



RIKSREVISIONEN  
*The Swedish National Audit Office*

## RiR 2010:1 Summary

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Direction and control in the fields of labour-market policy: Targets, balanced scorecards och and resource-allocation models

## Summary

The aim of this audit by *Riksrevisionen* (the Swedish National Audit Office, SNAO) is to investigate direction and control in the field of labour-market policy. It examines two instruments: targets and resource allocation.

The audit should provide answers to the following audit questions:

- Are the direction exercised by the Government and the control exercised by the Public Employment Service (PES) in the field of labour-market policy well suited to their purposes?
- Are the PES's resource-allocation models well adapted to the activities of its local employment offices?
- Are management by results and resource allocation linked to each other in the PES's internal management and control process?
- Are the PES's resource-allocation models appropriately designed, and do the PES's resource-allocation models stimulate restraint in relation to costs as well as innovation to improve productivity and efficiency?

### **The Government's analysis of targets can be improved**

There is a limited extent of impact evaluation in the Government's assessments of the PES. Such evaluation should be an important tool to assess the PES's operations and results. *In the SNAO's opinion, the Government should analyse the need for impact evaluation to enable more objective and accurate assessment of the PES's operations and results.* This would make it possible for the Riksdag (parliament) to assess the extent to which decided or indicated objectives have been achieved.

This finding should also be seen against the background of the requirements specified by the Riksdag and the Government for employment policy to the effect that decisions should be made on an appropriate basis. This means, among other things, that it is important to know what measures can be assumed to solve the problems of the labour market in the best possible way, and that there is also a need for information about whether the measures carried out are successful.

The Government's assessment of the PES's results and operations are based only to a low degree on explicit specifications of the targets for the 'Labour Market' policy area that the Government itself has drawn up. Instead, the reporting included in the Budget Bill is dominated by descriptions of the PES's operations. *In the SNAO's opinion, the Government should explicitly*

*describe the assessment criteria or standards that underpin its assessment, as presented in the Budget Bill, of the PES's operations and results.*

### **The functioning of the programmes is unclear**

The Budget Bill includes a relatively limited amount of information about how the Government views the function of the funds used for labour-market policy. There is no breakdown of those funds into categories based on the types of identified 'unsatisfactory conditions' or 'market failures' that they are intended to mitigate or correct. *In the SNAO's opinion, there is reason for the Government to introduce a breakdown into categories of the funds used for labour-market policy in order to provide better information about how it views the function of those funds.*

### **The appropriation directions are unclear**

The Government's appropriation directions for the PES lack a clear structure based on a more explicit distinction either between targets and means or between targets and tasks. *In the SNAO's opinion, it should be possible to make the appropriation directions clearer and easier to understand.*

### **The PES's scorecards can be improved**

Labour-market policy has a relatively complex hierarchy of targets. This makes it difficult for the PES to design a relevant scorecard. In this report, the SNAO examines how the PES's scorecard is applied to obtain effectiveness and efficiency in relation to the aims that labour-market policy should fulfil according to the Government.

The SNAO finds that the PES's scorecard includes elements that should be capable of improvement with a view to improve the effectiveness of management and control.

- The customer-satisfaction measure of the scorecard should be supplemented with aspects relating to the expectations that employers (and job-seekers) have of the PES;
- Two of the customer-related measures used on the scorecard and one operational measure cannot be used for management and control purposes at the level of local employment offices;
- There is no scorecard measure in the area of 'Operations' that exclusively reflects the results of the PES's matching service;
- The audit shows that support for the scorecard among case workers is relatively weak;
- It is difficult in several cases to see how the measures on the PES's scorecard are linked to strategic objectives and success factors. This is true in particular of the 'Financial' area.

*The PES's scorecard is being developed in various respects. In the SNAO's opinion, the development work carried out should include the aspects mentioned above.*

## **The PES's model to allocate the resources of its administrative appropriation has shortcomings**

The SNAO has examined whether the resource-allocation model fulfils the purposes established by the PES. It finds that the model does not fulfil those purposes. However, the SNAO also notes that the model is complex because it is intended to fulfil a number of purposes.

We find that the model has too many purposes and needs to be streamlined. In our opinion, the model should take account mainly of the workload.<sup>1</sup> This should involve the use of measures reflecting individual job-seekers' expected difficulty finding a job (profiling).

Job-seekers are not the PES's only customers – businesses are at least equally important. The Riksdag and the Government have repeatedly stressed the importance of a business-oriented approach. However, the model lacks an empirical basis for the allocation of the workload as between job-seekers and potential employers.

In our opinion, the resource-allocation model cannot function as an effective instrument of management and control at the PES unless it includes a measure of (at least marginal) efficiency. The present measure of performance is problematic in that it is influenced by circumstances – such as the demand for labour and the mix of job-seekers – that are outside the PES's control.

The SNAO has noted that the PES is now carrying out work to develop the resource-allocation models it uses for its administrative appropriation and in other contexts. The SNAO takes a positive view of this.

*To sum up, the SNAO considers that the PES should streamline its model and develop it in a direction that will take account of individual job-seekers' degree of difficulty finding a job (profiling), actual workloads and technical efficiency.*

## **Models to allocate programme appropriations**

The models lack components providing unequivocal measures of the extent to which the services provided are uniform and equivalent and ensure equality before the law. In several cases there is also no direct link with potential target groups. *In the SNAO's opinion, the PES should initiate developmental efforts to determine appropriate purposes for models to allocate programme appropriations. A further element of such efforts should be the identification of the factors that should be included, such as profiling or target groups. Linkages to the scorecard are another important aspect here.*

One particularly problematic area is the model applied to allocate funds for the top-up grants (*lönebidrag*) paid to employers who take on people with disabilities and an impaired capacity for work. The principles used to classify disabled people with an impaired capacity for work are applied differently by the local employment offices, meaning that the statistics are less useful than they could be. What is more, this model provides relatively weak incentives to

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<sup>1</sup> The workload is determined by the number of job-seekers and by the mix of job-seekers as regards their need for support.

move people employed with the aid of such a grant to non-subsidised jobs or jobs involving a lower subsidy rate. This is noteworthy given that those grants are intended as a temporary form of support, not a permanent one. *The SNAO therefore recommends that the PES should review this model from these two perspectives.*

#### Recommendations

The SNAO recommends that the Government should do the following:

- Analyse the need for evaluation to enable more long-term assessment of the PES's operations and results;
- Describe in an explicit manner the assessment criteria or standards that underpin its assessment, as presented in the Budget Bill, of the PES's operations and results;
- Consider introducing a category-based breakdown of the funds used for labour-market policy;
- Clarify the structure of its appropriation directions for the PES.

The SNAO recommends that the PES should do the following:

- Carry out a review of its scorecard as outlined above;
- Streamline the model it uses to allocate its administrative appropriation and develop it in a direction that will take account of individual job-seekers' degree of difficulty finding a job (profiling), actual workloads and technical efficiency;
- Initiate developmental efforts to determine appropriate purposes of models for programme appropriations, factors that should be included and appropriate links between such models and the scorecard;
- Improve, without delay, its statistics on job-seekers with disabilities that impair their capacity for work so that those statistics can be used in the allocation of resources. Also, strengthen job-transfer incentives within the model used to allocate funds to top-up grants for employers taking on people with disabilities and an impaired capacity for work.