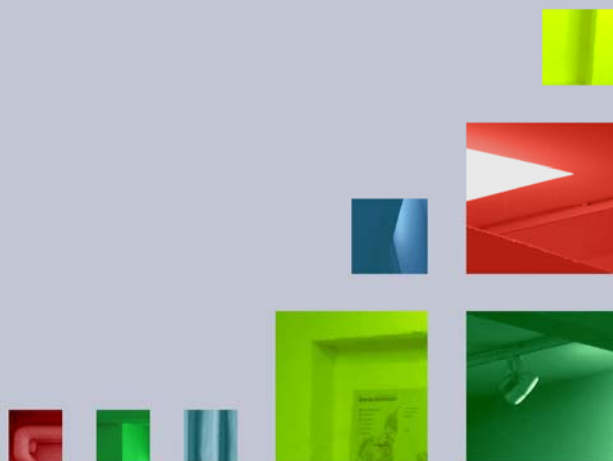




# **‘Managing Accountability and Flexibility’ in the Danish employment system**

## **Country Report**

May 2011



## Foreword

The OECD has commissioned Mploy to prepare an analysis of the balance between accountability and flexibility in the management of Danish employment policy. The analysis is part of a major study of the organisation of employment policy in Belgium, Canada, the Netherlands and Denmark. The OECD is carrying out a comparative analysis between these countries in order to outline recommendations on the optimal management of employment policies and measures to support flexibility in the delivery of policies at the local level while retaining accountability and the achievement of national policy goals.

This analysis has been prepared for an international audience without detailed knowledge about the Danish employment system. Therefore, an introduction to the Danish employment system and the most important management tools is provided. The analysis is structured on the basis of the OECD's determination of the central concepts: flexibility and accountability.

It is important to note that at the end of the survey period in December 2010 the Danish Parliament (Folketing) adopted a major reform of the financial system in the employment area, which is of significance for the flexibility of the local level to plan local measures and financial incentives. The reform underpins a sharper focus on the outcomes of employability enhancement measures rather than the volume of employability enhancement.

The assessments of this report and the data collected from questionnaire surveys and interviews are, however, based on previously applicable legislation in the area. As the new legislation was not implemented until 1 January 2011, it is not possible to establish the final ramifications in this survey.

# 1. Introduction

## 1.1. Introduction and issues

Like other European and western countries, Danish employment policy will face serious challenges in the coming years. Increasing globalisation of the economy with many types of knowledge-intensive production places high demands on the labour market. These changes increase the risk of a loss of cohesion between the qualifications demanded by enterprises and the actual qualifications of the unemployed supply of labour. In order to exploit the opportunities that come with globalisation, and to maintain positive economic growth, it is crucial that the labour market has an efficient supply of labour that matches the demands from enterprises, with a high level of qualifications and a high degree of flexibility.

In addition to the challenges that come with globalisation, the Danish labour market is also challenged by demographic change affecting the coming decades, with fewer young people and more elderly people. This development increases the risk of a declining supply of labour as well as the risk of losing competences in the labour market when generations of highly educated labour retire. Currently, the globalised economy and demographic change are causing significant differences in growth rates between local/regional areas in Denmark: some local areas are experiencing high growth and positive development in the business structure, as opposed to other areas with significant population ageing, depopulation and drops in employment.

Overall, there is a risk in the long term that the Danish economy will lose ground in the global competition for growth and development. Denmark shares these structural challenges with many other western countries. A key tool to dealing with these challenges is active employment policy to support sustainable growth and development.

Historically, employment policies in many western countries have primarily been a national political tool, implemented by a centralised organisation, with standardised programmes to curb unemployment and upgrade skills. However, studies by the OECD have shown that efficient support of sustainable growth and development primarily demands employment policy that ensures significant local/regional flexibility in the implementation of such policy (Giguère & Froy, 2009a).

In order for employment policy to make efficient contributions to growth and development, it is crucial that policies and programmes can be adapted specifically to local/regional challenges in the labour market, and that policies can support proactive and coordinated cooperation between stakeholders and organisations within a number of policy areas (business and economy, education, social policy etc.). If national management of employment policy leans too far towards a 'silo' structure (without local flexibility to adapt measures to local/regional goals and challenges), this will result in overall losses for society. Structuring policy as a 'silo' increases the risk that the employment policy will miss the challenges that exist in local labour

markets, and will only make a limited contribution to a local/regional development strategy in combination with other policy areas.

In the opinion of the OECD, local flexibility must be accompanied by accountability with regard to national goals and management focus areas in employment policy. From a national perspective, increased local flexibility in employment policy can be associated with a number of risks. Above all, it is vital that increased decentralisation does not obstruct national employment policy, so that national government can react quickly and effectively with employment tools to new structural challenges etc. Failed decentralisation of employment policy could also lead to significantly poorer results and have serious ramifications for economic development and welfare at national level. Finally, successful decentralisation of policy also depends on local/regional levels being supplied with the right resources, competences and incentives in order to conduct an active and efficient employment policy.

On the basis of the challenges above, the OECD and its Local Economic and Employment Development (LEED) Programme have initiated a study on “Managing Accountability and Flexibility in Labour Market Policy” in four countries: Canada, Belgium, the Netherlands and Denmark.

The study aims to identify:

- The degree of flexibility that exists at local and regional levels in order to organise an active employment policy directed at local/regional needs and challenges.
- How flexibility and latitude can be increased at local/regional levels concurrently with ensuring accountability in realising national goals and managing focus areas.

The OECD study is a continuation of two large OECD ministerial conferences on the decentralisation of employment policy, held in 1998 and 2008. The ministerial conference in 2008 resulted in “The Venice Action Statement”, in which the OECD countries committed to incorporating greater flexibility in the national management of employment policy so that local organisations better can implement employment measures on the basis of a local implementation strategy and realise common national employment policy goals.

The current OECD study aims to conduct a more thorough study of how best to implement the intentions of the Venice Action Statement. This means methods for how best to balance flexibility and accountability in the management of employment policy in order to increase the strategic focus and efficiency of the employment policy with regard to local/regional challenges and needs.

## **1.2. Methodology and study design**

### **What “flexibility” means**

The OECD 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", (Giguère & Froy, 2009a). Flexibility deals with the latitude that exists in the political and administrative management system in the employment area, rather than the flexibility that exists in the labour market. Therefore, in this study, flexibility is about how employment policy is planned, designed and implemented in practice, and what this means for policy results and strategic impact. The OECD focuses on active employment policy, i.e. the tools and programmes targeted to support a well functioning labour market, and to a less extent on the part of employment policy that deals with public benefits etc.

In order to measure and compare the extent of local flexibility across OECD countries, the OECD has defined flexibility on the basis of six sub-areas:

1. Programme design
2. Financing
3. Target groups
4. Target and performance management
5. Cooperation
6. Outsourcing

The six sub-areas illustrate the extent to which flexibility exists for local organisations and players and enables them to organise active employment policy via locally adapted measures/programmes, priority of resources across target groups/focus areas, designating local target groups for measures, setting local strategic goals for measures, selecting strategic cooperation partners for measures, as well as outsourcing the most appropriate tasks etc.

### **What “accountability” means**

The analysis of the balance between accountability and flexibility is based on four dimensions of “accountability”, assessed to be central for the national level in implementing active employment policy, (Mosley, 2009):

- Legal accountability (public agencies being expected to act on the basis of the rule of law and in conformity with applicable regulations)
- Fiscal accountability (correctness and efficiency in the use of finances)
- Performance accountability (output-oriented effectiveness and efficiency), and
- Public accountability (responsiveness to the needs of citizens and other stakeholders).

### **What “local/regional” means**

The OECD study design operates with three different levels for regional/local labour markets. It defines the local level as a catchment area for labour of up to 150 000 citizens (NUTS 4). The sub-regional level has between 150 000 to 800 000 citizens (NUTS 3) and the regional level has from 800 000 to 3 million citizens (NUTS 2). The catchment areas for labour in which there is the greatest cohesion between people who both live and work within a geographical area according to Danish studies, typically have a size similar to the OECD sub-regional and local levels, NUTS 3 and 4. Cohesive catchment areas for labour cross administrative municipal

borders, and the strategic perspective for local employment measures must therefore also cross municipal borders.

### **Data sources for the analysis**

This study builds on a number of different data sources:

- Desk research/knowledge gathering from various evaluations, development projects, research etc. as well as results from many years of work by Mploy on employment policy at local, regional and national levels in Denmark.
- Individual interviews with players from municipalities, employment regions and central administrative authorities.
- A survey of all job centre directors in Denmark.
- Three roundtable meetings; two meetings attended by local players and stakeholders and one meeting attended by players from the National Labour Market Authority, the employment regions and players at local level. The OECD also attended the roundtable meetings.

### **Questionnaire**

The questionnaire was conducted by the OECD in autumn 2010. The survey was designed for international use, but has been adapted to Danish conditions. It was forwarded electronically by the OECD to all 91 job centre directors/heads of labour market affairs in Denmark. 53 replies were received from the job centres; a response rate of 58%. The replies include large and small municipalities across Denmark. The questionnaire was looked at the six sub-areas for flexibility described above. It asked a number of questions in order to illustrate the degree of flexibility to adapt and organise local employment policy at local level with regard to local needs and in connection with other policy areas. The questionnaire has been designed to be included in the OECD comparative analysis, and therefore includes questions, which, depending on the organisation of the individual country's employment system, can be perceived as relevant for the respondents to varying degrees.

### **Interviews and roundtable discussions**

As part of the study, a number of semi-structured interviews were conducted on the basis of an interview guide. At national level, interviews were carried out with the management at the Ministry of Employment (Permanent Secretary), the National Labour Market Authority (Deputy Director General and Head of Division) as well as the management at Employment Region Copenhagen & Zealand. At local level, individual interviews were carried out with the head of labour market affairs and the job centre director for the municipalities of Aarhus and Guldborgsund as well as an interview with the chairman for the labour market committee in the municipality of Guldborgsund (a local politician and Member of Parliament). The roundtable discussions in Aarhus and Guldborgsund were attended by politicians responsible for the local employment policy as well as a number of key stakeholders and cooperation partners (local employment council, trade unions, organisations of workers, educational institutions etc.).

## **Case study areas**

In order to make the study more specific and to elaborate on the various aspects of flexibility in the management system, the study utilises two municipalities as case studies; Aarhus and Guldborgsund. These two municipalities are very different with regard to the framework conditions and challenges facing local employment policy, with large differences in the capacity and size of the two municipalities. The municipality of Aarhus has Denmark's second largest city and is a local centre of growth in eastern Jutland, whereas Guldborgsund is a medium-large municipality located in one of the more peripheral areas of Denmark, with more difficult framework conditions for employment measures. The selection of these two municipalities reflects some of the heterogeneity that characterises local employment policy across municipalities.

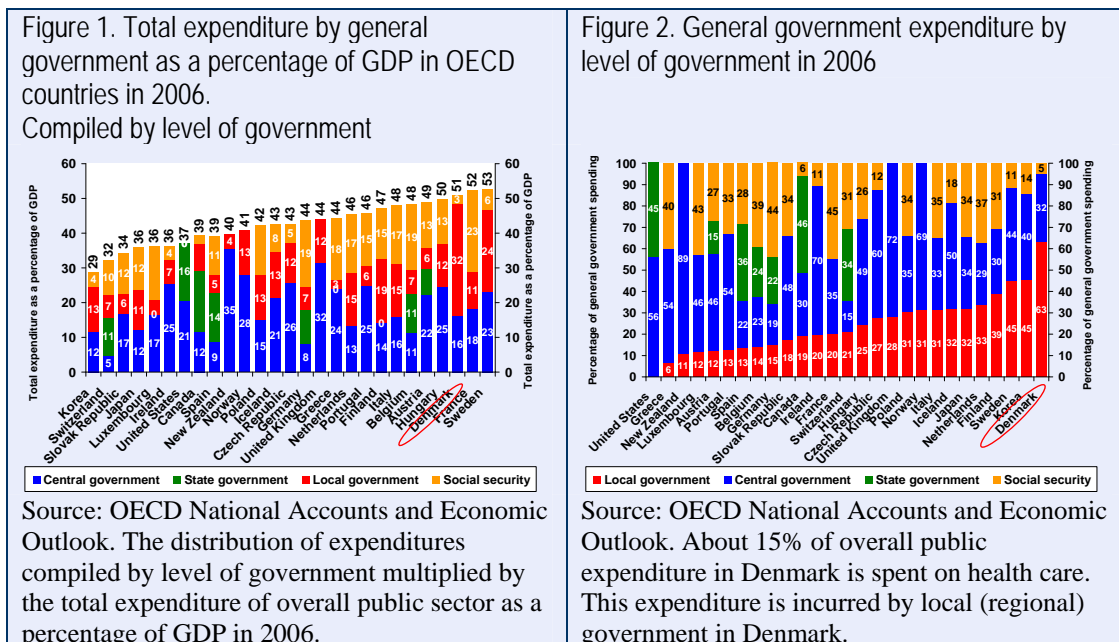
## **Structure of the report**

The country report starts with a summary of the results of the analysis in section 3. Sections 4 and 5 introduce recent developments in Danish employment policy and the organisation and management of the employment system. Section 6 is an analysis of the extent of, and balance between, accountability and flexibility in the Danish employment system. Particular focus is on the degree of flexibility at local level in relation to planning locally/regionally adapted employment policy.

## 2. Overview of the Danish labour market system

### 2.1. The Danish employment system in an international context

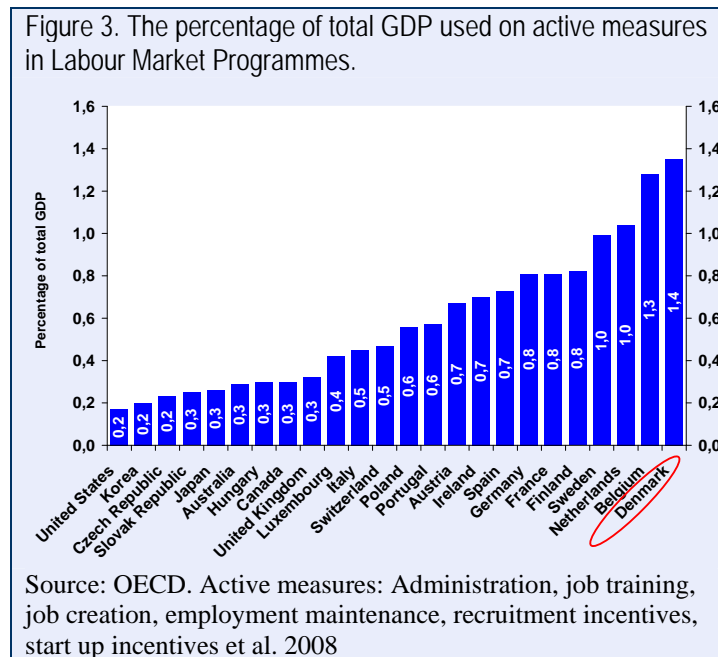
In international terms, Denmark has considerable capacity at local level to organise active employment policy in combination with other policy areas, and measures targeted at local needs and challenges. Denmark has a large public sector characterised by a high degree of decentralisation. Danish public expenditure corresponds to about half of GDP, and Denmark has one of the largest public sectors of the OECD countries, see Figure 1. Compared with other OECD countries, Denmark also has the largest proportion of the public sector anchored at local level, see **Fejl! Henvisningskilde ikke fundet.**



The municipal/regional level is accountable for services corresponding to 63% of overall public expenditure, of which the majority of services are managed by municipalities. In comparison, the local public sector in several other OECD countries typically only accounts for about 20-30% of expenditure. The municipal level deals with almost all public service tasks in relation to citizens and enterprises, and implements local policies and measures within business development, schools and education/training, the elderly, children and young persons, employment, social policy, health prevention, etc. The size of the Danish public sector also means that Danish municipalities have considerable capacity with regard to handling tasks, political flexibility and resources. The 2007 municipal reform enhanced the capacity for strategic development in each municipality by establishing new, larger and more sustainable municipalities.

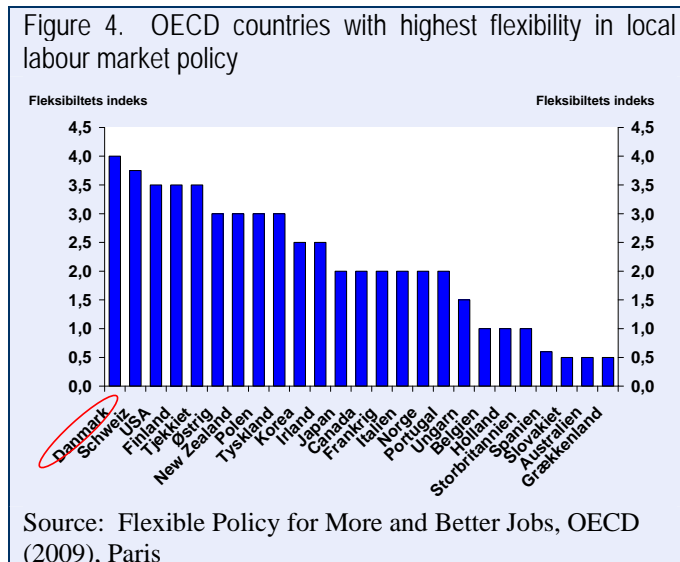
Within the employment area, Denmark also ranks high among OECD countries which spend the most resources on active employment-directed measures. Denmark

spends just under 1.4% of GDP on active employment promotion measures compared to other countries which spend about half or one-third of this, see Figure 3.



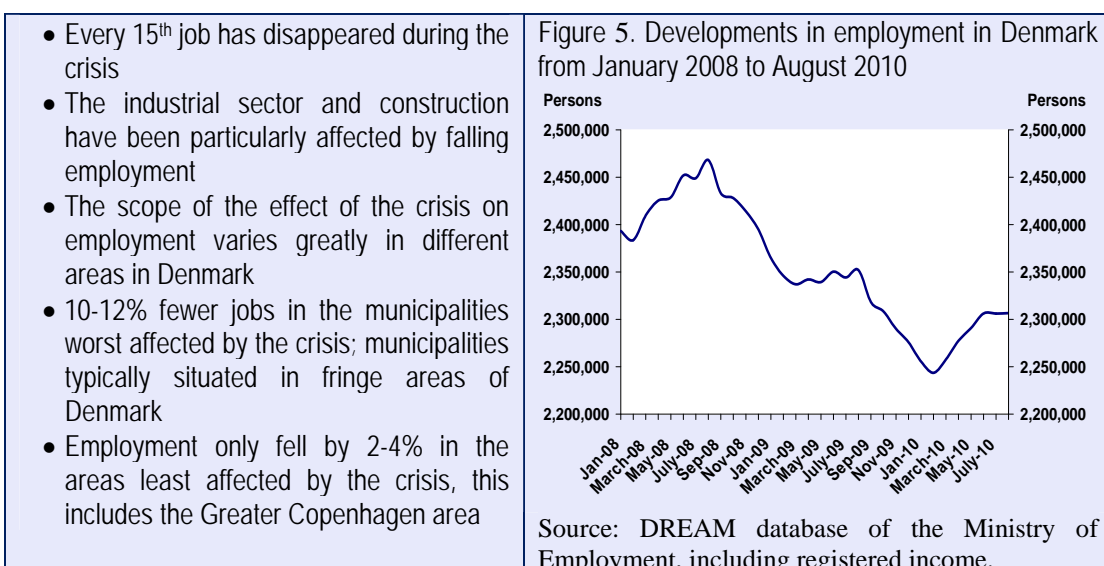
Active employment policy expenditure in Denmark is primarily at local level as part of job centre measures for citizens and enterprises in the local area.

Utilisation of this capacity for flexible and active employment measures depends on the management framework for employment measures, as well as managerial capacity and cooperation between relevant players at various levels of the employment system. The most recent comparative survey by OECD LEED on the scope of flexibility in employment systems of different countries at local/regional level identified Denmark as the country with the highest flexibility in local employment policy (Giguère & Froy, 2009b), see Figure 4. The OECD comparison was carried out while the responsibility for implementation of local employment policy remained divided between the state and municipalities.



