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**DECENTRALISATION OF PUBLIC
EMPLOYMENT SERVICES**

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EXECUTIVE SUMMARY

In the past three decades there has been a strong trend toward decentralisation in public employment services. There have been two principal types: (1) managerial or administrative decentralisation and (2) political decentralisation or devolution.

Managerial or administrative decentralisation usually takes the form of performance management with management by objectives (MBO). It is a classical managerial strategy for reconciling flexibility and accountability in PES organisations and the common denominator of diverse intra-organisational decentralisation strategies.

In political decentralisation or devolution lower tiers of government play a central role in implementation and, in some cases, policy. The implementing agencies are no longer subordinate departments of a central administration but autonomous political entities. In such complex multilevel governance the relationship between central and regional or local authorities is inherently less hierarchical than in a national PES organisation

In general labour law and social security, including unemployment benefits, have remained centrally regulated and decentralisation has been concentrated in the area of active policies.

Political decentralisation or devolution in public employment services takes a number of forms: (1) Federalism (e.g. USA, Canada, and Switzerland), (2) Regionalisation (e.g. Spain, Italy and Belgium), (3) Municipalisation (e.g. Denmark, Poland, and Norway), sometimes only for social assistance recipients (e.g. the Netherlands, Germany and Finland).

The reasons for decentralisation are complex and different in each case. Four principal factors can be observed:

- 1) Public management reform in the spirit of New Public Management, which has affected all areas of public administration, has been particularly important for the spread of MBO;
- 2) Regionalisation trends in Europe that have led to a broad devolution of central competences to the level of regional authorities, including in many cases employment services;
- 3) Path dependency in the traditionally decentralised federalist states;
- 4) Only in the municipalisation reforms have considerations of labour market policy, specifically an increased focus on activation of social assistance recipients, played a central role.

Several key organisational dimensions of decentralisation are identified and discussed as measures of decentralisation and policy options: 1) Budget flexibility; 2) Programme flexibility; 3) Target groups; 4) Flexibility in the organisation of service delivery; 4)

Personnel flexibility; 5) Flexibility in outsourcing; 6) Flexibility in targets and strategic goals.

Key management issues in decentralisation are discussed, with particular reference to political decentralisation. These include concerns around accountability and local delivery capacity, finding the balance between political decentralization and integrated service delivery and the setting of core standards to be met in all localities.

There is no simple recipe for good practice in decentralization because national circumstances, institutional contexts traditions and policy priorities differ greatly. Experience with decentralization does, however, suggest decentralization strategies that may be more or less relevant in diverse national contexts. For example:

- 1) Flexible global reintegration budgets for regional or local PES agencies and steering through outcome targets rather than line-item budgets;
- 2) Flexibility in programme design, for example, through design waivers, special budget allocations for innovative local programs;
- 3) Performance targets that are outcome-oriented and based on a dialogue process with local input, inclusion of local targets and sufficient funding to make them meaningful;
- 4) Devolution of responsibility to regional and local actors should be accompanied by clear definition of the accountability of local or regional authorities;
- 5) Transparency in performance results of regional or local offices and a national performance management and labour market information system, even in countries with political decentralization of employment services;
- 6) Integrated service delivery for clients even where institutional responsibility is fragmented, for example, through one-stop-shops;
- 7) Develop local capabilities by providing national technical and consulting services, promotion of staff professionalism, dissemination of good practice, gradual and even voluntary devolution to region or municipalities;
- 8) Maintain minimum service standards to insure equal treatment, even in decentralized service delivery systems.

1. WHAT IS DECENTRALISATION?

Decentralisation is the transfer of responsibility for public policies from the national to the regional, sub-regional or local levels (see De Vries 2000 for a general discussion).¹ Our focus in this report is on decentralisation in public employment services, and particularly those services aimed at assisting jobseekers and employers by providing labour market information, job matching and counseling or employment measures (e.g. labour market training, wage subsidies, job creation).

In the past three decades there has been a strong trend toward decentralisation in labour market policies in EU and OECD countries (see OECD 1999, 2003, Giguère and Froy 2009). This trend is a reflection of broader developments in public administration, especially public management reform ('New Public Management') and the trend toward devolution of central governmental responsibilities to regions and municipalities.

Policymakers have also become increasingly aware of the importance of the local dimension of labor market policy and the need to facilitate more tailor-made policies in co-operation with other local actors that have a better regional and local fit. **The diffusion of these policies through the EU and the OECD has been instrumental in transforming European public employment services and their convergence toward a new organisational paradigm** (Weishaupt 2010). Weishaupt emphasises in particular the importance of the HoPES network, the Benchmarking Group, the WAPES Europe Group as well as other Commission activities in the context of the EES and the Open Method of Coordination² for the dissemination of 'new public management' ideas in the EU, in particular performance management with MBO.³

The OECD programme on public management has also been particularly influential in disseminating concepts of performance management. The importance of decentralisation, local co-operation, networks and partnerships in local implementation has been strongly advocated by the OECD's LEED ("Local Economic and Employment Development) program for more than 20 years.⁴

¹ Outsourcing of employment services, another variety of decentralization in public administration, is beyond the limited scope of this paper.

² The Open Method of Co-ordination in the European Employment Strategy itself is an interesting example of a highly decentralised soft' employment policy regime. It comprises agreed goals, targets and indicators with regular monitoring, reporting, assessments and regular interaction between national officials but without the powers of enforcement. See Zeitlin (2009) for an overview of the OMC's influence.

³ In his theoretical perspective, policy diffusion and institutional convergence ("isomorphism") is the product of mimetic processes (emulation and adaptation) and normative pressure ("social learning") in a cross-national "epistemic community" in which policy makers must act under conditions of uncertainty as to what actually works (Weishaupt 2010).

⁴ See their respective web pages:

1) http://www.oecd.org/topic/0,3699,en_2649_34139_1_1_1_1_37405,00.html

2) http://www.oecd.org/department/0,3355,en_2649_34417_1_1_1_1_1,00.html

2. WHAT TYPES OF PES DECENTRALISATION ARE THERE?

There have been two principal types of decentralisation in EU and OECD public employment services: **(1) managerial or administrative decentralisation** in which regional and local PES offices are given increased operative flexibility in implementing national policy objectives and **(2) political decentralisation or devolution**, which usually entails a more far-reaching delegation of responsibility from the national PES to the sub-national (regional, state, or municipal) levels of government (Mosley 2003, 2009a).

