Ministerie van Sociale Zaken en Werkgelegenheid

Managing Accountability and Flexibility in Labour Market Policy

Opdrachtgever

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Categorie

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Doel en vraagstelling

Casestudy Managing accountability and flexibility in labor market policy. Deze OECD LEED studie wordt uitgevoerd met drie andere landen: Canada, Denmarken en België (Vlaanderen). Reden voor deelname aan het onderzoek is dat het inzicht kan geven omtrent de effectiviteit van regionaal en lokaal arbeidsmarktbeleid.

Conclusie

The OECD and its Local Economic and Employment (LEED) Programme conducted a study on managing accountability and flexibility in labour market policy in four countries: Belgium (Flanders), Canada (Alberta and New Brunswick), Denmark and the Netherlands to identify: - What degree of flexibility is available at the local and regional level regarding active labour market policy measures? - How can more flexibility at the local level go together with more effective policy measures while preserving accountability and the achievement of national policy goals? This study has identified a broad consensus on the pivotal role of labour market policy for both economic development and social inclusion in the participating countries. Participants of the high level Aarhus conference on 5th April 2011, Denmark, agreed that careful action locally can help meet national policy goals in terms of economic growth, social inclusion and sustainability. It is equally clear that ensuring flexibility in labour market programming can support increased collaboration and contributions to local strategic planning at the local level, although countries have to plan carefully to overcome the potential downsides of too much flexibility, such as ensuring minimum standards for service delivery and achieving national targets. The four countries appear to be managing this trade-off between flexibility and accountability effectively, although the governance arrangements used each time are very different. Main conclusions: - Local employment offices are collaborating widely and this is having an impact on their policies and programmes; The degree of flexibility an office has is determined by a broad set of management tools; - Accountability and flexibility are not mutually exclusive. Bron: rapport; bewerking RWI

Link naar bestand

Managing Accountability and Flexibility in Labour Market Policy

Aarhus, Denmark April 5, 2011

ISSUES PAPER

OECD LEED thanks Donna Wood for her contributions to this paper.

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INTRODUCTION

Human resources and skills are becoming increasingly important to economic development. In the context of the economic downturn, challenges such as high youth unemployment call for a collaborative approach between local employment officials, educational institutions and wider social and economic partners. But do local labour market offices have sufficient flexibility in the implementation of their policies and programmes to contribute effectively to local strategies? If local labour market offices are to be given more flexibility, how can this be reconciled with the need for accountability and the achievement of national policy goals?

A variety of OECD LEED studies have determined that more flexibility in the management of programmes is required for labour market policy to contribute fully to local strategies for economic growth and social inclusion (OECD 2003, Giguère and Froy, 2009, Froy and Giguère, 2010). When local organisations are not able to adapt their policies to the common goals set in partnership, this means that relatively little can be achieved in the implementation of integrated local strategies. While local employment agencies may meet and network with other local actors, this will change little in terms of their actual programme delivery.

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

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

The OECD research project

The OECD has recently analysed the management of flexibility and accountability in labour market policy in four countries, Belgium (Flanders), Canada, Denmark and the Netherlands, in a project called

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

Managing Accountability and Flexibility in Labour Market Policy. This research is a continuation of two large OECD ministerial conferences on the decentralisation of employment policy, held in 1998 and 2008, and a number of OECD publications (OECD 2003; Giguère, 2008, Giguère and Froy, 2009; Froy and Giguère, 2010). The ministerial conference in 2008 resulted in the Venice Action Statement (see Annex 1) in which OECD countries committed to incorporating greater local flexibility in the management framework for employment policy. This follow up study has gone deeper to understand how the principles of the Venice Action Statement can be put into practice in the spirit of 'making reform happen'.

In each country an assessment has been made of the management of active labour market policy provided to the unemployed (both insured and uninsured[2]) as well as employers. Previous OECD work only focused on the insured unemployed. This has allowed the OECD to assess how different countries structure their active labour market measures for all unemployed groups and how these programmes are coordinated (or not). **This conference will bring out the comparative findings of the study and will promote informal debate to feed into an international set of policy recommendations to be disseminated within the OECD.**

Box 1. Why is local flexibility important?

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

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

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

Supporting a joined up approach: OECD LEED research in 11 countries (Froy and Giguère, 2010) has shown that despite the plethora of partnerships which exist in OECD countries, too often there is a functional separation between economic development and human resource development at the local level. Different strategies are pursued by different actors and often in contradiction with one another. Employment and skills are often managed from a labour supply perspective while economic development is run from a demand point of view. To make this situation more complicated, each of these policy areas is often itself relatively fragmented with several organisations being involved in local decision-making. The research identified flexibility in the delivery of sectoral policies as the most important factor in supporting policy integration on the ground, followed by (2) the degree of local cooperation and governance, (3) the degree of national cooperation between ministries, (4) local capacities and then (5) labour market conditions. In addition to providing more local flexibility, there are thus a number of ways in which governments can support better coordination.

[2] The insured unemployed have contributed to a fund that provides financial support while they are out of work. The uninsured unemployment do not have this protection. Benefits for the uninsured are often identified as 'social assistance'.

What do we mean by flexibility in labour market policy?

The OECD (2009) defines flexibility as "the possibility to adjust policy at its various design, implementation and delivery stages to make it better adapted to local contexts, actions carried out by other organisations, strategies being pursued, and challenges and opportunities faced". In this sense the OECD is not referring to flexibility in the labour market itself (for example in relation to labour laws) but in the management regimes which oversee and influence how labour market policy is planned, designed and delivered. A series of strands of flexibility can be identified (see Box 2 below).

Box 2. The six strands of flexibility

1. **Programme design and strategic approach:** Do regional and local offices have input into the design of policies and programmes? Are they consulted? Are they free to determine the programme mix and adapt programmes? Can they design local employment strategies?

2. **Budgets and financing:** Are the resources available to regional and local operating units adequate? Do regional and local actors have flexible global budgets or line item budgets for active measures? Are they free to allocate resources flexibly between budget items?

3. **Performance measures and targets:** To what extent are performance measures and targets centrally determined? Do they allow room for regional targets and flexibility in adapting to local circumstances? Are targets and indicators hierarchically imposed or negotiated with regional and local actors? Are sanctions imposed if targets are not met? Are regional and local offices benchmarked against each other?

4. **Client eligibility:** Do regional and local offices choose the target groups that they will work with? Who decides who can be served?

5. **Staffing and outsourcing:** To what extent are regional and local organisational units free to hire, recruit, train and pay personnel and assign them to tasks at their own discretion? Are they free to decide what services to contract out to external providers?

6. **Collaboration and partnerships:** Can regional and local offices decide who they collaborate with locally? Is collaboration recognised or rewarded? Are regional and local offices involved in co-delivery arrangements?

Figure 1. Management tools for achieving accountability in labour market policy

What do we mean by local?

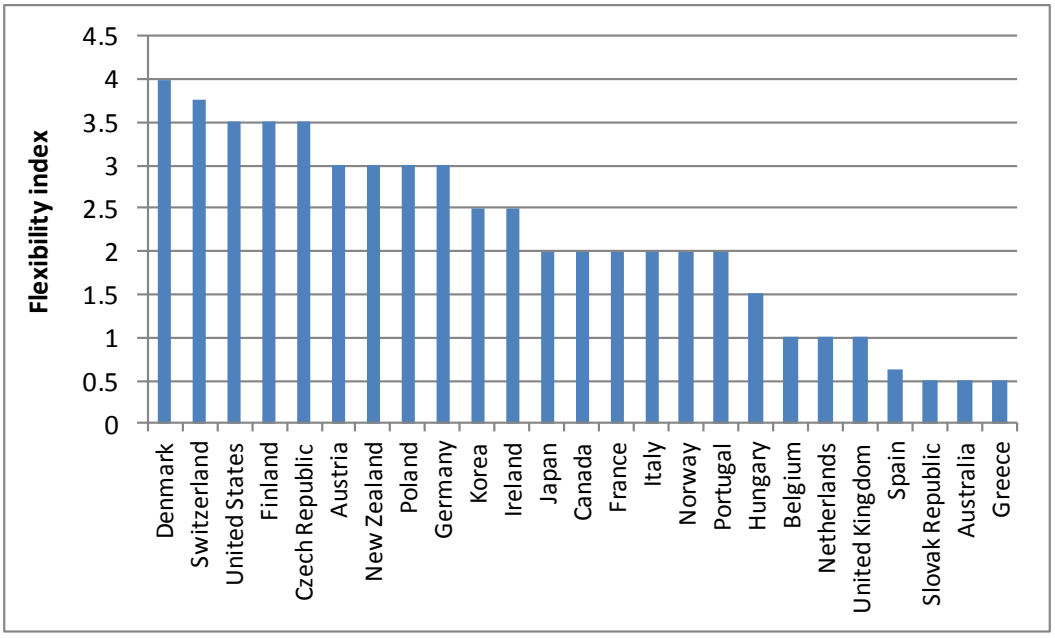
By local, we mean here the level of 'local labour markets', where economic development strategies are designed and policy areas need to be linked up. This does not necessarily correspond to the municipal level, where the Public Employment Service has its antennas. The analysis of local focuses on OECD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

Within the four study countries, this translates into 13 local VDAB offices and 18 NEO offices in Flanders, 98 municipalities in Denmark, 418 municipalities in Netherlands which work together with the UWV in 100 so called Work Squares (30 of the Work Squares have enhanced roles), 6 regional offices of the Alberta Employment and Immigration (AEI), and 7 regional offices of Department of Post-Secondary Education, Training and Labour (PETL) in New Brunswick (as well as their local labour market centres, 59 in Alberta and 19 in New Brunswick).