## 2.2. Employment policy challenges in Denmark and the case study regions

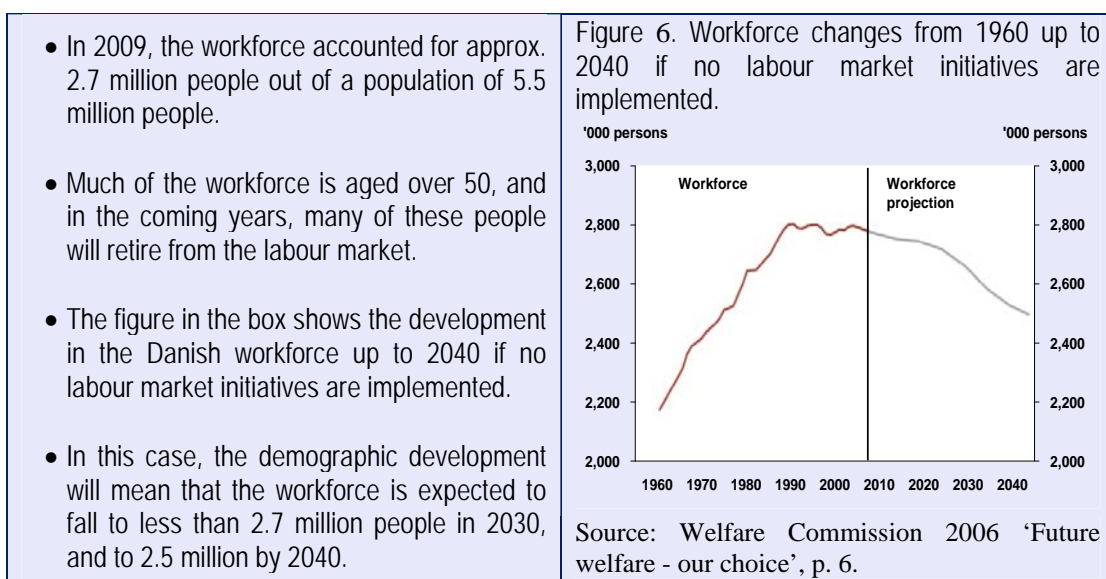
Employment policy is a highly prioritised policy area in Denmark, partly because of the major challenges currently facing Denmark as it adapts its labour market to the challenges of globalisation and a rapidly diminishing workforce. Like the rest of Europe, the Danish labour market has been affected by the current financial crisis and has reinforced a number of structural changes in the labour market. The crisis has led to increasing unemployment (see Figure 5), however it has increased less than initially anticipated and remains low compared with other European countries and is also low in an historical perspective. There has been a considerable drop in the number of workplaces in the industrial sector as well as in construction. In addition, the crisis has exacerbated the many years of falling employment in the industrial sector.



Rising unemployment and increased competition for jobs means more people are becoming long-term unemployed. Therefore, an important challenge in Denmark's current employment policy is to ensure that long-term unemployment does not result in rising marginalisation and a permanent loss of the supply of labour in Denmark.

In the longer term, the most important employment policy challenge in Denmark is labour shortages. In the coming years, an increasing number of older people will retire from the Danish labour market, and will not be replaced by a corresponding influx of young age groups. The diminishing size of the workforce threatens the basis for ensuring growth in industry and employment. A reduced workforce also threatens the basis for public welfare services and the services that will be demanded by the increasing population of pensioners.

The challenges imposed by a diminishing workforce in the years to come, are shown in Figure 6, which depicts workforce trends in Denmark up to 2040.

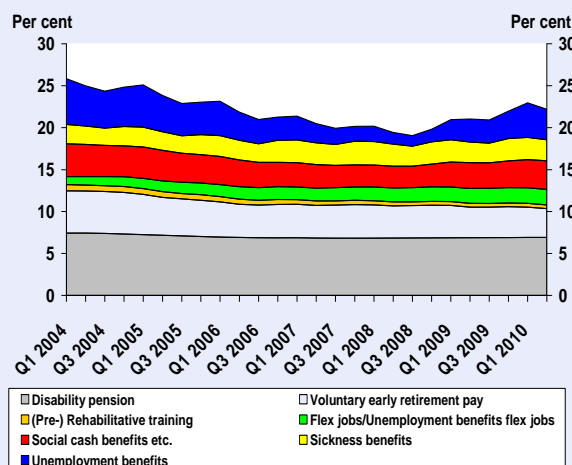


The best way to prevent a reduction in the workforce is to ensure that a greater proportion of people currently outside the labour market obtain employment and education. In this respect, it is a special challenge to avoid reduction of the workforce in the current recession, e.g. more seniors are choosing to retire early from the labour market due to unemployment. Furthermore, more long-term unemployed people are being marginalised and losing their attachment to the labour market.

In Denmark, approx. 23% of the population of working age receive public benefits, see Figure 7. Since the financial crisis started in 2008, this has increased. In the coming years, there is a real possibility of enlarging the Danish workforce if Denmark succeeds in getting more people who are currently outside the labour market into employment. The workforce challenge has also been the primary aim of a number of major reforms which have been implemented in the employment area in Denmark in the past 10 years. Major reforms have been implemented for unemployment benefits, sickness benefits and social cash benefits with the specific purpose of increasing the supply of labour. Currently, major reforms of disability pensions and voluntary early retirement pay are likely to be implemented.

- The current rise in unemployment increases the probability of people becoming long-term unemployed and thereby losing their labour market attachment
- Many 16-29 year-olds have become unemployed during the crisis and this applies particularly to young people without qualifying education or training
- A considerable number of people of working age have now retired from the workforce and are receiving permanent public benefits, such as voluntary early retirement pay and disability pension.
- Each year, absenteeism due to sickness involves huge costs for citizens, enterprises and the public sector in Denmark. Absenteeism due to sickness limits the supply of labour and is costing municipalities, enterprises and the state billions of DKK.

Figure 7. The change in the number of full-time people on public benefits as a percentage of the population of working age (16-64 years old)



Source: Statistics Denmark and jobindsats.dk

Note: The number of early retirement recipients in Q2 2010 is assumed to be identical to the number of recipients in Q1 2010. People taking an education or on maternity leave have not been included.

The risk of labour shortages in the coming years will particularly apply to skilled labour. Like other western countries, Denmark is also affected by the current structural shift in the composition of sectors and production forms due to increasing globalisation and technological developments. As a consequence, relatively fewer people are employed in the industrial sector and agriculture, while more people are now employed in knowledge-intensive service professions. The structural development in the labour market has increased the demand for skilled labour and the demand for unskilled labour is expected to decrease.

In the coming years, Denmark generally has a challenge in relation to employment policy and measures at national level. Denmark must ensure the required expansion and improvements in skills of the workforce necessary to support the socio-economic change that is taking place in society. This requires close correlation between employment policy, business policy, and education policy.

One approach to counteracting a reduction in the workforce may be to ensure that a greater proportion of people currently outside the labour market obtain employment and get an education. In this respect, a special challenge is to avoid drops in the workforce in the current recession and marginalisation through long-term unemployment.

## Variation in the labour market across Denmark

There is clear variation in the labour market context across Denmark as an analysis of the different situations of Aarhus and Guldborgsund demonstrates. The municipality of Aarhus includes the second-largest city in Denmark with more than 300 000 citizens. As a university city, Aarhus is a young city with a large number of students and citizens under 30 years (people under 30 account for 44% of the total population). A large percentage of the citizens also have a long-cycle higher education. Aarhus is a central growth area in Eastern Jutland. This means that enterprises in Aarhus generally demand more labour than is available within municipal borders. Therefore many of the people employed in Aarhus commute from other municipalities in the Central Denmark Region. About 30% of workplaces in the municipality of Aarhus are filled by commuters.

A large share of the workplaces is in the trade (17%), private service (35%), and the public service sector (35%). In contrast, workplaces in building and construction, the industrial sector and agriculture account for a relatively small share (13% in total). The number of workplaces increased in the private and public service sectors by 30% and 10% respectively from 1999 to 2009, whilst this figure fell by more than 40% in the same period for the industrial and agriculture sector. Out of all 16-64 year-olds, about 25% are outside the workforce.

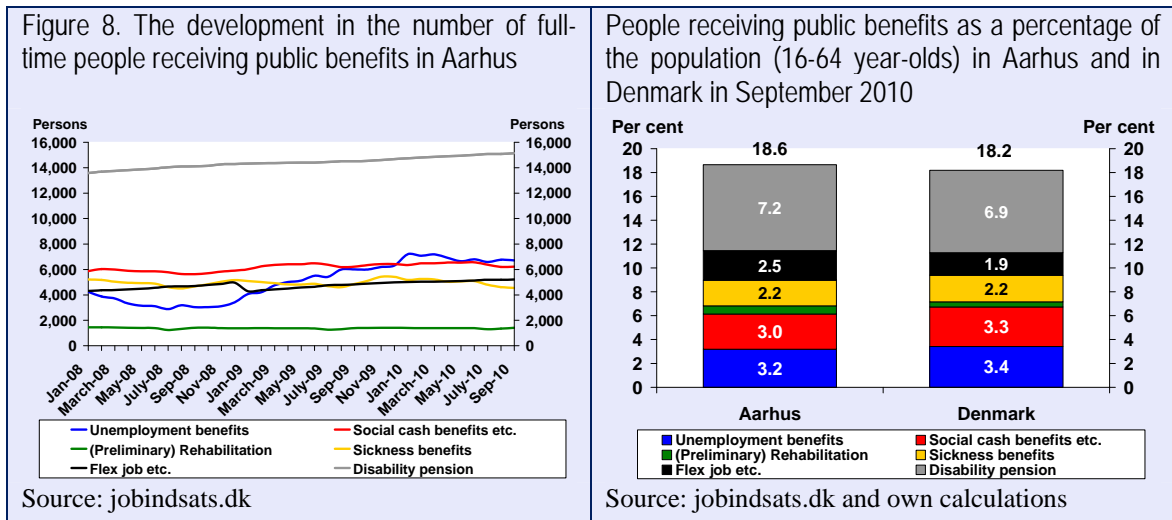
The number of workplaces locally and regionally has fallen, however growth is expected in the long term. In the coming years, fewer workplaces are expected to be created in agriculture, the industrial sector and the construction sector, whereas more are expected in the trade, transport and service sectors. Future trends may result in companies increasingly demanding more well-educated workers who are willing to adapt. This means that a well-qualified workforce will become an important prerequisite for ensuring growth in the Aarhus area, and will represent a considerable competitive resource in relation to attracting employment.

Out of all the people of working age, 38% have a higher education, 25% have vocational training, and 20% have basic school training as their highest completed education. A relatively high percentage of people with medium-cycle or long-cycle higher education live in Aarhus. Even though Aarhus has seen a rise in education levels in the past decade, about one-fifth of young people still do not complete education or training. Therefore local employment policy in Aarhus is focusing on measures to ensure young people an education.

Since the financial crisis, the number of people receiving public benefits has increased to about 34 000 people, a 17% increase. Overall, the municipality of Aarhus has a higher proportion of people receiving public benefits than the national average, see Figure 8. The number of unemployed people who are ready to take on a job has doubled (87%) over the past two years, see Figure 8. In particular the number of insured unemployed people and recipients of social cash benefits who are ready to

take on a job has increased during the recession. At the same time, there has been a considerable increase in the number of unemployed young people and in the number of long-term unemployed.

In relation to employment measures, the challenge is to ensure that about 20 000 people in Aarhus who regularly receive assistance from the job centre, receive the optimal support in their job seeking activities and/or have their skills upgraded.



Guldborgsund is a municipality on Lolland-Falster south of Zealand with a total of 63 000 citizens. About 39 000 people belong to the economically active age group. In the nearest catchment areas to Guldborgsund, i.e. South Zealand, the island of Møn and Lolland-Falster, about 170 000 citizens belong to the economically active age group. Out of all 16-64 year-olds, about 28% are outside the workforce.

Agriculture and industry have traditionally accounted for a large share of workplaces, as a result of which the municipality has a relatively high number of unskilled employed people. There is net commuting out of the municipality, which means there are more employed people in the municipality than there are workplaces - 29,600 employed people reside in Guldborgsund, whereas there are 26,000 workplaces in the municipality. Most of the people who commute work in the surrounding municipalities (about 65% of the commuters from Guldborgsund work in the municipalities of Lolland and South Zealand) but many people also commute to the Greater Copenhagen area.

The municipality of Guldborgsund is facing a number of employment-related challenges. The main challenge is that an increasing number of older people will retire and will not be replaced by a corresponding influx of young age groups. This will thus threaten positive growth and employment for the whole area around Lolland-Falster, the island of Møn and South Zealand. Effects on growth from the falling workforce will become evidence in just a few years time.

This development is exacerbated by the many well-educated citizens in Guldborgsund who are close to retirement age. In total, people over 50 years account for 45% of the total population, whereas the national level is 36%. The number of

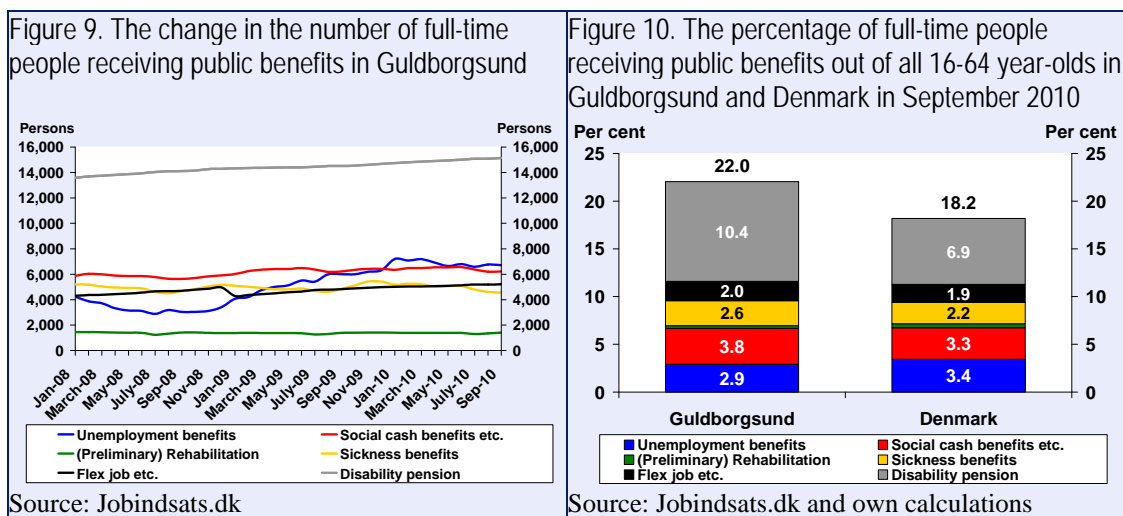
people over 50 years represents more than 40% of the employees in public administration, teaching and health., where many seniors with higher-education and further education will retire and where it might become difficult to attract people with the right qualifications. Projections in the population show that if the participation rate is maintained at the present level, the workforce in South Zealand, Lolland-Falster and the island of Møn will fall to 118 000 people in 2020 and 110 000 people in 2030.

Another important challenge is that globalisation and technological development means enterprises are increasingly demanding more well-educated people and people who are willing to adapt. As a consequence, the new jobs created each year generally set higher requirements for education than the jobs that disappear each year or are relocated abroad.

The level of education in the Guldborgsund area is also lower than in the Greater Copenhagen area and the Aarhus area. A large number of employed people in Guldborgsund only have basic school as their highest education level (27%). Similarly, a large percentage of unemployed people (36%) and people outside the workforce (55%) do not have a qualifying education or training. Only a little more than 70% of young people in Guldborgsund are expected to obtain a qualifying education or training. Many young people from Guldborgsund are moving to the bigger university cities in Denmark to take an education, whereas those who stay are more likely not complete a higher education programme. A total of 15% of young people in Guldborgsund do not begin further education after completing basic school, and a significant number of young people drop out of upper secondary education before having completed it.

A large proportion of workplaces in the industrial sector and agriculture disappeared during the crisis; a development which is expected to continue even after the economic cycle bottoms out and employment starts to increase again. Thus, there is a huge challenge for local employment measures to assist citizens in the Guldborgsund area to obtain the competencies required in order to be included in the labour market in the long term - not least, to replace the many people who will retire from the labour market in the coming years.

Since the start of the financial crisis, the number of people receiving public benefits in the municipality of Guldborgsund has risen to about 10 600, an increase of about 10%, see Figure 9. The number of unemployed people who are ready to take a job has more than doubled during the last two years. Altogether, in the municipality of Guldborgsund, a considerably larger proportion of the population receive public benefits than the national average, see Figure 10. This trend places greater demands on the ability of employment measures to differentiate programmes for different groups to meet their various needs.



### 2.3. Recent labour market policy reforms

Historically, employment policy has received high priority and played an important role in Danish economic and structural policy. Among other things, this is reflected in the rate of reforms and legislation in the employment area that Denmark has implemented in the past ten years. The storyline driving the recent government reforms has focused on the need to adapt the Danish welfare state to the challenges of globalisation. This means that focus has been on initiatives that seek out and utilise all available labour.

The reforms are based on strong national government control of employment policy with a view to ensuring a high degree of accountability in the Danish employment system. Parallel with national management, all reforms were aimed at decentralising the implementation of employment policy to the 98 municipalities in Denmark, and at ensuring flexible frameworks for municipalities. Thus the Danish employment system aims towards strong central management of employment measures in combination with a considerable degree of flexibility in decentralised work.

These initiatives include 'More people into employment' (*'Flere i arbejde'*) reform from 2002-03 and the 2006 reform 'The Welfare Agreement' (*'Velfærdsforliget'*). In general, these two reforms focus on increasing the availability of those unemployed for work and the extent of their job-search activity. For example, in education and training in the employment system the aim is that courses should be targeted specifically at improving their employment prospects. Special emphasis is placed on training targeted at sectors that currently have a labour shortage.

In 2007 a major structural reform of local and regional government came into effect. Its purpose was to strengthen the decentralised public sector in the context of changing conditions in business, trade and technology in order to consolidate and further improve the level of welfare in Denmark. Analyses had shown that many of

the administrative units were too small and lacked the capacity to handle the tasks they were given, and also that most of the counties (regional authorities) lacked adequate capacity to ensure optimal sector planning.

With the structural reform, 271 municipalities were reduced to 98 municipalities, and the 14 counties were abolished and replaced by five new administrative regions governed by popularly elected boards. Responsibilities and the division of tasks were restructured, resulting in more tasks for the municipalities, now responsible for almost all public services. The municipalities are governed by politicians elected by popular vote.

An important element of the structural reform was to reorganise the employment system to create optimal frameworks to manage workforce challenges, strengthen the results and efficiency of public employment measures, and create a sustainable employment system. As a result, a new institutional framework was established and new planning and management tools were introduced. Furthermore, four employment regions were set up to monitor the labour market situation.

Measures for insured unemployed people continued to be managed by a national government employment system, though as an integral part of the municipal job centres. From August 2009, measures for insured unemployed people became the responsibility of the municipalities, which means that all tasks in the employment area in Denmark directed at citizens and enterprises are now handled at municipal level. Below is a list of the outcomes for municipalities following the 2007 municipal reform and subsequent national government policy in 2009:

### **Outcomes for municipalities**

#### **Municipal task performance - targeting and local ownership**

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

### **Efficient management of the workforce challenge**

The workforce challenge was and is the greatest of all challenges facing employment policy in Denmark. A key intention of the 2007 municipal reform was to optimise the employment system to deal with this challenge. It was thought that strengthening and developing measures for target groups outside the workforce would only succeed if employment measures were performed in the municipalities and in close connection with other municipal tasks, e.g. social measures, and in close cooperation with enterprises in the local community. Prior to the municipal reform, measures for insured unemployed people were performed by the state, whereas Danish municipalities performed measures for readily employable recipients of social cash benefits and for various target groups outside the workforce, e.g. recipients of social cash benefits and/or sickness benefits who are not readily employable, etc. Therefore the potential for increasing the workforce was primarily in the municipal measures for these groups. The municipal reform therefore focused on strengthening municipal measures for the target groups outside the workforce to ensure that more citizens could be transferred into employment.

### **Focus on and priority of the employment area**

A key intention of the municipal reform was to increase the focus of municipal policy on employment issues. It was thought that it would be possible to achieve better results and effects of employment measures, if municipal policy could be incorporated to a greater extent in these measures. To promote employment measures as a priority in the political competition between various municipal policy areas, legislation stipulated that the employment area was to be managed by a separate committee under the municipal council.

This is now in place and is responsible for local employment measures. The municipality may also choose to let the powerful finance committee, with the mayor in charge, manage the employment area. Legislation also laid down requirements that the mayor or the committee chairman be an ex officio chairman of the advisory body, the Local Employment Council. The aim is to support very close cooperation between the municipality and the parties in the Local Employment Council and to ensure that the municipality is being represented and has decision-making power. Finally, legislation lays down a number of requirements for the municipal planning and budgeting process to support prioritising the establishment of goals, investment and cooperation in the employment area. The establishment of an annual employment plan and performance audit in all municipalities, and the dialogue about this with local stakeholders, is also designed to contribute to creating optimal interplay and support for the goals of local employment measures.

### **Focus on and priority of the employment area**

A key intention of the municipal reform was to increase the focus of municipal policy on employment issues. It was thought that it would be possible to achieve better results and effects of employment measures, if municipal policy could be incorporated to a greater extent in these measures. To promote employment measures as a priority in the political competition between various municipal policy areas, legislation stipulated that the employment area was to be managed by a separate committee under the municipal council. This is now in place and is responsible for local employment measures. The municipality may also choose to let the powerful finance committee, with the mayor in charge, manage the employment area. Legislation also laid down requirements that the mayor or the committee chairman be an ex officio chairman of the advisory body, the Local Employment Council. The aim

### **Financial and professional sustainability in municipalities**

A key intention of the municipal reform was to ensure that municipalities had sufficient financial and professional sustainability with regard to managing and performing employment measures. In addition to ensuring this through the merging of municipalities, various requirements were made to the municipal organisation of employment measures. For instance, the job centre was to be an independent organisational unit separated from payment of benefits to citizens and from social measures.