Managerial and political decentralisation are of course not mutually exclusive. Performance management as a management approach is applicable at any level of government and is extensively used by regional and local governments as they have assumed new responsibilities for implementation of employment services).

2.1 Managerial decentralisation in national PES organisations

Managerial or administrative decentralisation usually takes the form of performance management with management by objectives (MBO). It is the classical managerial strategy for reconciling flexibility and accountability in PES organisations and the common denominator of diverse intra-organisational decentralisation strategies.⁵

Performance management (or management by objectives) is the central element of diverse public sector reforms in the tradition of 'New Public Management.' Emphasis is on outputs or outcomes against targets rather than on controlling inputs and adherence to detailed regulations. Managers and operating units at regional and local levels are relatively free in their choice of strategies and programmes to achieve the agreed performance targets. MBO within a national PES organisation does not represent an abandonment of central direction of the PES organisation but rather a refinement. Operating units are given a great deal more discretion in the use of funds and personnel and in the mix and management of programmes than in more traditional administrative structures but are expected to achieve centrally set goals and targets in terms of which their performance is assessed.⁶ Performance management in PES

⁵ On managerial decentralisation in public employment services see Mosley et al. 2001, Grubb 2004, Nunn et al. 2010.

⁶ Ideal typically it entails the following elements (Mosley 2003, Mosley, Schütz, Breyer 2001):

- 1) The definition of a limited number of organizational goals and corresponding performance indicators;
- 2) Delegation of these performance targets to subordinate levels of the organization;
- 3) Flexibility in the sense of a low density of generally binding bureaucratic rules and procedures. Managers and operating units at regional and local levels are relatively free in their choice of strategies and programs to achieve the agreed performance targets for their units.
- 4) Monitoring and controlling of performance against targets.

organisations is primarily a product of the broader trend toward public management reform in the spirit of New Public Management. It is a management style borrowed from the private sector and primarily justified in terms of efficiency and effectiveness. **The decentralisation that MBO entails is ambiguous. On the one hand, it typically concedes greater discretion to managers at the regional and local operational levels in implementing policy, while striving to better impose central strategic goals.**

Use of management by objectives in some form is now widespread if not universal in EU public employment service organisations.⁷ This is a consequence, in the first instance, of the dissemination of performance management in the public sector in the 1980s and 1990s and of the European Employment Strategy.⁸ Among the older Member States (EU 15), northern European countries have the longest experience with MBO management systems (Norway 1987, France (ANPE) 1990, Great Britain 1991, Netherlands 1991, Finland 1992, Denmark 1994; see Mosley et al. 2001).

Since 1998, the dissemination of MBO has been furthered by the European Employment Strategy, which has embraced an analogous approach at the EU-level, defining employment policy goals, targets and indicators and requiring the Member States to submit national employment reports that document progress toward goals set in employment policy guidelines.

Although MBO in some form is now nominally universal in national EU PES organisations, practice varies and in many cases basic elements of MBO are not fully implemented. A 2001 study illustrates the implementation gap in MBO: Although almost all 18 EU PES organisations claimed to use MBO, at that time only 9 states and the Flanders region of Belgium had a MBO internal management system that satisfied two core criteria: 1) ex ante setting of goals, operational objectives and quantitative performance targets; 2) measuring and reporting the actual level of performance of operating units against these objectives (Mosley et al. 2001).⁹ No more recent EU survey of performance management practices is available.

In newer EU Member States in southern and eastern Europe the MBO-approach plays a central role in the policy planning process at least at the national level. This is in part

5) Sanctions for either the operative unit or for individual managers. In contrast to traditional bureaucratic administration, the emphasis is on outputs or outcomes against targets rather than on controlling inputs and adherence to detailed regulations.

⁷ Based on our own survey of available secondary literature all national PES organizations included formulate policy in terms of MBO-type concepts (goals, targets, indicators). See Table 1.

⁸ See Mosley, Schütz, Breyer 2001 on the adoption of the MBO-approach in EU PES organizations and Weishaupt 2010 on the policy diffusion process in the EU.

⁹ Eighteen countries because the survey included the EU 15, including all three Belgian regional PES, as well as Norway. At the time, only Luxembourg and two of the Belgium regional PES (ORBEM in Brussels and FOREM in Wallonia) did not claim to use MBO.

a reflection of the influence of their participation in the European Employment Strategy and the fact that the management of labour market policy in the newer Member States is strongly embedded in the ESF programming process with its MBO-type management and reporting requirements.

2.2 Political decentralisation

In political decentralisation or devolution lower tiers of government play a central role in implementation and, in some cases, policy. The implementing agencies are no longer subordinate departments of a central administration but autonomous political entities. In such complex multilevel governance the relationship between central and regional or local authorities is inherently less hierarchical and more negotiated (see 5.2 below).

In general labour law and social security, including unemployment benefits, have remained centrally regulated and the movement toward decentralisation has been concentrated in the area of active policies.¹⁰ In some countries national employment services for jobseekers on social assistance are organised separately, and are frequently more decentralised than services for the insured unemployed (Germany, Finland, the Netherlands).

Political decentralisation takes a variety of forms:

- 1) Federalism in which state or provincial governments are responsible for a range of domestic policy areas, including employment services (e.g., USA, Canada, Switzerland);
- 2) Regionalisation in several previously highly centralised political-administrative systems that have devolved power to strong regional governments, including major responsibilities in the field of labour market and employment policy (e.g. Belgium, Italy and Spain);
- 3) Municipalisation of service delivery is a third variant either for all jobseekers (Denmark, Norway and Poland) or only for social assistance recipients (the Netherlands, Germany and Finland), which in many countries has been historically a responsibility of the local authorities.

