Control and autonomy

The SAIs in Norway, Denmark and Germany as guardians of control of employment services in an NPM-era?

Bastian Jantz, Kristin Reichborn-Kjennerud, Karsten Vrangbaek

Paper prepared for the ECPR workshop in Salamanca.

- First draft – please do not quote or circulate -

Introduction

Supreme audit institutions (SAI) are classical instruments in the accountability structure of nation states. With a history dating back to 13th century in some countries (Pollitt et al 1999), they have a long tradition for financial auditing of public sector organizations. In modern times they have become part of the instruments for Parliamentary scrutiny of government practices and have gradually assumed a broader accountability function. This has been particularly evident after the introduction of NPM instruments of decentralization and greater managerial autonomy for public organizations. The argument has been that such reforms necessitate stronger accountability instruments from the central level in order to ensure continued political insight and control (Pollitt et al 1999, Mundebo and Kjær 1997). Previous studies have confirmed a general trend of SAIs to include more performance audit in addition to financial and legal audits (Pollitt et al 1999, Kjær 1999). Yet, these studies also reveal a somewhat differentiated response to NPM reforms within different national SAIs (Pollitt et al 1999).

While these studies represent an excellent starting point, they are now more than a decade old. We expect that the deeper integration of NPM instruments into core welfare sectors and the more extensive experience with NPM type reforms may have affected how SAIs interpret
their role. The purpose of this paper is therefore to investigate how SAIs interpret their role within a core welfare sector (employment/- social services and benefits), and particularly how they address three core reform issues, that have been introduced over the past decade, namely decentralization, marketization and performance management.

To investigate these issues we have selected three European countries with relatively similar mandates for their SAIs (see further below). We have chosen to investigate a welfare state sector (employment- and social services) which has traditionally been embedded in public corporatist structures, and which constitutes a core part of the welfare state. We have mapped and registered the assessments and their accompanying facts in performance audit reports published the last decade. Key characteristics of the reports and their assessments were summarized and used to analyze SAI interpretations of their mandates in welfare sectors in the three countries.

**NPM reforms and the role of SAIs**

In a system of parliamentary control the ministers are accountable to parliament, while the civil servants are accountable to the government (Nordby, 2004). The overall task of SAIs is to hold public organizations accountable for their use of public resources on behalf of the parliament. This role has traditionally been played within a traditional Weberian hierarchical system where emphasis is on compliance to the law, to regulations, processes, procedures, fairness and equity and to monitor government conduct to control for the abuse or misuse of public authority (Aucoin & Heintzman, 2000; Behn, 2001; Bovens, 2007). This includes audits of financial procedures and use of money (book keeping) and broader judicial auditing.

---

1 The policy area includes publicly organized activities to assist unemployed citizens in finding employment, and the administration of unemployment benefits and some social benefits (Norway).
to investigate whether the public organizations stay within their mandate, regulatory frame etc.

In the 1980-1990ies the introduction of NPM instruments in western public administrations added a strong focus on outcome and value for money, while being less concerned with the procedural issues. New means were introduced that should promote efficiency and effectiveness. These include decentralization of management competencies and marketization through contracting out and public-private collaboration. The fact that efficiency, results and outcome became more important created a tension in the traditional role-interpretation of audit institutions. To solve this dilemma SAIs started to conduct performance auditing to investigate whether public funds were being used in the most efficient and effective manner (Aucoin & Heintzman, 2000; Behn, 2001; Bovens, 2007; Grönlund, Svärdsten, & Öhman, 2011; Pollitt et al., 1999). The role of the SAI thereby evolved into being a watchdog of results, checking what the taxpayers’ money was used for, acting more as a consultant or knowledge partner for public organizations than as a watchdog of economic management and efficient use of resources.

In an NPM system with extensive devolution and autonomy of the agencies this can represent a dilemma, as the ministries possess less instruments to control subordinate entities and might not be able to instruct subordinate entities to the extent they could when the public administration was organized more hierarchically.

While NPM emphasized the management and performance of individual organizations there has been a strong emphasis in recent years on networks and coordination across administrative units and public organizations. This creates yet another set of potential issues
for SAIs, as the focus turns to shared responsibility and chains of organizations for delivery (Reichborn-Kjennerud & Johnsen, 2011).

Based on the design of the performance audit (audit questions, audit criteria, methods) and empirical findings SAIs are to assess whether the auditees' performance and compliance measure up to expectations. How the achievements of the audited organization are assessed will depend on the SAIs’ criteria and how it measures performance. It could place more importance on the procedures in place, the competency of the organization, on measures of output and outcome or the costs relative to output produced (Dubnick, 2005). These practices, as well as mandates and organizational set-ups, vary between SAIs.

