



EUROPEAN POLICY BRIEF



HOW THE GOVERNANCE OF EMPLOYMENT SYSTEMS AFFECTS SOCIAL COHESION

LESSONS AND LOCAL BEST PRACTICES FROM SIX EUROPEAN COUNTRIES

July 2014

INTRODUCTION

Labour markets and social cohesion in Europe

The economic crisis of the late 2000s triggered two different developments on Europe's labour markets. On the one hand, **unemployment figures converged upward between countries** because nearly all Member States were hit hard by the crisis (with few exceptions, such as Germany and Poland). On the other hand, **divisions within countries deepened** between well-educated, well-protected labour market insiders and low-skilled, vulnerable labour market outsiders. For instance, youth unemployment surged to 23.4% in the EU 28 in 2013, with youth unemployment rates being particularly high in Southern Europe (Greece: 51.9%; Italy: 40.0%; Spain: 55.5%; Portugal: 38.1%). Also long-term unemployment (LTU) – being indicative of dualised labour markets that expose vulnerable individuals to a higher risk of becoming permanent labour market outsiders – has risen from 42.9% in 2007 to 47.5% in 2013.

In order to **combat the exclusion of vulnerable individuals** such as young people, low-skilled individuals, and lone parents from the labour market and society more generally, it is therefore vital that the EU Member States develop strategies for fostering the employment chances of vulnerable groups. This requires not only employment initiatives (like up-skilling, internships, wage subsidies, job rotation, or life-long learning) but also the provision of 'flanking' social services that relieve unemployed individuals from care burdens (e.g. childcare, elderly care) while simultaneously helping them to tackle social problems such as addiction, mental health issues, or debt.

In the FP7 project LOCALISE (July 2011 – June 2014), we researched how active inclusion measures (combining employment services with ‘flanking’ social services) are organised in practice in six European countries: France, Germany, Italy, Poland, Sweden and the UK. Especially the local level of policy formulation and policy implementation stood central in our research because in order to be successful, active inclusion strategies require a careful calibration of employment and social support not only to regional labour markets, but also to individual client cases. The next section presents the key findings of LOCALISE, including best-practice examples from three European cities.

EVIDENCE AND ANALYSIS

The governance of active inclusion: National approaches

Table 1 provides an overview of the national administrative frameworks in which local active inclusion policies are embedded in the six countries studied by LOCALISE. As the Table illustrates, different countries in Europe choose very **different strategies for actualising the labour market and social integration of vulnerable citizens**.

Table 1: Employment and social service provision to the unemployed: National governance frameworks in six European countries.

| | Employment services: Main actors | ‘Flanking’ social services: Main actors | Main coordination mechanisms |
|-----------|---------------------------------------------|----------------------------------------------------|----------------------------------------------------------------------------------------|
| DE | National PES | Municipalities, Welfare associations | Central coordination & decentral integration (one-stop shops) |
| FR | National PES, Specialised agencies | Specialised agencies | Organisational separation yet some inter-agency collaboration |
| IT | Regional PES | Municipalities, Private providers | <i>[Decentralisation and separation between provincial and municipal agencies]</i> |
| PL | Regional PES | Municipalities, Private providers | <i>[Decentralisation and separation between provincial and municipal agencies]</i> |
| SE | National PES, Municipalities | Central state, Municipalities | Central regulations & decentral concertation |
| UK | National PES, Private providers | Private providers | Centralisation & marketisation |

In France and the UK, **organisational differentiation** is used as the main mechanism for providing employment and social services to vulnerable citizens. In both countries, a national Public Employment Service (PES) serves as the main service gateway for unemployed persons with multiple barriers to work. However, in France, beneficiaries with complex problems are immediately referred on to specialised agencies offering problem-centred employment and social support (e.g. for young people, migrants, etc.). In the UK, by contrast, holistic employment and social support is offered mainly under the Work Programme that starts only after one year of unemployment and that is exclusively carried out by 18 private “prime” providers (as well as sub-contractors). In summary, policy coordination between the PES and other

