



How to get better reporting from Public Employment Services in Bosnia and Herzegovina?

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EXECUTIVE SUMMARY

Huge population of unemployed and rising unemployment are the most serious social problem facing Bosnia and Herzegovina for more than a decade. Despite the fact that problem of huge unemployment in Bosnia and Herzegovina is constant and top issue to deal with, more than a half million of registered unemployed persons speaks in favor that little was done in this problem solving. Such unfavorable situation has been a direct consequence of the impact of numerous factors, where global economic crisis only highlighted the problem of the B&H labor market which has been characterized in numerous national and international reports as out-dated, dysfunctional and inflexible. On the other hand, public employment services take a center stage position in every labor market since they are considered to be the main institutional actors when it comes to implementing labor market policies. This involves: stimulating labor market participation; activating the unemployed; enhancing the skill profile of the work force; facilitating efficient matching of demand and supply on labor markets, etc. For that reason, question that arises is about role and accountability of the public employment services and their performance efficiency on national labor market.

Aim of this policy study is to explore the possibility of measuring the efficiency of public employment services in Bosnia and Herzegovina by using their official annual reports. Basis for analysis is methodology which helps to establish causal connections between basic performance parameters (inputs, outputs and expected outcomes). Accordingly, this paper aims to determine if PES of RS and PES of Federation B&H report properly about effectiveness of their work and whether decision-makers and other policy actors have enough information to take a stand about quality of their work.

Finally, according to the research results, this policy paper suggests improvements for reporting and monitoring the effectiveness of B&H public employment services.

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INTRODUCTION

(Context of the policy problem, definition of the policy problem, statement of intent, methodology and limitations of the study, road map of the paper)

Context of the policy problem

The problem of high unemployment in B&H is complex, not only economic, but also a social problem which affects the number of social, political, psychological, cultural and other spheres of life. Even the period prior to the global economic crisis was marked by economic growth, a significant employment in this period did not happen and despite the fact that problem of huge unemployment in Bosnia and Herzegovina is constant and top issue to deal with, more than a half million of registered unemployed persons speaks in favor that little was done in this problem solving. To be worse, since 2008 unemployment has been growing steadily, so that at the first quarter of 2011 once again reached record proportions of more than 527.000 persons registered at the employment bureaus. The basic question that arises is the question of reasons and allocation of responsibility for such situation.

The issue of unemployment requires comprehensive strategy that has both economic and social elements and that addresses both labor supply and labor demand, including macroeconomic performance, investment climate, labor market policies and institutions, education and skills, safety nets for workers, etc. However, labor market policy and institutions represent probably the crucial instrument in problem solving process. From that perspective, it is important to notice that B&H labor market has been characterized in numerous national and international reports as outdated, dysfunctional and inflexible¹. That fact speaks in favor of certain level of responsibility for the inefficiency of the labor market that lies on Public Employment Service (hereinafter PES) as a public institution that performs key functions in the B&H labor market.

However, up to now, PES activities on labor market have not been evaluated in a systematic and organized way. Question asked from decision-makers and policy actors such as: "How efficient PESs are and which management performance indicators are in use?" still remains without proper answer which means that methodological framework for performance measuring of PES activities is not fully developed or it is completely missing. On the other hand, there is a growing interest in monitoring the effectiveness of action of PES, both among decision-makers in the labor market and the public, bearing in mind that the record high unemployment rate does not decrease and that is, at this moment, one of the most difficult socio-economic problems in B&H. In addition, EU integration process requires certain institutional adjustments on labor market and modernization of national public employment services as well. In this sense, public employment services in B&H will be compelled very soon to organize and report their work and activities according to the suitable methodological framework that will allow the comparability of the actions and performances in an international context.

Statement of intent

The guiding hypothesis of this research is that Public Employment Services in Bosnia and Herzegovina do not have adopted adequate reporting framework for monitoring and evaluation of their performance. Absence of performance measurement strongly affects the level of their

¹ ILO and Council of Europe: Employment Policy Review for Bosnia and Herzegovina, PES of Republic of Slovenia, Strengthening of the Institutional Capacities of B&H State Employment Agency – Final Report ETF Labor Market Review for Bosnia and Herzegovina
World Bank, Report No 4889-B&H., Labor Market in Postwar Bosnia and Herzegovina,

accountability and transparency and significantly contributes to inertia in their work. Therefore, this research aims to explore the possibility of measuring the efficiency of public employment services in Bosnia and Herzegovina by using the existing system of reports in the Employment Agency of Republic of Srpska and Federal Agency for Labor and Employment of Bosnia and Herzegovina in order to determine if they (PES of RS and PES of Federation B&H) report properly about their effectiveness and whether public, decision-makers or other policy actors have enough information to take a stand about quality of their work.

Methodology and limitations

The way in which the efficiency of employment services in this policy study is observed is based on accepted and commonly used methodology which helps to establish causal connections between three basic parameters (inputs, outputs and expected outcomes). Research process by itself has been organized around the following questions:

- What kind of reporting is present in Public Employment Services and to whom?
- How and by whom PES performance on B&H labor market is evaluated?
- What are the possibilities of comparison/benchmarking of PES performance with similar EU institutions?

Starting basis for the research was the analysis of institutional and legal framework for the operation of public employment services. Such analysis allowed detailed insight into the roles and responsibilities of RS Employment Agency and Federal Agency for Employment comparing them with roles and responsibilities of PES in EU countries. Collected data and committed insight into institutional and legal framework was a starting point for further analysis where experiences and reporting practices from EU served as model for comparison with performance monitoring and reporting practice of public employment services in B&H. European experiences primarily refers to the European Employment Strategy, EU PES Benchmarking Project, as well as to the good practices from individual EU countries such as Slovenia - ex-Yugoslavian country that was first to join the EU. Based on research results, this policy paper suggested improved methodological approach for reporting and monitoring the effectiveness of public employment services in order to contribute to the efficiency of Public Employment Service institutions in Bosnia and Herzegovina

Finally, having in mind that translation of organizational accountability into a few key figures is such a complex task, this policy study has no ambition to get into accountability measurement details or to assess each employment agency individually. This policy study rather serve the purpose to monitor whether the public employment services is on course or not in terms of accountability and performance measurement.

