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## **The political economy of public employment services: measurement and disempowered empowerment?**

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**Keywords:** political economy, public employment services, the European Union, governance, scale

### **Abstract**

Active labour market policies (ALMPs) and Public Employment Services are related components of European Union and member state labour market policy. Typically, PES are analysed in terms of a narrow concern with efficiency and effectiveness of service. In this paper we argue that PES are constituents in broader processes. They are not just means to facilitate employment, they are also part of transmission mechanisms for a political economy of competitiveness. They play a particular role in governance processes, and so serve to produce and reproduce power relations that are intrinsic to those processes. We argue that the technical ways that PES have been managed over recent decades has contributed to broader processes of disempowering labour, through depoliticised management practices. We argue that attempts at even limited re-empowerment of labour would require a repoliticisation of these management practices.

### **Introduction: Positioning the role of public employment services (PES) within the discourse of EU labour market reform**

There has been widespread interest in the policy evaluation literature in the relative effectiveness of different types of Active Labour Market Policy. By contrast, the political economy literature has been critical of Active Labour Market Policies for focussing on ‘workfarism’ and the discipline that this places on the working population; seeing these policies as part of a broader process of neo-liberalisation. A smaller and more recent literature has focussed not just on institutional and policy design but on the detailed management practices by which policy is implemented. Much of this is technical, but some of it draws attention to the ways in which implementation practices might also carry political economy content. This paper offers a contribution to these latter two literatures. We argue that the ways in which Public Employment Services implement aspects of ALMP have consequences for the types of reform delivered.

We argue specifically that performance management has been used to transfer neo-liberalising policy content between scales – from the scale of macro-regional meta-governance through to the ways in which PES advisers shape the relationship between households and firms at the scale of frontline service delivery. Performance management in policy implementation is characteristic of the depoliticisation of this disempowerment, where it is turned into a technical and managerial process. This depoliticisation adds to a ‘locking-in’ of disempowerment into the ways that policy is implemented, even when high level policy objectives are ostensibly shifted in favour of limited empowerment. To be able to implement such a shift would require the repoliticisation of management technologies such as performance management. The first section lays out this argument and the engagement with the literature in more detail. The discussion then moves on to the underpinning data and an empirical account of the ways that Performance Management is used in European PES. The final section concludes by relating the empirical discussion to the conceptual themes drawn from the literature in the first section.

### **Framing the Competitiveness Problem and Public Employment Services as Delivering the ‘Activation’ Solution**

It is widely acknowledged that the adoption of ‘activation’ or ‘workfarism’ as a labour market policy goal has been associated with the process of neoliberalisation (Peck, 2002; Peck &

Theodore, 2001; Theodore & Peck, 2001). Here we use these terms as expressed by Peck, Brenner *et al.* (Brenner, Peck, & Theodore, 2010a, 2010b; Peck, 2010; Peck, Theodore, & Brenner, 2012; Peck & Tickell, 2007). That is; to refer to reform processes that respond to common pressures to improve place-based competitiveness, but which are implemented in localised, contingent and path-dependent ways. So while there are common trends in policy, aspects of institutional design remain varied and, occasionally, divergent.

Actual policy implementation must take international policy templates but adapt them to local conditions, often, in the process, coping with aspects of failure in policy implementation. In political economy terms activation through 'Active Labour Market Policies' (ALMPs) has been associated with 'risk dumping' (Peck, 2002), where localities and households are expected to bear the responsibility for economic competitiveness. In this sense, ALMPs are intended to 'empower' individuals to cope with downwardly distributed risks, whilst also reducing the option of livelihoods outside of the formal labour market; most notably by taking advantage of the sheltering effects of the welfare state. Concomitantly, ALMPs have also 'disempowered' labour, reducing choices about alternative forms of subsistence and, in some contexts, also the type of work in the formal labour market that is judged acceptable. Thus ALMPs can be regarded as 'disempowered empowerment'. However, the effects have not been even, since processes are path-dependent, contested and contingent. Different national compromises have sought different balances between disempowerment and empowerment. To pick stylised examples, Germany and Denmark have been more associated with upskilling for innovation competitiveness, whilst the UK has tended to be more associated with expanding the supply of labour for cost competitiveness. However, while some EU member states have disempowered labour relative to capital to a greater extent, *all* member states have undertaken labour market reform and the ultimate context has remained a relative downgrading of the power of labour in relation to capital (see Bassanini & Manfredi, 2012; Bruff, 2010; Kumhof & Ranciere, 2010).

Any number of starting points could be identified for the development of EU concerns with the implementation of ALMPs in pursuit of competitiveness. The Delors' *Competitiveness White Paper* of 1993 is an early initiative illustrative of a policy shift (European Commission, 1993) from welfare to competition state principles (Cerny, 1997, 2010). The *White Paper* recognized that many member states shared problems of structural unemployment and a technology gap. This was placed in the context of a lack of competitiveness, one claimed root problem of which was the role of labour. Recommended measures included increased labour market flexibility, reduction of labour costs through reductions in social protection taxes, youth job creation schemes, the reform of social protection to incentivise work, and the development of 'pro-active' labour market services to activate and match jobseekers to the requirements of employers. The *White Paper* also argued for containing wage gains below the rate of productivity growth and up-skilling the existing and potential workforce (1993: 117-133).

