

Management by objectives in labour administrations – Conclusions from a European comparison

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Comparison of management by objectives systems and conclusions

Management by objectives is used to motivate (local) actors in the public employment service to be consistently committed to pursuing previously defined objectives that have political priority. Management by objectives (MBO) is about making effective use of scope for action ('right' activity) as well as motivating people to make greater efforts ('sufficient' activity). Today, management by objectives is used in the public employment service field in many countries. This study offers an overview of the context of, organisation of and experience gathered with the implementation of management by objectives systems in the public employment services of seven selected West European industrialised nations (Austria, France, Germany, Great Britain, The Netherlands, Sweden and Switzerland). These management by objectives systems emanate from the central level.

All seven of the West European countries examined for this study have a national **unemployment insurance system**. In Sweden, this system is financed primarily through tax revenue collected by the central government. The systems in all other countries are financed mainly through obligatory contributions that are paid by employees and their employers. Unemployment insurance pays a wage replacement benefit for a limited period of time to persons who become unemployed after previously being employed in a job that was subject to mandatory unemployment insurance contributions. In all countries with the exception of Great Britain, the amount of the wage replacement benefit depends on the level of the recipient's previous wages. Except in Great Britain and Sweden, the maximum period for which an unemployed person may draw wage replacement benefit depends upon how long they had been employed prior to becoming unemployed. Furthermore, unemployment insurance systems usually provide additional wage replacement benefits in connection with labour market-related risks, such as when the individual's employer goes bankrupt or in the case of short-time work (shortened work weeks in combination with partial unemployment benefits). The Austrian unemployment insurance system pays social assistance (*Notstandshilfe*) for an unlimited period of time to unemployed persons following the end of the period during which they may draw unemployment assistance when these persons continue to be unemployed and are in need. Social assistance (*Notstandshilfe*) is similar to the unemployment assistance (*Arbeitslosenhilfe*) which was previously paid in Germany until the end of 2004. In addition, the various unemployment insurance systems provide assistance – with very different basic features and to varying extents – to help get the individual back into employment ('integration' into employment).

Except in Switzerland, each country has a **national public employment service** which is responsible for putting the respective unemployment insurance system into practice. The national public employment services examined here are all multi-tiered. The systems in Great Britain and Sweden have four tiers. In the other countries they have three. The Netherlands have uniform 'one-stop shops' for all job-seekers, regardless of their level of entitlement. Following a two-year transition phase and starting January 2011 at the latest, not only the Dutch public employment service but the country's local governments as well must participate in these one-stop shops. In Switzerland, the payment of benefits is incumbent upon the competing public unemployment insurance funds which are financed by the cantons and upon private unemployment insurance funds which are financed by trade unions or employers' associations. The cantons are responsible for the assistance provided in connection with the individual's integration into employment. For this latter task, the cantons have each set up one or more Regional Job Placement Centres (Regionale Arbeitsvermittlungszentren).

In addition, seven countries have **tax-financed welfare systems** which provide cost-of-living benefits to job-seekers and, if necessary, other persons when in need, and provide assistance for integration into employment. However, the design, financing and administration of these systems vary greatly. In contrast to the other five countries, the regulatory powers for the welfare systems in Austria and Switzerland are not located at national level but rather are assigned to the federal states and cantons,

respectively.¹ In Great Britain, the system is financed entirely by the central government and local governments. In Germany, France and The Netherlands, the systems are financed partly by the central government and the local government or *Departements* (France), respectively. In Austria, Sweden and Switzerland, the central government is not involved in financing the tax-financed welfare system for needy job-seekers.

In Germany, joint agencies (*Arbeitsgemeinschaften*)² comprised of the respective local government (district government or government of a city that constitutes a district in its own right) and the public employment service are usually responsible for operating the tax-financed welfare system for needy job-seekers. *Arbeitsgemeinschaften* were not set up in some local governments. In these cases the public employment service is responsible for carrying out the tasks pertaining to federally-financed benefits, while the local governments carry out the tasks relating to those benefits which they (largely) finance. In deviation from this, 69 of the currently approximately 450 local governments in Germany have opted to exercise sole responsibility. In Great Britain, the public employment service is responsible for operating the welfare system. The Netherlands have the above-mentioned one-stop shops for all job-seekers; starting January 2011 at the latest, not only the public employment service but the local governments as well must take part in them. The welfare systems in the other countries are run by regional and local authorities which are not part of the central government.

The respective national labour ministry can issue **instructions** to the national public employment service or, in the case of Switzerland, to the cantons regarding the implementation of labour market policies. In this connection, the authority to issue instructions varies in scope. In Germany, this authority can be exercised only vis-à-vis the welfare system. It does not extend to the unemployment insurance system which is administered on a three-way parity basis by the state, trade unions and employer associations. Moreover, in Germany, local governments and the public employment service can issue instructions regarding the execution of 'their' benefits to the joint agencies; this is, at any rate, the federal government's standpoint. In Austria, the authority to issue instructions essentially pertains only to cost-of-living benefits and not to benefits for the individual's integration into employment. The authority to issue instructions is also restricted in The Netherlands.

All seven countries have, in the area of the public employment service, one or more **management by objectives (MBO) systems** with impact objectives which come from the central level. The stakeholders in all seven countries fundamentally support management by objectives. It is considered to be advantageous that management by objectives makes it possible for superordinate levels to set priorities. For the subordinate levels, they point out, management by objectives brings transparency regarding expectations. Although stakeholders have a generally positive attitude towards management by objectives, they also criticise certain details regarding form, content and implementation.

Great Britain, The Netherlands and Austria have used management by objectives in their public employment services since the 1990s. Switzerland introduced management by objectives in 2000 and Germany starting in 2004. At present, national governments – or, to be more precise, national labour ministries – manage their national public employment services / their counterparts in Switzerland (cantons and bodies responsible for the unemployment offices) themselves using targets and target indicators (external management by objectives). On the other hand, national public employment services (or cantons in Switzerland) also manage internally via targets (internal management by objectives). Moreover, particularities can be observed in the individual countries:

¹ In Austria, there is an agreement between the federal government and all state governments which went into force on 1 September 2010. Under this agreement, minimum income benefits that are comparable nationwide are to be paid.

² Starting 2011: *gemeinsame Einrichtungen*.

- The management by objectives system in Great Britain applies not only to the unemployment insurance fund but also to the tax-financed welfare system for needy job-seekers and other benefit systems which the national public employment service operates. In addition, the government had superordinate objectives – Public Service Agreements (PSAs) – which were in force for three years each during the period from 1998 until the change of government in May 2010. Furthermore, there have been additional agreements since 2007 on the subordinate objectives of the PSAs and other objectives agreed upon between the finance ministry and the competent British ministries. These agreements are known as Departmental Strategic Objectives (DSOs) and are/were also operative for the same three-year periods as the PSAs.
- Germany has separate management by objective systems for its unemployment insurance system³ and its tax-financed welfare system for needy job-seekers. In the case of the welfare system, management by objectives starts at the central level and extends to the local level for the joint agencies. In those cases where a joint agency was not set up, there is management by objectives for the local organisational units of the public employment service. There has been no management by objectives system to date however for the local governments which run the tax-financed welfare system on their own.
- In France, the management by objectives system of the national public employment service falls under the joint purview of the national labour ministry and the social partners' umbrella organisation which is responsible for the unemployment insurance fund.
- In addition to a centralised management by objectives system in the public employment service in the area of unemployment insurance, The Netherlands have, at the request of the national ministry of labour, voluntary agreements for the year 2010 for the provision of services in the one-stop shops for all job-seekers. The national public employment service, the umbrella organisation of Dutch local governments and an association of local government managers are taking part in the voluntary agreement in the area of participation, employment and income. There is no mechanism however for obligating local actors to commit to this agreement.
- Switzerland presents a special case, not only due to its lack of a national public employment service but also with regard to its management by objectives systems which start at the central level. In Switzerland, the Federal Department of Economic Affairs applies management by objectives to the cantons as well as to the bodies responsible for the unemployment insurance funds.