Decentralisation in selected EU and OECD states

Our survey of patterns in employment service decentralisation based on available secondary literature shows that major political decentralisation is now found in ten European countries, whereby in three cases (Finland, Germany, The Netherlands) only responsibility for delivery of employment services for social assistance recipients has been devolved either to the municipalities (The Netherlands),

¹⁰ The line between benefit administration and active policies is increasingly blurred by the new emphasis on “activation” in the form of heightened control of availability for work and job search behaviour.

or to joint PES-municipal one-stop-shops (Finland and Germany).¹¹ Municipalisation is also found in three other countries, whereby in Denmark and Poland they have full responsibility for service delivery for all jobseekers and in cooperative joint PES-municipal job centers in Norway. Three countries (Belgium, Spain, and Italy) have devolved responsibility to the regions and Switzerland, like Canada and the USA, is a traditional federal system in which the cantons are primarily responsible for employment services. Nevertheless most EU countries (18) still have national PES organisations that are primarily responsible for the delivery of employment services¹²

Table 1: Types of decentralisation in employment services

Political decentralisation			Managerial decentralisation (MBO)	
<i>Federalism</i>	<i>Regionalisation</i>	<i>Municipalisation</i>	<i>(national PES)</i>	
		<u>all jobseekers</u>	Austria	Romania
Canada	Belgium	Denmark	Finland	Greece
USA	Spain	Poland ¹³	Germany	Hungary
Switzerland	Italy	Norway	Netherlands	Latvia
			France	Slovenia
		<u>social assistance</u>	Sweden	Bulgaria
		Finland ¹⁴	Estonia	Portugal
		Germany	Czech Rep.	Ireland
		Netherlands	UK ¹⁵	Slovakia

Sources: Appendix 1, Buchs and Lopez-Santana 2007, Cook, B. 2008, Kalužná 2008a and 2008b, Van Berkel 2010, Nunn et al. 2010 and PES Monitor.¹⁶ Table may not reflect all recent developments.

¹¹ The German delivery system actually has a second fully municipally administered model for employment services for this client group in up to about one quarter (110) of the service delivery districts.

¹² As noted above, with separate municipalised delivery systems for social assistance in three of them (Germany, the Netherlands and Finland).

¹³ The regions (provinces), which co-ordinate and allocate funds to the local offices and develop their own programs in response to ESF calls, also play an important role in Poland.

¹⁴ Integrated and specialised services (“second stream”) in 39 Labour Force Service Centers for unemployed with special needs.

¹⁵ Although Scotland, Wales and Northern Ireland have their own “devolved governments” with powers over local affairs (culture, arts, education, health, social services, public safety et cetera), only Northern Ireland has a separate PES and some autonomy in the delivery of employment services.

¹⁶ See: <http://www.pesmonitor.eu/Database/DatabaseNew.aspx?Lang=EN>.

3. WHY DECENTRALISATION?

This section first summarizes typical theoretical arguments for and against decentralisation and then gives a synoptic overview of national experience in the EU.

3.1 General arguments

There are a number of general arguments for decentralisation in the economic, political science and management literature that are relevant to employment services:¹⁷

- 1) **Better information:** Advocates of decentralisation argue that regional and local decision-makers know local circumstances and needs best.¹⁸ Critics argue that familiarity with local circumstances is an asset but not a sufficient basis for analysing local needs and developing appropriate local strategies. Local political leaders and administrators may be less able and experienced.
- 2) **Tailor-made policies:** A classical argument for decentralisation is that it makes possible more tailor-made policies better adapted to local needs, in contrast to standardised national policies: “decentralisation leads to greater variety in the provision of public goods, which are tailored to better suit local populations” (Tiebout 1956). A key question here is surely in what respects variety in public policy is desirable or acceptable and what policies should be uniform throughout the country.
- 3) **Innovation:** Decentralisation is said to promote innovation and competition among regional and local authorities out of which best practice can emerge. There may be, however, offsetting negative effects in terms of duplication and reinventing the wheel and extreme outliers in performance.
- 4) **Overcoming policy silos:** The delivery of employment services is embedded in a complex division of labour among multiple agencies subordinate in many cases to different levels of government. Beyond employment services there is a need to co-ordinate with, for example, social services, education and training and local economic development activities. Centralised and hierarchical public employment services (or other state agencies) may lack the requisite flexibility for co-operative implementation at the local level.¹⁹
- 5) **Local accountability:** Decentralisation is said to enhance accountability: “Locally elected authorities are more likely to reflect local preferences than are the localised centres of central government.”²⁰ Moreover, local managers and

¹⁷ See Mosley 2009: 74-77; Treisman 2007: 11-14, 270-879, Buchs and Lopez-Santana 2007, de Vries 2000 for overviews of the literature and arguments.

¹⁸ This is the converse of Hayek’s classical argument that central planners lack sufficient information.

¹⁹ The importance of decentralization and local flexibility in facilitating policy co-ordination at the local and regional levels has been emphasized in particular by the OEECD LEED program (Guigere and Froy 2009; Froy and Giguère 2010.)

²⁰ Ranson & Stuart 1994 in De Vries 2000.

staff will be more committed to policies they 'own.' Here too there may be a down-side. Local preferences and interests may be at odds with broader national interests and policies.²¹ Moreover, decentralisation may even lead to depoliticisation to the extent that issues are pushed off the national agenda (Ranson and Stuart 1994).

- 6) **Accommodating regional cleavages:** Decentralisation is a strategy for accommodating major ethnic, linguistic or religious differences within a common national state. In this case greater autonomy is an end itself, apart from any policy value-added (see Triesman 2007: 236 -246.).

3.2 National experience

Managerial decentralisation

The reasons for decentralisation in the form of managerial decentralisation in EU employment services regimes are complex and differ from country to country. Managerial decentralisation in PES organisations is primarily a product of the broader trend toward public management reform in the spirit of New Public Management. It is a management style borrowed from the private sector and primarily justified in terms of efficiency and effectiveness. The relationship of MBO to decentralisation is ambiguous. On the one hand, it typically concedes greater discretion to managers at the regional and local levels in implementing policy, while striving to better impose central control over strategic policy. The management systems of national PES differ in the weight they give to these two contrary tendencies in MBO-type management systems.

A survey conducted soon after the first wave of MBO of 1985 – 1998 provides some insight into its initial rationale and impact. Ten EU PES organisations with fully functional MBO management systems (see 2.1 above) reported three principal reasons for introducing this management approach:

- 1) The regulation of the relationship between PES and the ministerial level was cited by 8 of 10 (A, B-Flanders, DK, F, N, NL, S, UK) - a somewhat surprising but plausible response.²² The PES-ministerial relationship was in fact the only reported reason for MBO in the UK;
- 2) Eight PES organisations with MBO systems cited “improving the efficiency and effectiveness of regional and local offices” as a principal reason (A, B-Flanders, D, F, Fin, N, NL,S;

²¹ For example, promoting local firms or relieving local government budgets,

²² In the first instance MBO usually entails an annual performance agreement between the responsible ministry and the PES agency, which serves as the basis for the PES's own operational plan that disaggregates goals and targets to the regional and local levels of the organization.

- 3) Seven countries cited “granting local offices greater freedom to adapt programmes to local needs” (A, B-Flanders, D, DK, F, Fin, N), with the Netherlands Sweden and the UK not reporting decentralisation as a principal reason.

