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**Management by Objectives in European
Public Employment Services**

Hugh Mosley, Holger Schütz, Nicole Breyer

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Abstract

This paper surveys and compares national experience with performance management in European public employment services (PES) in the form of 'management by objectives' (MBO). Part I of this paper reviews the relevant performance management literature and defines key terms. Part II presents the results of a stocktaking survey of the use of operational objectives, performance indicators, benchmarking and related managerial practices in all 15 EU Member States and Norway. Part III reports the results of a comparative analysis and more in-depth assessment of national experience with management by objectives in Austria, France, Great Britain, and Sweden. Part IV summarizes principal findings and presents main conclusions. Ten of the eighteen PES organizations surveyed were found to use management by objectives: Austria, Denmark, the Flanders regional PES (VDAB) in Belgium, France, Germany, Great Britain, Finland, the Netherlands, Norway, and Sweden. In summary, the impact of MBO-systems depends strongly on design and implementation features. If based on principles of 'good-practice', MBO can improve the efficiency and effectiveness of PES operations.

Zusammenfassung

In diesem Papier wird eine Bestandsaufnahme zu Verbreitung und Praxis der Zielsteuerung (*Management by Objectives*, MBO) in europäischen Arbeitsverwaltungen vorgelegt. Teil I rekapituliert die relevante Forschungsliteratur und entwirft einen analytischen Bezugsrahmen. In Teil II wird ein empirischer Überblick zur Steuerung mittels Zielen und Indikatoren in europäischen Arbeitsverwaltungen gegeben. Unter 18 Arbeitsverwaltungen sind Zielsteuerungsansätze für die zehn Länder Dänemark, Deutschland, Finnland, Flandern (VDAB), Frankreich, Großbritannien, Niederlande, Norwegen, Österreich, und Schweden nachzuweisen. Teil III vergleicht vertiefend die Managementansätzen in den Arbeitsverwaltungen Österreichs, Großbritanniens, Frankreichs und Schwedens. Für den Erfolg (oder Mißerfolg) der Zielsteuerung sind Design- und Implementationsfaktoren entscheidend. Wenn Prinzipien 'guter Praxis' beachtet werden, kann die Effektivität und Effizienz der Arbeitsverwaltung mittels MBO gesteigert werden.

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Executive Summary

This paper surveys and compares national experience with performance management in European public employment services in the form of 'management by objectives' (MBO). Part I of this paper reviews the relevant performance management literature and defines key terms. Part II presents the results of a stocktaking survey of the use of operational objectives, performance indicators, benchmarking and related managerial practices in all 15 Member States and Norway. Part III reports the results of a comparative analysis and more in-depth assessment of national experience with management by objectives in Austria, France, Great Britain, and Sweden. Part IV summarizes principal findings and presents main conclusions.

Use of management by objectives in some form is widespread in EU public employment service organizations. This is a consequence, in the first instance, of the dissemination of performance management in the public sector in the 1980s and 1990s. The spread of management by objective has also been promoted by European employment policy, which since 1998 requires Member States to submit annual 'national action plans' that document and measure progress toward achievement of the EU's employment policy guidelines. Ten of the eighteen PES organizations surveyed were found to use management by objectives: Austria, Denmark, the Flanders regional PES (VDAB) in Belgium, France, Germany, Great Britain, Finland, the Netherlands, Norway, and Sweden. This classification is based on two core criteria: 1) ex ante setting of goals, operational objectives and quantitative performance targets; 2) measuring and reporting the actual level of performance of operating units against these objectives. Four other PES organizations, Spain, Portugal, Ireland and the Walloon regional PES (FOREM) in Belgium, have adopted elements of MBO, however use of ex ante quantitative targets is selective and/or there is no clear evidence that they actually play a central role in steering and controlling the performance of PES operating units.

Our study generally confirms the observations in the performance management literature on different prerequisites and pitfalls of successful MBO. First, the commitment of PES top management and government was found to be important for MBO success. In most cases the introduction of MBO in the PES was part of a broader commitment at the governmental level to modernization of the public sector. The existence of a strong central controlling unit has also proved to be an important condition for the success of MBO. Another is the necessary 'relative autonomy' of the PES from the ministerial level. In the case studies this relationship ranged from tight ministerial control (e.g. the UK) to considerable independence in the implementation of broad policy guidelines (e.g. Austria). In all the case study countries there was evidence for what we have termed 'principal' (i.e. in contrast to 'agent') problems. For

instance, there were several examples of government failure to agree some or all of the annual targets in a timely manner. Moreover, ad hoc interventions during the course of an annual agreement have repeatedly been disruptive for PES operations. These shortcomings in the practice of MBO are coped with pragmatically by experienced PES organizations; nevertheless they may at some point undermine its credibility and effectiveness.

MBO is inconsistent with the high density of generally binding rules and regulations characteristic of traditional public administration. But management by rules still plays an important role in some types of specialized and highly regulated PES operations, for example, the administration of unemployment benefits in several countries. In this case there is not necessarily a conflict between MBO and rule-oriented administration, since timely and accurate administration of benefit entitlements can be an additional operational objective.

MBO entails costs as well as benefits, including the establishment of new types of organizational structures. In the first place it requires a major investment of time and organizational resources in an adequate management information and controlling system, although the technical standards of modern information technology facilitate the collection and processing of data, implying lower costs and less red tape than would have been the case in the past.

The relationship between classical management by objectives and quality management deserves special attention. Above all, the emphasis on quality management is an important response to the perceived shortcoming in the original quantitative emphasis in MBO systems (e.g. in Norway), and hence a useful complement to management by objectives. On the other hand, insofar as quality management relies mainly or only on detailed prescriptions of service standards and internal processes, it tends to standardize PES service delivery, which may impede local quality improvements and approaches more suitable to local needs.

Design features of goals, operational objectives and performance indicators are critical for the smooth functioning of MBO-type PES management systems. PES organizations with MBO-type systems use a moderate number of operational objectives and targets (typically 8-10), which is consistent with the theoretical model of MBO in the literature. But one of the main practical problems of MBO implementation in PES organisations proved to be the development of good performance indicators. In addition to shortcomings in data availability, many countries reported problems finding easy-to-measure and understandable performance indicators for organizational objectives.

Another key concern is the 'right' level of quantitative target levels. The general consensus is that targets should be 'stretching', i.e. challenging, but still realistic. In countries with more hierarchical management styles national targets are allocated to the regional level in a top-down fashion based on some combination of formulae and

bargaining. In other PES management systems with a more decentralized style, regional and local offices play a much stronger role in the setting of target levels.

The appropriate time frame is another critical design feature of MBO. Our findings suggest that a combination of medium-term and annual planning in which annual operational objectives are agreed on the basis of medium-term goals is the most practicable solution for reconciling the need for strategic planning with short-term flexibility.

Under the heading of 'decentralization and policy discretion', two clearly different models of PES performance management could be identified: the more centralized and hierarchical agency model and the more decentralized self-administration model. Based on the evidence we have examined, neither the more centralized agency model nor the more decentralised labour market authority model can be regarded as being inherently superior. What is clear, however, is that the features of the two different model types cannot be arbitrarily combined. Moreover, the choice of a PES performance management must be compatible with the broader institutional context, for example, the style of public administration, existing patterns of decentralization in state institutions, and the role of the social partners in policy-making.

Agency problems, especially moral hazard, are endemic to the performance management approach with its strong emphasis on achieving quantitative targets. Evidence from our case studies suggests that there is a strong incentive for 'street level' programme managers to find a practical solution to get the 'numbers' that are 'needed'. A high degree of staff acceptance of the performance management targets seems to be one of the best remedies against such opportunistic behaviour.

In summary, MBO can improve the efficiency and effectiveness of PES operations. It should, however, be based on principles of 'good-practice' and avoid typical pitfalls. In light of our evidence, good MBO practice includes:

- Use of a limited number of clear and understandable targets
- Providing employee participation to guarantee the commitment of regional and local PES staff to the performance management system
- Reduction in the density and complexity of administrative rules and directives
- A reliable, flexible, and 'real-time' management information system for monitoring progress toward targets
- Fair and transparent procedures for assessing and rewarding performance
- Complementary quality management approaches.

Introduction

This report surveys and compares national experience with operational targets and performance indicators in the management of European public employment services. Experience with these management tools is described and analysed within the broader context of new forms of 'performance management' in the public sector of which they are a part. Particular attention is given to 'management by objectives' (MBO), which is the element of performance management most closely related to the use of operational objectives and performance indicators. Since the late 1980s there has been a new surge of interest in this management approach in the context of the international trend towards public sector reform ('New Public Management') (OECD 1993ff).

Among European public employment services, Sweden and Norway are the countries with longest experience with operational objectives and performance indicators in the context of MBO-systems, which were first introduced in the mid-1980s (Niklasson and Tomsmark 1997; Delander 1991; Naschold and Arnkil 1997). In the 1990s the use of this type of performance management in European PES organizations has become more widespread. The practical purpose of this project is to facilitate exchange of experience between PES organizations and to examine the potential usefulness of this form of performance management about which no comprehensive information and very few comparative studies are available.¹

This report is divided into three principal parts:

In Part I ('Conceptual Framework and Research Design') the broader theoretical context of performance management is discussed and key terms are defined. Principal attention is given to management by objectives (MBO). An analytical model of MBO is developed and the role of operational objectives and performance indicators in this system of performance management is described and analysed. On the basis of the existing literature, a typology of the potential functional problems related to the use of operational objectives and performance indicators is developed. This theoretical discussion serves as a basis for developing specific research hypotheses and an empirical survey instrument.

Part II ('Synoptic Survey of National Experience with Operational Objectives and Performance Indicators') presents the results of a stocktaking survey of the use of

¹ Niklasson and Tomsmark (1997) examined experience with performance management in public employment services in Sweden, Finland and Norway in the early 1990s, is the only comparative study of which we are aware.

operational objectives, performance indicators, benchmarking and related managerial practices in all 15 Member States and Norway based primarily on a questionnaire submitted to all PES organizations, documentary sources, telephone interviews, and local consultants. It focuses in particular on:

- PES policy goals, operational targets and performance indicators adopted and their level of application (national, regional, job office);
- The process by which these targets and indicators are defined;
- The monitoring system for measuring progress toward the operational targets in terms of the agreed performance indicators;
- The assessment of the performance of regional PES operating units on basis of the agreed performance indicators and monitoring system;
- The consequences of under- or over-performance for organizational units (budgets, salaries etc.).

Part III 'Country Case Studies' reports the results of a comparative analysis and an in-depth assessment of selected aspects of this approach to PES management and benchmarking in selected countries with more experience that might provide policy models and transferable knowledge for other PES organizations. This part of the report is based on more intensive case studies of PES management practices based on field interviews with PES personnel, national experts, and analysis of secondary sources. This two-step approach reflects the very uneven development of experience with MBO, performance indicators, and benchmarking in European PES organizations.

Part IV summarizes principal findings and presents main conclusions and recommendations.

Part I: Conceptual Framework and Research Design

1. Basic concepts and definitions of performance management

Management by objectives (or 'Management by results'), 'controlling', 'benchmarking', and quality management are the most well known performance management approaches. Unfortunately, the particular meaning or interpretation of these catchy management phrases is not always clear.²

First, management by objectives (MBO) is a management system led by quantified targets; its aim is continuous performance improvement. It puts emphasis on ex ante formulation of explicit operational objectives and ex post measurement of outputs and outcomes. The practical principles of MBO consist, in a nutshell, of target setting, decentralised operationalisation and implementation, monitoring of (ongoing and final) results, and practical conclusions based on a final performance assessment.

Let us briefly discuss these basic elements of MBO:

Setting of goals, operational objectives and performance indicators: First step of the management cycle is the establishment of clear goals, ex ante operational objectives (targets) and the development of corresponding performance indicators that measure the extent to which these targets have been achieved. Goals define the main thrust and direction of its activities in order to fulfil the 'mission' in a medium-term or long-term perspective, and are usually not quantified. By contrast objectives (or targets) lay down performance expectations or benchmarks in a given time frame and are usually quantitative. Performance indicators specify how achievement of these objectives is to be measured.

Decentralised implementation (delegation and policy discretion): Delegation and enhanced policy discretion - particularly at the implementation level - are also key features of MBO. In the model of management by objectives there is a low density of generally binding rules and procedures as steering instruments and operating units at subordinate levels of the organization (e.g. regional and local levels) should be free to allocate resources flexibly between budget items, to vary their policy mix, and even programme design features (e.g. eligibility requirements, implementation structures). In contrast to traditional bureaucratic administration, the emphasis is on outputs rather than on controlling inputs and adherence to rules.

² Mali 1986 provides the best overview on MBO; a review of different notions of benchmarking is given in Schütz et al 1998; the 'classic' benchmarking study remains Camp 1989; see Weber 1994 and Hoffjan 1998 on controlling.

Monitoring of performance targets: Management by objectives requires sophisticated management information systems that regularly measure the progress of indicators toward agreed objectives as a basis for assessing overall organizational performance and that of individual operating units. Besides providing the information for regular reviews, 'real-time' monitoring enables managers moreover to intervene immediately in case of under-performance (i.e. stronger deviations from the 'target track').

Performance assessment: Apart from regular reviews in the course of monitoring, a final performance review at the end of a (annual) management period is another important ideal-typical component of MBO. At this stage the final performance of the operative units will be assessed by the superior level, i.e. as a rule the top management within an organizational context. Depending on MBO-type (see Mali 1986: 140), the performance results may be intensively discussed between the different levels; but it might also be the case in more hierarchical organizations that performance assessment is simply based on written information and data from the Management Information System. In a similar vein, assessment would - in an ideal-type model - entail rewards and sanctions for good or bad results, but organizational practice varies considerably in this regard.

New policy cycle: On grounds of the assessment or evaluation, policy goals, operational targets and performance indicators will be redefined or adjusted. In other words, these practical conclusions and consequences represent the beginning of a new planning cycle.

Second, controlling of which there are a number of different definitions and types in the literature. However, in our view, controlling, should be understood as a management concept of which the core meaning is the co-ordination of partial or separated management functions rather than guaranteeing the fulfilment of one particular management target. Conceived in this way, controlling can be usefully distinguished from the MBO approach. The aim of controlling is the (continuous) maintenance of information processing necessary to perform the goal functions of the entire system, which will be achieved through co-ordination instruments and methods. In this context, the functions of 'system-building' and 'system-coupling' controlling are typically distinguished (Weber 1994: 39; Horváth 1994). The system-building function concerns the establishment of the necessary conditions for the co-ordination of the management functions. The set-up, organizational planning and the linkage of partial management systems and functions are typical for 'system building'. 'System coupling', by contrast, addresses rather the solving of concrete and specific co-ordination tasks that may arise due to changes or 'disturbances' of the environment. Such concrete problem solving of 'system-coupling controlling' may include, for instance, co-ordination through plans, programmes, or also personal communication devices (Hoffjan 1998: 65; Weber 1994: 40).

Finally, benchmarking is in our understanding an evaluative approach to analysis and management in which empirical performance indicators for organizations are analysed and compared with the explicit aim of performance improvement through organizational learning (Schütz et al. 1998). In practical terms, benchmarking entails: (1) an analytical stocktaking to explain performance gaps between organizational units and identify best practice; (2) the translation of the results of this analysis into practical consequences for performance management in terms of performance targets to be achieved (quantitative and/or qualitative 'benchmarks'). 'Best practice-benchmarking' is the most famous variant of this approach.

Controlling and MBO are rather 'pure' management approaches, whereas benchmarking has by definition a stronger analytical component. Furthermore, the emphasis of controlling approaches lies on satisfying co-ordination needs to achieve certain aims, which may include different types of instruments and implementation models, whereas MBO is much more focussed on a specific implementation model based on target levels and indicators; co-ordination is not explicitly stressed in the MBO 'philosophy'. Moreover, benchmarking is a comparative approach, which is not always the case for MBO³ and plays no important role for controlling. In general, the conceptual framework of benchmarking and controlling includes a wider scope of themes and issues than the more 'targeted' concept of MBO. However, operative management variants of benchmarking and controlling apply often the MBO cycle of goal/target definition, implementation, monitoring, review and conclusions.⁴ A different, but supplementary approach to these three types to managing performance is given by quality management, which will be thus briefly introduced.

Quality management

In the (advanced) debate of the 1990s on how to manage performance of (public) organizations, it is rather common sense that quality aspects have to be included; a good performance management system cannot be merely based on measuring results (as attainment of predefined objectives). Though intertwined or related, two different pillars of the quality debate have (at least) to be distinguished: The first and prominent debate addresses how quality in service delivery (output) can be achieved and measured. Most often, customer satisfaction serves as the reference framework here (see e.g. Morgan and Murgatroyd 1994). The second, perhaps not so famous debate addresses the role of quality control and management as a necessary complement to results-oriented performance management, i.e. the approach of managing by objectives. In this respect, controlling ('steering') and improving the processes

³ MBO might be organised as a simple 'before-after' performance comparison of and within the same organizational unit, whereas benchmarking always refers to distinct comparative units (products, standards, functions, organizations).

⁴ In practice and in different contexts, partly due to a number of commonalities, the conceptual differences of the approaches sketched are often blurred. However, from an analytical perspective, the differences should be kept in mind.

necessary to attain certain performance targets is considered as crucial for validity as well as organizational stability of performance management (see Naschold 1995). For managing the performance of Public Employment Services, we assume that both of these principle aspects of the quality debate deserve attention. In practical terms, quality approaches in the public sector can be typically distinguished as variants of three approaches: quality control, quality assurance and total quality management (TQM) (Bovaird 1996; see Schütz et al. 1998: 9-12, for a brief overview).

2. Key analytical issues of management by objectives in PES organizations

The remainder of this section presents and discusses thematically key findings and issues from the existing literature on MBO performance management. Whenever possible or appropriate, special reference to PES organizations will be made.

2.1 Prerequisites and pitfalls of successful MBO Commitment of top management and government

In general, in both the private and the public sector, the commitment of the organizational top-level or central management for the MBO-approach is considered decisive for its success. This is one of the main findings of a review study of 70 MBO adoptions (of which 30 were in public sector organizations) (Rodgers and Hunter 1992). Since the MBO-process spreads from the top down, lack of personal involvement of top management would represent an only half-hearted introduction of MBO, which would ultimately fail (ibid.: 36f, cf. Al-Ani 1994 for a similar interpretation of Total Quality Management). The personal involvement of top-managers means ongoing face-to-face interaction with the subordinate levels, which enables them to directly monitoring as well as to provide guidance and advice, if necessary; effects not to be achieved with written monitoring devices (Rodgers and Hunter 1992: 29).

Relative autonomy of the PES from the ministerial level

A key issue is the extent to which the political level should be involved in the management system and how much control of the implementation process is desirable ('politics vs. administration').⁵ On the one hand, ministerial intervention should ideally take place only at the stage of formulation of goals and objectives at the beginning of a new MBO-cycle. On the other hand, the operations of MBO-managers should in principle always (i.e. during the whole management cycle) be transparent, which has

⁵ According to the 'managerialist'-variant of NPM, politicians should restrict themselves to defining policy goals and 'let the managers manage' which is problematic for several reasons (cf. Pollitt 1990).

to be achieved primarily through the monitoring system and dissemination of its results.⁶ Ad hoc political intervention is clearly a threat to management by objectives, which requires a relative independence of the PES and a stable policy environment in which PES goals and resources remain constant over the annual or biennial policy cycle. Only in this way can the performance of the PES and its subordinate implementing levels be fairly assessed in terms of the agreed operational objectives.

The extent to which this condition of MBO is fulfilled depends on the implementation system for labour market policy and on the national political-administrative culture. However, there appears to be an inherent conflict between the logic of politics, which is primarily responsive to votes and election dates, and the predictable annual or multi-annual policy cycles that MBO presupposes. Thus the ministerial level may tend to avoid clear operational objectives at all since they have only an ambiguous interest in performance measurement (risk of open policy failure), or, might be inclined to intervene into operational performance management in case of high media visibility (Reichard and Wegener 1994: 30) or in response to electoral cycles (e.g. election-related increases in funding or new program initiatives). In other words, in contrast to conventional wisdom on MBO, which focuses on agency problems (see below), 'principal-problems' can also occur.

MBO systems address this problem typically by granting the PES a relatively autonomous status vis-à-vis government as quasi-independent executive agencies. For historical reasons unrelated to MBO many employment services organizations have been established as independent bodies with tripartite forms of self-administration (see Mosley, Keller, Speckesser 1998). MBO requires the conclusion of an operating agreement between the PES and government at the beginning of a policy cycle. The agreement specifies both the operative targets and the resources to be made available to the PES and is in principle binding on both parties.

Density of rules and regulations may conflict with MBO

The transformation from a rule-oriented to a performance-oriented administration is an overriding goal of the standard NPM-approach (cf. Caiden 1991: 27). A necessary condition of establishing a promising MBO-system in public agencies is the effective reduction in number and density of laws, regulations, and administrative procedures. If a relatively high rule density persists, any MBO-type system inevitably breaks down over the medium term (Naschold 1995:136). However, the policy domains in which MBO is to be preferred to traditional rule-oriented administration and the extent to which process-oriented regulations are incompatible with successful MBO is unclear; it can only be observed that there is also a tension between rule-oriented and goal-oriented management practices in labour market policy. For example, almost all EU

⁶ 'Unlimited freedom' during the operational management process would be in contradiction to the premises of public accountability.

countries base unemployment benefits on entitlements, which directly or indirectly affects the allocation of access to active measures.

MBO can produce 'red tape' and bureaucratic structures

Contrary to the thrust of MBO, it can be itself a 'paper tiger' captured by the monitoring needs and claims that result in excessive paperwork and red tape. As MBO also includes strong elements of planning, in particular when combined with financial management, a certain formalisation of the process seems even inevitable. In order to avoid efficiency losses, monitoring information has to be tailored not to coverage of the performance goals but must also reflect the needs and capacities of the numerous actors involved.

2.2 Design features of goals, operational objectives and performance indicators

Managing quantitative and qualitative performance of PES organizations requires clear goals that can be operationalised in terms of agreed performance indicators for which monitoring systems provide reliable data. The literature suggests a number of key questions and possible systematic problems in this respect in implementing MBO systems.

Number of operational objectives

The number of operational objectives and corresponding indicators should be limited: too many targets may undermine the purpose of MBO both as a tool of strategic management in setting organizational priorities and in controlling their realization by subordinate level of the PES organization. Although there is no a priori optimal number of targets to be used, each addition objectives competes to a certain extent with the other organizational targets (goal competition) and at some point may become counterproductive (goal ambiguity and goal conflict).

Adjustment of targets to local labour market conditions

The quantitative targets actually set should reflect regional or local labour market conditions in order to provide comparable standards for operating units otherwise any performance comparisons would be likely to be misleading, or even unfair. Moreover, the objectives should neither be set too high nor too low. Targets that are too low provide no real incentives for performance improvements; targets that are too high to be obtainable are demotivating and may even induce unintended side effects such as creaming, or even manipulative behaviour (see below). In order to avoid such problems, targets set for subordinate units usually also reflect the level of performance in the previous period.

Time frame

On the one hand, the time frame of MBO may be too short. The MBO-cycle is usually set for a relatively short period (e.g. a year), whereas typical policy goals often entail a longer time span (e.g. reduction of long-term unemployment). This raises the question how short-term performance management and the pursuit of long-term goals are or can be (effectively) linked. On the other hand, longer planning cycles are more likely to be disturbed because of unanticipated changes in the labour market situation (e.g. business cycle or ad hoc events) and by instability in the policy environment (e.g. changes in government, shifting political priorities.) A possible solution to this dilemma is some combination of a medium term policy framework with more detailed annual business plans.

Correspondence of goals, objectives and indicators

The 'fit' between goals, objectives and indicators is a central issue in management by objectives. Thus indicators may not adequately represent the operational objectives or targets (Niklasson and Tomsmark 1997). Among other reasons, this may be due to measurement problems. Performance indicators (PI's) often represent only proxies based on available information in an administrative system. This can be problematic: If managers in operating units do not recognise PI's as a convincing representation of a particular goal or objective, this may undermine their commitment to the MBO-process. In other words, in this case MBO can be expected to degenerate into an 'as-if process in which goals will be formally fulfilled but will not determine or guide the management activities. There are two principal solutions to this problem: 1) Development of a specialized monitoring system which provides appropriate and timely performance indicators; 2) involvement of all levels of the organization in process of setting operational objectives and performance indicators. It remains an open question how simple performance indicators ought be at operational levels.⁷

Managing by objectives vs. evaluation

However good indicators based on internal administrative data may be, they do not meet the standards of evaluation research for assessing the effectiveness of labour market interventions. Thus gross placement rates on PES job brokering activities provide no basis for statements about real labour market impact (net effects) because they need to be discounted for deadweight, substitution or displacement effects and, moreover, are sensitive to business cycle and structural effects (Walwei 1995). Two questions arise: Firstly, how do Ministerial and PES officials interpret performance results of MBO; do they take full account of the inherent data limitations

⁷ The typical (performance) management literature wisdom clearly advocates simple PI's, see e.g. PUMA 1994a: 39-41.

or not? Secondly, do European PES supplement their MBO systems with insights from more systematic evaluation research?

2.3 Decentralization and policy discretion, centralization vs. decentralization in target setting

Because policy goals are necessarily general, they can be translated into operational objectives in a variety of ways and there are a number of possible indicators in terms of which performance can be measured. On the one hand, the specification of operational objectives and indicators needs to be centrally co-ordinated to a certain extent in order to prevent policy fragmentation. On the other hand implementation structures for labour market policy may concede a measure of policy autonomy to operational units at the regional and local level in order to permit adaptation of labour market policy to particular circumstance. Although the classical model of management by objectives has a centralist bias (e.g. the agency model in Great Britain), there are also more decentralized MBO mixed-models (e.g. Denmark).

Agency costs and problems

Performance management systems of the MBO-type are in principle construed as a principal-agent model in which the central or top level (the principal) defines goal and objectives that are to be implemented by lower-level operating units.⁸ Therefore, MBO-systems are particularly prone to agency problems that can be analysed in terms of the concept of moral hazard⁹ and, to a lesser extent, adverse selection¹⁰. The information advantage of the agent can be abused in MBO-systems in various ways: There is a vast range of options how the agent might manipulate statistics and cost accounting; for instance the number or personal characteristics of programme participants, or the success rate of a programme (e.g. to 'forget' some of those who quit before programme termination). Incentives to minimise agency problems might also be counter-productive. For example, monetary or career incentives for high placement or success rates (or quotas) may promote creaming (see e.g. Courty and Marschke 1995; Barnow 1992; Delsen 1996: 529). The monitoring or transaction

⁸ This is true regardless of the degree of participation rights or 'flat' hierarchies etc.

⁹ Moral hazard refers to the (ex post) condition that the principal is not able to monitor or assess (fully) the activities of the agent which enables the latter to various forms of non-compliance with the contractual terms, e.g. so-called shirking.

¹⁰ In contrast to moral hazard, adverse selection refers to the fact that the principal cannot know ex ante whether the agent tells the truth about decisive features related to fulfilment of the contract. Thus, adverse selection is a prominent problem in insurance themes but does not play a major role in central-local relations.

costs of guaranteeing agents' compliance to the contract (or performance agreement) is thus an important issue in assessing MBO-systems.¹¹

Performance Incentives

Put simply, MBO is expected to improve performances of organizations through results-oriented implementation and results-control. An important issue concerns whether additional performance incentives (monetary or other, immaterial resources) are needed to bring about the expected 'steering effect' of MBO. Individual performance incentives such as bonus payments are controversial in theory and practice. In the academic debate, some authors have pointed out that a mechanistic use of performance pay should be avoided because of ambiguous impact of such incentives (Ridder 1998; Naschold 1995). In practice, furthermore, rejection of performance payments may be particularly strong in rather egalitarian organizational cultures, such as Scandinavian PES (see for a selective evidence from Sweden Niklasson and Tomsmark 1997: 224).

3. Research design

The empirical research in this project has pursued a two-step approach:

1. A stocktaking survey of the use of operational objectives, performance indicators, benchmarking and related managerial practices in all 15 Member States and Norway based primarily on a questionnaire submitted to all PES organizations, analysis of documentary sources, and telephone interviews. This survey addresses the basic elements of these management systems:
 - PES policy goals, operational targets and performance indicators adopted and their level of application (national, regional, job office);
 - The process by which these targets and indicators are defined;
 - The monitoring system for measuring progress toward the operational targets in terms of the agreed performance indicators;
 - The assessment (benchmarking) of the performance of regional PES operating units on basis of the agreed performance indicators and monitoring system;
 - The consequences of under- or over-performance for organizational units (budgets, salaries etc.).
2. A comparative analysis and in-depth assessment of selected aspects of this approach to PES management and benchmarking in four countries with more

¹¹ Transaction cost problems can be particularly a problem in cases of strong reliance in contracting-out solutions; among other things, prominent problems include fair options for market entry, collusion, lowballing (see e.g. Prager 1994; Miranda and Lerner 1995).

experience that might provide policy models and transferable knowledge for other PES organizations (Austria, France, Sweden, the United Kingdom). In these countries the study is based on more intensive case studies of PES management practices based on field interviews with PES personnel, national experts, and secondary analysis of available evaluation literature and monitoring data. This two-step approach reflects the very uneven development of experience with MBO, performance indicators, and benchmarking in European PES organizations.

Following this research design, Part II of this report presents the summary of the survey results. Part III presents and discusses our case studies findings on Austria, France, Sweden, and the United Kingdom, followed by a comparative analysis of these findings [in Part IV]. Special reference will be made to the issues and hypotheses outlined in the preceding section.

Part II: Survey of National Experience with Operational Objectives and Performance Indicators in EU PES Organizations

Our survey of the use of operational objectives, performance indicators, and related managerial practices is based on two principal sources: PES documentary information (e.g. annual reports, business plans, controlling reports) and a written questionnaire submitted to PES organizations. These sources were supplemented as necessary with telephone interviews and information from national experts. The questionnaire, the principal results of which are reported in this section and in Appendix B, addressed in particular the following themes:

- PES policy goals, operational targets and performance indicators adopted and their level of application (national, regional, local office);
- The process by which these targets and indicators are defined;
- The management information system for measuring progress toward the operational targets;
- The assessment of PES performance and that of its operating units on basis of the agreed targets and performance indicators;
- The consequences of under- or over-performance for organizational units (budgets, salaries etc.).

The survey questionnaire was submitted to 18 PES organizations, including all 15 EU PES organizations and Norway.¹² Separate questionnaires were sent to all three regional Belgian PES organizations. In reporting the results we focus in particular on the 10 European PES organizations with MBO-type management systems.

