

**DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS  
EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS COMMITTEE**

**Institutional set-up of active labour market policy provision in OECD and EU countries:  
Organisational set-up, regulation and capacity**

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# Abstract

This study provides a framework to compare and classify the institutional set-up of active labour market policy (ALMP) provision across countries, which is a key determinant of how well ALMP systems can respond to changing labour market needs, e.g. in response to the COVID-19 crisis. The paper builds on an OECD-EC questionnaire on “Active labour market policy measures to mitigate the rise in (long-term) unemployment” filled in by OECD and EU countries in the last quarter of 2020. The paper presents a dashboard of the institutional set-up of ALMP provision in 43 OECD and EU countries, which classifies the ALMP systems of different countries according to their organisational set-up (i.e. division of responsibilities between key stakeholders), their regulatory set-up (i.e. key legislation regulating ALMP provision) and their capacity to deliver employment support services (i.e. resources available).

# Résumé

La présente étude définit un cadre pour comparer et classer la structure institutionnelle des politiques actives du marché du travail (PAMT) des différents pays qui est un déterminant clé de la manière dont les systèmes des PAMT répondent à l'évolution des besoins du marché du travail, par exemple comme réponse à la crise de COVID-19. Ce papier est basé sur une enquête de l'OCDE et de la CE sur "mitiger la hausse du chômage (de longue durée)" rempli par les pays de l'OCDE et de l'UE au dernier trimestre 2020. L'étude présente un tableau de bord du cadre institutionnel des PAMT dans 43 pays de l'OCDE et de l'UE, qui permet de classer les systèmes des PAMT de différents pays en fonction de leur structure organisationnelle (c'est-à-dire de la répartition des responsabilités entre les principales parties prenantes), de leur structure réglementaire (c'est-à-dire de la législation clé régissant la fourniture des PAMT) et de leur capacité de fournir des services de soutien à l'emploi (c'est-à-dire des ressources disponibles).

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# 1 Context

1. Active labour market policies (ALMPs), such as job-search counselling, training or employment incentives play an important role in connecting unemployed and inactive people with good jobs, and providing employers with labour. During an economic crisis, such as the crisis brought on by the COVID-19 pandemic, ALMPs are particularly important elements of countries' recovery strategies, supporting a successful reallocation of displaced workers and helping minimise the risk of (long-term) unemployment.
2. The objective of this paper is to provide a framework to compare the institutional set-up of ALMP provision across countries. Features of institutional set-ups can be crucial to determine how well ALMP systems can respond to changing labour market needs. Countries should be able to adjust existing ALMPs and delivery models and design new ones in an agile manner to respond to labour market developments. This may need quick changes to the legal system, which requires tight cooperation and coordination between the key stakeholders, i.e. a well-functioning organisational set-up. In addition, the systems need to have sufficient capacity to implement new approaches swiftly. For example, differences in the degree of autonomy of the public employment service (PES),<sup>1</sup> the role of private employment services (PrES)<sup>2</sup> or in the amendment process of ALMP regulation, may be among the reasons why some countries have managed to adjust their ALMPs to the new environment imposed by the COVID-19 pandemic and develop contingency plans and new strategies quickly and smoothly, while others have struggled.
3. This paper presents a dashboard of the institutional set-up of ALMP provision in OECD and EU countries. It compares countries' institutional set-up along different dimensions and classifies countries according to the type of institutional set-up of their ALMP system. The methodology developed in this paper builds the grounds for subsequent research, which could use the classification developed here to link characteristics of institutional set-ups with indicators of the performance of ALMP systems.
4. The dashboard presented in this paper describes the institutional set-up of ALMP provision separately along three dimensions:

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<sup>1</sup> Public employment service – throughout this paper referred to as a public body whose main responsibility is to actively facilitate the integration of jobseekers into the labour market and which implements employment services (providing placement and related services as defined by category 1.1 in the methodology of the OECD Employment and Labour Market Statistics database, <https://doi.org/10.1787/data-00312-en> and European Commission Labour Market Policy database <https://webgate.ec.europa.eu/empl/redisstat/databrowser/explore/all/Imp?lang=en&display=card&sort=category>: services that facilitate the integration of jobseekers in the labour market or which assist employers in recruiting and selecting staff, including the provision of self-service facilities such as on-line job-banks), potentially in addition to other active labour market policies (training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation, start-up incentives), and which optionally fulfils additional public functions (such as administering unemployment benefits).

<sup>2</sup> Private companies and NGOs providing employment services (category 1.1 of labour market policies according to the OECD/EC methodology, i.e. placement and related services), regardless of the financing source (i.e. regardless of having a contract with the public sector or not). In case where this paper refers only to those PrES that use public funding (contracted out employment services), this is specified explicitly in the text.



- **Organisational set-up of ALMP provision** – the division of responsibilities for ALMPs between the key stakeholders, as well as coordination and cooperation mechanisms between stakeholders.
- **Regulatory set-up of ALMP provision** – the key legislation relevant for ALMP design and implementation, its level of flexibility and complexity.
- **Capacity of ALMP systems** – public resources for employment services (placement and related services)<sup>3</sup> and ALMP measures.<sup>4</sup>

5. Although each of the three dimensions is discussed individually in the paper, these dimensions are tightly interconnected and their alignment influences the performance of the system. For example, the functioning and cooperation of key organisations relevant for ALMP provision can have an impact on the prioritisation of the field of ALMPs in a country and thus determine the funding and the capacity of the system. As well as vice versa – the funding available affects the capacity to cooperate. The regulation of the ALMP system determines whether the responsibilities of the organisations are clearly defined, are sufficiently flexible and encourage inclusion, to lay a foundation for good cooperation practices. The regulation also determines how flexibly the available resources can be used to meet the labour market needs.

6. The paper covers all 43 OECD and EU countries. It builds on findings stemming from the project “Improving the Provision of Active Labour Market Policies in Estonia” (see OECD (2021<sub>[2]</sub>) and (2021<sub>[3]</sub>)), which was carried out with funding by the European Union via the Structural Reform Support Programme and in co-operation with the European Commission’s Directorate-General for Structural Reform Support (formerly the Structural Reform Support Service), and the results presented in OECD (2021<sub>[1]</sub>). The paper is based on responses to an OECD-European Commission (EC) questionnaire on “Active labour market policy measures to mitigate the rise in (long-term) unemployment” provided by all OECD and European Union (EU) member countries during October and November 2020.<sup>5</sup>

7. Section 2 of this paper discusses the organisational set-up of ALMP provision, synthesising how the different stakeholders involved in the provision of ALMPs work together and highlighting that their cooperation is an important determinant of the agility of the ALMP system. Section 3 extends the discussion to the regulation underlying ALMP provision, defining the level of flexibility and complexity to amend ALMP regulation. Section 4 discusses the financial resources used for ALMPs, which largely affects the overall capacity of an ALMP system.

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<sup>3</sup> Category 1.1 in the methodology of the OECD Employment and Labour Market Statistics database and European Commission Labour Market Policy database: services that facilitate the integration of jobseekers in the labour market or which assist employers in recruiting and selecting staff, including the provision of self-service facilities such as on-line job-banks.

<sup>4</sup> Categories 2 to 7 in the methodology of the OECD Employment and Labour Market Statistics database and European Commission Labour Market Policy database: training, employment incentives, supported employment and rehabilitation, direct jobs creation, start-up incentives.

<sup>5</sup> All 43 OECD and EU countries except the United States answered to the questionnaire, although not all countries answered all of the questions related to the institutional set-up of their ALMP systems. Four sub-national responses were received from Belgium, which have been summarised to present a response at the country level across the dashboards presented in this working paper.

## 2 Organisational set-up of ALMP provision

8. In all OECD and EU countries, the high-level responsibility for labour market policies lies within the relevant ministry or government department,<sup>6</sup> typically the Ministry of Labour, the Ministry of Social Affairs, the Department of Labour, or similar. Along with other central labour market responsibilities, these ministries are in charge of defining the general framework of ALMP provision. Whether and to what extent additional stakeholders are involved in defining the general framework, and how ALMP implementation is organised, differs strongly across OECD and EU countries. In particular, there are major differences regarding the autonomy of the PES vis-à-vis the ministry, the responsibilities of sub-national governments, the role of PrES in the provision of ALMPs, the division of responsibilities between the ministry in charge of labour market policies and the PES and the role of the social partners.

### 2.1. Key characteristics of the organisational set-up of ALMP implementation

9. This section aims to present a high-level dashboard that groups countries by their organisational set-up of ALMP implementation looking at two key dimensions – the set-up of the public institution responsible for implementing ALMPs and the role of PrES (Figure 2.1). The indicator for the set-up of the public institution responsible for ALMP implementation looks above all at the autonomy of PES considering its legal status, management and decentralisation. The following sections discuss these two dimensions in detail, including why they are relevant for the agility of ALMP systems to respond to changing labour market needs.

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<sup>6</sup> In the remainder of the document referred shortly as “ministry”.

**Figure 2.1. Key characteristics of the organisational set-up of ALMP provision**

Set-up of public institutions responsible for ALMP implementation and the role of PrES

	Autonomy of ALMP implementation in respect to national governments				
	Department in a ministry coordinating public and/or private providers	National level PES fully managed by a ministry	National level PES with tripartite management body	Sub-national PES with a national coordinating agency	Sub-national PES without a national coordinating agency
Role of PrES					
Mainly public providers	CYP <sup>1</sup> , JPN, LUX	CZE, CHL, CRI <sup>2</sup> , ISR, SVK	EST, DEU <sup>2</sup> , HRV, PRT, SVN	CHE, DNK	CAN
PrES relevant on the market in addition to public providers		BGR, LTU, LVA, MEX, NLD <sup>2</sup>	GRC, ISL, ROU, TUR	COL, ESP	
Employment services are partially or fully contracted out	AUS, FIN <sup>2</sup> , GBR, HUN, IRL, NZL,	KOR <sup>2</sup> , MLT, NOR, SWE	AUT, FRA	ITA	BEL, POL, USA

ALMP: Active Labour Market Policy.

Note: Public employment service (PES) is a public body whose main responsibility is to actively facilitate the integration of jobseekers into the labour market and which implements employment services (providing placement and related services as defined by category 1.1 in the methodology of the OECD Employment and Labour Market Statistics database and European Commission Labour Market Policy database: services that facilitate the integration of jobseekers in the labour market or which assist employers in recruiting and selecting staff, including the provision of self-service facilities such as on-line job-banks), potentially in addition to other active labour market policies (training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation, start-up incentives), and which optionally fulfils additional public functions. National level PES fully managed by a ministry refers to cases where a separate national level body exists to implement employment services, i.e. not a fully integrated department in a ministry as in the most left column.