PROBLEM DESCRIPTION

(Background of the problem, problem within its current policy environment)

Unemployment in Bosnia and Herzegovina – among the top ranked in Europe

The scope, structure and trend of unemployment in Bosnia and Herzegovina have reached alarming proportions. It is one of the most serious social problems facing Bosnia and Herze-



govina for more than a decade. Despite the fact that problem of huge unemployment in Bosnia and Herzegovina is constant and top issue to deal with, more than a half million of registered unemployed persons speaks in favor that little was done in this problem solving. Over the last few years, before the global economic crises, the number of the unemployed has been around 450.000. Unfortunately, again it has tendency of constant growth since 2008 which resulted in 527.749 unemployed persons registered at the employment bureaus in Bosnia and Herzegovina at the first quarter of 2011². At the end of 2010, registered unemployment rates have reached the percentage of 43.1%, which is among the highest rates in Europe. If this trend continues, very soon we will be in a situation in which one of two workers in B&H is officially unemployed!

² Source: Labor and Employment Agency of B&H - figures for the first quarter of 2011.

However, it is important to address that registered unemployment rates significantly exceed the survey-based unemployment rates since registration as being unemployed might be a precondition for free access to health insurance or social assistance for many who are *de facto* inactive or informally employed. For that reason, survey-based unemployment data gathering is usually used as an adequate measuring technique for real unemployment. Nevertheless, we get almost the same picture if we use survey-based unemployment figures measured according to the ILO methodology, commonly used in EU countries. According to Labor Force Survey (LFS), in 2009, B&H is again top ranked in Europe, with 24.10% of survey-based unemployment rate. Comparing to all EU countries, only Latvia is close with 22.10% unemployment rate, which is the EU worst result, but still better than in B&H. Finally, structure of unemployment is the third part of the problem. Long term unemployment in Bosnia and Herzegovina is another issue to worry about. Nearly 90% of total unemployed persons were unemployed for more than a year!

Public Employment Services play a crucial role on the labor market

This kind of development of the situation in the labor market in terms of scope, structure and trend of unemployment, has been a direct consequence of the impact of numerous factors, where global economic crisis only highlighted the problem of an inflexible and exclusive B&H labor market. It is important to address that labor market is a key factor market influencing overall economic effectiveness, where Public Employment Service represents a central public authority in the labor market and employment in every state, and so does in Bosnia and Herzegovina. PES plays a crucial role in the labor market since they appear simultaneously as the intermediaries between the actors in the labor market, as an important source of information and as carriers of employment policies. They are considered to be the main institutional actors when it comes to implementing labor market policies which involves: stimulating labor market participation; activating the unemployed; enhancing the skill profile of the work force; facilitating efficient matching of demand and supply on labor markets, etc. When political decision-makers set targets, the public employment service is responsible to meet them in the most efficient and effective way. Having this in mind, we can say that the PES is significantly contributing to the design and layout of the labor market in one country since they are an important institutional framework for implementation, monitoring and evaluation of the government employment policy.

In brief, the role of PES in the labor market can be viewed through the following important features:

- job brokerage, relation with job seekers and employers
- implementation of employment policies including active labor market policies (ALMP)

- administering unemployment insurance
 - registering, analyzing and providing data about labor market trends and movements
1. The job brokerage service is one of the most important segments of the activities in almost every public employment service. PES delivers services free of charge to job-seekers (both unemployed and job-changers) as well as to employers; they aim to bring job-seekers and vacancies together and also contribute to improved transparency in the labor market. Sometimes it is simply channeling particular individuals towards vacancies; sometimes it is working with unemployed people more intensively within ALMP to overcome their 'barriers to work'.
 2. Implementation of ALMP is the second group of services that are also an integral part in almost every public employment services. The aim of these policies, which usually includes the professional training of the unemployed, subsidies and other measures to create jobs, is to help the unemployed who have difficulties in finding employment, or employers who have difficulty in finding adequate personnel. Nevertheless, these policies often aimed at harmonizing supply and demand in the labor market at the aggregate level (the level of regions, specific industries, etc...).
 3. Administering the right to unemployment insurance contributions is another activity in the majority of employment services. However, some countries, this activity seceded from the jurisdiction conferred the PES and the separate agency. This separation was done by a desire to emphasize the active orientation of the PES in the labor market.
 4. Monitoring labor market trend and movements, data collection and analysis of information and their publication is one of the activities practiced by the PES in most states. These actions stem from institutional position PES as a central institution in this field at national level.

The role of Public Employment Services in Bosnia and Herzegovina

Within B&H territorial and constitutional organization, public employment services in Bosnia and Herzegovina are organized on two different and separate ways. The employment service in Republic of Srpska (one of two B&H constitutional entities) is organized through one central public employment agency (*Zavod za zapošljavanje Republike Srpske*) with 6 regional offices and 55 municipal employment bureaus with very centralized structure while the Federation of B&H has one employment agency (*Federalni zavod za zapošljavanje*) on entity level, 10 regional agencies in 10 Cantons and 74 municipal employment bureaus which are altogether organized in a more decentralized structure. Finally, there is a state-level institution, State Employment Agency of B&H, with limited jurisdictions and only little competence. Competences and activities of all above mentioned institutions on state and entity levels are regulated by the certain laws and furthermore by the rulebooks and internal regulations. Since all executive power is concentrated in the jurisdictions of the entity agencies, more attention in analysis will be paid to the roles and responsibilities of the Federal Employment Institute and Employment Agency of Republic of Srpska.