**One entrance and joint service for citizens and enterprises**

The municipal reform was designed to ensure citizens and enterprises one joint entrance to the public employment system and ensure that the resources, barriers and needs of citizens and enterprises governed the measures and services received from the employment system. This was a break with the previous system, with a national system for insured unemployed people and a municipal system for uninsured unemployed people, with significant differences in target groups, measures and services.

**Utilising synergy effects by going from two systems to one**

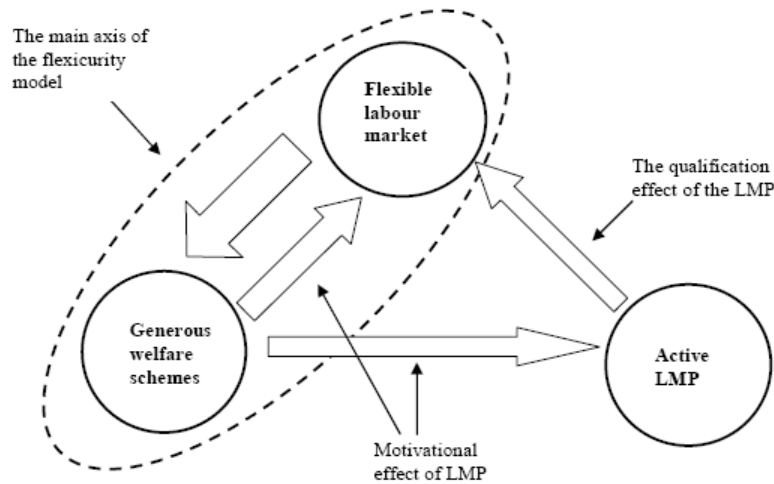
A key intention of the municipal reform was to reap synergy effects and benefits by merging the national employment system and the municipal employment system into one new joint system. This was expected to provide benefits such as a higher degree of targeting and priority of measures, optimal exploitation of resources in employment measures, more resources to perform the tasks in employment measures, more knowledge and more skills. Furthermore, synergy effects were expected to come from the interaction between a number of municipal administrations and players around the individual citizen. For instance, close cooperation between the job centre and the municipality's children and young people's administration, the social and health administration, the benefits office, the unemployment insurance funds, which together assist the citizen to getting closer to the labour market.

## 2.4 Organisation and management of the employment system

The Danish employment system has been described as a 'flexicurity model'. The system aims at ensuring employers high flexibility with regard to labour whilst at the same time giving employees the highest possible degree of financial security. The model is a way to ensure that employers are not hesitant to take on new employees (as it is fairly easy to dismiss employees). On the other hand, employees secure financial security in the form of compensation/daily benefits to counteract short notice of termination.

The flexicurity model is illustrated by the triangle below, Figure 11.

**Figure 11. The Danish “flexicurity model”**



Note: LMP = labour market policy

Active labour market policy plays a major part in the Danish flexicurity model through several different mechanisms:

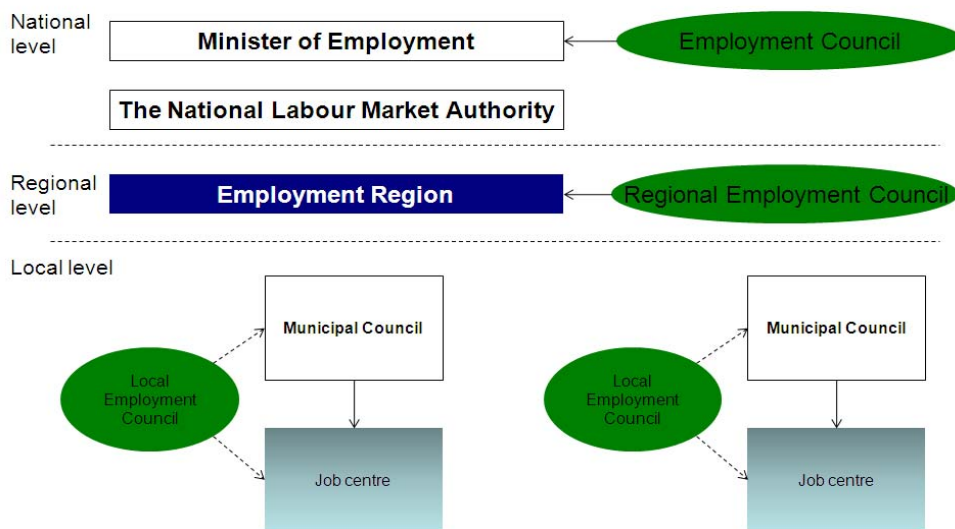
- Matching unemployed people to relevant job openings, and facilitating mobility between sectors
- Keeping unemployed people motivated and active in their job search through employability enhancement programmes
- Improving both the general and specific skills of unemployed people through courses and job training/internships at enterprises.

Currently the flexicurity model is under a certain pressure because the financial crisis has led to rising unemployment, further exacerbated by the fact that Denmark reduced the daily benefits period in 2010 from four to two years. Rising unemployment and a shortened daily benefits period may lead to a tendency to seek more security, possibly challenging flexibility. There are also higher demands for active employment policy to create results in the form of skills-upgrading effects and better chances for individual citizens to obtain employment.

Danish employment policy is organised at three levels, see Figure 12. An advisory body is linked to each of the three levels. At national level, the National Employment Council (BER). At regional level, the regional employment councils (RBR). At local level, the local employment councils (LBR). The advisory bodies comprise employers' and wage-earners' representatives, representatives from disability organisations, general practitioners, etc.

**Figure 12. Organisation of Danish employment policy**

## The employment system



### 2.4.1 At national level

At national level, the Minister for Employment has overall responsibility for employment policy. The Minister is also the supreme administrative authority for the employment regions and for employment measures in the 91 job centres. The National Labour Market Authority is responsible for implementing and following up on employment policy on behalf of the Minister. This means that the National Labour Market Authority is responsible for ensuring implementation of new legislation, following up on results at national level and developing new tools and methods that support employment policy.

Once a year the Minister announces three to four goals for employment policy in the municipalities for the coming year. The goals are announced in areas where it has been assessed to be particularly important that the job centres prioritise measures. Municipalities must incorporate the goals in the plan for employment measures for the coming year.

A central employment council has been established to advise the Minister (and the National Labour Market Authority). The employment council comprises representatives from the social partners, the municipalities and the Danish Council of Organisations of Disabled People. The council advises the Minister about major employment policy initiatives as well as the Minister's annual goals for employment policy. The council also advises on following up regional employment measures, test projects and proposals for new legislation. National management aims at supporting municipal measures through more knowledge as well as ensuring that local measures are under constant pressure to deliver results. A crucial element in national management is to ensure continuous incentives and focus on creating results from job measures for citizens.

National management in the employment area is based on a basic premise that the national government and the Danish Parliament must have direct and rapid access to implementing changes in employment on the basis of national focus areas on economic trends, national economy, demographic developments, etc.. A central management is to ensure that policies contribute to a higher and more efficient labour supply. The main purpose of Danish employment policy is thus to ensure that as many unemployed people/people on sick leave as possible are transferred from public benefits to employment and self support, and that young people are ensured a qualifying education. National management is therefore characterised by its support of a job-targeted focus in local employment measures across all management tools with a view to reaching the main goal of employment policy: creating the greatest possible supply of labour.

The targeting of employment policy towards ensuring increased supply of labour is reflected in the mission, strategic goals and benchmarks of the National Labour Market Authority.

**Mission of the National Labour Market Authority:**

- Everyone in employment – for young people the priority, however, is education.

**The most important strategic goals of the National Labour Market Authority are:**

- Increasing the supply of labour - people should move from public benefits to employment. Moreover, the National Labour Market Authority will ensure an addition of foreign workers to supplement Danish recruitment activities.

**The benchmark/values of the National Labour Market Authority are:**

- The goal is always a job as fast as possible - for young people education has the highest priority.
- Jobs are something you actively look for - not something you get.
- Focus on unemployed people who cannot or do not wish to get a job.
- Active initiatives are the path to getting a job.
- Little contact with the labour market is better than no contact.
- The best service we can provide for enterprises is getting unemployed people into employment as quickly as possible.

**Benchmarks for management by the National Labour Market Authority**

Through dialogue-based management, methodology development, management of rules and financial management, the National Labour Market Authority aims at ensuring:

- That job centres set activity and job seeking requirements for all groups of unemployed people to assist them to move from public benefits into employment.
- That the benefits system promotes and supports people's exit from public benefits and entry to employment.

Source: [www.ams.dk](http://www.ams.dk)

Another very important area in national management is ensuring that the rights and duties of citizens are observed. Regardless of the municipality, unemployed citizens must always be offered the opportunity to take part in a job-targeted initiative at the job centre and thus be guaranteed certain minimum rights and duties. This means that

uniform requirements are laid down for all municipalities regarding the frequency of contact between the unemployed citizen and the job centre and the frequencies of interviews by the job centre, as well as the right of citizens to receive employability enhancement programmes. Municipalities can choose to offer measures that go beyond the minimum requirements and can organise and target the contents of contact and programmes within the minimum requirements of legislation so that the best possible results are achieved for each citizen on the basis of the given local conditions.

As part of the national management of employment policy, strong financial incentives have been established. These incentives aim at encouraging municipalities to give the employment area high priority and at ensuring good results. Good results in the employment area generate revenues for the municipality which can be used for investment/tax reductions, etc. for the benefit of citizens and enterprises. However, poor results in the employment area can have the opposite effect. At the same time financial incentives have been incorporated so that citizens receive active employment-directed programmes rather than passive support, as well as incentives to ensure that citizens' statutory minimum rights for contact interviews and employability enhancement programmes are observed.

#### **2.4.2. At regional level**



At regional level, four central employment regions have been established: North Jutland, Central Jutland, South Denmark as well as Greater Copenhagen and Zealand (Seeland). The four employment regions play a central role in ensuring accountability as well as supporting flexibility in employment policy in Denmark. Employment regions fall under the National Labour Market Authority. Each region has set up an advisory regional employment council consisting of the social partners, the municipalities, the Regional Council and the Disabled People's Organisations Denmark. The employment regions and the employment council have annual contract with the Minister for Employment on how the regions must work to ensure good results and effects in employment measures in cooperation with the job centres.

The employment regions have no direct contact with citizens and enterprises, except for special tasks regarding dismissals and residence and work permits. On behalf of the Minister for Employment and the National Labour Market Authority, employment regions are responsible for monitoring and following up measures, results and outcomes of employment policy.

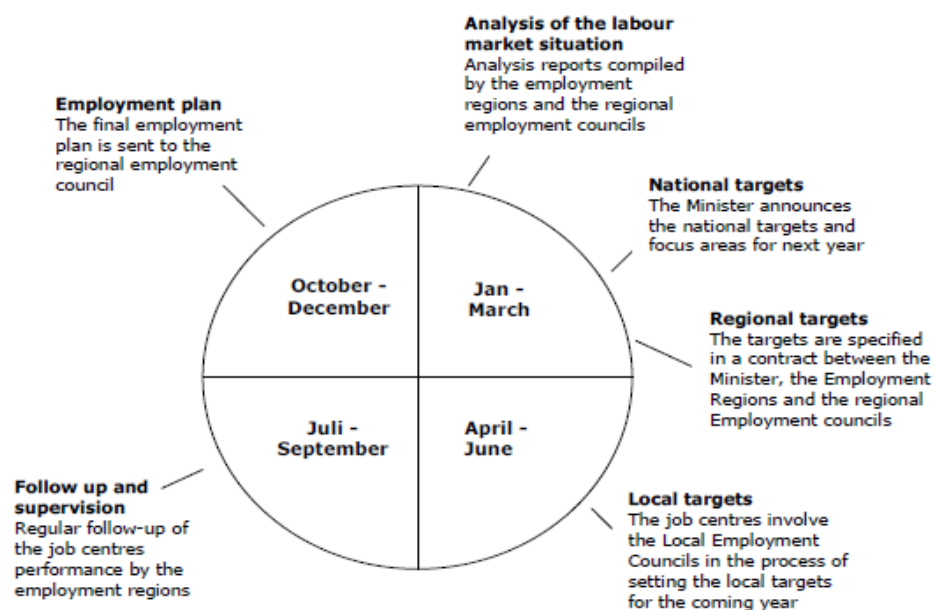
Moreover, the regions supply knowledge about developments in relation to the target groups of employment policy. Particular focus is on analysing and illustrating the challenge and developments regarding the four goals for employment policy laid down by the Minister. The regions' analyses are used as input for the municipalities' planning and determination of goals and strategies in employment policy.

Each year the regions enter into dialogue with the municipalities about planning employment policy and the municipalities' determination of goals and strategies for measures in the coming year. They monitor and follow up measures and results supplied by the job centres. This is carried out through various follow-up systems, all based on the centrally developed national follow-up system jobindsats.dk, which calculates and shows the municipalities' results and measures in all key areas.

*Implementing the Minister's annual goals*

In continuation of the announcement of the Minister's annual goals, the Minister enters a contract with the employment region and the Regional Employment Council which sets the framework for the employment regions' work on ensuring good results. At the beginning of the year the regions prepare an analysis report which illustrates trends and forecasts for the demand for labour, employment, unemployment as well as developments in the job centres' target groups and measures etc., see Figure 13.

**Figure 13. Tasks and roles of the employment regions in the planning process**



In several regions the analysis report is supplemented by analyses and/or a discussion paper targeted at the individual municipality. Analyses and the discussion paper are typically targeted at the municipal policies, the local employment council and the strategic management in the individual municipality. Moreover, at the beginning of the year the regions hold a conference for policies, members of the local employment council and the strategic management in all municipalities in the region. The activities above form the basis for the municipalities to initiate work on planning local employment measures for the coming year.

In April and May the regions enter into dialogue with the municipalities on determining the local goals and strategies in the measures for the coming year. The regions typically aim at challenging the municipalities regarding the level of ambition in determining these. From July to October municipal politicians process, discuss and approve the plan and budget for the coming year. After approval of the plan by the municipality, the region focuses on realising and implementing the plan with regard to daily operations at the job centre. From October to December the dialogue meetings focus on how the job centres should prepare implementation of the plan for the coming year.

#### *Dialogue with the job centres*

The employment regions have a special consultancy function for job centres with performance problems, aiming at putting performance back on the right track. This includes collecting and making visible best practice, implementing and financing activities regarding analysis, developing and testing in cooperation with the job centres, establishing and operating networks across municipalities and job centres marketing the job centre's measures targeted at enterprises etc.

The regions must hold a minimum of four annual dialogue meetings with the management of the job centre/the municipal employment administration. The meetings can be held with one job centre or as collective meetings with several job centres. The meetings focus on the job centre's results, impacts/effects and measures as well as on how these can be developed and improved.

#### **Focus on the dialogue meetings**

- Job centres' employment measures, results and impacts/effects
- Special focus on the job centre's employment measures, results and impacts/effects with regard to the four Ministerial goals
- Focus on problems achieving results as well as identifying and explaining these problems
- Focus on developing measures; particular focus on developing measures in the job centres and in areas with negative results
- Focus on supporting the job centres in developing measures and in achieving results/effects
- Focus on gathering knowledge about the connection between measures and results/effects
- Focus on collecting and communicating best practice
- Focus on collecting and communicating knowledge about labour market trends.

Job centres with problems achieving results will typically focus on how measures and results can be developed and improved. This may include initiating detailed analyses of the problems achieving results, communicating best practice to the job centre, initiating joint development activities to solve the problems achieving results, financing external consultancy for the job centre etc. The region can enter into agreements with job centres on how the job centres can correct measures with problems achieving results. In this connection the region must follow up and ensure compliance with the agreement.

### **Support of cross-cutting activities**

In addition to the tasks mentioned above, the employment regions manage and initiate tasks and activities which support the job centres in developing employment measures, coordinating employment measures with other policy areas, developing cooperation with other players etc.

#### **Networks**

The employment regions have established, and are part of facilitating, professional job-centre networks in a number of priority areas. These include networks aimed at managers and employees, respectively, depending on the issues being addressed. The networks include job centres across the region. The overall objective of the networks is to share knowledge and good practice, and to provide support for the implementation of new initiatives. Network activities include competence development for managers, team leaders and employees at the job centres, for example in the sickness benefits area, measures aimed at young people, as well as development for employees working with planning and secretarial functions at the job centres, etc.

#### **Analyses**

The employment regions perform analyses jointly with the job centres. These include:

- Analyses to identify the qualifications and competence needs of enterprises in the region. For example, demand for skilled labour and the types of training and education programmes available.
- Analyses of the labour market for university (and similar) graduates - identification of employment barriers and opportunities in the region for highly educated jobseekers.

#### **Performance management projects and national pilot projects, for example:**

- A performance management project, on e.g. development of methods to reduce the reserve of labour, is being carried out collaboratively between the employment region, the job centres and an external consultancy firm.
- Labour market monitoring, where the region makes analyses and statistics at job-centre level available to the job centres, including comparisons of results/challenges.

#### **National/regional pilot projects and development of measures, for example:**

- Pilot project and methodology development, "*På rette vej - i job*" ("On the right track - in employment"), with the participation of several job centres. The pilot project is about the implementation of employment and education-targeted measures to bring unemployed persons from match group 2 category into a job or ordinary education

programme.

- With funding from the pool for job-targeted skills upgrading, and in close collaboration with several job centres, a number of projects are being implemented to reduce long-term unemployment.

- Development project to develop tools to prevent early retirement with disability pension.

**Other cross-cutting collaborative measures, for example:**

- Collaborative measures with the regional bodies for economic growth (there are a total of six such regional bodies in Denmark with representatives from the local business community, research and educational institutions, the labour market, municipalities and regions). The six bodies for economic growth concentrate on business development and growth.
- Annual counsellor conference for the job centres and the municipal educational and career counselling centres for young people (*Ungdommens Uddannelsesvejledning*).
- Facilitation of meetings between job centres in a geographical network and local educational establishments about collaborative measures for certain groups of unemployed people.
- Regional funds, where the employment region encourages and supports the job centres in working collaboratively on projects that are allocated regional funds.
- Representation in the boards of adult education and continuing training centres (centres offering single-point-of-access to adult education and continuing training programmes). The boards discuss and develop common employment and education policy initiatives.

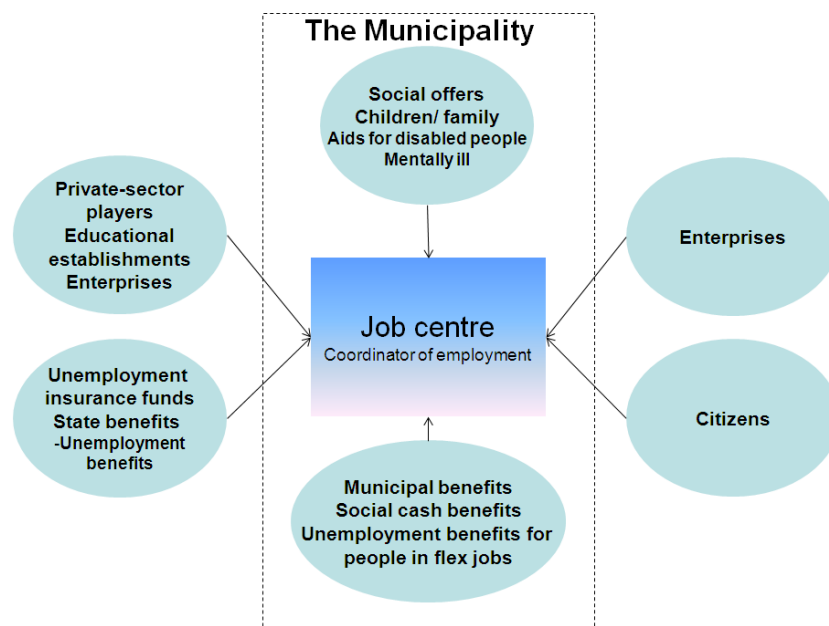
### 2.4.3. At local level

At local level, municipalities manage employment measures for citizens and enterprises within the frameworks of legislation. Nearly all 98 municipalities have a job centre which is the organisational pivot of its measures (Figure 14). It manages all employment-directed tasks for all groups of citizens: employed people, recipients of unemployment benefits, recipients of social cash benefits, recipients of sickness benefits, rehabilitees, unemployment benefits for people in flex jobs, etc. seven small municipalities work with another large municipality and therefore do not have their own job centres.<sup>1</sup> The municipalities are responsible for the organisation and implementation of employment measures. Within the frameworks of legislation, municipalities plan, develop and implement employment measures. In addition, each municipality can coordinate the implementation of employment measures with other policy areas and establish cooperation with different cooperation partners in the local area, etc.

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<sup>1</sup>The seven smallest municipalities are obliged to enter into binding cooperation with another municipality about employment measures in a joint job centre.

Figure 14. Employment measures at local level in Denmark



## Job centres

The main responsibility of job centres is to establish a quick and efficient match between job seekers and enterprises and offer one point of access. Accordingly, unemployed job seekers and people on sick leave must be provided with the fastest way back into employment. Employment measures are implemented in cooperation with other stakeholders externally and internally in the municipality, e.g. educational establishments, enterprises and unemployment insurance funds.