The *White Paper* *could* be read solely in terms of the specific context of the early 1990s. Many EU member states had experienced, and were still experiencing, the decline of manufacturing, which had created ripple effects: problems of the breakdown of the economic component in traditional family structures focused on a male breadwinner and female domestic (unpaid) labour, the dissolution of longstanding employment pathways open to youth within local communities, and so forth. Emerging policy thus had a recognizable purpose: facilitating broader access to, and participation in, labour markets and the promotion of economic restructuring, including a transition to more service-based economies. However, the 'framing' (Elias, 2013) of social problems as the result of a lack of competitiveness and justification for renewed neoliberalisation through activation policies, has been a sustained theme through different strategies, including the 1997 *European Employment Strategy* and the ill-fated *Lisbon Strategy* of 2000, which singularly failed to encourage productivity growth and guide the transformation of the EU into the premier 'knowledge-based economy' in the world by 2010 (European Council, 2000, 2009; Jessop, 2006; Kok, 2004). Based on this recognized failure, the subsequent *Europe 2020* initiative of 2010 stated the same problems in relation to the same set of (positioned) solutions one finds in the 1993 *White Paper* (European Commission, 2010b).

That is, insufficient productivity growth, high dependency ratios (non-working populations), and problems of labour supply, all of which call forth the need for further labour market reform and support of the kinds already stated (European Commission, 2010b: p. 8; however, see Boyer, 2015 for complementarities).

As Peck and collaborators argue, the sustained framing of social and economic problems as a lack of competitiveness and the frequent failure of these strategies to lead to relative improvement reflect a ‘fail forward’ (Peck et al. 2012) approach. Here, the repeated failure to achieve stated competitiveness outcomes provides the justification for renewed efforts to pursue similar reform, albeit through iteratively developed governance mechanisms. So reform implementation in *Europe 2020* is now through the ‘European Semester’ rather than the Broad Economic Policy Guidelines of the early 2000s. China and India take the place of the US and Japan as the contemporary competitive threat. Repeated failure to become, for example, ‘the world’s most knowledge based economy’ have resulted in greater exhortations for reform and more attention to how support from reformers at sub-state scales can be secured (Nunn and Beekmans, 2015).

While neoliberalisation (Boas & Gans-Morse, 2009), the role of activation (e.g. Peck, 2002) and the effectiveness of ALMPs in achieving their objectives (Card, Kluve, & Weber, 2010; Kluve, 2007; Kluve, 2010; Kluve, Lehmann, & Schmidt, 2008; Filges et al., 2015), have attracted a great deal of scholarly attention, there has been less focus on the political economy content of particular ways of *implementing* activation (Bredgaard and Larsen, 2007). ALMPs are one component within labour market policy and Public Employment Services (PES) are one component of ALMPs; designed to improve information flow and job matching and therefore productivity, as well as increasing the discipline placed upon unemployed job seekers. PES provide the ‘services and sanctions’ component of ALMPs which are, in ALMP meta-evaluation literature, often regarded as the most effective means to reduce unemployment and achieve fiscal balance (Kluve, 2010). We emphasise that both ALMPs and PES are constituents in broader processes. PES are not just means to facilitate employment, they are also part of transmission mechanisms for a particular form of political economy. They play a particular role in governance processes, and so serve to produce and reproduce power relations that are intrinsic to those processes. They serve to embed a political economy into social relations within and between households and between households and firms through sub-state scale activity (Nunn, 2016).

That activation has been a vehicle for neoliberalisation is familiar territory. However, most analyses of activation focus at the policy scale, and most analyses of the role of public management techniques in PES as implementors of activation focus on technical aspects of management practice, as opposed to its political economy content. This paper provides empirical support for the familiar point that the implementation of activation through public management practices has contributed to neoliberalisation. It also provides an original demonstration that even where institutional differences have persisted between states pursuing different path-dependent strategies for competitiveness based on different skill orientations and emphases, the ways in which these have been implemented *via* management techniques have been remarkably similar. The paper also illustrates the ways PES management practices contribute to a ‘locking in’ process that extends far beyond quasi-constitutional commitments (for e.g. Gill, 1998). Lock-in is embedded in everyday practices, which are depoliticised (Burnham, 2001) in as much as they present what are highly political processes of ‘disempowered empowerment’ as politically neutral management techniques to achieve a self-evident and widely shared social good. Where this depoliticisation of management practices has been successful, it can even present a barrier to the realisation of elite interests. In this case, ‘fail forward’ shifts in emphasis suggest a need to move toward innovation competitiveness and upskilling, but depoliticised technical practices such as performance management have locked in particular professional orientations to the delivery of labour market policy that are difficult to reorient.

To understand the latter point it is worth noting that the emphasis in Peck and collaborators' work on the contingent and contested nature of neoliberalisation (Peck, 2013; Brenner et al, 2010) draws attention not just to the fail-forward nature of policy, but also the ways in which policies and their implementation lead to myriad different consequences, some of which are unintended or unanticipated. The clear dominance of finance, 'speed up' and for returns to capital in preference to labour has led to increasing inequality and economic problems associated with this, including slower growth (Piketty, 2014; Fullbrook and Morgan, 2014; Morgan, 2015). The resulting 'new politics of inequality' (see Nunn, 2015; 2016) is marked by elite interests to contain rising inequality for fear of the socially destabilising effects it might have, and because it might impede growth (IMF, 2014; OECD, 2015). To reframe the problem in institutionalist language – the role of capital in shaping rule making has undermined 'beneficial constraints' on its own operation (Streeck, 2004). Disempowered empowerment and the resulting loss of political influence of labour may actually be a long-term drag on aggregate growth and competitiveness. This may result if the combination undermines productivity and inhibits effective employment via matching.