1. MBO dissemination

Use of management by objectives of some type is widespread in EU public employment service organizations. This is a consequence in the first instance of the more general dissemination of performance management in the public sector in the 1980s and 1990s, which has been vigorously promoted inter alia by the OECD. Moreover, since 1998 the Member States are required to submit annual 'national action plans' that document their activities and measure progress toward achievement of the EU's employment policy guidelines. The influence of the European employment policy framework has resulted in a situation in which almost all countries regard themselves as using MBO in their PES organizations. Thus in the responses to our survey all but three PES organizations (Luxembourg and the ORBEM (Brussels) and FOREM (Wallonia) regional organizations in Belgium claim to use management by objectives.

¹² We received responses to our questionnaire from 17 of the 18 PES organizations; the Greek PES did not respond to our questionnaire or to requests for information.

Definitional Problem

In order to counter this inflationary use of the term we need to apply a more restrictive definition of 'management by objectives' in selecting countries for inclusion in our analysis. In order not to exclude borderline cases we have applied only two core criteria from our discussion of ideal typical MBO management systems (see above):

- ex ante setting of goals, operational objectives and quantitative performance targets
- measuring and reporting the actual level of performance of operating units against these objectives.

In other words, countries are deemed to have an MBO-based management system if we have found evidence of ex ante formulation of quantitative operational objectives and ex post measurement of outputs and outcomes, for example, performance agreements with quantitative targets for operative units and regular controlling reports on performance against targets. Ten of the eighteen PES organizations surveyed clearly meet these criteria: Austria, France, the Flanders region in Belgium, Germany, Denmark, Finland, Norway, the Netherlands, and the United Kingdom. Germany is included as a PES organization with an MBO-based management system although 1999 was the first trial year of operations and it is not yet entirely clear whether the new 'controlling' system will be effectively institutionalised.

Four other PES organizations (Spain, Portugal, Ireland and the Walloon regional PES, FOREM, in Belgium) have adopted elements of MBO, especially elements of the EU employment policy guidelines and in the framework of the annual national action plans. However, the reliance on ex ante quantitative targets is selective and/or there is no clear evidence that they actually play a central role in steering and controlling the performance of PES operating units.

Thus in Spain a system with some features of performance management was introduced in 1994 in the context of broader labour market reforms. The goals, operational objectives and indicators were originally formulated in an annual programme contract ('contratos programa') between the INEM, the public employment service, and the labour ministry. Since 1998 the Spanish National Action Plan for Employment submitted to the European Commission has become the central planning document. In addition to general priorities, the 1999 NAP specifies quantitative targets for the number of participants and target groups for the various types of labour market measures, especially the long-term unemployed, youth, and women. The EU employment policy process and guidelines appear to be particularly important in the Spanish national planning system, which is probably related to the high relative importance of EU-financed programs in Spain. The extent to which the goals and indicators enumerated are actually the institutionalised basis for a target oriented management system with corresponding controlling and assessment remains unclear.

In Portugal too labour market policy is formulated in terms of goals and operational objectives but the use of ex ante quantitative targets appears to be largely limited to the adoption of the endorsement the EU employment policy guidelines (see Portuguese national action plan for numerous quantitative targets.) In many cases, however, priorities and objectives are formulated without indicators and/or quantitative targets. Furthermore, it remains unclear whether there is an institutionalised PES management system for co-ordinating and controlling of PES based on ex ante targets. (See annual „Plan of Activities“).

In Ireland there is no PES-wide MBO- system with quantitative targets for the FAS and its subordinate units. „Performance indicators“ are used in assessing FAS organizational performance (see Annual Report), but - based on the limited information available - they do not yet appear to be integrated in a comprehensive management information and controlling system focused on ex ante operational targets. Nevertheless, there is what might be called a programme-specific use of this type of management tool in the area of labour market policy for the long-term unemployed (Action Plan for the Long-term Unemployed).

Finally, in the Walloon region of Belgium (FOREM) a multi-annual management contract (*contrat de gestion*) for 1996-99 concluded between the Walloon government and the FOREM defines a number of general goals, some of which are formulated as quantitative operational targets, e.g. a success rate for filling the registered vacancies or the time volume of training and educational courses (see *Rapport d'Activité du FOREM* 1997). Other targets stress quality of services, in particular customer satisfaction. However, like in Portugal and Spain, there is no clear evidence that there is a fully institutionalised management system in which regional and local operating units are directed and controlled based on ex ante quantitative targets. (See objectives 97 as given in *Rapport d'Activites du FOREM* 1998, p.3). FOREM now has plans to introduce a comprehensive system of management by objectives in the near future.

The Brussels regional PES (ORBEM) has in the past attempted to introduce MBO. The attempt failed due to the lack of adequate monitoring system for performance data. ORBEM plans to introduce MBO again at the end of 2001, probably on the basis of a 'balanced score card' approach. The Italian public employment service (*Servizi Pubblici per l'Impiego*) is currently undergoing a fundamental transformation the central element of which is a far-reaching decentralization of responsibility to the 20 Italian regions (together with a parallel integration of most labour market services in modernized "employment centres"). Since implementation of labour market policy is primarily a regional and provincial responsibility MBO-type management systems may be introduced at this level in the future (citation). Finally, Greece and Luxembourg have not yet moved toward MBO, relying on more traditional PES management systems.

There is no clear pattern to the spread of MBO-type management system, except that it is found predominantly in northern European and Scandinavian countries. There is, for example, no correspondence between the existence of management by objectives in a PES and tripartite self-administration in the organization of labour market policy. Although 4 countries with this traditional model based on 'social partnership' (Austria, Germany, The Netherlands, and France) use MBO in their PES management systems, five other 'ministerial' implementation structures (Norway, Denmark, Finland, Sweden, and Great Britain) also use MBO in their PES organizations. In the later countries the necessary relative independence of the PES from the political level is institutionalised in some type of 'agency model'.

Date of Introduction

The introduction of performance management in EU PES organizations has been a consistent trend since the mid-1980s (see Survey Question 1). The dates for individual countries reported in Table 1 based on our survey results are only indicative since MBO has undergone a process of development in all countries and in the early phases was not always effectively institutionalised. For example, although Sweden first introduced management by objectives in its PES in 1984, it had only limited impact because there were neither quantified target levels nor performance incentives. This situation changed only in 1997 when controlling was decisively improved and, most importantly, target levels were introduced. Similarly, in France performance contracts ('Contrat de Progrès') have been used to regulate the relationship between the government and ANPE since 1990 in which ANPE, the French PES, obligates itself to achieve the goals set forth in the contract and the state undertakes to make the necessary financial resources available. However, MBO was meaningfully established within ANPE only with the establishment of a central controlling unit (*direction du controle de gestion*) in 1995.¹³

¹³ Expert interviews in France and Sweden.

Table 1: Existence of MBO and year of introduction

<i>Country</i>	Existence of MBO and year of introduction
Austria	Yes , since 1995
B-Forem	No
B-Orbem	No
B-VDAB	Yes, since 1985
Denmark	Yes, since 1994
Finland	Yes, since 1992
France	Yes, since 1990
Germany	Yes, since 1998
Great Britain	Yes, since 1991
Greece	No
Ireland	Only some elements, since 1998
Italy	No
Luxembourg	No
Netherlands	Yes, since 1991
Norway	Yes, since 1987
Portugal	Only some elements, since 1990
Spain	Only some elements, since 1994
Sweden	Yes, since 1997

Source: Question 1 in Appendix B. Questionnaire responses have been adjusted to reflect further other information collected as discussed in text.

Scope

MBO as a strategic management tool must be applied to all types of PES services, which is confirmed by the reported practice in EU PES organizations with such systems.¹⁴ However in some transitional PES organizations the use of quantitative targets tends to be limited to a few performance dimensions (Spain, Portugal) or specific programmes (Ireland).

Reasons for Introducing MBO

For most PES organizations the regulation of the relationship between PES and the ministerial level was a principal reason for the introduction of MBO (A, B-Flanders, Dk, F, N, NL, S, GB; Question 3). In most of these countries a formal agency-type

¹⁴ In the French response MBO is limited to the types of services for which ANPE is responsible, primarily placement and related activities.

agreement is concluded between PES and the government or ministerial level (F, GB, NL, B-Flanders) but not in Denmark, Austria, or Sweden. By contrast, regulation of the relationship between the ministerial level and the PES was not an important consideration in Germany or Finland, which also lack such high-level performance agreements.

The other most frequently reported reason related to relations to regional and local offices. Eight PES organizations with MBO systems cited „improving the efficiency and effectiveness of regional and local offices“ as a principal reason (A, B-Flanders, D, F, Fin, N, NL,S; Question 3). Seven countries cited „granting local offices greater freedom to adapt programmes to local needs“ (A, B-Flanders, D, DK, F, Fin, N), apparently seeing no conflict between these objectives. Interestingly, the Netherlands Sweden and GB reported no connection between decentralization in this sense (adaptation to local needs) and the introduction of MBO.¹⁵

In general, the MBO concept has somewhat ambiguous implications for decentralization. It can be an instrument of improved central steering in an agency frame – not, incidentally, the PES-ministerial relationship was the principal and only reason for MBO reported for Great Britain; it may also be used in the context of a more decentralized and participatory management model. Thus the 1994 Danish reforms aimed at achieving a more decentralised organization of the labour market policy with a „regional anchorage.“ At the same time the influence of the social partners and the municipalities was increased through their participation in the regional labour market boards.

Eight of the ten PES organizations reported that the introduction of the MBO-type management system was accompanied by decentralization and increased policy discretion for regional and local PES offices (A, B-F, D, DK, F, Fin, N, S), whereas only the Netherlands and Great Britain reported that this was not the case (Q12). When asked to detail the form increased decentralization had taken, eight countries mentioned increased budget flexibility for regional or local PES offices (A, B-F, D, DK, F, Fin, N, S). Six mentioned a reduction in detailed rules and procedures regulating the actions of local PES offices (A, D, DK, Fin, N, S), which was not the case in B-F or F, and five reported decentralization in the form of increased local discretion over programme (A, B-F, DK, F, N). Thus three PES organizations Austria, Denmark, and Norway, which report movement in all three dimensions, appear to be the decentralization leaders among the MBO type systems, whereas the Netherlands and Great Britain report no connection between the introduction of MBO and decentralization. This result reflects our findings from research on Austria and Denmark, on the one hand, and Great Britain on the other, which appears to have one of the most centralized MBO-type PES management operations based on an agency model. This finding is at first sight surprising for the Netherlands, but the

¹⁵ At least in the case of Sweden, the respondent to the questionnaire may be referring to the second half of the 1990s rather than to the initial introduction of MBO in the mid 1980s. Thus in the response to question 12 decentralization is said to be one result.

Dutch response apparently reflects the linkage between stronger emphasis on MBO and the re-centralization of the PES in the course of the 1997 reforms, which sharply curtailed the autonomy previously enjoyed by regional PES offices.

2. PES goals and operational objectives: similarities and differences

This section compares and contrasts the goals, operational objectives, and quantitative targets in EU PES organizations with an MBO-type management system. Of particular interest here is inter alia the actual priorities set by EU PES organizations and how they are operationalised in terms of quantitative targets; the degree of convergence among EU PES organizations in the goals, objectives, and targets pursued, which might provide a common denominator for cross-national benchmarking of PES performance; the impact of EU labour market policy guidelines; the type of indicators chosen for defining quantitative targets.

The principal sources for our survey are the performance agreements concluded between the PES and the ministerial level, annual business plans, and controlling reports. These documents were not always available or not available in one of our working languages (English, French, German), in which cases we rely in particular on the responses to our project questionnaire as well as interviews and other secondary material available to us. As a rule the information reported refers to the current period, i.e. 1999 or 2000. Our aim was to achieve a representative snapshot.

Moreover, it should be noted at the outset that there is no clearly established usage in English for the terms goals, operational objectives, and quantitative targets and in the multi-lingual European context there is even more variation in usage. In general 'goals' refer to very broad strategic orientations whereas 'objectives' represent more specific operational emphasis. While 'targets', the most distinctive element in MBO systems, are quantitative guidelines based on agreed indicators which are formulated ex ante to steer PES performance and set priorities as well as in ex post assessment of the performance of the PES organization as a whole and of its individual operating units.

Table 2 groups the goal statements of the 10 MBO-based PES organizations in terms of a number of synthetic categories: 1) combating social exclusion; 2) improving labour market matching; 3) improving PES services; 4) combating youth unemployment; 5) other miscellaneous goals. (These analytical results are based on the text summary of the actual goals and operational targets of these MBO-based PES organizations reported in Appendix A.) At this very general level of formally expressed PES policy goals there is a clear convergence on two dimensions: (1) combating social exclusion and (2) improving the functioning of the labour market. Improving PES services and combating youth unemployment are also given special priority by several PES organizations. Under the broad heading of social exclusion,

the actual forms emphasized vary considerably, with long-term unemployment being the most general concern; in some countries minorities, women, the disabled, or older workers are a special concern.

Table 3 presents a synthetic summary of the actual operational objectives (quantitative targets) grouped by broader PES goals currently in use in the 10 EU PES organizations with MBO-type management systems. In contrast to these in some cases merely verbal goal commitments, this inventory of operational objectives summarizes the criteria in terms of which these PES organizations assess the performance of the organization as a whole and of individual operating units.

Thematically, these operational objectives (targets) reflect of course the predominance of the same four goals noted in the goal statements: 1) combating social exclusion; 2) improving labour market matching; 3) improving PES services; 4) combating youth unemployment. Under social exclusion there is a strong convergence on targets related to long-term unemployment, although the actual type of performance indicator used is very diverse. Although not shown in this section of the table, Great Britain has as a functional equivalent a very strong target groups orientation in the provision of placement services. The strong emphasis on combating long-term unemployment may reflect the influence of EU employment policy guidelines on national PES organizations, although only one organization in the Flanders region of Belgium actually explicitly adopts the EU guideline. In other policy areas, five of the ten PES organizations compared use placement levels and four use labour market indicators of youth unemployment as a performance indicator. The actual convergence in operational indicators is otherwise very low. This may indicate strong national differences in priorities, but it may also be a result of the fact that operational objectives reflect not only PES goals but also areas of activity in which the PES management (and government) see a need for improved performance; operational objectives may never be included or may be dropped because management regards current performance as satisfactory.

It should be noted parenthetically that in this as in other cases the concrete definitions of the indicators used are extremely diverse because they are based on national administrative data sources and we have therefore not included them in our analysis. This means that even where there is broad agreement among the member states on goals and operational objectives the underlying indicators used are in most cases so diverse that cross-national comparison is not possible.

Characteristics of operational objectives (targets)

Table 4 summarizes a number of characteristics of the operational objectives (targets) reported in Table 3. First, MBO in PES management systems is based on a relatively small number of targets, usually between 8 and 10. This is because a larger number tends to be counterproductive: targets compete for organizational attention

and resources and the use of too many targets dilutes their impact as an orientation for the activities of individuals and operating units. In almost all PES organizations objectives and targets are formulated at the national level, with varying degrees of involvement and influence being exercised by the regional levels of these organizations. Only in Austria and Denmark do the regions play a special role in setting PES targets. In Austria 2 regional targets supplement the 8 national operational objectives,¹⁶ whereas in Denmark the goals and objectives are agreed at the national level but the actual targets are, in many cases, set at the regional level.

Differences in the range and distribution of PES operational objectives reported in Table 3 also reflect national differences in the types of activity for which the PES is responsible. Thus the German PES is also responsible for placing youth in apprenticeship positions and for combating illegal employment as well as for administering unemployment benefits and uses operative objectives to control performance in these areas too. Although the PES has comprehensive responsibility for the main functions of labour market policy (placement, management of active programmes, benefit administration) in many countries (Austria, Germany, Norway), this is not always the case. In Belgium, Denmark, Finland, the Netherlands, and Sweden separate agencies are responsible for the administration of unemployment benefits. In Great Britain the PES is primarily responsible for placement (and in the future for benefit administration) but not for active programs whereas ANPE in France is primarily responsible only for placement services.

In almost all cases the performance targets are based on information available from local administrative data, which makes it possible to produce real-time data on local performance. In many cases absolute figures from process data (e.g. number of registered vacancies) are more transparent for local officials than are percentages. More sophisticated indicators that require special surveys (e.g. customer satisfaction surveys) or other data not available from local process data (e.g. market share) are by contrast only available at infrequent intervals and with a considerable time lag. MBO systems use a mixture of labour market indicators (the true objectives), placement and programme indicators, including process indicators. In a surprising number of cases indicators on programme outcomes as well as uptake are used.

All but two PES organizations (N, NL) report that their targets have changed in comparison with the previous planning period (see Question 5). The pattern of change is, however, incremental as existing targets are adjusted to take into account shifts in government priorities (e.g. GB, Fin, VDAB) or to changes in labour market conditions. Changes in the levels at which targets are set (in contrast to the objective itself) are of course a regular part of the policy process as are adjustments in the definition of indicators (Sweden).

¹⁶ More precisely: 1 'Land' and 1 'regional' target.

When asked to name indicators that had proved 'most useful' (see Question 7) PES organizations emphasized that they should be 'related to areas of real influence' and 'concrete and measurable' and not be based merely on quantity of services' (DK); that they be 'simple measures (that are) easy to communicate' (S); that they be 'quickly available and understandable' derived from administrative data (GB); that they be 'immediately comprehensible and well accepted.' Some noted major problems in finding acceptable and understandable indicators. Among the 'least useful' mentioned are: purely quantitative targets (Fin); indicators sensitive to other factors (outside control of PES; DK); simple outflow objectives (because of danger of creaming: VDAB).

3. Process of formulation of goals, operational objectives, and targets

In all MBO systems the specification of operational objectives, targets, and indicators is the subject of a formal agreement (see Question 11), in most cases between the PES and the ministerial or higher governmental level. The existence of such an agreement is one of the key characteristics of MBO systems, in addition to a corresponding controlling process and report. In Austria and Germany, countries with formally self-governing PES organizations, the national agreements are concluded by their tripartite Administrative Councils, in which the Ministry is represented. In several PES organizations (A, B-VDAB, D, F), the MBO planning process is reported to be part of a process of multi-annual or medium term planning (Q6). This is not the case in DK, FIN, N, NL, S, and GB where the planning process is on a purely annual basis.

All PES organizations face the task of allocating national targets to subordinate levels of the organization. In allocating targets to their subordinate units, in most countries on the basis of a national formula, all PES organizations give attention to the circumstances at the regional and local levels, especially labour market conditions and past performance (see Question 13). Past performance (e.g. previous year) is used on the grounds that it is usually not realistic to expect large leaps in performance, for example in Great Britain a 5% 'limiter' is used. In Austria, Denmark, and Germany regional target levels are agreed in a decentralized procedure rather than being assigned on the basis of a national formula.

The establishment of national targets and assignments to the regions in the MBO planning cycle are based on data and estimates about the labour market situation from the previous year. All PES organizations with MBO-systems thus face the problem of whether target levels should be adjusted to respond to unanticipated labour market changes, which might make the agreed target levels unattainable (or, alternatively, too easy). The ideal target in an MBO-system would seem to be a 'stretching target', i.e. one that induces a maximum effort but is attainable and per-

ceived as being 'fair' in terms of the resources available and the labour market situation. Nevertheless, only three countries (Fin, NL, N) report that they adjust operational targets during the MBO-cycle to take account of such changes (see Question 14). Other countries apparently respond to such changes only by taking them into account in the stage of performance assessment.

The annual (or in some countries multi-annual) MBO planning cycle is sensitive not only to unanticipated changes in the economic and labour market context but also to short-term shifts in government policy that may be disruptive for implementation process. For example, new ministers or new governments or the prospect of an upcoming election may introduce unexpected policy changes. Four survey responses suggest that this is frequently a problem: Four of 10 MBO-based PES organizations reported having experienced such problems (B- VDAB, D, NL, GB; see Question 15).

Another key element of MBO-type systems is the management information or monitoring system. Without comprehensive and timely data that permits 'real time' controlling of organizational performance, MBO cannot be an effective instrument of 'hands-on' management and systematic performance assessment. All PES organizations report full coverage of targets, an essential prerequisite (Question 16). However only 6 PES organizations (B-VDAB, D, F, S, GB) report that their management information system report progress toward targets on a monthly basis, which would seem to be a minimum for 'real time' intervention. In four others this information is reported on a quarterly basis (DK, Fin, NL, N; see Question 17).

All management information systems are computerized, although sometimes it is necessary to resort to additional administrative records; especially to response to changes in the definition of targets (e.g. in GB; see Question 18/19). Moreover, all 10 MBO-systems report that monitoring data on progress toward targets is available at all levels of the organization. By contrast the integration of performance data with cost controlling that would enable expenditure to be related to service outputs at the regional and local level is reported in only two countries (A; NL). The integration of performance data with data on costs would seem to be the next frontier in management information systems, which would enable PES organizations to systematically control efficiency as well as performance.

All countries with MBO-type PES management systems except Finland report using the monitoring system as an early warning system leading to policy intervention in case of underperformance (see Question 21). The most frequent kind of intervention reported is increasing funding to under performing units or reallocating funding to units able to better utilize resources in achieving. Since the management information system in Denmark, the Netherlands, and Norway also provides only quarterly reports (see Question 17), the potential for using it as an early warning system would appear to be limited. Furthermore, all countries report that the MBO

system includes an obligatory stage of performance assessment on the basis of the final results for performance against targets (see Question 22).¹⁷

The MBO-type management system entails, as a rule, not only performance assessment but also consequences in some form for individuals and operating units. The actual practical consequences reported in response to the questionnaire are quite diverse (see Question 25). The most frequent response (A, B-VDAB, Fin, F, GB) is bonuses for successful work units, and three countries also report using individual based performance pay (F, NL, GB). The other most frequent type of practical consequence reported is the use of non-monetary achievement awards (A, B-VDAB, D, GB). It should be noted that some countries use more than one response to good performance. France uses both individual performance based pay and bonuses for work units; Austria and the Flanders region of Belgium report using both bonuses for work units as well as non-monetary achievement awards and Great Britain employs all three main types of rewards reported. Surprisingly, both Norway and Sweden report that there are no specific consequences at all for good or bad local PES office performance (!).

In all MBO-type systems the results of performance assessment are publicized throughout the organization and in most cases are available to the press and public, except in Finland, the Netherlands, and Sweden (see Question 26). All MBO-type organizations report undertaking systematic efforts to identify, publicize, and transfer 'best practice' between the subordinate units of their organizations, except Finland and France (see Question 27).

¹⁷ Even though the German answer to question 22 was 'no', the stage of performance assessment is mentioned and described in the answer to question 10.

Table 2: PES Organizational Goals in 10 MBO-based management systems, 1999-2000

	A	B-F	DK	FIN	F	NL	N	D	S	GB
1. Combating social exclusion	A			FIN	F					
Long-term unemployment	A	B-F	DK	FIN	F	NL	N	D	S	GB
Minorities				FIN		NL				
Disabled	A						N			GB
Women	A					NL		D		
Older	A		DK							
Irregular employment									S	
Employability		B-F		FIN						GB
2. Improving labour market matching	A		DK	FIN	F	NL	N	D	S	GB
3. Improving PES services	A	B-F	DK		F	NL	N	D		GB
4. Combating youth unemployment	A	B-F			F			D		
5. Other										
Support structural change	A			FIN						
Combating illegal employment								D		
General labour market goals				FIN					S	

Note: Classification of declared general PES goals based on information from documentation and questionnaire results summarized in Appendix A. The table is meant to provide only a general overview of the distribution of formal organizational goals in the 1999-2000 period.

Table 3: PES operational objectives in 10 MBO-based management systems, 2000

Objectives	Target definition	A	B-F	DK	FIN	F	NL	N	D	S	GB
1. Combating social exclusion											
Long-term unemployed	(reduce) flows into long-term unemployed	A							D		
	Reduce number very long-term unemployed					F				S	
	Exits from long-term unemployment					F					
	(Reduce) number long-term unemployed				FIN			N		S	
	Flow long-term unemployed into work	A							D		
	EU guideline: adult job offer>12m		B-F								
	Uptake of special measures			DK		F		N			
	Reintegration number through special measure					F					
Disabled	Stock unemployed handicapped in measures	A						N			
	Stock occupationally disabled or handicapped in special measures							N		S	
Women / Gender	Flow unemployment women into employment after qualification	A									
	Placements w/m into part-time jobs (>7 days)								D		
	Placements of labour market re-entrants								D		
Older persons	Flow older unemployed into employment	A									
	Lowering unemployment rate of older workers			DK							
2. Improving labour market matching											
Levels	Placements	A	B-F			F	NL	N			GB
	Number of counselling services					F					
	Registered vacancies			DK		F					
	Vacancies filled	A									
	Vacancy fill rate					F		N	D		
	Market share						NL				
	ALMP entrants							N			
	ALMP participants = 20% (EU-guideline)		B-F								
	Training referrals					F					
Clientele	Long-term unemployed % placements										GB
	Personal action plan for all long-term unemployed									S	
	Very long-term unemployed placements					F					GB
	Placements of disabled unemployed										GB
	Placements of lone parent program participants into work										GB
	Placements youth program participants										GB
	Target group share of referrals to jobs			DK			NL				
Market segment	Temporary job placements							N			
	High end vacancies filled					F					
	Interregional placement	A									
	Vacancies registered by new employer-customers			DK							
	Share of regionally oriented employment action plans			DK							
Process	Duration of vacancies			DK	FIN						
	Response time for referral to vacancies						NL			S	

Objectives	Target definition	A	B-F	DK	FIN	F	NL	N	D	S	GB
3. Improving PES services											
	Processing time for applications	A*							D		
	Processing Time unemployment benefits							N			
	Correct procedures in benefit administration										GB
	Customer service delivery rate										GB
	Post intervention outcome rates for activated persons			DK			NL				
	Effectiveness training/post programme status				FIN					S	
	Cap on subsidisation rate for wage subsidies									S	
	Employer satisfaction rate						NL				
	Jobseekers satisfaction rate						NL				
	Existence of initiatives for the disadvantaged			DK							
4. Combating youth unemployment											
	Number unemployed youth							N			
	(Reduce) youth flow into long-term unemployment (#)	A							D		
	Reduction long-term unemployment youth					F					
	Entrants into youth programme		B-F								
	EU guideline: youth offer > 6 m		B-F							S	
	Registered apprenticeship offers (#)								D		
	Flow into apprenticeships (#)								D		
5. Other	Workplace controls (#)								D		

Source: Based on info from PES documentation and questionnaire results summarized in Appendix A. Note*: 1999 still in use, 2000 dropped.

Table 4: Target characteristics in 10 MBO-based PES management systems

	A	B-F	DK	FIN	F	NL	N	D	S	GB
PES Level of target definition / setting										
National targets	8	4	10	4	11	7	11	10	8	8
Regional targets	2							2		
Regional target levels	10		4	4				12		
Target type (national targets only)	8	4	10	4	11	7	11	10	8	8
Placement-related/ levels	2		1		2	3	2	2		1
Placement-related/ clientele			2		1	1		2		5
Placement-related/ process			1	1	1		1	1	1	
Other process indicators			1			2	2	2	1	2
Programme uptake/ services provided	1	1	1		3		3		1	
ALMP uptake		3							2	
ALMP clientele										
Programme outcomes	1		3	2	1	1	1		1	
Labour market indicators	4		1	1	3		2	3	2	
Expressed in absolute numbers / local admin. data	8	1	1	1	9	1	8	7	5	6
Expressed in percentages / local admin. data		3	9	3	2	6	3	3	3	2

Source: Based on information from PES documentation and questionnaire results summarized in Appendix A.

Part III: Country Case Studies

This section describes and analyses the performance management systems of four countries that were the object of more depth case studies, including expert interviews at various levels of the PES organizations concerned.

1. Austria: PES performance management profile

1.1 The organizational context

Labour market policy in Austria is based on the Austrian variant of corporatism ('Social Partnership-Model') and a strong PES organization. The *Arbeitsmarktservice* (AMS, Labour Market Service) integrates the three main functions of job placement, active measures and administration of unemployment benefits. The AMS (set-up in 1994) is an independent, self-governing 'service enterprise' under public law and comprises a national headquarter, 9 Federal States offices (*Land* offices), 95 regional offices¹⁸ plus 13 branch offices and 50 career information centres. The AMS bears the main responsibility for design and implementation of labour market policy (and not the Ministry of Labour, Health and Social Affairs; BMAGS), which is reinforced by its institutional autonomy from the Ministry. In addition to framing the general policy goals and guidelines of employment and labour market policy, the Ministry confines its role in labour market policy mainly to supervision and evaluation of the AMS. The AMS began early to develop a goal-oriented performance management system, which is still under continuous development. Noteworthy too: the AMS-reform (1994) also entailed the transfer of not less than 11 tasks (previously carried out by the labour administration) to other organizations in order to enable the newly-established AMS to concentrate on the core tasks of labour market policies (see inforMISEP no. 49, pp. 5-6).¹⁹

1.2 The AMS performance management approach

The performance management approach of the AMS can be best characterised as 'strategic management', since it exhibits a medium-term goal perspective, the management of its operational activities (MBO of the various sub-policies) is co-ordinated in an integrative manner ('Controlling'), and there seems to be consider-

¹⁸ In the context of this study, the PES offices of the Austrian Federal States (Länder) are either termed 'Land offices' or 'regional' offices. The employment offices below this intermediate level are termed 'local' PES, although they are called regional offices in Austria. However, for international comparison, our terminology seems to be more useful, as it uses the same descriptive labels for equivalent institutions or organizational levels in different countries.

¹⁹ Legalization of private placement agencies was co-incidental with the AMS reform.

able scope for policy discretion for the decentral units, in particular the nine *Land* organizations.

The 'strategic' orientation has been recently reinforced: Now the annual MBO-cycle of the AMS has to reflect not only the goals of the Ministry and the medium-term plan of the AMS, but also closely co-ordinated with the Austrian National Action Plan as well as the ESF planning (see inforMISEP No. 65: 9-10; No. 66: 9-11). The medium-term AMS goals (97-99 resp. 99-2002) constitute the framework on which the annual plans have to be based.

The MBO process in the AMS is in fact relatively centralised, although in the first years the MBO-system tried to follow the principles of the co-operative 'counter-stream approach' (*Gegenstromverfahren*), which represents a combination of 'top-down' and 'bottom-up' planning. In practice, this was not feasible, and there is now little room left for bottom-up inputs, given the strong determination of goals and targets through the 'concerted' medium-term plans (see above).

