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Activation and new governance of labor market policies in Central and Eastern European Countries

Abstract

The essential feature of activation turn in labor market policy in Western European countries is reform of the labor administration, which affects the provision and delivery of the policy. The principles underlying governance reforms include decentralization and strengthened coordination, which help to reconcile local flexibility with the national ownership of the active labor market policy. However, few articles examine how these reforms are implemented in Central and Eastern European countries. The activation turn and territorial reforms there took place later than in Western European countries and possibly followed a different trajectory. Based on various materials, including legal acts, public employment services reports, expert releases, and others, the article traces the activation policies' reforms and their impacts on the organizational arrangements in Latvia, Hungary, and Poland. The findings show that some organizational arrangements of the national PES in countries covered in this study predate the accession to the EU. The critical governance characteristics seem to be affected by the general administration reforms. Public employment services in the three countries have different levels of vertical

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specialization, which determines the scope of reforms carried out in subsequent years. Further research should take into account the challenges of vertical coordination of the active labor market.

Key words: activation, governance, decentralization, coordination, autonomy

The activation turn has been one of the most significant social welfare and labor market policy reforms in the United States and Western European countries since the 80s (López-Santana, 2015). The transformation towards active labor market schemes changed both the ‘demanding’ and ‘enabling’ policy instruments. The social protection support for the unemployed and economically inactive people of working age became less generous and more conditional. Simultaneously, the introduction of investments in job-seekers’ skills in training, vocational guidance, individual counseling, and others improved their employability (Eichhorst & Konle-Seidl, 2008). A hallmark of reforms was the changing ratio of active and passive labor market policy expenditures in favor of the former (OECD, 2021).

The activation altered the policy content and the organization of active labor market programs, leading to profound changes in governance structures and arrangements. Nowadays, providing activation services and income support is a task of multiple organizations from both the public and non-public sectors acting at the national and sub-national levels. New modes of governance include implementing new public management instruments to increase the labor market programs’ efficiency. Strengthening the inter-agency cooperation and partnership between public sector organizations (i.e., public employment services and social assistance administration) and other services providers is also an essential feature of governance reforms (van Berkel et al., 2011). Activation also resulted in the territorial reorganization of the welfare administration state and decentralization, but Public Employment Services (PES) remain the leading actor in employment policy. PES, which match labor force and demand on the labor market through various instruments, including job placement, vocational counseling, and active support measures, are considered to be authorities or government institutions, which act at local and national levels. However, when studied in detail, it turns out that organizational arrangements in which PES operate significantly differ between countries.

Organizational models of Public Employment Services

The main aspects of the contemporary Public Employment Services’ organizational model are autonomy, decentralization, and management structures, including coordination measures (Manoudi et al., 2014).

Autonomy usually refers to the judicial status, i.e., whether PES are executive agencies or independent public bodies. In the latter case, the PES is not a part of the ministry’s organizational structure (or department) and has its own governing body (European

Commission, 2020). In other words, the independent body might be supervised by the ministry, but it is not a part of the government department (Manoudi et al., 2014). The level of autonomy of the PES regarding national governments has profound consequences for the flexibility of Active Labor Market Policies. Greater independence of the PES can facilitate quick changes to its working model, which is essential in turbulent times such as recession or the last COVID-19 crisis (Lauringson & Lüske, 2021). On the other hand, a system with high PES autonomy requires a complex accountability framework and coordination measures to adjust ALMP to changing national priorities.

Recently OECD has offered a detailed framework to compare and classify the institutional set-up of active labor market policy (Lauringson & Lüske, 2021). It distinguishes five PES organizational models, ranging from very low independence to a very high degree of autonomy. These models are as follows:

- National PES that are part of a ministry (very low degree of autonomy)
- 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).