Within this context, in *Europe 2020* and the various sectoral strategies and action plans that emerged from it (see Nunn and Beeckmans, 2015) such as the *Agenda for Skills and Jobs* (European Commission, 2010a) and *PES 2020* (European Commission, 2012; see also OECD, 2011) the EU began to reframe the EU's competitiveness challenge in ways that implied that labour needed to be empowered more effectively (if still in highly limited and contingent ways). Of these further specifications, the former stresses the need to enhance ALMPs, improve job search, and in combination with the latter recommends that PES adopt the role of 'transitional agencies' designed to facilitate not just unemployment-to-job transitions but also job-to-job transitions and alternative longer-term routes into work, such as vocational training. Significantly, the role of PES is reconceived as a networked system bringing together training providers, employers and public bodies, with greater emphasis on career guidance, coaching and skills. The stated goal is now 'sustainable' activation (tacitly acknowledging that a great deal of past policy had been simply about increasing participation based on 'any job would do' - a context ripe for least cost exploitations). Ostensibly, the new emphasis seems to imply the potential to rebalance the empowerment and disempowerment inherent in labour market policy over the last two decades. We argue that depoliticised public management practices in the implementation of activation through PES have been an important barrier to this, principally because these techniques are not neutral but have been applied in a way that embeds a political economy content. The sections which follow document this empirically, drawing on a synthesis of several studies. The conclusion suggests that even limited (re)empowerment would require infusing management techniques with re-politicised characteristics.

## **PES and the political economy of performance management**

### *Rationale and data*

There has been a relative lack of research into the different ways in which the governance and *implementation* of activation influence the resolution of potentially contradictory pressures associated with competitiveness *via* domestic institutions and policy implementation. This paper adds to a small number of studies that explicitly focus on how labour market governance is conducted (e.g. Borghi & Van Berkel, 2007; Van Berkel & Borghi, 2008; Van Berkel, 2010; Van Berkel & Van der Aa, 2012; Weishaupt, 2010, 2011). More specifically, the paper focuses on the way that internal PES management practices influence ALMP delivery. A lack of evidence about these specific internal practices is slowly being addressed by the emergence of a number of recent studies on PES Performance Management (PM) (Ecorys, 2012; Grubb, 2004; Kaltenborn, Wielage, von Bothmer, & Henkel, 2011; Mosley, Schutz, & Breyer, 2000, 2001; Nunn, 2012a, 2013; Nunn, Bickerstaffe, & Mitchell, 2010). However, these studies focus largely on performance management (PM) as technical policy implementation and management practice - rather than on the political, economic and social significance of these practices. This

paper addresses this specific gap, based on an original meta-synthesis of the findings from three recent studies of PM practice across European PES, in places augmented by insights from a further set of six larger scale and in-depth studies conducted in relation to the UK PES.

The first of the three studies (Nunn et al., 2010) was funded by the UK labour ministry, and intended to provide an international review of practice to inform the development of a new PM framework for the UK PES. This involved a review of secondary evidence in the published and available 'grey' literature, a European-wide survey of PES practitioners and unstructured telephone interviews with practitioners in a small number of case study countries (Denmark, Austria, Netherlands, Germany, Switzerland). The second and third studies were funded by the European Commission (EC) through the PES-to-PES Dialogue process, which is part of the discursive meta-governance associated with the European Employment Strategy. The second (Nunn, 2012a) involved an updating of the 2010 study (principally, but not only, drawing on the fieldwork conducted by Ecorys (2012) and a further series of interviews in PES selected by the Commission (the UK, Austria, Germany and the Czech Republic). The focus of this study was to identify areas of good practice and learning that PES practitioners could take from the international evidence. The third study (Nunn, 2013) arose from a 'Peer Review' of PM as part of the PES-to-PES dialogue. This involved the collection and collation of detailed reports<sup>1</sup> on the design and use of PM provided by each of the 15 (voluntarily) participating PES. This was followed by a two-day workshop, hosted by the Danish PES and involving representatives from all 15 PES, and presentations from Denmark, Austria, Germany, Switzerland and Belgium (Flanders: VDAB) as well as thematic consideration of sub-national benchmarking; the balance between local and national target setting and control; and the use of PM data as a means to 'build the business case' for PES in the context of public spending reductions across all PES present. Again the focus here was to draw together a comparison of different practices, identifying where practitioners could learn from experience elsewhere in Europe.

What we want to emphasise is that the processes and concerns are not neutral in political economy terms. Performance management is an inter-linking practice (Nunn, 2010) which knits other aspects of the NPM together. For example, outcome targets and measures can act as 'rule regimes' which shape and constrain practice in privatised, decentralised and arms-length producers of public services. Even within the state, this is an inter-scalar practice. Political authority at one scale can operate at others indirectly in a 'steering but not rowing' capacity *via* setting outcome or output targets and indicators to guide governance practice, but as we have seen above, this also extends to the supra-national scale and involves trans-scalar linkages too. This has consequences for the nature of the services provided and the relationships that are brokered between state institutions, households and firms. Once systems and practices exist, they shape how new initiatives are received and change is mediated. In the following sections we emphasise 4 points:

1. What is measured through performance management and how it is measured matters for the nature of PES.
2. The 'what' and 'how' of measurement occur within the context of PES staff practice: the influence of targets, the emphasis or selection amongst targets and the prior socialisation of staff, which mediates change.
3. Intended change to PES can be undermined because of the interconnections between 1 & 2.
4. 1-3 has a political economy dynamic and also a political economy context. PES and PES PM are transmission mechanisms within governance processes.

