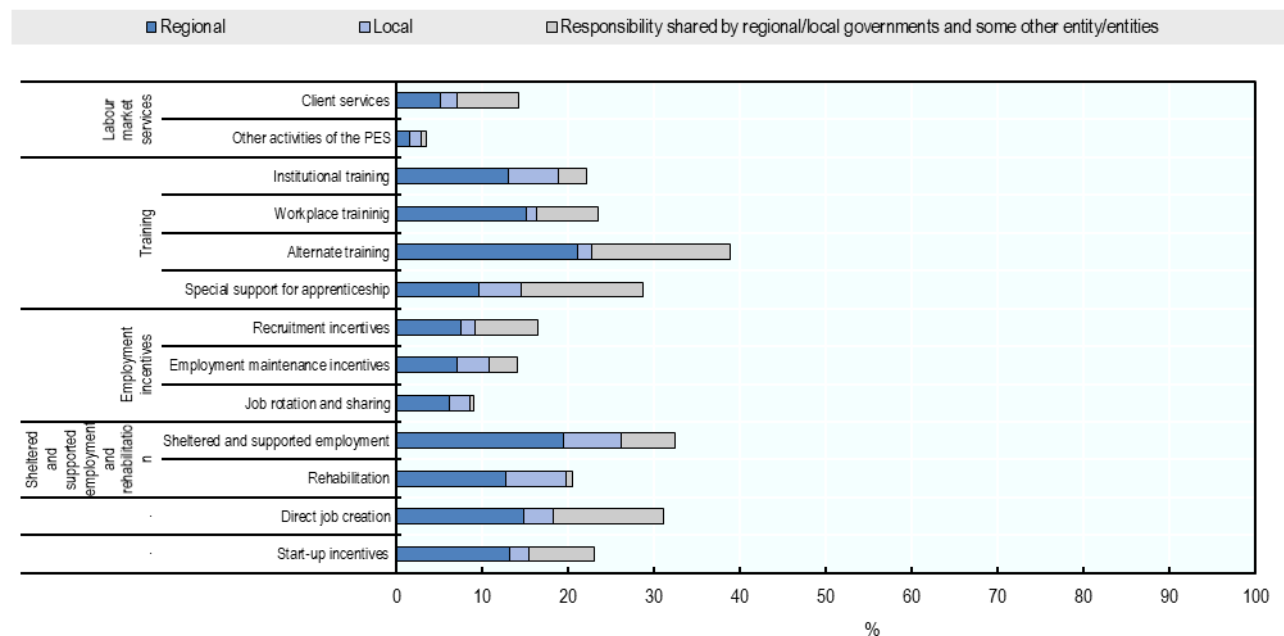
Delivering their own complementary programmes

Beyond ALMPs provided by PES (as mapped in Table 2.1), some subnational governments also provide their own services to jobseekers and the unemployed. For example, in **Australia**, most ALMPs are nationally organised, although some states and territories have their own additional labour market programmes, such as the Jobs Victoria Employment Network (JVEN). Likewise, in **Japan** some

prefectures operate their own labour market programmes. Looking at EU countries, outside of those policies and programmes delivered directly by a PES, subnational governments are most likely to be involved in activities related to training and sheltered and supported employment and rehabilitation (see Figure 3.1). In contrast, subnational governments are less involved in programmes related to labour market services and employment incentives. Some subnational governments report that they focus on more innovative employment programmes or those that target the most disadvantaged jobseekers.⁴ This allows them to complement the more mainstream programmes provided by other levels of government.

Figure 3.1. Responsibilities for ALMPs in EU countries, 2019

Share of labour market programmes for which regional or local governments are the directly responsible institution



Note: This table reports the share of labour market programmes combined across EU countries for which regional or local governments are listed as a responsible institution in the EU Labour Market policy database. Other entities include Central government, Social security funds, Trade union or similar and Public employment services. Within the counts of regional and local government responsibilities, programmes managed by public employment services in countries with decentralised systems are not included as these are counted as delivered by PES in this database. These averages are unweighted.

Source: OECD calculations on the EU Labour Market Policy database.

As social assistance benefits are more often decentralised, subnational governments have a larger role to play with this population

Unlike unemployment benefits, social assistance and related benefits administration is decentralised in a larger share of countries. Indeed, social benefits are the most decentralised of the three major working-age benefits (unemployment, invalidity, and social assistance) in most OECD countries (Duell et al., 2010^[52]). This is the case in a number of Nordic countries. For example, in **Denmark**,

⁴ For example, see the proceedings from the OECD Local Development Forum webinar, “Soft powers for hard outcomes: Using the convening power of local authorities to support employment” on 6 October 2021; <https://www.oecd.org/local-forum/workshops/Local-employment-highlights.pdf>.

the state and municipalities co-finance costs for social benefits recipients, with the state share decreasing the longer the individual has been on public support (Danish Agency for Labour Market and Recruitment, 2015^[36]). In **Latvia**, municipalities are financially responsible for the Guaranteed Minimum Income Benefit. The minimum level of this benefit is set nationally, but municipalities may choose to set higher levels. In **Japan**, social assistance is financed and managed jointly by local and national governments. In **Switzerland**, the governance of the unemployment insurance is regulated at the federal level. In contrast, unemployment benefits are only provided in some cantons under relevant cantonal legislation.

ALMPs for those on social assistance benefits can be organised in different ways. In some countries, municipalities are legally obliged to refer their clients to PES for labour market integration support. In other countries such as the Netherlands and Sweden, national governments are responsible for ALMPs for those receiving unemployment insurance / assistance, while local governments serve those whose unemployment benefits have expired or who are not eligible. In the **Netherlands**, the public employment service, (UWV), is part of the central Dutch government and has deconcentrated units in the country. UWV is responsible for helping recipients of income and activation support for unemployed and (partially) occupationally disabled people (WW, WIA and Wajong respectively) to reintegrate into the labour market. Municipalities, however, are responsible for activation and reintegration for people on unemployment assistance, i.e. benefits (Social welfare: Participation Act) and jobseekers without income support. Indeed, the 2004 Work and Social Assistance Act (WSA) gave municipalities full responsibility for activating and reintegrating social assistance recipients, along with a fixed budget to cover all social assistance expenses. In **Sweden**, in addition to the ALMPs organised through the Public Employment Service at the national level, most municipalities organise their own programs aimed at activating recipients of social benefits (see Box 3.1).