Eight of the ten PES organisations reported that the introduction of the MBO-type management system was in fact accompanied by decentralisation and increased policy discretion for regional and local PES offices whereas only the Netherlands and Great Britain reported that this was not the case. When asked to detail the form increased decentralisation had taken, eight countries mentioned increased budget flexibility for regional or local PES offices. Six mentioned a reduction in detailed rules and procedures regulating the actions of local PES offices and five reported decentralisation in the form of increased local discretion over programmes.

Three PES organisations Austria, Denmark, and Norway, which report movement in all three dimensions, appear to be the decentralisation leaders among the MBO type systems, whereas the Netherlands and Great Britain reported no connection between the introduction of MBO and decentralisation.

A principal finding of this research was that there were two clearly different models of PES performance management in MBO-type PES organisations: a more centralised and hierarchical agency model (e.g. France, Great Britain) and the more decentralised self-administration model (e.g. Austria). MBO regimes evolve over time and these findings may be no longer valid for these countries. Nevertheless, they illustrate the mixed motives and ambiguous relationship of MBO to decentralisation.²³

Political decentralisation

Political decentralisation comes about for complex reasons not always related to policy in employment services. Our survey of cases of political decentralisation identified 12 major examples in employment service delivery (see Table 1).

In Belgium, Canada, Spain and Italy decentralisation of responsibility for employment services was part of a broader devolution of powers to the regions, driven to a large extent by ethnic and regional separatist tendencies in Flanders, Catalonia, Quebec and the separatist Northern League in Italy respectively. In terms of the above categories they represent primarily cases of accommodating regional cleavages. In Belgium, a decision was taken in 2007 to create *Synerjob* in order to foster co-operation and information exchange between the regionalised public employment and education services. Synerjob brings together the VDAB, the FOREM, ADG, Actiris and Bruxelles Formation to develop partnerships, to co-operate on the dissemination of job offers and in the training of jobseekers and to promote inter-regional mobility in Belgium.

²³ For example, the PES reform in Germany after 2002 led to a marked centralization in management structures.

In the municipalisation reforms considerations of labour market policy, in particular an increased focus on activation of social assistance recipients, has played a central role in a number of countries (Denmark, Finland, Germany, Netherlands and Norway). Historically, social assistance in these countries has been separately organised in welfare-oriented municipal agencies, whereas national PES organisations focused their activities on the insured unemployed and job-ready clients. Over the past decade the “activation” of long-term unemployed or inactive social assistance clients has increasingly become a focus of labour market policy. In these countries the increased emphasis on activation has led to policy-driven organisational changes designed to provide better access to employment services by promoting integrated service delivery with the participation of the national PES. In some countries this has taken the form of mandated co-operation between municipal social service agencies and PES offices (Finland, German Jobcenters Norway) or municipal responsibility for all services for this clientele group (the Netherlands, Denmark and the German municipal option) and sometimes even to a merger of responsibility for both insured and uninsured unemployed in a single agency (Denmark). In both cases the need to involve the local authorities has led to decentralised national-local delivery systems for employment services (Minas 2009, Berkel 2008).²⁴

While a mixture of the arguments for decentralisation (see #1 to #4 above) are again invoked in the municipalisation reforms, a key contextual factor is the fact local authorities in these countries have traditionally been responsible for social assistance. In the UK similar policy considerations led to the creation of JobcentrePlus, a consolidated national organisation for both social assistance and employment services.

Finally, in the USA and Switzerland²⁵ the choice of decentralised delivery systems reflects strong national traditions of federalist decentralisation (path dependence), whereas the general decentralisation of state services in Poland appears to have been largely a reaction to its former overly centralised state socialist system (Kalužná 2009.)

²⁴ These are decentralized delivery systems but the reforms are in most cases in fact a mixture of decentralization and centralization tendencies. On the one hand, municipalities gain new responsibilities, additional resources and can better adjust policies and program to local circumstances On the other hand their policies for social assistance recipients become subject to stronger central management controls than was the case in the past.

²⁵ Until recently there was no nationally funded system of employment offices; public employment services, if they existed, were usually managed by municipalities (Duell et a. 2011).

4. WHAT CAN BE DECENTRALISED?

This section discusses basic dimensions of decentralisation in employment services.

- 1) **Budget flexibility:** A key dimension of decentralisation in national PES organisations is the extent to which there is flexibility for regional and local operating levels in allocating resources. In countries with managerial decentralisation regional or local PES managers frequently have global budgets for active measures and can decide on their own programme mix (e.g. Germany, Austria). In many others there is some freedom to shift funds between budgets lines (e.g. Finland, Ireland, Norway, Portugal, UK). However in many countries regional or local actors appear to have little or no budget flexibility (e.g. France, Greece, Hungary, Slovakia; see Froy and Guigère 2009, Mosley 2009). Additional elements of flexibility sometimes found are, for example, the possibility of carrying over some or all of unspent funds into the next budget year (Netherlands) or of shifting funds between program and administrative budgets (e.g. municipally-run Jobcenters in Germany).

Box 1 – Budget flexibility in Germany

German local PES agencies have a global ‘reintegration budget’ that can be allocated freely among statutory programs. They are steered toward national priorities through planning of targets in the MBO system (outcomes) rather than through control of inputs in the form of line-item budgets. The government also makes additional funds available for special programmes, for example, the ‘Initiative 50 plus’ for the older unemployed. This two-pronged approach gives local agencies budget flexibility while giving the government the possibility of intervening on high priority concerns.

In political decentralisation, where budget flexibility is as a rule greater, the same questions about flexibility are relevant. Central grants to regions or municipalities are in principle subject to conditions, which may be more (Spain) or less (e.g. Canada, Italy, USA) restrictive with regard to the target groups, type of programmes or purposes for which central funding may be spent. An additional dimension, especially in regionalisation reforms, is the possibility of fiscal decentralisation, i.e. re-allocation not only of tasks but also revenues so that lower levels of government are no longer or less dependent on central appropriations (e.g. Belgium; see Mosley 2011 and Appendix I).