The majority of the EU countries represent an organizational model of Public Employment Services with a low or medium level of autonomy. This group consists of seventeen countries representing different social policy regimes and different systems of territorial units. However, we can see the significant presence of countries with the conservative-corporatist welfare state regime, such as Austria, Germany, and France, all above with a medium level of autonomy. Countries in that group are mainly unitary (notable examples here would be Sweden and France), but there are also examples of federal states such as Austria and Germany. In five EU countries (Cyprus, Luxemburg, Finland, Hungary, Ireland), public employment services are entirely integrated into the ministry, marking a very low degree of autonomy. The PES is organized as a national executive agency in next eight countries and fully managed by a ministry. This organizational set-up leaves a low degree of autonomy for the agency implementing ALMPs regarding the national government. The last two groups include countries in which the responsibilities to implement ALMPs lie within regional or local governments, which enjoy a significant level of independence in respect to the national government. This is a case in countries that have sub-national Public Employment Services (i.e., employment offices managed by a local or regional government) either with a national coordinating agency (Denmark, Spain, Italy) or subnational PES without a national coordinating agency (Belgium and Poland).

Decentralization, which is the second important feature of contemporary public employment services, changes intergovernmental relations as it shifts responsibilities for the state's labor market policy. In the last two groups of countries, decentralization is the most profound as local and regional government is responsible for the most of tasks in labor market policy implementation and design. However, decentralization takes place in

other countries too, as it is one of the most important features of management structures of public employment services.

Public policy literature shows that we can distinguish between political (devolution), administrative and financial types of decentralization (Schneider, 2006). Devolution is a situation in which the central government gives territorial authorities (regional or local) power to pass the law specifying access to activation services and support forms. Since there are only unitary states in Central and Eastern Europe, this type of decentralization of labor market policy does not occur. Financial decentralization includes both the income and expenditure side, but this article looks mainly at shifts in responsibilities to finance ALMP. Administrative decentralization refers to the formal transfer of responsibilities in the organization, management, and implementation of the active labor market policies. It seems that this type of decentralization occurs most often in the context of active labor market policies. Administrative decentralization covers the overall service delivery process, including regulating organizational structures and work processes within public employment services. However, we can distinguish here some additional critical dimensions or administrative decentralization ‘components’ (Mosley, 2011; Weishaupt, 2014).

Subnational PES entities may have the power to adjust or reframe the centrally designed policy programs to local circumstances. In the most extreme instances here, the subordinate units would enjoy the possibility to develop their own strategies. On the other end of the spectrum, local employment offices may have to fulfill centrally defined targets and priorities with no or limited flexibility. Secondly, a key element is whether local, regional (or both) units are free to allocate financial resources between budget lines for activation policy. Sub-national units of public employment services may have global budgets and, therefore, decide how to use their financial resources. In other countries, local and regional units may have limited or no budget flexibility (Mosley, 2011; Weishaupt, 2014). This article looks mainly at the level of administrative and financial decentralization of the sub-national public employment services. In the analysis section of the text, we will screen whether and possibly to what extent local and regional actors have a program, delivery, and budget flexibility.

Since labor market policy remains a national priority in the majority of countries, it requires national coordination. Horizontal coordination depends on a partnership approach and intensity and quality in the involvement of social partners. The work of coordination bodies and structures is crucial for the institutionalization of cross-policy field coordination and holistic governance, which, for instance, can create one-stop institutions at the local level (Dingeldey et al., 2017). Vertical coordination usually takes the form of performance management (or management by objectives — MBO) schemes (Weishaupt, 2014). The ministry of labor (or PES headquarters) sets overall goals and operational targets, which are then adjusted to local labor markets’ situations. Sub-national units have a varying degree of flexibility on how to achieve centrally agreed targets. We can distinguish two broad models of management by objective in Public Employment Services: the output or outcome-oriented model where performance is assessed against targets and the input-oriented model with more focus on controlling the adherence to detailed rules,

regulations, and procedures (Mosley, 2011). The first one mentioned above emphasizes ex-post coordination and control. It looks at whether subordinate units have accomplished the desired goals and whether it is necessary to conduct corrective actions. The typical elements of output-oriented coordination are objective setting, monitoring, evaluation, and sanctions (Verhoest et al., 2005). The second one emphasizes ex-ante coordination and control. It usually incorporates input measures such as level of spending or number of staff employed in local public employment services (Nunn, 2012).