Germany is somewhat of a unique case. The Federal Employment Agency (Bundesagentur für Arbeit, BA) is the main public provider of employment services, with deconcentrated local employment agencies providing services for recipients of “unemployment benefit I” (Arbeitslosengeld I), an insurance-based time-bound benefit. Recipients of “unemployment benefit II” (Arbeitslosengeld II⁵), which targets those who have exhausted unemployment benefit I or who are not eligible, are served by job centres under the joint responsibility of the BA and municipalities. However, about 100 municipalities are solely responsible for serving the recipients of unemployment benefit II, having chosen to run these job centres on their own, while about 300 are operated under joint management systems.

There can be important links between these types of social benefits and active labour market policies. This includes overlaps in populations served, as well as cross referrals when social benefits have activation requirements, or even the de facto operating of two similar systems in parallel, as the case of Sweden suggests (see Box 3.1).

In Norway, social and welfare services are jointly administered through the Norwegian Labour and Welfare Administration (NAV) in one-stop centres. The state arm pays social insurance benefits and provides employment services to registered jobseekers, while the municipal arm pays means-tested social assistance benefits and provides social support (OECD, 2018^[53]).

⁵ As of 2023, the equivalent benefit is Bürgergeld.

Box 3.1. Supporting employment for people on social benefits: the case of Sweden

In Sweden, unemployment benefits are mainly managed through national Unemployment Insurance funds, while social assistance benefits are managed by municipalities. Eligibility for income-loss unemployment benefits is contingent on membership in an Unemployment Insurance fund for at least 12 months and a work history requirement. For those not members of an Unemployment Fund, but who meet the work history and job requirements, they receive a general basic insurance at a much lower rate. Populations such as youth and newly arrived immigrants often fail to meet these requirements, disqualifying them from unemployment benefits. In 2016, only 21% of the unemployed in Sweden received unemployment benefits, down from 33% in 2007 (OECD, 2018^[54]).

Despite being intended as a measure of last a resort, a substantial fraction of social assistance recipients are on these benefits because they cannot find a job and do not qualify for unemployment benefits. As municipalities are allowed to impose job search conditions on these benefit recipients, municipalities are increasingly organising and financing their own labour market programmes aimed at activating these benefit recipients. Accordingly, both the national PES and municipalities run parallel activation systems, often serving very similar client bases.

Source: Forslund (2019^[55]) and OECD (2018^[54]).

4 Balancing the benefits and drawbacks to decentralised approaches

Across OECD countries, the organisation of active labour market policies across levels of government is highly varied. It depends greatly on broader governance frameworks (e.g. unitary vs. federal countries), the overall management frameworks for labour market policies, as well as national approaches and views on how to improve the efficiency and effectiveness of public services.

While it is impossible to draw causal relationships in cross-country studies, decentralisation in general is associated with higher GDP, public investment in physical and human capital and education outcomes (OECD, 2019^[21]). Some studies also find linkages with public sector efficiency, democratisation and political stability, as well as a link between revenue decentralisation and smaller regional economic disparities. Other potential benefits include expanded space for public sector innovation and policy experimentation.

Specifically in terms of active labour market policies, more decentralised approaches have a number of potential benefits (Weishaupt, 2014^[56]; Giguère and Froy, 2009^[27]):

- **Better tailoring to labour market conditions based on local intelligence.** Subnational actors may have a better understanding of labour market conditions in their communities, the needs of local employers, and the challenges that residents face in obtaining sustainable employment. In decentralised systems where they are able to tailor policies and programmes to respond to these conditions, better outcomes may be achieved.
- **More strategic coordination with other policy areas where subnational governments often have competences.** In the context of the knowledge economy, the links between local development and human capital have become increasingly important (see Box 4.1). OECD research suggests that greater local flexibility in labour market policies is linked to a greater degree of policy integration across local employment, training and economic development stakeholders (OECD, 2014^[44]). Additionally, it may facilitate coordination with other types of local stakeholders, such as employers and social economy organisations, where subnational governments have strong connections.
- **Stronger coordination and integration of services at the level of individuals.** Decentralisation may also lead to better integration at the level of delivery for individuals, particularly when relevant policies are all managed by the same level of government (e.g. employment, social welfare, health, childcare, housing). This may be particularly relevant for individuals involved in multiple systems, for example those receiving both employment and social welfare supports.
- **Greater space for policy innovation and experimentation, with the potential for learnings to later be scaled up.** This may be particularly relevant in the context of rapidly changing labour markets, where emerging challenges (e.g. the gig economy, the green transition) are stressing traditional approaches.

Box 4.1. Links between human capital and local development

Research has increasingly documented the importance of human capital for local and regional development (Gennaioli et al., 2012^[57]; Diebolt and Hippe, 2018^[58]), in parallel to structural shifts from manufacturing to services in OECD countries. While many local development strategies focus on attracting and retaining high-skilled individuals, participants in active labour market policies tend to skew to those with lower education levels or who are more marginally attached to the labour market. However, OECD research suggests that the size of the local low-skilled workforce may actually have a larger impact on regional growth than the size of the high-skilled (i.e. tertiary qualifications) workforce. Indeed, low- and medium-skilled workers tend to be less mobile than their highly-skilled counterparts, who may actually compete in national – or even international – labour markets (OECD, 2012^[59]). With many employers reporting skills and labour shortages, the links between workforce and economic development are even higher on the policy agenda.⁶

Active labour market policies can also contribute to local development through other channels. Examples include by encouraging entrepreneurship and new firm creation through start-up incentives, by helping to cushion the blow of large-scale local layoffs through proactive supports for displaced workers, or by offering recruitment or training supports for employers looking to relocate to a region. Sector- or cluster-based initiatives, which take a holistic approach to supporting the development of specific local industries, are also increasingly blurring the line between workforce development and local economic development policies. In some countries, public employment programmes also contribute more generally to public works / infrastructure maintenance or development. Of course, the relationship between the two is mutually re-enforcing, as effective local development helps to create employment opportunities are available for participants in ALMPs.