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<sup>1</sup> See <http://ec.europa.eu/social/main.jsp?langId=en&catId=105&newsId=1827&furtherNews=yes>

### *The spread of Performance Management Practice*

Over the last two decades there has been increasing use of performance management in European PES (Mosley et al., 2001) to the point where this is now virtually omnipresent (Nunn, 2012a). This has been encouraged by international bodies such as the OECD (Grubb, 2004; Martin & Grubb, 2001, 2001; Tergeist & Grubb, 2006) and particularly the European Commission and the peer-pressure occasioned through the OMC which operates within the boundaries of the European Employment Strategy (EES) and the related but broader processes of technical dialogue and discursive governance associated with it. Indeed, most of the research underpinning this paper arises from wider coordinating processes associated with the OMC, and is therefore the product of that discursive governance process. Performance management has been the regular subject of peer reviews, technical analytical papers and thematic discussions in the processes of mutual learning between EU PES (at the sub-state scale) which is mandated as part of the Treaty of the European Union. It is hard to conclude that the now near universal uptake of this management practice is directly resultant from this, but equally, it would be difficult to conclude that it has no influence. ‘Strategic Performance Management’ is now part of the ‘Benchlearning’ process which sees EU PES visited regularly by a group of assessors who score them against a set of criteria and make recommendations where they fall short of the assumed best practice. PES then need to prepare a ‘change report’ to show how they are responding to these recommendations and which is scrutinised by their peers in the EU PES Network. This is a good illustration of the ways in which intra and trans-scalar pressures to adopt particular types of management practice are themselves driven by forms of multi-scalar performance management and that the domestic embedding of performance management practice below the state-scale is itself a functional part of that process.

### *Increasing sophistication in practice and infrastructure*

In addition to the increasing use of PES PM, many PES are developing complex management and information technologies which promote the use, and further development, of PM. These include the much vaunted ‘Datawarehouses’ which, starting in Austria in the early 2000s (Lissenburgh, 2004), have come to be widely used by PES. ‘Datawarehouse’ is a popular term for systems that allow the linking of administrative and benefit/tax records such that PES can (potentially) better track individual citizens and in some cases allow frontline data collection (of activities and jobseeker behaviour) to combine with this. A Peer Review found that of a sample of 15 EU PES, only four did not report having a Datawarehouse and several of these did have integrated labour market information systems which appeared similar in form and function (Nunn, 2013, pp. 18 & Table 7, p49). Most PES also utilise at least one quality management model/standard such as Balanced Scorecards, ISO9000 and the European Foundation for Quality Management (EFQM) model. This is significant because each of these promote the systematic use of PM and embed it as a governance and management practice. PM is a layered and compounding management technique that is aligned with other formalised management processes which then reinforce, legitimate and normalise PM practice.

PM is therefore not only being more widely (universally) taken up, its significance and sophistication is growing. Through these technologies it is being used to lock-in competition within sub-state institutions like PES. For example, PES increasingly utilise Datawarehouses to develop comparative ‘benchmarking’ practices between sub-national units (e.g. regions, municipalities and offices) to encourage competition over key indicators. The sophistication of this comparison and competition varies but occasionally includes complex clustering to compare performance on like terms. For instance, in Switzerland a summary indicator is derived from a weighted index of four indicators and interpreted *via* an econometric model that seeks to account for exogenous variables such as labour market conditions, seasonality, demographics and travel-to-work-area dynamics (Nunn, 2013 Box 3 and 4). In Germany, regions are placed into clusters for comparison of performance based on their labour market context. Benchmarking and sharing information between high and low performers is encouraged by the Commission and was a major theme of the Peer Review. Subsequent to the

Peer Review, the resulting ‘toolkit’ for PES (Scharle, 2013) promotes sub-national benchmarking as a mechanism to improve performance. In addition, competition is in some PES driven down to the individual advisor level (e.g. Holland, Bulgaria, Estonia, Austria and Germany) and is also occasionally also associated financial incentives for individuals (e.g. Austria and Germany). The Commission is now utilising the same meta-governance process to further emphasise both Benchmarking and ‘Benchlearning’ which is intended to add knowledge transfer about ‘what works’ in activation in specific economic and institutional contexts to the competitive element of Benchmarking.

#### *The political economy content of depoliticised practice*

To fully understand the political economy significance of these practices it is necessary not just to focus on the spread of these practices, but their *content* (Bredgaard & Larsen, 2007). Following this line of argument, PES PM can reveal the *real* rather than *rhetorical* emphasis at the crux of policy delivery. There are multiple stakeholder audiences for labour market policy, each with different interests. Tax payers want labour market policy to reduce welfare spending. Business wants labour market policy to produce a ready supply of sufficiently skilled and disciplined workers. Trade unions and workers worry that labour market policy undermines living standards and wage bargaining power. Politicians seeking to attract votes will try to combine these different interests in rhetoric about labour market policy in terms of efficiency, social justice *and* economic effectiveness; as in the case of the tension between innovation and cost competitiveness in EU strategies. While some form of balance between these competing objectives is possible, they can’t always all be served equally. In this context, a focus on performance management in particular is instructive because it reveals how rhetorical policy commitments are translated into frontline goals at the point of implementation.

#### **Table1: Typology of Performance Targets and Indicators for EU PES**

**Insert Table 1 about here.**

There are a wide range of ways that the performance of PES services can be measured from activity/output based approaches, to final outcome indicators (see Table 1). Activity based measures might focus on the behaviours and actions of PES staff; output measures focus on the actions taken in respect of referral of jobseekers for some form of support, such as training or help to build confidence, deal with problems and so on. Each have their relative merits and draw backs in terms of management effectiveness. The general ‘how to’ literature on performance management would stress the need for outcome orientation. However, ‘final outcomes’ of desirable labour market performance such as the employment and unemployment rate, and productivity are largely beyond the exclusive influence of PES (Nunn, 2012a). Equally, PM theory rightly suggests that the measurement of activities and outputs alone focuses attention overly on processes at the expense of the outcomes of those processes, with negative consequences such as generating perverse and unintended behaviours. In labour market governance these tend to be understood as gaming with performance information and ‘creaming’ jobseekers for interventions they do not need, while ‘parking’ those who might have a low likelihood of finding work but who nevertheless would benefit from support (Bouckaert & Peters, 2002; Bruttel, 2005; Neely et al., 1997; Struyven & Steurs, 2005). As such, there has been widespread convergence on the use of ‘intermediate outcome’ indicators, principally labour market transitions from unemployment, sometimes into employment (specific intermediate outcomes), but sometimes simply from unemployment or welfare benefits to more unspecified destinations (Nunn, 2013 esp. Table 2; Nunn et al., 2010, pp. 23–33). Where welfare benefits are in place for the unemployed, unspecific outcomes may be problematic in that they might encourage PES staff to pressure jobseekers to leave benefits without having employment, pushing them into the informal economy or extreme poverty.