Performance management is not the only coordination mechanism that we can find in public employment services. Building on public organization literature (i.e., Verhoest et al., 2007), we can conclude the persistence of a more traditional, i.e., structural coordination mechanism in the PES operations, which allows the head (or the ministry) to influence the decisions of the subordinate unit through strict hierarchical lines. Structural instruments include the possibility of a reshuffle of competencies and lines of control, conducting organizational mergers, splits, and other organizational measures.

Labor market policies and governance reforms in CEE Countries

During the 1990s, all the CEE countries changed their centralized, command economies to the free-market system. The transition came at a high cost as the whole region had to cope with an economic crisis, a severe decline of income, inflation, and an increase in unemployment. In response to the social problems, many countries developed initial policy responses, including, among others, unemployment benefit schemes and social assistance provisions. In the following years, we saw further development of social policy programs, and many scholars started to trace the emergence of new welfare states in Central and Eastern Europe (Aidukaite, 2010).

While there is a broad agreement that CEE countries share some common features like lower social protection expenditures than Western European countries, it is debatable whether they form a distinctive social policy model. Alfio Cerami defined the existence of the CEE welfare model on three elements: pre-communist legacy (Bismarckian social insurance), communist legacy (universalism, corporatism, and egalitarianism), and post-communist trajectory of reforms towards market-based schemes and solutions (Cerami, 2006). Tomasz Inglot revealed in his study that due to distinct and profound institutional and political legacies, Visegrad countries (Czech Republic, Hungary, Poland, Slovakia) developed heterogeneous social policy institutions, however with a strong Bismarckian characteristic (Inglot, 2008). In a more recent study, Kati Kuitto neglects the emergency of a single model CEE welfare state and provides information on differing hybrid models of social policies in post-communist countries (Kuitto, 2016). Although the main organizational feature of CEE welfare state regimes is their Bismarckian blueprint, the output of social policies differs in terms of the level of social protection. In general, CEE countries spend less than old member states of the EU. Still, some countries are even less generous, especially concerning the expenditures for unemployment benefits (i.e., Hungary, Lithuania, Poland, and Slovakia).

Markus Ahlborn, Joachim Ahrens and Rainer Schweickert demonstrated that Central and Eastern European countries' economic systems cluster into two broad groups (Ahlborn et al., 2016). The first one shares many common features (i.e., limited social spending and a relatively higher degree of inequality) with the liberal model and consists of six countries (Bulgaria, Estonia, Latvia, Lithuania, Romania, and Slovakia). The remaining four CEE countries (Czech Republic, Hungary, Poland, and Slovenia) share many institutional characteristics with the Continental model with a more generous social spending and focus on income equality.

Initially, the labor market policy consisted mainly of passive measures, including benefits for the unemployed and social security compensation, primarily for older workers (Deacon, 2000). Compared to the OECD countries, spending in labor market policies (especially in ALMP) in the CEE region was reasonably low through the 1990s and 2000s. The situation started to change after the accession to the EU; however, the following years revealed essential differences across countries, i.e., Poland in 2004 spent a share of its GDP that was three times higher than that spent by Latvia on ALMP.

All CEE countries have adopted measures similar to those in other OECD countries. However, when we look closer at those policy instruments, it turns out that they differed significantly in terms of benefit, coverage, and duration of their programs (Ribound et al., 2002). The ALMP consisted of various programs, including job search assistance and counseling, training for the unemployed, employment subsidies, direct job creation, and special programs for disadvantaged groups on long-term unemployed. Countries in the region had adopted similar organizational arrangements for LMP at the beginning of the 1990s, but the situation started to change in the following years. Nevertheless, we can trace both some common characteristics and across CEE countries regarding their ALMP.

The capacity of the Active Labor Policies system is moderate compared to Western European countries. The level of expenditures on placement and related services per unemployed person as a percentage of GDP per capita, which indicates staff levels and caseloads in the employment services was in 2018 shallow (i.e., the indicator's value was less than 1%) in five countries (Romania, Latvia, Bulgaria, Lithuania, Slovakia). PES capacity was moderate (less than 3%) in four countries (Poland, Slovenia, Hungary, and the Czech Republic) and only high in Estonia (3,5%) (Lauringson & Lüske, 2021).