Management by objectives is applied to the bodies responsible for the unemployment insurance funds in Switzerland with the aim of improving their administrative efficiency. By contrast, all other management by objectives systems give priority to improving the effectiveness of the labour market policies behind the assistance measures being used ("*fördern und/oder fördern*" = provide support and/or require the recipient to perform in return).

The extent to which management by objectives is **anchored in law** varies greatly from country to country. It is prescribed by law in Austria. Detailed requirements regarding its form and basic features are not however laid down. In Switzerland the law explicitly provides for the possibility of, but does not prescribe, target agreements between the Federal Department of Economic Affairs and the cantons as well as the bodies that are responsible for the unemployment insurance funds. Furthermore, there

³ In Germany, the federal government is currently preparing on the basis of framework objectives an external management by objectives system for the national public employment service as stipulated by law for the unemployment insurance system.

are detailed provisions regarding the form and basic features of management by objectives. In The Netherlands, the criteria for assessing the public employment service's performance are stipulated by law; the target indicators were developed on the basis of these criteria. Although it certainly makes sense to use them for this, it is not required by law. In Germany, there is a non-mandatory legal provision for the conclusion of target agreements between the central government – or, to be more precise, the national labour ministry – and the public employment service. This applies to both German management by objectives systems. There are no explicit statutory provisions for management by objectives within the public employment service. In the case of the tax-financed welfare system for needy job-seekers, the management by objectives system of the joint agencies comprised of the public employment service and respective local government is based on an agreement between the Federal Ministry of Labour and Social Affairs, the national public employment service and part of the national associations of local authorities.⁴ In Great Britain management by objectives is not embedded in law.

In none of these countries is the national **parliament** involved in the management by objectives systems beyond the reporting systems that vary from country to country. Germany constitutes an exception in connection with its tax-financed welfare system. This system has, with the federal government's spending for cost-of-living benefits, a target indicator for which the national target value must at the least be oriented to the national budget which the parliament passes.

Management by objectives periods vary in length. Only Switzerland has MBO periods that generally last several years, namely, four and five years respectively. This applies to both management by objectives systems there. In Great Britain, targets and agreements at government level have all run for a period of three years to date. In Austria, the objectives which the Federal Ministry of Labour sets for the national public employment service are amended only in intervals of several years. In Germany, a similar arrangement is provided for in connection with the federal government's objectives for the national public employment service in the area of unemployment insurance. In France, target agreements at central level are valid for a period of three years. Otherwise the management by objectives period in France and the remaining countries is always one year, as a rule the calendar year. Great Britain deviates from this and uses the British fiscal year (mid-April of the respective year to mid-April of the following year).

Management by objectives systems differ according to whether and the extent to which **goals / objectives** are **set** by superior organisational levels **or agreed** upon between the different organisational levels involved. In Austria goals and objectives are always set by the respective superior organisational levels. To a large extent this also applies to the Swedish MOB system and to the steering of the subordinate organisational units of the French and British public employment services. In Austria however, goals and objectives are set following an extensive discussion that incorporates the federal government, social partners and the federal and national organisations belonging to the national public employment service. Generally speaking, Germany, France, The Netherlands, Switzerland and the central level in France and Great Britain have target agreements. In the event that a target agreement is not reached, it is possible in Germany, The Netherlands and

⁴ Starting 2011, there will be a statutory basis for the conclusion of target agreements between Germany's federal government and state governments, between the state governments and approved local providers and between the Federal Employment Agency / local providers and the new joint agencies set up pursuant to Section 44b of the Social Code, Book II, new version (Section 48b of the Social Code, Book II, new version).

Switzerland to set targets and objectives on a unilateral basis.⁵ However, many target agreements which were not concluded solely between central authorities also lay down targets and target indicators. Only target values are negotiable.

In those cases where national governments or, to be more precise, national labour ministries set or agree upon targets (**external management by objectives**) themselves, these targets always include labour market impact targets⁶ and often process objectives plus *input* and/or *output* targets. In France, the national labour ministry is party to an agreement covering an extensive compilation of input, process, output and impact targets and corresponding target indicators. In Great Britain, The Netherlands and Austria, the number of targets prescribed or agreed upon by the national labour ministry is smaller. Here too, the targets are not limited to labour market impact targets. In Great Britain and The Netherlands – in contrast to Austria – both targets and target indicators are set at this level. In Great Britain not only have a labour market impact target and a corresponding target indicator been agreed upon but also five additional targets and target indicators which include four target indicators that are comprised of several individual weighted indicators. A systematic focus on labour market impact targets and corresponding target indicators can be observed only in the case of Switzerland's Federal Department of Economic Affairs in its management by objectives for cantonal labour market policy and with Germany's Federal Ministry of Labour and Social Affairs in connection with management by objectives for the German welfare system.⁷ At the same time, these two external management by objectives systems are the only ones that are very lean, having just four targets and target indicators each.⁸ However, core requirements regarding processes and in some cases regarding the design and features of funding instruments have been laid down – alongside the targets and target indicators – for both these systems, as well as for other systems. Thus, none of the national governments / national labour ministries concentrates solely on labour market impact targets in their management by objectives for active labour market policies.

Management by objectives within the six national public employment services and their counterparts in Switzerland (**internal management by objectives**) is directly derived, to varying degrees, from the **superordinate targets / objectives and target agreements for external management by objectives:**

⁵ In Germany however, the federal government cannot set targets and objectives for the national public employment service with regard to the unemployment insurance system. In the case of The Netherlands, it is not known whether the national labour ministry is allowed to set goals and objectives for the national public employment service.

⁶ The management by objectives system used by the unemployment insurance funds in Switzerland constitute an exception here. It uses targets and target indicators for administrative efficiency.

⁷ In Germany, customer satisfaction has been one of the four targets since 2010. The planned management by objectives via framework objectives for the German public employment service in the area of unemployment insurance will probably also be conducted, at least fundamentally, on the basis of labour market impact targets.

⁸ In addition, management by objectives for the bodies responsible for the unemployment insurance funds in Switzerland is very lean with just two target indicators. The system does not however strive to improve the efficiency of labour market policy. It aims to increase administrative efficiency.