Service and customer orientation is an important principle of the AMS activities and performance management, although the development of a quality management system applying the TQM-EFQM-standards is a recent development (inforMISEP 67/68: 32-33).²⁰ The latest innovation is the introduction of a Client Monitoring System (CMS), which surveys the customer opinion regarding the defined quality standards immediately after receiving or utilising a particular AMS service and not, which was the case in the previous customer satisfaction surveys, only after a 'completed service'.

Moreover, it has to be emphasised that the Austrian performance management approach is still in flux ('systems-development'). For instance, benchmarking of AMS activities is under way: 'Good practices' in regional PES offices are currently being identified and the introduction of 'regional model offices' is in preparation. Probably the most important development is, however, in the principles of the performance management system as a whole: It is currently being discussed and planned to introduce a so-called 'Comprehensive Controlling System' (*Gesamtsteuerungssystem*), which is more complex and comprehensive than the labour market targets of the MBO-system.

The MBO-system as implemented since the mid 1990s, is now regarded as being too 'biased' or dominated by the goals and targets of one activity area, the 'counselling and placement service' (*Beratungs- und Vermittlungsservice*, BVS). In order to lessen its dominance and to give more emphasis to the targets of the other activity areas, the new comprehensive system is to include also (inner-) organizational targets which may relate to results and processes alike. By reducing

²⁰ Model-like implementation of such a quality management model can be, however, traced back to 1995 (see Buchinger 1998).

the dominance of labour market policy objectives (in the narrow sense) in the target structure of the performance management system, it is expected and hoped to increase the acceptance and 'anchoring' of MBO in other specialised departments (e.g. personnel, public relations, purchase). By providing own sub-target targets to these departments, the responsibilities for target attainment should become clearer and more transparent than before. In other words, activity-related targets are to be integrated into the annual targets (of the AMS-MBO system), regardless of target levels to be achieved.

At this preliminary stage of planning, to include three types of targets are being considered for inclusion in the new MBO-system:

- labour market policy targets (definition/ planning as before)
- organizational targets related to main activity areas of the AMS (i.e. services for jobseekers, services for employers, services unemployment insurance, foreigners; to be defined by the units responsible)
- organizational targets of the support-units (such as personnel, support administration, marketing etc.), as (either) supportive targets of the main LMP targets or as 'own' targets.

In addition, these targets of the various 'business' areas should be developed and structured according to four target pillars, which are business targets, customer targets, efficiency targets, management targets.

After having defined all targets, the organizational responsibility for their implementation has to be clarified. As an organizational benchmark, each unit should not be responsible for more than seven targets. If this number is exceeded, the business and customer targets should have priority. Important: Within the structure of seven targets for each unit, all the targets have the same importance. The particular relevance of a target is expressed in the (quantitative) target level set in comparison with the levels previously attained.

The successful operationalisation of targets is to be secured through concrete work programmes. Each organisational level of AMS (i.e. local and Land offices, or national head office) has to participate in the development of work programmes, target levels (Zielvorgaben) and concepts of controlling for implementation. These operationalisation processes will be integrated top-down, i.e. the national head will check the working programmes of the nine regions (Länder); and the Land offices examine the implementation concepts of their local offices.

This new planning model aims at a much stronger inclusion of the specialised departments (*Fachabteilungen*) in the PES, since these were not only involved in developing the targets, but also responsible for the operative controlling of their respective business areas (e.g. counselling and placement units are responsible for controlling all targets related to jobseekers and employers). The previous central controlling units could then concentrate more strongly on co-ordination of the sub-

systems, respectively the controlling of the whole goal and target system. Further changes of the new MBO conception notwithstanding, the 'Comprehensive controlling system' is to be fully implemented in the AMS in 2002.

1.3 Inventory of goals, objectives and performance indicators²¹

For the medium-term period 1999-2002, the Labour Ministry has defined the following framework of goals²² (*Zielvorgaben*), relating to both the labour market and to the organizational development in the AMS:

Labour market goals:

- Prevention of youth unemployment (>6m) and support of disadvantaged youth. Until end of 2002 halving of entries into LTU of youth should be achieved.
- Prevention of adult LTU (>12m) und support of elderly workers. Until end of 2002 halving of entries into LTU should be achieved.
- Support of women with special employment problems, in particular those returning to work
- Improvement of qualifications of female job seekers
- vocational rehabilitation of unemployed disabled people

Organizational goals:

Among other things, the organizational development of the AMS should serve to:

- guarantee continuous 'coaching' (Betreuung) of firms/companies
- comprehensive counselling plans that determine rights and duties between AMS and its customers
- reinforced AMS-'penetration' into the labour market
- extension of AMS services
- utilisation of potentials for rationalisation (e.g. extension self-service, automation, streamlining of work organization)

On the basis of these Ministerial goals, the AMS has defined the following (strategic) goals of labour market policy for the planning period 99-2002:

- Promotion of equal opportunities as an overarching goal (EU-terminology: 'mainstreaming' equal opportunities)

²¹ If not stated otherwise, all information of this section is based on AMS Vorstand 1999.

²² Initially, these goals trace back to goals defined in 1998.

- Prevention of social exclusion from the employment system
- Optimisation of labour market matching
- Optimal service delivery
- Supporting the adaptability of the labour force to structural change

In order to attain these goals, the AMS considers 5 (more general) management „strategies“ and various bundles of measures, the latter being concentrated on the years 1999/2000²³ (see Table 5). These strategies and measures refer all to the AMS activities and should thus not be confused with the annual objectives of the MBO-system, which will be discussed below.

²³ These measures are in constant flux, i.e. they will be annually revised, extended and supplemented.

Table 5: Austrian Labour Market Service strategies and measures 99/2000

Strategies	Measures
Build-up of a service organization with differentiated service offers according to customers segments	<ul style="list-style-type: none"> - analysis of counselling and placement services in order to develop concepts for better services and resource utilisation - revision of the 'service catalogue' - development and quality assurance of ALMP instruments - improvement of information on vocational guidance and training
Extension of self-services in all business areas for employers and employees	<ul style="list-style-type: none"> - development Internet-services - set-up of data-base on further training
Continuous organizational development/reinforcement of innovation and flexibility	<ul style="list-style-type: none"> - set-up of a 'information logistic system' - development of management information system - development of working time models - further development of system of personnel's development
Implementation of a quality management system	<ul style="list-style-type: none"> - based on model of TQM-EFQM (i.e. organizational self-assessment of activities, processes and results is to be introduced) - implementation of quality standards through regular 'clients monitoring'
Increasing transparency of costs and economy in all business areas	<ul style="list-style-type: none"> - several rationalisation measures - further development of integrated cost accounting

Source: AMS 1999

In order to understand the AMS performance management system, the following points and premises should be noted:

The medium term national goals (the AMS calls them also 'strategic foci'/ 'main points') shall be kept constant, and the medium term goals represent the 'menu' for the selection of annual goals (or 'annual foci'). Strategic and annual foci are being operationalised in (more or less) concrete objectives (referring to AMS activities), and

for each objective only one performance indicator is applied²⁴. These performance indicators are used for quantifying the objectives for which performance agreements between the national headquarter (BGS) and each of the nine AMS *Land* Offices (LGS) are being settled. At this national stage, there is *not* any hierarchical order of goals and objectives, but the national goals/objectives are obligatory for the *Land* Offices (for more details on processes, see section 4 below). Table 6 integrates the medium-term and annual (1999) perspective, displaying goals, objectives and PI's for both dimensions.

²⁴ In addition, 'observation indicators' are used as supplementary information source.

Table 6: Performance management in Austria (national level): Medium-term and annual strategic goals and objectives, 1999

Strategic main goals	Objectives/targets	Indicators
Prevention of social exclusion from the employment system	<ul style="list-style-type: none"> • prevention LTU • bringing long-term unemployed back into work • stabilisation of vocational rehabilitation on the 1997 level 	<ul style="list-style-type: none"> * number of entries into LTU (>1y) * outflow from LTU (>1y) into work (absolute number) * average number of participants in vocational rehabilitation measures
Supporting the adaptability of the labour force to structural change	<ul style="list-style-type: none"> • Raising the LM-chances of women through qualification 	<ul style="list-style-type: none"> * outflow of women into work after qualification measures * of those the share of which measures were longer than 3 months
Optimisation of labour market matching	<ul style="list-style-type: none"> • maintenance of AMS utilisation • Improvement of use of the employment potential in Austria (inland) 	<ul style="list-style-type: none"> * absolute number of registered vacancies * successful placements in the tourist sector across the boundaries of the Federal States
Optimal service delivery	<ul style="list-style-type: none"> • immediate payments of benefits 	<ul style="list-style-type: none"> * number of undelivered application forms ready for payment at the 20th of the subsequent month
Prevention of youth unemployment	<ul style="list-style-type: none"> • Securing the integration of young people and registered apprenticeship seekers into labour markets and vocational training 	<ul style="list-style-type: none"> * number of youth (< 25y) entering long-term unemployed (> 6m), including registered apprenticeship seekers (>6m)

Source: AMS Vorstand 1998, Tab. 5.2.3, p. 16.

Notes: Shaded sections represent annual focus of 1999. As 'mainstreaming equal opportunities' is a cross-sectional goal, it is not explicitly displayed in any of the boxes above.

The quantification of the indicators (in other words: the operationalisation of the target levels) is based on negotiations between the national head office and the nine *Land* Offices, embedded in the complex planning procedure as a whole (chap. 4).

Size and problem structures of the *Länder* (the Austrian Federal States) vary to some extent and so do, accordingly, the target levels for each state. The targets and targets levels are the basis for differentiated regional priorities that are worked out by the *Land* offices in co-operation with their regional offices. Moreover, in this context, each of the *Land* offices and also the regional employment offices have to define its own additional (Land or regional) target (see also chap 4).

Target change

Because of the medium-term and particular planning structure of the Austrian MBO-system, the targets for the year 2000 do not differ fundamentally from 1999; only small changes and some rather subtle variations of the main emphases can be observed. The only remarkable change: the target of immediate benefit payments (measured by undelivered application forms) is no longer used in 2000, because performance is now considered satisfactory. This continuity of the target structure is a striking feature of Austrian PES performance management.²⁵

The target achievement varies according to year, targets and across the regions (*Länder*). Some target levels aimed at seem to be very ambitious, others set as too low. For instance, in 1999, the target of women's job entries after qualification measures was already exceeded in the third quarter.

Lessons and Problems

Some in the Austrian AMS argue that in the past too much weight was given to reaching the quantified targets, on the expense of process quality and customer satisfaction. Moreover, an overemphasis on placement and counselling targets and indicators was also an object of criticism in AMS. A number of responses to these observed shortcomings have been developed at different levels of the organization. At national level, as was already pointed out, a 'comprehensive controlling system' (*Gesamtsteuerungssystem*) shall replace very soon the results- and placement/counselling-biased MBO-system. Furthermore, since 1999, process-related targets and indicators for the main policy area 'counselling and placement' were concluded in consensus between the respective units of the National and the nine Land PES offices (see Table 7). Finally, experiments with more comprehensive

²⁵ This can be also confirmed by 'looking back': In 1997 (before implementing the 97-99 multi-annual plan), the now strategic, medium-term goals were already applied as annual objectives. The quantified indicators included (AMS Geschäftsbericht 1997: 8): Number of registered vacancies; participants in training measures; bringing the long-term unemployed back to work; integration of social assistance beneficiaries in the employment system; integration of women returning to work; prevention of LTU (adults: >1y; youth: > 6m); integration of apprenticeship seekers in employment system; immediate filling of vacancies; reduction of delayed payments.

management approaches can be found in the Federal States (for instance the Balanced Score Card model in Upper Austria, see section 1.6 for details).

Table 7: Agreed AMS process targets in the area of ‘counselling and placement_services’
(Beratungs- und Vermittlungsdienstleistungen)**

<p><u>Services for jobseeking persons:</u></p> <ol style="list-style-type: none">1. Improving the setting and complying with customer datings2. Intensified, continuous contact with persons at risk of becoming long-term unemployed3. Guaranteeing necessary counselling services and quality of counselling for persons at risk of becoming long-term unemployed and long-term unemployed persons4. Improved processing and securing of placement-relevant data in order to increase placement efficiency <p><u>Services for employers:</u></p> <ol style="list-style-type: none">1. Intensification of personal contacts with employers2. Improved compliance to agreements with employers3. Intensified co-operation with employers regarding vacancy filling and apprenticeships4. Improving the accuracy of placement attempts by AMS
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Source: Internal document provided by the BGS-AMS. ** Due to sometimes very technical definitions, the related indicators are not presented here.

Some of the targets and indicators based on the National Action Plan/European Employment Strategy have been also intensively debated in the AMS. A (relatively) ‘hot’ and particular controversy relates to long-term unemployment (LTU): Some voices argue that it was contradictory to have the target ‘preventing the entry in LTU’ on the one hand, and on the other hand the target ‘reduction of LTU stock’. The possible perverse effect: In order to get good results in reducing LTU stocks, the officer had to allow the entry into LTU - instead of placing them into a job or measure. In other words: A registered person would not get a treatment before she/he entered LTU. However, different voices in the AMS reject this point of view; for them these targets are just complimentary rather than contradictory. If relevant at all, the ‘perverse’ effect is in their opinion very small.

When major shortcomings of indicators are identified, they may be abolished. For instance, the former target ‘Increasing the labour market chances of women with

limited mobility' led initially to different interpretations of the criteria 'limited mobility', and a considerable increase in the number of persons in this target group in administrative records. When the statistics reported a higher rate of job entries (after programme treatment) for women with 'limited mobility' than those without this indicator was abolished. Another example of an unsuitable indicator: The definition 'average number (stock) of benefit recipients at day x' induced short-term activities, but not efforts for (durable) labour market integration (Q8).

1.4 Process analysis: definition and implementation of policy goals, objectives and indicators

As in the Scandinavian countries (Niklasson and Tomsmark 1997), the planning process of the MBO-system in Austria is rather complex and takes itself almost about a year (for the successive year), including the preparatory stages (hereafter: Wilk and Galehr 1999; Galehr and Haider 2000). In short, the whole national planning process is organised by a working group comprising delegates ('planning co-ordinators) from the PES head office and all Land offices, plus one delegate from the Ministry. This working group is mainly responsible for reflecting (assessment) on the past year, preparation and development of the contents of the targets as well as their (later) quantification. The preliminary results or working proposals of the planning group are then submitted to, discussed and co-ordinated with the various decision makers involved; i.e. - depending on the planning step - the AMS Board (*Vorstand*), the AMS Administrative Council (*Verwaltungsrat*), the (conference of) directors of the PES Land offices (*Landesgeschäftsführer*), and since 1999, the 'strategy committee' (see below).

The first decisive stage of the planning process takes place in an initial meeting of the 'planning working group' in spring at which the contents of the (quantifiable) objectives are prepared, based on an assessment of the the experience and results of the previous year(s)²⁶ and on the relevant planning framework and documents (see chap. 2). Until 1998, the conclusions of the working group were then communicated to the executive managers of the LGS as well as the AMS Board (*Vorstand*), and the Board had to give an immediate feedback concerning the objectives proposed. In late summer, at a second meeting of the planning work group, the contents and the trend estimates of the objectives were discussed in detail, bringing about finally a conclusion (or: consensus) on the possible benchmarks (target level) for the objectives. This proposal was submitted to the AMS Board, which, in turn, came to a conclusion on the target levels. The Board's conclusion was then to be discussed at the conference of the LGS. Finally, in autumn - maybe after the possible additional stage of conflict mediation - the quantification of objectives was concluded as an agreement between LGS conference and the Board, taking into account 'bottom-up' (planning) feedback from the organizational units of the *Länder* and regions. At the

²⁶ Each of the working group's delegates are responsible for co-ordination in their (sub-) organizations and will bring in their respective proposals of changes.

very end, the AMS Administrative Council (*Verwaltungsrat*) decided formally on the annual objectives (including target levels); thereafter the Land offices concluded their working programmes.

This planning procedure at national level was somewhat changed in 1999. A major shortcoming of the 'old' procedure was that the contents of targets were actually concluded late in autumn just prior to the beginning of the new business year in January, leading to planning uncertainties. A second shortcoming was the fact that the AMS Board was somewhat overloaded with tasks and issues. Mainly for these reasons, a 'strategy committee' was established in 1999. Briefly stated, this expert commission took over the former functions of the AMS board and decides (at least in principle) the contents of targets already in summer.²⁷ In other words, the definition of the contents of the targets and the quantification of the targets are now 'decoupled'. This brought about the intended result: the Land organizations now have more time for planning. Once the target level for their Land is known (or can be anticipated), the Land PES works out a proposal for allocation to the regional offices; after feedbacks from all the regional offices, there is a meeting in which the final shares will be negotiated and settled.

The national planning process is also decisively anchored at the regional level, since the *Länder* have the important task of transforming the national targets into operative programmes with differentiated priorities and a suitable policy mix, in co-operation with their local PES offices.²⁸

Furthermore, as already mentioned, each Land (LGS) and each local office (RGS) defines an additional target, supplementing the national framework. The additional objective of (each) of the Land PES offices is settled through their *Land* Directorates; at local level, the employment offices (RGS) consult their regional councils (*Regionalbeiräte*).²⁹ The planning process of these Land and regional targets runs parallel to the national planning process. Finally, it should be noticed that in the course of the whole planning procedure, the Land offices (LGS) and their *Land* Directorates have also feedback functions on targets and their quantification.

During the implementation stage in the course of the year, the targets and target levels are not revised in case of unanticipated larger labour market changes. However, within the *Länder*, target levels may be 'exchanged' between individual local offices (RGS), without changing the overall target level of their Land office. For instance, a local office (RGS) A may have already placed 30 long-term unemployed in

²⁷ A third function of the strategy committee addresses evaluation issues of the performance management approach; evaluation is to be strengthened.

²⁸ Remember: At the national level, all targets are treated as equally important; it is at Land level where targets receive different weights or priorities.

²⁹ The Land Directorate is headed by the director of the Land PES and includes his/her deputy plus representatives of the social partners. The regional council of the local employment offices (RGS) includes the local PES director and delegates from the social partners, too.

April, with a total target level for the whole year of 50 long-term unemployed. As this office can anticipate that the target level (a rest of 20 persons over 8 months) will be easily accomplished, it may offer to 'take over' some (e.g. 25) of the long-term unemployed of another local office B which 'lags behind' in placing this target group. The target level for office A will be then 45, and the target level for office B will be reduced by 25 persons, but the Land target level remains unchanged.

1.5 The management information system

It is not surprising that all goals/operational targets of the Austrian MBO-system are fully covered by the monitoring system. The technical standards of the AMS monitoring system as a whole are being continuously improved, along with proceeding development of a comprehensive controlling system (see chap. 2) and also the internal ambition to become a 'learning organization' (cf. AMS Vorstand 1999: 5). Investing in the development of the information technology is an important topic of the medium-term plan 1999-2002 (AMS Vorstand 1999: 23-26); process optimisation, and developing management information system and self-services are the key projects. Of outstanding importance is probably the transfer of all monitoring sources in a so-called 'Data-Warehouse' (which is the catchy phrase for integrating *all* data resources of an organization into one system).

The implementation of the operational objectives - in form of the working programmes - is the responsibility of the LGS (Land offices), and so, accordingly, the 'controlling' (here: monitoring) of regional target attainment during the MBO-cycle. Even though there is a 'Controlling Unit' at the National AMS (attached to the executive office of the AMS Board (*Büro des Vorstandes*)), this unit does not exercise any sort of centralised (permanent) control vis-à-vis the Land offices and carries out mainly co-ordination functions. Although it is the national controlling unit which produces the quarterly 'Labour Market Policy Controlling', providing information about target attainment for the nine Federal States and for Austria as a whole (see AMS 1999), it checks as a rule only once a year (respectively on grounds of the quarterly controlling reports) whether the working programmes of the regions are adequately implemented. The main functions of this unit are rather 'strategic', e.g. in developing, moderating and co-ordinating policies (information screening function across the Länder!) or as head of the planning working group. By contrast, the Land offices check at least monthly (sometimes more) the results of their local employment offices.

Besides monitoring of the MBO-targets as a whole (based on one key indicator), controlling of specific policy areas has become an increasingly important issue of performance management, too. For instance, there are separate controlling approaches and (corresponding partial) management information systems for unemployment insurance benefits and for the area 'counselling and placement services' (BVS). The controlling approach of unemployment benefit administration can be re-

garded as a good example of a successful combination of strongly improved monitoring devices (here: introduction of IT in the mid 1990s) and a strong implementation of related and ambitious MBO-targets. In a nutshell, the long-standing, conspicuous problems of undelivered or unsettled application forms (and delayed or erroneous payments as well) could be reduced to a minimum (or even eliminated) within a couple of years after these problems were consequently addressed through the MBO-targets.

In the counselling and placement area, on the other hand, the Austria-wide introduction of process related indicators (see section 3 and Table 7 above) is conceived of as a management device for (guiding) AMS managers (in the Land offices): The 'crux' of this partial controlling of placement/counselling is that it provides aggregate performance scores for each of the performance dimensions included as well as an aggregate score for the overall performance (as the sum of all indicators of services for jobseekers plus all services for employers). For instance, in the pillar 'services for jobseekers', three performance areas were used in 1999, comprising 14 indicators for counselling, 9 indicators for placement and 6 indicators relating to 'labour market promotion', i.e. 29 indicators for the whole performance dimension (services employers 28 indicators). This seems to be a powerful instrument, which, for instance, stimulates debates on useful indicators and exchange of ideas in the sense of the benchmarking at AMS managers' meetings.

1.6 Performance assessment and benchmarking Performance assessment within the MBO approach

Austria's performance assessment for the last period or budget year is being dealt with at the outset of the new planning cycle for MBO, i.e. in the first meeting of the 'planning working group' in Spring (see chap. 4). The reflection on the previous period addresses assessment of target attainment, including unintended side effects. As a second pillar of this debate, the indicators used will be scrutinised. The insights of this review will be then fed into the new planning process. The inclusion of the stage of performance assessment at the outset of the new planning period is apparently a 'speciality' of the Austrian MBO-system; in other countries, institutionalised forms of separate 'final review meetings' seem to be common.

Furthermore, as in the vast majority of the other countries in this study, evaluation of MBO is not an issue in Austria.

According to interview statements, evaluation studies (impact analyses) on the MBO-system have not been carried out so far. AMS officials argue that aggregate impact analyses could not substitute insights of practical relevance such as provided by, for instance, the Client Monitoring System. Moreover, careful trend calculations in order to get 'proper' target levels is said to be preferred to ex post analyses.

Performance Pay

In the Austrian AMS, an annual bonus payment supplements the salaries of the employees, of whom today only a minority still have the status of traditional public servants. This bonus payment includes a 'target-oriented' component and a 'performance-based' component. The target-oriented bonus is allocated from the top down, i.e. from the national head office to the Land offices, and from Land offices to their respective local offices, depending on achievement of target levels. Different rules of distribution may apply: for instance, at local level, all employees can get the same share of the target-oriented component; in other offices, this share might be unevenly distributed since the contribution of the various operative units might be weighed differently. However, it is generally the case that the bonus payment is relatively small, and the target component is the lesser of the two components. But even the performance-based bonus payment - the second component - is not a strong financial incentive, in relation to the regular fees. The performance-based bonus payment is in any case individualised, that means the supervisor bases it on the individual assessments. Annual, compulsory 'employee conversations' are being used for these assessments. Albeit the bonus payment is largely symbolic, the 'signal effect' of it is very strong, including even some 'irrational excitements'. Nonetheless, the acceptance of the bonus system would partially depend on individual managers' personalities and styles, too. However, as the bonus payment is not high and only once a year, it seems to be quite established and accepted.

More controversial are proposals for bonus payment for placement success, i.e. per capita bonus payments. Coming up from time to time, this theme was inserted into the public debate during the coalition talks of the new centre-right government, but it seems to have been dropped now. There is strong opposition to the idea in the AMS.

Benchmarking

In Austria benchmarking is currently being established at the intermediate PES level of the Länder rather than at the national PES level. The national head office of AMS considers itself as having a role in the benchmarking issue, if at all, by providing a platform for information screening rather than as a protagonist role. This may be an understatement since the BGS has put forward, for instance, the controlling model for placement and counselling services (see above), which could also be interpreted as a Benchmarking tool. However, the most experiments with Benchmarking can be found surely in the 9 *Länder* regions. On the other hand, as benchmarking is rather a recent trend in the Austrian labour market policy, it is far too early to expect to find (competitive) benchmarking models across the *Land* PES.³⁰

³⁰ This is obviously true regardless of vague information that benchmarking between AMS offices is being prepared and regional 'model offices' will be set up.

An interesting example for a practical benchmarking approach (or advanced controlling model) is currently being tested in the Land Upper Austria: The LGS started to experiment with a balanced-score card model suited for the needs of the LGS on its own initiative.³¹ Following the main categories of the balanced score card model as originally conceived of by Kaplan and Norton (1997; 1992),³² the Upper Austrian Score Card includes the following performance categories:

- 'Counselling and Placement Services' (BVS)
- Services on Insurance Benefits (SVL = *Service Versicherungsleistungen*)
- 'Labour Market Promotion' (ALMP programmes except the BVS)
- Personnel
- 'Purchase and real estates' (material support infrastructure)
- Customer satisfaction
- Personnel satisfaction (not yet introduced)

The main goal of this score card approach is to balance the various performance dimensions in a way which optimises the overall performance of the LGS Upper Austria, or, alternatively, of the regional PES offices. In other words: the score card system should avoid a dominance of particular goals or targets at the expense of other targets, which would result in a lower (or worse) overall aggregate performance. In general, the key to a successful scorecard model is the identification of the critical success factors or 'performance drivers', given a strategic (i.e. embedded and long-term) orientation. As the drivers may change over time, it is also necessary to re-consider and reinvent the assumptions and indicators used periodically (according to the double-loop learning approach, see Kaplan and Norton 1997: 15-17).

In practical terms, the Score Card includes an aggregate performance indicator that can, however, be decomposed into its parts. It aggregates and transforms 'real values' of performance indicators into aggregate scores that are measured against the maximum scores in a partial performance dimension or in the overall performance. The electronic application of the Score Card displays deviations from the benchmark, indicating 'early warnings' or intervention needs.

In other words, the aggregate single scores in each of the four core dimensions (financial perspective, the internal business, the innovation and learning and the customer perspective) are summarised in a single indicator. By providing 'alarm values' and concrete potentials for improvements, the Balanced Score Card is considered as an „integrated benchmarking-system“ (interview quote), not just as a

³¹ To be more precise, the initiative goes back to one of the top managers in the LGS.

³² Kaplan and Norton use four general performance categories in their Scorecard-Model: the financial perspective, the internal business perspective, the innovation and learning perspective and the customer perspective.

monitoring device. Furthermore, the Upper Austrian PES management points out that the Balanced Score Card was a further development of Total Quality Management approaches (in particular the EFQM-model), but somewhat more concise and stringent in handling. The Balanced Score Card would deliver continuously quantified benchmark results (as the score represents performance against the benchmark set in advance).

At the time being, the Score Card for the PES Upper Austria is still in development; at the local PES level it is being tested and not yet introduced systematically. However, according to its leading advocate manager, the Score Card should be an instrument used at all levels and, moreover, for all PES employees as a personal management tool. Although for this manager the Score Card is a top-down-instrument for central control, local PES managers do not necessarily share this position. For instance, one local PES manager interviewed opposed the compulsory introduction of the Balanced Score Card, even though she was in favour of it as a voluntary management tool in her office.

In sum, this 'Balanced Score Card-model' tries to integrate assessing performance of the PES business areas and of the PES personnel, combining process- and results-oriented indicators. At the same time, the 'scores' are operationalised as standardised benchmarks, whose maximum values are derived from the (average of the three) best performing PES units. This makes it an attractive management tool, which can be further developed.

However, it should be recalled that the Balanced Score Card in Upper Austria is *just one* example for an ambitious approach to performance management and benchmarking in Austria; quite likely, there may be other ambitious benchmarking approaches in other Austrian States of which we are not aware. Nevertheless, in light of the presented plans for the upcoming 'Comprehensive Controlling System' (see section. 2), at least components of the BSC approach will probably play a future role in the Austrian AMS.

2. Great Britain: PES performance management profile³³

2.1 The organizational context

The Employment Service (ES) is primarily responsible for providing placement services and assistance to disadvantaged persons in the labour market, especially welfare recipients. The ES also monitors its clients' eligibility for unemployment benefit (Jobseeker's Allowance) in collaboration with the Benefit Agency. The ES is

³³ The Employment Service is responsible for service provision in England, Scotland, and Wales but not for Northern Ireland.

an executive agency within the Department for Education and Employment. As such it has more managerial autonomy than a government ministry, although its employees remain public servants. Each year the Secretary of State for Employment sets performance targets in an annual „Performance Agreement” concluded between the ES and the ministry, which also specifies the resources available to the ES for achieving its tasks. The Employment Service delivers its services through 9 regional, 127 district and over 1000 local jobcentre offices. Training and most other active measures are currently the responsibility of the employer-led Training and Enterprise Councils (TECs). However, from April 2001 the Employment Service will take responsibility for adult training from TECs. Later in the summer the ES will be merged into a new agency with a large part of the Benefit Agency to provide comprehensive responsibility for labour market and benefits services and programmes for all people of working age. This will include the adult work-related training component of the TEC system, services with a labour market focus, and the administration of Jobseeker’s Allowance and other working age adult welfare benefits. This organizational change is a continuation of the trend marked by the Single Work-Focused Gateway (later called ‘ONE’) for the creation of comprehensive and coherent welfare-to-work services.

2.2 The PES performance management approach

The British Employment Service has been an executive agency with annual performance targets and a system of management by objectives since it was established as a ‘next steps’ agency in 1991-92. The ES, whose experience with MBO actually goes back to the 1980s, is thus one of the PES organizations with long experience in performance management. ES targets are now primarily labour market targets relating to the reintegration of its principal clientele of unemployed benefit claimants. Recent policy changes under the Labour government (‘New Deal’) have made the agency much more client-oriented in contrast to its previous orientation toward finding and filling vacancies. The ministerial level (Dept. of Education and Employment), with which the ES targets are agreed, plays a dominant policy role and the ES is primarily an implementing agency with only limited autonomy. The ES’s management cycle is on a purely annual basis and shifts in government policy, for example, the introduction of the ‘New Deal’ programme with its own earmarked resources and separate organizational structures, have placed heavy demands on the adaptability of the organization.³⁴ The ES is a highly focused, ‘target-driven’ organization. The ES itself is a highly centralized organization in which national targets are allocated to the regional and lower levels of the organization in a more-or-less top-down manner. Moreover, quality management plays a strong role and national standards for customer service and administration of unemployment benefit (Jobseeker’s Allowance) further limit regional discretion in policy or implementation. A well developed management information and controlling system for monitoring

³⁴ As noted above, the ES is now to be merged into a much larger new agency.

regional performance on a current (weekly) basis and responding in real time to perceived shortfalls. There are, furthermore major efforts to develop benchmarking tools with which jobcentre performance can be systematically compared with similar units throughout the country. Unit performance assessment also has important consequences for individuals since it is one basis for performance pay differentials. Staff members frequently describe the management style of the ES as being a 'checking culture.'