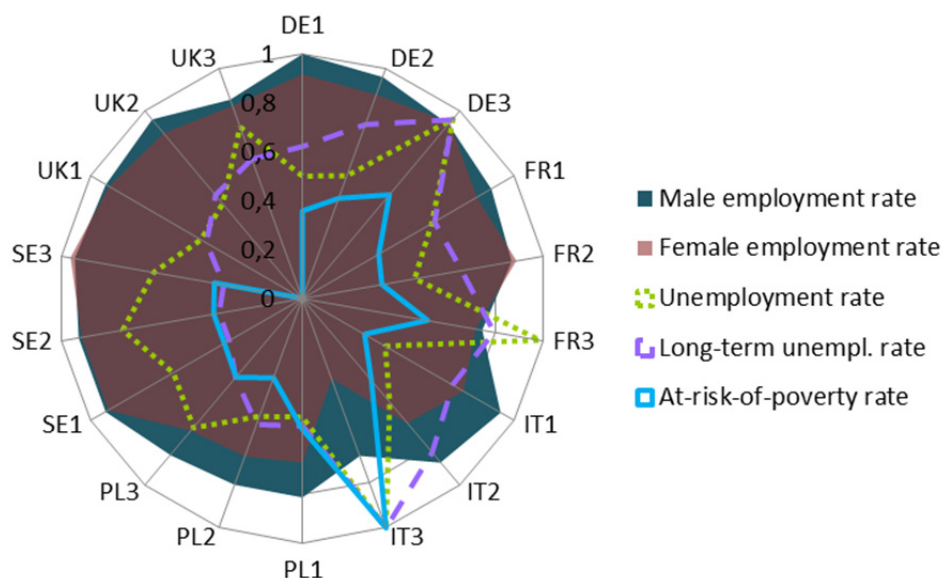
service-providing organisations differs markedly in France and the UK, ranging from inter-agency collaboration to marketisation/outsourcing.

Also in Italy, Poland and Sweden, national or regional PES agencies serve as the main gateway towards service allocation for vulnerable unemployed. However, in contrast to France and the UK, social service provision is not systematically integrated into the three countries' employment systems. Instead, social services are offered via relatively **autonomous municipal service portals**, with the municipalities having large discretion in designing local services, which leads to high variation in service provision at the local level. In a nutshell, Italy, Poland and Sweden are characterised by two relatively separate worlds of employment and social services, although central regulations (and comparably high budgets) in Sweden safeguard country-wide municipal minimum standards.

Finally, in Germany, **organisational integration** has been chosen as the main governance framework for providing employment and social services to unemployed citizens with multiple barriers to work. Here, so-called "Jobcenter" one-stop shops have been set up jointly by the national PES and 335 municipalities, serving as single gateways for accessing both employment and social services. However, the employment service portfolio of the German PES still dominates over municipal social services in daily application. This raises the question how the six employment systems discussed here perform in practice, i.e. at the local level of policy implementation.

An inside view on active inclusion governance: The local level

Figure 1: Eighteen local worlds of active inclusion in Europe, 2010.*



* Figures are standardised by the maximum value of each indicator. Unemployment rates are from 2009. No at-risk-of-poverty rates were available for the UK. Source: Eurostat.

