



**Peer Review: "Performance Management in Public Employment Services"
(The National Labour Market Authority (AMS), Copenhagen, 21-22 March, 2013)**

Executive summary

Monitoring and improving PES performance becomes increasingly important

The introduction of new public management models and the increasing budgetary constraints have generated interest in the use and development of performance management systems in PES in all Member States. Tightening budgets exert increasing pressure on the PES to improve the effectiveness of their measures and to have convincing evidence of the added value of their services.

Performance management contributes to the effective delivery and continuous improvement of PES service capacity as required by the Employment Guidelines. The "PES 2020 strategic output paper", produced by the European Network of Heads of PES also stresses the importance of improving the evidence-base of PES policies, in order to generate the most efficient services and measures.

A recent Peer Review hosted by the Danish PES in Copenhagen discussed these issues, with a specific focus on solutions that may fit countries with a strong regional level.

1. How can the appropriate balance be struck between national and regional-level coordination and local-level autonomy for performance management?

Member States have developed various solutions to construct their performance management coordination systems. **The key to success appears to be that the system should generate reflection, awaken ownership and provide feedback for all partners.** The exact design of performance management should depend on the broader institutional context, especially on the political framework and the budgeting system.

In the majority of PES who attended the Peer Review, overall goals or targets are set at the national level and the local/regional level set quantitative targets which indicate to what extent they can fulfil these goals. Overall, the majority of PES indicated that it is **not necessary for the local and regional level to be involved in influencing the formulation of national level targets**, but it is critically **important that these targets are well communicated to all levels.**

Local PES also need to have flexibility to determine the extent to which they can set targets to contribute to achieving these goals given local economic and labour market circumstances. Some PES ensure this by allowing local branches to negotiate the value of local targets (while the indicators are set at the national level).

The mechanisms for deciding on the level and the content of regional or local targets vary between PES. In some cases, the local and regional level can also set their own additional targets (for example specifying a particular target group focus). However, their progress towards achieving these additional targets is not usually monitored at national



level. Whilst the setting of additional targets may have advantages in enabling local PES to measure their contribution towards addressing local issues, **too many additional targets at local level can lead to confusion and a lack of focus** if they are all used to steer activity.

If targets can be influenced by the local level **the management performance framework should also ensure that targets are ambitious enough, the target setting process is not too complicated and time consuming, and it is kept separate from local political interests.**

2. How can continuous improvement and learning be effectively built into performance management systems, including bottom-up approaches?

A prerequisite to designing efficient incentives is the accurate measurement of performance, and most importantly the correction for regional (local) external factors, such as labour demand and the composition of job seekers.

Such systems can then contribute to benchmarking between PES (or indeed individual counsellors) and there seems to **be increased interest in introducing clustering of PES using different methods**. It is crucial that the PES perceive the correction method to be accurate and fair (and accepted by all stakeholders).

The Peer Review has shown that the PES use a wide variety of soft and hard, qualitative and quantitative tools for detecting good practice. In Germany, for example, every single ALMP is evaluated and some Member States have started to run randomized control trials, for example, Denmark and Belgium. Most PES rely on their existing administrative data sources in ex-post evaluation, which also helps to reduce costs. However, there is some room for further development in linking unemployment register data with other data sources, e.g. tax records.

Most PES use financial as well as non-financial incentives to promote continuous improvement. Financial incentives may apply to either branch or individual managers or counsellors, but the former is more common, and probably more efficient as well as it is less likely to generate perverse incentives e.g. concerning the sharing of vacancy information. Soft incentives may include feedback from managers, consultancy by dedicated expert groups (e.g. Belgium, Denmark), awards, and all forms of ranking that are made public within the PES or even beyond. These tools rely mostly on the motivating effect of receiving attention, and typically they are cheaper than financial incentives. The combination of **consultation with external experts, good local and regional leadership** which provides clear management messages on the desired behaviours from managers and counsellors and **ranking (or financial incentives)** may help to reduce the risk of perverse competition and related problems, such as reluctance to share information or cream skimming of clients.

PES employ a wide variety of procedures to share practices and experience. In some PES, sharing is not fully balanced, i.e. its focus is tilted towards either good practice or towards problems. Some PES have invested considerable resources in designing efficient ways of information sharing. Based on their experience, it seems that **sharing works better if it is focussed on specific themes or problems, and if it involves relatively homogenous teams** (e.g. managers of branches within the same labour market cluster). Importantly, **qualitative expert assessments, workshops,**





conferences and similar tools can be used even in countries where the performance management system is in the early stages of development. Information technology tools, such as data warehouses and banks of good practice (e.g. the knowledge database in Denmark), can also help cut costs on pooling and sharing information in a structured way. **A centrally developed toolbox** can be a first step to building a PM system. However, these should be combined with more interactive ways of sharing, otherwise their usage may fall below potential.

3. How can PES use information from performance management in order to make the 'business case' for PES vis-à-vis their ministries, social partners and other stakeholders?

Recent budget cuts have increased pressure to have clear evidence on the value of PES services (externally), and also on the relative effectiveness of various PES services (internally). The **increased demand for more quantitative evidence means that there is a need for more economists and statisticians in PES staff.** As the introduction of more rigorous evaluation methods implies changes within the organisational culture, the process has to be gradual in order to ensure acceptance by staff (e.g. during the modernization of PES Denmark).

The use of performance management tools borrowed from business may help by improving the image of the PES as a modern and efficient service agency. These may include practices such as summarising PES performance in a few clearly documented indicators that are easy to interpret, publishing data on savings to the national budget, or even a full cost-benefit analysis of the PES services. It is also important to raise awareness and understanding of policy makers about what exactly the PES do and about the complexity of their tasks. It is essential to make sure that PES leaders or line ministry is represented at important political fora and can lobby for PES.

The Peer Review showed that **performance management systems can contribute to effective coordination** and accountability in countries with **regionalised or strongly municipalised PESs**. Tools may range from establishing a unified national performance management system for all PES, through building financial incentives into budgets allocated by the central government to interregional benchmarking and establishing a central knowledge base (e.g. the Danish knowledge bank),

To conclude, the PES have made considerable progress in developing their performance management systems. Benchmarking is in use in most countries, and those Member States that have not introduced a formal benchmarking system yet, are considering doing so. The need for performance management is not questioned, however, current PES practice seems to vary in three aspects: whether they use financial or other types of incentives to promote development, whether their performance management system is mostly formal or informal, and also in their reliance on rigorous quantitative tools of their performance management methodology. There is no particular trend to be seen regarding the types of incentives countries use, but a clear trend can be detected in the latter two: performance management is becoming more formal, and also, rigorous evaluation methods, both qualitative and quantitative, are spreading.

More information on the Peer Review is available [here](#).