However, there are also a number of potential drawbacks that could compromise performance and create disconnects between national and local objectives (i.e. principal-agent problems):

- **Loss of economies of scale, a general challenge for decentralisation** (OECD, 2019^[21]). The increasing digitalisation of labour market services makes it even more important to identify the types of services that can be delivered more efficiently and effectively through national, digital services, and the services and populations that would benefit more from face-to-face, localised delivery.
- **Varying capacities across subnational governments and costs of service differences across different types of communities.** More decentralised systems may have implications for equity at the national level, for example, if local governments have very different capacities to organise effective ALMPs. A related issue is different costs of services across rural and urban areas. While estimates are not available for ALMPs specifically, costs per unit for other types of public services are often considerably higher for rural areas than cities. For example, for primary schools, the cost per student is estimated to be 11% higher for secondary schools and 20% higher for primary schools in sparse rural areas compared to cities in Europe (OECD/EC-JRC, 2021^[60]).

⁶ For example, the August 2021 KPMG and REC *UK Report on Jobs* found that at the same time that vacancies expanded at nearly an all-time record, candidate supply dropped at record paces. See <https://www.rec.uk.com/our-view/news/press-releases/report-jobs-hiring-activity-growth-accelerates-august-candidate-supply-drops-record-pace> for more information.

- **Different political decisions at the subnational level could impede national equity goals.** For example, in one study in **Switzerland**, significant differences were found between cantons in terms of their overall strategic approach to ALMPs: Germanic cantons in the North and East generally followed national recommendations, using both reintegration and monitoring measures; French and Italian cantons used mainly reintegration measures and fewer monitoring measures; and German speaking cantons in Central Switzerland took a “minimal” approach, not making significant use of reintegration measures or only using monitoring measures (Giraud, 2007^[61]).
- **Perverse incentives leading to shifting costs to higher levels of government.** Where budgetary responsibilities for different types of labour market policies are split across levels of government, subnational governments may be incentivised to use activation strategies that shift costs to higher levels rather than actually improving outcomes. This may take the form of shifting clients from locally-funded social benefits to nationally-funded unemployment benefits rolls (e.g. by placing them in short-term public employment programmes that renew their eligibility unemployment benefits but that have poorer long-term outcomes (Luigjes and Vandenbroucke, 2020^[62])). A related challenge goes in the other direction – national systems that focus predominantly on those easiest to re-integrate, leaving local actors to support those who fall through the cracks.
- **Greater susceptibility to local, political influence.** In decentralised systems, there is also a risk that active labour market programmes become “captured” by local elites. For example, there may be greater focus on ALMPs that build local goodwill and political support such as direct job creation or public works programmes that may be popular with local populations but that evidence suggests are not particularly effective (Card, Kluve and Weber, 2017^[16]), or reduced use of sanctions for those who do not meet activation requirements (Mergele and Weber, 2020^[25]).
- **Decreased focus on labour mobility, i.e. “lock in effect”.** As identified in a number of studies, local actors may have a preference to place clients in local jobs, even if unemployment spells are longer before a match occurs, rather than encouraging job search outside of the area (Mergele and Weber, 2020^[25]; Lundin and Skedinger, 2006^[63]). This may be in contrast with national objectives to support employment regardless of the location, as supported by national job banks.

Only limited evaluation evidence is available to discern whether these benefits outweigh the costs in practice (OECD, 2003^[64]; Finn, 2000^[65]). One comparative study of OECD countries suggests a link between greater local flexibility to adapt active labour market policies (regardless of the degree of decentralisation) and higher employment rates at the national level (Giguère and Eberts, 2009^[66]).

However, the limited number of country specific studies available have found no or even negative impacts. One study of a 1996 **Swedish** pilot programme which strengthened the role of some Swedish local authorities in active labour market policies found that decentralisation spurred an increase in new projects organised by municipalities and increased targeting of people with low qualifications and immigrants. The authors hypothesise that this targeting may be a way to shift costs from municipal budgets (which include social assistance payments) to national budgets (which financed the programmes in question). In contrast, there was no evidence that decentralisation decreased geographic mobility. However, the validity of these results is limited by the fact that the pilot in question lasted only three months (Lundin and Skedinger, 2006^[63]).

German reforms in 2012 that resulted in asymmetric decentralisation of public employment offices have allowed for further study of this question. Researchers found that decentralisation was associated with the expanded use of public job creation programs that have poorer outcomes, but that generate local public goods using federal government budgets (Mergele and Weber, 2020^[25]). Another study of 2005 **German** reforms where welfare administration was asymmetrically decentralised found that it resulted in poorer employment outcomes for men, but not for women. The authors theorise that centralised models may work better for individuals with less complex barriers to employment, but that once additional barriers are present (such as access to childcare), standardised practices lose their effectiveness, and there is greater need for tailoring and coordination across local actors (Boockmann et al., 2015^[67]).

