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**Labour ministries and labour administration in
transition: recent developments and future prospects**

Jason Heyes

International Labour Organization – Geneva

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Preface

In many countries, the design, implementation and evaluation of labour policies are at the centre of the policy-making capacity of the ministries of labour. In recent decades, we have seen that many government reorganisations have brought changes to the role and function of a ministry of labour. It is in this context, that the paper written by Dr. Jason Heyes looks at the implications that labour administration has gone through in the last few years. The study considers that the future of labour ministries and their specific voice in policy matters depend on the capacity to maintain a meaningful partnership with the social partners and to keep the main role and promoter of social dialogue within government. In addition, various experiences show that in order to maintain labour ministries at the centre of larger economic debates is to strengthen their coordination role over the elements of a national labour policy.

This comparative study has been carried out as part of the research and studies under the Programme on Labour Administration and Inspection (LAB/ADMIN) with a view to further strengthening the role and capacity of ministries of labour. The hope is that this paper would inspire further reflection on this subject and would be helpful for government, workers and employers as well as academics and researchers.

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Giuseppe Casale
Director
Labour Administration and
Inspection Programme
(LAB/ADMIN)

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1. Introduction

Over the past two decades substantial changes have taken place in the organisation of national labour administration systems and the principles according to which they are managed. Reforms have occurred so as to accommodate new labour, employment and social protection policies and enhance the effectiveness of service delivery in these areas. They have also taken place as a consequence of attempts by national governments to improve performance, transparency and accountability within the public sector. The term ‘labour administration’, as defined by Convention 150 of the International Labour Organisation (ILO) (adopted in 1978), refers to ‘public administration activities in the field of national labour policy’. By extension, national ‘systems’ of labour administration encompass:

‘all public administration bodies responsible for and/or engaged in labour administration - whether they are ministerial departments or public agencies, including parastatal and regional or local agencies or any other form of decentralised administration - and any institutional framework for the co-ordination of the activities of such bodies and for consultation with and participation by employers and workers and their organisations.

Convention 150 and the Labour Administration Recommendation of 1978 set out the ILO’s vision of the tasks associated with labour administration and fundamental principles to which national governments should adhere. These include preparing, coordinating and reviewing labour policies, collecting labour market data, providing ‘technical advice’ to worker and employer organisations and making arrangements to ensure that ‘consultation, co-operation and negotiation’ between public authorities and representatives of employers and trade unions takes place.

Convention 150 is not rigidly prescriptive with regard to the organisation of labour administration functions. In practice, the number of agencies involved in labour administration, their functions and status varies between countries, as does the extent to which governments devolve responsibilities to ‘competent bodies’ with a quasi- or non-governmental status including, potentially, employer organisations and trade unions. However, it is possible to discern a number of trends in the labour administration reforms adopted by national governments over the past two decades. These have included a greater involvement of private sector and non-departmental bodies in ‘service delivery’, the introduction of ‘one-stop-shops’ that bring together public administration activities relating to work-related benefits and job search and an extensive use of performance management techniques.

Labour ministries, where they exist, play a central role in labour administration and are viewed by the ILO as the key interlocutors between itself and national governments, the part of government that is most likely to highlight the importance of ILO conventions, the normal channel through which trade union and employers’ organisations are consulted and the key to ensuring that the economic priorities of national governments are pursued in ways that are consistent with the maintenance or promotion of employment rights and social equity. However, the ILO has also noted that the influence of labour ministries has declined in many countries over recent years. The ILO Director-General, in his report to the 1999 ILO conference, emphasised that:

‘Over the years, the position of ministries responsible for labour has been changing. Many ministries of labour now have relatively narrow areas of responsibility and, when it comes to broader issues of economic and social policy, their voices are often not heard. Indeed, many countries no longer have a ministry of labour at all; employment and labour affairs are handled through a unit that might address such related issues as competitiveness, enterprise development or gender. Government policy also has an impact on workers and employers

through many other ministries, particularly those of finance, industry or planning' (ILO 1999: 41).

The economic crisis that erupted in 2008 underscored the importance of well-resourced labour ministries and functional equivalents. National governments responded to escalating unemployment and the threat of further increases in a variety of ways. Common measures included increased resourcing of Public Employment Services (PESs), job creation schemes, extensions of unemployment benefit coverage and expanded vocational education and training (VET) programmes. Much of the responsibility for operationalising these measures rested with Labour ministries and their subordinate agencies. The economic and jobs crisis has also had substantial longer-term implications for national labour policies and systems of labour administration. The purpose of this report is to explore some of the implications, with a particular focus on the responsibilities and resourcing of Labour Ministries. The report focuses on developments in Ireland, the UK, Germany and the Czech Republic, countries that are often considered to differ significant in terms of their national institutions and approaches to organising economic activity. In the terms developed by Hall and Soskice (2001), Germany is an example of a coordinated market economy (CME) in which competitive advantages are derived from (among other things) relatively strong employment protections, superior welfare provision and vocational training leading to high-skills. The UK and Ireland, by contrast, have been viewed as examples of liberal market economies (LMEs) that gain competitive advantages from weak employment and social protections. Nevertheless, Ireland has differed from the UK in key respects, notably the extent to which the Irish government, trade unions and employer organisations have participated in tripartite social dialogue. The latter has also been an important element in economic and social policy development in the Czech Republic. While Hall and Soskice's original typology did not encompass CEE economies, a recent attempt to extend it has characterised the Czech Republic as a 'liberal-dependent' economy that resembles the LME type while typically having a greater reliance on foreign capital (King 2007). The report draws on interviews with officials working in the Ministry of Labour and Social Affairs (Czech Republic), the Federal Ministry of Labour and Social Affairs (Germany), the Department of Enterprise, Trade and Innovation (Ireland), the Department of Education and Skills (Ireland), the Department of Social Protection (Ireland) and the Department of Work and Pensions (UK). The report also draws on interviews conducted with employer organizations and trade unions, specifically the Czech-Moravian Confederation of Trade Unions, the Confederation of Industry of the Czech Republic, the Irish Employers and Business Confederation, the Irish Congress of Trade Unions, and the Trades Unions Congress (UK)¹.

2. Challenges and Pressures for Reform

Over the past two decades national systems of labour administration have been substantially reformed, dramatically so in some countries. These reforms have reflected wider changes in public administration systems, which have involved the adoption of new management practices and organisational forms and a reconsideration of the interface between the public and private sectors and the role of the latter in delivering services. According to Considine (2001: 1), the most far-reaching reforms have been introduced with the aim of 'enterprising the state', manifested in processes of 'managerialism, contractualism and reinvention with programs aimed at both the work of officials and the identity of citizen-clients'. These processes, according to Considine, involve a shift away from traditional organisational principles of hierarchy and functional specialism towards new forms of governance that involve both a change in the way employees of public

¹ I would like to express my gratitude to all of those who agreed to be interviewed for the purpose of this research.

administration bodies are managed and the development of new relationships involving public and private sector agencies and those who consume their services. The 'enterprising state' involves an enhanced emphasis on performance management, entrepreneurial actions by public organizations, principal-agent separation, the development of quasi-markets and an emphasis on 'citizen responsibility'.

Many of the developments discussed by Considine have commonly been associated with the New Public Management (NPM). The central principle of NPM is that systems of public administration can be strengthened through the adoption of micro-management practices associated with the private sector. The NPM agenda places emphasis on improving the performance of government departments and non-departmental public bodies (NDPBs) through setting targets and evaluating outcomes, improved accountability and coordinated policy development and service delivery. The prescriptions associated with the NPM have been propagated by international organisations, including the OECD, World Bank and IMF, which have presented the 'NPM as *the* globally applicable formula for building modern government and administration' (Wollmann 2001: 152). The spread of NPM principles has encouraged governments to seek to rationalise policy-making processes by encouraging civil servants to identify clear objectives and measurable outcomes and ensure that policy making is 'evidence-based' (Sanderson 2002). The expectation is that new initiatives should be grounded in reliable, clear and comprehensive research evidence, that ministries should calculate the anticipated impact of proposed policies, use this information when selecting from a range of possible alternatives, and that policies and programmes should be subject to rigorous processes of evaluation. NPM has also encouraged experimentation with human resource management techniques, most notably personal performance appraisals and incentive-based rewards systems involving performance-related pay or bonuses. Such practices are typical components of performance management systems, which are supposed to enhance organizational efficiency and effectiveness through target setting linked to regular and systematic progress and performance reviews. In theory, performance management systems should provide all employees with a clear understanding of the organisation's priorities and provide incentives and processes to ensure that all employees work towards addressing those priorities. Efforts to achieve this objective may involve the identification of individual performance targets, which may in turn be expressly related to the objectives of the operating unit (e.g. department) and the organization of which it is part (e.g. agency or ministry).