The organizational model of the SAIs differs across the three countries in this study. Broadly speaking the Norwegian and the Danish SAIs are organized as monocratic “Westminster type” models where the “audit office” is an independent body, led by an Auditor General, that reports to Parliament, which is responsible for follow-up (Arthur, Rydland, & Amundsen, 2012). The audit office has no judicial function but, when warranted, its findings may be passed to legal authorities for further action. The German SAI on the other hand is headed by a board rather than by a single person and thus has a collegiate structure but with no judicial function (Arthur et al., 2012; Noussi, 2012).

In spite of these formal differences in leadership, we argue that there are more similarities than differences, and we therefore treat them as three cases within the same family of European continental Rechtsstaat models in contrast to the Anglo-Saxon public interest culture (Kuhlmann and Wollmann, 2013). The overall mandate for SAIs in all three countries is to investigate the legality, the efficiency and the effectiveness in the use of public resources.
All three countries emphasize that SAIs are independent of the executive and that the core mandate is to help Parliament perform oversight. None of the three SAIs has a formal judicial function. This is different from the "courts of audit" model that is prevalent in the Latin countries of Europe, as well as Greece, Turkey and most former French, Spanish and Portuguese colonies. Such "courts of audit" have both judicial and administrative authority and are an integral part of the judiciary. The staff of such courts of audit is mostly qualified lawyers (Noussi, 2012), while Northern European SAIs tend to have a mix of political scientists, economists, accountants and lawyers.

The Danish Office of the Auditor General reports to a “Public Accounts Committee” of politicians appointed by the Danish Parliament and it is this committee that can issue critique of ministers or public organizations based on the reports. The Public Accounts Committee is the only external body that can demand that the OAG takes up particular issues but most of the Danish SAIs investigations are initiated internally. The SAI conducts several different types of investigations. The "annual reports" focus on financial auditing (book keeping), while "larger investigation" conduct performance audits focusing on effectiveness (goal obtainment/resources), productivity and frugality. Both types of reports can have elements of judicial auditing to investigate whether the organizations stay within their mandates, regulatory frame etc. The strategic goals for the Danish SAI are described as economic management, efficiency and to be a knowledge partner in developing public administration and auditing². Although the Danish SAI is independent of party politics the choice of topics for scrutiny, and the reports often feed into a political debate, where the executive, as the supreme administrative body must defend its administrative practices and choices.

The Norwegian Office of the Auditor General has an independent status, initiates most of its own audits, and reports the results of its auditing and monitoring activities to the Norwegian Parliament (NOAG 2011). The ministries are invited to comment on the Norwegian SAIs findings and conclusions before a report is sent to Parliament. Subsequently the final report, including the comments of the ministries, is submitted to a permanent supervisory committee in the Norwegian Parliament, established in 1993: the Standing Committee on Scrutiny and Constitutional Affairs (the control committee), which then reviews it and submits recommendations to the Parliament. The Norwegian SAI is dedicated to the performance audit mandate of assessing economy, efficiency and effectiveness, according to the INTOSAI standards and guidelines. Both the Norwegian and the Danish performance audit reports are publicly accessible.

The German state audit institution (Federal Court of Audit) is an independent federal authority that audits central government activities. In spite of the name, it is not a judicial "court of audit" as found in Latin European countries. The Federal Court of Audit alone determines what is to be audited, when, where and how. Even though the Parliament is not entitled to issuing audit mandates to the Federal Court of Audit, it might submit proposals for audits. The Federal Court of Audit carries out financial audits and performance audits. In its audit of regularity and compliance the Federal Court of Audit examines whether the laws, the budget and pertinent regulations, provisions and rules have been observed. Performance audits under the criteria of economy, efficiency and effectiveness are carried out to ensure that good value for money is obtained. The results of the audits are submitted for comment to the audited agency, which is generally given two to four months to respond. The Federal Court of Audit may also submit the audit results to other agencies and to the Budget Committee of the Bundestag. Audit results of fundamental importance or of considerable financial impact are
also submitted to the Federal Ministry of Finance. If no agreement is reached with the audited agency, the Federal Court of Audit may include the audit findings in its annual report. Only this annual report is made public. A decision on the unsettled issues will have to be taken by Parliament. Apart from its annual report, the Federal Court of Audit may at any time inform the two Houses of Parliament and the Federal Government about matters of particular importance (section 99 Federal Budget Code). In addition the Federal Court of Audit advises the Federal Government, individual federal ministries or the Parliament on the basis of its audit findings. The German reports are mostly not publicly available.

