



The European Commission Mutual Learning Programme for Public Employment Services

DG Employment, Social Affairs and Inclusion

PEER PES PAPER

**Peer Review "Peer Review on Performance Management
in Public Employment Services (PES)"**

Copenhagen, March 2013

Bundesagentur für Arbeit (BA)

This publication is commissioned by the European Community Programme for Employment and Social Solidarity (2007-2013).

This programme is implemented by the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment, social affairs and equal opportunities area, and thereby contribute to the achievement of the EU2020 goals in these fields.

The seven-year programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA-EEA and EU candidate and pre-candidate countries.

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For more information on the PES to PES Dialogue programme, please refer to:

<http://ec.europa.eu/social/pes-to-pes>

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In collaboration with ICF GHK and the Budapest Institute

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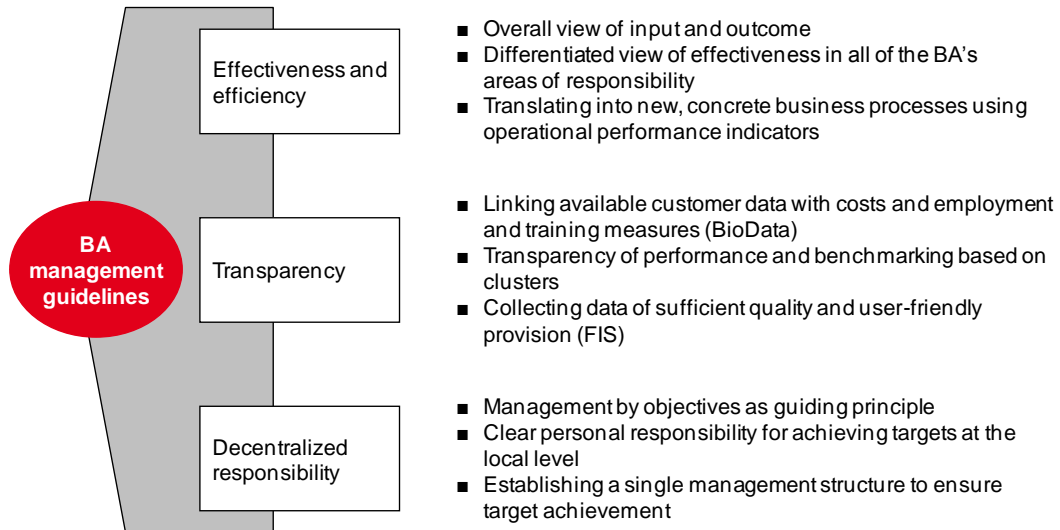
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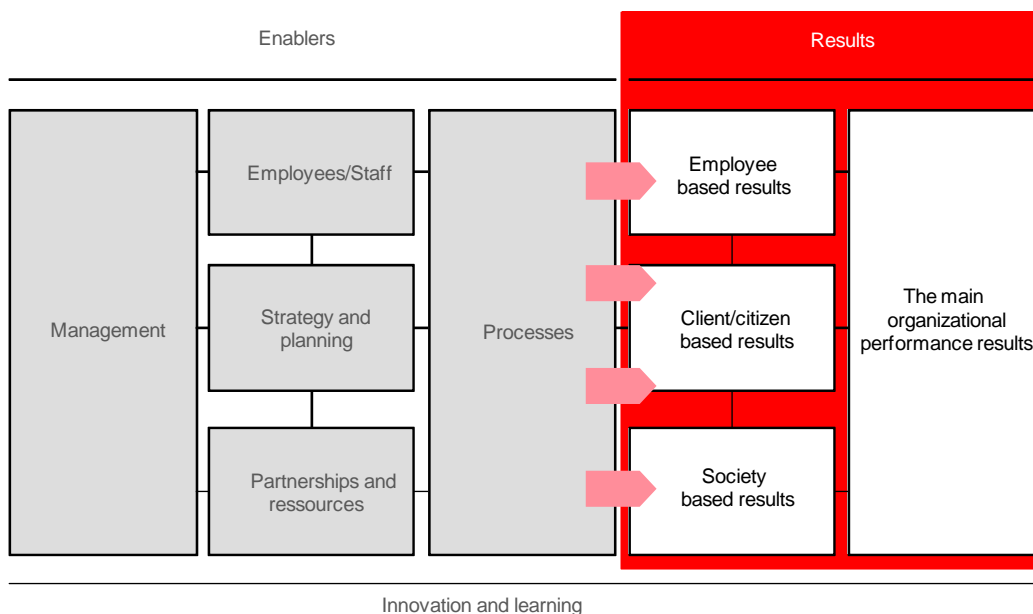
1. Overall approach to performance management

1.1. Are there any guiding principles that define and underpin the overall approach to performance management? If so, what are they?