Private employment service (PrES) is a private company or an NGO providing employment services (category 1.1 of labour market policies according to the OECD/EC methodology, i.e. placement and related services), regardless of the financing source (i.e. regardless of having a contract with the public sector or not). The category "PrES relevant on the market in addition to public providers" refers to countries that replied that PrES provide employment services, but did not reply that employment services are contracted out to PrES.

1. Note by Turkey: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

2. Only the mainstream / first tier system mapped, while alternative systems are present (e.g. local authorities provide additional employment services, etc.).

Source: Responses to OECD/EC questionnaire "Active labour market policy measures to mitigate the rise in (long-term) unemployment"; OECD Employment and Labour Market Statistics database, <https://doi.org/10.1787/data-00312-en>; and European Commission Labour Market Policy database <https://webgate.ec.europa.eu/empl/redisstat/databrowser/explore/all/lmp?lang=en&display=card&sort=category>

### 2.1.1. *Autonomy of PES in respect to national governments*

10. The autonomy of the PES in respect to national governments can heavily influence the agility of the ALMP system. On the one hand, a greater autonomy of the PES can facilitate fast changes in operating models. For example, if the PES can readily decide on the use of online channels and automation of its internal processes, it is likely to be able to adapt quickly to the changing needs of the clients, particularly in a health crisis when rules on the working environment change abruptly. For example, the Brussels (Belgium) PES, being one of the most autonomous PES among the OECD countries, was also one of the first PES in the EU to change its operating model to effectively respond to the COVID-19 crisis and even closed its face-to-face services before the Belgian Government introduced strict confinement rules (OECD, 2020<sup>[4]</sup>). On the other hand, a system where the PES is autonomous from the national government and can also influence ALMP design and budget, it might be less agile to align the ALMP provision with national strategies. As such, a system with high PES autonomy needs accountability frameworks and mechanisms to align ALMPs with national strategies to enable holistic policy responses across policy fields.

11. PES that are not integrated into or directly managed by a national level ministry tend to have a comparatively high degree of autonomy in implementing ALMPs, even more so if the responsibilities to implement ALMPs lie within regional or local governments. The dashboard indicator in Figure 2.1 (horizontal axis) combines information on the legal status of the PES and its management model, and the degree of centralisation of the ALMP system to indicate the level of PES autonomy. The dashboard classifies countries into five groups defined according to PES autonomy:

- National PES that are part of a ministry (very low degree of autonomy);<sup>7</sup>
- National PES that are not directly part of a ministry, but are fully managed by a ministry (low degree of autonomy);
- National PES that have a tripartite management body (medium degree of autonomy);
- Sub-national PES with a national coordinating agency (high degree of autonomy);
- Sub-national PES with no national coordinating agency (very high degree of autonomy).

12. In about one-fifth (21%) of countries in this study, the national PES is entirely integrated into the ministry, e.g. it is a department or division of the relevant ministry. This is the case in some countries in Europe and in the Asia-Pacific region, for example, in Ireland (Department of Employment Affairs and Social Protection), Japan (Ministry of Health, Labour and Welfare), and New Zealand (Ministry of Social Development). In Hungary, the PES is integrated into several ministries, namely the Ministry for Innovation and Technology (designing employment policy and governing PES offices) and the Ministry of Interior (managing the Public Work Scheme), as well as the Prime Minister's Office (managing the resources for the ALMPs, i.e. the PES staff and budget).

13. Furthermore, in one third of countries, the PES is organised at a national level as a state agency or an executive agency, and fully managed by a ministry. This set-up leaves a low degree of autonomy for the agency implementing ALMPs in respect to the national government, although the governance practices, and thus PES autonomy, can deviate across countries regardless of seemingly similar set-ups. Examples of this group include a number of European countries, countries in Latin America (Chile, Costa Rica and Mexico) and Korea.

14. In close to half of the OECD and EU countries responding to the OECD-EC questionnaire, the PES has at least a medium degree of autonomy. This is the case in countries with a national PES that is managed by a tripartite management body (26%), but also in countries which have sub-national PES (such as employment offices managed by a local or regional government) with a national coordinating agency (12%) or subnational PES without a national coordinating agency (9%).

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<sup>7</sup> Or no organisation as PES per se, but a coordination unit of ALMPs in a ministry.

15. In Germany, the national PES has a very high degree of autonomy for ALMPs provided to unemployment benefit recipients as it has a high degree of freedom to decide on its operating model, details of ALMP design, as well as ALMP budget (OECD, 2021<sup>[5]</sup>).<sup>8</sup> The national PES, which is organised as a self-governing public body, relies on its so-called “self-governing organs” to supervise administrative processes, not only at the central, but also at the regional and local levels. All self-governing organs, including the supervisory board, are tripartite boards. The supervisory board holds decision-making authority regarding the contribution-based ALMP system, implying that the PES has a high degree of autonomy in delivering ALMPs targeted to the unemployed in terms of both budgetary considerations and ALMP design. For example, the PES decides independently on the funding it wants to attribute to different ALMPs and may modify its allocation at any point, e.g. in case of rapidly changing labour market needs. While the PES can only provide ALMPs that are foreseen in the law, it can largely decide on the details of ALMP design and on the conditions for ALMP provision.

### **2.1.2. Sub-national governments**

16. The level of decentralisation of responsibilities for ALMPs increases the independence of ALMP implementation from the national government and it is thus one dimension of PES autonomy taken into account in Figure 2.1. The decentralised systems of ALMP provision are more likely to fully take account of the local labour market situation and may thus be able to identify the ALMPs that match local labour market needs best (OECD, 2020<sup>[6]</sup>; 2014<sup>[7]</sup>), as well as react to changes in local needs quicker. However, decentralised systems require a well-designed national-level accountability framework to function successfully in the long term (Weishaupt, 2014<sup>[8]</sup>).

17. Denmark is an excellent example of a decentralised ALMP system that is able to meet the local needs while aligning to the national strategies on employment policy via a well-established accountability system (OECD, 2021<sup>[9]</sup>). Contrary to most other OECD countries, ALMPs in Denmark are not implemented by a national level PES, but by 94 local job centres, which are managed by municipalities. Municipalities are individually responsible for the provision of ALMPs and are in charge of designing operational processes and managing service delivery. Denmark has a government agency called the Danish Agency for Labour Market and Recruitment (STAR) which supports job centres with the implementation of employment policy. While municipalities are monitored and STAR may intervene if municipalities fail to provide adequate support to citizens, Denmark is one of the OECD countries with the highest degree of autonomy at the local level to design and finance ALMPs. Municipalities face strong financial incentives to provide ALMPs effectively due to an established accountability framework (European Commission, 2018<sup>[10]</sup>). In particular, the government covers the social benefits municipalities pay to a jobseeker, but reimbursements paid to municipalities decrease as a person receives social benefits for longer.

18. The responsibilities for ALMPs have been traditionally decentralised in Italy, but setting up appropriate accountability and coordination mechanisms has been slow, affecting negatively also the effectiveness and efficiency of the ALMP system. Over the past years, Italy has managed to decrease the fragmentation of its system to some degree by shifting the responsibilities for ALMPs from over 100 provinces to 21 regions and autonomous provinces in 2014, and creating a national PES (National Agency for Active Labour Market Policies, ANPAL) to coordinate the system in 2015. However, the process of establishing a binding accountability framework and a governance model has been cumbersome due to difficulties in establishing financial incentives and low willingness of the stakeholders to cooperate (OECD, 2019<sup>[11]</sup>). Spain, having a very similar organisational set-up of ALMP provision as Italy, managed to establish an accountability framework in 2013 consisting of a complex set of mutually agreed indicators. The Spanish assessment framework provides financial incentives for the regions to cooperate with the

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<sup>8</sup> Germany also has a second-tier system for social assistance recipients to provide tax-financed ALMPs. This system is coordinated by the ministry and implemented by the municipalities or jointly by the municipalities and the national PES (via joint employment offices).

national coordination unit (the State Public Employment Service, SEPE) and each other, rewarding improvements in performance with increased budget (de la Rica, 2015<sup>[12]</sup>).

### **2.1.3. Private employment services**

19. Ministries and PES cooperate with a number of different types of providers to implement ALMPs, including companies specialising in employment services, training providers, temporary work agencies and not-for-profit organisations providing ALMPs (Langenbucher and Vodopivec, Forthcoming<sup>[13]</sup>). For example, the Austrian PES works with a wide set of Social Economic Enterprises to provide sheltered and supported employment for vulnerable groups (OECD, Forthcoming<sup>[14]</sup>), and the Estonian PES contracts out a wide set of counselling services for the jobseekers, such as psychologic counselling, debt counselling, addiction counselling and peer counselling for people with disabilities returning to employment (OECD, 2021<sup>[2]</sup>). The current paper looks at all private providers delivering employment services (i.e. PrES, excluding private providers of training or other types of measures in case they do not also provide employment services).

20. On the one hand, involving PrES in ALMP implementation can facilitate changes in delivery models in some cases and provide an additional tool to increase system agility. For example, in case a well-developed market for PrES exists, depending on the procurement laws and civil service regulation, it might be quicker to increase the provision of employment services by extending the use of PrES than increasing the staff numbers in PES offices (or indeed both channels can be used simultaneously to meet fast changes in needs for ALMPs).

21. On the other hand, in case employment services are contracted out to PrES, the public sector partner (ministry or PES) has somewhat less control over the service provision and fewer tools to initiate changes in case labour market needs change. For example, it might be difficult to change the contractual terms in response to sudden changes in needs, such as an outbreak of a global pandemic. The continuation of service provision may then largely depend on providers' willingness to co-operate and the legal framework to amend existing contracts.

22. In more than a third of countries (37%), employment services are (almost) exclusively delivered by PES, while PrES play a significant role in the remaining two-thirds responding to the OECD-EC questionnaire (Figure 2.1, vertical axis). In 37% of countries, employment services are partially or even fully contracted out, which means that the respective ministry or PES has contracts with PrES to provide specific segments of employment services or cater to specific target groups. The models of contracting out differ in these countries (Langenbucher and Vodopivec, Forthcoming<sup>[13]</sup>), whether aiming at PrES delivering complementary employment services to PES, PrES and PES competing on the market, or using a mix of approaches, such as in Italy (OECD, 2019<sup>[11]</sup>). In another 26% of countries, both private providers and public providers operate on the market and deliver employment services, even though employment services are not contracted out by the public sector (i.e. PrES use private funding).

