

# Performance management as a way to make the business case for PES

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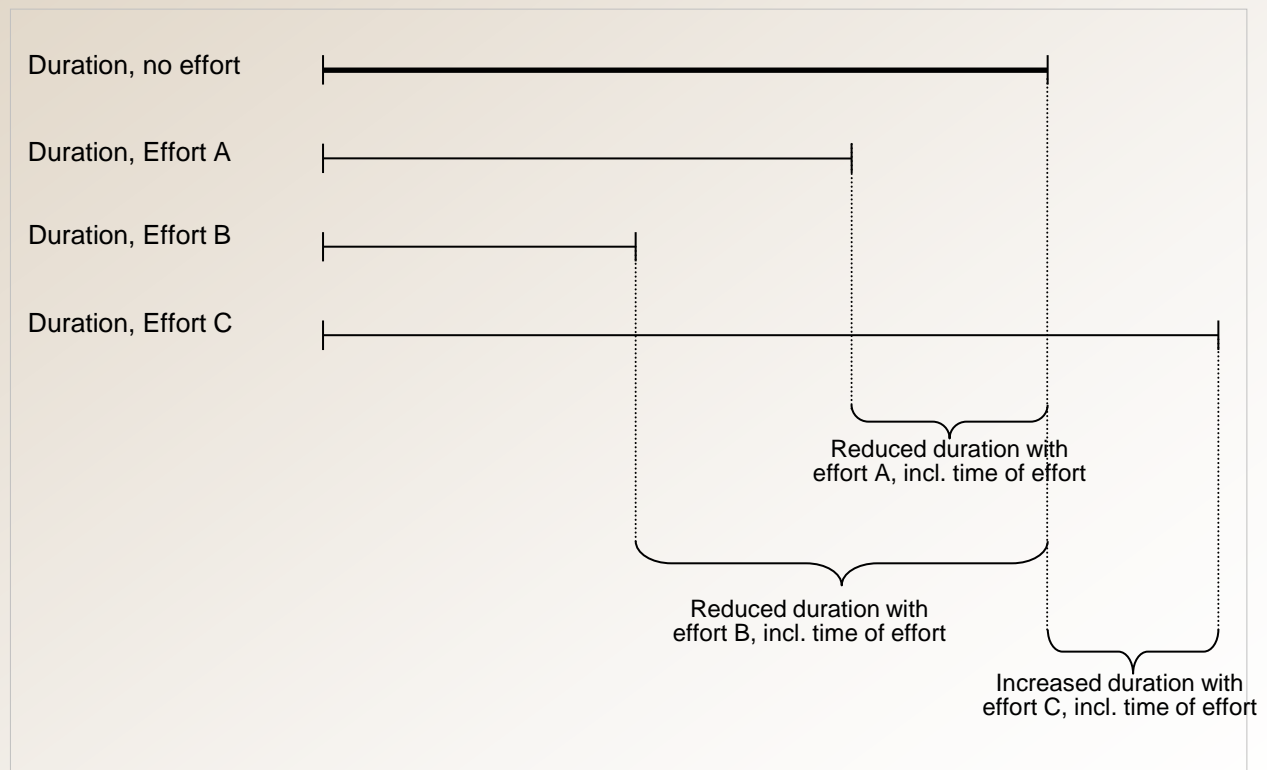
## Outline

- Individual level
  - Target the right individuals within performance management
  - Knowing actual outcomes, revenues
  - The business case, weigh costs against benefits
- Administrative level
  - Methods to compare local PES

## Taking the wrong turn after setting goals, 70% target

Labour market prospects	Probability of finding a job within 90 days		Goal achievement	Effect
	No programme	With programme		
Good	70%	70%	Yes	0%
Medium	50%	70%	Yes	20%
Poor	20%	50%	No	30%

## Expected unemployment duration with different efforts, individual level



## Benefits and costs for society by participation in labour market programme

### Benefits for society

- Increased production, due to reduced mean unemployment duration
- Reduction in ill-health, increased self-esteem or well-being
- Increased human capital (productivity)
- Shorter vacancy times
- Less crime in society

### Costs for society

- Personnel expenses, salaries, facilities, computers and database maintenance
- Programme costs (e.g. training cost, wage subsidies)
- Dissemination of information (Job Bank or vacancy database, Jobseekers' Bank)