- 2) **Programme flexibility:** A further key dimension is the extent to which regional and local operative levels can adapt centrally defined programs to local needs or initiate innovative programs outside the standard program portfolio. In most national PES organisations with MBO, lower level managers can choose their own program mix but have to do so from the centrally determined program menu (e.g. Austria, France, Netherlands-PES, Germany). In a few countries, especially

those that have devolved responsibility for employment services to the regional and local level, local actors have considerable leeway in designing programs specifically to meet local needs (e.g. Belgium, Canada, Denmark, Finland, Poland, Switzerland, USA, and municipal job centres in the Netherlands). Some more restrictive national PES do permit a limited share of local funding to be used for innovative programmes (e.g. 10% in Austria and in German Jobcentres for unemployed on social assistance). In many countries, however, regional and local PES actors appear to have little or no flexibility with regard to programme design (e.g. Greece, Hungary, Slovakia, Spain; see Froy and Guigere 2009, Mosley 2009 and the UK).²⁶

Box 2 – Programme design waivers in the United States

A “waiver” system allows states to request variances from statutory programme design requirements (or performance measures) from the Dept. of Labour. The waiver system gives the states flexibility in adapting federal labour market programs to local needs and changing circumstances while providing for higher-level administrative approval to insure compliance with national priorities and the goals of the legislation. Waivers are widely used and many states have taken advantage of this provision to implement innovative workforce strategies and initiatives.

- 3) **Target groups:** National restrictions on the target groups for active measures are frequently found, either by allocating separate funding streams for special categories of jobseekers or by prescribing national eligibility requirements for special programs. Policymakers frequently define policy initiatives in terms of target groups (youth, women, long-term unemployed, older workers etc.). Labour market policies also serve to maintain public support for governments. The political accountability of elected officials often overrides considerations of local flexibility.
- 4) **Organisation of service delivery:** In some PES organisations, organisational structures and work processes in regional or local PES agencies are to a large extent centrally regulated (e.g. UK, German PES). In Germany, for example, the interaction of placement counselors with clients is nationally standardised and structured by placement software. So-called “action programmes” provide guidelines for employment services based on a profiling system that classifies clients according to their distance to the labour market and service needs. In more decentralised employment service regimes implementing agencies may have broad discretion in shaping service delivery. A key question here also is whether there is a national IT system based on standardised definitions and procedures or whether regional or local operating units have their own IT

²⁶ See Froy and Guigere 2009, Mosley 2009 and Appendix 1.

systems, which is often the case in systems with political decentralisation (e.g. Denmark, Netherlands).

- 5) **Personnel:** To what extent do regional or local organisational actors have their own personnel systems and employees or are at least free to hire, recruit, train and pay personnel and to assign them to tasks at their own discretion? In centralised PES organisations staff are typically national government employees and the control of operating units over personnel policies correspondingly limited, in contrast to implementation by regional or local governments.
- 6) **Outsourcing:** An important element of decentralised flexibility is whether regional or local agencies are free to decide whether and what services to contract out to external providers and to manage the tendering process locally themselves, if they so choose.
- 7) **Performance targets and goals:** In managerial decentralisation there is typically a fully articulated national policy framework with obligatory strategic goals and targets embodied in a national agreement between the PES and the responsible ministry. PES organisations with robust performance management systems strive to enhance control over policy by focusing on outcomes while conceding greater autonomy in implementation to lower level organisational units. Whereas dialogue plays a stronger role in some national PES organisations (e.g. Germany, Austria, Finland), subordinate PES managers appear to have very limited influence in others (e.g. France, Netherlands PES, UK, Hungary; see Froy and Guigere 2009, Nunn et al. 2010).

Flexibility in performance management also depends on the type of targets that are centrally set. For example reliance on input targets (e.g. expenditure quotas by target groups) or output targets (e.g. entrants into labour market measures) reduce discretion in implementation and may be counterproductive: local managers are told what to do rather than what outcomes are to be achieved by means of their own choice.

In political decentralisation national policy frameworks and performance targets are weaker and in some cases non-existent. This is particularly the case where regional authorities become responsible for employment measures (e.g. in Belgium, Canada, Italy, and to a lesser extent in Spain, Switzerland and the USA), even though rudimentary national accountability frameworks for employment services still exist, except in Belgium. In municipalisation cases there is as a rule still a national policy framework but national performance targets play a more limited role in multi-level governance. In the joint PES-municipal service centers in Finland, Norway, and Germany (Jobcenters for social assistance) but only for PES services and the need to co-operate with municipal partners weakens hierarchical accountability. In the Netherlands and Denmark national steering of municipal implementation takes place primarily

through systems of financial incentives (see 5.1), in Poland through the national definition of target groups and in the German municipally managed Jobcenters through traditional legal and auditing processes (See Mosley 2011 and Appendix I).

5. DECENTRALISATION CHALLENGES

5.1 Decentralisation and accountability

Performance accountability in countries in which there is a decentralisation of responsibility for employment services to lower levels of government face special problems. In these cases MBO at the national level frequently functions only as MBO-light, if at all. The interests of the principal (central government) and the agent (province, region, state and municipality) in the multi-level system are as a rule much more diverse, the possibilities of control more limited and more costly.

There is typically a greater variety of organisational forms with a correspondingly lower level of standardisation and comparability in labour market and performance data, which makes monitoring and assessment of the performance of operating units more difficult. Lower level managers and operating staff are employees of other governments that have their own personnel systems and organisational culture beyond the control of central authorities and the leverage of central authorities over politically independent state, provincial or municipal governments is more limited. In short, the principal-agent relationship inherent in MBO is applicable only in a much weakened form in multi-level governance because the underlying power relationship and information problem are fundamentally altered in comparison with MBO in a national PES organisation (Mosley 2010).

In countries with political decentralised systems there is usually an effort to retain some overall policy framework and national accountability. The limited leverage of central authorities over independent state or provincial governments is based primarily on conditional central funding of regional or municipal employment services. In Canada (Wood 2011) and the United States (Dorrer 2003) this takes place on the basis of negotiated agreements with the provinces or states. In some cases coordinating bodies are established. For example, in Spain the national Minister for Labour and Social Affairs and the representatives of the ministries of the Autonomous Communities meet in the Sectoral Conference for Labour Affairs to resolve conflicts and achieve a common national framework (Ruiz 2003).

Box 3 – Transparency as an accountability instrument

In the Danish municipalisation model national goals are monitored through a national registry-based IT system (Jobindsats.dk) that tracks Jobcentre performance against the minister's annual goals, statutory minimum activation requirements, and other parameters. Results can also be easily compared and benchmarked based on clusters of job centers with similar contextual conditions. Because data are automatically collected from linked public data bases, manual and cost intensive reporting by job centres is avoided. The results are publicly available on the PES website, giving local political leaders and managers an additional incentive to be concerned about their performance.