Paralleling the diffusion of new ideas and principles in respect of public administration, governments have established new principles and objectives in relation to employment, labour and social protection policies. A particularly notable development has been the widespread refashioning of the relationship between paid work and welfare, encapsulated by the term 'workfare'. Workfare-oriented employment policies have tended to involve tighter restrictions on entitlements to benefits and efforts to make those entitlements conditional on participation in the labour market. The adoption of workfare principles has encouraged the introduction of 'active' labour market programmes (ALMPs), which, in contrast to so-called passive policies (primarily unemployment benefits), are designed to assist unemployed workers in gaining new employment and may include vocational training, employment subsidies, job creation programmes and intensive assistance with job search, typically provided through public employment services (PESs) (Auer et al 2008). In practice, the policies adopted by national governments have exhibited significant international variation, yet there has nevertheless been a wide-spread shift towards the adoption of supply-side employment measures that place an emphasis on 'gainful employment as the principal channel to achieve effective citizenship' (Ferrera and Hemerijck 2003: 123) and political rhetoric that stresses the importance of workers enhancing their 'employability' through skill acquisition and work experience. For Jessop (2002) these developments are manifestations of a tendential shift away from the 'Keynesian national welfare states' (KNWS) that developed in Western Europe, the US

and elsewhere in the 20th Century, towards what he terms ‘Schumpeterian workfare post-national regimes’. Among the characteristics of new regimes are the ‘increasing subordination of social policy and collective consumption to the discursively constructed needs of the economy’ (Jessop 2002: 248). Unlike the KNWS, which was concerned to extend social rights, the SWPR is, according to Jessop, concerned with creating conditions that benefit business, developing skills, knowledge and innovative capacity, cutting social expenditure and ensuring the flexibility of labour markets.

The adoption of NPM and workfare principles has had implications for the delivery of employment services. A study of operational reforms in Europe (van Berkel 2010) identified five common trends: first, the creation of local one-stop agencies that provide job search assistance and administer benefits; secondly, decentralization intended to encourage greater responsiveness of service provision to local and individual circumstances; thirdly, outsourcing and the creation of quasi-markets in relation to activation services; fourthly, efforts to diminish the involvement of employer organizations and trade unions in policy making or implementation; and finally, the use of targets and performance management systems. Efforts to strengthen the link between welfare entitlements and participation in the labour market have also led many governments (examples include the UK, France, Japan and New Zealand) to locate responsibility for social protection and employment policy within a single ministry. However, the functions normally associated with Labour Ministries continue to be distributed across national systems of public administration in different ways – indeed some countries lack a government body that can meaningfully be described as a Ministry of Labour. The countries on which this report focuses provide good examples of the variety that can be observed in national systems of labour administration.

3. Varieties of Organisation

Two countries – the Czech Republic and Germany – provide examples of relatively centralized state management of labour, employment and social protection policy. In the Czech Republic, responsibilities for labour administration issues reside primarily with the Ministry of Labour and Social affairs (MOLSA). MOLSA is responsible for labour affairs, social affairs, social dialogue, pensions and social security. The ministry and its subordinate organisations employ 17,800 persons, almost 900 of whom work within the ministry. Of these posts, 723 are funded by the state budget and the remainder through European Union (EU) funding sources. Within the total workforce of 17,800, there are two main groups; one that works in Labour Office (8,100 employees) and another that works in the Czech social security administration (8,200 employees with responsibility for pensions, collecting contributions and paying benefits and sickness insurance). Other employees work in five social services institutes, research institutes and labour inspection services.

Germany’s Federal Ministry of Labour and Social Affairs (*Bundesministerium für Arbeit und Soziales*) provides a further example of a relatively centralised model. The ministry is responsible for industrial relations, labour market policy, social inclusion and pensions and has direct responsibility for the Federal Labour Court, the Federal Social Court, the Federal Insurance Office and the Federal Institute for Occupational Safety and Health. It is also responsible for supervising the Federal Employment Agency (the German PES). The Ministry employs approximately 1,000 persons.

The Federal Ministry for Labour and Social Affairs was first established in the 1950s. However, in 2002 policy responsibilities were temporarily reorganized following the

creation of a Federal Ministry of Economics and Labour² (BMWA). The new ministry took on responsibility for labour law and employment, as well as the policy areas for which the Ministry of Economics had previously been responsible. Responsibility for social security was transferred to a new Ministry of Health and Social Security. However, responsibility for unemployment benefit was retained by the Ministry for Economics and Labour. In 2005, the economics and labour ministries were separated and the newly reconstituted Ministry for Labour and Social affairs regained responsibility for social security. The 2002-2005 period is discussed in Section 4 of this report.

National labour administration responsibilities in Ireland and the UK are more widely dispersed than in Germany and the Czech Republic. The fragmentation of responsibilities in the UK increased in the mid-1990s. In 1995, the Department of Employment (originally the Ministry of Labour), which had been responsible for matters relating to employment, health and safety and industrial relations, was merged with the Department for Education to create a new Department for Education and Employment (DfEE). Responsibility for industrial relations was transferred to the Department of Trade and Industry (DTI) (now the Department for Business, Innovation and Skills [BIS]) while responsibility for health and safety was assumed by the Department of the Environment (subsequently re-titled the Department of the Environment, Transport and the Regions (DETR)). Further major changes occurred following the 2001 general election when responsibility for employment policy was shifted to a new department- the Department for Work and Pensions (DWP) - which also took on responsibility for social security and (in 2008) health and safety. The education and training responsibilities of the DfEE were re-allocated across two new departments, the 'Department for Innovation, Universities and Skills (DIUS)' and the 'Department for Children, Schools and Families'. The former had responsibility for government policy relating to vocational education and training. This state of affairs continued only until 2009, when DIUS was disbanded and its responsibilities transferred to BIS. An overview of the key ministries and their main subordinate bodies is provided in Figure 1.

Figure 1. Distribution of departmental responsibilities in the UK

Ministry	Executive	Tribunal	Advisory
<i>BIS</i>	Acas	Central Arbitration Committee; Certification Officer.	Low Pay Commission
<i>DWP</i>	JobCentre Plus Health and Safety Executive		
<i>Environment, Food and Rural Affairs</i>	Gangmasters Licensing Authority		
<i>Ministry of Justice</i>		Employment Tribunals Employment Appeals Tribunal	
<i>Government Equalities Office</i>	Equality and Human Rights Commission		
<i>Home Office</i>			Migration Advisory Committee; Illegal Working Group

² Bundesministerium für Wirtschaft und Arbeit.

The reforms in the UK that resulted in the creation of the DWP and the associated merger of two Executive Agencies - the Employment Service and Benefits Agency - to create JobCentre Plus, were intended to support the government's policy of linking the payment of welfare benefits to participation in the labour market. Similar efforts to refashion the link between work and welfare have spurred recent reforms in Ireland. Until March 2010, responsibility for employment policy and unemployment benefits resided with two separate departments. Responsibility for labour and employment policy resided with the Department of Enterprise Trade and Employment (DETE), which also had responsibilities relating to vocational training, while responsibility for welfare resided with the Department of Family and Social affairs. In 2008, the OECD reviewed Ireland's labour administration system and concluded that the Irish labour market would benefit from responsibilities for 'activation' and unemployment benefits being brought together, as has happened in many other countries over the past 10 years. The Irish government accepted this conclusion and implemented the following reforms, some of which remain incomplete at the time of writing.

- (i) On 1st March 2010, the Department of Enterprise Trade and Employment was re-titled the Department of Enterprise, Trade and Innovation (DETI). DETI has retained responsibility for labour relations and employment protection.
- (ii) Responsibility for the skills agenda was re-allocated from DETI to the Department of Education and Skills (previously the Department of Education and Science). This has resulted in responsibilities for vocational training and further education being brought together for the first time. The hope is that this will result in the identification of efficiencies and synergies that will in turn result in improvements in service delivery. It is also felt that the reform will enable a more effectively integrated approach to education and training activities designed to address labour market developments and future skill needs.
- (iii) Responsibility for 'labour activation' is in the process of being reallocated to the Department of Social Protection (formerly the Department of Family and Social Affairs), which is responsible for social benefits.
- (iv) A fourth ministry - the Department of Community, Equality and Gaeltacht affairs - is responsible for labour market interventions delivered via community groups. The programmes focus on groups such as the disabled and 'travellers' and have a back-to-work orientation.

The delivery of employment services and the administration of benefits remain separate for the time being (i.e. they have not been integrated along the lines of, for example, JobCentre Plus in the UK). FÁS (the Training & Employment Authority [i.e. the PES]) is responsible for the former. The latter is the responsibility of local social welfare offices. FÁS has retained responsibility for apprenticeships, competency development and training for unemployed workers.

Responsibility for FÁS has transferred from DETI to the Department of Education and Skills and 70 servants transferred out of the DETI as a consequence. However, the government's intention is that responsibility for FÁS's 'labour market activation' will ultimately be transferred to the Department of Social Protection, although the Department of Education and Skills will retain responsibility for FÁS's education and training activities. The government also intends to merge benefit support and job search functions into a 'one-stop shop'.

The former link between skill formation and innovation and competitiveness has been broken by the transfer of responsibility for apprenticeships and CVT being transferred from DETI to the Department for Education and Skills. However, DETI will continue to have an input to the skills agenda through its representation on the Expert Group on Future

Skills Needs, which included representatives from other key ministries and ‘social partners’. The Expert group now feeds directly into the Department for Education and Skills, having previously interfaced with DETE.

4. Influences on the Status and Autonomy of Labour Ministries

The status of Labour Ministries relative to other ministries, and their freedom to develop and pursue policy agendas, may be determined by a variety of influences. One obvious factor is the political complexion of the government of the day and the content of its economic and social policy programme. In countries with coalition government, the distribution of ministerial responsibilities across coalition members can also be important. For example, during the initial stages of the post-2008 jobs crisis a coalition of Social Democrats and Christian Democrats governed Germany. The fact that the Social Democrats had responsibility for the Ministry of Labour and Social Affairs probably facilitated the development of employment measures designed to preserve jobs.