The way in which the PES works (with other institutions) to continually reconstruct the relationship between demand for, and supply of, labour power is significant in its impact upon the *complementarity* between household and firm decision making, in relation to labour supply/demand; pay bargaining; skills and technology development. In abstract terms, if the PES seeks to encourage all jobseekers to find all and any work immediately, the result might be rather different to that if the PES placed careful emphasis on matching labour supply with particular levels of skill demand or encouraging both employers and jobseekers to increase the skills content of labour demand/supply. It is reasonable to suppose that for any individual jobseeker, immediately available jobs will tend to be of a lower skill content and less matched to their specific skills than those carefully looked for. If the PES simply pushes all jobseekers toward the first jobs available then skills will likely to be underutilised, higher skill vacancies will more likely remain unfilled and less skilled labour will be crowded out of the market, resulting in higher levels of unemployment/underemployment and lower productivity. Moreover, in as much as both households and employers are likely to respond to these changes there may be a dampening affect on skill development and utilisation. By contrast, if PES were to look to ways of upskilling the labour power available to employers there may be incentive effects to increase the skills content of demand. Put simply, PES practices influence the *content* of institutional complementarity. In terms of EU meta-governance this is relevant because skills matching has become a noted problem across EU labour markets (European Commission, 2013).

As Table 2 shows, all those PES in the EU (for whom information is available) have headline indicators/targets which focus on transitions away from unemployment. For countries such as Denmark and Italy where more localised systems of targets and indicators are in place, transitions from unemployment are equally important and prominent among local practices. Reinforcing this point, since the crisis there has been a notable shift toward benefit duration indicators in PES PM (Nunn, 2012a, p. 19, 2013, p. 16) which encourage PES advisers to work more intensively with those they think they can help to move into work so as to reduce the duration of unemployment for specific groups of jobseekers, or overall. In the UK this takes the form of an off-flow rate measure which allocates minimum thresholds of the proportion of those that flow on to a particular type of benefit who should be expected to flow off (e.g. a target) by particular milestones (e.g. 13 weeks, 26 weeks, 52 weeks etc). Several other PES (e.g. Austria, Belgium/Flanders, Estonia, Hungary, Lithuania, Netherlands, Switzerland) have indicators and/or targets which measure the proportion of Jobseekers who leave benefits within specific timescales (typically 3, 6 or 12 months). In Germany a ‘pure’ duration measure focuses on average benefit durations and includes a placement into work indicator as a proportion of the overall unemployed, to give it a dynamic operation (Nunn, 2012a, p. 20).

**Table 2: PES Performance Measures across the EU**

**INSERT TABLE 2 about here.**

Adapted from (Nunn, 2012a, 2013)

The increasing use of duration measures may reflect a solidaristic concern with unemployment ‘scarring’ in the context of the ongoing crisis, but also adds emphasis to a less benign interpretation centred on convergence of PES objectives around activation generally and rapid activation in particular. ‘Duration measures’ are though also associated with technical problems, particularly ‘creaming and parking’ (Grubb, 2004; Nunn, 2012a, p. 11; OSB Consulting & Synthesis Forschung, 2007; Synthesis Forschung & OSB Consulting, 2004).<sup>2</sup> A recent study of the operation of the off-flow rate measure in the UK found direct evidence that this may be leading to a prioritisation of Adviser case-loads that is consistent with this effect

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<sup>2</sup> For a review of creaming and parking and other problems in the operation of PES PM, see (Nunn, 2012a, p. 8). For a review of the various advantages and disadvantages of different types of measure see (Nunn, 2012a, p. 13, Table 2).

(Nunn et al., 2012, p. 33). As above, rapid activation may also create negative institutional complementarities and mitigate against productivity growth because it may contribute to skills matching problems and lower the skills utilisation equilibrium.

Ofcourse it is possible to create baskets of targets and indicators designed to balance out incentives such that PES are encouraged to promote transitions to work but also to avoid poor quality outcomes. In contrast to activation, however, many fewer countries include such counter-weight measures. Research for a Peer Review and Analytical study found that only Austria had a measure of substantive job quality and even this was relatively insubstantial – a minimum job outcome of two months to qualify as a transition. Interestingly, national respondents suggested that this qualification resulted from social dialogue and pressure from trade unions. Put another way the balance of social struggle between different interests is not only shaped by institutions but is involved dialectically in shaping those institutions themselves (Nunn, 2012a, p. 30). Further, in light of the emphasis on facilitating job retention and job-to-job transitions in *PES 2020*, there are very few PES where this is built-in to the PM system. Only Germany and Switzerland have a prevention of unemployment measure, made possible by the unusual legal requirement for employers to notify the PES of impending redundancies. Without such a requirement other European PES would be unable to implement such a measure.

Even where such measures are in place, interviews with PES officials and observation of peer-to-peer meetings suggests that they are given very much less weight and prominence. A good example of this is the UK, where one of the large number of indicators used to measure office, team and individual performance is a labour market ‘churn’ indicator, which might be thought to counteract the prominence given to immediately moving jobseekers out of unemployment. However, in detailed investigation it was clear that very few PES staff were even aware of the ‘churn’ indicator and it certainly wasn’t used on a day to day basis by managers or frontline staff to guide their behaviour (Nunn et al., 2012, p. 31). Indeed, conversations with frontline managers and Advisers over a long period of time in the UK confirm the cultural and deeply embedded nature of the emphasis on transitions from benefits, which has been strongly driven by performance indicators and targets, aligned with this (Johnson & Nunn, 2005, 2006, 2007; Nunn et al., 2012; Nunn & Kelsey, 2007). What this suggests is that activation and speed oriented measures may not only create external institutional complementarities but internal path dependent organisational cultures *within* PES. Such cultures are difficult to shift to a more complex and sophisticated innovation competitiveness orientation, even where policy rhetoric suggests this is important. This suggests that detailed management practices and cultures lock-in particular political economy content as much as institutional design or more prominent quasi-constitutional measures (e.g. Gill, 1998).