To ensure that the job centres remain focused on employment, job services and the payment of benefits are kept separate. This division of responsibilities is a key concept in the establishment of the job centres. This means that it is not a job centre's responsibility to pay out benefits, nor does it have responsibility for any decision-making concerning benefit claims, the amount of benefits, or other financial matters pertaining to individual cases. The local social office or some other local government body determines an individual's eligibility for social benefits. Job centre measures must be based on the resources and needs of the individual and not on public benefits.

Each job centre is attached to a local employment council which gives advice about employment measures in the job centre. The council is particularly responsible for monitoring results in the municipality. The council also coordinates and develops local measures for people who have difficulties coping in the labour market. The council consists of participants from the social partners, the Disabled People's Organisations Denmark, the Organization of General Practitioners in Denmark, the Local Integration Council, relevant local associations and the municipal council.

Responsibility for developing IT systems to support the work of job centres has been placed with the municipalities and with the IT suppliers with which the

municipalities conclude contracts. However, the National Labour Market Authority has launched several development projects which aim at developing supplementary IT systems that support the work of job centres and ensure focus on results and effects.

## **4. Organisation and management of the employment system**

### **4.1. Management principles and management tools in the employment system**

The Danish employment system is based on decentralised measures in 91 job centres, but also on strong national government management to ensure coherent national employment policy. The competences, tasks and frameworks of each municipality are composed by national government on the basis of a number of primary goals and focus areas. This means that even though the municipalities are responsible for organising and executing the employment policy, a fundamental premise for municipal policy is that national employment policy can always be implemented in the form of new initiatives, legislative measures, reforms, etc.

In recent years a number of development projects have been carried out in order to support performance-based management at central, regional and local levels in the employment system. The main intention of the various initiatives was to ensure a major performance focus on the employment measures at all levels of the employment system. A number of different tools and activities have been used to work towards this goal. These include:

- Developing the process for realising and implementing the Minister for Employment's goals for employment policy in the municipalities in the coming year.
- Developing the employment regions' ongoing follow-up and dialogue process with the job centres. Increased focus on how to achieve results and effects.
- Developing benchmarking and best practice across job centres.
- Introducing new methods for job centres to plan and develop measures. For instance introducing new methods for performance-based management and change theories.

#### **Target groups for employment measures**

The primary purpose of active employment measures is to contribute to a well-functioning labour market by assisting unemployed people to obtain a job, providing services to private and public employers seeking labour or wishing to retain employees, and supporting people who have special needs for assistance to find work due to reduced ability to work. Employment measures in Denmark are thus relatively widespread and comprise all unemployed people. Job centres also assist citizens who have to take on a subsidized job, e.g. due to reduced ability to work.

- **Unemployed people receiving unemployment benefits**  
Insured unemployed people who receive unemployment benefits from an unemployment insurance fund

- **Unemployed people receiving social cash benefits**  
Uninsured unemployed people who receive social cash benefits from the municipality
- **People on sick leave**  
People on sick leave from employment and unemployment
- **Persons on rehabilitative training**  
Persons with reduced ability to work who need rehabilitative training (retraining)
- **Persons receiving unemployment benefits for people in flex jobs**  
Persons with reduced ability to work assigned to a flex job (light jobs with special conditions)

Danish employment measures are generally estimated to affect about 900 000 citizens receiving public benefits for a short or long period of time during the next year. Citizens who have gone into early retirement and recipients of disability pension are also included in these measures. This means that at any time during the year, there are more than 400 000 recipients of public benefits, excluding voluntary early retirement pay and disability pension, see Table 1 below.

Benefit groups	Full-time persons	Per cent of 16 to 64 year-olds	Persons affected
<b>Unemployment benefits</b>	127,492	3.6%	328,654
<b>Sickness benefits</b>	89,323	2.5%	423,573
<b>Social cash benefits etc.</b>	118,122	3.3%	185,480
<b>Rehabilitation</b>	13,016	0.4%	19,872
<b>Preliminary rehabilitation</b>	2,725	0.1%	4,514
<b>Unemployment benefits for people visited to flex jobs</b>	14,210	0.4%	27,361
<b>Flex job</b>	52,410	1.5%	60,731
<b>Disability pension</b>	245,755	6.9%	262,089
<b>Earlier retirement pension</b>	175,162	4.9%	-
<b>Total</b>	<b>838,215</b>	<b>23.6%</b>	

Source: Statistics Denmark, Jobindsats.dk and DREAM.  
Note: The calculation of the number of recipients of voluntary early retirement pay is from Q1 2010. People taking an education or on maternity leave have not been included.

### Breakdown of citizens into three match groups:

The employment measures are planned on the basis of a match model where unemployed people are divided into three (independent of benefits) categories depending on how far they are from being able to take on a normal job. The match model is defined at national level and is the same for all job centres.

**1. Ready to take on a job**

Persons who are assessed to be able to take on an ordinary job within three months. The focus of the measures for this group must be on jobs, i.e. guidance about job opportunities and assist with job seeking

**2. Ready for active employment measures**

Persons who are not ready to take on an ordinary job, but who are qualified for receiving employment-directed measures. Employment measures for this group must focus on getting the person ready to take on a job or to take an education through active employment measures

**3. Temporarily on passive support**

Persons who have such serious problems that they can neither work nor take part in employment-directed measures with employability enhancement measures. The measures made for this group are limited to ongoing contact with focus on getting the person ready to enrol in measures directed at employment, or deciding whether the citizen has such reduced ability to work that a disability pension must be granted

The assessment of whether a citizen is able to take on an ordinary job is not about whether the citizen is currently able to find a job, but solely about a citizen's ability to cope with a job. The assessment of whether a citizen can participate in a labour market programme must be made on the basis of the tools that are currently used by the job centres. Once a citizen has been placed in one of the categories, the employment measures for the citizen must be determined, based on wishes and skills of the unemployed person and the needs of the labour market.

Active employment measures are based on two fundamental elements; the contact process and the employability enhancement programmes.

*Contact process*

The contact process encompasses a number of activities, all aiming at getting unemployed people into employment as quickly as possible. If it is unrealistic that the unemployed person will get a job in the short term, the contact must aim at planning job-targeted activities. The contact process is aimed at identifying, guiding and motivating unemployed people to intensive and targeted job seeking.

The contact process consists of:

- CV interviews: During the CV interview, it must be ensured that the information that the unemployed person includes in his/her compulsory CV is adequate. During the interview, it is agreed how the job seeking activities of the unemployed person can be supported, and the job seeker is obliged to seek at least two relevant jobs.

- Job interviews: The job interview focuses on specific jobs and job seeking, including professional and geographical mobility. Unemployed people who are not ready to take on a job must focus on employment-motivating activities.
- Availability interviews: This interview focuses on what the unemployed person has done to get a job, and how job seeking should be in the forthcoming period. The unemployment insurance fund is responsible for doing availability interviews with insured unemployed people.

The main rule is that unemployed people must prepare a CV within three weeks of unemployment and participate in job interviews and availability interviews at least every third month. Some groups must give job interviews more frequently, for example unemployed people with qualifications in areas with labour shortage or people with a risk of long-term unemployment.

Job interviews are held by the job centre. Availability interviews are held by the unemployment insurance funds for insured unemployed people and by the job centre for uninsured unemployed people who are ready to take on a job. In addition to interviews with unemployed people, job centres also conduct interviews with other target groups in the job centre. Recipients of sickness benefits must participate in regular follow-up interviews in the job centre taking into account the nature of their illness and the needs and skills of the person on sick leave.

Job centres are altogether estimated to conduct about 1.2 million job-targeted interviews with unemployed people receiving unemployment benefits or social cash benefits in the course of one year. Job centres also conduct a large number of interviews with other target groups, including recipients of sickness benefits.

### *Employability enhancement programmes*

As a rule, unemployed people have a right and duty to enrol in an employability enhancement programme after nine months of unemployment and subsequently every sixth month. Young people and seniors are subject to special rules about early and intensive employability enhancement programmes. Employability enhancement programmes aim at bringing unemployed people closer to a job through maintenance and/or upgrading of skills.

There are three types of employability enhancement programmes which job centres can introduce to unemployed people.

The three programmes are:

- Guidance and upgrading of skills: This may consist of brief guidance and clarification activities, specifically arranged projects and training periods
- Jobs with wage subsidy: Jobs with wage subsidy at public or private employers may be used to retrain the professional, social or linguistic competences of unemployed people
- On-the-job-training with public or private employers: This is used for unemployed people who need clarification of employment goals, or who due to a

lack of competences have difficulties getting a job on normal salary and working conditions or a wage-subsidy job.

The employability enhancement programmes are determined in a job plan - a written agreement between the unemployed person and the job centre with the aim of getting the unemployed person into employment as quickly as possible. The job plan must include an employment goal and the activities to be implemented to reach this goal. In addition to employability enhancement programmes for unemployed people, the job centre can also enrol recipients of sickness benefits with a view to ensuring their quick return to the labour market. The measures are organised taking into account the nature of their illness and the needs and skills of the person on sick leave.

### *Jobnet.dk*

Jobnet.dk is a national self-service system which allows enterprises and jobseekers to establish contact with each other. Jobnet serves the entire labour market and contains approximately 78 000 employers, 3 900 job advertisements with about 6 100 jobs in total (Jobnet.dk, 31/08/10). In July 2010 jobnet.dk had 1.7 million visitors. The unemployed person is obliged to post a CV in Jobnet within the first three weeks of unemployment, and the Minister stipulates which information an unemployed person must enter in the CV bank. Public-sector enterprises are also obliged to advertise vacancies in Jobnet. Through Jobnet, employers search for relevant candidates for vacant positions in a CV data bank. Correspondingly, citizens can search the job bank for positions advertised by enterprises for free.

Jobnet contributes to transparency on the labour market and highlights the importance of active job seeking. This tool also helps streamline communication through self-service tools, and ensures that job centres make better use of resources in relation to the citizens who find it difficult to manage job seeking on their own. Jobnet also ensures unemployed people's availability for the labour market by requiring that they confirm their job-seeking status on a weekly basis. If the unemployed person fails to confirm his or her status in Jobnet, the person will lose his or her right to public benefits.

### *Labour Market Balance Model*

The Labour Market Balance is an internet portal designed to support daily work at job centres, unemployment insurance funds, other players and in the employment regions. The Labour Market Balance shows current job opportunities for about 1 100 types of jobs in each of the four employment regions. This is based on data about supply and demand for labour in the region.

It provides the employment regions with an overview of the employment situation for use in their monitoring of employment measures and in their service to the regional employment councils, job centres, local employment councils, etc. The tool is also used in the dialogue between the job centres and the unemployed person to direct the individual person's job seeking towards areas where the chances of finding work are good.

At the same time, legislation requires that unemployed people must target their job search at jobs with good employment opportunities. This means that in their job plans, on the basis of the Labour Market Balance, unemployed people must state at least one employment target with good or very good employment opportunities. The Labour Market Balance is thus an element in maintaining targeted job search focus in all job centres. In addition the focal point of the dialogue between job centres and the unemployed person is targeted job seeking.

## 5. Accountability and flexibility in employment policy

In this section we review the results of the OECD study into the management of accountability and flexibility in labour market policy. Accountability and flexibility are not necessarily irreconcilable. Accountability and flexibility do not have to be part of a zero-sum game where increased accountability leads to correspondingly less flexibility. However, a certain complexity is required within the management framework in order to both promote a high degree of accountability with regard to national goals and also a high degree of local flexibility.

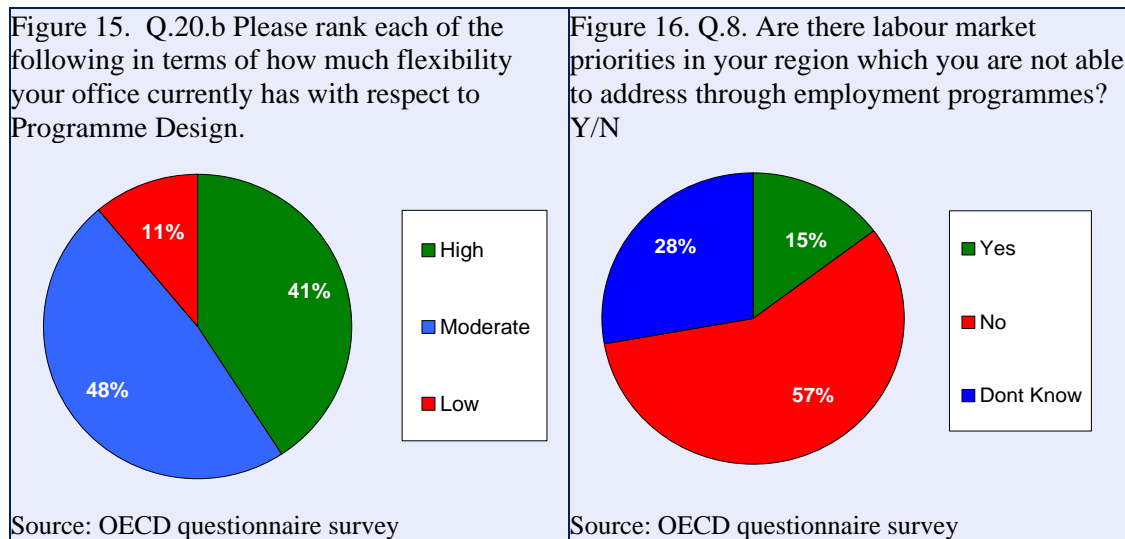
In the sections below we review the mechanisms for achieving accountability and flexibility in five aspects of management of labour market policy in Denmark: programme design; budgets and financing; targets; identification and prioritisation of target groups; staffing and outsourcing and; collaboration and partnerships.

### 5.1. Programme design

The Danish employment system provides municipalities with flexibility in the design and development of local employment-directed measures, which are aimed at local target groups and challenges and which are linked together with other policy areas. This flexibility can be understood to exist at both the political/strategic level in the municipality and at the operational level for job centre management and employees. Management is also deemed to support high accountability with regard to national goals and focus areas.

<b>Accountability</b>	<b>Flexibility</b>
<ul style="list-style-type: none"> <li>• Minimum requirements laid down for the measures - supported by financial incentives as well as monitoring of measures goals, rights etc. - support accountability.</li> <li>• Legislation stipulates general tools to be applied in measures.</li> <li>• Development of measures through national test activities and development projects.</li> <li>• Methodology requirements for measures, e.g. match categorisation, application of IT tools.</li> <li>• Exchange of experience and best practice facilitated by employment regions.</li> <li>• Irrespective of whether the municipality outsources some or all measures, the municipality still has political and financial responsibility/accountability for the results of measures etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Within the statutory minimum requirements, municipalities and job centres can develop their own measures in relation to locally identified target groups.</li> <li>• The job centre/municipality itself can determine the content of employability enhancement schemes, as long as this content meets the formal requirements of legislation (e.g. five hours per day/25 hours per week etc.).</li> <li>• The municipality/job centre itself can decide the scope of resources to be applied for active employment measures, including whether to implement measures exceeding minimum requirements, whether measures are to be outsourced, and how to collaborate on this.</li> </ul>

The interview and questionnaire survey confirm that 48% of job centre directors experienced moderate flexibility in designing programmes, while 41% experienced high flexibility, see Figure 15. In addition, 89% of job centre directors have seen that job centres have had an impact on the design of the programmes used. Only 15% of job centre directors have stated that there are goals and priorities in the employment area of the region to which they cannot contribute through local employment measures, see Figure 16.



A number of requirements for legislation and control set frameworks for the programme design of municipalities. Below are some examples of elements of control underpinning flexibility in programme design at local level.

*Municipalities focus on different local employment measures*

Persons responsible for municipal work as part of the employment plan determine which goals, performance requirements and measures to focus on at local level. Each municipality must give priority to local employment measures, including:

- The local challenges assessed to be of the most importance
- Target groups to be prioritised in the measures
- The level of ambition on realisation of the goals of the Minister for Employment in local employment measures
- How to combine different measures with considerations for type of programme, duration, content (within statutory frameworks and minimum requirements).

Municipalities/job centres are also accountable for the selected priorities, which are regularly discussed at meetings with the local employment council and in the ongoing process with the employment region. As jobindsats.dk, etc. provide free access to current knowledge about the local labour market and results of measures, municipalities are also subject to a form of burden of proof to document that the priorities made are rooted in actual issues and challenges.

### *Municipalities design and develop local employment measures*

Each municipality/job centre can decide for itself the contents of a programme for a specific target group. The municipality may:

- structure and develop its own programmes/municipal projects for specific target groups
- outsource programmes to private/other players wholly or partly
- elect private/other players that it wishes to cooperate with (if there is a wish to use private/other players)
- compose programmes based on local challenges, needs and economic situation
- decide how to plan cooperation with enterprises: enterprises/sectors that the cooperation should be directed at and what to cooperate on.

### *Municipalities participate in strategic cooperation and partnerships across policy areas and local areas*

Each municipality can decide that local employment measures are to be included in strategic cooperation and partnerships across policy areas. For example, for youth initiatives, municipalities/local employment councils have taken initiative to draw up a common youth policy across a number of administrative offices, players and stakeholders in the local area of significance to whether more young people will succeed in completing an education or obtaining permanent employment. Municipalities/the municipal council, local employment councils, economic councils, trade unions, employers' associations, educational institutions, central enterprises, etc. may prepare common and wide strategies for job creation and development of the local area. Municipalities can also cooperate on preparing common strategies for local area development, as well as common multi-annual goals for how employment measures can contribute to this. For example, the municipality of Guldborgsund is cooperating with surrounding municipalities on supporting and utilising the opportunities expected from establishment of a permanent connection between Denmark and Germany (Femern Belt Connection) in the coming years.

In their responses to the OECD questionnaire, 61% of job centres felt that they could contribute 'to some extent' to strategies for the local development of their region, while 12% felt they could fully contribute and 9% felt that they could contribute only marginally or not at all.

### *Municipalities cooperate widely at operational level*

As part of measures for the individual citizen, the job centre may cooperate with a number of administrative offices, players and stakeholders, relevant to assisting the citizen become employed as quickly as possible, take an education or become declared fit for work, etc. The job centre may also cooperate with schools and educational institutions, unemployment insurance funds, trade unions and enterprises, educational guidance counsellors for young people, the Social Services

Administration, the health area, local physicians, etc. the SSP cooperation (the Police), as well as sports and culture targeted at young people.

### **Elements which underpin accountability in programme design**

Below are some examples of elements of control underpinning accountability and setting frameworks for measures at local level.

#### *Minimum requirements for interviews, job plans and programmes*

Legislation lays down minimum requirements for employment measures for the individual citizen, regardless of municipality of residence. Typically, unemployed people and people on sick leave are entitled to:

- a CV/contact interview at the job centre every three months as a minimum
- the first employability enhancement programme after a specific period of unemployment, e.g. nine months. The job centre is measured on whether the offer is given on time.
- a job plan that specifies the employment goals of such employability enhancement programme
- recurring employability enhancement programmes every time the person has been unemployed for typically six months
- requirements for scheduled interviews and employability enhancement (timeliness requirement)
- legal rights, guidance and possibilities of appeal in connection with case processing

The rules above are minimum requirements which are to ensure all citizens a right and duty to take part in employability enhancement programmes (see the flexicurity model), and also to ensure that job centres do not 'cream' people and keep selected groups of citizens on long-term passive income support. However, the minimum requirements do not regulate the specific content of the programmes, the combination and sequence of programmes, nor do they give priority to measures across local target groups or groups subject to increased measures, etc. Each job centre has flexibility to determine how often the individual citizen is to have job interviews and programmes beyond statutory minimum requirements. Similarly, each job centre is responsible for deciding the content of the contact and the programmes offered to the individual citizen.

Special rules apply to some target groups. This could be young people under 25 and 30 years old, who are subject to an education requirement and a requirement that the duration of the first programme must be at least 26 weeks. Furthermore, measures for unemployed academic staff must be managed by private/other players.

In 2009 and 2010, the employment system had great focus on ensuring that job centres conduct frequent and timely interviews and initiate employability enhancement measures for unemployed people. Most job centres have invested time and resources on compliance with the statutory requirements for frequency and timing of interviews and programmes. The vast majority of job centres have

considerably improved the timeliness of interviews and programmes in the course of 2010.

*Formal requirements for tools in employability enhancement measures and their composition*

Legislation lays down requirements for the use of employment measures tools. For example, employability enhancement programmes for target groups ready to take on a job must have a minimum duration of four weeks; 25 hours per week and five hours per day. Furthermore, legislation lays down rules as to when the above tools must be used and the duration of such tools. For example, as a general rule employability enhancement on a training course can only last for six weeks, private job training cannot be used until after six months of unemployment (EU requirement), etc.

Legislation lays down procedural requirements for establishing enterprise-targeted support programmes, including in relation to EU directives (competition issues, requirements of higher employment rate, etc.).

Formal minimum requirements for employability enhancement programmes contribute to ensuring that employability enhancement has sufficient volume (25 hours per week), so that the individual citizen may benefit from it. Furthermore, the requirement contributes to creating some degree of certainty that the employability enhancement programme is in balance in relation to the higher financial refund provided by national government to each municipality in weeks where citizens take part in employability enhancement programmes rather than receive income support (2010). Finally, the requirements take into account a number of other concerns for equal treatment, competition issues, etc.