The Employment Agency of RS is public employment service in Republic of Srpska whose main functions are regulated by the Law on Employment of the Republic of Srpska and its internal Statute. According to the mentioned regulations *Zavod za zapošljavanje RS* has following core competence:

- Job brokerage,
- Providing information about the possibilities and conditions of employment,
- Advising and career counseling (professional orientation)



- Administrative and other tasks related to unemployment benefits including administration of contributions for health care.

The Employment Agency of RS is managed by Director and Management Board under direct supervision of Ministry of Labor in RS Government. Management Board adopts annual reports and programs proposed by Director. Those reports and programs are available to the public.

Federal Employment Agency was established by a Decision on the Law on Mediation in Employment and Social Security of Unemployed Persons adopted by the High Representative in Bosnia and Herzegovina in 2000. Officially it began to operate in March 2001. Federal Employment Institute mission is to:

- Implement agreed policy and measures to enhance the efficiency of the labor market
- Provide adequate financial and social security for unemployed persons
- Create and implement programs and measures of active labor market policies
- To inform all concerned about the state of employment

The main management bodies of the Federal Employment Institute are the Management Board and Director. Management Board has seven members, appointed and dismissed by the Government of the Federation of Bosnia and Herzegovina. Management Board is preparing annual reports and programs to the Government of the Federation of Bosnia and Herzegovina. Annual reports and programs are available to the public.

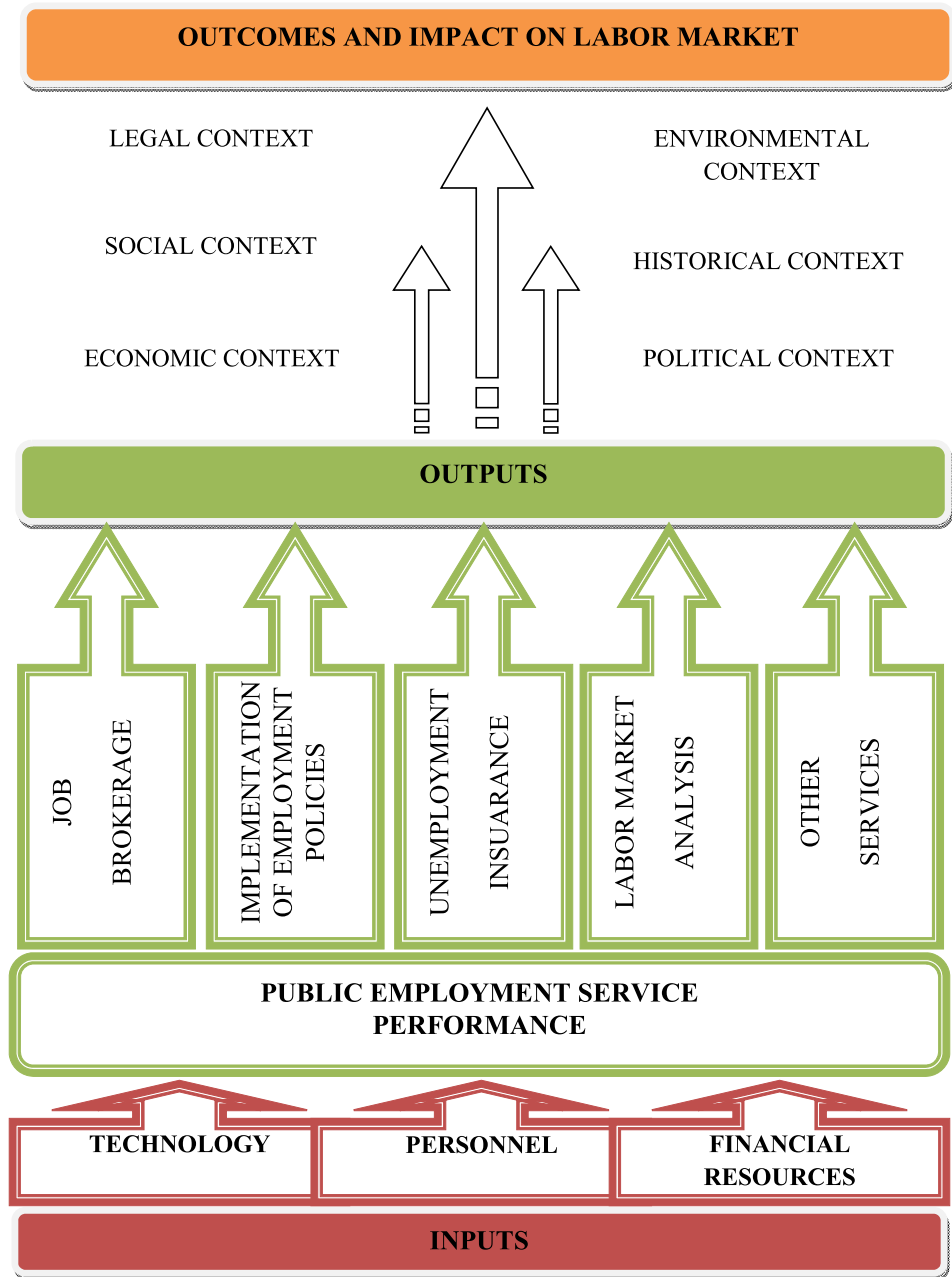
Presented general overview of basic functions of PES indicates that, except area of administering health care insurance for unemployed, there are no significant differences between the responsibilities of public employment services in Bosnia and Herzegovina with institutions in other European countries. In this respect we can say that the similar competence of public employment services in B&H and EU are first prerequisite for comparing performance of B&H employment services in the international context. If B&H public employment services are comparable with those in developed EU countries, in terms of competence, question that arises is are they comparable in terms of performances.

How to measure PES performance on labor market?