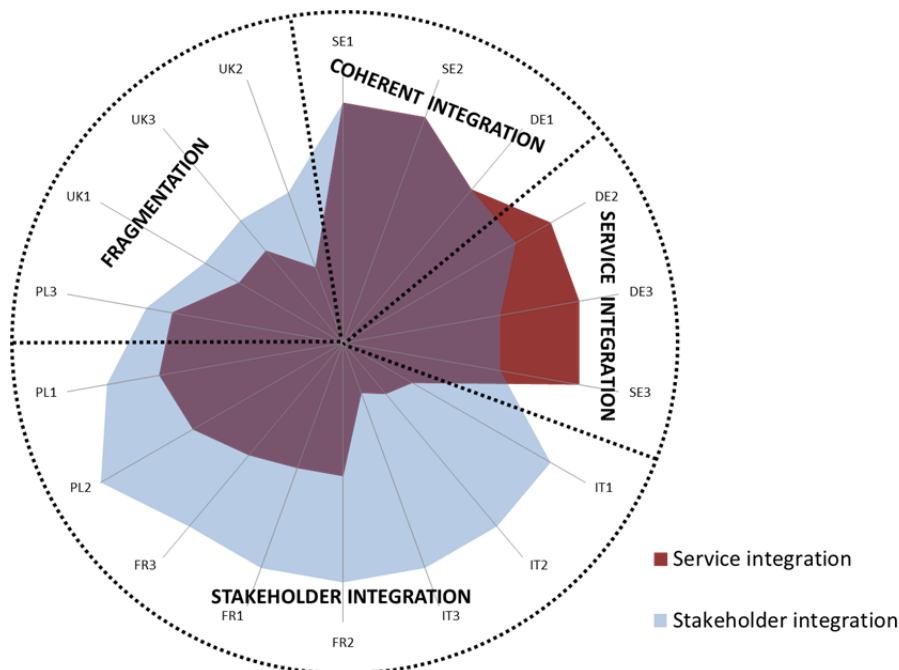
In LOCALISE, we conducted in-depth case studies in three cities per country, investigating how employment and social services are implemented in practice and where (and why) service provision is most effective with regard to bringing

vulnerable individuals back into work. For the purpose of contextualising local approaches to active inclusion in Europe, Figure 1 illustrates in which regional labour market contexts (at NUTS3 level) the local stakeholders surveyed by LOCALISE operate.

As Figure 1 shows, **local worlds of active inclusion vary not only between, but also within countries in Europe**. Especially in Italy and Poland, local actors striving to reintegrate vulnerable citizens into the labour market operate in **(a) highly diverse** and **(b) highly segmented regional labour markets** with regard to the employment chances of women relative to men, and of labour market outsiders vis-à-vis labour market insiders (the latter being indicated by the long-term unemployment rate). Contrariwise, Sweden appears as the most inclusive society in our sample, with low barriers to labour market entry and equally distributed chances of labour market access among cities. Finally, France, Germany and the UK are somewhat in the middle, displaying relatively inclusive labour markets (also in gender-terms) but simultaneously notable insider/outsider divides as well as high local variation in employment chances.

How do local actors organise the provision of employment and social services in different labour market environments? In order to answer this question, the LOCALISE consortium conducted over 450 interviews with public officials, private/third-sector stakeholders and unemployed citizens in the period 2012/2013. Figure 2 depicts the four main patterns of active inclusion governance emerging from our interviews.

Figure 2: Four local worlds of active inclusion.



Source: Stylised data extracted from the LOCALISE interviews.

For more details, see chapter 10 of the forthcoming LOCALISE volume (referenced below).

Figure 2 illustrates that national employment systems strongly – but not fully – shape the governance of active inclusion at the local level. In particular, our analysis reveals that local welfare organisations responsible for the labour

market integration of vulnerable unemployed choose two main ways of integrating employment services such as placement support, job counselling, or vocational training with social services like childcare, housing support, drug counselling or debt counselling: **(a) service integration** (implying holistic service provision via single organisations or systematic inner-organisational referral procedures) and **(b) stakeholder integration** (implying inter-organisational collaboration among public, private and third-sector actors).

As expected, service integration is particularly high at the local level in Germany because integrated service provision is written into the organisational design of the German Jobcenters. However and more surprisingly, service integration is also high in the three Swedish cities due to local-level service coordination between the PES and the municipalities within so-called coordination unions. Not only managers, but even front-line workers are involved in the inter-organisational coordination of employment and social services in Swedish cities, leading to a high level of service integration in spite of the formal separation between PES and municipal service provision.

In the opposite spectrum of Figure 2, we see that especially in Italy but also in France and two cities in Poland, local organisations dealing with vulnerable unemployed overcome the ‘missing link’ between social and employment services in the national administrative framework via close cooperation with other actors at the local level, such as religious charity organisations or trade unions (so-called stakeholder integration).