Having described the role of SAIs in the three countries we now turn to a presentation of NPM reform trends within employment services in the three countries. This leads us to formulate hypotheses about how SAIs might have re-interpreted their mandate in light of the reform trends within this core welfare sector.

**Reform trends in the welfare sectors and consequences for accountability**

Public Employment Services have been subject to major restructuring efforts in the last decade. As a general trend labor market policies in many European countries have been reformed under the label of "activation" that can best be described as a combination of demanding and enabling strategies. This means the enforcement of labor market participation of the individual through the reduction of maximum benefit duration or the impositions of sanctions on the one side and an increase of active labor market policies in order to promote employability and make jobless people more attractive to potential employers on the other side (Dingeldey, 2007; Eichhorst & Konle-Seidl, 2008). Furthermore, reforms in the labor market administration have reflected wider changes in public administration systems which have involved the adoption of new organizational and management practices and are often
described as New Public Management. Common trends that could be observed as result of these reforms include:

1. The decentralization of the provision of labor market services to encourage greater responsiveness to local and individual circumstances as well as better coordination between central and local services (e.g. through one-stop-shops).
2. The outsourcing of activation services through the involvement of private providers and the creation of quasi markets.
3. The introduction of management by objectives through the use of targets, performance management systems and benchmarking shifting the focus from inputs and processes towards outputs and outcomes and in some cases linking this to economic incentives.

These mayor trends are described in more detail below.

**Decentralization:**

Decentralization of labor market policies has been a strong trend in many Western European countries in the last two decades (Mosley, 2009). Decentralization is the transfer of decision-making power and responsibility over policies from the national to the regional, sub-regional or local level (Mosley, 2009). Arguments in favor of decentralization stress greater flexibility of local service provision, the proximity and sensitivity to local needs and more room for tailoring activation programs. It is argued that through bringing policy-makers and service providers closer to the users service delivery will result in increased efficiency, greater accountability and equity, and more democratic decision-making. But the risks of decentralization are also well known: unequal treatment of unemployed between regions and capacity problems of local governments just to name a few.
Even though decentralization of labor market policies is a common trend, there are differences in the concrete implementation. In the case of labor market policies, mainly two different forms of decentralization can be observed: devolution and deconcentration (Van Berkel & Borghi, 2008). Devolution or political decentralization shifts responsibility and authority for the formulation and implementation of labor market policies from the central government to separate political and administrative structures (e.g. regional governments, municipalities) that have a certain autonomy and independence. De-concentration, by contrast, is defined as shifting power from the center to peripheral offices of the same administrative structure through which managers in regional and local offices receive greater operative flexibility in implementing national policy objectives. So, de-concentration is ‘a form of organizational flexibility within a national public employment service that is basically managerial rather than political’ (Mosley 2009).

Even though advocates of political decentralization stress the increase of electoral accountability through the transfer of competences to local elected politicians that are closer to the citizens, the relation between decentralization and accountability is far more complex. Even in highly decentralized systems, the authority for setting minimum standards and the main funding responsibility for labor market policies remains at the central level or there will be some sort of cost-sharing between the central and the local level. In practice this means that in order to maintain accountability, the use of funds and policy outcomes still need to be reported to the central government. Van Berkel et al (2008) point out that ‘rather than solving this problem through rules and regulations, several national governments nowadays use other means to influence regional or local decision making, for example by introducing performance indicators’. Thus political decentralization, at least in labor market policies,
implies a sharing of responsibility for decision-making among a number of actors and makes accountability relationships more complex.

It is difficult to find an accountability framework politically acceptable to the various government levels concerned. The complaints of local governments about extensive reporting requirements to the central level are widespread. At the same time local politicians are normally less subject to intensive public scrutiny and media attention than National office holders. Accountability at the local level might therefore be less strong and extensive central oversight therefore necessary.

When employment services are decentralized and the national and the local level are cooperating in the implementation of policies it becomes more challenging for SAIs to hold responsible actors to account. Where accountability is shared between two or more organisations or levels, various problems can arise. These include a lack of clarity over lines of accountability, the risk of blame shifting, and difficulties in rewarding performance or applying sanctions in the event of poor performance (Boston & Gill, 2011). *Thus we would expect that SAIs have developed an interest in decentralization reforms, and that they are reporting rather critically about decentralization and coordination reforms highlighting especially problems of unclear responsibility and shared accountability.*

*Marketization:*

The contracting out of job brokerage and case management services and the increased use of market mechanisms has been another major trend in the reform of the public employment services (Bruttel, 2005). The expectation is that through the creation of quasi-markets, services will be delivered more efficiently and effectively (Bredgaard & Larsen, 2007). For
placement services this would mean that Employment Agencies no longer offer placement services to jobless people but delegates this function to private contractors.