Performance measurement analyzes the success of PES organization's efforts by comparing data on what actually happened to what was planned or intended. One of simpler definitions of performance measurement says that performance measurement is regular collection and reporting of data to track work produced and results achieved. Without measuring, we don't know what to improve, how to allocate or re-allocate resources, which decision to make, how efficient and effective we are, how we stand in comparison with others, etc.

The review of performance measurement in comparative PES in Europe showed that a wide range of approaches is used but what they have in common is methodological framework which is based on causal connections between inputs, outputs and outcomes. In that context **input measures** are related to the presentation of resource information (budget, personnel, equipment, etc.) alongside achieved performance, so as to enable a comparison of the relationship between resources and performance (these measures are also incorporated in the European PES Benchmarking Project and the European Employment Strategy (EES) approach).

Table 1. Framework for PES performance measurement



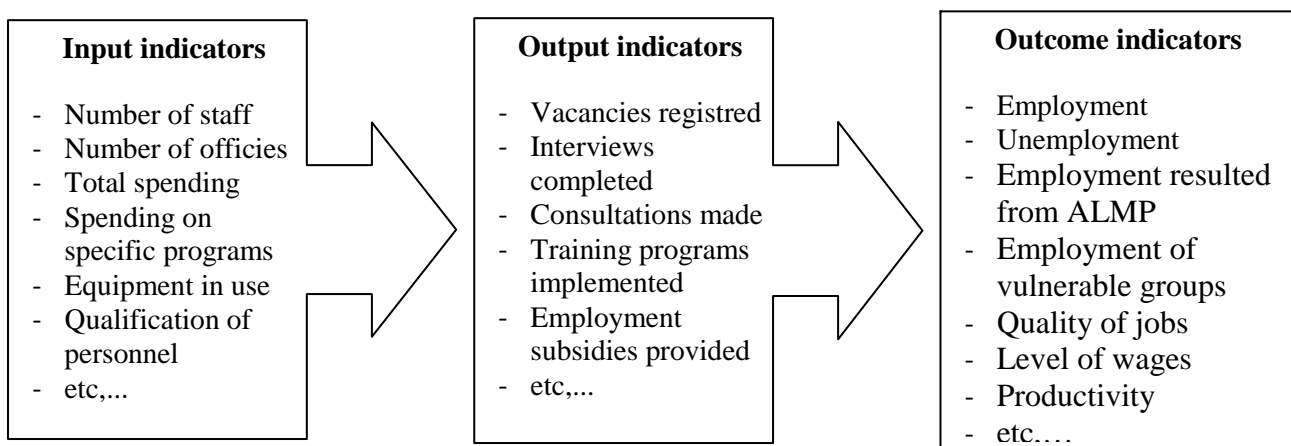
Output measures count the volume and quality of activity and interventions undertaken by the PES. Outputs tend to be center stage in most management information systems of public employment services since they are directly connected with the achievement of expected results. Common output indicators in PES performance measurement systems include: vacancy registrations, interventions through activation interviews, referrals to training and development programs, subsidies for employment, specific interventions related to vulnerable groups of unemployed, sanctions and reductions in benefit payments as a result of not actively seeking employment, assessing the customers (both employers and job-seekers) satisfaction, etc.

In terms of performance measurement, output parameters are extremely important since the achievement of results are completely under control of organization which means that responsibility for targeted outputs is solely on PES management.



Finally, **outcome measures** are related to the effects that result from the activities of the PES and other labor market actors in short, medium and long-term period. Examples of outcome indicators are: number of employed persons, transition from long-term unemployment to employment, employment resulted from ALMP measures, quality of jobs undertaken, level of wages and productivity, employment of vulnerable groups, etc. At the same time, outcome indicators are usually expressed as desired goals and objectives of employment policy by decision-makers. However, achievement of these goals is only partially under PES control since the outcome results are influenced by economic, political, social and number of other external factors as well.

A short overview of input, output and outcome indicators within performance measurement process is presented below.



Based on presented methodological framework for measuring the performance of public employment services, annual reports and plans (programs) from two main labor market institutions in B&H are analyzed in order to determine the extent to which the official documents and reports of Employment Agency of RS and Federal Employment Institute allow public and decision makers to get adequate insight into the effectiveness of their actions on labor market. At the same time, PES reports were observed with purpose to examine availability of necessary data for comparison with other public employment services from EU countries.

Table 2. Input, output and outcome indicators within PES performance measurement framework

More precisely, existence of basic input, output and outcome indicators have been subject of analysis and identification in latest official annual reports and programs for 2009 and 2010³ from Employment Agency of RS and Federal Employment Institute as well as from Public Employment Agency of Republic of Slovenia which served as a model for comparison.

Public Employment Agency of Republic of Slovenia has been chosen for several reasons, Slovenia has successfully passed reform of their labor market in late nineties, Slovenia, same as Bosnia and Herzegovina, was integral part of previous singular ex - Yugoslavian labor market, with similar characteristics and features, and finally Slovenia as a member of EU and PES Benchmarking project has already developed and established adequate performance measurement framework with adequate monitoring and reporting mechanisms. In order to be easily compared, types of PES services are distinguished into four main areas:

- **Information services** where particular attention is paid to vacancies and job seekers, contacts and availability of information (on-line or other types) for employers and unemployed persons. Information service is structured so that it should facilitate the matching of demand and supply,