The accountability frameworks in the Danish and Dutch municipalisation models are novel in that both rely primarily on economic incentives to align the actions of the municipal actors responsible for implementation with national goals. For example, in the Netherlands municipalities are allocated a fixed amount for social assistance payments based on a statistical projection. If their payments exceed this amount, they must, in principle, draw on their own funds. Conversely, if expenditure is lower, they can use the funds for other municipal purposes. Like quantitative targets in more traditional MBO systems, there is a risk of perverse effects in financial incentives, especially when they reward adherence to process norms, volumes of entrants into measures or expenditure for benefit payments (Dorenbos and Froy 2011, Mosley 2011).

Box 4 – Economic incentives in Dutch job centres for social assistance

Dutch municipalities receive a global reintegration budget. They are fully free to use it for whatever programs they deem appropriate for their clients. There are no central targets and no performance monitoring system. However, their budget for social assistance payments is a fixed sum. Municipalities can gain if they succeed in spending less for social assistance and lose funds if their expenditure is greater. Since benefit eligibility is centrally regulated, they can only affect their financial outcomes by providing better employment services, stricter enforcement of eligibility requirements, or both.

5.2 Political decentralisation and integrated service delivery

Public employment service organisations may be responsible for different types of services (registration, job counseling, placement, 'activation', training, wage subsidies, benefit administration etc), for different client groups (i.e. the insured unemployed and those on social assistance), or some combination of these. Moreover these labour market services can be provided by organisations at different levels of government.

Depending on the national setting and implementation practice, there may be more or less concentration in responsibility for service delivery. Great Britain, for example, is one of the few countries that concentrates responsibility for employment services and benefits for both unemployment benefit and social assistance clients in one national agency, the Jobcentre Plus network, whereas in France and the Netherlands, for example, there has been historically considerable fragmentation of responsibility among different agencies and levels of government.

There is no simple relationship between decentralisation in employment services and integrated service delivery. It may lead to greater or less fragmentation depending on the national setting and how it is implemented.

Among countries that have devolved responsibility for delivery of employment services, implementation of unemployment insurance benefits remains in most cases a state responsibility (Belgium, Canada, Spain, Italy, Germany, Netherlands) or that of the traditional public and private unemployment insurance funds (Denmark, Finland, Switzerland). Only Norway, Poland and the USA have also devolved responsibility for administering unemployment insurance benefits.

On the other hand, fragmentation may be reduced and integrated service delivery facilitated for social assistance clients where implementation of social assistance is regionally regulated or implemented (Canada, Spain, Italy, USA and Switzerland). In all these cases individual regions (provinces, cantons, states) decide on local implementation structures which can vary greatly and do not always provide for integrated service delivery for social assistance clients.²⁷

Where decentralisation reforms have taken the form of municipalisation more integrated service delivery for social assistance clients has been the result. As noted above, a principal rationale for the municipalisation reforms has been to facilitate access of social assistance clients, many of whom have special problems, to the full range of municipal social services.²⁸ In three of the six cases (Poland, Denmark, Norway) municipalisation has resulted in an integration of service delivery for all jobseekers.

Where institutional responsibility for labour market services is divided, integrated service delivery for clients is still possible but it must be based on local cooperation on more than an ad hoc basis, for example, co-location (“one-stop-shop”) or even a joint agency.

²⁷ A further complication is that some countries have special means-tested unemployment assistance programs for those who have lost their job worked but are not eligible for or have exhausted their UI benefit (Spain, Finland and - until 2005 - Germany).

²⁸ For example, health, child care, substance abuse and debt problems.

Box 5 – Jobshops in Belgium

Decentralization of employment services to the regions has further complicated the already fragmented delivery system for employment services in Belgium. Responsibility for both policy and implementation is divided between multiple actors at different levels of government (“institutional crowdedness”). Although most active policies are implemented by the four regional PES organizations, the Federal government still promotes the activation of the unemployed in various ways and continues to be responsible for unemployment benefit and social assistance, which is federally funded and regulated but implemented by the local authorities, many of which have also developed their own labour market programs. In response to this fragmentation the federal government has promoted one-stop-shops based on partnership agreements in each region. For example, there are now 280 one-stop Jobshops (‘Werkwinkel’) in Flemish cities and municipalities. Jointly run by a steering committee of all partner organizations, they provide front-line services from the diverse actors at a single location.

5.3 Decentralisation, local flexibility and policy co-ordination

From the perspective of local labour market and employment policy, co-operation among a range of relevant actors is necessary (employment, education, training, local economic development and social services). **If regional or local employment service agencies have little discretion in setting priorities, allocating their personnel and financial resources, adapting their programmes and contracting with providers they will not be able to work effectively with other local actors (Froy and Giguère 2010, Giguère 2004)**

This can also be the case not only for national PES organisations but also for regional agencies, especially those with more centralised and hierarchical agency MBO management systems (e.g. the Dutch PES and the regional PES in Flanders; Dorenbos and Froy 2011, Bogaerts et al. 2011, Mosley 2011). As the OECD has documented, what regionalisation actually means in terms of transfer of responsibility to local levels of government or administration can vary, depending on whether flexibility is actually passed on from the provincial, state or regional level to local actors. Switzerland, for example, ranks high in this respect, since the considerable autonomy of the cantonal PES is substantially passed on to local agencies. Canada and Poland also score high on sub-regional autonomy, whereas the strong regional PES administrations in Belgium and Spain appear to grant little flexibility to their own local PES agencies (Froy and Guigère 2009).

5.4 Decentralisation and local capacities

Decentralisation is not only an issue of accountability but also of capabilities. Regional and local actors must be able to carry out their tasks efficiently and

effectively. Design of decentralisation needs to take into account the personnel, organisational and fiscal capabilities of regional and local authorities. This includes, if need be, incorporating capacity building in decentralisation policies. In addition to labour market expertise, regional and local authorities need to develop their own technical expertise, managerial, and administrative skills and organisational capacities to meet new tasks.

Local capacities also depend on the scale of administrative units, which may be problematic especially where municipalities play a central role in providing employment services. In Denmark, for example, the decentralisation of responsibility for employment services to the local authorities was preceded by a municipal reform designed to reduce the number of administrative units deemed too small to carry out the tasks given (Hendeliowitz, 2008). Still Denmark today has 91 municipal job centers responsible for employment services. In the Netherlands (400), Norway (460), Poland (308) and Germany (430+) the problem of local capacities appears, on the face of it, to be even greater. There is a clear need for some type of institutionalised technical assistance, especially for the smaller municipalities, and exchange of experience and good practice.