A further important factor is the political power wielded by the minister of state with responsibility for labour issues. The status of the UK’s department for Business Innovation and Skills, for example, was undoubtedly enhanced following Lord Mandelson’s appointment to the position of Business Secretary in 2008. Lord Mandelson was a key figure in the ‘New Labour’ government that held office from 1997 until 2010 and following his appointment, which coincided with the onset of the economic crisis, BIS developed a higher profile and began to outline ideas for a more interventionist industrial policy that had previously been pursued. These ideas, never more than tentative, have faded from view since the 2010 general election and the appointment of a figure with less political ‘weight’ (the Liberal-Democrat MP, Vincent Cable) to the position of Business Secretary. A further example is provided by the appointment of Wolfgang Clement to the post of Federal Minister of Economics in 2002. Clement’s appointment coincided with the amalgamation of the Economics and Labour ministries, which together formed a Ministry of Economics and Labour (*Bundesministerium für Wirtschaft und Arbeit*: BMWA).

European integration has had substantial, if variable, implications for the Labour Ministries of European Union member states. European Social Funding has proved important in the financing of ministries programmes and staff resources. More generally, European integration has had a clear influence on the labour market and employment relations policies of European member states. European Directives have placed new obligations upon employers and created a set of minimum labour standards that must be respected by all EU member states. European integration has encouraged the adoption of shared orientations in respect of labour market and welfare policy. The underlying causes have been both material and ideational. During the early 1990s the Maastricht convergence criteria of low inflation and reduced public deficits encouraged the view that ‘social protection [is] a financial burden which blunts the competitiveness of enterprises and fuels the potential deficit’ (Bouget 2003: 679). This view was subsequently reinforced by the constraints imposed by the growth and stability pact (Annesley 2003: 152). At the same time, the Commission has encouraged national policy makers to adopt a common frame of reference in respect of social policy, involving standardised concepts, knowledge bases and measures (Jacobsson 2004), the identification of common labour market ‘problems’ and recommended courses of action for solving them (López-Santana 2006). Policy recommendations are expressed through the European Employment Strategy, which provides sign posts to direct policy makers. With regard to actions relating to reducing unemployment, the EES has, for example, expressly called upon member states to ‘review the incentives and disincentives resulting from tax and benefit systems, including the management and conditionality of benefits’ and adopt ‘active’ labour market policies’ (ALMPS). While the influence of the EES on the policies of national governments has

been uneven (Mailand 2008) European social policy and the *Acquis Communautaire* have nevertheless had a substantial impact, particularly on the policies pursued by recent accession countries. The Labour Code of the Czech Republic, for example, has to a large extent been developed through a transposition of European directives into Czech law.

To a large degree, the status of labour, employment and social protection ministries is a function of their role as spending ministries with responsibility for substantial proportions of state budgets. The budget of the German Labour Ministry, for example, is the biggest single budget of any German ministry. In 2010, the ministry's budget amounted to €143.2 billion, equivalent to approximately 40 per cent of the state budget³. As ministries with responsibility for employment policy, and in some cases social protection, the status of Labour Ministries has been affected by the jobs crisis. During the initial stages of the crisis, financial resources to support employment services and social protection were increased, thereby expanding the budgets wielded by many Labour Ministries. Increases in unemployment resulted in some Ministries' expenditure being greater than allowed for under their 2008-9 budget allocations. For example, expenditure on public employment services and ALMPS in the Czech Republic in 2009 was three times higher than had been allowed for in MOLSA's budget (15 billion Czech crowns compared to a budgeted 5 billion crowns). The principal cause of the increase in expenditure was increased demand for unemployment benefits.

The freedom of Labour Ministries to pursue policies of their own devising is relative and subject to variation. Labour Ministries are obviously required to pursue a policy agenda that is shaped by politicians and the government of the day. Within the machinery of government, Finance Ministries also play a key role in shaping the agendas pursued by Labour Ministries. In Germany, for example, proposed changes to the law are subjected to a resource negotiation process involving all ministries. Medium-term financial planning is undertaken, requiring every ministry to provide budget estimates for any measures that it wishes to implement. Cost calculations are made for different policy options and these are subsequently discussed with the Ministry of Finance. During negotiations, the Labour Ministry tends to emphasise that budget allocations are required to resource activities that it is legally obliged to undertake. In recent negotiations, however, the Finance Ministry has argued in favour of changing the law so as to allow for expenditure cuts. For example, in 2010 the law relating to unemployment benefit was altered so as to remove additional temporary supplements that had previously been paid to unemployed persons who had exhausted their entitlement to 'Unemployment Benefit I' and were in the process of being transferred to 'Unemployment Benefit II'. The transitional supplement had been paid so as to avoid sudden dramatic changes to the finances of unemployed persons.

Ministries with responsibility for the economy and competitiveness have also had an influence over the content of measures developed by Labour Ministries. In general, economics ministries promote an agenda that is 'business friendly' and that tends, therefore, to be resistant to proposals that might threaten to impose additional costs or regulatory constraints on firms. This may set them in opposition to Labour Ministries that, to varying degrees, have responsibility for promoting and defending employment protections. In some countries, the potential for tensions has been addressed by merging economics and labour ministries into a single ministry. Examples include Hungary (1998-2002), Poland (2003-5) and the UK. In 1995, the UK's *de-facto* Labour Ministry, the Department of Employment, was merged with the Department of Education and responsibility for industrial relations was transferred to the Department for Trade and Industry (now the Department for Business, Innovation and Skills [BIS]), a ministry whose primary responsibility is promoting the competitiveness of British industry. The reforms,

³ Of the total €143.2 billion, €59.0 billion was allocated to labour market policy measures, including €23.9 billion for basic income support for unemployed people, and €11 billion for ALMPs.

which were undertaken by the then Conservative government, represented an extension of efforts to ensure that industrial relations and employment protection measures would be compatible with the Conservative's policy agenda (that is, would remain weak) and closed off a channel of representation for organised labour (to the extent that the Department of Employment had been regarded as the unions' link to government). The then General Secretary of the Trades Union Congress, John Monks, declared his opposition to the reform, emphasizing that the department 'that is supposed to stick up for the unemployed, the vulnerable and those liable to exploitation will not be represented at the cabinet table' (*Guardian* 6 July 1995, cited in Aldrich *et al.* 2000: 25). The situation has remained relatively unchanged ever since, in that proposals for changes to employment rights continue to be evaluated in terms of their potential consequences for 'competitiveness'. In practice, this has meant that improvements have tended to be minimalist in nature. A further problem, from the perspective of the trade unions, is that the division of responsibilities has resulted in a lack of integration in respect of the framework of employment rights.

A similar amalgamation of economics and labour ministries (albeit temporary) occurred in Germany in 2002 when a Federal Ministry of Economics and Labour (*Bundesministerium für Wirtschaft und Arbeit*: BMWA) was created through a merger of the Federal Ministry for Labour and Social Affairs and the Ministry of the Economy⁴. The creation of the BMWA took place shortly before the then Chancellor, Gerhard Schröder, announced his intention to pursue the economic liberalisation reforms associated with Agenda 2010 and the recommendations of the Hartz Commission. These reforms included increases in workers' social security contributions, greater emphasis on 'active' employment policies, a relaxation of constraints relating to the employment of temporary agency workers and changes to the system of unemployment benefits. Prior to the merger, the two ministries had tended to offer contrasting economic analyses. The analysis of the economics ministry tended to be firmly based on neo-classical orthodoxy whereas the Labour Ministry had retained a largely Keynesian orientation. Cooperation between the economics and labour ministries had, according to some officials, traditionally been 'difficult'. When the merger occurred, the macroeconomic policy division of the Labour Ministry was transferred to the Ministry of Health. It is arguably the case that the creation of the BMWA eased the introduction of these reforms in that it led to the orthodox economic analyses associated with the former Ministry of Economics becoming dominant within the BMWA. The merger of the German economics and labour ministries also enhanced the status of the former in that it acquired responsibility for a far larger budget than it had previously commanded. However, the amalgamation lasted only until the general election of 2005, which brought about a change of government and the departure of Wolfgang Clement from the position of Federal Minister for Economics and Labour. Following the elections, the two ministries were demerged, although they continue to be combined within some German Länder (regions).

The separation of the two ministries has recreated the pre-2002 situation in which the economics ministry emphasizes the potential consequences of new employment and social measures for 'competitiveness'. The economics ministry is currently headed by a minister from the Free Democratic Party (FDP), which tends to favour market-oriented policies. In the context of the coalition, political differences may have important implications for labour policy. Proposals for a national minimum wage were abandoned following the most recent national elections. The FDP was particularly concerned about the potential consequences of wage regulations and secured a political agreement that the Economics Minister would be able to veto the Labour Minister in cases where the Labour Minister

⁴ The ministries were de-merged following the 2005 general election.

agreed to an extension of a sectoral collective agreement.⁵ According to officials, there have been two instances where the Economics minister has threatened to veto extensions, but in both cases he backed down following Cabinet discussion (which suggests that the Chancellor has been in favour of these extensions). On the other hand, the ability of the Labour Ministry to argue the case for retaining measures or introducing new measures has been protected to some extent by the existence of a general agreement within the Federal Government about the conditions for sustainable long-term growth, which encompass competitiveness, environmental matters and social affairs and formally places them on an equal footing. According to officials, the agreement has helped the ministry in its efforts to influence policy.