Taking this line of argument further, moving away from cost competition toward strategies for innovation competitiveness would entail focussing more on skills based interventions as opposed to pure discipline and monitoring. Many, though fewer than is the case for transitions, PES have measures of skill based activities. 11<sup>3</sup> of the 26 PES for whom we have information do measure activities such as referral for external training/interventions. However, such external training can be of highly variable quantity and quality and this is usually measured as an activity (e.g. no of jobseekers referred to training) rather than an outcome (i.e. no of jobseekers whose skills/qualifications levels have increased or a proportion of the workforce with different levels of skills). Indeed, only Denmark and Bulgaria place an emphasis on the measurement of PES activities in relation to overall skill levels as an outcome (Nunn, 2013, p. 15).

What this suggests is that ‘disempowerment’ in wider social relations, reduces beneficial constraints. In this sense, disempowerment at one point and in one set of institutional relations,

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<sup>3</sup> Danish municipalities are also likely to measure these activities.

makes further disempowerment more likely. That Austria and Germany retain some scope for trade unions to influence policy implementation, at least helps to prevent further disempowerment. The lesson might be that radical change to incorporate labour (and outsider groups) in the decision making and implementation process might help to reintroduce or strengthen beneficial constraints; suggesting that performance management might be populated with a different political economy content, but only through a more inclusive form of governance associated with policy implementation and public management.

If ‘what’s measured is what gets done’ then the focus in PM on immediate employment and a lack of emphasis on contributions to up-skilling or job retention/quality suggests that the former is relatively well locked-in to practice, compared with the latter. The overall balance of outcomes is likely to promote cost rather than innovation competitiveness, making market discipline oriented reform easier than reform to contain discipline and increase skills supply and effective utilisation for productivity growth.

### **Conclusion: PES, disempowered empowerment and political economy**

Activation oriented labour market policy is often regarded as part of a process of neoliberalisation, and characterised in part by the disempowerment of labour. However, recent interest in rising inequality and slow growth in advanced economies suggests the need to rebalance this disempowerment and to place a greater emphasis on empowering labour through skills to generate increased innovation competitiveness as opposed to merely cost competitiveness. This is partly the message carried in the emphasis on ‘inclusive growth’ in Europe 2020 and in the associated PES strategy PES 2020.

However, we would argue that neoliberalisation has been present not just in big picture strategies and labour market deregulation and welfare conditionality, but also in the detailed public management technologies by which ALMPs are implemented. Performance Management in PES is just one example of this, but is illustrative of the ways that neoliberalisation is locked in to apparently depoliticised technologies used by public management professionals. This has not just infused public management with neoliberalising tendencies, encouraged through multi-scalar policy transfer networks, but also has the perhaps unintended consequence of locking-in a particular reform trajectory, even when elite policy interests shift. So the initiatives intended to reduce disempowerment expressed in *Europe 2020* and *PES 2020* are difficult to implement precisely because of deeply embedded management techniques and practices. Our evidence suggests tendencies remain broadly unchanged at the point of delivery for activation through PES management. If anything, an even more widely shared emphasis on speeding up transitions, driven by the transfer of best practice performance indicators, is moving the balance even further toward disempowerment.

However, the data reported above also suggests possible avenues for policy reform, which might help to address this trend. Several EC papers on performance management suggest developing an ‘inclusive governance’ approach, building in representation from trade unions, employers and advocacy groups (e.g. poverty or disability campaigners) to the target setting and monitoring process. This might help to mitigate disempowerment and ‘repoliticise’ public management techniques and practices; subjecting them to scrutiny from a range of different political perspectives on labour market social relations. Our data suggests that this might help to re-balance labour market policy in favour of empowerment. The small number of cases where organised labour retains a powerful role in the governance of labour market policy implementation through PES are those where checks on disempowerment are more visibly present in the performance management system. Repoliticising performance management may provide scope to promote a different form of political economy. This would still be contingently contained by the wider social relations of the labour market, so is no panacea, but it might offer some route toward greater empowerment, and introduce or strengthen constraints which might be beneficial. Quite what this will mean in a period dominated by populism, Trump and Brexit remains to be seen (see Morgan, 2017b; Fullbrook and Morgan, 2017).

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TABLE 1

| Input-measures                             | Output-measures   | Process-Quality                   | Intermediate-Outcome-measures  | Final-Outcome-measures | Analytical-measures                           |
|--|---|-----------------------------------|--|------------------------|---|
| Spending-<br>--On-staff<br>--On-programmes | Vacancy-registration  | Assessment-of-interviews-of-plans | Off-flows<br>--From-welfare-benefits<br>--Into-(different-types-of)-work | Employment-rate        | Cost-<br>--per-jobseeker<br>--per-job-outcome |
| Staff-hours-contracted                     | Interviews-completed  | Customer-satisfaction-surveys     | Penetration-measures   | Unemployment-rate      | Benefit-savings-from-interventions            |
| Nos-of-Offices                             | Individual-plan-completion  | Employer-satisfaction-surveys     | Benefit-duration   | Inactivity-rate        | Net-benefit-of-PES-activity                   |
| Spending-on-compliance-and-processing      | Referrals<br>--To-types-of-training-provision<br>--To-other-forms-of-counselling/support<br>--To-medical/psychological-programmes |                                   | Vacancy-filling  | Productivity           |   |
|  | Placement-into-work-trials  |                                   | Long-term-wages/employment-of-beneficiaries                              |                        |   |
|  | Sanctions   |                                   |  |                        |   |
| ← Input/Process orientation                |   |                                   | Outcome orientation →  |                        |   |