In most CEE countries, public employment services have low or very low autonomy, with a government closely supervising and leading the majority of their task. In six countries, the PES is either a department of the ministry or forms a state agency fully managed by a ministry. Only in three countries PES have a tripartite management body, and therefore a medium level of autonomy.

The organizational model of public employment services remains also centralized in CEE region. Poland is the only country with sub-national PES (employment offices managed by the local and regional government) without a national coordinating agency.

Although we can acknowledge the essential characteristic of organizational models of Active Labor Policies in Central and Eastern European countries, we know less about the trajectory of their governance reforms, which started after the collapse of the communist

system. Thus, the dominant question is whether the institutional setups changed due to the activation of labor market policy, or their core features stayed relatively intact. In the old EU member states, the drive towards the activation of jobseekers produced profound institutional changes. For instance, in 2014 in Belgium, the regional PES received more power regarding the implementation of ALMP to raise their efficiency. Germany had even a more radical transition in the early 2000s marked by Hartz Commission reforms, which sought to make the German labor market more effective and labor administration more efficient (Finn & Peromingo, 2019).

To study governance changes in the CEE countries, we use the OECD typology of public employment organizational model, which will help us to track whether the major governance reform took place or not (for instance, from low to medium level of autonomy). Then, drawing on various materials, including legal acts, documents published by public employment services, expert reports, and others, we shall screen other possible changes, including decentralization and usage of coordination measures within a given organizational model.

Considering the ‘hybrid’ nature of CEEC’s social policies and different organizational settings of ALMPs, we decided to include three countries in our study. First, Latvia is an example of the liberal CEE model based on welfare state spending and income inequality indicators. At the same time, Latvia’s PES represents a low autonomy model, a standard in many countries in the region. Second, we decided to choose two Visegrad countries (Hungary and Poland). Although they share some standard features of the continental economic model, the two countries are very different in terms of their ALMP institutional systems, with very low (Hungary) and very high (Poland) PES autonomy.

Latvia

Latvia regained its independence in autumn 1991 and soon after implementing ‘standard’ transformation reforms, which consisted of introducing the market mechanism, the liberalization of prices, and eliminating government subsidies for consumer goods and services (Åslund & Dombrovskis, 2011). The rise of transformation unemployment lasted until 1996, when the rate of unemployment reached the historical level of 20 percent, and then the situation improved gradually through the next twelve years. The financial and economic crisis of 2007–2008 had a severe impact on the Latvian economy, leading to recession and worsening the situation on the labor market. The unemployment rate rose from 2008 for three consecutive years and peaked again to almost 20 percent in 2010. As the economic recovery has strengthened over the last years, Latvia has seen improvements in the unemployment rate, which stood at 7.41 percent by 2018. As shown in Table 1., Latvia, as the majority of OECD countries in the period 2004–2018, continued to spend the highest percentage of its labor market policy budget on unemployment benefits. The expenditures on labor policy were relatively modest throughout the period, except for 2009–2010 when the number of jobseekers claimants rose dramatically. As far as active measures are concerned, we can see some improvements after 2004 when Latvia

joined the EU and started participating in the European Social Fund-sponsored programs. However, it seems that ‘activation turn’ hardly took place in Latvia as the budget of active labor programs stayed on a low level of merely 0.18 percent of GDP in 2018.

In 1991, the Latvian government established the State Employment Service, a civil office under the supervision of the Ministry of Welfare (State Employment Agency (SEA), 2021b). The main goal of the service was to reduce unemployment, support the unemployed and the job seekers. The 1999 reform strengthened the organizational unity of the PES. The government transformed the public employment service into a non-profit association State joint-stock company State Employment Service (the holder of State capital share was the Ministry of Welfare). In October 2003, the government again changed the State joint-stock company into the State Employment Agency, a direct administrative authority. Since 2007, Agency is a part of the government civil service institutions and stays under the close supervision of the ministry of welfare (State Employment Agency (SEA), 2021b). We can see that the public employment service in Latvia enjoys internal integrity and is accountable to the central government. The Support for Unemployed Persons and Persons Seeking Employment Law Act from 2002 stipulates only the Agency’s generic tasks. The status of the State Employment Agency is specified in government regulations and can be easily amended when necessary.