23. Among OECD countries, the role of PrES is the strongest in Australia, where employment services are almost fully contracted out. Most aspects of ALMPs are delivered by networks of contracted providers, with the exception of online employment services that are administered by the Department of Education, Skills and Employment. The Commonwealth Government uses a competitive process to choose private providers, including both non-profit and for-profit providers, and monitors the performance of PrES thoroughly, including through the use of a Star Ratings system, post program monitoring surveys, outcome reports and evaluations. PrES receive up-front remuneration (Administration Fees) for their services, which depends on a provider's location (regional or non-regional), and outcome-based remuneration (Outcome Payments) in cases where a jobseeker is placed into employment. Outcome Payments are higher where job seekers remain in employment for longer periods. The outcome-based remuneration accounts for a large part of the total remuneration, thereby increasing incentives to provide ALMPs efficiently to achieve sustainable employment outcomes (OECD, 2017<sup>[15]</sup>).

24. In Italy, PrES provide employment services in addition to public providers, but their importance is not uniform across the country. The delivery of employment services has been open to PrES since the late 1990s and several reforms were implemented to strengthen the role of private providers. There is a national framework regulating the voucher system that was created to develop the market for PrES. Nevertheless, the extent to which PrES are relevant in the ALMP system varies largely across regions. In several regions, employment services are predominantly delivered by public providers and private providers are almost absent from the system. In others, both public and private providers are important. In these regions, two types of co-operation and co-existence of public and private providers have developed, a complementary approach and a competitive approach. In regions with a complementary approach, some types of services are exclusively provided by the public employment office while others are entirely contracted out. In regions with a competitive approach, public and private providers can deliver the same services (OECD, 2019<sup>[11]</sup>).

## 2.2. Division of responsibilities between the ministry and the PES

25. This section provides a detailed overview of the division of responsibilities between the two core public institutions responsible for ALMP provision, the relevant ministry and the PES. While the ministries are more often leading the processes to develop the budgets and policy design, the PES are more often autonomous to take the decisions related to ALMP implementation. Figure 2.2 presents a summary of the division of responsibilities across countries and the details are provided in Annex A (Table A.1 and Table A.2).

26. In about two-thirds of the OECD and EU countries, the ministry leads the process to develop the budget for ALMPs (employment services and ALMP measures). The PES have a higher decision-making role regarding the budgets for their operating costs (budgets for employment services, in 26% of countries PES lead this budgeting process) than the budgets for ALMP measures (16% of PES are leading this process). In addition, in 21% of countries (Colombia, Denmark, Estonia, Hungary, Israel, Korea, Malta, Slovak Republic, the United Kingdom) neither the ministry nor PES is leading the budgeting process for ALMP measures and/or PES operating costs as it is done by another institution, such as the ministry responsible for developing the state budget. However, regardless of which organisation is leading the budgeting process, both the ministry and the PES are almost in all countries involved in the process, at least having the opportunity to provide their expert opinion.

27. The budgets developed and approved by the ministry or PES need to be often adopted additionally by a higher-level institution, such as the minister, government or parliament (see Section 3). In terms of the budgeting process and division of responsibilities, for example, in Estonia, the PES supervisory body makes a proposal each year to the government on the unemployment insurance contribution rates (the revenues of the PES) and the share of these contributions to fund ALMPs. The government can then agree or disagree with the proposal. The overall budget for ALMPs financed from the unemployment insurance contributions is set with a decree by the government, but the supervisory body decides about the allocation of budget between different ALMPs (OECD, 2021<sup>[12]</sup>).

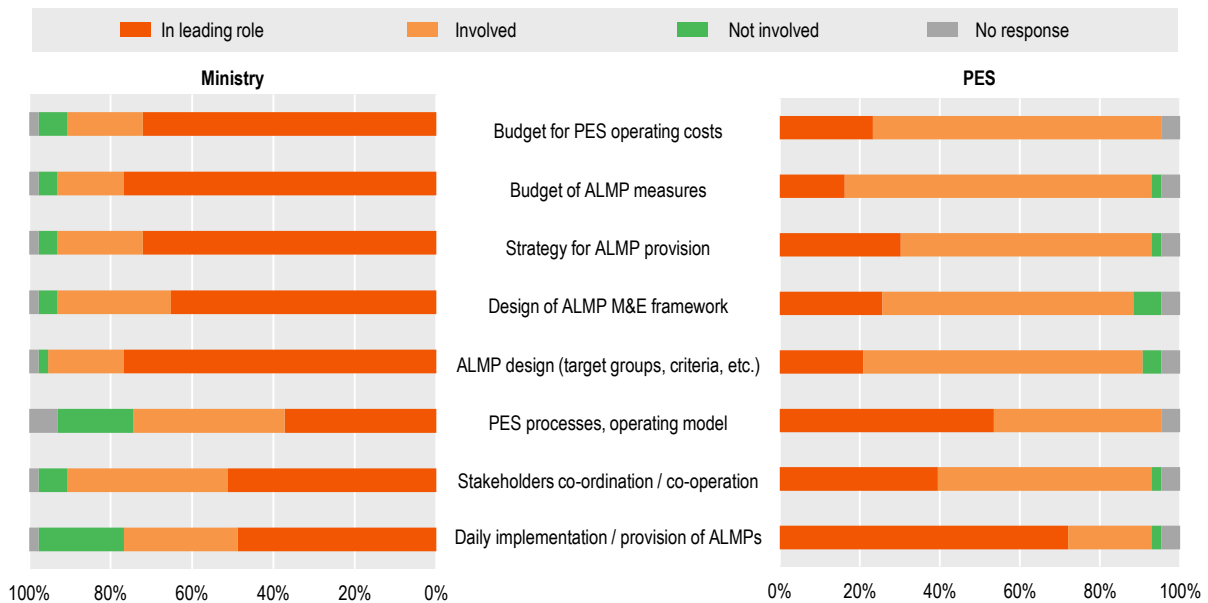
28. In systems where the ministry responsible for labour market policies and the PES are separate public bodies, both organisations are typically involved in policy design (developing the strategy for ALMP provision, the evaluation and monitoring framework and the design of each ALMP). Nevertheless, in 71% of OECD and EU countries, the ministry is leading the processes of policy design. PES have a particularly large role in designing the ALMP strategy (in 30% of countries the PES has a leading role in the process, sometimes simultaneously with the ministry).

29. Decisions on and responsibilities for policy implementation (daily implementation of ALMPs, decisions on PES operating model) are more often in the hands of PES rather than the ministry, and responsibilities for co-ordination and co-operation with other stakeholders are led and shared similarly between the ministry and the PES, as these are relevant for both policy design and implementation. While

PES are leading or are involved in all the three processes related to policy implementation, the ministries often do not play a role in these. About one-fifth of ministries are not involved in daily implementation of ALMPs nor take decisions on PES operating models, and 7% of ministries do not have the responsibilities to co-ordinate and co-operate with other stakeholders of the ALMP system.

30. In countries where the national PES is not a separate organisation, all responsibilities lie on the ministry (e.g. Australia with respect to policy design, as well as implementation and operation). Similarly, in countries in which the PES has a low degree of autonomy, i.e. it is a state or executive agency, the PES tends to be responsible for fewer tasks or only take on a smaller role in the tasks. Only in few countries in which the PES is a state or executive agency, it takes a leading role in ALMP budgeting, the development of the ALMP strategy or ALMP design. Conversely, in countries in which the PES is very autonomous, it tends to be involved in a larger number of tasks. In all countries with a very autonomous PES for which data are available (Belgium, Canada, Poland), the PES is heavily involved in ALMP strategy development and ALMP design, either leading these processes or cooperating with the ministry.

**Figure 2.2. Division of responsibilities between the ministry and the PES**



ALMP: Active Labour Market Policy. PES: Public Employment Service. M&E: Monitoring and Evaluation.

Note: For each process, the highest level of involvement for both organisations is shown. For example, if the ministry is in the leading part for some part of the process but only provides its inputs for the remaining part of the process, the figure shows the ministry to be in the leading role for the process. As such, for some processes, both the ministry and the PES can be in the leading role. Some processes are led by a third organisation and then neither of the organisations are shown to be in the leading role. In case the PES is fully integrated to the ministry (an integral department in the ministry), the ministry and the PES are essentially the same organisation with the same responsibilities.

The four sub-national answers from Belgium are summarised using the same methodology – the highest level of involvement in each process respectively for the ministry and the PES.

Source: Responses to OECD/EC questionnaire “Active labour market policy measures to mitigate the rise in (long-term) unemployment”.

### 2.3. The social partners

31. Involving the social partners in the ALMP system can bring in valuable expertise on the needs of jobseekers, employees and employers. These practices could thus lead to more valid, acceptable and effective ALMP design that changes swiftly to correspond to the changing labour market situation.



32. In the majority of ALMP systems (76% of countries responding to the OECD-EC questionnaire), the social partners have an official or quasi-official role in the organisational set-up of ALMP provision, through their participation in either advisory or supervisory bodies (Table 2.1). In 33% of countries, the social partners supervise the PES, e.g. in countries where they are part of the tripartite supervisory board of the PES. The social partners advise the PES in 40% of countries, sometimes in addition to their supervisory role (e.g. supervisory role on the national level and advisory role on the sub-national level). The share of countries in which the social partners advise the ministry (sometimes in addition to advising the PES) amounts to 45%. In some countries (Portugal, Slovenia), they fulfil all three tasks. Almost all countries in which the social partners have no official role involve the social partners ad-hoc for consultations (except Israel and Mexico; Mexico is in the process to change the situation and plans to create the Advisory Council of the National Employment Service, where social partners could participate ALMP design and implementation supervision). In some countries, the social partners have additional roles related to ALMPs beyond those highlighted in Table 2.1. For example, the social partners are in the steering committees of specific PES projects in Latvia. The social partners implement ALMPs in the Netherlands.

33. In Estonia, the social partners have a strong official role in the ALMP system due to the PES tripartite supervisory body, that makes decisions on the PES operating model and operational costs, allocates ALMP budget between different measures, as well as makes proposals to the government on overall PES revenues and expenditures. The Estonian stakeholders consider such a set-up very beneficial, as the supervisory body functions as a buffer between the high-level political will, and the actual ALMP design and implementation. The tripartite management model ensures that ALMP design and implementation takes into account the views of all three social partners (OECD, 2021<sup>[2]</sup>).