**TABLE 2**

|                 | Process Quality        |                       |                          | Inputs             |           | Outputs              |                      |                      |                                       |           | Intermediate Outcomes |                   |                             |                           |                            | Analytical Measures |                   | Incentives           |         | Indicator/ Target Setting |        | Notes/ Sources |                  |  |
|-----------------|------------------------|-----------------------|--------------------------|--------------------|-----------|----------------------|----------------------|----------------------|---------------------------------------|-----------|-----------------------|-------------------|-----------------------------|---------------------------|----------------------------|---------------------|-------------------|----------------------|---------|---------------------------|--------|----------------|------------------|--|
|                 | Jobseeker Satisfaction | Employer Satisfaction | Benefit Processing Times | Spending           | Staff nos | Vacancy Registration | Interviews completed | Ind. Plan Completion | Referral to External Support/Training | Sanctions | Specific Off-flows    | General Off-flows | Employment Quality/Duration | Unemp / Benefit Durations | Prevention of Unemployment | Vacancy Outcomes    | Cost/Input Ratios | Benefit Saving Rates | Rewards | Sanctions                 | Annual |                | Multi-Annual     |  |
| Austria         | •                      | •                     | •                        | •<br>(% on women ) |           | •                    |                      |                      | •                                     |           | •                     |                   | •                           |                           |                            | •                   |                   | •                    |         | •                         |        |                | Peer Review 2013 |  |
| Belgium Actris  | •                      | •                     |                          |                    |           | •                    |                      | •                    |                                       | •         |                       |                   |                             |                           |                            | •                   |                   |                      |         |                           |        | •              | Ecorys, 2012     |  |
| Belgium LeForem | •                      | •                     |                          | •                  | •         |                      |                      |                      | •                                     | •         |                       |                   |                             |                           |                            |                     |                   |                      |         |                           |        | •              | Ecorys, 2012.    |  |
| Belgium VDAB    | •                      | •                     |                          |                    |           | •                    |                      |                      | •                                     | •         |                       |                   | •                           |                           |                            | •                   |                   |                      |         |                           |        | •              | Peer Review 2013 |  |
| Bulgaria        | •                      | •                     |                          | •                  |           | •                    |                      |                      | •                                     | •         |                       |                   |                             |                           |                            | •                   |                   |                      |         |                           |        | •              | Peer Review 2013 |  |
| Cyprus          | •*                     | •*                    |                          |                    |           | •                    |                      |                      | •                                     | •         |                       |                   | •                           |                           |                            | •                   |                   |                      |         |                           |        | ?              | ?                | * From 2012 onwards. Ecorys, 2012.   |
| Czech Republic  |                        |                       |                          |                    |           |                      |                      |                      | •                                     | •         |                       |                   |                             |                           |                            |                     | •                 |                      |         |                           |        |                |                  |  |
| Denmark         |                        |                       |                          |                    |           |                      |                      |                      |                                       |           |                       |                   |                             |                           |                            |                     |                   |                      |         |                           |        |                |                  | Municipalities and regions are left to set their own targets and indicators Peer Review 2013 |

|         | Process Quality        |                       |                          | Inputs   |           | Outputs              |                      |                      |                                       |           | Intermediate Outcomes |                   |                             |                           |                            | Analytical Measures |                   | Incentives           |         | Indicator/ Target Setting |        | Notes/ Sources |                  |  |
|---------|------------------------|-----------------------|--------------------------|----------|-----------|----------------------|----------------------|----------------------|---------------------------------------|-----------|-----------------------|-------------------|-----------------------------|---------------------------|----------------------------|---------------------|-------------------|----------------------|---------|---------------------------|--------|----------------|------------------|--|
|         | Jobseeker Satisfaction | Employer Satisfaction | Benefit Processing Times | Spending | Staff nos | Vacancy Registration | Interviews completed | Ind. Plan Completion | Referral to External Support/Training | Sanctions | Specific Off-flows    | General Off-flows | Employment Quality/Duration | Unemp / Benefit Durations | Prevention of Unemployment | Vacancy Outcomes    | Cost/Input Ratios | Benefit Saving Rates | Rewards | Sanctions                 | Annual |                | Multi-Annual     |  |
| Estonia | •                      |                       | •                        |          |           |                      | •                    |                      | •                                     |           | •                     |                   |                             |                           |                            | •                   |                   |                      |         |                           |        | •              | Peer Review 2013 |  |
| Finland | •                      | •                     |                          |          |           |                      |                      |                      | •                                     |           | •                     |                   |                             | •                         |                            | •                   |                   |                      | •       |                           |        | ?              | ?                | Ecorys, 2012.  |
| France  | •                      | •                     |                          |          |           |                      | •                    |                      |                                       |           | •                     |                   | •                           | •                         |                            | •                   |                   |                      |         |                           |        | ?              | ?                | Ecorys, 2012.  |
| Germany | •                      | •                     | •                        |          |           | •                    |                      |                      | •                                     |           | •                     |                   | •                           | •                         | •                          | •                   |                   |                      | •       |                           |        | •              |                  | Peer Review 2013   |
| Greece  |                        |                       |                          |          |           | •                    |                      | •                    | •                                     |           | •                     |                   |                             | •                         |                            |                     |                   |                      |         |                           |        | ?              | ?                | Ecorys, 2012.  |
| Hungary | •                      | •                     |                          |          |           | •                    |                      |                      | •                                     |           | •                     |                   |                             | •                         |                            | •                   |                   |                      |         |                           |        |                |                  | There are more than 200 indicators Peer Review 2013  |
| Ireland | •                      | •                     |                          | •        |           |                      | •                    |                      | •                                     |           | •                     | •                 |                             | •                         |                            |                     | •                 |                      | ?       | ?                         | ?      | ?              |                  | Ecorys, 2012.  |
| Italy   |                        |                       |                          |          |           |                      |                      |                      |                                       |           |                       |                   |                             |                           |                            |                     |                   |                      |         |                           |        |                |                  | Highly differentiated at local level so difficult to summarise for national picture. Ecorys, 2012. |