The key findings of OECD research in 25 countries in 2008

In 2008 the OECD compared local flexibility in the delivery of labour market policy in 25 countries and ranked countries according to a set of criteria (relating to the influence local labour market offices[3] have in the design of programmes and policies, the management of budgets, the setting of performance targets, eligibility criteria for participation in programmes, outsourcing and staffing, and collaboration) (OECD, 2009). The results can be seen in Figure 2.

Figure 2. Flexibility in the management of labour market policy at sub-regional level in 25 OECD countries



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

Source: Giguère and Froy (2009).

[3] At territorial level 3–approximately labour market offices covering populations of 800 000 and below.

Overcoming the downsides of flexibility

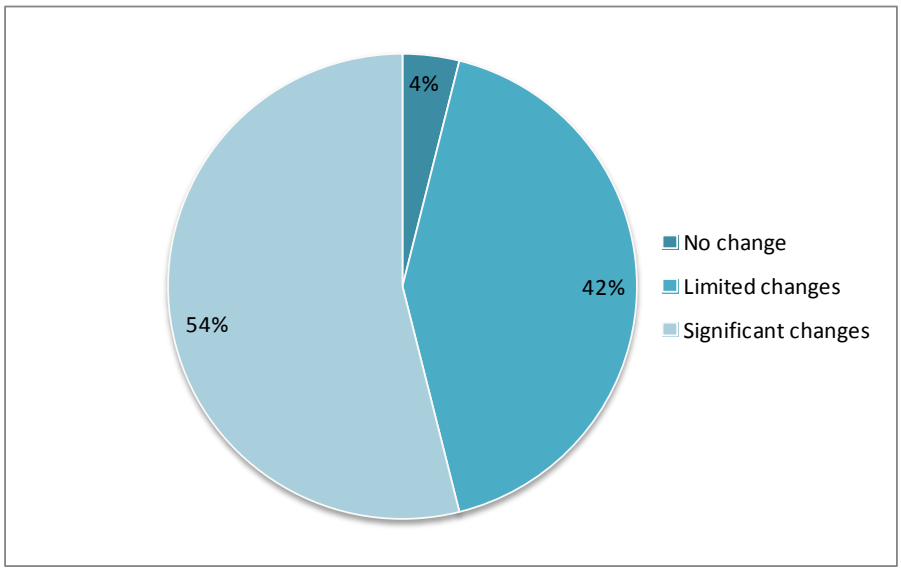
Awarding greater flexibility at the local level has to be managed effectively because there are a series of potential challenges associated with too much flexibility, beyond those connected with accountability, including:

- Achieving standardisation of data;
- Ensuring there is no uneven quality in services and ensuring a minimum quality of services is available to all;
- Being able to respond quickly to national labour market challenges;
- A lack of economy of scale (for example in outsourcing);
- Ensuring that evidence based policy is implemented (e.g. where it is proven that a particular technique works with a particular group of unemployed people, this needs to be shared and adopted);
- Ensuring the right point of contact for employers (at different levels) and supporting sectoral strategies.

The context of the study: economic crisis and recovery

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

Figure 3. How far has the economic downturn changed the way you deliver your programmes and services?



Source: OECD Managing Accountability and Flexibility e-questionnaire, 2010.

In several countries, the crisis has led to enhanced collaboration between local labour market offices, municipalities and other actors. In the Netherlands, for example the government has established 30 mobility centres to promote co-operation between companies, trade unions and job-finding organisations

in helping displaced workers to find new employment. In the United States, stimulus packages have similarly focused on encouraging local employment offices to cooperate with other actors to achieve better employment outcomes. In other countries, the larger number of unemployed people coming to local job centres has forced them to focus on achieving minimum service delivery standards. This has reduced their capacity to fully exploit the degree of flexibility in the management framework.

FINDINGS

Findings of the most recent OECD study

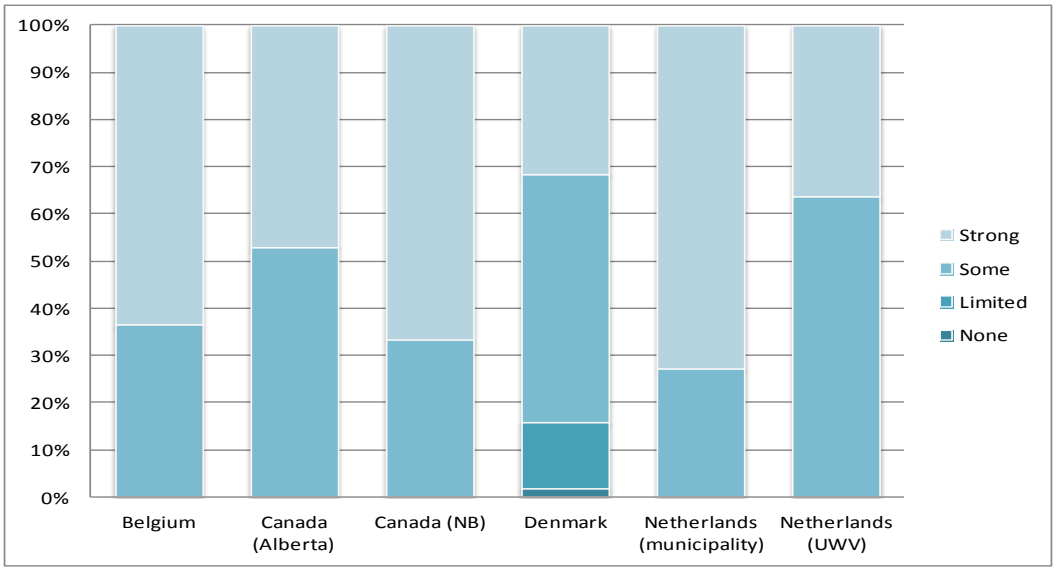
The *Managing Accountability and Flexibility* project has focused on four countries with very different governance systems – Belgium (Flanders), Canada, Denmark and the Netherlands. However each country supports a degree of political decentralisation where additional responsibility has been assumed either by regional or municipal governments - in Canada by provincial governments, in Belgium by regional and municipal governments, in Denmark and the Netherlands by municipal governments. Political decentralisation (or devolution) to regions is much more complex than administrative decentralisation within the Public Employment Service as in this case authority transfers to relatively independent political entities with their own elected leadership and power base. This means that the relationship between the centre and regional or municipal authorities is less hierarchical and requires more negotiation. Sub-state governments in federal systems have more power and control as their jurisdiction is constitutionally protected and cannot be changed unilaterally by the national government. An organigram of the broad framework for the management of labour market policy in each country is included in the Country Synopses below.

The research in the four countries (which involved interviews, roundtables and a literature review of policy documents) was supplemented by an OECD e-questionnaire to local labour market offices. The results of this e-questionnaire are used in the summaries below. In total 136 local labour offices took the survey: 57 in Denmark, 21 in Flanders (10 PES offices, 7 SERR/RESOC and 4 provincial competence centres), 34 in Canada (17 in Alberta and 17 in New Brunswick) and 24 in the Netherlands (12 UWV, 12 municipalities). Full country reports will be published as OECD LEED working papers shortly within the OECD i-library: www.oecd-ilibrary.org.

How far does labour market policy contribute to local economic development strategies?

Local labour market offices in the four countries collaborate with many different actors at local level, ranging from colleges and training institutions, social welfare organisations, ethnic minority organisations, economic development agencies, universities, businesses, industrial sector bodies, unions/worker organisations, regional and local government. Collaboration relationships varied from informal ongoing collaboration, to participation in multi-sector partnerships and sub-contracting/outsourcing. Overall, local labour market offices were less likely to cooperate with economic development agencies and universities. When local labour market offices in the four countries were asked whether collaboration with other agencies had an impact on the delivery of labour market policy, the answers varied by country (see Figure 4 below). However, overall 93% felt that they had at least some impact, while just under half felt that the impact was strong.

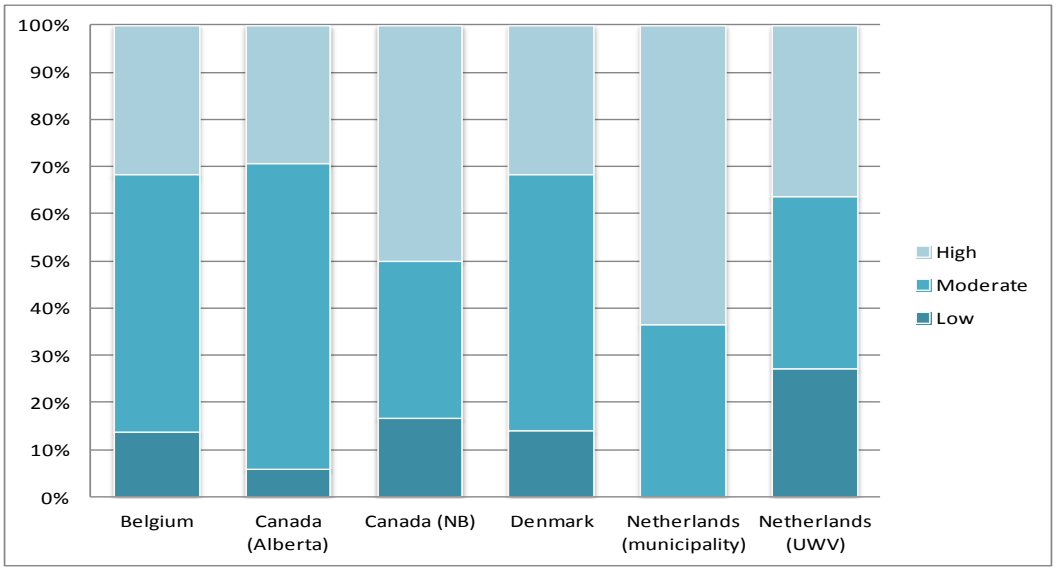
Figure 4. Does your collaboration with other agencies have an impact on the way you deliver labour market policy?