The PES organization of Latvia has only two levels: a central body and 28 regional offices, whose managers are subject and accountable to the central management (Kalvāne, 2015). Decentralization is limited, as the financial management, planning, including the design of strategies and targeting, and supporting functions (i.e., accounting, personnel management, and others) are restricted to the head office. The Latvian PES is governed through management by objectives. The ministry sets out policy goals to be implemented by the SEA (State Employment Agency (SEA), 2021a). In 2018 these goals covered improving the transition of the long-term unemployed to employment and supporting people with disabilities in the labor market (State Employment Agency (SEA) [Nodarbinātības valsts aģentūra], 2019). Based on the goals set, the Agency director determines an annual plan for their implementation and raises assignments for local employment offices. Within regional offices, goals for individual staff members are set up, and performance is assessed quarterly (OECD, 2019). Based on the goals set for employees, priorities for local employment offices are integrated into sets of targets that reflect SEA objectives. Indicators for evaluating the performance of regional offices include a share of unemployed and job seekers engaged in active labor market programs, participation of long-term unemployed in ALMP, and the transition of ALMP participants in employment (Kalvāne, 2015). In setting targets for local offices, differences between regions and the characteristics of the unemployed are taken into account (OECD, 2019). Since the organizational structure of the Public Employment Service is centralized, the structural coordination through influencing the local employment decisions via hierarchical lines towards head office also takes place.

Hungary

Hungary was a unique country in the region, as the communist party had started economic reforms before the socialist system collapsed (Židek, 2014). After the parliamentary elections in spring 1990, the first government not dominated by Communists continued gradual reforms. The country did not avoid the transformation recession, and unemployment rose to 11% in 1993 and started to decline soon after. However, the unemployment rate in Hungary was low compared to most countries in the region, especially Poland. Unemployment increased again due to the 2008–2010 crisis, reaching 11 percent of the labor force.

Hungary's expenditures on LMP were below an average level among OECD countries (Table 1). They were equal to 0.46 percent of GDP in 2004 and stayed reasonably stable until 2018, except for 2009–2010, in which the expenditures amounted to 0.66 percent of the country's GDP. The size of spending on active and passive measures was similar when the country joined European Union, but in 2012, the former exceeded the latter and stayed on until now. It means that, at least in quantitative terms, the 'active turn' did take place. However, expenditures stayed on relatively low level compared to the OECD average.

Table 1. Spending on Labor Market Policies as a percentage of GDP

	Type of LMP	Spending on LMP							
		2004	2006	2008	2010	2012	2014	2016	2018
Hungary	ALMP	0.23	0.24	0.22	0.31	0.24	0.36	0.36	0.31
	PLMP	0.23	0.21	0.18	0.35	0.23	0.22	0.18	0.14
Latvia	ALMP	0.12	0.24	0.12	0.56	0.23	0.19	0.19	0.18
	PLMP	0.36	0.27	0.33	0.7	0.26	0.36	0.44	0.4
Poland	ALMP	0.36	0.45	0.55	0.68	0.43	0.48	0.44	0.36
	PLMP	1.01	0.7	0.35	0.34	0.32	0.31	0.24	0.15
OECD Countries	ALMP	0.52	0.49	0.45	0.58	0.52	0.53	0.52	0.48
	PLMP	0.85	0.72	0.65	0.96	0.88	0.83	0.74	0.64

Source: OECD. (2021).

The origins of Hungarian contemporary public employment service lay in the communist period. In 1984 the government established the State Wage and Labor Office with subordinate regional units (i.e., employment county councils and local offices) in a uniform national agency logic (however, without the legal status of agency) (Györgyi, 2018). The communist government took out employment services from the general public administration; therefore, the level of specialization was high, and these organizational arrangements survived the change of economic system. In 1991, the new employment

act upheld the three-level structure, which consisted of the National Labor Centre (the national tier), the capital, and twenty county centers that formed the regional level and 183 local offices. The county centers and local offices functioned within a single organizational system (but never as a single legal person) under the management of the NLC (Györgyi, 2018). The ministry of labor provided financial resources for the PES operations.