|             | Process Quality        |                       |                          | Inputs   |           | Outputs              |                      |                      |                                       |           | Intermediate Outcomes |                   |                             |                           |                            | Analytical Measures |                   | Incentives           |         | Indicator/ Target Setting |        | Notes/ Sources |  |
|-------------|------------------------|-----------------------|--------------------------|----------|-----------|----------------------|----------------------|----------------------|---------------------------------------|-----------|-----------------------|-------------------|-----------------------------|---------------------------|----------------------------|---------------------|-------------------|----------------------|---------|---------------------------|--------|----------------|--|
|             | Jobseeker Satisfaction | Employer Satisfaction | Benefit Processing Times | Spending | Staff nos | Vacancy Registration | Interviews completed | Ind. Plan Completion | Referral to External Support/Training | Sanctions | Specific Off-flows    | General Off-flows | Employment Quality/Duration | Unemp / Benefit Durations | Prevention of Unemployment | Vacancy Outcomes    | Cost/Input Ratios | Benefit Saving Rates | Rewards | Sanctions                 | Annual |                | Multi-Annual                             |
| Latvia      | •                      |                       |                          |          |           |                      |                      |                      |                                       |           |                       |                   |                             |                           |                            |                     |                   |                      |         |                           |        |                | Nunn et al., 2010.                       |
| Lithuania   |                        |                       |                          |          |           | •                    |                      |                      | •                                     |           | •                     | •                 |                             |                           |                            | •                   |                   |                      |         |                           |        |                | Peer Review                              |
| Luxembourg  |                        |                       |                          |          |           |                      |                      |                      | •                                     |           |                       |                   |                             |                           |                            |                     |                   |                      |         |                           |        |                | Data on LU is very sparse. Ecorys, 2012. |
| Malta       |                        |                       |                          |          |           |                      |                      |                      |                                       |           |                       |                   |                             |                           |                            |                     |                   |                      |         |                           |        |                | No information                           |
| Netherlands | •                      | •                     |                          |          |           | •                    |                      |                      | •                                     | •         |                       |                   | •                           |                           |                            |                     |                   |                      | •       | •                         | •      |                | Peer Review, 2013                        |
| Poland      |                        |                       |                          |          |           |                      |                      |                      | •                                     |           |                       |                   |                             |                           |                            |                     |                   |                      | ?       | ?                         |        |                | Peer Review 2013                         |
| Portugal    |                        |                       |                          |          |           | •                    |                      | •                    | •                                     |           | •                     |                   |                             |                           |                            |                     |                   |                      |         |                           |        |                | Nunn et al. 2010.                        |
| Romania     |                        |                       |                          |          |           |                      |                      |                      |                                       |           |                       |                   |                             |                           |                            |                     |                   |                      |         |                           |        |                | No information                           |
| Slovakia    |                        |                       |                          |          |           |                      |                      |                      |                                       |           |                       |                   |                             |                           |                            |                     |                   |                      |         |                           |        |                | No information                           |
| Slovenia    | •                      | •                     |                          |          |           |                      |                      |                      | •                                     | •         |                       |                   |                             |                           |                            |                     |                   |                      |         |                           | •      |                | Peer Review, 2013                        |
| Spain       | •                      |                       |                          |          |           |                      | •                    |                      | •                                     | •         |                       | •                 |                             |                           |                            |                     | •                 |                      |         |                           | •      |                | Locally set targets and indicators,      |

|                | Process Quality        |                       |                          | Inputs   |           | Outputs              |                      |                      |                                       |           | Intermediate Outcomes |                   |                             |                           |                            | Analytical Measures |                   | Incentives           |         | Indicator/ Target Setting |        | Notes/ Sources |                  |
|----------------|------------------------|-----------------------|--------------------------|----------|-----------|----------------------|----------------------|----------------------|---------------------------------------|-----------|-----------------------|-------------------|-----------------------------|---------------------------|----------------------------|---------------------|-------------------|----------------------|---------|---------------------------|--------|----------------|------------------|
|                | Jobseeker Satisfaction | Employer Satisfaction | Benefit Processing Times | Spending | Staff nos | Vacancy Registration | Interviews completed | Ind. Plan Completion | Referral to External Support/Training | Sanctions | Specific Off-flows    | General Off-flows | Employment Quality/Duration | Unemp / Benefit Durations | Prevention of Unemployment | Vacancy Outcomes    | Cost/Input Ratios | Benefit Saving Rates | Rewards | Sanctions                 | Annual |                | Multi-Annual     |
|                |                        |                       |                          |          |           |                      |                      |                      |                                       |           |                       |                   |                             |                           |                            |                     |                   |                      |         |                           |        |                | Peer Review 2013 |
| Sweden         | •                      | •                     |                          | •        |           |                      |                      | •                    | •                                     | •         |                       |                   | •                           |                           |                            | •                   |                   |                      |         |                           | •      |                | Peer Review 2013 |
| United Kingdom | •                      |                       | •                        |          |           | •                    |                      |                      |                                       | •         |                       |                   | •                           |                           |                            |                     |                   |                      |         |                           | •      |                | Peer Review 2013 |