*Method requirements in specific areas of measures*

Legislation lays down certain requirements for methods in employment measures, including the use of match categorisation of citizens and specific IT applications such as the self-service system jobnet.dk, the labour market balance model, etc.

*Launch of national trials and development projects in priority areas*

The National Labour Market Authority and the employment regions are regularly cooperating with selected job centres at national level on trials and development projects aimed at identifying programme designs which generate good results for specific target groups or issues.

For example, controlled trials have been carried out showing that early and intensive measures get unemployed people into employment much quicker than measures where the statutory minimum requirements alone are met. National trial activities may result in statutory amendments directed at underpinning better results from national employment policy by implementing experience and learning from the trials across all job centres.

*Employment regions to begin exchange of experience and network meetings between job centres on development of measures*

The employment region monitors measures and results for different target groups. The employment region monitors that measures comply with statutory requirements, volume, timeliness and whether results and outcomes are created from measures. The employment region also launches activities together with the job centre, if the job centre experiences problems with measures and results for specific target groups for a longer period of time.

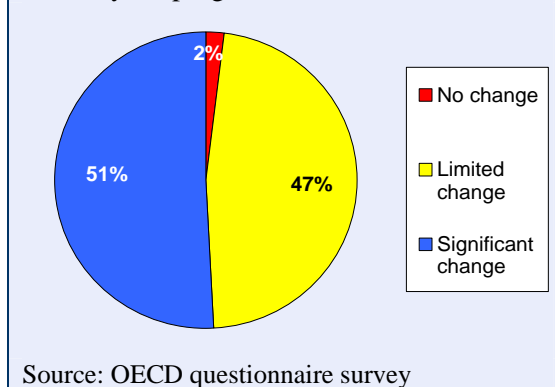
As part of the regular cooperation between employment regions and job centres in the region, experience and learning is collected and systematized from different types of measures, and network meetings and workshops are held on developing measures, theories of change for various target groups, etc. This exchange of experience underpins the dissemination of good experience and that each job centre is accountable for new knowledge on what works and what does not work.

The overall assessment is that there is quite a high flexibility to develop and compose measures based on local challenges and needs. Job centres have the flexibility to adapt to a new economic situation and many job centres have in recent years had to change their organisation and workflows, etc. in order to successfully meet the challenges associated with the economic downturn. There is a high potential for developing measures aimed at local target groups and challenges which include operational cooperation between a number of local players across policy areas.

However, there are also barriers which interfere with better exploitation of existing flexibility. The following issues were raised during interviews as making it more difficult to exploit this flexibility in designing locally adapted measures.

- Increasing unemployment as a result of the financial crisis means that job centres must deal with more unemployed people, whose minimum statutory requirements for contact interviews and employability enhancement programmes must be observed. The current pressure on job centres can increase focus on observing minimum statutory requirements, and give less leverage to exploit the flexibility to organise measures exceeding minimum requirements. An enlarged target group challenges the statutory minimum requirements. On the basis of the interviews, it is assessed that the current pressure in job centres to live up to the minimum requirements for enlarged target groups has led to poor exploitation of the flexibility in the system.
- This applies not least when job centres are being expected to deal with more people seeking assistance, with the same or fewer resources. For more than 50% of the job centres, the financial crisis has led to significant shifts in employment policy, whereas the change has been more limited in the remaining job centres, see Figure 17.

Figure 17. Q.24. How far has the recent economic downturn changed the way you deliver your programs and services?



- Job centres have substantial flexibility to set the extent of measures, however the current pressure to prioritise in municipalities can make it difficult to exploit this flexibility to initiate extraordinary measures. This may be in connection with raising the level of competences for special groups of unemployed people.
- Experience of unnecessary bureaucracy due to poor performance of IT systems at job centres. As a consequence of municipal employment measures aimed at citizens and enterprises, responsibility for purchasing IT systems is rooted in the municipalities. The two dominating IT systems on the market have been developed as part of the 2007 municipal reform, and development work is continuing in order to increase the operability and effectiveness of the systems. At national level, there are currently plans to launch an evaluation of the IT systems to identify how performance of the systems can be improved.
- In response to the OECD LEED e-questionnaire, 93% of job centres indicate that the amount of paperwork is too high, whereas only 7% consider the amount of paperwork to be moderate. Most of this red tape is due to elements laid down by legislation. During the second half-year of 2010, the Danish Minister for Employment launched a campaign to deregulate employment measures and has encouraged all job centres, unemployment insurance funds, etc. to submit proposals for ways to reduce paper work and red tape.

In early January 2011, the national government proposed 46 specific initiatives to ease the administrative burden. It has also been estimated that these proposals will give rise to municipal savings of DKK 94 million. Other reasons for the excessive paperwork at job centres could be framework conditions, including

guidance procedures concerning due process for citizens, rights of appeal, etc. Barriers in the job centres which are independent of the management systems may also be a contributing factor.

## 5.2. Budget and financing

Financial management has an important impact on the degree of flexibility and accountability available to develop and implement active employment measures targeted at local challenges and needs. The overall assessment is that the financial system ensures a high degree of accountability and flexibility in the Danish employment system. This is substantiated by the following:

<b>Accountability</b>	<b>Flexibility</b>
<ul style="list-style-type: none"> <li>• The municipalities have political competence to prioritise and design employment measures. Together with political accountability follows financial accountability.</li> <li>• The refunds system provides a strong incentive for prioritising the employment area locally by carrying out active employment-directed measures.</li> <li>• The refunds system rewards results such as securing employment for more unemployed people or enrolling them on education programmes. It also rewards the use of enterprise-targeted tools in measures and rewards municipalities that guarantee all unemployed people and people on sick leave a minimum level of measures.</li> <li>• Incentives have also been incorporated so that each municipality cannot choose to give less priority to employment measures, as the municipality will typically lose its state refund in such situations.</li> <li>• Regardless of whether or not measures are outsourced, the municipality retains political and financial accountability for its measures.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial management is basically deemed to provide each municipality with flexibility in relation to deciding budget levels and resource allocation for employment measures.</li> <li>• Each municipality can determine allocation of operating resources and staffing levels at job centres, as well as the resources used on active employment-directed programmes.</li> <li>• There is no ceiling on the amount of funds that a municipality can use for active measures, but there is a ceiling for state co-financing of active measures.</li> <li>• The municipality can decide to outsource measures wholly or partly.</li> </ul>

The Danish Parliament recently adopted a reform of the financial system in the employment area, effective from 1 January 2011. This reform underpins further focus on outcomes/results from employability enhancement measures of municipalities instead of volume of employability enhancement measures. Among other things, the reform addresses a critique of the previous financial system in force up to 2010, where the inherent financial incentives led to a risk that some municipalities would increase the scope of employability enhancement, without a corresponding improvement in the quality of employability enhancement and results. As the new legislation will not be implemented until 1 January 2011, it is not possible in this survey to identify the final ramifications of this with regard to

accountability and flexibility of municipalities when planning measures. Overall, the reform means that municipalities now have a relatively higher economic incentive to ensure outcomes-results from their measures and are less motivated to ensure volume in their employability enhancement measures.

Municipalities' financing of municipal work primarily derives from two sources, 1) collecting taxes from the municipality's citizens and 2) from government transfers of refunds and subsidies. The municipalities' active employment measures are primarily financed through government transfers. For a number of years, Danish municipalities have been subject to economic regulation between national government and the municipalities. This also applied before the 2007 municipal reform.

Each year, the government enters into an agreement with the municipalities on the coming year's budget, and the size of the government's block subsidy to municipalities is laid down. This block subsidy is to finance a number of the tasks that the Danish Parliament wants implemented by the municipalities. The principle is that the municipalities are to be fully compensated for all changes in expenditure if new legislation requires municipalities to take on new tasks. At the same time, some municipal responsibilities are guaranteed resources by the national government budget. Expenditure in these areas is also included in the regulation of the block subsidy. These are areas where municipalities have no or very limited influence on changes in expenditure, e.g. expenditure in the employment area which is directly dependent on the economic cycle.

In general all income support expenditure as well as municipal expenditure for active employment measures are guaranteed by the national government budget. This means that the 98 municipalities as a group have their expenditure covered by national government. The block subsidy is implemented as a lump-sum for each municipality and there is no earmarking of funds for specific policy areas. The block subsidy gives each municipality fundamental flexibility to decide a level of expenditure and allocate expenditure across local policy areas, including the employment area.

At the same time, the economic system involves settlement between municipalities; resources are reallocated from municipalities with favourable framework conditions to municipalities with less favourable framework conditions.

National government finances overall municipal expenditure on active employment-directed measures as a whole, as well as expenditure on public income support. Financial management gives each municipality flexibility with regard to deciding budget levels and resource allocation for active employment measures and thus municipalities are able to prioritise and enhance active measures in relation to local challenges and needs. The financial system also motivates each municipality to ensure results from measures.

On the one hand, the financial system means the individual municipal council has financial flexibility to prioritise municipal work across policy areas, whilst also being responsible for expenditure and the risks connected with such priorities. Therefore municipal councils in Denmark have considerable political responsibilities and

competence, calling for corresponding economic accountability. On the other hand, through compensation and settlement schemes as well as budget-guarantees, the financial system must also ensure the economic sustainability of each municipality and counteract sudden increases in expenditure due to changes in the economic cycle, large company closures in the local area or statutory amendments.

The financial system can be regarded as a 'zero-sum game' where the 98 municipalities are compensated for their expenditure on supporting citizens and on active employment measures, but where each municipality can also 'lose' or 'win' refunds from national government, depending on the results generated. The ambition for the financial system to include financial incentives on the one hand for each municipality, and on the other stabilising and counterbalancing mechanisms between municipalities, also makes the financial system complex.

### **Financing active employment measures – 2010**

Active employment measures are financed by various sub-budgets connected to different incentives and control mechanisms:

#### **Expenditure to support citizens**

- Expenditure to support citizens is first financed by each municipality with refunds from national government. This refund has integrated incentives to 1) ensure that as many people as possible become employed or enter education as quickly as possible, 2) avoid long-term passive public assistance and to 3) ensure that employability enhancement schemes are aimed at enterprises to the greatest extent possible.
- All expenditure on public support of citizens in the municipalities is ultimately financed by national government by means of a budget-guarantee, which is settled one to two years after the end of the financial year. (The sickness benefits area is exempted from the budget-guarantee). Under this budget-guarantee, municipalities as a group are compensated for their expenditure. The total amount is regulated in the block subsidy and distributed to each municipality in accordance with the basis of allocation which is determined by the proportion of population in each municipality. The basis of allocation means each municipality may 'win' or 'lose' considerable amounts depending on the number of people the municipality has procured jobs for, the number of people in employability enhancement programmes and the extent to which measures have been directed at enterprises.

#### **Expenditure on active employment measures**

- Expenditure on active measures for the unemployed and people on sick leave is financed through refunds from national government. Each year, national government informs the municipalities about an amount available which comprises a rate per unit per full-time person receiving public benefits (unemployed people, recipients of social cash benefits, etc.).
- National government finances 50% of the expenditure on this amount available to a maximum ceiling, which is defined by the number of unemployed full-time people in each municipality. This means that if unemployment rises, so will the total amount available.

- The ceiling on the amount available means that national government co-financing of the municipalities' active employment measures follows in line with the ceiling. The municipality may choose to invest and spend more resources on employability enhancement measures, but any activity above the ceiling will have to be primarily financed by the municipalities themselves.
- Total expenditure on employability enhancement measures is covered by the budget-guarantee, which means that national government compensates municipalities as a group for their expenditure in this area.

#### **Expenditure on operating the job centre, administration etc.**

- Expenditure on operating the job centre, administration and case processing is fully financed by each municipality, which has received an amount for this from national government through the block subsidy. Each municipality is responsible for the amount of resources allocated to operating job centres, the number of employees, etc.
- In order to control public expenditure, Denmark has introduced a 'service ceiling' for administrative expenditure by all municipalities across all policy areas. This ceiling provides a limit on the amount by which administrative expenditure is allowed to increase in a municipality. In reality, this means that there is strong competition between the various policy areas of a municipality to attract resources.

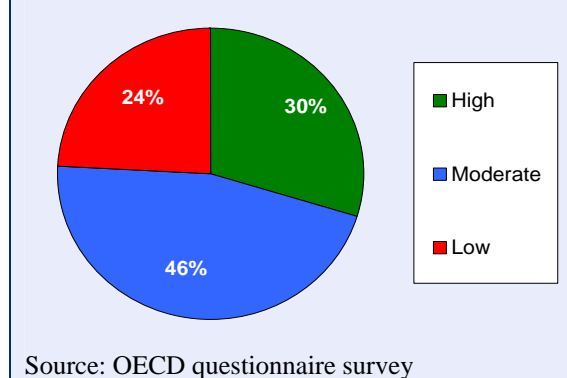
#### **Other expenditure**

- Expenditure on the work of the National Labour Market Authority and the employment regions is fully financed by national government.
- Special rules based on the composition of government subsidies and refunds apply in relation to financing measures for insured unemployed people.

The employment area is of great importance to the economy of each municipality in Denmark. The size of expenditure alone encourages each municipality to consider, and be accountable for, creating good results from active employment measures. Good results in the employment area generate revenues for the municipality which can be used for investments/tax reductions, etc. for the benefit of citizens and enterprises. However, poor results in the employment area may entail problems for the overall economy of each municipality.

Flexibility in financial management is reflected in the fact that 46% of the respondent job centres stated that currently they have moderate flexibility in the management of their budget, while 30% say that flexibility is high, see Figure 18. The interviews and the questionnaire survey confirm that financial management of the employment area enjoys great local focus politically and administratively, ensures a high degree of accountability and also encompasses flexibility for targeting and enhancing measures locally.

Figure 18. Q.20.c Please rank how much flexibility your office currently has with respect to budget.



Financial management is assessed to provide each municipality with flexibility to plan active employment measures adapted to local needs. Each municipality can decide the amount of operating resources to be allocated to job centres and can choose to invest in employment measures by adding resources for specific priority areas/job centres. Each municipality is also perceived as a whole across all policy areas; subject to a ceiling which determines the extent to which administrative expenditure by the municipality is allowed to increase.

The individual municipality can decide the amount of resources to use on active employment-directed measures. There is no ceiling on the amount of funds that a municipality can use for active measures, but there is a ceiling for state co-financing of active measures. Incentives have also been incorporated so that each municipality cannot choose to give less priority to employment measures, as the municipality will typically lose its state refund in such situations.

In principle, financial management provides each municipality with the flexibility to make decisions on budgets and resource allocation in active employment measures. After the municipal council has made a decision about the annual budget, the management at the job centre is responsible for trying to realise the targets for employment measures within the stated frameworks of the budget.

#### **Investments in local employment measures - sickness benefits in Guldborgsund**

More operating resources will be allocated to job centres in the years 2011 and 2012 to follow up the sickness benefits area in order to reduce the duration of long-term sickness benefits cases. At the same time, there is increased focus on implementing active measures for recipients of sickness benefits, using partial return to work and employability enhancement programmes.

These measures are expected to contribute to reducing the duration of the sickness benefits period for citizens in the municipality of Guldborgsund, including the number of long-term

periods of more than 52 weeks which are particularly expensive for the municipality. This is expected to cut costs of income support, and increase tax revenues, and overall to yield net revenues for the municipality.

### **Elements of financial management underpinning accountability**

The financial system ensures a high degree of accountability in the Danish employment system and underpins cohesive national employment policy by offering incentives which encourage municipalities to prioritise the employment area, carry out active employment-directed measures and create results.

- The municipality obtains a financial benefit every time a citizen becomes employed. Spending on public benefits is reduced and municipal tax revenues are increased.
- Enterprise focused initiatives, which typically yield the highest employment results, are less costly for the municipality in their active employment measures than other employability enhancement schemes.
- When unemployed people and people on sick leave participate in employability enhancement schemes rather than receiving passive public support, the municipality receives a greater refund from the state.
- The municipalities have strong incentives to comply with national minimum rights which entitle all unemployed people to participate in an employability enhancement scheme after at least every six months of unemployment. If these minimum rights are not met for individual citizens, the municipality will lose its state refund for the weeks during which the citizen should have participated in a scheme.
- The municipalities cannot save money by simply moving citizens from one type of public support to another.

A current national study of the financial management of employment policy in Denmark assesses that financial management is afforded high priority by the municipalities and that it has a significant impact on how municipalities prioritise their measures. Among other things, the study showed that the incentives integrated in financial management are efficient in underpinning the individual municipality's compliance with statutory national minimum requirements (Slotsholmen 2010).

### **Challenges for the financial system with regard to utilising flexibility**

The surveys carried out emphasise different challenges and barriers for why flexibility in the financial system is not being fully exploited at local level. These include:

- The economy of municipalities is currently under great pressure due to the financial crisis. Most municipalities are making considerable savings in order to comply with the economic agreements entered into between the Danish municipalities and the government. Most municipalities are currently subject to prioritisation pressure to comply with financial agreements made between the municipalities and the national government. In this situation, flexibility in the control system means that municipalities have the opportunity to both invest in,

and save on, employment measures. This may have ramifications for planning special measures for selected groups, etc. which are beyond minimum statutory requirements for measures.

- In particular, many job centres have found it difficult to comply with the minimum rights laid down in legislation in the context of the recession and increasing numbers of people in the job centre target groups. As state refunds for each municipality depend on job centres' compliance with the minimum rights, this part of the financial management may be regarded as restrictive. The challenges of ensuring timeliness in measures may, however, be connected with other matters than the financial management system. For example if, at local policy level, high priority is given to other policy areas rather than allocating more resources to job centres or if job centres do not succeed in adapting their measures to the new situation after the financial crisis, etc.etc.
- The financial flexibility of each municipality can thus become both an advantage and a disadvantage for job centres. The financial system must ensure that national government compensates municipalities economically for the burdens following from the statutory requirements for measures, and in doing so ensure that the resources to deal with rising unemployment are allocated to municipalities. However, as this compensation to each municipality has not been earmarked for job centres, there is no guarantee that these administrative resources are actually given. This municipal flexibility can therefore mean that job centres may win or lose more resources at local budget negotiations.
- The financial system has been described as being relatively complex which may render it difficult for the political and administrative management to anticipate the possible ramifications of new employment strategy or initiative when everything has been taken into account, i.e. after settlement mechanisms, budget-guarantees, etc. Several years of measures are often required to effectively create results and thus employment measures typically require an investment horizon that reaches beyond the current budget year. This means that resources should be invested during the first years in order to harvest the return of the results in subsequent years. Too much complexity can reduce willingness to invest and take risks, and can make it difficult to work on long-term investment strategies in the employment area.
- The integrated financial incentives to get unemployed people and people on sick leave into employability enhancement programmes might make it favourable for a municipality to increase the level of employability enhancement, without necessarily taking into consideration the quality of such employability enhancement and the results – 'narrow economic interest'. Thus there is a risk that some municipalities will focus exclusively on economic factors in order to optimise the economic situation of the municipality. In December 2010, the Danish Parliament adopted a reform of the refund system in the employment area, according to which refund rates will be adjusted in respect of employability enhancement measures. The change entails more incentives to carry out employability enhancement measures with good job results (i.e. enterprise-targeted employability enhancement), and less incentives to implement

employability enhancement with poorer job results. The reform will also motivate total savings in the employability enhancement area.

In general the surveys showed that financial management in Denmark in the employment area to a great extent underpins accountability and flexibility across municipalities. The survey also shows that the concern for financial management has very high priority in municipal organisation of employment measures. This makes it important to continuously ensure that financial management, which is a powerful management tool, promotes the right incentives.

Finally, there is now potential to reduce the complexity of financial management. This could make it easier to prepare investment strategies and business cases for new and policy initiatives, even over several years, in the individual municipality. This could also contribute to emphasising the flexibility available to the political and administrative management at local level to invest in locally adapted employment measures.