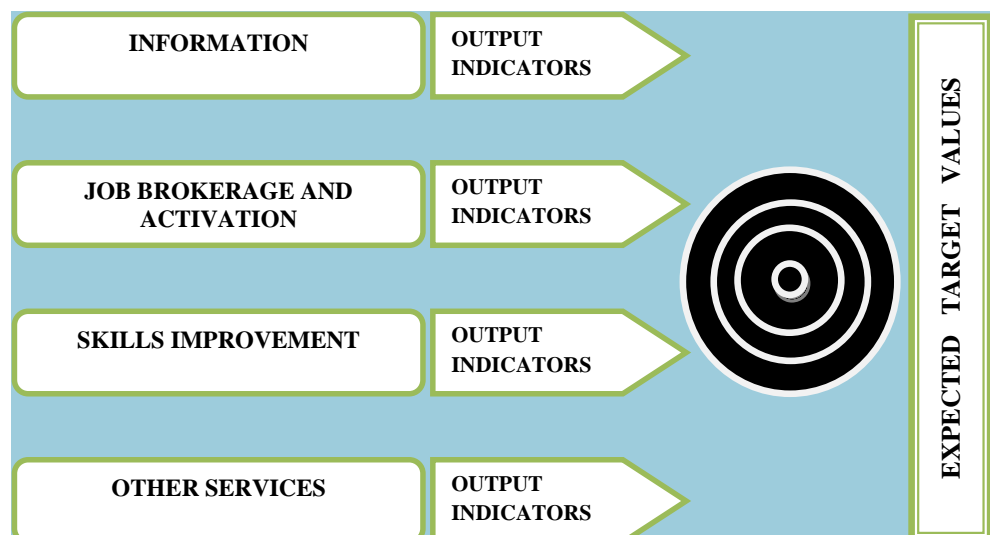
³ Employment Agency of RS: Izveštaj o radu Zavoda za zapošljavanje RS za 2009. godinu i Program rada Zavoda za zapošljavanje RS za 2009. godinu i 2010. godinu
Federal Employment Institute: Izveštaj o radu Federalnog zavoda za zapošljavanje za 2009. godinu i Program rada Federalnog zavoda za zapošljavanje za 2009. godinu i 2010. godinu
Public Employment Agency of Republic of Slovenia: Letno poročilo 2009 – Zavod Republike Slovenije za zaposlovanje i Poslovni načrt za leto 2010 Zavod Republike Slovenije za zaposlovanje

- **Activation services**, activation of actual and potential customers is a service that the PES wish to deliver even if it is not sought after by the clients themselves; it includes activation and counseling interviews with job-seekers and employers, individual plans completion, organization of job fairs, providing subsidies for employment,
- **Skills improvement services** are primarily focused on training programs for unemployed and adjustments of labor market supply and demand through specific period of time and
- **Miscellaneous services**; e.g. the administration of unemployment insurance, collecting data about trends and movements on labor market, public relations, employers and job-seekers satisfaction surveys, etc.

For those main areas, basic output indicators are selected to be subject of identification in observed PES annual reports and programs since that input and outcome indicators are already available through financial reports and statistically reported movements from national labor market. As an example, number of vacancy posted within PES information system, number of filled vacancies, number of conducted interviews with employers, number of conducted interviews with job-seekers, number of job fairs organized, . . . , etc. are commonly used types of these output indicators so the first step in analysis was identification of these output indicators in observed PES reports with simple selection indicators are available or not. If selected indicators are available there is the basis for further assessment and evaluation of achieved results.

On the other hand, for same service areas it was analyzed whether expected outputs through estimated target values are defined. Without clearly defined objectives and expected outputs through estimated target values, it is impossible to make assessment of organizational performance. Target values are usually expressed as estimated figures for selected indicators in future period like: estimated number of vacancy which will be posted within PES information system for the following year, number of participants attended to employment training programs in following year, planned amount of money for specific active labor market programs for the following year, . . . , etc. For that purpose PES official annual programs (plans) for 2010 were analyzed, which is graphically presented below, with main goal to identify existence of expected outputs and estimated target values for selected indicators and service areas. Existence of causal connection between defined objectives and achieved results is essential for assessment of achieved results and development of performance measurement framework.

Table 3. Output indicators and expected target values





How much we know about PES performances in Bosnia and Herzegovina from their reports?

	PES Rep. Srp.	PES FB&H	PES Slovenia	PES Rep. Srp.	PES FB&H	PES Slovenia
	indicators available			target values defined		
	(in observed annual reports)			(in observed annual plans)		
INFORMATION SERVICES						
PES web site available	yes	yes	yes	no	partially	yes
On-line content/services designed for employers available	yes	yes	yes			
On-line content/services designed for job seekers available	yes	yes	yes			
Call center or free telephone line available	no	no	yes			
Number of PES web site visits	no	yes	yes			
Number of vacancy posted within PES information system	no	yes	yes			
Number of filled vacancies	no	yes	yes			
Number of CVs collected	no	yes	yes			
Number of on-line job application submitted	no	yes	yes			
Direct contacts with beneficiaries (by SMS or e-mail contacts)	no	no	yes			
ACTIVATION SERVICES	(indicators available)			(target values defined)		
Number of conducted interviews with employers	partially	partially	yes	no	partially	yes
Number of conducted interviews with job-seekers	no	no	yes			
Number of individual plans completed	no	no	yes			
Number of counseling sessions conducted with job seekers	no	yes	yes			
Number of counseling sessions conducted with employers	no	no	yes			
Number of job fairs organized	yes	yes	yes			
Types of employment subsidies provided	yes	yes	yes	yes	yes	yes
Number of employed per subsidy type	yes	yes	yes			
Amount of money per employment subsidy type	yes	yes	yes			
SKILLS IMPROVEMENT SERVICES	(indicators available)			(target values defined)		
Number of training programs implemented	partially	yes	yes	no	yes	yes
Number of training sessions conducted	no	yes	yes			
Number of participants attended each training sessions	no	yes	yes			
Amount of money spent on each training program	no	yes	yes			
MISCELLANEOUS SERVICES	(indicators available)			(target values defined)		
Number of beneficiaries and amount of money spent for unemployment insurance	yes	yes	yes	yes	yes	yes
Number of beneficiaries and amount of money spent for health-care insurance ⁴	yes	yes	N/A			
Number of beneficiaries and amount of money spent for pension insurance	yes	yes	N/A			
Number of sanctions taken against unemployment insurance lawbreakers	no	no	yes	partially	partially	yes
Trends and movements on labor market identified	yes	yes	yes			
Employers' satisfaction survey conducted	yes	yes	yes			
Job seekers' satisfaction survey conducted	no	no	yes			
Quality management system introduced	no	yes	yes			