Source: OECD Managing Accountability and Flexibility e-questionnaire, 2010.

When asked how far they felt able to contribute to local economic development strategies, the answer was also relatively positive. 21% felt that they could fully contribute, while 60% felt that they could contribute to a great extent. When asked how much flexibility they had in tackling the specific local issues arising in their community, the results were as follows:

Figure 5. How much flexibility do you feel that your office has to tackle specific local issues arising in your community?

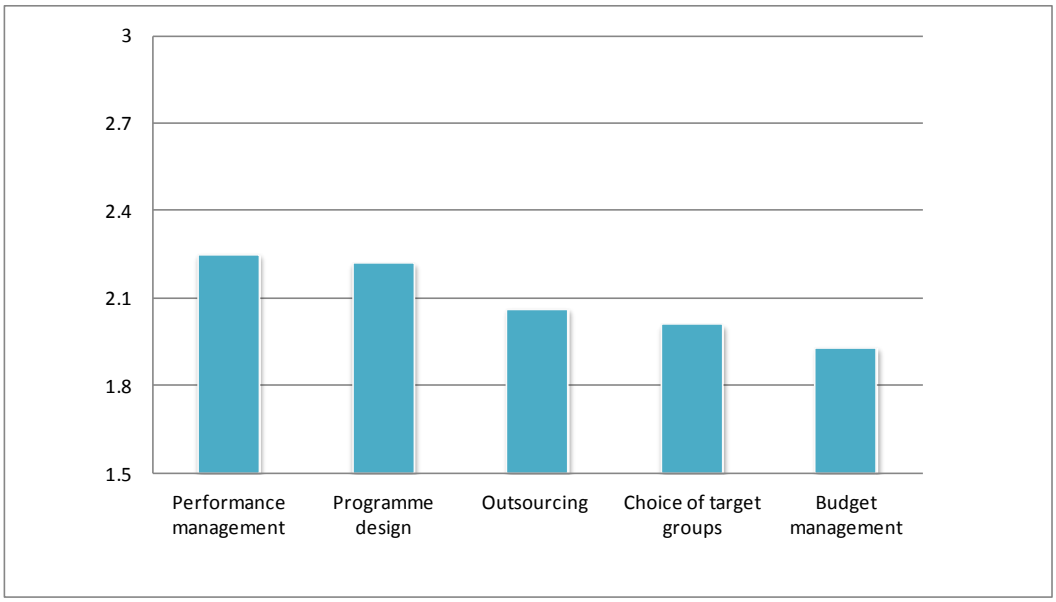


Source: OECD Managing Accountability and Flexibility e-questionnaire, 2010.

How flexible are different management tools in labour market policy?

Overall, performance management and programme design were perceived to be the most flexible management tools in the participating countries, while budget management was seen to be the least flexible. The four Country Synopses below present the perceived relative flexibility of different management tools per country.

Figure 6. Total perceived flexibility by management area (1 for no flexibility, 3 for high flexibility)



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

Source: OECD Managing Accountability and Flexibility e-questionnaire, 2010.

To look at each of these areas in more detail:

Influencing programme design

In the 2008 OECD study it was found that in just under a third of countries (32%) local actors had no role at all in designing active labour market programmes. When asked whether there were labour market priorities in their region which they were not able to address through their employment programmes just under half (46%) of local labour offices/municipalities in the *Managing Accountability and Flexibility* study said yes. This varied considerably between countries (for example in Flanders nearly 70% responded yes, whereas in Denmark the figure was only 21%). In Flanders, the local VDAB offices have the possibility to choose which mix of programmes to implement but these are designed centrally. There is also the possibility to design local projects within a limited budget under a Local Project Programme (LPP). In Denmark, the municipalities can design their own interventions to meet local target groups and local priorities within the legal framework for employment policy. In the provinces of Alberta and New Brunswick, while programmes are decided at the provincial level, regional and local offices are consulted. Local and regional offices lobby and influence the provincial level through direct contacts and regular meetings. In the Netherlands, municipalities can design and implement their own labour market programmes and initiatives. For the public employment service, programmes are designed centrally but the UWV WERK Bedrijf can select which programmes to deliver locally.

Budgets

The 2008 OECD study found that in just under one third of OECD countries, local level PES offices have no freedom in the use of their budgets – i.e. they arrive already split under different funding lines, and there is no possibility to move funds between those funding lines. In the *Managing Accountability and Flexibility* study, the municipalities which had responsibility and allocated funds for labour market policy (in Denmark and the Netherlands) had considerably more flexibility in the use of their funds than local PES agencies. In each case the municipalities had a budget envelope which they could spend as they saw fit, with the financial incentive that money saved on paying passive benefits could be used within wider

municipal budgets. In both cases employment budgets could also be combined with other budgets (for example for education) in order to achieve integrated approaches at the local level.

In the PES (UWV) in Netherlands, budgets come pre-divided according to the length of the unemployment spell (out of the total reintegration budget approximately two thirds have to be used for reintegration measures focused on those who have been unemployed for more than one year). In Canada, local employment offices in Alberta and New Brunswick, are constrained by federal budget envelopes which are then translated to the regional and local level. However, they can generally transfer money between budget lines. In Flanders, the financial means of the local and sub-regional bodies are earmarked and it is not possible to move funding between budget lines. However a special percentage of the VDAB budget is set aside for special local initiatives (called Local Project Programming), and municipalities or cities can co-finance such projects. Austria, Czech Republic, Germany and New Zealand, were found by the 2008 OECD study to offer similar local initiative funding pots to stimulate innovation.

Performance management targets

In the 2008 OECD study, in just under half of all cases (48%) local offices were consulted when performance management targets were set. In the *Managing Accountability and Flexibility* study, all local labour offices and municipalities were consulted when performance targets were set. Such negotiation is particularly useful when local officials can ensure that sector performance is compatible with broader area-based strategies.

Setting outcome targets rather than input or output targets is also important in allowing governments to retain control over results while allowing local entities to determine the best way to administer services, including experimenting with innovative approaches.

The two Canadian provinces have developed performance management systems that set overall provincial quantitative targets, but do not necessarily require these to be translated to the local level. As a result this avoids some of the "perverse" effects which quantitative targets can have. Quantitative targets have been criticised, for example, for encouraging local offices to engage in certain activities just to "tick the right boxes" without a real eye to local needs. In Alberta, local and regional employment staff are expected to implement the broad departmental strategic priorities and objectives which have been developed on a provincial basis (without specific targets) according to local needs. They then report back on the degree to which they have met these strategic objectives. The province also collects additional information on the programmes implemented/individuals served and employment outcomes. There is therefore a great deal of feedback in the system, but overly stringent output targeting for lower level staff is avoided. This system relies in part on strong levels of communication between the provincial and local staff which may be more difficult to achieve within a larger performance management system (Alberta has a population of less than four million, for example, with six regional offices and 59 delivery sites across the province).

In Denmark, a limited number of outcome based qualitative targets (four) are set at the national level and the four Employment Regions - in coordination with the Regional Employment Councils - set regional performance targets for the regions. Under this basis, the local municipalities set their own individual quantitative targets in coordination with the national targets. The four Employment Regions then negotiate with municipalities how to achieve them (at which point a quantitative measure is allocated). At the time of the study, municipalities were also given incentives to meet minimum requirements for labour market policy (for example time to interview) through financial rewards. Since the beginning of 2011 these have been reduced, placing further emphasis on the above outcome based performance measures. Flanders is also moving to a system based more on outcome targets in the management of the Public Employment Service, VDAB.

In this study, more than 70% of local labour market offices said that they carried out work which was not evaluated or measured within the existing performance management framework. This was particularly high in Alberta Canada (91% of valid responses) and particularly low in Netherlands (55%). In one of the participating countries one respondent to the e-questionnaire said '*The sense of lack of flexibility is drawn from the perception of lack of clear direction as to what will be measured, and that performance measurements for the region is not pertinent to the work being accomplished*'.

Encouraging local and sub-regional actors to set additional targets to those set as a 'baseline' by the national level can help in the recognition of such work. In Texas, in the United States, an OECD study found that local Workforce Investment Boards were asked to set additional targets to those set at 'baseline' by the state, based on local strategic priorities through a two-tier system of 'formal' and 'less formal' measures (Froy and Giguère, 2010). Formal measures were consistent across workforce programmes and include mainly output targets, while less formal measures were often outcome based and consistent with local strategic plans. Local workforce boards reported to the State on both sets of measures. In the four countries studied, the majority of local labour offices/municipalities identified that they also had the power to create additional targets. However the high percentage of offices identifying that they carried out work which was not evaluated or measured within the performance framework highlights that these are either i) not always well defined and/or they ii) do not always feed adequately into the overall evaluation process.

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

The *Managing Accountability and Flexibility* study has considered whether there are forms of horizontal accountability which could act as a substitute for vertical accountability in ensuring local performance while not restricting the achievement of national goals. 28% of respondents who do not have boards overseeing their work would welcome the involvement of other stakeholders in planning their strategic direction, while only 16% would welcome their involvement in monitoring their effectiveness and outcomes. Many respondents (39% and 66% respectively) opted for a neutral position on these questions.

Client eligibility and deciding on target groups

When local labour market offices were asked 'are there vulnerable groups that you are not able easily to work with?', an average 77% of offices said yes, although the responses varied by country:

Table 1. Are there vulnerable groups that you are not able easily to work with?

Country	Response 'yes' to the question: *Are there vulnerable groups that you are not able easily to work with?*
Netherlands (UWV)	89%
Canada (Alberta)	88%
Denmark	82%
Netherlands (municipality)	73%
Belgium (Flanders)	67%
Canada (New Brunswick)	55%

Source: OECD Managing Accountability and Flexibility e-questionnaire, 2010.