- In Germany, the internal management by objectives system for the tax-financed welfare system uses the same targets and target indicators as the external management by objectives system. Consequently, there were four targets and target indicators for the internal management by objectives system for the year 2010. It remains to be seen whether the external management by objectives system that is planned for the unemployment insurance system will lead to corresponding adjustments in the internal management by objectives. The internal management by objectives for the unemployment insurance system mainly has labour market outcome targets at present. 'Customer' satisfaction is also taken into account. A total of 14 target indicators were used for the year 2010.
- In The Netherlands, many of the external target indicators (in particular labour market impact targets, customer satisfaction on both sides of the market, and the period of time taken to process applications for benefits) were adopted for the internal management by objectives system for the national public unemployment service. In some cases they were broken down by sub-groups. Internally, there are additional targets and target indicators, particularly with regard to employee orientation and to processes. More than 30 target indicators were used in 2010 for internal management by objectives.
- In Austria, all external labour market impact targets are specified in concrete terms for the internal management by objectives system. By contrast, the process objectives are not however applied to the internal management by objectives system. A few input targets and input target indicators are supplemented. Only in Austria do the target indicators differentiate by sex, namely, all five personal target indicators. Counting the gender differentiation, a total of 15 target indicators were used in Austria's national public employment service for the year 2010.
- In Great Britain, some of the six target indicators which were externally agreed upon with the British labour ministry were also used (and in some cases modified) for the internal management by objectives system. The external labour market impact indicator was also modified because it is only available with a six-month delay and does not allow a sufficient break-down at regional level. In addition to this there are several other target indicators which pertain primarily to processes. All in all, several dozen target indicators are used for the internal management by objectives system. Some of these target indicators in turn are comprised of several weighted indicators.
- In Sweden, the public employment service adapts the labour ministry's superordinate targets for use with its internal management by objectives system. At internal level, management by objectives is conducted using various labour market impact indicators, customer satisfaction on both sides of the market, employee-related target indicators (health, satisfaction) and process indicators. There were nearly 20 target indicators for the year 2010.
- In Switzerland, the cantons decide on the management by objectives system for their labour market authorities, and the authorities responsible for the unemployment insurance funds decide on the management by objectives system for their funds. There is no systematic overview of whether and how management by objectives is conducted using targets and target indicators. There is, at least in part, internal management by objectives; it adopts the external targets and target indicators.

The target indicators for labour market impact targets of the external and internal management by objectives systems are of particular interest with respect to the aim of management by objectives – motivating (local) actors to consistently pursue prioritised political objectives. Except in Switzerland, all management by objectives systems with target indicators have **labour market impact indicators**

regarding 'integrations' into employment (unemployed persons who become gainfully employed). The finer details of their form and content vary:

- In the case of the target indicators for integrations, some of them take into account only integrations into dependent employment while others additionally take integrations into self-employment and / or vocational training into account as well. External management by objectives in Great Britain focuses on dependent employment that is subject to wage tax. In Germany and in the case of the internal management by objectives systems in Great Britain, The Netherlands and Austria, integrations into self-employment are also included. Integrations into vocational training are additionally taken into account in Germany and Sweden.
- There are target indicators in all six countries for integrations irrespective of prior participation in a measure or receipt of assistance. The internal management by objectives system for the German unemployment insurance system (in this case only with regard to rehabilitants), in Austria and the external management by objectives system in France and The Netherlands have one or more target indicators with respect to integrations following participation in a measure or receipt of assistance. This is conducive to creaming during the selection of participants for measures, in other words, it could encourage choosing those participants who have good employment prospects even irrespective of their participation in a measure. In Austria, this is counteracted to a degree by the inclusion of an additional target indicator regarding 'transitions' to long-term unemployment (unemployed persons who pass to long-term unemployment). In Germany, creaming is constrained by the fact that the target indicator pertains to persons undergoing rehabilitation.
- The target indicators for integrations irrespective of prior participation in a measure use absolute numbers in some cases and shares in others. Absolute numbers are used in The Netherlands and for external management by objectives in Great Britain. Shares are used in Germany and Austria and for external management by objectives in France and for internal management by objectives in Great Britain and Sweden. In Germany, share relates to client potential (existing client base at the start plus the number of new clients during the period under review). In Great Britain and Austria, share refers to the number of new clients while in France and Sweden it refers to the existing client base. The use of shares has the advantage that it enables direct comparisons between regional and local organisational units of differing sizes and, where applicable, their use facilitates comparable determinations of target values. It is a disadvantage however that an exogenous deterioration in the labour market situation results in the target indicator signalling poorer performance (even while performance remains the same).
- In some cases, the target indicators for integrations irrespective of prior participation in a measure or receipt of assistance also take into account wage and salary earners who are not (yet) unemployed but are job-hunting. External management by objectives in Great Britain takes the integrations of job-hunting employed persons into account, albeit with a very low weighting. The Netherlands and the internal management by objectives system in Germany's unemployment insurance system each have their own target indicators for employed persons who are at risk of unemployment. This makes them the only management by objectives systems which explicitly take prevention of unemployment / avoidance of the receipt of benefits into account in the objectives system.

- The target indicators for integrations irrespective of prior participation in a measure and / or receipt of assistance each take integrations of unemployed persons who draw benefits into account. In some cases, unemployed persons who do not draw benefits are also taken into account. In Austria, all unemployed persons are taken into account, without differentiating between those who draw benefits and those who do not. The internal management by objectives system in Germany's unemployment insurance system and the internal management by objectives system in The Netherlands both have their own target indicators for integrations of unemployed persons who draw benefits and those who do not. As it is, the German welfare system is responsible only for persons who draw benefits. In the external management by objectives system in Great Britain, integrations of persons who draw benefits are weighted considerably more than integrations of unemployed persons who do not.
- In some cases, the target indicators for integrations irrespective of prior participation in a measure or receipt of assistance take only certain target groups into account, or integrations of job-seekers from certain target groups are (additionally) taken into account in separate target indicators or are assigned larger weights. Only the German welfare system and the external management by objectives system in France do not distinguish between target groups in the target indicator for integrations.⁹ By contrast, in Austria there are only target-group-specific target indicators for integrations; these pertain to older persons and the long-term unemployed, each broken down by sex, and to women following maternity leave. The internal management by objectives system in Sweden also takes into account several target group-specific transitions such as the transitions of youths or recently-arrived immigrants in addition to transitions to employment or to participation in a measure. The external management by objectives system in Great Britain has only one labour market impact indicator which as a rule takes all integrations into account and, at the same time, focuses on certain target groups. All integrations of job-seekers from various target groups are included with very different weights in the corresponding target indicator. Integrations of job-seekers with the highest priority are weighted 20 times more than integrations of job-seekers with the lowest priority. Priority is given to, for example, single parents and unemployed persons who have drawn benefits for more than six months. Integrations are differentiated in the internal management by objectives systems in Great Britain¹⁰ and The Netherlands according to the length of the period during which benefits were drawn and the duration of unemployment. However, there are differences between the respective mechanisms in these two countries. In Great Britain, the target indicators pertain to the (cumulative) share of those inflows to benefits which flow out of benefits and into employment within a certain period of time following their inflow into benefits. By contrast, in The Netherlands there are several target indicators for the number of outflows from benefits into employment within a certain period during which benefits are drawn. Accordingly, an additional early outflow from benefits can make it more difficult to achieve the objectives that have been set for the number of outflows to employment at a later point in time in the period during which benefits are drawn. This leads to a disincentive in The Netherlands, namely, because preventing early outflows can possibly improve the level of target achievement. The internal management by objectives system in The Netherlands additionally uses a target indicator for the share of youths who have been integrated into employment or the share of older persons who have been integrated into employment out of all persons who drew benefits and have been integrated into employment. Additional integrations of middle-aged persons who draw

⁹ However, the internal management by objectives system used for the German unemployment insurance system has a special target indicator for the placement rate for vocational training place applicants.