The effect of contracting out for accountability is disputed (Mulgan, 2006). Some authors argue that markets in general have a weak legitimacy (Newman, 2007). In contrast, supporters of outsourcing argue that there are no negative effects on accountability through contracting out because ‘public agencies even when purchasing services from third parties remain accountable for the services they agree to buy’ (Mulgan 2006: 48). The public still has the right to blame public agencies or even ministers for bad public services even though they are provided by private contractors. Independently of the question of outsourcing leading to more or less accountability, the accountability mechanisms and instruments are altered through outsourcing. The main accountability mechanism is the contract between the public agency and the private service provider, performance criteria and the different accountability procedures such as reporting requirements that pose different accountability challenges in contrast to “classical” hierarchical accountability relations.

“Contracting for goods and services that have been historically provided by the public sector pose accountability challenges through what is sometimes called “third-party governance”. Questions of accountability—for what and to whom become far more difficult to answer as contractual relationships among public agencies, contractors, and subcontractors grow more complex and functionally ambiguous.” (Girth, 2014, p. 317)

With more widespread use of contracting out we would expect that state audit institutions are emphasizing transparency, clear contract criteria as well as value for money when judging outsourcing processes.

Performance Management and Measurement
In conjunction with greater flexibility for the local level, systems of management by objectives and results have been introduced in order to hold de-concentrated actors to account. Greater flexibility does not necessarily mean less accountability. In contrast to traditional bureaucratic administration, accountability is about outputs or outcomes against targets rather than on controlling inputs and adherence to detailed regulations. What can be observed is a greater discretion for local public employment offices in the use of funds and the implementation of active labor market instruments accompanied by targets or goals that trickle through from the national level (contract between the responsible ministry and the top management of the Public Employment Service) to the local level (Mosley 2009). We therefore expect that audit institutions in general support the introduction of performance management systems as they make the performance and effectiveness of public service provision more clear and transparent. Nevertheless, we also expect that the audit institutions are strongly concerned with issues like indicator and data quality, wrong reporting’s and gaming as well assessing whether the system is reflecting reality and the organizational mission.

Welfare service reforms and changes in accountability relations in the three countries
We first sum up the welfare service reforms in Denmark, Norway and Germany.

Subsequently we present the analysis of the performance audit report in the three countries.

Welfare service reforms in Denmark
During the 1970s, a two-tier labor market system was institutionalized in Denmark. The Public Employment Service primarily serviced businesses and the unemployed covered by unemployment insurance, and the municipalities had the primary responsibility for welfare-oriented services and the non-insured unemployed. The unions traditionally were influential
regarding policies for these clients. In 2004, in a first reform step, job centers responsible for job (re)integration only were established in each municipality, while benefit administration remained the responsibility of either local governments (uninsured unemployed) or unemployment insurance funds (insured unemployed). The unions, at the same time, lost the strong influence that they traditionally held and now only have an advisory role. In 2009, the state and municipal systems were merged into one with the municipalities keeping the responsibility. Four regions monitor the work of the job centers and coordinate regional needs. They report to the labor ministry and related agency that decide laws and formulate goals for the welfare sector. The municipal employment agencies in Denmark are obliged to develop an annual "employment plan" with detailed assessments of challenges, and declarations of strategy and goals. The goals must reflect national goals issued by the minister as well a specific goals and budgets for the local efforts. A subsequent annual accounting report must present a status of goal attainment and budget. The accounting report is based on a fixed national format, and utilizes data from a national database (jobbank.dk) with statistical information about job center performance.

Welfare service reforms in Norway

In Norway, in 2005, a reform merged the municipal welfare system, serving clients without employment benefits, with the state system serving clients with such benefits. The merged organization holds responsibility for the disabled, the unemployed, the retired and people entitled to different benefits. All services are localized in the same buildings in “one stop shops”. The collaboration between the state and the municipalities is organized as an agreement where it is specified that the state and the municipalities are to be equal partners. Part of the tasks of the local job centers have later been moved to an agency level. The Norwegian welfare sector is organized as a hierarchy with the ministry as the principal, then
the agency and several subordinate regional and local offices, some of them special units. The agency-model including both state and municipal systems has been kept. The welfare agency has contractual relationships with private organizations providing courses and measures for the unemployed and the disabled. The welfare agency also cooperates with the health service, especially doctors, that in Norway are private practitioners, and central in this system. The Norwegian Management by Objectives and Results system resembles the Danish one and includes annual activity plans, letters of allocation, government financial regulations and steering dialogues. The letters of allocations specify goals that the welfare agency is to report on, but weak performance does not necessarily lead to budgetary consequences and results do not have any direct consequences for the employees’ salaries (Lægreid, Roness, & Rubecksen, 2006).