The distribution of responsibilities in Ireland in some ways resembles the UK, in that responsibility for industrial relations is located with a ministry that has as its primary responsibility the promotion of ‘competitiveness’. The employers’ association IBEC is in favour of industrial relations matters continuing to reside with the DETI because of the department’s enterprise focus. The national trade union confederation ICTU, however, regards the change of the ministry’s name from DETE to DETI (i.e. the substitution of ‘innovation’ for ‘employment’) as signifying a downgrading of the importance of labour issues and a greater emphasis on an ‘employers’ agenda’. National union officials are concerned that any employment rights proposals that might be argued to threaten ‘enterprise and innovation’ will be viewed negatively. ICTU officials are also concerned that industrial relations skills and knowledge have been lost from DETI and that some of the ministry’s officials have a limited understanding of ILO Conventions, collective bargaining and the legal status of collective agreements (which are registered and legally enforceable).

One consequence of the recent suspension of social partnership in Ireland (see Section 10) has been that the onus on the labour affairs section of DETI to act as a protector of employment rights has increased. This can sometimes be a source of tension between the labour affairs and enterprise sections of DETI, which may take different views over the benefits of, for example, Ireland’s National Minimum Wage and sectoral minima. The enterprise section is concerned with the consequences of minimum wages for the competitiveness of Irish firms, whereas the labour affairs section tends to emphasize the importance of minimum wages as a means of protecting vulnerable workers. Since the start of the crisis, the labour affairs section has found it more difficult to make the case for a strengthening of labour inspection, increasing fines for non-compliance and licensing of employment agencies, all of which were agreed under the last social partnership agreement (*Towards 2016*). In the context of the crisis, it has become difficult to convince politicians, the enterprise sections of DETI and other parts of the public administration (e.g. Department of Finance) that the bill to introduce these measures should be prioritized, given concerns about regulatory ‘burdens’ on employers and the resource implications of the measures.

5. Coordination

Wherever responsibilities for labour administration are shared, the issue of coordination is likely to be a matter for concern. Reforms designed to improve coordination in particular areas, for example in respect of employment and social benefits, frequently create new coordination challenges as the distribution of policy responsibilities

⁵ Sectoral collective agreements between employers and unions that allow a minimum wage to be established and extended to an entire sector, if the Labour Minister agrees to an extension. They cover coal mining, cleaners and construction. In some sectors there are different minimum wages for East and West Germany.

changes. Challenges are likely to arise in respect of both ‘vertical’ coordination (e.g. links between the government and the ministry and between the ministry and its subordinate bodies) and ‘horizontal’ coordination (e.g. across ministries, across the divisions of a ministry).

Governments have developed various mechanisms to address coordination challenges. Coordinating bodies designed to provide orientation within and across specific policy areas are common. In Ireland, for example, a Cabinet Committee on Economic Renewal is chaired by the Taoiseach. It includes ministers from key ministries, including Education and Skills and DETI, Finance and Social Protection. A senior officials group on economic renewal feeds into the Cabinet Committee. Groups of senior officials also meet to discuss actions and progress in respect of discreet areas of social policy, such as labour market policy. These provide the Cabinet Committee on Economic Renewal with policy papers and proposals, which can then be discussed.

In the UK, both BIS and the DWP have an interest in labour and employment issues, but because of their policy responsibilities they sometimes approach issues with different emphases. For example, in relation to vocational training, the DWP is likely to be most concerned with training to help unemployed persons obtain jobs, whereas BIS is likely to be more concerned with apprenticeships and continuing vocational training for employed persons. A further example relates to the right to request flexible working, which is available to parents of young children and others with certain types of care responsibilities. When the policy was first discussed, the DWP favoured an inclusive approach that would ensure that disabled workers, single parents and other potentially disadvantaged workers would be able to work flexibly. BIS’s position on this issue, however, reflected employers’ concerns that making flexible work patterns available to all employees would be problematic because employers would first wish to ensure that the employee could be *relied upon* to work flexible patterns. As far as the day-to-day work of the ministries is concerned, bodies have been created to help coordinate activities. Recently a ‘labour market board’ was created to improve coordination in relation to labour market policy. The board is composed of officials and includes representatives from the Treasury, the Home Office (which has responsibility for the policy area of migration), the DWP and BIS. The board is an informal structure that allows officials to discuss issues and ensure that activities are aligned. The labour market board’s role does not extend to resolving disagreements between ministers. Where such disagreements arise, they are dealt with through political processes. The resolution of disagreements may depend on the relative seniority of ministers. In cases of severe disagreement it is possible that the Prime Minister or Chancellor of the Exchequer will intervene.

Attempts to improve coordination have also been made in relation to labour inspection. In contrast to many other countries within and outside Europe, the UK lacks a unified labour inspectorate. Responsibilities for labour inspection are divided between the Gangmasters’ Licensing Authority⁶, the Employment Agencies Standards Inspectorate⁷, the Health and Safety Executive⁸ and HM Revenue and Customs, which is responsible for enforcing the national minimum wage. The consequences of the fragmented labour inspection system for workers, and vulnerable workers in particular, was emphasised by the TUC-convened Commission on Vulnerable Employment (TUC 2008). The (then

⁶ This body issues licences to labour suppliers in the agriculture, horticulture, shellfish gathering and food processing sectors and reports to the Department of the Environment, Food and Rural Affairs.

⁷ This body is part of the Employment Relations Directorate of BIS.

⁸ This body reports to the Department of Work and Pensions.

Labour) government responded by creating a Fair Employment Enforcement Board (FEED) to promote collaboration between the various bodies with responsibilities relating to labour inspection. The TUC, however, continues to be concerned about the fragmented organisation and (in its view) under-resourcing of labour inspection activities.

The use of targets to achieve coordination has become widespread and represents a core element of the New Public Management. Each department within Ireland's public administration system, for example, has a Strategy Statement and a related set of strategic goals. Divisions and sections of ministries are required to have key performance indicators linked to the strategic goals. Departments produce annual reports, in which progress towards meeting strategic objectives, as measured by the performance indicators, is reviewed. A similar system of performance management operates in the UK. Since the late 1990s, ministries have been required to establish public service agreements (PSAs) with the Treasury and set out objectives that are supposed to provide orientation and increase accountability. Many PSAs have been cross-departmental and this has particularly been the case in relation to labour market policy, given the distribution of responsibilities across BIS, DWP and other ministries. Of the PSAs established for the 2008-11 period, for example, DWP led on two: to 'maximise employment opportunity for all' and to 'tackle poverty and promote greater independence and well-being in later life'⁹. The first PSA also involved BIS, the Department of Communities and Local Government, the Department of Health and HM Treasury. The second involved the Department of Communities and Local Government and Department of Health. The DWP also contributed to nine other Public Service Agreements led by other ministries and relating to issues such as child poverty and equality. Through discussion with HM Treasury, the DWP also established seven strategic objectives, which included reducing the number of children living in poverty, maximizing employment opportunity for all, improve health and safety outcomes and promote equality of opportunity for disabled people. Each PSA and strategic objective was underpinned by a number of performance indicators. This system of performance management is, however, currently under review. Each department has developed a 'structural reform plan' and is in the process of developing a 'transparency framework' in which its tasks and indicators of success will be set out. The new system reflects the new government's interest in emphasizing concrete actions linked to timescales (e.g. contracts issued per month), as opposed to broader targets (e.g. increasing the employment rate). According to officials, a drawback of the latter is that it is hard to demonstrate that a department was *responsible* for increases or decreases in the employment rate. A potential drawback with the new approach, however, is that the focus will be on actions rather than the effects of actions (i.e. whether the action helped).

Agreements linked to targets are also used to orientate agencies with responsibilities for labour administration. In the Czech Republic, for example, each of the eight regional labour inspectorates establishes each year a set of targets and proposes a budget linked to the targets, which must be approved by the Deputy Minister. Individual inspectorates' plans and targets are based on the European Commission's strategy for labour inspection for the period 2009-2010 and inspectorates suggest their own targets, based on the Commission's strategy. The annual plan of inspections is always developed in such a way that the number of inspections is feasible. When each region drafts its plan, it takes into consideration the number of employers in the region and the number of inspectors available. Often the targets are exceeded because in addition to the planned inspections, MOLSA and workers' requests trigger additional inspections. However, according to some MOLSA officials, the resources and staffing of the inspectorate are insufficient.

⁹ See the DWP's Annual Report for 2009, available at: <http://www.dwp.gov.uk/docs/departmental-report-2009.pdf>.

In addition to coordinating work programmes, some governments have sought to ensure that ministries pay heed to the potential consequences of new policies for ‘bureaucracy’ and national competitiveness. The UK’s Treasury has, alongside BIS, strongly advocated that regulation of markets, including the market for labour, remain ‘light touch’ in character. The current Conservative-Liberal coalition government has sought to entrench further the maintenance of a minimalist regulatory environment by promoting a ‘one in-one out’ initiative whereby any department that wishes to introduce a new regulation must justify the regulation *and* agree to remove another regulation for which it has responsibility. The objective is to ensure that there will be no increase in the overall regulation of the UK economy. The initiative, which will be overseen by BIS, was launched in summer 2010 and its effects are not yet clear. However, given that employment protections in the UK are invariably presented as a ‘burden’ on business, the introduction of the ‘one-in-one out’ scheme suggests that proposals for new employment rights are likely to be confronted by additional obstacles.

A further example of procedures designed to ensure that the wider social impact of policies is considered is provided by Germany. When preparing a new policy, policy makers are normally required to assess the costs of the policy, the advantage and disadvantages for citizens and the costs of the administrative work involved. A ‘control council’ for legislation oversees the assessments. While the council does not have decision-making powers, its assessments are influential because if it comes to a negative conclusion its statement has to be added to the draft legislation when it is presented to Parliament and it becomes part of the Parliamentary process. The council includes high-level representatives, 4 or 5 experienced policy makers, and is headed by a former state secretary of the Economics ministry. The control council examines whether administrative burdens are being shifted from the state sector to the private sector and tends to prefer that bureaucracy be eliminated rather than shifted to the private sector or to citizens.