¹⁰ In addition, there were plans in Great Britain to introduce during the 2010/2011 management by objectives period a target-group-specific target indicator regarding outflows from benefits. It is not known whether this indicator was actually introduced.

benefits impede target achievement for these two target indicators. This correspondingly leads to a disincentive because hindering additional integrations of middle-aged persons who draw benefits can potentially contribute to target achievement.

Beyond labour market impact indicators which pertain to integrations, a variety of **other labour market impact indicators** are used:

- The Netherlands and Austria, the external management by objectives system in France and the internal management by objectives system in Germany all have a target indicator for the number of job placements. The management by objectives system for the German unemployment insurance system additionally has a target indicator for the number of training places that could be filled.
- The internal management by objectives system of the German unemployment insurance system and the external management by objectives system of the cantonal public employment service in Switzerland use the average duration of periods during which benefits were drawn and which have since ended (Switzerland) or the average duration of periods of actual unemployment (including participation in measures) which have since ended (Germany), of outflows from benefits (German and Switzerland) and of outflows from unemployment without benefits (Germany) as target indicators. In the case of the average duration of periods which have since ended, additional outflows of persons who had drawn benefits for a long time or who had effectively been unemployed for a long time lead to a decline in target achievement. As a rule, this results in a disincentive because hindering these types of outflows contributes, at least in the short term, to target achievement. However, the indicated disincentive arising in connection with outflows from benefits (which are already of limited duration) is limited because there is automatically an outflow following the end of the period during which benefits may be drawn. Additionally, Switzerland uses a target indicator for transitions to drawing benefits for a period of more than 12 months and for the number of outflows from benefits after entitlement has been exhausted; these two indicators counteract this disincentive. The disincentive could possibly however be more significant in connection with the German target indicator which pertains to persons who are effectively unemployed but do not draw benefits as these individuals can remain in the system a very long time.
- In Austria as well as in the external management by objectives system used by the cantonal public employment service in Switzerland and in the management by objectives system used by the German welfare system, there are one or more target indicators which have the object of avoiding the long-term drawing of benefits and/or preventing long-term unemployment. Austria and Switzerland each use the share of transitions, along with the number of transitions among youths to long-term benefits (Switzerland), the number of transitions among youths to long-term unemployment (Austria) and the number of outflows from benefits after entitlement has been exhausted (Switzerland) as target indicators.¹¹ In Germany on the other hand, the number of persons who have been drawing benefits on a long-term basis is used as a target indicator. Compared to the aforementioned target indicators for transitions in Austria and Switzerland, this target indicator has the advantage that it takes not only inflows into long-term benefits and/or long-term unemployment (negative) into account, but the outflows from long-term benefits and/or long-term unemployment (positive) as well.

¹¹ In Austria, both target indicators are broken down by sex.

- Only the management by objectives system used in the German welfare system uses a target indicator which is not determined solely by outflows from benefits and/or unemployment but rather by the stocks and thus also by the inflows, namely, the federal government's expenditure for cost-of-living benefit.¹² Accordingly, this target indicator is determined to a greater degree by exogenous factors and the performance of the (local) actors has less influence on target achievement. Furthermore, this is the only management by objectives system among all the systems examined here that weights the recipients of benefits according to the amounts they draw.
- The permanence of integrations is used as a target indicator only for the internal management by objectives of the German unemployment insurance system and the external management by objectives of the cantonal public employment service in Switzerland. However this target indicator tends to be of minor importance in both cases: In Germany, it is the only target indicator for which there is no target value and which is not included in the overall index. In Switzerland, it is weighted with 10%, making it the least weighted of the four target indicators.

The labour market impact indicators used in some management by objectives systems pertain to **specific groups of persons** which can be very small in some local organisational units. As a result, the success or failure of an individual person can have considerable influence on target achievement. This can lead to enormous resources being concentrated on just a few persons. This was explicitly cited as a problem in the internal management by objectives system used in the German unemployment insurance system for the two indicators for rehabilitants and in Austria with regard to the target indicator for women who return to the work force following maternity leave.

Through their use of labour market impact indicators, management by objectives systems can favour or counteract **creaming**, in other words, the preferential support of job-seekers who already have good chances of being integrated into employment. Creaming is fostered by target indicators which do not prioritise certain groups of persons. Such target indicators include in particular the number or share of outflows. This indicator is used in all management by objectives systems, with the exception of those in Austria and Switzerland and the external management by objectives in Great Britain. Another such indicator is the federal government's expenditure for cost-of-living benefit as in the case of the management by objectives system used by the German welfare system. On the other hand, creaming is fostered by target indicators which prioritise individuals with better chances on the labour market. Examples of such indicators particularly include target indicators on the average completed duration of the foregoing unemployment of the outflows used in the German unemployment insurance system and in the external management by objectives system of the cantonal public employment service in Switzerland and the target indicator in Austria for the share of outflows to employment following training and skill development. In some cases, the management by objectives systems also have target indicators which counteract creaming:

¹² Although the – possible – inflows are relevant to the target indicators regarding prevention in The Netherlands and to the internal management by objectives system in the German unemployment insurance system, target achievement is measured by the integration of gainfully employed persons who are at risk of becoming unemployed. In the case of the German welfare system, preventive activities prior to drawing benefits is hardly possible in reality because action can be taken only after an application for cost-of-living benefit has been made.

- The aforementioned target indicators which are supposed to counteract the drawing of benefits on a long-term basis and/or long-term unemployment and consequently counteract creaming as well are used in Austria, in the external management by objectives system used in the cantonal public employment service in Switzerland and in the management by objectives system used in the German welfare system. Moreover, in Austria the specific target indicators for youths and older persons work to counteract creaming.
- The outflow indicators used in the internal management by objectives system in The Netherlands counteract creaming insofar as there is also a target indicator for the outflows from long-term benefits.

Only in the external management by objectives system in Great Britain was an attempt made (and restricted to just one indicator) to elaborate a labour market impact indicator in such a way that it would counteract creaming. This was done via weighting and a resultant prioritisation that favours job-seekers from target groups with poorer chances in the labour market. As a result the external management by objectives system in Great Britain as well as Austria's management by objectives system as a whole probably do not give rise to much creaming. These as well as all the other management by objectives systems work against creaming only in part because within the individual prioritised groups creaming suggests itself.