This could be for many different reasons including capacities, the challenges associated with particular vulnerable groups (for example aboriginal persons, disabled persons, refugees), but eligibility criteria for programming is also an important factor. In the OECD 2008 study local labour market actors had limited flexibility in this area in over half of cases. In this current research it was identified that in Canada, although some programmes are restricted to the insured unemployed, considerable additional flexibility has emerged through new 'Labour Market Agreements' (LMAs) under which the Government of Canada has provided provinces and territories with additional funding to increase the labour market participation of groups under-represented in Canada's labour force and to enhance the employability and skills of the labour force, This includes uninsured unemployed persons, as well as employed persons who do not have a high school diploma or recognized certification, or have low levels of literacy and essential skills. The Government has committed $3 billion over six years to the LMAs—an investment of $500 million per year from fiscal year 2008-09 to 2013-14.

In the Netherlands, the UWV WERK Bedrijf has considerable flexibility on who to target within their programmes, but in-depth support must mainly be targeted towards people who have been unemployed for over a year. The Dutch municipalities can choose who is eligible for these programmes from those people who claim social assistance. In Denmark, ministerial goals (translated into performance targets) ensure that the job centres focus on specific target groups; however legislation allows for local identification and prioritisation of special target groups. In Flanders, the eligibility criteria for employment and training programmes are set centrally, but local groups can be targeted separately through the Local Project Programme (LPP) (see above). In addition, the local VDAB can vary the services they offer to job seekers through a process of special local tenders and by working in cooperation with other local partners.

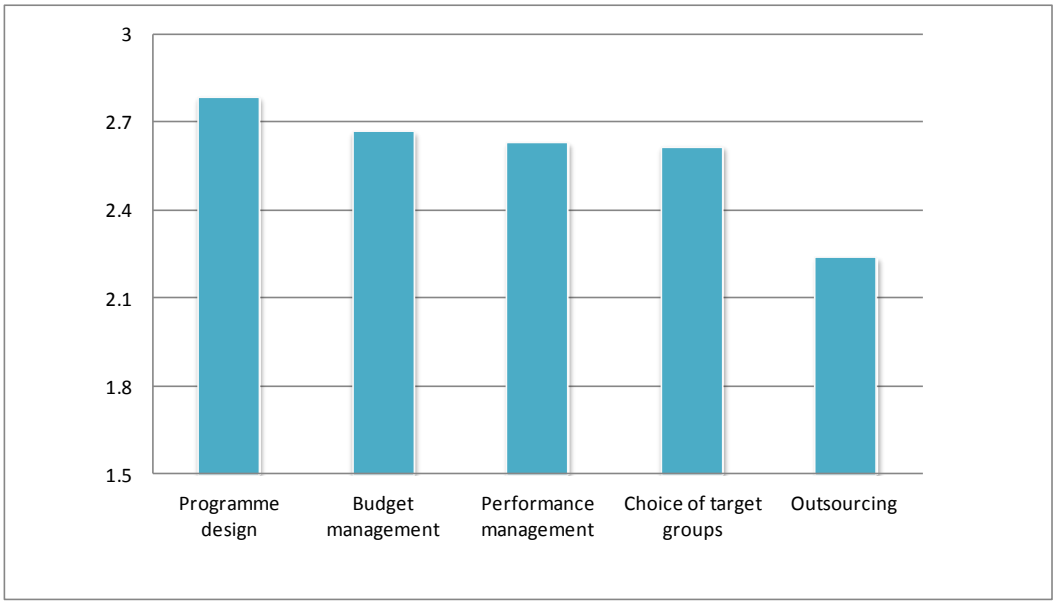
Outsourcing and staffing

The OECD 2008 study found that in roughly two thirds of countries (64%), local offices are involved in outsourcing. In the *Managing Accountability and Flexibility* study, it was found that the Canadian provinces of Alberta and New Brunswick allow regional and local employment offices the most flexibility in outsourcing services to other actors. Regional and local offices can decide whether to outsource and who to outsource to. In Flanders, Denmark and the Netherlands it appears more common for tenders to be allocated centrally, however it is also possible for local offices to create special tenders at local level to meet local needs.

Priorities for increased flexibility

When asked where they would like to see more flexibility, local labour market offices identified a top priority of programme design, followed by budget management. Outsourcing was the area given the least priority (although the differences between the different priorities were relatively weak).

Figure 7. Priorities for increased flexibility (where 1 is no priority and 3 is high priority)

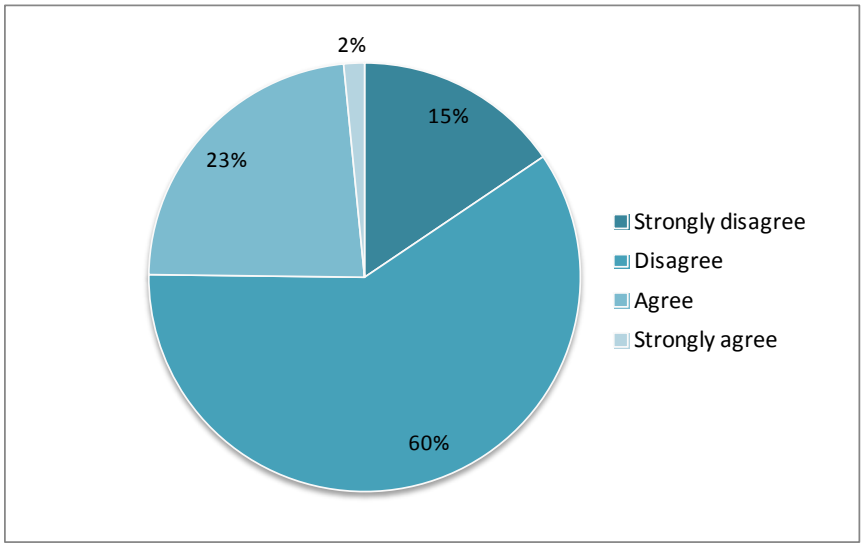


Note: The scoring has been calculated by summing the levels of priority (Not a priority=1, Low priority=2, High priority=3) and dividing by the number of valid answers for each dimension.

Source: OECD Managing Accountability and Flexibility e-questionnaire, 2010.

In general, at the local level in the four participating countries it was not felt that awarding more flexibility would risk creating problems in relation to accountability.

Figure 8. More flexibility would risk creating problems in relation to accountability



Source: OECD Managing Accountability and Flexibility e-questionnaire, 2010.

What can be done with more local flexibility?

53% of respondents to the OECD e-questionnaire agreed, and 41% strongly agreed, that more flexibility would enable them to deliver active labour market programmes/policies more relevant to their locality. For example, it was identified that flexibility would allow local offices to:

Table 2. What can be done with more flexibility?

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

Source: OECD Managing Accountability and Flexibility e-questionnaire, 2010.

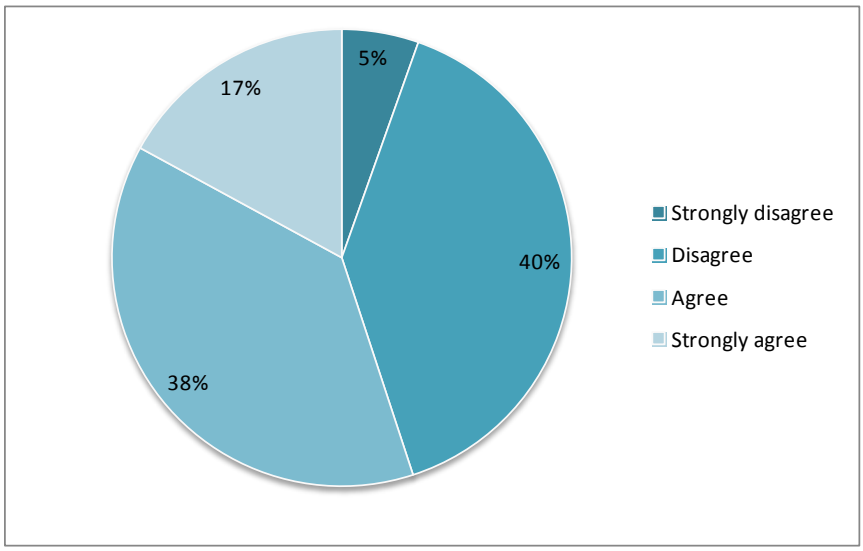
Making the most of the flexibility available

It has been identified in OECD LEED research (e.g. Froy and Giguère, 2010) that while greater flexibility can lead to greater collaboration and the development of joined-up initiatives, this is not always the case. Capacities and good governance mechanisms need to be there too. In the following section we briefly explore these two issues.

Capacities

Capacities were an important issue discussed in the four country studies. In general, 55% of responding local labour offices felt that allocating more flexibility would only make sense if they had more capacity and resources locally.

Figure 9. More flexibility would only make sense if we had more capacity and resources locally



Source: OECD Managing Accountability and Flexibility e-questionnaire, 2010.

It is important for governments to build capacities more generally at the local level – both personnel capacities (technical, managerial), organisational capabilities (governance and management structures, IT systems) and fiscal capabilities (adequate resources to carry out responsibilities). However, this research has identified a number of issues arising in connection with capacities locally. In particular:

The chicken and egg dilemma. Governments frequently ask how it is possible to award more flexibility when the capacity is not there to deliver and how will local agencies build capacity without responsibility and flexibility? **Awarding incremental responsibility** can be important here: devolving whenever possible where the accountability risk is judged to be minimal. This can include piloting innovative actions in small groups of areas and developing 'waiver systems' where local actors can ask for bureaucratic rules to be relaxed in certain circumstances to allow for innovation and experimentation. In the United States, a 'waiver' system has been established by the Federal Department of Labor to allow states to apply for additional flexibility in specific areas when implementing innovative workforce strategies and initiatives. Many states have taken advantage of the system. Texas, for example, has obtained waivers to expand the target group of people eligible for training and to relax the required 50% employer match for customised training (Froy and Giguère, 2010).