34. In Denmark, the social partners do not have an official supervisory role, but they have nevertheless a very significant influence on ALMP provision (OECD, 2021<sup>[9]</sup>). The tradition of involving the social partners in the ALMP framework is long in Denmark and the social partners provide advice regarding ALMPs at the national, regional and local level. In practice, the inputs provided by the social partners are largely taken into account in policy design.

35. Lithuania has strengthened the role of social partners in ALMP design only recently. Following a thorough reform of the legal framework for ALMP provision in 2016, the Lithuanian PES was fundamentally restructured and modernised in 2017 and 2018 (and PES processes are continuously being improved as of 2021). Although the Lithuanian PES continues to be directly governed by the Ministry of Social Security and Labour, the social partners are now systematically involved in designing ALMPs and PES strategies via the tripartite advisory committee of the PES. The introduction of this committee has been assessed positively by the stakeholders involved and is expected to increase PES outreach in these segments of employers and jobseekers that were not sufficiently on the PES radar in the past.

**Table 2.1. In most countries, the social partners have an official role in the ALMP system**

Role of the social partners in the organisational set-up of ALMP provision

	Social partners advise Ministry	Social partners supervise PES	Social partners advise PES	Social partners only involved ad-hoc
Australia			X	
Austria		X		
Belgium	X	X	X	
Bulgaria	X		X	
Canada				X
Chile	X		X	
Colombia	X			
Costa Rica		X	X	
Croatia	X	X		
Cyprus			X	
Czech Republic			X	
Denmark	X	X	X	
Estonia		X		
Finland				X
France		X		
Germany		X		
Greece		X	X	
Hungary			X	
Iceland	X	X		
Ireland				X
Israel				
Italy				X
Japan	X			
Korea	X		X	
Latvia			X	
Lithuania	X		X	
Luxembourg			X	
Malta	X			
Mexico				
Netherlands	X			
New Zealand				X
Norway				X
Poland	X			
Portugal	X	X	X	
Romania	X	X		
Slovak Republic	X			
Slovenia	X	X	X	
Spain	X		X	
Sweden				X
Switzerland		X		
Turkey	X			
United Kingdom				X

Note: "The social partners supervise PES" refers to cases where the social partners are involved in the strategic management of the beyond and have at least some decision-making role, i.e. beyond advising the PES executive management.

The table summarises the roles of the social partners across national and sub-national levels.

Only these countries shown in the table that responded to the respective question in the OECD-EC questionnaire. Israel and Mexico responded that there is no official role for the social partners in the system at the moment (2020).

Source: Responses to OECD/EC questionnaire "Active labour market policy measures to mitigate the rise in (long-term) unemployment".

## 2.4. Co-operation practices

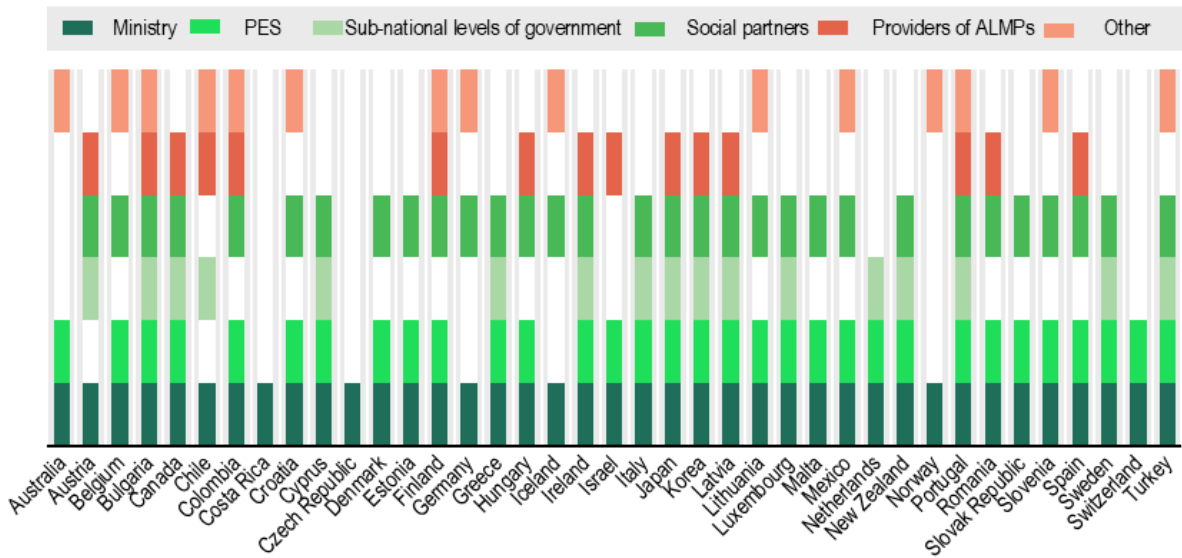
36. Countries need to continuously adjust their ALMPs, delivery models and strategies to keep the ALMP provision up to date and well aligned labour market needs. Introducing changes to ALMPs and their regulations needs to involve stakeholders from both the policy design (e.g. relevant Ministries) and implementation (such as PES) functions to ensure that the changes take into account the challenges and requirements regarding data, IT solutions and policy administration. Furthermore, expertise of the social partners, service providers, researchers and beyond can be essential to design effective ALMPs that meet the labour market needs.

37. Well established formal and informal cooperation practices between the key organisations of the ALMP system are important for effective and efficient policy design. Moreover, the most effective co-operation practices are based often on informal agreements that are not regulated in detail in legal regulations or formal agreements (OECD, 2021<sup>[2]</sup>). For example, in Iceland, tight co-operation takes place between the ministry and the PES, but this co-operation is not regulated formally (OECD, 2021<sup>[16]</sup>). In Slovenia, the legal system does not foresee any role for the PES to contribute to ALMP design, yet the informal practices of the stakeholders ensure that also PES expertise is taken into account in policy design (OECD, 2021<sup>[17]</sup>). In Germany, well-established cooperation practices between the PES and the ministry are founded on the legal framework that is explicit about the competences, a co-operation agreement, as well as a strong willingness to cooperate and mutual respect for each other's competences (OECD, 2021<sup>[5]</sup>). The Danish ALMP system stands on strong traditions and culture of involving the social partners as advisers, as well as a strong tradition of networking with practitioners and stakeholders on all levels of government (OECD, 2021<sup>[9]</sup>).

38. Tight co-operation and co-ordination between the stakeholders in ALMP systems has been key to enabling quick and well-designed responses to address the challenges posed by the COVID-19 outbreak. Virtually all countries have involved all key stakeholders of their ALMP systems in developing their strategies on mitigating the effects of the COVID-19 crisis on the labour market, taking advantage of the wider set of expertise this offers (Figure 2.3), and going beyond the key institutions – the ministry and the PES – discussed in Section 2.2. Countries that have a national level organisation for PES, have overwhelmingly involved the PES in strategy development to address the COVID-19 challenges, in addition to the ministry responsible for labour market policies. Other key partners in the development process have been employers' associations and trade unions, sub-national levels of government and ALMP providers (such as organisations representing local PrES and training providers). Strategy development has often involved other ministries and public sector institutions more closely than before to ensure co-ordinated responses to the crisis across policy fields. For example, in response to the COVID-19 pandemic, Australia dissolved the New Employment Services Reference Group to allow for the establishment of a new advisory group with a broader remit to support economic recovery, including experts across business, training, social welfare and the employment services industry.

39. Austria, Belgium (Brussels), Finland and Norway have involved researchers in the development of their employment policy responses to address the COVID-19 crisis on the labour market. In the Brussels region, *View Brussels* (the Brussels Employment and Training Observatory, whose main mission is to observe and analyse the regional labour market) has participated actively in the dedicated task force to re-design and implement employment policy in response to COVID-19, providing the task force with regional monitoring data. In Finland, the Ministry of Economic Affairs and Employment and the Ministry of Finance appointed a working group swiftly when COVID-19 reached the country to prepare an assessment of the impact of the crisis on its economy and labour market and develop a strategy to tackle these impacts. The three-stage strategy to reduce the immediate adverse effects, stimulate the economy and repair the damages was proposed already in early May 2020 (Ministry of Economic Affairs and Employment, 2020<sup>[18]</sup>). In Austria, researchers were involved in re-designing the ALMP package since the very beginning of the crisis through a standing research committee.

Figure 2.3. Institutions involved in ALMP strategy design to tackle the effects of COVID-19



Note: Responses to the question: “Which stakeholders are involved in developing a strategy on mitigating the effects of the crisis on the labour market going forward?”, referring to the COVID-19 crisis started in 2020.  
 Source: Responses to OECD/EC questionnaire “Active labour market policy measures to mitigate the rise in (long-term) unemployment”.

# 3 Regulatory set-up

40. This section presents the regulatory set-up of ALMP provision. It first depicts a dashboard with the key characteristics of the regulation of ALMPs, classifying different set-ups according to their complexity and flexibility. Second, the section provides more details on how the overall budget for ALMPs and the budget available for each specific ALMP are regulated. The section discusses only the regulatory set-up for ALMPs and not the content of regulations per se, such as ALMP design features and their adequacy or the promotion of cooperation between public and private providers. ALMP systems with good institutional set-up (adequate organisational set-up, regulatory set-up and capacity) also favour adequate content of regulations (system and policy design features) that enables effective and efficient ALMP provision that meets the labour market needs.

## 3.1. Key characteristics of the regulatory set-up of ALMP provision

41. The two most important characteristics of a country's regulatory set-up of ALMP provision are its regulatory flexibility and the complexity of the regulatory framework. Both jointly influence how responsive an ALMP system to changing labour market needs can be.

42. A system in which many details of ALMP provision are defined in high-level regulation is likely to be less flexible than a system in which ALMP details are set at a lower level regulation, and changes are likely to take longer. Generally speaking, the higher the level of the institution that needs to adopt a regulation, the longer the process can be expected to take. Amending ALMPs through an act passed by the parliament, for instance, will require considerably more time than modifications that can be enacted through a ministerial decree or simply be decided by the PES supervisory body or executive management.

43. Nevertheless, there may be good reasons to define certain aspects of ALMP provision in a very high-level regulation, even at the expense of a lower degree of flexibility. For example, it might be important to fix the general framework for ALMP provision, such as the overall organisational set-up and the general objectives of ALMP provision, in high-level regulations in order to ensure the coherence of the system, make top political bodies accountable for it, and ensure democratic processes.

44. Besides the flexibility of the regulatory set-up, its complexity also affects the agility of the system. In systems in which ALMP design is set in several regulations, amending the design to meet the changing needs of the labour market can be a cumbersome process as it requires changes in all the relevant regulations. In general, the lower the number of regulations that need to be amended, the easier it is to modify the characteristics of an ALMP system.