LEGEND:

Yes	- indicator is fully available in observed reports
Partially	- indicator is available in observed reports only for segment of PES service or implemented programme
No	- indicator is not available in observed reports
N/A	- not applicable

⁴ Health care insurance for unemployed is not under competences of Slovenian PES

According to the research results we can say that inefficient labor market in B&H only reflects the work of institutions that operate on it, including the public employment services. It is obvious that current system of reporting does not allow full insight into their performance measurement and comparability of results with other similar institutions which significantly discourages the establishment of the desired level of accountability and transparency in these institutions. Besides insufficient level of accountability and transparency, detailed insight into research results opens more serious problem that exists if we look on core competences of PESs in B&H.

Although positioned as the key institutional actors at the B&H labor market, so far, public employment agencies have been primarily directed towards "passive" functions like keeping records, administering data and ensuring by Law prescribed assistance and benefits for unemployed persons. In general, the analysis of examined B&H PES reports and annual plans shows that the focus of their reporting in this moment is dominantly placed on consistency in the implementation of legal provisions and regulations instead on fulfillment of targeted values and indicators which could be also an explanation why some of the most important performance indicators are missing. Accordingly, "more active" and "creative" functions like function of mediation in employment, as one of their most important statutory activities (job brokerage), have been partially or completely ignored. Job brokering, personalized counseling and guidance, screening of the unemployed for participation in active labor market policies are core statutory functions but not fully preformed by public employment services in B&H. Analysis shows that official annual reports did not contain relevant figures about PES core services, at the first place information and job brokerage services, especially in terms of contacts with customers, conducted consultations with unemployed persons, conducted consultations with employers, organized interviews, developed individual employment plans, provided customer satisfaction research (primarily the research about satisfaction of unemployed persons), advertised vacancies within the PES information system, etc. Annual reports in both institutions have been established in such manners that neither the public nor policymakers in domain of employment have a clear picture of how effective this public employment service does its job. At this point, they are designed in such a way that the dominantly present records and numbers of the unemployed persons, but lowest on PES succeed in performance to help unemployed to find jobs, which is its major statutory activity.

Other aspect is undefined reporting obligations and unclear objectives and target values. It also raises a question how to assess management of RS PES if the system for monitoring and evaluation of performance is missing or it is not completely developed. Using the simple words, performance management of Public Employment Service in some aspects can be described as "driving in neutral"

However, it is encouraging that certain progress in introducing new monitoring and reporting mechanisms exists in both Public Employment Services unlike previous years where such positive movements were not present at all.

European experiences and models: European Employment Strategy and PES Benchmarking project

From this perspective it is clear that there is an urgent need to reform the existing system of reporting in PES institutions at all levels in order to raise their level of transparency and accountability. In that sense, positive European experiences should serve as a good guideline



for modernization of local labor market institutions. Moreover, within Joint Assessment of the Employment Policy Priorities, EU helps candidate countries and potential candidate countries to reform their employment systems. It requires countries to develop a strategic approach for employment policy, addressing their specific employment challenges in line with EU policies and practices. This preparation and delivery of policy readies states for EU membership including also PES benchmarking project that is specifically related to monitoring the performance and comparability of PES within the EU which is very important for this topic.

Therefore, this section is devoted to the EU experiences and model, European Employment Strategy that pay special attention to the role and position of the public employment services as well as to the PES benchmarking project that can serve as a good model for establishing an efficient system of monitoring and reporting in public employment services in Bosnia and Herzegovina.

European Employment Strategy

The role of the European Employment Strategy (EES) is to help coordinate the employment policies of the Member States, as well as those of the associated and candidate countries. EU Member States undertook to establish a set of common objectives and targets for employment policy. Moreover, they agreed on a specific annual monitoring procedure. Member States retain their main competence for their own employment policies where European Union's role is to advise, monitor and coordinate policy making. The EES uses an agreed set of indicators (quantified measurements, targets and benchmarks) to monitor and evaluate progress and to back up the European Commission's analysis. The indicators are agreed by the Member States and revised regularly with the help of Eurostat, the EU's statistical office.

The Employment Guidelines are the cornerstone of the EES. They are proposed by the European Commission and drafted on the basis of common priorities which the Member States have agreed for their employment policies. Member States can count on the support of the European Social Fund for the implementation of the agreed employment policies.

In domain of employment European Union set ambitious objectives for 2020:

- improving the employment rate to at least 75 % of the population aged 20-64;
- reducing the number of early school leavers to 10 %;
- increasing to 40 % the percentage of those with tertiary education;
- and reducing the number of people living in poverty by 20 million.

Within the European Employment Strategy, PES has a central role in implementing the guidelines for the employment policies of the Member States. PES delivers services free of charge to job-seekers (both unemployed and job-changers) as well as to employers; they aim to bring job-seekers and vacancies together and also contribute to improved transparency in the labor market. They play this specific role both as a standalone public service or in partnership with other organizations. In order to strengthen the effectiveness of the PESs, the European strategy advocates concerted action:

- promoting access to job vacancies through various techniques of brokerage and job search assistance. This involves establishing and developing good relations with employers and the gradual transformation of the PESs into genuine service enterprises (modernization of the range of services, creation of specific enterprise and sector desks, improvement of the public image, use of information technologies, etc.);

- ensuring systematic management of the cases of unemployed people, which entails careful diagnosis of individual needs and close monitoring of unemployed job-seekers throughout their stay on the register of these services (regular interviews, introduction of tailor-made individual action plans);
- contributing to the coordinated delivery of all services to job-seekers, in other words introducing close coordination between counseling, brokerage, information provision and income support;
- exploiting synergy between PESs and the other relevant actors by building networks with the regional and local authorities, the social partners and the establishments providing vocational education or assistance to unemployed people;
- using PESs to facilitate international labor mobility and reduce the obstacles to the free movement of workers within the European Union.