2.3 Inventory of goals, objectives and performance indicators

The objectives and targets from the 1999-2000 Annual performance agreement are summarized in Table 8. The targets A1 to D represent a hierarchy in which primary emphasis is on the labour market targets under objective A, whereas objectives B, C, & D relate to processes and service quality in dealing with clients. The labour market targets are outcome-oriented (job entry) rather than focussing on programme uptake, although target A1 is defined in terms of job entries that occur through two programmes (New Deal and Employment Zones) rather than being a generic labour market target – as is the case for A2 to A6. This programme emphasis in the formulation of targets reflects the fact that 'New Deal' in particular is the 'flagship' labour market programme of the Labour government of very high political importance. This is also reflected in the fact that staff and programme funding are also earmarked for 'New Deal' activities. It is interesting to note that the A1 to A5 labour market targets are 'nested,' i.e. the categories overlap. Thus target A2 also includes New Deal for the Disabled participants; target category A3 includes A1 and A2 job entries plus adult (>25) JSA recipients unemployed for more than 6 months;³⁵ and A4 includes A1 to A3 plus unemployed claiming JSA for less than 6 months: finally, A5 includes all persons in categories A1 to A4 plus the jobless not in receipt of benefit. In effect, the typical ES emphasis on placement of problem groups, which has been strengthened by the introduction of the 'New Deal' is reflected in the use of 'sub-targets' A1 to A4 within the more comprehensive A5 labour market target. Internally and for its own planning the ES has a further breakdown of the components of target A1 by type of New Deal activity.

This very complicated structure of target 'nesting' seems to an external observer to be overly complicated for non-statisticians and hence possibly not transparent enough for line staff in jobcentres (for example, in comparison, with using simply ratios of target groups in PES placements).

In 1999-2000 the ES was able to meet or exceed 7 of its 8 principal targets. It was slightly below target only in "correct application of Jobseeker's Allowance processes" (90% vs. 96% of cases). There is a pattern of incremental changes in targets in response to changing political and organizational priorities. Thus of the 12

³⁵ And working age benefit recipients in the ONE pilot areas.

principal ES performance targets in 1996-97 only 3 were still targets in 1999-2000³⁶. Between 1999-2000 and 2000-2001 4 of 8 targets were changed not just in level but also in their definition. Thus while the overall labour market target of “placing unemployed people into work” again remained unchanged, all three sub-targets changed and a new customer service level target for employers was added.

Lessons

Use of placement targets may lead to systematic distortions in organizational outcomes, for example, creaming, i.e. concentrating efforts on short-term, easier to help clients. In the British employment service this is counteracted by a heavy emphasis on disadvantaged groups both in earlier and in the current labour market targets, which has been strengthened by the current government’s policy focus on the New Deal programme, which is particularly aimed at labour market problem groups.

A potential shortcoming of the current placement indicators is that they do not take job quality into account (a job is defined merely as more than eight hours of work over a seven day period). This may give operating staff an incentive to pay less attention to job quality in filling their placement targets, although the Employment Service sees no evidence of such behaviour. Moreover, use of a placement indicator without controlling for job quality may also lead to distortions in comparing the performance of jobcentres since this type of target is easier to achieve in labour market segments with high job turnover, for example, retail trade and personal services. The ES has responded to this problem by introducing “sustainability” as an additional qualitative placement target on a pilot basis in two regions. Sustainability is defined as still being in employment 13 weeks after the initial placement.

A shortcoming of the target definitions from a theoretical point of view is that like all monitoring data they represent gross job entries but do not provide a basis for assessing the net impact of ES activities in comparison with a counterfactual situation. This is of course a limitation of all performance data drawn from administrative records. The Employment Service’s very strong focus on labour market target groups can be expected to have enhanced the real ‘value added’ of PES placement activities.

Quality targets

The Employment Service puts strong emphasis on its customer service commitments, which reflects the customer-service orientation in the British public service. The quality standards for jobseekers include: 1) vacancies are displayed and up-to-date; 2) customers with an appointment are seen on time and those without an

³⁶ Two additional targets not included concern prompt response to queries from ministers of the Department for Education and Employment.

appointment are seen within 10 minutes; 3) telephone is answered within 20 seconds; 4) full reply to letters within 10 working days or provide the customer with an explanation for the delay; letters to be answered in clear and plain language. An independent research company anonymously 'tests' local PES service performance at the jobcentre level. Previously service standards were applicable only to job-seekers. For the first time, in the Annual Performance Agreement for 2000-2001, service standards for employers are being introduced.³⁷ Given the importance of vacancy acquisition for achievement of ES performance targets, this is a welcome development.

Labour market activity

Finally, labour market activity, i.e. adherence to the schedule for activation of the unemployed is a key quality emphasis in ES targeting. National standards require a series of interventions of different intensity at progressive stages of the unemployment spell: 1) New jobseeker interview and conclusion of a jobseekers agreement, 2) thereafter fortnightly interviews at the Jobcentre with more intensive interviews in the 13th week, the six month-interview, and subsequently at six month intervals. Adherence to these standards is systematically controlled at the local jobcentre level. The ES has also adopted the Business Excellence model as a quality standard and is preparing for a full internal assessment in 2000-01.

³⁷ Although the setting of quantitative targets for performance measurement has been delayed.

Table 8: Employment Service Annual Performance Agreement, 1999-2000, Performance requirements

Goal A

To help people into work by providing appropriate advice, guidance, training and support either directly or in partnership with others.

Target:

- To place 1,25 million unemployed people into work

Goal B

To concentrate efforts on helping people improve their employability and move from welfare to work particularly if they have already spent long periods without a job.

Targets:

- To place 190,000 long-term (6 months plus) JSA claimants into work. To place 38,000 JSA claimants out of work for 2 years or more, including New Deal for 25 and over participants, into work.
- To place 100,000 New deal for Young People participation into work. To place 15,000 New Deal for Lone Parents participants into work

Goal C

To involve people with disabilities in the world of work by helping them to find and retain jobs and encouraging employers to open more opportunities to them.

Target:

- To place 85,000 unemployed people with disabilities into work, including New Deal for Disabled People participants.

Goal D

To set out clearly the rights and responsibilities of people who claim Job-seeker's Allowance (JSA) and ensure that throughout the period of their claim these rights and responsibilities are fulfilled.

Target:

- To ensure the correct application of the JSA process in at least 96% of cases checked in quarter four of 1999-2000

Goal E

To provide a courteous and professional customer service to all jobseekers

Target:

- To achieve an 87% customer service delivery rate

Goal F

To deliver these services cost effectively (no target specification)

2.4 Process analysis: definition and implementation of policy goals, objectives and indicators

The Annual Performance Agreement between the Employment Service and the Dept. of Education and Employment, which establishes the PES' objectives and targets for the coming fiscal year, is the result of prolonged negotiations between September and February between experts from the ES and the ministry. Although there is a clear division of labour in which the ministry is responsible for policy and the ES as an executive agency for implementation, the negotiations are difficult because of the problem of agreeing on targets. In general the Ministry pushes for higher ('stretching') targets ES-concerned to achieve realistic (lower) targets. From the viewpoint of the PES, the political level of the ministry always expects improvement and is extremely reluctant to accept lower targets, even when warranted by changed labour market conditions. If an agreement cannot initially be reached at a staff level – as has occurred in the recent past – the issue has to be referred to the minister for decision. Noteworthy in the British context too is the role of the Treasury, which must approve the agreement.

As a rule the negotiations proceed as follows: 1) First an agreement on a labour market assessment between ES and ministry has to be reached on the basis of Treasury economic estimates. This includes in particular estimates of inflows into and outflows from unemployment and other factors that affect employment service placement levels. Disagreement comes from the uncertainty about future developments when relying on data from the mid-point of the previous year. 2) Second, on the basis of the labour market assessment an agreement on target levels has to be reached. The objectives themselves are largely politically set and also influenced by government-wide considerations, for example, the emphasis on customer service. 3) Finally, the Treasury has to accept the agreement reached between the ES and the Ministry, since it also entails an expenditure commitment. It plays a strong role, and is reported to have on occasion even injected its own policy preferences.³⁸

Negotiations on the 2000-2001 targets were particularly difficult because of the number of new targets to define and negotiate (five of eight) and the increasingly tight labour market. New targets are more difficult to negotiate in contrast to objectives continued from the previous years for which only an adjustment in target levels is required. In the case of the latter there is a track record and accepted model on how performance is related to labour market factors. In principle the previous target only needs to be revised to reflect the labour market estimates for the coming year.

In the view of the ES, quantitative labour market targets with a placement focus are ironically more difficult to achieve at the current relatively low levels of unemploy-

³⁸ The special interest of the Treasury in ES policy may be explained in part by the fact that a former Employment minister, Andrew Smith, is now a senior Treasury minister.

ment. This is because both inflows and outflows from claimant unemployment, i.e. the principal clientele of the ES, are strongly counter-cyclical and have reached very low levels at the peak of the current business cycle at the end of the 1990s, although vacancy notifications to the ES are to a lesser extent pro-cyclical as employers have more difficulty filling vacancies through other search channels. Moreover, at the peak of the business cycle the claimant count is said to include a higher share of hard to place jobseekers. There is clear evidence, for example, that the success rate of ES in filling vacancies fell from 70% to 80% in the economic trough of the early 1990s to around 50% at the end of the 1990s. In sum, improved labour market conditions make it easier for individuals to find jobs but more difficult for the ES to achieve a given level of placements.

PES and the regions

The ES decides on its own procedures for allocation of national targets to its regional and local offices. Process targets related to correct procedures in dealing with benefit claimants and customer service standards are the same throughout the country. By contrast the allocation of labour market targets to the regional level is currently based on a combination of labour market estimates, individual models for allocating each target, and past performance. Since the overall national performance targets (A1 to A5) are given, the allocation of shares to the regions from the ES head office in current practice follows a relatively automatic technical procedure. For each labour market target there is a model consisting of a combination of key 'drivers' based on past performance and projections. Thus for the key target "unemployed job entries" regional forecasts of new vacancies and inflow into unemployment are input into a model based on the historical relationships of vacancies and unemployment flows to placings, differentiated by five Jobcentre size categories. Finally, there is on practical grounds a 5% 'limiter' or upper limit on any regional increases in targets in comparison with the previous year. Although expressed in a mathematical model, the allocation formulas are based on art as well as science. For example, ad hoc adjustments are made for jobcentres with 'nurse banks' or a high level of vacancies. Regions and districts have more leeway in allocating targets to their subordinate units, although they are constrained by the need to meet the regional or district goals set by higher organizational levels.

Targets are not revised during the course of the annual MBO cycle. Unanticipated changes in the labour market context are, however, taken into consideration in assessing the results. Since the models of ES performance used in negotiating national targets and allocating targets to the regions are largely based on labour market factors, they also provide an implicit basis for explaining under (or over) performance due to changes in the labour market conditions in comparison with the estimates used for the setting and allocation of targets at the beginning of the planning cycle. This is done by re-estimating the national or regional targets based on revised (current) data.

2.5 The management information system

The management information system to support the process of setting targets and controlling performance against targets is well developed, although there are problems with respect to the adaptability of the system in responding to changing ministerial priorities. Key management information in the ES is the responsibility of a special monitoring and reporting team, the Jobcentre Performance Unit, which is also responsible for performance reporting at the national level. Regional and district offices have their own performance managers.

The management information system provides comprehensive and real time information on progress toward the key targets. Head office Information on regional and national progress toward the principal labour market targets (A1-A5) is updated weekly, enabling the MBO system to be used as a hands-on management tool. More formal monthly reports to the chief executive include additional detailed information on customer service targets and additional supporting information (e.g. vacancies, referrals, unemployment flows, expenditure, unit costs etc.). The ES submits quarterly reports on performance against targets to the Dept. of Education and Employment as required by the Annual Performance Agreement.

A principal shortcoming of the existing labour market information system as a management tool is its relative inflexibility. Changing political priorities (e.g. the introduction of the 'New Deal' or changes in targets) require flexible and short-term changes in the information system. In the annual policy cycle targets for the new fiscal year beginning in April are not agreed until February, which means that only two months are available to make the necessary changes in the MI system. The existing IT system is regarded as being too inflexible, i.e. it cannot be quickly adjusted to meet changing data requirements. As a consequence the ES must frequently resort to ad hoc solutions, including manual reporting of data. The ES is undergoing a major modernisation of its operational and management information systems and expects to have a fully comprehensive and flexible MI system in place by 2004.

Validation

MBO systems are highly dependent on the quality of data collected. Moreover, because the data used to assess the performance of operating units (and individuals) are also largely collected at the same level, agency problems of adverse selection (e.g. creaming) and moral hazard (e.g. over-reporting) are a problem that requires appropriate controls. A particularly sensitive indicator in all PES organizations is reported placements in employment. In Great Britain placements are currently defined as "confirmation from an employer that a jobseeker has started a job which is for at least 8 hours in a 7 day period." In 1997 the public employment service experienced problems in being able to fully validate its job placement results, which may be instructive for other PES organizations that have not yet instituted appropriate controls

on management information, especially placements. In that year the validity of the performance data on placements became an important issue after it was determined that there was not sufficiently robust evidence to support a significant number of reported placements. As a consequence of this experience more stringent controls on placement data were introduced in the 4th quarter of 1997-98, with independent reviews by the National Audit Office. Based on a re-examination of 44,000 randomly selected recorded job entries, the ES has attained a validation score of around 94% in the fourth quarter of 1999 for overall placements of the unemployed into jobs, the most general ES performance indicator. The ES is making efforts to further improve the quality of placement data. There continue to be problems in the recording of subcategories of placements. For example, validation teams report that in a large number of cases of placements of persons with disabilities there was insufficient health information to support that status. As noted above, a shortcoming of the existing key performance indicators (targets) is that they relate solely to job entry but not to stable employment, which may encourage ES staff to focus on short-term or marginal placements. The Annual Performance Agreement for 2000-2001 takes this problem into account by introducing on a pilot basis in two regions an additional target of 'sustainability,' defined as the percentage of long-term benefit claimants still off benefit 13 weeks after starting a job.

2.6 Performance assessment

National level

The Annual Performance Agreement requires quarterly reports by the chief executive on performance against targets, initially within 15 working days and a fuller report within 25 working days on progress toward targets and variance from profiled performance and expenditure.

In the current fiscal year the ES has been falling short of key national labour market targets, which it attributes largely to the increasing difficulty of meeting its placement targets in tight labour markets due to the lower number of claimants and reduced inflows into unemployment. In accounting for performance shortfalls a key role is played by the ES's research department; for example, the impact of revisions in the original labour market estimates used to set placement targets can be calculated as a possible explanation for shortfalls.

Although the head office deals primarily with the 7 English regions and Scotland and Wales, there is a trend toward increased direct monitoring of district and jobcentre performance. This is a consequence of improvements in the management information system in recent years, on the one hand, and of the high political visibility of the 'New Deal' programme, which leads ministers to show a strong interest in performance at the operational level.

ES and the regions

Within the ES there are monthly discussions with the Chief Executive and Director of Jobcentre Services on progress toward targets and joint meetings of senior management from head office with the regional directors at which performance and progress towards targets are discussed. This is also an occasion at which information on performance generated by the management information system will be discussed with regional officials but intervention may also take the form of formal or informal intervention in response to regional shortcomings in performance detected by the MI system. This has, for example, occurred in the recent period in which regional managers have sometimes been requested to report on problems with meeting targets in some districts of their regions. In the first instance though, the head office deals with the regional offices and not directly with districts or jobcentres, which is a regional office responsibility. Improvements in the management information system have, however, increased the level of information available at the head office about variation in district and jobcentre performance against targets and, especially in the case of the politically prominent New Deal programme head office and even the ministerial level has increasingly scrutinized performance even at the implementation level.

The Jobcentre Performance Unit at head office in Sheffield also has a so-called Business Achievement Team (BAT) that visits local jobcentres in response to requests and routinely, but also makes targeted visits in response to perceived performance problems. The BAT team examines and comments in a written report on the strengths and weaknesses of Jobcentre performance by individual target areas, to which the local business manager makes a written response.

Regional and district offices have their own staff concerned with performance assessment and, as necessary, intervene at the district and jobcentre level. For example, performance is a central topic in the weekly telephone conferences and monthly face-to-face meetings between the regional director and the district managers in one of the English regions visited. Performance assessment is, of course, a central concern of the management team at the jobcentre level.

Performance pay

Like the public service as a whole, the ES pays performance pay based on annual assessment ratings of each staff member, who are classified according to performance ratings from A to D. All ES staff members have an annual Performance and Development Profile in which a number of operational objectives are agreed, for example, placing X people a month into work either individually or as part of a team. This means that achievement of these targets can influence performance pay. However the assessment is based on overall performance, not just on what people have done, but as much on how they did it. For managerial and professional staff the

performance bonus is not large, representing more of an honour than a strong financial incentive. The bonuses are individual rather than group-based, although the performance assessment for managers and team leaders will be based largely on their unit's performance. A cross government report has recommended higher levels of bonus based on success but this will take some time to implement.

Another pay-related problem is the lack of ES pay differentials that take regional labour markets and costs of living into account. This is apparently one explanation for very high staff turnover rates in many jobcentres, especially in metropolitan areas, affecting both clerical and executive level positions. Like in most countries, the rules of the civil service make it difficult to terminate even personnel with consistently unsatisfactory performance. Managers with deficient performance can, however, be reassigned and early retirement programmes have also been used to deal with deficient performance.

Although performance assessment takes place predominantly in a hierarchical context in the 'checking culture' of PES management in Britain, horizontal contacts and learning from other districts and jobcentres is encouraged. This takes place through frequent national conferences: 'cities network' links managers from the largest cities, an Assistant Regional Directors network, and a New Deal Co-ordinators network. There is also, for example, a 'mentoring programme', which enables successful managers to spend time in jobcentres with performance problems. Finally, the 'Diagnostic Tool Kit' described below, which is also used as a basis for performance awards, represents a major effort to promote benchmarking as a tool of self-analysis and problem solving at the jobcentre and district levels.

Benchmarking

During June 1998, management consultants developed a Diagnostic Toolkit to help District and Business Managers in the British Public Employment Service improve placing performance in Jobcentres. The Toolkit is based on a simple model of the basic processes in all jobcentres. Making use of existing management information, 10 key indicators were identified that show the office's potential (inputs), processes (activity) and effectiveness of that activity (outputs). A revised version of the Toolkit was prepared in 2000 in which the number of indicators was reduced to five, but no new indicators have been added.

Table 9: 'Diagnostic Toolkit' indicators, 2000

<p><i>Input-Indicator:</i></p> <ul style="list-style-type: none">▪ Vacancies notified/persons registered <p><i>Activity-Indicators:</i></p> <ul style="list-style-type: none">▪ Unemployed submissions / Vacancies notified▪ Unemployed submissions / Unemployed job entries <p><i>Output-Indicators:</i></p> <ul style="list-style-type: none">▪ Unemployed job entries per staff person per week▪ Unemployed job entries / Vacancies notified
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Because it systematically relates input, activity, and output indicators based on a simple model of the placement process, the diagnostic tool shows the relationship between ES activities and meeting targets: It can thus help to identify the reasons for shortfalls in performance and possible areas for improvement. In this respect the 'Diagnostic Toolkit' represents an advance on the management information system described above, which is designed merely to control performance against targets but cannot explain shortfalls, except for changes in labour market conditions. For example, if the target level is 100 job entries per week and the historical submissions ratio (referrals to job entries) is 15, then 1500 referrals per week are required to meet the target. One also knows that if, for example, the number of unemployed claimants is 2000, then 75% of the client group must be referred to a job in a week, or more than one submission needs to be undertaken for some jobseekers, in order to meet the target.

The indicators are calculated on the basis of 5 core variables that have to be input monthly by the local jobcentre (register size, vacancies notified, unemployed submissions, job entries, staff in person weeks). Results are transmitted on a monthly basis to the district and head office levels, and the kit also contains pages for district and regional level analysis.

Office size was found to be the most important determinant of performance in terms of productivity in converting clients and vacancies into placings. Therefore and for valid comparisons, offices are currently split into four office size categories based on the size of the register of unemployed clients, ranging from small (0-499 clients register size), small/medium (500-999), medium (1000-1999), to large (2000 and more persons registered).³⁹

³⁹ In the 1999 version, five size bands were used, with an additional size 'medium/large' (2000-3000), and the large category was defined as 3000 and more persons registered.

The assignment of jobcentres to the size bands is based on an average for the first quarter of the budget year (April to June) rather than on the previous month in order to avoid disruptive movement between different size categories due to small shifts in the number of clients or, for example, seasonal factors.

National benchmarks for each of the indicators for each of the office size categories have been produced. The benchmarks are based on quarterly performance during the previous year on the key indicators in the various size categories. This represents an improvement over the original version of the benchmarks, which were based on annual data, which did not adequately reflect the seasonality of ES business. In order to display the results and make the benchmarking more intuitive jobcentre and district benchmarking results are colour-coded according to their quartile ranking in their respective size categories.⁴⁰

The Diagnostic Toolkit itself is a series of interrelated Excel spread sheets that supplies national benchmark values based on performance in the previous year. It is designed in the first instance to be used by the local office Business Manager (office head), although the local data is passed on to the district and regional levels. Each local office can thus examine its results and compare them with the national benchmarks in order to improve its activities. If a lack of effectiveness is recognized, each bureau has to check the local measures and (if necessary) to adjust them. The tools also show the progress made on each of the Indicators over a period of time. Supplementary functions can produce bar graphs that show the percentage improvement needed to reach the next quartile, i.e. the lower, upper and top quartiles.

The benchmarking results are also used as a basis for determining performance awards to jobcentres, which are based primarily on placings per staff member per week in each of the five size categories.

Discussion

The 'benchmarking Toolkit' is a user-friendly instrument for benchmarking performance at the local jobcentre level, and at higher levels of the organization. Because it is based on a simple but appealing model of jobcentre performance, it is useful not only for ranking performance within comparable size categories but also for analysing PES activities and labour market factors that might explain performance shortfalls. The original Toolkit is being continually revised in response to experience and criticism.

⁴⁰ Different colours in the graphs indicate where the office lies in terms of the National Benchmarks. Within one office size category there are different colours used for the bottom quartile (0-25%), the lower quartile (25%-50%), the upper quartile (50%-75%) and, finally, the top quartile (75%-100%).

Surprisingly, the clusters of jobcentre types used in the benchmarking tool reflect only size bands but not labour market types and conditions, although - interestingly - 'New Deal' program performance analysis is based on clusters of delivery units of similar size and labour market. The lack of a similar clustering design in the Toolkit makes it difficult to interpret whether performance shortfalls are due to local implementation or to circumstances beyond the control of the local PES. Jobcentres may regard themselves as not competing on a level playing field (for example for performance awards), which might even have a negative effect on motivation.

The 2000 version of the Toolkit is based only on the comprehensive placement target (A5) and does not include the other four placement sub-targets for specific target groups. This is because the time frame was too short to include the numerous changes in the labour market targets: There were, moreover, problems in obtaining reference data for some of the new targets. This is not per se a shortcoming of the Toolkit but of the problem of maintaining such an analytical tool in an annual MBO cycle with a high rate of change in targets and therefore data needs.

We found it surprising that information on which jobcentres are the best performers nationally within each size band is not publicized within the organization. Identifying and learning from 'best practice' seems to us to be an important element of benchmarking. Moreover, it gives the participants more insight into the benchmarking process.

3. Sweden: PES performance management profile

3.1 The organizational context⁴¹

Overall responsibility for Swedish labour market policy rests with the Riksdag (the Swedish parliament) and the government. The Labour Market Administration (AMV) implements labour market policy on behalf of the cabinet or the Ministry of Labour, respectively. The AMV comprises the National Labour Market Board (AMS), 21 County Labour Boards (LAN), 418 local employment offices and more than 100 employability institutes for vocational rehabilitation.

General guidelines for PES's activities are laid down in the Labour Market Policy Activities Ordinance. Overriding annual targets for the labour market policy are established in Riksdag resolutions on the government's budget bill. More specific objectives or quantifiable operational targets of AMV are given in the government's appropriation warrant and in other directives.

⁴¹ See Behrenz, Delander and Niklasson 2000 on which this summary is largely based.

AMS is the central office of AMV and responsible for managing, co-ordinating and developing Swedish labour market policy to comply with the guidelines set by the Riksdag and the cabinet. AMS establishes goals and guidelines for the county labour boards and also monitors and evaluates their activities. The county employment boards manage, co-ordinate and develop labour market activities in the counties. In each municipality, the county labour boards have organised a local employment service committee, a joint body charged with shaping labour market policy to suit local conditions.⁴²

3.2 The PES performance management approach

According to official statements (e.g. ISEKen 1999, No. 9) and conventional wisdom, MBO has been the main (and traditional) pillar of the Swedish performance management approach since about the mid 1980s (see also Delander 1991). Paradoxically, PES officials argue in interviews (carried out in 2000) that MBO did not play an important role for managing performance until 1996/97 (see below)⁴³. Furthermore, the functioning of the MBO-system has been criticized and debated in recent years (see Behrenz, Delander and Niklasson 2000). Among other things, due to the economic crisis of the early 1990s, doubts were expressed as to whether the MBO system was the appropriate means to combat the then high levels of unemployment. Since 1999 the labour market situation has improved rapidly, and although the MBO system is now fully implemented with a strong emphasis on reaching the target levels set, PES performance management in Sweden is confronted with new problems. For example, during the last five years the government and AMS tried to simplify the number of programmes and regulations concerning ALMP, but the introduction of various new and detailed ALMP measures in 2000 has again complicated the situation.⁴⁴ However, on the whole, the MBO system has been recently consolidated and strengthened, even though its function and targets may still be in part controversial between the present government and the PES.

⁴² The members of the committee represent the county labour board, the employment service, the municipality, local employee organizations and the local business community. The chairman and a majority of the committee's members are appointed upon the recommendations of the municipal government, which thus enjoys a decision-making majority. The work in the committees is guided by the targets and objectives of national labour market policy and by the powers with which the committees are vested by the county employment boards.

⁴³ According to another conventional wisdom, the Swedish MBO approach in labour market policy represents the prototype of the 'co-operative and evaluative' type, which can be juxtaposed to the hierarchical and centralised type of MBO. Critical Swedish voices in PES argue, however, that the negative side of dialogues and evaluation without sanctions (= the system until the mid 90s) favoured an organizational culture of 'creative finding of good excuses'.

⁴⁴ A related, though somewhat different theme concerns one large programme, which was just recently introduced, the 'activity guarantee'. In short, it is contested whether this programme is too inflexible with respect to processes; and whether it may indicate a withdrawal from the traditional labour market focus of the PES towards concentration on the most disadvantaged target groups.

Another - complementary - pillar of performance management (besides MBO) has been customer satisfaction, which was particularly emphasized in 1998 and 1999 when the AMS 'pushed' this theme through additional 'internal'⁴⁵ AMS targets. However, in order to simplify the performance management system, the AMS did not use such internal targets for the year 2000. Nevertheless, it is interesting to note that the Swedish PES started to deal with quality issues comparatively early (in international comparison): In the mid-1990s it attempted to introduce a quality concept according to the principles of the Swedish Institute for Quality (SIQ) and the Swedish Quality Award⁴⁶ (cf. AMS 1995). However, according to interview statements, this was never fully established due to implementation and acceptance problems. The same holds true for some other experiments with quality approaches. Thus, presently, at least at the national level,⁴⁷ quality issues and approaches are not a main item on the agenda. This appears to be somewhat against the international trend, since various countries proceed and stress the quality components in their performance management systems, for instance Austria, France and Norway.

3.3 Inventory of goals, objectives and performance indicators

For 1999, three „overarching objectives“ (or: labour market policy goals) were stated in the „appropriation warrant“:

- Limiting job vacancy times
- Reducing long-term unemployment
- Counteracting long periods without regular employment.

These three goals were maintained for the year 2000. The small number and the general character of these goals are typical for Sweden as well as the MBO-approach in general (for goals of previous years see e.g. Henriksson 1996). 12 operational objectives in the narrow sense were in effect in 1999 (see Table 10), plus two additional ones relating to the development of the employment service.⁴⁸ Most of these targets are also being used in 2000 (8 out of 12; targets No. 2-8, plus no. 11 in a slightly modified form), of which only the absolute numbers or target levels have sometimes been changed. The service-related targets of 1999 (internet use; customers' satisfaction) are not used in 2000, or, at least, are not mentioned any longer as national objectives. Furthermore, as can be seen from Table 10, the majority of national targets will be adapted to county needs and operationalisation.

⁴⁵ i.e. set by the PES itself, not by government.

⁴⁶ This is a modified adaptation of the famous Malcolm Baldrige National Quality Award; see Löffler 1996 for details on these and other quality awards.

⁴⁷ At county and local level, however, quality management seems to play a significant role [interview SW4].

⁴⁸ These relate to PES staff's 'computer driving licenses' and staff's involvement in the organizational development process of the PES (Employment Service in the 21st century)

Target change

Considered in a longer perspective, there is a rather strong component of continuity in the operational objectives, given the fact that „four operative targets have been more or less unchanged from 1997 to 2000“ (Q5) (which are the number of LTU, number of long-term enrolees, number of LMP for disabled and the wage subsidisation rate). On the other hand, changes of targets and indicators have also been implemented in the past few years. For example, the number of participants and the share of disabled in LMP programmes, which had been targets in 1997 and 98, were abandoned in 1999. The same is true for the 1998' target in which it was said to use LMPs to combat gender segregation in the labour market. Another interesting change is the withdrawal of internal PES targets by AMS; such supplementary AMS-targets were a common feature in 1998 and in 1999.