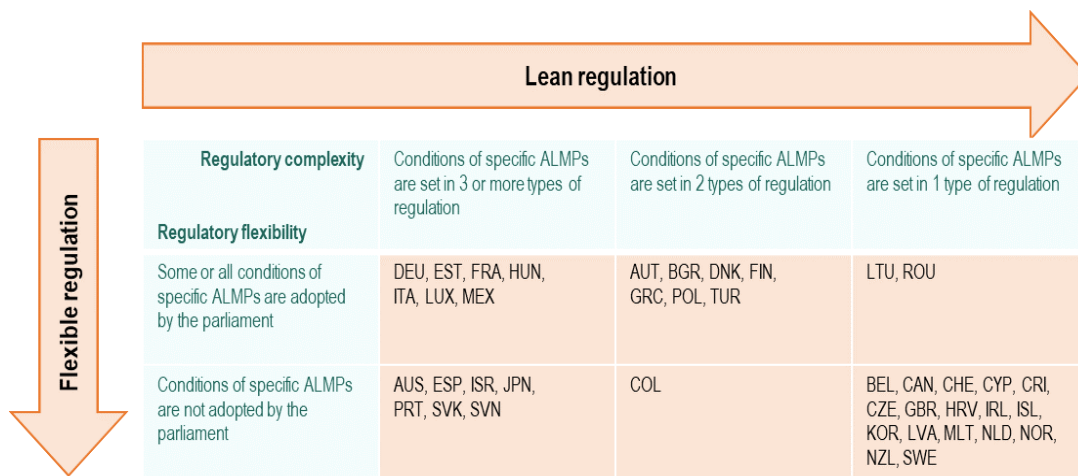
45. The key characteristics influencing the agility of the regulatory set-up of ALMP provision differ across OECD and EU countries (Figure 3.1). The dashboard looks more specifically at regulating ALMP conditions (i.e. design of ALMP measures and services) to estimate the complexity and flexibility as the other features of ALMP design (groups eligible for ALMPs, list of specific ALMPs and their target groups) tend to be set in a similar manner to the ALMP conditions in most countries (see Annex A Table A.3).

46. The horizontal axis of Figure 3.1 indicates the complexity of regulatory systems by presenting the number of different types of regulations setting the conditions of ALMPs. Theoretically, the number of types of regulations could be up to eight according to the OECD-EC questionnaire results (regulations adopted

by the parliament, government, minister, ministry, PES supervisory body, PES executive management, regional or local authorities or other bodies). However, in practice, only eight OECD and EU countries use more than three types of regulations to set ALMP conditions, although the total number of regulations can be higher if several regulations on the same level are in force. The countries with the highest number of regulation types to set ALMP conditions are Australia and France (six types of regulations), Germany, Israel, Italy, Luxembourg, Slovenia and Spain (four types of regulations for ALMP conditions).

47. The indicator for the flexibility of the ALMP regulation (vertical axis of Figure 3.1) is defined in two groups – whether at least one regulation for ALMP conditions is an act passed by the parliament or not. The latter group could potentially change the ALMP design more swiftly when labour market needs change.

**Figure 3.1. Key characteristics of the regulatory set-up of ALMP provision**



ALMP: Active Labour Market Policy.

Note: : The regulatory complexity (the indication for a “Lean regulation”) counts eight types of regulations to set ALMP conditions: 1) Act passed by the parliament, 2) Decree/order by the government, 3) Decree/order by a minister, 4) Decision by a ministry (key official), 5) Decision by the PES supervisory body, 6) Decision by the PES executive management, 7) Decision by regional/local authorities, 8) Other regulations.

In Belgium, the conditions of specific ALMPs are set by one type of regulation in each region, although slightly differently across regions (by a decision of the PES supervisory body in the Brussels region, and by a decree of the government in Flanders and Wallonia).

Conditions of specific ALMPs: eligibility criteria, durations, amounts etc. relevant for implementing each ALMP. The types of regulations to set the general groups eligible for ALMPs, list of specific ALMPs, and target groups of specific ALMPs are shown in Annex A Table A.3.

Source: Responses to OECD/EC questionnaire “Active labour market policy measures to mitigate the rise in (long-term) unemployment”.

48. Among the countries replying to the OECD-EC questionnaire, 40% have regulatory set-ups that strongly favour the agility of the ALMP system, i.e. regulation is lean (only one type of regulation is used to set the conditions of ALMPs) and flexible (conditions of specific ALMPs are not adopted by the parliament). One country with a particularly flexible and lean regulatory set-up is Iceland (OECD, 2021<sub>[16]</sub>). In Iceland, there is one main legal act regulating ALMP provision, the Labour Market Measures Act (LMMA). The LMMA defines the general framework of ALMP provision, setting broad ALMP categories and stipulating that the Directorate of Labour, which acts as the national PES, is in charge of establishing ALMP details. Designing specific ALMPs is an internal work process in the PES. Target groups for ALMPs are set in the yearly work plan, which is approved by the Board of Directors of the PES (the strategic management body of the PES).

49. In Slovenia, the regulatory set-up is also flexible, but it is comparatively complex (OECD, 2021<sub>[17]</sub>). The main legal document regulating ALMPs, the Labour Market Regulations Act, sets the types of ALMPs, determines the providers of ALMPs, regulates the financing of policies and sets the framework for monitoring, evaluating and controlling ALMP implementation. In addition, it foresees several other

regulations that further define ALMP provision. In particular, it states that the documents regulating the implementation of ALMPs are 1) the Guidelines for ALMP Implementation, 2) the Plan for ALMP Implementation, and 3) the Catalogue of ALMPs. The Guidelines for ALMP Implementation are a strategic document adopted by the Government after consultation with the social partners specifying e.g. the objective of ALMPs, the indicative funding for each ALMP and indicators for monitoring and evaluating the effectiveness of ALMPs. The Plan for ALMP Implementation is an implementing document prepared on the basis of the Guidelines for ALMP Implementation, providing further details on the objectives of ALMP implementation and funding for ALMPs and specifying e.g. priority target groups of ALMP and service providers. Finally, the Catalogue of ALMPs is the implementing document of the Plan for ALMP Implementation and describes in detail the implementation of each ALMP. The legal system has a cascade of regulations that need to be changed to introduce more fundamental changes. Hence, the legal system does not enable a quick response to major changes on the labour market.

50. As countries had to adapt their ALMP systems exceptionally quickly during the COVID-19 pandemic, many countries amended their regulations at an unprecedented pace, at times surpassing their conventional legal set-ups by introducing emergency laws or making swift amendments under the declared emergency situation (OECD, 2021<sup>[19]</sup>). Others with agile regulations were able to introduce and redesign ALMPs without particular emergency laws as amending regulations by their government or ministries was sufficient, or no changes in regulations were necessary at all (the Czech Republic, Malta and New Zealand). The crisis demonstrated that leaner higher-level ALMP regulations might be desirable as well in a more normal economic situation, to adapt to the continuously changing labour market needs. While the finer details of ALMP design should be flexible and adaptable by lower level institutions, the general framework should be fixed via a parliamentary process to ensure political accountability and democratic processes.

### 3.2. Regulation of ALMP budgeting

51. In the majority of countries, the overall (annual) budget for ALMPs is regulated at a high level, such as an act for the state budget. In almost two-thirds (63%) of countries, the ALMP budget is entirely or at least partially set in an act that is passed by the parliament (Table 3.1). Furthermore, the overall ALMP budget can be additionally or partially regulated by decrees (or orders) by the government and by the minister in 33% and 30% of countries, respectively. Regulation through a decision of the PES supervisory body or the PES executive management is a lot less widespread (8% of countries), and only two countries (Malta and Romania) rely exclusively on the PES to set the overall ALMP budget.

52. It is quite common that the overall budget for ALMPs is regulated in more than one regulation, often in an act passed by parliament and a decree/order by the minister (as is the case in 23% of countries). For example, different funding sources for ALMPs or different target groups can imply several regulations for a budget. Such a set-up adds to the complexity of the system and increases administrative inefficiencies. For example, this is a risk in Estonia where ALMP budgeting follows two separate processes depending whether the funding comes from the unemployment insurance contributions or from the European Social Funds (OECD, 2021<sup>[21]</sup>). At the same time, having a more flexibly regulated funding source in addition to a parliamentary act adds to the agility of the system and enables to adapt at least part of the ALMP budget quickly to the changing labour market needs.

**Table 3.1. Regulation of ALMP budgets**

Regulation of overall ALMP budgets (OB) and of budgets for each specific ALMP (SB)

	Act passed by parliament	Decree/order by government	Decree/order by minister	Decision by ministry	Decision by PES supervisory body	Decision by PES executive management	Decision by regional/local authorities
Australia	OB, SB	OB, SB	OB, SB				OB, SB
Austria	OB				SB		
Belgium		OB, SB					
Bulgaria	OB, SB						
Canada				OB, SB			
Colombia		OB, SB					
Costa Rica	OB, SB						
Croatia	OB, SB						
Cyprus	OB			SB			
Czech Republic	OB					SB	
Denmark	OB						SB
Estonia	OB	OB	OB			SB	
Finland	OB						SB
France	OB, SB	OB, SB	OB, SB	OB, SB	OB, SB		OB, SB
Germany*	OB (SGB II)	OB (SGB III)	OB, SB			OB (SGB III) SB (SGB III)	OB, SB
Greece				OB, SB			
Hungary	OB, SB	OB, SB	OB, SB				
Iceland		OB	SB			SB	
Ireland		OB, SB	SB	SB			
Israel	SB	OB, SB			SB		
Italy	OB	SB	OB, SB				
Japan	OB, SB			SB			
Korea	OB, SB						
Latvia	OB					SB	
Lithuania			OB, SB	OB, SB			
Luxembourg	OB		OB, SB				
Malta						OB, SB	
Mexico	OB, SB	OB, SB	OB, SB				
Netherlands							OB
New Zealand				OB, SB			
Norway	OB						SB
Poland	OB		OB, SB				
Portugal	OB			SB		SB	
Romania					OB, SB		
Slovak Republic		OB	OB, SB	OB, SB	SB		
Slovenia	OB, SB	OB, SB					
Spain	OB		SB			SB	SB
Sweden	OB	SB					
Switzerland		OB					SB
Turkey			OB		SB		

Note: Information for Chile, the United Kingdom and the United States are not available.

\*Germany: SGB II refers to the tax-financed ALMP system while SGB III refers to the contribution-based ALMP system.