Welfare service reforms in Germany

In Germany, the report of the independent Hartz-Commission in 2002 was the starting point for a package of reforms of the Federal Employment Agency and the benefit system (Jann & Schmid, 2004; Kemmerling & Bruttel, 2006). The reform measures included a decentralisation and deconcentration of labour market policies. In the new system the municipalities are cooperating with the Federal Employment Agency in administering the tax financed Unemployment Benefit II and implementing activation measures for long-term unemployed in joint-run Jobcenters or Joint Facilities. Besides this mainstream model, 110 municipalities are fully responsible for the provision of income, activation and social services for the long-term unemployed, without the involvement of the Federal Employment Agency. The Federal Employment agency, however, is still responsible for the short term unemployed. Income protection and activation have been integrated through two separate agencies for the
short-term (unemployment benefit I recipients) and long-term (unemployment benefit II recipients) unemployed.

The Hartz-reforms also introduced elements of outsourcing and marketization. The provision of placement, a public monopoly until 1994, was completely deregulated from 2002 onwards. Originally, the Federal Employment Agency has contracted training and educations to facilities owned by the social partners (Bruttel, 2005). The current system is a mixture between the public provision of placement services by the Federal Employment Service, competitive tendering systems through which selective placement services are contracted to private providers and a voucher system that gives unemployed the possibility to choose a private provider of placement and training services. The introduction of competitive tendering and vouchers in training and education have been combined from the very beginning with a comprehensive system of certification and quality assurance.

In the case of placement services the introduction of market mechanisms was a completely new solution and created a quasi-market which is mainly dominated by temporary work agencies and small private placement agencies. The corporatist network that has dominated the ‘market’ for training and education programmes for decades, has been weakened by the increased competition (Fuertes et al, 2014).

Performance measurement and management by objectives are now core characteristics of the ways in which the Federal Employment Agency is managed. The Federal Employment Agency is working autonomously without interference from the ministry. It is steered through contracts which define the targets and performance levels that the Federal Employment Agency has to realise. Management-by-objectives also regulates the relationships between national, regional or local agency offices. The internal steering system of the FEA is highly
detailed, formalized and target driven for both benefit regimes, UB I and II. However, in contrast to the NPM doctrine not only outputs and outcomes are measured but also procedural standards. Thus, a highly complex target system has evolved with procedural indicators (waiting time, availability, duration of benefit application) as well as output and outcome indicators (number of job placements, number of job to job transitions, vacancy filling). Furthermore, a system of pay for performance has been introduced for executive managers on the different levels which is based on target achievement and links the organizational targets with individual success.

To sum up, the Danish system is the most decentralized of the three systems granting a lot of responsibility (not necessarily autonomy) to the municipalities. In Norway and Germany, partnership models between central and local services have emerged. In addition to that, 110 German municipalities have full responsible for employment services.

Increased outsourcing can be observed in all three countries whereas performance management seems to be applied most extensively in Germany. In Germany, the Federal Employment agency is granted a lot of autonomy as long as they perform well on a few key indicators. Employees are measured on key indicators pertaining to getting people employed, that also have consequences for their salary (performance based pay).
How do SAIs interpret their mandate in the reformed welfare sectors

Below we analyze the performance audit report in the three countries. We first interpret how the SAIs understand their mandate by analyzing the topics that the SAIs have addressed (the tables 1-3). Second we scrutinize the SAIs’ assessments in the reports (table 4)

The table 1-3 below we present an overview of the SAI reports within the area of employment and welfare services.

Table 1 Norway

<table>
<thead>
<tr>
<th>Report title</th>
<th>Year issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 The SAIs report on efficient use of resources in the employment agency</td>
<td>2012</td>
</tr>
<tr>
<td>2 The SAIs report on the partnership between the state and the municipalities in the new welfare organization</td>
<td>2012</td>
</tr>
<tr>
<td>3 The SAIs report on the employment agencies’ follow-up of employees on sick leave</td>
<td>2011</td>
</tr>
<tr>
<td>4 The SAIs report on the employment agencies’ efforts to help employers and their use of facilitation benefits</td>
<td>2009</td>
</tr>
<tr>
<td>5 The SAIs report on goal-achievement and control in the employment agency pertaining to the disabled’s ability to get work</td>
<td>2007</td>
</tr>
<tr>
<td>6 The SAIs report on the employment agencies’ management of benefits for free cars for the disabled</td>
<td>2007</td>
</tr>
</tbody>
</table>