6. Research and Evaluation

Evaluation of domestic policy programmes and policies is widespread. Many governments have emphasised the importance of being able to demonstrate the effectiveness of public policy interventions and the virtues of ‘evidence-based policy making’. While the meaning of ‘evidence based policy making’ is somewhat ambiguous (Sanderson 2002), the implication is that new initiatives should be grounded in reliable, clear and comprehensive research evidence and that policies and programmes should be subject to rigorous processes of evaluation. Evidence-based policy making may, however, prove difficult to sustain as a consistent practice. As Walker (2000: 62-3) notes, while research may influence policy-making, it is ‘not always influential [and may be] supplanted by the powerful political forces of inertia, expediency, ideology and finance’. In a similar vein, Cook (1997: 40) emphasises that ‘the politician’s prime goal is to be re-elected rather than to respect technical evidence’. The implication of these arguments is that ‘evidence-based policy making’ may be undermined in a number of ways. For example, governments may favour a lower cost programme over a higher-cost programme, even though the evidence suggests that the latter might be more effective. Furthermore, the desire of governments to demonstrate the effectiveness of their policies may lead them to favour programmes that can be relatively easily evaluated, and that will yield relatively rapid results, over programmes that deliver hard to measure outcomes, even though the latter may be more effective in the longer term.

Research enters the policy making process at different stages. Sometimes research is commissioned from external sources and ministries frequently cooperate with independent research institutions. Some ministries have internal research capacity, with researchers located within departments or separate research units. Until relatively recently, MOLSA funded a Research Institute for Labour and Social Affairs, which came under the umbrella

of the ministry but is now a public research institution. MOLSA also cooperates with the National Employment Observatory, which is also a public research institution and provides assistance with the forecasting of future qualifications and skill needs.

Germany's Ministry of Labour and Social Affairs has a well-developed 'evaluation culture'. The emphasis placed on evaluation has increased since the Hartz reforms and the Ministry has evaluated almost all of its labour market instruments. When evaluating impacts, the ministry attempts to examine counter-factuals (control groups), a method of research that is common in public policy evaluation and widely used by national governments. The ministry also examines processes and attempts to explain *why* an instrument was or was not effective. In conducting its evaluations, the ministry is able to call upon the services of the Institute for Labour Market and Occupational Research, which comes under the umbrella of the Federal Employment Agency.

Labour ministries frequently draw upon evidence when negotiating their budgets with finance ministries, which typically focus on the costs and benefits of pursuing particular courses of action. In the case of the DWP, negotiations relating to programme spending typically encompass a discussion of the impact of benefit payments on overall spending. The Treasury tends to be concerned that programmes should help to reduce the level of expenditure and that programme costs should be outweighed by savings on the welfare budget. The Treasury tends to be less receptive to potential programme outcomes that cannot be easily quantified, such as the benefits to workers' health if they are able to access work.

The emphasis placed on cost savings has been intensified since the start of the current austerity drive that is currently occurring in many European countries. The austerity drive is also undermining the evidence-based policy making process as governments abandon policies without first subjecting them to rigorous evaluations. In April 2010, the German parliament decided to abandon a scheme that offered bonuses to employers who agreed to employ apprentices who had been seeking a position for more than 12 months. The decision was taken before evaluations of the scheme had been completed, although it should be noted that a subsequent evaluation found that 80 per cent of employers would have taken on apprentices even had the bonus been unavailable. Measures for young people have also been abandoned in the UK. In 2009 the former Labour government introduced a 'Young Person's Guarantee' initiative, guaranteeing all 18-24 year olds who were NEET¹⁰ an employment, education or training opportunity. The scheme was funded via a Future Jobs Fund, which allocated £1 billion to creating 150,000 jobs, of which two-thirds were to be for young workers. The scheme and the Future Jobs Fund were abandoned by the current coalition government shortly in 2010, shortly after it took power. In an emergency budget, the government announced a target of £6 billion worth of public spending cuts during 2010-11 and each ministry was required to identify ways of cutting its costs. In the case of the DWP, the recession-related spending of the previous government was identified as a target for cuts. The government has pledged to honour existing commitments related to the Young Persons' Guarantee, but will not fund any further places. The scheme was axed prior to the undertaking of evaluations and the decision appears to have been based solely on the cost of the programme and the fact that some of the contractual difficulties (i.e. contracts involving providers) that might have occurred had other schemes been axed would not arise in relation to the Future Jobs Fund. It is worth noting that the scheme had been introduced despite initial assessments that suggested that the benefit savings generated by the scheme would probably amount to less than its running costs. The decision to proceed with the scheme despite the cost

¹⁰ Not in Employment, Education or Training.

implications is a further example of political priorities (in this case a desire to address youth unemployment) taking priority over 'evidence based' considerations.

7. Managing People: Training and Pay

Training

The research for this study identified a number of new developments in respect of training programmes for ministries' employees. The German Labour and Social Affairs ministry, for example, is in the process of implementing a ministry-specific further training programme. This initiative is partly a response to a change in the Federal Careers Ordinance, which has introduced a requirement that each ministry develop its own 'HRD concept'. Every staff member will be entitled to 12 days of further training per year. The ministry has developed a curriculum of compulsory units, to be completed within 5 years, and a suite of options. The programme's rationale is to increase training opportunities for experienced members of staff and address the low participation rate in training among officials over the age of 50 years. The ministry also wishes to improve opportunities for women, disabled employees and part-time employees to access training and increase the training opportunities available to the middle and lower levels of the service. Training needs are identified via different channels. Each division of the ministry conducts staff interviews, which include performance appraisals based on comparisons between performance and targets. On the basis of this interview, individual training needs are identified. In addition regular discussions concerning training needs occur at general directorate level and decisions are then relayed to individual divisions.

The ministry has also developed a mentoring system for new recruits. The mentoring programme was introduced in 2006 and initially had 30 members, who participated in a network designed to facilitate support through the sharing of information and experience. New recruits remain the network for 18 months and then join an alumni network. By 2010, between 260 and 280 employees were participating in the two networks. The benefits for the ministry have taken the form of closer cooperation and a faster exchange of information within and across DGs, resulting from the personal contacts and good working relationships that the mentoring programme has facilitated.

In the case of MOLSA, every new recruit must complete an initial training period within a three-month probationary period. Opportunities for further training are also made available. MOLSA is able to access an external institution (Institute for Public Administration Education) which publishes a catalogue of courses every year. The courses, which are mainly focused on managerial skills, conclude with an exam and the award of a certificate. MOLSA also has a separate training budget, which is used when the external institute does not offer a course that is needed. In these circumstances, MOLSA will organize the training. Once a year, the ministry conducts an analysis of training needs and heads of department pass their requirements on to the education unit, which then organises the necessary seminars and courses. It is likely, however, that MOLSA's training budget will be cut as a result of austerity measures. The initial 2011 budget estimate for human resources, education and training was 40 per cent below the 2010 figure (excluding the payroll). The training budget for 2011 will therefore be 40 per cent less than the budget for 2010.

Pay and performance appraisal

The adoption of new performance management methods has been accompanied in some countries by the introduction of incentive-based pay and rewards, whereby an element of employees' total remuneration is placed 'at risk'. Performance-related pay

(PRP) is perhaps the best known example and it is now a feature of public administration management in a number of countries. The contribution of PRP to total remuneration, its application to ministries' employees, the methods used to determine performance-related payments and the extent to which they are regulated by collective agreements varies between countries. However, incentive payment systems in three of the countries studied for this report have been affected by austerity measures. In the case of the DWP, PRP is a relatively small proportion of the total remuneration received by most employees (typically less than 10 per cent). PRP awards are linked to individual targets, which are in turn linked to those of the organization. However, austerity measures are likely to result in a reduction in the size of performance-related payments (it has been suggested that for the foreseeable future they will probably amount to no more than 1-2 per cent of employees' salary).

The remuneration package of the civil servants employed in MOLSA also comprises basic and variable elements. There is a 'leadership allowance' for senior officials. The Labour Code specifies four levels of management, from Head of Unit upwards. These individuals may be paid a supplement of between 5 and 20 per cent of basic pay. A further variable component is known as the 'personal allowance', which is paid in recognition of good performance over a sustained period of time. These allowances can only be received once new recruits have completed a 3-month probation period. Employees are also eligible to receive a bonus for carrying out a particularly demanding task, although there is no specific budget for this and bonuses can only be paid if funding is diverted from other activities. Supplementary payments are supposed to be linked to a formal evaluation process, yet in practice evaluations do not always take place. MOLSA's HR unit has instructed heads of units and departments that an official's 'personal allowance' can only be reduced if a proper evaluation of their performance, results and approach to the work has been conducted. Unit heads are also expected to evaluate the performance of other members of the relevant section before making a recommendation (i.e. the person whose allowance is to be changed should be compared to other people in the same section/department). However, while the Minister has also said that heads of departments should carry out evaluations, the form of the evaluation has not been specified and appraisals are therefore not conducted in a systematic way. In addition, it is recognized that line managers require more training in approaches to 'people management' (e.g. coaching people, time management). As has been the case in the UK, it is likely that MOLSA's remuneration system will be affected by austerity measures. All ministries were required to cut their costs by 10 per cent in 2011. It is possible that basic pay will be reduced by 10 per cent and that the supplementary payments will also be reduced. However, it is also possible that the savings will be made through staff reductions or a combination of staff and pay reductions¹¹.