Issues of geographical scale. One respondent to the e-questionnaire said '*The labour market problems in our region are of such complexity that the only way to try and solve them is collaboration on a larger scale*'. In several of the countries studied municipalities are small, and it is important to plan carefully at what level different collaborative tasks should be carried out. In the Netherlands, for example, the 'work squares' at different governance levels have varying levels of responsibility. In addition the 30 larger municipalities have a greater role in leading strategic collaboration with other actors on labour market issues and special initiatives (such as for youth). At the same time, employers often argue that they need a single point of contact at a higher governance level (because their hiring goes across municipal boundaries for example). Ideally a **multi-level governance** mechanism is needed to ensure that different stakeholders can communicate with representatives at different governance levels and negotiation can occur between the relevant parties to achieve their needs and demands.

What are useful tools for supporting local collaboration?

There are few gains to expect from increased management flexibility if it does not lead to greater co-ordination at the local level between labour market policy and economic development. Co-ordination is hard to achieve because of the vertical structure of other public institutions and the pressure that these institutions also have to contribute to national policy goals. In practice, making a real difference at the local level may mean giving preference to actions that are part of broad long-term local strategies at the expense of those yielding more immediate results for individual policy areas.

OECD LEED research (Froy and Giguère, 2010) shows that in order to build cooperation local level it is necessary to:

- **Construct a shared vision** among local labour market and economic development entities. This can be difficult - even though they may share a common vision of job creation and economic growth their objectives may differ, and local actors need to work together to balance the trade-offs between them. At the same time, leadership is necessary to define the common purpose of the network, educate partners on the importance of cutting across administrative barriers, and hold partners mutually accountable for their performance.

- **Improve coordination at higher governance levels** on labour market issues. It is a common complaint that policy tensions at the national and regional level are repeated at the local level, leading to more conflictive partnerships. Identifying common goals for the skills and employment infra-structure and understanding synergies with other policy areas is therefore critical. Many OECD countries have experimented with 'whole of government' and holistic government approaches that provide a better vertical framework for joined up approaches at the local level.

- **Change organisational cultures**: Horizontal coordination will not be achieved through a simple restructuring of government but rather a cultural transformation among management, staff, and policy makers. This requires the ability to work in partnership, pay attention to clients and 'end users', provide leadership and generate trust among partners.

- **Provide incentives**: Horizontal coordination requires appropriate mechanisms that govern the way participants interact. These may include incentives, rewards, and sanctions that are aligned with the network's objectives and goals. Mechanisms may range from contracts and memoranda of understanding, to informal agreements. More flexible network approaches, with partners meeting on a 'needs must' basis, can also produce effective results.

Getting the right governance mechanisms operating locally is also important to achieve effective collaboration. A number of useful governance mechanisms were found to be operating in the four countries:

Table 3. Examples of mechanisms used to support local collaboration in Belgium (Flanders), Canada, Denmark and the Netherlands

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

Source: OECD Managing Accountability and Flexibility study.

EMERGING ISSUES FOR DISCUSSION

Emerging issues for discussion at the Aarhus conference include the following:

- Ensuring flexibility in labour market programming can support increased collaboration and contributions to local strategic planning at the local level, although countries have to plan carefully to overcome the potential downsides of too much flexibility (e.g. ensuring minimum standards for service delivery and the achievement of national targets). The four countries appear to be managing this trade-off between flexibility and accountability effectively, although the governance arrangements used each time are very different.

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

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

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

- Setting outcome targets rather than input or output targets is clearly important in allowing governments to retain control over results while allowing local entities to determine the best way to administer services. It is important that such targets capture the broad range of work that local offices are carrying out to avoid an 'accountability gap'.

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

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

- It was not felt that awarding more flexibility would risk creating problems in relation to accountability, however there were concerns about awarding more flexibility without raising capacities and resources. In order to build up capacities it can be helpful to reward local offices with 'incremental flexibility'. At the same time, issues of scale suggest that it is best to manage labour market policy within a multilevel governance framework. A number of governance tools can be useful at the local level to maximise the chances of meaningful collaboration, including 'brokers', operational platforms, strategic platforms and oversight bodies.

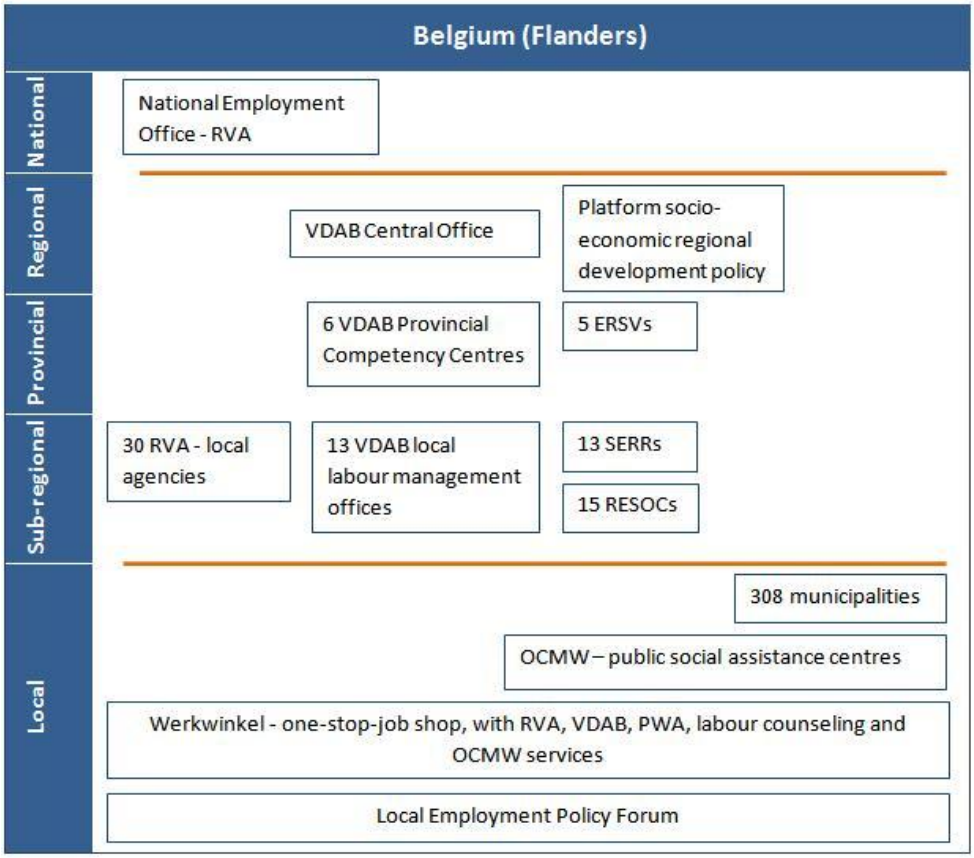
At the conference, delegates will be invited to discuss these early results; identify ways to overcome the obstacles to flexibility; and make accountability better adapted to the work carried out by local employment offices.

COUNTRY SYNOPSES

BELGIUM (FLANDERS)

Institutional framework

Figure 10. Belgium (Flanders): institutional framework



Source: OECD Managing Accountability and Flexibility study.

Overview of the employment system

Belgium has a federal system of governance. Since the late 1970s five consecutive reforms have transferred more competences to the regions and communities. Labour law and social security (legislation, organisation, financing and administration) are a federal matter. The regions (Flanders, Wallonia and Brussels) are responsible for Active Labour Market Policies (sometimes co-financed by the federal government) and for labour mediation and the Public Employment Services. The communities (organised by language: Dutch, French or German speaking) are responsible for person-related matters such as education (including social promotion and vocational training and retraining) and policy concerning people with disabilities. The Flemish government cannot elaborate labour market actions that belong to the competences of the federal level and vice versa. At sub-regional level, the provinces, cities and municipalities have no explicit competences for labour market policy. They mainly implement federal and regional decisions and actions. But, following the Constitution, they do have residual competences. This means that they can take all actions of local importance. This also counts for local labour

market policy. The principle of subsidiarity is important here. What a smaller entity can do or perform sufficiently must not be done by a larger entity, unless the latter can do this more appropriately.

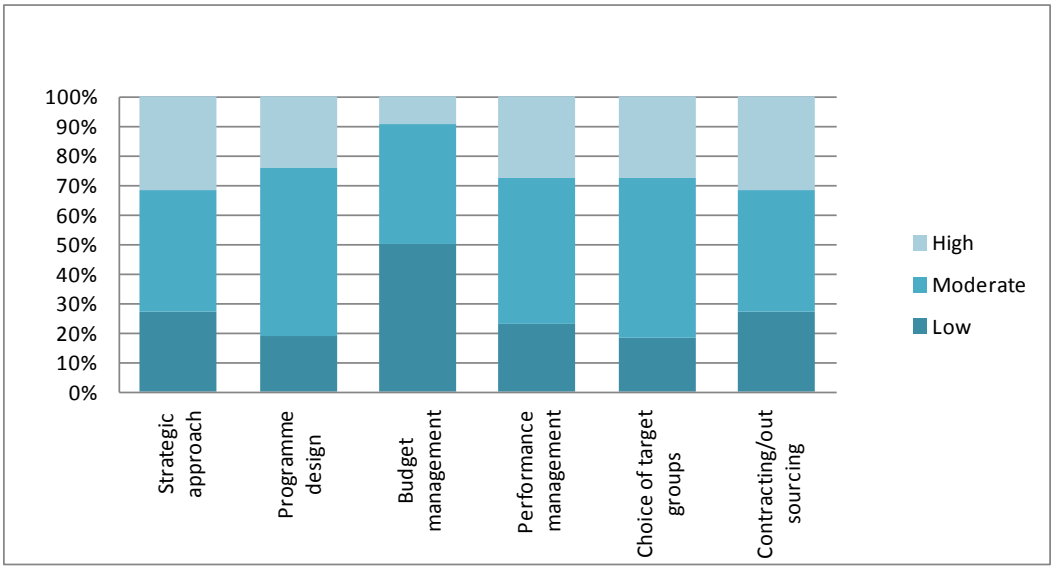
A major part of active labour market policy and instruments in Belgium is managed at the regional level by the four Public Employment Services (PES's) which cover the Belgian territory: VDAB (Vlaamse Dienst voor Arbeidsbemiddeling) in Flanders, FOREM in Wallonia, Actiris in Brussels Capital region and ADG in the German speaking region. The PES's are accountable to the respective regional governments and hence develop different policies and administrative practices. VDAB is responsible for registration and placement of jobseekers as well as for vocational training for Flanders and for the Flemish-speaking inhabitants of the Brussels Region. VDAB has central offices, 13 sub-regional local labour market management offices (regionale arbeidsmarktdirectie) and six provincial competence centres (provinciaal competentiecentrum).