Issues for consideration

While there is no single, “ideal” governance framework, there are common issues for consideration:

- **The design, not the degree, of decentralisation is paramount.** Regardless of how centralised or decentralised a system is, careful attention needs to be paid to how legal competences, budgets and incentive structures align. For example, there could be risks that financing structures may incentivise local governments to use ALMPs that shift costs to higher levels of government, even if they result in poorer long-term outcomes or vice versa.
- **The governance of ALMPs needs to be considered alongside that of related policies, such as social welfare, skills and economic development.** For example, it may be easier to coordinate across these policies at both a strategic and operational level if they are delivered by the same level of government. If not well coordinated, there is also potential for duplication or overlap, for example in relation to ALMPs for people on social benefits and those on unemployment benefits.
- **Mechanisms to allow for tailoring to local conditions can be integrated into a range of governance systems, regardless of the degree of decentralisation.** There are ways to inject this type of local flexibility without compromising national policy goals, ensuring efficiency in service delivery and maintaining full accountability. For example, management by objectives systems can allow for targets to be negotiated between the central and the local level, with the national level verifying that the sum of all local targets meets national policy goals and allowing for local discretion in how these objectives are achieved (OECD, 2014^[44]).
- **Equity implications are important to assess.** While arguments can be made that decentralised systems can improve efficiency and effectiveness, they may also create greater risks in terms of national equity objectives. Different capacities, costs of service delivery as well as management and political decisions can lead to disparities in service delivery across territories. Particularly when employment services and active labour market policies (as well as any benefits tied to participating in them) are important parts of national employment and social commitments, these territorial disparities can undermine confidence and trust in the system. Accordingly, some aspects of ALMP design and implementation may need to be regulated at the national level, such as minimum service standards. In turn, a variety of actors – from subnational governments to social partners – can be involved in setting these standards.

The mapping undertaken in this paper provides a basis for a number of areas for further research.

For example, more can be done to map the different types of funding formulas that may be used to allocate budgets across regions and cities, including the pros and cons of different models. Better understanding how different countries integrate specific demographic and labour market challenges in funding allocations could provide important international lessons. Other questions relate to how to achieve economies of scale and efficiency in service delivery across urban and rural regions. Similarly, the increasing digitalisation of services affects how responsibilities are shared across levels of government as well as which populations and places are best served via different channels. Further research could also be done to more systematically map the types of labour market activities local governments are undertaking in countries where they have no formal competences. For example, what motivates subnational governments to undertake such activities? Are there more efficient ways to fill these gaps? Finally, further research could examine some of these questions in relation to the expanding roles of public employment services, such as anticipating and responding to layoffs and supporting local skills agendas.

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[33]

Annex A. Descriptions by country as of the fall of 2022

Australia

Centralised	Decentralised	Network / outsourced	Combined system
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The Department of Employment and Workplace Relations is responsible for Australia's mainstream employment service, jobactive, which operates in all non-remote areas of the country. The policy and program settings for employment services are managed publicly at the national level, while the services are delivered by contracted providers, who may be either for-profit or non-profit. It has several offices located in states and territories. Staff in these offices undertake a range of functions, including management of contracts with external organisations which deliver PES, intelligence gathering through employer liaison and contact with local stakeholders.

The Australian Government also delivers several complementary employment programs. For example, the Local Jobs Program supports tailored approaches to accelerate reskilling, upskilling and employment in non-remote regions across Australia. In addition, the National Indigenous Australians Agency manages the Community Development Program in remote regions, to address the unique social and labour market conditions in remote areas.

In addition to the programs mentioned above, Australia also has national programs specialising in servicing particular cohorts such as the Transition to Work program for Young People and ParentsNext for parents to assist them to enter the labour market.

In addition to national programs, some states and territories also have their own labour market programs. For example, Jobs Victoria Employment Network (JVEN) is the State of Victoria's major programme to help Victorians facing barriers to employment into jobs.

Austria

Centralised	Decentralised	Network / outsourced	Combined system
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The Austrian public employment service is the *Arbeitsmarktservice Österreich – AMS*. It is an autonomous public organisation and service agency under public law. The Federal Ministry of Labour, Social Affairs and Consumer Protection and the Ministry of Finance oversee the PES. It operates at three levels: the national (federal) level, the regional (*Länder*) level, and the local (*Regionen*) level. At each level, social partners are involved in designing labour market policies. At the federal level, there is an Administrative Board, in addition to Boards of Directors at the federal, regional and local levels, that act as the executive bodies overseeing the AMS.

Belgium

Centralised	Decentralised	Network / outsourced	Combined system
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Regions (which encompass the territorial divisions of Flanders, Wallonia and Brussels-Capital Region) are responsible for “territorial matters” (i.e. matters related to the region in a broad sense). As economic and employment policies are considered to be territorial matters, regions have powers related to active labour market policies, labour mediation, and the social economy. The majority of labour market policies are managed at the regional level by four public employment services, which cover the Belgian territory.

Within Flanders, VDAB (the Flemish public employment service) offers employment services, career services, vocational training and assessment of competences, and manages the majority of Flemish labour market activation measures. In the Brussels-Capital region, Actiris serves as the public employment service. In Wallonia, Le FOREM serves as the regional agency for employment and professional training. *Arbeitsamt der Deutschsprachigen Gemeinschaft Belgiens* is responsible in the German-speaking Community. Municipalities and communes can also take actions related to employment and training for certain target populations, for example through the Public Centres for Social Welfare and Local Agencies for Employment.

Canada

Centralised	Decentralised	Network / outsourced	Combined system
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Each year, the Government of Canada provides provinces and territories with ongoing funding through the Labour Market Development Agreements and the new Workforce Development Agreements. These agreements enable provincial and territorial governments to offer a range of skills training and employment supports to help Canadians improve their skills as well as find and keep employment. Under these agreements, provinces and territories have the flexibility to design and deliver employment programming that meets the needs of their local labour markets.

These transfers complement each other and allow workers across Canada to have access to training and supports to find and maintain employment. The Government of Canada works with provinces and territories to ensure this includes individuals from underrepresented groups such as persons with disabilities, women, youth and Indigenous peoples.