Box 6: Enhancing the scale of local authorities

In Denmark the delegation of responsibility for implementation of employment services to the municipalities was preceded by a comprehensive reform of the structure of local authorities, designed in particular to eliminate smaller municipalities that were deemed to lack the scale and capacities to carry out their tasks efficiently and effectively. The reform reduced the number of municipalities from 271 to 98. At the same time the responsibilities of the municipalities were extended, making them responsible for almost all public services. After requiring the smallest to cooperate, Denmark today still has 91 municipal job centers responsible for employment services.

Even regional authorities differ in their administrative and technical capacities and in their political will to assume responsibility for particular tasks in the design and delivery of employment services. This is a strong argument for some degree of flexibility in decentralisation from the national to the regional or local levels. In Canada devolution to the provinces and territories was voluntary and asymmetrical and took place over many years; in Spain too the process was voluntary and stepwise. Similarly, the devolution of sole responsibility for employment services under Hartz IV (social assistance) to initially 69 and since 2011 up to 110 municipalities has been voluntary, resulting though in two parallel and differently structured local delivery systems.

5.5 Decentralisation and equal treatment

Managerial and especially political decentralisation raise issues with regard to equal treatment in the provision of employment services: “Insofar as decentralisation entails different policies or differences in the administration of national laws in different parts of a country, it may conflict with strong notions of equal citizenship and equal application of the law” (see de Vries, 2000; Sol & Westerveld, 2005). There is inevitably a conflict between equal treatment and decentralisation in employment services as well as in other social services. It is the result not only of differences in policies but also of the resources available.

A key issue, therefore, is to what extent variety in employment services is desirable or acceptable and what policies should be uniform throughout the country. This is also a problem in benefit administration, especially in the traditionally highly decentralised systems of social assistance in which the level of discretion in administration is high. One approach within national PES organisations as well as in regionalised or municipalised service delivery systems is to mandate minimum service standards. Where central regulation is not feasible, transparency can be a powerful tool for self-regulation in politically autonomous regions or municipalities.

6. CONCLUSIONS AND QUESTIONS FOR FURTHER DISCUSSION

Decentralisation in the form of managerial decentralisation is widespread and familiar in national EU PES organisations and well researched. Less well known and less researched is the phenomenon of political decentralisation in which lower tiers of government play a central role in implementation and, in some cases, policy. Our survey showed that 10 EU states have now done so in part in one form or the other for all clients (7) or not for social assistance (3). In these cases implementing agencies are no longer subordinate departments of a central administration but autonomous political entities. In such complex multilevel governance the relationship between central and regional or local authorities is inherently less hierarchical than in a national PES organisation and the possibilities and costs of central direction and control limited.

The reasons for this decentralisation trend are complex and different in each case. Four principal factors can be observed:

- 1) Public management reform in the spirit of New Public Management, which has affected all areas of public administration, has been particularly important for the spread of MBO;
- 2) Regionalisation trends in Europe that have led to a broad devolution of central competences to regional authority level, including in many cases employment services (Belgium, Italy, Spain).
- 3) Path dependence in the traditionally decentralised federalist states (Canada, Switzerland and the USA), although decentralisation in employment services is not constitutionally mandated. Poland seems to be a case of inverse path dependence: a reaction to its former overly centralised state socialist system.
- 4) Only in the municipalisation reforms have considerations of labour market policy, specifically an increased focus on activation of social assistance recipients, played a central role. In a number of countries increased emphasis on activation has led to policy-driven organisational changes designed to provide integrated service delivery. Responsibility for implementation has been devolved either to the municipalities alone (Denmark, Netherlands, German “local option”) or to joint PES-municipal agencies (Finland, Germany, and Norway).

A number of key management issues were identified, with particular reference to political decentralisation:

- 1) Accountability issues are a special problem under political decentralisation, where it is usually accountability light in regionalised or federal systems and faces special problems if there are municipalisation reforms. How much central accountability is necessary and how is it best achieved?
- 2) There is no simple relationship between political decentralisation in employment services and integrated service delivery. It may lead to greater or less

fragmentation depending on the national setting and how it is implemented. As a rule implementation of unemployment insurance benefits remains a state responsibility and thus becomes separated from employment services. On the other hand, decentralisation often makes possible integrated service delivery for social assistance clients, where implementation of social assistance is regionally or locally implemented.

- 3) Local Cooperation: National PES agencies whose local agencies have little management discretion may not be able to work effectively with local actors. From the perspective of local labour market and employment policy, there is a need for co-operation among a range of relevant actors providing employment, education, training, local economic development and social services.
- 4) Decentralisation is not only an issue of accountability but also of local capabilities. Design of decentralisation needs to take into account the personnel, organisational and fiscal capabilities of regional and local authorities.
- 5) There is an inherent conflict between the norm of equal treatment and decentralisation in employment services. A key issue, therefore, is to what extent variety in employment services is acceptable and what service standards should be obligatory.

Management by objectives has many organisational incarnations. Conceding greater flexibility to regional and local managers, it recognises in principle the need for more tailor-made policies and to incorporate the better knowledge and information of local circumstances that regional and local managers possess. The extent to which this is the case, i.e. the type and degree of flexibility conceded to regional and local managers, has varied greatly in practice. The overriding motivation, however, has been to enhance the accountability of public employment services (or other agencies) to national governmental policy priorities. Political decentralisation breaks, to a greater or lesser extent, with this governance paradigm and poses new challenges in coordinating more complex employment service delivery systems.

There is no recipe for good practice in decentralization but the paper documents decentralization strategies that may be applicable in diverse national contexts, for example, flexible global reintegration budgets, flexibility in programme design, performance targets that are outcome-oriented and based on a dialogue process with local input, clear definition of the accountability of local or regional authorities, full transparency in performance results of regional or local offices, development of local capacities and minimum service standards.