Table 2 Denmark

<table>
<thead>
<tr>
<th>Report title</th>
<th>Year issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Report on the effect and quality of using private actors for employment services.</td>
<td>2012</td>
</tr>
<tr>
<td>2 The SAIs report on measures of education and employment for the handicapped</td>
<td>2010a</td>
</tr>
<tr>
<td>3 Effects of the activation of “persons with less than full capacity to work on normal terms” receiving welfare social welfare payment</td>
<td>2010b</td>
</tr>
<tr>
<td>4 Report on the employment offices’ assessments of the fitness/employability of unemployed persons</td>
<td>2008</td>
</tr>
<tr>
<td>5 The SAIs report on the employment agency’s involvement of “other actors” (private actors) in the work with the unemployed</td>
<td>2006</td>
</tr>
<tr>
<td>6 The SAIs report on the administration of the European Social Fund in Denmark</td>
<td>2004</td>
</tr>
</tbody>
</table>

Table 3 Germany

<table>
<thead>
<tr>
<th>Report title</th>
<th>Year issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Audit on the management by objectives system in the strategic business area I and Va</td>
<td>2012</td>
</tr>
<tr>
<td>2 Comments on the draft law on the reform of active labour market instruments</td>
<td>2011</td>
</tr>
<tr>
<td>3 Reorganisation of the basic allowance scheme - second report</td>
<td>2010</td>
</tr>
<tr>
<td>4 Reorganisation of the basic allowance scheme</td>
<td>2009</td>
</tr>
<tr>
<td>5 Implementation of the basic allowance for jobseekers – Key results of audits conducted in the field of Social Code II</td>
<td>2008</td>
</tr>
<tr>
<td>6 Modernization of the administrative relationships between federal and state level</td>
<td>2007</td>
</tr>
</tbody>
</table>

3 The institutional structure for this policy area differs across the countries. The Norwegian NAV organizations combine employment services and administration of a broad range of social benefits. In Denmark and Germany the field is defined more narrowly as employment services and administration of unemployment benefits, while broader welfare services are administered by a different branch of the municipal administrations.
The content of the reports presented in the tables above can be grouped into several different categories. The most common type of report contains assessments of the welfare agencies’ task fulfillment and results pertaining to its most important user groups. The second major type of reports evaluates different organizational and process dimensions. A third group deals with the relationship between external partners e.g. at municipal, regional and state level or federal and state level. Finally, several reports deal with the use of contracting out to private service providers.

All in all the topics reflect an interpretation of the role of the SAI as evaluator of task fulfillment and the organizational choices to support this. Many reports focus on particular target groups and programs, but there are also reports with a more broad evaluation perspective looking at the organization of the employment and welfare services.

The table 4 below presents a more detailed analysis of how the SAIs have dealt with the three NPM reform themes of decentralization, marketization and performance management. The analysis is based on mapping and classification of the SAIs assessments in the performance audit reports.

**SAI assessment of NPM reform trends within unemployment and welfare services**

In the table 4 below we have summarized the individual assessments from the performance audit reports into topical themes.
<table>
<thead>
<tr>
<th>NPM theme</th>
<th>Norway</th>
<th>Denmark</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decentralization</td>
<td>In general the SAI is criticizing inequalities and variations between regions, local offices etc. and they are skeptical towards too much discretion with individual casehandlers (2007). They are also criticizing lack of coordination between state and municipal systems and organizations (2012)</td>
<td>The SAI is criticizing how the application of rules differs between the decentralized units when looking at services for particular groups (2008, 2010a)</td>
<td>Criticisms on the cooperation model as well as on the full municipal model because of the split of financial and organizational responsibility (2006; 2007; 2009; 2010). Furthermore, the organizational integration between the Federal Employment Agency and municipalities does not allow for a clear assignment of responsibility to either central or local level and thus may lead to institutional drift and autonomy without adequate control. More influence of the Ministry on the working in the Jobcenters is frequently requested. High costs due to increased efforts of coordination are also criticized.</td>
</tr>
<tr>
<td>Marketization</td>
<td>The SAI is preoccupied with too little control of the quality of the services delivered. It also criticizes that measures are not followed-up and that actors external to the organization are not participating (2011)</td>
<td>The SAI is preoccupied with the lack of follow-up of the performance of external actors (2006) and conducts analysis of the effect and quality when using private providers (2012). It concludes that private employment agencies perform worse than public counterparts, and criticizes the national authorities for not producing sufficient performance data to be used by the municipalities in assessing private providers.</td>
<td>More quality and result control of outsourced services are frequently demanded (2006; 2011). The voucher system is criticized for being prone to misuse as well as for lacking results and sustainability and for a structural discrimination of underprivileged job-seekers (2008; 2011). Furthermore, it is emphasized that the voucher system should increase the responsibility of job-seekers and that thus a compulsory referral to certain providers or measures is not appropriate (2008).</td>
</tr>
<tr>
<td>Performance management and measurement</td>
<td>The SAI is criticizing lack of control of subordinate entities, deficiencies of the PM-system, unfulfilled goals, lack of information and bad statistics (2007, 2009)</td>
<td>The SAI is preoccupied with the ministries control with subordinate entities, with deficiencies of the PM-system (2006 and 2012), unfulfilled goals (2010), and whether the administration of rules is in line with requirements (2008).</td>
<td>Strong criticism of the current management-by-objectives system that creates wrong incentives for the organization as well as for individual staff through concentration on fast placements. The pressure on target achievement and the performance based pay system promotes data manipulation and wrong reporting. Loose coupling between the external target system (ministry-agency) and the internal system is also criticized (2012).</td>
</tr>
</tbody>
</table>
As can be seen from the table 4 the Norwegian and the Danish SAI criticize inequalities in the application of rules between regions and offices. This is according their role as watchdog for traditional Weberian hierarchical values where emphasis is on fairness and equity. The German SAI goes further in its critique, questioning the whole reform as not in line with weberian values where civil servants are accountable to the law, to regulations, processes, procedures, fairness and equity.