## Simple Cost-Benefit Calculation (1)

	Effort A	Effort B
Cost for society (€)	1 000	4 000
Reduced time to work (in days)	30	60
Benefits for society (€/day)	50	70
Benefits – Costs	1 500 - 1 000	4 200 - 4 000
Total	<b>500 €</b>	<b>200 €</b>

## Simple Cost-Benefit Calculation (2)

	Effort A	Effort B
Cost for society (€)	1 000	4 000
Reduced time to work (in days)	30	60
Benefits for society (€/day)	50	80
Benefits – Costs	1 500 - 1 000	4 800 - 4 000
<b>Total</b>	<b>500 €</b>	<b>800 €</b>

## Cost-Benefit calculation of three labour market programmes, 2009, €

	Benefits	Costs	Displacement costs	Benefits - Costs
Start of business	28 000	700	8 100	19 200
Job experience	2 400	0	400	2 000
Labour market training	3 900	8 300	0	-4 400

Source: Labour market report 2011, Swedish PES, <http://bit.ly/196qSRr>



## A final component

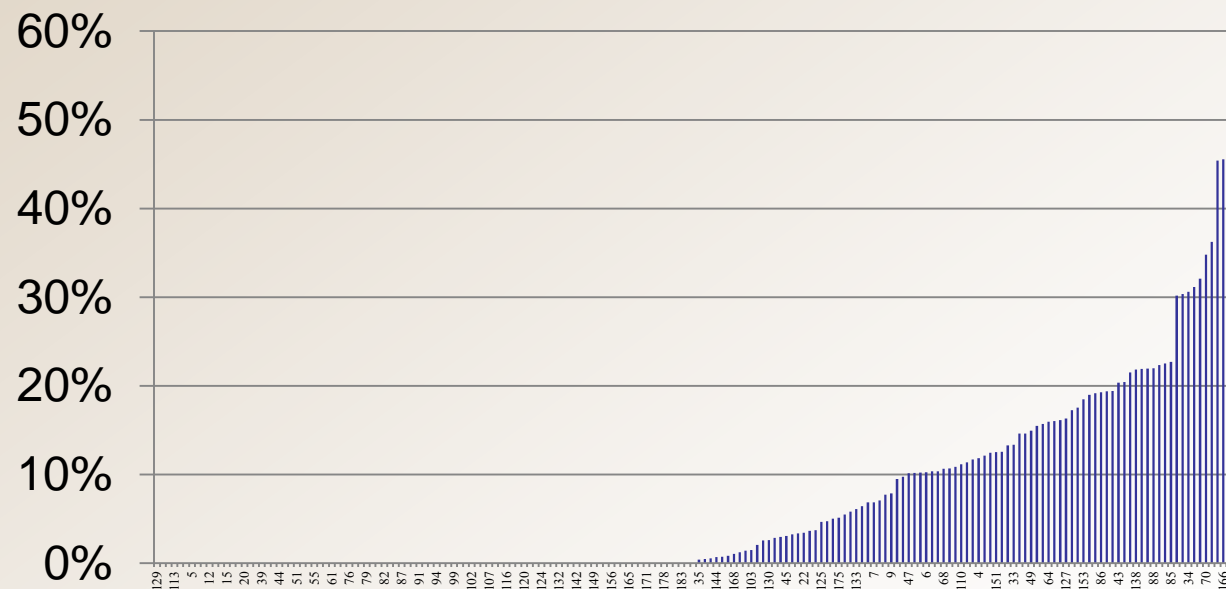
- Administrative efficiency
  - Regardless of the mix of programmes the services should be produced at the lowest costs
  - DEA (Data Envelopment Analysis)
  - Cluster model

## Efficiency analysis of local PES using DEA, aggregate measures

Year	2004	2005	2006	2007	2008	2009	2010
Mean	10.2	7.1	7.1	7.9	8.3	8.5	8.3
Max	56.2	32.8	29.9	37.1	56.1	78.4	54.9
Efficient offices	70	76	73	72	82	79	84
Total number of offices	185	185	185	185	185	185	185

Source: Riksrevisionen 2012, <http://bit.ly/152a8IX>

## Efficiency analysis of local PES using DEA, rank



Source: Riksrevisionen 2012, <http://bit.ly/152a8IX>

## Requirements for making the business case

- An in-depth discussion of costs and revenues within the organization
- Determine the service needs of single job seekers
- Knowledge about which measures move different job seekers closer to the labour market
- Some information system that links this knowledge to the actions taken at local PES and to the volume of labour market policy
- A model that measures the efficiency with respect to resource allocation at local PES level