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ANNEX 1. POLITICAL DECENTRALISATION OF EMPLOYMENT SERVICES: TYPE, REASONS AND DEGREE

Political Decentralisation of Employment Services: Type, Reasons and Degree (part A)						
	Belgium	Canada	Spain	Italy	Switzerland	USA
Decentralisation type (employment services)	Regionalisation (4 regional PESs) -Constitutional devolution	Regionalisation (Federalism 13 PESs in provinces & territories) -Intergovernmental agreements	Regionalisation: (17 PESs in autonomous communities) -Constitutional devolution	Regionalisation (21 regional PESs) ⁱ -Constitutional devolution	Regionalisation (Federalism 26 cantonal PESs) -Statutory	Regionalisation (Federalism 50 states): -Statutory federal-state-local partnerships
What has been decentralised?	Employment services	Employment services for insured unemployed ⁱⁱ	Employment services	Employment services	Employment services	Employment services and benefits for all unemployed ⁱⁱⁱ
Reasons for decentralisation	Element of broader devolution of competences: regional / ethnic tensions.	Federalism; also regional/ ethnic tensions ^{iv}	Element of broader devolution of competences: regional / ethnic tensions & reaction to previous centralised system	Element of broader devolution of competences: regional/ ethnic tensions. ^v	Federalism: federally funded cantonal system of employment service agencies ^{vi}	Federalism; flexible and locally based delivery system; facilitation of local co-operation/ one-stop-shops in multi-level governance.
Regional or municipal flexibility in employment service delivery	High: Regional PES can formulate policy, design program & delivery and allocate funds for employment services freely.	High: Regional PES can formulate policy, design program & delivery for employment services freely. Separate federal funding streams for insured and uninsured employed.	Medium: Regional PES manages active policies within the framework of national law. Own approach to policy and delivery but funding is earmarked for six programs funding blocks with limited discretion to shift funds. Regions must abide by applicable state regulations for these programs.	High: Regions responsible for employment policy and have their own autonomous PES agencies. They design ALMP programs and service delivery.	High: Federally funded placement services are freely managed but there are strategic objectives with performance monitoring and benchmarking but no explicit sanctions. Active programs are independently managed by Canton ^{vii}	Medium/high: Flexibility in program design & delivery and in allocating funds for employment services. National eligibility, performance, reporting and administrative requirements. Higher flexibility under TANF (social assistance) as in WIA (insured and other unemployed).

Political Decentralisation of Employment Services: Type , Reasons and Degree (part B)						
	Denmark	Finland	Germany	Netherlands	Norway	Poland
Decentralisation type (employment services)	Municipalisation: (91 Jobcenters) -Statutory devolution	Municipalities (39 PES-municipal Labour Force Centers) -Statutory [National PES for job ready-clients with MBO]	Municipalisation (ca. 430 joint PES-municipal or municipal agencies) -Statutory [National PES for insured unemployed-MBO]	Municipalisation: (ca. 400 municipalities) -Statutory [National PES for insured unemployed with MBO]	Municipalisation (460 joint state-municipal service centers ^{viii}) - Statutory	Municipalities (308 counties and 65 self-governing cities) -Statutory
What has been decentralised?	Employment services for all unemployed & social assistance benefits	Employment services for disadvantaged	Employment services and benefit for social assistance clients	Employment services and benefits for social assistance clients	Employment and social service and benefits for all unemployed	Employment services and benefits for all unemployed
Reasons for decentralisation	Activation of social assistance clients; Integrated employment services for all unemployed	Activation: integrated and specialised services for long-term unemployed,	Activation of social assistance clients; Integrated employment services &	Activation of social assistance clients; integrated employment services	Activation; integrated delivery of all social services	Element of broader decentralisation; reaction to previous overly centralised system
Regional or municipal flexibility in employment service delivery	Medium: Broad discretion in designing programs & delivery and allocating funds but strong system of financial incentives that structure client procedures, and time and choice of ALMPs. Parallel system of 'dialogue-based' performance management	Low: LAFOS agencies are jointly staffed and managed by the PES, and the municipalities & KELA (National Pension Institute)	Low (joint agencies). ^{ix} PES is highly centralised national agency and dominant partner. Local budgets are flexible and program mix is locally decided. 10% of funds can in principle be used for innovative programs not in predefined national program menu. Some flexibility in work organisation but follows PES.	Medium/high: Municipalities in own jobcenters have full management flexibility over programs, delivery and resource allocation for employment services but are subject to strong financial incentives not to exceed their expenditure ceiling for social assistance benefits. ^x	Low. Joint service centers are locally negotiated and differ in scope of services included and organisation of service but state services governed separately and subject to central MBO system not essentially different from the past. ^{xi}	Low/medium: Poviats (county) labour offices can organise services, set priorities within national guidelines and even develop own programs in response to ESF calls. Provincial labour offices co-ordinate and allocate funds but have no direct control over them. Central definitions of programs and target groups constrain local flexibility.

Principal sources: Belgium: Bogaerts et al. 2011; Canada: Wood 2011, Rymes 2003; Spain: Torres 2006, Ruiz 2003; Italy: Borgi and Van Berkel 2007, Tagliaferro 2006; Switzerland: Duell et al 2011; USA: Eberts 2009, Straits 2003, Dorer 2003 ; Denmark: Mploy 2011, Bredgaard and Fleming 2009; Finland: Duell et al. 2009a, Arnkil and Spanga 2009; Germany: Mosley: 2010, Tergeist and Grubb 2006; Netherlands: Dorenbos and Froy 2011, de Koning 2009; Norway: Christensen and Læg Reid 2010, Duell et al. 2009b; Poland: Kaluzná 2009.

ⁱ Although responsible for policy, actual management of employment services is usually delegated to the provinces.

ⁱⁱ Services for social assistance recipients have always been a provincial responsibility.

ⁱⁱⁱ There are three basic statutory instruments and funding streams for (1) placement services and UI benefits for insured unemployed; (2) Workforce Development Boards for labour market training and (3) reintegration services for persons on social assistance.

^{iv} Administrative devolution was as alternative to failed constitutional change. Powers conceded to Quebec under political pressure had to be conceded to all provinces.

^v Also general dissatisfaction with performance of state institutions

^{vi} Established 1996: Actually a step toward centralization as this was previously primarily a municipal task.

^{vii} Original plan for a bonus-malus system of financial incentives was abandoned . Federal government finances only administrative costs of employment offices and 20% of costs of ALMP for social assistance recipients. Active programs for insured unemployed are financed by cantons.

^{viii} State Labour and Welfare Service + municipal social services. Local co-operation agreements are negotiated in which organizational form and scope of co-operation varies.

^{ix} Municipal agencies = medium: not subject to central MBO, full control over own organization with own personnel; same limits on program design; can outsource at own discretion.

^x They must finance higher expenditure out of their own budgets and are free to use any surplus for other municipal purposes. This is supposed to give them an incentive to control expenditure and to conform with the government's 'work first' policy.

^{xi} National performance targets for state service with quarterly performance reviews; municipalities set goals for their own services.