All three SAIs criticize the control of the quality delivered by private service providers. They also claim that the performance measurement system has inconsistencies that needs to be corrected. This is in line with the role of watchdogs with systems, but now related to the new performance management systems adopted by the welfare agencies.

**Conclusion and discussion**
The purpose of this paper was to investigate how SAIs in three European countries interpret their role within a core welfare sector (employment/- social services and benefits), and particularly how they have addressed three core reform issues, that have been introduced over the past decade in all three countries, namely decentralization, marketization and performance management.

The main finding in this paper is that, in this decade with extensive reforms in the welfare sectors, all three SAIs have taken on a more evaluative role concerned with broader issues than just auditing and investigation of due practice in the public administrative systems. In all three countries we observe that the SAIs take on issues related to the use of NPM instruments such as contracting out to private providers of employment services, the consequences of decentralization and the use of performance measurement systems for improving efficiency.
The German SAI seems to be the most radical critic, criticizing both the choice of management system and the organization of tasks. The German SAI is also more radical in its evaluation of the systems. It addresses fundamental political choices in organizing employment services, while the Norwegian and Danish SAIs investigate and criticize the functionality and effectiveness of particular aspects, without fundamentally challenging the organization of the sector. The German SAI is in general more critical on partnerships between the central and local level, joined-up government approaches and shared accountability. However, the German case also shows the limits of the audit function in areas that are dominated by political conflicts and respective compromises between the different levels of government.

“This (the partnership between central and local level) is certainly not a successful administrative model. However, we are not tackling this problem anymore as it would be completely pointless to waste our capacities.” (Interview with the Federal Court of Auditors – own translation)

The German SAI is also more focused on the primacy of the “Rechtsstaat principles”, while its Scandinavian counterparts, in addition to such principles, also base their assessments in principles of Management by Objectives and Results (NPM), that has been adopted by their parliaments. Part of the difference in style may be explained by the fact that the reports of the German SAI are not publicly available whereas the Norwegian and Danish SAI reports are. Consequently the Norwegian and Danish SAIs are probably more sensitive to the political environment, and more prone to consider the reaction of various external stakeholders when drafting the reports. In accountability terms you may argue that the German SAI is more internally focused within a mindset of political and administrative accountability, while the
Danish and Norwegian SAIs also consider the role of their reports in a broader social accountability context facilitated by media and various external stakeholders. In all three cases it can be argued that the emphasis on legal regulation of administrative activities and the application of law in the daily operations of public administration, particularly in its implementation function, can be at odds with some of the operating principles in NPM. Decentralization by nature means to give discretion to organizations and individuals, which may diverge into practices that challenge a uniform interpretation of the rule of law. Similarly the use of marketization principles introduce private actors operating under different legal and economic frameworks and imperatives, and who are not subjected to the same direct accountability relations as within public administration.