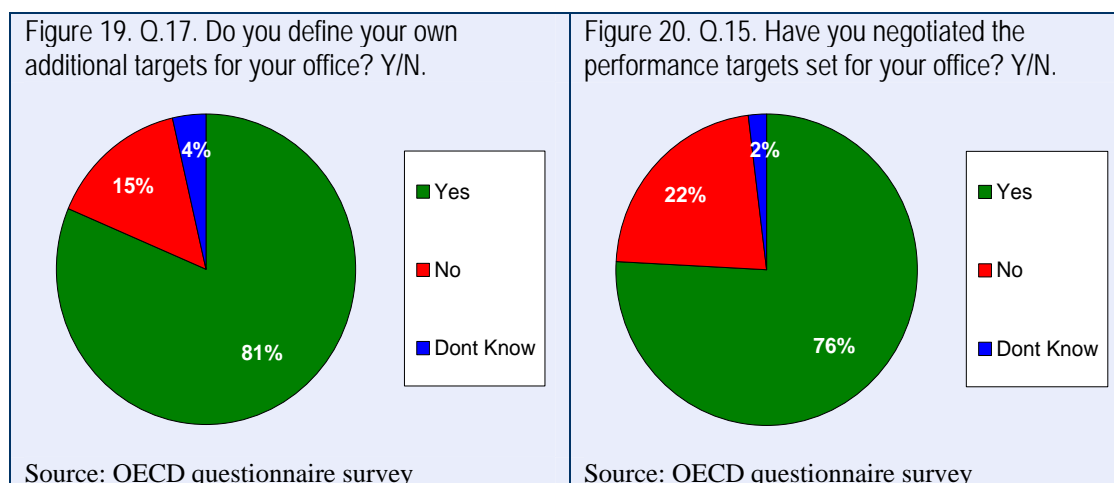
### 5.3. Targets and performance management

The goals and performance management system is assessed to underpin a high degree of performance focus and accountability in relation to the national goals of employment policy as well as flexibility with regard to determining own goals and strategies at local level. This is substantiated by the following:

Accountability	Flexibility
<ul style="list-style-type: none"> <li>• The annual planning process with employment plans and the Minister's goals underpins accountability with regard to a national employment policy.</li> <li>• The dialogue process of the employment regions with job centres, monitoring and exchange of experience underpins the individual job centres' focus on performance.</li> <li>• Full transparency on measures and results of employment policy at local, regional and national level through <a href="http://www.jobindsats.dk">www.jobindsats.dk</a>.</li> <li>• Monitoring and dialogue from the local employment council and other stakeholders underpin horizontal accountability among those at local level who are responsible politically and administratively.</li> </ul>	<ul style="list-style-type: none"> <li>• The municipal council has sole competence to prioritise and strengthen measures and to prepare its own employment plan.</li> <li>• The Minister's goals are incorporated in planning by each municipality on the basis of an assessment of local challenges, needs and strategies.</li> <li>• Municipalities and job centres may choose their own goals for measures, including multiannual goals and goals which are underpinned across policy areas.</li> <li>• The dialogue process and analyses from the employment region, data from <a href="http://jobindsats.dk">jobindsats.dk</a>, etc. underpin the basis of each municipality to determine and follow up locally adapted goals and strategies.</li> </ul>

81% of all job centres have opted to set out their own supplementary targets in addition to incorporating the ministerial goals in their employment plan, see Figure 19. Furthermore, 76% of job centre directors have negotiated targets and performance requirements with their political and administrative managers, see

Figure 20. Overall, 40% of job centre directors find they have high flexibility in management of goals and performance in employment measures, while 44% felt that they had moderate flexibility.



### *Ministerial goals*

All municipalities must convert the Minister's three to four national goals into concrete goals in their own employment plan. Typically, the ministerial goals are designed as broad goals, for example a goal to reduce the number of young people under the age of 30 who receive public benefits. The Minister has laid down the following goals for measures in 2011:

- **1st goal:** Job centres must minimise the number of unemployed people who have received public benefits for more than three consecutive months (reserve of labour).
- **2nd goal:** Job centres must minimise the number of people on permanent income support (unemployment benefits, flex jobs (light jobs with wage subsidies) and disability pensions) as much as possible.
- **3rd goal:** Job centres must minimise the number of people under the age of 30 who receive public benefits.
- **4th goal:** Job centres must minimise the number of non-western immigrants and their descendants who receive public benefits.

The national ministerial goals are the same across the 98 Danish municipalities, however the municipality has flexibility with regard to converting the ministerial goals so they fit the local context and with regard to determining strategies for how to meet local challenges. If a ministerial goal does not pose a significant challenge locally it will not be given much focus in the performance follow-up in the municipality and in dialogue with the employment region. For example, the Minister for Employment has set a current goal of reducing the number of people of non-Danish ethnic background who are on public assistance. Several Danish municipalities have only very few immigrants on public assistance, and will therefore not focus too much on this goal.

The Aarhus and Guldborgsund municipalities are faced with widely differing challenges with regard to realising the Minister's goal to reduce the number of young people on public benefits. Both municipalities currently have many young people without a job or formal education, however the composition of the target group, the local barriers and the strategies for resolving the problem vary. For example, as opposed to Guldborgsund, Aarhus has a large group of young people of non-Danish ethnic background who are over-represented in the benefits system. Furthermore, Aarhus is a university city with a very large number of students and educational programmes, whereas there are significantly fewer educational programmes in Guldborgsund.

The individual municipal council determines which performance requirements are to be included in the employment plan, whether supplementary local targets and performance requirements are to be laid down and the strategies and measures to be launched. In this way many municipalities set out supplementary performance requirements in their employment plans, including in relation to target groups that are a special challenge locally (e.g. non-skilled groups, people on sick leave, long-term unemployed people, etc.). Furthermore, requirements are typically set for the quality of measures, for user group satisfaction, for performance requirements for enterprise-directed measures, etc.

The ministerial goals are the central area of focus of employment regions' dialogue with municipalities, which concentrates on raising the level of ambition in the employment area, and ensuring that the Minister's goals are converted into specific goals in all municipal employment plans. This is confirmed in an evaluation from 2009 of the dialogue process between the employment regions and the job centres. According to this evaluation, the ministerial goals, in particular, were given great focus by politically and administratively responsible staff across municipalities throughout Denmark (Ministry of Employment 2009). In this context, it is important to note that the Minister for Employment and the employment regions have no direct means of dictating goals and performance requirements in the individual municipality.

### **Important tools in performance-based management**

Targets and performance-based management in the Danish employment system are organised via an annual planning process which integrates national and local targets and performance requirements for employment measures. The annual planning process is defined by law. All municipalities must annually carry out a performance audit and prepare an employment plan. All municipalities must convert the targets which the Minister for Employment has set out into specific targets in their employment plan on the basis of an assessment of challenges and requirements in the local labour market. Furthermore, all municipalities must carry out a planning process in which the employment plan is prepared with input from relevant political and administrative staff in the municipalities, the local employment council and the employment region.

Statutory requirements ensure an institutional framework and process for determining targets and strategies for employment measures across municipalities throughout Denmark. Requirements include formal requirements for the contents of the employment plan and the planning process, however there are no specific performance requirements for the individual municipality to meet employment policy.

#### *Employment plan*

The employment plan lays down local employment measures for every municipality in the coming years. The plan illustrates employment-policy challenges faced by the municipality and the surrounding labour market, as well as goals, performance requirements and strategies for initiatives, which the individual municipality and the local job centre will be pursuing in order to realise the goals set. It also includes a budget for job centre operations, employability enhancement expenditure and expected expenditure on income support.

All municipalities are required to prepare an employment plan each year and must be approved by the municipal council and have been reviewed by the local employment council. The employment region is also required to give hearing responses. The employment plan is the individual municipality's own plan for employment measures and the municipality itself decides how many targets and performance requirements should be included in its employment plan. It decides whether the plan should contain both short-term and long-term targets, including possibly an investment strategy, including any interaction with other policy areas and collaborative partners.

#### *Performance audit*

The performance audit draws up a short status report on the results of employment measures in a municipality. It provides an overview of the results generated in the overall and central performance areas. The performance audit focuses on the change in the number of people receiving public benefits, unemployed people, people on sick leave, etc., the developments in results falling within the goals of Minister for Employment as well as the economic effects. The income statement also compares the measures of the municipality with other comparable municipalities. Each year, all municipalities must prepare a performance audit which is processed by the local employment council and the municipal council. The performance audit is part of the decision-making basis for prioritisations and strategies and is included in the employment plan.

#### *Jobindsats.dk*

Jobindsats.dk is an internet portal containing a wide selection of measurements calculated nationally, regionally and locally. All municipalities use [www.jobindsats.dk](http://www.jobindsats.dk) in their work on their employment plans and in the ongoing performance follow-up on their own measures. Via Jobindsats.dk the municipality can analyse its own measures on the basis of data on target groups, measures and results. The performance against the ministerial goals and other performance targets set out locally can be monitored accurately month by month and for each

municipality. Furthermore, the municipality can benchmark its own measures against clusters of comparable municipalities, or it can select appropriate municipalities with which to compare itself.

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

#### *The performance overview*

The performance overview is available from [www.jobindsat.dk](http://www.jobindsat.dk). It is a one-page overview of the most important measurements of measures and results in the employment area. It is possible to see the performance overview for the individual municipality or region, or for the entire country. The performance results and performance development of the individual municipality are compared to comparable municipalities. It is updated monthly and supports continued emphasis on the most important goals for employment measures in a simple manner. The performance overview is used e.g. in discussions in the local employment council and the municipal political committee on the performance of the municipality etc.

#### *The employment regions*

The employment regions prepare analyses which underpin the measures by job centres to identify local challenges and set targets. These analyses describe local and regional labour market trends, employment forecasts, unemployment, supply and demand of highly skilled labour, etc. and also include special analyses about the relationship between measures and results etc. in the different focal areas for measures. As part of the planning process, the employment regions challenge the individual municipality on the level of ambition in its employment plan. However, in the final analyses, the municipality has the power to prepare and determine its own employment plan.

#### **Elements of performance-based management which support accountability**

##### **All municipalities incorporate the Minister's goals in their planning**

- The employment region enters into dialogue with the job centres about the individual municipality's level of ambition with regard to its performance in relation to the ministerial goals. The employment regions aim at challenging the individual municipality on their level of ambition, and they follow up on the region's overall level of ambition for realising the ministerial goals.
- The Minister for Employment enters into a contract with the four employment regions and the regional employment council about target figures for overall regional development in coming years. The employment region is therefore obliged to support the job centres in realising the targets set.

### **The employment regions' ongoing dialogue process with the job centres**

- Once every quarter, the employment regions enter into dialogue with the individual job centre about the centre's performance results so far. Discussions are based on key indicator reports prepared by the regions and showing the current performance trend in the municipality compared with other comparable municipalities.
- Follow-up by the employment region focuses primarily on performance compared with the goals set out by the Minister for Employment, and compared with the targets set out by the individual municipality in its employment plan. It also looks at the measurement of measures by the job centres, including the timeliness of measures with regard to carrying out interviews and offering employability enhancement programmes.
- If a job centre is having difficulties meeting performance requirements, the region will normally intensify discussions with the relevant job centre on how to improve its performance. Furthermore, often the region will offer the job centre various forms of assistance in identifying and supporting improvement needs.

### **Monitoring and dialogue by the regional and local employment councils**

- The primary task of the regional and the local employment councils 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.

### **Monitoring by local media and other stakeholders**

- There is full transparency with regard to developments in performance results in the Danish employment system via [www.jobindsats.dk](http://www.jobindsats.dk) and the standard 'performance overview' report available from this portal. Because measurements and reports are kept up to date and are fully available to the public, anyone with an interest in Danish employment policy can monitor developments and enter into dialogue with the people responsible for the performance results. The municipalities and the job centres must continuously justify targets, measures and results to the public and this contributes to ensuring accountability.

Another aspect which enhances the individual municipality's accountability is the fact that poor performance and lack of results also have influence on the municipality's finances. Persistent performance and financial problems in the employment area within a municipality will therefore often have ramifications for management. The municipality therefore has a strong self-interest in being accountable in order to achieve good results in employment measures.

### **Challenging flexibility**

Overall, the high degree of transparency in the management system, with easy access to data for all, as well as the institutional framework for the planning process that includes the local employment council and the employment region, are deemed to be of great significance for local flexibility and exploitation of this flexibility. However,

the following matters which may challenge the flexibility were highlighted in the interviews.

- A common perception among job centres is that performance-based management dialogue in the employment system should primarily focus on central goals for outcomes, and that the municipalities should only be made responsible for realising these outcome goals, rather than input and process goals.
- Minimum requirements for timeliness of interviews and employability enhancement programmes for citizens have been stipulated by law. This means that current monitoring, follow-up and performance-based dialogue between the employment regions and the job centres include measurements of measures and processes.
- Ongoing matching of expectations of the focus of this dialogue is important for the balance between flexibility and accountability at local/regional level. Some job centres find that, in the dialogue process, the employment regions intrude too far into the job centre's "internal" sphere. On the other hand, the employment regions cannot do their job, which is to underpin developments in performance across all job centres, if there is no dialogue with the job centres on the measures and experience which bring good results.
- As a step in the establishment of the dialogue process between the employment regions and the job centres, a large set of common measurements, calculation methodologies and standards have been established successfully across local, regional and central levels in the employment system. The common language has great significance for the quality of the dialogue in the management system concerning performance results and measures that create results. Continued development of this common language is important, so that the performance-based management dialogue across different levels is about content, rather than, for example, technical discussions as to how measurements are to be defined etc.

The study has also shown that there is a potential to exploit the existing flexibility much more at local level than is the case in many municipalities today.

- There is potential for producing more documented knowledge about the relationships between measures and results on the basis of the great scope of available and detailed register data that has been compiled for the employment area. This applies locally, regionally and nationally. Realising the potential will strengthen work on identifying challenges, setting goals and performance requirements, as well as strategies for policy.
- There is potential for the employment plans to serve to a greater extent as pivots for a broader strategy for job creation and development in the local area:
  - Multi-access targets and strategies can be set to a greater extent in employment plans.
  - Multi-annual budgets can be applied to a greater extent.
  - Targets and strategies can be coordinated better with other policy areas, including across municipal administrations.
  - Local/regional stakeholders can be included to a greater extent with a view to making the employment plan the cornerstone of larger strategies for job creation and development in a local area.

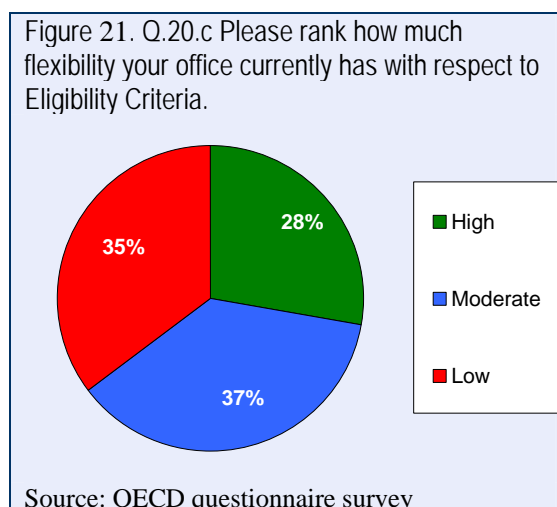
- There can be a greater extent of collaboration across (neighbouring) municipalities about targets and policy.

#### 5.4. Identification and prioritisation of target groups

Identification and prioritisation of locally defined target groups and customise measures to address the needs and challenges of these groups is characterised by a relatively high degree of accountability and flexibility in the Danish employment system. In part, this is substantiated by the following management elements:

Accountability	Flexibility
<ul style="list-style-type: none"> <li>• Legislation lays down requirements that all unemployed people and people on sick leave receive minimum measures. Legislation does not lay down provisions on the content of the programmes (except for, e.g. groups of young people who must take an education programme).</li> <li>• The Minister’s goals ensure that the job centre focuses on specific target groups; however these goals must be implemented in the employment plan on the basis of local challenges and needs.</li> <li>• Legislation lays down special regulations for measures for unemployed young people and unemployed university graduates.</li> </ul>	<ul style="list-style-type: none"> <li>• Legislation allows for local identification and prioritisation of special target groups for whom there can be measures additional to the statutory minimum requirements. For instance, unskilled groups, long-term unemployed people and women with a non-Danish ethnic background etc.</li> <li>• The job centre determines the content of employability enhancement programmes, suppliers etc. and can organise its own strategy and content for enterprise-directed measures.</li> <li>• Jobindsats.dk and analyses from employment regions etc. allow the individual municipality/job centre to analyse its own target groups in detail and follow-up.</li> </ul>

The questionnaire survey and the interviews carried out for this study confirm that the employment system has the flexibility to select target groups locally for local employment measures. 28% of job centres assess flexibility as high, 37% as moderate while just over one-third (35%) assess flexibility as low, see Figure 21 below.



The job centre directors' assessment of flexibility should be weighed against the fact that, in the current poor economic climate and with municipal finances under pressure, some job centre directors may experience very limited leeway in providing measures which exceed the minimum requirements. Furthermore, decisions on prioritising target groups are usually a political choice, dealt with by the political committee and local employment council. Administrative managers can experience differing levels of influence on this decision process.

There are no restrictions on who the job centre can assist with consultancy and advice, and job centres can also organise enterprise-directed measures in a flexible manner. This means that measures can be directed towards the sectors and enterprises which are deemed the most relevant in relation to the local labour market situation and the job centre's target groups. Moreover municipalities/job centres are flexible with regard to the areas they want to include in their work with enterprises.

As described above, there are a number of statutory minimums for which the job centres are accountable with regard to securing citizens minimum contact with the job centre as well as employability enhancement programmes. This means that no one is left with long periods on passive public assistance. In addition, legislation stipulates a number of overall target groups for measures, for example recipients of unemployment benefits, social cash benefits, young people etc.

Legislation allows for the possibility of locally identifying and prioritising special sub target-groups for whom there can be measures additional to the statutory minimum e.g. recipients of unemployment benefits. This may be due to a local desire for special initiatives such as upgrading out-of-date competencies etc. of unskilled labour from industry. Jobindsats.dk allows the individual municipality/job centre to analyse its own target groups in detail on the basis of up-to-date register-based information. The job centre/municipality can also obtain knowledge about the target groups from its own IT systems, case reviews etc. The employment regions regularly prepare analyses of target groups for employment measures and these can be used by the job centres. The analyses can identify the barriers facing different target groups in relation to the labour market, the options available in legislation, as well as examples and case studies of measures which have previously demonstrated good results/ best practice.

### *Special regulations for particular target groups*

An exception from the flexibility to identify target groups and to design measures for them is unemployed graduates (anyone with a higher education of at least 5-6 years who has worked within his/her area for at least the past five years). The legislation stipulates that measures for this group must be managed by private players who are specially qualified to support academic job seekers, cf. below.

#### **Measures for unemployed graduates managed by private players**

The special measures for those with university degrees and similar were introduced with the municipal reform in 2007. The basis for this was that, in connection with the municipal

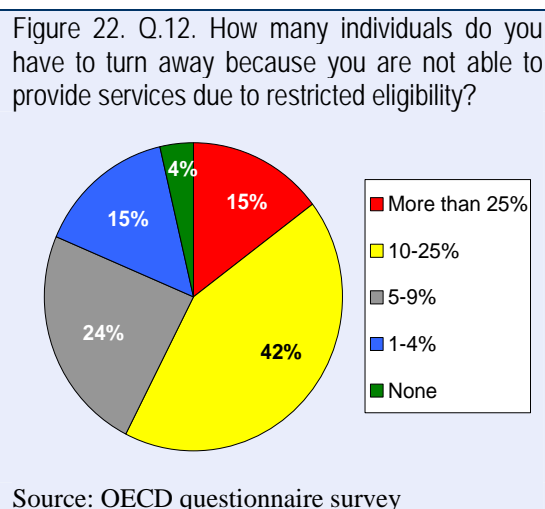
reform, it was assessed that decentralisation of policy to municipalities would mean that measures for graduates etc. would lose their effect because job centres had to primarily focus on other, larger target groups (e.g. unskilled labour). Specialisation of measures for graduates was therefore deemed necessary in order to secure results.

Nationally, the employment system has set up contracts with a number of private players through tendering procedures. Each job centre can select the players it wants to manage measures for unemployed academic staff. Statutory referral of unemployed graduates to private-sector players has special significance for the four largest Danish university cities, including Aarhus. A large percentage of the unemployed in these cities are graduates, and referring these people to private-sector players means that much of the job centres' work must be outsourced.

It was stated in interviews and in round table discussions in the municipality of Aarhus that this seems to be a problem, in that the job centre does not have the flexibility to organise measures for unemployed graduates. This limits the municipality's strategic leeway with regard to targeting employment measures and collaboration with enterprises on new growth areas etc. The four large university cities have applied to the National Labour Market Authority for exemption from the statutory measures for university graduates etc. On this basis, the National Labour Market Authority has granted exemption so that from 1 January 2012 trials will be launched in which all job centres can choose to organise measures for unemployed academic staff themselves in the same way as with other target groups.

### Challenges in accommodating target groups' needs for assistance

The surveys and interviews indicate that there is a group of people for whom the tools available to the job centres are deemed to be inadequate to solve their problems. Three-quarters of job centre directors state in the questionnaire survey that there are weaker/vulnerable groups of unemployed/people on sick leave, with whom the job centre finds it difficult to work. Moreover more than one-half of job centres estimate that at least 10% of their target group need assistance which the job centre is unable to supply, see Figure 22. The rest of the job centres put this figure at less than 10%. The interviews indicate that in particular solving/managing the problems of the weaker/vulnerable recipients of social cash benefits presents the job centres with the greatest difficulties, given their current tools and programmes.



These target groups often demand parallel interventions, directed at employment as well as social and health aspects, and the job centres often have to cooperate and coordinate with municipal social and health administrations, doctors, employability enhancement projects etc. to ensure the correct initiatives overall for the person.