The management by objectives system in the German welfare system and in Austria, the external management by objectives system in Great Britain and the external management by objectives system used by the cantonal public employment service in Switzerland **focus on job-seekers who have been (or are at risk of being) unemployed on a longer-term basis or have drawn benefits on a longer-term basis**. This would appear to be expedient in terms of social policy, labour market policy and on a fiscal level: Particularly problematic for the individual and at social policy level is long-term unemployment. Seen from a labour market policy standpoint, long-term unemployment is largely a 'bad risk' that has been realised and exists due to the individual's poor chances in the labour market. However, of all people, individuals with poor chances in the labour market need assistance. Focussing on individuals who draw benefits on a long-term basis prioritises job-seekers who are most costly in fiscal terms. However, as previously mentioned, the target indicators used suggest that creaming arises within the differently prioritised groups.

Customer satisfaction is measured in all of the countries examined here, with the exception of Great Britain. It is however additionally included in the management by objectives system only in part. By contrast, in Great Britain, job-seekers are asked about their expectations with regard to services. The results provide the basis for the development of a target indicator which incorporates, among other things, service quality that is measured by test clients. Customer satisfaction is measured on a quarterly basis for the German unemployment insurance system, the German welfare system, in The Netherlands and in Austria. It is measured on an annual basis in France and in multi-years intervals in Switzerland in connection with the unemployment insurance funds and the cantonal public employment service. In Sweden, customer satisfaction is surveyed among job-seekers. Only Germany, France, Sweden and – with a comparatively large weighting of nearly one-third within the overall index – The Netherlands have a corresponding target indicator. In Austria, customer satisfaction is included in the balanced scorecard (for more on this, please see below).

The views of the experts from the respective countries regarding customer satisfaction vary greatly. For example, some experts note that the public employment service's mandate requires them to act, if necessary, even against job-seekers' interests, such as by obliging them to undertake efforts on their own or by imposing sanctions. For this reason, customer satisfaction is neither a target nor a yardstick. Others point out that customer satisfaction should be aimed for – at least to a certain degree – because it also pertains to the public employment service's communication with job-seekers. Lastly, some

experts consider it problematic that customer satisfaction can scarcely be influenced on a short-term basis and/or that the causal mechanisms are not clear. This consequently makes customer satisfaction unsuited for management by objectives that is geared to the short term.

The target systems are quantitative with regard to labour market impact targets. **Quality** is more likely to be taken into account in connection with customer satisfaction or process targets. There is however no systematic connection with the labour market impact targets.

The labour market impact targets in all management by objectives systems examined here are geared to the **short term**:

- None of the management by objectives systems takes into account improvements in an individual's chances in the labour market that are brought about by reducing obstacles to the individual's placement. One fundamental reason for this might be problems in connection with measuring this: Having staff members at the public employment service who are assessed on the basis of their elimination of obstacles to the individual's placement ascertain such obstacles and their development over time could give rise to manipulation. Having other staff members identify these obstacles would be costly.
- The most important resource – which can be changed only over the long term – is, first and foremost, personnel, as well as electronic data processing (EDP):
 - EDP is made available on a centralised basis in all seven countries examined here.¹³ Accordingly, only the central administration of the respective national public employment service or the Federal Department of Economic Affairs can be urged to undertake improvements in their EDP in connection with management by objectives. These types of improvements could, for example, involve functionality, safeguards against system failure and options for local modifications.
 - Personnel is taken into account – at least in connection with management by objectives – only in the internal management by objectives systems in Great Britain, The Netherlands and Sweden (in these cases with regard to employee health). In The Netherlands and Sweden, personnel is additionally taken into account with regard to employee satisfaction. In Austria, employee satisfaction is used in the balanced scorecard.

Only Austria uses a **balanced scorecard**¹⁴ in addition to management by objectives. In contrast to the management by objectives system, Austria's balanced scorecard does not serve short-term management. Rather, it is supposed to show the state of, development of and differences in the organisation. It contains 25 weighted indicators. The achievement of objectives is included with a weight of approximately 20%. Customer satisfaction with a good 25%, employee satisfaction with around 5%. Input and process indicators in particular are also part of the balanced scorecard.

Target indicators for labour market impact targets in particular are constantly influenced not only by the activities undertaken by the public employment service but also by **exogenous factors** at national, regional and local level. There are different approaches to explicitly taking into account these types of specific exogenous regional and local features:

¹³ In the German welfare system, those local governments which operate this benefit system on their own constitute an exception. These local governments will not however be included in the central management by objectives system until 2011.

¹⁴ In addition, Great Britain, The Netherlands and Sweden each have a balanced scorecard as well. These balanced scorecards however consist for the most part of a (partial) overview of target achievement.

- Cluster analyses were conducted at the level of local organisational units (Germany and Austria) and the districts in the public employment service (Great Britain) for the management by objectives systems in Germany and Austria and the internal management by objectives system in Great Britain. This was done for the purpose of grouping into clusters local organisational units which are similar in terms of exogenous factors. In Great Britain, the local organisational units were assigned to a particular cluster based on the situation in the respective labour market. In Germany and Austria, clusterings were created using a demanding method. Regression analyses were first carried out to identify relevant exogenous factors. In Germany, a selected target indicator (in the unemployment insurance system: degree of integrations; in the welfare system: integration rate) was used as the dependent variable; in Austria, the unemployment rate was used. The explanatory content of these regressions ranged between 60% and 90%. Clustering was then carried out on the basis of the selected exogenous factors. The clusterings are especially used for setting target values that are differentiated by region (see below).
- For the external management by objectives system in Great Britain, integrations in disadvantaged areas are weighted higher than integrations in other areas for only the labour market impact indicator. The amount of the weighting is apparently decided on an ad hoc basis.
- In Sweden, clusters are used for performance comparisons. For the internal management by objectives system in The Netherlands, performance comparisons are conducted for all local organisational units and separately for the country's four largest cities and 30 medium-sized cities.
- In the external management by objectives system for the cantonal public employment service in Switzerland, a so-called exogeneity adjustment is conducted every year for the previous year. Using a regression, it is estimated whether and the extent to which cantonal differences in the values that were actually achieved for the target indicators were conditional upon the joint influence of selected exogenous variables. Exogenous factors accounted for approximately 75% of the regional difference in each of the three most important labour market impact indicators. This figure was only 20% for the fourth indicator. The values that were actually achieved are subsequently adjusted by the exogenous influence that was ascertained (exogeneity adjustment).

As a rule, the methodologically demanding process used for clustering in Germany and Austria and the exogeneity adjustment in Switzerland are not understandable for the practitioners on the ground. At the same time however, these methods have an enormous influence, at least in Germany and Switzerland, on measured performance at regional and (where applicable) local level.¹⁵ This jeopardises acceptance of the entire management by objectives system. For example, local actors in Germany, Great Britain and Austria particularly criticise the assignment to clusters; in Switzerland, various cantons criticise the exogeneity adjustment. This strongly relativises the advantage of the fair comparison of different organisational units that is the aim of clustering and the exogeneity adjustment since the discussion over clustering ties up resources which are consequently not available for improving the labour market impact indicators.