Lessons and Problems

Most of the problems relate to usefulness, practicability and operationalisation of targets and indicators. There are quite a number of examples for changes or cancellation of targets and indicators due to observed strong shortcomings (hereafter: Q8 und Q7). For instance, the (in 1997 and 1998 exclusive) placement target to referring applicants (referrals of good quality) to at least 90 % of reported vacancies was abandoned for a number of reasons. First, increased support and emphasis of the self-service instruments undermined the plausibility of this target. Second, the quality of the referrals (jobseekers proposals) seemed to deteriorate over time (maybe even as impact of the quantitative focus of the PI) and creaming tendencies were being observed, too.

Table 10: Operational targets and performance indicators in Sweden, 1999

Operational targets	Performance measurement and indicators
1. Suitable applicants/jobseekers should be proposed („referred“) to at least 90% of registered vacancies	percentage of registered vacancies outflow (vacancies filled), to which applicants had been proposed („referred“) county targets apply
2. At least 80% of all employers using the PES for vacancy filling, shall have received suitable applicants which enables hiring within an agreed time	monthly random telephone surveys national targets
3. Continuous increase of the share of persons who find a job within 90 days after completing a vocational training course; in the 4 th quarter, at least 70%	percentage share of training participants entering employment within 90 days; 70% share applies for all counties
4. Average monthly number of long-term unemployed is to be below 50000	number of long-term unemployed divided by the number of completed months of the year; county targets apply
5. Job offers (all types) to all young persons under 25 within 100 days after entering unemployment	percentage of people aged 18-24 leaving unemployment after that job offer, in relation to all unemployment leavers plus the remaining long-term unemployed among young people
6. Average number of 'long-term enrollees' shall not exceed 75000 at end of year; this target group are persons who have had not a regular job for the past two years, i.e. only short spells of employment, if any.	number of „long-term enrollees“, divided by completed months of year; county targets
7. An average of at least 55000 persons occupationally handicapped should receive special programme ('A3')	number of participants divided by months completed; county targets
8. Level of subsidies paid to employers shall not exceed 60% of the wage cost	measured by data from the PES-economic register, national target
9. At least 22000 employers should use internet service of PES (internal PES target)	number of employers registered as users of the 'Jobseekers Bank'; county targets apply
10. Employers' satisfaction with the PES shall be at least 65% (internal PES target)	employers satisfied or very satisfied according to service audit; county targets
11. Individual action plans for all long-term unemployed (internal PES target)	percentage of long-term unemployed with an individual action plan, divided by all long-term unemployed
12. Jobseekers' satisfaction with the PES shall rise to 50% (internal PES target)	jobseekers' satisfied or very satisfied according to service audit; county targets

Source: ISEKen 1999, No. 9, and questionnaire response

Another example is the target of an annual average number of labour market programme participants, which was abolished in 1999. On the one hand, the target gave the wrong signal, that is, to provide as many places at low cost. On the other hand, the target was not giving any useful guiding signals for the employment offices, since it did not take into account the influence of funding and programme rules.

Targets or indicators that cannot or are not monitored continuously are also of doubtful utility. This is the case, for example, with the recent employers telephone surveys to measure the percentage of suitable job applicants. Results of these surveys are only available quarterly, which makes the data rather useless from a 'hands-on' management point of view. The same shortcoming applies to the indicator for the subsidisation rate for programmes targeting disabled persons.

Target levels have also sometimes been criticized for being unrealistic, e.g. the 1999 target on turnover into work after a vocational training programme (target No. 3 in Table 10).⁴⁹ Targets with maximum levels (such as a job offer for *all* unemployed under 25 within 100 days) are questioned for the same reason; demanding, but still realistic target levels should be preferred.

This is only a selection of some typical target and indicator problems in Sweden. In sum, measurement problems, including creaming and distortion effects, are probably most important. Failure to be an effective tool for steering actual behaviour in implementation is a second important issue.

3.4 Process analysis: definition and implementation of policy goals, objectives and indicators

The overarching policy goals are defined by the Riksdag (Parliament) and the government. The government also sets a number of quantitative operational targets, which are subsequently transformed into regional and local targets by the AMS. The regional targets are based on dialogues between the National Labour Market Board (AMS) and the County Labour Board(s); and the local offices and the County Labour Boards for the local targets, respectively.

Within government, the department of industry (the equivalent of the labour ministry) and the department of finance deal together with broad planning of labour market policy. Their internal discussion is fed by annual inputs of from the AMS, including budget proposals (for a three-years time frame) as well as policy issues debated or arisen at the various levels of PES. Once the preliminary goals and operational targets are decided and communicated by the government, a discussion process across all PES-levels is initiated which may affect or influence the final

⁴⁹ The same target is also criticized for assessing a follow up participation in another (second) training shortly after programme end, as a failure, given its measurement logic.

document concluded by the Ministry of industry in collaboration with the Ministry of finance.

The funding process (budget allocation) and the MBO planning process at the national level are very closely connected (see for details Niklasson and Tomsmark 1997: 226-228). As in several other countries, the entire planning process needs a whole budget year. In the past, some problems occurred when the final budget allocation deviated from the planned or preliminary budget as the latter is the base for the operational planning of policies.

On the other hand, the level or volume of (regional and local) budgets allocated is not directly linked to MBO: Budget allocation to the county offices is based on a national allocation formula which takes several factors into account, but not, for instance, performance results of the previous period. The allocation key seems to have changed during the course of the 1990s (compare Niklasson and Tomsmark's description with ISEKen 1999 No. 9, p.12).

As the decision of the national MBO-document is usually presented not before mid-December, there is as a rule only very limited time to establishing regional targets, „especially if there are late changes of the national target levels (which occurs)“ (Q 10). Based on initial proposals of the AMS, the target levels for each county will be discussed, negotiated and finally agreed upon. A similar process is carried out for the Employment offices within each county.

In the counties, the target levels for the local employment offices will be determined in a process between the county PES and each of their local offices similar to the national procedure. The planning results will be settled between the directors of the county boards and the local PES directors in formal performance agreements on target levels. In organizational terms, these agreements are based on telephone conferences (with variable participants) and on „ordinary meetings of the county labour boards in December“ (Q11). The negotiations in this phase are characterised through a considerable time pressure; they have to be finished before the end of January - „since the MBO-following up process begins with presenting the results for January already in the beginning of February“ (Q10).

The forecasting and allocation of target levels is being prepared in the Controlling units of AMS and the county offices, respectively. The methods vary, depending on the targets: sometimes „strict mathematical formulae“ are used, and sometimes not. At national level, relative target levels (in %) are not discussed at all as they apply for all units. On the other hand, whenever a national target has to be divided (i.e. targets in absolute numbers), AMS may immediately consult the counties to discuss the division. The market conditions in different parts of the country and the past performance of the counties within these areas will be also considered to find a fair and adequate 'distribution' of the target figures.

At regional level, furthermore, implementation issues may be more emphasised for some of targets instead of a 'rigid' calculation of levels. For instance, if a target addresses also quality standards of services (as in the case of 80% satisfied employers), different implementation options to achieve the target may be recommended by the County office in the planning document, (even though implementation options are in principle to the discretion of the local managers).

Finally, it should be noted that local managers have to check the plausibility of the county projections on target levels though their own short-term forecasts, projecting six quarters ahead like the county. This may be a good example for the competence of the AMS staff managers as well as the technical devices of Swedish MBO planning and implementation.

3.5 The management information system

Based on the operational targets, a set of core results indicators is being used for ongoing, as a rule monthly monitoring (some results are only available on a quarterly basis). These indicators are completely given to all executive managers in the PES and can be thus used for cross-county comparisons. Deviations from the expected or planned performance will immediately lead to contacts between the County Labour Board Director and the AMS Directorate.

The cornerstone of performance monitoring is the computerised LEDA management information system. It can, among other things, display the operational targets for the various levels and organizations of the PES (national, regional, local PES plus employability institutes) on a yearly, quarterly or monthly basis. The system enables current comparisons of performance with targets. Access to the system is open to all employees of the PES who are, therefore, able to follow-up their (running) performance from any PES workstation. In addition, operative financial management (in terms of budget planning and spending) at employment services level is being supported by the IT system PRESTO.⁵⁰ However, despite high technical IT standards (by international comparison), all the relevant performance management information is not yet integrated into one electronic information system. It is planned to overcome this shortcoming by introduction of a data warehouse system in the next few years. Finally, customer satisfaction of both jobseekers and employers is monitored in regular annual intervals, by surveys (service ratings) at central and local levels.

⁵⁰ According to official information (ISEKen 1999: 9, p. 14), Presto provides financial data (out-payments etc) per cost-centre, but data could be also broken down into their sequence of operations.

3.6. Performance assessment and benchmarking

In Sweden, (similar to France) a variety of regular follow-up meetings and arrangements supplement the permanent performance monitoring process through LEDA and other devices described in section 5. For instance, there are regular 'result conferences' between the AMS directorate and the County Labour Directorates. Typically, these consultations take place monthly as telephone conferences. At about every 15 months, county reviews will be organised to discuss the situation and the results between the AMS Directorate, the County Labour Director and the directors of the local employment offices in personal dialogue, finally leading to agreements on future activities. In addition, the respective boards of the AMS, the County Labour Boards and the Local Employment Services Committees discuss quarterly the progress of activities on the basis of written reports. Finally, at national level, four times a year, the AMS directorate meets the Ministry of Economy for half-day reviews of general market results and development.

In addition to the frequent follow-up checks of the counties' performance, there is also a „final summing up of the performance for the whole year“, even if each target area is usually followed up separately (Q 22). These so-called annual county 'exams' are probably the most important form of performance review. Performance pay schemes do not play a role in Sweden so far. For all the follow-up activities throughout a given year the same set of a limited number of core performance indicators is used, which was agreed prior to the start of the new fiscal year (cf. ISEKen1999: 9, p. 13).

Moreover, a recent, but important change: since April 2000 the County labour offices are obliged to report performance monthly to AMS; before, they had to provide their reports only in quarterly intervals. From the county point of view, however, the new obligation is considered a heavy burden, not only because of the workload but also due to data limitations. In fact, the new reporting obligations were enforced by government, which is now even demanding weekly reports for some issues. Like the counties, AMS officials interviewed were not happy about these new demands, even though AMS has to implement them.

One of the most important findings of the Swedish case study is that the MBO system seems to have existed in rather formal terms before 1996/97, without any target levels definitely to be reached and without an effective controlling of results. Thus, according to one expert interviewed, the older 'MBO-system' existed merely on paper: „...you carried on with your work as usual - 'business as usual' - and you never looked back and compared what was accomplished [in terms] of the targets“. Two factors then led to an effective (or 'real') implementation of the MBO-approach in the Swedish PES: First, the introduction of the LEDA system (see section 5), which made it much easier to follow up target levels reached and to implement a real feedback process, second, a stricter implementation of the results of the county

performance reviews, which in some cases even led to the replacement of County PES' directors for not seriously implementing the MBO-approach.

Quality management and benchmarking issues

In Sweden (like in France), the aim of becoming a learning organization has been recently (in 1998/99) emphasised. Among other things, a PES internal communication and discussion process (that involved all working teams at all work-places) about the future role, means and competencies of the PES in the 21st century was implemented in 1998. However, this initiative (and successors⁵¹) as well as related topics such as quality management, and service-related targets (e.g. customer satisfaction) lost momentum this year (2000) after the Swedish government increased pressure on AMS to pursue its main goal of reducing unemployment (to bring the unemployment rate down to 4% by the end of 2000). Due to this political pressure (passed on from AMS down to the counties and from there to the local offices), the changes in the management system through LEDA, and a generally more consequent follow-up process since 1997, the PES internal climate seems to have changed significantly towards serious performance comparisons, favouring also benchmarking in the sense of awareness or looking for and at the better practices. This, however, has been at the expense of the 'softer' emphasis on organizational culture and communication.

Even though the 'new' generation of managers⁵² at both county and local level can be expected to fully support the management principles in force, there are different views or disagreements regarding the targets, or the weighing of targets, and even the programmes and means to achieve these targets. The same is true for the views and perspectives on benchmarking. Some critics criticize new programmes as being too regulated and complex that pre-define too many processes and rules to be met, which they regard as being in contradiction to MBO and implementation of their own local best-practices. Others argue that process control in line with quality management principles has to be strengthened; and that the previous emphasis on quality policies (which can be traced back until 1994) has to be strengthened, thereby promoting the benchmarking culture which has been alive at the 'bottom level' anyway⁵³. In summary, the (personnel of the) Swedish PES seems to be a very vivid organization in which 'benchmarking' does not follow any formal models, but gets rather a meaning through open minded debates across the different levels and positions. This benchmarking potential in the Swedish PES might be threatened through political ambitions to 'shrink and stifle' the PES to a 'mere' governmental

⁵¹ For instance, the last output of these discussions and activities is the 'workbook 2000' which represents some sort of interim conclusion on new professional roles of the PES personnel etc.

⁵² After the introduction of target levels in 1996/97), some directors who did not adhere to the new management requirements (hence producing rather bad results) were replaced.

⁵³ It should also be noted that the counties were enabled in 1996 (by governmental degree) to choose or develop their own organizational model for the county and local offices in their area.

agency largely deprived of its own voice and decision competencies. Even though this is not the case yet, some voices in the AMV (Swedish PES as a whole) see recent indications for such ambitions in government.

4. France: PES performance management profile

4.1 The organizational context

Responsibility for the implementation of labour market policy is highly fragmented in France. The main French employment service institutions are ANPE (French National Employment Office), AFPA (Adult Professional Education Association), UNEDIC (National Union for Industrial and Commercial Employment), and the Employment Ministry (organized at different levels). Of these institutions ANPE and AFPA have tripartite structures in which the social partners formally share authority with public representatives. UNEDIC is, by contrast, in form a purely bipartite institution based on a national agreement between representatives of the social partners.

ANPE (*Agence Nationale Pour l'Emploi*) is the national employment office and the central organization of the public placement service. The ANPE has two principal missions. First, it has to assist people in seeking employment, training or professional counselling. At the same time, it has to assist employers in recruiting personnel. Established in 1967, it is a national public body with an independent legal status but under the authority of the labour minister, who appoints the Director-General of ANPE. In 1980 a tripartite board of management was introduced, which however has only limited independence vis-à-vis the state.

ANPE is organised in 22 regional offices (DRA, *Directions régionales ANPE*), 120 delegated offices (DDA, *Directions Départementales ANPE*) and 738 local employment offices (DALE, *Directions Agences Locales pour l'Emploi*). The ANPE board defines the institution's strategic orientation with the Ministry of Employment and Solidarity. It provides regional offices with the resources to carry out their policies and is responsible for follow-up.

AFPA (*Association pour la Formation Professionnelle des Adultes*) is the National Association for Adult Vocational Training. The policies of this formally independent training organization, which carries about 40% of training for the unemployed, are determined by the labour minister and nearly 70% of its resources comes from public sources.

ANPE and AFPA are both attached to the DGEFP (*Délégation générale à l'Emploi et la formation professionnelle*), the General delegation for employment and vocational training, which is attached to the Ministry of Employment and Solidarity.

Although ANPE itself is a highly centralized organization, in 1997 a new, more decentralized approach was tested in France with respect to the active policy measures managed by the DGEFP: In 22 territorial departments (6 regions) the DGEFP offices autonomously manage the funding for seven reintegration measures. Use of these measures is dependent on a territorial diagnosis agreed by the different agents intervening in the department's labour market, that is, ANPE, AFPA, and the decentralised services for work, employment and vocational training DDTEFP (see *inforMISEP*, No. 65, 1999, p. 23) This strategy produced positive results and was therefore extended a year later to other regions. The development of local policies facilitated the access to the labour market for those who are difficult to place. The use of block grants instead of earmarked allocation of funds for the individual measures helped to adjust tools to local conditions (Simonin 2000).

The UNEDIC (*Union Nationale d'Emploi dans l'Industrie et le Commerce*), the French unemployment benefit system, is a non-profit association established in 1958 by interprofessional agreement, i.e. by the social partners. UNEDIC is governed by a bipartite council that every two years appoints a managing board from among its members. Its chairman is alternately a representative of the employers' associations and a union representative. UNEDIC is organized at the national level and controls ASSEDIC. ASSEDIC (*Association pour l'Emploi dans l'Industrie et le Commerce*), the Association for industrial and commercial employment is comparable to UNEDIC and is organized at territorial level. ASSEDIC has to join UNEDIC. Yet, the real role of social partners in the unemployment system functioning is more ambiguous, as the state continuously intervenes in its activities.

4.2 PES performance management approach

The MBO approach based on ex ante policy objectives and quantitative targets has been used in France since 1990. The introduction of this management system was supposed to set clearer priorities in labour market policy, strengthen public responsibility as well as improve the efficiency and effectiveness of regional and local employment offices. In addition, the policy discretion of local employment offices was to be increased to enable a better adjustment of programmes to local needs (see questionnaire).

There were two immediate reasons for the introduction of MBO in the ANPE:

1. The ANPE has often been viewed very critically in France: and regarded as being inefficient. ANPE had to modernise its administration, to demonstrate that it was trying to be efficient and to increase its legitimacy.
2. Furthermore, rising unemployment necessitated a restructuring of ANPE.

The MBO system used by the French labour administration developed in two phases: first its introduction in 1990; second by that establishment of a 'controlling'

department: In 1995, ANPE's system of target steering was considerably improved. By introducing a 'controlling' department (*Direction du Contrôle de Gestion*), a close link was formed between the allocation of funds, the targets and the results. Furthermore, since establishment of the controlling department, for the first time the circumstances in the regions and *départements* have been considered in setting targets. The entire organization has become very strongly target-driven as the target-orientation has been fully institutionalised.

MBO at ANPE appears to be very hierarchically organised in comparison with some other PES organizations. The objectives of the ANPE are formulated and quantified at national level and allocated in a strongly hierarchical negotiating context to the regional and local levels, although there appears to be no automatic allocation formula for passing on mandatory national targets to the regional level.

4.3 Inventory of goals, objectives, performance indicators

A „progress agreement“ (*Contrat de Progrès*) for a period of five years is concluded between ANPE and the French state. This agreement specifies the strategic orientation of the labour administration. ANPE strives to achieve those goals and the state is under the obligation to furnish ANPE with the necessary financial means to achieve them.⁵⁴ The third progress agreement which runs from 1999-2003 emphasizes in particular the modernisation of the ANPE, integration of youth into the labour market, avoidance of long-term unemployment, and the struggle against exclusion (inforMISEP, no. 66, 1999, p. 11). ANPE develops an annual programme of objectives with quantitative targets (e.g. '*Programmation 2000*') based on the progress agreement. The indicator system of the annual programme is very closely based on the goals and indicators developed in the progress agreement.

Both strategic and operational goals are formulated. The strategic goals represent overall labour market goals (e.g. reduction of long-term unemployment or market share of the ANPE), whereas operational objectives provide ANPE staff with guidance on how these overall goals are to be reached through ANPE's activities. Thus the former are more prominent in ANPE's public relations and internal priorities. In the course of the development of the MBO-based management system the number of annual goals has been systematically reduced from 20 in 1996 to 12 in the year 2000 (see ANPE 2000a, p. 18).

At ANPE the changes in political priorities have led to changes in indicators. The first two progress agreements placed political priority on the increasing market share of the ANPE. This was then also the main indicator in practice, although other indicators existed as well. For example, 30% to 40% of all vacancies were to be registered by the ANPE. The official results at the time were good. It is however difficult to

⁵⁴ The first progress agreement was made in France for the years 1990-1993. The second progress agreement covers the years 1994-1998.

measure market share in vacancies or placements, and there is therefore a certain unreliability in the figures. Nevertheless, ANPE did increase its market share, though it remains unclear to what extent. Surveys carried out independently of ANPE indicate that only 14% of all former job seekers had found a new job with the support of the ANPE, considerably less than the 30% to 40% reported by ANPE (Simonin, 2000).⁵⁵ Meanwhile, the reduction of long-term unemployment has become a political priority.

Currently the goals of the ANPE are particularly concentrated on three points: First, one of the top goals of the ANPE is fighting long-term unemployment and youth unemployment. The second priority is placement, i.e. the registration of open positions and filling them. Thirdly, the ANPE is trying to refer unemployed people to AFPA, the institution for adult vocational training.

ANPE uses a relatively small number of goals. Between 1999 and 2000, ANPE reduced the number of goals from 15 to 12, in this context four goals were eliminated, one goal newly developed and one goal was reformulated. The goal of allocating at least 25% of all measures to RMI-recipients (social assistance) was completely eliminated for the year 2000 as was the goal of an average of 10 days staff participation in further training. The previous goal on quality management (95% of all employment offices to receive a quality certification by 1999) was dropped for the year 2000, although 'only' 77.1% of all offices had been awarded the certification by the end of 1999. The goal 'strategically changed' was the one which defined for 1999 that the number of very long-term unemployed (>2 years) be reduced by 5%: in 2000 the 5%-goal was replaced by a concrete figure of 40 000. Furthermore, 55% of the participants in training measures were supposed to have found employment in the year 1999. In the year 2000, this goal was defined more concretely so that it only applies to the participants of the new-start programme and is no longer measured in percentage but in absolute figures instead. Finally, one goal was newly introduced for 2000. While in 1999 only the number of people referred to the AFPA was counted, in 2000 the percentage of new-start participants among these people will be recorded additionally.

⁵⁵ Quite similar 'placement-gaps' between official PES estimates and independent assessments are also reported in other countries.

Table 11: ANPE strategic and operational goals, 1999 and 2000

GOALS	1999	2000
Strategic goals:		
Registered vacancies	2 850 000	2 925 000
Percentage of anonymous vacancies to be filled	65%	66%
Number of long-term unemployed (>2 years unemployed)	-5%	-40 000
Youth long-term unemployment	-25%	-15%
Exits from long-term unemployment (>1 year unemployed)	1 260 000	1 120 000
Percentage of RMI recipients in individual measures	25%	-
Operational goals:		
Vacancies filled	2 500 000	2 550 000
Placement of managers and professionals	30 000	30 000
Percentage of participants in training programmes going on to employment	55%	-
Entrants 'new-start programme'	850 000	1 100 000
Percentage of leavers in the 'new-start programme' who either found employment or who have worked at least 78 hours	-	550 000
Number of persons who are referred to AFPA to participate in measures there	80 000	130 000
of which are participants in the 'new-start programme'	-	90 000
Number of participants in a service offered	750 000	850 000
Percentage of qualified local employment offices in quality programme	95%	-
Average time in further-training per member of staff	10 days	-
Percentage of voluntary workers who participate in a progress conversation	100%	-

Source: Programmation 1999 (ANPE), Programmation 2000 (ANPE)

Some indicators have proved more useful than others. The indicator 'number of vacancies registered' has turned out to be very useful because it is easy to understand and has been immediately accepted by staff of the labour administration. This indicator helped to increase the number of placements, which in turn benefited companies recruiting. The goal 'reduction of long-term unemployment (>2 years)' needed start-up time in the beginning until the correct usage of the indicator was established, but it is now well accepted (see questionnaire). Over a long period of time, the increasing unemployment made it very difficult for the ANPE to achieve the goal of reducing long-term unemployment. Due to the improving labour market situation this goal can be achieved more easily today.

Target achievement in ANPE has been uneven. For example, for the year 1999, the goal of registering vacancies was reached in 11 regions, the remaining 11 regions fell only slightly short of the goal. All in all, the ANPE was able to register 2 839 272 vacancies and therefore only just missed its national goal (2 850 000). The results were similar for the goal „filling 65% of the anonymous vacancies offered”. Only 4 regions reached their goal, but the other 18 regions just barely missed it, so that on a national level 64.4% of the anonymous vacancies offered could be filled. Another ANPE goal successfully achieved, was „decreasing the number of long-term unemployed (>2 years unemployed) by 5%”. Here, a decrease of 7% was reached. In general, most regional objectives were barely missed (see Tableaux de bord), which might be interpreted to mean that ANPE uses appropriately ‘stretching’ targets that provide an incentive for enhanced performance but are not unrealistic to attain.

4.4 Process analysis: definition and implementation of policy goals, objectives and indicators

Twice a year the ANPE Director General meets individually with each regional director. The first meeting for planning the targets of the following year takes place in the middle of the year. In this meeting an analysis of the current results is made and one begins to plan what can be achieved in the following year. For this, the circumstances of the region, the current results and potential for improvement are taken into consideration.

The second meeting takes place at the beginning of the following year, for example in January or in late December. Here, the targets for the coming year are set out and in this context, the targets from the previous year are re-examined. Similar discussions also take place between the regional directors and delegation directors and between the delegation directors and the directors of local labour administrations. Therefore all four levels of the ANPE play an important role in the definition of targets (*Direction Générale, Directions Régionales, Directions Déléguées, agences locales*)

The goals and the indicators are documented and operationalised in so-called programme dossiers on a regional level and in local action plans on a local level. The responsibility for these plans lies with the individual actors involved at the different levels. The individual employment offices can set up local action plans in which they work out their office’s strategy for achieving the targets, however, they are under no obligation to set up these plans. Each local labour administration makes an effort to meet the goals negotiated with the next higher level.

The regional target levels are set out in several steps:

- June/July: The ‘controlling’ department and the region make a diagnosis

- July/September: The director-general of the ANPE meets with every regional director to develop an initial action framework
- Beginning of November: the regional directors specify their proposals.
- January/February: The director general decides on the final plan with each regional director.

The target levels are set at delegation and local levels as follows:

The process as described above also takes place between regional and delegation directors. *Within* the region, the planning takes place between September and January each year. It is completed as soon as the general director decides on the final method to proceed with the region. Each level fixes its contribution in relationship to goals set for the next higher level (see ANPE 2000a, p. 19). Consequently, the room for manoeuvre of local employment offices is relatively small when setting the target levels. The delegation directors take on the task of explaining the objectives to the directors of the local employment offices and of discussing those goals with them. Even if the level of goal achievement has been set high for the local employment offices, the directors of the local offices are supposed to understand the reasons for this.

Example: At the national level, the target was set that 2850000 vacancies were to be registered in 2000. The regional directorate „Ile de France“ was to register 700000 of those vacancies, the delegation directorate „Villette“ was supposed to register 35000 and the local employment office „St. Georges“ 10000 vacancies. The negotiations begin with discussions between the regional directors and the director general to set the regional target levels. Then the delegation directors negotiate with the regional directors to fix the targets on the delegation level. Finally each individual local employment office negotiates its contribution towards achieving the goal on the delegation level. There are 5 local employment agencies in the delegation „Villette“. The target to be achieved on the delegation level was fixed and negotiated with the regional director of „Ile de France“ before the local employment office directors negotiated their targets. Consequently, the scope of discretion for „St. Georges“ is small because it only consists of the local employment office negotiating its contribution towards achieving the goal on a national level. Should a certain employment office contribute less, then another employment office in the same delegation will have to balance this out. The local employment office directors will have to agree on what percentage of the quantified target each of them will take on. The delegation directors negotiate their target figures under the same conditions with the regional director.

4.5 The management information system

The management information system in France encompasses all operational targets and performance indicators. The local and regional employment agencies have to

report monthly to ANPE's national controlling unit on the extent to which targets have been reached using the agreed indicators. The monitoring system is computerised and organised as a data base system on an internal network. The results of the on-going monitoring of progress toward targets is completely accessible for all levels and units.

The central element in the French management information system is the so-called '*Tableaux de bord*' produced by the controlling department. These documents depict the monthly results in the regions and the results for the whole of France. Furthermore, regional controlling managers produce such reports within the regions at delegation level, containing the local results. Thus the continuous achievement of targets is monitored by a regional team as well as by a team on the delegation level. The regional team includes the delegation directors, the deputy regional director and the regional director of a region.

Within a delegation a similar process takes place: All local employment office directors also meet with the delegation director on a monthly basis to view the results.

The monitoring system is being used as an early warning system in France. ANPE must report monthly to the Ministry on the achievement of the targets with respect to long-term unemployment; for all other targets ANPE is required to report only on a quarterly basis. ANPE's head office monitors the performance of the regional offices, which in turn control their subordinate units etc. In case of low (continuous) target achievement, policy intervention occurs at each subordinate level. Intervention may take the form of organizational measures, training, or provision of additional staff.

The Controlling Department:

The French labour administration ANPE has various controlling institutions on both a national and regional level. The national „direction du controle de gestion” consists of 10 people and reports directly to the deputy Director-General for future development, controlling and international affairs (*Directeur général adjoint Prospective Contrôle International*), who in turn reports to the Director-General of the ANPE. The 10 staff members include a head of department, an assistant and 8 members of staff. In addition, regional administration controllers (*Contrôleurs de gestion régionaux*) work at regional level. Each regional director appoints a regional controller in his region. This way, a network of regional controlling managers is set up who are regularly in contact with each other and with the controlling department at the national level (see ANPE 200a, p. 6-16).

The controlling department has various tasks. For one, they have to keep a record of the results and draw conclusions. On the other hand, they are also

responsible for carrying out client surveys and for co-ordinating the entire planning work at ANPE. The controlling department is, in other words, the 'heart' of the MBO at ANPE. It helps on different levels with the quantification of the targets, it follows up reports about the results and it develops methods to analyse the results.

4.6 Performance assessment and benchmarking

There are several tools for performance assessment. Among those are especially the evaluation of the multi-annual progress agreement, the certification in quality management, the assigning of awards to staff members and units of the ANPE and the meetings of directors on the various levels, as well as continuous managerial surveillance of subordinate units.

Evaluation of 'progress agreement'

An evaluation committee is assigned to assess compliance with the progress agreement. It consists of the Director General of the ANPE, the general delegates for employment and vocational training, the Budget-Director, a representative of the Economic and Social Council and a representative each of the Planning Agency and the General Inspection Agency for Social Issues. The evaluation is based on the monitoring of results (quantitative approach) and on studies as well as surveys regarding the quality of the labour administration. At the end of the year 2000, the evaluation committee will submit an interim evaluation report which will contain the first results of the progress agreement for the years 1999-2003 (see ANPE 1999c, p. 36).

Meetings of directors

The performance assessment is being ensured through several actions (see ANPE 2000a, p. 20):

- Quarterly meetings of the administration council
- Monthly meetings of regional directors
- Monthly meetings of the General Directorate
- Annual discussions on progress toward and setting of targets between the General director and the regional directors.

At the local level, the performance assessment takes place in monthly meetings between the local employment office directors and the delegation directors. These meetings simultaneously serve the purpose of reporting on the continuous achievement of targets. At the delegation level, the same process takes place between the delegation directors, the deputy regional director and the regional director.

Comparison of performance/benchmarking

Regarding the expansion of 'best-practice' examples and the development of a learning organization, some initial modest steps have been taken at ANPE. In the 3rd progress agreement of 1999 a recommendation was made to change the institution to a learning organization and to support the staff in becoming more professional (see 'progress agreement'). Furthermore, the monthly meetings of the local directors with the delegation directors entail an exchange on 'best-practice' examples. The harmonisation of actions on a local level regarding target steering, however, is the prime goal of such an exchange.