Chile

Centralised	Decentralised	Network / outsourced	Combined system
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Public employment services are responsible for most active labour market policies and are a shared responsibility between the central government and municipalities. Municipal employment offices (*Oficinas Municipales de Información Laboral - OMILs*) are run by municipalities but are overseen and financed by the National Employment and Training Service (SENCE) within the Ministry of Labour and Social Protection. SENCE also manages an online national job portal (*Bolsa Nacional de Empleo – BNE*).

Costa Rica

Centralised	Decentralised	Network / outsourced	Combined system
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The National System for Labour Intermediation, Guidance and Information (*Sistema Nacional de Intermediación, Orientación e Información de Empleo – SIOIE*) consists of a decentralised network of employment offices and contact points. This includes employment offices administered by local governments, employment units hosted by regional branches of the National Institute of Learning (*Instituto Nacional de Aprendizaje*), as well as automated job searching tools through SIOE's online job portal.

Colombia

Centralised	Decentralised	Network / outsourced	Combined system
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Employment services and ALMPs are provided by a network of different actors, including subnational governments. In 2013, Colombia introduced a new system to coordinate an expanded public employment service network consisting of national, provincial, municipal, private, and non-profit employment service providers under the same branding: the Network of Employment Service Providers (*the Red de Prestadores del Servicio Público de Empleo*). Prior to this, responsibility for providing free, public employment services primarily rested with the National Service of Learning (*Servicio Nacional de Aprendizaje*), a national agency primarily responsible for vocational training. This reorganisation was part of broader efforts under Colombia's national development plans to develop a more comprehensive and integrated system of protection for formal employees, including the creation of the Unemployment Protection Mechanism to strengthen linkages between active and passive policies. The network model was intended to expand service provision, diversify the range of services offered, and reach underserved groups.

Czech Republic

Centralised	Decentralised	Network / outsourced	Combined system
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The Czech Public Employment Service (PES) was established in 1991. Employment policy is regulated primarily by the Employment Act introduced in 2004, which provides the framework for passive and active labour market policies. Other important legislative acts include the Law on Labour Office, the Labour Code, and other regulations on minimum wage, state social support and health insurance.

The Labour Office serves as the public employment service under the Ministry of Labour. Under this body, there are 14 regional branches which are responsible for the execution of employment policy and benefit payments, along with their local contact points. The Ministry of Labour and Social Affairs has a number of functions, including monitoring current and future skill needs, financing, and preparing ALMP strategies and programmes in cooperation with the Labour Office (and other stakeholders). Local contact points of the regional branches administer social benefits, unemployment benefits and/or register the unemployed. They offer a broad range of employment services (including referral and counselling, re-training, placement and job subsidies), as well as administer benefit payments, operating as a one-stop-shop.

Denmark

Centralised	Decentralised	Network / outsourced	Combined system
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Since 2009, the Danish employment effort has been grounded in a decentralised structure, with 98 municipalities individually responsible for the implementation of employment measures. In each municipality, the Job Centre executes employment measures and serves as the single common access point of employment for citizens and companies. Municipalities/Job Centres manage and operate the local employment measures within the legal framework that is set out politically. The state partially reimburses local government expenditure and oversees and benchmarks the performance.

Estonia

Centralised	Decentralised	Network / outsourced	Combined system
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The Estonian Unemployment Insurance Fund (*Eesti Töötukassa*) acts as the public employment service and is a quasi-governmental organisation, and a legal person in public law. It performs its activities independently from government but based on a mission and of operational rules defined by law. It is directed by a Supervisory Board in which the government is an equal stakeholder together with representatives of employers and of employees. It has a two level structure – one head office and 15 regional offices, with a total of approximately 30 client service points.

Finland

Centralised	Decentralised	Network / outsourced	Combined system
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The Ministry of Employment and the Economy oversees 15 regional centres for Economic Development, Transport and the Environment (ELY centres). ELY centres oversee the Employment and Economic Development Offices (TE offices), which act as the Finnish public employment services and are responsible for all ALMPs in Finland.

In March 2021, a series of pilots were launched wherein some customers were transferred from the TE Offices to offices under the responsibilities of municipalities. By 2024, it is expected that full responsibility for PES will be transferred to municipalities.

France

Centralised	Decentralised	Network / outsourced	Combined system
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The French public employment service, *Pôle Emploi*, is an autonomous public institute. Management decisions are taken by a tri-partite Board of Directors. *Pôle Emploi* operates at three levels: national, regional and local. The national level is in charge of design and development of national policies, some implementation of these policies, and evaluation of results. The regional level is responsible for adapting the national strategies to regional needs, while the local level is the client-facing level.

The roles and coordination of different employment actors are being considered as part of the new *France Travail* project under discussion.

Germany

Centralised	Decentralised	Network / outsourced	Combined system
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The Federal Employment Agency (*Bundesagentur für Arbeit, BA*) is the main public provider of employment services in Germany. Ten regional directorates are responsible for regional labour market policies and coordination with state governments. Under these regional directorates are local employment agencies which provide services for recipients of unemployment benefit I (*Arbeitslosengeld I, ALG I*), an insurance-based time-bound benefit

In addition, the BA is also responsible for job centres, along with municipalities. These serve recipients of unemployment benefit II (*Arbeitslosengeld II*⁷), which targets those who have exhausted unemployment benefit I or who are not eligible. However, over 100 municipalities have chosen to run these job centres on their own.

Within the scope of their responsibilities and taking into account the agreed framework objectives, the employment agencies and job centres can decide with a high degree of flexibility whether and which instruments will be used and how. In addition, active labour market measures are funded through the European Social Fund (ESF). The ESF funds are managed separately by the federal level and the states.

Greece

Centralised	Decentralised	Network / outsourced	Combined system
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DYPA, Greece's public employment service, is a legal entity of public law supervised by the Hellenic Ministry of Labour and Social Affairs. It is directed by its Governor, three (3) Deputy Governors, an Administrative Board and the Board of Social Partners. It serves as the public authority and central structure managing: (1) active labour market policies for combating unemployment, promoting employment, and vocational training for both unemployed and employed citizens; (2) passive labour market policies concerning unemployment insurance measures (regular unemployment benefit) and other social security benefits and allowances (family allowance, maternity allowance etc.); and (3) ALMPs that offer vocational education and training combined with the implementation of apprenticeships at 50 Vocational Schools (EPAS).