In 1997, the government limited the autonomy of the public employment service. The ministry of labor took over the management of the PES, which has stayed within the general public administration ever since. The PES head office that operated under different names at the beginning of the 2000s was subordinate to the cabinet ministers. Later on, the government made several further amendments in public employment services organization, including, among others, the institutional merger with occupational safety offices and swings concerning the affiliation to the different ministries within the government.

The complete integration of the PES into the general administrative structure took place in 2011. Four years later, the reforms abolished the head office (the National Labor Office) and subordinated the public employment services to different government departments (*Hungary: Closure of national employment office | Eurofound*, n.d.). The Ministry of National Economy supervised the core functions of the PES. At the same time, the Ministry of Interior governed the public works schemes, and the Ministry of Human Capacities controlled occupational rehabilitation services (the ministry responsible for interior affairs took over later on the responsibility for the social inclusion). These reforms produced a complicated situation in which strategic management was divided between the different government departments without good liaison, which indicated low horizontal specialization. What is more, the supervision and management control of the line ministries over the PES network was weakened by the fact that the Prime Minister's Office controlled the human resources and infrastructure of the PES network.

Viktor Orbán's government (in power since 2010) carried out reforms of the territorial organization of labor administration. The 2011 reform amalgamated the county labor centers and 170 branch offices with county general government offices. Since 2015 the National Employment Service (the new label of Hungarian PES) has been fully integrated into the general government offices both at the county (NUTS3) and micro-region (district level) (ICON Institut Public Sector GmbH, 2015). One-stop shops deliver various active labor market programs and overall support of the unemployed at the grass-roots level by 172 district employment offices, which marks the administrative decentralization. However, the program and financial decentralization are limited as the PES governance structure is highly centralized with a strong power of the prime minister's office and governmental departments. The financial resources for PES come from the (contribution-based) Nation Employment Fund. The subordinate units had no budget flexibility as they cannot move financial resources between the budget lines. The program decentralization is limited as local units were only consulted on the scope of national programs, and they have no power to design their strategies (Weishaupt, 2014).

Since 2015 the National Employment Service has developed a complicated vertical coordination system that consists of both, i.e., structural and performance management instruments. The district PES units report to the employment department of the county-level offices, but the head of the government at the district level employs their staff. The status of county-level offices is again complex as the government commissioners of counties employ their team, but the head of department reports to the three different government departments (ICON Institut Public Sector GmbH, 2015). The district PES offices are in close cooperation with regional and central management. There are regular reporting and control mechanisms between district and county and between the county and central level on general performance (related to financial/input and output targets) (ICON Institut Public Sector GmbH, 2015). By 2018 the coordination of the active labor policies was fragmented. The part of ALMP measures that the Ministry for National Economy supervised was based on input indicators and targets negotiated between the region (county) and the ministry. On the other hand, the Ministry of Interior that oversaw the public work schemes relied more on top-down input targets.

Poland

One of the underlying principles of Polish social policy in the communist times was full employment. The participation rates were much higher throughout the whole period than in capitalist countries. The communist economy suffered from a chronic, recurrent labor shortage, threatening the centrally planned economic goals (Kornai, 1992). Job placement remained the primary labor market policy tool since the late 1940s. Labor administration was a part of the communist state bureaucracy. It worked with publicly funded companies and schools using mainly administrative job brokerage measures. Official unemployment of the registered kind was absent, and as a consequence, the unemployment benefit (although the unofficial unemployment has not disappeared).