Source: Responses to OECD/EC questionnaire "Active labour market policy measures to mitigate the rise in (long-term) unemployment".



53. The procedure Iceland uses to set the overall budget for ALMPs is noteworthy as it is based on a high degree of consensus and favours flexibility (OECD, 2021<sup>[16]</sup>). In Iceland, the PES executive management initiates the budgeting process and prepares a draft budget for ALMPs, which is subsequently further developed by the ministry and, along with the overall state budget, passed by the government and parliament. However, the PES executive management may ask for a higher budget with the support of the ministry, including throughout the financial year in case the labour market situation worsens. Amendments to the budget have to be validated by the minister and the government.

54. Determining the (annual) budget for each ALMP at a low level of regulation can increase the agility of the ALMP system, allowing to allocate financial resources flexibly to the ALMPs that are most needed, as long as a well-performing accountability framework is in place. The budgets for individual ALMPs are set at a lower level of regulation than the overall ALMP budget in most countries. Only in 28% of countries, budgets for specific ALMPs are (partially) determined in an act that is passed by the parliament, while a larger number of countries set them in a decree/order by the minister (35%) or directly by the PES (35%), either in the PES supervisory body or by PES executive management.

# 4 Capacity of ALMP systems

55. The financial resources that are available for ALMPs determine how intensively the system can support jobseekers to integrate into the labour market and employers to hire skilled labour, given the labour market situation. Especially when the number of new jobseekers increases rapidly, more resources available for ALMP systems can help to address the additional needs and cope with the increased pressure on the system. PES capacity has been shown to be an important factor of PES performance in addition to the organisational and regulatory set-up of ALMP provision for example in a Finnish experiment, which shifted PES counsellors to municipalities in Pirkanmaa region in 2017-18. Although the experiment produced good labour market outcomes, the results were found to be driven at least partly by the increased capacity and financing of ALMPs and not only the organisational changes (Arnkil, 2019<sup>[20]</sup>; Scharle et al., 2018<sup>[21]</sup>).

## 4.1. Resources for active labour market policies

56. The financial resources available for ALMPs differed markedly across countries before the COVID-19 pandemic. Although the latest data for ALMP expenditures refer to 2018, they are also likely to be a good reflection of the situation at the beginning of 2020 (i.e. just before the outbreak of the COVID-19 pandemic), as the resources available for ALMPs do not change usually a lot from year to year when the economic situation is relatively stable. The horizontal axis of Figure 4.1 displays the expenditures on ALMP measures (categories 2 to 7 of the OECD-EC Labour Market Policies Database, i.e. training, employment incentives, supported employment and rehabilitation, direct jobs creation and start-up incentives) per unemployed as a share of GDP per capita in 2018. This value indicates the capacity of the system to support jobseekers with intensive interventions and takes into account the level of unemployment in countries. The vertical axis displays the expenditures on placement and related services per unemployed as a share of GDP per capita – category 1.1 according to the OECD categorisation of labour market policies that aim to capture expenditures on employment services by public employment services and other publicly-financed bodies, but excluding expenditures on benefit administration (OECD, 2015<sup>[22]</sup>). The latter is an indication of staff levels and caseloads in the employment services. Furthermore, empirical evidence shows that these types of expenditures are generally most cost-effective as the relative cost is lower compared to other ALMPs (Brown and Koettl, 2015<sup>[23]</sup>; Card, Kluve and Weber, 2018<sup>[24]</sup>).

57. In most OECD and EU countries, budgets for ALMPs are not automatically adjusted to the prevailing labour market conditions and amending budgets follows fixed procedures, including negotiations between stakeholders. Even in countries where ALMP budgets do have automatic corrections (Belgium (Flanders), Switzerland), actual implementation of the budget can take some time – e.g. hiring additional staff for employment services or contracting out additional training places. A system with lower caseloads for employment counsellors could more easily continue with effective job search counselling by making some adaptations (cutting time for counselling sessions, focusing on more vulnerable groups, cutting some parts of additional support services), while a system already working on its limits might not have any room for manoeuvre. Therefore, ALMP systems in which both indicators in Figure 4.1 are comparatively high were likely able to absorb the first effects of COVID-19 more easily. Nevertheless, the indicators might underestimate or overestimate the capacity of systems in countries where it is not possible to accurately

differentiate between expenditures for administrating ALMPs, and benefits and other measures, or where digital tools are highly advanced and the need for staff is lower.<sup>9</sup>

58. Denmark is the country with the highest spending on ALMPs per unemployed, at 60% of GDP per capita in 2018, far above the level of most other countries. The high level is due to the Danish flexicurity concept, where ALMPs form one of the three pillars of the “golden triangle” implementing the concept (OECD, 2016<sup>[25]</sup>). Danish ALMP expenditures rely particularly on a wide use of supported employment for workers with disabilities and reduced work ability, e.g. flexi-jobs (OECD, 2019<sup>[26]</sup>).

59. Germany has relatively high expenditures on employment services per unemployed, at 14.2% of GDP per capita in 2018. This has enabled Germany to keep the caseloads of employment counsellors low (Peters, 2016<sup>[27]</sup>) and provide intensive individualised support, particularly for vulnerable groups (Stabile, 2017<sup>[28]</sup>). Relatively higher expenditures on employment services per the total number of unemployed in Germany and Belgium are also linked to a higher share of unemployed registering with the PES than in any other EU countries (OECD, 2021<sup>[2]</sup>).

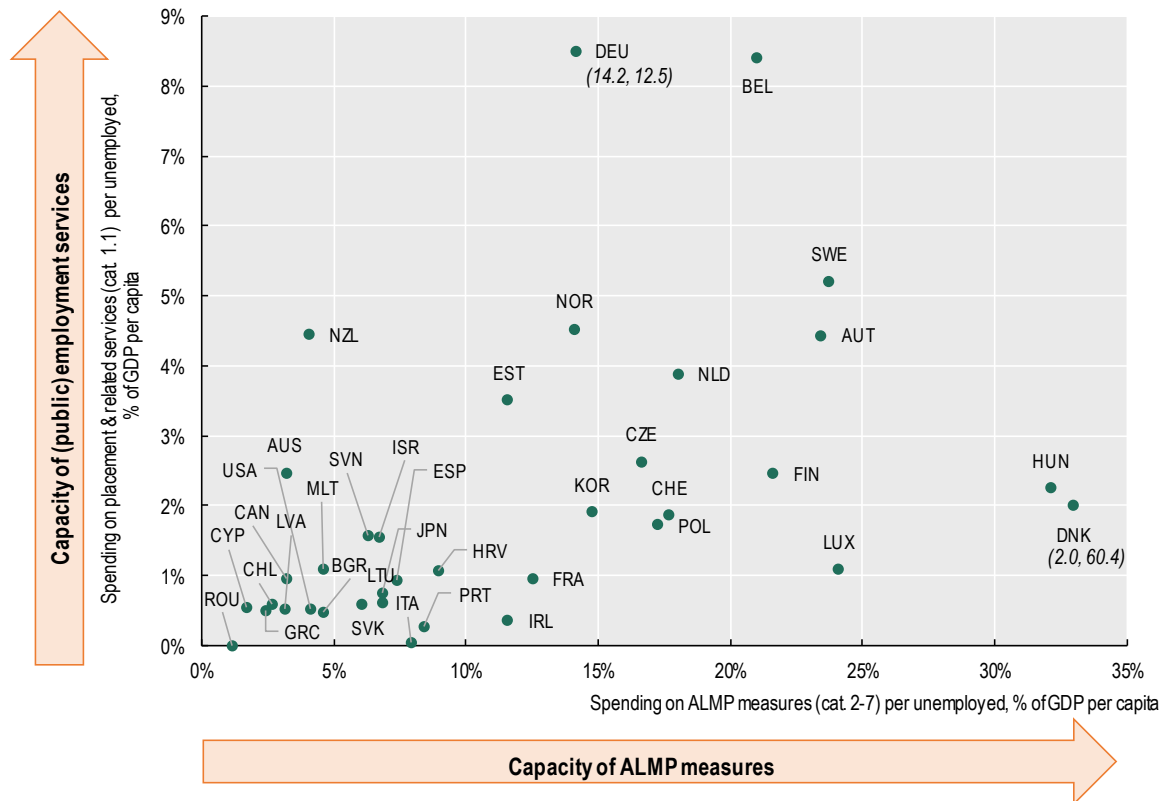
60. In many countries, the expenditures to both ALMP measures and employment services are modest (particularly in Chile, Cyprus, Greece, Latvia and Romania). This potentially limits the capacity of their ALMP systems and thus their support to jobseekers and employers might remain insufficient. Nevertheless, some of these countries might have increased their ALMP budgets since 2019 and faced the COVID-19 pandemic slightly better prepared. For example, despite the still low expenditures on ALMPs in Latvia, the menu of ALMPs has been continuously increasing over the past years, aiming to increase the effectiveness of the ALMP package and correspond to the varied needs of the jobseekers (OECD, 2019<sup>[29]</sup>). In addition, some of the countries might compensate their lower ALMP expenditures with other policies that tackle employment barriers more generally, such as strong adult learning systems accessible regardless of employment status or affordable long-term care support.

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<sup>9</sup> Although the level of digitalisation and automation might have an even greater role to increase PES capacity regarding administering labour market policies (category 1.2 in the OECD/EC methodology) than regarding placement and related services or ALMP measures.

Figure 4.1. Key indicators of the capacity of ALMP systems

Expenditures on ALMPs in 2018



ALMP: Active Labour Market Policy.

Note: Estimations for "Capacity of (public) employment services" for Bulgaria and Switzerland. Canada: data include federal expenditures on programmes implemented by the provinces and territories, but do not generally include the provinces' additional or complementary funding of these programmes.

*Capacity of (public) employment services*: Publicly funded expenditures on placement and related services (category 1.1) per unemployed person as a percentage of GDP per capita (i.e. other expenditures in category 1, above all expenditures on benefit administration, are excluded).

*Capacity of ALMP measures*: Publicly funded expenditures on ALMP measures (categories 2 to 7: training, employment incentives, supported employment and rehabilitation, direct jobs creation, start-up incentives) per unemployed person as a percentage of GDP per capita. Expenditures on ALMPs per unemployed as a % of GDP per capita are calculated as expenditures on ALMP relative to GDP multiplied by population size over the number of unemployed.

*Unemployed* according to the International Labour Organisation (ILO) definition of unemployment and based on OECD Labour Force Statistics.