Moreover, some individual employment policy programmes contain in addition tools for identifying 'best-practice' examples, for example, the „*emploi-jeunes*” programme. The 'best-practice' approach is given little emphasis by the French labour administration and is not strongly institutionalised. Finally, systematic comparison of performance across ANPE operating units does not exist nationally and is practiced only informally by regional and district managers.

Quality management and performance incentives at ANPE (awards)

The former Director General of the ANPE Michel Bon introduced quality management at ANPE, confronting ANPE with management methods used in industry. Two types of performance pay awards were introduced: a) „*la prime d'intéressement*“ b) „*la prime de responsabilité*“ (for managers).

The first pay award (*prime d'intéressement*) is a reward for the staff's collective efforts for the realisation of the annual targets. But not all the national targets are taken into consideration for this award. Only the achievement of the following three objectives has an impact on the award allocation:

- Increase of the number of registered vacancies
- Reduction of the number of long-term unemployed (>2 years unemployed)
- Increase of the number of entrants in the “new-start programme” per staff member

This award focuses on the assessment of two things: first the reward for the achievement of the national objectives and second the reward for the achievement of the local objectives. The local objectives are complementary to the national objectives (see above), but here the local contribution to the achievement of the national goals should be rewarded, too (in addition to the reward for the achievement of the national goals).

The distribution of the award is based on four levels of achievement:

- “not reached”: if less than 95% of the goal is achieved

- “partly reached”: if between 95% and 100% of the goal is achieved.
- “reached”: if between 100% and 102% of the goal is achieved
- “surpassed”: if more than 102% of the goal is achieved.

These criteria are applied not only to the achievement of the national objectives but also to the achievement of the local objectives. The condition for an award is, that the goals have been at least partly reached. The pay award for each staff member of the ANPE is composed of the reward for the achievement of the national goal (2/3 of the pay award) and the reward for the achievement of the local objectives (1/3 of the pay award). The amount of the award for the national target achievement is the same for all staff members of ANPE. On the other hand the award for the local target achievement differs from one local ANPE-office to another. In case that ‘only’ two of three objectives are achieved, the amount of the award is lower than in case of the achievement of all three objectives.

The total amount of the annual award does not surpass 2% of the total amount of the salaries of ANPE (in regard of the budget of the public employment service). The price is paid to the staff in the first quarter of the year and refers to the performances of the previous year. The amount of the award given to the staff members of a local employment office is the same for all. But the amount of the award can vary from one local employment office to another depending on the achievement of the local objectives.

The second award (*prime de responsabilité*) is intended for management at the different levels, including the local level (e.g. team leaders). The manager at the next higher level assesses each manager or team leader’s performance. The four criteria for the valuation of the performances of the staff are: 1) insufficient performance (no prize is given) (‘level a’) 2) performance to improve (‘level b’), 3) satisfactory (or good) performance(‘level c’), 4) extraordinary performance (‘level d’).

Managers must have reached at least level b, in order to receive the pay award. The managers are divided up into two groups:

- a) Managers with a higher position in the hierarchy: regional directors, delegation directors, local employment office directors
- b) Team leaders or leaders of a certain service at local level

The amount of the pay award depends both on the group, to which the manager belongs and on the level of performance. The higher the level, the higher the amount of the award; ANPE has developed a special distribution key for this system. On the basis of the division into these two groups and on basis of these levels points are allocated and these points indicate the amount of the award.

There is, furthermore, a third staff performance assessment, but this award is not connected to the achievement of the implemented goals. It refers to the so-called

„*prime de fonction*“ (pay award for the individual performance). Here, too, the staff member at the next higher level assesses the performance of each staff member. **Example:** This award is presented twice per year on the local level. The director of the local employment office evaluates the way the staff work in their dealings with colleagues and clients. The bonus amounts to half a month's salary at the most. The assessment of the staff by the director should ideally show a lot of variation and the range should be fully exploited. This also means that this award can be distributed in the range of 0-3 „parts variables“ of the salary.

Another important element of quality management at ANPE is the awarding of the quality certification to local employment agencies. If a local employment office has received such a quality certification, it seems to be guaranteed for the time being that the services provided by the office meet a certain standard. „The objective is a transparent, rich, diversified, fair and accessible offer“ (inforMISEP, No. 60, 1997, p. 16). The quality certificate is valid for three years. To receive it, it takes a year of preparatory time and the mobilisation of the entire staff.

The current services will have to be examined, improved service must be put in place and the action must be evaluated. There are, in particular, 108 points to be dealt with which can be summarised in 9 major goals:

Improved service for people seeking employment:

- As soon as a person seeking employment enters the employment office, he should be received and directed towards the respective service.
- From the very beginning of counselling, one should try and offer the person seeking employment an individually tailored way to develop.
- The vacancies should be described precisely and displayed in a comprehensible way.
- The vacancies should be updated regularly.
- The equipment of the free service area (as e.g. the photocopier) should be in a good working condition.

Improved service for companies:

- Each company should have a personal consultant from the employment office assigned to it.
- Each company should be offered the kind of services that are most likely to fulfil its requirements.
- The consultant from the employment office should give the company a written confirmation of its request.
- Each company has the right to be informed about the further proceedings regarding the handling of its request.

The quality certification, which is awarded if all 9 service goals are met, does not comply with the ISO-norm but was largely inspired by it. The improvement in services will be evaluated from 4 sides, the client (the one seeking work, the one offering work), the personnel of the ANPE, the executives and one external observer who comes from the ANPE management of another region. These assessments will be acknowledged by a quality commission which consists of: 1) the deputy regional director; 2) a representative of the general directorate of the ANPE; 3) the delegation director (as external observer); 4) the head of another local employment office; 5) and a representative from the regional directorate.

The quality commission then writes a report on the results of their observations and qualifies the employment office with the certification, either with distinction or with recommendations or with reservations. There is an annual check-up to see whether the obligations are still being complied with and if the quality of the service is still ensured. By the end of 1998, 31% of all ANPE agencies had received the quality certification. By the end of 1999, 90% of all agencies had qualified (see ANPE 2000b) and at the beginning of the year 2000, all local agencies had qualified (inforMISEP , No. 66, 1999, p. 12).

5. Comparing performance management in Austria, France, Sweden and Great Britain

This section discusses similarities and differences in the PES performance management systems. We consider in particular:

1. The PES performance management approach in general
2. Goals, targets, indicators and their respective pros and cons
3. Planning and Implementation process (incl. quality management)
4. Performance assessment and benchmarking

This comparison focuses in particular on PES performance management in the four countries that were the subject of more intensive case studies: Austria, France, Sweden, and Great Britain. Some comparison is also made to Germany, which is an interesting transitional case because it has just recently begun to introduce MBO-principles in its PES.

5.1 The PES performance management approach

What are the main characteristics of the PES' performance management systems in Austria, France, Sweden and Great Britain? In all four countries (some type of) MBO represents a major component of performance management. Moreover, all have had

quite 'mature' MBO systems that were either introduced in the 1980s or early 1990s or, as in the Austrian case, have developed rapidly. The most complex approach is probably that in Austria: the annual MBO-cycle of the AMS has to be closely coordinated with the different pillars of Austrian labour market policy goals (i.e. the Ministerial goals, the Austrian National Action Plan, the ESF planning, and the medium-term planning of the PES itself). Since the annual plans have to be based on the medium term goals, continuity in labour market policy is given; on the other hand, these co-ordination demands constrain planning options. Moreover, the ambitious 'Comprehensive Controlling System' (*Gesamtsteuerungssystem*) currently being introduced will further increase the complexity of the management system in comparison with the (relatively) traditional MBO-approach pursued thus far. In sum, Austria's performance management is being continually developed and is driven by committed actors at both the national and the Land level.

France has a multi-annual approach of MBO at the national level, too, within which ANPE develops annual business plans. ANPE's management style and system of management by objectives has been strongly influenced by models from the business sector. This is manifest in particular in the establishment of a strong central controlling department and in the use of performance-related pay, in a highly centralized organizational structure. Furthermore, in 2001, multi-annual plans are to be introduced for each region separately. This diversification shall enhance the capacity and transparency of controlling. Management by objectives plays an important role in France not only in directing PES activities but also in documenting performance and legitimising the ANPE vis-à-vis government and public opinion.

In Sweden the regular MBO cycle is an annual process; but at least since a couple of years, 'system stability' is maintained by retaining some (or most) of the goals and targets for several successive years in the context of rolling three-year budget planning. In recent years performance management in Sweden's PES has undergone some major changes. Among other things, these changes have strongly affected the relationship between the Ministry and the PES at central and county levels. In particular, there appears to be a movement toward increased ministerial intervention in the relative autonomy previously exercised by the AMS, although the no clear trend has yet emerged. Furthermore, and perhaps most important, it was only in the second half of the 1990s that achievement of quantitative target levels *really* came to play a central role in the PES, albeit MBO was formally introduced in the mid 1980s.

Like Sweden, the British Employment Service has an annual MBO cycle. The British system represents the prototype of the 'agency model' in the standard NPM-framework; i.e. a clear separation between policy-making, which is the responsibility of the Ministry, and service delivery through the implementing agency, the Employment Service. The second feature of this model is the use of a quasi-contract or performance agreements between the ministry and the PES that stipulates the outputs to be accomplished and the resources to be made available. These targets

are passed on to the regional and lower operative levels in a series of quasi-contracts within a relatively centralized organizational context. Strong emphasis is placed on the management information system in a 'checking culture.' Horizontal networks to exchange 'good practice' mitigate the hierarchical features of the system.

Finally, in Germany, performance management according to the MBO-principles has been tested (introduced) on a national scale for the first time in 1998 (for implementation in 1999), when all local employment offices had to quantify the mandatory national policy goals of the PES. This quantification process was carried out in a small number of local 'model offices' by using a newly-developed 'performance agreement process' according to NPM-principles (whereas the majority of employment offices still used the traditional planning procedures). These model offices have already introduced two institutional cornerstones of internal PES reform (which can be traced back to 1994), the organizational model 'employment office 2000' and the management strategy 'performance-oriented leadership'.

5.2 Goals, targets and indicators

The actual operational objectives and targets currently in use in the case study countries are summarized in Appendix A and compared schematically in Table 3 above. There is a strong convergence in two specific types of policy targets: combating long-term unemployment and youth unemployment, in which all four case studies and Germany have current targets (see Table 3). Filling of vacancies (in number or percentage) was another common target in 2000 in Austria, France, Great Britain as well as in Germany, but not in Sweden, where such a target was, however, used in the previous years before. Otherwise much overlap but also important differences can be observed. For example, only Austria and Sweden have targets for the number of disabled in measures. Surprisingly, only Germany and Austria have targets relating to the reintegration of women in the labour market. France is one of the few countries without any target on improving PES services in 2000, although there was such a target in the previous year, and Germany is the only country with targets for placements in apprenticeships and combating illegal employment, which reflects the particular responsibilities of the PES in these areas in Germany. This diversity is not surprising since targets in MBO systems represent a necessarily limited number of current policy priorities, which reflect national policy concerns, or areas in which performance is deemed to need improvement, but also special responsibilities of the PES in a national institutional system.

A related problem is that the actual definitions of the targets in terms of indicators also vary greatly even where there is a common objective. For example, targets for combating long-term unemployment are sometimes defined in terms of reducing flows into long-term unemployment (A), reducing the number of very long-term unemployed through placements (F, GB), reducing the average number of the (very)

long-term unemployed (S), outflows from long-term unemployment into work (A , D) as well as minimising inflows into long-term unemployment (A, D).

In terms of the types of indicators used, there are a number of noteworthy similarities and differences. All three of the four case study countries as well as Germany use, to a large extent, labour market indicators (e.g. number of or flows into long-term unemployment) rather than indicators based merely on PES process or programme uptake (A = 4 of 10; F =3 of 11; D= 3 of 10; S = 2 of 10) whereas by contrast the ES in Britain relies almost exclusively placement indicators in defining targets (6 of 8). In summary, the differences in definition and operationalisation reflect national choices but also in particular differences in the type of data available from national monitoring systems.

In general terms, labour market indicators (based on PES administrative data on registered unemployment and unemployment flows) appear to be more appropriate for defining objectives than programme uptake, which is still frequently used (see Table 4), since programmes are merely a means of reintegration rather than the ultimate objective. On the other hand, labour market indicators are affected by many factors in addition to PES activities and ALMP programmes are the principal instruments under the control of the PES – in addition to placement services - for achieving these goals. The PES as an organization can be justifiably concerned with the uptake and targeting of these expensive labour market interventions.

5.3 Institutional aspects: planning and implementation process

The process of arriving at operational objectives and targets differs, sometimes markedly, from country to country. In general there are three principal actors: (1) the government or ministerial level, (2) the national PES organization and its head office, and (3) the subordinate regional and local PES offices. The actual process of formulation of targets differs in particular in the degree of hierarchy and centralization with which it is carried out. Although there is a range of empirical cases there appear to be two ideal typical types:

First, an agency model in which policy is the business of the ministry and the PES enjoys relatively little autonomy and is largely seen in the more modest role of an implementing agency. In this MBO-type targets are clearly defined by the government and only national target levels are negotiable with the PES. The relationship between the PES head office and regional and local offices is correspondingly more centralized and hierarchical with targets allocated to subordinate units typically based on more or less automatic formulas.

Second, a 'self-administration' model of a legally autonomous PES labour market authority, typically frequently with the participation of the social partners in its governing board. In this model the PES plays a strong role in design of labour market

policy, and not just in implementation. In other words, although the political responsibility of the Ministry for labour market policy is uncontested, the PES has a 'strong voice' at governmental level. Furthermore, in this model the PES board and its head office have a greater degree of discretion in planning and implementing labour market policies, including defining strategic objectives and targets. Within the PES organization, the competencies are typically more devolved or decentralised across the unit levels; the subordinate levels have as a rule a strong influence on the definition of target levels, and may even define their own regional or local targets.

In empirical terms, the British Employment Service appears closest to the first ideal-type; whereas Austria seems to be rather typical for the second type. Sweden and France are cases not easy to classify, as they combine features of both 'ideal-types'. France is a complicated intermediate case: Despite its formal autonomy, France's ANPE functions more like a governmental agency since Ministerial influence is high. On the other hand, the Ministry appears to exercise less direct influence on the operational planning of ANPE than is the case in Great Britain: Governmental influence is exercised primarily through the medium-term performance agreement ('progress contract') contract, which provides clear policy guidance for ANPE. Therefore, the annual planning of objectives and targets is done more autonomously by ANPE. By contrast, in Great Britain, there are prolonged negotiations (over several months) between ES experts and the Ministry before agreement is reached on annual objectives and target levels. On the other hand, in Sweden, the operational (quantified) targets are defined by the government, even though the Swedish labour market authority appears to be more strongly integrated into the policy making process at governmental level. In other words, Sweden has strong elements of the agency model, which are even underlined now, since governmental interferences into AMS seem to be growing. Austria's national planning process, finally, is characterised as a complex mix of expert planning and stepwise decision making in the various AMS bodies and committees, guaranteeing, among other things, the inclusion of the social partners.

In this context, Austria is the only country among our case studies in which the (aggregate) national target level of the PES is not defined *ex ante* by the national head office or by the Ministry. It is rather the sum of the negotiations between the head office and each of the *Land* offices, which take into account economic trend estimates, insights from past experience, and policy changes desired by the AMS's National Board (*Vorstand*). However, the *Länder* have a comparatively strong voice in PES (target) planning, which is also reflected in their representation in the planning working group (see above).

The important role of the *Land* PES in Austria is evidenced by a number of characteristics: Planning and implementation of national labour market policies by MBO is, to a large extent, based on the working programmes of the *Land* PES. They are also responsible for operative planning of labour market policies including target levels, as well as budgeting and controlling of the local (RGS) employment offices. In

addition, they have their own *Land* targets, which provides them with a certain degree of regional flexibility. Summing up, the implementation of the Austrian MBO system is strongly decentralised. Also the planning process is strongly institutionalised in the regions, but the central definition of goals implies of course limits to regional discretion.

The same is probably true in Sweden, where the county PES (LANS) are involved in defining the levels for various targets which are negotiated with the head office. On the other hand, the regional influence is also limited, since several national target levels are fixed (in percentages) and cannot be changed or negotiated. A field where the counties have a much stronger degree of discretion than in MBO planning is the internal organization, management and work practices of the PES offices in their county. Since there are no central regulations imposed, the organizational models of PES are said to vary considerably. This is an interesting contrast to Germany, where local PES have large autonomy in policy-mix and design of active measures (which was increased by 1998 reforms), but the organizational model is centrally determined through the national headquarters; at the end of 2002, all employment should have implemented the new organizational model 'Employment Office 2000'.

5.4 Performance assessment

Performance assessment is a decisive stage in MBO since it will determine whether any and what kind of consequences follow from (relatively) good or bad performance. Moreover, the MBO model stresses not merely post hoc performance assessment but continuous 'real time' monitoring of performance in order to identify and correct performance shortfalls. The impact of performance assessment is not, however, 'automatic', it depends in particular on performance incentives for individuals and operating units. Moreover, performance assessment will be probably more accepted and 'legitimate' when it is clear and understandable. In this section we compare and discuss the forms of performance assessment practiced by these countries within their MBO-cycle.

First of all, all four case study countries (and also Germany⁵⁶) have an obligatory stage of performance assessment *built into the MBO-approach*, on basis of the final results. In three of them, Great Britain, France, and Sweden, there is a strong emphasis on on-going performance monitoring by the head office, but not in Austria because of the much more decentralized philosophy of the MBO system.

In Great Britain, performance assessment is highly institutionalised in a central Jobcentre Performance Unit at head office and in regular meetings between the

⁵⁶ Local PES offices are also obliged to report annually on their 'reintegration balance', i.e. programme uptake and outcomes and the costs of measures, which is a parallel approach to performance assessment entirely decoupled from the controlling system being introduced.

different organizational levels. At the national level, ES performance (achievement of target levels) is reviewed quarterly by the Ministry. At regional, district and local jobcentres' level, performance is reviewed monthly by the respective higher unit level. Furthermore, individual managers and employees' performance are considered in individual end-of-year reviews. In the ES the emphasis is strongly on on-going performance assessment based largely on quantitative information on performance against targets and real time response to problems rather than on post hoc assessment of performance (e.g. in Austria) or regular qualitative policy reviews of regional (county) performance as carried out in Sweden. In Austria performance assessment for the last period or budget year is conducted primarily at the outset of the new planning cycle for MBO at the first meeting of the 'planning working group' in Spring. The national head office is less interested in frequent controls of the regions (Land offices) during the course of the year; but the Land offices, on the other hand, carry out a tight control of their local offices.

In the French ANPE, monitoring and the follow-up of results were decisively improved in 1995 by the establishment of the national controlling-unit, supported by regional 'controllers'. The controlling reports worked out by this unit are fed into the various (monthly, quarterly or semi-annual) follow-up meetings at national, regional and delegation level. The French and the British cases illustrate the importance of a strong controlling unit, at least in MBO systems with a high degree of centralization and strong emphasis on on-going performance monitoring to achieve priority national performance targets.

In Sweden (like in France), personal exchange in assessing unit performance is maintained by a relatively high density of follow-up meetings between the various institutional levels. However, the end-of-the-year 'county exams' are now most important and correspond closely to the ideal-typical MBO-concept of a final evaluation.

Comparing the criteria for assessing performance in the four countries, it is not surprising that everywhere the degree of attainment of the operational targets is most important. However, target level achievement is usually not an exclusive criterion. For example, in France quality of services (measured e.g. by quality certification of the local PES offices or surveys on PES quality) has been recently emphasised. In Austria, too much reliance on the quantified targets was recently criticised which led to revisions and supplements of the MBO approach, for instance the process controls in the business area placement/counselling. In Great Britain, quality performance standards for service delivery are a second pillar of performance management (supplementing the targets of the ES performance agreement). Sweden gives us a somewhat contrasting picture, since the service- and quality-related targets have been downplayed at the national level recently (withdrawal of these PES-internal targets in 2000, see country-section for details). This can be explained by the increased political pressure to achieve the priority policy target of unemployment re-

duction on the one hand, on the other hand on the PES intention to simplify the target structure of the MBO-system.

Performance incentives

Sweden is the only country of the four cases where performance pay is not an institutionalised component of the performance management approach.⁵⁷ The traditional egalitarian culture prevented individualised incentives so far (and notwithstanding some salary differentials), even if, according to interviews, the younger generation was more open-minded in this regard.

By contrast, the PES organizations in France, Austria and Great Britain have schemes of performance pay in use. These schemes share the feature of being primarily a single, annual bonus payment at the end of the year. A second feature shared: The level amounts of these bonuses is not very high in any of these countries, but seems to achieve its incentive function, but for rather psychological reasons of becoming individually rewarded. However, whereas this 'signal effect' was reported to be very strong in Austria, the incentive function of the bonus seems to be much lower in Britain, due to other, more general problems of the ES' payment structure (see country section).

Moreover, the payment schemes differ in formal terms: in Austria there appears to be somewhat more discretion at regional/local level about the terms of distributing the individual bonus, whereas in France and Britain qualification for incentive pay is more standardised (e.g. individual performance ratings in both countries). Furthermore, in Austria and France, the bonus payment schemes represent (different) mixed types of unit-based and individualised performance, whereas the British system is fully individualised.

Another incentive that cannot be overestimated is clearly the impact of good or bad performance on the individual career options. This is a particularly strong incentive for leading managers and directors of local and regional PES offices who will either get the opportunity to ascend in the hierarchy or who might become, in the negative case, transferred or even terminated, although - in contrast to the private sector - the civil service system in most countries place clear limits on individual sanctions. Probably the 'career effect' is the most important incentive in all the four case countries.

⁵⁷ So far, performance pay is not a theme in the German PES, either.

5.5 Benchmarking: comparing performance and identifying good practice

If benchmarking is to be successfully implemented, the scope and limits of comparability should have to be identified and accepted in advance. This is particularly the case for performance comparisons across similar units like regional employment offices. The approach to benchmarking used varies considerably across countries. Systematic performance comparison and benchmarking models play a significant role in Austria and Britain, to some extent also in Sweden, but are of minor, if any importance in France. In Germany there are plans to introduce benchmarking across the local PES offices (in the context of the 'reintegration balances' required of PES offices since 1998), which are being intensively debated, but still far from realisation.

In France, some initial but modest steps have been taken to promote organizational learning in ANPE, including the dissemination of best practice in selected fields. Besides some recommendations to transform ANPE into a 'learning organization', the exchange of best-practice examples in the implementation of certain active programmes seems to be most noteworthy. This exchange seems to aim at providing a 'coaching' function for those local offices not yet adept at management by MBO principles. In summary, at the present time 'best-practice' approaches can only be found in parts of the ANPE, i.e. they are rather an exception than the rule.

In Sweden, as was outlined in more detail in the country section, the explicit aim of increasing organizational learning - which is highlighted in benchmarking approaches - was a PES target stressed for a couple of years, but has lost importance in the year 2000. Related topics such as quality management and customer satisfaction have not received attention or been supported by the new government either, which led to a decline of interest in these themes in the PES head office. In sum, these developments bring about the apparent paradox that Sweden seems now to be moving away from the international trend towards quality and benchmarking approaches. Benchmarking in the sense of comparing performance and looking for better practices seems thus to take place mainly by informal communication between PES directors and managers.

In Austria we found that benchmarking is, in the first instance, being established at the intermediate PES level of the *Länder* and not at the national level. Although we have only closely examined the Balanced Scorecard model in Upper Austria, one will probably find other (similar or different) benchmarking approaches in other Austrian regions. An appealing aspect of the Balanced Scorecard approach includes its adaptability to different contexts, units and even individual employees. The second advantage can be seen in measuring aggregate or balanced, i.e. multi-dimensional performance. Third, the electronic version seems to be a practical management tool, easy to understand and to handle.

Despite the in general rather centralised performance management model in Britain, benchmarking by the 'Toolkit approach' is institutionalised at the local, district and regional levels of the ES, where the performance information of the Toolkit serves as a 'hands-on'-management tool. However, not only the Toolkit itself but also the benchmarks used are national values based on Jobcentre size bands provided by the Jobcentre Performance Unit at head office, so there remains a centralised element in this approach. Furthermore, local results are transmitted monthly from local to district level, and aggregated results from district level to the region. They are also used as the basis for unit performance awards.

The most positive feature of the 'Toolkit' appears to be that it establishes and refers to comparable units instead of comparing 'incomparable' units in so-called 'league tables.' Secondly, it relates placement activities and target attainment in a model of just a few inputs, activities and outputs which make it, thirdly, easy to understand and to handle, and provides insight into how processes affect outcomes.

Comparing the British 'Toolkit' with the Upper-Austrian 'Scorecard', both instruments appeal as attractive 'street level tools' for managing quantified objectives. At the same time, both instruments apply underlying assumptions concerning causal relationships between PES activities and target levels achieved. Therefore, it is correct to regard both as benchmarking tools, since they deliver at least partial explanations for performance differences. The Balanced Scorecard in its multi-dimensional design is even more complex in this regard than the placement-focussed British Toolkit, but it is also more complicated (among other things, weighting issues arise from 'scoring').

However, on the other hand, a main shortcoming of both the Balanced Scorecard and the Toolkit model is that they do not control for factors beyond PES control, e.g. labour market structure and size, demand etc. In other words, these instruments are management tools but not evaluation models: For this reason, the 'explanatory power' for (rigid) performance comparison and benchmarking remains somewhat limited. This is however, not such a problem from a 'hands-on' management point of view, and as long as the inherent limits are recognised.

Part IV: Summary and General Conclusions

1. Principal Findings

What kind of general lessons can be drawn from the findings of this comparative study of performance management in PES organizations? First, we reconsider our empirical findings in light of the more theoretical issues on management by objectives discussed in Part I of our study. Finally, we offer some concluding recommendations on MBO-type PES management systems.

In Part I of this report, we distinguished three sets of issues that strongly affect MBO applications: 1) Prerequisites and pitfalls of successful MBO 2) Design features of goals, operational objectives and performance indicators, and 3) Decentralization and policy discretion. In this section we summarize our empirical findings with regard to these issues.

Prerequisites and pitfalls of successful MBO

Our study generally confirms the observations in the performance management literature on the four different 'prerequisites and pitfalls of successful MBO': 1) The importance of PES and government commitment to MBO; 2) the need to maintain a relative autonomy of the PES from the ministerial level and the related problem ad hoc intervention; 3) density of rules and regulations may conflict with MBO, and 4) MBO itself has costs and may produce 'red tape' and bureaucratic structures.

The commitment of PES top management and government is essential for MBO success. In all our four national case studies (Austria, France, Sweden, Great Britain) there is a strong commitment to the MBO system at the PES leadership and governmental levels. In most cases the introduction of MBO and related quality management approaches in the PES was part of a broader commitment at the governmental level to modernization of the public service not limited to the PES (e.g. Sweden, Austria, the Netherlands, Denmark). In a number of countries (e.g. France) experience with privatisation of public sector enterprises has been an important model for reforms in the PES. The principal motives for introducing MBO are enhanced public accountability as well as with improved efficiency and effectiveness of the PES organization.

In contrast to other countries, in Germany the initiative for the introduction of performance management and related organizational reforms came largely from within the PES itself. In fact, the German PES has been an innovator in public sector reform in Germany. The relatively slow pace of the German reforms may be partly explained by the need to develop consensus within the tripartite German PES.

However, it should also be noted that the reform tempo has considerably accelerated during the last two years.

Commitment of top management is a necessary but not a sufficient condition for MBO-success: To be really effective MBO systems are particularly dependent on the existence of a strong central controlling unit, in particular in the initial phase to produce some 'reform drive' (which is confirmed by other insights from public sector reforms, see Oppen 1999). Our case studies showed, for example, that MBO in France and Sweden was not really very meaningful until such a unit was established, and performance management in the British employment service is strongly dependent on such a unit. A central controlling unit (attached to the executive office of the AMS board) also plays a major role in co-ordination and policy planning in Austria. In this context, the Austrian and Swedish examples indicate that such a central controlling unit is not necessarily in contradiction to decentral competencies in operative planning and implementation; to the contrary.

The necessary 'relative autonomy' of the PES from the ministerial level is not adverse to the appropriate political control of the PES, which in the case studies examined ranges from tight ministerial control (e.g. the UK) to considerable independence in the implementation of broad policy guidelines (e.g. Austria). The practical problem is rather government adherence to the time-schedule of the MBO policy cycle (which typically lasts from 18 months to two years, including the planning and decision-making phase) and abstention from ad hoc intervention.

In all the case study countries there was evidence for what we have termed 'principal' (vs. 'agent') problems. For instance, there were several instances of government failure to agree some or all of the annual targets even before the start of the current planning year. Moreover, ad hoc interventions during the course of an annual agreement have repeatedly been disruptive for PES operations. For example, the high priority given to the 'New Deal' by the British government has led to the introduction of special targets, administrative structures, and the earmarking of resources for this programme (i.e. less flexibility in implementation for the Employment Service). In Austria and Germany there have been election-year increases in funding for labour market programmes. Since such ad hoc interventions are not integrated in the MBO process, the additional workload remains undocumented and its impact on performance unclear. These shortcomings in the practice of MBO are normal frictions that experienced PES organizations cope with pragmatically; nevertheless they are a disturbance and, at some point may undermine the credibility and effectiveness of the MBO process.

Both the Austrian and the Swedish experiences demonstrate that MBO is inconsistent with the high density of generally binding rules and regulations characteristic of traditional public administration. In both countries there was an initial sharp reduction in administrative regulations, although in Sweden 'countertendencies' can now be observed as detailed programme descriptions increasingly im-

pede flexible solutions to reach different targets. Moreover, a large number of countries still use some performance indicators based on programme uptake, the provision of specific services, or other 'inputs', although a 'pure' system of management by objectives would specify only labour market or placement goals and leave it up to the PES and its operating units to determine 'how' the objectives are to be achieved. On the other hand, management by rules still has an important place in some types of specialized and highly regulated PES operations, for example, the administration of unemployment benefits. In this case there is no real conflict between MBO and rule-oriented administration since timely and accurate administration of benefit entitlements can be an additional operational objective.