The German Ministry of Labour and Social Affairs also operates a PRP system, which is specific to the ministry. Salaried employees in the public sector are covered by collective agreements that include provisions relating to performance-related pay. The Ministry has implemented the collectively agreed system for salaried employees, who comprise between 10 and 20 per cent of the Ministry's staff at higher and executive level and approximately 80 per cent of staff employed at lower levels. In 2010 the ministry extended the coverage of PRP to civil servants. It also extended the coverage of performance appraisals so as to include salaried employees as well as civil servants, who were already subject to appraisals (as required by the Civil Service Act). The reforms were implemented in an effort to provide both groups with the same opportunities in respect of pay, promotion and advancement. However, the PRP systems for the two categories of

¹¹ Public sector pay cuts and pay freezes have occurred in several countries as governments have sought to reduce public expenditure (Glassner 2010, Ghellab and Papadakis 2011). Trade unions have responded to attacks on wages and other government measures directed at reducing social expenditure by organising strikes and demonstrations.

employee differ. While 80 per cent of salaried employees receive a performance-related bonus, the Civil Service Act specifies that bonuses can only be paid to the very best performing civil servants, which has meant that payments have been made to a comparatively small proportion (between 30 and 40 per cent) of civil servants.

Until recently, performance-related awards in the ministry were made by the head of each DG on the basis of subjective assessments of performance. However, a survey of employees conducted in 2008 uncovered evidence of unhappiness at the lack of transparent and objective criteria. A new formal appraisal system was introduced in 2010 and PRP awards are now determined by line managers according to criteria determined by each DG. Employees are awarded points based on criteria relating to, among other things, their output, quality of work and leadership skills. Each DG is allocated a budget for performance related bonuses, linked to the number of employees in the DG and their levels (e.g. number in top grades, number in middle grades). The bonus points awarded following an appraisal are translated into monetary amounts. For employees in middle positions, the awards typically represent around 20 per cent of one month's salary. It is also possible to award team bonuses, linked to the achievement of team targets. This recently-introduced innovation should enable the ministry to increase the proportion of civil servants who receive a bonus to around 50 per cent.

The new appraisal system has resulted in higher workload for heads of divisions and sections and has encountered criticisms for this reason. The ministry has responded by conducting a study of the tasks undertaken by each DG. The purpose of the study was to explore possibilities for transferring certain tasks to non-ministerial bodies (e.g. a general administrative agency), thereby creating more room for heads of departments to focus on issues that align with the objectives of the ministry. The ministry is also developing a target-steering process in an effort to improve its system of performance management. Medium-term development targets and 'action fields' (priority areas for action) have been identified for the ministry and these were due to be implemented during late 2010. Target agreements will be concluded by state secretaries and the directors of the DGs, who will then 'cascade' the targets to divisions. The intention is that divisional heads will develop targets for individual employees, linked to the targets established for the division. Evaluations will subsequently be undertaken and progress will be reviewed at top-level meetings involving the ministry's state secretaries, who will also consider whether targets should be adjusted. This new approach to performance management is specific to the ministry and is a consequence of a decision by the minister and state secretaries (it has not been required by the Finance Ministry). The minister is keen to focus the ministry's activities more closely on its political objectives, in order to combat an external impression that the ministry lacks a clear focus. The objectives set for the ministry have been derived partly from the medium-term objectives of the coalition government and partly from a corporate mission statement that the ministry is developing. Several action fields have been identified (for example, 'activation' of the labour force) with the intention of introducing a sharper focus on core activities. The potential contribution of each DG to the various action areas will be examined so as to (in the words of one official) 'fill the action field with concrete and specific projects'.

Public sector pay in Ireland, including pay in the civil service, has been substantially affected by the Irish government's austerity measures. Towards the end of 2009 pay cuts for public servants were announced for the following year, ranging from 5 per cent for individuals earning up to €30,000 p.a. to 15 per cent for those earning more than €200,000. Performance bonuses for senior officials (department heads and Assistant Secretary Generals) have been suspended and it is uncertain that they will be reintroduced once the Irish economy recovers. Government expenditure cuts have also resulted in a moratorium on the staffing of public administration. Each department has agreed with the Department of Finance a limit on total departmental staffing. As a consequence, it has become difficult to fill vacancies and ministries have responded by seeking increased freedom to re-deploy

officials. In the case of DETI, there has been a concern that staffing levels in areas such as redundancy payment, activation and dispute resolution should be maintained. The government has reached an agreement with the Irish trade unions (referred to as the ‘Croke Park’ agreement), which covers the issue of re-deployment and allows for civil servants to be transferred between functions. The unions agreed to greater flexibility in return for a promise that the government would not require *compulsory* redundancies and would not impose further pay cuts for at least four years. In practice, re-deployment has so far proved difficult to achieve and, where it has occurred, it has not been achieved swiftly.

8. Public Employment Services

Public Employment Service (PES) budgets are typically determined through a negotiation process involving the PES, the sponsoring ministry and the finance ministry. For example, the process of determining the budget of the Czech Federal Employment Agency begins with a proposal from the agency, which is then discussed with MOLSA and the Finance Ministry. Czech law requires that the agency’s management board and the ministries must reach an agreement on the budget, although some officials regard the ‘negotiations’ as a mere formality. The Federal Employment Agency board does, however, have the authority to decide how it allocates its budget between labour market measures and can also exercise discretion in relation to staffing levels. The agency is normally provided with a total ALMP budget and must then decide how to allocate the budget between instruments.

While agencies, labour ministries and finance ministries may negotiate over funding, a certain amount of PES funding is often volume-related (that is, linked to the number of ‘jobseekers’). In the UK, for example, the number of JobCentre Plus advisors is related to the number of jobseekers. When preparing estimates for the funding cycle that commenced in April 2008, the DWP underestimated the number of claimants who would require assistance. When it became clear that the jobs crisis would result in the estimate being exceeded, the DWP was able to argue successfully with the Treasury for additional resources. In general, the Treasury is persuaded that the JobCentre Plus more than covers its costs, through the benefit savings that result from successful efforts at helping unemployed people find work. The UK’s Minister for Work and Pensions sets annual targets for JobCentre Plus. The DWP is currently examining the possibilities for simplifying and reducing the number of targets, so as to focus on one or two ‘employment-driven’ targets which the Chief Executive of JobCentre Plus will be responsible for meeting. The primary objective is likely to be to maintain or improve the rate at which people flow off of welfare and into paid employment.

The job advisors of the German BA have considerable scope to exercise discretion when making decisions about the type of support to offer unemployed persons. Scope for discretion increased following the 2003-5 Hartz reforms. However, a target agreement system between the BA and the Ministry has been introduced, setting out specific labour market objectives which local advisors are supposed to consider when making recommendations to jobseekers. A key federal target for labour market policy is a reduction in the duration of unemployment and the effectiveness of labour market instruments will be evaluated against this objective. Targets are agreed annually between the Ministry and BA and budgets are then planned on the basis of the targets. In considering the resources it will require, the BA is required to consider client support ratios as these strongly influence the personnel budget of the BA and its staffing requirements. The ratio of job advisors to ‘clients’ is 1:75 in the case of young people. For adults it is 1: 125. The ratios, which are set out in legislation, are intended to provide orientation and do not have to be exact for every advisor.

Many governments provided PESs with additional resources during the early stages of the crisis, although capacity problems were nevertheless experienced. FÁS, Ireland's PES, has been subject to the general moratorium on recruitment in Ireland's public sector. To cope with the increase in unemployed workers, FÁS reallocated staff from sections concerned with training people in employment and apprenticeship training, redeploying them to activities related to support for unemployed workers. In the Czech Republic, increased unemployment has similarly led to capacity problems that have proved hard to manage and the Labour Offices have had to work faster in processing claims. However, public spending cuts may impact on the activities. In 2010 the Czech government announced plans to reduce staff expenditure by 10 per cent by cutting jobs, salaries or a combination of the two. Each Minister will be responsible for deciding how the cuts will be implemented and at this stage it is not certain how many posts will be lost from MOLSA or the Labour Offices. Criteria for the receipt of certain social benefits are to be tightened and a reorganisation of the Labour Offices system has been planned. Currently there are 77 Labour Offices operating at district level. In practice, the Labour Offices have a great deal of autonomy, although the scope of their activities is defined by the Employment Act and their activities are also limited by the funding available from the state budget or European Social Fund. However, the intention is to merge these offices into one authority, to be governed by MOLSA. The Minister wishes to abolish all district labour offices and establish a new national Czech Employment Authority with 14 branches (one in each region), each of which will be responsible for running a number of Client Centres (220-250 across the country). While some officials in MOLSA hope that the reforms will address regional imbalances in unemployment and economic conditions, it is not clear whether a new regional public employment body will be created to coordinate the district offices.

The implications of austerity measures are also uncertain in the UK. A large majority of the DWP's expenditure is related to pensions and payment of benefits. However, the department has been required to make a 26 per cent reduction in non-benefit spending. Staffing and programme expenditures are negotiated separately, but it is likely that the DWP will make cuts across both expenditure items and that staffing reductions will result. Staffing of Job Centre Plus increased during the crisis, but the organization will be required to make cuts. The emphasis will be on trying to maximise savings on back office functions while attempting to maintain front line services and it is likely that greater use will be made of IT so as to facilitate on-line claims.