The interviews also raised matters which could challenge exploitation of flexibility to identify local target groups:

- Increasing unemployment as a result of the financial crisis and the current pressure to prioritise in the municipalities can challenge exploitation of flexibility to identify local target groups for whom extraordinary measures exceeding statutory minimum requirements are necessary.
- Furthermore, a fundamental challenge is to strengthen strategic and operational cooperation on measures for special target groups across policy areas and local players. Therefore, many citizens need joined up measures assisted by various players within employment, social services, health, education etc. in order to achieve results for the individual citizen. The assessment is that across municipalities there is a potential for strengthening such cross-disciplinary cooperation and for better exploitation of the existing flexibility. For example, this includes youth initiatives for which there are many areas with potential to enhance coordination between the job centre, *Youth Counselling (UU*, an education counselling service under the Ministry of Education), educational institutions, the Social Services Administration, child and youth administrations, local schools etc.
- In addition to the weakest groups in the social cash benefits system, interviews indicate that amongst insured unemployed people are groups of unskilled labour who need better competences and training to meet current labour-market demands, but who the job centres are currently unable to assist.
- The need to upgrade qualifications and convert the workforce to the new jobs available in a globalised economy is a challenge being addressed in many places throughout Denmark such as local employment councils and municipal political committees, including in Guldborgsund and Aarhus. However the challenge remains to establish cross-sectoral strategic collaboration between business-policy fora, the employment system, the (further) education system, the social partners and local enterprises.
- As part of their employment-directed measures, job centres have various options to implement courses to upgrade the qualifications of the unemployed in order to subsequently provide them with a foothold in an enterprise and from there obtain further qualifications. However, job centres do not have employability enhancement budgets to implement broader initiatives to upgrade the qualifications of the unskilled parts of the workforce in the local area.

Overall there is deemed to be potential to focus local employment measures more on local target groups. There is also potential to differentiate target groups at a more

subtle and detailed level. Furthermore, there is deemed to be a high potential for developing measures aimed at local target groups and challenges which include operational cooperation between a number of local players across policy areas. Employment is a relatively new responsibility for the municipalities (at least for the unemployed insured) and as a result it will take some time for it to be incorporated into broader strategies.

## 5.5. Staffing and outsourcing

The municipality itself decides how to staff its job centre and carry out local employment measures, including the extent to which it wishes to outsource measures. It decides which programmes to apply in employment measures and who is to provide these and can establish its own institutions for use in employment measures or it can collaborate with other players.

<b>Accountability</b>	<b>Flexibility</b>
<ul style="list-style-type: none"> <li>• Financial and performance-based management also apply to outsourcing and the municipality is obliged to carry out supervision of the private-sector provider.</li> <li>• The municipality must set out target figures for the use of other private sector providers in employment measures. This is required in order to promote municipal use of other private sector providers and to make sure the municipality considers how using other private sector providers can contribute to creating better results from local employment measures.</li> <li>• The employment regions carry out regular, separate monitoring and publication of results for the employment measures carried out by other private sector providers</li> <li>• National rules have been established for jobcentre agreements with other private sector providers. These rules include for example principles of remuneration and ensure that part of the performance-based remuneration for private-sector providers is always dependent on performance (bonus scheme - no-cure/low-pay).</li> <li>• Danish legislation includes rules</li> </ul>	<ul style="list-style-type: none"> <li>• The municipality determines its own budget for operating the job centre, as well as the budget for employability enhancement programmes and other measures.</li> <li>• The job centre can enter into agreements with private-sector providers about services using the service tenders that are made available to all job centres throughout Denmark.</li> <li>• The job centre can, independently, enter into bilateral agreements with a private-sector provider about services, including through making its own call for tenders.</li> <li>• Several job centres can make a joint call for tenders for services with a view to entering into a framework agreement with other providers.</li> <li>• Entering into a contract with other providers is supported by national standard principles, including principles governing remuneration.</li> <li>• Legislation allows for outsourcing of large parts of services, including services normally carried out by the authorities.</li> <li>• IT solutions have been developed which support collaboration between the job centre and other providers.</li> </ul>

concerning due process, right of appeal, etc. of citizens in situations where a private-sector provider is performing services on behalf of the municipality.	These solutions mean that other providers can perform the registration and documentation required by legislation.
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The job centre can enter into agreements with private-sector players about services using the service tenders that are made available to all job centres throughout Denmark. The job centre can, independently, enter into bilateral agreements with a private-sector provider about services, including through making its own call for tenders. In addition, several job centres can make a joint call for tenders for services with a view to entering into a framework agreement with other players. Entering into a contract with other providers is supported by national standard principles, including principles governing remuneration.

The municipality of Gribskov is an example of the extent of this flexibility. Gribskov municipality has chosen to outsource its job centre entirely to a private-sector player, meaning its responsibilities in terms of employment have been delegated to a private-sector player. The political and financial responsibility for measures still rests with the municipality, which is still obliged to prepare employment plans, prioritise targets and strategies, follow up on trends in performance, etc.

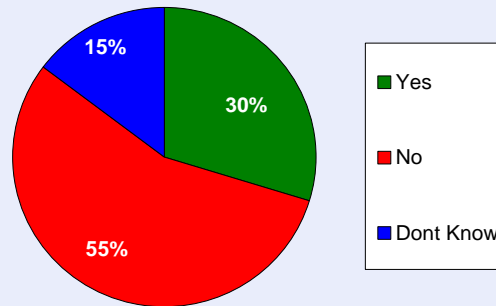
IT solutions have been developed which support collaboration between the job centre and other players. These solutions mean that other providers can perform the registration and documentation required by legislation.

In the management of the employment area, the creation and regulation of a market for ‘private-sector providers’ is another instrument to assist the job centres in implementing employment measures for citizens and enterprises. The overall assessment is that the Danish employment system includes a high degree of flexibility with regard to the ability to outsource employment measures to other providers, while there is also a high degree of accountability because the municipality is accountable for ensuring good results from employment measures. In part, this is also substantiated by the following:

Despite the flexibility allowing municipalities to outsource large parts of employment measures, the individual municipality is still accountable for whether or not the employment measures provide results. In other words, the municipality maintains political and financial responsibility for measures and results, regardless of whether the municipality chooses to outsource services or to manage them in house.

Overall, there is a high degree of legislative flexibility with regard to outsourcing services and measures to private-sector providers, and, in the final analysis, the management in the individual municipality decides to which extent services and measures should be outsourced. This is confirmed in the surveys and interviews conducted. Around half of job centre directors state that they experience no restrictions with regard to being able to outsource parts of employment measures on the basis of local prioritisations. However, 30% stated that they do experience restrictions in this regard, see Figure 23.

Figure 23. Q.14. Are there any restrictions on your ability to outsource your services as you would like to meet local priorities? Y/N,



Source: OECD questionnaire survey

The assessment of job centre directors regarding flexibility is affected by the fact that the issue of outsourcing of services to private-sector providers is typically a political one which is dealt with by the municipality's political committees. This applies in connection with the preparation of the annual employment plan, which must set out target figures for use by other players. Political opinions on outsourcing differ across municipalities throughout Denmark. In municipalities where outsourcing to private enterprises is not considered attractive, the local job centre director will typically not be able to outsource services. Here, a political decision is to keep the services in house.

Private-sector providers assist the job centres in implementing employment measures for citizens and enterprises. Over the past five to ten years, Denmark has created a national market for a number of players who carry out parts of the employment measures for the job centres and who are paid according to whether they get unemployed people into employment. The purpose of this is to support competition and innovation in relation to achieving the best results from employment measures. Furthermore the market should serve to increase the degree of specialisation in the job centres' services and increase cost effectiveness in measures. The market includes both small and very large enterprises.

Since 2008 municipalities have been able to authorise private-sector providers to perform certain mandatory authority tasks on behalf of the municipality, for example formulation of job plans and submission of offers as well as approval of on-the-job training and wage subsidies. The legislation thus allows such providers to take on large parts of the job centres' task portfolio. Furthermore, in 2010 the state refunded 50% of the municipalities' expenditure on employment measures carried out by private-sector providers, whereas the alternative is that the municipalities have to finance 100% of the expenses relating to the job centres' administrative work on the measures. This has given the municipalities further incentive to utilise private-sector providers. However, this refund provision has been amended from 2011 so that the degree of outsourcing will no longer affect the level of state refunds.

## **Regulation of cooperation between private-sector providers and job centres**

The relationship between private-sector providers and the public authority is covered by a number of rules, primarily designed to protect the rights of citizens, ease the administrative collaboration between the job centre and other players, as well as assist in performance-dependent payment to private-sector players. The market of these providers which has been built up is also used as a management tool to plan the employment measures of job centres and to underpin flexibility in local measures.

- Private-sector providers must comply with the same rules as apply to the job centre in connection with interviews, participation in activities, issuing offers and notifications etc.
- Private-sector providers must use the IT support provided by the National Labour Market Authority.
- Private-sector providers performing tasks for a job centre are subject to the Danish Public Administration Act and the Danish Freedom of Information Act.
- Private-sector providers must be paid according to a bonus remuneration model under which they are partly remunerated on the basis of performance and results.

## **Tenders for services**

Part of Danish employment system involves ‘tenders for services’, which are conducted by the National Labour Market Authority and the employment regions, and which the job centres are free to use in their employment measures. Tenders for services consist of framework contracts which are made available to job centres. Through these framework contracts, individual job centres can easily and flexibly make contracts with one or more private-sector providers covered by the framework contract on the basis of a standard contract. Once a contract has been set up with the other player on an initiative, the job centre will assign citizens to the other player who will then take over responsibility for conducting the measures agreed for the citizen.

## **Mandatory tenders**

Mandatory tenders are tenders municipalities are obligated to use - municipalities are obligated to use the providers who win the tender to perform the employment measures for the groups in question. This earmarks a percentage of the funds for employment measures for the nationally defined target group. Up to now mandatory tenders have only been used in connection with unemployed academic staff. A mandatory tender thus aims at ensuring that specialised players can manage employment measures for this group, and that the job centres can focus on developing competences and innovation for the larger target groups.

### **Example of central national call for tenders**

Target groups for tenders for service:  
- 18-29 year-olds with no vocational education  
- 18-29 year-olds with vocational education

- 30-54 year-olds with no vocational education, or with outdated education and training
- 30-54 year-olds with vocational education
- persons of 55 years or more

Target groups for mandatory tenders:

- Anyone with a higher education of at least 5-6 years who has worked within his/her area of education for at least six months within the past five years.

The emerging market of private-sector providers is significant in different ways for the management framework for employment measures at job centres. The private-sector market has led to a strong increase in the number of programmes available to job centres. This helps increase the flexibility of the individual job centre, as well as the opportunities for enhancing the impact and efficiency of measures. The market for private-sector providers is also exploited in different ways to expose parts of the job centre's employment measures to competition. For example in situations where the job centres perform poorly.

### **Exposing job centre measures to competition**

This exposure of job centre measures to competition is reflected in the following legislative rules:

- The centrally governed mandatory framework tenders can be implemented in areas where the job centres have 'significant challenges'. Legislation stipulates that the state at any time has access to outsource parts of the municipality/job centre task portfolio to private-sector providers, and that municipalities are obligated to pay for this.
- In situations where the results of one job centre deviate considerably from the results of comparable job centres, legislation authorises outsourcing the part of the job centre's measures which is unsatisfactory. The municipality is obligated to pay expenses in this connection. It should be noted that this possibility for intervention requires the approval of the Minister for Employment following a recommendation from the employment region. This possibility for intervention has not been exploited so far.
- Citizens who have been assigned to a "flex job" (i.e. due to having long-term reduced work ability) and have been unemployed for six months are entitled to request that measures be provided by a private-sector provider instead of the job centre. After 12 months of unemployment, the citizen must be transferred to another provider. Expenses in this connection are paid by the municipality.

### **Flexibility and accountability in staffing and outsourcing**

Despite the flexibility allowing municipalities to outsource large parts of employment measures, the individual municipality is still accountable for whether or not the employment measures provide results. Below is a description of the legislative elements and control systems which support the municipality's accountability in staffing and outsourcing.

*Financial and performance-based management also apply to outsourcing*

- Regardless of whether or not it chooses to outsource measures, the individual municipality is still accountable financially and in terms of performance.
- Furthermore, the municipality is obliged to carry out supervision of the private-sector providers.
- Whether it has outsourced services or not, the municipality must prepare an employment plan, convert the Minister for Employment's goals into local goals, pay for employment-policy expenditures, enter into dialogue with the employment region about its performance, etc.

*The municipality must set out target figures for the use of other players in the employment plan*

- Each year, the municipality must set out target figures for the use of other providers in employment measures. This is required in order to promote municipal use of other providers and to make sure the municipality considers how using other providers can contribute to creating better results from local employment measures.

*Separate monitoring and evaluation of the use of other players*

- The employment regions carry out regular, separate monitoring and publication of results for the employment measures carried out by other providers.
- Evaluations, supervision reports, etc. about the use of private-sector providers in measures are likewise carried out regularly at national level, for example by the National Audit Office of Denmark.

*Regulation of contract terms and remuneration principles*

- National rules have been established for job-centre agreements with other players. These rules concern for example principles of remuneration and ensure that part of the performance-based remuneration for private-sector providers is always dependent on performance (bonus scheme - no-cure/low-pay).

*Right of appeal for citizens*

- Danish legislation includes rules concerning due process, right of appeal, etc. of citizens in situations where a private-sector provider is performing services on behalf of the municipality.

## **Collaboration and partnerships**

When it comes to cooperation and partnerships in local employment measures, the Danish employment system has quite a high degree of flexibility. The surveys show that the Danish employment system offers a high degree of flexibility in that the municipality can establish collaboration and partnerships with local players on local employment measures and also applies to the content of collaboration across policy areas. Legislation sets a framework for local cooperation, which ensures involvement

of the social partners in local employment policy and which supports accountability in achieving results from employment measures. In part, this is also substantiated by the following:

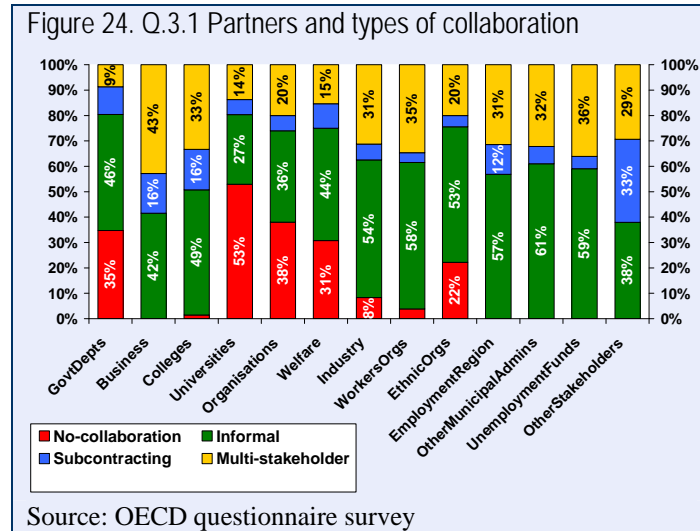
<b>Accountability</b>	<b>Flexibility</b>
<ul style="list-style-type: none"> <li>• Establishing a local employment council in each municipality, which monitors local performance results, underpins accountability.</li> <li>• The employment plan and planning process ensure dialogue-based involvement of the local employment council and employment region in the municipality's establishment of goals and strategy.</li> <li>• The local employment council's influence can also oblige the social partners in the local employment council to support local implementation of employment measures, including enterprises, trade unions etc.</li> <li>• All local stakeholders, the local press etc. have free access to information on developments in local target groups, measures and results. Any performance issues are made visible quickly, and this supports the accountability of those responsible for measures.</li> </ul>	<ul style="list-style-type: none"> <li>• Municipalities can participate in strategic cooperation and partnerships across policy areas on job creation and developing the local community.</li> <li>• Municipalities can participate in strategic cooperation and partnerships which concentrate on employment measures, for example with the social partners, unemployment insurance funds, educational institutions, the municipality's own administrations etc.</li> <li>• The job centre can cooperate on operational measures for the individual citizen or enterprise across local players and policy areas, and across the municipality's own administrations.</li> <li>• Municipalities can participate in inter-municipal cooperation in the employment area and across policy areas.</li> <li>• The framework of the legislation supports permanent involvement of the local social partners and stakeholders.</li> </ul>

The municipality/job centre can decide with whom it wishes to collaborate on employment measures and what this collaboration should cover. Municipalities can participate in strategic collaboration and partnerships across policy areas on job creation and developing the local community. Municipalities can participate in strategic collaboration and partnerships which concentrate on employment measures, for example with the social partners, unemployment insurance funds, educational institutions, the municipality's own administrations etc. The job centre can cooperate on operational measures for the individual citizen or enterprise across local players and policy areas, and across the municipality's own administrations. Municipalities can also cooperate with other municipalities on employment measures and across policy areas. Inter-municipal collaboration can allow for implementation of more ambitious and effective measures than would be possible otherwise.

In addition, 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

Historically, the Danish employment system has a tradition for close cooperation between those responsible for the political and administrative aspects of employment measures, as well as the social partners and a number of other stakeholders. Employment councils at national, regional and local levels have been set up and

advise those with political responsibility on the organisation of employment measures. They also monitor developments in performance results and help develop and design strategies for employment measures and implement development activities.



The job centres collaborate at operational level with a wide spectrum of stakeholders and partners. Both initiative for citizens and enterprises are part of the job centres' collaboration relationships with other municipal administrations, trade unions, unemployment insurance funds, enterprises, educational institutions etc. see Figure 24. The local partnerships have different characteristics. Some have a political-strategic character which may be formal or informal. Strategic collaboration includes formal cooperation on the annual planning process/employment plan, in which the social partners in the local employment councils, the employment region and the municipality policy committees discuss goals and strategies for employment policy for the coming year. There are also a number of other collaborations at informal level which are significant strategically for achieving results from local employment measures.

Operational collaboration on local employment measures can also be of either formal or informal nature. Parts of the collaboration may be formalised in cooperation agreements between the job centre and different players. For example, this may be cooperation agreements with unemployment insurance funds and local enterprises on initiatives for the unemployed and those on sick leave to establish business centres, or agreements with educational institutions on mentor schemes for young people etc. Such cooperation agreements can contribute to results from implementation of employment measures in the shape of effective and coordinated measures by the players responsible. Other formalised cooperation could be relation to a supplier, for example when private players work for the job centre.

There is also extensive operational collaboration which has not been formalised and which has a more *ad hoc* nature, defined as needs arise. This type of cooperation is typically a sort of network which the management/staff at the job centre draw on in routine work on implementing initiatives.

The municipality must engage in dialogue with the local employment council and the employment region about the employment plan, the performance audit and the ongoing development in results and performance. As a part of this planning process, the social partners and other stakeholders are invited via the local employment council to participate in setting local employment measures. The assessment is that the planning process in this way contributes to ensuring these stakeholders a measure of influence on the targets, performance requirements and strategies that are set out in the employment plan, cf. below. The planning process also contributes to giving the social partners a sense of ownership of the targets and strategies for local employment measures, so that there is subsequent backing for them in the local area among important stakeholders.

### **The importance of collaboration and partnerships for local measures**

There is a sharp focus on developing and maintaining various forms of collaboration with central players and stakeholders on local employment measures primarily because such collaboration is crucial for ensuring that local employment measures have adequate clout and achieve the results desired. Particularly with increasing unemployment in the post financial crisis period, collaboration and partnerships are very important for optimising resource use and achieving results from employment measures. Strong and multi-faceted cooperation on local employment measures has a number of benefits for measures, the box below.

#### **Possible benefits for local employment measures and the job centre from establishing collaboration and partnerships with local players and partners**

##### *Establish legitimacy and impact in implementation of local policy*

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

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

Collaboration and partnerships assist with important knowledge about the local labour market and the issues involved in measures. For example, when representatives of the local employment council submit their input to the employment plan, such as input on local challenges, specific barriers and issues and possible solution strategies.

##### *Create development and innovation in measures*

Collaboration and partnerships can assist development and innovation in measures through generating networks, cooperation across players and stakeholders within different policy

areas etc.

*Add resources to local employment measures/the job centre*

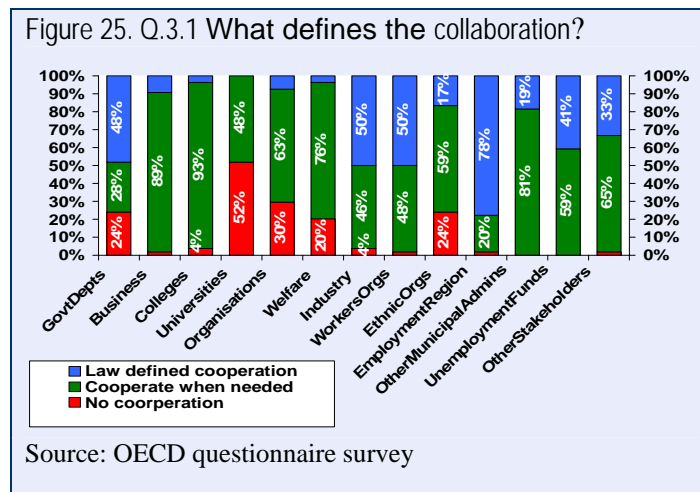
Collaboration can help optimise and make more efficient local employment measures. Involving cooperation partners in performing tasks can ensure a positive injection of resources to local employment measures and the job centre can improve opportunities to optimise use of its own resources. For example, the job centre will have less pressure on its resources, and be able to optimise resource consumption, if counselling and advice for the individual citizen by unemployment insurance funds specifically supports the subsequent activities by the job centre for the individual unemployed citizen (interviews and employability enhancement schemes).

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

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

Exploiting the available flexibility has, for example, shown that in the period 2007-2008 many municipalities/job centres focussed on developing collaboration on measures on sickness benefits with a number of players. Currently, in 2010 - 2011, many job centres are focussing on developing collaboration on youth initiatives with the involvement of educational institutions, education counsellors (UU) and a number of municipal administrations/departments.