In order to ensure that the modernization of the PESs is a success, concerted efforts are required at all levels:

- the PESs should introduce more effective procedures and working methods and fully exploit the various possibilities offered by European cooperation;
- the Member States, through the implementation of their employment strategy, should support the modernization of the PESs and their development (quality of staff, overall restructuring of expenditure, decentralization, etc.);
- the social partners, which have already been involved in the management of the PESs for several years in most Member States (to differing degrees), have a crucial role to play in improving the adaptability of firms and their employees;
- the European Union has introduced a series of instruments and programs to support the efforts undertaken at national level (EURES, the European Social Fund, the Commission's support for cooperation between the PESs in Europe).

PES benchmarking project

The PES benchmarking project has incorporated several project partners in which research has been used to identify and refine a list of benchmark indicators on which participating PES can be measured. These include measures such as off-flows, benefit duration, the influence of interventions on achieving off-flows from benefits and indicators related to the job mobility in potential redundancy situations. The benchmark list also includes both internal and external contextual indicators such as inputs and labor market indicators to allow the adjustment of benchmark output and outcome performance. The PES benchmarking project is also linked to the European Employment Strategy (EES) Indicators which have been under continual development since 2002 to fit the changing requirements of the EES. The EES indicators consist of a wide range of final outcome indicators concerned with wider labor market trends and direct PES activity, including measures which incorporate output and outcome indicators in relation to specific interventions and activities. Other measures incorporate input indicators such as PES staff numbers. The measures also incorporate indicators of the quality of employment such as off-flows to work into different pay bands or contract types. At this moment, PES benchmarking project is a working platform of 20 European Public Employment Services (PES) including those from ex- Yugoslavian countries (Slovenia and Croatia). Benchmarking process by itself is based on indicators which are deduced from the mission statements of the participating PES. The participating PES agreed on the following goals to be of most importance to their organization (though during the discussions about twice as many indicators were considered in greater detail)



- Aiming at a successful transition from unemployment to employment
- Achieving satisfaction among customers (unemployed job-seekers and employers respectively)
- Focusing on transitions from ALMP-training measures to employment
- Opening access to a large share of vacancies through the PES information systems
- Ensuring that registered vacancies are filled
- Taking a special interest in the swift transition to employment

Based on agreed approach among all participating Public Employment Services seven main indicators are derived:

Indicator Q1: "From unemployment to employment" - gives the figure for those people who have made a transition to employment (within six months) after deregistration as a share of all people on the register for unemployed job seekers.

Indicator Q2: "Transition to employment before unemployment lasts long" - gives the figure for those people who have made the transition to employment (within six months after deregistration) after having been on the register for less than six months as a share of all people who have left the register (after having been on the register for less than six months).

Indicator Q3: "From measures to employment" - gives the figure for those people who have made the transition to employment (within six months after deregistration) after having terminated a training measure as a share of all people having terminated a training measure.

Indicator Q4: "Opening access to a large share of vacancies through the PES information system" - gives the figure of the vacancies accessible through PES media as a share of all »nation wide« vacancies.

Indicator Q5: "Vacancies filled" - gives the figure of all vacancies filled at all/or within 4 weeks, with any candidate/with a candidate presented by the PES, as a share of all posted vacancies

Indicator Q6: "Customer satisfaction - Job seekers" and

Indicator Q7: "Customer satisfaction – Employers" are from an operational point of view quite the same. Both indicators aim at capturing the »satisfaction with the overall service the PES provides to customers«. Q6 is directed towards people (as potential job seekers), whereas Q7 is directed towards employers. The empirical information for Q6 and Q7 has to be survey based. Thus, the PES either has already established such a survey (and is, therefore, in a position to retrieve the information); or it has not (yet) established the survey and can therefore not retrieve the information

These seven key indicators are consisted of number of individual indicators which are the basis for reporting and monitoring in all public employment services participating in the project. For these seven basic indicators methodology for collecting and analyzing necessary information is fully developed. It allows potential new members like PES from Bosnia and Herzegovina, by participation in this project, to adopt already developed methodological framework that will provide them more efficient and absolutely comparable system of monitoring and reporting about their performances in the labor market.

POLICY OPTIONS

(Framework of analysis, evaluation of policy alternatives)

Getting the unemployed back to work and filling job openings as fast as possible are two goals most political decision-makers would agree upon easily. There seems to be fewer consensus on how to achieve these goals in an effective and equitable manner. Such differences in the choice of strategies and programs are reflected in the specific roles assigned to public employment services as major institutional players in the implementation of labor market policies. But, whatever the strategic approach is, it is necessary to know if defined goals are achieved in effective and equitable manner. It means that performance measurement model and adequate reporting system is needed for at least three very important reasons:

- to assist with the measurement and management of performance in PES;
- to report to politicians and decision-makers and
- to provide relevant information to the public.

Policy options for monitoring and reporting proposed in this study are based on different experiences and approaches. Most public employment services in EU countries are using **basic performance measurement model** with an appropriate monitoring and reporting mechanisms. Such model enables policy makers and public as well, to have a clear insight into efficiency of PES performances on labor market. More specifically, basic performance measurement model stands on clear linkage between inputs, outputs and outcomes so the monitoring and reporting mechanisms are dominantly focused on system of most important quantitative and qualitative indicators which are showing PES efficiency on the labor market. The system of seven main indicators, together with number of additional supporting indicators, developed within PES Benchmarking project is an example of commonly accepted methodology for monitoring and reporting among PES in most EU countries. Besides, introduction of basic performance measurement model does not necessarily require significant investment in time, IT equipment, technology and training of existing PES staff.