Three guidelines are the basis for BA management in general which are also valid for performance management:



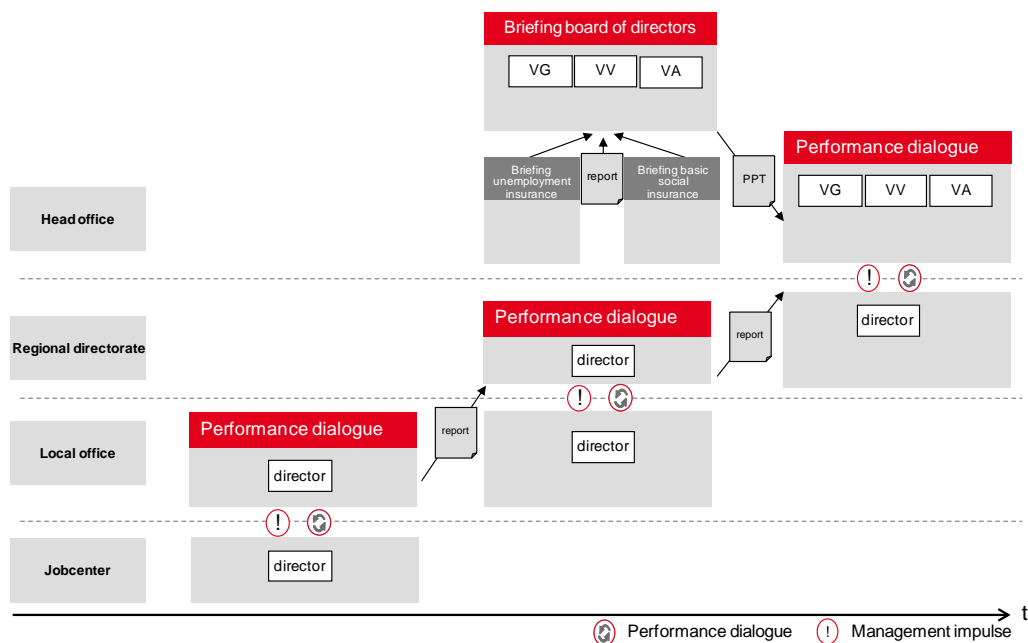
Moreover, performance management follows a holistic approach which includes not only the results but also the prerequisites for achieving them. This framework is inspired by the CAF-model and shown below:



1.2. Which structures or individuals have overall responsibility for performance management in the PES?

The main platform for performance management at the BA are performance dialogues which are effectuated quarterly over all hierarchy levels, that is:

- 1) between the board of directors of the head office and the ten regional directors
- 2) between the ten regional directors and respectively the local directors of the 156 local agencies.



The whole process is being prepared and accompanied by the central, regional and local controlling departments. Their responsibility lies in writing the reports, preparing the presentations, conducting the briefings and in moderating the dialogues.

1.3. Does the PES use a quality management model to assist in managing and improving performance?

Type of model	Used? Yes / no Give details if requested
ISO9000	Yes, in the area of customer satisfaction.
Balanced Scorecard	No.
EFQM	No.
CAF	Yes, as a pilot on the level of local agencies and as a "thought framework" for the performance dialogues.
Other (please specify)	
None	

2. Goals and target-setting

2.1. What systems are in place to define and agree the goals, performance indicators and (quantifiable) targets?

Particular information concerning the area of unemployment insurance

The planning process (including its thematic orientation) starts with the adoption of the business policy targets by the BA's Board of Governors.

This information on the strategic and business policy targets for the coming (calendar) year is then made available by Head Office to all employees by the publication of the Board of Director's annual report. The process is then divided into the financial planning (budget) and outcome planning (key performance indicators) phases.

Budget planning ensues at the agency level via a bottom-up process – involving knowledge of the local requirements for (amongst other things) labour market instruments and the maximum possible outcome attainable. For the outcome planning Head Office specifies top-down orientation figures. These results form the requirement for the agencies to always base themselves on the agency with the best results in their comparison types (clusters) via a type of benchmarking. Head Office will, however, only provide the orientation corridors down to the level of the regional districts in the form of a computational aggregate. Each regional directorate will decide on their own (decentral responsibility) on the appropriate contribution to results from the agencies in its area of jurisdiction.