*What defines the collaboration?*



Overall, most of the collaboration between the job centre and the different players and stakeholders is needs-defined, ongoing cooperation, see Figure 25. Furthermore, a lot of collaboration is initiated and organised by legislation. For example cooperation between the job centre, the municipal political committee and the local employment council on the annual employment plan etc. The legislative framework for local employment councils and the interplay with the management of the

municipality therefore underpin long-term involvement of the social partners in the strategic planning, goal setting, and implementation of local employment measures. This long-term involvement means that many job centres experience from the local employment council a somewhat high level of ownership and commitment and also high expectations.

In particular, the local employment council is deemed to play a central role in this local cooperation. The regular meetings with the local employment council mean that there is a mutual dialogue between municipal politicians, the administrative managers/job centre and the social partners on current results, challenges and strategies in local employment measures. In many places, the local employment council is also an initiative taker and facilitator for developing new collaboration. For example by taking initiatives to gather relevant organisations and players in a focus area in order to establish common cooperation agreements and initiatives.

In many municipalities the local employment council has taken initiatives to hold mini conferences/campaigns for enterprises in the area with a view to improving the inclusive labour market and to pave the way for more cooperation between enterprises and the job centre. Furthermore, many municipalities have held conferences under the local employment council for relevant local/regional players in order to establish cooperation agreements and common initiatives to enhance and develop local measures for the unemployed (unemployment insurance funds/trade unions), people on sick leave, the young, people assigned light jobs with wage subsidies etc.

In addition to the local employment council, municipal cooperation is very important for the types of local cooperation. Denmark has a strong tradition for inter-municipal cooperation on various policy areas and municipal tasks. The municipal reform and gathering employment policy under municipalities have enhanced the possibilities for various types of cooperation across municipal policy areas (employment, business, social and health, children and young people etc.). Similarly, many municipalities cooperate with neighbouring municipalities on different parts of their employment-directed measures.

This is all reflected in the questionnaire:

- 95% of job centres state that they cooperate with other local authorities/administrations/cooperation partners in preparing local strategies.
- 83 % of job centres state that cooperation with different stakeholders has a strong or some influence on how employment measures are implemented.
- 80% of job centres state that they are completely or to a great degree able to contribute to developing and implementing these strategies.

### **Accountability**

In addition to high flexibility in being able to initiate and facilitate local collaboration on employment measures, collaboration also contributes to horizontal accountability in the employment system, (see OECD, 2009c). Statutory requirements to draw up an annual performance audit and employment plan, with involvement of the local employment council and employment region, are deemed to provide a great degree

of support for accountability. The planning process means that there is permanent cooperation and dialogue between municipality management, the social partners in the local employment council as well as the employment region on goals and strategies in employment measures. It is therefore mandatory to involve the local employment council and employment region in the employment plan for the individual municipality, although how this involvement is to be realised specifically is very much up to the parties themselves.

In practice, each spring most municipalities hold strategy seminars, attended by the municipal political committee, the local employment council and the job centre management, on the employment plan for the coming year. At these seminars, participants discuss the challenges facing employment policy in the short and longer terms, strengths and weaknesses to be included in the employment plan for the coming year, as well as how the various players and cooperation partners can contribute to implementation of the local strategies.

The above process means that there is long-term monitoring and dialogue on developments in local employment policy. In situations where a municipality is experiencing serious performance problems with its measures, or where it decides to place lower priority on employment measures locally, there will probably be a reaction from the cooperation partners. This indirect control mechanism is also supported by the free access to management information on developments in the performance results of local measures, including from [www.jobindsats.dk](http://www.jobindsats.dk). Free access means that any problems with performance are made visible quickly for the most important cooperation partners, the local press etc., and this enhances the accountability of those responsible for measures.

Altogether the planning process and cooperation between the municipality, local employment council and employment region support a sort of horizontal accountability. Despite the ongoing dialogue and monitoring of developments in performance results by the local employment council and the employment region, the municipal council is still ultimately politically responsible and has the flexibility to prioritise and design the local employment measures.

Below is a description of the legislative elements and management systems in which collaboration and partnerships contribute to accountability in local employment measures.

**Local employment councils contribute to underpinning accountability amongst those politically and administratively responsible for employment measures**

- Establishing a local employment council in every single municipality, which monitors local performance results, will underpin accountability. Long-term monitoring by local employment councils of performance results, as well as dialogue with the municipality and the job centre on this, accentuates horizontal accountability.
- The employment plan and planning process ensure dialogue-based involvement of the local employment council and employment region in the municipality's establishment of goals and strategies.
- Each year, the local employment council receives a government-funded grant which can

be used to develop local employment measures. The grant must be applied in collaboration with the job centre and the political committee, and initiatives must be within the framework for the local employment plan.

- The influence of local employment councils on local policy can also oblige the social partners in the local employment council to support local implementation of employment measures, including at enterprises, trade unions etc.

### **Current challenges in exploiting the flexibility to establish cooperation**

There are a number of matters which could challenge flexibility to be involved in cooperation and partnerships on employment measures.

- The municipal reform has required a high consumption of resources and focus from municipal employees and managers since 2007 and has meant that municipalities have primarily been focusing on making their own organisation work. Participation in, and further development of, various kinds of cooperation and partnerships have therefore to some extent had to wait.
- Cooperation across policy areas may be complex as there is different legislation for each policy area. There may be matters in the individual legislation in a policy area which are effective in the relevant area, but which may pose an unintentional barrier to cooperation. In addition, cooperation across policy areas also requires coordination of different interests.
- Participating in cooperation and partnerships requires management capacity. Establishing and maintaining cooperation often requires a significant long-term commitment. Providing resources to establish and facilitate cooperation is one challenge, as is making the advantages of the cooperation visible for the parties involved.

### **Potential for strengthening cooperation on local employment measures**

There are a number of potential ways to more fully exploit the existing flexibility to establish more cross-organisational cooperation on locally adapted measures. This is particularly great following the municipal reform, in which municipalities have become larger and received greater strategic capacity, with a larger task portfolio on which cooperation can be relevant.

#### *Increased strategic integration of employment policy with other municipal policy areas*

At local level, there is a potential for a greater degree of strategic integration of employment policy with the other (municipal) policy areas most relevant for local employment policy. This means cooperation and coordination across e.g. employment, social and health as well as education policies.

*Broad strategic cooperation across policy areas and local/regional players on job creation and development*

There is also a potential to strengthen broad strategic cooperation between job centres and a number of other policy areas locally and regionally, such that the various policy areas together support job creation and growth in the local community. This requires intensified strategic cooperation and partnership between locally anchored players on multi-annual strategies and goals.

*Intensified cooperation on operational measures for citizens*

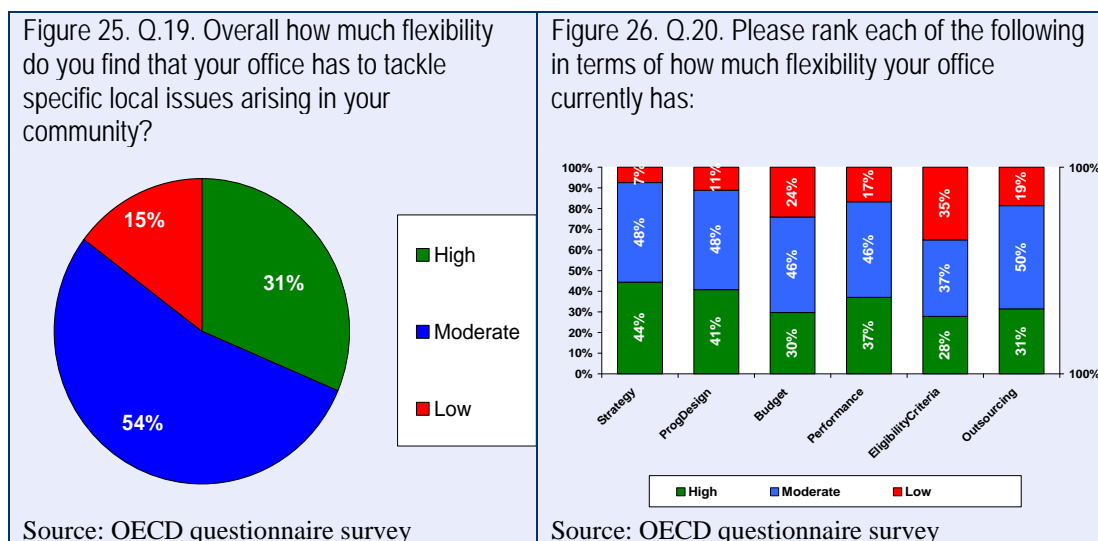
There is a potential for more integration of *operational* measures for individual citizens by job centres between various locally anchored players and municipal administrations (job centres, enterprises, educational institutions, social administrations, health administrations, physicians etc.).

*Increased cooperation across municipalities*

There is a potential to strengthen cooperation between several municipalities on local employment measures. For example, municipalities can benefit from working together on joint development projects in different priority areas, they can attain broader cooperation with enterprises over a larger geographical area, establish common cooperation agreements, for example with unemployment insurance funds, educational establishments etc., they can carry out joint tendering procedures for measures etc.

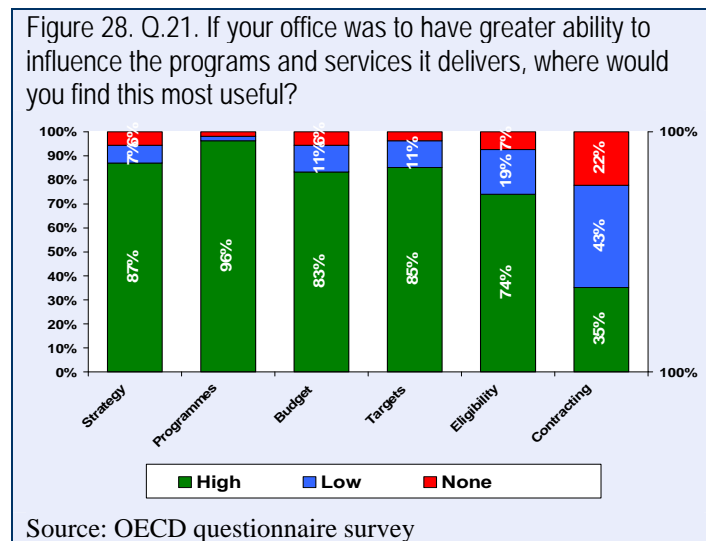
**5.7. Summary of findings**

Overall, 54% of job centres consider that they have a moderate degree of flexibility, whereas 31% consider it to be high, and 15% consider it to be low, see Figure 25. Generally, job centres assess flexibility across important management areas to be moderate or high, see Figure 26.



Flexibility is deemed highest in relation to the possibility to lay down strategies for local employment measures (48% identified as moderate, while 44% identified as high) and being able to design local measures/programmes (48% identified as moderate, whereas 41% identified as high), whereas flexibility is assessed to be lower in relation to being able to choose and determine criteria for target groups (where 37% of offices considered flexibility to be moderate and 35% of offices here found flexibility to be low) and in relation to budget management (46% moderate and 30% high).

The survey shows that areas where flexibility is currently considered highest are also typically areas to which job centres would give the highest priority if there were an opportunity to further increase flexibility. Thus the possibility of being able to set goals and strategies as well as organise locally adapted measures is highly rated, although flexibility in budget management is also highly prioritised. Job centres agree (96%) that increased flexibility would make it possible to implement active employment policy and employment measures which are more relevant to the local area than they are today.



At the same time, the majority of job centres (67%) assess that increased flexibility need not necessarily be accompanied by higher capacity and more resources for the job centre. Finally, the job centres to a high extent assess (70%) that increased flexibility will not have a negative impact on accountability and the ability to maintain harmony in employment measures. Overall, job centres assess that there is no contradictory relationship between flexibility and accountability, and that there is a potential to strengthen local management flexibility and exploitation of flexibility in practice.

## **6. Summary of challenges and potentials in increasing local flexibility**

### **A focus on ‘what works’**

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

However, this research would suggest that a balance needs to be struck between following evidence to assure the best outcomes for individual job seekers, while also allowing local job centres the latitude to contribute innovatively to solving more intractable employment problems within Denmark’s local communities and contributing to local economic growth. As human resources become increasingly important to local economic development in the knowledge economy, employment policy (bringing people into jobs) needs to be understood in the context of a broader ‘labour market policy’ which helps local labour markets to adjust to new economic situations.

Municipalities are well placed to play a significant role in combining an approach which meets both individual and community needs. They have the potential to work across policy silos and take broad community issues into account when planning employment policies and programmes. The local employment councils also ensure that the system includes a degree of local horizontal accountability, through the involvement of the local social partners. At the same time, the role of the National Labour Market Authority and the employment regions is essential in sharing good practice and research findings, and ensuring that the sum of local actions allows Denmark to meet national employment policy objectives.

In achieving the balance between national goals, evidence-based actions to support individual job seekers, and actions to adjust labour market policy to local labour market conditions, a certain degree of complexity within the management system is perhaps inevitable. However the National Labour Market Authority is currently working towards reducing unnecessary bureaucracy within the management system so that local job centres have the capacity and time to fully contribute to local employment strategies.

## **Increased local flexibility without losing accountability**

The Danish employment system achieves a balance between accountability and flexibility within the management system through a number of different instruments; legislation, financing, performance-based and dialogue-based management, IT tools, methodology requirements, and organisational requirements. The system appears to underpin both high accountability with regard to national goals and focus areas, and moderate to high local flexibility, meaning that local players and stakeholders can cooperate on targeting employment measures at local challenges and needs.

There are, however, a number of barriers to fully exploiting flexibility at local level. Some of these barriers concern the level of bureaucracy involved in the reporting requirements within the management system (for example minimum standards for seeing job seekers, the organisation of financial incentives) while other issues fall outside of the management system itself. The latter includes the rise in job seekers associated with the economic downturn, which has put pressure on local capacities. Issues with the performance of IT systems in job centres also make reporting requirements more complex (see below).

### **Current matters which could challenge exploitation of flexibility in the organisation of local employment measures**

*The municipal reform requires a long implementation period and high level of resources*

The municipal reform has required large consumption of resources and focus from both employees and managers since 2007. This is exemplified by Guldborgsund municipality, in which five municipalities had to merge. At the same time, the national organisation had to merge with the five municipal organisations. Finally, new tasks as well as a number of significant reforms of content have emerged, which have had to be implemented during this period.

*The financial crisis has required serious readjustment in job centres*

The financial crisis meant that the number of unemployed people increased significantly in a very short period, and that job centres had to deliver measures for a significantly higher number of citizens than before the crisis. The labour market is also more difficult to work with, because the employment effect of measures is falling and enterprises are becoming less open and more restrictive. Such readjustment increases the pressure on job centres and has necessitated strong focus on dealing with increased unemployment and ensuring that statutory minimum requirements are observed.

*Resources in job centres are in fierce competition with other local policy areas*

Municipalities can allocate resources in a flexible manner across municipal task areas, and the resources of job centres are competing with other municipal policy areas, such as schools, children and young people, elderly care, social and health etc. It is difficult for job centres to find extra resources or to make cut backs at the same time as an ever increasing number of people need assistance from the job centres.

*Municipalities are subject to pressure to prioritise and this can make it difficult to exploit existing flexibility*

The current pressure on the municipal economy to prioritise as result of the financial crisis can make it difficult for the municipalities to exploit the existing flexibility to identify and prioritise special target groups in their measures and to initiate extraordinary measures and development activities. Conversely, the flexibility of municipalities to prioritise and design local measures could also be used to deal with the current pressure to prioritise, for example by implementing efficiency improvements for municipal measures.

*Job centres have problems with IT systems*

There are two private main suppliers of IT systems for job centres in Denmark. Development of the new systems was carried out as part of the municipal reform. IT systems in the job centres do not to work properly according to assessments, and the systems cause many problems for the job centres, such as inflexible working procedures, bureaucracy, lack of management information, lack of flexibility to readjust measures quickly and a need for *ad hoc* solutions.

*The significant decentralisation of welfare and service areas in Denmark gives rise to challenges in the balance of power between central (national) level and the municipalities*

Across the different policy areas (employment, schools and education, the elderly, social and health etc.) there is a dominant line of conflict between the national requirements and expectations for municipal performance on the one hand, and how the municipalities experience their latitude and resources on the other. To a certain extent, this general line of conflict can nourish myth-making and distrust between the parties, and in this way be significant for the assessment of the level of flexibility actually available in policy areas.

*The complexity of the management system*

The complexity of the management system places great demands on political and administrative managers. Complexity in the management system can make it difficult for local politicians and administrative management to identify and clarify the local strategic latitude to make a difference. The management system is organised through a number of management tools with many facets and subtleties, which can challenge such identification. There is also complexity in financial management which can complicate willingness to invest. A higher degree of transparency in the financial system can ease the preparation of investment strategies and help forecast the consequences of different initiatives for the economy of the municipality. The management system can complicate a multi-annual investment horizon. Multi-annual measures are often required to achieve results from employment measures. The challenges can rarely be overcome within one budget year. Therefore, there may be an increased need to support multi-annual goals and investment strategies.

The management situation is also assessed to have a certain complexity, which the different levels and players in the system must be able to cope with. Without this management complexity, it will be difficult to maintain local flexibility to adapt policy to local challenges and needs and to maintain accountability with regard to national goals and focus areas. At the same time, it is important to maintain focus on reducing complexity in management as much as possible, as complexity in itself can challenge the ability to exploit the flexibility in the management system.

It is assessed that the flexibility available in the current employment system for merging employment measures with other political areas at local level has not yet been fully exploited by municipalities. Moreover, there is deemed to be potential for further developing management in the employment system such that flexibility can be increased and the high degree of accountability can be maintained.

#### **Potential for strengthening local flexibility in employment measures**

##### *Ongoing adjustment of management tools*

There is a continuous need to adjust management tools and the balance in the management to support the greatest possible flexibility without losing the high degree of accountability. Particularly, focus should be on ensuring that financial incentives in management and minimum requirements for measures are balanced, as these management tools have particularly great impact on focus and policy at local level.

##### *Increased strategic merging of employment measures with other municipal policy areas*

At local level, there is potential for strategically merging employment policy with the other (municipal) policy areas, which are most relevant for local employment measures. This means cooperation and coordination across e.g. employment, social and health as well as education policies.

##### *Broad strategic cooperation across policy areas and local/regional players on job creation and development*

There is also potential for strengthening broad strategic cooperation between employment policy and a number of other policy areas locally and regionally, such that the various policy areas together support job creation and growth in the local community. This requires intensified strategic cooperation and partnership between locally anchored players on multi-annual strategies and goals.

##### *Intensified cooperation on operational measures for citizens*

There is potential for more integration of operational measures for individual citizens by job centres between various locally anchored players and municipal administrations (job centres, enterprises, educational institutions, social administration, health administration, physicians etc.).

##### *Increased cooperation across municipalities*

There is potential for strengthening cooperation between several municipalities on local employment measures.

##### *Further integration and coordination of national legislation across policy areas to support local flexibility*

Across legislation within e.g. employment, business policy and education policy, there is deemed to be a potential for further support and promotion of cross-disciplinary measures at local level. This may be coordination of legislation that simplifies and/or creates incentives for various players/institutions to cooperate at local level on common goals and strategies.

##### *Continued focus on de-bureaucratisation and deregulation*

The national government has recently presented 46 proposals to debureaucratise regulation in the employment area. Focus should be maintained on debureaucratisation and deregulation in order to optimise frameworks for flexibility and resource use at local level. Unnecessary bureaucracy is assessed to be a significant barrier to exploiting the flexibility that already exists in the management system.

*Ongoing development of the dialogue process between employment regions and job centres on how to achieve better results*

The dialogue process between employment regions and job centres on developing results from measures (and the ongoing matching of expectations) is assessed to be pivotal for the balance between accountability and flexibility in the management system. There is a potential to further differentiate management and dialogue with job centres with regard to the differences in local challenges and results, and that the local implementation of national targets as well as exchange of experience on performance development and best practice are still key elements in the dialogue process.

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# **Annex 1: Venice Action Statement on Enhancing Flexibility in the Management of Labour Market Policy**

## **I. Preamble**

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

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

## **II. Background: A changing role for labour market policy**

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

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

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

It requires partnership working among different stakeholders and between the national and local levels.

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

### III. Proposed Actions

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

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

the local level and by making available analytical tools which can be adapted to local circumstances.

5. ***Improve governance mechanisms.*** Labour market agencies should collaborate effectively with business, trade unions, civil society, education institutions, research centres, economic development agencies and local authorities. There is no governance mechanism which fits all institutional frameworks, but partnerships have a certain value in bringing different stakeholders together to develop appropriate and realistic strategies.
6. ***Improve administrative processes.*** Aligning policies through institutional reform such as decentralisation is a difficult challenge. In large countries, with complex distributions of power, a perfect match may always seem just beyond reach. A wide-scale review of how administrations function, cooperate and manage policies is required to support better collaboration between different administrative layers and between different policy institutions. This is particularly important given that the new, broader goals for human resources development cut across a number of different policy areas.