Reforms are also due to take place in Germany. State expenditure cuts are due to be implemented and it is possible that 10,000 jobs in the Federal Administration will be lost over the period 2011-2014. As noted in Section 4 above, the budget of the Federal Ministry for Labour and Social Affairs is the biggest single budget in the government (€143.2 billion for 2010). Over the next two years, the Ministry will be required to affect major cuts in expenditure. The government's total budgeted expenditure for 2010 was €319.5 billion. This is likely to fall to €307.4 billion in 2011. As a consequence, the Ministry's budget will be reduced to €131.8 billion, although even then its budget will represent 42.9 per cent of the total state budget. The current coalition government wishes to reduce the number of ALMPs instruments and the Ministry is currently considering whether and how some instruments might be merged. The hope is that resulting efficiency gains will compensate for a planned reduction in funding. The reforms, which are due to be introduced at the beginning of 2011, should also permit staff in local employment offices to exercise a greater amount of discretion in terms of the advice they provide to jobseekers.

The impact of the cuts on the staff base of the Ministry and the BA remains uncertain. The staffing required to operate Germany's basic income support scheme is paid from the federal budget. The Ministry's budget estimate includes an item for 'administrative costs', which includes the staff cost associated with administering basic income support. While the Ministry is facing an overall budget reduction, it is permitted to transfer funds between

spending items and this may help it to preserve jobs. With regard to the BA, staffing levels are largely determined by the advisor: client ratios, which are stipulated in legislation. The implication is that the number of advisors will only decrease if unemployment falls.

Tax revenue is not the only source to cover the Ministry's expenditure – another important source is employer and worker contributions. In 2010, expenditure on statutory pension insurance amounted to €249.1 billion. Only one-third of this amount (€80.6 billion) came from the government budget; the remainder came from government and employer contributions. The Ministry's contribution to pension insurance represents by far the largest element of its overall contribution to social benefits (€80.6 billion out of a total social expenditure of €81.1 billion). The remaining social expenditure is linked to employment policies. There are two unemployment support schemes: a tax-funded, means-tested income support scheme, and a contribution-funded unemployment insurance scheme. The latter comes under the authority of the Federal Employment Agency. In 2010 the Federal Employment Agency's budget included an expenditure amount of €54.1 billion, which was contribution funded. Of this, €5 billion was spent on unemployment benefit and €16.7 on ALMPs.

Regular Federal government subsidies for the BA were available up until the introduction of the Hartz reforms. In 2005, however, the principle was established that the BA would receive no further subsidies but only loans. Over the past five years the BA was regularly able to generate a surplus because of relatively high unemployment insurance contribution rates. The BA was therefore able to build a reserve, which was exhausted during the crisis, thus creating a need for a one-off federal subsidy of €12.1 billion. Scope for reserve building will diminish after 2010 because of changes in insurance contribution rates. Between 1993 and 2006, the unemployment insurance contribution rate was 6.5 per cent of the wage (equally shared between workers and employers). The rate was cut to 4.2 per cent in 2007, to 3.3 per cent in 2008 and to 2.8 per cent in 2009. In 2011 it will be 3 per cent. The reduction that took place in 2009 represented an attempt by the government to reduce the financial burden on employers in the hope that this would provide them with an incentive to maintain workers in jobs. It is likely that the BA will experience a deficit in 2011 and 2012, but for those years they will not receive a subsidy from government but will instead receive a loan (a €6.55 billion loan is anticipated in 2011).

9. The Public-Private Interface in Employment Services

Private and third-sector involvement in the provision of employment services is well-established in the UK, particularly in relation to the long-term unemployed. JobCentre Plus deals with most jobseekers for the first 12 months of unemployment. Unemployed persons are then transferred to 'Flexible New Deal' programmes, which are administered by private and voluntary sector providers. In the case of those persons with health conditions who are expected to be able to move back into work at some point in the future, provision is split between the PES and private employment service providers (approximately 40 per cent of these individuals are helped by Jobcentre Plus and 60 per cent through 'pathways' measures delivered by private providers).

Benefit reform is currently a political priority in the UK. The coalition government has announced plans to simplify the benefits system through the introduction of a 'universal credit'. The government has also committed to a 'Work Programme', which is a new form of private and voluntary sector employment provision that will require new contracts and a new funding model. It is possible that the programme will result in job seekers moving to private sector programmes at an earlier stage and that the involvement of the private sector will expand. Given that service provision is already a 'mixed model', a step-change is not envisaged. However, the 'Work Programme' will differ from existing

measures in that it will not cluster unemployed persons into different categories (e.g. those with health problems) but will treat them as one pool. There will also be a greater emphasis on sustained employment. Fees will be related to providers' success in helping unemployed workers find *and retain* a job. Providers will determine for themselves the processes through which these objectives will be pursued and will also be encouraged to compete for 'market share'.

The involvement of the private sector in the Czech labour market dates back to 2004. 2,500 temporary work agencies (TWAs) are currently involved in service provision, covering both Czech workers and foreign workers. MOLSA has experienced a number of problems relating to the activities of the agencies. The agencies are supposed to report on their activities annually, yet half of them fail to submit a report. In response, the ministry has submitted draft amendments to the law that will facilitate the process of tightening control of agencies' activities and the withdrawal of permission to operate. Some of the TWAs provide counseling activities for job seekers on behalf of Labour Offices, although relatively few are involved in providing *comprehensive* support for job seekers because of the scarcity of funds for such programmes. MOLSA has sought to increase resources for those unemployed persons who are in most need of help by encouraging them to make use of IT-supported self-service facilities, thereby reducing pressure on Labour Offices. A national call centre has been established to answer common questions and address common concerns. A website for jobseekers has also been created.

Private sector job brokers are also encouraged in Germany. Unemployed workers are able to hire a private agency to help find them a job. The unemployed worker is given a voucher, which they pass on to the agency if it is successful in helping them back into work. The agency is then able to cash the voucher with the PES. The PES also contracts with private sector organisations to provide unemployed workers with help with CV writing, presentation skills and so forth. Private sector involvement in employment services in Germany, as elsewhere, is not without its difficulties. Private sector companies complain that the funding they receive from the PES is too low and that competition forces them to reduce their prices. However, according to officials of the ministry, while contracting with private providers involves certain transaction costs the system generally works well. The ministry is, however, considering lengthening purchasing cycles, taking the UK as a model in this respect. It is believed that a longer purchasing cycle will allow for greater stability and more reliable cooperation between the private sector and the BA.

10. Involvement of Social Partners in Labour Administration and Social Dialogue

The extent and nature of the involvement of employer organisations and trade unions in labour administration varies considerably across the countries of Europe. Tripartite social dialogue is not common in Germany. Employer organizations and trade unions are, however, closely involved in labour administration. German law requires that the social partners participate in the governing bodies of the institutions responsible for statutory pension insurance, health, unemployment, pensions and occupational accidents. The membership of the governing bodies of these organizations is composed of equal numbers of employer and trade union representatives. An exception is the Federal Agency for Labour, which is governed on a tripartite rather than bipartite basis. The board of the Federal Agency for Labour is a management board and has responsibility for deciding how to comply with laws relating to employment services.

Employer and trade union involvement in the UK's national system of labour administration diminished in the 1980s and early 1990s. The 1979-1997 Conservative government disbanded the Manpower Services Commission and the National Economic Development Committee, which had previously provided employers and unions with a role

in labour administration and a limited voice in policy deliberations. The practice of including trade union leaders on Government inquiry panels and committees was also suspended and trade union leaders were typically only consulted on issues that were deemed to be of direct concern to them (Crouch 1995). The 1997-2010 Labour government displayed a greater willingness than its predecessor to involve trade unions and employer organisations in the development and delivery of public policy relating to industrial relations, employment and social protection. The most notable development was the creation in 1998 of the Low Pay Commission (LPC), the body charged with making recommendations on the level and coverage of the national minimum wage.

The LPC is composed of an equal number of employer and trade union representatives (plus three independent experts) and thus provides employers and unions with an opportunity to influence a key area of labour market policy. Employers and trade unions have also been granted representation on a variety of advisory groups. For example, they participate in the Illegal Working Group, which is composed of representatives of various civil society organizations and has a remit to tackle illegal migrant working. In addition, unions and employers have contributed to various 'task forces' that have been established to discuss policy proposals and provide advice on implementation in relation to issues such as flexible working for parents, the development of a national skills strategy and reforms of the Employment Tribunal system.

The 2010 general election brought to power a Conservative-Liberal Democrat coalition. The implications for the extent of employer and union involvement in labour administration are not yet clear. The government is continuing to consult with the TUC and the situation in this regard is viewed by senior TUC officers as being better than had been the case under the Conservative governments of 1979-1997. On the other hand, the new government recently restored a link between the Consumer Prices Index and pensions and announced the decision without first consulting the TUC. TUC sources have expressed the view that the preceding Labour government would not have announced an initiative of this kind (i.e. a measure that has implications for union members) without consulting the TUC.

The implications of the government's austerity measures for labour administration are also uncertain. As noted, the precise impact of spending cuts on the staffing of ministries and agencies remains to be seen.

However, a cull of quangos carried out in 2010 has had implications for labour administration. The Learning and Skills Councils have been abolished and the Certification Office and Central Arbitration Committee (CAC) have been merged (it is not yet clear whether there will be an impact on service provision). Most other quangos with responsibilities for labour administration are to be retained. These include the Low Pay Commission, the Advisory, Conciliation and Arbitration Service (Acas), the Gangmasters Licensing Authority, the Equality and Human Rights Commission and the Health and Safety Executive (HSE). This is not to say that these bodies will be unaffected by austerity measures. However, employers and trade unions will have some influence on how the cuts will affect labour administration, in that the executive board of the Health and Safety Executive and Acas are tripartite and have the authority to make decisions about how cuts will be implemented.