However, this approach has certain limitation as well. Basic performance measurement model does not provide enough information for detailed and comprehensive monitoring and reporting (for instance in terms of complex organizational structures, needs for immediate information, numerous levels of responsibilities, etc.)

Therefore, instead of only most important headline performance indicators in place, several European countries (e.g. Sweden, Austria, the Netherlands) are using more **advanced performance measurement model** (e.g. BSS - Balanced Scorecard System) which gives an overall balance between different important organizational areas and connection between the PES vision/mision and indicators via strategic goals and critical success factors. Such model is based on complex and specially selected indicators which enable very detailed overview of performance of each individual organization unit and their effects to the performance of the PES institution as a whole. It additionally increases level of accountability and transparency of PES and contributes to right allocation of PES resources but, at the same time, requires very developed IT infrastructure and properly educated and trained staff in all PES organizational units and branches.

In a table below, three different policy options are analyzed and evaluated according to the following set of criteria:



- effects on decision- making process and PES management
- effects on accountability and transparency of PES
- effects on right allocation of resources
- time required for implementation
- required investments in new technology and training of PES staff

Table 3. Evaluation of available policy options

Policy options Evaluation criteria	Policy Option I Status Quo	Policy Option II Basic Performance Measurement Model Introduced	Policy Option III Advanced Performance Measurement Model Introduced
Expected effects on decision- making process and quality of PES management	-	+	+ +
Expected effects on accountability and transparency of PES	-	+	+
Better allocation of public resources and expenditures	-	+	+ +
Time required for implementation of performance measurement model	+	0	- -
Required investments in new technology and training of PES staff	+		- -

Legend:

- negative effects
- 0 neutral effects
- + positive effects

CONCLUSION AND RECOMMENDATIONS

(Synthesis of major findings, set of policy recommendations, concluding remarks)

In context of Bosnia and Herzegovina and current status of Public Employment Services in Republic of Srpska and Federation of B&H, policy option II is preferred. It means that basic performance measurement model with an appropriate monitoring and reporting mechanisms should be introduced in Public Employment Services in B&H as soon as possible. Of course, this does not exclude the possibility that the basic model can be further advanced and improved, but at this point, the existence of basic parameters and elements of causal connection between inputs, outputs and outcomes of PES performances is of paramount importance. According to the conducted analysis reports from both PES do not contain enough output indicators, primarily for information and job brokerage services, which is only a reflection of their passive approach when it comes to relations with customers, whether it be with unemployed or with employers. At this point, annual reports in PES are designed in such a way that the dominantly present records and numbers of the unemployed persons, but lowest on PES succeed in performance to help unemployed to find jobs, which is their main statutory activity. There are many reasons for that which are not only in dependence of PES management but also from other factors such as: limited financial sources for implementation of PES activities, outdated IT technologies, human resources that should be trained for new PES services, and finally and the most important, political decision for decisive step in the reform process (such as: relocation of health insurance for unemployed persons from jurisdiction of PES). Therefore, it is very important to address areas for improvement in PES services in order to provide adequate support from decision makers for needed reforms.

In accordance with the above mentioned, the reporting system in public employment services should definitely include more information about information and job brokerage services, especially in terms of contacts with customers, conducted consultations with unemployed persons, conducted consultations with employers, organized interviews, developed individual employment plans, provided customer satisfaction research (primarily the research about satisfaction of unemployed persons), advertised vacancies within the PES information system, etc..

Shift from “traditional management” to “management by objectives” is needed

Another problem identified in this research is unclear objectives and target values stated in PES annual programs and working plans. As it is already mentioned, focus of PESs reporting in this moment is dominantly placed on consistency in the implementation of legal provisions and regulations instead on fulfillment of targeted values and indicators which could be also an explanation why some of the most important performance indicators are missing. It seems that PES management has been primarily oriented to “traditional management” approach that exclusively follows legislation, laws and bylaws provided by respective ministries, without any ambition to introduce new management techniques from the private sector, including “management by objectives” for instance. During the eighties, the same situation was in Europe. Among the first PESs to introduce performance targets were Sweden in the mid-1980s and the UK and Belgium in the late 1980s. Since then, most other European countries have followed this new approach, Finland, France and the Netherlands in the early 1990s and Austria in the mid-1990s⁵. Ireland and Germany first introduced operational targets in the late 1990s, while establishing fully operational systems in 2001 and 2003, respectively. Of course, not all employment services are at the same level but basic performance measurement principles are almost standardized in PESs from EU member countries.

⁵ Labour market policy and employment: impact and process evaluations in selected European countries, J. Koning, H. Mosley



In this sense, the EU experiences and support can be valuable for domestic labor market institutions. More specifically, European Employment Strategy and especially PES Benchmarking Project with its already developed and applied methodology should serve as a guiding line for certain improvements of existing performance measurement models in local PES institutions. Those improvements will also lead to the shift of current focus of monitoring and reporting towards objectives instead of regulations.

Finally, the role of PES management is very important. PES management should be the initiator of mentioned reforms and changes that will result with better performance efficiency and more efficient management system where particularly encouraging is the cognition that management structures from both public employment services are interested to take such important step.

In this respect, the recommendations from this study should be taken solely as an expression of support for the reform processes which are already started at the Employment Agency of Republic of Srpska and Federal Employment Agency.

THE LIST OF ACRONIMS

LFS –	Labor Force Survey
GDP –	Gross Domestic Product
BSS –	Balanced Scorecard System
EES –	European Employment Strategy
EU –	European Union
EURES –	European Employment Services
FBiH –	Federation of Bosnia and Herzegovina
ILO –	International Labor Organization
PES –	Public Employment Service
RS –	Republic of Srpska
ZZZ –	Zavodi za zapošljavanje (Public Employment Agencies in Bosnia and Herzegovina)

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