Generally, each regional directorate will formulate what it expects from its agencies, taking the development in its regional labour market (using the Labour Market Monitor) as well as the process qualities of the individual agencies more strongly into account. A proposal will be drawn up in each agency and submitted to the regional directorate, where it will be checked for plausibility, evaluated and (as a follow-up) subsequently sent to Head Office as an aggregated proposal. If a regional directorate proposal should contain any amendments to the central orientation, the reasons for this will be discussed in planning dialogues between the regional directorate concerned and Head Office for the purpose of bringing about a consensus. If these planning discussions do not result in an agreement, then guidelines stipulated by the Board of Directors will be applied.

Following this, the target agreements will be acted upon by the relevant levels of management – Head Office and regional directorates, regional directorate and agencies as well as within the agencies down to team level (the lowest level in an agency).

Particular information concerning the area of basic social security

The planning process in the area of basic social security also begins with the despatch of the German Social Code (Second Book) planning documentation and central orientation figures. Proceeding this, however, is a procedural and textual coordination process with the Federal Ministry for Employment and Social Security (German abbreviation BMAS) as well as with the communal authorities. The planning document is released by the BMAS.

The planning document includes the framework conditions, target system, the starting dates of the measures, the budget as well as deadlines with a process description.

Accompanying the operative start of the planning, individual orientation figures are calculated for all levels (Head Office, regional directorates and job centers), that take

into account the macroeconomic framework conditions with the financial development for the whole of Germany as well as individual performance improvements within the comparison groups of the local authorities. Following the job centers' submission of the proposals, it is possible to check the individual proposal figures for plausibility on the basis of target figures specific regression analyses, and if required renegotiate them.

The planning process in the area of basic social security ends with a target agreement between the BMAS and the BA.

How often are the goals, performance indicators and (quantifiable) targets set?

Frequency that goals, performance indicators and (quantifiable) targets are set?	Yes/No and give details if requested
6 months	No.
Annual	Yes. => key performance indicators
Multi-annual (please specify)	Yes. => input planning
Specific points in time/circumstances that trigger a review/adjustment (please specify)	Yes. Under the circumstance of an economic crisis, targets may be readjusted. This happened in 2009.
Other (please specify)	./.

Who is involved in defining and agreeing the goals, performance indicators and (quantifiable) targets?

Who is involved in defining and agreeing the goals, performance indicators and (quantifiable) targets?	Involved? Yes/No and give details if requested
PES senior management	Yes.
Ministry of Labour (Social Affairs, Economy ...)	Unemployment Insurance (financed by insurance contributions): No. Basic social security (financed by taxes): Yes.
Other policymakers (please specify level and type of policymaker)	No.
Social partners	No.
Other stakeholders (please specify who)	Unemployment Insurance: Board of Governors.
Other PES staff (please specify who)	Department of Controlling, Department of Programs

2.2. What systems are in place to review and adjust the goals, performance indicators and (quantifiable) targets?

A planning software called TN-Planning is used for the yearly planning process as well as multi-annual adjustment. It allows an aggregation of all organizational levels: From local agencies to regional directorates to national level.

However, during the multi-annual planning process the targets for the key performance indicators remain fixed. It is only possible to adjust the investments and the input mix of active labor market instruments.

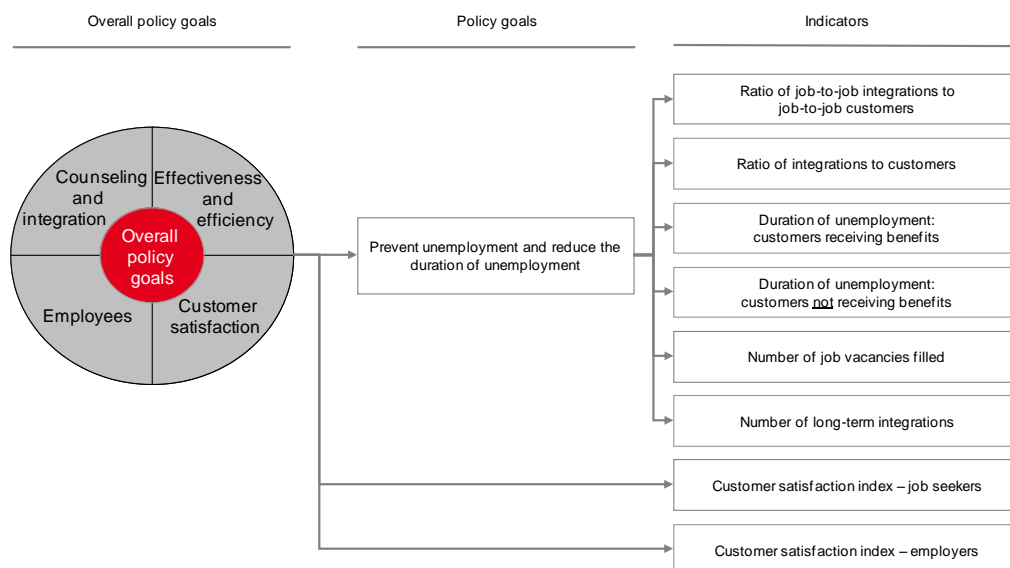
How often are the goals, performance indicators and (quantifiable) targets reviewed and adjusted?