Target values for all target indicators are laid down each year for all the management by objectives systems examined here, with the exception of the external management by objectives system used by

¹⁵ This is less important in Austria because there the clusters provide the basis for setting target values at regional level only and not at local level. Further, Austria attaches greater importance to setting target values that can be achieved than other countries do (see below).

the cantonal public employment service in Switzerland.¹⁶ Some of the target values are set on the basis of performance targets and some are negotiated. Deliberations at central level always constitute the point of departure for setting target values. At the same time, anticipated macroeconomic developments and their probable consequences for the achievement of the defined targets are additionally taken into account at national level in the target values for the labour market impact indicators. In addition, the clusterings are taken into account in Germany, Austria and for the internal management by objectives system in Great Britain. In Germany and Austria it is assumed that differences among each labour market impact indicator within a cluster are attributable to differences in performance and, therefore the poorer performers among the local organisational units in a cluster must catch up with their better-performing counterparts, possibly with adjustment periods of several years. This procedure does not take into account that (a) there are differences even within a single cluster in the exogenous factors that were taken into account for the clustering process, that (b) these exogenous factors could have changed in the meantime, that (c) there are probably relevant exogenous factors which were not taken into account in the cluster analyses and that (d) there might have been conflicts between the targets for labour market impact indicators which were resolved using priorities that differ according to region.¹⁷ In Great Britain on the other hand the target values are the same for all districts within a cluster.

In Germany and The Netherlands, target values are determined through the use of a top-down process followed by a bottom-up process. Based on this, target values are then set at the central level. Where necessary and appropriate these target values can be more ambitious than the results of the foregoing process. In this event, the target values which the central level lays down for the individual regional and local organisational units are subsequently more demanding than the latter had expected.

In Austria, a coordinating process is conducted by the Federal Ministry of Labour, the social partners and the federal and state organisations of the national public employment service in advance of setting the target values. Following the coordinating process the administrative board whose membership is based on a three-way parity between the ministry, social partners and the national public employment service sets the target values at state and federal level. The state organisations subsequently have the task of setting the target values for the subordinate regional organisations of the public employment service. Compared to other countries, Austria attaches greater importance to ensuring that the target values can be achieved.

In the internal management by objectives system in Great Britain, target values that are set at national level for the labour market impact target also directly apply to those districts in the cluster with the best situation in the labour market. For the districts in the other three clusters, the target value for the outflow rates to gainful employment is reduced by one to three percentage points, depending on the cluster. Accordingly, the aggregation of the regional target values results in a less ambitious level than the national target value. On the other hand, in Austria's internal management by objectives system, the state organisations demand more from their local organisational units than they themselves must achieve. They do this in order to ensure that they achieve their goals even if individual local

¹⁶ The only exception here is the target indicator for permanent integrations in the internal management by objectives system used by the German unemployment insurance system. There is no target value for this indicator.

¹⁷ For example, a local organisational unit can concentrate its resources on a labour market impact indicator and, as a consequence, have an above-average performance in this category and not in the others, while another local organisational unit concentrates its resources on another labour market impact indicator and therefore has an above-average performance in this category and not in the others. Both of these two local organisational units are however expected to catch up with the better local organisational units in those target indicators where their performance is comparatively poor.

organisational units do not. Similarly, the internal target values for labour market impact targets in The Netherlands are more demanding than the analogous external target values.

Only in Austria and in part in the internal management by objectives system in The Netherlands is the aspiration level of the target values systematically linked to the budget and/or number of employees. For example, a job placement officer is supposed to fill 156 jobs a year. Consideration is also being given in The Netherlands to basing the regional allocation of resources (budget for benefits/services for integration into the labour market and personnel) starting in the year 2011 on the degree of difficulty involved in achieving integrations. By contrast, in the German unemployment insurance system, 5% of the budget for rehabilitation applications that have been approved for the first time is apportioned according to the level of actual success as reflected in the integration rate for rehabilitants following participation in a measure.

Laying down the target values for labour market impact indicators is, all in all, a costly and time-consuming process, particularly in Austria and in the internal management by objectives system in Germany and The Netherlands. Local actors frequently criticise the target values and/or the procedure for setting them, particularly in Germany and Great Britain. All in all, the setting of target values ties up resources which are subsequently not available for improving the labour market impact indicators.

Target values are not set in advance in the external management by objectives system used by the cantonal public employment service in Switzerland. The results of the individual cantons are expressed in relation to the national average – both with and without exogeneity adjustment – each year after the end of the year for all four target indicators and the overall index. This reveals whether and to what extent the individual canton's performance is above or below average.

Findings on the development of **target achievement** for labour market impact targets over time are available for several management by objectives systems with target values. These are the German welfare system, Austria and the external management by objectives system in Great Britain. In Austria, the labour market impact targets have been exceeded at federal level as a rule in recent years. This was also the case at state level at least in 2009. This is probably (also) due to the fact that the target values used in Austria are deliberately realistic and are therefore ambitious only to a certain degree. However, the extent to which the targets are exceeded varies from federal state to federal state, from target indicator to target indicator and over time. On the other hand, in Great Britain performance fell markedly short of the labour market impact targets for integrations for the two periods 2007/2008 and 2008/2009. The target value for the following 2009/2010 period was then lowered drastically; the weighted number of realised integrations however rose sharply. Correspondingly, the target was exceeded substantially at national level for the period 2009/2010. By contrast, performance in the German welfare system fell markedly short of some of the individual targets at national level and exceeded others during the period 2007 to 2010. It must be assumed for at least Great Britain and Germany that the fluctuations seen in target achievement at national level over time cannot be fundamentally attributed to similar fluctuations in the performance of the local labour market policy. Instead, these fluctuations are probably mainly due to misjudgements regarding the development of exogenous factors and/or incorrectly assumed cause-and-effect relationships between exogenous factors and target indicators.

Due to exogenous influences, the risk that **target values** prove over time to be **too ambitious or not sufficiently ambitious** is particularly high in connection with labour market impact indicators. In both cases, inadequate target values are an obstacle to motivation: Overly ambitious target values are not attainable and effort correspondingly leads to failure. When target values are not very ambitious or not ambitious at all, little or no effort is needed for 'success'.

All countries with the exception of Switzerland conduct a **sub-annual verification of performance and revision of targets**.¹⁸ A prognosis of the extent to which the target values will probably be achieved or not achieved by the end of the year is required for an adequate sub-annual verification of performance and revision of targets. As a rule, sub-annual set values are used for this, taking anticipated seasonal fluctuations into account. In Germany, the central administration of the national public employment service additionally drafts a forecast at the end of the first three quarters regarding target achievement at local organisational unit level.

As a rule, in the aforementioned countries data on the progress made to date for all organisational levels, in some cases even for the level of the individual employee, are available on a relatively timely basis for the sub-annual verification of performance and revision of targets. An exception here is the external management by objectives system in Great Britain: Data for the labour market impact target are available with a time-lag of six months, and only national-level data will be available starting with the 2010/2011 management by objectives period. Some of the sub-annual data in the aforementioned countries are preliminary figures which are then corrected over time if necessary. Each organisational unit conducts performance verification and target revision meetings regarding its internal management by objectives system with its next highest organisational unit several times during the year. In Great Britain and Austria, these meetings are sometimes conducted together with several subordinate organisational units. In contrast to Austria, performance verification and target revision meetings are also conducted in connection with the external management by objectives systems in Germany, France, Great Britain and The Netherlands. These meetings are held three to six times a year. In addition, in Great Britain and The Netherlands, parliament is also informed about the level of target achievement.