DYPA operates a Central Administration, seven Regional Directorates, and a network of 116 local public employment services offices known as Employment Promotion Centres (KPA2). In the field of Vocational Education and Training (VET) it operates 50 Apprenticeship VET Schools (EPAS), 30 Vocational Training Institutes (IEK), 30 Career Offices for VET students and graduates and 6 Continuous VET Centres (KEK) and 2 Continuous VET Centres (KEK) for disabled persons.

⁷ See footnote 5.

Hungary

Centralised	Decentralised	Network / outsourced	Combined system
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Employment policy in Hungary is coordinated by the Ministry for Innovation and Technology (MoIT), under the State Secretariat for Employment, with other national actors also involved. The effective operation of the public employment services is the responsibility of county government offices. The county labour office (agencies of the PES) operate on a county level, while its micro regional offices are the local branch offices that operate at a NUTS IV level. County government agencies and their local offices deliver and monitor active labour market policies along the guidelines provided by the MoIT, and report on their progress upwards to the national level.

Iceland

Centralised	Decentralised	Network / outsourced	Combined system
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The Ministry of Social Affairs is in charge of employment policy, and the Directorate of Labour (*Vinnumálastofnun / VMST*) serves as the public employment service, including providing public job remediation and ALMPs. It operates eight service centres across the country. While it provides ALMPs under the authority of the Ministry of Social Affairs, the VMST is an autonomous public body in its decision-making and functioning.

At the national level, the CEO and Executive Board are responsible for strategic management, with the support of the tripartite Board of Directors. At the regional level, the Minister of Social Affairs appoints several regional labour market councils, which includes members appointed by trade unions, employer organisations, municipalities and the minister responsible for education. The Chairman and Deputy Chairman of the labour market councils are appointed by the Minister of Social Affairs. These councils play an advisory role, but their role has gradually been decreasing in recent years and varies across regions.

Ireland

Centralised	Decentralised	Network / outsourced	Combined system
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In Ireland, the Public Employment Services are provided by Intreo, under the Department of Social Protection. These centres act as a single point of contact for all jobseekers and employers, providing financial support and PES services, including labour market activation.

Israel

Centralised	Decentralised	Network / outsourced	Combined system
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The Ministry of Economy (MOE) is responsible for labour market policy, including skills development and job placement activities. Service delivery for much of the programmes managed by the Ministry of Economy takes place at the local level through regional offices.

The Public Employment Service (PES) is a statutory authority mandated under the National Employment Service law of 1959 and operates under the aegis of the Ministry of Economy. In addition to administering unemployment benefits, it operates placement and matching services. It also offers vocational assessment, guidance and placement for the unemployed and other job seekers who legally qualify for its services. There are 70 field offices nationally. It also offers training for those in need of coaching or seeking re-entry into the labour force. The PES maintains a database and on-line information system of all of the clients it has served and of all jobs on offer until filled.

Italy

Centralised	Decentralised	Network / outsourced	Combined system
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Through the Jobs Act (2014), Italy has been undertaking a series of labour market policy reforms, including for the institutional framework for active labour market policies. While the initial design was intended to centralise the competences for active measures to the national level (i.e. with the Ministry of Labour and Social Policy and the National Agency for Active Labour Market Policies), the results of a 2016 referendum prevented this from happening. Instead, competences are being consolidated at the regional level. In this context, the regions are responsible for steering the local employment offices (*centri per l'impiego*), which provide employment services alongside accredited, private providers. The Ministry of Labour and Social Policies consults with the State-Regions Conference to develop three-year strategies and yearly objectives and set minimum service levels. The national government can introduce employment incentives and/or subsidies which are managed centrally.

Japan

Centralised	Decentralised	Network / outsourced	Combined system
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In Japan, the national government is predominantly responsible for active labour market policies, through the Ministry of Health, Labour and Welfare. Subnational offices of the national government (Prefectural Labour Bureaus and Hello Work offices) implement active labour market policies in the regions based on national government's instructions, with some discretion to tailor to specific labour market needs. Additionally, some subnational governments complement national policies according to their labour market needs, and the national government provides earmarked grants to subnational governments for some training programmes.

Korea

Centralised	Decentralised	Network / outsourced	Combined system
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The Framework Act on Employment Policy (2011) broadly outlines the relationship between central and local governments in regards to employment policies. The national level (primarily through the Ministry of Employment and Labor [MOEL]) is the main provider of public employment services, and local governments play a supporting role and are also able to promote policies that take regional labour market conditions into account. As subsidiary bodies of the MOEL, there are 48 Local Employment and Labour Offices, 6 of which are regional, 40 are at the district level, and 2 are branch offices. There are 101 Job Centres, one of the primary implementation agencies of active labour market policies, under Local Employment and Labour Offices.

The central government traditionally implements active labour market policies, such as training programmes and direct job creation. However, municipalities are increasing their share of investments on ALMPs centred on direct job creation policies aimed at disadvantaged people, and play an important role in executing the central government's direct job creation programmes. Some local governments also have their own local Job Centres.

Latvia

Centralised	Decentralised	Network / outsourced	Combined system
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The Ministry of Welfare is the leading institution in the state administration in the area of labour. The State Employment Agency (Latvian Public Employment) serves as the public employment service and is responsible for the implementation of policies aimed at reducing unemployment, including by providing efficient services and implementing measures for registered unemployed and other groups, in close co-operation with different partners, such as educational institutions, employers, non-governmental organizations (NGOs), social partners, etc. It delivers labour market policy through 23 branch offices.