In 1990, the first post-communist government of Tadeusz Mazowiecki initiated reforms, which rapidly converted the central planning economic model into a free-market system. After introducing the reforms, the situation in the labor market changed abruptly, and the number of claimants registered in the labor offices rose from nothing to 1.2 million in December 1990 and then doubled through the following year. The rise of transformation unemployment lasted until mid-1990s, when the harmonized ILO unemployment rate reached level of 16 percent in 1993. In late 1990s and at the beginning of the 2000s, Polish labor market suffered from stagnation resulting from the Russian financial crisis in 1997 and a subsequent economic slowdown. The situation quickly improved after 2004 due to economic growth after the EU accession and thanks to the labor migration. As shown in Table 1., Poland, as the majority of OECD countries in the beginning of the 2000s, has spent the highest percentage of its labor market policy budget on unemployment benefits. However, the expenditures on labor policy were higher than in Latvia and Hungary. As far as active measures are concerned, we can see substantial improvements after 2004 when

Poland joined the EU. Since 2008, the size of spending on active measures has exceeded the budget of passive programs and stayed on until now.

The state response to the transformation unemployment was quick. The Act on Employment of 1989 (entered into force on January 1, 1990) established the labor administration, registering claimants and paying out the unemployment benefit. The labor administration was a part of the employment and social affairs departments of regional and provincial offices operating since communist times and, therefore, a general state administration. In 1991, the parliament passed a new law (the Employment and Unemployment Act) that changed the PES status to a specific governmental labor administration, which acted in agency-like logic. The Public Employment Services formed a three-level system in which national headquarters coordinated subordinate regional and district labor offices through strict lines of structural control. As we can see, the 1991 reform increased the level of vertical specialization, and the solutions adopted in Poland were similar to those existing at that time in Latvia and Hungary. District offices dealt with registration of the unemployed, payment of benefits, job placement, and implementation of active labor market programs (the latter were limited at that time mainly due to the lack of sufficient financial resources).

The 1998–2000 reform delegated responsibility for labor market policy to regional and local self-government administration. It was a part of a broad decentralization reform of a state. From 1999 a new administrative system includes three authority levels: communal (*gmina*), county (*powiat*), and regional (*voivodship*). Since decentralization, labor market policy has been implemented through 16 *voivodship* labor offices and 340 *powiat* labor offices. The minister of labor coordinates the public employment services at all levels. In practice, the governmental coordination proved to be complex as each territorial level is autonomous with no hierarchical relationship (Kaluźná, 2009). The Marshal (board chairman) of the *voivodship* self-government director employs the director of the regional labor office. The mayor (again, board chairman) of the *powiat* self-government appoints the director of the county labor office. The changes introduced in 1999 brought a comprehensive reform of the public employment services in Poland. A horizontal system has emerged in place of vertical accountability, contributing to the fragmentation of regional and local labor market policies (Baron-Wiaterek, 2008). The system shift was stable as amendments that came into force in the following years, including the adoption of a new law in 2004 (act on the promotion of employment and labor market institutions) did not change the core characteristics of the PES organization.

Since 1999, Poland represents a decentralized model of the labor market. Administrative decentralization occurs as county labor offices took responsibility for the organization, management, and implementation of the active labor market policies. They register the unemployed and job seekers, initiate and organize labor market services and instruments, and grant unemployment-related benefits. There are national regulations on the eligibility criteria for active labor policy are. However, local labor administration enjoys the discretionary power to choose between different policy instruments in specific target groups, including the tailor-made ‘individual plans’ for long-term unemployed.

The LMPs financing comes from the central contribution-based Labor Fund, but local units are relatively free to allocate financial resources between budget lines. Program decentralization also occurs as *poviat* labor offices design their strategies of employment promotion and activation of the labor market. Vertical coordination consists of both the standardization of labor market services and input-oriented financial planning. However, since 2014, the allocation of funds among local labor offices partially depends on the effectiveness of the ALMP. In the same year, the amendment to the promotion of employment and labor market institutions act introduced regional programs that slightly strengthened the coordination of labor market policy at the *voivodship* tier.