In individual cases, experts from the respective countries addressed the subject of **data quality and possibilities for manipulation** in the context of management by objectives. All in all, it appears however that this tends to be of secondary importance. Looking at the labour market impact targets, at least Great Britain, Austria and Switzerland attached greater importance than Germany did to measuring target achievement as independently as possible of their public employment service. All in all, the findings regarding target achievement in the seven countries are not in dispute. The achievement of targets is apparently viewed on a very dichotomous basis ('green' and 'red' traffic lights), particularly in Germany. This poses the risk that falling just slightly short of a target leads to strong pressure to take action whereas no further effort to improve performance is made when an objective is exceeded slightly.

The target indicators in some management by objectives systems are weighted and merged into an **overall index**. Weighting is done in the external management by objectives system of the cantonal public employment service in Switzerland and (in this case, disregarding the target indicator on the permanence of integrations) in the internal management by objectives of the German unemployment insurance system. The internal management by objectives in The Netherlands features a weighted overall index comprised of a selection of target indicators. In Austria, the target indicators are not explicitly weighted. They are however all included with the same weight in two groups of indicators and flow into the balanced scorecard. The five target indicators that are differentiated by gender are each taken separately into account. In this connection, results that exceed a target are taken fully into account in The Netherlands and Switzerland; in Germany overfulfilment of the five target indicators is taken into account at a rate of 20% per indicator. Overfulfilment is not taken into account in Austria. The organisational units at the same regional level are ranked on the basis of the overall index; in Austria they are ranked on the basis of the balanced scorecard. In Germany and Austria the ranking

¹⁸ Sub-annual data for the target indicators are available to the cantons, albeit without exogeneity adjustment, for managing the cantonal public employment service.

generally differentiates by cluster. In addition, there are rankings that are based on individual indicators or on all target indicators in the internal management by objectives system, at least in Germany and Great Britain but not however in Austria or Switzerland. The ranking based on the overall index in Switzerland has been relatively constant over time despite the exogeneity adjustment and enormous efforts on the part of individual cantons. The weaker cantons' level of acceptance of management by objectives is now suffering as a result.

Looking at the **dissemination of the target achievement results**, it is necessary to distinguish between internal and external dissemination (publication). The target achievement results from the respective organisational unit and the results from the other organisational units are available internally at all levels in the national public employment service at least in Germany, Great Britain, The Netherlands and Austria; availability is analogous in the Swiss cantons. There are however differences with regard to the publication of the results. In the case of the German welfare system, the national public employment service publishes a report regarding target achievement at national level each year; this report also contains selected results for the middle level of the public employment service and for the clusters. In Great Britain and The Netherlands, selected results, particularly with regard to external management by objectives, are published sub-annually. In addition, both countries have reports regarding target achievement which are submitted to the parliament and are available to the public. In Switzerland, only the overall index of all cantons – with and without the exogeneity adjustment – is published every year. In Austria, the public employment service's annual reports frequently (but not systematically) inform at all levels about target achievement. By contrast, in Austria the results of the balanced scorecard are rarely published.

Only the management by objectives system of the bodies responsible for unemployment insurance funds in Switzerland have rule-based **consequences for falling short of set targets**. A dialogue between the controlling organisational unit and the controlled organisational unit regarding strategy adjustments is provided for – with differing emphases – in all countries with the exception of Switzerland. There are in some cases different views regarding the quality of these dialogues. In Switzerland, the above-mentioned publication of the canton rankings is used to exert political pressure on cantons when they (repeatedly) score badly. In Austria and in the external management by objectives system of the cantonal public employment service in Switzerland, the central administration of the public employment service (Austria) and the Federal Department of Economic Affairs (Switzerland) conduct a detailed assessment of a state organisation (Austria) or one or more cantons (Switzerland) each year. Priority is given to selecting those state organisations / cantons which have fallen significantly short of a target and / or have fallen short of a target repeatedly. This assessment is considerably more intensive in Switzerland than it is in Austria where all state organisations are assessed in detail one after another – irrespective of whether they have fallen short of a target or not. In the opinion of both Switzerland and Austria, the assessment of the individual cantons or state organisations has led to improvements in their performance.

At the level of the individual employee, falling short of targets on a continued basis can, where necessary, lead to sanctions against the individual or have a negative effect on their chances of being promoted. In addition, in Austria, the regional distribution of the bonus budget for public employment service employees was previously linked to the achievement of the set targets. These funds are now distributed depending on the results of the balanced scorecard. However, the regional spread of the bonus budget has been narrow to date. In addition, the bonus budget for the employees is allocated by their superiors who do not have to base the allocation on whether or to what extent the individual achieved the set targets.

The management by objectives system used for the bodies responsible for the unemployment insurance funds in Switzerland generally operates on the basis of a target indicator for the administrative costs in relation to the services rendered. If performance fails to meet the targets by

more than 20%, the bodies that are responsible for the unemployment insurance funds must themselves bear 80% of the administrative costs that were generated in excess of the target. Conversely, those bodies which have below-average administrative costs in relation to the services they render receive a financial bonus on the basis of set rules. In the case of the management by objectives system used by the cantonal public employment service in Switzerland, provision was originally made to apply financial consequences to whose performance fell significantly below average or was significantly above average. This was however already abandoned in 2003.

Beyond labour market impact targets, **additional targets** are regularly set – inside and/or outside the management by objectives system – to differing extents for the local organisational units. These targets pertain primarily to EDP, other processes and the use of resources. This restricts the local actors' scope for action with the aim of systematically pursuing objectives that have political priority. Correspondingly, criticism is expressed in the German unemployment insurance system, in Great Britain, The Netherlands and Austria, that altogether too many indicators and measurands not only in connection with the management by objectives system but beyond it as well are verified and revised and that there is excessive fixation on them. Generally speaking, there are various reasons for having targets beyond the labour market impact targets:

- Regardless of the labour market impact targets, a certain service standard should be ensured on a uniform basis, such as in connection with the handling of incoming calls or the processing of requests. It is accepted here that maintaining these service standards ties up resources which subsequently cannot be used for systematically pursuing labour market impact targets.
- Since the target systems have a quantitative focus with regard to the labour market impact targets, quality is to be ensured through the use of other targets regarding, for example, customer satisfaction and processes.
- Since the labour market impact targets which are actually being used have been geared to the short term to date, medium-term and long-term performance beyond labour market impact targets is to be ensured through other targets. However, there are hardly any targets in the countries examined in this study which would appear suitable for this.
- The central administration of the national public employment services and/or the national labour ministries have not consistently chosen management by objectives that uses impact objectives as an alternative to other management mechanisms. For example, there is a lack of confidence in the local actors' ability to systematically pursue the stipulated impact objectives and/or identify suitable measures.
- The agreed or stipulated labour market impact objectives do not correspond to actual (current) political priorities. For this reason, impetus beyond the labour market impact objectives is being generated to ensure the pursuit of the actual priorities.
- Public pressure to take action regarding individual aspects can also arise because, for example, political or economic interests are effectively disseminated in the media or due to individual cases which the mass media make into scandals. There is probably less risk of this type of pressure when the management by objectives system and, most importantly, the labour market impact objectives which have political priority are publicly communicated and discussed.