For detailed ALMP categories, see <http://www.oecd.org/els/emp/Coverage-and-classification-of-OECD-data-2015.pdf>

Source: OECD Employment and Labour Market Statistics database, <https://doi.org/10.1787/data-00312-en> and European Commission Labour Market Policy database <https://webgate.ec.europa.eu/empl/redisstat/databrowser/explore/all/lmp?lang=en&display=card&sort=category>.

## 4.2. Activation in the overall labour market policy framework

61. The capacity of ALMP systems can also depend on the overall framework of labour market policies in the country, i.e. the role of ALMPs vis-à-vis passive labour market policies (PLMPs). PLMPs are out-of-work income support (above all unemployment benefits, but also for example short-time working schemes) and early retirement schemes according to the OECD-EC classification of labour market policies (categories 8 and 9). While ALMPs aim to increase the employability of jobseekers and match labour demand and supply, PLMPs aim to provide financial assistance to jobseekers during their job search.

62. As ALMP provision helps countries cap PLMP costs, more generous PLMP systems can trigger investing in higher ALMP capacity. PLMPs can cause disincentive effects, i.e. significantly decrease jobseekers' efforts for job search and probability to accept job offers. The disincentive effects of PLMPs have been established in economic theory (the job search theory, see e.g. Mortensen and Pissarides (1999<sup>[30]</sup>)), as well as by numerous empirical studies across countries. As such, besides addressing jobseekers' employability, PES (and PrES) can nudge jobseekers to active job search by motivating and monitoring their efforts. Consequently, countries with more generous PLMP systems might be more interested also to invest in ALMPs to balance the benefit disincentive effects and limit the actual financial burden of the benefit schemes, as ALMPs enable jobseekers to enter employment quicker and thus save on the expenditures on benefits. These investments could take the form of direct financial means for ALMP measures, as well as investments in staff and their counselling skills, digital infrastructure to monitor job search, concepts for counselling and case management, and beyond.

63. The disincentive effects of PLMPs can also motivate jobseekers to register with the PES and therefore the PES has better possibilities to provide ALMPs and support more jobseekers to enter the labour market. Slightly more than half of the PES in the European Economic Area are partially or fully responsible for unemployment benefit schemes (Peters, 2020<sup>[31]</sup>), although the registration requirement as an entitlement condition for unemployment benefits (and the activation requirements to stay eligible for benefits) is applied across many OECD countries, regardless whether the PES is managing these schemes (Immervoll and Knotz, 2018<sup>[32]</sup>).

64. In addition, the resources available for ALMPs and thus the capacity of ALMP system can depend on the overall importance of labour market policies in the country, as well as whether the high-level political agenda favours ALMPs or PLMPs to address unemployment.

65. Comparing the expenditures on ALMPs and PLMPs across the OECD and EU countries in 2018 (Figure 4.2, presented per unemployed as a share of GDP per capita), the two types of expenditures are positively correlated.<sup>10</sup> This suggests that ALMP expenditures are indeed higher when PLMP expenditures are higher, whether due to more resources being available for labour market policies more generally, or whether higher ALMP expenditures are triggered by the more generous PLMP schemes.

66. When interpreting the results of Figure 4.2, it has to be kept in mind that the indicator for PLMPs shows the actual expenditures and not the theoretical generosity of the scheme. For example, Denmark has a relatively generous unemployment benefit scheme<sup>11</sup> and also has the highest expenditures on ALMPs across the OECD and EU countries (in relative terms). Yet, the expenditures on PLMPs in Denmark could be even higher in case its ALMP expenditures were lower and unemployment spells were longer. Hungary is another country with relatively high ALMP expenditures, yet having low PLMP expenditures. However, in this case unemployment benefit generosity is also indeed low and ALMPs are designed to compensate this by relying heavily on public work schemes.<sup>12</sup> Public works (direct job creation) programmes tend to have no or even negative effects on labour market outcomes and thus do not support

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<sup>10</sup> ALMP expenditures in the Figure 4.2 include public expenditures on placement and related services (category 1.1 in the OECD-EC methodology) and ALMP measures (categories 2-7), but not expenditures in category 1.2 (administration costs of labour market policies, as well as expenditures related to other services and activities of PES). The latter are excluded as the responsibilities beyond ALMPs differ greatly across PES and thus these expenditures are not comparable. Only about half of the PES are (partially or fully) responsible for unemployment benefit schemes and in addition, some PES are responsible for administering short-time working schemes, social assistance benefits, parental benefits, pre-retirement benefits or sickness and disability benefits, managing training centres and career services for schools, issuing work permits, licencing private employment services and beyond (Peters, 2020<sup>[31]</sup>).

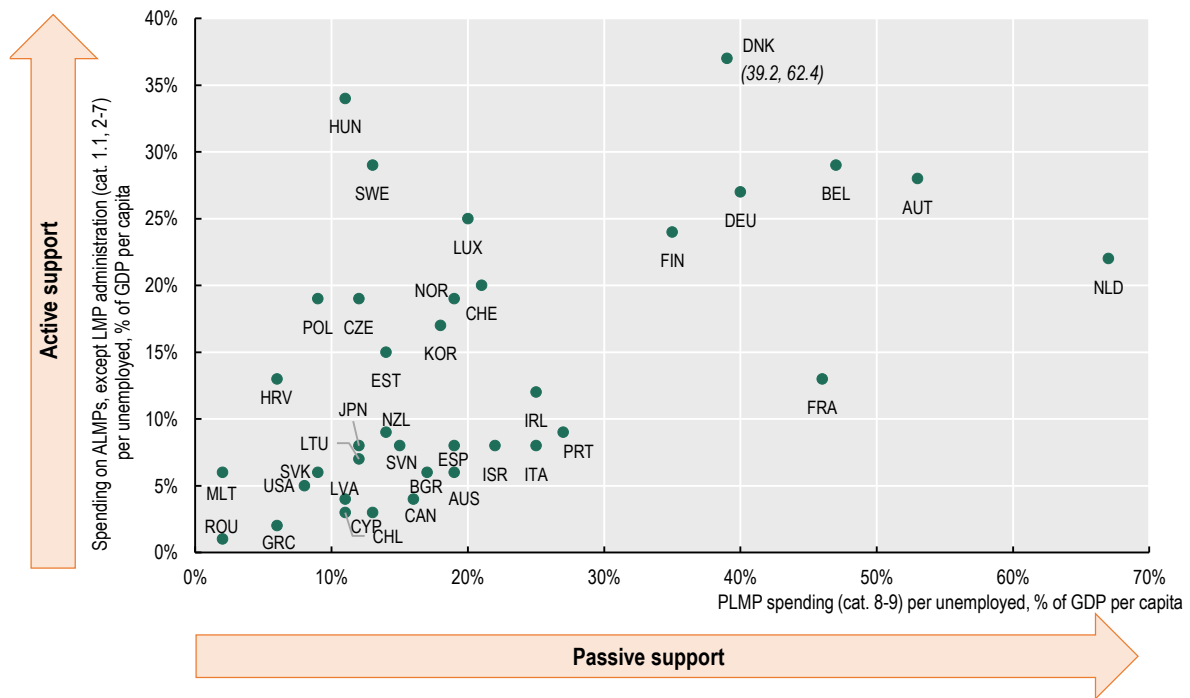
<sup>11</sup> See the OECD tax-benefit data portal, <https://www.oecd.org/els/soc/benefits-and-wages/data/>

<sup>12</sup> Although in 2019, Hungary was in the process of reducing its public work schemes, see a detailed discussion on Hungary's ALMPs in (OECD, 2019<sup>[33]</sup>).

saving on PLMP expenditures, although these measure can alleviate poverty somewhat similarly to PLMPs. However, income support could be potentially provided more effectively through PLMPs than public works (Brown and Koettl, 2015<sub>[23]</sub>).

**Figure 4.2. Balance of active and passive support to jobseekers**

Expenditures on ALMPs and PLMPs in 2018



ALMP: Active Labour Market Policy. PLMP: Passive Labour Market Policy.

Note: Estimations for category 1.1 for Bulgaria and Switzerland. Canada: data include federal expenditures on programmes implemented by the provinces and territories, but do not generally include the provinces' additional or complementary funding of these programmes.

Category 1.1: Publicly funded expenditures on placement and related services (i.e. other expenditures in category 1, above all expenditures on benefit administration, are excluded). Categories 2-7: Publicly funded expenditures on ALMP measures (training, employment incentives, supported employment and rehabilitation, direct jobs creation, start-up incentives). Categories 8-9: Publicly funded expenditures on PLMPs (out-of-work income maintenance and support and early retirement schemes).

Expenditures on ALMPs and PLMPs per unemployed as a % of GDP per capita are calculated as expenditures on ALMP and PLMP relative to GDP multiplied by population size over the number of unemployed.

Unemployed according to the International Labour Organisation (ILO) definition of unemployment and based on OECD Labour Force Statistics.

For detailed ALMP and PLMP categories, see <http://www.oecd.org/els/emp/Coverage-and-classification-of-OECD-data-2015.pdf>

Source: OECD Employment and Labour Market Statistics database, <https://doi.org/10.1787/data-00312-en> and European Commission Labour Market Policy database <https://webgate.ec.europa.eu/empl/redistat/databrowser/explore/all/lmp?lang=en&display=card&sort=category>.

# 5 Conclusion and outlook for future work

67. The dashboard presented in this paper compares the institutional set-up of ALMP provision in OECD and EU countries. It identifies differences in the organisational set-up (institutions involved in the ALMP system), the regulatory set-up (laws and regulation for ALMPs) and the capacity (funding available for ALMPs) of ALMP systems. These three key dimensions determine together the responsibilities and cooperation practices of the stakeholders, the processes to design ALMPs, and the level and flexibility of resources available in the system. Moreover, they jointly influence the agility of the system to react and adjust to the changing needs of the labour market.