In between the two ‘pure’ types of service integration and stakeholder integration, we also observed two mixed types in the LOCALISE city sample of 18 European cities. In the UK and one Polish city, **fragmentation** could be observed, implying a very low level of both service and stakeholder integration. However, it should be borne in mind that no sufficient data are available on the extent to which private Work Programme providers link social and employment services in daily practice in the UK.

Finally, in some German and Swedish cities, we perceived both high collaboration among different stakeholders (public, private and third sector) and strong service integration. Here, **coherent integration** could be diagnosed.

Having reviewed how active inclusion strategies are implemented in eighteen European cities, the question remains whether different patterns of social and employment service integration also imply a varying capacity to integrate vulnerable unemployed persons into the labour market. If we compare the four local worlds of active inclusion depicted in Figure 2 with the long-term unemployment and poverty trends in the corresponding cities depicted in Figure 1, two tentative lessons can be drawn:

1. The Swedish case suggests that a **coherent local integration of employment and social services is more decisive for social cohesion than the national administrative framework** (which does not foresee far-reaching service integration in Sweden);
2. **Where service integration is not possible** (for instance due to resource scarcity), **local welfare organisations tend to resort to stakeholder integration** in order to overcome this ‘missing link’.

In the following, some local best-practice examples from the LOCALISE research will be reported to illustrate how effective service and/or stakeholder integration can be realised at the local level.

Local service coordination: Best practice examples

In the cities under study, LOCALISE found several good-practice examples of effective service integration at the local level that were facilitated by two factors: (a) personal network relations among local stakeholders, and (b) reliable network structures and brokers.

(A) Personal network relations

An important policy lesson emerging from the LOCALISE research is that personal relationships and established networks are at least as important for efficient local service coordination as formal regulations. An illustration is provided by the German municipality DE3: Here, in the former German Democratic Republic with its strong tradition of state involvement, Jobcenter managers and staff from public and third-sector local service organisations agreed on the introduction of so-called “route cards” to be used voluntarily by unemployed citizens in order to make traceable which services they had already accessed, thereby facilitating tailored follow-up responses by other service-providing organisations. Another illustration of personal network relations facilitating inter-organisational collaboration is a welfare foundation in the Italian city IT1 that serves not only as a joint platform for ideational exchange and programme development, but also grants micro-credits to small entrepreneurs and people in need. This foundation – driven by social partners, private/third sector actors and local public authorities – is also a good example of how local public authorities resort to collaboration with other actors if a systematic link between social and employment policies is absent in the national administrative framework.

(B) Reliable network structures and brokers

Personal relations and network ties provide an important stepping stone to successful service coordination at the local level as illustrated above, but if local active inclusion networks become too personalised and hence closed, this can also form an obstacle to efficient service coordination because new entrants bringing innovative services or ideas to the table will likely be marginalised. For this reason, official network brokers who take on the task of ‘coordinating coordination’ – inviting new actors to the table, providing a platform for communication, and procuring, distributing or pooling resources – are vital for making local service coordination efficient and durable. Furthermore, the legal and financial framework in which coordination takes place is of high relevance. In the successful coordination union of SE1 in Sweden, for example, the role of network broker was played by the city mayor. The SE1 example also underlines the importance of resources for inter-organisational service coordination: Only once resource-pooling became possible did the coordination union evolve from a mere information platform to a platform for joint projects and close cooperation.

Local governance structures and patterns of linking social and employment services are certainly not a sufficient condition for the labour market integration of vulnerable individuals. Nevertheless, the coherent and effective coordination of employment and social services at the local level is a *necessary* condition for successful active inclusion strategies according to the LOCALISE research. Although some national employment systems already foresee such a link, this does not guarantee good implementation. The following key **obstacles to effective local service coordination** were identified by LOCALISE:

- A lack of resources and/or opportunities to pool resources among organisations (due to heterogeneous targets and/or fragmented organisational landscapes);
- No clear network leadership, no clear procedural rules;
- No joint inter-organisational objectives (e.g. employability vs. broader social inclusion/'life first');
- Lacking autonomy of local public actors in service design.