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2.3. What are the main goals and performance indicators for the PES?



What is the main rationale behind these goals and performance indicators?

- Prevent unemployment: best case for customers and avoids the payment of benefits
- If unemployed, the focus is on rapid integration; the unemployed person keeps relatively close to the labour market, also beneficial in avoiding longer payments of benefits.

2.4. Is there any rationale behind the number of indicators set, and if so, what?

Generally, the approach is to keep it simple. A smaller number of key performance indicators reduces complexity and clarifies the strategy of the organization.

2.5. Are the indicators common to all the PES structures and levels (national, regional and local) or is there some degree of tailoring?

The indicators are tailored. The target system of key performance indicators shown above represents the targets of a local agency, that is the local director. Within an agency there exist more targets (e.g. minimum standards for proceeding applications).

2.6. Based on your experience, what are the main challenges faced in ensuring effective target-setting?

Getting the right mix of recognizing external factors (e.g. economic situation) on the one hand and identifying potentials to increase performance on the other hand.

2.7. Based on your experience, what works best in ensuring effective target-setting?

A top down / bottom up process because it allows an adjustment of the central target expectations and thereby ensures acceptance and commitment. However, it is important not to lose too much ambition in the process.

3. Performance measurement

3.1. What are the main systems and tools in place to collect data and measure performance according to the agreed indicators?

Three systems:

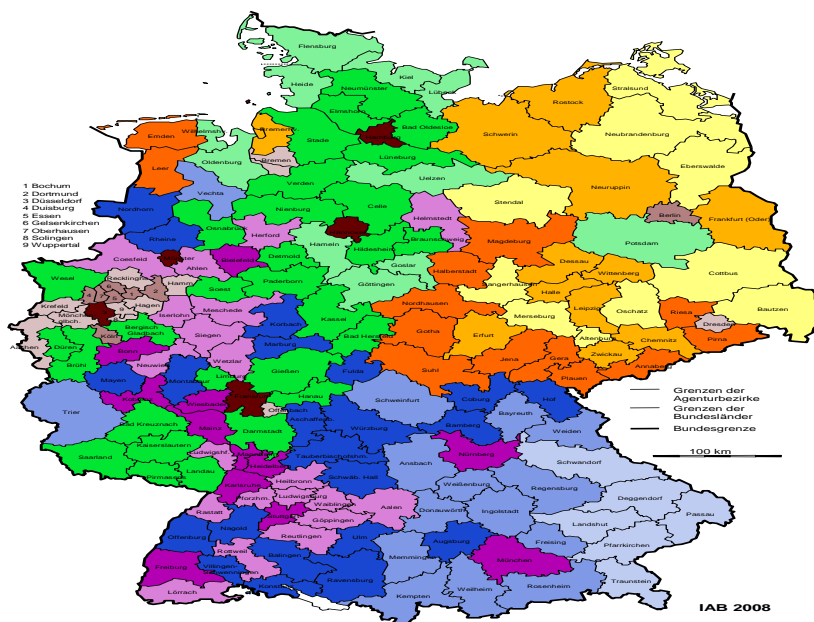
- **Planning software:** A software called TN-Planning collects the data during the top down / bottom up planning process.
- **Data warehouse:** At the end of the planning process, the planning data is transferred to a data warehouse which also contains the actual numbers. The DWH can be used for deep analysis for the performance management process. Main target group: controllers.
- **Management Information System:** Is used for performance mgt. Contains large excerpts from the DWH, although with fewer options of combining and analyzing data. Unlike the data warehouse the MIS provides a lot of graphic visualizations. Main target group: Managers and controllers.

Do you use a data warehouse? Which types of data are collected regularly and for which purposes?

Yes. The DWH contains actual and planning data for all key performance indicators as well as a much larger set of analysis indicators.

3.2. How do the performance measurement systems compare the results of different PES offices to be used for benchmarking?

There are different clusters for the labor market and the market for vocational training. See example for labor market clusters below:



3.3. Please describe one of the most effective systems or tools for collecting data and measuring performance in greater detail.