68. Based on the classification in the dashboard, it could be possible to link different institutional set-ups to outcomes and performance of ALMP systems in the future. Such outcomes could include the effectiveness of an ALMP system (such as composition of ALMPs corresponding to the labour market needs, changes in ALMP composition according to labour market changes), perceived strengths and weaknesses of an ALMP system, possibly coupled with general measures of labour market outcomes. Linking the results of this dashboard with outcomes and performance of ALMP systems can provide important insights into the strengths and weaknesses of the different set-up types and identify key features of agile ALMP provision systems. Nevertheless, it may be challenging to draw firm causal conclusions (i.e. that the institutional set-up is the reason for a different performance) as many different factors affect the performance of an ALMP system. Furthermore, the application of an institutional set-up in practice can deviate from its design. For example, a PES designed to be governed tightly by a ministry might have in practice a lot of autonomy if the ministry is not actively engaged in the PES governance (e.g. the ministry does not participate in taking strategic decisions, does not systematically monitor and evaluate PES activities). To address these discrepancies, this paper looks in more detail into the division of responsibilities between the ministry and the PES, as well as the cooperation practices between the key stakeholders. The OECD will continue the work on fine-tuning the dashboard of the institutional set-up of ALMP provision, updating the key indicators of the dashboard and linking those indicators with the performance of the systems,

# Annex A. Additional details on organisational and regulatory set-up

**Table A.1. Responsibilities of ministries in charge of labour market policies**

1. Ministry in leading role 2. Ministry provides some input 3. Ministry not involved

	Daily implementation / provision of ALMPs	Co-operation and co-ordination with other stakeholders of the ALMP system	PES processes, operating model	ALMP design (target groups, criteria, duration, etc.)	Design of ALMP monitoring and evaluation framework, accountability framework	Strategy for ALMP provision	Budget of ALMP measures	Budget for PES operating costs
Australia	1, 2	1, 2	1	1	1	1	1	1
Austria	3	1	2	1	2	1	1	1
Belgium	2, 3	2, 3	2, 3	2	2	2	1, 2	1, 2, 3
Bulgaria	1	1	3	1	1	1	1	1
Canada	2	2	3	2	1	3	3	3
Chile	1	1	3	1	1	1	1	2
Colombia	1	1	2	1	1	1	1	2
Costa Rica	1	1	1	1	1	1	1	1
Croatia	2	2	1	1	1	1	1	1
Cyprus	1	1	N/A	1	1	1	1	1
Czech Republic	2, 3	1	1	1	1	1	1	1
Denmark	3	2	1, 3	1	2	2	1	3
Estonia	3	2	3	2	2	2	2	3
Finland	2	2	2	1	2	1	2	1
France	1	1	1	1	1	1	1	1
Germany	1	2	2	1	2	1	1, 2	1, 2
Greece	1	1	1	1	1	1	1	1
Hungary	1	2	2	1	1	2	2	2
Iceland	3	3	2	2	2	2	1	1
Ireland	1	1	1	1	1	1	1	1
Israel	1	1	2	1, 2	2	1, 2	2	2
Italy	2	1	2	1	1	1	1	1
Japan	1	1	1	1	1	1	1	1
Korea	2	2	1	1	1	1	2	1
Latvia	3	1	2	1	1	1	1	1
Lithuania	2	2	1	1	1	1	1	1
Luxembourg	2	2	3	2	2	2	1	1
Malta	3	3	3	3	3	3	2	2
Mexico	1	1	1	1	1	1	1	1
Netherlands	1, 2	2	1, 2	1, 2	1, 2	1, 2	1	1
New Zealand	1	1	2	1	1	1	1	1
Norway	1	1	3	1	1	1	1	1



	Daily implementation / provision of ALMPs	Co-operation and co-ordination with other stakeholders of the ALMP system	PES processes, operating model	ALMP design (target groups, criteria, duration, etc.)	Design of ALMP monitoring and evaluation framework, accountability framework	Strategy for ALMP provision	Budget of ALMP measures	Budget for PES operating costs
Poland	1	1	1	1	1	1	1	1
Portugal	1	1	1	1	1	1	1	1
Romania	2	2	3	2	1	2	1	1
Slovak Republic	3	2	2	1, 2	2	1	1	2
Slovenia	2	2	2	1, 2	2	1	1	1
Spain	1	1	N/A	1	1	1	1	1
Sweden	2	2	2	1	1	1	1	1
Switzerland	3	2	2	2	2	2	1	1
Turkey	3	3	2	2	3	2	3	2
United Kingdom	1	1	1	1	1	1	2	2
United States	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

ALMP: Active Labour Market Policy.

Note: N/A: not available. The four sub-national answers from Belgium are summarised – all levels of involvement of the ministry in each process are shown.

Source: Responses to OECD/EC questionnaire “Active labour market policy measures to mitigate the rise in (long-term) unemployment”.

**Table A.2. Responsibilities of public employment services**

1. Fully decided by PES 2. Partly decided by PES 3. Not decided by PES, but PES consulted with 4. Not decided by PES and PES not involved

	Daily implementation / provision of ALMPs	Co-operation and co-ordination with other stakeholders of the ALMP system	PES processes, operating model	ALMP design (target groups, criteria, duration, etc.)	Design of ALMP accountability, monitoring and evaluation framework	Strategy for ALMP provision	Budget of ALMP measures	Budget for PES operating costs
Australia	1	1	1	1	1	1	1	1
Austria	1	2	1	3	2	2	2	3
Belgium	1, 2	1, 2, 3	1, 2	2, 3	2, 3	1, 2, 3	1, 2, 3	1, 2, 3
Bulgaria	1	2	1	3	3	2	3	2
Canada	1	1	1	2	3	1	1	1
Chile	2	2	1	3	3	3	3	1
Colombia	4	4	3	4	4	4	4	3
Costa Rica	1	1	1	1	1	1	3	3
Croatia	1	2	1	1	2	3	3	3
Cyprus	1	3	2	3	3	3	3	2
Czech Republic	1	1	1	2	2	2	3	3
Denmark	1	1	2	3	3	3	2	2
Estonia	1	2	1	2	2	2	2	1
Finland	2	1	2	1	1	1	1	1
France	2	2	2	3	2	3	3	2
Germany	1	1	2	2	2	2	2	2
Greece	2	2	2	3	3	3	3	3
Hungary	1	1	1	1	1	1	3	3
Iceland	1	1	2	2	1	2	3	3
Ireland	2	2	2	2	3	3	3	3
Israel	1, 3	1, 3	1	3	1, 3	1, 3	2	2
Italy	1	2	2	2	2	2	3	3
Japan	3	2	3	3, 4	4	3	3	3, 4
Korea	3	3	2	2	1	2	3	2
Latvia	1	1	2	3	2	2	3	3
Lithuania	1	1	2	2	2	2	2	2
Luxembourg	1	2	1	2	2	2	3	3
Malta	1	1	1	1	1	1	2	2
Mexico	1	2	2	2	2	2	3	3
Netherlands	1	2	2	3	3	3	3	3
New Zealand	3	2	1	1	4	1	1	1
Norway	1	3	1	3	3	3	2	3
Poland	1	2	1	1	1	1	2	2
Portugal	1	2	1	3	2	3	2	1
Romania	1	1	1	3	3	1	3	3
Slovak Republic	3	2	2	2	2	2	3	3
Slovenia	1	1	1	2	1, 2	2	2	2
Spain	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sweden	1	2	1	4	3	3	3	3
Switzerland	1	2	1	1	3	1	1	1
Turkey	1	1	1	2	1	1	1	1
United Kingdom	1	2	2	2	2	2	3	3
United States	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

ALMP: Active Labour Market Policy.

Note: N/A: not available. The four sub-national answers from Belgium are summarised – all levels of involvement of the PES in each process are shown.

Source: Responses to OECD/EC questionnaire “Active labour market policy measures to mitigate the rise in (long-term) unemployment”.

**Table A.3. How is ALMP provision regulated in your country?**

1. Act passed by the Parliament 2. Decree/order by Government 3. Decree/order by Minister 4. Decision by Ministry  
5. Decision by PES supervisory body 6. Decision by PES executive management 7. Decision by regional/local authorities 8. Other

	General groups eligible for ALMPs	List of specific ALMPs	Conditions of specific ALMPs	Target groups of specific ALMPs
Australia	1, 2, 3, 4, 7, 8	2, 3, 4, 7, 8	2, 3, 4, 7, 8	2, 3, 4, 7, 8
Austria	1, 5	5	1, 5	1, 5
Belgium (Brussels)	1	5, 6	5	5
Belgium (Flanders)	1	1	2	2
Belgium (Wallonie)	2	2	2	2
Bulgaria	1, 8	1, 8	1, 8	2, 8
Canada	1, 8	1, 8	4	4
Colombia	2, 8	2, 8	2, 8	2, 8
Costa Rica	1	2	2	2
Croatia	5	5	5	5
Cyprus	4	4	4	4
Czech Republic	1	1, 8	4	4, 6
Denmark	1	1, 7	1, 7	1, 3, 6, 7
Estonia	1, 2	1, 2, 3	1, 2, 3	1, 2, 3
Finland	1	1	1, 8	1, 4, 8
France	1, 2, 3, 4, 5, 7	1, 2, 3, 4, 5, 7	1, 2, 3, 4, 5, 7	1, 2, 3, 4, 5, 7
Germany	1, 3, 7, 8	1, 3, 7, 8	1, 3, 7, 8	3, 7
Greece	1, 4	4, 8	1, 4	4
Hungary	1, 2, 3	1, 2, 3	1, 2, 3	1, 2, 3
Iceland	1, 2	1, 2	6	6
Ireland	4	4	4	4
Israel	1, 2, 6	2, 3, 4, 6	2, 3, 4, 6	2, 3, 4, 5, 6
Italy	1, 2, 3	4, 7	1, 2, 3, 5	2, 3, 7
Japan	1	1, 2, 3, 4	2, 3, 4	1, 2, 3, 4
Korea	4	4	4	4
Latvia	1, 2, 8	1, 2	2	2
Lithania	1	1	1	1
Luxembourg	1	1, 2, 3, 6	1, 2, 3, 6	1, 2, 3, 6
Malta	6	6	6	6
Mexico	1, 2, 3, 6	1, 3, 6	1, 3, 6	1, 2, 3, 6
Netherlands	4, 7	N/A	7	7
New Zealand	4	4	4	4
Norway	3	3	3	3
Poland	1	1	1, 3	1, 3
Portugal	2, 3, 4	2, 3, 4	2, 3, 4	2, 3, 4
Romania	1	1	1	1
Slovak Republic	1, 2, 3	1, 2, 3	2, 3, 4	3, 4, 5
Slovenia	2, 8	1, 2, 8	2, 3, 4, 8	3, 8
Spain	1, 3, 4, 6, 7	1, 3, 4, 6, 7	3, 4, 6, 7	3, 4, 6, 7
Sweden	2	2	2	2
Switzerland	1, 8	7	7	7
Turkey	3	3	3	3
United Kingdom	4	4	4	4

Note: Information for the United States and the German-speaking community in Belgium not available. N/A: not available.

Source: Responses to OECD/EC questionnaire "Active labour market policy measures to mitigate the rise in (long-term) unemployment".

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