Summary

Various studies show that labor market policies had differed across the CEE countries before they acceded to the EU and stayed diverse until now (Csillag et al., 2013; Ribound et al., 2002). However, many scholars confirm that European integration accelerated the labor market reforms in the 2000s and, in general terms, shifted LMPs from more passive-oriented to more active measures (Mailand, 2008). The last one is only partially confirmed by quantitative data. Overall expenditure on labor market policy usually rises when the unemployment rate (and the number of claimants) is high, as it happened in the early 1990s due to the transformation recession and in the economic crisis 2008–2010. Both unemployment benefits and active measures in the CEE countries are financed from the same funds. When unemployment increased, and the fund was on the same level, fewer financial resources remained for active programs. However, spending on active labor market policies was supported after 2004 thanks to the European Social Fund. The Central and Eastern European countries used the ESF to increase the labor market participation rate, reduce structural unemployment, promote lifelong learning, social inclusion, and combat poverty. These were consistent with the European Employment Strategy and its employability approach (Raveaud, 2007). As a result, Europeanisation has contributed to relative shifts from passive to active labor market policies in the CEEC and, in general terms, supported the paradigm of activation.

The public employment services remained the critical instrument for the implementation of employment policies.

In Latvia, Hungary, and Poland, the growth of unemployment produced similar policy responses at the beginning of the transformation. Governments set up specialized labor administrations, where territorial units were linked to the national public employment services headquarters through strict vertical lines of control and accountability. This system solution was in use until the late 1990s, when crucial institutional reforms took place. In Hungary government limited the autonomy of the public employment service and took over the management of the PES in 2015. In Poland, decentralization resulted in the municipalization of the PES, which came into force in 1999 and was accomplished in 2002. In the two countries, the core governance structure has not changed since then.

We can notice here that in all three countries at the beginning of the transition, national PES were not directly part of ministries responsible for labor affairs but were fully managed by ministries. Therefore, they had a low degree of autonomy. This situation has not changed in Latvia, where PES operated as a state agency or an executive agency under the control of the government through the whole period. However, in the case of Hungary, we can find one major policy shift from a low to very low autonomy, which was marked by the abolition of the National Labor Office in 2015 and the dispersal of its power and responsibilities to different ministries within the government. On the other hand, in Poland, we can distinguish two significant policy changes. In the first wave of reform, decentralization came into force, but the National Labor Office (*Krajowy Urząd Pracy*) coordinated an employment policy. Therefore, it was a shift from a low to a high degree of autonomy. In 2002, the National Labour Office was abolished, and since then, Poland has had sub-national PES with no national coordinating agency (a very high degree of autonomy).

The rationale for this policy shifts was different from policy changes in Western European countries. In Germany, the restructuring of the Federal Employment Agency came into force due to the reforming labor market and social welfare system (Hartz reforms, 2003–2005). In the UK, establishing the Jobcentre Plus in 2001–2003 and its subsequent amendments were part of the broad welfare reforms within the activation paradigm. Contrary to the countries mentioned above, reforming national public employment services was overshadowed by the general changes of the public administration aiming at centralization reinforced by financial constraints (Hungary) (Ágh, 2013) and reforms of the territorial government system (Poland). In this last country, the reform was an element of decentralization driven by a reluctance to the previous overly centralized system (Mosley, 2011). The situation in Latvia was different as in the beginning, the national PES took shape of the agency model and have stayed still until now.

When the general models of the public employment service have been set up in three countries covered in this paper, they determined the scope of reforms carried out in subsequent years. In Latvia, the agency model allowed the implementation of the performance management with the system of input and output-oriented benchmark targets. In Hungary, subordination of the PES to the central government resulted in vast structural reforms. The managerial mergers, reshuffling of competencies, and centralization are here the standard features of reforms. In Poland, the constitutional principles of self-government and subsidiarity gave the government less room for structural reforms. The amendments to the employment act were frequent, but they presented fairly minor changes to the existing system. In 2014, the government attempted to strengthen the vertical coordination at the regional level.

Decentralization remains a relatively stable feature of the public employment services in the three countries. The subordinate units performed their actions mainly at normative regions and microregions and stayed intact for years. In turn, the reforms aiming at improving both vertical and horizontal coordination of the public employment services are the main features of recent changes. The main challenge is to reconcile local flexibility with the proper level of coordination and control.

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