

Network on Fiscal Relations across levels of government:

Item VI. Productivity, jobs and decentralization
book on Changing labour market

April 21, 2023

- ⇒ The subject – and NFR
- ⇒ Copenhagen workshops?
- ⇒ New book: 4 headlines
- ⇒ Main findings from productivity study
- ⇒ Future work?

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The subject – and Network on Fiscal Relations

Employment policy as a national or local responsibility?

- Activation and job placement: a service with spillovers/externalities across jurisdictions, dependent on activity levels, closely related to (municipal) social assistance programs
- Income transfers and public welfare: related to activation as well as (national) distribution policy



Different assignment of tasks across levels and jurisdictions, i.e. often asymmetric or 'quasi' -decentralization

Copenhagen workshops

=> From 2005 every 2nd or 3rd year with 10 - 15 participants from OECD - countries and OECD - org. Collaboration between ministries/research institutions in Korea and Denmark

=> Traditional fiscal federalism issues complementary to NFR's analysis

⇒ Six workshops:

- **2007: Measuring local government expenditure needs**
- **2009: General grants versus earmarked grants**
- **2011: Balance between decentralization and merit**
- **2013: Interaction between local expenditure responsibilities and local tax policy**
- **2015: Decentralisation of education, health and social protection**
- **2018: Changing labour market and the role of subnational governments**

New book and introduction : four headlines

- ⇒ 4 single - country studies (Germany, Sweden, UK, Denmark)
- ⇒ 2 cross country OECD - investigations
- ⇒ Changing labour markets these years

Headlines:

- *The content of decentralization* - meaning in the area of labour market policy
- *Subnational governments ' role in ALMP* – active versus passive periods, experiments
- *Financial issues* – equalization, reimbursements and incentives
- *Asymmetric decentralization* – Pareto improving?

Chapter 1 on productivity , jobs and decentralisation (1): some main findings

Some 'stylized facts' of fiscal decentralisation :

- 1) Decentralisation of spending without revenue: tends to lower employment and growth
- 2) Decentralisation of revenues in isolation: associated with job gains and regional growth



=> Recommendation to balance decentralisation

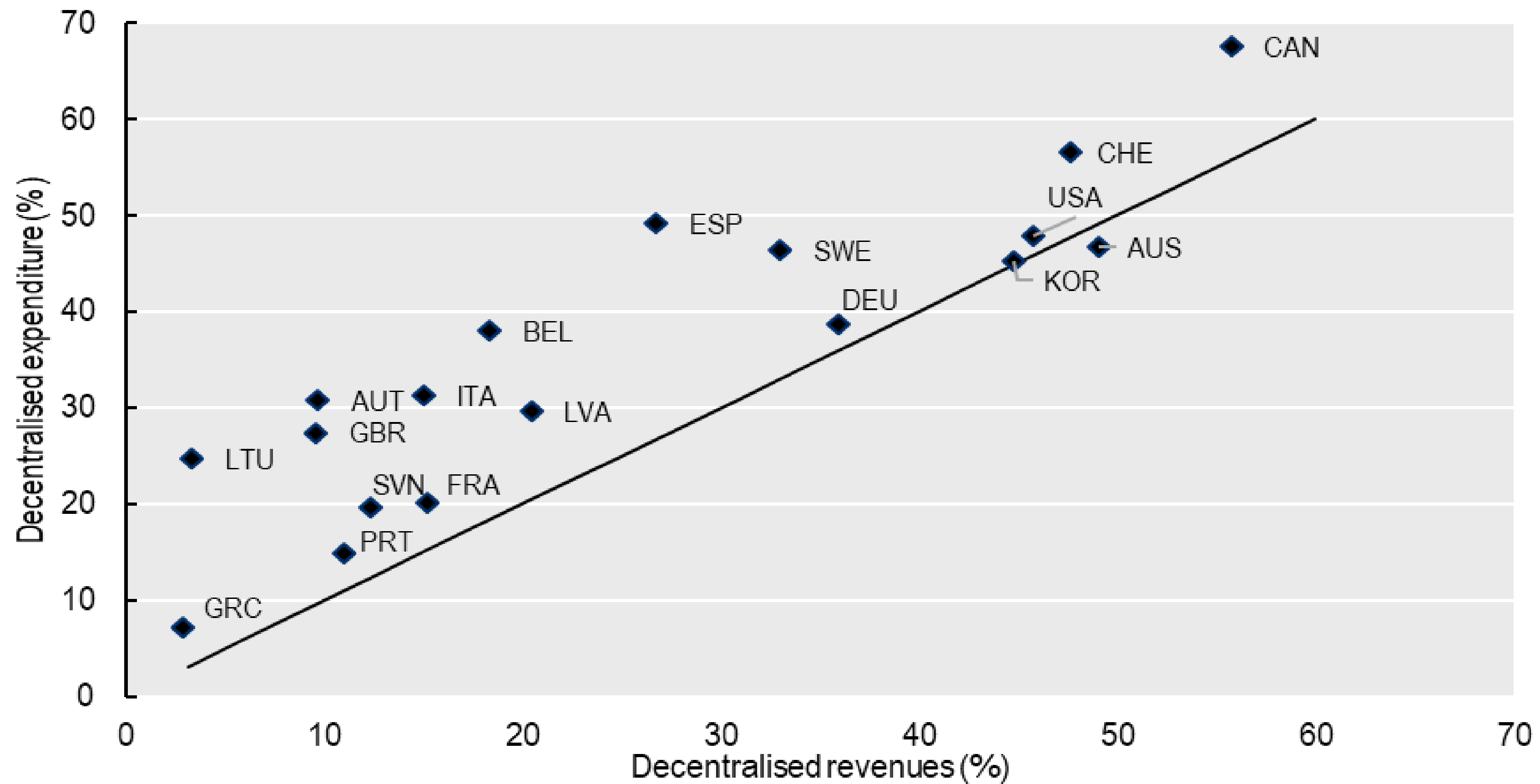
Empirical TL2 - regional studies of globalization and open economies show:

- a) reduce possible negative effects on growth from isolated spending decentralization
- b) reduce possible positive effects on growth from isolated revenue decentralization



**=> Net effects: globalization tends to lower disadvantages of vertical fiscal imbalances
(=>figure)**

Chapter on productivity , jobs and decentralisation (2): *Fig. 1.1. Country-level share of decentralised revenues and share of decentralised expenditure*



Source: Fiscal Decentralisations database. Average 2014 -2019