While the involvement of employers and unions in labour administration increased under the 1997-2010 Labour government when compared to the immediately preceding period of Conservative government, their involvement remains less extensive than in some other EU economies and is typically restricted to participation in consultation exercises or

the provision of advice¹². In Ireland and the Czech Republic, by contrast, employer and trade union representatives have for the past two decades participated in regular tripartite social dialogue. In the case of the Czech Republic, employer and trade union representatives are normally given opportunities to comment on proposed changes to Czech legislation and present their positions at a Council for Economic and Social Agreement (RHSD)¹³. If the social partners do not reach an agreement on the proposal, the proposal will go to the Cabinet, which will try to reach an agreement and submit the proposal to Parliament. According to MOLSA officials, the benefit of social partnership is that the views of social partners can be taken into account and addressed when drafting amendments to the law, which results in better cooperation once the legislation comes into force. This is particularly important when the government wishes to submit a controversial proposal. A drawback of social partnership, however, is that different opinions have to be reconciled. In practice, the extent of dialogue is variable. While there is a general obligation for the government to consult the social partners on draft legislation, in practice governments that do not want to consult do not consult. The 2006-9 government headed by Prime Minister Topolánek, for example, tended to present proposals to Parliament without first discussing them with the social partners. The subsequent 2009-10 'caretaker government' headed by prime minister Fischer, by contrast, placed greater emphasis on social dialogue and discussion. The position of the current government is uncertain, although there are indications that social dialogue will once again be de-emphasised, even though social dialogue played an important part in the development of measures to address the crisis. Anti-crisis measures were agreed in the RHSD and the national employer (SP) and union federations (CMKOS) presented a signed document to the Council, stating their joint support for the principle of maintaining employment. SP and CMKOS also took a leading role in identifying sources of EU funding and in pushing for short-time working measures.

National-level social dialogue has also occurred in the Ireland over the last 20 years. Social dialogue came about as a response to macroeconomic pressures in the 1980s. Over the two decades that followed, the outcomes of discussions involving the social partners and the state were enshrined in national 'partnership agreements'. The first such agreement was reached in 1987 against a backdrop of high unemployment and inflation. Social partnership has, however, collapsed as a consequence of the economic crisis. The trade unions withdrew from partnership arrangements in 2010 in response to the government's

¹² In comparison with other European economies, the UK has lacked co-ordinating bodies and fora to enable employer bodies and trade unions to participate in policy-making. This has been particularly true since the 1979 general election, which brought to power a Conservative government led by Margaret Thatcher. In 1987 the government wound up the Manpower Services Commission (MSC). This body, on which employers and unions were represented, had been established in 1973 and was responsible for vocational education and training, employment services and Jobcentres. The disbanding of the MSC was followed in 1992 by the disbanding of the National Economic Development Committee, which had been created in 1961 to enable trade unions, employers and the government to meet to discuss issues relating to the economy. The situation improved somewhat following the election of a Labour government in 1997, although the Low Pay Commission, which was established in 1998, remains the only on-going forum for union and employer involvement in policy development.

¹³ The RHSD was originally formed in 1990, although it was replaced by a more limited Council for Dialogue between the Social Partners between 1995 and 1997, before being re-established in 1998 (Casale *et al.* 2001). The stated purpose of the RHSD at the time of its creation was to 'develop social dialogue with a view to maintaining social harmony as a critical condition for a successful transition to a market economy and higher living standards' (cited in Casale *et al.* 2001: 12). Initially, the RHSD was to be called the Council of Social Agreement. The name was changed to Council for Economic and Social Agreement in response to employer and trade union requests that its remit include economic policy (Fassmann and Čornejová 2003).

unilateral decision to impose pay cuts on public sector employees. Since the breakdown of social dialogue, the trade unions have had been consulted to a lesser extent than had previously been the case. The Irish Parliament (the *Oireachtus*) recently discussed the issue of minimum wages and invited the employers to attend. The trade unions were not invited and have submitted a complaint to the relevant committee.

Until recently, employers and trade unions provided representatives to the governing body of FÁS (the PES). Following allegations relating to misuse of money and poor governance, the board was reconstituted and scaled-down in 2009 and IBEC and ICTU are no longer represented. However, the law continues to specify that unions and employers should be represented on other bodies, such as the Pensions Board and the Health and Safety Authority. They also continue to be represented on the Expert Group on Skills Needs. The social partners are not represented on the board of the National Employment Rights Authority, although they do have an advisory role. The Irish government is considering merging NERA and HSA. The trade unions, who are represented on the board of the HSA, believe strongly that the two organizations should remain separate.

Social partnership has had important implications for labour administration in Ireland. The most recent partnership agreement, *Towards 2016*, which was agreed in 2006, provided for a new labour inspectorate - the National Employment Rights Authority (NERA) and an increase in the number of labour inspectors from around 15-20 to 90. Eighty-six inspectors were ultimately recruited, although the number of inspectors has since fallen as a consequence of austerity measures (inspectors who leave the inspectorate are not being replaced). *Towards 2016* also contained a commitment to increase fines for employers who fail to respect their employees' statutory rights. However, progress towards the introduction of new fines appears to have stalled since the breakdown of social partnership.

11. Conclusion

Labour Ministries and their functional equivalents form the crux of national systems of labour administration. However, the specific functions performed by Labour Ministries and the distribution of responsibilities relating to policy development and delivery vary between countries. While some countries have maintained relatively centralized forms of organization, in which the Labour Ministry has responsibility for most activities relating to labour, employment and social protection policies, others have redistributed policy responsibilities across central government while delegating operational responsibilities to quasi-autonomous agencies and non-governmental bodies. Reforms have occurred for a variety of reasons, although a number of particularly important explanatory factors can be identified. Governments' concern to achieve a closer interface between social security and employment policies has led to responsibility for these policy areas being centralized in policy and operational terms, through reorganizations of central government, reallocation of responsibilities and the creation of 'one-stop shops'. These reforms have reflected an increased emphasis on the 'activation' of unemployed workers and a shift towards workfare-oriented social policy. Efforts have also been made to ensure that policy in respect of labour markets and employment rights is developed in ways that do not threaten 'competitiveness'. The creation of the DTI in the UK in the mid-1990s and the relatively short-lived Federal Ministry of Economic and Labour in Germany are examples of institutional reforms adopted to this end. The recent reforms that have occurred in Ireland, including the renaming of the DETE, can be regarded as a further manifestation of this tendency. The ideas associated with the New Public Management have also been highly influential in shaping recent reforms of national systems of labour administration. Governments have implemented reforms designed to create a clearer division between policy and operational responsibilities and mimicked private sector performance management practices, including those that relate to people management.

The ability to coordinate policy and programme development within and across ministries is a crucial determinant of the effectiveness of policy making. The problems that governments may face in this regard depend on how responsibilities are distributed across ministries, the internal organisation of ministries and established methods of decision making. In some countries new coordinating bodies have been created to 'join up' the policy work of different ministries. Procedures and systems that enable *intra*-departmental information sharing and cooperation are also necessary and information technology has become increasingly important in this regard. Some ministries, such as Germany's Federal Ministry of Labour and Social Affairs, have also experimented with new mentoring and networking programmes in an attempt to improve coordination and information sharing through the development of inter-personal relationships. Performance management practices have been central to many governments' attempts to improve coordination. Agreements linked to operational targets and performance indicators have been introduced in an effort to ensure that ministries and their agencies focus on the political priorities of national governments. They are therefore being used to address or prevent the emergence of difficulties that may beset principal-agent relationships, which have become increasingly complex as a result of public administration reforms, including the creation of semi-autonomous agencies, decentralization and the increased involvement of the private and third sectors in the provision of services.

The recent economic crisis has had a number of implications for labour ministries and national systems of labour administration. Labour ministries and their subordinate agencies were at the forefront of efforts to deal with the initial escalation in unemployment and increased threat of job losses. They were responsible for overseeing the implementation of measures designed to preserve jobs and provide various forms of assistance to the unemployed. Many governments provided ministries and PESs with additional resources so as to help them cope with the unanticipated additional demands that were made of them. More recently, however, the resources available to ministries, PESs and other bodies with responsibilities relating to labour administration have diminished as a consequence of austerity measures. Reductions in public spending have resulted in cuts and new constraints in relation to pay and staffing, which have impacted on the capacity of national labour administration systems. While governments have claimed that spending cuts are necessary in order to restore competitiveness and reduce fiscal deficits, trade unions have argued that cuts will jeopardise chances of a rapid economic recovery, serve to increase unemployment and undermine the delivery of essential public services. Public spending cuts have also had consequences for social protections. To varying extents, all of the countries covered in this study have enacted social policy reforms that have reduced social protections for certain groups of citizens and reinforced the link between benefit entitlement and the willingness of recipients to participate in the labour market. Faced with the twin challenges of reducing unemployment and the size of fiscal deficits, it is likely that many other governments will ratchet down expenditure on public employment services and emphasise relatively cheap job search activities and work-first measures. It is also likely that fiscal austerity will encourage national governments to devote increased attention to the resourcing and organization of labour administration and that the post-2008 crisis period will form a turning point in the development of labour policies and the mechanisms through which they are delivered.

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