Network builders among local organisations providing social and employment services should therefore take into account:

- The **heterogeneous problems** disadvantaged persons are facing, such as: low qualifications, debt, unemployment, deprivation, unstable living conditions, mental or physical illness, substance abuse, etc.;
- **Local peculiarities** both in terms of target groups and service-providing actors;
- A comprehensive **overview of all local organisations, networks, and stakeholders** providing individualised services, with the goal of achieving coherent coordination among them;
- Awareness that **not only clear responsibilities, but also sufficient resources and discretion** in resource-pooling, data-sharing and the usage of instruments is necessary for achieving commitment among partners and a high-quality and efficient co-production of targeted measures.

These basic principles should be supported by policy initiatives and policy-makers at all political-administrative levels:

At the local level, public officials can initiate platforms for the start-up, expansion, or consolidation of inter-organisational networks in order to better coordinate social and employment services. Here, it is of crucial relevance to take into account local specificities in terms of disadvantaged groups, labour markets, and social structures. Furthermore, local peculiarities should be recognised regarding the involvement of different stakeholders and organisations. If related networks or informal coordination structures already exist, it is of crucial relevance to build forth on such structures and integrate them into new strategies and plans. A clear responsibility for meetings schedules, communication etc. is essential and should be ensured by the local authorities.

At the regional level, networks among employers, trade unions and other stakeholders should be reinforced and closely linked to the above-mentioned local platforms. Again, public officials should act as stable brokers for triggering sustainable and effective coordination.

At the national level, administrative frameworks must be streamlined towards linking social and employment services more closely. This requires not only a legal basis for service integration, but also targeted resources, data-systems etc. Furthermore, it is crucial to achieve inter-ministerial coordination between various policy fields affecting employment issues such as family policy, education policy, or social policy. Also systematic consultations with civil society organisations and NGOs during the policy-making process are important.

At the European level, finally, policy-makers should ensure that EU policy initiatives and ESF funds trigger sustainable service integration structures down to the local level. This might be achieved by establishing local multi-stakeholder observatories that serve not only as policy development platforms, but also as communication channels between policy practitioners and the EU.

RESEARCH PARAMETERS

LOCALISE has addressed the question how local active inclusion policies are organised in order to tackle the complex problems of long-term unemployed individuals in different socio-economic and institutional contexts. The objectives of LOCALISE have been to:

- Analyse how socio-economic, legal and regulatory contexts at the European, national and regional level influence the local governance of active inclusion,
- Investigate how the integration of active inclusion policies is organised at the local level in six different European countries,
- Explore the impact of local active inclusion governance on social cohesion.

In particular, LOCALISE has studied how 18 local entities in six European countries (France, Germany, Italy, Poland, Sweden and the United Kingdom) cope with the challenge of integrating employment and social services. The local entities were chosen on the basis of a multivariate analysis of individual income and employment data in the context of a local-regional-national-European multi-level system (EU SILC). Starting from an analysis and comparison of regulatory national contexts in the area of active inclusion policies, the local entities were analysed with regard to the implementation of such policies. In order to identify different local modes of governance, we studied documents on local resources and the local organisation of social and employment policy. Furthermore, we held expert-interviews with local stakeholders who play a key role in designing local governance mechanisms and services. Also the question how European resources and policy recommendations shape local active inclusion policies was addressed by our research consortium. In the final part of the project, caseworkers and clients in local welfare organisations were interviewed to assess the impact of local active inclusion policies on the well-being and autonomy of citizens.

PROJECT IDENTITY

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|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PROJECT NAME | Local Worlds of Social Cohesion. The Local Dimension of Integrated Social and Employment Policies (LOCALISE) |
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FURTHER READING

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- M. Bengtsson (“Towards standby-ability: Swedish and Danish activation policies in flux”)
- T. Berthet and C. Bourgeois (“Towards ‘activation-friendly’ integration? Assessing the progress of activation policies in six European countries”)
- V. Fuertes, B. Jantz, T. Klenk and R. McQuaid (“Between cooperation and competition: The organisation of employment service delivery in the United Kingdom and Germany”)
- M. Heidenreich and P. Aurich-Beerheide (“European worlds of inclusive activation: The challenges of coordinated service provision”)

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