Overall we found that there were many similarities in the topics and viewpoints of the three SAIs. They addressed a range of issues related to employment and welfare services focusing particularly on task fulfillment and results pertaining to its most important user groups and various organizational and process issues related to task fulfillment. Other main issues for the SAIs concerned the relationship between external partners e.g. at municipal, regional and state level or federal and state level, and the use of contracting out to private service providers. The SAIs thus interpret their mandate as an evaluator of public employment services in terms of effectiveness and goal fulfillment, and they consider analysis of organizational and process dimensions as important for this. They consider broader structural issues of collaboration across different public sector levels, and they study the effects and quality issues related to using private providers for unemployment services. Still they seem to be more oriented towards compliance to systems and routines than to actually measuring results and explaining shortcomings. In that respect they are still rooted in their traditional watchdog role rather than taking on a new role as researcher or management consultant (Pollitt et al 1999, Kjær 1999).
Does the choice of topics and perspectives also reflect and address the NPM related reforms in the employment and welfare sectors over the past decades? Our first initial hypothesis related to this issue was that SAIs have developed an interest in decentralization reforms, and that they are reporting rather critically about decentralization and coordination reforms highlighting especially problems of unclear responsibility and shared accountability. The analysis demonstrates that the German SAI criticizes the new structure involving a sharing of responsibility. It finds it damaging to the principle of clear accountability and claims that increased coordination is costly. The Norwegian and the Danish SAI accept the sharing of responsibility but criticizes inequalities and variations between regions. They are skeptical to the local offices exercise of discretion and find that there is a lack of coordination between state and municipal systems and organizations. The findings thus seem to confirm the hypothesis, with the German SAI as the most radical critic, discarding the system altogether. The critique of the Federal Court of Auditors illustrates how difficult it is to harmonize organizational decentralization and coordination between different levels of government with traditional principles of public administration like local self-government, ministerial responsibility or clear chains of delegation and accountability.

A second general reform trend in this sector has been the increased use of market mechanisms, such as contracting out of job brokerage and case management services. We expected to find SAIs to increasingly focus on transparency, clear contract criteria as well as value for money to judge these processes. The hypothesis was only partly confirmed. The findings indicate that the SAIs are most preoccupied with lack of sufficient quality control of the services delivered and the lack of follow-up. The German SAI was, in addition, concerned with unintended effects of the system, like the discrimination of certain groups of job-seekers through ne instruments like the voucher system. The fact that SAIs are concerned with the
control system indicates that they are preoccupied with value for money. Being concerned with side effects of the system, such as the German SAI, might be more relevant for judging the actual value for money of this system. The Federal Court of Auditors did nevertheless not question that more private actors have been included in the delivery of services, but it criticizes lack of results and a lack of (quality) control and negative effects like creaming.

A system of management by objectives and results with more focus on outputs and outcomes, rather than adherence to regulations has been introduced in the three countries’ welfare administrations. We expected the SAIs to support this change in management systems, but we also assumed that the SAIs would be preoccupied with assessing whether the system reflects reality, and therefore with issues like indicator and data quality, and the accuracy of reporting. The hypothesis was partly confirmed. All three SAIs were preoccupied with deficiencies of the performance management system, insufficient information and statistics. The Norwegian and the Danish SAIs were also critical of the ministries lack of control of subordinate entities and criticized unfulfilled goals. The German SAI questioned the functioning on the system that produces output-distortion, creaming and parking effects as it incentivizes the case managers and placement officers to focus on easy to place short-term unemployed jobseekers with good qualifications. They also are looking critically at the connection between target achievement and individual pay for performance systems. The German SAI thus seemed to have a more evaluative approach of the systems than the two other SAIs.

The SAIs were preoccupied with more issues than we suspected initially. Systems of management and results allow the SAIs to point to a lack of goal achievement and subsequently criticize the ministries for lack of control if goals aren’t produced as expected. This approach extends further than the pure auditor role checking primarily whether the information in the system is correct. The German SAI goes even further and is critical of the
actual functioning of the system producing results that are not optimal. At the same time the SAIs seem more concerned with the system, in their assessments, than with the actual output from the system. One mayor differentiation can be drawn on the reason for the criticism by the SAI. According to Pressmann/Wildavsky (Pressman and Wildavsky, 1973), two different reasons for policy failure or unintended side-effects of political programs can be identified: False theory, implying that the general assumptions as well as the expected causal mechanisms of the program or instrument are wrong, or false implementation, signifying problems in the execution of the policy or instruments. In general, the SAIs are rather criticizing a false implementation in the reform of employment and welfare services. Neither outsourcing nor performance measurement are criticized as such, rather a sound and reasonable configuration of these new steering and service delivery mechanisms is demanded. One mayor exception is the vehement and persistent critical review of the German cooperation model and the rejection of shared accountability. The German SAI is still emphasizing on formal, vertical, straight-line accountabilities (and their related unbroken chains of delegation and command) even though within democratic systems of governance, and even more so in federal jurisdictions, shared accountability is more the norm than the exception.
Literature