Lithuania

Centralised	Decentralised	Network / outsourced	Combined system
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Under the Ministry of Social Security and Labour of the Republic of Lithuania, the Employment Service acts as a single legal entity and has 5 customer service departments covering 70 divisions providing customer service. The PES implements active labour market policy measures established by the Law on Employment No XII-2470. Among many other functions, the PES establishes criteria and procedures for selection of jobseekers to participate in active labour market policy measures and selection criteria and procedures for employers wishing to implement active labour market policies.

Luxembourg

Centralised	Decentralised	Network / outsourced	Combined system
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The National Employment Agency (*Agence pour le développement de l'emploi* - ADEM) operates under the authority of the Ministry of Labour, Employment and the Social and Solidarity Economy. It has its main office in Luxembourg city and seven regional offices.

Mexico

Centralised	Decentralised	Network / outsourced	Combined system
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In Mexico, the regulations for active labour market policies are designed and implemented at the federal or national level through the Secretariat of Labor and Social Welfare (STPS) and the National Employment Service. The Secretariat of Labor and Social Welfare issues annual Operational Rules of the Employment Support Program, through which the offices of the National Employment Service of the governments of the states operate services and supports for the target population of the National Employment Service.

In terms of funding, STPS has established a modality of distribution of resources called Stimulus to the State Contribution. For each peso that the states assign to the execution of the Program of Support for Employment, the STPS allocates an equal amount, which is agreed annually with the governments of the states.

Netherlands

Centralised	Decentralised	Network / outsourced	Combined system
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In the Netherlands, the public employment service, UWV, is part of the central Dutch government and has deconcentrated units in the country. UWV is responsible for helping recipients of income and activation support for unemployed and (partially) occupationally disabled people (WW, WIA and Wajong respectively) to reintegrate into the labour market.

Outside of these core ALMPs, municipalities, however, are responsible for activation and reintegration for people on unemployment assistance (Social welfare: Participation Act) and jobseekers without income support.

New Zealand

Centralised	Decentralised	Network / outsourced	Combined system
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In New Zealand, the Ministry of Social Development is the main provider of employment assistance and operates the public employment service, Work and Income New Zealand. It is responsible both for administering the benefit system and delivering or funding ALMPs. It is organised into 11 Regional Offices and over 140 Service Centres.

Norway

Centralised	Decentralised	Network / outsourced	Combined system
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Social and welfare services are jointly administered through the Norwegian Labour and Welfare Administration (NAV) in one-stop centres. This is the result of a 2008 reform merging the public employment services and the National Insurance Administration with municipal front-line social services. The national arm pays social insurance benefits and provides employment services to registered jobseekers, while the municipal arm pays means-tested social assistance benefits and provides social support. Although these services are combined in stop-centres, the employment supports are provided by the national arm.

Poland

Centralised	Decentralised	Network / outsourced	Combined system
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In 1999, the Public Employment Services in Poland were decentralised. At the national level, the Ministry of Family, Labour and Social Policy is responsible for the legislative framework, national strategy, managing the Labour Fund, and financing active labour market policies. Regional labour offices, part of regional governments (*voivodeship*) are responsible for analysis, strategic planning, and services for specific groups. Local labour offices, part of local governments at the district level (*powiat*), are responsible for providing benefits to unemployed persons and implementing active labour market policy instruments.

Portugal

Centralised	Decentralised	Network / outsourced	Combined system
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Employment policy is centralised in Portugal through the Institute of Employment and Vocational Training (IEFP), a public institute with a special regime that continues the duties of the Ministry of Labor, Solidarity and Social Security, under the supervision of the respective minister. IEFP has a centralised organization at the national level, with a decentralised structure for delivery (five regional delegations, and 52 employment centres and employment and vocational training centres). Only the Autonomous Regions of Madeira and the Azores have their own competences in this matter.

Slovak Republic

Centralised	Decentralised	Network / outsourced	Combined system
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The Central Office of Labour, Social Affairs and Family (*Ústredie práce, sociálnych vecí a rodiny, ÚPSVR*) acts as the Slovak public employment service. It has 46 branch offices across the country.

Slovenia

Centralised	Decentralised	Network / outsourced	Combined system
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The Employment Service of Slovenia (ESS), which is under the Ministry of Labour, Family, Social Affairs and Equal Opportunities, is responsible for delivering most active labour market policies in Slovenia. Twelve regional offices are responsible for the implementation of tasks related to monitoring labour market trends at the local level, and supporting local offices in their co-operation with employers and ESS sub-contractors. The local offices are the direct link between the ESS and the clients and implement the policies of ESS (e.g. employment counselling, providing insurance for unemployment, and implementing employment policies).

Spain

Centralised	Decentralised	Network / outsourced	Combined system
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The government coordinates the employment policy via the Ministry of Labour and Social Economy. This Ministry is also responsible for outlining the Spanish Strategy of Employment Activation – in partnership with the Autonomous Communities, trade unions and business organisations – and the Annual Labour Policy Plans, which includes the forecasts for the Autonomous Communities and the State Public Employment Service (SEPE). SEPE is responsible for the management, implementation and monitoring of employment policy. This body designs employment standards and drafts the Strategy for Employment Activation and the Annual Labour Policy Plans. This agency also coordinates the Public Employment Service Information System and has a coordinating and initiating role in the National Employment System. The Autonomous Communities are involved in designing active labour market policies and participate in the outlining of the Spanish Strategy for Employment Activation and the Annual Labour Policy Plans. The Autonomous Communities are responsible for the implementation and management of active labour market policies.

Sweden

Centralised	Decentralised	Network / outsourced	Combined system
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In Sweden, the national government is responsible for the design of active labour market policy. The government also formulates targets for all agencies dealing with labour market policy (including the PES), and the ensuing “Appropriation Directions” form the basis of legally binding operational goals for the budget period. They operate over 100 PES offices across the country, in addition to "collaborative solutions" where PES services are offered either through cooperation with municipalities or the national service authority. At the same time, the employment service delivery model is changing: going forward, the large majority of in-person employment services will be delivered through a model of contracted out provision.