The relationship between classical management by objectives and quality management deserves special attention. On the one hand, insofar as quality management relies mainly or only on detailed prescriptions of service standards and internal processes (which is considered as out-of-date in the advanced quality debate, see Oppen 1998), it tends to impose a national standardization on PES service delivery, which impedes dynamic quality improvements and may constrain the development of approaches more suitable to local needs. On the other hand, the emphasis on quality management is in our view an important response to the perceived shortcoming in the original quantitative emphasis in MBO systems (e.g. in Norway), and hence a useful complement to management by objectives. It should be noted that only a few countries still emphasize mainly service standards and quality certification (e.g. France and Britain); an increasing number of countries (e.g. Austria; B-Flanders, Denmark, Norway) put now more emphasis on the EFQM-principles of self-assessment, guided by the dynamic criteria of relative improvement as well as quality of results (e.g. customer satisfaction). If quality management is conceived as a 'moving target' that has to be re-defined again and again, it is a very useful tool in a comprehensive performance management strategy.

MBO also entails costs as well as benefits, including the establishment of new types of organizational structures. Most importantly, it requires a major investment of time and organizational resources in an adequate management information and controlling system, although modern information technology lowers the costs and reduces red tape in the collection and processing of data. The conflict of interest inherent in the principal-agent structure of MBO-type systems requires that systematic effort be devoted to validation of the key indicators generated for the management information system (cf. the British example on placement data, section III.2.5). Nevertheless, managers have to be aware of the possible critical point of diminishing returns to increasing intensity or frequency of controls. Moreover, the emphasis on quantitative targets, if handled improperly, may lead to 'numbers fetishism', i.e. pursuing target levels as an end in itself, on the one hand, or 'creative bookkeeping' on the other.

Design features of goals, operational objectives and performance indicators

PES organizations with MBO-type systems use a relatively small number (8 to 10) of priority operational objectives and targets, which corresponds to the model depicted in the theoretical literature on performance management. In Great Britain and France the number of targets used has in fact been reduced as the MBO system has matured; in both countries there is, in addition, systematic observation of a large number of key indicators not included in the actual priority targets. The diversity and complexity of the objectives pursued was considered to be a particular problem in Sweden. The Austrian plan for a new 'comprehensive controlling system' also reflects dissatisfaction with the current system, which is regarded as being dominated by placement and counselling targets that do not adequately reflect the activities of other work units. The idea of assigning specific targets to each operating unit seems appealing as a complement to the present (labour market driven) MBO system, even although the higher overall complexity of the new approach may make it difficult to implement.

The general consensus is that targets should be 'stretching', i.e. challenging, but still realistic. In countries with more hierarchical management styles (e.g. Britain, France, Sweden) national targets are allocated to the regional level in a top-down fashion based on some combination of formulae and bargaining. In other systems with a more decentralized style regional and local offices play a much stronger role in the setting of target levels. In particular in Austria, Denmark, and Germany regional target levels are agreed in a decentralized procedure rather than being assigned on the basis of national targets. Such a participatory management style may enhance acceptance if local managers and employees feel that their views are being taken into account. In these countries 'national' target levels represent merely an aggregation of the agreed regional targets. On the other hand, where the PES is obligated to meet set national targets, there is correspondingly little room for manoeuvre in setting regional targets.

One of the main practical problems of MBO implementation in PES organizations is the development of good performance indicators that measure adequately appropriately (i.e. validly and reliably) the objectives aimed at. Most countries reported frequent problems with indicators. In addition to shortcomings in the data availability, a particular problem reported is that of finding easy-to-measure and understandable indicators. These findings are largely consistent with other studies (e.g. Niklasson and Tomsmark 1997). In our view, therefore, the development of 'good indicators' remains a moving target: for instance, indicators have to be adapted due to changing policy goals or, sometimes, abolished as responses to observed moral hazard or other implementation deficits.

The appropriate time frame of planning and implementation is another critical design feature of MBO. In some PES organizations the planning and implementation process takes place largely on an annual basis (Great Britain), while in others the

annual MBO policy cycle is integrated in a broader, multi-annual policy framework (e.g. France). Short-term policy cycles are less prone to external disruption (e.g. through unanticipated changes in ministerial priorities or in the economic environment), but the efficiency and effectiveness of the MBO process may be impaired due to too frequent shifts in goals and objectives. In contrast to annual policy cycles, long-term planning provides a stable policy environment for PES implementation but may be too inflexible and hence ultimately fail. Our findings suggest that a combination of medium-term and annual planning in which annual operational objectives are agreed on the basis of medium-term goals is the most practicable solution for reconciling strategic (i.e. long-term) and flexibility concerns. There is, moreover, a certain 'functional equivalence' between explicit medium-term systems of performance management (e.g. in Austria) and annual systems that maintain stable goals and objectives with only incremental changes over successive years (e.g. Sweden). The latter approach also appears to have been adopted in Germany, although the performance management system is still too new to draw any definitive conclusions. By contrast the recent high rate of change in operational objectives and targets in the British annual MBO cycle appears to have been unnecessarily disruptive for PES operations.

Decentralization and policy discretion

Our third set of issues are concerned with 'decentralization and policy discretion.' We have observed two clearly different models of PES performance management: the more centralized and hierarchical agency model and the more decentralized self-administration model. Based on the evidence we have examined there is no clear reason to regard either the more centralized agency model or the more decentralised labour market authority model as being inherently superior. What is clear, however, is that each model has its essential elements and the features of the two different model types cannot be arbitrarily combined. For example, the agency model entails a strong separation between policy and implementation, a national level 'agency' agreement, top-down allocation of targets to the regions, centralized controlling etc. Although we cannot 'recommend' one particular model, it seems clear that the choice of a PES performance management must be compatible with the broader institutional context, for example, the style of public administration, existing patterns of decentralization in state institutions, and the role of the social partners in policy-making.

It is clear that agency problems, especially moral hazard, are endemic to the performance management approach with its strong emphasis on achieving quantitative targets. For example, evidence from our case studies suggests that there are strong incentives for 'street level' programme managers to find a practical solution to get the 'numbers' that are 'needed'. This is possible due to interpretative leeway in applying definitions and entering data into the management information systems. Total control is an illusion, even with the best possible control mechanisms, and is, moreover,

counter-productive because of decreasing flexibility and rising costs. A high degree of staff acceptance of the performance management approach and of the targets adopted is probably the best remedy for moral hazard. Agency problems and the costs of appropriate controls can be expected to be greater in more centralized PES MBO systems (and/or where the achievement of targets is linked to strong pay incentives) in contrast to those with a more participatory and consensual corporate culture.

2. Concluding remarks

Results-orientation and enhancement of public accountability will remain cornerstones of public sector modernisation and governance (and are not just a fashion trend) for which performance management systems are an important tool. For this reason, it is quite likely that MBO systems will become more widespread in European PES (and other OECD countries) in the near future than is already the case. However, the possible benefits of MBO are not automatic, but will depend on good design and implementation features.

The main benefit of using management by objectives is clarification of priorities, according to the majority point of view of the PES in this study. Performance management fosters ex ante and ex post reflection by the PES on its activities and achievements. Enhanced public accountability and legitimacy of the PES is still another important argument for MBO as the PES is assessed on the basis of transparent and agreed performance targets. The (continuous) comparison of results with targets is also a powerful management tool for directing organizational activities. Although we encountered no systematic evaluations of MBO-type management reforms, there was a widespread conviction in the PES organizations surveyed that performance management had improved the efficiency and effectiveness of the PES.

If introduced or applied, MBO should be based on principles of 'good-practice' and the avoidance of typical pitfalls. In light of our evidences, good MBO practice includes:

- use of a limited number of clear and understandable targets
- providing employee participation to guarantee the commitment of regional and local PES staff to the performance management system
- reduction in the density and complexity of administrative rules and directives
- a reliable, flexible, and 'real-time' management information system for monitoring progress toward targets
- fair and transparent procedures for assessing and rewarding performance
- complementary quality management approaches.

This list of 'good practices' is by no means exhaustive but highlights some of the most important ones that have emerged from the study. Use of a small number of goals directs PES activities by setting priorities; proclaiming too many goals dilutes priorities and deprives the organization of focus. Commitment to MBO at all organizational levels is essential to make it work and to avoid typical pitfalls like moral hazard. The reduction and simplification of administration rules is a crucial step in the introduction of MBO, and flexibility in implementation can decline again as a result of new programme regulations if not 'defended' by MBO protagonists.

A real-time and user-friendly management information systems is an essential prerequisite for monitoring PES performance and for 'inter-unit benchmarking'. It should be emphasized, however, that the management information system derives its value primarily from its usefulness to users at all levels of the organization. Its usefulness depends in particular on the frequency of data reporting, the appropriateness and transparency of the performance indicators selected, and the ready availability of the data at all PES levels. Data-based assessment of performance needs to be supplemented by personal exchange and dialogue in order to achieve the right combination of 'hard' and 'soft' information.

An important insight concerning fair and transparent performance assessment in benchmarking operating units is that target achievement should only be one element. Explanations for shortfalls in performance should be taken into account, without giving up the relevancy of target levels. In other words, reaching the quantitative targets has to be taken seriously, but the target level is not everything. Sometimes, the observation of the efforts undertaken and relative improvements may be more important and appropriate than meeting a particular numerical target perfectly well. Moreover, consideration of the point of view of regional and local managers in assessing performance raises not only commitment to MBO, but may also improve the information base and the assessment process.

A related issue is the 'right' form of performance incentives. Bonus payments, as our case studies have shown, do not need to be high to affect individual's behaviour. It seems that the main effect of such incentive schemes is that they foster comparison of individual or unit performance with that of others and thus complement benchmarking on PES targets. Moreover, the development and use of operative benchmarking tools (like the Austrian and British examples) should be encouraged, even if those instruments cannot solve all the methodological problems of comparability. In this context, it should also be emphasized that performance management is not a substitute for evaluation research.

Finally, remember strong arguments for combining quality management and MBO approaches: First, the quality approaches correct for over-emphasis of quantitative targets. Second, though useful as a first step, an exclusive reliance on the quality standards and certification (quality assurance) approach has to be rejected. By contrast, TQM and EFQM are not static but dynamic approaches with

their emphasis on service and customer orientation, continuous improvement, detection of cost drivers, and self-assessment (involvement and empowerment) of staff.

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Appendices

Appendix A

Synoptic Table on Goals and Operational Objectives in MBO-based PES Organizations

Note: If not stated otherwise, information is drawn from questionnaire responses and related documents.

Table A1: Austria

Goals/objectives	Operational targets and indicators (2000)
<ol style="list-style-type: none"> 1. Prevention of permanent exclusion from employment system 2. Support of structural change 3. Improving labour market matching 4. Prevention of youth unemployment Gender mainstreaming as 'cross-sectional' goal 	<p>Quantification refers to example of region (<i>Land</i>) Tirol:</p> <ul style="list-style-type: none"> • Not more than 766 flows into long-term unemployment (> 1 year) • Flow from long-term unemployment into work = 270 • Vocational rehabilitation measures for annual average of 129 unemployed handicapped persons. • Flow of women from unemployment into employment after qualification = 1275 (total); subtarget: jobs lasting more than 3 months=319 • Vacancies filled = 27 000 • Inter-regional placement in tourism industry = 1 208 • Flow of older unemployed (>44) into work = 9 968 • Youth (<25) flow into long-term unemployment (>180 days) = or < 570 • Regional (<i>Land</i>) target: Successful filling of regular (i.e. insured) vacancies = 9 863

Table A2: Belgium-VDAB

Goals/objectives	Operational targets and indicators (1999/2000)
<ol style="list-style-type: none"> 1. Offer young people a new start before reaching six months of unemployment 2. Offer adults a new start before reaching 12 months of unemployment 3. Active measures to promote employability 4. Implement the plan for integration into the labour market (= an example of national policy goals based on supranational ones) 5. Implement the Flemish plan for the young unemployed (= an example of complementary regional policy goals) 	<ul style="list-style-type: none"> • Jobseekers under 25 must get a offer (job, vocational training, counselling) before the sixth month unemployment • Jobseekers of 25 or older must get a offer (job, vocational training, counselling) before the 12th month unemployment • Providing, at least of 20% of the unemployed, by means of active labour market measures at PES-level, a chance into the labour market. • Maximize the inflow into pathway guidance of the target group considered by European directive 1

Table A3: Denmark

Goals/objectives	Operational targets and indicators (1999/2000)
<ol style="list-style-type: none"> 1. The regional labour market boards are to secure that enterprises – both in the short and long run – get the needed labour force 2. LMP efforts are to secure a better transparency in the labour market, guaranteeing quick and effective placement in vacancies and at the same time secure a necessary supply of qualified labour force within areas 3. The regional labour market boards must contribute to the prevention and reduction of long term unemployment 4. LMP has to guarantee the unemployed the „shortest way“ back to regular work or education through a goal-oriented and tailor-made effort 5. In order to promote effectively the „weakest groups“ of the unemployed, the PES has to co-operate with other relevant LMP actors (objective introduced in 2000) 6. Augment the efforts to increasing the job opportunities for elderly workers (>50 years) 	<ul style="list-style-type: none"> • Increasing the number of vacancies (longer than 5 days) by x% in comparison with last year. • At least x% of the registered vacancies (> 5 days) have to come from enterprises which had no contact with the PES in the previous year. • A 92% of registered vacancies must be filled within one week after the requested date.¹ • At least x% of participants „activated according to the early need-oriented effort“ (i.e.those with a - relatively - short duration of unemployment and at risk of becoming long-term unemployed) should have moved into regular work or training 6 months after the end of activation.² • At least 20% of all persons activated must have moved into regular work or training within 6 months after the start of activation.³ • Nationwide, at least 10 900 placements in „public jobtraining“ must be made.⁴ • A x%-share of applicants proposed to regular jobs must be unemployed persons in activation. • At least 80% of the employment goals set in the individual action plan have to be made within the need of the regional labour market • Existence of established initiatives targeting the weakest or most disadvantaged groups • Lowering the unemployment rate of those older than 50 compared to previous year

¹ Level defined from 1996-99 by regional level, in 2000 defined by Ministry/National Labour Market Council.

² The precise level sometimes set by the Ministry or the National Labour Market Council.

³ Level set by the Ministry or the National Labour Market Council.

⁴ Regional targets for this defined by the Minister.

Table A4: Finland

Goals/objectives	Operational targets and indicators (1999/2003)
<ol style="list-style-type: none"> 1. The employment rate should be close to 70% in 2003 2. Boosting the demand for labour and ensuring supply 3. Employee competence and coping at work 4. Incentives at the prevention of exclusion 5. Prevention of discrimination and racism 	<ul style="list-style-type: none"> • Reduction of the average duration of vacancies: 90-94% of all job entries according to the day agreed • Effectiveness of labour market training (3 months after programme termination not unemployed) • Number of long-term unemployed • Effectiveness of active measures (like labour market training)

Notes: questionnaire, PES documents and follow-up queries / responses

Table A5: France

Goals/objectives	Operational targets and indicators (2000)
<ol style="list-style-type: none"> 1. Reducing/preventing long-term unemployment and social exclusion 2. Offer activating assistance in context of New Start program 3. Improvement in services for enterprises - recognise the skills of jobseekers 4. Increase ANPE's market share 5. Provide an individual solution for every jobseeker 	<ul style="list-style-type: none"> • Reduction of 40 000 in the number of very long-term unemployed (>2 years) • Reduction of 15% in number of long-term unemployed youth • 1 120 000 exits from long-term unemployment (>1 year) • 1 100 000 participants in New Start • 555 000 new start participants who either find employment or have worked at least 78 hours • Register 2 925 000 job offers • Fill 2 550 000 vacancies • 66% of anonymous vacancies filled • 30 000 vacancies for managerial and professional personnel filled • 850 000 services carried out • 130 000 referral to AFPA (training agency) of which 90 000 to be under New Start program

Table A6: Germany

Goals/objectives	Operational targets and indicators (2000)
<ol style="list-style-type: none"> 1. Open and realize employment opportunities in a 'market-suitable' manner <ul style="list-style-type: none"> -Intensify registration of vacancies -Increase penetration of registration 2. Decrease youth unemployment <ul style="list-style-type: none"> -Improve acquisition of apprenticeships -Bringing young people into education (apprenticeship) and employment 3. Decrease long term unemployment <ul style="list-style-type: none"> -Bringing more long-term unemployed into employment -Preventing inflow into long-term unemployment 4. Improve compatibility of job and family for women and men <ul style="list-style-type: none"> -Offering more 'mobile time' as employment variant -Increase number of placements of those (female/male) returning-to-work 5. Social Security and labour market regulation in order to avoid illegal employment <ul style="list-style-type: none"> -Increasing regulatory intervention tasks ('ordnungspolitische Aufgaben wahrnehmen') in order to maintain or create regular jobs -Customer friendly provision of benefits (Unemployment benefits, unemployment assistance, further training and child care benefit) 	<ul style="list-style-type: none"> • Placements (>7days)/outflow of vacancies • Registered apprenticeships • Inflow of applicants into apprenticeships • Inflow of youth >25 into unemployment longer than 6 month • Outflow of long-term unemployed in regular employment • Inflows into long-term unemployment • Placements of unemployed women and men in part-time jobs over 7 days • Placements of unemployed persons returning-to-work into jobs over 7 days (without ABM/SAM) • Share of external site controls in suspicious branches • Average duration of service delivery time for these benefits ('Bearbeitungsdauer') <p>Supportive indicators:</p> <ul style="list-style-type: none"> • Outflow of registered vacancies/vacancies filled (supportive indicator) • Women's share in placed unemployed and jobseekers, related to women's share in stock of unemployed/jobseekers (supportive indicator) • Registration rate of apprenticeships (supportive indicator) • Women's share in outflow of the unemployed under 25, in relation to their share in all unemployed under 25 (supportive indicator) • Women's share in long-term unemployment in relation to women's share in all unemployed (supportive indicator) • Women's share in part-time, in relation to their share in all part-time seeking unemployed (without ABM/SAM) (supportive indicator) • Women's share in placed persons returning-to-work, in relation to their share in all persons returning-to-work (supportive indicator)

Table A7: Great Britain

Goals/objectives	Operational targets and indicators (1999/2000)
<ol style="list-style-type: none"> 1. To help people into work 2. To concentrate efforts on helping people improve their employability and move from welfare to work particularly if they have already spent long-periods with a job 3. To involve people with disabilities in the world of work 4. To set out clearly rights and responsibilities of JSA claimants and to ensure that they are fulfilled 5. To provide courteous and professional customer service to all jobseekers 6. To deliver these services cost effectively 	<ul style="list-style-type: none"> • To place 1 250 000 unemployed in work • To place 190 000 long-term unemployed (> 6 months) JSA claimants into work • To place 38 000 JSA claimants out of work 2 years and more • To place 100 000 New Deal for Young People participants into work • To place 15 000 New Deal for Lone Parents participants into work • To place 85 000 unemployed people with disabilities into work • To ensure the correct application of the JSA process in at least 96% of cases checked in 4th quarter 1999-2000 • To achieve an 87% customer service delivery rate

Table A8: Netherlands

Goals/objectives	Operational targets and indicators (1999/2000)
<ol style="list-style-type: none"> 1. Placement of unemployed (problem groups proportionally represented) 2. Placing women, ethnic minorities, long-term unemployed 3. Filling vacancies 4. Successful reintegration plans 	<ul style="list-style-type: none"> • Number of placements • Special categories placed in proportion to their percentage among unemployed • Number of vacancies filled (% registered offers, market share) • Trajectories for hard to place ending in placement (80% with job post 6 months). • Customer satisfaction rate employers • Customer satisfaction rate jobseekers

Table A9: Norway

Goals/objectives	Operational targets and indicators (1999)
<p>1. Assisting job seekers in getting job -Keeping job seekers active and well informed -Effective placement for job seekers -Help job-seekers and vocational handicapped to develop appropriate skills according to the demand in the labour market</p> <p>2. Assisting Employers with recruitment and restructuring -Exchange information with employers and public agencies about the labour market and the services of the Labour Market Administration -Provide recruitment services for employers -Contribute to skill adjustment in case of restructuring -Counteract tendencies where by people are rejected from working life</p> <p>3. Preventing and minimizing the negative effects of unemployment -Contribute to maintain work ability in case of long-term unemployment -Prompt and correct payment of unemployment and rehabilitation benefits -Provide sheltered jobs to vocational handicapped with limited work ability</p>	<ul style="list-style-type: none"> • Total number of placements • Fraction of disabled persons in labour market measures • Fraction of occupationally disabled persons who have completed occupational rehabilitation and now are working, at school or registered as job-seekers • Totally unemployed under 20 years • Number of participants in ordinary labour market measures • Number of participants in labour market measures for disabled • Placements to directly reported vacancies as a fraction of exit directly reported vacancies • Placements made by the Temporary Employment Service • Number of long-term unemployed • Fraction of applications for unemployment benefit processed in less than 21 days • Number of persons who receive an allowance based on earlier benefit entitlement

Table A10: Sweden

Goals/objectives	Operational targets and indicators (2000)
<p><u>Medium term goals</u></p> <ol style="list-style-type: none"> 1. Reducing open unemployment to 4% by the end of 2000 2. Increasing employment rate to 80% by 2004 <p><u>Annual goals (1999-2000)</u></p> <ol style="list-style-type: none"> 3. Limiting duration of vacancies 4. Counteract long-periods without regular employment 5. Reduce long-term unemployment 	<ul style="list-style-type: none"> • 80% timely referral of candidates for vacancies • 70% employment rate for training programme leavers • Reducing very long-term unemployment (>24 months) to less than 62 000 by end of year. • Reducing long-term unemployment count to less than 48 000 • Every long-term unemployed or at risk person to have personal action plan (job-seeker's plan) of good quality • All youth (>25) to receive job offer or program place before being unemployed 100 days • Average of 56 000 persons employed in special measures for occupational disabled • The average subsidisation rate of wage subsidies to employers other than non-profit organisations shall not exceed 60 percent of the qualifying wage cost

Appendix B: Questionnaire Results for PES Organizations with MBO, Structured Response Questions

Question 1: *Does your public employment service currently use Management by Objectives or a similar type of „performance management“ in which policy objectives are formulated in advance as quantitative targets and progress toward these targets is monitored by a set of corresponding agreed performance indicators?*

<i>Country</i>	<i>Existence of MBO and year of introduction</i>
Austria	Yes , since 1995
B-Forem	No
B-Orbem	No
B-VDAB	Yes, since 1985
Denmark	Yes, since 1994
Finland	Yes, since 1992
France	Yes, since 1990
Germany	Yes, since 1998
Great Britain	Yes, since 1991
Greece	No
Ireland	Only some elements, since 1998
Italy	No
Luxembourg	No
Netherlands	Yes, since 1997
Norway	Yes, since 1987
Portugal	Only some elements, since 1990
Spain	Only some elements, since 1994
Sweden	Yes, since 1997

Question 3: *What were the principal reasons for introducing a system of Management by Objectives in your PES organization? [multiple answers possible]*

	Reason 1: Setting clearer national priorities in labour market policy and monitoring results	Reason 2: Regulating the relationship between PES and ministerial level	Reason 3: Improving the efficiency and effectiveness of regional and local offices	Reason 4: Granting local offices greater freedom to adapt programs to local needs	Reason 5: Other...
Austria	Yes	Yes	Yes	Yes	
B-VDAB	Yes	Yes	Yes	Yes	
Denmark		Yes		Yes	Yes
Finland			Yes	Yes	
France	Yes	Yes	Yes	Yes	
Germany	Yes		Yes	Yes	
Great Britain		Yes			
Netherlands		Yes	Yes		
Norway	Yes	Yes	Yes	Yes	
Sweden	Yes	Yes	Yes		
Total (Yes)	6	8	8	7	1

Question 5: Have the current operative targets changed in comparison with the previous planning period?

	Answer
Austria	Yes
B-VDAB	Yes
Denmark	Yes
Finland	Yes
France	Yes
Germany	Yes
Great Britain	Yes
Netherlands	
Norway	
Sweden	Yes
Total (Yes)	8

Question 6: Does your PES organization practice any form of multi-annual or medium term planning in its MBO management system?

	Answer
Austria	Yes
B-VDAB	Yes
Denmark	
Finland	
France	Yes
Germany	Yes
Great Britain	
Netherlands	
Norway	
Sweden	
Total (Yes)	4

Question 11: Are targets and indicators specified in any formal agreements (e.g. performance agreements, quasi-contracts, business plans etc)?

	Answer
Austria	Yes
B-VDAB	Yes
Denmark	Yes
Finland	Yes
France	Yes
Germany	Yes
Great Britain	Yes
Netherlands	Yes
Norway	Yes
Sweden	Yes
Total (Yes)	10

Question 12: *Has the introduction of Management by Objectives been accompanied by decentralization and increased policy discretion for regional and local PES offices? / If „yes“, what form did decentralization take in your PES? [multiple answers possible]*

	Has the introduction of MbO been accompanied by decentralization and increased policy discretion for local PES offices?	Form of decentralization: Budget flexibility	Form of Decentral.: Programme flexibility	Form of Decentral.: Reduction of detailed rules and procedures for the local offices	Form of Decentral.: Increasing the number of regional/local offices	Form of Decentral.: Other
Austria	Yes	Yes	Yes	Yes		
B-VDAB	Yes	Yes	Yes			
Denmark	Yes	Yes	Yes	Yes		
Finland	Yes	Yes		Yes		
France	Yes	Yes	Yes			
Germany	Yes	Yes		Yes		Yes
Great Britain						
Netherlands						
Norway	Yes	Yes	Yes	Yes		
Sweden	Yes	Yes		Yes		
Total (Yes)	8	8	5	6	0	1

Question 13: *Do the levels set in the operational targets at the beginning of the policy take regional or local circumstances and conditions into consideration?/ If „yes“, which factors are being considered? [multiple answers possible]*

	Do the levels set in the operational targets at the beginning of the policy take regional or local circumstances into consideration?	Considered factors: Labour market conditions	Considered factors: economic development/ trend	Considered factors: regional economic or structural policies	Considered factors: PES past performance	Considered factors: regional PES and providers' capacities to implement slots
Austria	Yes	Yes	Yes		Yes	Yes
B-VDAB	Yes	Yes	Yes	Yes	Yes	
Denmark	Yes	Yes			Yes	Yes
Finland	Yes	Yes	Yes		Yes	Yes
France	Yes	Yes	Yes	Yes	Yes	Yes
Germany	Yes	Yes	Yes	Yes	Yes	Yes
Great Britain	Yes	Yes			Yes	
Netherlands	Yes	Yes	Yes		Yes	
Norway	Yes	Yes	Yes	Yes	Yes	
Sweden	Yes	Yes			Yes	
Total (Yes)	10	10	7	4	10	5

Question 14: *Are operational targets adjusted (up or down) during the course of the MBO policy cycle in order to take unanticipated labour market changes into account?*

	Answer
Austria	
B-VDAB	
Denmark	
Finland	Yes
France	
Germany	
Great Britain	
Netherlands	Yes
Norway	Yes
Sweden	
Total (Yes)	3

Question 15: *Have changes in government policy ever caused any problems for the MBO policy planning and implementation cycle after the targets had been set?*

	Answer
Austria	
B-VDAB	Yes
Denmark	
Finland	
France	
Germany	Yes
Great Britain	Yes
Netherlands	Yes
Norway	
Sweden	
Total (Yes)	4

Question 16: *Does the monitoring system cover all the agreed operational targets and performance indicators?*

	Answer
Austria	Yes
B-VDAB	Yes
Denmark	Yes
Finland	Yes
France	Yes
Germany	Yes
Great Britain	Yes
Netherlands	Yes
Norway	Yes
Sweden	Yes
Total (Yes)	10

Question 17: *How frequently does the monitoring system report progress toward targets on agreed performance indicators from the regional or local level to the national PES office?*
[multiple answers possible]

	Frequency: Weekly	Frequency: Monthly	Frequency: Quarterly
Austria		Yes	
B-VDAB		Yes	
Denmark			Yes
Finland			Yes
France		Yes	
Germany		Yes	
Great Britain		Yes	
Netherlands			Yes
Norway			Yes
Sweden		Yes	
Total (Yes)	0	6	4

Question 18/19: *Is the monitoring system for labour market services.../ Are monitoring data on progress toward operational targets be improved?* *[multiple answers possible]*

	Is monitoring system computerized?	Is monitoring system based on a specially designed internal electronic data network?	Is monitoring system not computerised, but based on traditional administrative records?	Is monitoring system integrated with cost controlling enabling expenditure to be related to service outputs at the regional and local levels?	Are monitoring data on progress toward operational targets disseminated across all PES levels?
Austria	Yes			Yes	Yes
B-VDAB	Yes	Yes			Yes
Denmark	Yes	Yes			Yes
Finland	Yes				Yes
France	Yes	Yes			Yes
Germany	Yes				Yes
Great Britain	Yes		Yes		Yes
Netherlands	Yes	Yes		Yes	Yes
Norway	Yes	Yes			Yes
Sweden	Yes	Yes			Yes
Total (Yes)	10	6	1	2	10

Question 21: *Is monitoring used as „early warning system“ leading to immediate policy intervention in case of under-performance?/ If „yes“, what kind of policy interventions are applied? [multiple answers possible]*

	Is monitoring used as „early warning system“ leading to immediate policy intervention in case of under-performance?	If „yes“: Kind of policy intervention: Correction of objective	If „yes“: Kind of policy intervention: Increasing / reallocation of funding	If „yes“: Kind of policy intervention: Increasing personnel	If „yes“: Kind of policy intervention: Other
Austria	Yes		Yes		
B-VDAB	Yes		Yes	Yes	
Denmark	Yes	Yes	Yes		
Finland					
France	Yes				Yes
Germany	Yes				Yes
Great Britain	Yes				
Netherlands	Yes	Yes	Yes		
Norway	Yes		Yes		
Sweden	Yes		Yes		Yes
Total (Yes)	9	2	6	1	3

Question 22: *Does your organization’s system of Management by Objectives include an obligatory stage of performance assessment, on basis of the final results?*

	Answer
Austria	Yes
B-VDAB	Yes
Denmark	Yes
Finland	Yes
France	Yes
Germany	Yes*
Great Britain	Yes
Netherlands	Yes
Norway	Yes
Sweden	Yes
Total (Yes)	10

Notice: * Even though Germany responded ‘No’ to question 22, the stage of performance assessment was mentioned and described within Germany’s response to question 10. For this reason, we have corrected the answer here.