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

Throughout the system there are extensive advisory networks responsible for consultation and planning; in Flanders this occurs at the sub-regional level through councils called SERR/RESOC. Flanders is divided in five ERSV territories (identical to the provinces), 13 SERRs and 15 RESOCs. The ERSVs are financed by the Flemish government which provides a subsidy to support the staffing and operations of the SERRs and RESOCs. SERR and RESOC operate on a policy level and do not provide client services. Their key focus is on regional and local planning.

The Flemish government is currently undertaking an ambitious reform agenda to reduce institutional crowdedness, as well as improve regional governance and local governance capacity. At the same time, the VDAB is also undergoing a process of internal restructuring. Within this changing and dynamic governance framework, the accountability and flexibility relationships explore in this study are those within VDAB, the SERR/RESOC/ERSV network, and the municipalities in Flanders.

Figure 11. Perceptions of flexibility in different management areas, Belgium (Flanders)

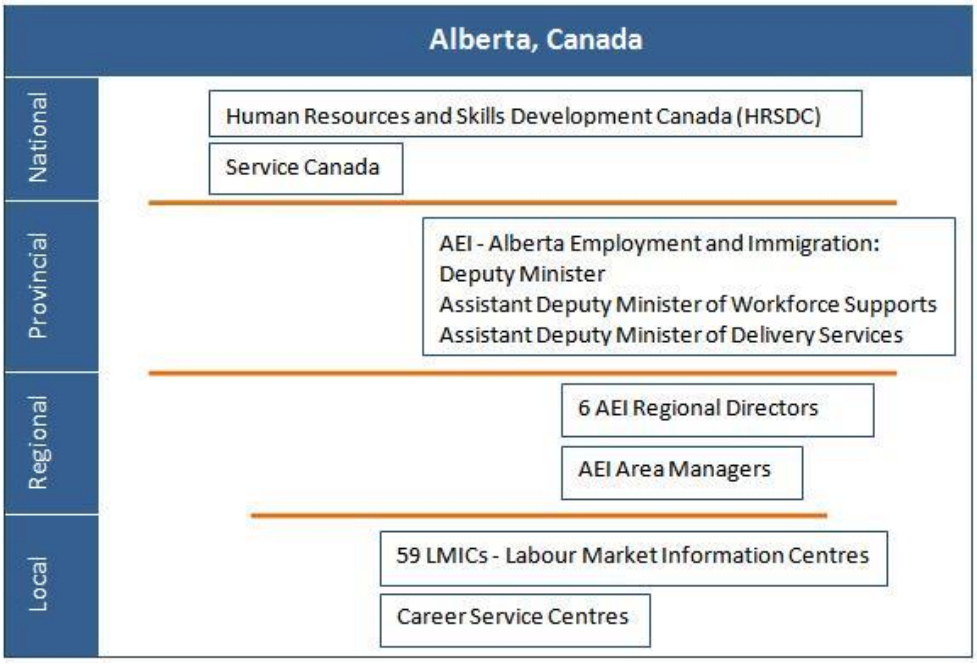


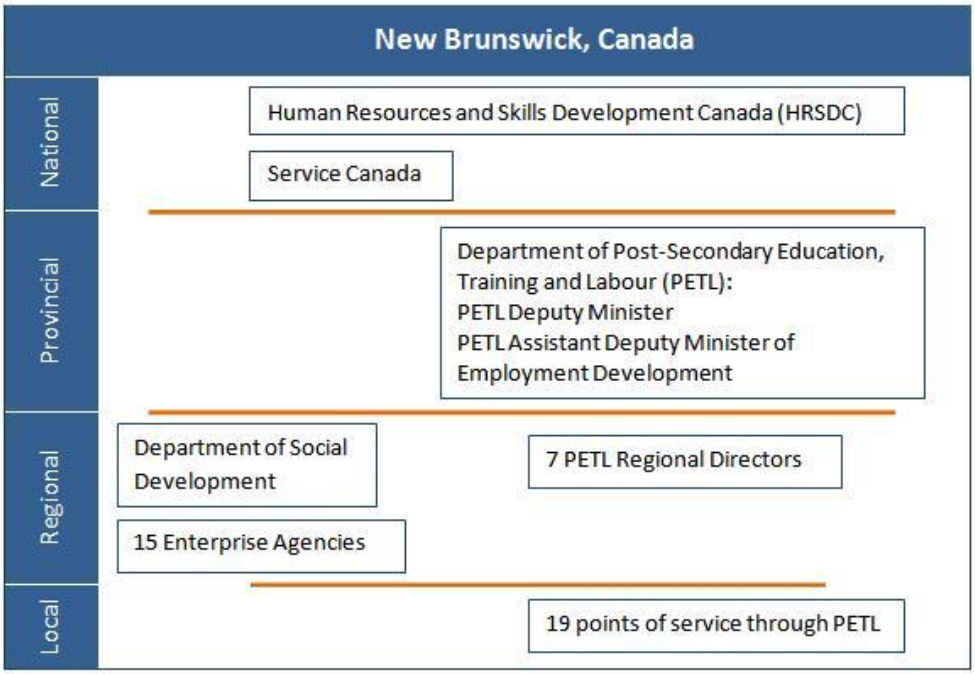
Source: OECD Managing Accountability and Flexibility e-questionnaire, 2010.

CANADA

Institutional framework

Figure 12. Alberta and New Brunswick: institutional framework





Source: OECD Managing Accountability and Flexibility study.

Overview of the employment system

Canada has a federal system of governance, with federal and provincial governments responsible within their constitutionally defined jurisdictional areas. Municipal governments are

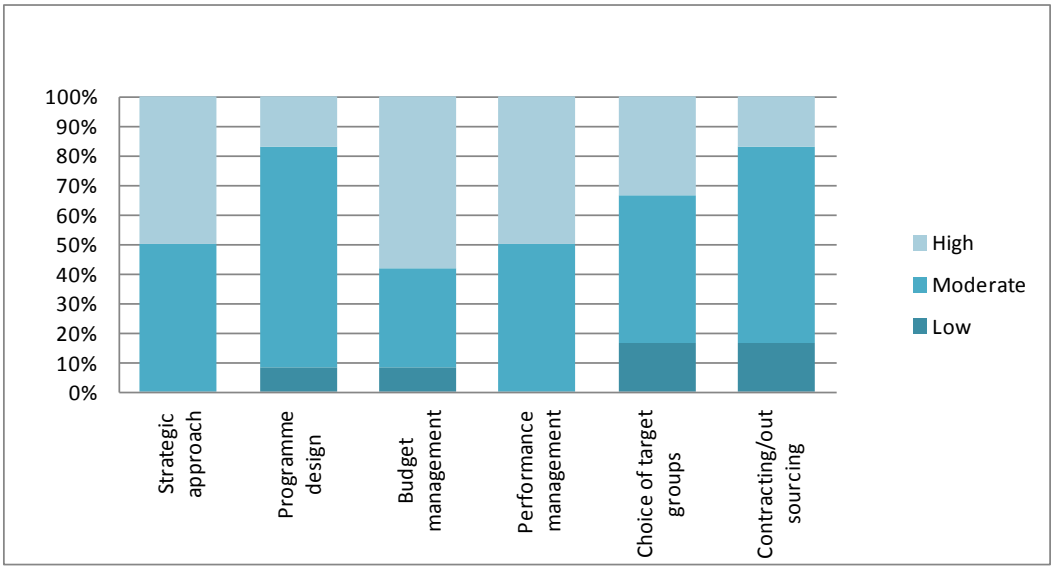
creatures of provincial governments and have no authority beyond what is given to them by their respective provincial government. Responsibility for labour market policy has often been contested between federal and provincial governments in Canada and at various times has swung between them. Until 1996 the Government of Canada was fully responsible through a network of over 500 federally-managed offices for providing passive income benefits to the insured unemployed (in Canada called Employment Insurance) and for providing active measures through a national Public Employment Service. At the same time each provincial and territorial government (there are 13) was responsible for providing last resort income benefits to the uninsured unemployed (called social assistance) as well as active measures to get them into work. The degree to which provinces provided active measures to social assistance recipients varied from one province to another.

Although many years ago municipal governments in Canada were also involved in labour market measures, over time most provincial governments assumed these responsibilities. The one exception today is Ontario (Canada's largest province) where municipalities retain some responsibility for social assistance as well as active measures for these individuals. However, even though Canadian municipalities are not responsible for either active or passive labour market policy, they are a key partner in how it is managed given their related responsibilities for housing, homelessness and local matters. In 1996 the Government of Canada) offered to devolve responsibility for active measures for the insured unemployed to provincial/territorial governments. This resulted in the transfer of federal staff, funding (from the Employment Insurance account) and assets to provincial governments. The Government of Canada retained responsibility for all Employment Insurance benefits and for active measures for select client groups (e.g. aboriginal persons). Since the devolution offer they have also provided significant additional funding to provincial/territorial governments for active measures for the uninsured unemployed, and measures for the insured and uninsured in response to the economic downturn.