On the whole, a comparison of these countries shows that objectives beyond labour market impact objectives play the smallest role in Switzerland, followed by Austria. This is probably related in large part to the fact that in Switzerland the cantons and in Austria the state organisations of the national public employment service are comparatively independent, irrespective of the management by

objectives system. They are also comparatively self-confident, probably as a side-effect of this **autarchy**. Due in part to these two factors, the management by objectives system and its labour market impact objectives are the subject of intense scrutiny and discussion. This probably offers two advantages:

- The management by objectives system will probably tend to become 'better' as a result, for two reasons:
 - A management by objectives system has a chance only when the cantons / state organisations are convinced of it. This must be taken into account right from the start during the design and development stage. It is certainly no coincidence that a systematic study regarding the suitability of alternative target indicators was conducted before the external management by objectives system was implemented for the cantonal employment market service in Switzerland. As far as is known, no study of this type has been conducted in any other country.
 - Criticism cannot simply be ignored, it must be dispelled. Doing this would probably also help improve the overall system of management by objectives.
- Since the cantons / the state organisations have in fact the possibility of boycotting the management by objectives system to a large degree, it is necessary to persuade people. The efforts made to convince people will probably tend to help foster their identification with the management by objectives system and the labour market impact targets and thus contribute to ensuring the systematic pursuit of these objectives and targets. Conversely, there is an even larger risk that individual actors will not commit themselves to pursuing the particular objectives. Indeed, there were cantons in Switzerland and state organisations belonging to Austria's public employment service that were initially restrained in their commitment to pursuing the set objectives.

In the case of the countries covered by this study, it is not entirely clear to what extent their management by objectives follows **objectives that have political priority**. For example, various priorities pertaining to the integration of different groups of job-seekers are set for the external management by objectives system in Great Britain but are not adopted for the internal management by objectives system used by the national public employment service. In the case of the German welfare system, the policy focus is on youths, older persons and single parents (see German Bundestag, Committee on Labour and Social Affairs [2010]). However these groups have not been correspondingly taken into account in the management by objectives system to date.¹⁹ Furthermore, priority objectives for the German unemployment insurance system have not been defined whatsoever at political level to date. It remains to be seen whether this will now happen with the currently proposed agreement between Germany's federal government and the national public employment service and whether the national public employment service will then adjust its internal management by objectives accordingly.

A key criterion for the suitability of target indicators is whether they **can be influenced** by local actors. In the case of target indicators which measure the prevention of unemployment or the need to draw benefits, it appears questionable that they can be influenced by local actors. The target value used in the internal management by objectives system of the German unemployment insurance system for the share of those job-seekers who could be integrated into another job before they became unemployed is an indication of less susceptibility to influence. This target value was only 12.3% in 2010. Accordingly, it is apparently assumed that nearly 90% of job-seekers who are at threat of unemployment cannot be integrated into another job before they become unemployed – despite the

¹⁹ The national public employment service will however probably have an internal target for the integration of single parents for the year 2011.

efforts of local actors. In addition, some of these individuals are integrated into another job independently of such efforts. Thus all in all, probably only a single-digit percentage of such job-seekers at best can be additionally integrated into another job due to the efforts of local actors. Consequently, this target indicator is probably strongly determined on an exogenous basis. In The Netherlands, which use a similar target indicator, efforts to integrate job-seekers into new jobs before they become unemployed often fail due to the fact that job-seekers contact the public employment service too late. Such a target indicator is not suitable however when local actors do not have any relevant influence on preventing unemployment or averting the need to draw benefits.

Looking at the clusterings in Germany and Austria and at the exogeneity adjustment in Switzerland, the study examined in regressions whether and to what extent regional differences in labour market impact indicators are caused by exogenous factors.²⁰ Based on these analyses, between 60% and 90% of the regional differences in integrations (Germany), unemployment rate (Austria), average duration of the period during which an individual drew benefits and which has since ended in the case of persons who become employed (Switzerland), transitions to drawing benefits on a long-term basis (Switzerland) and outflows from drawing benefits after entitlement has been exhausted (Switzerland) are attributable to selected exogenous factors. Consequently, only 10% to 40% of regional differences can be attributed to local labour market policy. The possibilities local actors have for having an effect are correspondingly small. Fluctuations seen in different countries in the target achievement at national level and the somewhat static ranking of the cantons in Switzerland despite the exogeneity adjustment point to strong exogenous influences. The question consequently arises whether the selected labour market impact indicators and management by objectives in the labour market policy field are at all suitable. In respect of the possibilities for having an effect it therefore would appear expedient to dispense with the labour market impact indicators without prioritising certain groups of persons within the entire clientele. Those target indicators which prioritise certain groups of persons within the entire clientele (for example, youths, older workers, single parents or job-seekers with poor chances in the labour market) are probably more likely to be influenceable. Only the external management by objectives systems used in Great Britain and Austria systematically rely on labour market impact indicators which prioritise certain groups of persons.

In this connection, KALTENBORN [2006] proposed using '**duration volume**' as a labour market impact indicator. To calculate duration volume, the individual periods (durations) of unemployment or periods (durations) during which benefits were drawn are added up for persons who are unemployed or who draw benefits. At the same time, it is possible to calculate the 'duration volume to date' for the stock (sum of durations to date) or the 'finished duration volume' (sum of durations which have since come to an end) for the outflows. The first option lends itself to systems where the length of time that an individual may draw benefits is not limited right from the start by periods of entitlement or the like. The second option is suitable for systems where this is the case. The advantage of duration volume is the prioritisation of job-seekers who have been unemployed for a long time or have drawn benefits for a long time, in other words: job-seekers with poorer prospects on the labour market. In 'duration volume to date', priority is given to job-seekers who are at risk of being unemployed for a long period or of drawing benefits for a long period over job-seekers who are not facing a long period of unemployment or benefits. The duration volume combines a number of advantages, some of which other labour market impact indicators also offer. It focuses (for social policy, labour market policy and fiscal reasons) on job-seekers with poorer chances in the labour market. As a result it probably can be influenced somewhat more than other labour market impact indicators; each integration has a positive effect and, in contrast to the labour market impact indicators that are actually used, there is hardly any incentive to cream in the case of finished duration volumes and absolutely no incentive to cream in the

²⁰ In Austria, the regression analysis did not pertain to a target indicator that was actually used but rather to the unemployment rate.

case of the duration volume to date. When certain groups of persons are to be prioritised irrespective of their chances on the labour market, their corresponding durations can be weighted more.

All in all it appears difficult to design a management by objectives system with adequate target indicators which reflect political priorities and in which target achievement actually lies in the area of activity of the local actors. It is important here to develop an adequate targets system with the participation of parties involved and taking into account the information about the possibilities for having an effect. Another important decision is whether and how target values are to be set. Wrong decisions interfere with the motivation to perform. When implementing management by objectives in labour market policy it is essential that opportunities for improvement are put to systematic use. A constructive dialogue between all parties involved would be helpful in this connection. Lastly, the challenge is to coordinate what is desired and what is doable.

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