The Public Employment Service is responsible for most active labour market policies, but most municipalities also organise their own programmes aimed at making unemployed recipients of social security benefits self-sufficient. Examples of activities include different types of job seeker activities, internships and job preparation activities.

Switzerland

Centralised	Decentralised	Network / outsourced	Combined system
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The State Secretariat for Economic Affairs (SECO) – central body of the unemployment insurance and public employment services – is responsible for the steering and controlling of all subnational institutions of the unemployment insurance and public employment service, administration and monitoring of the unemployment insurance fund, and supporting the cantons in regards to the strategic management and implementation of specific labour market measures.

Cantonal public employment service offices (KAST) are branches of the cantonal governments. They are responsible for regional employment centres (RAV) and active labour market policies on the regional level, as well as the implementation of cantonal legislation. Cantonal migration offices are responsible for AMLP for migrants who are not entitled to unemployment benefits.

Türkiye

Centralised	Decentralised	Network / outsourced	Combined system
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İŞKUR, (which is affiliated to the Ministry of Family, Labour and Social Services), is responsible for the organization of active labour programmes, including vocational training courses, on-the-job training programmes, and other courses, programmes, projects and special applications to maintain and increase employment, develop the professional qualifications of the unemployed, decrease unemployment, and integrate groups that require special support into the labour market. Services are provided through Provincial Directorates and Service Centers of *İŞKUR*. Provincial Employment and Vocational Training Boards (PEVTB) located in each of the 81 provinces serve as a local platform for stakeholder engagement for employment policies, as well as vocational training and lifelong learning.

United Kingdom

Centralised	Decentralised	Network / outsourced	Combined system
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The Department for Work and Pensions (DWP) is responsible for active labour market policies. It serves as the public employment service in England, Scotland and Wales and is responsible for referral to active measures, as well as job brokering, referrals, and the administration of working age benefits. In Northern Ireland, competences are devolved, with the Department of Employment and Learning overseeing Jobs and Benefit Offices.

United States

Centralised	Decentralised	Network / outsourced	Combined system
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Funding through the Workforce Innovation and Opportunity Act is channelled from the national Department of Labor through state governments to local workforce development areas (WDAs), overseen by local Workforce Development Boards (LWDBs). LWDBs in turn certify the operators of one-stop centres. These operators can include, for example, institutes of higher education, non-profits, for-profits or other government agencies. Each state workforce area has one or more of these one-stop delivery offices (Career Centers), where job seekers go to receive services or to be referred to services elsewhere.

Table A.1. Data sources for each country's institutional mapping⁸

	OECD survey on subnational variation in labour market and related policies	OECD Reviews on Local Job Creation	Other sources
Australia	X	X	OECD (2017), <i>Connecting People with Jobs: Key Issues for Raising Labour Market Participation in Australia</i> , Connecting People with Jobs, OECD Publishing, Paris, https://doi.org/10.1787/9789264269637-en .
Austria			ICON Institut (2020), "PES Capacity Questionnaire Country Factsheet – Austria", European Network of Public Employment Services.
Belgium	X	X	
Canada	X	X	
Chile	X		
Colombia	X		Avila, Z. (2017), "Employment and Labour Market Policies Branch Good practices in using partnerships for the delivery of employment services in Colombia", <i>Employment Working Paper</i> , No. 225, ILO, http://www.ilo.org/publns
Costa Rica			Avila, Z. (2015), <i>Public Employment Services in Latin America and the Caribbean: Costa Rica</i> , ILO, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_policy/---cepol/documents/publication/wcms_426612.pdf .
Czech Republic		X	

⁸ Additional information can be found in Lauringson, A. and M. Lüske (2021), "Institutional set-up of active labour market policy provision in OECD and EU countries: Organisational set-up, regulation and capacity", *OECD Social, Employment and Migration Working Papers*, No. 262, OECD Publishing, Paris, <https://doi.org/10.1787/9f2cbaa5-en>.

	OECD survey on subnational variation in labour market and related policies	OECD Reviews on Local Job Creation	Other sources
Denmark	X		OECD (2021), <i>Institutional and regulatory set-up of active labour market policy provision in Denmark</i> , https://www.oecd.org/els/emp/Denmark_ALMP_Institutional_set-up.pdf .
Estonia	X		Eesti Töötukassa (2021), "About Töötukassa", https://www.tootukassa.ee/eng/content/about-tootukassa OECD (2021), <i>Improving the Provision of Active Labour Market Policies in Estonia</i> , Connecting People with Jobs, OECD Publishing, Paris, https://dx.doi.org/10.1787/31f72c5b-en .
Finland	X		
France		X	Manoudi, A et al (2014), "EEPO 2014 Small Scale Study on PES Business Models", European Commission, DG Employment, Social Affairs and Inclusion.
Germany	X		OECD (2021), <i>Institutional and regulatory set-up of active labour market policy provision in Germany</i> , https://www.oecd.org/els/emp/Germany_ALMP_Institutional_set-up.pdf .
Greece			ICON Institut (2020), "PES Capacity Questionnaire Country Factsheet – Greece", European Network of Public Employment Services MOTIV-Action, "Public Employment Service (DYPA)", https://motiv-action.eu/oaed , accessed 4 January 2023.
Hungary	X		
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Israel		X	
Italy	X	X	OECD (2019), <i>Strengthening Active Labour Market Policies in Italy</i> , Connecting People with Jobs, OECD Publishing, Paris, https://doi.org/10.1787/160a3c28-en .
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Netherlands	X		
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Poland	X	X	
Portugal	X		
Slovak Republic			OECD (2020), <i>OECD Skills Strategy Slovak Republic: Assessment and Recommendations</i> , OECD Skills Studies, OECD Publishing, Paris, https://doi.org/10.1787/bb688e68-en .
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Sweden	X		
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