- **Data warehouse:** The DWH can be used for deep analysis for the performance mgt process. Main target group: controllers.
- **Management Information System:** Contains large excerpts from the DWH, although with fewer options of combining and analyzing data. Unlike the data warehouse the MIS provides a lot of graphic visualizations. Main target group: Managers and controllers.

A combination of both tools provides a good basis for deep analysis.

3.4. Based on your experience, what are the main challenges in collecting data and measuring performance?

In general, there is a high data quality due to automated collection from the primary programs used for counseling and job placement. The main challenge lies in preventing behavior that positively influences the indicators (in a purely quantitative sense) but does not provide the best result for the customer. This is why good leadership is always a prerequisite.

3.5. Based on your experience, what works best in ensuring effective performance measurement?

Not only knowing the numbers but also the local reality. Continuous exchange with the regional and local controlling units is a prerequisite for a correct interpretation of the results.

4. Performance management, continuous improvement and learning

Part 1: Performance management, continuous improvement and learning within PES

4.1. How are the goals, performance indicators and targets communicated to wider PES staff?

The information on the strategic and business policy targets for the coming (calendar) year is made available by Head Office to all employees by the publication of the Board of Director's annual report (letter to all employees).

4.2. What systems and tools are in place to use the results for the continuous improvement and learning of the PES?

Benchmarking within clusters, identification of best practices.

4.3. Please describe what works best in giving concrete impulses for the continuous improvement and learning of the PES at all levels.

The regional directorates play an important role in stipulating and stimulating the exchange of best practices between their agencies. The idea of giving soon-to-be-unemployed-customers a direct access to a counselor is an example of a good practice which was spread to many agencies since it improved the success in preventing unemployment.

4.4. Based on your experience, what works best in ensuring continuous learning and improvement within PES?

A culture of open communication and tolerance of mistakes.

4.5 Based on your experience, what are the main challenges in linking performance measurement to continuous improvement and learning within PES?

Concrete quantification of cause and effect.

Part 2: PES business case: using information from performance management in the dialogue with policymakers and social partners

4.6. How is the wider knowledge of successful (and less successful) employment policies and measures collected?

Above all: The BA's own institute for labor market research (IAB - Institut für Arbeitsmarkt- und Berufsforschung). Moreover, Internal and external evaluation, exchange with ministry, international exchange etc.

4.7. How is the wider knowledge of successful (and less successful) employment policies and measures shared with others?

The IAB regularly publishes its research results.

4.8. How are the goals, performance indicators and targets communicated to other stakeholders (social partners, ministries) if these are not involved in the process?

Annual report.

4.9. How are the results from PES performance management (in terms of what works best, ideas for continuous improvement) shared with others (policymakers, social partners)?

Annual report.

4.10. Based upon your experience what are the main challenges and what works best in ensuring the dialogue of PES with other stakeholders about results from performance management?

Performance management is primarily an internal instrument for improving performance. Its key performance indicators are usually not self explanatory to a broader public and may be misinterpreted. A good communication and a wise selection of what to publish is essential.

5. Conclusions and questions

5.1. What lessons have you drawn from your experience in performance management?

- Effective performance management needs a holistic approach. You need to look at results as well as at enablers.
- Different labor market situations need individual management solutions. There are no "generic antibiotics".
- Actions need to be concrete and quantified.

5.2. What are key issues for the way forward in your organisation in relation to performance management?

- An even stronger integrated analysis of inputs and results (in performance management but also planning)
- Higher flexibility in budgeting to allow more managerial freedom

5.3. In the Peer Review discussions, on which of the following topics would you most like to focus and what would you most like to learn from others?

Topics	Importance of the topic (scale: 1 very unimportant, 5 = very important)	What would you most like to learn from others in the topic(s) you are most interested in? (maximum three bullet points)
Overall approach to performance management	3	Do you include strategic elements? Does the personal performance of the manager play a role (for performance evaluation)? Up to which level of detail does a regional manager have to know the problems of his local agencies?
Goals and target-setting	5	How do you ensure the ambition of targets? Which factors do you include in target setting? (personnel, economic factors, last year's performance, ...?)
Performance measurement	4	Which are the areas of performance measurement (only quantitative or also qualitative)? How do you separate internally and externally generated performance? (e.g. windfall effects, economic factors).
Performance management, continuous improvement and learning	5	How do you ensure that a performance dialogue results in concrete actions and how do you track them? What is the degree of managerial freedom in local agencies? Which are the consequences for repeatedly missing the targets (sanctions)?