Question 25: *What are the practical consequences of good (bad) local PES performance, if any? [multiple answers possible]*

	Consequence: Individual performance based pay	Consequence: Bonuses for succesful work units	Consequence: Higher budget allocations	Consequence: Additional personnel	Consequence: Non-monetary achievement awards	Consequence: No specific consequences at all	Consequence: Other
Austria		Yes			Yes		
B-VDAB		Yes			Yes		
Denmark							Yes
Finland		Yes					
France	Yes	Yes					
Germany					Yes		
Great Britain	Yes	Yes			Yes		
Netherlands	Yes						Yes
Norway						Yes	
Sweden						Yes	
Total (Yes)	3	5	0	0	4	2	2

Question 26: *Are the performance indicators and results of performance assessment publicized throughout the organization? / Are they available to the press and public?*

	Are the performance indicators and results of performance assessment publicized throughout the organization?	Are they available to the press and public?
Austria	Yes	Yes
B-VDAB	Yes	Yes
Denmark	Yes	Yes
Finland	Yes	
France	Yes	Yes
Germany	Yes	Yes
Great Britain	Yes	Yes
Netherlands	Yes	
Norway	Yes	Yes
Sweden	Yes	
Total (Yes)	10	7

Question 27: *Is there a systematic attempt to identify, publicize, and transfer „best practice“ between the subordinate units of the PES organization („benchmarking“)?*

	Answer
Austria	Yes
B-VDAB	Yes
Denmark	Yes
Finland	
France	
Germany	Yes
Great Britain	Yes
Netherlands	Yes
Norway	Yes
Sweden	Yes
Total (Yes)	8

Question 28: *Have there been any systematic evaluations of the performance management activities or reforms in your organization?*

	Answer
Austria	
B-VDAB	Yes
Denmark	Yes
Finland	
France	
Germany	
Great Britain	
Netherlands	
Norway	Yes
Sweden	
Total (Yes)	3

Appendix C

Synoptic Country Profiles of PES Performance Management Approaches in MBO-type systems

Table C 1: Austria

1. Organization (<i>Arbeitsmarktservice, AMS</i>)	
<ul style="list-style-type: none"> • Governance 	<ul style="list-style-type: none"> • Ministry defines general LMP goals, and supervises and evaluates AMS • Since 1994, the AMS is independent, self-governing 'service enterprise' under public law
<ul style="list-style-type: none"> • Services for which PES is responsible 	<ul style="list-style-type: none"> • Placement, active measures, administration of unemployment
<ul style="list-style-type: none"> • Decentralization 	<ul style="list-style-type: none"> • The regional PES (Länder) have considerable discretion; e.g. to define land-specific goals
2. Performance management approach	
<ul style="list-style-type: none"> • Year of introduction of MBO 	<ul style="list-style-type: none"> • 1995
<ul style="list-style-type: none"> • General approach 	<ul style="list-style-type: none"> • Medium-term (3-years) strategic goals and annual goals • Goal-oriented and based on guidelines; MBO between Federal and Land level; between Land and regional level • Annual PES MBO-system is closely co-ordinated with the medium-term goals and plans of the Ministry and the AMS itself, as well as with European LMP (National Action Plan; ESF policies) • Comprehensive controlling system in development
<ul style="list-style-type: none"> • Quality management 	<ul style="list-style-type: none"> • Customer orientation is a leading principle of the AMS activities and performance management. The development of a quality management system applying the TQM-EFQM-standards is a recent development

3. Setting goals and objectives	
<ul style="list-style-type: none"> • Goal definition 	<ul style="list-style-type: none"> • Ministry of Labour defines the overriding labour market goals • Annual planning of goals under participation of Ministry, the AMS headquarter and regional (Land) PES organizations
<ul style="list-style-type: none"> • Objectives setting 	<ul style="list-style-type: none"> • Development of operational work programmes is main responsibility of the Land PES
<ul style="list-style-type: none"> • Development of performance indicators 	<ul style="list-style-type: none"> • Development PI's: all organizational levels of Ministry and AMS are involved • Strong determination of goals and targets through the 'concerted' medium-term plans
4. Monitoring system	
<ul style="list-style-type: none"> • Coverage of instruments/indicators 	<ul style="list-style-type: none"> • Comprehensive • Monitoring reports are available quarterly
<ul style="list-style-type: none"> • Technical standards 	<ul style="list-style-type: none"> • High
<ul style="list-style-type: none"> • Policy interventions due to monitoring results 	<ul style="list-style-type: none"> • Yes, if significant deviation from the target track
<ul style="list-style-type: none"> • Customer satisfaction surveys and other service quality controls 	<ul style="list-style-type: none"> • Client monitoring system is being set up • Development of a quality management system applying TQM-EFQM-standards
5. Performance assessment approach	
	<ul style="list-style-type: none"> • The 'planning delegates' from national PES, the regional PES and the Ministry reflect on targets, the planning process and the working programmes of the previous period at the outset of the new planning period. • Small performance pay components as consequence of assessment
6. Benchmarking approaches	
	<ul style="list-style-type: none"> • Benchmarking mainly responsibility of the regions (<i>Länder</i>); benchmarking within rather than across the regions
7. Major problems /trends	
	<ul style="list-style-type: none"> • Design features and feasibility of the planned 'comprehensive controlling system' still under debate
8. Special remarks	

Table C 2: Belgium, Flanders

1. Organisation (<i>Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding, VDAB</i>)	
<ul style="list-style-type: none"> Governance 	<ul style="list-style-type: none"> The Flemish office of employment and vocational training is attached to the regional and community ministries, so the regional administration (VDAB) enjoys considerable independence from central government; bipartite advisory board Management contract between the Flemish government and VDAB sets goals and objectives
<ul style="list-style-type: none"> Services for which PES is responsible 	<ul style="list-style-type: none"> Placement, active labour market policies; separate (national) unemployment administration system
<ul style="list-style-type: none"> Decentralization 	<ul style="list-style-type: none"> Considerable discretion of local VDAB offices over budgets and programmes
2. Performance management approach	
<ul style="list-style-type: none"> Year of introduction of MBO 	<ul style="list-style-type: none"> 1985
<ul style="list-style-type: none"> General approach 	<ul style="list-style-type: none"> MBO system in Flanders that is strongly linked to the goals set up by the European Employment guidelines 1 and 2 Current shift from an annual to an multi-annual term planning cycle; VDAB already uses multi-annual budgets and investment plans
<ul style="list-style-type: none"> Quality management 	<ul style="list-style-type: none"> Strong emphasis on quality management
3. Setting goals and objectives	
<ul style="list-style-type: none"> Goal definition 	<ul style="list-style-type: none"> Concluded between government and VDAB in multi-annual performance agreement
<ul style="list-style-type: none"> Objectives setting 	<ul style="list-style-type: none"> Each year operational plans with their concrete objectives are established by means of institutionalized consultation between the social partners, both on the central as well as the local level.
<ul style="list-style-type: none"> Development of performance Indicators 	<ul style="list-style-type: none"> E.g. in quarterly strategic seminars between VDAB central office and the regional offices Strategic use of indicators of the European Guidelines

4. Monitoring system	
<ul style="list-style-type: none"> • Coverage of instruments/indicators • Technical standards • Policy interventions due to monitoring results • Customer satisfaction surveys and other service quality controls 	<ul style="list-style-type: none"> • Full • High • Yes, sometimes if necessary • VDAB conducts employer satisfaction surveys twice a year
5. Performance assessment approach	<ul style="list-style-type: none"> • Annual evaluation of target attainment by Flemish government and VDAB • PES bonus payment for successful work units/departments and non- monetary achievement awards.
6. Benchmarking approaches	<ul style="list-style-type: none"> • VDAB tries to identify and transfer 'best-practice' in internal audits, workshops, discussions between the staff of local offices
7. Major problems /trends	<ul style="list-style-type: none"> • Introduction of standardized benchmarking techniques • Quality vs. quantity debate
8. Special remarks	<ul style="list-style-type: none"> • Balanced scorecard is currently in development

Table C 3: Denmark

1. Organisation (Arbejdsformidlingen, AF)	
• Governance	<ul style="list-style-type: none"> • AMS and regional PES (directors) are directly responsible to Minister, at the same time considerable authority rests with the Labour Market Councils
• Services for which PES is responsible	<ul style="list-style-type: none"> • Placement service and active measures (unemployment benefits are administrated by the unemployment insurance funds)
• Decentralization	<ul style="list-style-type: none"> • Labour market reform of 1994 brought shift from a centralized system to a more decentralized, needs-oriented system
2. Performance management approach	
• Year of introduction of MBO	<ul style="list-style-type: none"> • 1994
• General approach	<ul style="list-style-type: none"> • MBO-system 'counter-stream' planning and implementation cycles of budget and objectives/performance standards • Annual "contracts of results" for each region (exception: some of the regional boards/PES makes multi-annual regional strategies)
• Quality management	<ul style="list-style-type: none"> • Yes, EFQM/Business Excellence Model; regionalised self-assessments and customer satisfaction surveys
3. Setting goals and objectives	
• Goal definition	<ul style="list-style-type: none"> • Decided by National Labour Market Council, on basis of proposals of regional labour market councils; two main goals as a rule
• Objectives setting	<ul style="list-style-type: none"> • Finally decided by National Labour Market Council, on basis of proposals of regional labour market councils • Regional labour market councils can supplement the nation-wide objectives with regional objectives
• Development of performance Indicators	

4. Monitoring system	
<ul style="list-style-type: none"> • Coverage of instruments/indicators • Technical standards • Policy interventions due to monitoring results • Customer satisfaction surveys and other service quality controls 	<ul style="list-style-type: none"> • The monitoring system covers all operational targets and performance indicators. • Bi-annual and annual monitoring reports • High • Yes, as a rule by the National Labour Market Authority • See above
5. Performance assessment approach	
	<ul style="list-style-type: none"> • Frequent visits of National LM Council to regional councils, and AMS to regional PES respectively • Evaluations and assessment also on grounds of annual controlling reports • Regional boards which have a budget surplus are allowed to transfer the amount to the budget of the next year, regions with a budget deficit may be “cut down” • Budget bonuses for successful units • Process, result and ‘best practice’, benchmarking, e.g.
6. Benchmarking approaches	
7. Major problems /trends	
	<ul style="list-style-type: none"> • Better balance between the different expectations from the central and regional level is considered necessary, which is to be achieved with the new results-oriented contract
8. Special remarks	

Table C 4: Finland

1. Organization (Työministeriö)	
• Governance	<ul style="list-style-type: none"> • PES is department within the Ministry of Labour; at regional level, labour market departments in the 15 Employment and Economic Development Centres (which are jointly run by the Ministries of Labour, Trade and Industry, and Agriculture/Forestry)
• Services for which PES is responsible	<ul style="list-style-type: none"> • Placement service, active measures and administration of unemployment benefits
• Decentralization	<ul style="list-style-type: none"> • After a period of decentralization in the first half of the nineties, including increased local discretion over budgets and reduction of detailed rules and procedures for the local offices, the latest labour market reform entailed some re-centralization in the sense of 'streamlining' the activities at local and regional level
2. Performance management approach	
• Year of introduction of MBO	<ul style="list-style-type: none"> • 1992
• General approach	<ul style="list-style-type: none"> • Relatively centralized and comprehensive approach of Management by results with traditional administration elements in the first half of the 1990s; but continuous system-development of performance management approach • Most recent tendency: combination of results- and quality-oriented management is under way and to be further strengthened
• Quality management	<ul style="list-style-type: none"> • Growing emphasis on quality policies; comprehensive 'quality strategy' for the labour administration
3. Setting goals and objectives	
• Goal definition	<ul style="list-style-type: none"> • Ministry of Labour
• Objectives setting	<ul style="list-style-type: none"> • Based on negotiations between the Ministry of Labour and the regional PES (the Employment and Economic Development Centres)
• Development of performance indicators	<ul style="list-style-type: none"> • Ministry of Labour

4. Monitoring system	
<ul style="list-style-type: none"> • Coverage of instruments/indicators • Technical standards • Policy interventions due to monitoring results 	<ul style="list-style-type: none"> • Full coverage of operational targets and performance indicators • High • No
<ul style="list-style-type: none"> • Customer satisfaction surveys and other service quality controls 	<ul style="list-style-type: none"> • Yes, comprehensive customer feedback system, including e.g. service standards satisfaction surveys etc. • PES self assessment and organizational development (internal quality management)
5. Performance assessment approach	<ul style="list-style-type: none"> • Largely based on written exchange on grounds of the management reports; explicit review meetings seem not to take place • Until recently, neither a priority order of goals/targets nor explicit emphasis on attainment of target levels; only 'tax' monitoring of target attainment which stood, however, in some contrast to the practices of performance pay • Budget-bonus payment for local employment offices for (over) attainment of targets • Performance pay components for individual PES managers („officials“), too
6. Benchmarking approaches	<ul style="list-style-type: none"> • Testwise PES „inter-unit benchmarking“ addressing quality of internal services
7. Major problems /trends	<ul style="list-style-type: none"> • Dissatisfaction with the 'old' system of management by results due to several weaknesses and criticisms (e.g. MBR-system deficient in directing PES activities; over-emphasis on results led to neglect of quality, indicator problems) has been leading to a re-organization of PES performance management emphasizing quality aspects and the involvement of different interest groups
8. Special remarks	<ul style="list-style-type: none"> • Turn towards a medium-term perspective of the performance management system

Table C 5: France

1. Organisation (Agence Nationale Pour l'Emploi, ANPE)	
<ul style="list-style-type: none"> Governance 	<ul style="list-style-type: none"> Formally an independent agency with its own tripartite governing board, its autonomy vis-à-vis the ministry is in fact limited Fragmented responsibilities in LMP
<ul style="list-style-type: none"> Services for which PES is responsible 	<ul style="list-style-type: none"> ANPE is primarily responsible for placement services (for both jobseekers and employer)¹
<ul style="list-style-type: none"> Decentralization 	<ul style="list-style-type: none"> Albeit ANPE itself is a relatively centralized organization and local PS offices appear to have only limited discretion, recent changes in the public employment service have fostered decentralization.
2. Performance management approach	
<ul style="list-style-type: none"> Year of introduction of MBO 	<ul style="list-style-type: none"> 1990
<ul style="list-style-type: none"> General approach 	<ul style="list-style-type: none"> MBO approach that combines multi-annual programme agreements (period of 5 years) between Ministry and ANPE and annual performance management of ANPE Main focus on quantitative targets related to vacancy notification and LTU-reduction (use of uniform performance indicators across all PES levels)
<ul style="list-style-type: none"> Quality management 	<ul style="list-style-type: none"> Quality certification of ANPE-services Approach to improve the service for jobseekers and for enterprises.
3. Setting goals and objectives	
<ul style="list-style-type: none"> Goal definition 	<ul style="list-style-type: none"> Agreement between government and ANPE which sets (strategic) political and operational goals
<ul style="list-style-type: none"> Objectives setting 	<ul style="list-style-type: none"> Top-down quantification and allocation of operational targets from the higher to the lower PES levels

¹The responsibility for training lies with AFPA, the responsibility of the administration of the unemployment benefits lies with UNEDIC and ASSEDIC, the responsibility for active measures lies with DGEFP, DRTEFP and DDTEFP.

<ul style="list-style-type: none"> • Development of performance Indicators 	<ul style="list-style-type: none"> • On national level: definition with help of the Controlling-section of ANPE
4. Monitoring system	
<ul style="list-style-type: none"> • Coverage of instruments/indicators • Technical standards 	<ul style="list-style-type: none"> • Full; monthly progress reports • High
<ul style="list-style-type: none"> • Policy interventions due to monitoring results 	<ul style="list-style-type: none"> • Yes, e.g. in form of provision of additional staff or an external adviser.
<ul style="list-style-type: none"> • Customer satisfaction surveys and other service quality controls 	<ul style="list-style-type: none"> • Yes, annual control of the service quality and the quality label • ANPE conducts customer satisfaction surveys yearly (so called 'quality-barometers')
5. Performance assessment approach	
	<ul style="list-style-type: none"> • Combined with planning process which is based on co-ordination between the different levels. (Regular meetings: e.g. monthly meetings of regional directors) • Performance assessment consists also in the evaluation of the multi-annual progress agreement and in the assigning of awards to staff members and units of the ANPE ("prime d'intéressement" and "prime de responsabilité").
6. Benchmarking approaches	
	<ul style="list-style-type: none"> • The development of a learning organisation is announced in 'Contrat de Progrès' • So far only limited dissemination to exchange 'best practice'.
7. Major problems /trends	
	<ul style="list-style-type: none"> • Good application of MBO demands further training and experience of local managers with this type of management
8. Special remarks	

Table C 6: Germany

1. Organisation (Bundesanstalt für Arbeit, BA)	
• Governance	<ul style="list-style-type: none"> • BA is self-governing body under public law, but government can impose conditions on BA annual budget plan
• Services for which PES is responsible	<ul style="list-style-type: none"> • Placement, active measures and administration of unemployment benefits
• Decentralization	<ul style="list-style-type: none"> • Since 1998, the local discretion of PES offices considerably increased and the regional PES (Landesarbeitsämter) have now less control over local PES
2. Performance management approach	
• Year of introduction of MBO	<ul style="list-style-type: none"> • 1998/99
• General approach	<ul style="list-style-type: none"> • Controlling approach recently introduced • 'Re-integration balance sheet' (<i>Eingliederungsbilanz</i>) as central instrument to improve monitoring and public accountability; at a later stage, 'reintegration balance' shall be used for benchmarking comparable PES units • Performance agreements (<i>Zielvereinbarungen</i>) to be introduced stepwise for working units and individuals at local level • Performance management approach is being combined with internal organizational reform ('PES office 2000')
• Quality management	<ul style="list-style-type: none"> • Yes, as component of organizational development
3. Setting goals and objectives	
• Goal definition	<ul style="list-style-type: none"> • PES headquarters, additional goals by regional and local PES
• Objectives setting	<ul style="list-style-type: none"> • Negotiated between regional (Land) and local offices
• Development of performance Indicators	<ul style="list-style-type: none"> • BA headquarters in co-operation with its research department (IAB) and external consultants (e.g. Bertelsmann Foundation)
4. Monitoring system	
• Coverage of instruments/indicators	<ul style="list-style-type: none"> • Comprehensive

<ul style="list-style-type: none"> • Technical standards 	<ul style="list-style-type: none"> • High
<ul style="list-style-type: none"> • Policy interventions due to monitoring results 	<ul style="list-style-type: none"> • Yes
<ul style="list-style-type: none"> • Customer satisfaction surveys and other service quality controls 	<ul style="list-style-type: none"> • Not yet as standard established, but introduction planned
5. Performance assessment approach	<ul style="list-style-type: none"> • Compulsory reports, planning and review meetings
6. Benchmarking approaches	<ul style="list-style-type: none"> • Over the medium-term, performance comparison to induce competitive PES-benchmarking
7. Major problems /trends	<ul style="list-style-type: none"> • Acceptance and implementation problems of organization reform
8. Special remarks	

Table C 7: Great Britain

1. Organization (Employment Service, ES)	
• Governance	<ul style="list-style-type: none"> • Agency model: the Employment Service (ES) is an executive agency with only limited autonomy within the Department of Education and Employment; annual performance agreement between the ES and the Ministry.
• Services for which PES is responsible	<ul style="list-style-type: none"> • Placement services, assistance to disadvantaged persons (especially welfare recipients) in the labour market; in addition collaboration with the Benefit Agency with regard to eligibility to Jobseeker's Allowance (unemployment compensation)
• Decentralization	<ul style="list-style-type: none"> • Employment Service is a highly centralized organization with only little leeway for the lower organizational levels; rather top-down allocation/division of targets
2. Performance management approach	
• Year of introduction of MBO	<ul style="list-style-type: none"> • 1991
• General approach	<ul style="list-style-type: none"> • Target-driven MBO-system with strong focus on placements measures; in addition, emphasis on customer satisfaction and service standards. • Annual performance agreements between the ministry and the ES and within the ES levels; 'checking culture'
• Quality management	<ul style="list-style-type: none"> • Quality Management puts main focus on quality assurance, i.e. service/process standards, but also approach to self-assessment ('Business Excellence', EFQM)
3. Setting goals and objectives	
• Goal definition	<ul style="list-style-type: none"> • Department of Education and Employment
• Objectives setting	<ul style="list-style-type: none"> • Objectives and target levels at national level are negotiated between the Ministry and the ES, which are finally settled in the annual performance agreement (which has been approved by the treasury, too) • ES decides on its own procedures for allocation national targets to its regional and local offices; the allocation of regional target shares is however fairly standardized, even though ad hoc modifications occur, too
• Development of performance Indicators	<ul style="list-style-type: none"> • Agreed in negotiations of annual performance agreement

4. Monitoring system	
<ul style="list-style-type: none"> • Coverage of instruments/indicators • Technical standards • Policy interventions due to monitoring results • Customer satisfaction surveys and other service quality controls 	<ul style="list-style-type: none"> • Complete • Quarterly and annual ES performance reports and accounts • High, but somewhat inflexible with respect to short-term changes • Yes, reallocation of resource within region and within districts if necessary • Quality certificates (e.g. charter mark award) and public service standards • Service standards systematically monitored by mystery shoppers
5. Performance assessment approach	
	<ul style="list-style-type: none"> • Quarterly follow-up progress reports on achievement of performance against targets by the chief executive vis-a-vis the Ministry • Within the ES there are monthly discussions with the Chief Executive and Director of Jobcentre Services on progress toward targets and joint meetings of senior management from head office with the regional directors at which performance and progress towards targets are discussed • Performance pay as a consequence
6. Benchmarking approaches	
	<ul style="list-style-type: none"> • Development of benchmarking tools for systematical comparison of jobcentre performance
7. Major problems /trends	
	<ul style="list-style-type: none"> • Upgrading of IT system; further development of quality management
8. Special remarks	
	<ul style="list-style-type: none"> •

Table C 8: Netherlands (until 2000)²

1. Organisation (Arbeidsvoorziening)	
<ul style="list-style-type: none"> Governance 	<ul style="list-style-type: none"> Since 1991 the PES is an independent authority under public law (previously, it was Directorate General of Ministry). It had a tripartite structure until 1997 when the government ceased to be directly represented in its governing board
<ul style="list-style-type: none"> Services for which PES is responsible 	<ul style="list-style-type: none"> Since 1991 the PES is an independent authority under public law (previously, it was Directorate General of Ministry). It had a tripartite structure until 1997 when the government ceased to be directly represented in its governing board Main focus on placement services for the harder-to-place jobseekers (including various active measures) and on placement services for employers; distinction between basic services which are free of charge and of additional services which have to be paid for
<ul style="list-style-type: none"> Decentralization 	<ul style="list-style-type: none"> The 91-95 period was characterised by strong regional PES discretion, whereas the subsequent reforms included a stepwise reduction of regional PES competencies Not much policy planning and implementation discretion for the basic services, more freedom with respect to the additional services to employers
2. Performance management approach	
<ul style="list-style-type: none"> Year of introduction of MBO 	<ul style="list-style-type: none"> 1991
<ul style="list-style-type: none"> General approach 	<ul style="list-style-type: none"> Straightforward MBO-approach in the early nineties Since 1996/7 some changes in MBO approach: target structure of the PES became primarily led by the '4-phases model' for placement; increasing fragmentation in labour market policy delivery led to strong emphasis on contracts between PES and other relevant actors implementation Annual performance agreement (contract) between the Ministry of Social Affairs and the PES; also contract relations between the central PES and the regional offices
<ul style="list-style-type: none"> Quality management 	<ul style="list-style-type: none"> EFQM model
3. Setting objectives	
<ul style="list-style-type: none"> Goal definition 	<ul style="list-style-type: none"> Ministry and PES Central PES Board (linked to budget planning)

² The Dutch PES is currently being totally reorganized. The information in this table describes the organization and MBO-based management system as it existed 1997-2000.

<ul style="list-style-type: none"> Objectives setting 	<ul style="list-style-type: none"> Negotiations between the regions and the national level (top-down-bottom-up planning)
4. Monitoring system	
<ul style="list-style-type: none"> Coverage of instruments/indicators 	<ul style="list-style-type: none"> Full coverage of the agreed operational targets and performance indicators; with cost controlling devices; quarterly management reports at regional and national level
<ul style="list-style-type: none"> Technical standards 	<ul style="list-style-type: none"> High
<ul style="list-style-type: none"> Policy interventions due to monitoring results 	<ul style="list-style-type: none"> Yes
<ul style="list-style-type: none"> Customer satisfaction surveys and other service quality controls 	<ul style="list-style-type: none"> Annual national customer satisfaction surveys with detailed regional and local information, (even though regional information in jobseekers' survey is still rather general) Pilot-surveys (experiments) in several regions to improve measurement methods on customer satisfaction Also PES 'internal customer' surveys (e.g. measurement of PES-internal communication) Local standardization of services on base of quality handbook provisions
5. Performance assessment approach	
	<ul style="list-style-type: none"> Basis of performance assessment are national PES performance reports sent to the Ministry; these national reports are based on quarterly reports and discussions about results attainment between the national director and each of the regional PES directors. The most important criteria for performance assessment are the PES market share, the 'market-reach' and the 'performance rate' in placement. Results of the 'reintegration trajectories', but also local production costs are relevant, too. Annual individual assessment of regional PES directors through the national director Individual performance based pay at regional level
6. Benchmarking approaches	
	<ul style="list-style-type: none"> First steps towards comparisons of the results across regions
7. Major problems /trends	
	<ul style="list-style-type: none"> In 2001/2002, the PES will be divided in an organization to provide basic services (as part of the integrated 'Centres For Work And Income' (CWI) and an organization providing specialized reintegration services to the unemployed and services to employers on a market basis. In effect the Dutch PES is being privatised to a large extent.
8. Special remarks	

Table C 9: Norway

1. Organisation (Arbeidsdirektoratet, aetat)	
• Governance	• The Labour Market Administration is under direction of the Directorate of Labour, which is an executive department of the Ministry of Labour
• Services for which PES is responsible	• Placement services and active measures, administration of unemployment benefits
• Decentralization	• Expansion and decentralization of the PES in the mid 1990s; due to improved labour market situation and negative side-effects of decentralization, move towards quality policies (standardization) and reduction in number of PES offices
2. Performance management approach	
• Year of introduction of MBO	• 1987
• General approach	• Results-oriented, annual MBO-system combined with traditional bureaucratic planning components; furthermore, increasing, now strong emphasis on quality aspects
• Quality management	• Quality policies play an important role (e.g. quality guidelines, quality certification and various other quality devices for control, measurement and assessment)
3. Setting goals and objectives	
• Goal definition	• The general policy goals and the planning document are worked out by the Directorate of Labour, on basis of the government policy and budget concluded by the parliament; the policy guidelines of the Directorate are then being operationalized by the county employment offices
• Objectives setting	• Operationalization of target levels through Directorate of Labour, the county employment offices, and the district employment offices
• Development of performance Indicators	• The PI's are developed and proposed by the Directorate of Labour, approval (sometimes revised) by the Ministry in the 'assignment letter'

4. Monitoring system	
<ul style="list-style-type: none"> • Coverage of instruments/indicators • Technical standards • Policy interventions due to monitoring results 	<ul style="list-style-type: none"> • Comprehensive • High • Yes, dependent on the issue at stake, interventions possible by all the three main administrative levels: Ministry of Labour and Government Administration, the Directorate of Labour, county employment offices
<ul style="list-style-type: none"> • Customer satisfaction surveys and other service quality controls 	<ul style="list-style-type: none"> • Uniform service standards everywhere in the country are being guaranteed to the customers • The quality system is built upon the ISO 9001-standard; basic concepts are: routines, quality control, quality measurement and assessment.
5. Performance assessment approach	<ul style="list-style-type: none"> • Top-level: quarterly dialogues between the Ministry and the Directorate of Labour • Between the PES levels: largely based on written exchange and on monitoring reports; (meetings recently introduced, experimental stage) • The aim is to make 'best-practice' common practice.
6. Benchmarking approaches	<ul style="list-style-type: none"> • Measurement problems; deficits of performance indicators
7. Major problems /trends	
8. Special remarks	

Table C 10: Sweden

1. Organization (Arbetsmarknadsstyrelsen, AMS)	
<ul style="list-style-type: none"> • Governance 	<ul style="list-style-type: none"> • Agency type of governance, but relatively high autonomy of AMS vis-à-vis Ministry
<ul style="list-style-type: none"> • Services for which PES is responsible 	<ul style="list-style-type: none"> • Placement services, active measures
<ul style="list-style-type: none"> • Decentralization 	<ul style="list-style-type: none"> • High organizational autonomy of country PES, less influence on target levels
2. Performance management approach	
<ul style="list-style-type: none"> • Year of introduction of MBO 	<ul style="list-style-type: none"> • 1985 initial introduction; strongly revised 1997
<ul style="list-style-type: none"> • General approach 	<ul style="list-style-type: none"> • Comprehensive MBO-system with strong elements of dialogues; recent tendency to recentralisation and tighter result-oriented control
<ul style="list-style-type: none"> • Quality management 	<ul style="list-style-type: none"> • Currently quality issues are not a main point on the national agenda • Quality approaches of early nineties with only limited impact • Workplace surveys and customer attitude surveys
3. Setting goals and objectives	
<ul style="list-style-type: none"> • Goal definition 	<ul style="list-style-type: none"> • Overarching policy goals are defined by the Riksdag (Parliament) and the government. In cooperation with AMS a number of quantified targets which are broken down into regional and local targets.
<ul style="list-style-type: none"> • Objectives setting 	<ul style="list-style-type: none"> • Objectives setting: AMS, regional and local PES
<ul style="list-style-type: none"> • Development of performance indicators 	<ul style="list-style-type: none"> • Development PI's: mainly AMS, but also regional and local PES

4. Monitoring system	
<ul style="list-style-type: none"> Coverage of instruments/indicators 	<ul style="list-style-type: none"> Comprehensive
<ul style="list-style-type: none"> Technical standards 	<ul style="list-style-type: none"> Monthly , quarterly and annual monitoring (some results are only quarterly available) High, but still need for further connection of different databases
<ul style="list-style-type: none"> Policy interventions due to monitoring results 	<ul style="list-style-type: none"> Yes, if necessary
<ul style="list-style-type: none"> Customer satisfaction surveys and other service quality controls 	<ul style="list-style-type: none"> Yes, but now somewhat less important
5. Performance assessment approach	
	<ul style="list-style-type: none"> 'County exams' and telephone and result conferences and various other forms of assessment, e.g. More formalized review meetings between the county and the local employment offices County review meetings (every 15 months) Review meetings between AMS and the Ministry of Economy (quarterly)
6. Benchmarking approaches	<ul style="list-style-type: none"> Rather informal approaches, e.g. on self-initiative across local PES offices
7. Major problems /trends	<ul style="list-style-type: none"> Return of management by rules instead management by objectives?
8. Special remarks	

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