All provinces and territories in Canada have assumed these new responsibilities for active labour market programmes. Canada's Public Employment Service is now, in effect, managed and delivered by 13 provincial/territorial governments as each deems suitable within the framework and funding provided through several similar federal-provincial-territorial framework agreements. The services are substantially funded by the Government of Canada. In the two case studies under examination (Alberta Employment and Immigration and New Brunswick Post-secondary Education, Training and Labour) the responsible provincial governments have decided to provide active measures to both insured and uninsured citizens through an integrated delivery system, using provincial government employees as well as outsourced services. In Alberta the department also provides social assistance while in New Brunswick this is provided by the Department of Social Development.

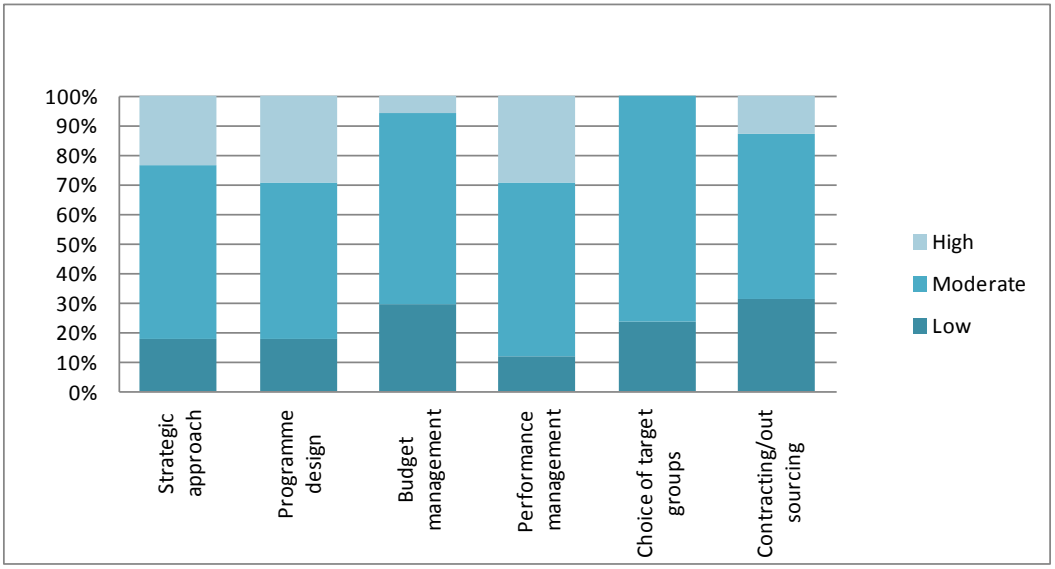
The Government of Canada continues to provide passive employment insurance benefits via the Employment Insurance Programme as well as active measures to some targeted groups through an integrated organisation that operates across the country called Service Canada, mostly through contracted service delivery arrangements. The key flexibility/accountability relationships being examined in these two case studies are those that occur within each province, that is within each provincial government department (which in both Alberta and New Brunswick involve regional and local offices with nested reporting relationships) as well as with their external partners and collaborators. Where federal rules impact flexibility at the local level, these are taken into account.

Figure 13. Perceptions of flexibility in different management areas, New Brunswick, Canada



Source: OECD Managing Accountability and Flexibility e-questionnaire, 2010.

Figure 14. Perceptions of flexibility in different management areas, Alberta, Canada

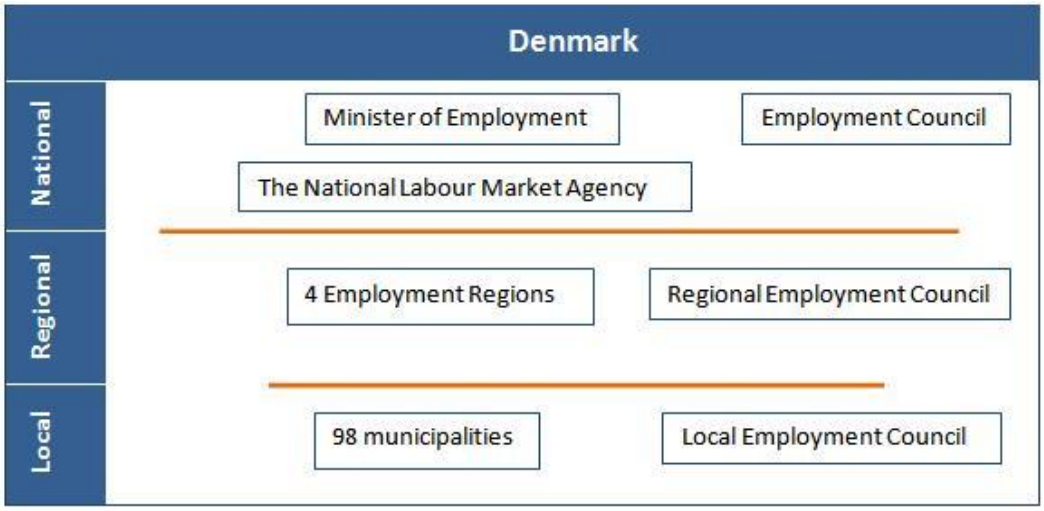


Source: OECD Managing Accountability and Flexibility e-questionnaire, 2010.

DENMARK

Institutional framework

Figure 15. Denmark: institutional framework



Source: OECD Managing Accountability and Flexibility study.

Overview of the employment system

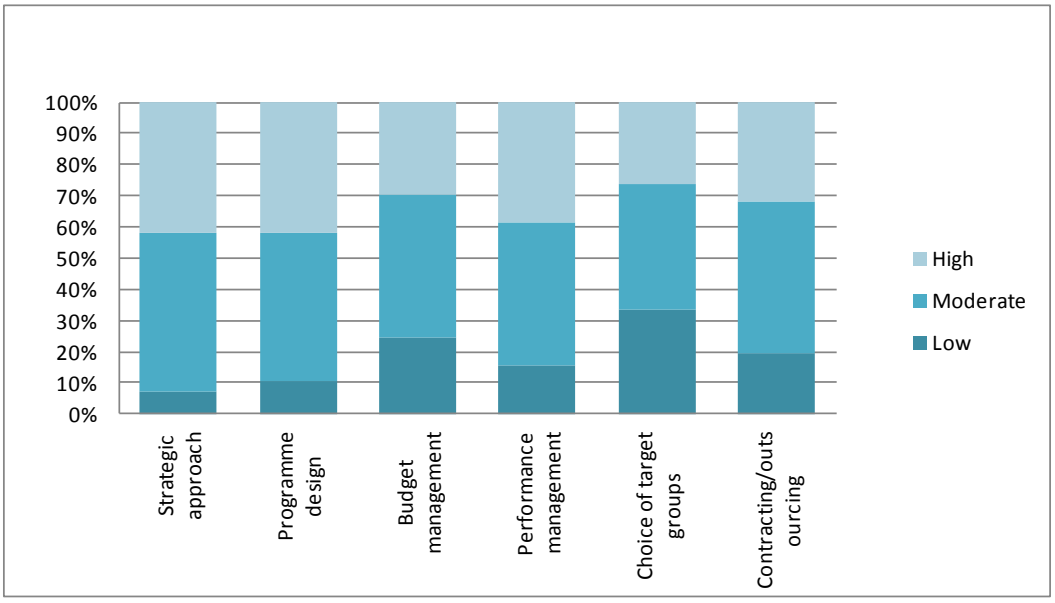
Denmark is a unitary state. Denmark spends approximately 1.4% of GDP on active labour market programmes (the highest percentage among OECD-countries), providing considerable capacity and resources for active measures. Employment policy is highly prioritised and there have been many reforms and legislative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

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

With the changes municipalities now also have a role in financing active measures (two thirds of budget from national, one third from municipal), however, there are also incentives built in so that they can keep the money if they get people back to work. The Regional Employment Office's role is one of support and advice, they cannot tell the job centres what to do. As the national and regional level has devolved responsibility, steering instruments like performance objectives, legislation, transparency, IT systems, incentives and intensive dialogue are used in order to maintain accountability and national steering.

The key accountability/flexibility relationships under review in this study are between the national government, the Employment Regions and the municipalities, as well as their relationships with their partners and advisory groups.

Figure 16. Perceptions of flexibility in different management areas, Denmark

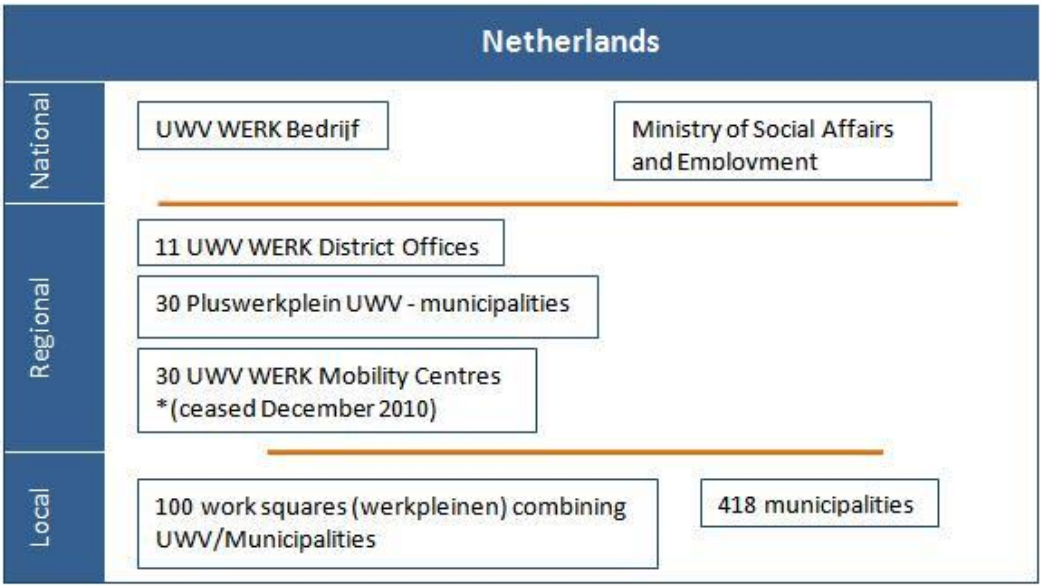


Source: OECD Managing Accountability and Flexibility e-questionnaire, 2010.

NETHERLANDS

Institutional framework

Figure 17. Netherlands: institutional framework



Source: OECD Managing Accountability and Flexibility study.

Overview of the employment system

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

In the Netherlands people unable to pay for their upkeep receive social assistance from the municipality in which they live. This is also overseen by the Ministry of Social Affairs and Employment. There are 418 municipalities in the Netherlands. The municipalities started to engage in active labour market policy back in the 1980s. At this time, national activation programmes entailed clear definitions of their target groups in terms of age, duration of unemployment. In 2004 the Work and Social Assistance Act was introduced. This obliges everyone entitled to a benefit to have a discussion about work first. Since the new act performance management targets have been replaced by financial incentives to reduce the number of people on social assistance. Municipalities are fully responsible for benefit expenditures and are free to use any saved money as they wish. They are not bound to use the market for service delivery to the same extent as UWV WERK Bedrijf and more services are provided in-house. An additional significant change was the efforts made in the aftermath of the economic downturn to coordinate

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

This collaboration is new and still emerging. As the Netherlands, in effect, operates two parallel organisational structures for employment supports, the flexibility/accountability relationships under assessment are those between the UWV WERK Bedrijf office and their district and local offices, and between the Ministry of Social Affairs and the Dutch municipalities (including municipal staff and politicians). Horizontal relationships between the UWV WERK Bedrijven office and municipalities through the worksquares are also considered.

Figure 18. Perceptions of flexibility in different management areas, Netherlands (municipalities)

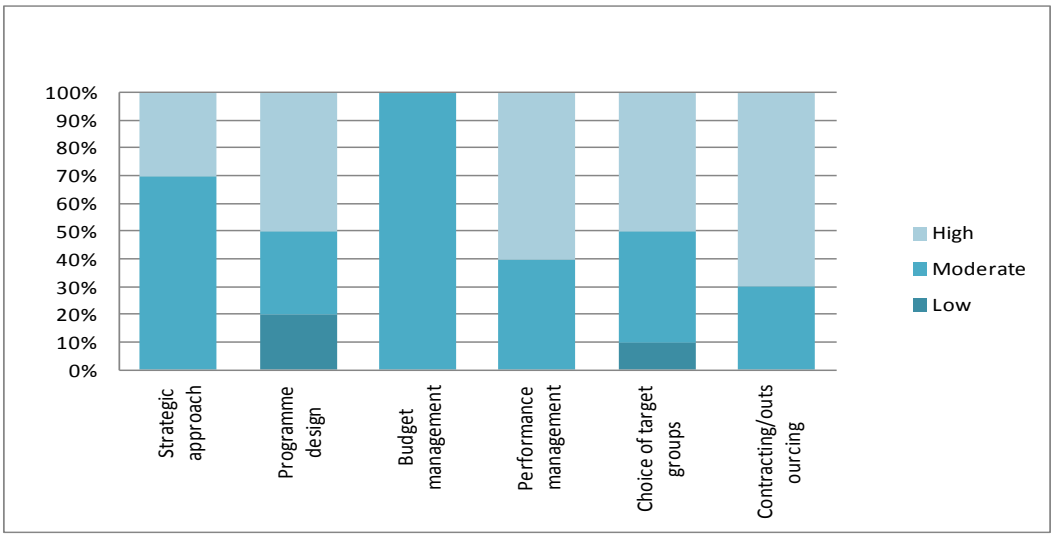
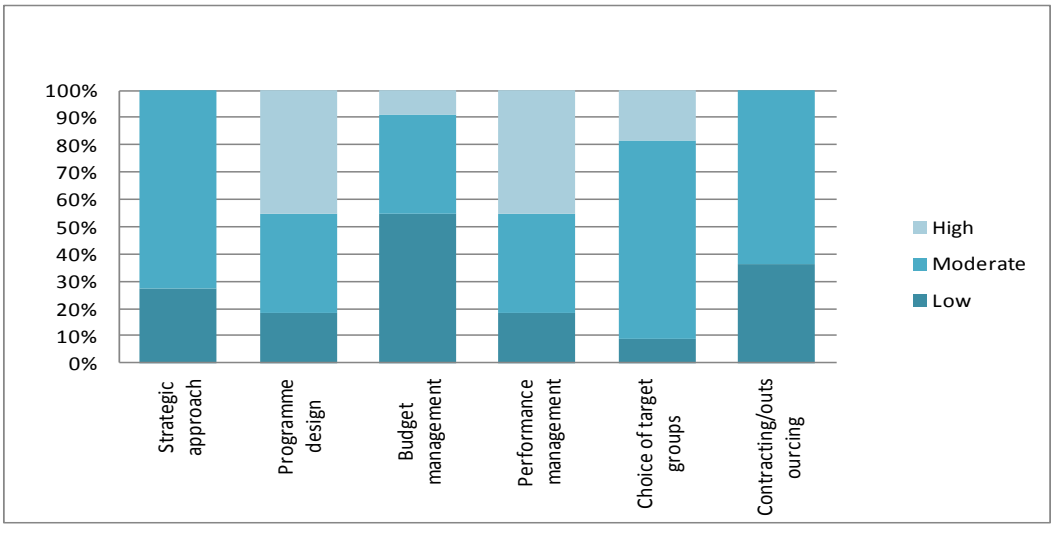


Figure 19. Perceptions of flexibility in different management areas, Netherlands (UWV)



Source: OECD Managing Accountability and Flexibility e-questionnaire, 2010.

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ANNEX 1: VENICE ACTION STATEMENT ON ENHANCING FLEXIBILITY IN THE MANAGEMENT OF LABOUR MARKET POLICY

Preamble

We, the participants of the high level conference on *'Decentralisation and Co-ordination: The Twin Challenges of Labour Market Policy',* held in Venice on 17-19 April 2008, propose the following Action Statement, which aims to underline the importance of enhancing flexibility in the management of labour market policy in order better to reconcile national and local goals. At a time when human resources are so much at the heart of economic growth, it has become urgent to review the organisation of employment policy so that it is better able to respond to the opportunities and threats experienced by localities in a knowledge-based economy. Working together, we hope to make new advances on the critical issue of balancing national policy goals and local concerns in a way which reaps maximum benefits from globalisation.

Background: A changing role for labour market policy

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

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

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

Capacity and intelligence are essential companions to flexibility at the local level. Co-ordinating labour market policy with economic development beyond the fulfilment of short-term business needs requires an understanding of both local and global economic conditions and an ability to help business managers avoid

future bottlenecks, skills gaps and deficiencies in productivity. Joint and integrated planning requires locally-assembled data and expertise which can support the establishment of common strategic objectives and the better management of policy conflicts and trade-offs. Thus, for governments, building capacities and ensuring the availability of disaggregated data should also be central elements in any strategy to ensure the success of decentralisation.

Proposed Actions

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

1. ***Inject flexibility into the management of labour market policy***. It should be possible for the local level to give strategic orientations to the implementation of programmes. Local staff should have the ability to make decisions on the orientation of public programmes and services, in addition to achieving predetermined objectives.

2. ***Establish an overarching management framework which embeds local flexibility*.** Employment policy should be managed in a way which supports greater local differentiation while still paying attention to aggregate impacts at the national level. In particular, targets should be negotiated with the local level in order to ensure that they meet local strategic needs, while being embedded in a wider framework which ensures that aggregate national policy goals continue to be met.

3. ***Build strategic capacity***. Enhancing local capacities becomes particularly important in this context, as strategies for human resources development must be integrated and matched to the economic reality on the ground. Staff within labour market agencies should have a strong knowledge of local business practices, local economic conditions, industry developments, and appropriate methods to identify skills gaps and deficiencies in local economic sectors. They should also develop the analytical skills necessary to use this knowledge as a basis for developing broad strategic orientations locally.

4. ***Build up local data and intelligence*.** Building an understanding of economic and labour market conditions demands, as a prerequisite, refined data collection and analysis as well as expertise in a wide variety of fields. The capacity to gather data locally and organise it in a way which can support strategic planning exercises is critical. The national level can support this process by ensuring that data is disaggregated to the local level and by making available analytical tools which can be adapted to local circumstances.

5. ***Improve governance mechanisms***. Labour market agencies should collaborate effectively with business, trade unions, civil society, education institutions, research centres, economic development agencies and local authorities. There is no governance mechanism which fits all institutional frameworks, but partnerships have a certain value in bringing different stakeholders together to develop appropriate and realistic strategies.

6. ***Improve administrative processes***. Aligning policies through institutional reform such as decentralisation is a difficult challenge. In large countries, with complex distributions of power, a perfect match may always seem just beyond reach. A wide-scale review of how administrations function, cooperate and manage policies is required to support better collaboration between different administrative layers and between different policy

institutions. This is particularly important given that the new, broader goals for human resources development cut across a number of different policy areas.

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